

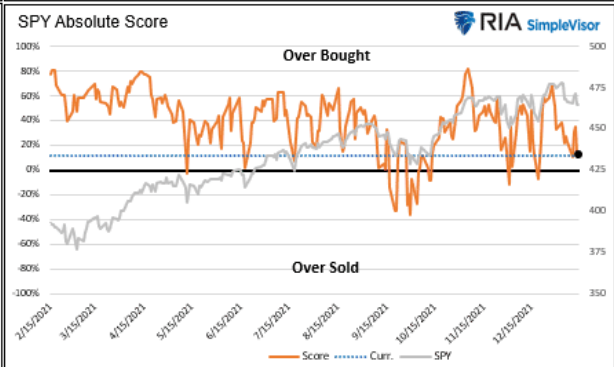
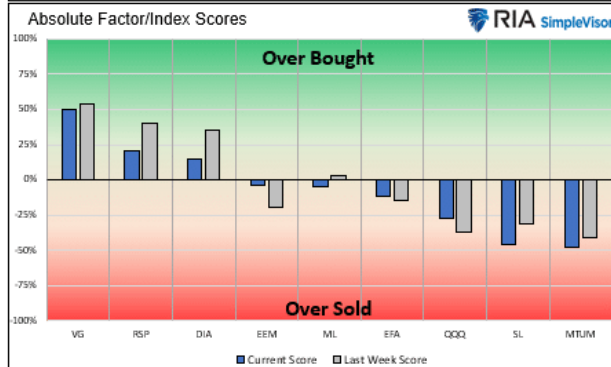
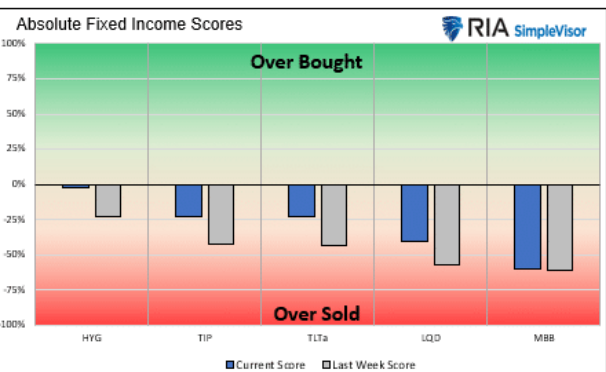
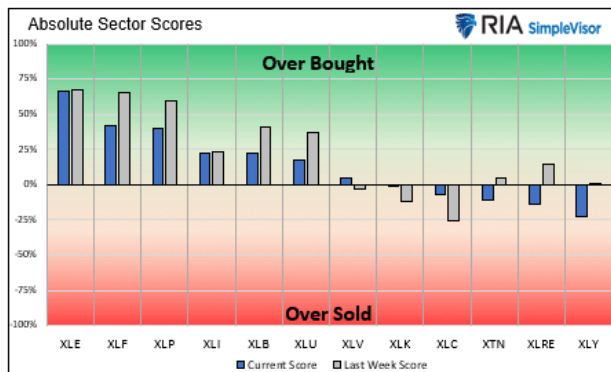
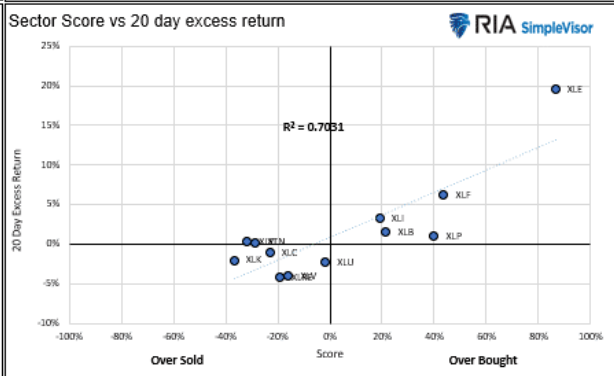
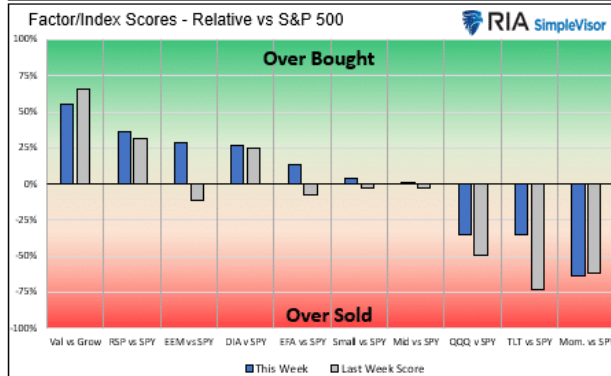
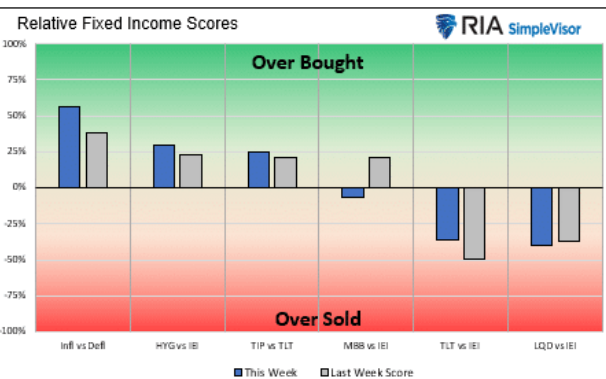
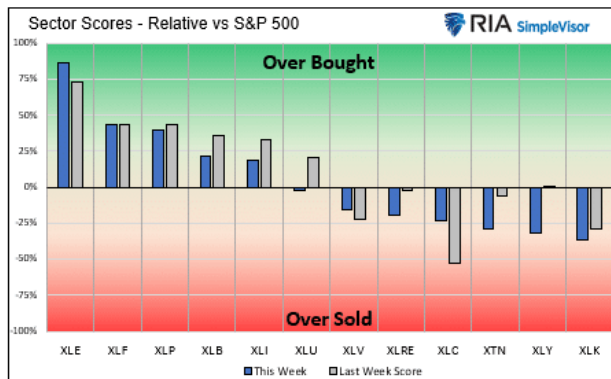
***The scorecard report uses a series of technical studies to quantify how various sectors, factors, and indexes score on a technical basis versus the S&P 500 (relative value) or versus a more appropriate benchmark, as well as on an absolute stand alone basis (absolute value).***

