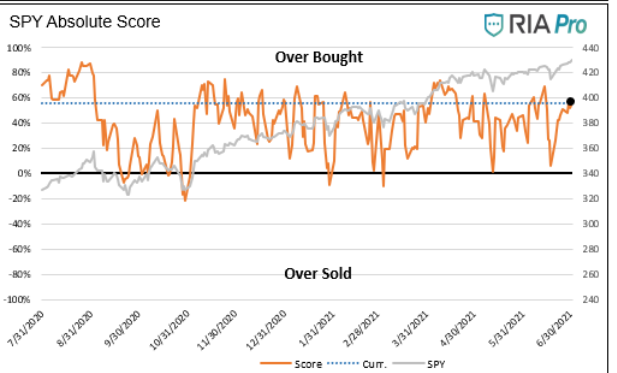
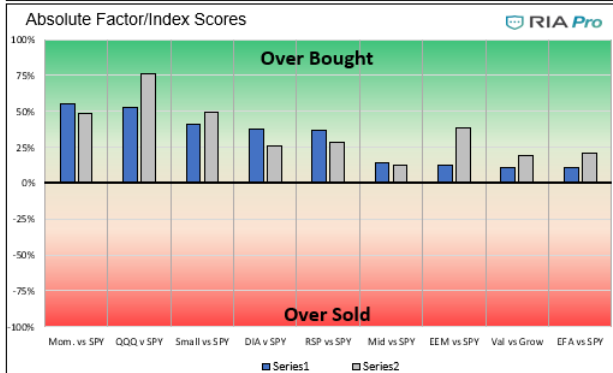
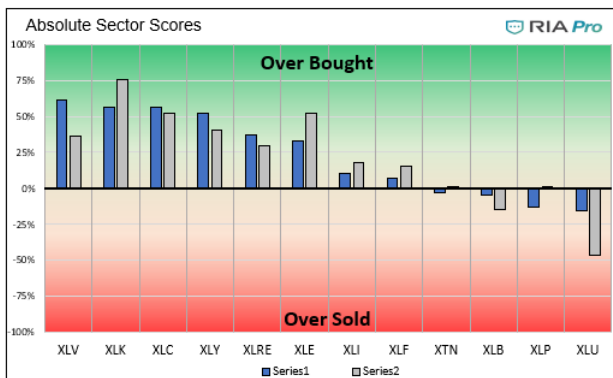
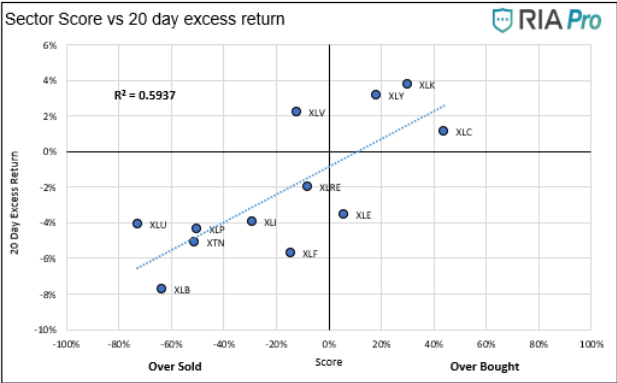
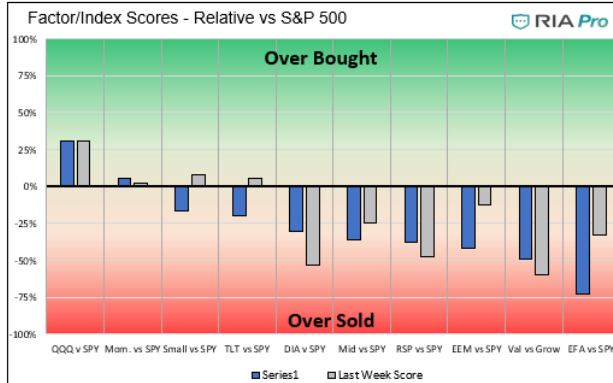
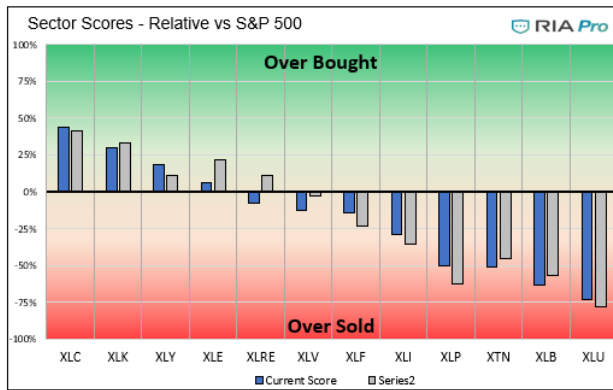


The Technical Value Scorecard Report uses 6-technical readings to score and gauge which sectors, factors, indexes, and bond classes are overbought or oversold. We present the data on a relative basis (versus the assets benchmark) and on an absolute stand-alone basis. You will find more detail on the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

