

# The Informed Investor<sup>SM</sup>

## OUTLOOK 2021 | SPX YE 4,225

### *HOPE VERSUS REALITY*

A timely analysis of sector/microgroup trends  
for the professional investor

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## STRATEGY

**Informed Investor Video Content**— Video content for this month's *Informed Investor* will be released on the morning of Wednesday, December 9<sup>th</sup>. Please contact your Piper Sandler sales representative for additional details or to schedule a 1-on-1 video conference call.

## Key Observations

- **Recap:** U.S. equity markets are coming into year-end on an impressive record setting trajectory. To call the rally off the March lows a recovery is an understatement when considering the index has rallied 65% in 180 trading days. Only the rebound off the Great Depression lows in 1933 produced a higher rise over run ratio (+85%). Unprecedented fiscal and monetary support have underpinned the recovery and provided a long enough bridge to reach the coronavirus inoculation point. The timing of the vaccine comes at a critical time as new cases, deaths, and hospitalizations soar to record-highs. The economic fallout from the surging outbreak is also becoming more pronounced. However, the bad news is good news silver lining is that pressure is mounting for lawmakers to deliver additional fiscal stimulus. The size of a deal could depend on the Georgia run off, where current odds suggest Republicans will hold a majority in the Senate. Given the magnitude of the recent rally, and assumptions over a swift vaccination period and forthcoming stimulus deal, we believe risk for near-term disappointment remains high.
- **Technical Setup:** The technical setup for the SPX is a story of extremes as bulls have cut the brakes and continue to drive the index to new highs. The SPX price premium over the 200-day MA has now stretched to 17%. While overbought does not mean over, history reveals 17% premiums or higher have occurred in fewer than 3.5% of all trading days since 1928. Other momentum indicators have also formed bearish divergences from price action after failing to reach levels commensurate with prior record-high rallies. Market breadth remains robust, but at extremes as our 40-week Technique indicator approaches a 100% reading (a level only reached during two periods since 1969). Sentiment has also climbed to levels that ring the contrarian alarms. The AAll Bull-Bear spread is back to a top decile reading, while the CBOE equity put/call ratio recently fell to a 10-year low. Based on this backdrop, we believe probabilities for a short-term pullback remain high. Important to note, this is a tactical call based on shorter-term factors and does not dampen the conviction behind our longer-term bull market thesis.
- **Sector Changes:** We are upgrading *Industrials* from a Neutral to Overweight rating. The sector continues to report impressive RS and offers leverage to the reopening theme. In addition, we are downgrading *Healthcare* from an Overweight to Neutral rating as the sector has lacked participation in the recent recovery. We are also upgrading *Communications/Media* from an Underweight to Neutral rating based on improving sector internals. The more defensive-themed *Consumer Staples* is getting downgraded from a Neutral to Underweight rating. In terms of investment style, the uptrend of growth outperformance on the Russell 1000 Growth/Value ratio chart has been violated. Given value's positive correlation to interest rates, we believe a close above 96 bps for 10-year Treasury yields would validate a changing of the guard from growth to value
- **Summary:** We look ahead to next year with optimism, as the vaccine should be a game changer for the economy and keep the recovery moving forward. Fiscal and monetary policy support should limit downside in the wake of any major setbacks. However, we do not expect stocks to continue on their recent linear record-high path. We suspect volatility will remain high over the year ahead as the broader market revolves around a dynamic backdrop of hope versus reality. **Ultimately, we believe hope will prevail, and we are establishing a 2021 year-end price objective on the S&P 500 of 4,225.**

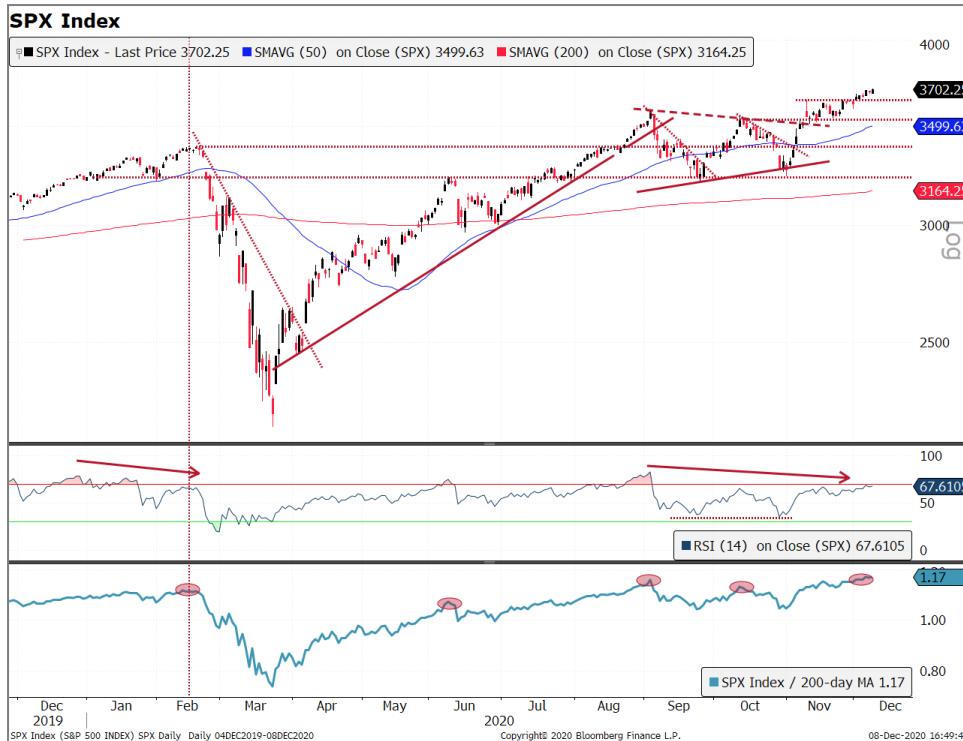
## Macro Thoughts

- **U.S. Economy –** As the Federal Reserve continues to warn, the outlook for the U.S. economy is 'extraordinarily uncertain' and highly dependent on the containment of the coronavirus. Their presumption proved accurate over the last few months as the surging outbreak created economic speedbumps along the road to recovery. The pace of improvements in the labor market have decelerated and subsequently spilled over into consumer spending and confidence. Retail sales recently sputtered to their slowest pace in six months, while confidence among Americans declined last month as optimism over future business, income and labor market conditions fell to a three month low. Housing remains an economic bright spot as historically low rates and inventory levels continue to extend the cycle. Manufacturing looks constructive as most PMIs remain expansionary, despite a recent slowdown. According to the New York Fed, Q420 and 1Q21 GDP are forecasted to rise by 2.5% and 5.9%, respectively. We believe risk is to the upside for both quarters as the vaccine rolls out across the U.S.
- **Rates –** U.S. Treasuries are separating themselves from the global safe-haven pack. Unprecedented new issuance and expectations for another stimulus deal have been the primary separating factors. Spreads to 10-year German bunds have widened to more than 150 bps (largest since March), while over \$17 trillion of sovereign debt currently carries a negative yield. The appetite for yield has compressed credit spreads to record-lows in both investment grade and high yield credits. Inflation breakevens have broken out from major bottoms and helped narrate the current bear steepener Treasury curve. Benchmark 10-year yields have climbed around 40 bps off their summer record-lows and reversed a major downtrend. **We believe the path of least resistance remains higher and forecast 10-year yields to finish 2021 within a range of 1.50%-1.75%.**
- **Currencies –** How low will it go has been the ongoing theme for the U.S. dollar. The double-digit drop since March closely resembles the depth and velocity of the '17 decline that drove the dollar from 103 to 88 in 12-months. Considering the parallels in price action, we suspect the 88 support level could mark a logical spot for a temporary relief rally. The dollar demise has been welcomed by Euro bulls as the EUR/USD pair recently broke out from a bottom and appears to be setting up for a retest of the '18 highs near 1.25. Brexit uncertainty could create some volatility along the way as the EU and UK work toward a trade agreement. Avoiding a no-deal Brexit would also likely push the GBP/USD above 1.35, and validate a breakout from its two-year bottom formation.
- **Commodities –** The broader commodities complex has staged an impressive recovery over the last several weeks. The CRB Index is up over 10% since the beginning of November as the vaccine news reignited the reopening rally. A breakdown in the dollar provided further tailwinds for commodities. Industrial metals such as aluminum and copper led the charge as they broke out from major bottoms. Gold and silver suffered pullbacks from their recent parabolic price moves, and we remain buyers on weakness. In energy, WTI crude futures broke out from a consolidation range and appear to be setting up for a retest of the '19 lows (\$50). Expectations for a swift rebound in demand appear uncomfortably high; however, the recent OPEC+ compromise should help alleviate some supply side uncertainty. Natural gas stands out on the weaker side as futures recently broke down from a head and shoulders top formation.

