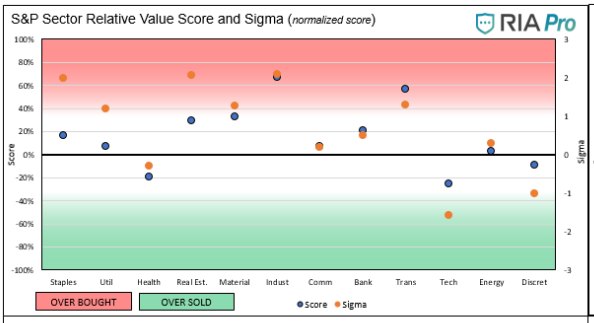
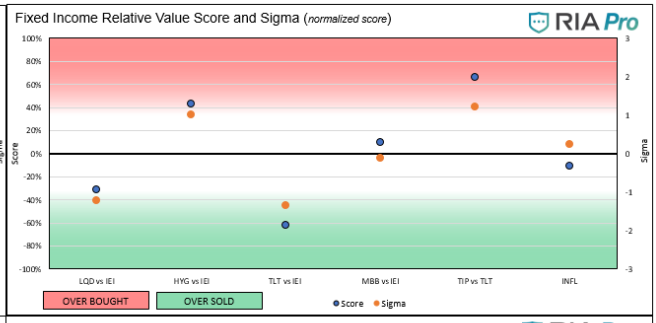
The Technical Value Scorecard Report uses 6-technical readings to score and gauge which sectors, factors, indexes, and bond classes are overbought or oversold. We present the data on a relative basis (versus the assets benchmark) and on an absolute stand-alone basis. You can find more detail on the model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

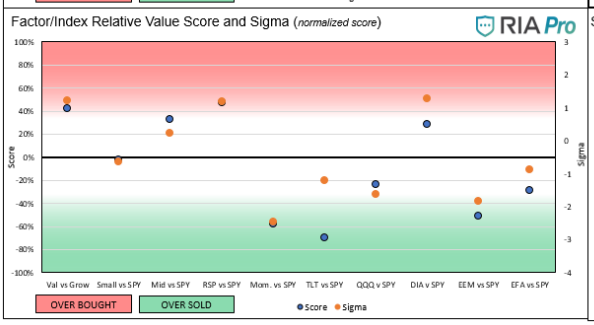
Commentary 4-02-21

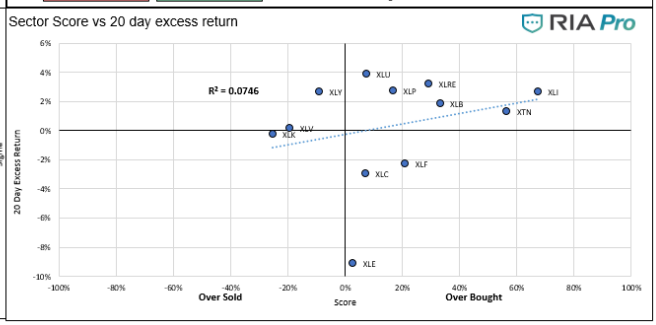
- We had to do a double-take when looking at the Sector Relative graph because it looked identical to last week. Staples, Utilities, and Industrials are the most overbought sectors and Technology remains the most oversold.
- The scatter plot shows there is almost no correlation between excess returns and respective scores. Energy, Communications, and Financials are underperforming, while just about every other sector is outperforming the S&P 500.
- Value is the most overbought factor while Momentum the most oversold. Interestingly, this is occurring despite our Inflation/Deflation gauge moving back to fair value. Value, Small/Mid Cap, and the Dow Jones have been doing better when bonds sell-off and the market skews toward an inflationary bias. Conversely, Momentum and the NASDAQ do better in periods where interest rates stabilize.
- On an Absolute basis, everything is near fair value. As discussed last week, there is a slight downward slope to the Absolute Sector graph denoting that the non-inflationary sectors are outperforming. The S&P 500 remains above fair value.
- The last graph shows that 5-year implied inflation expectations have stalled since mid-March around 2.50% and the performance of our Inflation/Deflation gauge has come under pressure. The takeaway is that sectors like energy and finance are currently highly dependent on rising inflation expectations.

