Group Selection

Priced as of June 18, 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 ( 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

Momentum

June 18, 2019

Mark Steele (416) 359-4641

Strength

HCEquip ➔ AirprtServ ➔ PrecMet ➔ Aprl&Gds ➔ SprCntrs ➔ Biotech ➔ HCDistrib

ElcCmpEq ➔ Silver ➔ Airline ➔ HmImpRtl ➔ FrstPrd

REstServ ➔ OfficeREIT ➔ HCareREIT ➔ SystmSwr ➔ Hshare ➔ MortgREIT

HCEquip ➔ AirprtServ ➔ PrecMet ➔ Aprl&Gds ➔ SprCntrs ➔ Biotech ➔ HCDistrib

ElcCmpEq ➔ Silver ➔ Airline ➔ HmImpRtl ➔ FrstPrd
June 18, 2019

Momentum

Strength

Silver 9 stocks; $16bn
Copper 14 stocks; $85bn
PrecMet 14 stocks; $47bn
Gold 65 stocks; $221bn
IndusGas 7 stocks; $231bn
CstrMat 33 stocks; $246bn
MtGlsCnt 13 stocks; $78bn

FrstPrd 10 stocks; $21bn
Steel 61 stocks; $401bn
DvrsMng 59 stocks; $392bn
Alumin 10 stocks; $37bn
ComdChm 47 stocks; $390bn

PrecMet æ precmet
Gold æ gold
Copper æ copper
Silver æ silver
IndusGas æ indusgas
CstrMat æ cstrmat
MtGlsCnt æ mtglscnt

Materials

PapProd 23 stocks; $81bn
DiversChm 21 stocks; $174bn
SpecChm 72 stocks; $625bn
PaperPkg 15 stocks; $96bn
Fert&Ag 29 stocks; $145bn

IndusGas æ indusgas
CstrMat æ cstrmat
MtGlsCnt æ mtglscnt

Mark Steele (416) 359-4641

BMO Capital Markets
## Consumer Staples

**June 18, 2019**

**Mark Steele (416) 359-4641**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Sub-Sector</th>
<th>Stocks</th>
<th>Market Value (bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SprCntrs</strong></td>
<td></td>
<td>16</td>
<td>$567bn</td>
</tr>
<tr>
<td><strong>Dist&amp;Vnt</strong></td>
<td></td>
<td>20</td>
<td>$537bn</td>
</tr>
<tr>
<td><strong>DrugRetail</strong></td>
<td></td>
<td>6</td>
<td>$64bn</td>
</tr>
<tr>
<td><strong>FdRetail</strong></td>
<td></td>
<td>33</td>
<td>$352bn</td>
</tr>
<tr>
<td><strong>FdDistri</strong></td>
<td></td>
<td>11</td>
<td>$61bn</td>
</tr>
<tr>
<td><strong>AgriProd</strong></td>
<td></td>
<td>28</td>
<td>$114bn</td>
</tr>
<tr>
<td><strong>PkgFdMt</strong></td>
<td></td>
<td>127</td>
<td>$1418bn</td>
</tr>
<tr>
<td><strong>Brewers</strong></td>
<td></td>
<td>14</td>
<td>$440bn</td>
</tr>
<tr>
<td><strong>HhldPrdct</strong></td>
<td></td>
<td>18</td>
<td>$637bn</td>
</tr>
<tr>
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<td></td>
<td>29</td>
<td>$540bn</td>
</tr>
<tr>
<td><strong>SoftDrinks</strong></td>
<td></td>
<td>19</td>
<td>$586bn</td>
</tr>
<tr>
<td><strong>Tobacco</strong></td>
<td></td>
<td>13</td>
<td>$475bn</td>
</tr>
</tbody>
</table>

**DrugRetail**
- 6 stocks
- $64bn

**FdDistri**
- 11 stocks
- $61bn

**AgriProd**
- 28 stocks
- $114bn

**PkgFdMt**
- 127 stocks
- $1418bn

**Brewers**
- 14 stocks
- $440bn

**HhldPrdct**
- 18 stocks
- $637bn

**PersPrdct**
- 29 stocks
- $540bn

**SoftDrinks**
- 19 stocks
- $586bn

**Tobacco**
- 13 stocks
- $475bn
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 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>Buy</td>
<td>Outperform</td>
<td>43.2%</td>
<td>22.8%</td>
<td>57.4%</td>
<td>44.1%</td>
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<td>53.2%</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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