2023 Mid Year Investment Outlook

Prepared for Fidelity Investments

July 14th, 2023

About Asbury Research
Who We Are

John Kosar, CMT, Chief Market Strategist

John has more than 40 years of experience studying, analyzing, and forecasting global financial markets. Asbury Research provides data-driven technical and quantitative investment research to professional and private investors. John began his career in 1980 on the Chicago Mercantile Exchange trading floor and spent the next 17 years there, acquiring a practical, real-world education on how the US financial markets work from the inside out. This experience, early in his career, became the foundation for his unique analytical approach and understanding of what really drives financial asset prices.

John is a contributor to **Forbes** and **StockCharts.com** and is frequently quoted by US and global financial news organizations including **The Wall Street Journal**, **Investors Business Daily**, **MarketWatch.com**, **Barron's**, **Yahoo! Finance**, and **Reuters**. John also regularly appears on financial television, including **CNBC**, **Fox Business**, and **Bloomberg**, and is a frequent speaker at financial events across the country presented by organizations including the **Chartered Financial Analyst (CFA) Society**, the **National Association of Active Investment Managers (NAAIM)**, the **CMT (Chartered Market Technician) Association**, and the **American Association of Individual Investors (AAII)**.

John was awarded the Chartered Market Technician (CMT) designation in 1999, served as Vice President of the CMT Association from 2004 to 2006, and was a member of its Board of Directors from 2002 to 2006. Previously, John was a trader, analyst, and strategist for several top global investment firms including Shearson American Express, NatWest Markets, Greenwich Capital Markets, and Deutsche Bank.

About Asbury Research
What We Do

We utilize decades of investment experience and our own **quantitative models** to provide active investors with **forward-looking, actionable market intelligence and specific trading / investment ideas.**

Our approach is purely data driven and focused on "following the money" and the performance it fuels via our own proprietary quantitative models and methodologies. This fact-based approach is much more influential to asset price performance than the opinion, market chatter, and Wall Street talking points that we read and hear about every day in the financial media.

Our metrics and methodology help our subscribers become more successful investors by identifying:

- <u>when</u> **it's time to be aggressive and fully invested (Risk On),**
- <u>when</u> **it's time to be defensive and protecting capital (Risk Off),**
- <u>what</u> **specific sectors and industry groups to buy, and when**
- <u>which</u> **ETFs are attracting investor assets and outperforming the broad market**
- <u>where</u> **the best Strategic opportunities in global stock markets are**

About Asbury Research
How We Do It

Our Data-Driven Models

- **The Correction Protection Model** (CPM) for **Wealth Preservation**

- **The Asbury 6 Model** (A6) for **Risk Management**

- **The SEAF** (Sector ETF Asset Flows) **Model** for **Sector Selection**

- **The CARP** (Cross Asset Relative Performance) **Model** for **Domestic Asset Allocation**

- **The US vs. The World Model** for **Global Asset Allocation**

A Review Of Our
January 26th 2023 Webinar for Fidelity Investments

- **U.S. Stock Market:** Recent relative outperformance by **Technology** amid extremes in options data, market breadth, and investor sentiment suggest that **a major bottom is in place in the S&P 500** (SPX) **at last years** (June and October) **lows and portends more Strategic market strength through the 1st Half of 2023**.

  The S&P 500 subsequently rose by 397 points or 10% through the end of June, led by Technology which outperformed SPX by 15%.

- **Cross Asset:** Our **CARP (Cross Asset Relative Performance) Model indicates a significant increase in risk appetite** and suggests investors are starting to position themselves for a major bullish trend change.

  A major bullish trend in the benchmark S&P 500 (SPX) was confirmed in late January and was led by CARP Model overweights in Growth and Technology stocks, which outperformed SPX by 9% and 15% since then.

2023 Mid Year Investment Outlook
1) Executive Summary: July 14th, 2023

- **U.S. Stock Market:** The benchmark **S&P 500 (SPX)** is in the midst of a major uptrend that began in October 2022 and targets an eventual Strategic rise to 4800. However, the US stock market has become **vulnerable to a corrective decline** from at or near its current level due to overhead resistance in the major indexes while amid extremes in options-related metrics, standard deviation, and investor sentiment. We would view a shift to Negative in the Asbury 6 as an indication that this correction is beginning but would view significant declines into underlying support levels like SPX 4325 and 4200 as potential new buying opportunities.

- **Size: Mid Cap** stocks (SPMG) are in an emerging trend of Strategic relative outperformance versus the S&P 1500.

- **Style: Growth** stocks (SPYG) remain in a March 6th trend of Strategic relative outperformance versus the S&P 500 but this trend is currently being tested.

2023 Mid Year Investment Outlook
2) Executive Summary: July 14th, 2023

• **Domestic Asset Allocation:** **Growth** (over Value, since 1/26), **Technology** (over Broad Market, since 1/20), and **High Beta** (over Low Volatility, since 5/18) are currently favored as overweights by the **CARP Model**.

• **Global Relative Performance:** **India** (INDA) is currently outperforming the US S&P 500 on a Tactical (monthly) and Strategic (quarterly) basis. **Brazil** (EWZ) is in the midst of an emerging Strategic relative outperformance trend versus the S&P 500 and has outperformed by 3% since first being identified by the **US vs. The World Model** on 5/5.

• **Sector Selection/Rotation:** The **SEAF Model** currently favors the **Technology**, **Communication Services**, and **Financial Sectors**.

• **US Interest Rates:** The **yield of the benchmark US 10-Year Treasury Note** is testing formidable overhead resistance at **4.01% to 4.25%**. *Major inflection point for long term US interest rates.*

US Stock Market

## *Price & Trend (1):* Semis, Large Cap Tech Testing Formidable Resistance

The PHLX Semiconductor Index has been testing overhead resistance at 3633 since May 30th. A sustained rise above it clears the way for an 11% advance to 4068.

The NASDAQ 100 has been testing overhead resistance at 15,265 since June. A sustained rise above it clears the way for an additional 10% advance to 16,765.

US Stock Market

Price & Trend (2): RUT Rising From Long Term Support, DJIA Testing Resistance
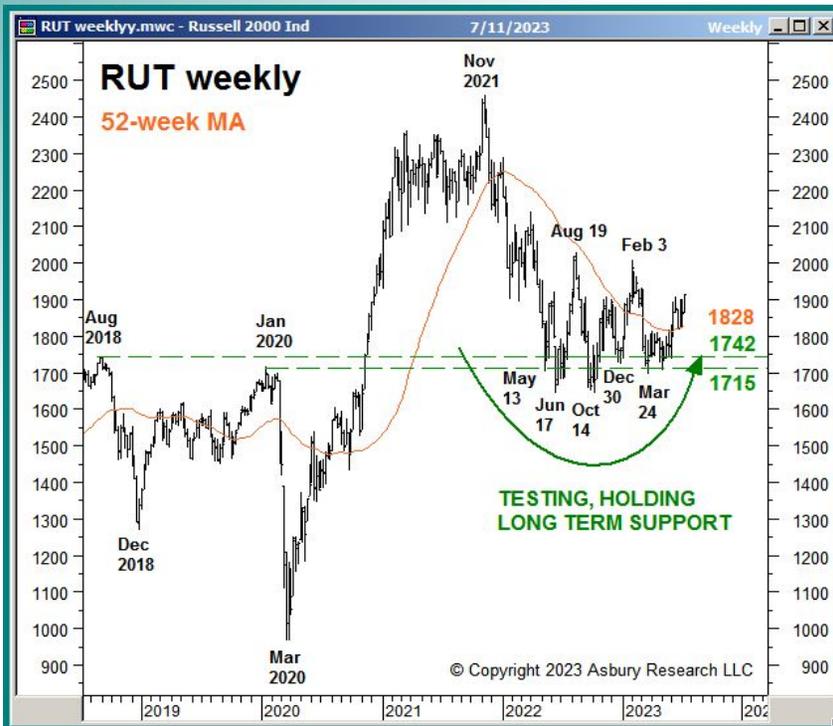
The Russell 2000 has resumed its major uptrend following six tests of long term support at 1742-1715 during the past 12 months. *Long term decision point.*

The blue chip Dow Industrials have been testing overhead resistance at 34,281-34,596 for a year. A rise above it clears the way for an additional 3% to 7% advance.

US Stock Market

Price & Trend (3): SPX Targets Another 7% Rise, Watch Tactical Support

A bullish chart pattern confirmed on May 19th targets an additional 7% rise to 4800 that remains valid above 4040. Next resistance is 3% above the market at 4637.

Tactically, key support is just below the market at 4406. A breakdown below it would warn of an emerging, overdue corrective decline to 4325 or 4200.

