The Technical Value Scorecard Report uses 6-technical readings to score and gauge which sectors, factors, indexes, and bond classes are overbought or oversold. We present the data on a relative basis, versus the assets benchmark, and on an absolute stand-alone basis.

The score is a percentage of the maximum/minimum score, as well as on a normalized basis *(sigma)* for the last 200 trading days. Assets with scores over or under +/-60% and sigmas over or under +/-2 are likely to either consolidate or change trend. When both the score and sigma are above or below those key levels simultaneously, the signal is stronger.
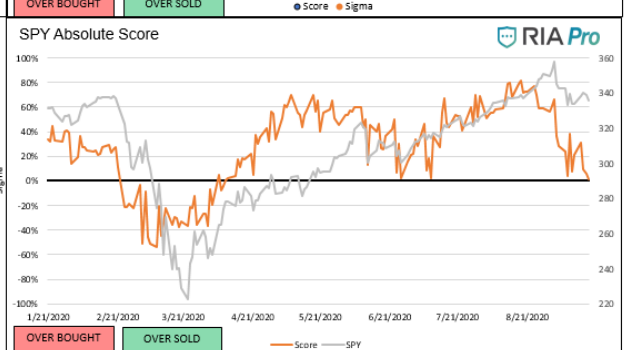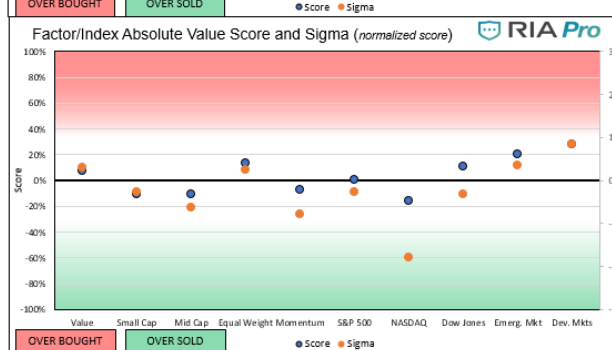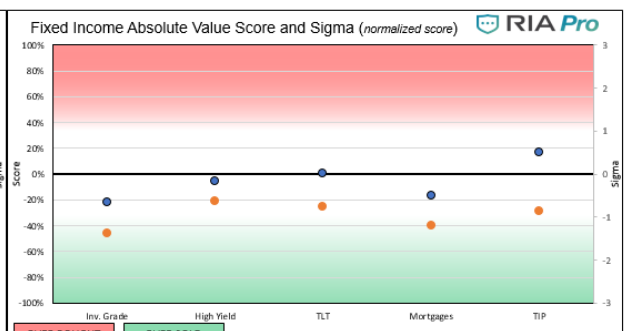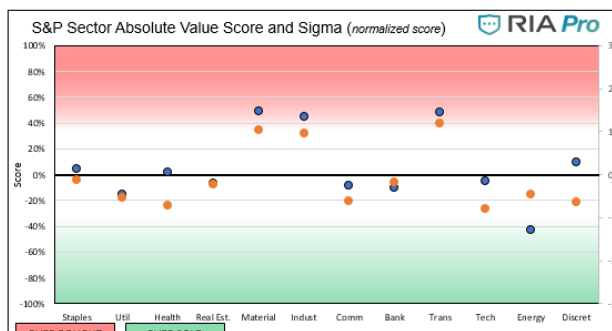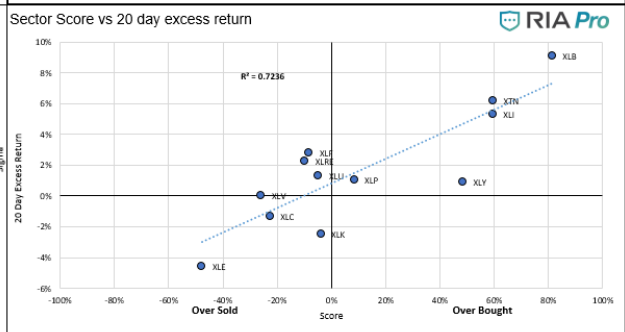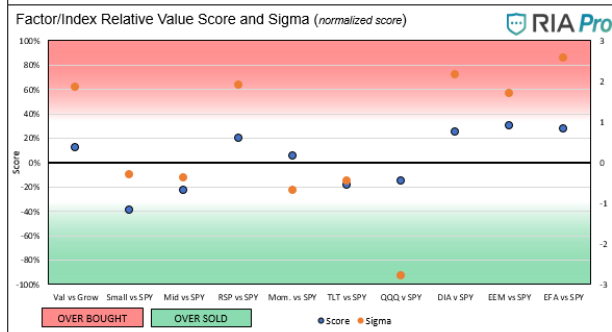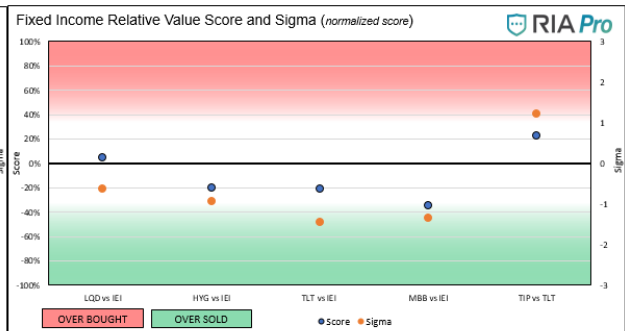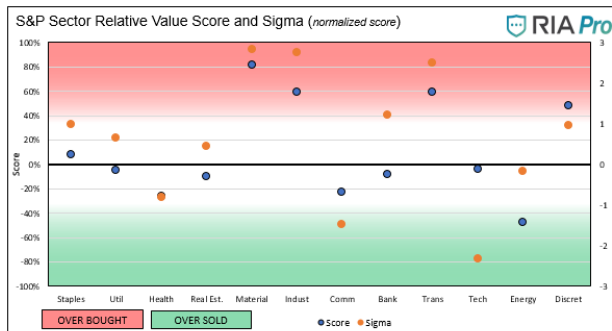
The first set of four graphs below are relative value-based, meaning the technical analysis score and sigma is based on the ratio of the asset to its benchmark. The second set of graphs is computed solely on the price of the asset. Lastly, we present "Sector spaghetti graphs" which compare momentum and our score over time to provide further current and historical indications of strength or weakness. The square at the end of each squiggle is the current reading. The top right corner is the most bullish, while the bottom left corner the most bearish.
