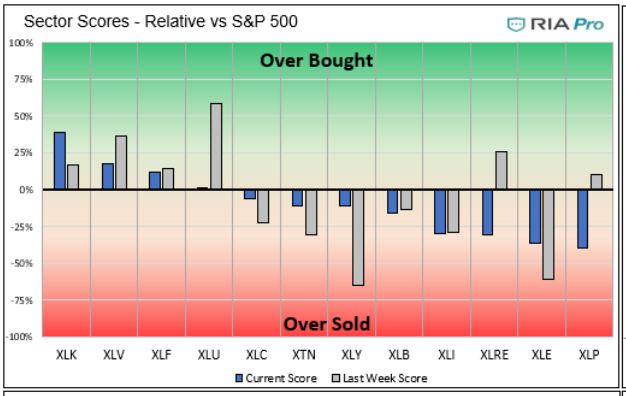
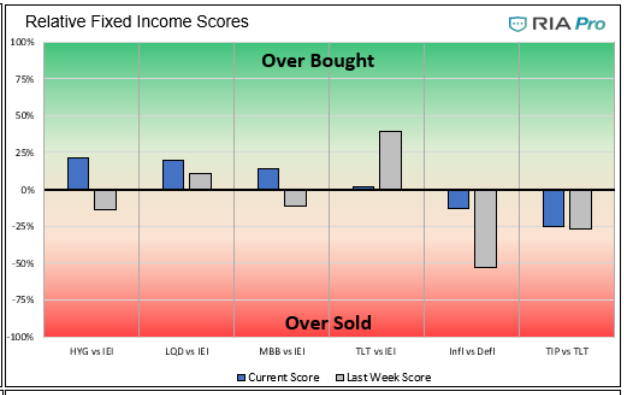
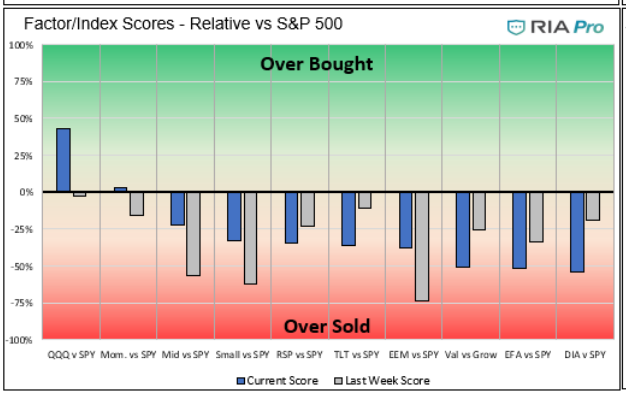
Technical Value Scorecard Report For The Week of 8-27-21

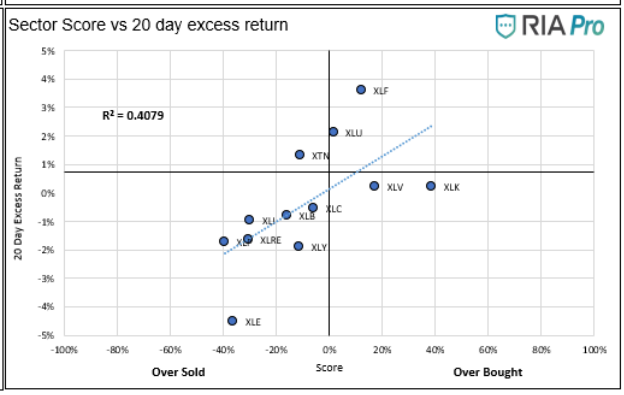
Commentary

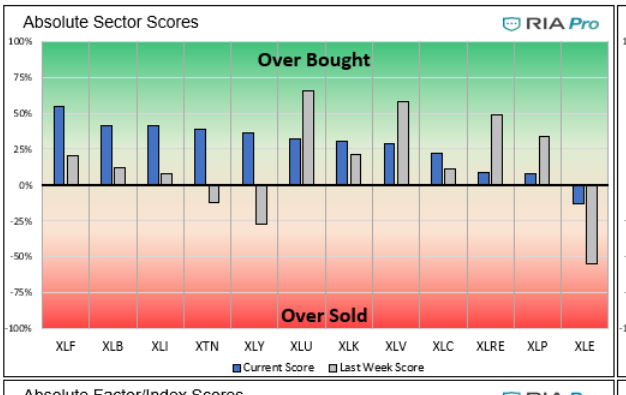
- The first set of relative value graphs tell a couple of important stories. First, the inflationary sectors are not the most oversold or the furthest to the right anymore. They are slowly moving into the middle of the pack. Second, the breadth of the market is poor. There are only 3 sectors overbought versus the market (S&P 500). The relative score on the utility sector fell sharply from decently overbought to fair value. It was the second worst-performing sector last week behind staples.
- The top three performing sectors were those benefiting from higher yields and inflation- energy, transportation, and financials. The third graph below compares sector relative performance over a series of time frames. Over the last 240 trading days energy (XLE) is up 23%, however, over most of the shorter times frames, it is one of the worst performers. Technology on the other hand is only up 1.6% (versus the S&P) over the last 240 days. However, it has consistently been a top performer, noted by the predominant green shading across almost all time frames.
- The relative factor/index graphs also speak to the bad market breadth. The NASDAQ is the only factor/index that is overbought versus the S&P 500. Almost all of the others are oversold. Despite the better performance of the inflation sectors, the scores of value (versus growth) and the Dow Jones became more oversold.
- The absolute graphs tell the inflationary story better than the relative graphs. Note the four most overbought sectors on an absolute basis are financials, materials, industrials, and transports. Energy has the lowest score again but it rose sharply from last week. Similarly, small caps and emerging markets have low scores but improved nicely over the week. The S&P 500 is near the lower band of its recent scores but remains overbought as it has for the overwhelming majority of the last year.
- With the tapering of QE likely coming in the next few months, we may continue to see the scores of sectors and factor/indexes moving quickly from overbought to oversold and vice versa. If so, it is likely a function of the market trying to figure out a new inflation/deflation - economic growth regime. During such a potentially volatile period it pays to mind risk and closely follow sector rotations.



