

BE CAREFUL WHICH SECTORS YOU CHOOSE AS A HIDING PLACE

BE CAREFUL WHICH SECTORS YOU CHOOSE AS A HIDING PLACE

There is a huge discrepancy in performance between the winners and losers in 2022. Whether driven by previous unjustified run-ups, geopolitical variables or Covid derived shortages and logistical issues, these performance number differences are huge and historically significant. We have found two things to be true regarding markets, patterns normally go further than one would expect and no pattern lasts forever. Clients should be careful not to stay too long.

The table below shows YTD and 1 year performance for the U.S. stock sector winners and losers. For a number of the sectors the 2022 performance differential is close to 100%. This is an extreme by any historic standards (see the 2 relative performance charts below).

RRG (Relative Rotation Graph) analysis shows that things may be about to change. Energy and Materials sectors, which have been outliers in terms of relative strength and RS momentum have been losing RS momentum rapidly. These areas of the market are now overbought and showing weakness. The opposite is occurring for TECH sectors like Internet, Cloud Computing, and Social Media. These oversold sectors are showing positive RS momentum.

Clients should be careful that they do not get complacent hiding in corners of the market that have proven to be safe so far.

<u>SYMBOL</u>	<u>NAME</u>	<u>2022 YTD</u>	<u>1 YEAR</u>
SPX	S&P500	-14.86%	-3.29%
XLE	ENERGY	58.15%	74.59%
OIH	OIL SERVICE	59.91%	41.65%
FDN	INTERNET	-39.61%	-39.51%
CLOU	CLOUD COMPUTING	-33.67%	-31.86%
SOCL	SOCIAL MEDIA	-33.91%	-46.86%

RRG ? written explanation

CLOU Global X Cloud Computing ETF Nasdaq GM

26-May-2022

Open 16.90 High 17.69 Low 16.82 Close 17.59 Volume 346.5K Chg +0.57 (+3.35%) ▲

- CLOU (Daily) -33.67%
- \$SPX -14.86%
- \$OCL -33.91%
- FDN -39.61%
- XLE 58.15%
- OIH 53.91%

The chart displays the performance of the CLOU Global X Cloud Computing ETF (green line) and its peers (SPX, SOCL, FDN, XLE, OIH) from January 2022 to May 2022. The Y-axis represents the percentage change in value, ranging from -40% to 65%. The X-axis shows the timeline from January 2022 to May 2022. A vertical dashed line marks the start of the period on January 3, 2022. The CLOU ETF shows significant volatility, peaking at approximately 60% in late April before a sharp decline to around -34% by May 26. The SPX, SOCL, and FDN indices show a general downward trend, ending at -14.86%, -33.91%, and -39.61% respectively. The XLE and OIH indices show a strong upward trend, ending at 58.15% and 53.91% respectively.

RELATIVE PERFORMANCE 1 YEAR

