



# Relative Value Report 7/02/2020

Relative Value Report 7/2/2020

**Due to the July 4<sup>th</sup> holiday, this week's report uses data through Wednesday's closes instead of Thursday. Starting next week we resume the regular schedule.**

The Relative Value Report provides guidance on which sectors, indexes, and bond classes are likely to outperform or underperform its appropriate benchmark.

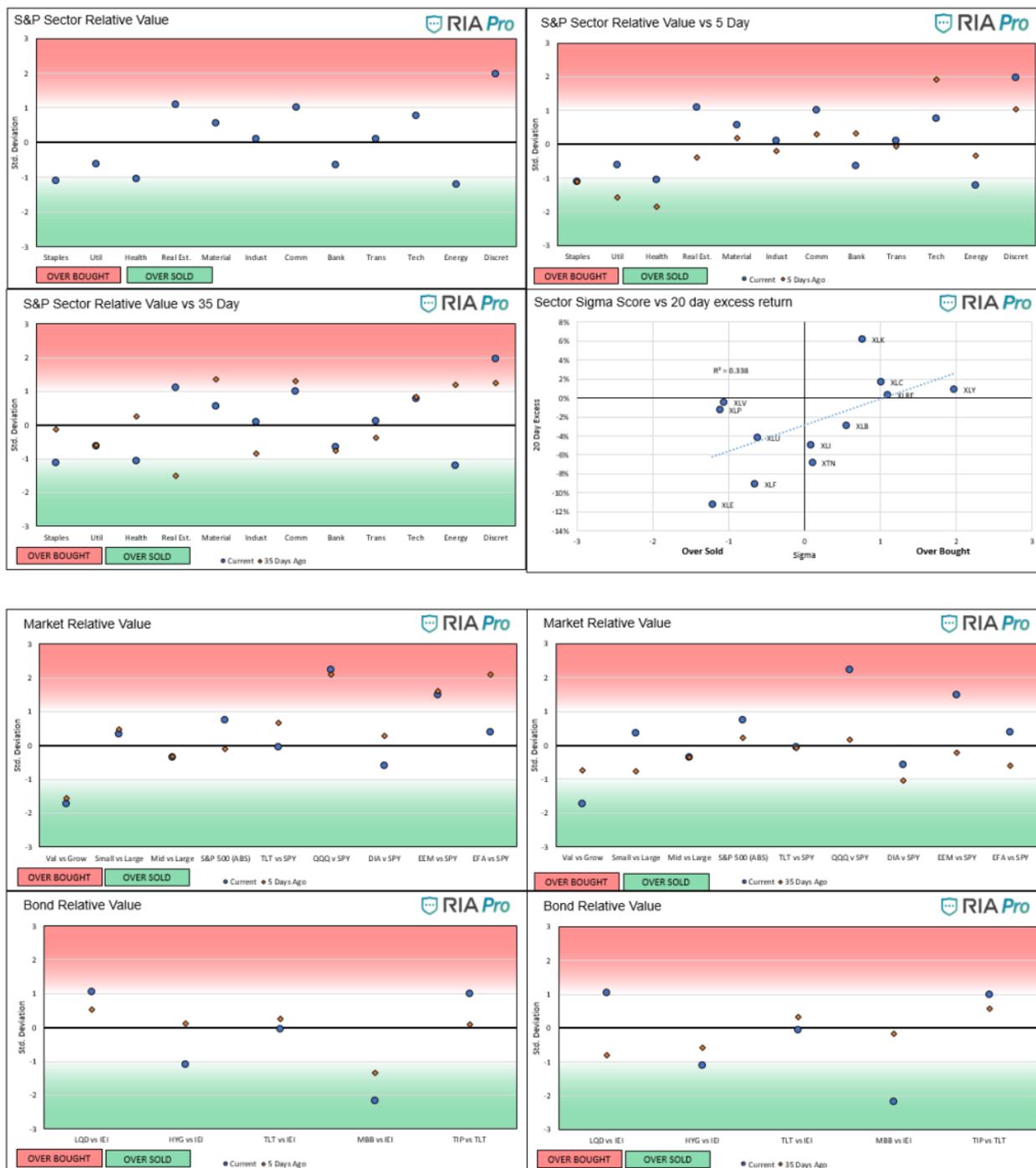
Click on the [Users Guide](#) for details on the model's relative value calculations as well as guidance on how to read the graphs.

*This report is just one of many tools that we use to assess our holdings and decide on potential trades. Just because this report may send a strong buy or sell signal, we may not take any action if it is not affirmed in the other research and models we use.*

## Commentary

- Health care, Real Estate, and Utilities, representing more conservative sectors, improved over the week. Staples, the other conservative sector, did not follow. Real Estate is now the second most overbought sector, albeit not too overbought.
- Energy has been underperforming the market, and it shows in this analysis as it is now the most oversold sector. It is not too oversold at -1.21 standard deviations, so we caution that it may become more oversold before improvement.
- Discretionary is getting deeper into overbought territory. We are not overly surprised as high-flying AMZN is 24% of the ETF.
- Very little changed in the relative market analysis. The Dow Jones Industrial Average weekend versus the S&P, while the NASDAQ outperformed.
- Value versus Growth remains the only oversold market sector.
- Foreign Developed markets have cheapened back to fair value, but emerging markets remain decently overbought.
- Mortgages became more oversold over the last week. As we noted last week, this is occurring despite the Fed's large QE efforts.
- The R-squared on the sigma/20 day excess return (Sectors) scatter plot is weak at .34. The low correlation is likely the result of quick trading in and out of sectors. Typically rotations tend to last longer. With the R-squared this low, we urge caution overly relying on this week's analysis.

**Graphs (Click on the graphs to expand)**



The ETFs used in the model are as follows:

- Staples XLP
- Utilities XLU
- Health Care XLV
- Real Estate XLRE
- Materials XLB
- Industrials XLI
- Communications XLC
- Banking XLF
- Transportation XTN
- Energy XLE
- Discretionary XLY
- S&P 500 SPY
- Value IVE

- Growth IVW
- Small Cap SLY
- Mid Cap MDY
- NASDAQ QQQ
- Dow Jones DIA
- Emerg. Markets EEM
- Foreign Markets EFA
- IG Corp Bonds LQD
- High Yield Bonds HYG
- Long Tsy Bonds TLT
- Med Term Tsy IEI
- Mortgages MBB
- Inflation TIP