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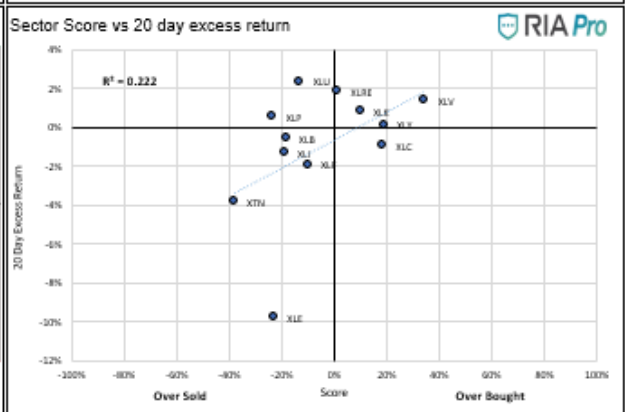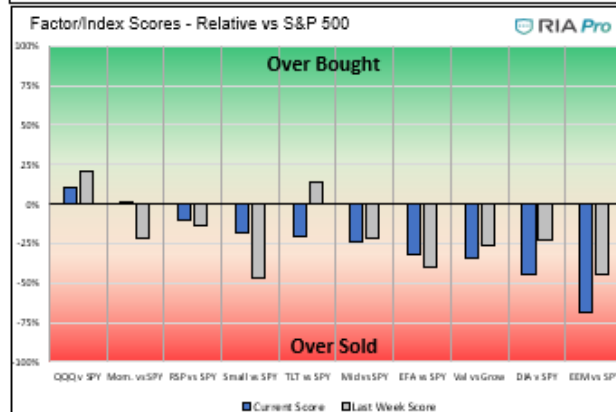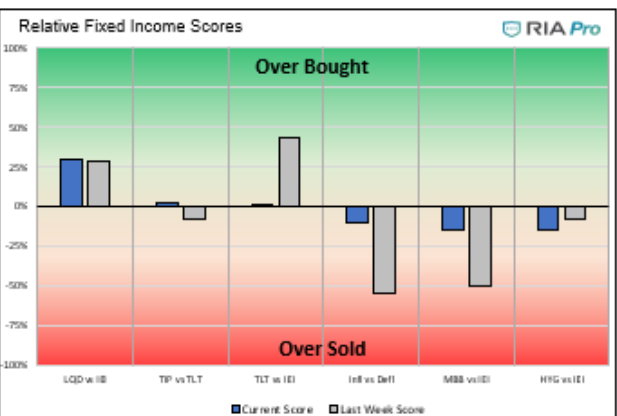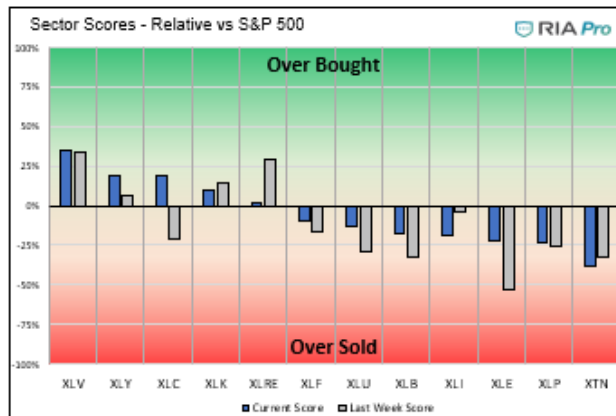rbought or oversold. We present the data on a relative basis (versus the assets benchmark) and on an absolute stand-alone basis. You will find more detail on the model and the specific tickers below the charts.

Commentary 7-30-21

- The graphs below point to indecision in the markets. Maybe the best way to highlight this is the scatter plot comparing 20 day excess returns and current relative scores. The correlation is very low (R-squared = 22) as most relative scores are near fair value and the S&P 500 was little changed over the last four weeks. This low correlation reading comes after a long period of high R-squareds.
- The inflationary sectors, including energy, financials, and materials, led last week, while technology underperformed. That result is not surprising given many technology stocks got extended and earnings reports in some cases, despite being good, were not enough to justify recent price increases. Amazon's weak market opening this morning on earnings disappointment will likely weigh on the discretionary sector due to its large contribution to the sector.
- Other than the NASDAQ, all factors and indexes remain slightly oversold versus the S&P. Emerging markets are deeply oversold but, as shown in the third graph below, it is not painting a pretty technical picture. EEM broke below key support at 52 and is below its 50 and 200-dmas. If you take advantage of its deeply oversold condition, do so with stop losses in place.
- All sectors, bonds, and factors/index are overbought on an absolute basis expect for energy and emerging markets. The S&P 500 is overbought but in the same range it has been over the past few weeks.
- On an absolute basis, staples and utilities, continue to see improving scores and are now both slightly overbought. Scores are based on many technical indicators and include various time frames. Scores can improve because the prior week showed strength, or because prior data, which was poor, is dropping out of technical calculations. For example, XLP was down 1 cent since last Friday, yet its score improved markedly this week.
- While the graphs point to indecision, none of the sector absolute scores are deep into overbought territory as we typically see at market peaks. There is a lot of tension in the equity markets so pay attention to your risk management levels.

Graphs (Click on the graphs to expand)

Sector Scores - Relative vs S&P 500

Relative Fixed Income Scores

Factor/Index Scores - Relative vs S&P 500

Sector Score vs 20 day excess return

Absolute Sector Scores

Absolute Fixed Income Scores

Absolute Factor/Index Scores

SPY Absolute Score
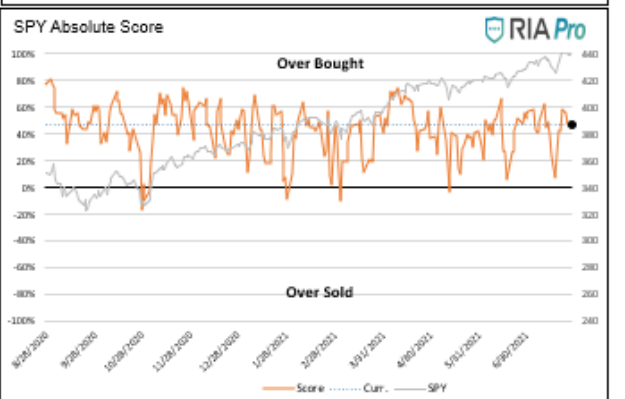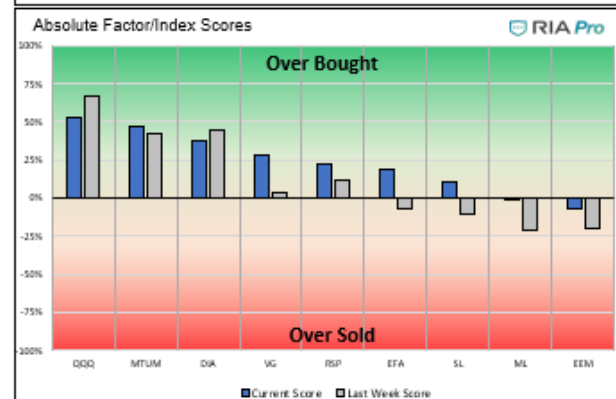
Users Guide

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)