



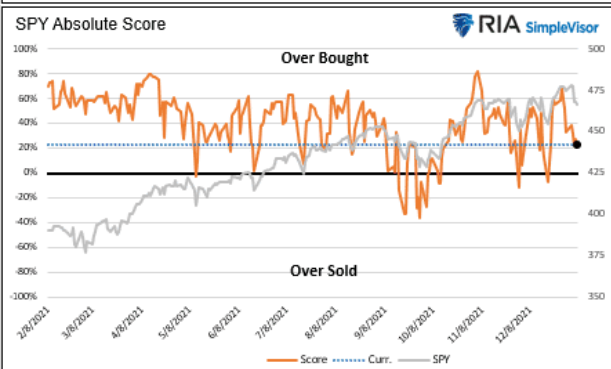
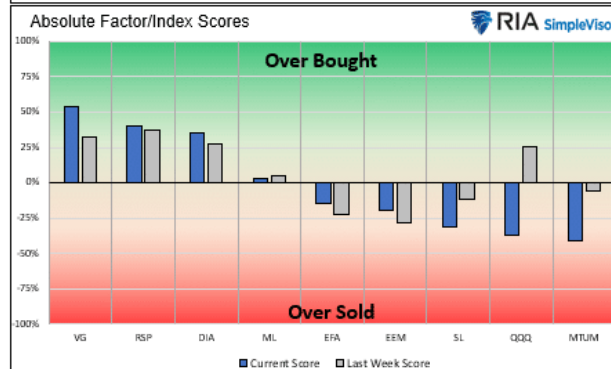
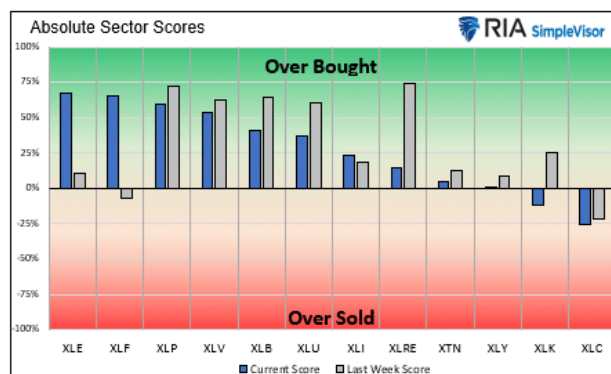
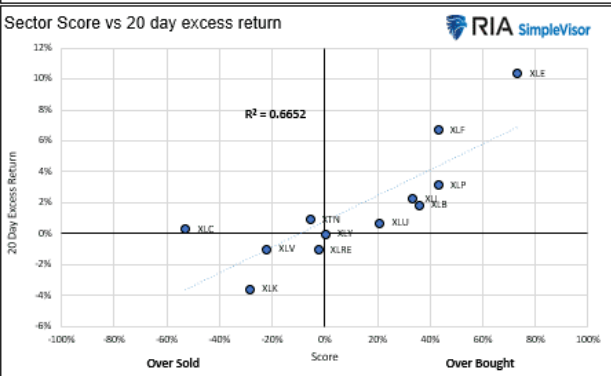
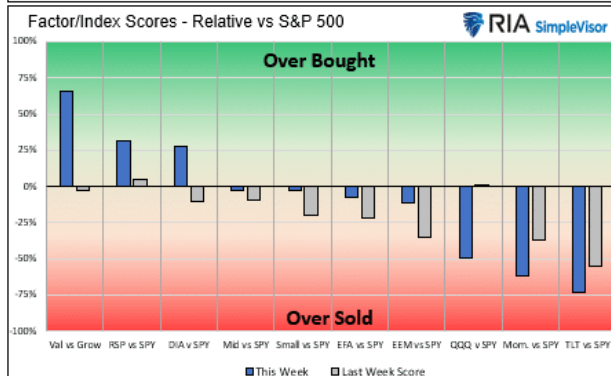
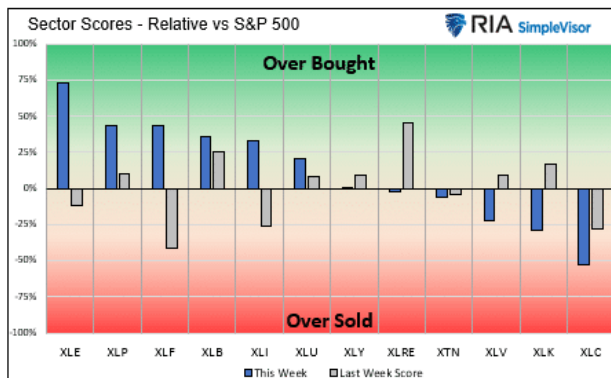
This report will now be released on Mondays so we can capture the full trading week (Monday through Friday). The scorecard report uses a series of technical studies to quantify how various sectors, factors, and indexes score on a technical basis versus the S&P 500 (relative value) and versus an appropriate benchmark, as well as on an absolute stand alone basis (absolute value).