US Stock Market

Relative Performance (1): Market Leading Semis, Technology Outperforming
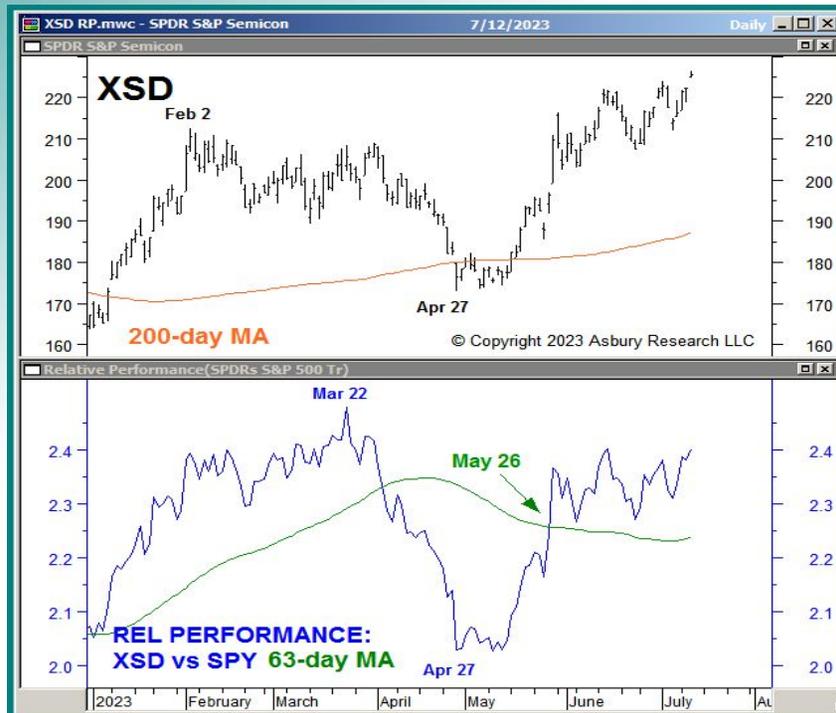
The market-leading SPDR S&P Semiconductor ETF is in a May 26th trend of Strategic relative outperformance vs. the S&P 500 (SPY). Bullish.
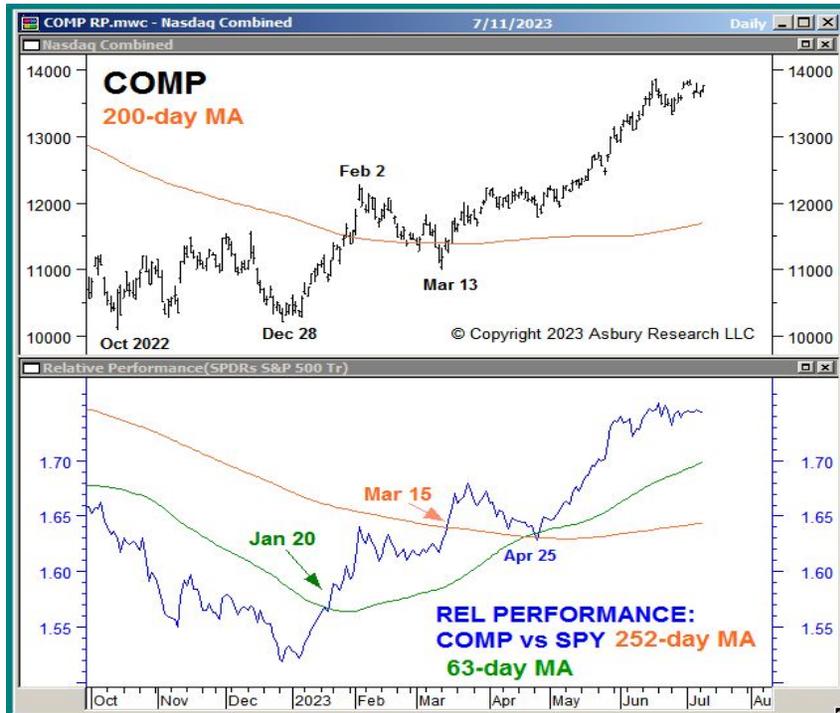
The market-leading NASDAQ Composite has been outperforming SPY on a quarterly basis since Jan 20th and on an yearly basis since Mar 15th. Bullish.

US Stock Market
Relative Performance (2): Emerging Outperformance in IWM?
Defensive NYSE Underperforming.

The small cap iShares Russell 2000 ETF may be beginning a new Strategic relative outperformance trend versus SPY after underperforming from March to June.

The high quality, defensive NYSE has underperformed SPY on a Strategic basis since Feb 1st, which actually suggests an overall "risk on" approach to equities.

US Stock Market
Key Stocks: Influential MSFT, TSLA At Major Inflection Point

Microsoft, #2 according to market cap, is testing formidable resistance at its 344.30-349.67 late 2021 benchmark highs. *Major decision point for a very influential stock.*
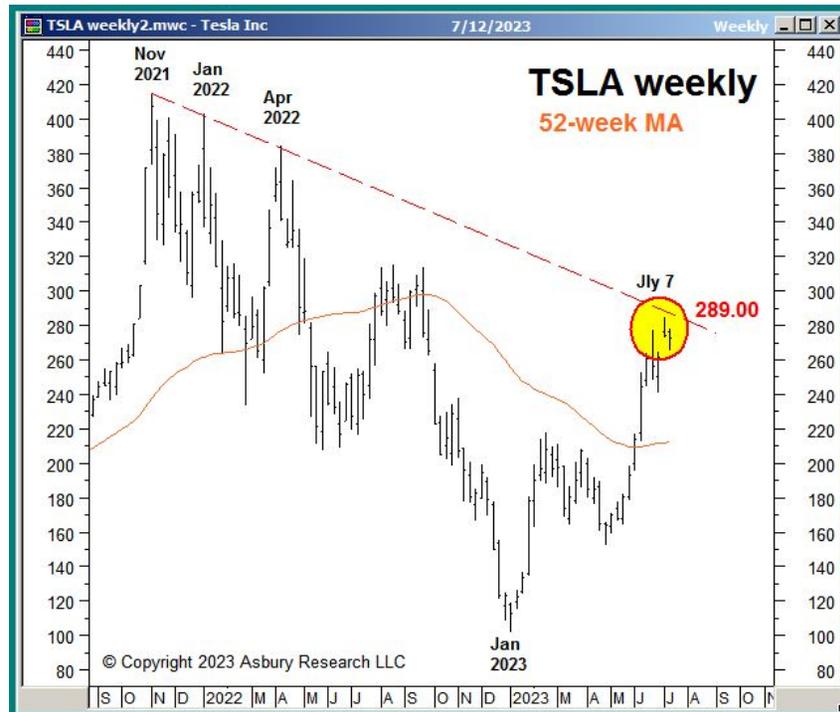
Tesla, #6 according to market cap, is testing formidable resistance at its November 2021 major downtrend line. *Another major decision point.*

Asbury's Correction Protection Model (CPM)
Wealth Preservation: <u>When</u> To Be Invested

CPM was designed to:

- **protect investor assets** during market declines,

- **eliminate large drawdowns**, and

- **reduce volatility** in portfolios by moving assets out of the market during adverse conditions

However, CPM can also be used as an offensive model by using leverage to trade the signals.

• **CPM via SPY:** For older or more risk-focused investors that want to or need to participate in the stock market but are uncomfortable with the amount of risk.

• **CPM via SSO:** For those willing to accept a little more risk for the potential of producing better-than-average returns, while still keeping beta low.

Asbury's Correction Protection Model (CPM)
Wealth Preservation: "Risk Off" As Of Jun 23rd

About CPM

• The Correction Protection Model (CPM) is our own **proprietary defensive model** for the S&P 500. It is **quantitative, objective, and data driven.**

• **CPM is binary: it is either Risk On or Risk Off.**

• **CPM was** not **designed to be a** returns-driven model, but rather **a wealth preservation tool.** It was designed to protect investor assets during potentially dangerous market conditions while also taking advantage of the market's historical upward bias.

• We use CPM as a key indication of **when to increase market exposure (Risk On) and when to be risk-averse (Risk Off).**

CPM Since 2022

Asbury's Correction Protection Model (CPM)
Defensive & Offensive Ways To Utilize CPM Based On Risk Appetite

Non-Leveraged CPM v S&P 500: Performance Comparison By Year

Year	CPM via SPY	S&P 500	Rel Performance
2011	5.1%	0.0%	5.1%
2012	12.1%	13.4%	-1.4%
2013	28.3%	29.6%	-1.3%
2014	5.4%	11.4%	-6.0%
2015	-4.6%	-0.7%	-3.9%
2016	5.2%	9.5%	-4.4%
2017	19.4%	19.4%	0.0%
2018	-8.5%	-6.2%	-2.2%
2019	21.8%	28.9%	-7.1%
2020	24.4%	16.3%	8.1%
2021	2.6%	26.9%	-24.3%
2022	-5.9%	-19.4%	13.6%
Total	105.4%	129.0%	-23.6%
Average	8.8%	10.8%	-2.0%

2x Leveraged CPM v S&P 500: Performance Comparison By Year

Year	CPM via SSO	S&P 500	Rel Performance
2011	7.9%	0.0%	7.9%
2012	22.7%	13.4%	9.3%
2013	62.1%	29.6%	32.5%
2014	9.6%	11.4%	-1.8%
2015	-9.8%	-0.7%	-9.1%
2016	9.2%	9.5%	-0.3%
2017	39.6%	19.4%	20.2%
2018	-18.8%	-6.2%	-12.6%
2019	42.5%	28.9%	13.6%
2020	48.6%	16.3%	32.3%
2021	3.7%	26.9%	-23.2%
2022	-19.6%	-19.4%	-0.1%
Total	197.8%	129.0%	68.8%
Average	16.5%	10.7%	5.7%

Non-Leveraged CPM v S&P 500: Performance Measures 2011-2022

Category	CPM via SPY	S&P 500	Difference
Total return	156.0%	205.3%	-49.3%
Annualized total return	8.1%	9.7%	-1.6%
Max drawdown	-15.0%	-33.9%	18.9%
Risk (standard deviation)	9.0%	14.4%	-5.4%
Sharpe ratio	0.89	0.72	0.17
Sortino ratio	1.66	1.22	0.44
Alpha	2.6%	-2.0%	4.6%
Beta	0.44	1.00	-0.56
Up capture ratio	0.56	0.95	-0.39
Down capture ratio	0.46	1.04	-0.58

2x Leveraged CPM v S&P 500: Performance Measures 2011-2022

Category	CPM via SSO	S&P 500	Difference
Total return	364.0%	205.3%	158.7%
Annualized total return	13.6%	9.7%	3.9%
Max drawdown	-29.5%	-33.9%	4.4%
Risk (standard deviation)	17.9%	14.4%	3.5%
Sharpe ratio	0.84	0.72	0.12
Sortino ratio	1.57	1.22	0.35
Alpha *	4.3%	-2.0%	6.32%
Beta *	0.87	1.00	-0.13
Up capture ratio *	1.06	0.95	0.11
Down capture ratio *	0.96	1.04	-0.08

The Asbury 6 Key Market Internals
Risk Management: <u>When</u> To Be Invested

The Asbury 6:

- the monthly rate of change in the S&P 500
- the relative performance of equity prices versus high yield bond prices,
- investor asset flows
- corporate bond spreads
- trading volume
- market breadth

"A6" Signals Since 2022

The Asbury 6 Key Market Internals
Risk Management: Positive Since May 18th

"ASBURY 6" INTERNAL MARKET METRICS through 7/12/2023		
METRIC	POSITIVE AS OF:	NEGATIVE AS OF:
Rate Of Change: SPX	5/17/2023	
Rel Performance: Stocks v HiYld Bonds	5/4/2023	
Investor Asset Flows: SPY	5/5/2023	
Corporate Bond Spreads	6/27/2023	
Trading Volume: SPX		6/23/2023
Market Breadth: NYSE	6/27/2023	
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Four or more metrics in one direction, either Positive (green) or Negative (red), indicate a tactical bias.

