The Sector Relative Value Report provides guidance on which industries or sectors are likely to outperform or underperform the S&P 500.

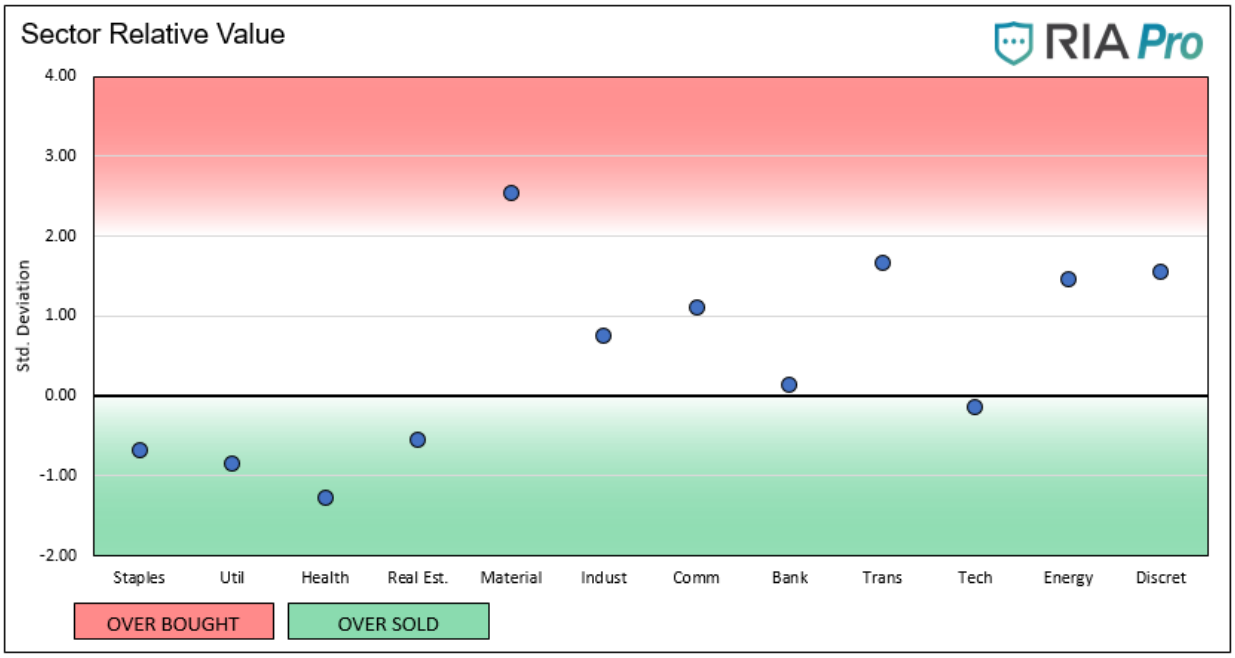
Click on the **Users Guide** for details on the model?s relative value calculations as well as guidance on how to read the model?s graphs.