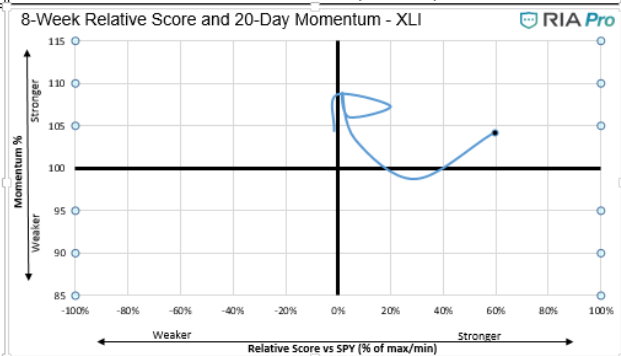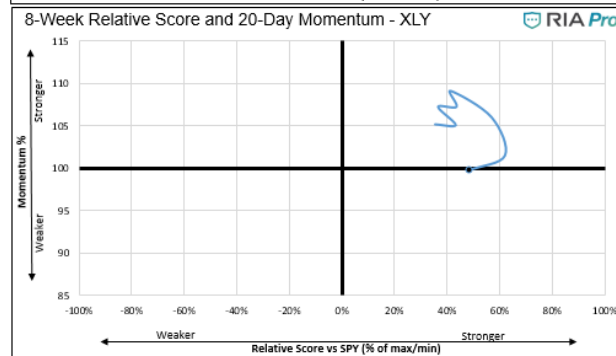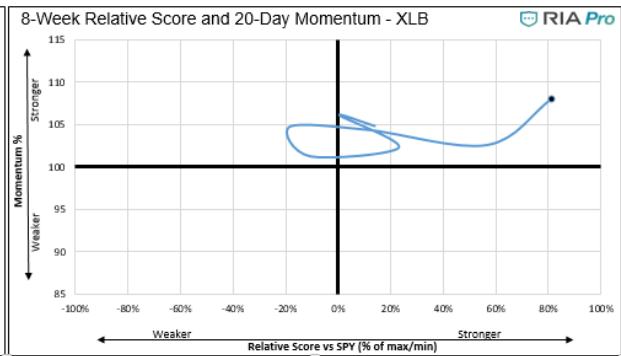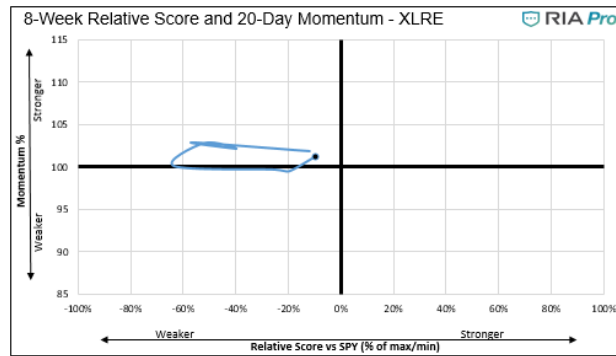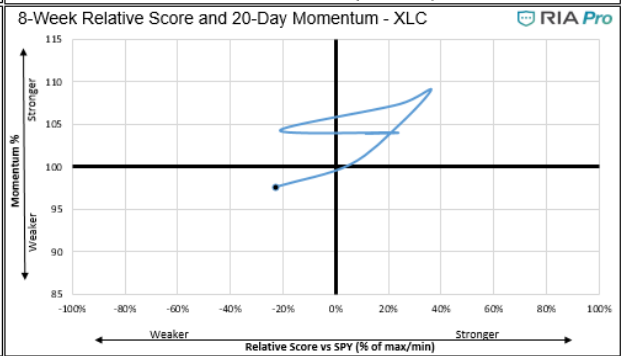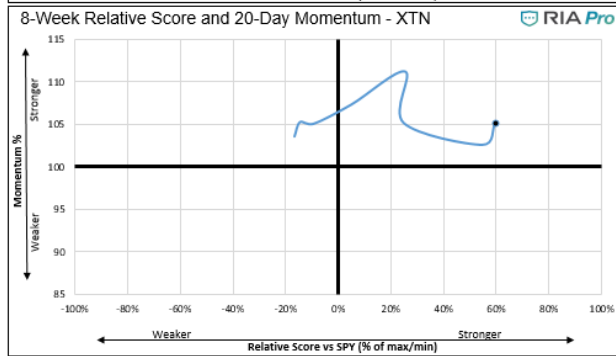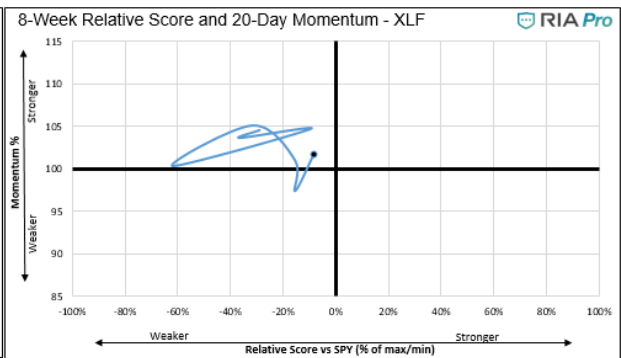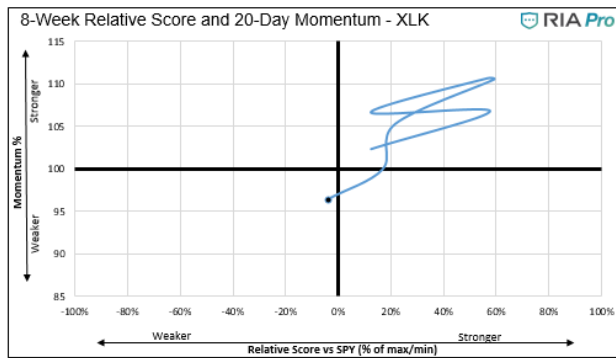
This technical value scorecard report is just one of many tools that we use to assess our holdings and decide on potential trades. Just because this report may send a strong buy or sell signal, we may not take any action if it is not affirmed in the other research and models we use.
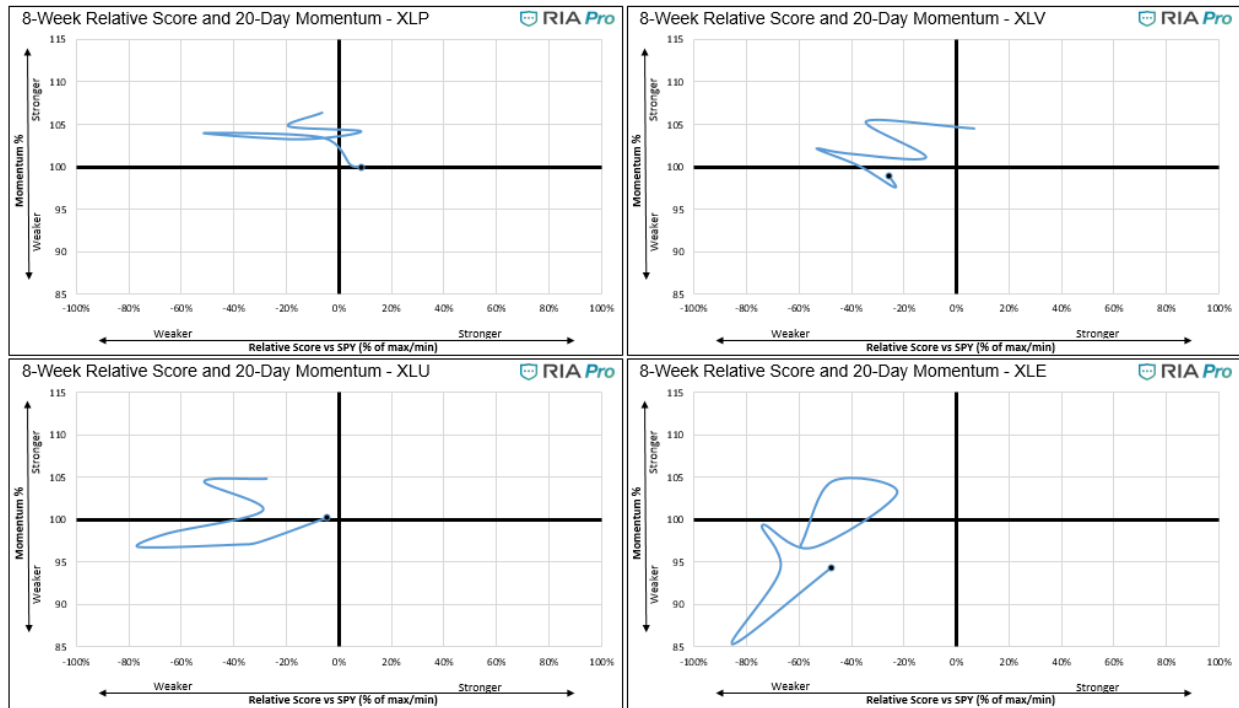
Commentary 09-18-20

