Group Selection

Priced as of December 4, 2017

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**

- **Energy**: 43% / 44% / 36%  
  Reward/Risk US/GBL/CDA: 2% / -5% / 16%
- **Materials**: 56% / 53% / 51%  
  Reward/Risk US/GBL/CDA: -13% / -9% / 1%
- **Industrials**: 53% / 50% / 47%  
  Reward/Risk US/GBL/CDA: -5% / 6% / 11%
- **CMR Disc**: 48% / 46% / 43%  
  Reward/Risk US/GBL/CDA: 9% / 16% / 20%
- **CMR Stap**: 35% / 32% / 28%  
  Reward/Risk US/GBL/CDA: 10% / 19% / 21%
- **Hlth Care**: 50% / 48% / 43%  
  Reward/Risk US/GBL/CDA: -10% / -4% / 1%
- **Financials**: 48% / 44% / 37%  
  Reward/Risk US/GBL/CDA: 4% / 14% / 21%
- **Info Tech**: 59% / 56% / 53%  
  Reward/Risk US/GBL/CDA: -22% / -13% / -6%
- **Telecom**: 32% / 32% / 30%  
  Reward/Risk US/GBL/CDA: -9% / 0% / 9%
- **Utilities**: 47% / 45% / 35%  
  Reward/Risk US/GBL/CDA: -23% / -11% / -1%
- **Real Estate**: 42% / 39% / 35%  
  Reward/Risk US/GBL/CDA: -13% / -3% / 8%

*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 (\[\uparrow\] / \[\downarrow\] 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.
December 4, 2017

Momentum

Strength

PaperPkg
17 stocks; $136bn

PapProd
22 stocks; $100bn

DiversChm
32 stocks; $413bn

IndusGas
8 stocks; $155bn

SpecChm
64 stocks; $553bn

Alumin
11 stocks; $56bn

Fert&Ag
32 stocks; $198bn

Copper
14 stocks; $100bn

FrstPrd
12 stocks; $30bn

Steel
48 stocks; $421bn

DvrsMng
26 stocks; $401bn

ComdChm
39 stocks; $368bn

CstrMat
27 stocks; $254bn

PrecMet
21 stocks; $52bn

Gold
60 stocks; $174bn

MtGlsCnt
14 stocks; $63bn

Silver
2 stocks; $19bn

BMO Capital Markets
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December 4, 2017

Momentum

Strength

Consumer Staples

FdDistri
12 stocks; $62bn

PersPrdct
12 stocks; $486bn

PkgFdMkt
120 stocks; $1282bn

HhldPrdct
17 stocks; $565bn

FdRetail
36 stocks; $356bn

Dist&Vnt
12 stocks; $352bn

DrugRetail
3 stocks; $170bn

AgriProd
24 stocks; $104bn

SoftDrnks
17 stocks; $517bn

Brewers
14 stocks; $518bn

SprCntrs
14 stocks; $516bn

Tobacco
13 stocks; $677bn

17 stocks; $565bn
December 4, 2017

Utilities

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- **GasUtil**
  - 33 stocks; $213bn

- **MultiUtil**
  - 35 stocks; $492bn

- **WaterUtil**
  - 24 stocks; $88bn

- **IPPTrad**
  - 25 stocks; $113bn

- **ElecUtil**
  - 89 stocks; $1189bn

- **RenewElec**
  - 22 stocks; $56bn
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 their 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>9.5%</td>
<td>2.0%</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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