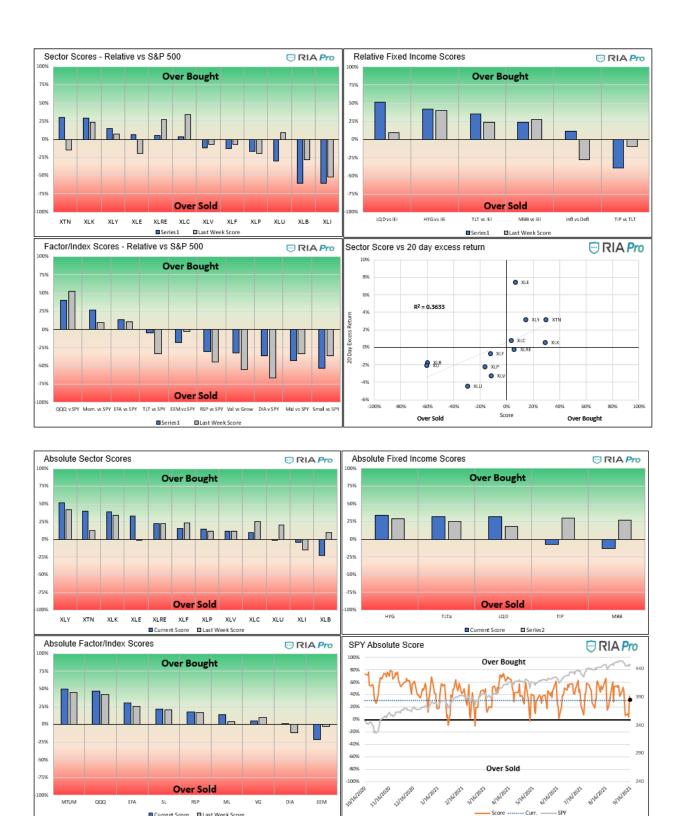


Relative Value Graphs

- This week's results are interesting as the divergences between growth/low beta and value/cyclical sectors are not as evident as over the last few months.
- Transports are the most overbought sector, albeit not at a very high score. Energy has moved up as well. That said, materials and industrials, two other sectors affiliated with cyclical sectors, are the most oversold sectors.
- Energy stocks had a great week, beating the S&P by over 3.5%. Over the last four weeks, it has been the best performing sector with an excess return of 7.42%.
- Most factors/indexes remain oversold, with small and mid-cap stocks the most oversold. Inflation, worker shortages, and higher wages have a more significant adverse effect on these companies than many larger S&P 500 companies.

Absolute Value Graphs

- Materials and Industrials are the only sectors oversold on the absolute graphs. Like small and mid-caps, higher wages and input costs are weighing on those sectors. Discretionary is the most overbought sector, but with a score just north of 50%, it has room to strengthen before we offer caution. Energy, trading better due to higher crude and natural gas prices, had the largest increase in its absolute score. It is overbought but not terribly so.
- The S&P 500, bottom-right in the second set of graphs, is overbought as well, but within the year's range. Its low scores earlier in the week almost brought it to fair value. For now, fair value seems to mark the lows for any local sell-off.
- There are no sectors more than two standard deviations from its 50 or 200 dma. The only close one is Technology at 1.75 standard deviations above its 200 dma.
- Broadly speaking, there is little in this report to offer a warning that the recent sell-off could worsen. The new trend worth consideration is the bifurcation of the cyclical sectors due to inflationary concerns on profit margins.



Users Guide

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 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 the 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 is the most bearish.

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)