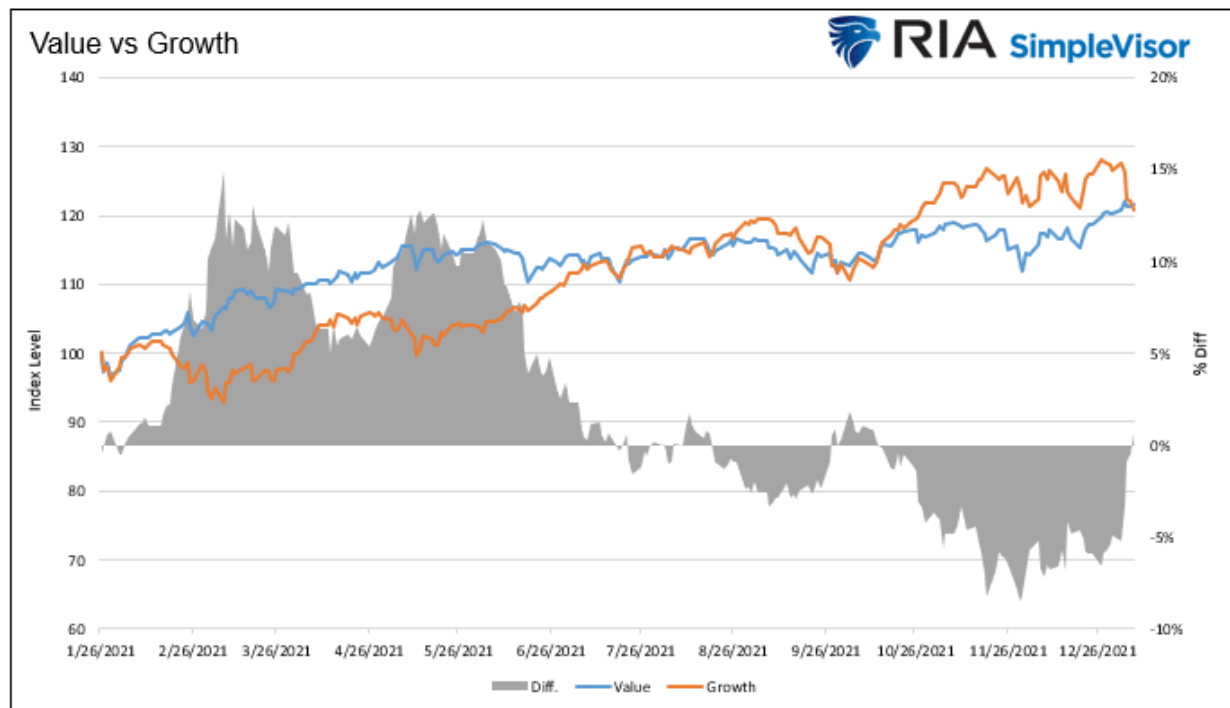
Relative Value Graphs

- The theme permeating this past week's and the previous few week's trading is that of value handily beating growth. Since the end of the year, S&P 500 large-cap value (IVE) is up 1.1%, while the large-cap growth ETF (IVW) is down 4.5%. The price action is evident when looking at the sector and factor/index graphs and the third graph below comparing value and growth.
- The energy sector (XLE) score rose sharply from slightly oversold to well overbought. Its score of 75% signals a reversal or consolidation is in store. XLE rose over 10% last week, while the S&P retreated 2%.
- The other leading sectors, consumer staples, and financials, are heavily dominated by value stocks. Conversely, note that technology and communications are the most oversold sectors. Communications have a good dose of value stocks such as T and VZ, but GOOGL and FB comprise about 45% of the ETF. Without the likes of the more traditional communications companies, the score would likely be much worse.
- Value/Growth, Equal weighted S&P 500 (RSP), and the Dow are the most overbought factors/indexes pointing again toward the strong demand for value.
- The hunt for value occurs as bond yields rise quickly and inflationary concerns are surfacing again. Note that TLT, upper right graph, has a score of -50%. We deem such a score very oversold in the fixed income sectors. TLT will likely bounce, perhaps after this coming week's inflation data.
- Market breadth improved this past week again as the S&P retreated. Note the relatively even number of sectors spread out between overbought and oversold.

Absolute Value Graphs

- The absolute charts tell the same story. Note the highest scores belong to energy, financials, and staples. The only oversold sectors are technology and communications.
- While the scores of financials and energy have some room to rise, they are both trading at least two standard deviations above their respective 20, 50, and 200dmas. Conversely, Technology and the NASDAQ are trading below their 20 and 50 dmas. A reversal of fortunes favoring growth may likely occur this week. Of more importance, though, will it be short-lived, or are we witnessing a lasting rotation toward value stocks?





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)