When all Asbury 6 are positive, market internals are the most conducive to adding risk to portfolios. Each negative reading adds an additional element of risk to participating in existing or new investment ideas.

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The Asbury 6 Key Market Internals
Momentum: Near Term Positive

SPX's 1-month rate of change (MROC) turned Positive on May 17th.
Note the divergence with price (which could become problematic).

The Asbury 6 Key Market Internals
Relative Performance: Near Term Positive
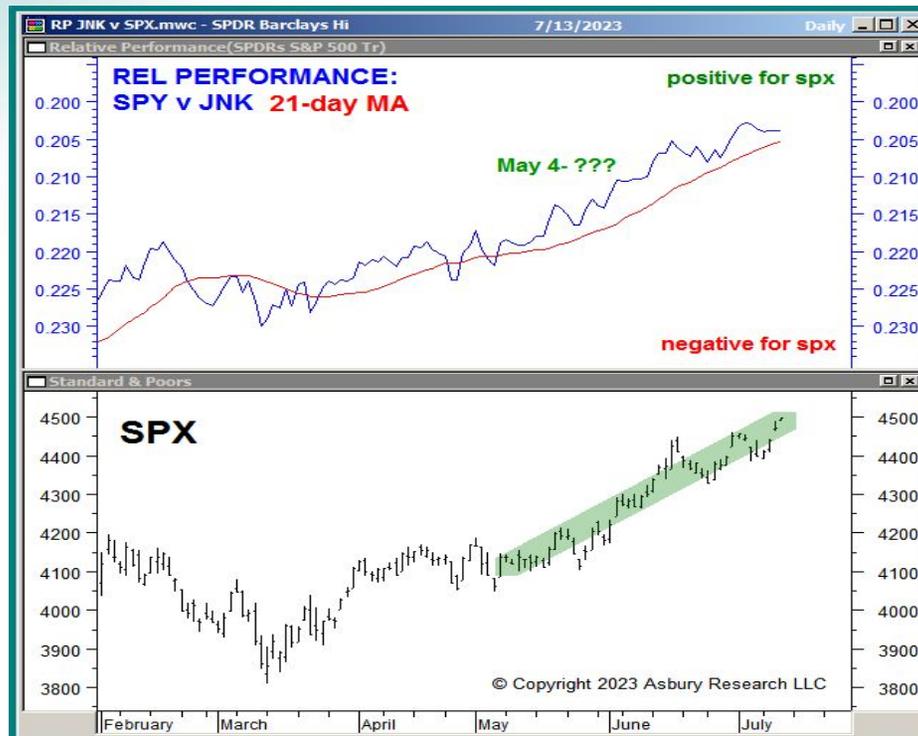
The S&P 500 (SPY) is in a May 4th trend of monthly relative outperformance versus the SPDR Bloomberg Barclays High Yield Bond ETF (JNK). *Relative outperformance by equities versus junk bonds is characteristic of Tactical market advances.*

The Asbury 6 Key Market Internals
ETF Asset Flows: Near Term Positive
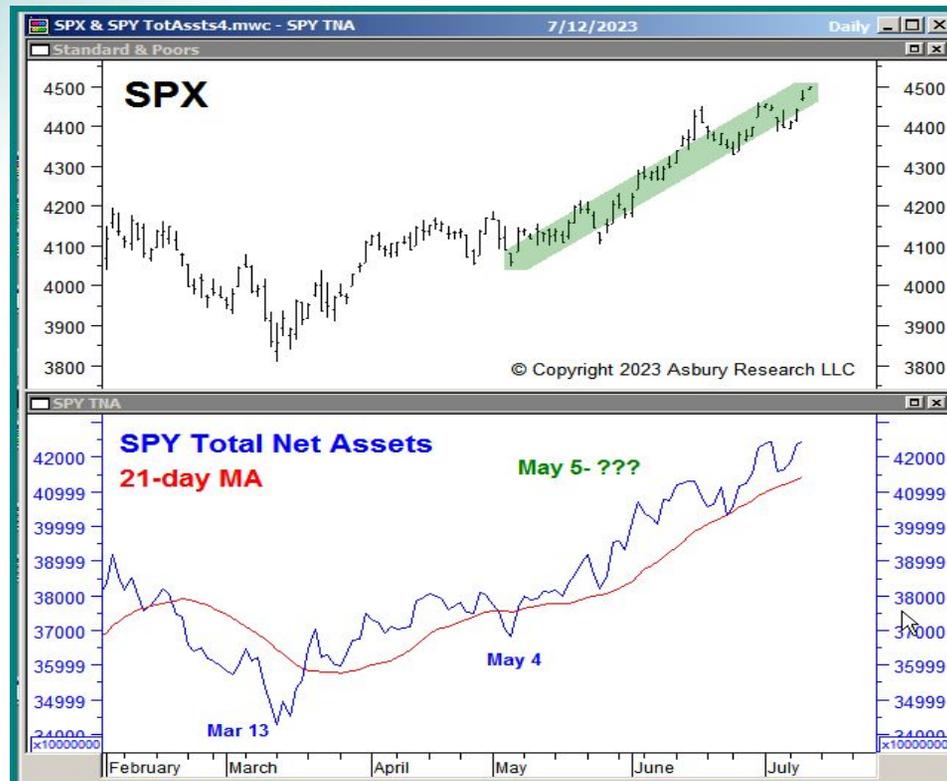
The total net assets invested in the SPDR S&P 500 ETF are in the midst of a May 5th trend of *monthly expansion*. Expanding assets indicate near term *investor conviction* in higher prices.

The Asbury 6 Key Market Internals
Corporate Bond Spreads: Near Term Positive

High yield corporate bond spreads have effectively been narrowing since mid May. *A narrowing spread indicates decreasing bond market fear* and is characteristic of US stock market advances.

The Asbury 6 Key Market Internals
Volume: Near Term Negative
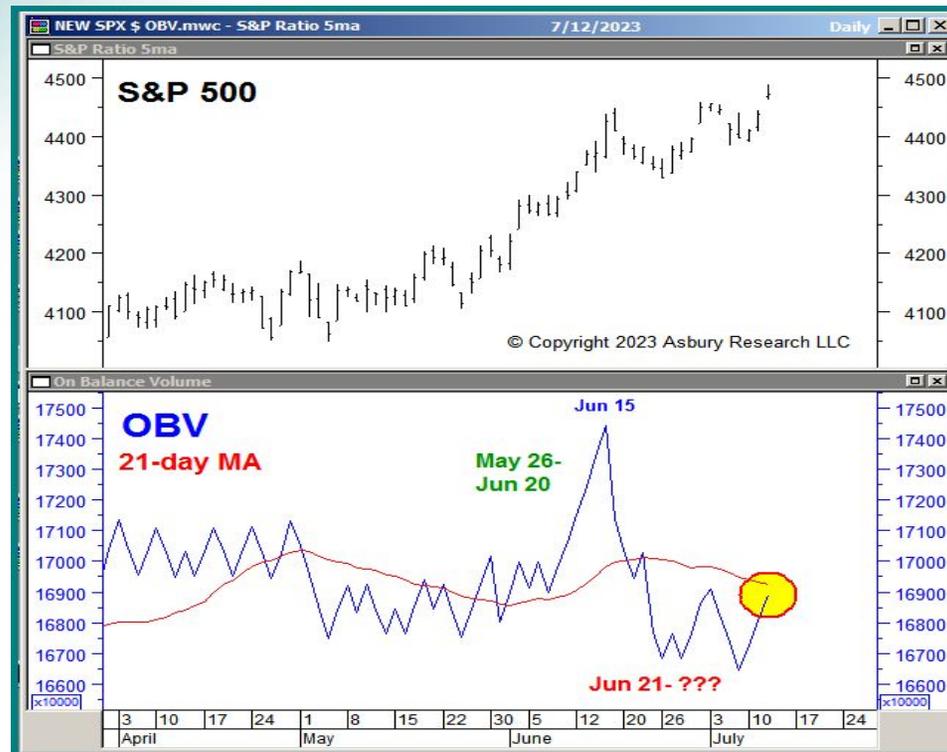
On Balance Volume (OBV) has been below its 21-day moving average since Jun 21st to indicate a declining monthly trend. *Contracting volume indicates a lack of urgency to buy* and is characteristic of broad market declines.
However, this trend is currently being tested. **Tactical decision point.**

The Asbury 6 Key Market Internals
Market Breadth: Near Term Positive
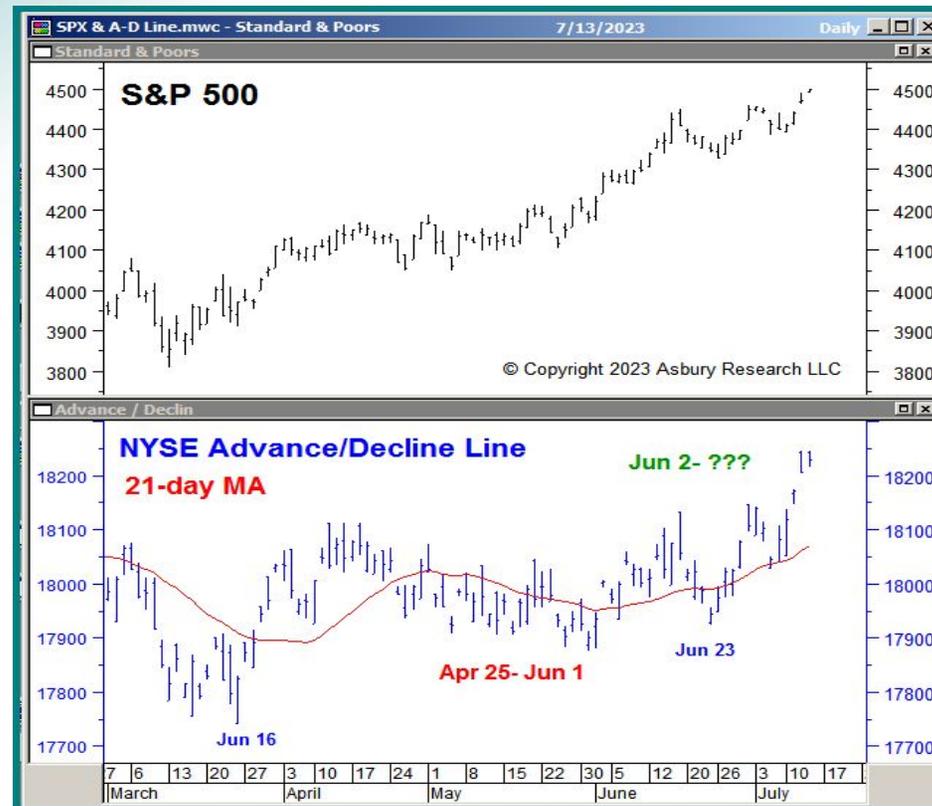
The NYSE Composite's A/D line has effectively been above its 21-day MA since June to indicate *a rising monthly trend*. Strengthening market breadth is characteristic of Tactical broad market advances.

