Group Selection

Priced as of June 12, 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
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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 (green / red 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.
Information Technology

Momentum

Strength

InetSrv&In
14 stocks; $133bn

ElecInstr
42 stocks; $299bn

DataProc
46 stocks; $1267bn

ITConsult
49 stocks; $763bn

ComEquip
42 stocks; $446bn

ElecComp
38 stocks; $265bn

DataProc
46 stocks; $1267bn

ITConsult
49 stocks; $763bn

ComEquip
42 stocks; $446bn

ElecComp
38 stocks; $265bn

Semi
73 stocks; $1277bn

SemiEqp
42 stocks; $269bn

TechDist
14 stocks; $56bn

SystmSwr
40 stocks; $1476bn

ApplicSwr
99 stocks; $1086bn

EMS
19 stocks; $137bn

HdwrSt&P
40 stocks; $1414bn
Telecommunication Services

Momentum

Strength

AltCar
9 stocks; $35bn

Cabl&Sat
24 stocks; $408bn

IntgTelSrv
55 stocks; $1324bn

IntMeSer
43 stocks; $1415bn

Publishing
14 stocks; $48bn

Broadcast
26 stocks; $87bn

Advert
17 stocks; $106bn

Mov&Ent
27 stocks; $540bn

WlsTelSrv
42 stocks; $857bn

IntHmEnt
23 stocks; $241bn

June 12, 2019

Mark Steele (416) 359-4641
Utilities

- **MultiUtil**: 25 stocks; $510bn
- **ElecUtil**: 35 stocks; $1262bn
- **RenewElec**: 25 stocks; $138bn
- **GasUtil**: 34 stocks; $253bn
- **IPPTrad**: 25 stocks; $134bn
- **WaterUtil**: 24 stocks; $102bn
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 groups 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).
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>22.8%</td>
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<td>Sell</td>
<td>Underperform</td>
<td>3.7%</td>
<td>9.5%</td>
<td>2.0%</td>
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