## OUTLOOK 2021 | SPX YE 4,225

### Hope Versus Reality

The recent vaccine news has provided the world with a much-needed light during a dark time of the coronavirus pandemic. Over 68 million people have now been infected with the virus, including over 15 million Americans. Daily death and hospitalization rates are also surging to record-levels. However, this time is truly different, as the second-wave outbreak faces a vaccine that is beginning to rollout around the globe. The renewed hope for a return to some form of normalcy has created a record-setting rally across risk assets. Investors have also shrugged off a range of slowing economic data as expectations rise for a robust recovery in '21. Another fiscal relief package from Washington is also expected, although the size and timing remains highly uncertain.



High hopes have lifted the SPX above the 3,700-point milestone. The index trades at an uncomfortably high premium to its 200-day MA, while other momentum indicators have yet to validate the breakout (note RSI divergence in panel 2). When considering these factors, along with breadth and sentiment extremes, we believe a better entry point back into the secular bull market lies ahead.

In the event of a pullback, support comes into play at 3,645, 3,600, and 3,581. In terms of potential upside for the current rally, the measured objective based on the size of breakout from the Sept-Nov symmetrical triangle sets up near 3,850 (also coincides near the ~3,900 Fibonacci extension level).

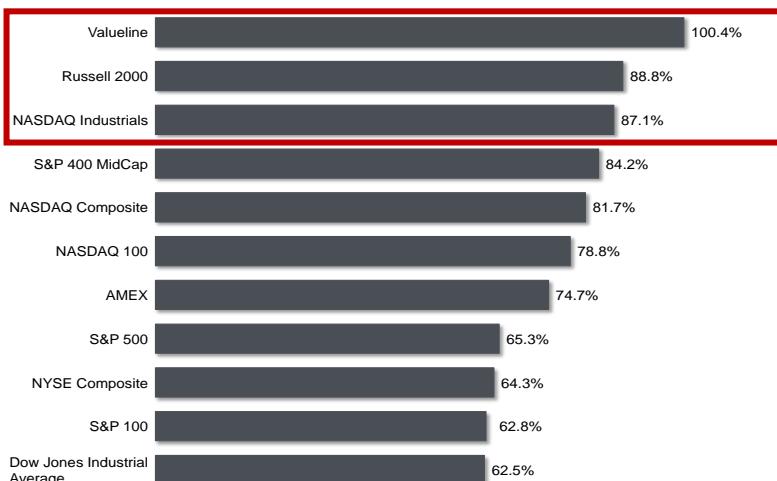
**Price Objective:** While we remain cautious on a near-term basis, our longer-term bull market thesis remains unchanged, and we are establishing a 2021 S&P 500 price objective of 4,225. The price objective is based on our bottoms-up point and figure model and implies about 14% of upside from current levels. In terms of valuation, this represents 24.6x '21 consensus estimates of \$171.62. We believe the high market multiple is warranted based on the unprecedented fiscal and monetary policy support along with historically low interest rates.

### KEY THEMES FOR 2021

- **Hope versus Reality** – We believe the dichotomy between hope and reality will be a key theme throughout 2021. Investors are coming into the year with high hopes for a swift recovery. However, the reality of the outbreak causing potential prolonged lockdowns over the coming months could portend a bumpy economic road ahead. We further suspect this backdrop will create above-average volatility next year with downside protection coming in the form of fiscal and monetary policy support. In addition, the buy the dip crowd appears to be well funded as total assets in money market funds remain nearly \$700 billion above their pre-pandemic levels.
- **Rates** – The pieces appear to be in place for higher interest rates next year. Additional stimulus will ramp up Treasury supply and further underpin growth and inflation expectations. Break-even rates and curve spreads have broken out from major bottoms. Benchmark 10-year Treasury yields have also climbed their way out from a bottom via a rising price channel. Momentum is confirming the breakout with MACD triggering a recent buy signal above the zero line. While not linear, the path of least resistance for yields appears to be higher, and we forecast 10-year yields to finish 2021 within a range of 1.50-1.75%.
- **Dollar** – The technical backdrop for the greenback has deteriorated, and we believe the downtrend will continue as the Federal Reserve has made it clear they are not going to change monetary policy anytime soon. A weaker dollar should also help support U.S. equities.
- **Emerging Market Outperformance** – With the dollar trending lower, we believe probabilities now support emerging market outperformance in '21. This call is also supported by EM outperformance during inauguration years shown on page XVIII along with a ratio chart showing a shift back to EM leadership on page XXV.

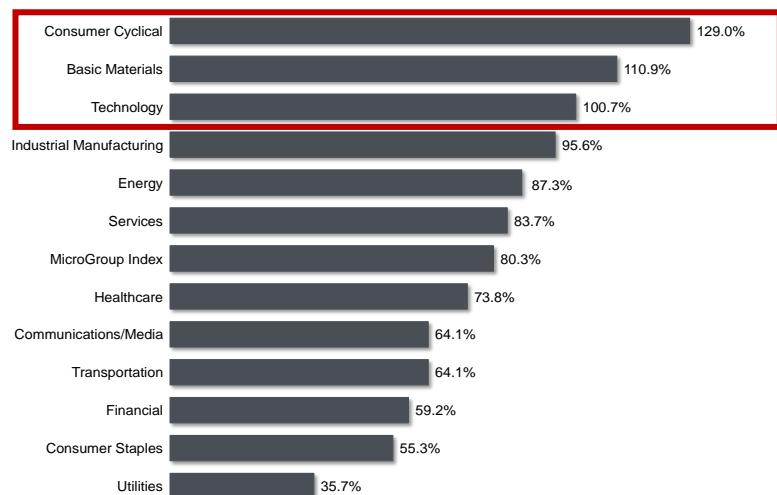
## Top-Down Analysis | Index & Sector Performance off the March '20 Lows

Major U.S. Index Performance Off the March '20 Lows



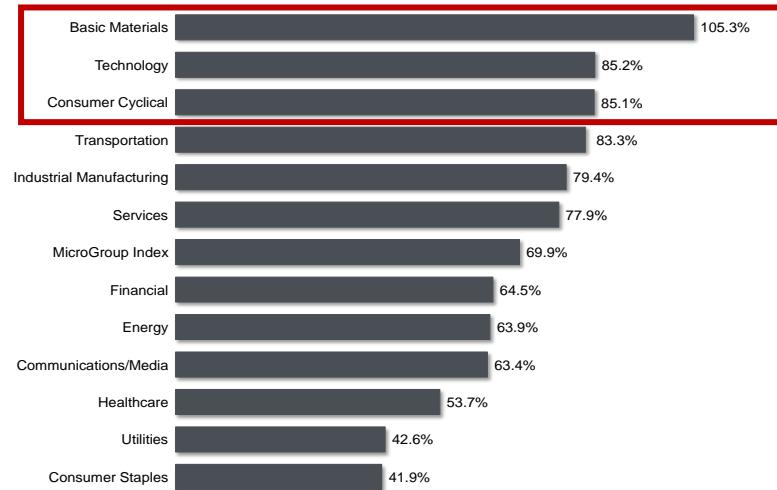
U.S equities have generated impressive returns since the March '20 lows. As shown on the bar chart to the left, the major averages have all climbed out of bear market territory with rallies of over 60%. The Valueline index has outperformed during this timeframe with a gain of 100.4%, followed by the Russell 2000 small-cap focused index (+88.8%) and the NASDAQ Industrials index (+87.1%).

Unwtd Sector Performance Off the March '20 Lows



All 12 Piper Sandler unweighted sectors are up over 35% since the March '20 lows. The *Consumer Cyclical* sector remains at the top of the leaderboard with an impressive gain of 129.0%. *Basic Materials* (+110.9%) and *Technology* (+100.7%) round out the rest of the leaderboard. On the flipside, the generally defensive *Utilities* sector has lagged amid the risk-on rotation, but still generated a 35.7% advance during this timeframe.

Wtd Sector Performance Off the March '20 Lows



On a weighted sector basis, *Basic Materials* is outperforming with a 105.3% rally off the March lows. *Technology* and *Consumer Cyclical* are also on the podium with gains of around 85.0%. *Consumer Staples* has lagged during this period with an advance of 41.9%.

Note the performance deltas between select unweighted and weighted sectors. For example, the weighted or large-cap focused *Consumer Cyclical* sector is up 85.1%, while its unweighted counterpart is up 129.0%. This 43.9% performance gap further illustrates the importance of both sector and market-cap selection.

## Top-Down Analysis | Best & Worst Industry Groups YTD

The table below highlights the best-/worst-performing MicroGroups (MGs) YTD. On the leadership side (left), *Technology* sector MGs are the most prevalent on the list, along with several MGs within the *Consumer Cyclical* and *Healthcare* sector. The laggard side (right) is predominantly filled with *Energy* sector MGs.