US Stock Market
Volatility: Near Term Positive
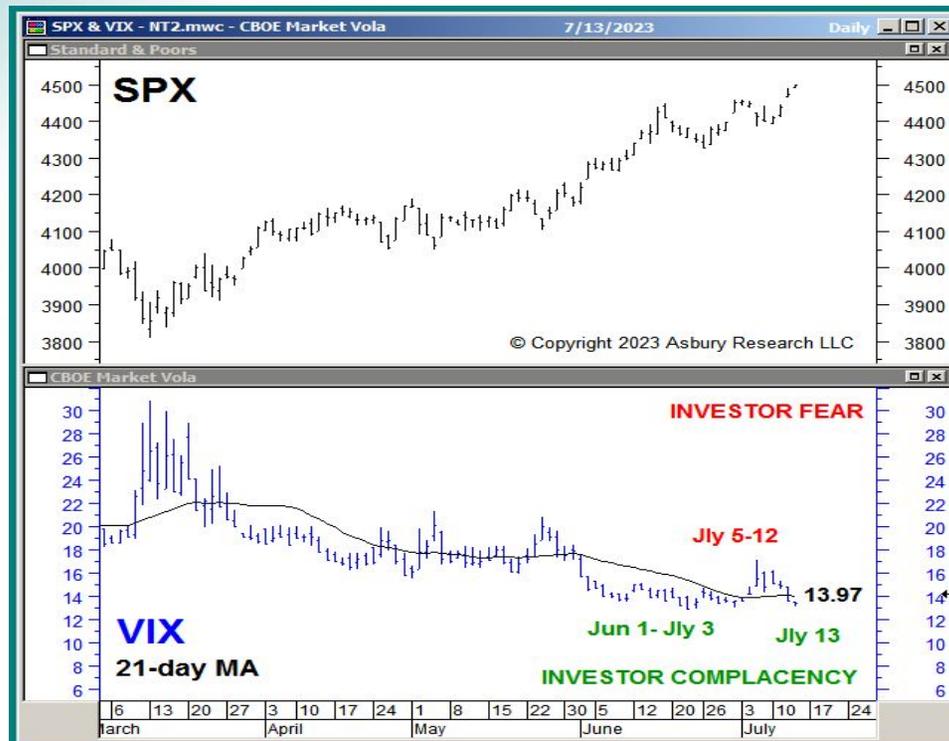
The CBOE Volatility Index edged back below its 21-day MA on Jun 13th indicate a monthly trend of de*creasing volatility*, characteristic of Tactical stock market advances. *A sustained rise above 13.97 would warn of a bearish reversal in SPX.*

US Stock Market
Cumulative Volume: Near Term Positive
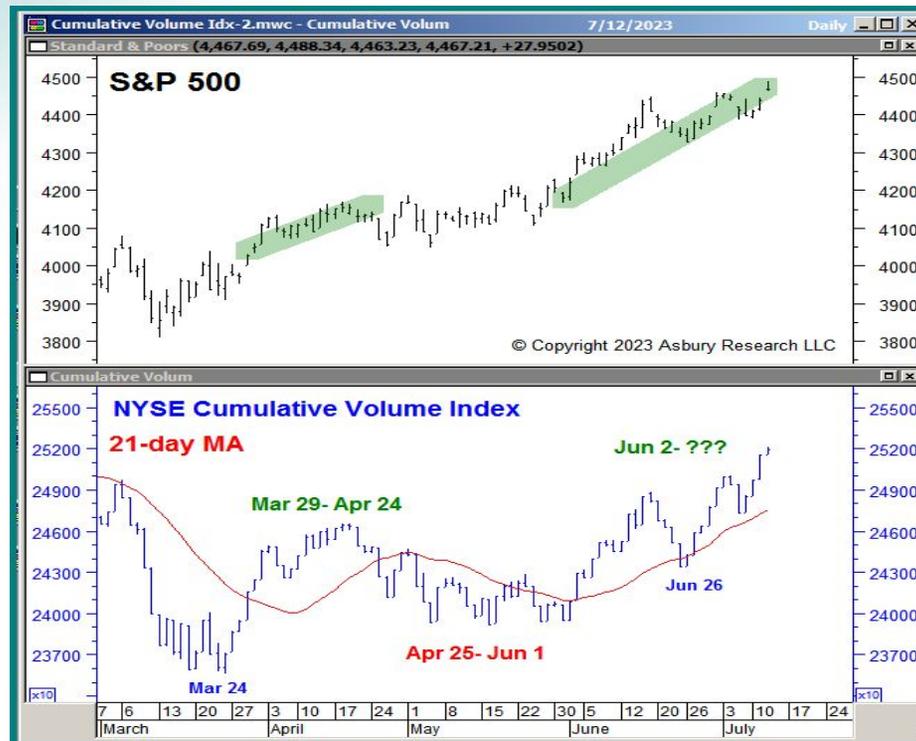
The NYSE Cumulative Volume Index (CVI) has been above its 21-day MA since Jun 2nd to indicate a trend of monthly expansion. *Rising volume indicates urgency to buy.* As long as this trend persists, the Tactical rise in the S&P 500 is likely to continue.

US Stock Market
Options Volume: Near Term Negative

The CBOE Put/Call Ratio is hovering at a *least bearish* extreme that had previously coincided with every near peak in the S&P 500 since 2022.

US Stock Market
ETF Asset Flows: Turning Near Term Negative?
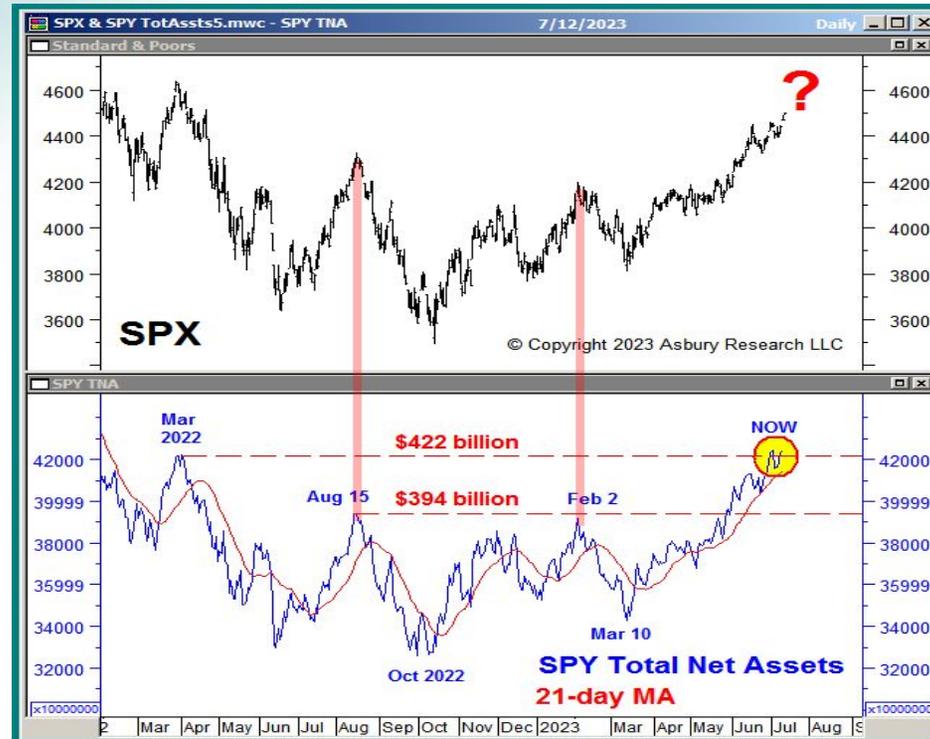
The daily total net assets invested in the SPDR S&P 500 ETF Trust are testing their March 2022 benchmark high of $422 billion. The next significant directional move in the S&P 500, either higher or lower, is likely to begin from this important asset level.

US Stock Market

Standard Deviation: Near To Intermediate Term Negative
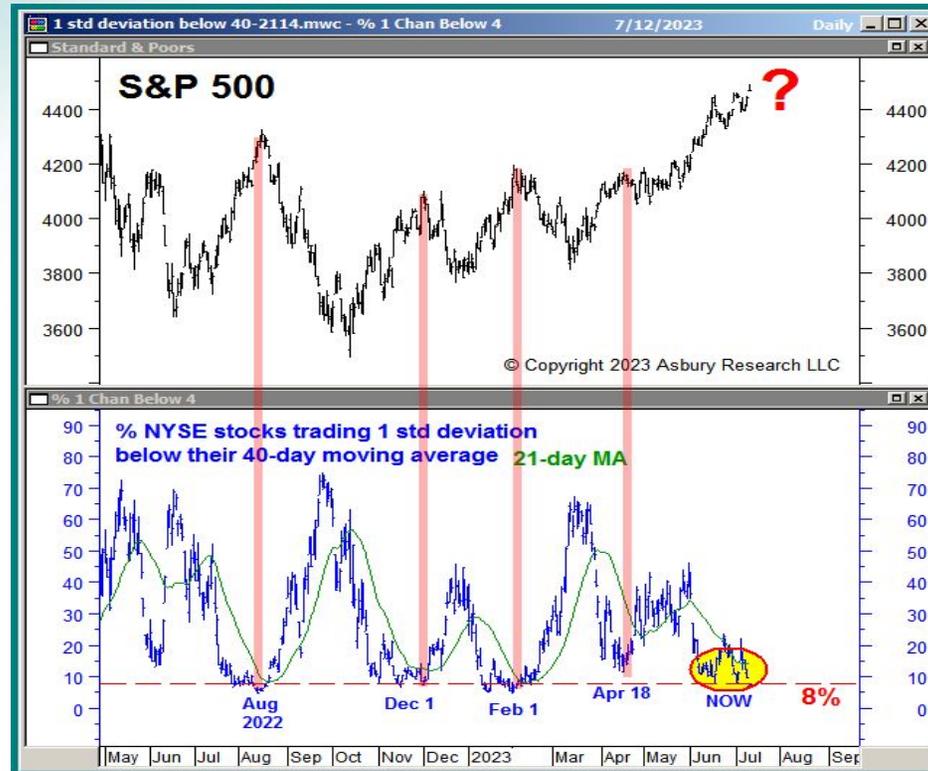
The percentage of NYSE stocks trading 1 standard deviation below their 40-day MA is hovering at multi-year lows of 8% that previously coincided with or closely led every Tactical peak in the S&P 500 since 2022.

