



Technical Value Scorecard Report For The Week of 2-12-21

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 2-12-21

- Communications beat the S&P 500 by 7.34% over the last four weeks, which helps explain why its relative score and sigma have risen toward extremely overbought territory on the Sector graph. Discretionary continues to move lower from overbought into oversold territory as inflation becomes a growing concern for many of its component companies.
- Real estate has risen nicely, with a normalized score (sigma) that is now very overbought.
- As we have mentioned, staples and utilities have been trading weak due to inflation concerns. Interestingly, materials and industrials are now oversold versus the S&P, despite the benefits of inflation to some of the underlying companies. In the same vein, energy is now back to fair value. Energy slightly underperformed the S&P over the last four weeks.
- Small-cap and Emerging markets continue to be the most overbought indexes on a relative basis, while value versus growth, the Dow Jones Industrial Average, and developed markets the most oversold.
- Note the scatter plot shows a high r-squared denoting that relative sector performance and scores are well aligned. If you recall, the r-squared last was very weak at .39.
- On an absolute basis, most sectors and factor/indexes remain overbought, but not egregiously so. Similarly, the S&P graph in the bottom right of the second set of graphs, shows it is only moderately overbought.
- We haven't discussed bonds in a while, but it is worth mentioning higher yields are now weighing on high yield and investment-grade corporate bonds. With little ability for their spreads to compress further versus Treasuries, they are increasingly susceptible to higher Treasury yields.
- The communications sector is now trading over 2 standard deviations above its 50 and 200-day ma. Accordingly, the sector warrants caution as such levels typically signals a consolidation or retracement. SPY and QQQ are also trading at 2 standard deviations above their respective 50-day mas.

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 +/-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