Leaders & Laggards - YTD								
Rank	MG	Name	Leaders	Rank	MG	Name	Laggards	
1	1241	Alternative Energy Sources	233.19%	406	104	Oil & Gas, Independent, Emrg.	-60.83%	
2	1040	Internet Retailers	175.65%	405	110	Oil Equipment & Services, Micro Cap	-56.92%	
3	807	Medical Supplies, Sec.	159.59%	404	1052	Movie Theatres	-54.85%	
4	907	Natural Foods	106.48%	403	111	Computer-Aided Exploration	-51.31%	
5	1018	Furniture/Home Furnishings Retailers	105.30%	402	1051	Cruise Lines	-45.58%	
6	1002	Automobile Manufacturers, Sec.	90.92%	401	115	Pipelines, Sec.	-44.93%	
7	830	Molecular Diagnostics	88.65%	400	708	Marine, Energy Carriers, Sec.	-44.89%	
8	710	Trucking, Less-than-Truckload	85.44%	399	707	Marine, Energy Carriers, Pri.	-44.73%	
9	914	Housewares	82.66%	398	109	Oil Equipment & Services, Emerg.	-43.25%	
10	1033	Specialty Stores, Sporting Goods	78.26%	397	121	Coal Mining	-41.03%	
11	1250	e-Commerce Software/Services	76.08%	396	108	Oil Equipment & Services, Sec.	-40.04%	
12	821	Healthcare Inf. Sys./Svcs., Pri.	72.46%	395	103	Oil & Gas, Independent, Sec.	-39.05%	
13	1234	Robotics/Machine Vision	64.86%	394	120	Propane, Marketing/Distribution	-38.98%	
14	1207	Semiconductors, Sec.	64.19%	393	112	Oil Refining & Marketing, Pri.	-38.68%	
15	1013	Lawn & Garden	62.78%	392	102	Oil & Gas, Independent, Pri.	-37.58%	
16	1259	Cloud Computing	62.04%	391	1046	Hotels & Motels, Sec.	-36.64%	
17	1238	Broadband Equip./Components	56.00%	390	125	Oil & Gas, South America	-34.84%	
18	309	Weapons/Munitions	55.89%	389	701	Airlines, Legacy	-34.78%	
19	1415	Internet Content	55.87%	388	123	Oil & Gas Royalty Trusts, Sec.	-34.45%	
20	672	Special Purpose Acquisition Corporations	55.60%	387	648	REITs, Hotels	-34.00%	
21	1215	Sftwr., Enterprise Apps., Sec.	55.50%	386	107	Oil Equipment & Services, Pri.	-33.62%	
22	322	Lighting Fixtures/Products	54.89%	385	1042	Text Book Publishers	-33.27%	
23	1214	Sftwr., Enterprise Apps., Pri.	54.51%	384	626	Banks, South America	-33.24%	
24	1205	Components & Peripherals	53.98%	383	106	Oil Drilling	-32.89%	
25	1413	Internet Service Providers	53.84%	382	633	Thrifts, Southeast	-32.73%	

Source: Piper Sandler Technical Research

## Top-Down Analysis | Best & Worst S&P 500 Constituents YTD

We also drilled down to the S&P 500 constituent level, and the table below highlights the best-/worst-performing stocks within the index YTD. Individual leadership this year includes several *Technology* sector stocks. Etsy Inc (ETSY) is outperforming with a YTD price return of 250%. On the other end of the spectrum, which is primarily energy and travel-related names, Norwegian Cruise Line Holdings (NCLH) is leading losses with a YTD return of -55%.

S&P 500   Top & Bottom 10 YTD Performance								
Ticker	Name	Sector	YTD % Change	Ticker	Name	Sector	YTD % Change	
ETSY	Etsy Inc	Consumer Discretionary	249.95%	NCLH	Norwegian Cruise Line Holdings	Consumer Discretionary	-54.97%	
NVDA	NVIDIA Corp	Information Technology	130.48%	OXY	Occidental Petroleum Corp	Energy	-54.89%	
LB	L Brands Inc	Consumer Discretionary	111.09%	CCL	Carnival Corp	Consumer Discretionary	-53.87%	
AMD	Advanced Micro Devices Inc	Information Technology	105.06%	FTI	TechnipFMC PLC	Energy	-52.10%	
PYPL	PayPal Holdings Inc	Information Technology	101.32%	MRO	Marathon Oil Corp	Energy	-49.56%	
FDX	FedEx Corp	Industrials	95.01%	FANG	Diamondback Energy Inc	Energy	-49.15%	
FCX	Freeport-McMoRan Inc	Materials	91.01%	OKE	ONEOK Inc	Energy	-46.31%	
ALB	Albemarle Corp	Materials	90.61%	WFC	Wells Fargo & Co	Financials	-45.07%	
ALGN	Align Technology Inc	Health Care	86.97%	UAL	United Airlines Holdings Inc	Industrials	-44.10%	
NOW	ServiceNow Inc	Information Technology	86.21%	HFC	HollyFrontier Corp	Energy	-43.70%	

As of 12/4/2020

Source: Piper Sandler Technical Research/Bloomberg

## Sector Performance | Rotate for Returns

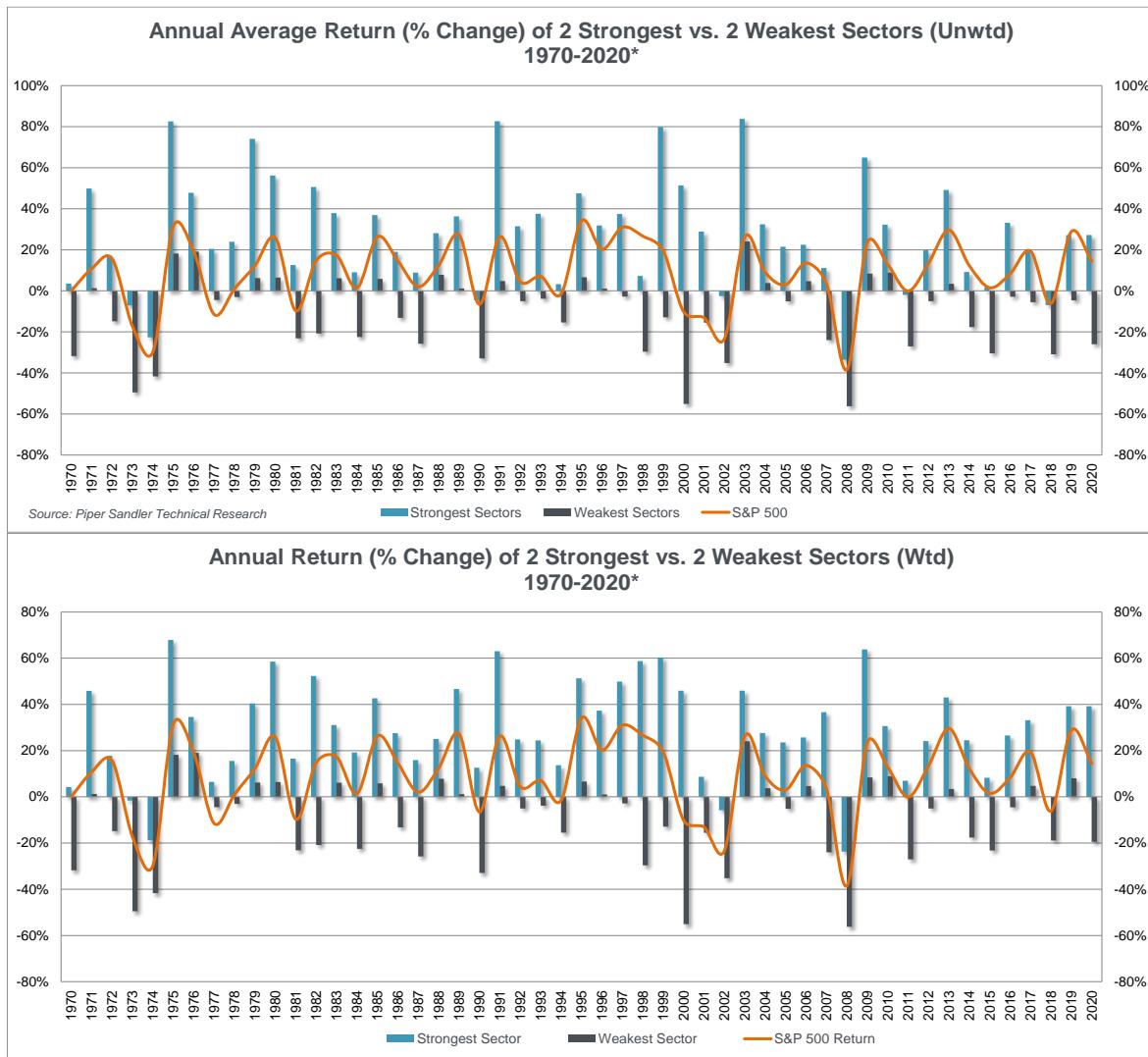
Since 1970, the spreads between the two strongest and two weakest performing sectors in our MicroGroup universe typically average between 20%-30% in a given year. Hence, we continue to remind investors that sector selection/weighting remains among the most important asset allocation decisions in any given year. However, the performance delta between the *Technology* and *Energy* sectors in 2020 has widely exceeded this historical threshold, implying some form of mean reversion could be in the cards for 2021.

