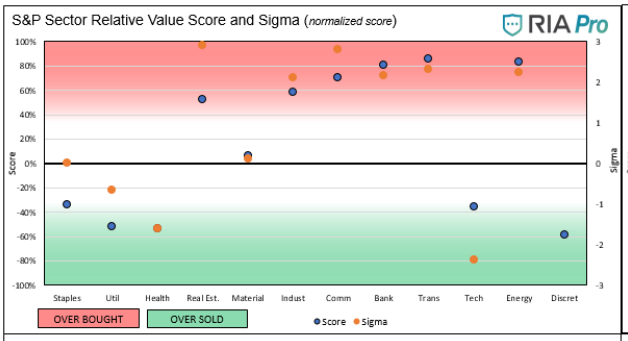
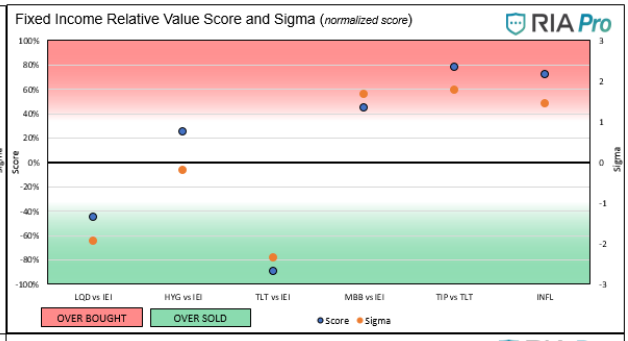
The Technical Value Scorecard Report uses 6-technical readings to score and gauge which sectors, factors, indexes, and bond classes are overbought or oversold. We present the data on a relative basis (versus the assets benchmark) and on an absolute stand-alone basis. You can find more detail on the model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

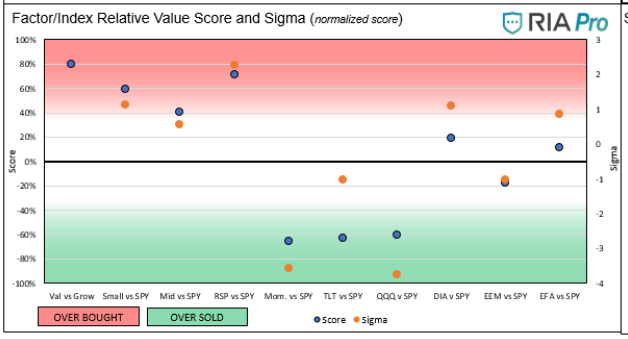
Commentary 3-05-21

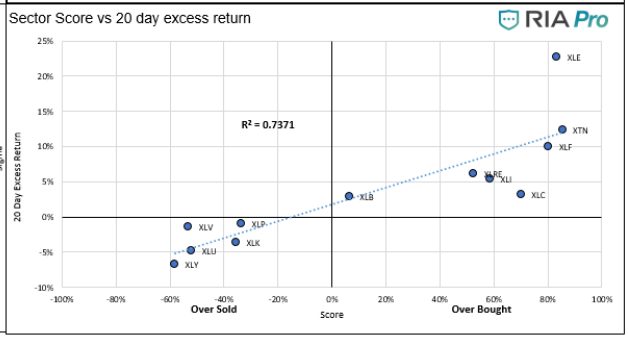
- The divergences between stocks benefitting from higher interest rates and inflation versus those that do not is becoming starker by the week. In the sector charts Transportation, Energy, and Banks are literally pinned at the top. Staples, Utilities, Healthcare, Tech, and Discretionary are weaker. For now, the obvious trade is to concentrate on sectors benefiting from reflation. We offer caution however because higher rates will arrest economic growth.
- Similar story in the Factor/index graphs. Note we had to increase the Sigma (normalized score) to include Momentum and the NASDAQ. Value has been one of the hottest sectors led primarily by the banking, materials, and energy sectors. Interestingly emerging markets have weakened despite significant exposure to commodity companies. The recent dollar strength and tighter financial conditions abroad (higher interest rates) are behind its relative weakness.
- The inflation/deflation index (INFL- fixed income relative graph) continues to show that inflationary stocks are winning the day. The graph below the two standard graphs shows the incredible 30%+ outperformance of these sectors since November.
- The absolute series of graphs tells the same story as the relative value graphs. Simply, interest rates matter.
- Most factors and indexes are now at or below fair value. Similarly, the graph in the lower right on the absolute charts shows the S&P 500 is as oversold as it has been in the last 11 months. Note, however, it is still close to fair value, so it can get a lot more oversold.
- Staples, Utilities, Healthcare, and Discretionary are now over two standard deviations below their 50-day moving averages. At the same time Banks, Transportation, and Energy are at least two standard deviations above their 200-day moving averages. When the tide changes there will be a profitable sector rotation trade, but for now we must respect the market.

