Group Selection

Priced as of September 25, 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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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 (higher/lower 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.
September 25, 2017

Strength Changes Last Session

Strength

Momentum

HomeBld → DvSpSrv ← HmImpRtl ← BldPrdcts ← InvBnkBrk →

MotcyMfg ← PapProd ← ITConsult ← Tire&Rub ← Pharma ← ConsmrFin ← Advert ←

IndusREIT ← Biotech ← MortgREIT ← RsrcCslt ← IntgTelSrv ← ComEquip ←

OG RfMkt ← AutoMfg ← Pharm → AutoRtl ← REstSrv ← WaterUt → Publishing ←

IndusREIT ← Biotech ← MortgREIT ← RsrcCslt ← IntgTelSrv ← ComEquip ←

OG RfMkt ← AutoMfg ← Pharm → AutoRtl ← REstSrv ← WaterUt ← Publishing ←

SoftDrnks → Educ → SoftDrnks ← Educ ←

Ag&Farm → Gold ← Mov&Ent ← LeisFcil ←

Aprl&Gds ← DiversBnk ← ComdChm ← DeptStrs ← Tobacco ←

RenewElec ← Coal&Uran ← CstrMat ← SprCntrs ←

HCSuppl ← HmFrnsh ← CmrElec ← GMrchStrs ← Brewers ←

IndusGas ← SpecStors ← MarineSrv ←

DrugRetail ← HmEntSwr ← PersPrdct ← ElcCmpEq ←

HCService ← Semi ←

DrugRetail ← HmEntSwr ← PersPrdct ← ElcCmpEq ←

Hwy&Rail ← CmclPrt ← CmclPrt ←

PkgFdMt ← HCareREIT ←

Mark Steele (416) 359-4641
Momentum

Strength

September 25, 2017

Telecommunication Services

Mark Steele (416) 359-4641

AltCar
10 stocks; $58bn

IntgTelSrv
62 stocks; $137bn

WlsTelSrv
42 stocks; $92bn
Utilities

Momentum

Strength

September 25, 2017

Mark Steele (416) 359-4641

Utilities

WaterUtil
24 stocks; $87bn

IPPTrad
25 stocks; $107bn

RenewElec
22 stocks; $65bn

GasUtil
33 stocks; $204bn

MultiUtil
36 stocks; $481bn

ElecUtil
90 stocks; $1,170bn
**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:
  - 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”
- 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>
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<td>43.2%</td>
<td>22.8%</td>
<td>57.4%</td>
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<td>Hold</td>
<td>Market Perform</td>
<td>53.2%</td>
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<td>40.6%</td>
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<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>
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(S) = Speculative investment;
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