Technical Value Scorecard Report For The Week of 7-09-21

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.
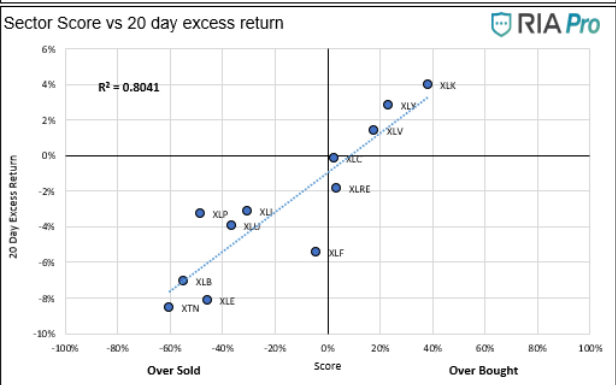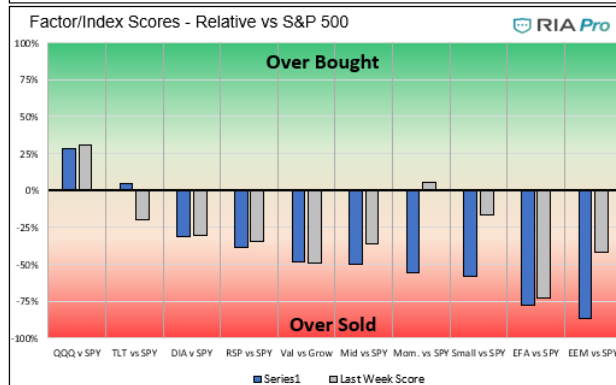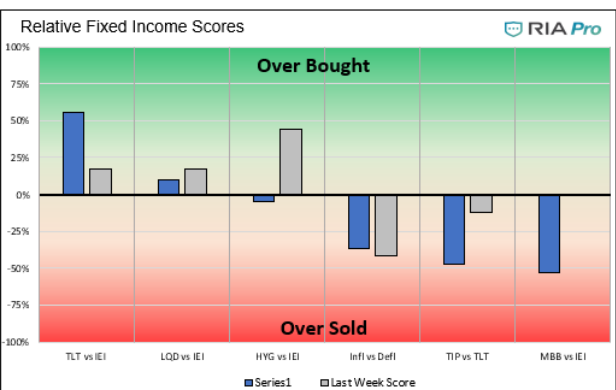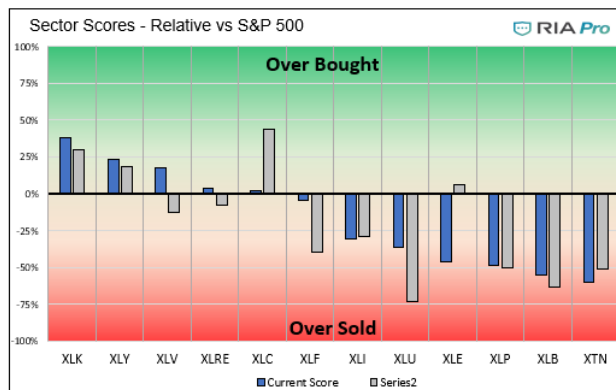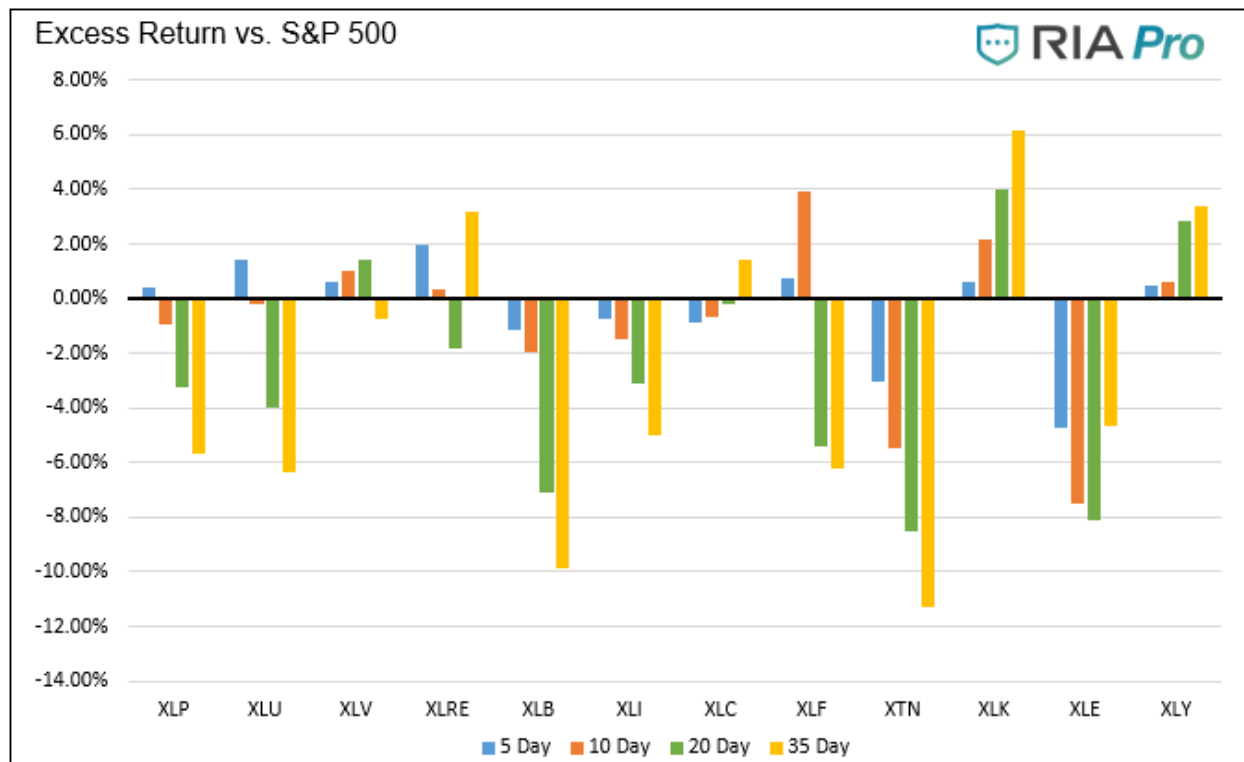
Commentary 7-09-21

