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.

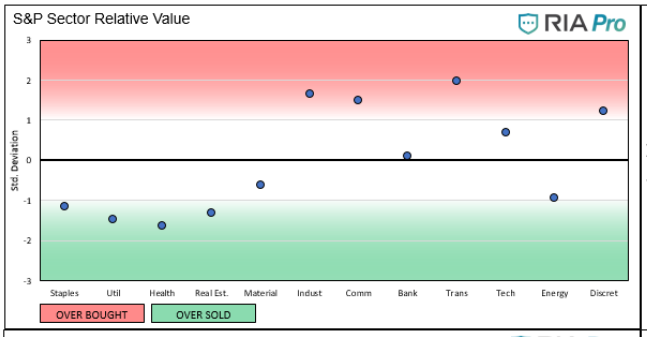
Click on the **Users Guide** for details on the model?s relative value calculations as well as guidance on how to read the graphs.

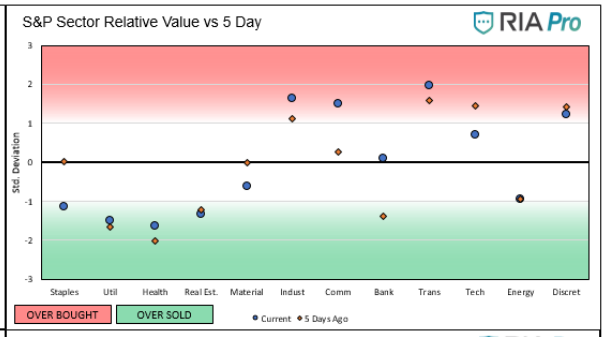
This report is just one of many tools that we use to assess our holdings and decide on potential trades. Just because this report may send a strong buy or sell signal, we may not take any action if it is not affirmed in the other research and models we use.

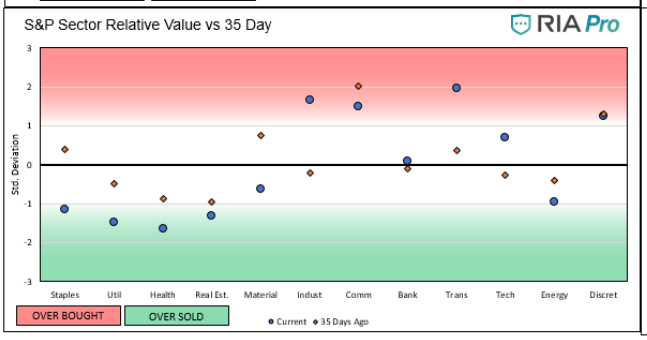
Commentary

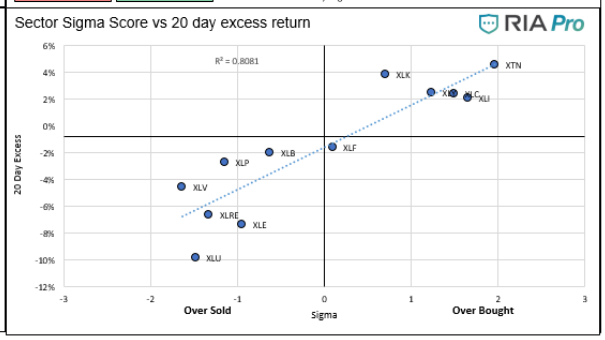
- Value and lower beta sectors continue to lag the market. Specifically, Utilities, Real estate, and Energy remain oversold.
- The reflationary sectors maintain overbought status, including Industrials, Transports, and Discretionary.
- The Sector scatter plot shows a very high correlation (r2) of .8081, denoting the scores and performance are lining up well. The strong correlation provides more confidence in the analysis.
- Interestingly, most indexes and factors are underperforming the S&P.
- TLT and LQD are now deeply oversold on a relative basis versus IEI (5-7 year UST).
- On an absolute basis, everything is overbought except energy and utilities.
- Staples are the most overbought on an absolute basis, but versus the S&P they remain oversold.
- The S&P 500 is extremely overbought. In a separate analysis, the 200-week price deviation from the moving average is over 2.5 standard deviations, ranking it in the upper 1% of instances over the last 20 years.
- AEP, DUK, and ES should be considered as a way to play the oversold status of bonds and utilities on both a relative and absolute basis. All three are at least 2 standard deviations oversold versus XLU.