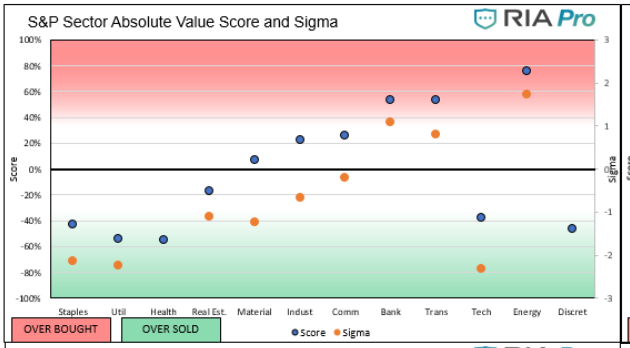
Graphs (Click on the graphs to expand)

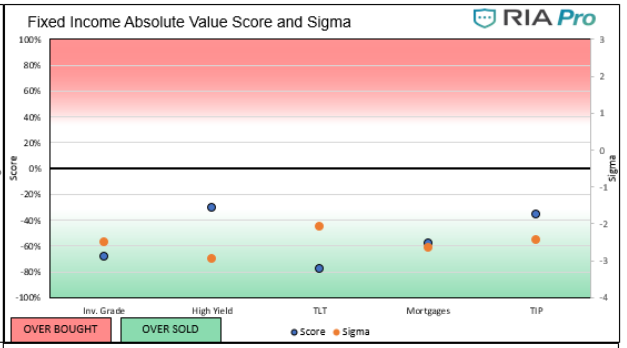

S&P Sector Relative Value Score and Sigma (normalized score)
RIA Pro
Score
Sigma
Staples
Util
Health
Real Est.
Material
Indust
Comm
Bank
Trans
Tech
Energy
Discret
OVER BOUGHT
OVER SOLD
Score
Sigma

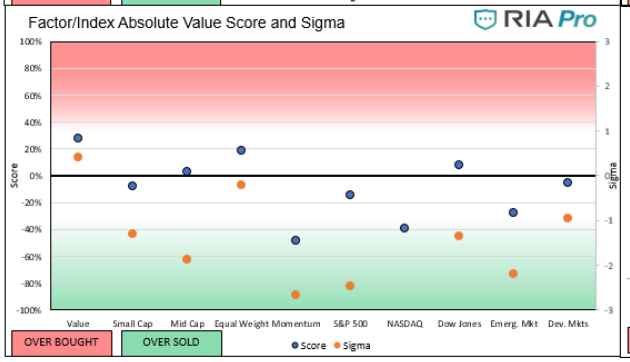

Fixed Income Relative Value Score and Sigma (normalized score)
RIA Pro
Score
Sigma
LQD vs IEI
HYG vs IEI
TLT vs IEI
MBB vs IEI
TIP vs TLT
INFL
OVER BOUGHT
OVER SOLD
Score
Sigma

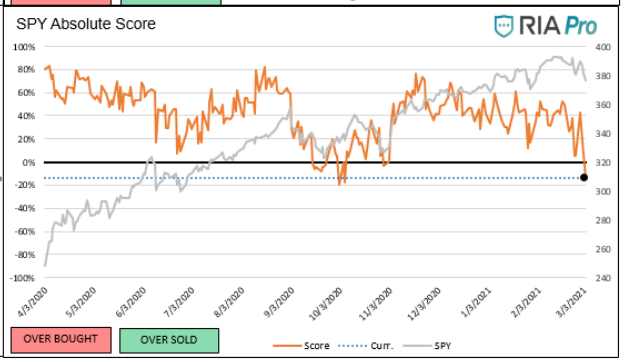

Factor/Index Relative Value Score and Sigma (normalized score)
RIA Pro
Score
Sigma
Val vs Grow
Small vs SPY
Mid vs SPY
RSP vs SPY
Mom. vs SPY
TLT vs SPY
QQQ v SPY
DIA v SPY
EEM vs SPY
EFA vs SPY
OVER BOUGHT
OVER SOLD
Score
Sigma

