

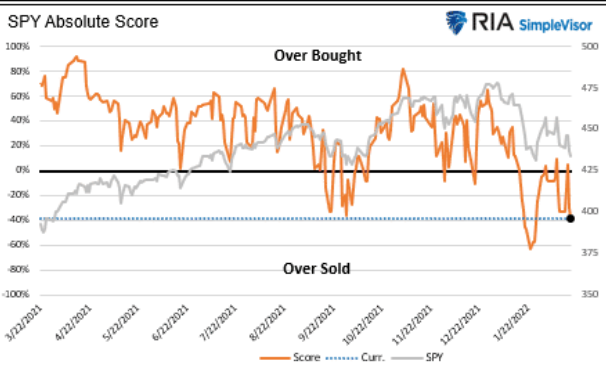
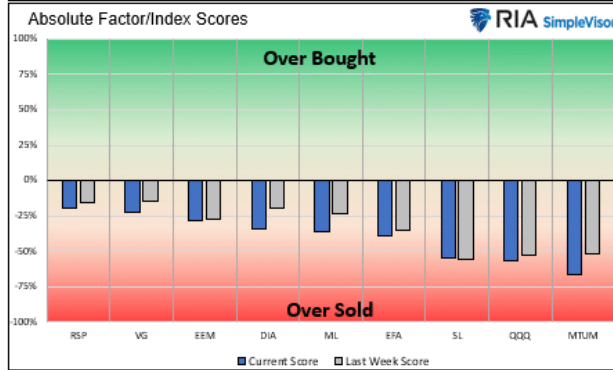
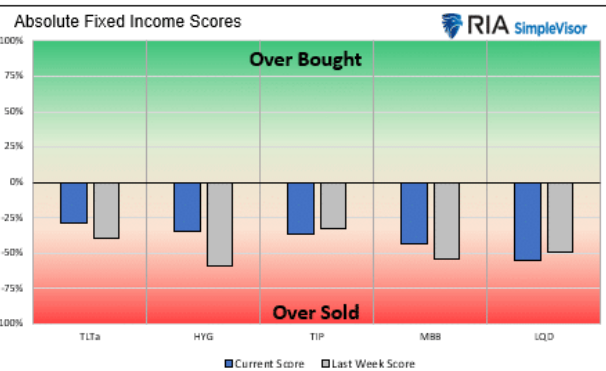
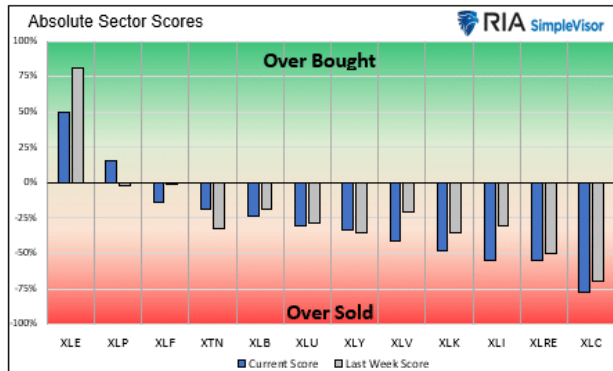
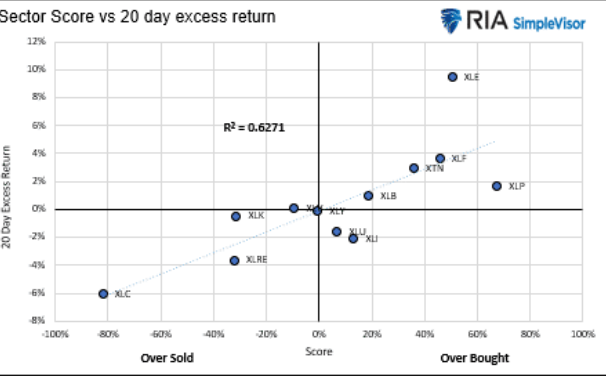
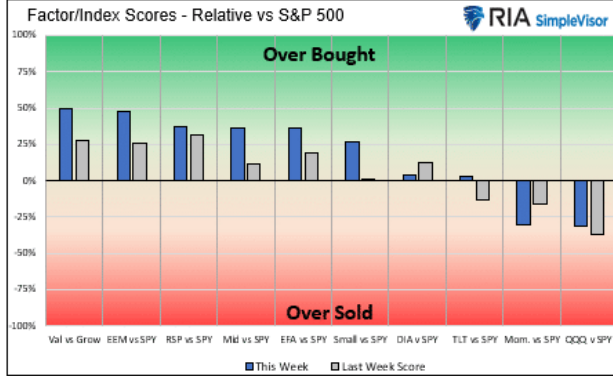
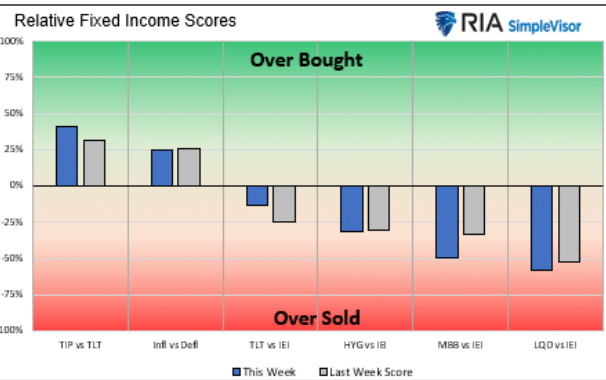
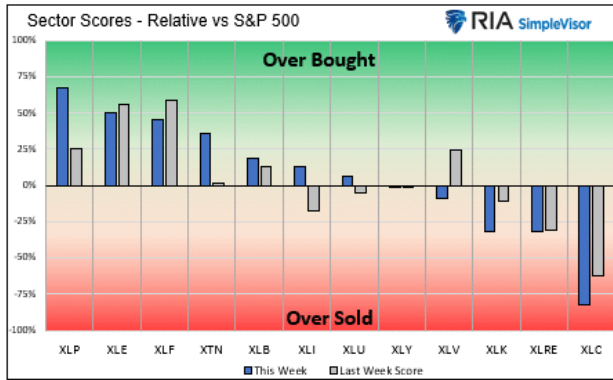
The scorecard report uses a series of technical studies to quantify how various sectors, factors, and indexes score on a technical basis versus the S&P 500 (relative value) or versus a more appropriate benchmark, as well as on an absolute stand alone basis (absolute value).