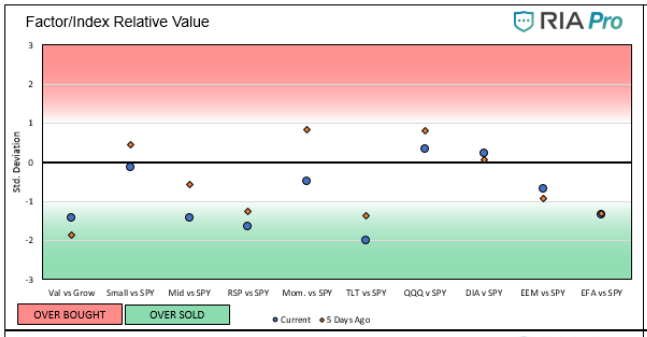
Graphs (Click on the graphs to expand)

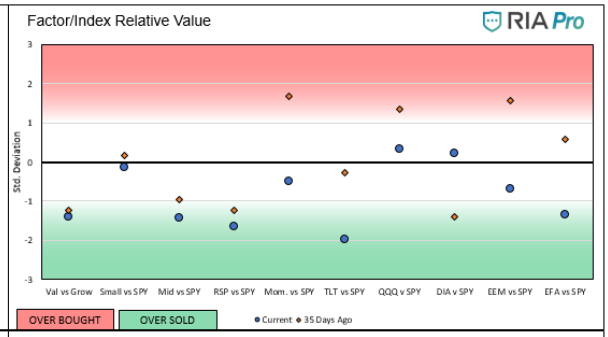

S&P Sector Relative Value
RIA Pro
Std. Deviation
Staples Util Health Real Est. Material Indust Comm Bank Trans Tech Energy Discret
OVER BOUGHT
OVER SOLD

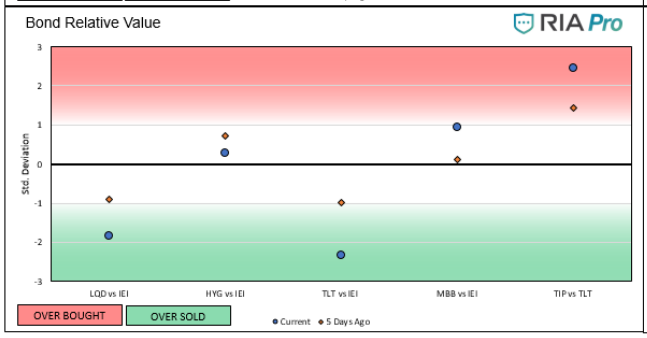

S&P Sector Relative Value vs 5 Day
RIA Pro
Std. Deviation
Staples Util Health Real Est. Material Indust Comm Bank Trans Tech Energy Discret
OVER BOUGHT
OVER SOLD
Current
5 Days Ago

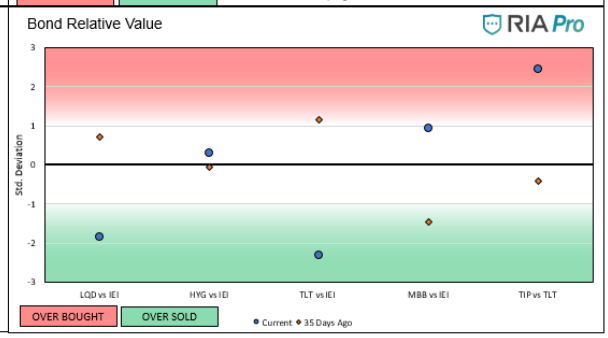

S&P Sector Relative Value vs 35 Day
RIA Pro
Std. Deviation
Staples Util Health Real Est. Material Indust Comm Bank Trans Tech Energy Discret
OVER BOUGHT
OVER SOLD
Current
35 Days Ago

