

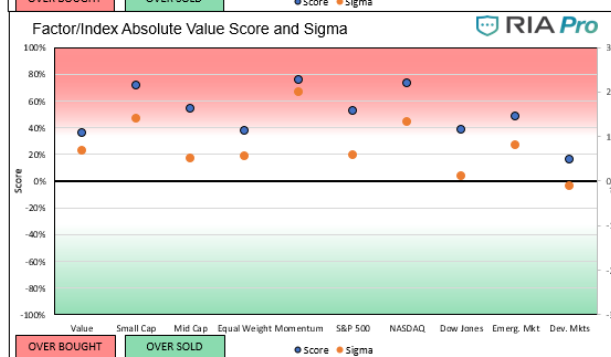
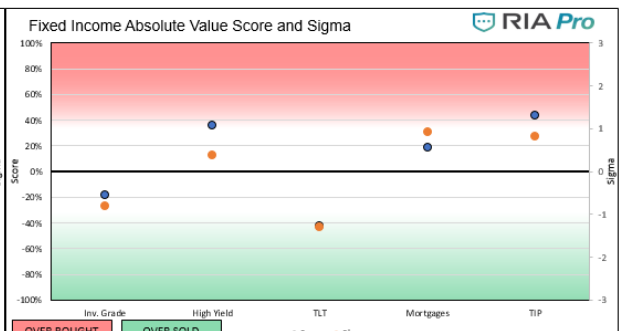
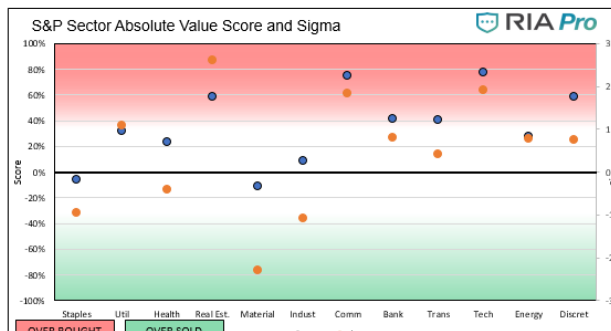
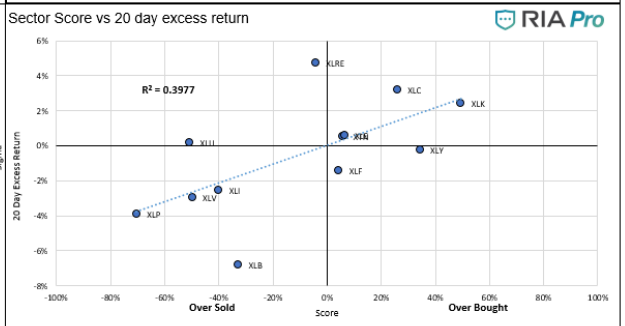
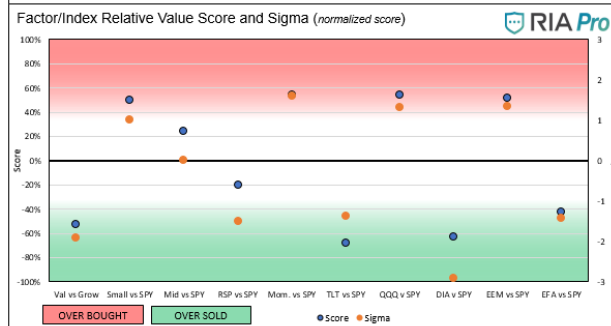
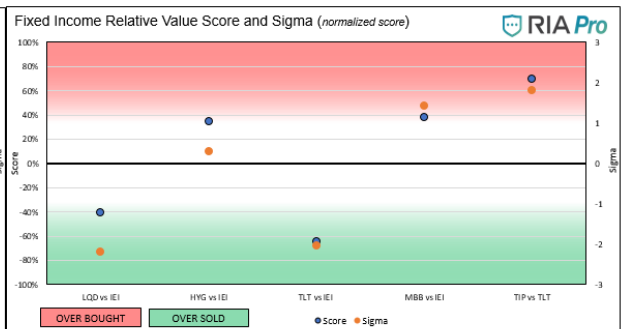
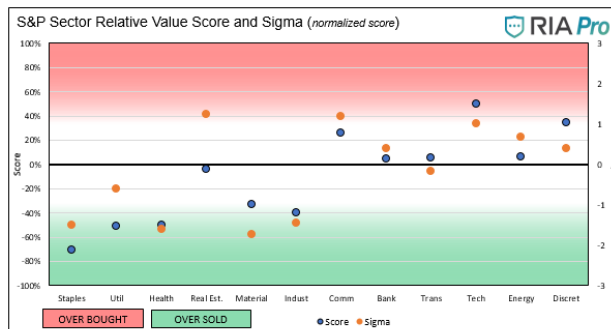
# Technical Value Scorecard Report For The Week of 2-05-21