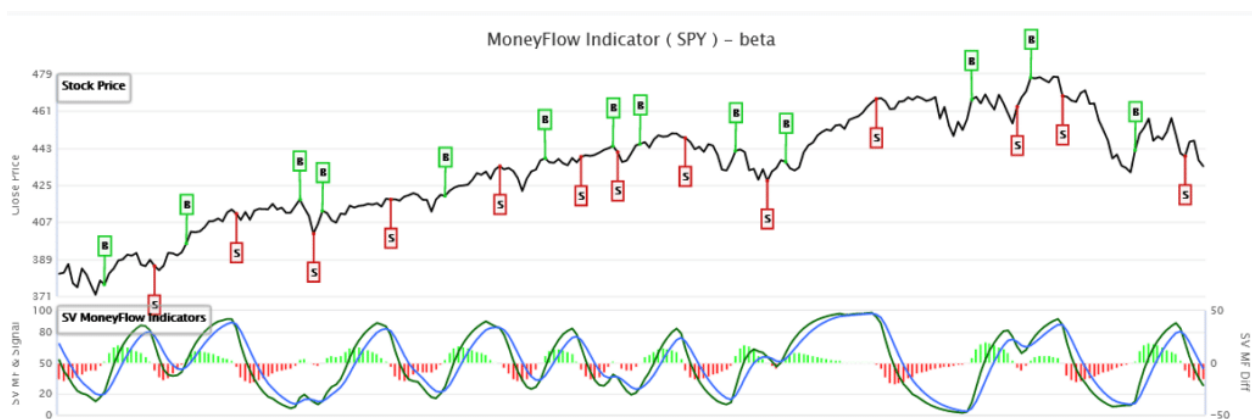
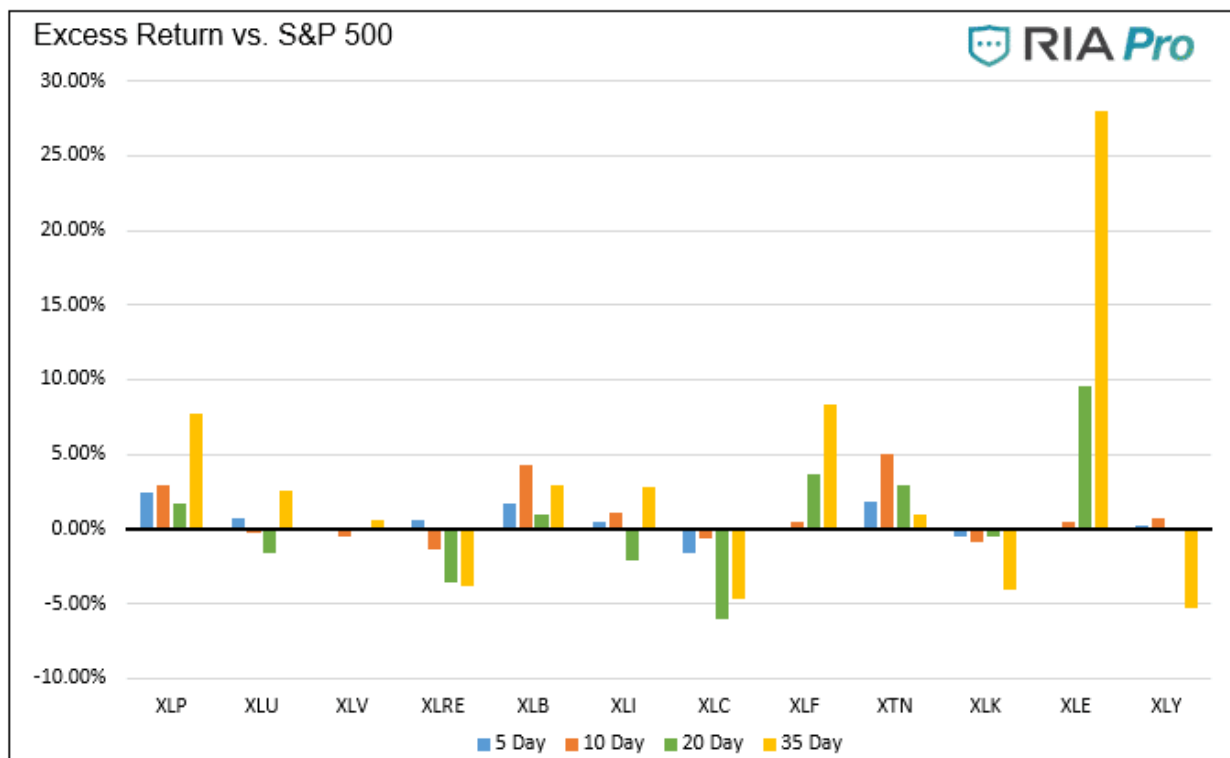
Relative Value Graphs