US Stock Market
Strategic Price Momentum: Intermediate Term Positive

The S&P 500's 13-week rate-of-change (QROC) moved back above its zero line in January to indicate a new positive quarterly (Strategic) trend.

US Stock Market
Overbought/Oversold: Near Term, Intermediate Term Negative

The S&P 500 is hovering at *monthly* overbought extremes which have previously coincided with every *Tactical* peak over the past year.

SPX is also testing *quarterly* overbought extremes that coincided with or led *Strategic* broad market peaks in Nov 2021, Sep and Jan 2020, and Sep 2018.

US Stock Market
Market Breadth: Near Term Negative, Intermediate Term Neutral

The percentage of NYSE stocks trading above their 40-day MA has reached historically strong extremes that previously coincided with every broad market peak since 2021.

The percentage of NYSE stocks trading above their 200-day MA is situated right in the middle of quarterly high and low extremes to suggest a neutral Strategic bias.

US Stock Market

Investor Sentiment: Near Term (and Intermediate Term?) Negative

A survey of *near to intermediate term* oriented futures traders is hovering at a *most bullish* extreme that previously coincided with many market tops since 2018.

A survey of *intermediate to long term* oriented newsletter writers is approaching *least bearish* extremes that coincided with or led many *Strategic* market top since 2010.

US Stock Market
Seasonality: Near Term, Intermediate Term Negative

S&P 500 Monthly Seasonal Pattern
1957 through June 2023

S&P 500 Weekly Seasonal Pattern for the 3rd Quarter
1957 through 2022
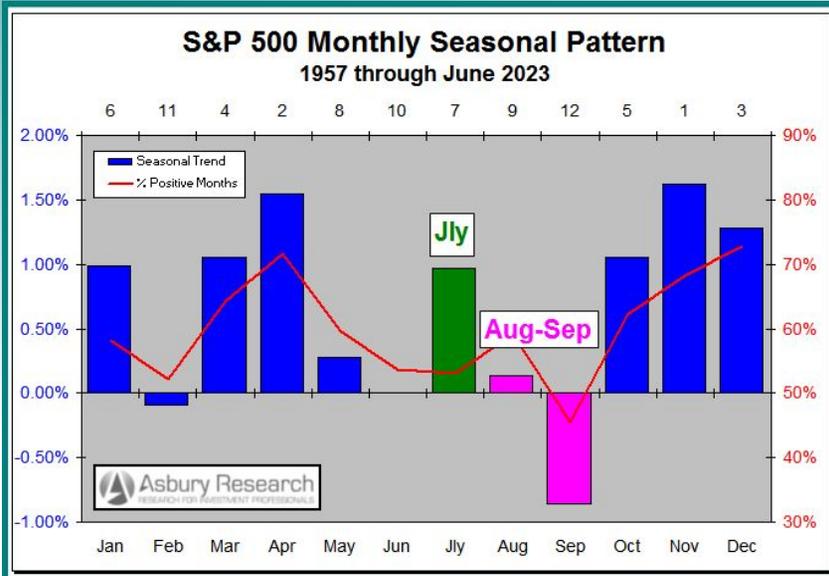
This annual chart shows that a modest one-month seasonal rebound in July, the 7th strongest month of the year based on data since 1957, leads into two months of acute weakness in August and September.
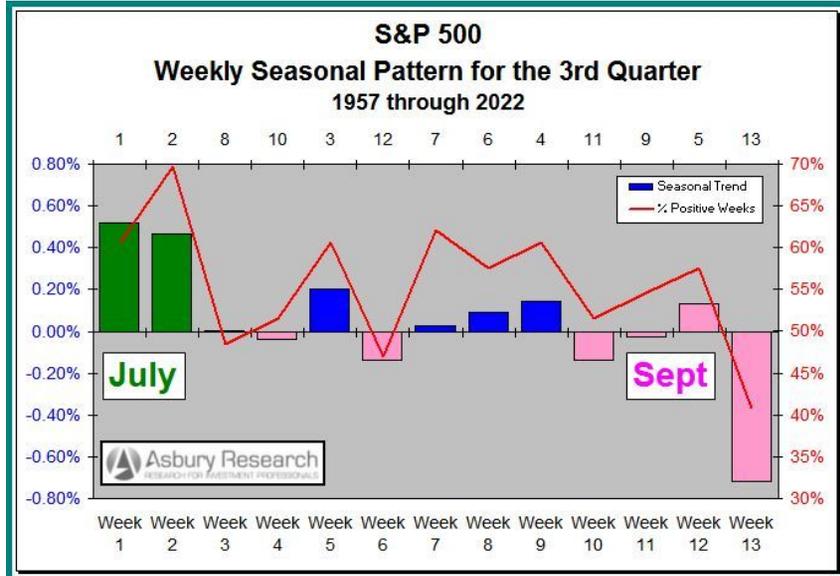
This quarterly chart shows that the July rebound seen on the yearly chart only exists for the first two weeks of the month (which ends this week). The chart also shows accelerated seasonal weakness during September.

US Stock Market
Size: Mid Cap In Emerging Strategic Relative Outperformance Trend
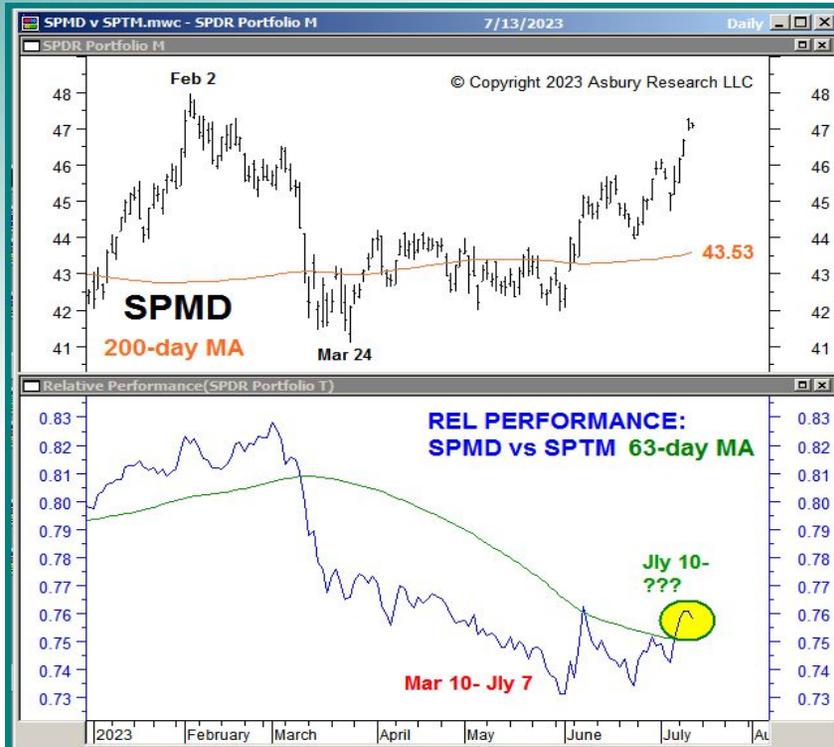
Mid Cap (SPMD) is in a Jly 10th emerging trend of Strategic relative outperformance versus the S&P 1500 (SPTM).
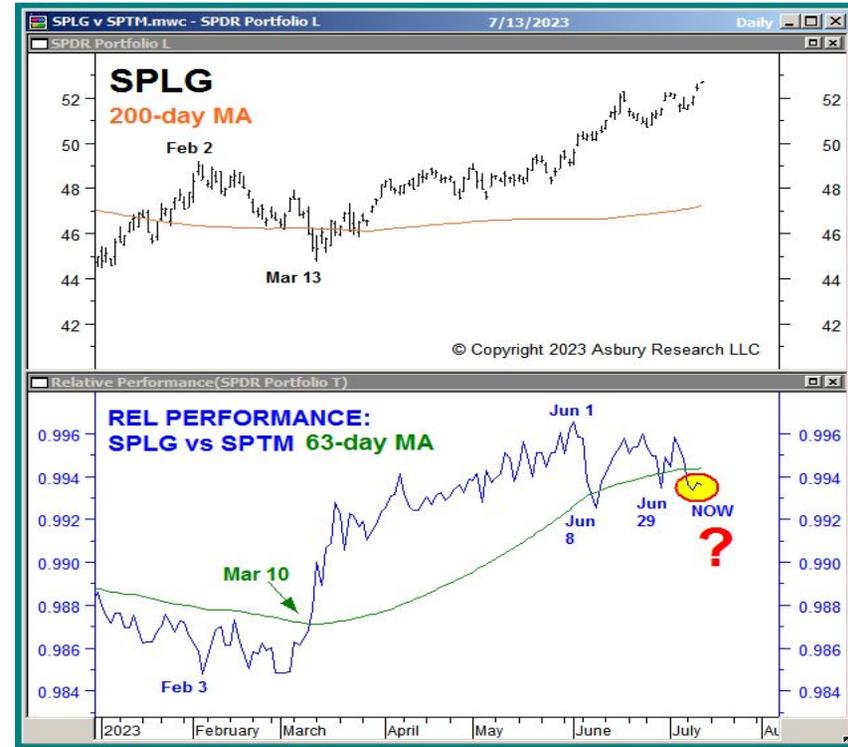
Meanwhile, Large Cap's (SPLG) Mar 10th trend of Strategic relative outperformance versus SPTM appears to be ending.