Best/Worst Performing PSC Sectors - 2020					
Sector	Top 2		Bottom 2		Difference
Unwtd	Technology	37.10%	Energy	-36.40%	<b>-73.50%</b>
	Healthcare	17.30%	Transportation	-15.60%	<b>-32.90%</b>
Wtd	Technology	43.60%	Energy	-31.00%	<b>-74.60%</b>
	Consumer Cyclical	34.90%	Financial	-8.00%	<b>-42.90%</b>

Source: Piper Sandler Technical Research

\*Returns calculated as of 12/4/2020

The charts below highlight the variance in annual performance between the two best and two worst PSC sectors from 1970 to 2020 (YTD). The total annual return of the SPX is also highlighted for reference.



## Sector Performance | Rotate for Returns

Continuing from the previous page, the table below helps quantify why sector selection matters. Returns from the *Technology* and *Consumer Cyclical* sectors (top two sectors on a Wtd basis) have averaged 39.25% YTD, outperforming the SPX return by 24.75%.

Top 2 Wtd PSC Sectors vs. SPX   Annual Return Analysis							
Year	Strongest Sector	Sector % Change	2nd Strongest Sector	Sector % Change	Average of Strongest Sectors % Change	SPX Return	Strongest Sectors vs. SPX
2020	Technology (Wtd)	43.60%	Consumer Cyclical (Wtd)	34.90%	39.25%	14.50%	24.75%
2019	Technology (Wtd)	44.70%	Services (Wtd)	33.80%	39.25%	28.88%	10.37%
2018	Healthcare (Wtd)	2.10%	Utilities (Wtd)	-1.80%	0.15%	-6.20%	6.35%
2017	Technology (Wtd)	34.60%	Consumer Cyclical (Wtd)	28.30%	31.45%	18.00%	13.45%
2016	Basic Materials (Wtd)	31.00%	Industrial Manufacturing (Wtd)	16.70%	23.85%	8.30%	15.55%
2015	Communications/Media (Wtd)	10.49%	Services (Wtd)	5.72%	8.11%	1.52%	6.59%
2014	Transportation (Wtd)	25.18%	Healthcare (Wtd)	21.48%	23.33%	12.28%	11.05%
2013	Transportation (Wtd)	41.41%	Services (Wtd)	40.25%	40.83%	29.60%	11.23%
2012	Financial (Wtd)	24.47%	Consumer Cyclical (Wtd)	18.86%	21.66%	13.41%	8.26%
2011	Healthcare (Wtd)	6.30%	Consumer Staples (Wtd)	5.41%	5.85%	-0.09%	5.95%
2010	Basic Materials (Wtd)	30.58%	Industrial Manufacturing (Wtd)	27.96%	29.27%	12.88%	16.38%
2009	Basic Materials (Wtd)	69.27%	Technology (Wtd)	53.89%	61.58%	23.45%	38.12%
2008	Healthcare (Wtd)	-23.73%	Consumer Staples (Wtd)	-25.26%	-24.50%	-38.49%	13.99%
2007	Basic Materials (Wtd)	40.74%	Energy (Wtd)	28.31%	34.53%	3.53%	31.00%
2006	Basic Materials (Wtd)	25.77%	Communications/Media (Wtd)	21.73%	23.75%	13.62%	10.13%
2005	Energy (Wtd)	28.06%	Utilities (Wtd)	12.71%	20.39%	3.00%	17.38%
2004	Energy (Wtd)	29.71%	Transportation (Wtd)	18.95%	24.33%	8.99%	15.34%
2003	Technology (Wtd)	47.99%	Basic Materials (Wtd)	41.43%	44.71%	26.38%	18.33%
2002	Consumer Staples (Wtd)	-6.61%	Transportation (Wtd)	-6.91%	-6.76%	-23.37%	16.60%

Source: Piper Sandler Technical Research

\*Returns calculated as of 12/4/2020

On the other end of the spectrum, returns from the bottom two sectors, *Energy* and *Financials*, have averaged -19.50% so far in 2020, underperforming the SPX by a sizeable 34.00%.

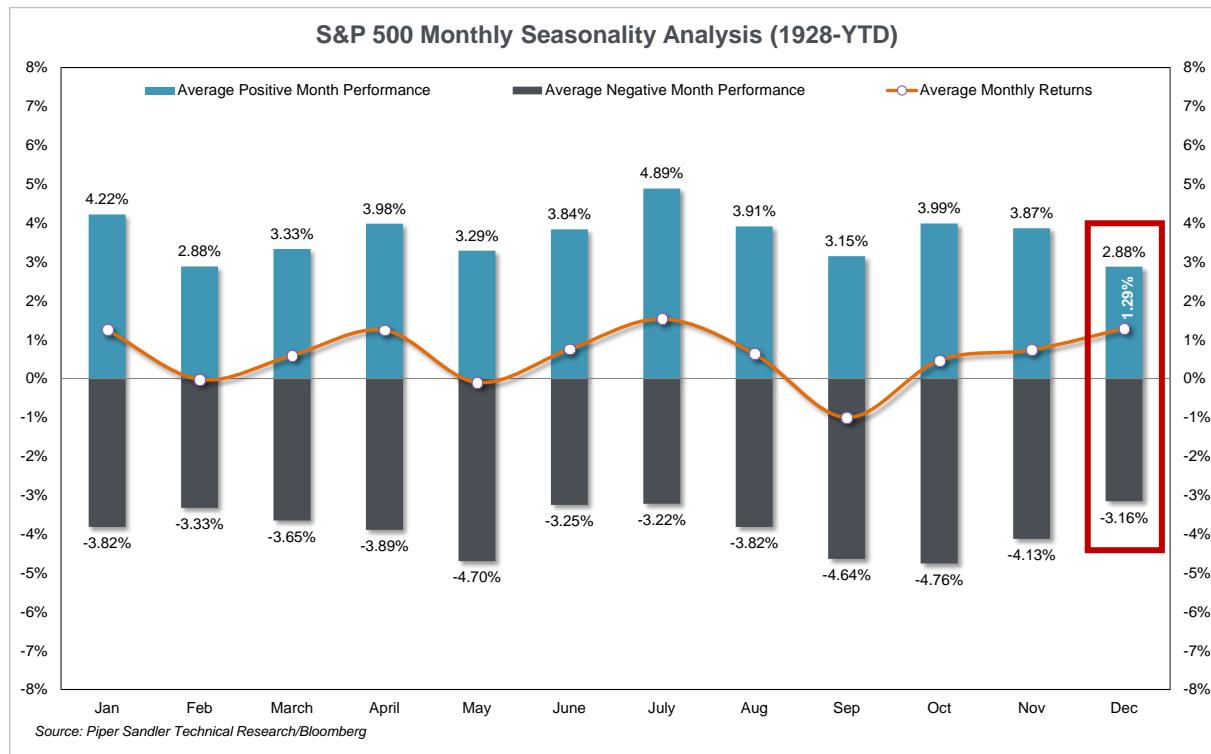
Bottom 2 Wtd PSC Sectors vs. SPX   Annual Return Analysis							
Year	Weakest Sector	Sector % Change	2nd Weakest Sector	Sector % Change	Average Bottom Sector % Change	SPX Return	Weakest Sectors vs. SPX
2020	Energy (Wtd)	-31.00%	Financial (Wtd)	-8.00%	-19.50%	14.50%	-34.00%
2019	Energy (Wtd)	6.10%	Basic Materials (Wtd)	10.00%	8.05%	28.88%	-20.83%
2018	Basic Materials (Wtd)	-19.90%	Industrial Manufacturing (Wtd)	-17.90%	-18.90%	-6.20%	-12.70%
2017	Energy (Wtd)*	-3.90%	Consumer Staples (Wtd)*	8.80%	2.45%	18.00%	-15.55%
2016	Healthcare (Wtd)	-8.50%	Consumer Staples (Wtd)	-2.40%	-5.45%	8.30%	-13.75%
2015	Basic Materials (Wtd)	-19.13%	Energy (Wtd)	-18.74%	-18.94%	1.52%	-20.45%
2014	Energy (Wtd)	-11.76%	Basic Materials (Wtd)	-8.73%	-10.25%	12.28%	-22.53%
2013	Basic Materials (Wtd)	-4.88%	Utilities (Wtd)	8.58%	1.85%	29.60%	-27.75%
2012	Utilities (Wtd)	-21.26%	Energy (Wtd)	-0.07%	-10.67%	13.41%	-24.07%
2011	Basic Materials (Wtd)	-24.53%	Financial (Wtd)	-18.69%	-21.61%	-0.09%	-21.52%
2010	Utilities (Wtd)	-3.59%	Healthcare (Wtd)	3.40%	-0.10%	12.88%	-12.98%
2009	Utilities (Wtd)	13.61%	Communications/Media (Wtd)	16.87%	15.24%	23.45%	-8.22%
2008	Basic Materials (Wtd)	-52.04%	Financial (Wtd)	-50.80%	-51.42%	-38.49%	-12.93%
2007	Financial (Wtd)	-13.12%	Consumer Cyclical (Wtd)	-5.48%	-9.30%	3.53%	-12.83%
2006	Healthcare (Wtd)	5.55%	Transportation (Wtd)	6.99%	6.27%	13.62%	-7.35%
2005	Communications/Media (Wtd)	-14.00%	Consumer Cyclical (Wtd)	0.30%	-6.85%	3.00%	-9.85%
2004	Technology (Wtd)	-2.36%	Healthcare (Wtd)	3.46%	0.55%	8.99%	-8.44%
2003	Utilities (Wtd)	17.08%	Consumer Staples (Wtd)	17.73%	17.41%	26.38%	-8.97%
2002	Technology (Wtd)	-39.01%	Communications/Media (Wtd)	-31.96%	-35.48%	-23.37%	-12.12%

Source: Piper Sandler Technical Research

\*Returns calculated as of 12/4/2020

## Seasonality Analysis

The chart below shows the average monthly performance of the S&P 500 since 1928. Historically, the index has generated average returns of 1.3% in December and finished the month in positive territory 74% of the time, or during 68 out of the last 92-years. When returns were positive during the month, they historically averaged 2.9%. Conversely, when December closed in the red, the S&P 500 declined by 3.2% on average.



