Group Selection

Priced as of December 18, 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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Sector View

Sector Relative Strength Profiles*

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<tbody>
<tr>
<td>Energy</td>
<td>28% / 38% / 43%</td>
<td>-30% / -40% / -37%</td>
<td></td>
</tr>
<tr>
<td>Materials</td>
<td>23% / 29% / 35%</td>
<td>16% / 8% / 12%</td>
<td></td>
</tr>
<tr>
<td>Industrials</td>
<td>27% / 38% / 42%</td>
<td>9% / -4% / 1%</td>
<td></td>
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<tr>
<td>CMR Disc</td>
<td>25% / 34% / 38%</td>
<td>12% / 3% / 7%</td>
<td></td>
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<tr>
<td>CMR Stap</td>
<td>34% / 47% / 52%</td>
<td>26% / 14% / 21%</td>
<td></td>
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<tr>
<td>Hlth Care</td>
<td>46% / 53% / 56%</td>
<td>-8% / -17% / -12%</td>
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<tr>
<td>Financials</td>
<td>26% / 37% / 45%</td>
<td>10% / -3% / 0%</td>
<td></td>
</tr>
<tr>
<td>Info Tech</td>
<td>34% / 43% / 48%</td>
<td>8% / -3% / 1%</td>
<td></td>
</tr>
<tr>
<td>Comm Srv</td>
<td>33% / 44% / 50%</td>
<td>24% / 16% / 19%</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>43% / 57% / 63%</td>
<td>52% / 38% / 45%</td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>38% / 51% / 60%</td>
<td>40% / 25% / 31%</td>
<td></td>
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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 breaching 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 18, 2018

Momentum

Strength

Mark Steele (416) 359-4641

Energy

Coal&Uran  
21 stocks; $72bn

OG StTr  
75 stocks; $552bn

OG Equip  
57 stocks; $181bn

OG E&P  
104 stocks; $671bn

OG RfMkt  
39 stocks; $455bn

Int O&G  
31 stocks; $166bn

OG Drill  
13 stocks; $22bn
December 18, 2018

**Consumer Discretionary**

- **AutoMfg**: 36 stocks; $990bn
- **HomeBld**: 34 stocks; $127bn
- **HhlDpl**: 12 stocks; $58bn
- **MotcyMfg**: 5 stocks; $33bn
- **Htl&Rrsrt**: 23 stocks; $205bn
- **Cas&Gam**: 35 stocks; $255bn
- **LeisFcil**: 9 stocks; $66bn
- **ApparlRtl**: 31 stocks; $316bn
- **LeisPrd**: 22 stocks; $88bn
- **Footwear**: 14 stocks; $139bn
- **Rstaurnt**: 48 stocks; $457bn
- **Educat**: 14 stocks; $52bn
- **DeptStrs**: 16 stocks; $84bn
- **CmpErRlt**: 8 stocks; $13bn
- **AutoRtl**: 16 stocks; $94bn
- **SpCmSrv**: 7 stocks; $24bn
- **HmFrnsh**: 10 stocks; $30bn
- **HmImpRtl**: 8 stocks; $278bn
- **Apri&Gds**: 43 stocks; $670bn
- **HomeFurn**: 8 stocks; $20bn
- **Distrib**: 9 stocks; $45bn
- **SpecStrs**: 22 stocks; $81bn
- **CmrElec**: 12 stocks; $129bn
- **InetDmRtl**: 10 stocks; $1402bn

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WaterUtil
22 stocks; $83bn

IPPTrad
23 stocks; $112bn

GasUtil
35 stocks; $239bn

RenewElec
20 stocks; $51bn

ElecUtil
97 stocks; $1167bn

MultiUtil
38 stocks; $439bn

December 18, 2018

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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).
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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Und = Underperform - Forecast to underperform the analyst’s coverage universe on a total return basis;
(S) = Speculative investment;
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