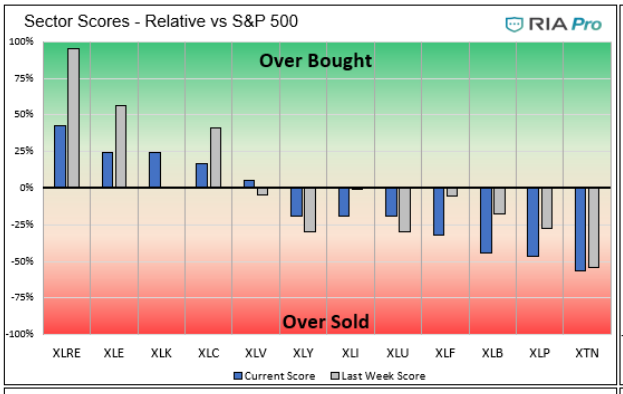
Technical Value Scorecard Report For The Week of 6-18-21

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 will find more detail on the model and the specific tickers below the charts.

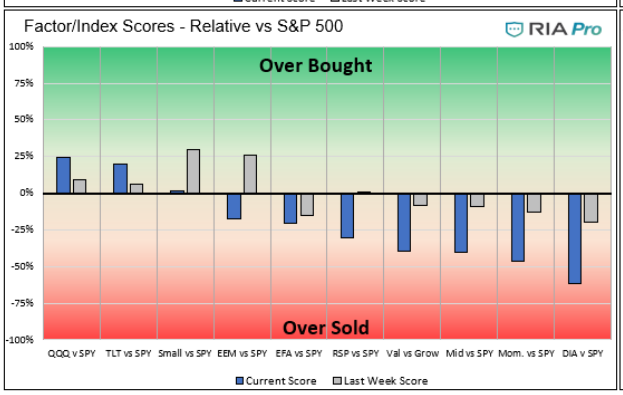
Commentary 6-18-21

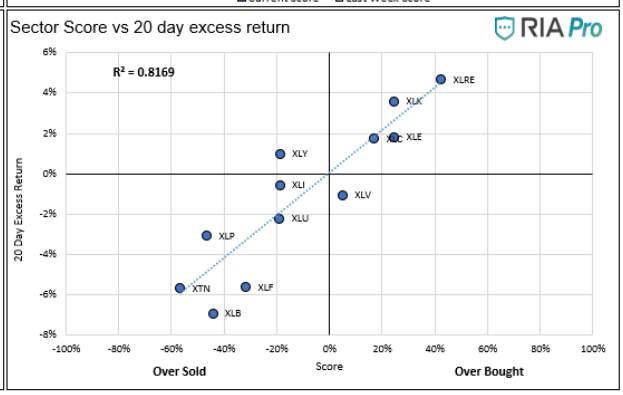
- The outperformance of the deflationary sectors like technology and healthcare continued this past week. The best performing sector versus the S&P 500 was technology which beat the S&P 500 index by 1.56%, healthcare followed, beating the index by 1.05%. Materials, transportation stocks, and financials are now three of the four most oversold sectors relative to the S&P 500. As a result of the strong sector rotation, the inflation index is now decently oversold versus the deflation index, as shown in the first set of relative graphs in the upper right chart.
- Realestate, which was grossly overbought last week, came back to earth this past week as we suspected. It still sits over 2 standard deviations from its 200 dma so caution remains the theme.
- Continuing on the same dominant theme, the NASDAQ and TLT (long UST bonds) are now the most overbought factors/indexes, while the Dow and Momentum, which now has a lot more exposure to inflationary stocks, are the most oversold. The scatter plot in the bottom right of the first series of graphs shows the correlation of scores and excess returns is very strong, which is a little surprising given the volatility and strong rotational shifts throughout the week. The slope of the regression line steepened, telling us the excess return differences between under and outperformers was larger than the prior week.
- From an absolute perspective, the same themes discussed above hold true. Over the past week, the S&P 500 went from decently overbought to closer to fair value. It still remains overbought and our proprietary cash flow model just turned to a sell signal so caution is warranted.
- In both sets of graphs, utilities and staples, two sectors that should do better in a deflationary push, remain at fair value. If the rotation continues over the next few weeks, we should expect those two sectors to outperform on a relative basis versus the market and most other sectors.
- The transportation sector (XTN) may be due for a bounce as it is now almost three standard deviations from its 50 dma. On the downside, its next line of support is the 200 dma, which is still almost 1 standard deviation, or 11% away.

