Group Selection

Priced as of August 13, 2010

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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**Sector Relative Strength Profiles**

*Three terms define the relative performance Z-Score rating versus the markets (GBL = S&P Global 1200; CDA = S&P/TSX Composite)

(a) % Outperforming - what percentage of sector members is outperforming the market,

(b) Reward/Risk - how consistent the median relative strength performance of the sector membership (star/bomb ranking), and

(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.
Energy

Momentum

Strength

OG StTr 56 stocks; $244bn
Int O&G 40 stocks; $192bn
OG RfMkt 42 stocks; $180bn
OG Drill 30 stocks; $82bn
OG E&P 215 stocks; $816bn
OG Equip 75 stocks; $304bn
Coal&Uran 51 stocks; $125bn
Momentum

Strength

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Industrials

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IndCongl
34 stocks;$595bn

Aero&Def
35 stocks;$850bn

Marine
35 stocks;$850bn

MarineSrv
14 stocks;$49bn

Marine
35 stocks;$850bn

Hwy&Rail
9 stocks;$55bn

Sec&Alm
7 stocks;$24bn

EnvironSer
20 stocks;$61bn

RsrcCsll
26 stocks;$48bn

IndCongl
34 stocks;$595bn

Ind Mach
93 stocks;$374bn

Railroads
13 stocks;$196bn

CnstFmM
39 stocks;$297bn

Cns&Eng
66 stocks;$234bn

Airline
36 stocks;$120bn

AirFrgt
16 stocks;$135bn

HREmpl
16 stocks;$30bn

TrdgDist
37 stocks;$168bn

ElcCmpEq
50 stocks;$171bn

BldPrdcts
25 stocks;$264bn

HvyElcEq
22 stocks;$137bn

OfficeServ
13 stocks;$15bn

DvSpSrv
23 stocks;$30bn

AirprtSrv
25 stocks;$161bn

Trucking
29 stocks;$40bn

CnstFmM
39 stocks;$297bn

CmclPrt
13 stocks;$22bn

Markets
Consumer Staples

Momentum

HhldPrdct ↑
14 stocks; $333bn

AgriProd ↑
29 stocks; $122bn

Tobacco ↑
16 stocks; $358bn

FdDistri ↑
11 stocks; $30bn

PkgFdMt ↑
87 stocks; $634bn

Brewers ↑
16 stocks; $264bn

PersPrdct ↑
28 stocks; $166bn

SoftDrnks ↑
16 stocks; $30bn

Dist&Vnt ↓
14 stocks; $129bn

SprCntrs ↓
14 stocks; $364bn

FdRetail →
34 stocks; $255bn

DrugRetail ↑
10 stocks; $81bn

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16 stocks; $358bn

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Financials

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Momentum

Strength

InsurBrkrs 10 stocks; $35bn
P&C Insur 23 stocks; $249bn
MortgREIT 20 stocks; $25bn
Reinsuran 19 stocks; $86bn
ConsmrFin 23 stocks; $106bn
REstDvAct 27 stocks; $238bn

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P&C Insur 23 stocks; $249bn
MortgREIT 20 stocks; $25bn
Reinsuran 19 stocks; $86bn
ConsmrFin 23 stocks; $106bn
REstDvAct 27 stocks; $238bn

AsstMgmt 68 stocks; $228bn
REstDev 32 stocks; $137bn

DivCpMkt 23 stocks; $106bn
SpecialFin 27 stocks; $238bn

ResidREIT 16 stocks; $49bn
IndusREIT 11 stocks; $23bn
REstSrv 29 stocks; $120bn
OfficeREIT 23 stocks; $51bn
DiversREIT 10 stocks; $12bn
SpecREIT 23 stocks; $91bn

ResidREIT 16 stocks; $49bn
IndusREIT 11 stocks; $23bn
REstSrv 29 stocks; $120bn
OfficeREIT 23 stocks; $51bn
DiversREIT 10 stocks; $12bn
SpecREIT 23 stocks; $91bn

InvBnkBrk 40 stocks; $247bn

MitSecHld 14 stocks; $67bn

REstOpCo 16 stocks; $46bn
DiversBnk 14 stocks; $67bn

REstOpCo 16 stocks; $46bn
DiversBnk 14 stocks; $67bn

RetailREIT 16 stocks; $154bn
OthrDivFS 16 stocks; $476bn

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OthrDivFS 16 stocks; $476bn

Thrf&Mtg 49 stocks; $70bn
RegionBnk 123 stocks; $223bn
LifeHthIns 41 stocks; $387bn
MultiLnIns 23 stocks; $316bn
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 4,000 securities.
- Groups have:
  ...Minimum of 9 constituents
  ...Median depth of 17
  ...Average depth of 26

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.
BMO NB hereby certifies that the views expressed in this report accurately reflect the firm’s quantitative research model. BMO NB also certifies that no part of the firm’s compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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