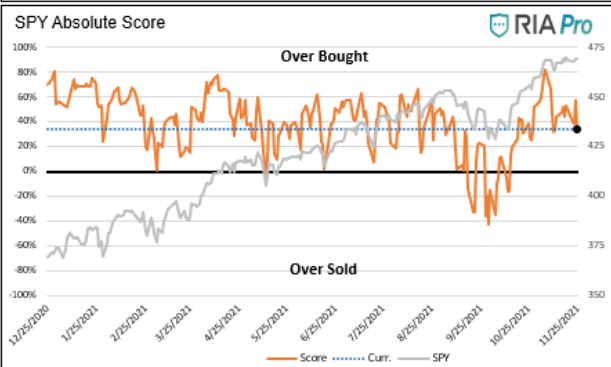
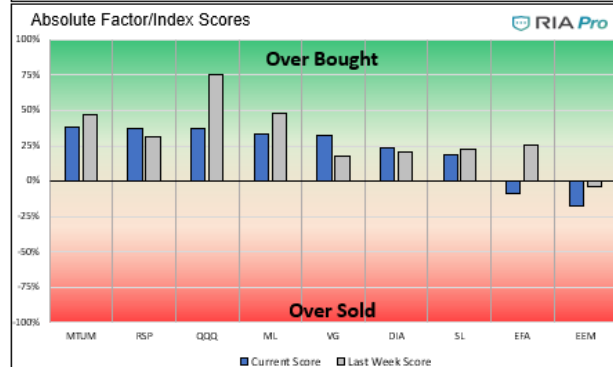
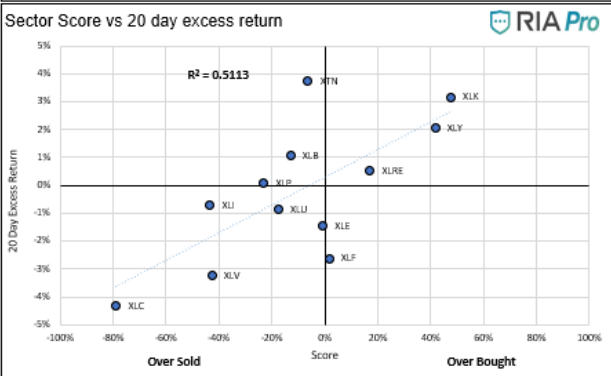
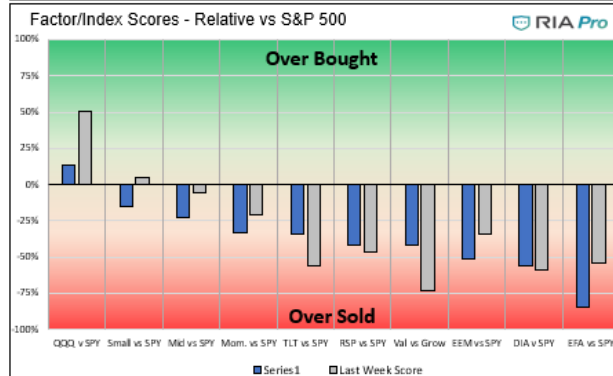
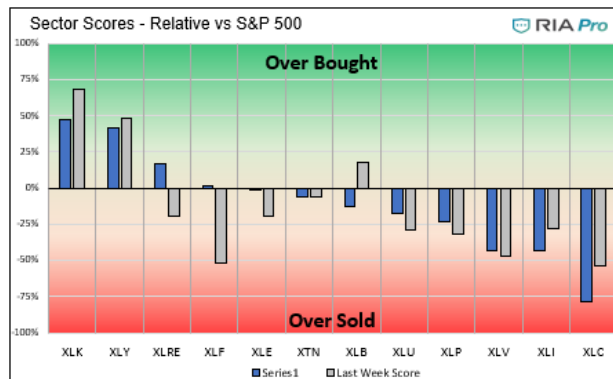