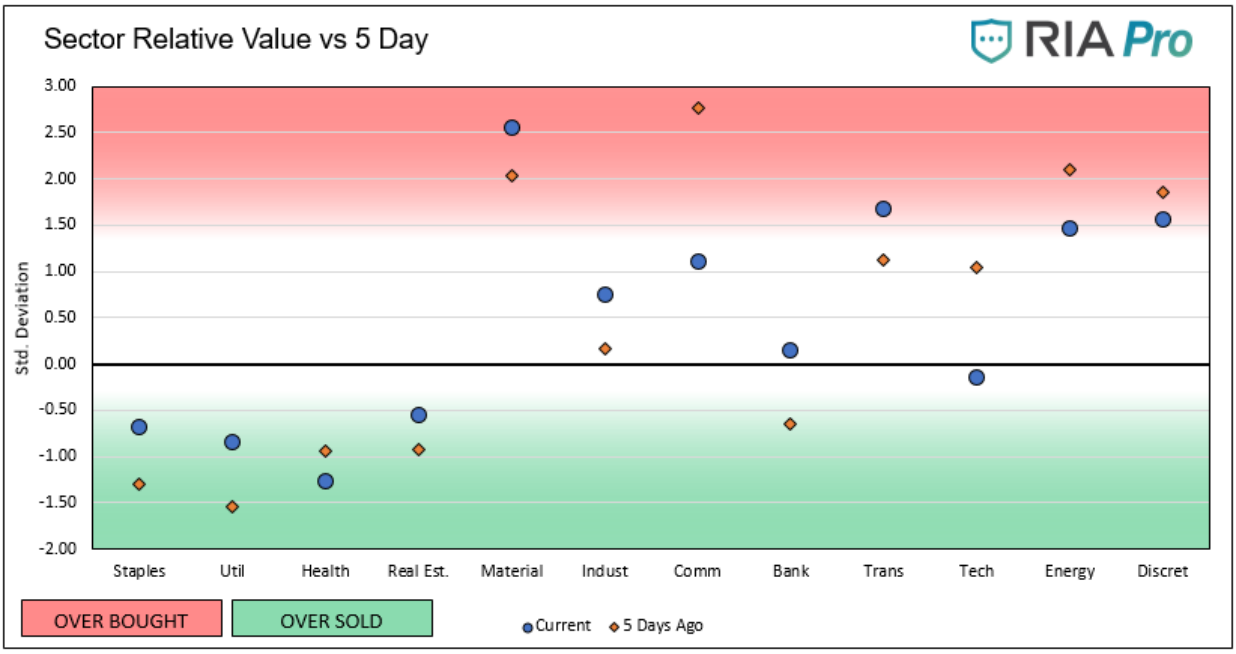
This report is just one of many tools that we use to assess our holdings and decide on potential trades. Just because this report may send a strong buy or sell signal, we may not take any action if it is not affirmed in the other research and models we use.

