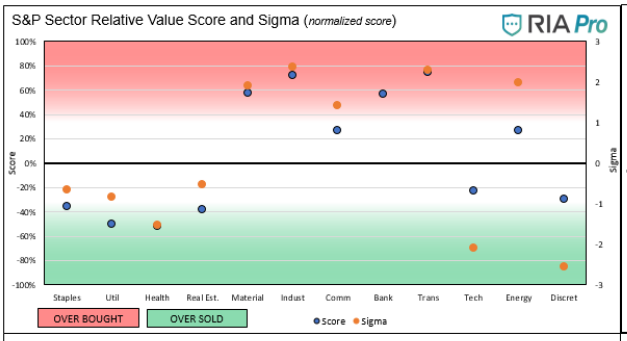
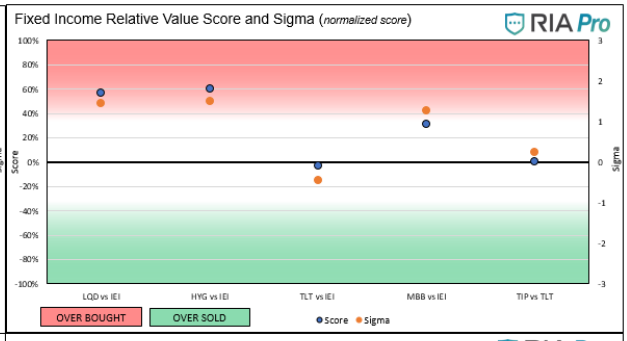
The Technical Value Scorecard Report uses 6-technical readings to score and gauge which sectors, factors, indexes, and bond classes are overbought or oversold. We present the data on a relative basis (versus the assets benchmark) and on an absolute stand-alone basis. You can find more detail on the model and the specific tickers below the charts.

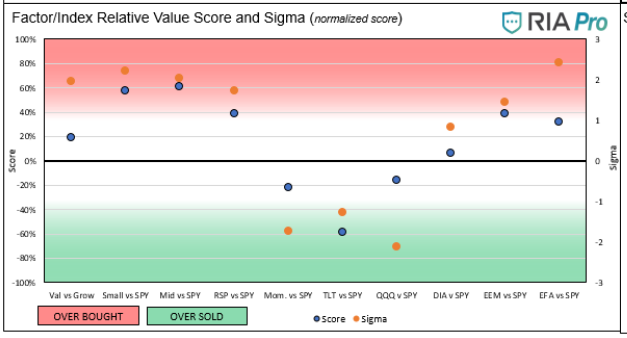
Commentary 11-20-20

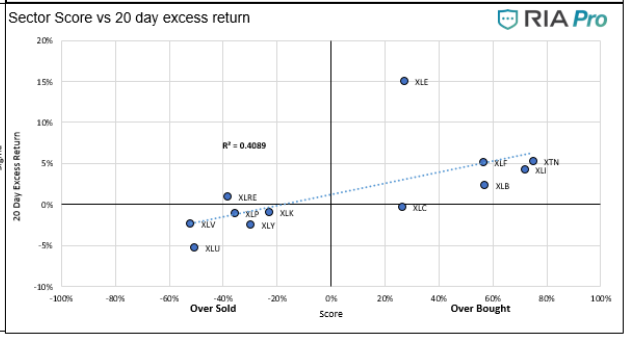
- We start with an analysis of the Absolute charts below. Despite most markets consolidating over the past week, most sectors and markets remain well overbought. The S&P 500, for instance in the lower right graph (absolute charts), is still at overbought levels last seen in late August before a nearly 10% decline.
- Foreign Developed Markets and Value are the most extreme overbought indexes with both their scores and normalized scores (sigma) at or above 80%. Technology and Momentum are overbought but to a lesser extreme than the rest of the major indexes.
- At a sector level, Utilities are the least overbought, while Banking is the most.
- On a relative basis versus the S&P 500, the reflation sectors (Materials, Industrials, Banks, Energy, and Transportation) remain the most overbought. Tech and traditional lower beta conservative sectors (Staples, Utilities, Healthcare, and Realestate) are slightly oversold versus the S&P. If you are looking to fade the reflation trade, Tech and Momentum are the most oversold indexes versus the S&P.
- Utilities were the most overbought sector a few weeks ago. At the time we reduced our exposure to the sector and recommended doing the same. It has underperformed the S&P 500 by 5.35% over the last 20 days. XLU is not grossly oversold but bears closely watching to potentially add back positions. It is the only sector or index below its 20 day moving average.
- The scatter plot in the relative set of charts has a poor correlation (R2) for the week meaning that returns and scores are not in line. This is largely due to the energy sector which handily outperformed (>10%) what one would expect given its scores.

