Group Selection

Priced as of January 4, 2019

Note: Group tickers incorporate hyperlinks to decile charts, and then a link to our Toolkit of the group members.

See back pages for user guide and disclaimer.
Sources for all charts: BMO Capital Markets
Table of Contents

3. Sector View
4. Strength Changes Last Session
5. Resource Summary
6. Energy
7. Materials
8. Industrials
9. Consumer Discretionary
10. Consumer Staples
11. Health Care
12. Financials
13. Information Technology
14. Telecom
15. Utilities
16. Real Estate
17. User Guide
*Three terms define the relative performance Z-Score rating versus the markets (US = S&P 500; GBL = MSCI AC World; CDA = S&P/TSX Composite)

(a) % Outperforming - what percentage of sector members is outperforming the market,
(b) Reward/Risk - how consistent is the median relative strength performance of the sector membership ( / ranking),
(c) Trend Psn - what is the net percentage of the sector members which are breaking above/below relative strength channels.

The strength z-Score is weighted 60% towards the trend parameters (% outperforming and reward/risk ratios) and 40% towards the trend positions (reversals of trends). Gridlines are placed at 0.5 increments.

See Help Pages for further details
Strength Changes Last Session

Hwy&Rail  ➔ SpecStors ➔ AutoRtl ➔ InvBnkBrk ➔ Biotech ➔ Htl&Rsr ➔ RegionBnk ➔
   ➔ SpecReit ➔ Biotech ➔

Educat ➔ SpecStors ➔ AutoRtl ➔ InvBnkBrk ➔ Biotech ➔ Htl&Rsr ➔ RegionBnk ➔
   ➔ SpecReit ➔ Biotech ➔

Edusat ➔ SpecStors ➔ AutoRtl ➔ InvBnkBrk ➔ Biotech ➔ Htl&Rsr ➔ RegionBnk ➔
   ➔ SpecReit ➔ Biotech ➔

Hwy&Rail  ➔ SpecStors ➔ AutoRtl ➔ InvBnkBrk ➔ Biotech ➔ Htl&Rsr ➔ RegionBnk ➔
   ➔ SpecReit ➔ Biotech ➔

Educat ➔ SpecStors ➔ AutoRtl ➔ InvBnkBrk ➔ Biotech ➔ Htl&Rsr ➔ RegionBnk ➔
   ➔ SpecReit ➔ Biotech ➔

Strength

Momentum

January 4, 2019

Mark Steele (416) 359-4641
Momentum

January 4, 2019

Mark Steele (416) 359-4641

Resources

Gold
68 stocks; $181bn

Coal & Uran
31 stocks; $77bn

PrecMet
15 stocks; $43bn

MtGlsCnt
14 stocks; $60bn

OG RFMkt
39 stocks; $45bn

OG StTr
72 stocks; $58bn

IndusGas
7 stocks; $18bn

Fert & Ag
29 stocks; $138bn

OG Equip
53 stocks; $358bn

OG Drill
12 stocks; $22bn

Paper Pkg
17 stocks; $98bn

Spec Chm
67 stocks; $480bn

Int O&G
31 stocks; $169bn

Comd Chm
43 stocks; $362bn

Copper
14 stocks; $78bn

Dvrs Mng
59 stocks; $361bn

Cstr Mat
28 stocks; $203bn

OG E&P
103 stocks; $691bn

OG StTr
72 stocks; $58bn

IndusGas
7 stocks; $18bn

Fert & Ag
29 stocks; $138bn

OG Equip
53 stocks; $358bn

OG Drill
12 stocks; $22bn

Paper Pkg
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OG Drill
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Paper Pkg
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Spec Chm
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Comd Chm
43 stocks; $362bn

Copper
14 stocks; $78bn

Dvrs Mng
59 stocks; $361bn

Cstr Mat
28 stocks; $203bn

OG E&P
103 stocks; $691bn
Energy

Momentum

Strength

Coal & Uran
27 stocks; $71bn

OG RFMkt
39 stocks; $459bn

OG E&P
103 stocks; $691bn

OG StTr
72 stocks; $568bn

OG Drill
12 stocks; $22bn

OG Equip
57 stocks; $187bn

Int O&G
31 stocks; $169bn

January 4, 2019

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User Guide 1 - Definitions & Dataset

Group Strength
Our Global Group analysis is based on bottom-up equity relative strength analysis as opposed to industry group (index) relative strength analysis.

Strength Decile Defined By
1. What percentage of a group's members are outperforming
2. How consistent that outperformance is
3. How the members positioned (above/below) vs. their trend channels.

Momentum Decile
Rate of change of strength (change in 5-day moving average)

The Underlying Equity Relative Strength Analysis
Each day, for every equity we cover, our relative strength system assesses the best fit trend from a spectrum which covers a minimum trend duration of six months, and a maximum of 4-years. The "best fit" is the trend which maximizes duration, and minimizes deviation from the trend. Our process is flexible, thorough, and because it is run daily, timely.

The Dataset:
- Over 5,700 securities.
- Groups have a:
  ...Median depth of 28
  ...Average depth of 36

Heat Map Colour and Symbol Guide
Strength is highlighted by the background of the group title
- Bright green = best (1st decile) transitions towards...
- Bright red = worst (10th decile)
Momentum is highlighted in the border of the group title
- Colour map for momentum is the same as strength
Symbols to the right of the group ticker show where a group moved from in the previous session. Below the group symbol we highlight the number and total market capitalization of the members in a group. Clicking on the group, which brings up the chart via a hyperlink, will help to clarify the moves.
Our Goals:
- To buy outperforming stocks in favoured groups
- To avoid underperforming stocks in unfavoured groups
- To be alerted of and act on the changes

#1 Rule of Momentum: You can use it only if it exists

- In stable/trending markets, one can buy stocks with high strength and momentum and hold them as long as momentum does not turn negative (trend following).
- In very rotational markets (e.g., where credit, currency, commodity conditions are choppy/changing):
  - Buying high strength and high momentum may be dangerous (buying yesterday’s winners).
  - One is better off buying stocks with moderate strength and high momentum (bottom fishing).
**User Guide 3 - Buy/Hold/Sell**

**Buy**
- Groups with high strength and high positive momentum (top left) - “In Favour”
- Groups with moderate strength and high positive momentum - “Transitioning to Positive”
- Groups with mediocre strength and high positive momentum - “Gaining Favour”

**Buy/Hold**
- Groups with high strength and neutral momentum (middle left) - “Maintaining Favour”

**Sell**
- Groups with low strength and high negative momentum (bottom right) - “Out of Favour”
- Groups with moderately negative strength and high negative momentum - “Transitioning to Negative”
- Groups with mediocre strength and high negative momentum - “Losing Favour”
User Guide 4 - Hyperlinks To Decile Charts & Stock Selection

- Each group is hyperlinked to a chart that shows the relative strength decile as a function of time, and the moving average (momentum).

- Each chart is hyperlinked to the group membership, in our RS Filter Toolkit.
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<td>43.2%</td>
<td>22.8%</td>
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<td>Market Perform</td>
<td>53.2%</td>
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<td>Sell</td>
<td>Underperform</td>
<td>3.7%</td>
<td>9.5%</td>
<td>2.0%</td>
<td>3.2%</td>
<td>1.6%</td>
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* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
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(S) = Speculative investment;
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