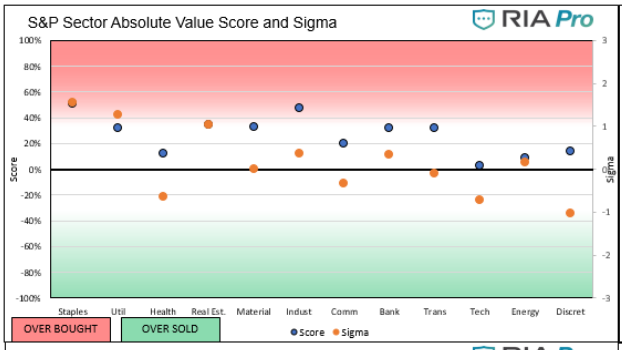
Graphs (Click on the graphs to expand)

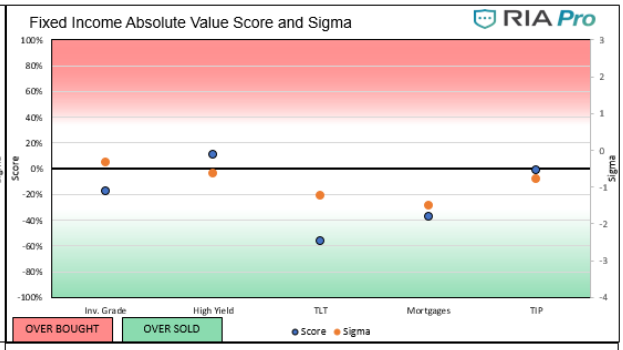

S&P Sector Relative Value Score and Sigma (normalized score)
RIA Pro
Staples Util Health Real Est. Material Indust Comm Bank Trans Tech Energy Discret
OVER BOUGHT
OVER SOLD
Score
Sigma

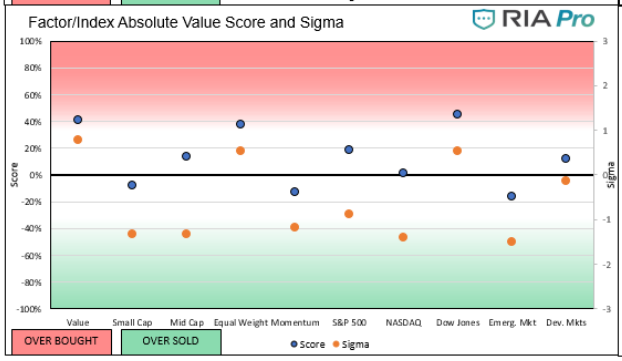

Fixed Income Relative Value Score and Sigma (normalized score)
RIA Pro
LQD vs IEI HYG vs IEI TLT vs IEI MBB vs IEI TIP vs TLT INFL
OVER BOUGHT
OVER SOLD
Score
Sigma

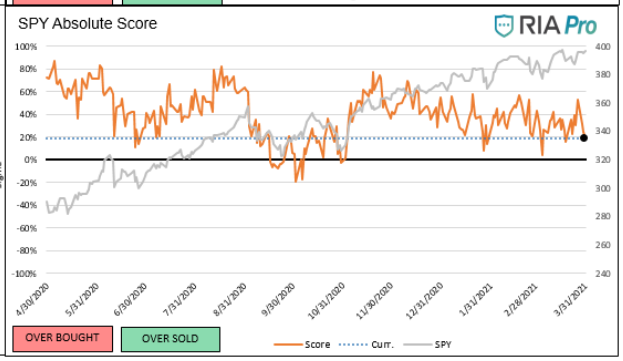

Factor/Index Relative Value Score and Sigma (normalized score)
RIA Pro
Val vs Grow Small vs SPY Mid vs SPY RSP vs SPY Mom. vs SPY TLT vs SPY QQQ v SPY DIA v SPY EEM vs SPY EFA vs SPY
OVER BOUGHT
OVER SOLD
Score
Sigma

