Group Selection

Priced as of October 4, 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 Relative Strength Profiles**

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<thead>
<tr>
<th></th>
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<tr>
<td>Energy</td>
<td>16% / 17% / 16%</td>
<td>/ / /</td>
<td>-2% / 0% / 2%</td>
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<tr>
<td>Materials</td>
<td>32% / 34% / 34%</td>
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<td>Industrials</td>
<td>36% / 40% / 38%</td>
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<tr>
<td>CMR Disc</td>
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<td>/ / /</td>
<td>4% / 6% / 10%</td>
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<tr>
<td>CMR Stap</td>
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<td>3% / 4% / 6%</td>
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<tr>
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<td>Financials</td>
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<td>/ / /</td>
<td>-3% / -3% / 1%</td>
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<tr>
<td>Info Tech</td>
<td>48% / 52% / 50%</td>
<td>/ / /</td>
<td>1% / 3% / 6%</td>
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<tr>
<td>Comm Srv</td>
<td>32% / 39% / 36%</td>
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<td>2% / 1% / 6%</td>
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<tr>
<td>Utilities</td>
<td>51% / 59% / 54%</td>
<td>/ / /</td>
<td>5% / 9% / 18%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>49% / 57% / 50%</td>
<td>/ / /</td>
<td>11% / 13% / 20%</td>
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</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
## Industrials

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<tr>
<th>Sector</th>
<th>Momentum</th>
<th>Strength</th>
<th>Stocks</th>
<th>Market Cap</th>
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<td>$278bn</td>
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<tr>
<td>EnviroServ</td>
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<td>13</td>
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<td>Marine</td>
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<td>22</td>
<td>$174bn</td>
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<td>Ag&amp;Farm</td>
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<td>AirprtSvc</td>
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<td>$247bn</td>
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<td>OfficeServ</td>
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<td>$22bn</td>
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<tr>
<td>Hwy&amp;Rail</td>
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<tr>
<td>Airline</td>
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<td>$247bn</td>
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<tr>
<td>RsrcCslt</td>
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<td>29</td>
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<tr>
<td>DvSpSrv</td>
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<td>$115bn</td>
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<td>$326bn</td>
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<tr>
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<tr>
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<td>Railroads</td>
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<td>IndCongl</td>
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<td>Ind Mach</td>
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<td>Cns&amp;Eng</td>
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<td>69</td>
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<tr>
<td>Cns&amp;Eng</td>
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<td>$367bn</td>
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<tr>
<td>MarineSrv</td>
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<td>CnstMch&amp;Tr</td>
<td></td>
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<td>51</td>
<td>$344bn</td>
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<tr>
<td>CnstMch&amp;Tr</td>
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<td>HREmpl</td>
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<tr>
<td>Trucking</td>
<td></td>
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<td>27</td>
<td>$107bn</td>
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</tbody>
</table>

October 4, 2019

Mark Steele (416) 359-4641
October 4, 2019

Consumer Staples

Mark Steele (416) 359-4641

SoftDrinks
19 stocks; $604bn

Brewers
14 stocks; $460bn

PersPrdct
36 stocks; $515bn

Tobacco
12 stocks; $437bn

AgriProd
28 stocks; $110bn

FdRetail
33 stocks; $360bn

DrugRetail
7 stocks; $71bn

Dist&Vnt
20 stocks; $592bn

PkgFdMt
122 stocks; $1432bn

HhldPrdct
19 stocks; $673bn

SprCntrs
16 stocks; $604bn

FdDistri
11 stocks; $69bn
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 groups 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>Hold</td>
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<td>13.1%</td>
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<td>Sell</td>
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<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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