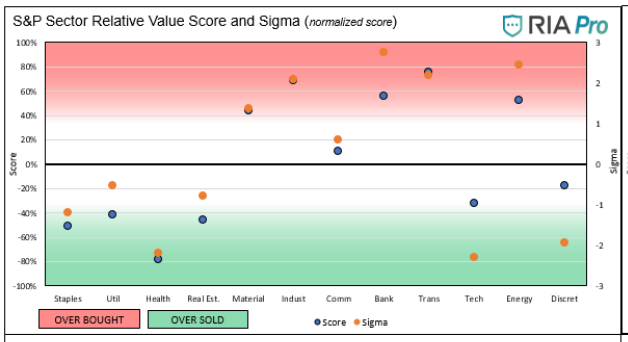
Technical Value Scorecard Report For The Week of 11-27-20

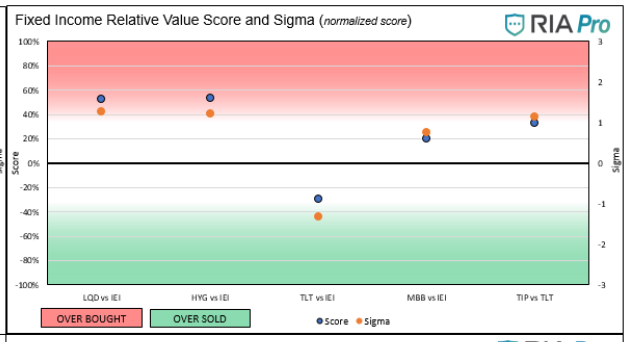
The Technical Value Scorecard Report uses 6-technical readings to score and gauge which sectors, factors, indexes, and bond classes are overbought or oversold. We present the data on a relative basis (versus the assets benchmark) and on an absolute stand-alone basis. You can find more detail on the model and the specific tickers below the charts.

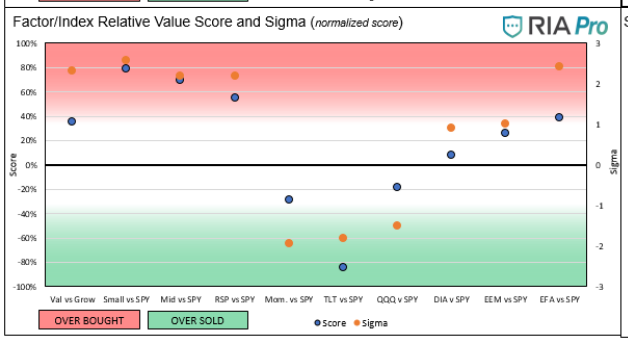
Commentary 11-27-20

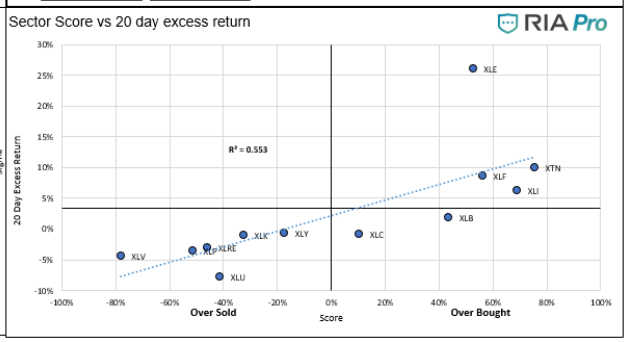
- As we seem to regularly note in the Daily Commentary, Portfolio Trading Diary, and other articles, the market is grossly overbought using many technical measures. To highlight the state of the market, we start with the spaghetti graphs. Note, every sector has positive momentum and in four of the charts it is so high that it is literally off the charts. The combined graph with all of the sectors, underneath the individual spaghetti graphs, shows how extreme momentum is for XLE, XTN, XLI, and XLF. Prior to the past two weeks, 15% momentum (y-axis) had not been breached.
- The Relative Analysis graphs show the market's "haves" and the "have nots". The reflation sectors, those aforementioned sectors with strong momentum, are well overbought. Staples, Utilities, Health Care, Real estate, Technology, and Discretionary are oversold on a relative basis versus the S&P 500. Health Care is the most grossly oversold on a relative basis. If you are looking to reduce risk while maintaining overall exposure, you might consider swapping from the reflation sectors to one of the sectors that are relatively oversold.
- The relative analysis is similar when looking at factors and indexes. Value, Small Cap, Mid Cap, and Developed Foreign markets (EFA) (reflationary in nature) are grossly overbought, while Momentum (MTUM), and Technology (QQQ) lag on a relative basis.
- On an absolute basis, every sector and factor/Index is overbought. At times, over the past week, some score and sigma readings were both above 80%, signaling extreme levels.
- Prior to Thanksgiving, the score (lower right graph) on the S&P 500 was at the highest level for the COVID rally. It fell back with Wednesday's decline, but still remains very high.

