

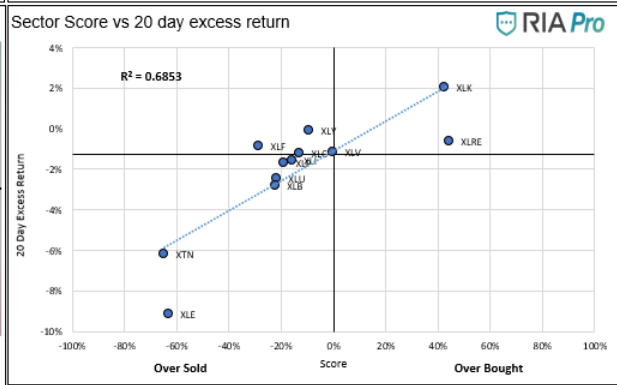
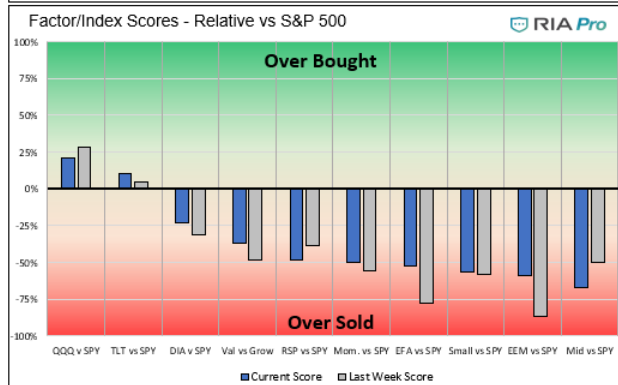
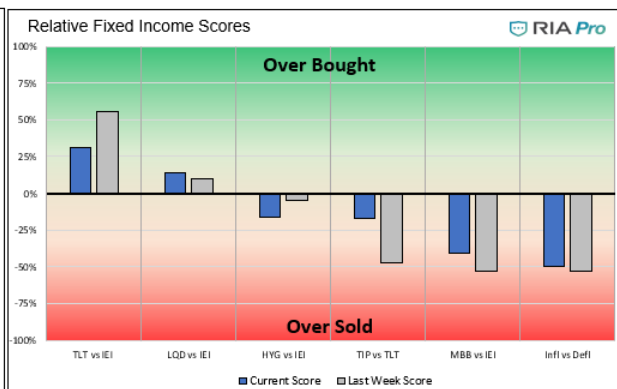
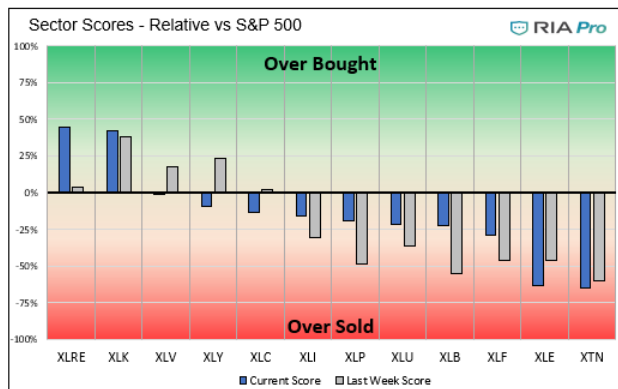


The Technical Value Scorecard Report uses 6-technical readings to score and gauge which sectors, factors, indexes, and bond classes are overbought or oversold. We present the data on a relative basis (versus the assets benchmark) and on an absolute stand-alone basis. You will find more detail on the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

Commentary 7-16-21

- Bad market breadth was in play again this past week. There were only four sectors that beat the S&P 500. Of note, the two most oversold sectors over prior months finally woke up. XLU and XLP beat the S&P 500 by 1.74% and 1.29% respectively. Their improvement can also be seen on the first relative set of graphs as they are not among the most oversold sectors anymore. If you think the reflation trade is dead, these sectors should continue to gain on the S&P and other sectors in the coming weeks and months.
- The reflation sectors continue to lag the market. Energy and transportation are the most oversold sectors. Financials are struggling due to the flattening yield curve accompanying lower yields and reduced inflation expectations.
- The bond market continues to push lower in yield, warning economic growth and inflation may be peaking. If bond traders have this right, the technology and healthcare sectors should continue to lead. Further, staples and utilities have ground to catch up and such an environment should be relatively friendly for them.
- The relative factor/index graph also shows the stunning divergences between the S&P and other indexes. The NASDAQ (QQQ) is the only equity factor/index above fair value versus the S&P. Small-cap, mid-cap, and emerging markets are in deeply oversold territory and might bounce on any signs the reflation the trade is back on. Over the last four weeks, small caps have given up 6% to the S&P and emerging markets a little over 5%.
- The absolute graphs tell a similar story of which sectors are leading and lagging. The market has been generally drifting higher leaving energy, transportation, and materials as the only oversold sectors. They are not deeply oversold, so the trends can easily continue. Real estate and technology are moving into deeply overbought territory so caution is advised especially going into earnings reports in the last week of July for many tech companies.
- The S&P 500 is overbought, but in its recent value range as shown in the bottom right of the second set of graphs.
- All bond sectors are overbought on an absolute basis. However, on a relative basis versus the 5-7 year UST ETF (IEI), TLT and investment-grade corporates (LQD) are the only overbought sectors. Junk bonds, mortgages, and TIPs have been lagging IEI. Also, note on the chart our proprietary inflation/deflation index is decently oversold. Since June 16th, one month ago, the inflationary sectors have given up almost 10% to the deflationary sectors. A listing of the constituents in each index can be found at the bottom of this report.

Graphs (Click on the graphs to expand)





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 $\pm 70\%$ 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)