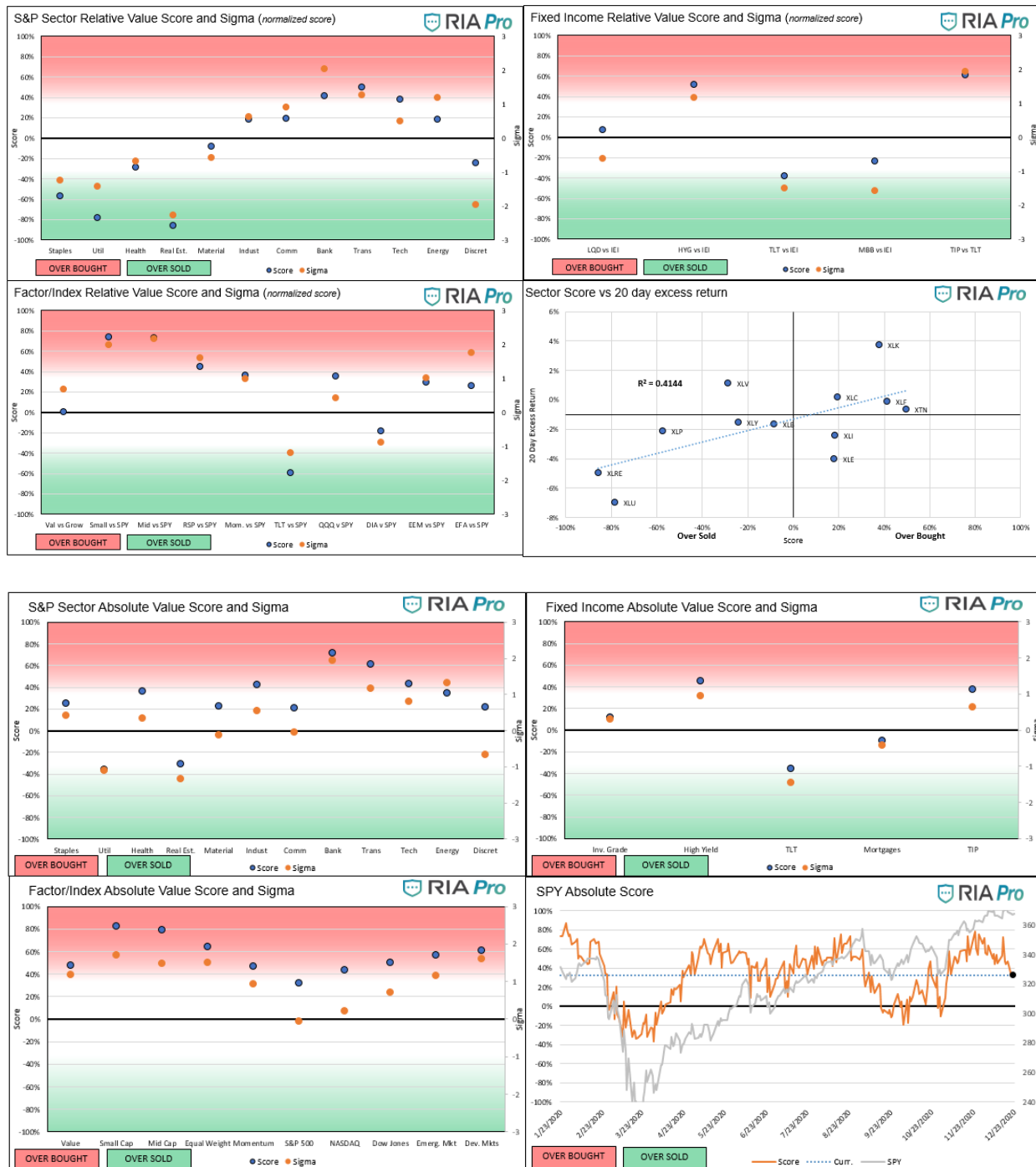**The Technical Value Scorecard Report** uses 6-technical readings to score and gauge which sectors, factors, indexes, and bond classes are overbought or oversold. We present the data on a relative basis (versus the assets benchmark) and on an absolute stand-alone basis. You can find more detail on the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

Commentary 12-24-20

- On a relative value basis, Real Estate (XLRE) is now grossly oversold versus the S&P, with Utilities and Staples following closely behind. Higher yields in the fixed income markets are certainly weighing on the Utility and REIT sectors. Banks and Transports are the most overbought sectors versus the market
- Small Caps and Mid Caps are the most overbought markets on a relative basis. With sigmas greater than 2 standard deviations and scores near 80%, the levels are rare and favor a pullback or at least a consolidation in the near future. The Small-Cap index is trading 2.3 standard deviations above its 200 dma. The index would have to decline by over 17% to fall back to 1 standard deviation above its 200 dma.
- Over the last 35 days XLE, Small Caps, and XLF have been the best relative performers beating the S&P 500 by 24.6%, 15%, and 10% respectively.
- On an absolute basis, Utilities, and Real Estate are the most oversold sectors, but not to the same degree they are on a relative basis. Banks (XLF) are strongly overbought.
- The absolute scores for Small Caps and Mid Caps are at 80% or greater, signaling a level of extreme overboughtness.
- The S&P 500 has been consolidating for the last month which has reduced its level of overboughtness. The NASDAQ and DOW are both slightly more overbought than the S&P, but no longer are they extreme. Investors are clearly favoring the riskiest sectors.

Graphs (Click on the graphs to expand)

S&P Sector Relative Value Score and Sigma (*normalized score*)

RIA Pro

OVER BOUGHT OVER SOLD
● Score ● Sigma

Staples, Util, Health, Real Est., Material, Indust, Comm, Bank, Trans, Tech, Energy, Discret

Fixed Income Relative Value Score and Sigma (*normalized score*)

RIA Pro

OVER BOUGHT OVER SOLD
● Score ● Sigma

LQD vs IEI, HYG vs IEI, TLT vs IEI, MBB vs IEI, TIP vs TLT

Factor/Index Relative Value Score and Sigma (*normalized score*)

RIA Pro

OVER BOUGHT OVER SOLD
● 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

Sector Score vs 20 day excess return

RIA Pro

R² = 0.4144

XLK, XLV, XLC, XLF, XTN, XLP, XLY, XLB, XLI, XLE, XLRE, XLU

20 Day Excess Return

Over Sold Score Over Bought

S&P Sector Absolute Value Score and Sigma

RIA Pro

OVER BOUGHT OVER SOLD
● Score ● Sigma

Staples, Util, Health, Real Est., Material, Indust, Comm, Bank, Trans, Tech, Energy, Discret

Fixed Income Absolute Value Score and Sigma

RIA Pro

OVER BOUGHT OVER SOLD
● Score ● Sigma

Inv. Grade, High Yield, TLT, Mortgages, TIP

Factor/Index Absolute Value Score and Sigma

RIA Pro

OVER BOUGHT OVER SOLD
● Score ● Sigma

Value, Small Cap, Mid Cap, Equal Weight, Momentum, S&P 500, NASDAQ, Dow Jones, Emerg. Mkt, Dev. Mkts

SPY Absolute Score

RIA Pro

OVER BOUGHT OVER SOLD
— Score ···· Curr. — SPY

1/23/2020, 2/23/2020, 3/23/2020, 4/23/2020, 5/23/2020, 6/23/2020, 7/23/2020, 8/23/2020, 9/23/2020, 10/23/2020, 11/23/2020, 12/23/2020

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