Commentary 7-02-21

- A quick glance at the charts below highlights a couple of noteworthy characteristics of recent market behavior. First, about three-quarters of the sectors and all but two of the factors/indexes are oversold versus the S&P. This condition is a sign that the market's breadth is poor with only a few, predominantly FANG stocks, leading the way. We see similar signs of bad breadth in other indicators as well. Second, the changes from last week are minimal in almost all cases. While the market is slowly rising, the graphs point to a broader market, that for two weeks running, is lethargic. We are currently on a daily buy signal in our proprietary model but are closely watching it as we expect it to turn back to a sell signal in the next week or two. The second half of July, along with the following few months, are historically the weakest performing months of the year.
- Utilities are the most oversold sectors on a relative basis, which is a little confounding given inflation expectations stabilized and yields are slowly declining. The inflationary sectors remain relatively weak except for energy, which is trading close to fair value. The rising price of oil seems to be supporting the sector. There are no sectors in deep overbought territory.
- The factor/index graph shows the NASDAQ continues to be the index of choice as it is the only index above fair value versus the S&P 500. As the relative value graphs, the inflationary sectors like foreign and emerging markets, value, and the equally weighted S&P 500 are the most oversold.
- The absolute graphs show only a few sectors are oversold, albeit not far below fair value. Healthcare, technology, communications, and discretionary are the most overbought sectors. Real estate (XLRE) has fallen back toward fair value as we suspected it would after it was grossly overbought for a few weeks running. XLRE underperformed the S&P 500 by 3.33% over the last ten trading days.
- The third graph below breaks out each sector's excess returns versus the S&P 500 over a wide range of trading days. The color-coding allows us to spot new trends as sectors turn from red/orange to yellow/green and vice versa. For instance materials and transports, which are oversold on a relative basis are not the worst performing sectors (bright red) as they had been. Conversely, real estate went from a nice string of green data points, but now is showing up as red in the last ten days. Utilities are showing consistently poor excess returns over all periods.
- The S&P 500 remains overbought as shown in the bottom right on the second set of graphs. The correlation between our scores and excess returns has slipped since the very high readings of the past few weeks.

Graphs (Click on the graphs to expand)



Excess Returns vs S&P 500 - Number of Days												
	10	20	30	40	50	60	70	80	90	120	180	240
XLP	-2.3%	-4.3%	-5.5%	-3.2%	-3.0%	-3.4%	-7.0%	-3.8%	-3.0%	-8.3%	-17.8%	-20.6%
XLU	-4.0%	-4.1%	-7.1%	-5.2%	-7.3%	-6.0%	-8.0%	-6.8%	-3.6%	-13.1%	-25.8%	-26.7%
XLV	-1.0%	2.2%	-1.6%	0.4%	-0.5%	3.1%	-0.1%	1.7%	-0.3%	-5.9%	-6.6%	-11.4%
XLRE	-3.3%	-2.0%	1.4%	3.1%	2.1%	5.7%	2.8%	4.8%	6.0%	7.9%	0.4%	-9.1%
XLB	-1.2%	-7.7%	-8.2%	-7.8%	-3.5%	-1.2%	-4.8%	-4.1%	-0.6%	-4.7%	0.9%	5.3%
XLI	-0.2%	-4.0%	-3.6%	-4.1%	-1.7%	-2.0%	-3.8%	-2.7%	0.7%	1.5%	2.6%	12.0%
XLC	0.1%	1.2%	2.4%	2.2%	3.4%	1.4%	4.1%	0.0%	0.8%	10.4%	6.9%	8.5%
XLF	1.2%	-5.7%	-5.3%	-4.1%	1.2%	0.6%	-1.1%	-2.9%	1.3%	5.0%	22.0%	22.1%
XTN	-1.7%	-5.1%	-7.2%	-7.9%	-6.3%	-8.2%	-10.0%	-11.7%	-7.2%	2.1%	12.2%	26.2%
XLK	0.4%	3.8%	4.9%	4.4%	0.4%	-0.3%	2.8%	3.3%	0.0%	1.5%	0.4%	2.1%
XLE	0.9%	-3.5%	1.3%	0.2%	12.0%	9.1%	0.0%	-6.9%	0.7%	13.6%	55.9%	20.3%
XLY	0.6%	3.1%	2.8%	-0.9%	-2.3%	-2.6%	-0.6%	-1.6%	-1.7%	-6.3%	-7.1%	-0.8%

Users Guide

The score is a percentage of the maximum score based on a series of weighted technical indicators for the last 200 trading days. Assets with scores over or under +/-70% are likely to either consolidate or change trend. When the scatter plot in the sector graphs has an R-squared greater than .60 the signals are more reliable.

The first set of four graphs below are relative value-based, meaning the technical analysis 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. 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)