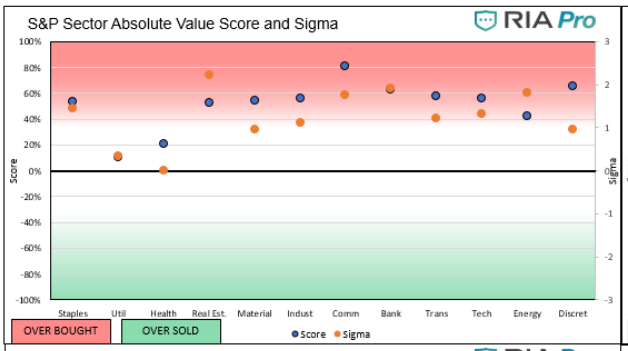
Graphs (Click on the graphs to expand)

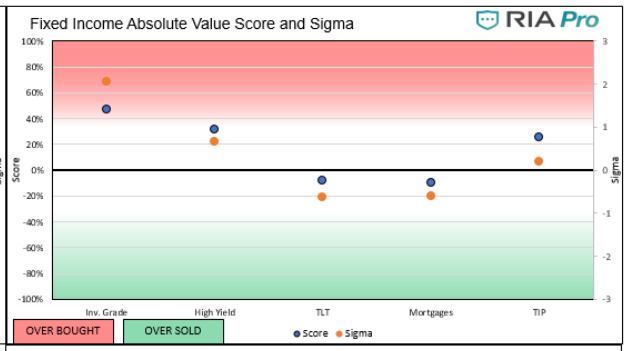

S&P Sector Relative Value Score and Sigma (normalized score)
RIA Pro
Staples Util Health Real Est. Material Indust Comm Bank Trans Tech Energy Discret
OVER BOUGHT
OVER SOLD
Score Sigma

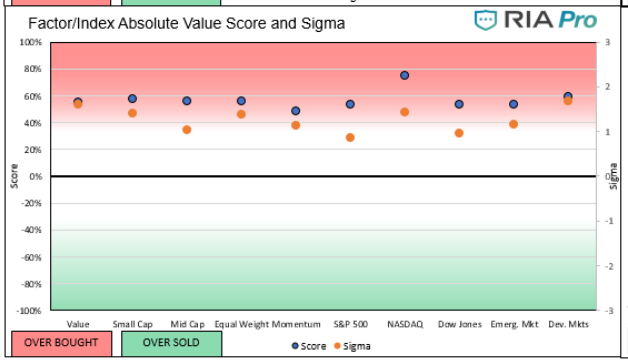

Fixed Income Relative Value Score and Sigma (normalized score)
RIA Pro
LQD vs IEI HYG vs IEI TLT vs IEI MBB vs IEI TIP vs TLT
OVER BOUGHT
OVER SOLD
Score Sigma

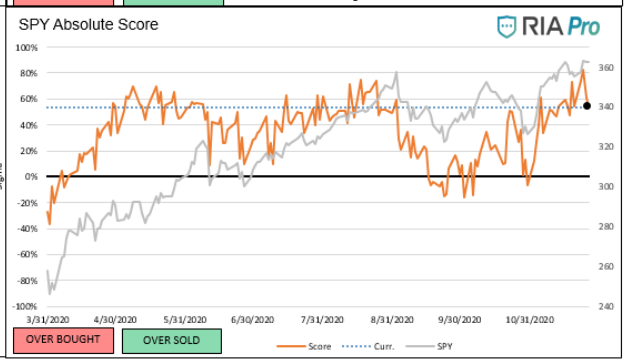

Factor/Index Relative Value Score and Sigma (normalized score)
RIA Pro
Val vs Grow Small vs SPY Mid vs SPY RSP vs SPY Mom. vs SPY TLT vs SPY QQQ v SPY DIA v SPY EEM vs SPY EFA vs SPY
OVER BOUGHT
OVER SOLD
Score Sigma