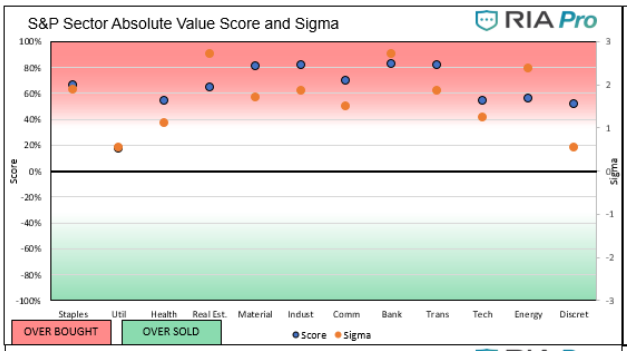
Graphs (Click on the graphs to expand)

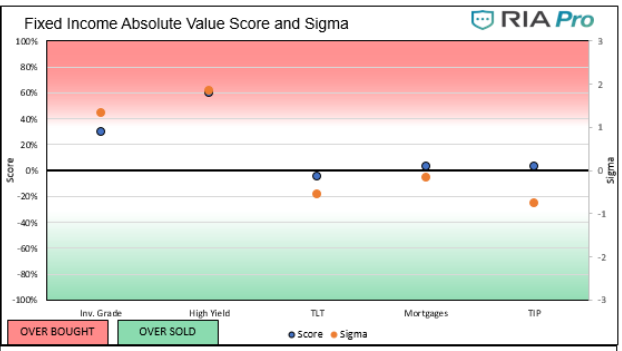

S&P Sector Relative Value Score and Sigma (normalized score)
RIA Pro
Score
Sigma
Staples
Util
Health
Real Est.
Material
Indust
Comm
Bank
Trans
Tech
Energy
Discret
OVER BOUGHT
OVER SOLD
Score
Sigma

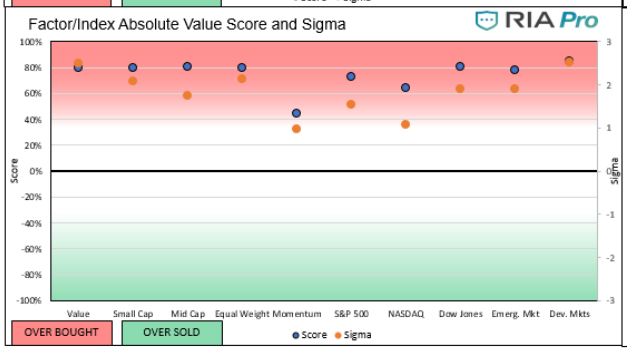

Fixed Income Relative Value Score and Sigma (normalized score)
RIA Pro
Score
Sigma
LQD vs IEI
HYG vs IEI
TLT vs IEI
MBB vs IEI
TIP vs TLT
OVER BOUGHT
OVER SOLD
Score
Sigma