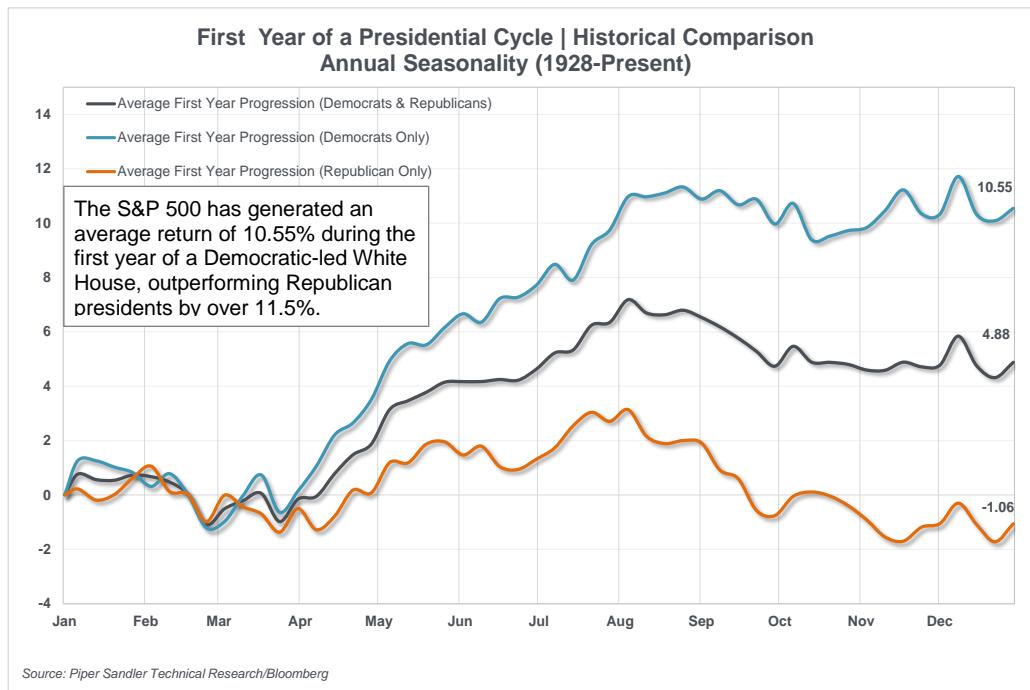
The table below shows the performance of the Piper Sandler proprietary sectors during the month of December, based on data dating back to 1969. Historically, the *Healthcare* sector has outperformed with an average monthly gain of 2.9%. *Energy* has underperformed during the month, with respective average returns of 1.1%. The sector also posted positive December returns only 59% of the time.

December Seasonality Analysis (1969-2019)						
	Avg. Returns	% Positive	Max	Min	Std. Deviation	
Sector						
Energy	1.14% <span style="color:red">⬇️</span>	59%	19.02%	-17.40%	7.17%	
Basic Materials	2.56%	69%	15.42%	-7.19%	4.60%	
Industrials	2.20%	76%	16.47%	-11.79%	4.73%	
Utilities	1.18%	63%	8.79%	-4.33%	3.30%	
Services	2.57%	73%	21.58%	-10.20%	5.28%	
Financials	1.22%	61%	10.38%	-10.12%	4.27%	
Transportation	1.40%	61%	22.46%	-15.42%	6.15%	
Healthcare	2.92% <span style="color:green">⬆️</span>	69%	19.73%	-14.10%	6.29%	
Consumer Staples	1.61%	69%	14.82%	-9.77%	3.98%	
Consumer Cyclicals	1.26%	61%	18.98%	-11.67%	5.58%	
Technology	1.70%	61%	20.81%	-18.12%	7.09%	
Communication	1.98%	67%	16.06%	-8.75%	5.09%	
S&P 500	1.38%	73%	11.16%	-9.18%	3.49%	

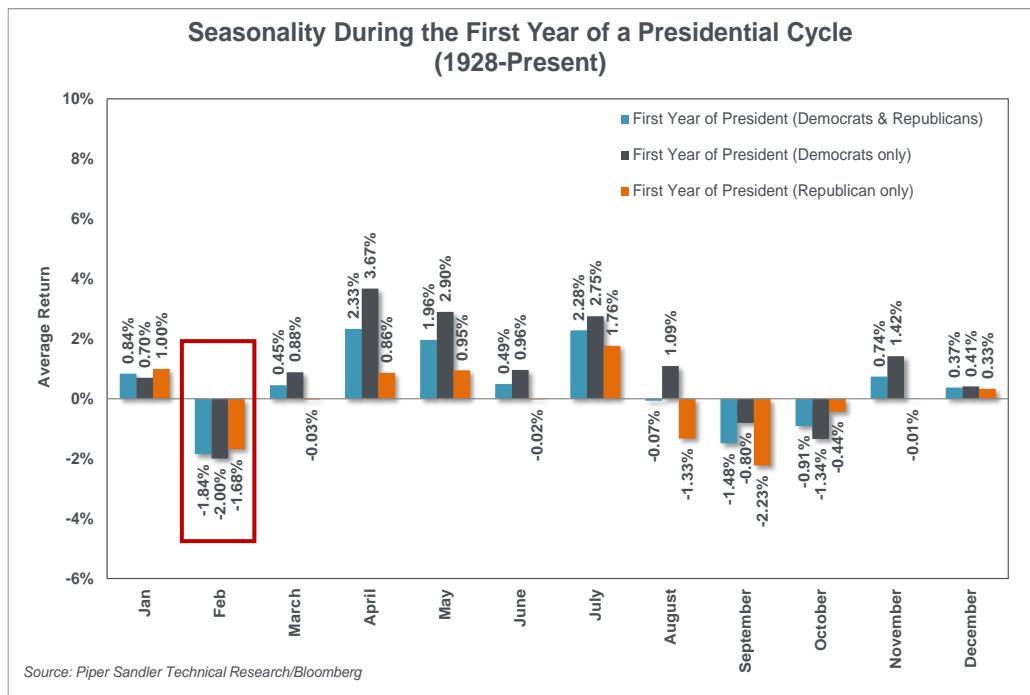
Source: Piper Sandler Technical Research/Bloomberg

## Presidential Cycle: Inauguration Year Progression

With Joe Biden's presidential transition officially underway, we analyzed the presidential cycle to see how the market has historically performed during an inauguration year. The chart below highlights the average S&P 500 progression for the first year of the presidential cycle. The chart also includes the performance for all years (performance under both Democratic and Republican presidents) and Democrat-led years.



The bar chart below provides a deeper dive into the monthly seasonality trends for the first year of a presidential cycle. Historically, February, September, and October have been relatively volatile/weak months. April through July have been notably strong months, especially under a Democratic president.

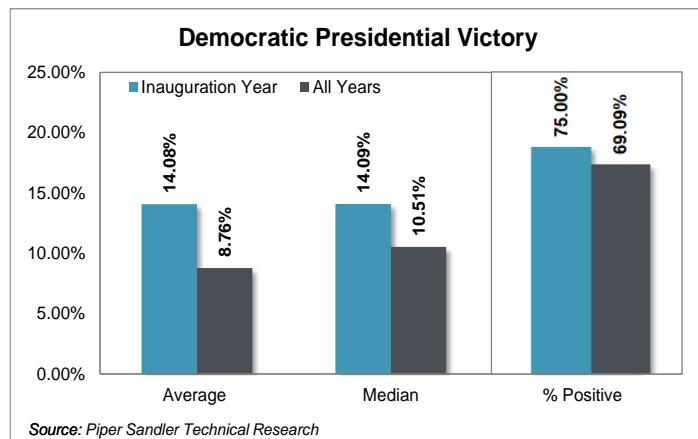


## What About Congress?

While President-elect Joe Biden packs his bags for the White House, control for the Senate is still up for grabs. As of right now, Democrats hold 46 seats in the Senate, opposed to 50 held by Republicans. It all comes down to the January 5<sup>th</sup> runoff in Georgia, where the state's two Senate races will decide the balance of power in Washington. Democrats will need to win both races to bring their total seats up to 50, giving Vice President-elect Kamala Harris the tie-breaker vote.

