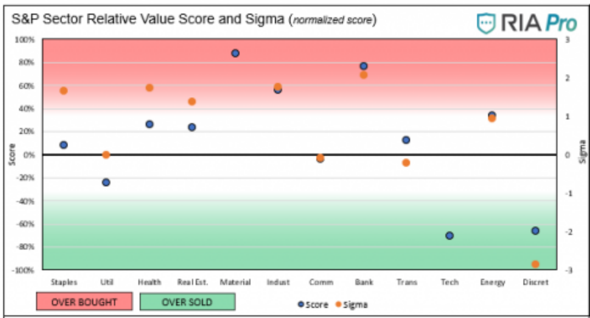
Technical Value Scorecard Report For The Week of 5-14-21

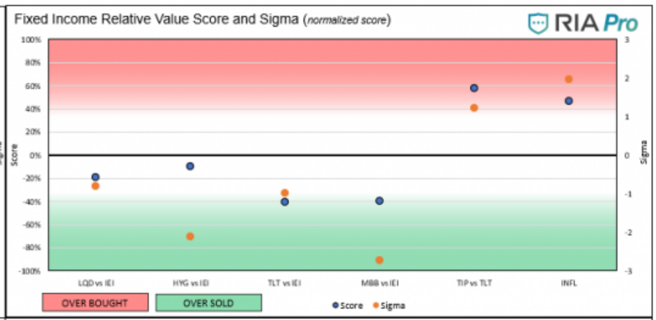
The Technical Value Scorecard Report uses 6-technical readings to score and gauge which sectors, factors, indexes, and bond classes are overbought or oversold. We present the data on a relative basis (versus the assets benchmark) and on an absolute stand-alone basis. You can find more detail on the model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

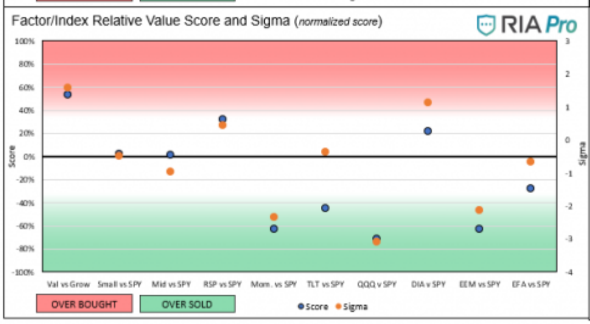
Commentary 5-14-21

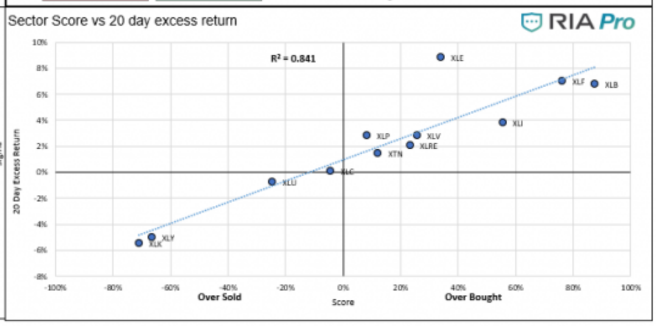
- Versus the S&P 500, materials are now grossly overbought with a standard deviation of its score (sigma) over 3. At the same time, the sigma for technology has fallen below 3. Over the last ten days, materials outperformed technology by nearly 10%. We are watching Treasury yields and inflation expectations closely for signals the trade may reverse. We added 3% of technology (QQQ) this past week as we think they are now sufficiently oversold using this analysis. Further, yields appear to be somewhat rangebound, and our proprietary money flows are extremely close to a strong buy signal. At some point, we will reduce our allocations in the inflationary sectors, but not until we are more comfortable the market's inflationary bias is changing
- Discretionary is also trading poorly on a relative basis as higher prices for necessities (staples and utilities) leave consumers with less money to spend on discretionary items. Despite a pickup in inflation expectations, staples and utilities are the top two performing sectors over the last five days.
- Following the familiar inflationary theme, value and the Dow are overbought versus the S&P, while QQQ and Momentum are the most oversold. Emerging markets, despite a strong commodity influence, are also oversold.
- The scatter plot shows the model scores and performance are highly correlated, boosting confidence in this week's model scores.
- The third chart shows the clear divergence in the relative underperformance of the technology and discretionary sectors versus the remaining sectors.
- The series of absolute scores tell a similar story as discussed above, with technology and discretionary trading poorly albeit they are not as oversold as we show on a relative basis.
- Despite declining 2% over the last five days, the S&P remains decently overbought as shown in the bottom right of the second series of graphs.
- In general, recent weakness has reduced the level of overboughtness in most sectors, factors, and indexes. That said materials and financials remain well overbought.
- The broad inflationary and higher yield theme developing over the past months outperforming is setting up for a nice rotational trade when said themes reverse. It's too early to dismiss the latest inflationary impulse but the market will soon start looking ahead to the summer months when the supply/demand imbalances in most products will begin to normalize. Timing such a transition of mindset is difficult, but the relative performance shown in this report should be helpful.