US Stock Market

Style: Growth Outperforming Since March 6th But Trend Being Tested
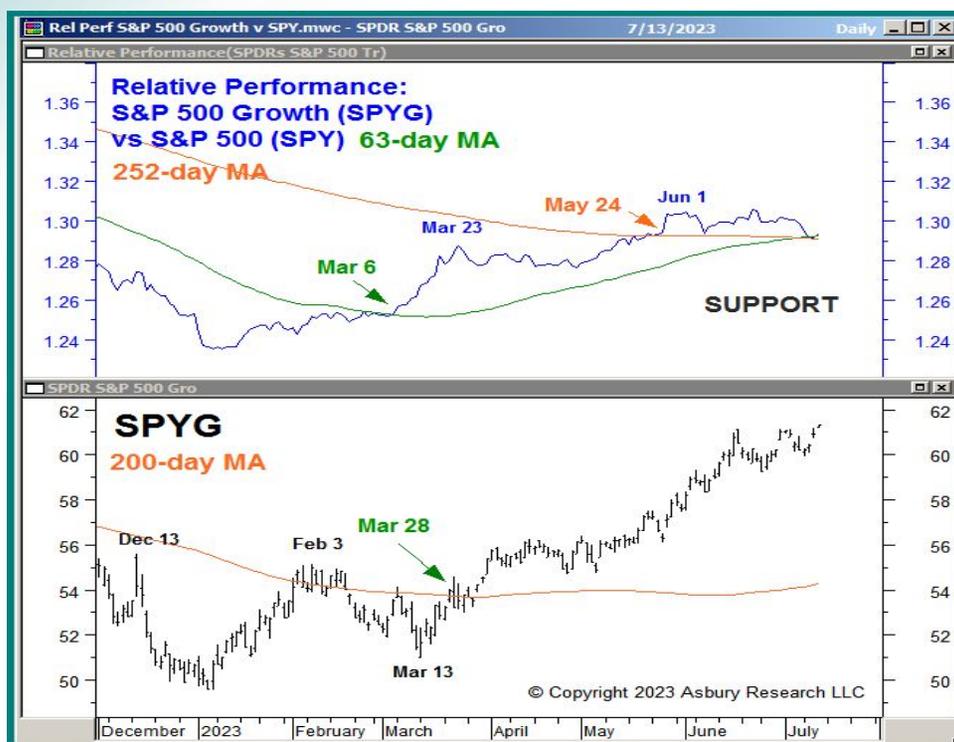
Growth is in the midst of a Mar 28th trend of *quarterly* relative outperformance versus the S&P 500 and has outperformed by 3% since then. Growth is also in an emerging May 24th trend of *annual* relative outperformance. *However, both trends are currently being tested.* Outperformance by Growth often indicates increasing risk appetite.

Cross Asset Investing
The CARP (Cross Asset Relative Performance) Model

| CROSS ASSET RELATIVE PERFORMANCE (CARP): WHAT IS OUTPERFORMING?		through July 7th, 2023					
Asset Comparison	Tickers	Trading (weekly)	Since	Tactical (monthly)	Since	Strategic (quarterly)	Since
Equities							
US Stocks or Bonds	SPY vs AGG	BONDS	7/7	STOCKS	5/12	STOCKS	5/5
High Beta or Low Volatility Stocks	SPHB vs SPLV	HIGH BETA	7/7	HIGH BETA	5/15	HIGH BETA	5/18
Large Cap or Small Cap	SPY vs IWM	SMALL CAP	7/7	LARGE CAP	6/30	LARGE CAP	6/14
Broad Market (S&P 500) or Blue Chips (Dow 30)	SPY vs DIA	BROAD MARKET	6/27	BROAD MARKET	4/28	BROAD MARKET	4/26
Broad Market (S&P 500) or Tech (NASDAQ 100)	SPY vs QQQ	TECHNOLOGY	6/30	TECHNOLOGY	6/30	TECHNOLOGY	1/20
Growth or Value Stocks (Russell 1000)	IWF vs IWD	GROWTH	7/5	GROWTH	6/30	GROWTH	1/26
US or Developed Markets	SPY vs VEA	US	6/20	US	5/16	US	5/17
US or Emerging Markets	SPY vs VWO	EMERGING	7/7	US	6/20	US	2/2
Fixed Income							
Govt or Corporate Bond Prices	GOVT v LQD	GOVERNMENT	7/5	GOVERNMENT	7/6	CORPORATE	6/12
High Yield or Corporate Bond Prices	HYG vs LQD	HIGH YIELD	7/5	HIGH YIELD	7/5	HIGH YIELD	6/27
Short Term or Long Term Bond Prices	SCHO vs TLT	SHORT TERM	7/3	SHORT TERM	7/5	SHORT TERM	7/3
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The table above highlights which segments of the US financial market are outperforming in both equities and fixed income. The green highlights identify changes in trend, and the date they occurred, in 3 different time frames:

- **TRADING (weekly, yellow column)**, the most sensitive to changes in relative market direction

- **TACTICAL (monthly, blue column),** which we use to enter or exit an investment strategy

- **STRATEGIC (quarterly, red column)**, which we use to identify intermediate term opportunity.

Cross Asset Investing
Technology, Growth Stocks Are Outperforming
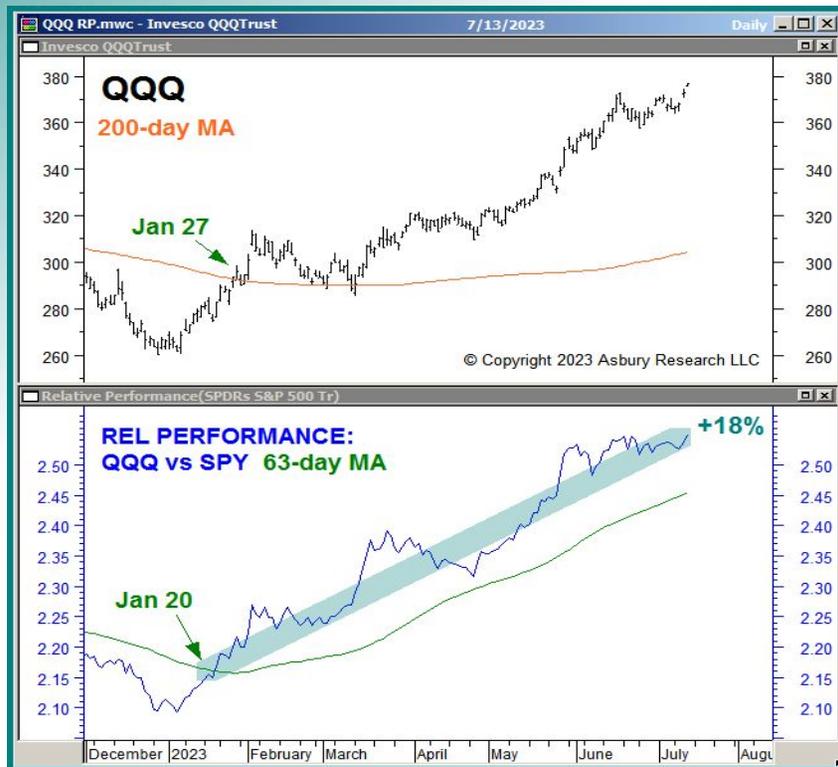
The Invesco QQQ ETF (NASDAQ 100) has outperformed the SPDR S&P 500 Trust by 18% since becoming a CARP Model overweight on Jan 20th.
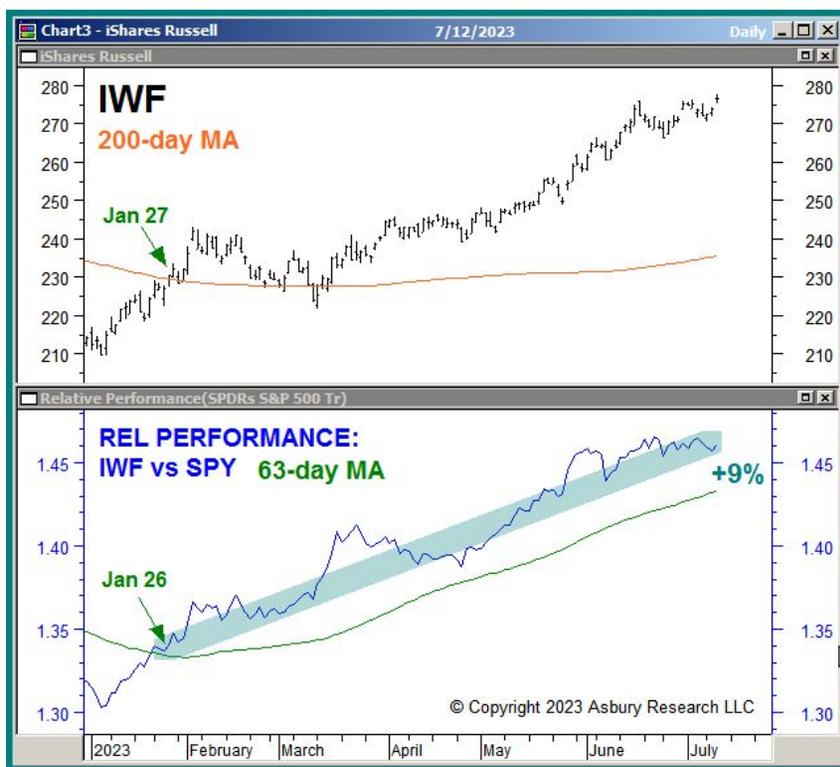
The iShares Russell 1000 Growth ETF has outperformed SPY by 9% since becoming a CARP Model overweight on Jan 26th.

