Group Selection

Priced as of January 23, 2020

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 (rankings),
(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
January 23, 2020

Momentum

Strength

Energy

Mark Steele (416) 359-4641

OG Equip
49 stocks; $176bn

Coal&Uran
21 stocks; $64bn

OG Drill
10 stocks; $16bn

Int O&G
11 stocks; $669bn

OG E&P
25 stocks; $837bn

OG StTr
59 stocks; $554bn

OG RfMkt
15 stocks; $474bn
## Consumer Staples

<table>
<thead>
<tr>
<th>Category</th>
<th>Stocks</th>
<th>Market Cap</th>
</tr>
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<tbody>
<tr>
<td>HhldPrdct</td>
<td>19</td>
<td>$684bn</td>
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<tr>
<td>FdDistri</td>
<td>11</td>
<td>$66bn</td>
</tr>
<tr>
<td>SoftDrnks</td>
<td>19</td>
<td>$630bn</td>
</tr>
<tr>
<td>SprCntrs</td>
<td>16</td>
<td>$610bn</td>
</tr>
<tr>
<td>Brewers</td>
<td>14</td>
<td>$428bn</td>
</tr>
<tr>
<td>PkgFdMt</td>
<td>124</td>
<td>$1520bn</td>
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<tr>
<td>PersPrdct</td>
<td>35</td>
<td>$522bn</td>
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<tr>
<td>DrugRetail</td>
<td>7</td>
<td>$73bn</td>
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<tr>
<td>FdRetail</td>
<td>33</td>
<td>$367bn</td>
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<tr>
<td>AgriProd</td>
<td>27</td>
<td>$124bn</td>
</tr>
<tr>
<td>Dist&amp;Vnt</td>
<td>20</td>
<td>$99bn</td>
</tr>
<tr>
<td>Tobacco</td>
<td>13</td>
<td>$492bn</td>
</tr>
</tbody>
</table>

- **HhldPrdct**: 19 stocks, $684bn
- **FdDistri**: 11 stocks, $66bn
- **SoftDrnks**: 19 stocks, $630bn
- **SprCntrs**: 16 stocks, $610bn
- **Brewers**: 14 stocks, $428bn
- **PkgFdMt**: 124 stocks, $1520bn
- **PersPrdct**: 35 stocks, $522bn
- **DrugRetail**: 7 stocks, $73bn
- **FdRetail**: 33 stocks, $367bn
- **AgriProd**: 27 stocks, $124bn
- **Dist&Vnt**: 20 stocks, $99bn
- **Tobacco**: 13 stocks, $492bn

**January 23, 2020**
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.
User Guide 2 - Momentum

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>2.0%</td>
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<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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