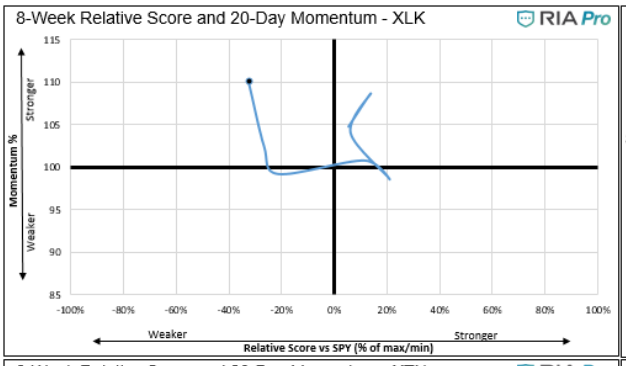

Sector Score vs 20 day excess return
RIA Pro
R² = 0.553
20 Day Excess Return
Score
Over Sold
Over Bought
XLE XTN XLF XLI XLB XLC XLY XLK XLP XLRE XLV XLU

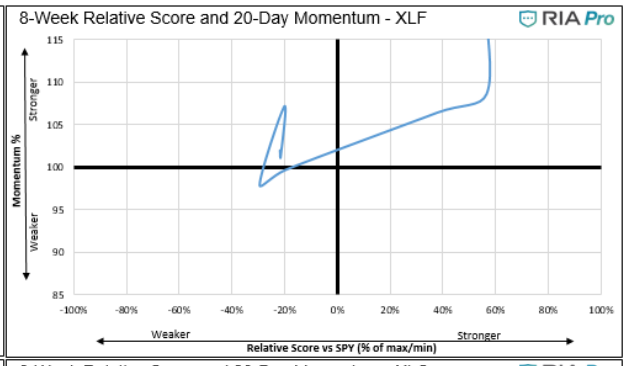

S&P Sector Absolute Value Score and Sigma
RIA Pro
Staples Util Health Real Est. Material Indust Comm Bank Trans Tech Energy Discret
OVER BOUGHT
OVER SOLD
Score Sigma

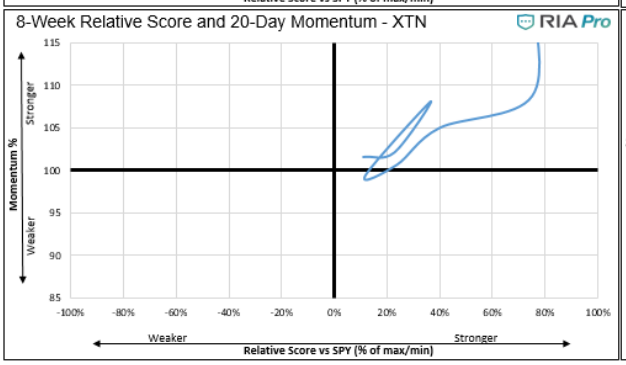

Fixed Income Absolute Value Score and Sigma
RIA Pro
Inv. Grade High Yield TLT Mortgages TIP
OVER BOUGHT
OVER SOLD
Score Sigma

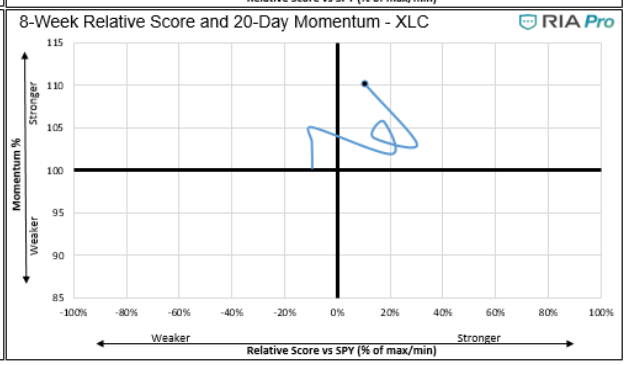

Factor/Index Absolute Value Score and Sigma
RIA Pro
Value Small Cap Mid Cap Equal Weight Momentum S&P 500 NASDAQ Dow Jones Emerg. Mkt Dev. Mkts
OVER BOUGHT
OVER SOLD
Score Sigma