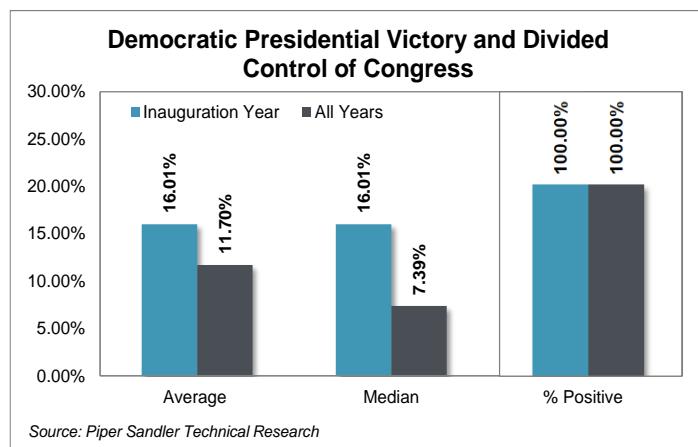
**What are the implications for the market?** We analyzed the historical returns under each possible scenario. The charts below depict the historical return of the Dow Jones Industrial Average (DJIA) dating back to 1897 under:

- Democratic president
- Democratic president with a Democratic controlled Congress
- Democratic president under a split Congress



### Democrats Outperform

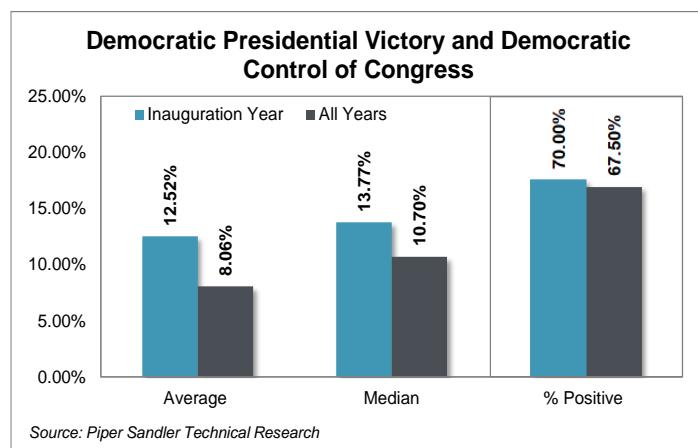
Based solely on who has the keys to the White House, the market has historically outperformed under a Democratic president. Since 1897, the market has generated average returns of 8.8% with a Democrat in the White House along with positive returns just over 69% of the time. With a Republican president, the DJIA has generated average returns of 6.7% with positive returns occurring 64% of the time.



### Democratic Presidential Victory and Divided Control of Congress\*

Although a rare occurrence over the last 100+ years, the market has fared better with a Democratic president when Congress is divided. Of the four years it has taken place (all under Barack H. Obama), the DJIA has produced average returns of 11.7% and finished positive 100% of the time.

\*Excludes Vermont Senator Jim Jeffords departure from the Republican Party in 2001.

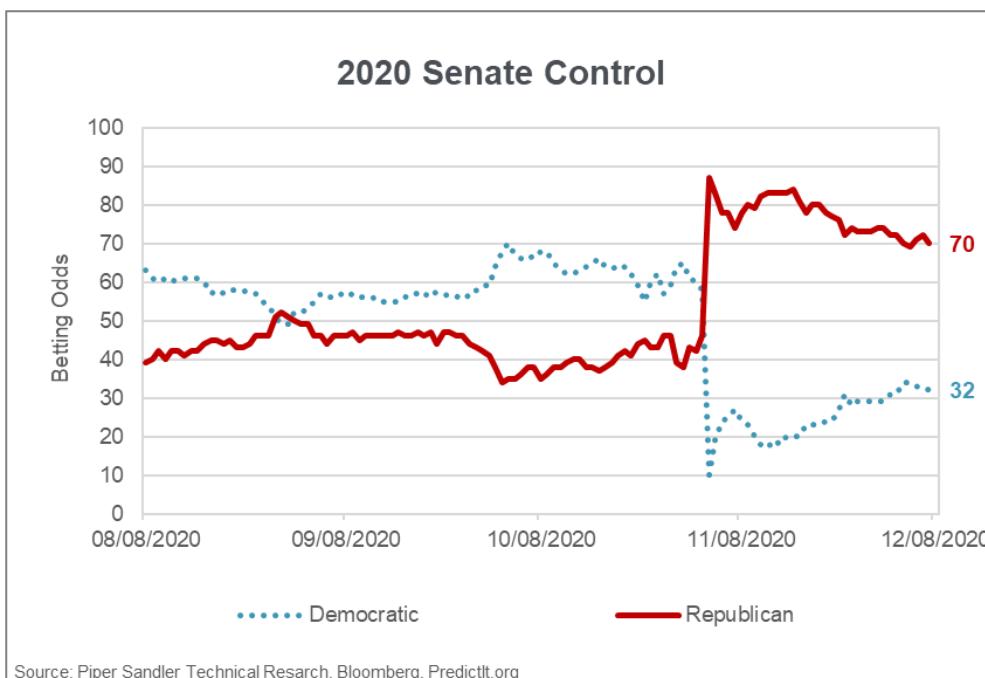


### Democratic Presidential Victory and Democratic Control of Congress

With a Democratic in the White House and Democrats also holding a majority in Congress, the DJIA has posted average returns of 8.1% for all years and 12.5% during inauguration years (40 occurrences since 1897).

## What the Senate Race Means for Stocks? | Correlation Analysis

We analyzed the weekly correlation between all of the S&P 500 stocks and the Predictit.org odds for a Democratic win in the Senate. In addition, based on the current probabilities pointing to Republicans maintaining their control of the Senate (as shown in the chart below), we further analyzed the S&P 500 to find the most and least correlated stocks to a Republican Senate win.



The tables below highlight the 10 highest and lowest correlated stocks to a **Democratic win** in the Senate. Consumer Staples-related names are the most predominant on the high correlation list, while travel and entertainment related stocks comprise the majority of the least correlated. Shares of Visa (V) also standout with a -0.54 correlation, as the company represents a 1.17% weight within the S&P 500.

S&P 500 Stocks   Highest Correlation to a Democratic Win in the Senate					
Ticker	Name	Sector	Sub-Industry Group	Correlation	Index Weight
HBI US Equity	Hanesbrands Inc	Consumer Discretionary	Apparel, Accessories & Luxury	0.65	0.02
MKC US Equity	McCormick & Co Inc/MD	Consumer Staples	Packaged Foods & Meats	0.60	0.07
NLOK US Equity	NortonLifeLock Inc	Information Technology	Systems Software	0.59	0.04
GIS US Equity	General Mills Inc	Consumer Staples	Packaged Foods & Meats	0.57	0.12
CLX US Equity	Clorox Co/The	Consumer Staples	Household Products	0.57	0.08
MKTX US Equity	MarketAxess Holdings Inc	Financials	Financial Exchanges & Data	0.57	0.07
FBHS US Equity	Fortune Brands Home & Security	Industrials	Building Products	0.56	0.04
TSCO US Equity	Tractor Supply Co	Consumer Discretionary	Specialty Stores	0.56	0.05
VMC US Equity	Vulcan Materials Co	Materials	Construction Materials	0.55	0.06
EA US Equity	Electronic Arts Inc	Communication Services	Interactive Home Entertainment	0.55	0.12

S&P 500 Stocks   Lowest Correlation to a Democratic Win in the Senate					
Ticker	Name	Sector	Sub-Industry Group	Correlation	Index Weight
IT US Equity	Gartner Inc	Information Technology	IT Consulting & Other Services	-0.69	0.04
BKNG US Equity	Booking Holdings Inc	Consumer Discretionary	Internet & Direct Marketing Re	-0.68	0.28
EXPE US Equity	Expedia Group Inc	Consumer Discretionary	Internet & Direct Marketing Re	-0.66	0.06
LYV US Equity	Live Nation Entertainment Inc	Communication Services	Movies & Entertainment	-0.66	0.03
KIM US Equity	Kimco Realty Corp	Real Estate	Retail REITs	-0.61	0.02
MAR US Equity	Marriott International Inc/MD	Consumer Discretionary	Hotels, Resorts & Cruise Lines	-0.57	0.12
VLO US Equity	Valero Energy Corp	Energy	Oil & Gas Refining & Marketing	-0.55	0.08
SYY US Equity	Sysco Corp	Consumer Staples	Food Distributors	-0.54	0.13
CI US Equity	Cigna Corp	Health Care	Health Care Services	-0.54	0.26
V US Equity	Visa Inc	Information Technology	Data Processing & Outsourced S	-0.54	1.17

Source: Piper Sandler Technical Research/Bloomberg

## What the Senate Race Means for Stocks? | Correlation Analysis

We further analyzed the correlations for a Democratic win in the Senate for all of the S&P 500 sub-industries. The highest correlation groups relate to housing or home improvement. Similar to the stocks from the previous page, the least correlated groups are mostly focused on travel and leisure.