Global Equity Investing
The US vs. The World Model

S&P 500 vs THE WORLD: WHICH COUNTRY IS OUTPERFORMING?						through July 7th, 2023	
S&P 500 (SPY) vs:	Ticker	Trading (weekly)	Since	Tactical (monthly)	Since	Strategic (quarterly)	Since
Chile	ECH	CHILE	7/3	CHILE	7/5	US	5/25
New Zealand	ENZL	NEW ZEALAND	6/30	NEW ZEALAND	7/5	US	5/12
Peru	EPU	PERU	7/7	US	6/20	US	5/12
Australia	EWA	US	6/22	US	6/22	US	2/15
Canada	EWC	US	7/5	US	7/5	US	5/16
Hong Kong	EWH	US	6/29	US	5/5	US	2/10
Italy	EWI	ITALY	7/7	ITALY	7/7	US	5/17
Japan	EWJ	JAPAN	7/7	US	6/22	US	6/22
Switzerland	EWL	US	6/28	US	5/17	US	5/25
Malaysia	EWM	MALAYSIA	7/7	US	5/10	US	2/2
Spain	EWP	US	7/5	US	7/5	US	5/10
France	EWQ	US	7/5	US	7/5	US	5/18
Singapore	EWS	US	6/20	US	5/11	US	5/11
Taiwan	EWT	US	6/15	US	6/20	US	6/23
United Kingdom	EWU	US	6/22	US	5/10	US	5/12
Mexico	EWW	MEXICO	7/7	US	6/20	US	6/15
South Korea	EWY	US	7/6	US	6/16	US	6/20
Brazil	EWZ	BRAZIL	7/7	US	6/30	BRAZIL	5/5
MSCI EMU (Eurozone) Index	EZU	EUROZONE	6/27	US	5/9	US	5/17
India	INDA	INDIA	7/6	INDIA	6/26	INDIA	7/6
China	MCHI	CHINA	7/7	US	6/20	US	2/15
Thailand	THD	THAILAND	7/7	US	5/16	US	2/6
Vanguard FTSE Pacific ETF	VPL	PACIFIC	7/7	US	6/15	US	5/18
Vanguard Emerging Mkts ETF	VWO	EMERGING	7/7	US	6/20	US	2/2
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Through July 7th just one country — **India** (INDA) — is currently outperforming the US S&P 500 on both a Tactical (monthly) and Strategic (quarterly) basis.
Brazil (EWZ) has outperformed SPY by 3% since first being identified by our model on May 5th.

Global Equity Investing
Brazil Outperforming The US Since Early May
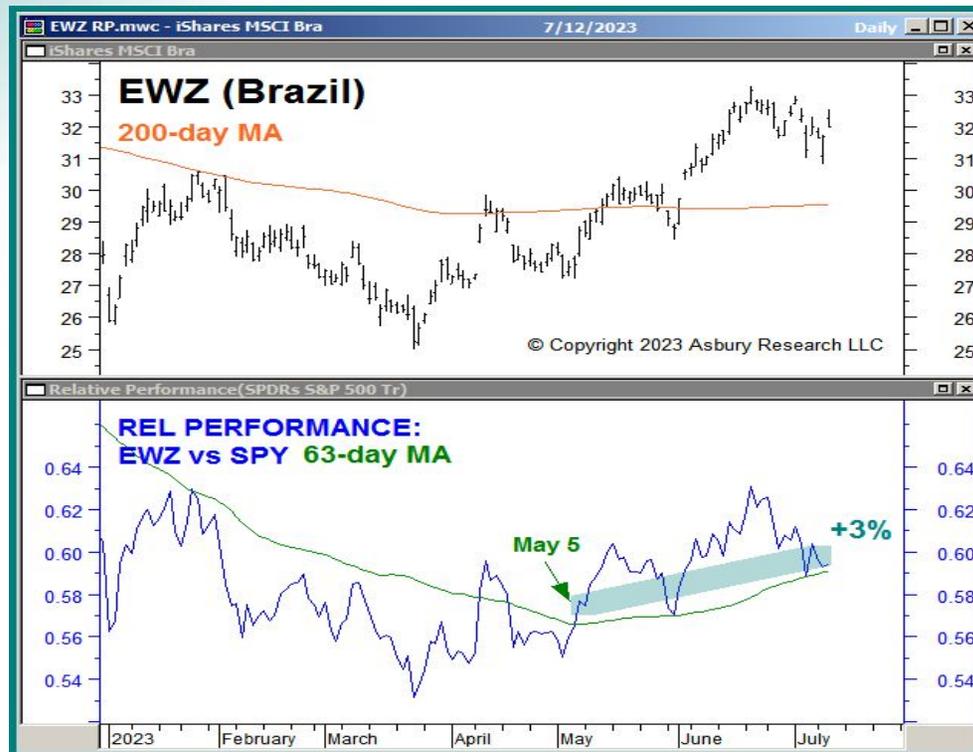
The iShares MSCI Brazil ETF has outperformed the S&P 500 (SPY) by 3% since appearing in our model as an buy/overweight opportunity on May 5th.
Currently testing its Strategic relative outperformance trend.

US Market Sectors: SEAF Model
Following The Money In US Market Sectors

ASBURY RESEARCH: SECTOR ETF ASSET FLOWS (SEAF) MODEL				for the week of July 10th, 2023	
Sector (Symbol)	% thru 7-6-2023	Trading (week)	Tactical (month)	Strategic (quarter)	Ranking
TECHNOLOGY (XLK)	20.3%	5	2	1	8
COMMUNICATION SERVICES (XLC)	5.4%	2	7	2	11
FINANCIALS (XLF)	13.3%	8	1	4	13
MATERIALS (XLB)	2.5%	3	4	6	13
INDUSTRIALS (XLI)	6.1%	6	3	5	14
CONSUMER STAPLES (XLP)	7.3%	1	8	8	17
CONSUMER DISCRETIONARY (XLY)	6.9%	10	5	3	18
REAL ESTATE (XLRE)	1.9%	7	6	7	20
UTILITIES (XLU)	6.3%	4	9	10	23
HEALTH CARE (XLV)	16.6%	9	10	9	28
ENERGY (XLE)	13.5%	11	11	11	33
Biggest % inflows during period shown		Biggest % outflows during period shown		© Copyright 2023 Asbury Research LLC	
Favored: 3-15		Neutral 16-24		Avoid 25-33	

The latest data in multiple time frames indicate a resumption of the May 15th trend of inflows into **Technology** and the April 1st trend of inflows into **Communication Services**. **This is where the money is currently going in the sector space.**

The latest data also indicate an **existing trend of outflows from Energy** (since 4/20). **This is where the money is coming from.**

US Market Sectors: SEAF Model
## Following The Money In US Market Sectors
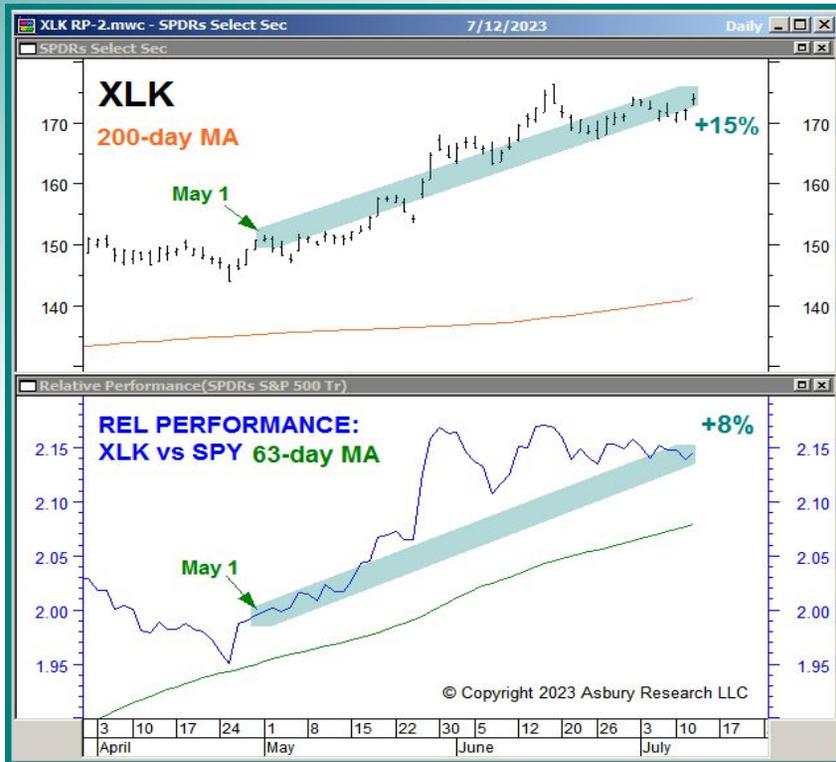
The Technology Select Sector SPDR Fund has risen by 15% while outperforming SPY by 8% since the May 1st SEAF Model buy/overweight signal.
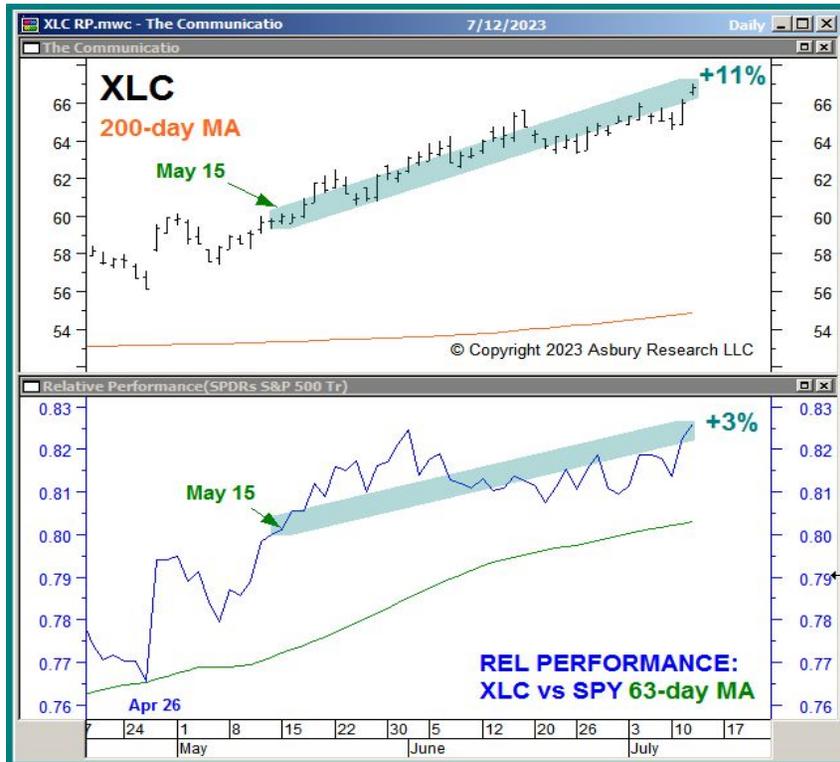
The Communication Services Select Sector SPDR Fund has risen by 11% while outperforming SPY by 3% since the May 15th SEAF Model buy/overweight signal.