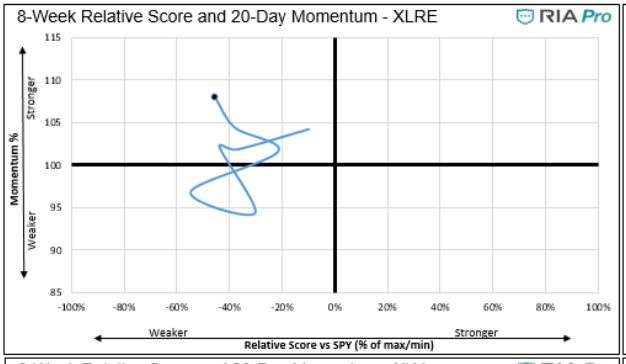

SPY Absolute Score
RIA Pro
3/31/2020 4/30/2020 5/31/2020 6/30/2020 7/31/2020 8/31/2020 9/30/2020 10/31/2020
OVER BOUGHT
OVER SOLD
Score Curr. SPY

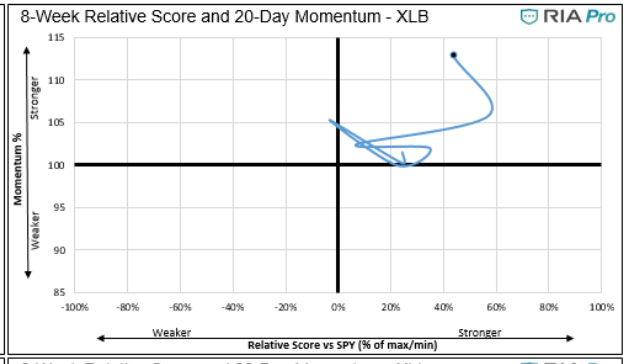

8-Week Relative Score and 20-Day Momentum - XLK
RIA Pro
Momentum %
Stronger
Weaker
115
110
105
100
95
90
85
-100% -80% -60% -40% -20% 0% 20% 40% 60% 80% 100%
Weaker
Stronger
Relative Score vs SPY (% of max/min)

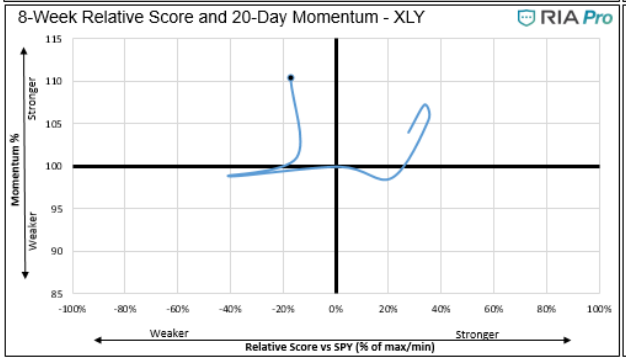

8-Week Relative Score and 20-Day Momentum - XLF
RIA Pro
Momentum %
Stronger
Weaker
115
110
105
100
95
90
85
-100% -80% -60% -40% -20% 0% 20% 40% 60% 80% 100%
Weaker
Stronger
Relative Score vs SPY (% of max/min)

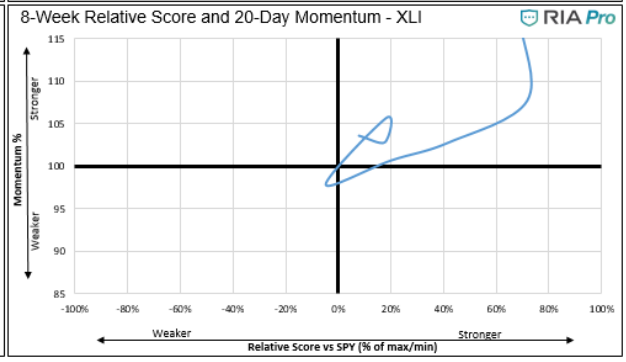

8-Week Relative Score and 20-Day Momentum - XTN
RIA Pro
Momentum %
Stronger
Weaker
115
110
105
100
95
90
85
-100% -80% -60% -40% -20% 0% 20% 40% 60% 80% 100%
Weaker
Stronger
Relative Score vs SPY (% of max/min)

