



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

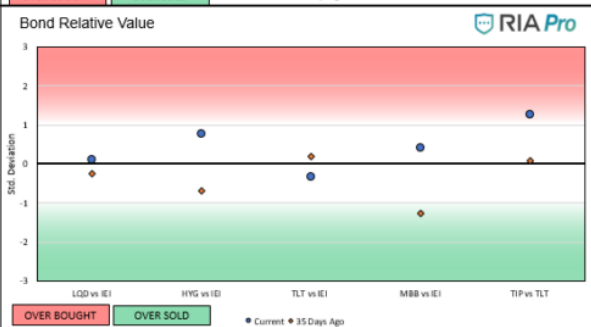
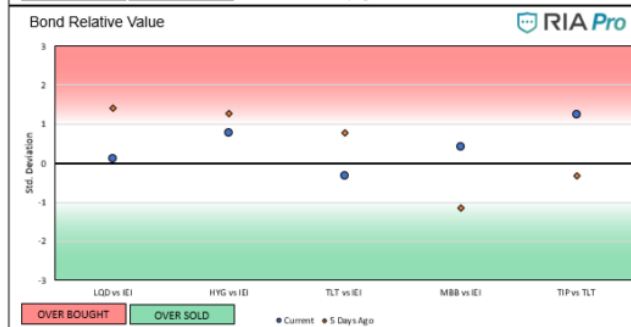
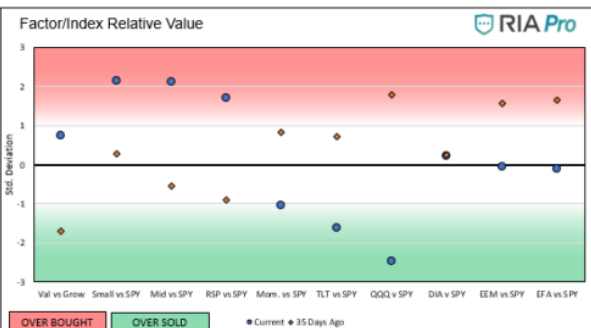
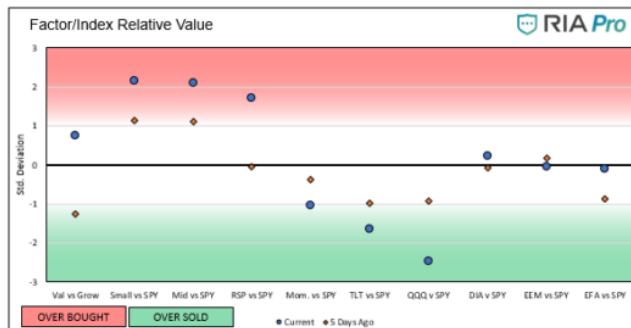
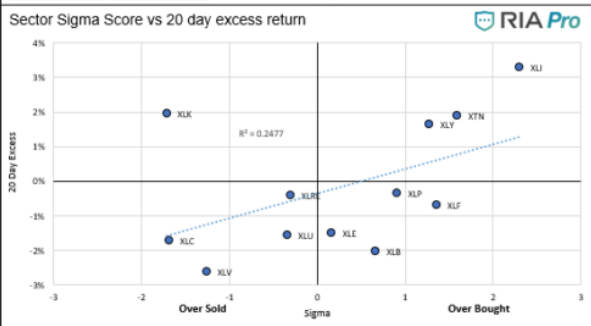
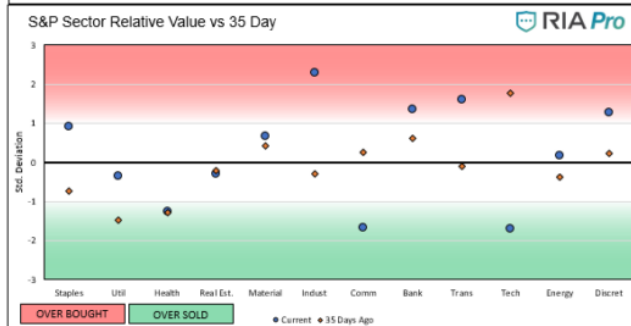
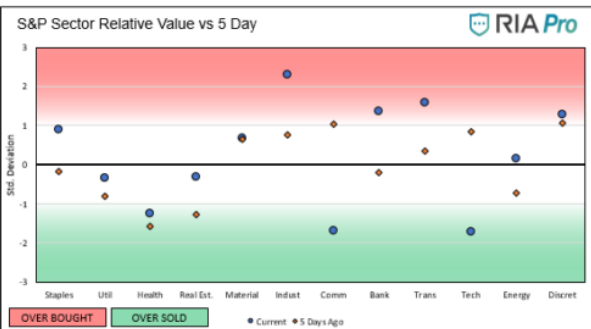
Click on the [Users Guide](#) for details on the model's relative value calculations as well as guidance on how to read the graphs.

*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

- We start with the Absolute graphs (third graph displayed below), showing that all S&P 500 sectors and all Factors/Indexes are overbought. On an absolute basis, Staples appear to be the most overbought sector. The S&P, as shown in the line chart, is now more overbought than any other time this year.
- On a relative value basis, versus the S&P 500, Industrial's are now grossly overbought, with Financials, Transportation, and Discretionary not far behind. Despite being grossly overbought on an absolute basis, Staples are not too overbought versus the S&P 500.
- Technology, Communications, and Healthcare, the market leaders of the prior few months, are now oversold on a relative basis.
- Along the same lines, Momentum and the NASDAQ (QQQ) are oversold, while small cap, mid cap, and the equally weighted S&P (RSP) are overbought. We should be on the lookout for signs that the rotation to recent laggards may be nearing an end.
- The Factor/Index rotation can be easily seen in the Factor/Index Relative Value chart comparing current readings to those of 35 days ago.
- Long Treasury bonds (TLT) have cheapened on a relative basis versus IEI and on an absolute basis. We are considering adding to our TLT position in the coming days.

## Graphs (Click on the graphs to expand)





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