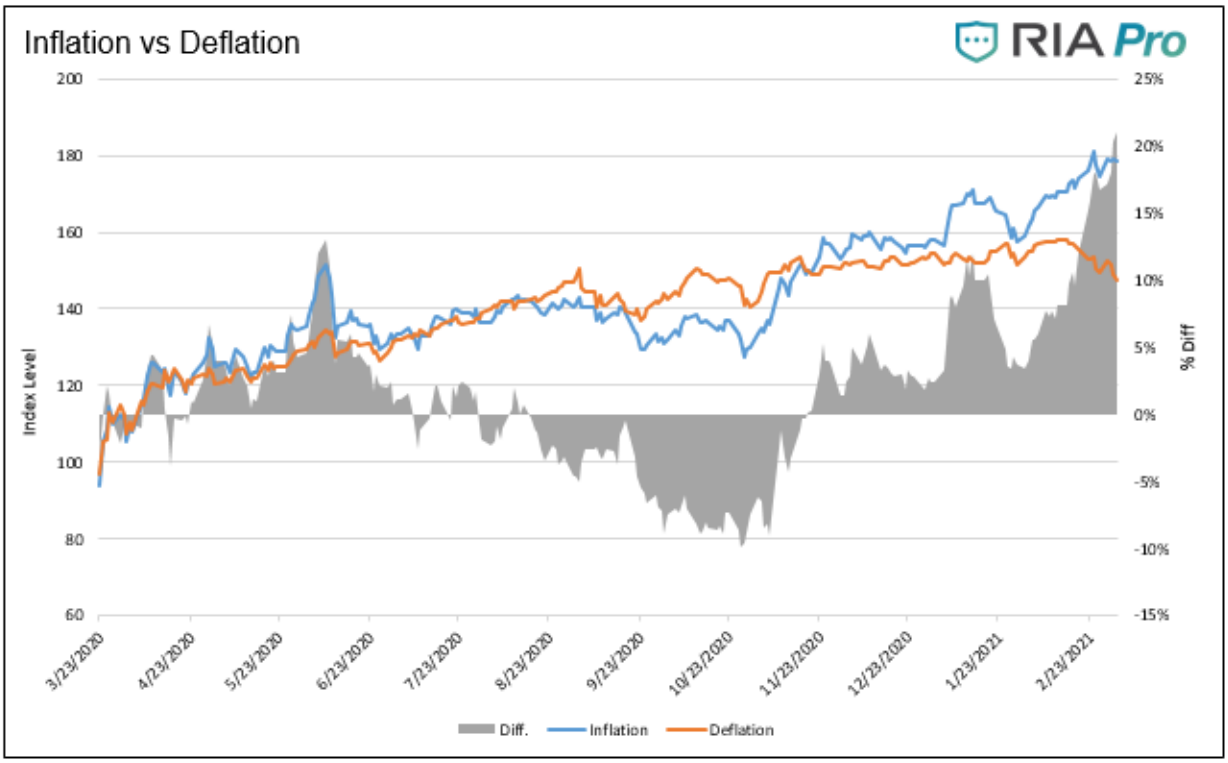

Sector Score vs 20 day excess return
RIA Pro
R² = 0.7371
20 Day Excess Return
Score
Over Sold
Over Bought
XLE
XTN
XLF
XLB
XLI
XLC
XLV
XLP
XLK
XLU
XLY


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
4/3/2020
5/3/2020
6/3/2020
7/3/2020
8/3/2020
9/3/2020
10/3/2020
11/3/2020
12/3/2020
1/3/2021
2/3/2021
3/3/2021
OVER BOUGHT
OVER SOLD
Score
Curr.
SPY



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
- Inflation Index- XLB, XLE, XLF, and Value (IVE)
- Deflation Index- XLP, XLU, XLK, and Growth (IWE)