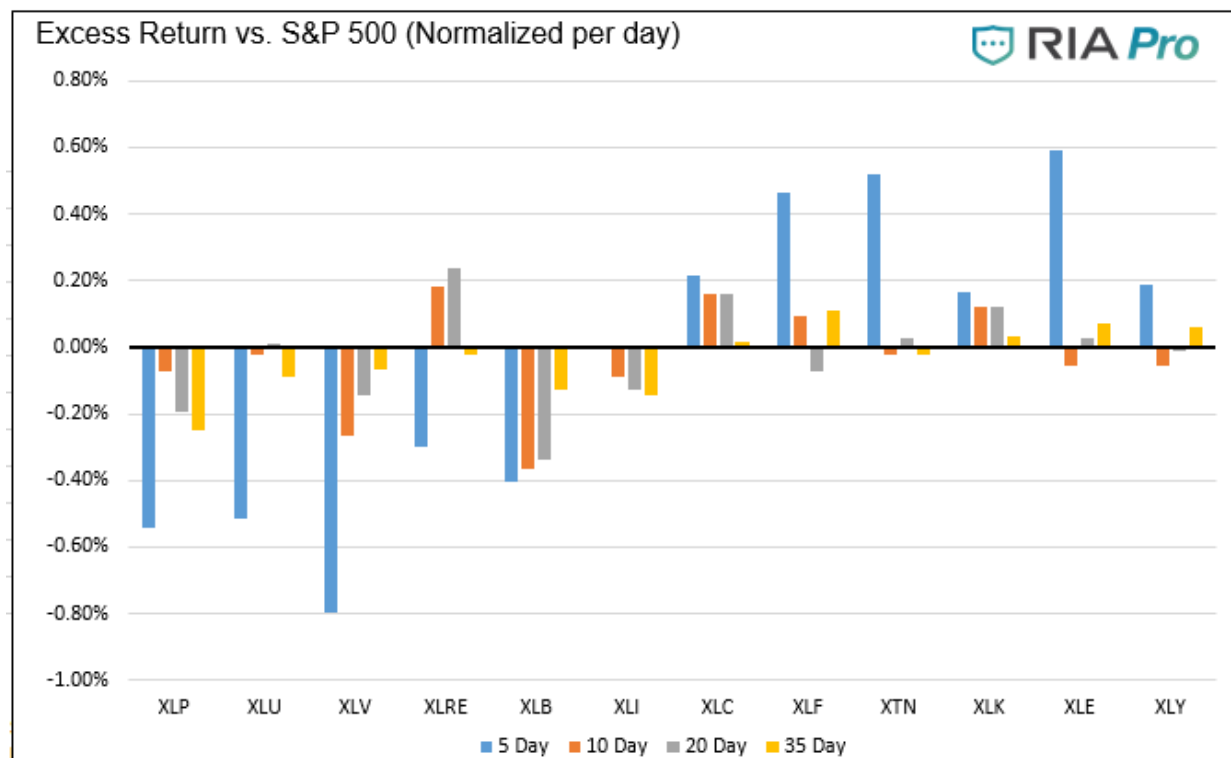
**The Technical Value Scorecard Report** uses 6-technical readings to score and gauge which sectors, factors, indexes, and bond classes are overbought or oversold. We present the data on a relative basis (versus the assets benchmark) and on an absolute stand-alone basis. You can find more detail on the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

## Commentary 2-05-21

- We start with the Sector graphs and in particular, the scatter plot (bottom right- Sector graphs) comparing each sector score to the sector's 20-day excess returns versus the S&P. The r-squared is very low at .3977, meaning that scores did a poor job of representing changes in prices. Interestingly, the statistic was high last week. This confirms what we have witnessed, in that correlations between sectors are weaker than normal. Quick sector rotation is becoming noticeable on a seemingly daily basis.
- The bar charts at the bottom show each sector's respective daily average performance versus the S&P 500 over four time frames.
- The sector graphs look somewhat similar to last week. Note the Factor/Index graph shows that small caps, momentum, technology (QQQ), and emerging markets are trading well versus the S&P, while value, the Dow Jones, and foreign developed markets are weaker.
- Staples and utilities continue to trade weaker versus the S&P as implied inflation rates continue to rise.
- On the absolute set of graphs, the S&P went from nearly fairly valued last week to overbought, albeit not yet extreme.
- The top three sectors last week are sectors that benefit from inflation - XLE, XLF, and XTN. We shifted toward a more pro-inflationary portfolio over the last two weeks, adding financials and energy to the portfolio. We slightly reduced healthcare and staples.
- In both sets of charts foreign developed markets are showing decided weakness, after having been overbought for a while. This is no doubt a function of the recent dollar strength. Interestingly, emerging markets (EEM), which is more sensitive to the dollar, remains overbought. EEM benefits much more from inflation than EFA or the S&P, as a much larger percentage of the index constituents are commodity producers.

## Graphs (Click on the graphs to expand)





## 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  $\pm 60\%$  and sigmas over or under  $\pm 2$  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