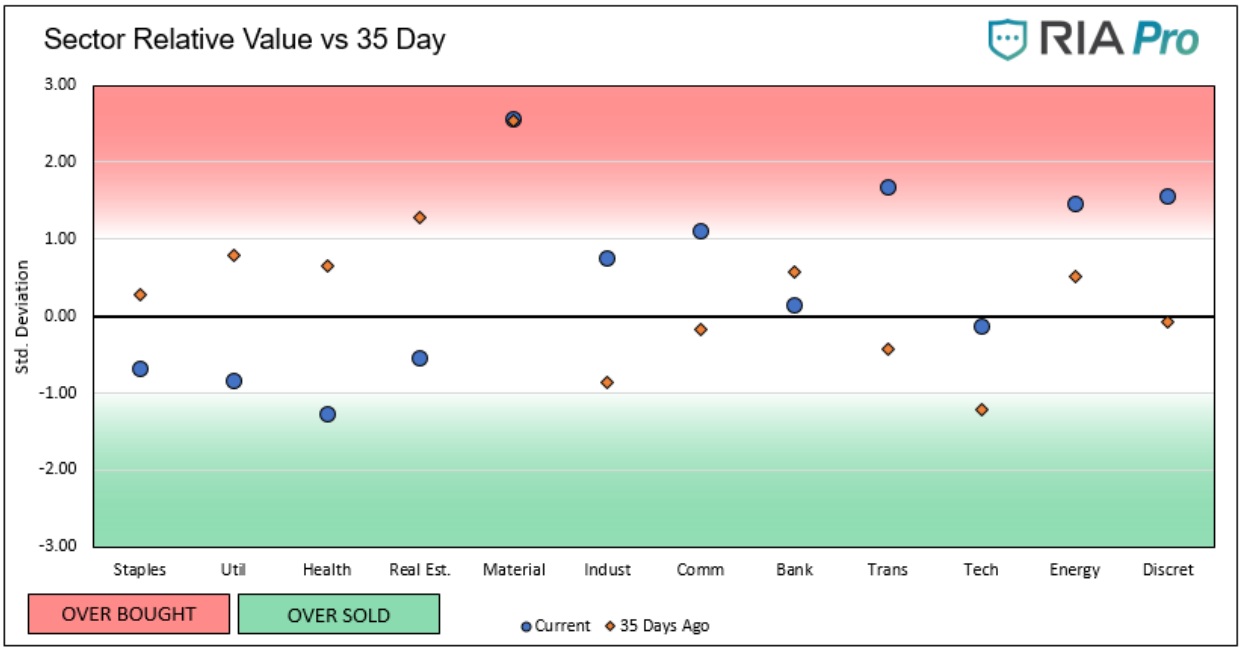
Commentary

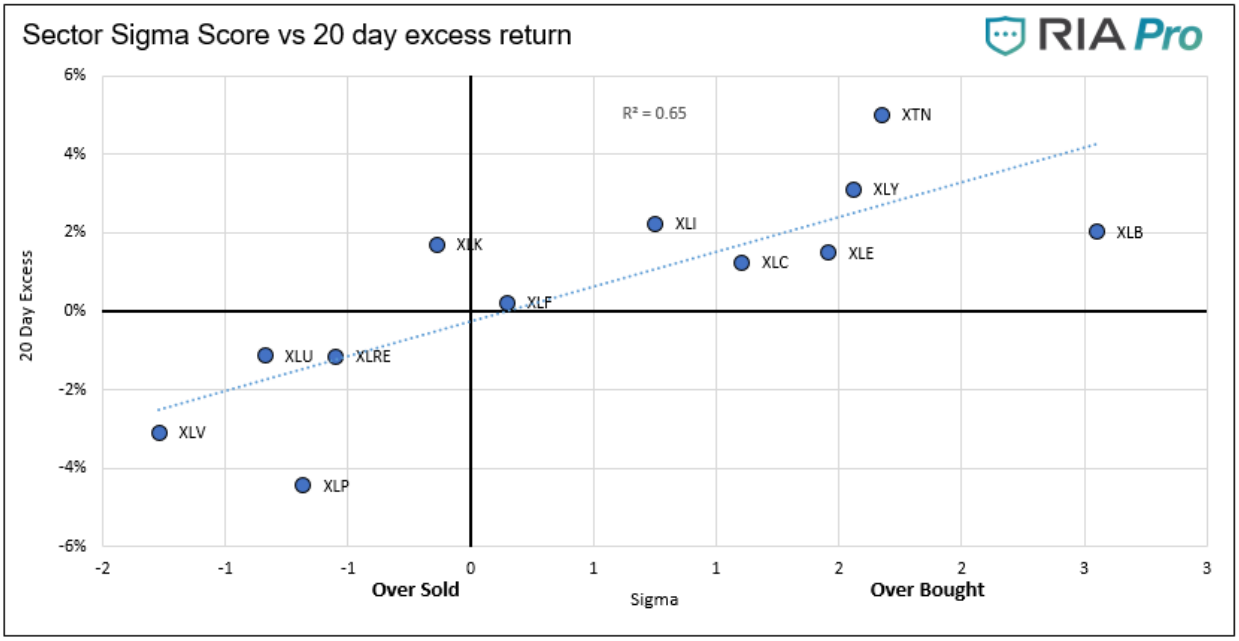
- The most notable trade over the last week was a rotation from Technology and Communications into some of the more beaten-down sectors. As a result, XLK is now a slight bit oversold, and XLC is not nearly as overbought versus the S&P 500.
- Of the ?beaten down? sectors, banks, materials, industrials, and transportation stocks are all in overbought territory. Transportation (XTN) and materials (XLB) are worth watching for underperformance versus the market.
- While not displayed below, both small-caps and mid-caps made strong relative moves versus the S&P 500 over the past two weeks. This plays on a similar theme where investors are rotating in cheaper sectors.
- The healthcare sector is currently the most oversold with the potential to outperform.
- This past week we added to our Utility stock holdings as we also believe they will outperform.
- The R-squared on the sigma/20 day excess return scatter plot declined to .65 as there is a growing divergence between technical scores and expected performance.

Graphs


Sector Relative Value
RIA Pro
4.00
3.00
2.00
1.00
0.00
-1.00
-2.00
Std. Deviation
Staples
Util
Health
Real Est.
Material
Indust
Comm
Bank
Trans
Tech
Energy
Discret
OVER BOUGHT
OVER SOLD


Sector Relative Value vs 5 Day
RIA Pro
3.00
2.50
2.00
1.50
1.00
0.50
0.00
-0.50
-1.00
-1.50
-2.00
Std. Deviation
Staples
Util
Health
Real Est.
Material
Indust
Comm
Bank
Trans
Tech
Energy
Discret
OVER BOUGHT
OVER SOLD
Current
5 Days Ago





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