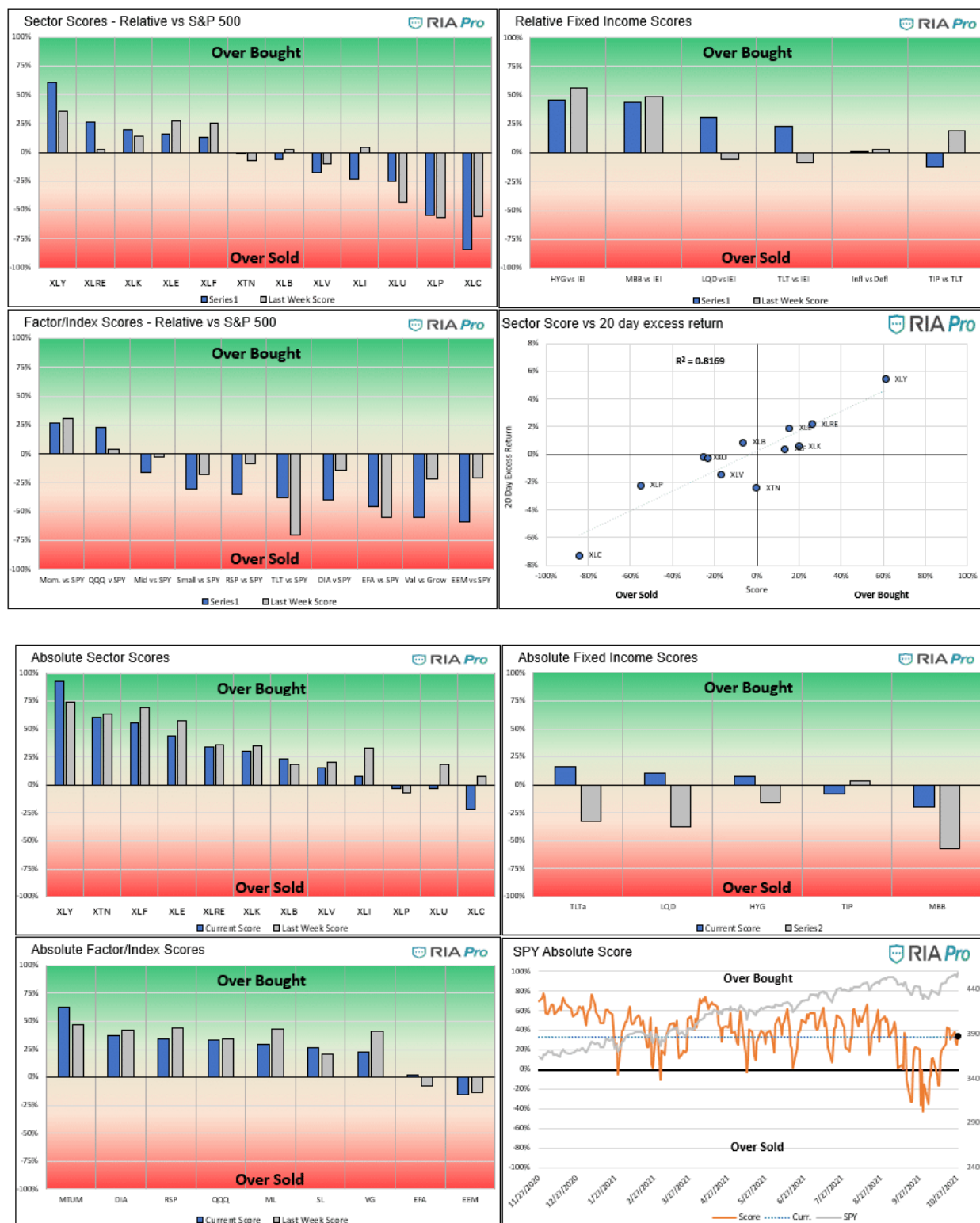


## Relative Value Graphs

- Discretionary continues to be the most favored sector, gaining nearly 3% versus the S&P 500 this week. On average, the other eleven sectors lost .80% to the index. The second-best relative performance on the week is technology, up .39% more than the S&P 500.
- The communications sector has been weak as traditional cable/internet companies like T and VZ have been under steady selling pressure. Now Facebook, with its political problems and weak earnings report, is adding to the sector's relative underperformance. The sector's relative score is -85%, which is grossly oversold and likely due for a bounce. While its MACD is turning up supporting the thesis, our proprietary cash flow model is not as optimistic.
- Real estate is doing better on a relative basis, likely due to recent strength in bonds. Most other sector scores did not stray too far from last week's readings.
- The momentum and NASDAQ factors/indexes are the only two in overbought territory. Everything else is oversold, with emerging markets and value versus growth the most oversold. None of the factors or indexes are overbought or sold enough to warrant action.
- The correlation graph in the lower right has an R-squared of .81, which denotes the model and returns are syncing up well.

## Absolute Value Graphs

- The discretionary sector is red hot with a score of 93%. This is one of the most overbought scores we have witnessed in almost two years. Its price now sits three standard deviations above its 50 and 200 dma's. Tesla's 20% gain this past week is driving the sector's gains as it accounts for 15% of the index. Its performance in the week ahead will likely be driven by Tesla and Amazon, who reported weak earnings this morning. Amazon accounts for almost a quarter of the sector.
- Transportation and financials remain overbought but slightly less so than last week. The communications sector, which is extremely weak on a relative basis, has an absolute score of -21%, pointing to more room to the downside.
- In both the sector and factors/indexes graphs, the growth versus cyclical stocks seems less segregated than in months past. This is also true in the sector graphs. Might the rapid sector rotations from the last six months be coming to an end?
- The S&P 500 is overbought but not at a concerning level. However, our proprietary cash flow model points to weakness or at least consolidation in the week or two ahead.
- Most bonds flipped from oversold to overbought this past week. TIPs, however, did the opposite. Action in the bond market points to reduced inflationary pressures and economic growth concerns.



## 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)