

Relative Value Report 9/4/2020

The Relative Value Report provides guidance on which sectors, factors, indexes, and bond classes are likely to outperform or underperform its appropriate benchmark as well its relative strength on an absolute basis.

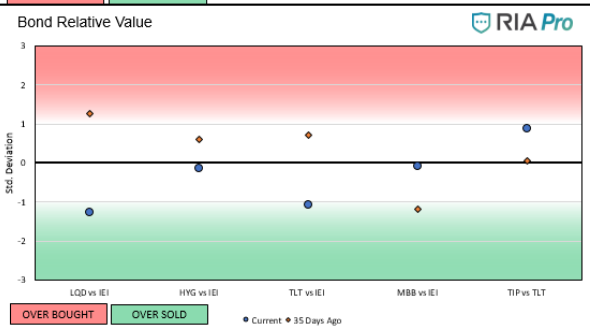
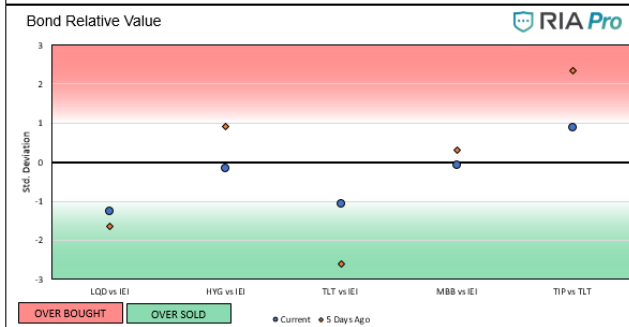
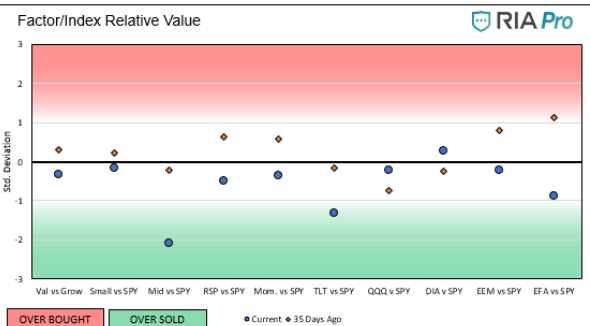
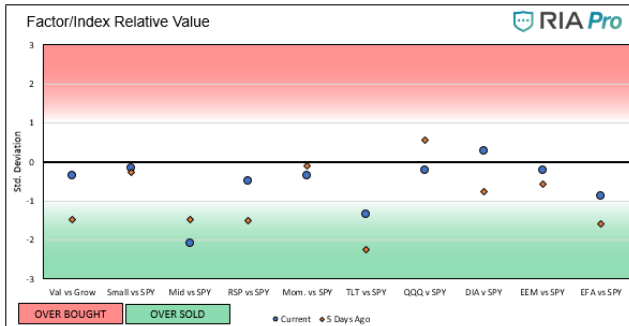
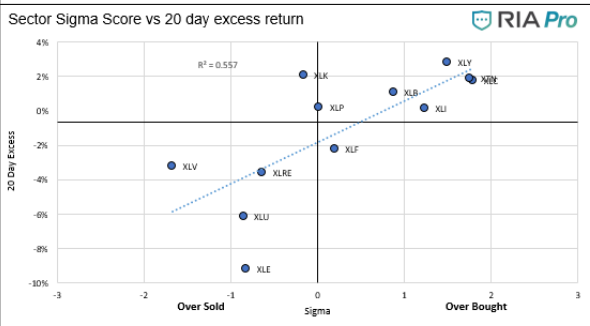
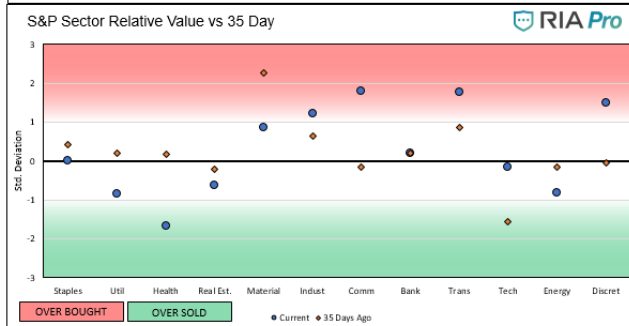
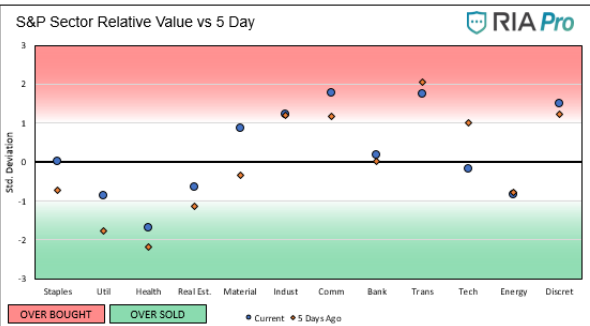
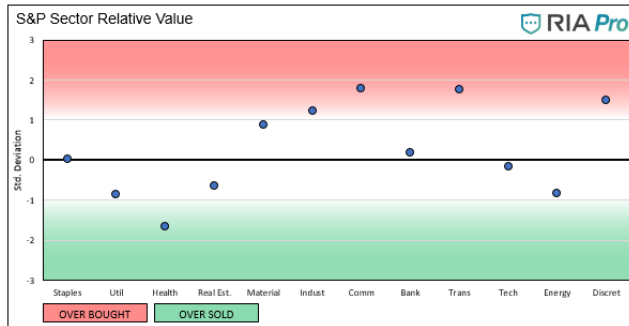
Click on the [Users Guide](#) for details on the model's relative value calculations as well as guidance on how to read the graphs.