S&P 500 Sub-Industry Level   Highest & Lowest Correlation to a Democratic Win in the Senate			
Sub-Industry Group (Highest Correlation)	Correlation	Sub-Industry Group (Lowest Correlation)	Correlation
Construction Materials	0.50	Food Distributors	-0.54
Industrial REITs	0.48	Retail REITs	-0.53
Food Retail	0.47	Publishing	-0.50
Specialized REITs	0.47	Human Resource & Employment Services	-0.47
Household Products	0.47	Hotels, Resorts & Cruise Lines	-0.45
Interactive Home Entertainment	0.46	Movies & Entertainment	-0.44
Household Appliances	0.43	Health Care Services	-0.43
Specialty Stores	0.43	Casinos & Gaming	-0.42
Home Improvement Retail	0.42	Hotel & Resort REITs	-0.40
Homebuilding	0.41	Reinsurance	-0.40

At the other end of the spectrum, the tables below highlight the 10 highest and lowest correlated stocks and sub-industry groups to a Republican win in the Senate. At the stock level, *Consumer Discretionary* and *Technology* sector stocks are the most predominant on the high correlation list. *Consumer Staples*, or defensive-themed stocks, comprise the least correlated list.

S&P 500 Stocks   Highest Correlation to a Republican Win in the Senate					
Ticker	Name	Sector	Sub-Industry Group	Correlation	Index Weight
EXPE US Equity	Expedia Group Inc	Consumer Discretionary	Internet & Direct Marketing Re	0.81	0.06
BKNG US Equity	Booking Holdings Inc	Consumer Discretionary	Internet & Direct Marketing Re	0.79	0.28
IT US Equity	Gartner Inc	Information Technology	IT Consulting & Other Services	0.75	0.04
LYV US Equity	Live Nation Entertainment Inc	Communication Services	Movies & Entertainment	0.71	0.03
GPN US Equity	Global Payments Inc	Information Technology	Data Processing & Outsourced S	0.65	0.20
MAR US Equity	Marriott International Inc/MD	Consumer Discretionary	Hotels, Resorts & Cruise Lines	0.65	0.12
MA US Equity	Mastercard Inc	Information Technology	Data Processing & Outsourced S	0.65	0.99
V US Equity	Visa Inc	Information Technology	Data Processing & Outsourced S	0.65	1.17
KIM US Equity	Kimco Realty Corp	Real Estate	Retail REITs	0.65	0.02
CI US Equity	Cigna Corp	Health Care	Health Care Services	0.65	0.26

S&P 500 Stocks   Lowest Correlation to a Republican Win in the Senate					
Ticker	Name	Sector	Sub-Industry Group	Correlation	Index Weight
CLX US Equity	Clorox Co/The	Consumer Staples	Household Products	-0.71	0.08
HBI US Equity	Hanesbrands Inc	Consumer Discretionary	Apparel, Accessories & Luxury	-0.71	0.02
GIS US Equity	General Mills Inc	Consumer Staples	Packaged Foods & Meats	-0.69	0.12
DLR US Equity	Digital Realty Trust Inc	Real Estate	Specialized REITs	-0.69	0.12
PG US Equity	Procter & Gamble Co/The	Consumer Staples	Household Products	-0.67	1.11
MKC US Equity	McCormick & Co Inc/MD	Consumer Staples	Packaged Foods & Meats	-0.67	0.07
FBHS US Equity	Fortune Brands Home & Security	Industrials	Building Products	-0.67	0.04
NLOK US Equity	NortonLifeLock Inc	Information Technology	Systems Software	-0.66	0.04
VMC US Equity	Vulcan Materials Co	Materials	Construction Materials	-0.66	0.06
CAG US Equity	Conagra Brands Inc	Consumer Staples	Packaged Foods & Meats	-0.65	0.06

Source: Piper Sandler Technical Research/Bloomberg

At the sub-industry level, the highest correlated groups to a Republican win in the Senate are within the REITs, entertainment, and the travel space. The least correlated groups primarily relate to housing.

S&P 500 Sub-Industry Level   Highest & Lowest Correlation to a Republican Win in the Senate			
Sub-Industry Group (Highest Correlation)	Correlation	Sub-Industry Group (Lowest Correlation)	Correlation
Retail REITs	0.60	Industrial REITs	-0.62
Food Distributors	0.58	Construction Materials	-0.60
Movies & Entertainment	0.57	Household Products	-0.57
Hotels, Resorts & Cruise Lines	0.56	Home Improvement Retail	-0.57
Hotel & Resort REITs	0.56	Household Appliances	-0.55
Publishing	0.50	Homebuilding	-0.53
Human Resource & Employment Services	0.47	Specialized REITs	-0.52
Casinos & Gaming	0.46	Packaged Foods & Meats	-0.51
Office REITs	0.42	Food Retail	-0.50
Reinsurance	0.40	Computer & Electronics Retail	-0.48

## Price Action Into & Out of an Election – Since 1900

This study analyzes the performance of the DJIA index going into and out of an election based on a +/- 3-month basis. As shown in the table below, average and median returns are historically positive from November to January, with November being the most volatile month based on its standard deviation of returns. February looks like a potential profit taking month as returns are below -1% and carry a positivity rate of only 40%.

INDU Performance During U.S. Elections (1900-2020)							
Return Metric	-3 month (Aug.)	-2 month (Sep.)	-1 month (Oct.)	Election (Nov.)	+1 month (Dec.)	+2 month (Jan.)	+3 month (Feb.)
Average	2.88%	-0.22%	0.50%	1.93%	1.01%	0.53%	-1.40%
Median	1.47%	-0.92%	0.54%	1.87%	1.37%	0.72%	-1.26%
% Positive	71%	39%	63%	63%	60%	63%	40%
Std. Deviation	7.08%	4.25%	4.99%	6.51%	4.07%	4.18%	4.42%
Maximum	35.76%	12.44%	9.45%	16.35%	8.47%	8.01%	5.36%
Minimum	-4.56%	-7.32%	-14.06%	-10.63%	-10.35%	-8.84%	-15.62%

Source: Piper Sandler Technical Research/Bloomberg

The table below highlights sector performance surrounding an election and inauguration year.

First Year of a Presidential Cycle   Average Sector Performance (1969-2016)																
Sector	Election Month (Nov)	Following Month of Election (Dec)	Nov-Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Return
Energy	0.98%	2.23%	3.24%	2.54%	-1.76%	1.27%	-0.31%	3.03%	-2.58%	2.33%	0.20%	-0.59%	2.06%	-0.73%	0.44%	6.99%
Basic Materials	1.55%	2.57%	4.15%	1.09%	-1.10%	0.84%	-0.28%	2.47%	-2.35%	2.74%	0.21%	-0.96%	-0.45%	1.06%	1.93%	5.23%
Industrials	2.41%	2.75%	5.23%	1.31%	-1.63%	0.84%	1.26%	2.61%	-0.52%	2.73%	-0.24%	-0.48%	0.25%	0.11%	1.55%	8.52%
Utilities	1.73%	1.67%	3.42%	-0.16%	-0.70%	0.48%	0.79%	1.10%	1.36%	0.75%	-0.83%	-0.02%	0.27%	0.27%	1.42%	5.13%
Services	1.03%	2.87%	3.92%	1.64%	-2.54%	0.30%	0.46%	3.17%	-0.06%	2.60%	-0.33%	-0.23%	1.45%	0.52%	2.17%	9.87%
Financials	1.45%	3.55%	5.06%	0.80%	-0.92%	0.96%	0.98%	1.63%	1.05%	1.93%	-0.12%	-0.07%	0.67%	0.46%	0.17%	8.22%
Transportation	2.54%	1.74%	4.33%	2.89%	-2.59%	1.76%	0.44%	2.92%	-2.43%	2.59%	-0.64%	-0.91%	0.11%	1.23%	1.10%	6.90%
Healthcare	-0.11%	3.01%	2.90%	2.16%	-3.47%	-0.27%	-0.21%	4.10%	-0.02%	2.16%	-0.54%	0.83%	1.40%	0.83%	1.89%	9.15%
Consumer Staples	1.32%	2.31%	3.66%	0.79%	-1.04%	0.96%	0.50%	2.77%	0.32%	2.04%	-0.28%	0.07%	0.57%	0.73%	0.58%	9.45%
Consumer Cyclical	1.50%	1.13%	2.65%	0.81%	-1.64%	2.34%	1.87%	3.48%	-0.61%	2.33%	0.13%	-0.78%	0.53%	0.49%	0.97%	11.96%
Technology	0.09%	0.18%	0.27%	3.30%	-4.95%	-0.95%	0.68%	4.40%	-1.01%	2.46%	-0.54%	-0.26%	1.38%	0.69%	1.14%	5.93%
Communication	0.01%	1.25%	1.26%	3.69%	-2.30%	-0.29%	1.40%	3.36%	0.71%	1.80%	-0.51%	-0.11%	1.96%	1.16%	1.38%	14.25%