- To repeat from last week, the first set of 8 graphs below were recently revised to directly compare the score and the normalized score (sigma).
- On a relative value basis for the S&P, Materials, Industrials, and Transportations are now very overbought. The leaders of the last few months, Technology and Communications, are now the most oversold sectors. XLE, the worst sector of the previous few months, had the best performance versus the S&P in the last week (+4.2%).
- Value versus growth is showing signs of life. Both the score and normalized score are overbought. That is a first in a long while. Its too early to declare the value trade is on, but it is worth following closely becuase it could be powerful source of outperformance once it gets going in earnest.
- On an absolute basis, the leaders and laggards mentioned above are the same. Energy continues to be the most oversold but is improving. The S&P 500, as shown in the graph, is finally back to fair value. The NASDAQ is the most oversold index, with developed markets (EFA) the most overbought.
- We now have "spaghetti graphs" in the weekly lineup. These graphs for each sector allow us to simultaneously compare each sectors momemtum with its respective RIA Pro score. The square at the end of the line is the current reading. The graphs span 8 weeks.
- Notice that XLI, XLB, and XTN are now in the upper righthand quadrant, while XLC and XLK are now in the lower lefthand quadrant.

Graphs (Click on the graphs to expand)

S&P Sector Relative Value Score and Sigma (normalized score) — RIA Pro

Fixed Income Relative Value Score and Sigma (normalized score) — RIA Pro

Factor/Index Relative Value Score and Sigma (normalized score) — RIA Pro

Sector Score vs 20 day excess return — RIA Pro
R² = 0.7236

S&P Sector Absolute Value Score and Sigma (normalized score) — RIA Pro

Fixed Income Absolute Value Score and Sigma (normalized score) — RIA Pro

Factor/Index Absolute Value Score and Sigma (normalized score) — RIA Pro

SPY Absolute Score — RIA Pro

8-Week Relative Score and 20-Day Momentum - XLK

8-Week Relative Score and 20-Day Momentum - XLF

8-Week Relative Score and 20-Day Momentum - XTN

8-Week Relative Score and 20-Day Momentum - XLC

8-Week Relative Score and 20-Day Momentum - XLRE

8-Week Relative Score and 20-Day Momentum - XLB

8-Week Relative Score and 20-Day Momentum - XLY

8-Week Relative Score and 20-Day Momentum - XLI

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