- The first set of relative value charts show technology, discretionary and healthcare are leading the market charge higher almost singlehandedly. Real estate, communications, and financials are at fair value and the remaining six sectors are decently oversold. This condition is in line with a few charts and words we posted in the dashboard and weekly newsletter describing our concern about the poor breadth of the market despite a string of all-time highs.
- Energy, finally broke down into oversold territory after having a positive relative score since April. The sector gave up 4.73% versus the S&P over the last week. It appears to be catching down to the other inflationary stocks that have recently performed poorly versus the market.
- The factor/index relative graphs also tell a story of bad market breadth. Technology is slightly overbought while every other factor/index is decently oversold. Of note, emerging and developing markets are strongly oversold versus the S&P 500. Over the last 20 days emerging markets underperformed the S&P 500 by 6.35 and developed foreign markets by 4.98%. On a relative basis, we might see these sectors outperform, especially if the recent deflationary bias eases. Higher bond yields would signal such a circumstance.
- On the relative fixed income graphs, TLT (long duration USTs) is the most overbought sector versus (IEI 5-7 yr UST) while the inflationary sectors (TIPs and our inflation index) along with mortgages are the most oversold. Mortgages are trading weaker due to market concerns the Fed will begin to taper MBS purchases shortly.
- The scatter plot shows a very high confidence score (.8041) meaning the scores are accurately portraying their relative performance.
- 7 of the 12 sectors are trading below their 50 dmas despite the market hitting a record high on Wednesday. All sectors remain above their 200 dmas.
- The divergence of the underlying sectors is also seen in the absolute series of graphs. Technology, Realestate, Healthcare, and Discretionary are decently overbought. Transports (XTN) are the most oversold sector but not to a degree that might signal a reversal.
- Despite Thursday's decline, the S&P 500 (bottom right graph in the absolute charts) remains decently overbought. As we noted earlier, foreign markets are oversold on an absolute basis but like transports, not to a degree that might signal an imminent reversal.
- The third graph shows the excess returns by sector for four different time frames. The poor breadth is clearly evident.

