Group Selection

Priced as of May 14, 2018

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
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*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 (\(\uparrow\) / \(\downarrow\) 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.
May 14, 2018

Strength Changes Last Session

Momentum

OG Drill ← Copper ← Aero&Def ← Biotech ← ElcCmpEq ← TechDist → Mark Steele (416) 359-4641
Trucking  ← AirFrght ← SemiEqp ← HCareTec ← SpecialFin →

Strength

OG StTr ← DivCpMkt ← Marine ← ElecInstr ← HmFrnsh →
HotelREIT ← Mov&Ent ← ComdChm ← InetDmRtl ← Ind Mach →
RegionBnk ← HotelREIT ← DivCpMkt ← Marine ← Ind Mach →
InvBnkBrk ← Mov&Ent ← DivCpMkt ← Marine ← Ind Mach →
Coal&Uran ← Copper ← Aero&Def ← Biotech ← ElcCmpEq ← TechDist →
Silver ← Alumin ← P&C Insur ← SpecREIT ← Thrt&Mtg →
IPPTrad ← Copper ← Aero&Def ← Biotech ← ElcCmpEq ← TechDist →
Alumin ← P&C Insur ← SpecREIT ← Thrt&Mtg →
IndusGas ← MortgREIT ← Brewers ← HCDistrib ← HhldApl →
InvBnkBrk ← Copper ← Aero&Def ← Biotech ← ElcCmpEq ← TechDist →
LeisFcil ← GasUtil ← SpecREIT ← Thrt&Mtg →
RGstDevl ← DataProc ← SpecStors ←
RsrcCslt ← HREmpl ← HhldApl ←
ApplicSwr ← HREmpl ← HhldApl ←
Publishing ← PersPrdct ← OG RfMkt ← SystmSwr ← ITConsult ←
MngHCare ← DrugRetail ← insurBrkrs ← GMrchStrs ← Rstaurnt ←
FrstPrd ← Fert&Ag ← REstDvAct ← Multi-LnIns ← HhldApl ←
Multi-LnIns ← HhldApl ←
AirprtSrv ← AirprtSrv ←
May 14, 2018

BMO Capital Markets
Mark Steele (416) 359-4641

Energy

Strength

Momentum

OG Drill
14 stocks; $36bn

Coal&Uran
24 stocks; $68bn

OG E&P
116 stocks; $316bn

Int O&G
30 stocks; $198bn

OG Equip
62 stocks; $85bn

OG StTr
91 stocks; $677bn

OG RfMkt
23 stocks; $546bn
May 14, 2018

**Consumer Discretionary**

Momentum

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<th>Sector</th>
<th>Stocks</th>
<th>Market Cap</th>
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<td>Mov&amp;Ent</td>
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<td>InetDmRtl</td>
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<td>Footwear</td>
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<tr>
<td>AutoCns</td>
<td>16</td>
<td>$88bn</td>
</tr>
</tbody>
</table>

Mark Steele (416) 359-4641
Information Technology

May 14, 2018

Mark Steele (416) 359-4641

SemiEqp (45 stocks; $338bn)
HmEntSwr (12 stocks; $221bn)
TechDist (14 stocks; $46bn)
EMS (17 stocks; $149bn)
Semi (81 stocks; $1450bn)

InetSftSrv (97 stocks; $2352bn)

ElecInstr (43 stocks; $269bn)
ElecComp (46 stocks; $283bn)

ApplicSwr (66 stocks; $799bn)
DataProc (46 stocks; $962bn)
SystmSwr (34 stocks; $1157bn)
ITConsult (50 stocks; $726bn)
ComEquip (40 stocks; $419bn)

HdwrSt&P (42 stocks; $1543bn)
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 are 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).
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”
- 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>22.8%</td>
<td>57.4%</td>
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<td>2.0%</td>
<td>3.2%</td>
<td>1.6%</td>
<td>5.5%</td>
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* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.
** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.
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Mkt = Market Perform - Forecast to perform roughly in line with the analyst’s coverage universe on a total return basis;
Und = Underperform - Forecast to underperform the analyst’s coverage universe on a total return basis;
(S) = Speculative investment;
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(January 2010 - April 2013)

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