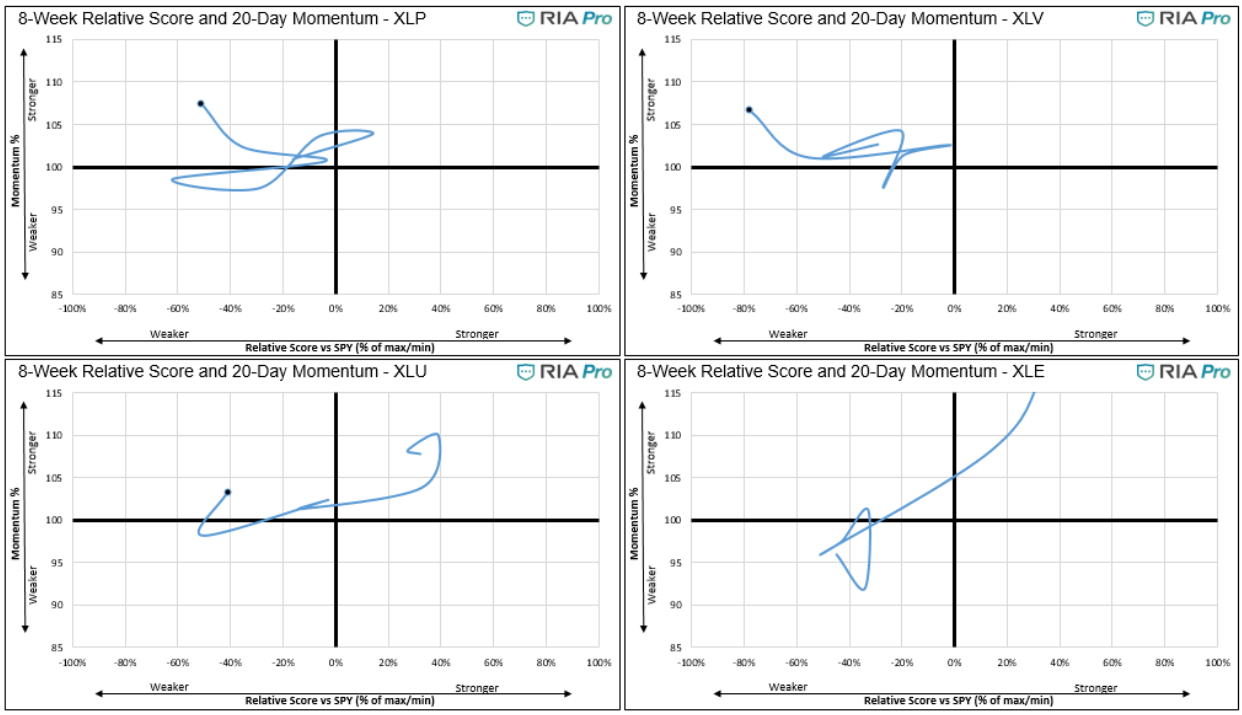

8-Week Relative Score and 20-Day Momentum - XLC
RIA Pro
Momentum %
Stronger
Weaker
115
110
105
100
95
90
85
-100% -80% -60% -40% -20% 0% 20% 40% 60% 80% 100%
Weaker
Stronger
Relative Score vs SPY (% of max/min)

