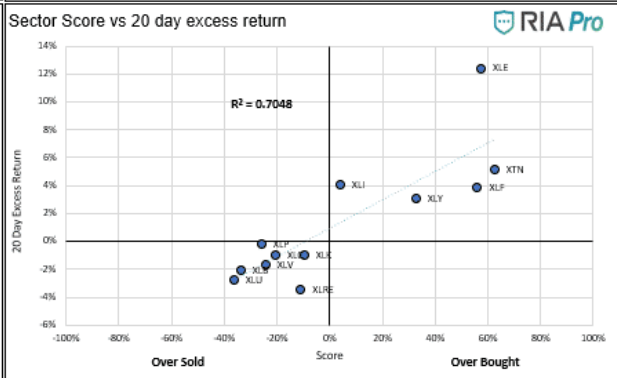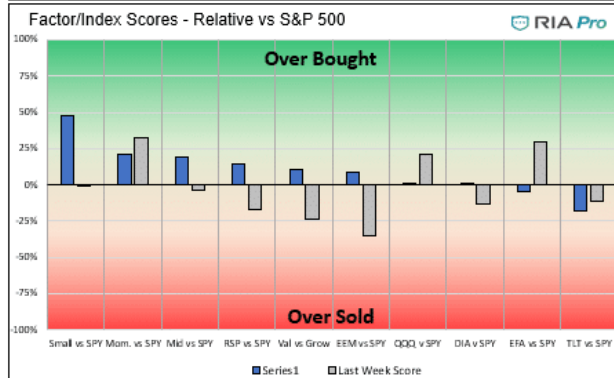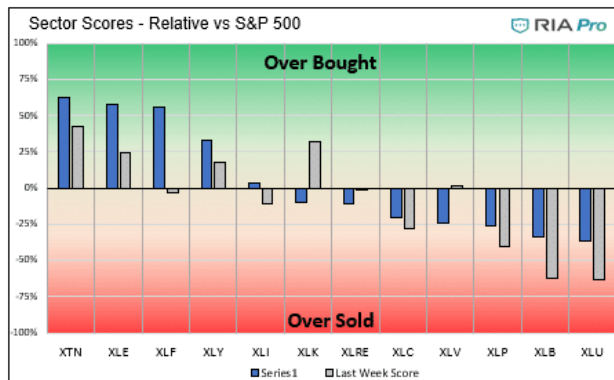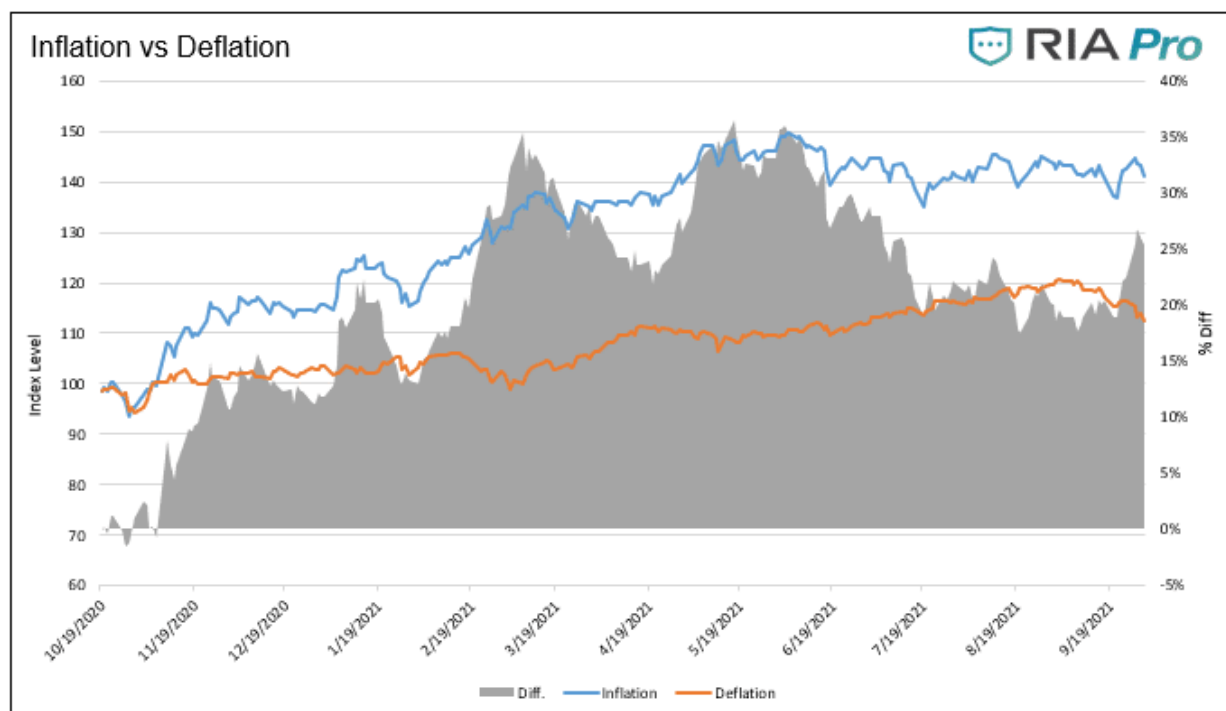# Relative Value Graphs