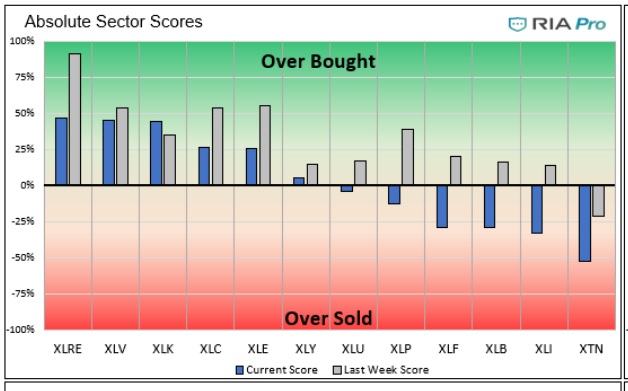
Graphs (Click on the graphs to expand)

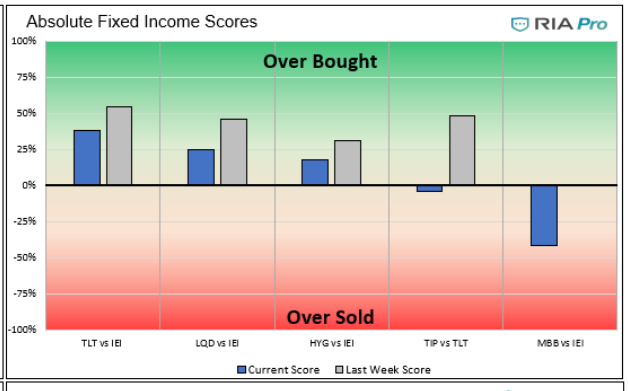


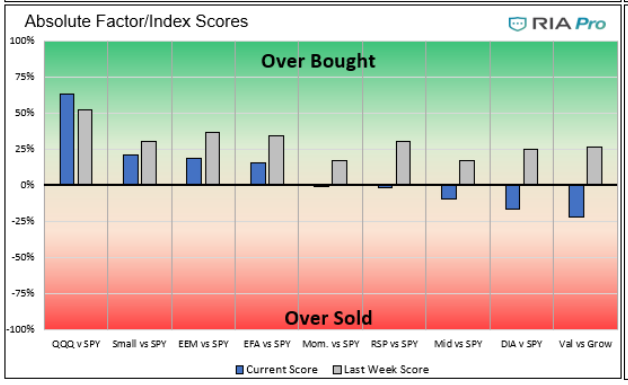


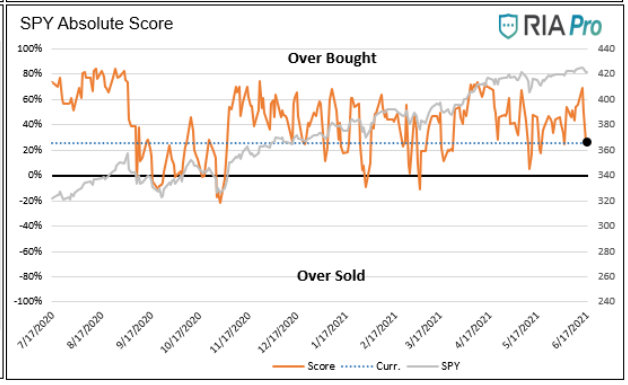












Users Guide

The score is a percentage of the maximum score based on a series of weighted technical indicators for the last 200 trading days. Assets with scores over or under +/-70% are likely to either consolidate or change trend. When the scatter plot in the sector graphs has an R-squared greater than .60 the signals are more reliable.

The first set of four graphs below are relative value-based, meaning the technical analysis 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. 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)