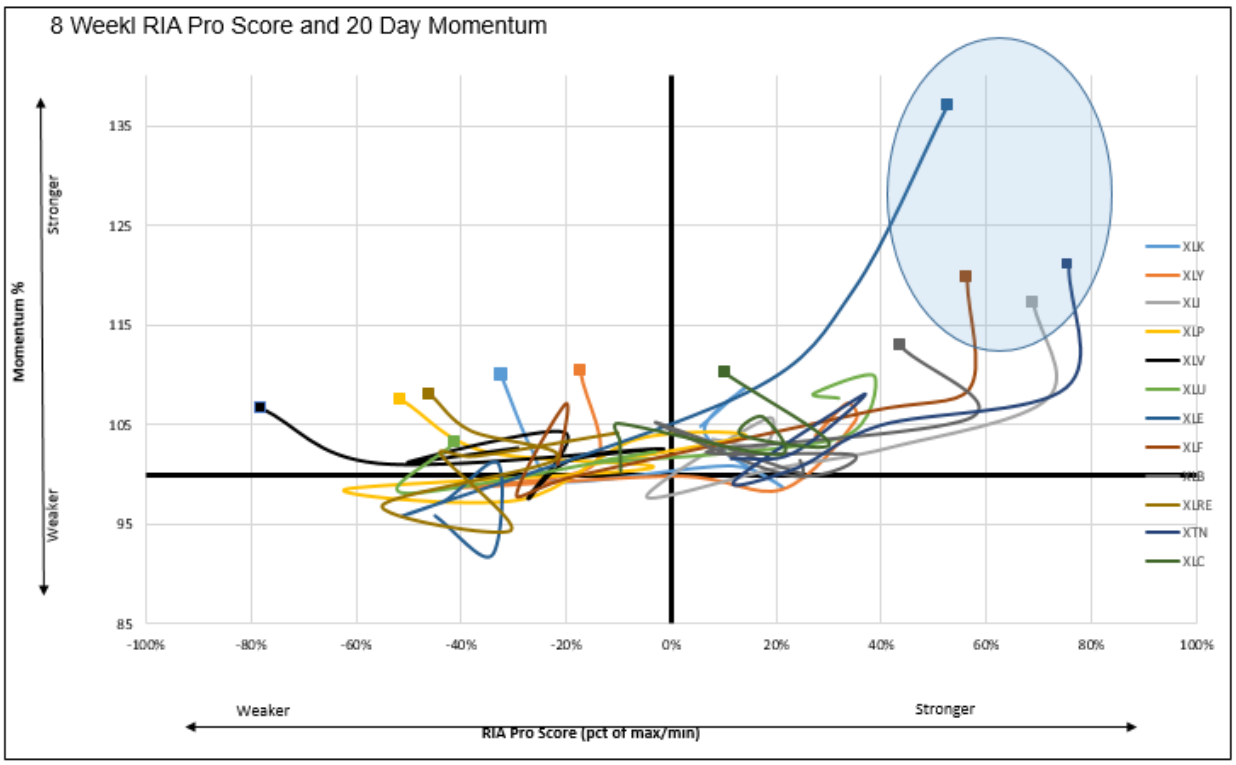

8-Week Relative Score and 20-Day Momentum - XLRE
RIA Pro
Momentum %
Stronger
Weaker
115
110
105
100
95
90
85
-100% -80% -60% -40% -20% 0% 20% 40% 60% 80% 100%
Weaker
Stronger
Relative Score vs SPY (% of max/min)


8-Week Relative Score and 20-Day Momentum - XLB
RIA Pro
Momentum %
Stronger
Weaker
115
110
105
100
95
90
85
-100% -80% -60% -40% -20% 0% 20% 40% 60% 80% 100%
Weaker
Stronger
Relative Score vs SPY (% of max/min)


8-Week Relative Score and 20-Day Momentum - XLY
RIA Pro
Momentum %
Stronger
Weaker
115
110
105
100
95
90
85
-100% -80% -60% -40% -20% 0% 20% 40% 60% 80% 100%
Weaker
Stronger
Relative Score vs SPY (% of max/min)


8-Week Relative Score and 20-Day Momentum - XLI
RIA Pro
Momentum %
Stronger
Weaker
115
110
105
100
95
90
85
-100% -80% -60% -40% -20% 0% 20% 40% 60% 80% 100%
Weaker
Stronger
Relative Score vs SPY (% of max/min)





Users Guide

The score is a percentage of the maximum/minimum score, as well as on a normalized basis *(sigma)* for the last 200 trading days. Assets with scores over or under +/-60% and sigmas over or under +/-2 are likely to either consolidate or change trend. When both the score and sigma are above or below those key levels simultaneously, the signal is stronger.

The first set of four graphs below are relative value-based, meaning the technical analysis score and sigma is based on the ratio of the asset to its benchmark. The second set of graphs is

computed solely on the price of the asset. Lastly, we present "Sector spaghetti graphs" which compare momentum and our score over time to provide further current and historical indications of strength or weakness. The square at the end of each squiggle is the current reading. The top right corner is the most bullish, while the bottom left corner the most bearish.

The technical value scorecard report is just one of many tools that we use to assess our holdings and decide on potential trades. This report may send a strong buy or sell signal, but we may not take any action if other research and models do not affirm it.

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
- Momentum MTUM
- Equal Weighted S&P 500 RSP
- 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