Graphs (Click on the graphs to expand)

Sector Scores - Relative vs S&P 500

Relative Fixed Income Scores

Factor/Index Scores - Relative vs S&P 500

Sector Score vs 20 day excess return

Absolute Sector Scores

Absolute Fixed Income Scores

Absolute Factor/Index Scores

SPY Absolute Score

Excess Return vs. S&P 500
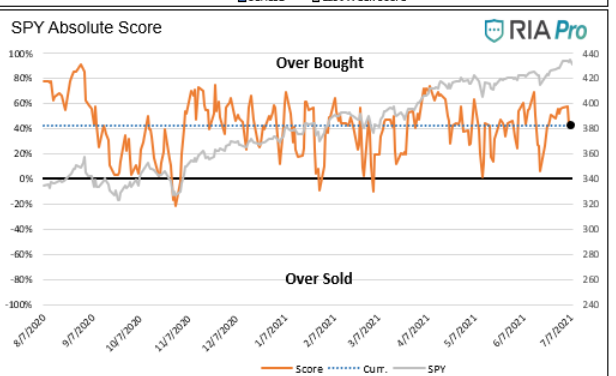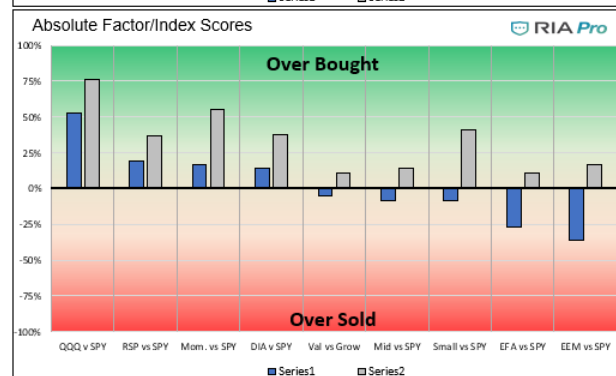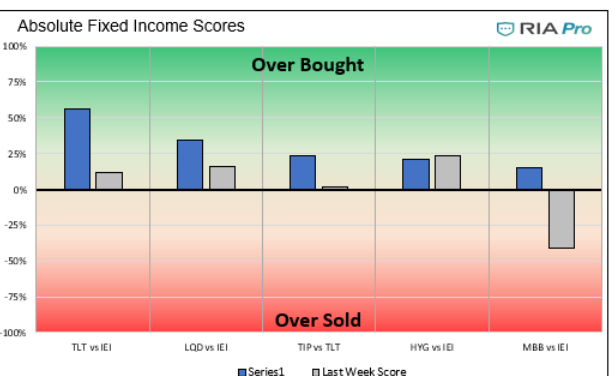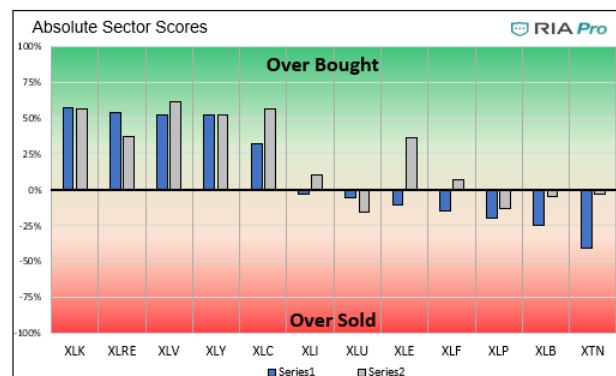
Users Guide

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)