

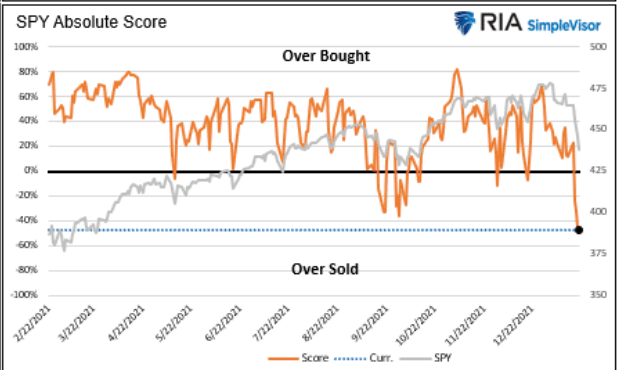
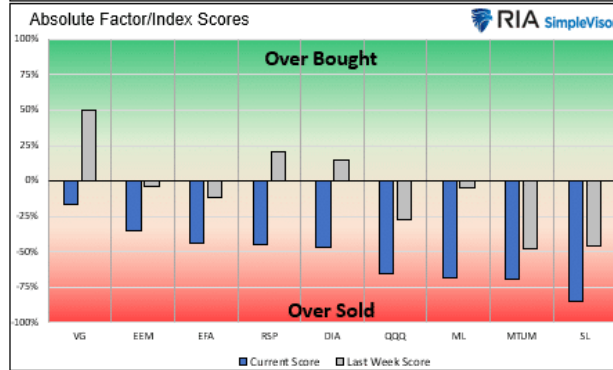
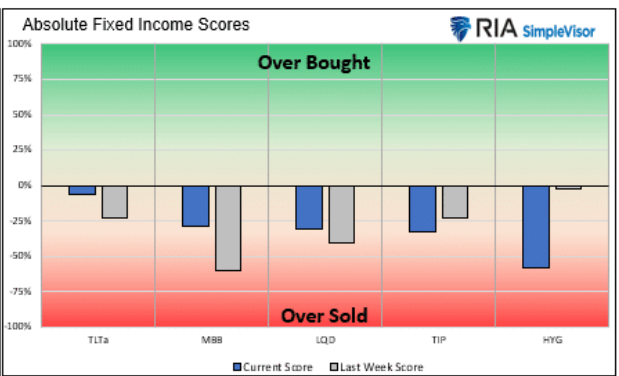
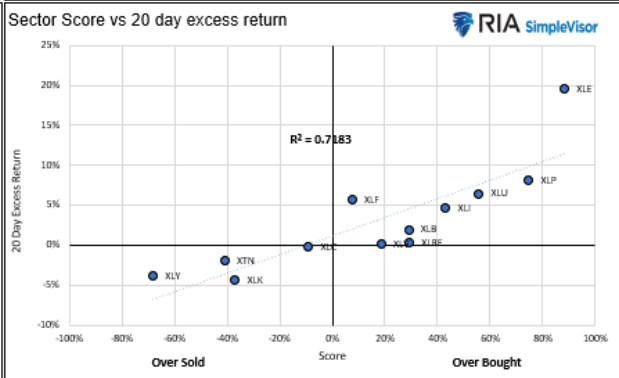
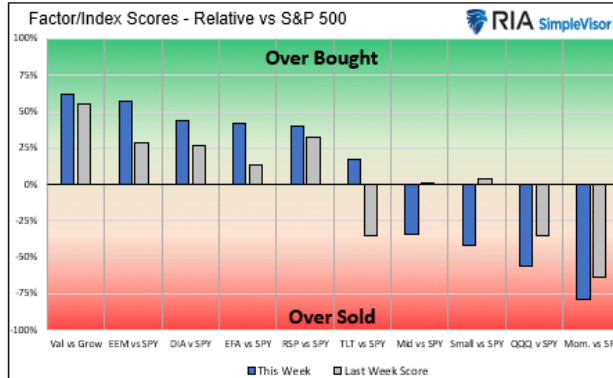
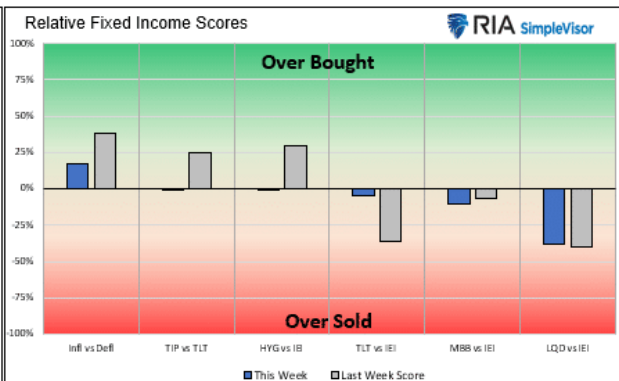
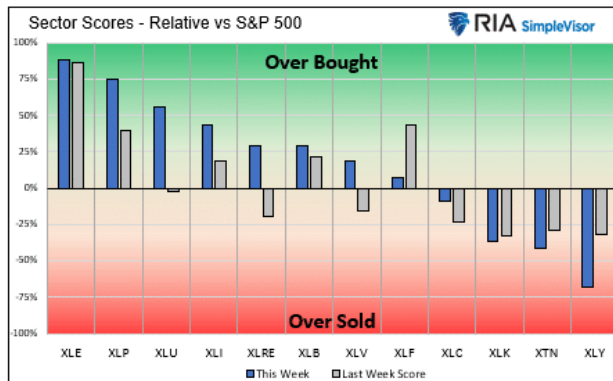
The scorecard report uses a series of technical studies to quantify how various sectors, factors, and indexes score on a technical basis versus the S&P 500 (relative value) or versus a more appropriate benchmark, as well as on an absolute stand alone basis (absolute value).