- Last week, Consumer Staples was the star performer, beating the S&P 500 by almost 2.5%. Over the last 35 trading days it is the third best performing sector on a relative basis, gaining nearly 8% versus the S&P 500. Its score at 67% is overbought but with some room to run a little more. Any weakening of inflationary trends should be beneficial to the sector.
- Energy has finally come off very overbought levels. The third graph below shows its performance is normalizing over the last week or two yet is still handily beating the market over the past 20 and 35 trading days.
- Communications continue to trade very poorly and remain at a very oversold level. As seen in the second set of absolute graphs, Communications is also very oversold. We suspect Communications will perform better on a relative basis in the week or two ahead.
- Seven of the eleven sectors are in overbought territory as Technology, accounting for over a quarter of the S&P 500, trades poorly versus the market. A similar theme shows up in the factor/index relative graph. Note that only QQQ and Momentum are the only oversold sectors.
- The credit fixed-income sectors continue to see their relative scores decline. The relative analysis of the six fixed-income categories is versus the 5?7-year Treasury ETF (IEI).

Absolute Value Graphs

- On an absolute basis, Energy and Staples are the only sectors in overbought territory, but neither is at extreme levels. The S&P 500 in the bottom right graph continues to be oversold but at levels arguing it can be more oversold. Our proprietary money flow indicator (SV MoneyFlow Indicators) is on a sell signal but does have a little more time before it is likely to switch to a buy signal. This can be seen on the fourth graph below.
- All of the factor index scores, and bond scores are in oversold territory. Momentum is approaching very oversold levels. We caution on this ETF as its holdings change, and when momentum is changing fast, the ETF can be slow to reflect the stocks with the best momentum scores properly.
- Broadly speaking, both graphs show that the largest stocks are leading the way lower in price while many smaller stocks are tending to trade better versus the market. As an example, note that RSP (equal-weighted S&P 500) and value are the best scoring among the factor index graphs in relative and absolute analysis. Given the largest stocks, which we sometimes call the Generals, led the way up, their recent misfortune in the down market is not overly surprising.





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)