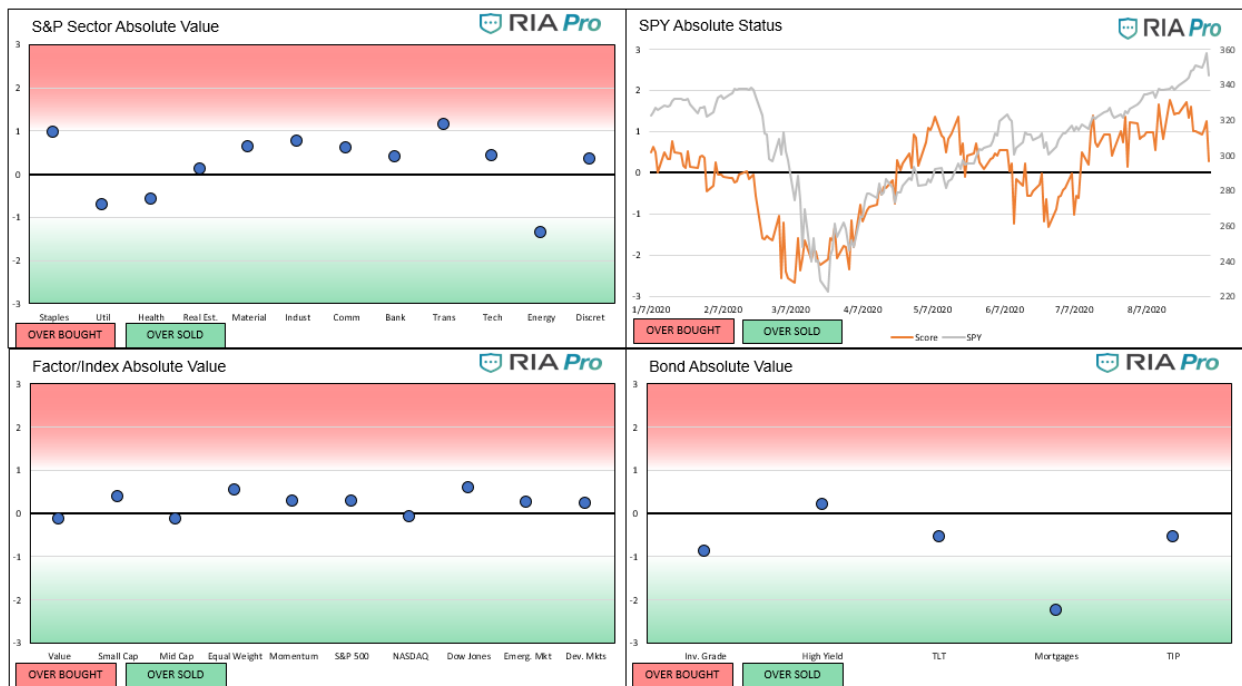
This report is just one of many tools that we use to assess our holdings and decide on potential trades. Just because this report may send a strong buy or sell signal, we may not take any action if it is not affirmed in the other research and models we use.