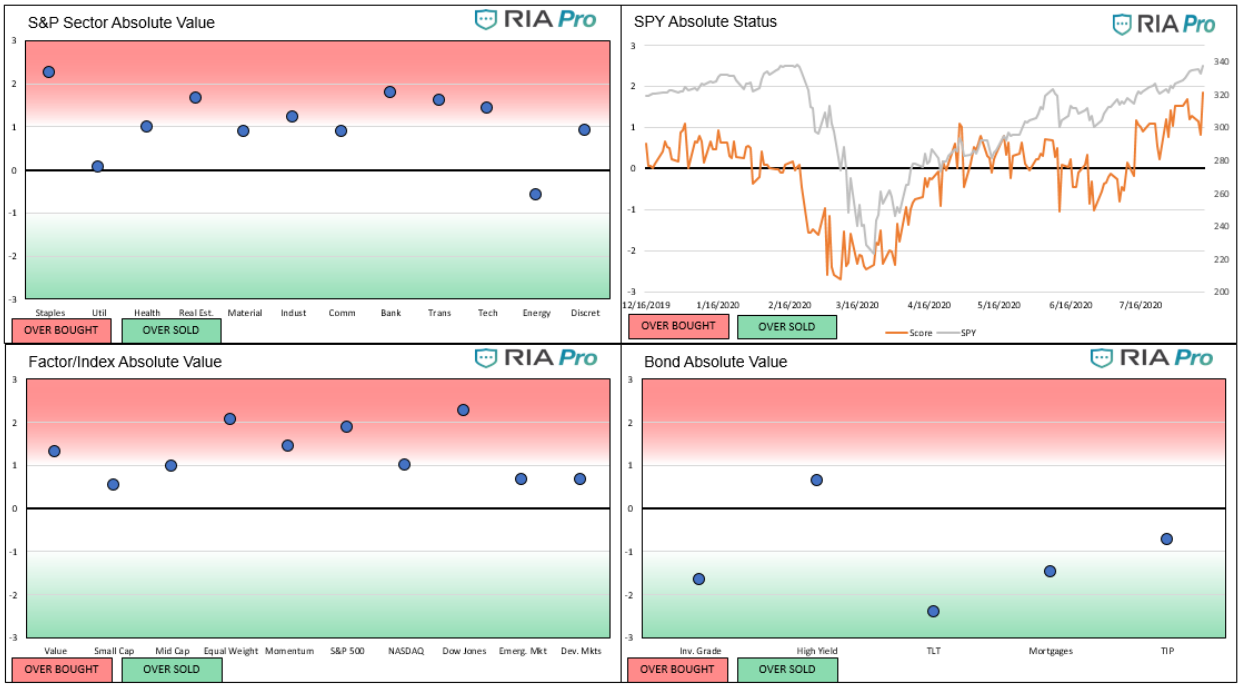

Sector Sigma Score vs 20 day excess return
RIA Pro
R² = 0.8081
20 Day Excess
XTN
XLK
XLF
XLP
XLB
XLV
XLRE
XLE
XLU
Over Sold
Sigma
Over Bought


Factor/Index Relative Value
RIA Pro
Std. Deviation
Val vs Grow Small vs SPY Mid vs SPY RSP vs SPY Mom. vs SPY TLT vs SPY QQQ v SPY DIA v SPY EEM vs SPY EFA vs SPY
OVER BOUGHT
OVER SOLD
Current
5 Days Ago


Factor/Index Relative Value
RIA Pro
Std. Deviation
Val vs Grow Small vs SPY Mid vs SPY RSP vs SPY Mom. vs SPY TLT vs SPY QQQ v SPY DIA v SPY EEM vs SPY EFA vs SPY
OVER BOUGHT
OVER SOLD
Current
35 Days Ago


Bond Relative Value
RIA Pro
Std. Deviation
LQD vs IEI HYG vs IEI TLT vs IEI MBB vs IEI TIP vs TLT
OVER BOUGHT
OVER SOLD
Current
5 Days Ago


Bond Relative Value
RIA Pro
Std. Deviation
LQD vs IEI HYG vs IEI TLT vs IEI MBB vs IEI TIP vs TLT
OVER BOUGHT
OVER SOLD
Current
35 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
- 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