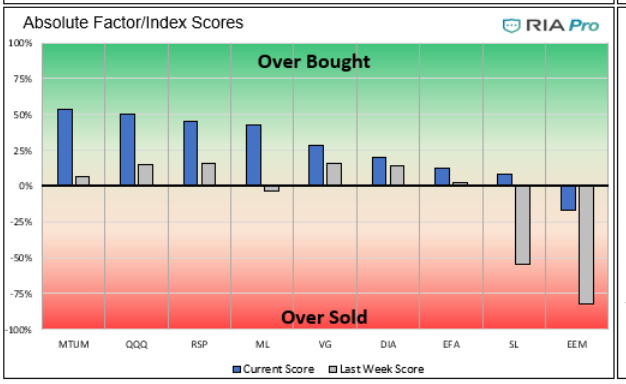


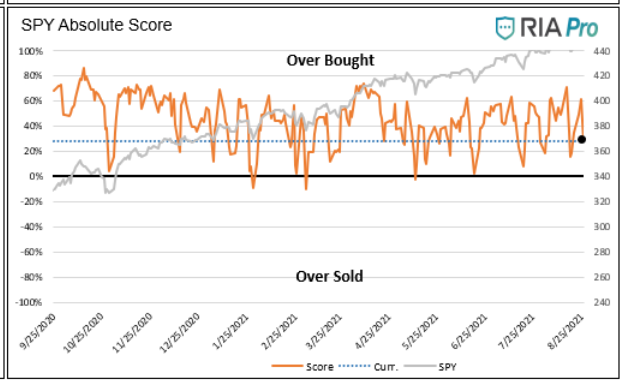












Excess Returns vs S&P 500 - Number of Days												
	10	20	30	40	50	60	70	80	90	120	180	240
XLP	-1.4%	-1.7%	-2.8%	-0.6%	-3.6%	-5.6%	-6.8%	-4.5%	-4.3%	-5.1%	-15.6%	-22.3%
XLU	-0.3%	2.1%	0.0%	4.2%	-0.6%	-0.8%	-4.0%	-1.9%	-4.1%	-3.4%	-10.8%	-19.0%
XLV	0.7%	0.2%	1.3%	2.2%	1.4%	4.8%	0.8%	2.9%	1.9%	4.4%	-1.6%	-4.9%
XLRE	-0.7%	-1.6%	-3.0%	1.0%	-2.8%	-1.4%	2.2%	3.9%	2.9%	5.8%	6.6%	-1.8%
XLB	-2.0%	-0.8%	1.2%	-0.5%	-2.5%	-9.1%	-9.6%	-9.2%	-4.8%	-5.4%	-3.4%	0.1%
XLI	-0.8%	-1.0%	-1.2%	-2.0%	-2.9%	-6.7%	-6.4%	-6.8%	-4.5%	-5.6%	-3.6%	0.5%
XLC	0.2%	-0.6%	-0.3%	-1.4%	-1.4%	-0.3%	1.0%	0.8%	2.0%	-1.6%	3.4%	6.8%
XLF	-0.3%	3.6%	3.1%	1.3%	1.7%	-5.5%	-5.1%	-3.8%	1.7%	-2.5%	14.2%	28.1%
XTN	-0.5%	1.3%	2.0%	-3.1%	-6.2%	-9.5%	-11.7%	-12.3%	-10.8%	-16.4%	-2.0%	11.8%
XLK	0.9%	0.2%	0.7%	1.5%	2.6%	6.2%	7.4%	6.8%	2.6%	5.8%	1.1%	1.6%
XLE	-2.9%	-4.5%	-4.8%	-15.1%	-15.9%	-19.4%	-15.5%	-16.2%	-6.1%	-23.6%	1.0%	23.4%
XLY	-0.8%	-1.9%	-2.2%	-3.4%	-2.9%	-0.2%	-0.6%	-4.3%	-5.7%	-5.2%	-8.2%	-10.5%

Users Guide

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 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 the 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 is the most bearish.

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)