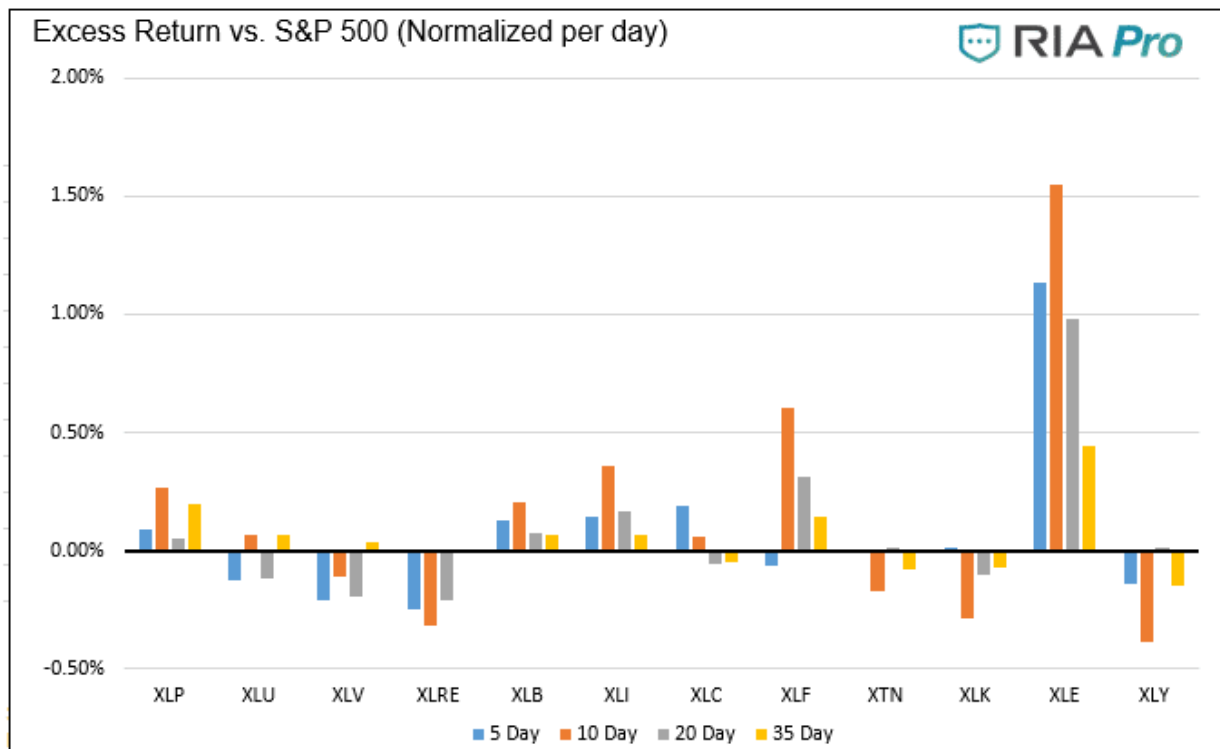
## **Relative Value Graphs**

- The energy sector is on fire. XLE picked up over 5.5% versus the S&P 500 last week and 20% over the previous 20 trading days. It is now grossly overbought relative to the market, with a sector score of 86%, and likely to give up some of its recent outperformance. The third chart shows the gross relative outperformance of energy over multiple time frames. We normalize the graph to show the average per day relative performance. As shown, over the last ten days, XLE has beaten the S&P 500 by 1.5% per day. A truly remarkable feat.
- Most other sectors remain slightly over or undervalued but not to any extremes. There was a slight general weakening in scores this past week. Excluding energy, the more conservative, higher dividend sectors underperformed the market, following a robust relative performance over the last month. These sectors include real estate, utilities, healthcare, and financials.
- Emerging markets and developed markets are both slightly overvalued now. This follows a long period where they were among the most oversold sectors. Some of the gains are attributable to an overweighting of commodity stocks in these indexes versus the S&P 500. Further, the dollar has been trading weaker, which benefits those indexes.
- Technology and the QQQ's are the weakest sectors and factors/indexes. Higher bond yields and rising implied inflation works against these high duration sectors.

## **Absolute Value Graphs**

- On the absolute sector scores, energy is also the most overbought sector but not quite as overbought as on a relative basis.
- The S&P 500 remains near fair value and at the lower end of its range of the last year. While it has typically bounced from similar levels, caution is warranted as it is not oversold. Further, our proprietary models are not yet signaling an imminent bounce.
- In general, most sectors and factor/indexes are moderating toward fair value.
- Not surprisingly, energy is nearing three standard deviations above its 50 and 200 dma. This is yet another warning that consolidation or decline is likely in the days ahead.
- Staples and value versus growth are also two and a half standard deviations above their respective 200 dmas





## 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)