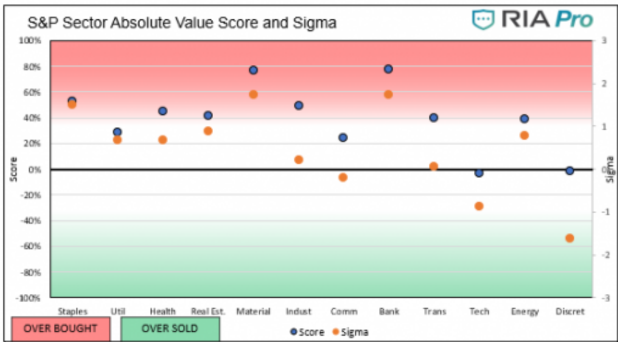
Graphs (Click on the graphs to expand)

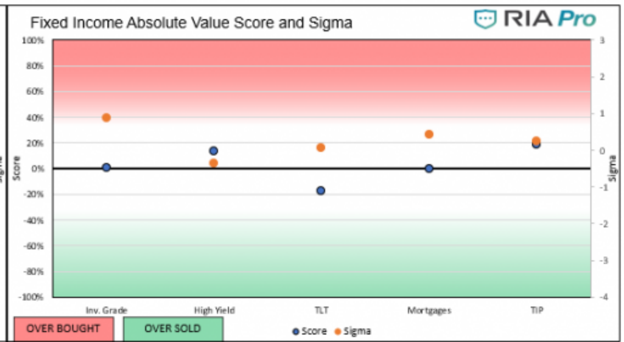


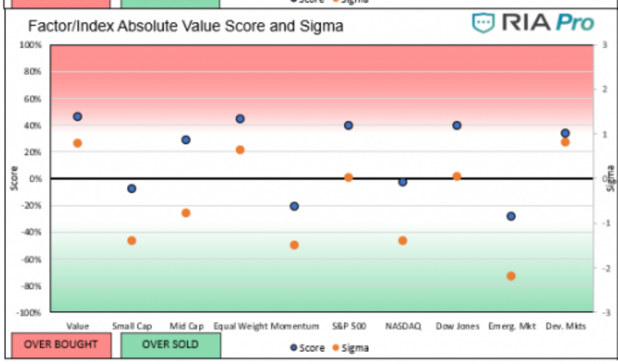


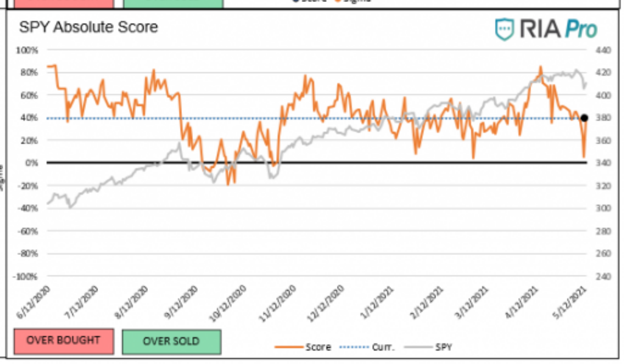


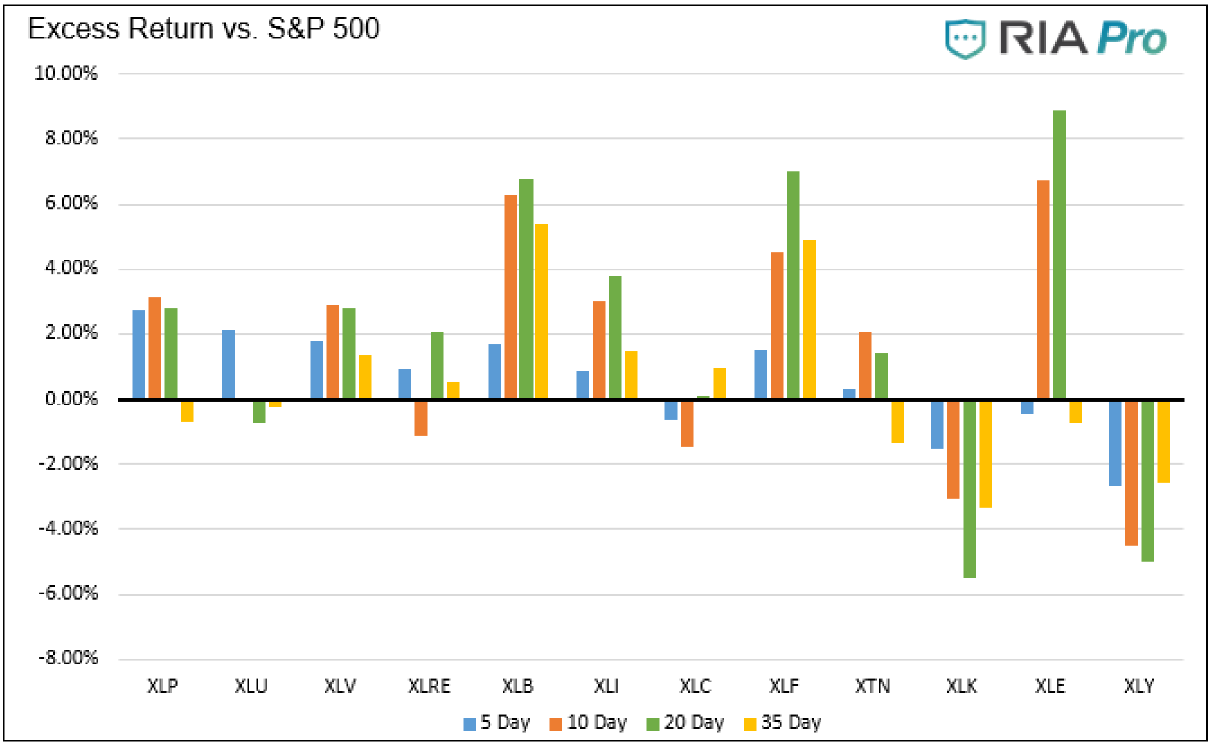












Users Guide

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 represent a ratio of the asset to its benchmark. The second set of graphs is computed solely on the price of the asset. At times 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 one of many tools we use to manage our portfolios. 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
- Inflation Index- XLB, XLE, XLF, and Value (IVE)
- Deflation Index- XLP, XLU, XLK, and Growth (IWE)