- Yesterday's generals, the FAANG stocks, are leading the way lower. Only two sectors had negative excess returns versus the S&P 500 last week. They were technology giving up 1.39% and healthcare losing 0.22% to the S&P, respectively.

- Value/cyclical stocks outperformed on a relative basis. The energy sector led the way, up 2.3%, while the S&P gave up 3.3%. Among the other relative outperformers were industrials, financials, and transportation. While early, the market is signaling a rotation to a reflationary bias. The third graph below shows our inflationary index has picked up about 7% on the deflationary index over the last few weeks. The rotation is not confirmed, as the bond market's 5-year implied inflation rate is stable at 2.50%.

- As far as relative scores, the cyclical, inflationary sectors are now to the left side of the graph with the highest relative scores. Oddly missing is the materials sector. It is struggling in part due to China's slowing growth. China is the world's largest user of many metals.

- The factor/index scores paint a similar story, with small and mid-caps posting high scores. Both small caps, transportation, energy, and financials, have scores at or above 50%. While overbought, they may have more room to run on a relative basis.

Absolute Value Graphs

- Energy's outperformance is highlighted in the absolute charts. Despite a poor week in the markets, its absolute score increased to 50%. Like in the relative charts, it is overbought but has room to run higher.

- Healthcare, industrials, materials, and staples stocks are the most oversold. The score on industrials fell despite its relative outperformance versus the market. The sector is down about 2.5% this month, while the S&P is approximately 4% lower.

- All factors/indexes are now in oversold territory. None, however, are oversold enough to warrant buy signals.

- The S&P 500 absolute score is now -40%. As shown in the bottom right graph of the absolute section, it is the most oversold in a year. The market is likely due for a bounce. Whether it's a temporary bounce or a move back to its highs is up for consideration. The trend is the bull market's friend, but this sell-off looks different than prior short-lived ones over the last year.

- The fourth table below provides another reason to suspect a bounce of sorts is ahead. 8 of the 12 sectors are extended beyond two standard deviations from their 50 dma. However, they are not nearly as deviated from the more critical 200dma.