Commentary

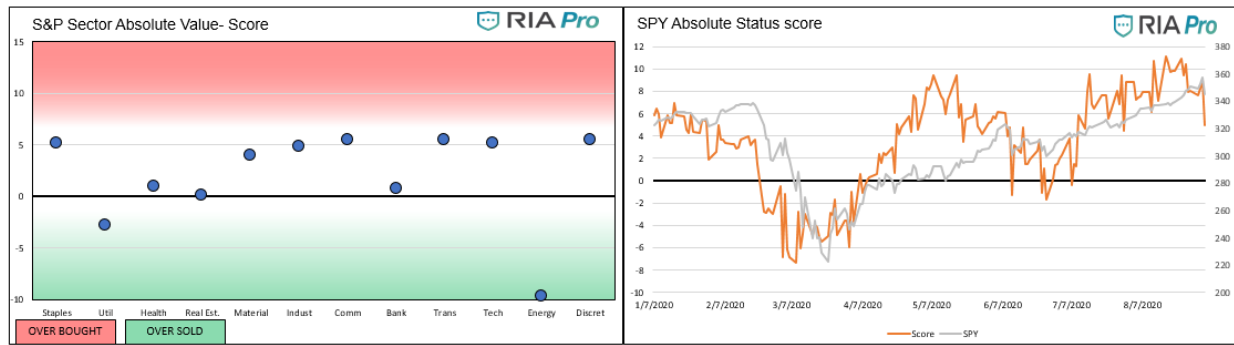
- It is worth highlighting that the Absolute and Relative charts below normalize the total technical score based on activity over the last 200 days. As a result, if a sector is consistently over or under bought, its score may linger near fair value, as it is "normal" for the period.
- XLE provides a great example of this. In the first chart below, XLE is slightly oversold at -0.82 standard deviations. We might be tempted to assume its near fairly valued, however, if we look at its technical score, before its normalized, the score is the worst of all the sectors and about the lowest score we have run into over the last few months. XLE is cheap, but it has been cheap for a long time. We might say cheap is becoming the norm. The absolute scores along with a graph of the S&P scores are shown below.
- This weekly analysis is more difficult than normal due to the strong performance for the first four days and sharp reversal yesterday. As such, the values did not move as much as you may have expected based on yesterday's trade.
- The conservative, lower beta sectors, improved slightly on the week. This is also evident as three of the top four sectors versus the S&P for the week were Staples, Utilities, and Real estate. The full table of excess returns is shown below the graphs.
- Along the same lines, Value and the Equal Weighted S&P, moved from oversold to fairly valued. XLK, the hardest hit sector on Thursday, moved to slightly oversold. However, as we noted with XLE, it has been running strong for a long time so it is at fair value assuming the last 200 days is the norm. Its actual score is the second-highest of the sectors.
- Similar story in bonds as TLT and LQD improved while TIPs and High Yield fell.
- On an absolute basis, sectors, indexes, and factors remain overbought but less so than last week. Energy, Utilities, and Healthcare are the exceptions.

Graphs (Click on the graphs to expand)





	Excess Return vs SPY				Rank Excess Return (1-22)			
	5 Day	10 Day	20 Day	35 Day	5 Day	10 Day	20 Day	35 Day
XLP	2.61%	0.59%	-1.89%	-5.47%	2	5	8	8
XLU	1.08%	-1.08%	-8.21%	-12.96%	3	15	21	21
XLV	-1.43%	-1.91%	-5.27%	-11.59%	12	21	16	19
XLRE	-0.52%	-0.23%	-5.65%	-8.25%	5	13	17	15
XLB	0.67%	2.49%	-0.96%	-6.83%	4	1	7	11
XLI	-1.43%	0.01%	-1.95%	-4.27%	13	9	9	5
XLC	-0.99%	2.02%	-0.31%	-2.52%	8	2	5	4
XLF	-1.03%	1.68%	-4.27%	-7.33%	9	3	13	13
XTN	-1.79%	1.23%	-0.18%	-4.73%	17	4	4	6
XLK	-2.74%	0.00%	0.00%	0.00%	21	10	3	1
XLE	-4.01%	-4.48%	-11.24%	-16.79%	22	22	22	22
XLY	-1.10%	0.28%	0.74%	-0.89%	10	8	1	2
VG	-0.97%	-0.15%	-4.60%	-8.95%	7	12	15	17
SL	-1.59%	-1.32%	-6.88%	-6.13%	14	16	18	10
ML	-2.10%	-1.79%	-6.88%	-8.20%	19	20	19	14
RSP	-0.89%	0.34%	-3.66%	-6.93%	6	7	11	12
MTUM	-1.86%	-1.01%	-0.76%	-5.21%	18	14	6	7
TLT	2.96%	-1.76%	-7.67%	-12.67%	1	19	20	20
QQQ	-1.75%	0.40%	0.55%	-1.34%	16	6	2	3
DIA	-1.17%	-0.12%	-2.14%	-5.91%	11	11	10	9
EEM	-2.70%	-1.48%	-4.29%	-8.51%	20	17	14	16
EFA	-1.60%	-1.55%	-4.06%	-10.68%	15	18	12	18



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