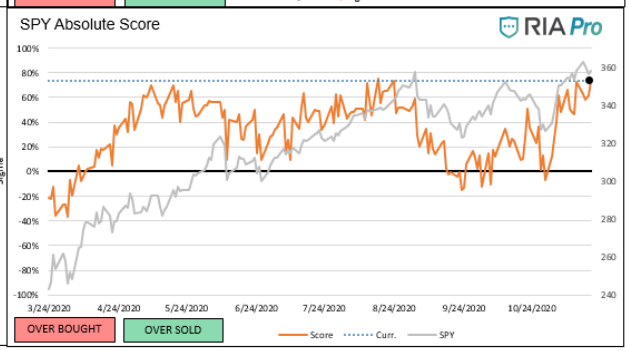

Factor/Index Relative Value Score and Sigma (normalized score)
RIA Pro
Score
Sigma
Val vs Grow
Small vs SPY
Mid vs SPY
RSP vs SPY
Mom. vs SPY
TLT vs SPY
QQQ v SPY
DIA v SPY
EEM vs SPY
EFA vs SPY
OVER BOUGHT
OVER SOLD
Score
Sigma


Sector Score vs 20 day excess return
RIA Pro
20 Day Excess Return
R² = 0.4089
XLE
XLF
XTN
XLI
XLB
XLRE
XLK
XLV
XLY
XLC
XLU
Over Sold
Score
Over Bought


S&P Sector Absolute Value Score and Sigma
RIA Pro
Score
Sigma
Staples
Util
Health
Real Est.
Material
Indust
Comm
Bank
Trans
Tech
Energy
Discret
OVER BOUGHT
OVER SOLD
Score
Sigma


Fixed Income Absolute Value Score and Sigma
RIA Pro
Score
Sigma
Inv. Grade
High Yield
TLT
Mortgages
TIP
OVER BOUGHT
OVER SOLD
Score
Sigma


Factor/Index Absolute Value Score and Sigma
RIA Pro
Score
Sigma
Value
Small Cap
Mid Cap
Equal Weight
Momentum
S&P 500
NASDAQ
Dow Jones
Emerg. Mkt
Dev. Mkts
OVER BOUGHT
OVER SOLD
Score
Sigma


SPY Absolute Score
RIA Pro
3/24/2020
4/24/2020
5/24/2020
6/24/2020
7/24/2020
8/24/2020
9/24/2020
10/24/2020
OVER BOUGHT
OVER SOLD
Score
Curr.
SPY

	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	-0.81%	0.64%	-1.13%	-2.77%	20	12	17	18
XLU	-3.78%	-3.11%	-5.35%	-2.49%	22	21	22	17
XLV	-2.65%	-2.97%	-2.33%	-2.48%	21	20	20	16
XLRE	-0.76%	2.20%	0.91%	-5.08%	19	10	12	21
XLB	1.26%	0.50%	2.32%	3.13%	8	13	9	9
XLI	2.06%	5.34%	4.27%	5.51%	4	5	6	6
XLC	-0.04%	-1.66%	-0.38%	1.24%	18	16	14	12
XLF	1.53%	7.68%	5.12%	5.67%	6	4	4	5
XTN	3.36%	9.01%	5.26%	8.21%	2	2	3	3
XLK	0.22%	-2.36%	-1.01%	-1.59%	15	18	16	15
XLE	6.35%	22.26%	14.99%	15.65%	1	1	1	1
XLY	0.77%	-1.04%	-2.48%	-2.97%	12	15	21	20
VG	0.11%	3.71%	1.73%	1.85%	17	9	11	11
SL	2.77%	8.21%	6.02%	9.57%	3	3	2	2
ML	1.77%	3.91%	3.23%	5.99%	5	7	7	4
RSP	1.24%	4.34%	2.91%	4.25%	9	6	8	7
MTUM	0.61%	-3.63%	-1.77%	-2.95%	13	22	18	19
TLT	1.31%	-1.75%	-2.15%	-8.81%	7	17	19	22
QQQ	0.59%	-2.93%	-0.79%	-0.58%	14	19	15	14
DIA	0.15%	2.10%	0.76%	-0.48%	16	11	13	13
EEM	1.04%	-0.38%	1.86%	3.74%	11	14	10	8
EFA	1.20%	3.76%	4.47%	2.61%	10	8	5	10

Users Guide

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.

The technical value scorecard report is just one of many tools that we use to assess our holdings and decide on potential trades. This report may send a strong buy or sell signal, but we may not take any action if other research and models do not affirm it.

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