Group Selection
Priced as of July 26, 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 ( / 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

Railroads → Dist&Vnt → REstOpCo → Steel  → Gold → MarineSrv ← DivCpMkt

Thrft&Mtg → OG StTr → Distrib  → IndCongI

ComdChm ← P&C Insur ← RegionBnk  ← Alumin → Ag&Farm ← PaperPkg

ConsmrFin → Brewers  → Steel → Silver → AirprtSrv → Copper

HCFacility ← Pharma ← RetailREIT → REstDev  ← intgTelSrv

Thrft&Mtg ← OG StTr ← Distrib  ← RetailREIT→ REstDev ← intgTelSrv

ComdChm ← P&C Insur ← RegionBnk  ← Alumin → Ag&Farm ← PaperPkg

SpecChm ← HmEntSwr  ← HcFacility

IndO&G ← Pharma ← RetailREIT

IndusGas ← FnlExchDt ← ElecCmpEq ← PkgFdMt

HCareTec ← FnlExchDt ← ElecCmpEq ← PkgFdMt

HREmpl ← Educat  ← DrugRetail  ← GMrchStrs

HotelREIT ← ITConsult ← FdDistri ← TechDist

Aero&Def ← IPPTrad  ← FdRetail

Fert&Ag ← Publishing
July 26, 2018

Mark Steele (416) 359-4641

Energy

- OG RfMkt: 42 stocks; $551bn
- OG StTr: 85 stocks; $707bn
- Int O&G: 30 stocks; $1899bn
- OG E&P: 14 stocks; $950bn
- Coal&Uran: 24 stocks; $84bn
- OG Drill: 14 stocks; $33bn
- OG Equip: 60 stocks; $293bn

Momentum

Strength

BMO Capital Markets
Consumer Staples

July 26, 2018

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SoftDrinks 19 stocks; $537bn
Dist&Vnt 12 stocks; $372bn
SprCntrs 13 stocks; $515bn
Brewers 14 stocks; $488bn

Tobacco 13 stocks; $575bn
AgriProd 25 stocks; $108bn

PkgFdMt 123 stocks; $1185bn
DrugRetail 8 stocks; $98bn

FdDistri 11 stocks; $65bn
PersPrdct 33 stocks; $514bn
HhldPrdct 17 stocks; $541bn
FdRetail 36 stocks; $365bn
Telecommunication Services

Momentum

Strength

July 26, 2018

AltCar
11 stocks; $56bn

IntgTelSrv
58 stocks; $1246bn

WlsTelSrv
44 stocks; $870bn

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Telecommunication Services

AltCar
11 stocks; $56bn

IntgTelSrv
58 stocks; $1246bn

WlsTelSrv
44 stocks; $870bn

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Utilities

**GasUtil**  
35 stocks; $248bn

**ElecUtil**  
89 stocks; $1159bn

**MultiUtil**  
34 stocks; $457bn

**WaterUtil**  
23 stocks; $83bn

**RenewElec**  
20 stocks; $55bn

**IPPTrad**  
24 stocks; $116bn
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 are 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”
- 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>
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<td>Sell</td>
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<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.
** 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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  (S) = Speculative investment;
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