US Market Sectors: SEAF Model
Following The Money In US Market Sectors
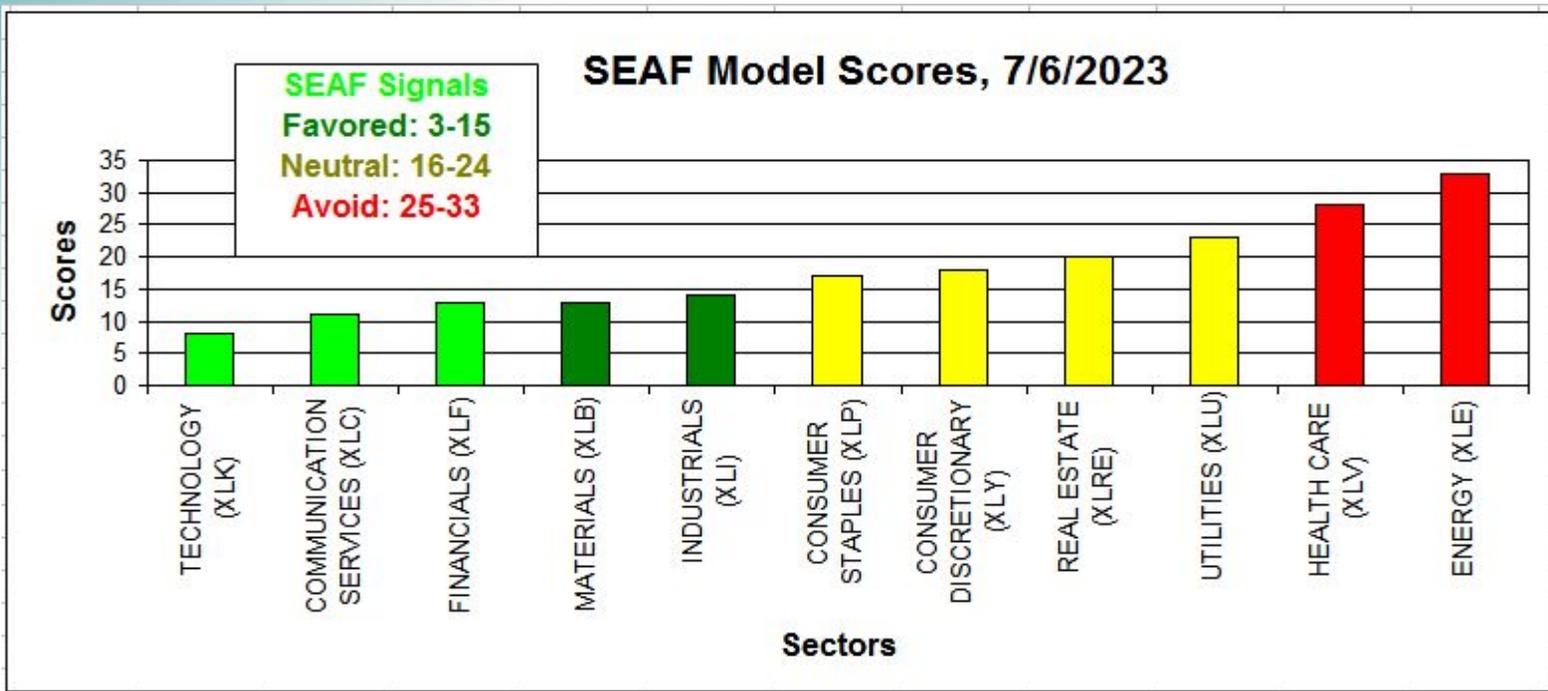
The **SEAF Model Scores chart** displays the rankings shown in the graphic in the previous slide according to **Favored** (score of 1-15, green), **Neutral** (score of 16-24, yellow), and **Avoid** (score of 25-33, red) sectors. The specific SEAF Model Signals are highlighted in a brighter shade of green.

US Market Sectors: SEAF Model
Following The Money In US Market Sectors

SEAF Model vs S&P 500: Performance Comparison By Quarter			
Quarter Ending:	SEAF Model	S&P 500	Rel Performance
Q3'20	9.8%	8.5%	1.3%
Q4'20	13.5%	11.7%	1.8%
Q1'21	22.6%	5.8%	16.9%
Q2'21	9.1%	8.2%	0.9%
Q3'21	5.7%	0.2%	5.4%
Q4'21	8.8%	10.7%	-1.9%
Q1'22	-0.2%	-5.0%	4.7%
Q2'22	-8.0%	-16.5%	8.5%
Q3'22	-11.3%	-5.3%	-6.0%
Q4'22	11.9%	7.1%	4.8%
2022	-7.6%	-19.6%	12.0%
Since Q3 2020	61.7%	8.5%	36.4%

The table displays the quarter-by-quarter relative performance of the SEAF Model vs. the S&P 500, showing that SEAF has outperformed the S&P 500 in eight of the past ten quarters (80%) tested.

US Market Sectors: SEAF Model
Following The Money In US Market Sectors

SEAF Model Performance Details	SEAF Model	through 12/31/2022
Category	SEAF Model	S&P 500 (SPY)
Total return	70.9%	35.1%
Annualized total return	22.4%	12.0%
Max drawdown	-22.5%	-25.4%
Risk (standard deviation)	21.8%	18.6%
Sharpe ratio	1.01	0.69
Sortino ratio	2.12	1.25
Alpha	9.6%	-1.5%
Beta	0.91	1.00
Up capture ratio	1.08	0.97
Down capture ratio	0.80	1.03

• **SEAF's total return** (see chart below) *and* **annualized total return are effectively double that of the S&P 500.**

• **SEAF** has a *lower* **maximum drawdown**.

• **SEAF** has a significantly **higher alpha** (excess return) *and* a **lower beta** (systematic risk).

• **SEAF** has both a *higher* **up capture ratio** (gains in up markets) and *lower* **down capture ratio** (losses in down markets).

US Market Sectors: SEAF Model
Following The Money In US Market Sectors
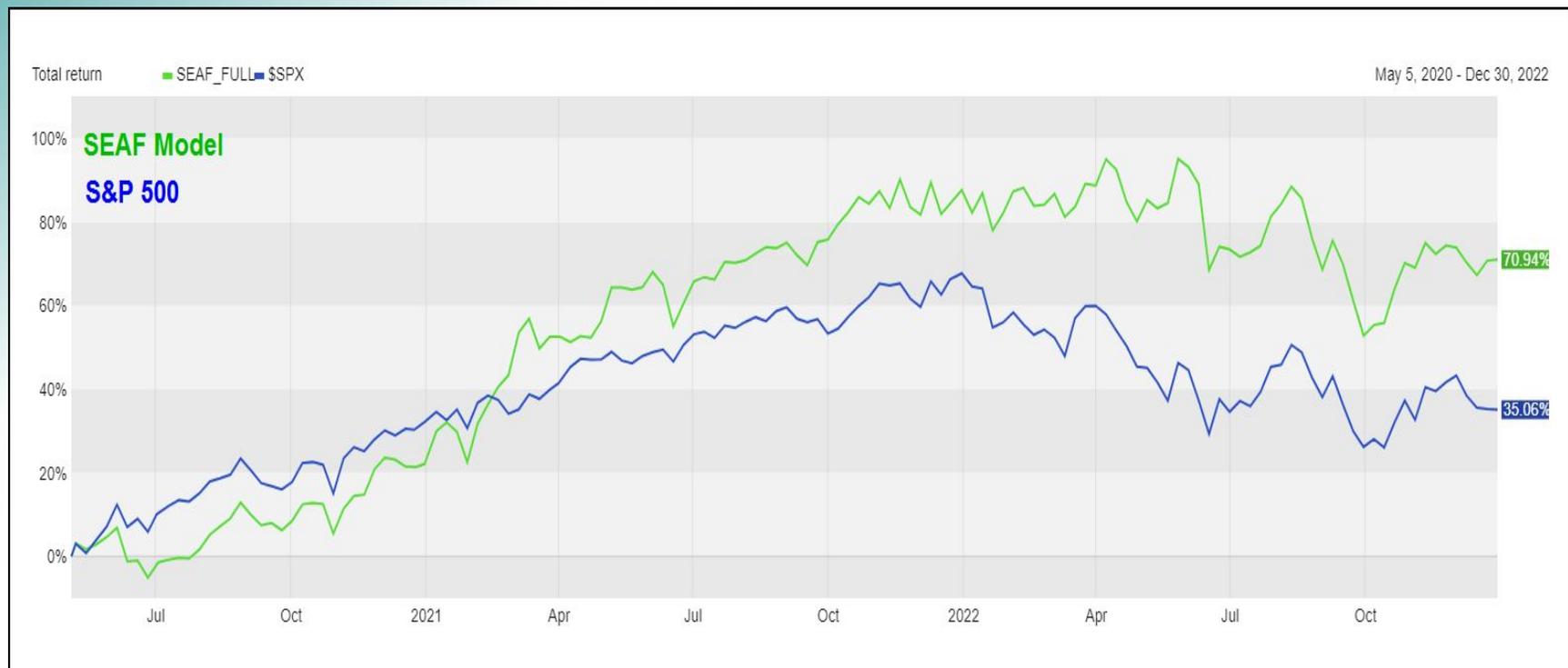
This chart plots the daily performance of the SEAF Model vs. the S&P 500, in terms of percentage return, since May 2020.

US Interest Rates
US 10-Year Yields Testing Major Decision Point At 4.01% to 4.25%

Despite the huge rise in the yield of the US 10-Year Treasury Note since 2020, they are still 65 basis points lower than their 4.51% monthly average since 1900.

US 10-Year Yields are currently testing overhead resistance at 4.01% to 4.25%. Above it, the next big level is 5.23% Major support is at 3.59%, then 3.23% to 3.04%.

Disclosure –

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