Relative Value Graphs

- On average, the sectors beat the S&P 500 by over 1%. The stark outperformance is largely because the S&P weighted heavily by Technology which led the market lower. XLK lost 1.15% to the S&P 500, while Staples and Utilities picked up over 4% versus the index. Technology has a 28% weighting while Staples and Utilities account for 8% in aggregate.
- The performance of sectors and factors/indexes points to an apparent movement toward safety and quality/value.
- The third table shows excess returns by sector. Note that the more conservative sectors at the top are outperforming the market and are shaded in yellows and greens. The bottom half, excluding energy, is negative and orange and red.
- Energy remains grossly overbought versus the market. Staples are also in the same camp.
- The discretionary sector is becoming very oversold versus the market.
- The factor/index graph also shows the gravitation toward value and away from growth stocks, i.e., Technology and Momentum. Small-cap and mid-caps continue to trade poorly. Many smaller companies are susceptible to rising prices and wages yet cannot offset higher expenses with higher prices to their clients.

Absolute Value Graphs

- Starting with the S&P 500 graph on the bottom right, we see the index is well oversold and its lowest point in over a year. While it appears due for a bounce, it is not at -80%, which would give us more confidence a bounce is imminent.
- Communications are grossly oversold while Technology and Discretionary are close to similar levels. We suspect the market will bounce this coming week, and if we are correct, it will likely be led by these sectors. Assuming it turns higher, we must ascertain if the bounce is sustainable, ultimately propelling the market back to new highs or a chance for investors to reposition for more downside.
- Energy, Staples, and Utilities are still overbought, while every other sector is oversold.
- On the bond graph in the upper right, TLT improved on the week, while the junk bond sectors (HYG) did poorly. **It appears bonds like stocks are experiencing a flight to quality.**



		Excess Returns vs S&P 500 - Number of Days											
		10	20	30	40	50	60	70	80	90	120	180	240
XLP		4.8%	8.1%	7.2%	11.0%	10.1%	11.2%	10.0%	8.2%	7.3%	7.6%	1.9%	3.7%
XLU		4.3%	6.5%	4.5%	7.3%	8.2%	7.3%	7.9%	4.1%	3.7%	3.0%	-0.1%	1.2%
XLV		1.3%	0.2%	1.4%	3.6%	3.7%	1.7%	3.9%	1.1%	-2.2%	-2.0%	-0.3%	0.3%
XLRE		1.6%	0.3%	0.2%	2.6%	3.1%	2.6%	3.4%	2.1%	0.4%	1.7%	6.3%	9.2%
XLB		1.0%	2.0%	1.9%	2.5%	0.0%	3.3%	2.0%	2.8%	4.9%	0.9%	-10.6%	-1.6%
XLI		2.0%	4.6%	3.2%	3.6%	0.8%	1.4%	0.4%	0.4%	1.5%	-0.9%	-8.5%	-2.3%
XLC		1.0%	-0.2%	0.8%	-1.5%	-5.0%	-5.4%	-8.7%	-11.6%	-12.1%	-11.7%	-11.0%	-13.1%
XLF		-1.0%	5.6%	5.0%	4.0%	1.4%	-0.4%	-1.3%	-1.2%	3.6%	1.6%	-4.7%	3.6%
XTN		-0.8%	-1.9%	-1.3%	-3.3%	-6.7%	-3.7%	-3.4%	-5.7%	-0.9%	2.7%	-12.8%	-9.3%
XLK		-1.1%	-4.4%	-4.3%	-3.6%	-1.4%	0.5%	0.2%	2.1%	0.4%	0.9%	8.9%	2.8%
XLE		8.0%	19.5%	18.3%	17.4%	13.9%	11.6%	10.9%	11.9%	31.3%	28.9%	8.7%	17.5%
XLY		-3.1%	-3.8%	-3.5%	-7.2%	-5.1%	-7.1%	-3.6%	-1.6%	-0.5%	0.8%	0.5%	-4.5%

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)