Relative Value Graphs

- Most sectors and factors/indexes remain oversold versus the S&P 500. As we noted last week, the analysis continues to pick up on the market's bad breadth. Of note, communications are grossly oversold and are due for a bounce on a relative basis versus the index.
- Financials beat the S&P 500 by over 2.5% last week, bringing its score from moderately oversold to fair value. Powell's renomination, and the likely continuation of bank-friendly monetary policy, seem to be driving the outperformance. Energy beat the S&P 500 by over 5%, but its score only modestly improved to fair value. Why did financials improve so much but not energy? The technical analysis in this study uses multiple periods. Accordingly, while the past week of price activity matters, the prior weeks also significantly influence, especially the periods that drop out of the underlying analysis comprise the score.
- Discretionary and technology took it on the chin over the past few days, and their scores fell slightly, albeit they remain overbought.
- Developed international markets are grossly oversold versus the S&P 500 and likely due for a relative bounce.
- The third table below highlights the consistent poor relative performance of the communications sectors over the last six months and the solid relative outperformance for discretionary over the same period.

Absolute Value Graphs

- While most sectors are oversold on a relative basis, they remain overbought on an absolute basis. Communications is the only sector in oversold territory. Discretionary and technology, with scores over 75% last week, both fell to more moderate overbought levels.
- Real estate (XLRE) is now the most overbought sector, followed closely by many sectors with similar scores.
- Emerging markets and developed international markets are the two most oversold sectors. Developed markets are only slightly oversold compared to its very oversold relative score.
- The bond scores show mortgages (MBB), corporate junk (HYG), and investment-grade corporates (LQD) are all oversold. Credit has been underperforming, which is another type of bad market breadth. The fourth graph below shows the concerning divergence between junk and the S&P 500. Whether or not you are interested in bonds, credit spreads at times foreshadow equity weakness.
- The S&P score in the bottom right graph is overbought, but in line with where it has been the majority of the last year.



	Excess Returns vs S&P 500 - Number of Days											
	10	20	30	40	50	60	70	80	90	120	180	240
XLP	-0.4%	0.1%	-2.4%	-2.5%	-4.2%	-3.5%	-5.7%	-3.4%	-4.6%	-7.9%	-10.7%	-18.0%
XLU	1.3%	-0.9%	-2.0%	-1.9%	-4.2%	-6.0%	-8.9%	-5.5%	-3.5%	-8.0%	-11.5%	-16.4%
XLV	-1.5%	-3.2%	-1.8%	-4.1%	-6.8%	-6.8%	-8.6%	-6.5%	-6.0%	-4.3%	-5.4%	-8.4%
XLRE	1.5%	0.5%	1.1%	1.2%	-1.5%	-2.8%	-1.4%	-1.0%	-0.5%	-2.5%	6.6%	9.6%
XLB	-2.9%	1.1%	-0.8%	1.3%	1.7%	-0.6%	-1.0%	-1.6%	0.9%	-8.6%	-7.8%	-4.4%
XLI	-1.2%	-0.7%	-2.2%	-1.1%	-0.6%	-2.2%	-2.5%	-3.6%	-4.3%	-8.2%	-10.6%	-6.7%
XLK	-3.7%	-4.3%	-7.4%	-11.6%	-11.8%	-11.6%	-10.9%	-11.2%	-12.5%	-12.1%	-16.3%	-8.6%
XLC	-0.6%	-2.6%	-3.8%	-3.0%	0.4%	1.7%	0.5%	-0.2%	3.9%	-3.9%	-3.3%	11.3%
XTN	-1.5%	3.8%	2.5%	0.5%	5.7%	7.4%	9.5%	8.3%	9.4%	-2.3%	-11.1%	7.5%
XLX	1.3%	3.2%	3.9%	4.2%	3.1%	3.2%	3.4%	3.8%	3.5%	9.3%	10.8%	4.7%
XLE	0.2%	-1.5%	-4.3%	-0.5%	11.1%	15.5%	20.3%	10.9%	12.6%	-6.1%	-3.6%	24.7%
XLY	2.5%	2.1%	5.7%	7.9%	7.6%	10.7%	12.2%	9.8%	7.8%	10.5%	5.5%	5.7%



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 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)