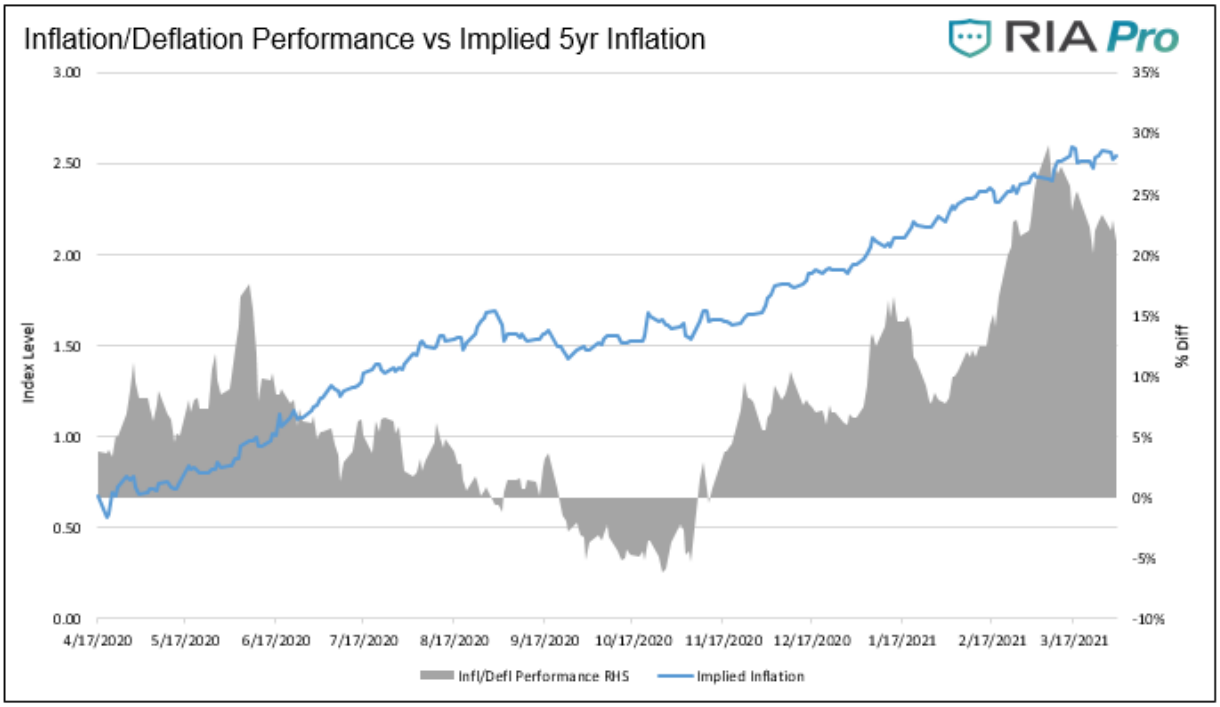

Sector Score vs 20 day excess return
RIA Pro
R² = 0.0746
XLU XLY XLP XLRE XLI XLB XTN XLV XLK XLF XLC XLE
20 Day Excess Return
Over Sold
Over Bought
Score


S&P Sector Absolute Value Score and Sigma
RIA Pro
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
Inv. Grade High Yield TLT Mortgages TIP
OVER BOUGHT
OVER SOLD
Score
Sigma


Factor/Index Absolute Value Score and Sigma
RIA Pro
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
4/30/2020 5/31/2020 6/30/2020 7/31/2020 8/31/2020 9/30/2020 10/31/2020 11/30/2020 12/31/2020 1/31/2021 2/28/2021 3/31/2021
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 represent a ratio of the asset to its benchmark. The second set of graphs is computed solely on the price of the asset. At times 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 one of many tools we use to manage our portfolios. 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)