Group Selection

Priced as of November 6, 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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Sector View

Sector Relative Strength Profiles*

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</thead>
<tbody>
<tr>
<td>Energy</td>
<td>18% / 21% / 18%</td>
<td></td>
<td>5% / 3% / 11%</td>
</tr>
<tr>
<td>Materials</td>
<td>35% / 37% / 37%</td>
<td></td>
<td>16% / 14% / 19%</td>
</tr>
<tr>
<td>Industrials</td>
<td>40% / 44% / 43%</td>
<td></td>
<td>19% / 14% / 24%</td>
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<tr>
<td>CMR Disc</td>
<td>39% / 42% / 41%</td>
<td></td>
<td>9% / 6% / 12%</td>
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<tr>
<td>CMR Stap</td>
<td>41% / 45% / 44%</td>
<td></td>
<td>-3% / -6% / 1%</td>
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<tr>
<td>Hlth Care</td>
<td>34% / 39% / 38%</td>
<td></td>
<td>3% / -2% / 4%</td>
</tr>
<tr>
<td>Financials</td>
<td>35% / 40% / 39%</td>
<td></td>
<td>15% / 11% / 21%</td>
</tr>
<tr>
<td>Info Tech</td>
<td>48% / 52% / 52%</td>
<td></td>
<td>5% / 2% / 8%</td>
</tr>
<tr>
<td>Comm Srv</td>
<td>33% / 39% / 38%</td>
<td></td>
<td>-4% / -6% / 3%</td>
</tr>
<tr>
<td>Utilities</td>
<td>51% / 56% / 55%</td>
<td></td>
<td>-21% / -23% / -15%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>53% / 57% / 58%</td>
<td></td>
<td>-1% / -7% / 3%</td>
</tr>
</tbody>
</table>

*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
November 6, 2019

Materials

BMO Capital Markets
Mark Steele (416) 359-4641

Momentum

Strength

Alumin
10 stocks; $32bn

Copper
14 stocks; $84bn

ComdChm
49 stocks; $401bn

PapProd
32 stocks; $99bn

Steel
60 stocks; $366bn

DiversChm
20 stocks; $189bn

SpecChm
20 stocks; $189bn

PrecMet
12 stocks; $55bn

Gold
71 stocks; $277bn

PaperPkg
19 stocks; $123bn

Silver
3 stocks; $22bn

IndusGas
7 stocks; $236bn

FrstPrd
10 stocks; $22bn

DvrsMng
46 stocks; $377bn

MtGisCnt
15 stocks; $70bn

CstrMat
32 stocks; $252bn

Fert&Ag
27 stocks; $131bn
Consumer Staples

- **Dist&Vnt**: 20 stocks; $607bn
- **AgriProd**: 29 stocks; $120bn
- **PkgFdMt**: 123 stocks; $1485bn
- **SprCntrs**: 16 stocks; $616bn
- **DrugRetail**: 7 stocks; $77bn
- **PersPrdct**: 37 stocks; $541bn
- **SprCntrs**: 16 stocks; $516bn
- **FdRetail**: 33 stocks; $368bn
- **HhldPrdct**: 19 stocks; $663bn
- **Brewers**: 14 stocks; $416bn
- **Tobacco**: 13 stocks; $460bn
- **SoftDrinks**: 19 stocks; $584bn
- **FdDistri**: 11 stocks; $67bn

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**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).
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>Buy</td>
<td>Outperform</td>
<td>43.2%</td>
<td>22.8%</td>
<td>57.4%</td>
<td>44.1%</td>
<td>57.0%</td>
<td>52.8%</td>
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<tr>
<td>Hold</td>
<td>Market Perform</td>
<td>53.2%</td>
<td>13.1%</td>
<td>40.6%</td>
<td>52.6%</td>
<td>41.1%</td>
<td>41.6%</td>
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<tr>
<td>Sell</td>
<td>Underperform</td>
<td>3.7%</td>
<td>9.5%</td>
<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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(S) = Speculative investment;
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