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
R² = 0.7048

Absolute Sector Scores

Absolute Fixed Income Scores

Absolute Factor/Index Scores

SPY Absolute Score

Inflation vs Deflation — RIA Pro
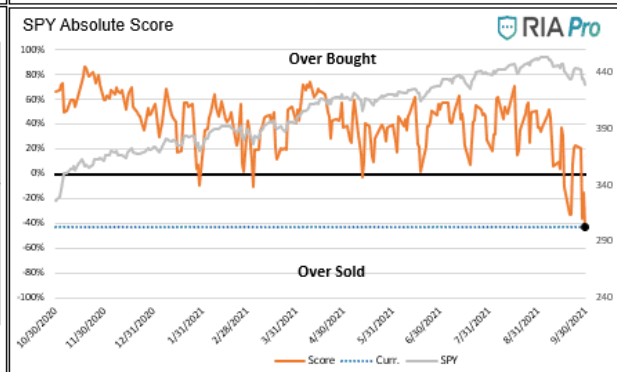
		Price	% From 20	% From 50	% From 200	Sigma From 20	Sigma From 50	Sigma From 200	Sum	Rank	% From 2/19/20
Staples	XLP	68.84	-3.30%	-3.85%	-0.23%	(2.03)	(2.93)	(0.06)	(5.02)	22	7%
Util	XLU	63.88	-4.44%	-5.37%	-1.32%	(1.43)	(2.13)	(0.34)	(3.90)	14	-9%
Health	XLV	127.3	-3.92%	-4.54%	3.35%	(1.92)	(2.67)	0.56	(4.03)	16	22%
Real Est.	XLRE	44.45	-4.93%	-4.91%	5.36%	(1.86)	(2.54)	0.57	(3.83)	12	8%
Material	XLB	79.11	-3.86%	-5.36%	-2.02%	(1.51)	(2.25)	(0.34)	(4.11)	17	31%
Indust	XLI	97.84	-3.25%	-4.81%	-0.85%	(1.76)	(2.56)	(0.14)	(4.46)	21	16%
Comm	XLC	80.11	-3.56%	-3.76%	4.00%	(1.55)	(2.12)	0.56	(3.10)	7	39%
Bank	XLF	37.53	-0.55%	-0.54%	6.57%	(0.39)	(0.27)	0.82	0.16	3	21%
Trans	XTN	86.52	0.09%	1.44%	3.05%	0.06	0.71	0.45	1.22	2	31%
Tech	XLK	149.3	-4.11%	-3.94%	5.22%	(2.03)	(2.38)	0.75	(3.66)	11	45%
Energy	XLE	52.09	5.11%	6.18%	6.51%	1.35	2.02	0.73	4.09	1	-5%
Discret	XLY	179.5	-2.00%	-1.42%	3.28%	(2.11)	(1.18)	0.78	(2.51)	5	36%
Value	VG	145.4	-2.16%	-2.76%	1.52%	(1.83)	(2.45)	0.28	(3.99)	15	11%
Small	SL	218.8	-1.73%	-1.35%	-1.01%	(1.25)	(0.84)	(0.29)	(2.38)	4	30%
Mid	ML	480.9	-2.07%	-2.46%	0.47%	(1.48)	(1.82)	0.10	(3.21)	9	26%
Equal	RSP	149.8	-2.42%	-2.66%	3.19%	(1.75)	(2.21)	0.52	(3.44)	10	26%
Moment	MTUM	175.6	-2.83%	-2.21%	2.90%	(1.98)	(1.30)	0.68	(2.61)	6	28%
SPY	SPY	429.1	-3.16%	-3.28%	3.71%	(1.95)	(2.53)	0.63	(3.85)	13	27%
QQQ	QQQ	358	-4.02%	-3.53%	5.00%	(1.95)	(2.02)	0.77	(3.19)	8	51%
DIA	DIA	338.3	-2.44%	-3.36%	1.07%	(1.85)	(2.72)	0.22	(4.35)	19	15%
EEM	EEM	50.38	-2.44%	-2.39%	-6.09%	(1.13)	(1.25)	(1.84)	(4.22)	18	14%
EFA	EFA	78.01	-3.26%	-2.98%	-0.15%	(2.00)	(2.40)	(0.05)	(4.45)	20	13%

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)