Source: Piper Sandler Technical Research

↑ Denotes top 3 annual return

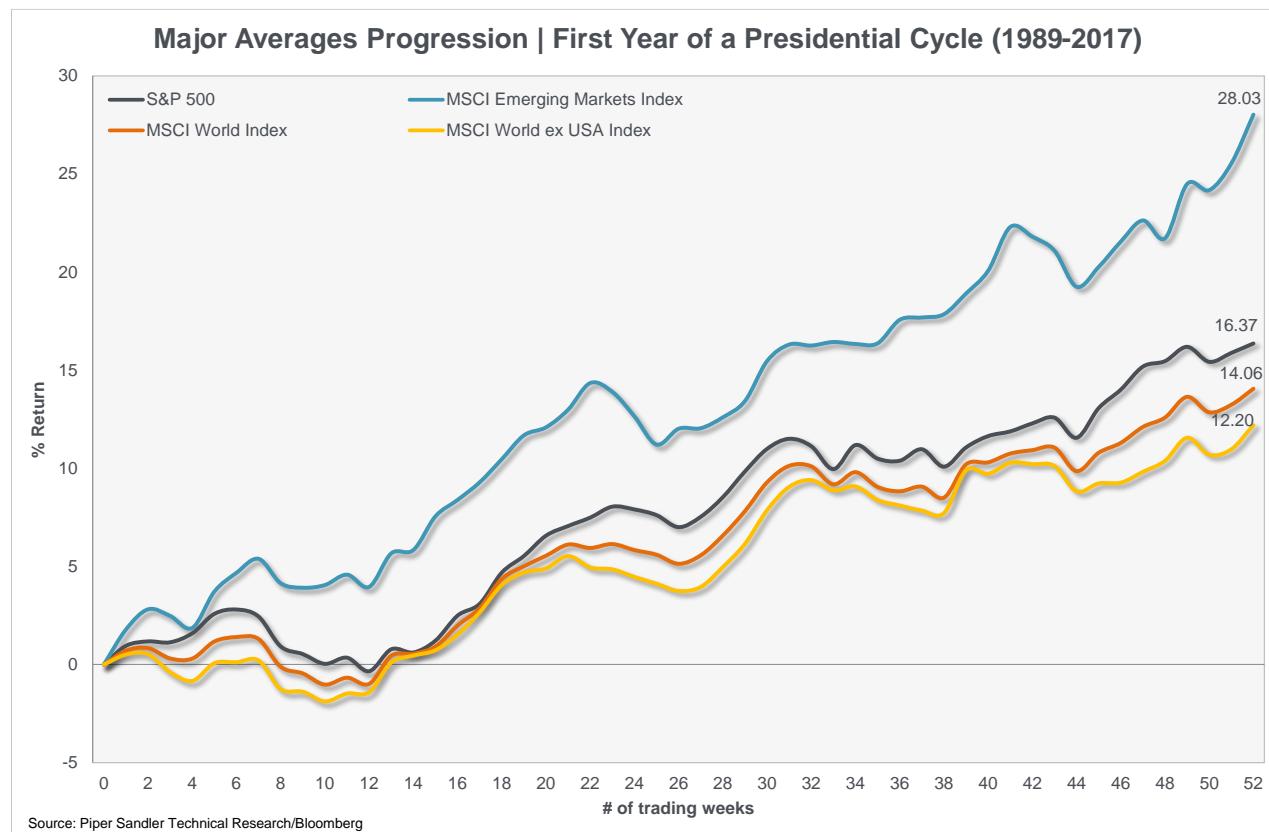
↓ Denotes bottom 3 annual return

## SUMMARY OF SECTOR PERFORMANCE

- Historically, cyclical sectors such as *Industrials* and *Financials* have outperformed after an election with average November-December returns exceeding 5%.
- During inauguration years, *Communication/Media*, *Consumer Cycicals*, and *Services* topped the sector leaderboard.
- Basic Materials*, *Technology*, and *Utilities* have historically lagged duration inauguration years with gains of around 5%.

## Emerging Markets Outperform During the First Year of a Presidential Cycle

We analyzed the first year of a presidential cycle to see how the major averages have historically performed during this timeframe. The chart below highlights the average progression for several major indices during the first year of a U.S. presidential cycle. Historically, emerging markets have notably outperformed other major averages.



The table below provides a performance breakdown for each index during the inauguration year of a presidential cycle. Historically, emerging markets have outperformed with an average return of over 30% (63% positive rate). On a relative annual return basis, emerging markets have historically beat the S&P 500 75% of the time and by an average of 14.8%.

Major Averages Performance   First Year of a Presidential Cycle (1989-2017)							
Year	S&P 500	MSCI Index			Emerging Markets Relative to Major Indices		
		World	World ex USA	Emerging Mkt.	SPX	World	World ex USA
1989	27.25%	14.75%	9.76%	59.19%	31.94%	44.44%	49.43%
1993	7.06%	20.39%	30.11%	71.26%	64.20%	50.87%	41.15%
1997	31.01%	14.17%	0.73%	-13.41%	-44.41%	-27.57%	-14.14%
2001	-13.04%	-17.83%	-22.56%	-4.91%	8.13%	12.92%	17.65%
2005	3.00%	7.56%	11.85%	30.31%	27.30%	22.74%	18.45%
2009	23.45%	26.98%	29.68%	74.50%	51.04%	47.52%	44.82%
2013	29.60%	24.10%	17.78%	-4.98%	-34.58%	-29.08%	-22.76%
2017	19.42%	20.11%	21.03%	34.35%	14.93%	14.24%	13.32%
Average	15.97%	13.78%	12.30%	30.79%	14.82%	17.01%	18.49%
Median	21.44%	17.43%	14.82%	32.33%	21.12%	18.49%	18.05%
% Positive	88%	88%	88%	63%	75%	75%	75%
Std. Deviation	15.57%	14.16%	17.24%	35.61%	38.16%	31.62%	26.61%
Maximum	31.01%	26.98%	30.11%	74.50%	64.20%	50.87%	49.43%
Minimum	-13.04%	-17.83%	-22.56%	-13.41%	-44.41%	-29.08%	-22.76%

Source: Piper Sandler Technical Research/Bloomberg

## Dow Theory Confirms the Secular Bull

Last month, the Dow Jones Industrial Average (DJIA) and Dow Jones Transportation Average (DJTA) broke out to simultaneous record-highs. For technicians, and Dow Theory followers, the importance of this rare feat holds more significance than just another day of record setting price action. These two indices are core components of a 100-plus year old theory originally created by Charles Dow, who many consider to be the father of technical analysis. According to Dow Theory, both the DJIA and DJTA indices must confirm each other to validate a primary trend (one of the six basic tenets). In its simplest terms, this tenet was based on the assumption that if industrial manufacturing was growing, transportation-related companies would have to follow suit as more freight/products would have to be shipped (or vice versa).

Looking at the charts below, the two indices made new all-time highs on November 16<sup>th</sup>, 2020, triggering a Dow Theory buy signal ("the averages must confirm each other"). We view the bullish price action across both indices as a long-term constructive sign for the broader U.S. equity market.



**S&P 500 Forward Returns - Dow Theory Buy Signal  
(1928-YTD)**

Date	+4-weeks	+13-weeks	+26-weeks	+52-weeks
11/12/1928	-2.32%	9.37%	12.26%	-13.05%
02/26/1964	1.41%	3.07%	4.43%	11.94%
10/11/1965	0.94%	2.15%	0.46%	-18.43%
11/03/1982	-2.90%	0.25%	14.31%	15.38%
01/29/1985	1.11%	0.36%	6.00%	17.09%
02/03/1986	5.36%	11.11%	10.30%	29.21%
02/04/1987	3.21%	5.66%	13.88%	-9.81%
08/24/1989	-1.66%	-2.73%	-7.35%	-12.65%
02/04/1993	-0.49%	-1.40%	-0.32%	6.93%
09/14/1995	-0.09%	5.71%	9.81%	15.00%
01/20/1997	4.09%	-2.10%	17.54%	23.79%
02/10/1998	4.44%	9.50%	4.90%	19.35%
05/03/1999	-3.90%	-1.96%	-0.04%	8.39%
02/14/2007	-4.68%	4.04%	-3.34%	-6.05%
03/05/2013	1.98%	5.95%	6.49%	21.70%
05/12/2014	2.88%	2.12%	7.47%	11.00%
12/07/2016	1.31%	5.43%	8.56%	17.31%
12/08/2017	3.46%	5.09%	4.81%	-0.69%
11/16/2020	-	-	-	-
Average	0.79%	3.42%	6.12%	7.58%
Median	1.21%	3.56%	6.25%	11.47%
% Positive	61%	78%	78%	67%
Std. Deviation	2.95%	4.19%	6.52%	14.29%
Maximum	5.36%	11.11%	17.54%	29.21%
Minimum	-4.68%	-2.73%	-7.35%	-18.43%

Source: Piper Sandler Technical Research/Bloomberg

Note: minimum time period of 52-weeks between any two confirmation signals

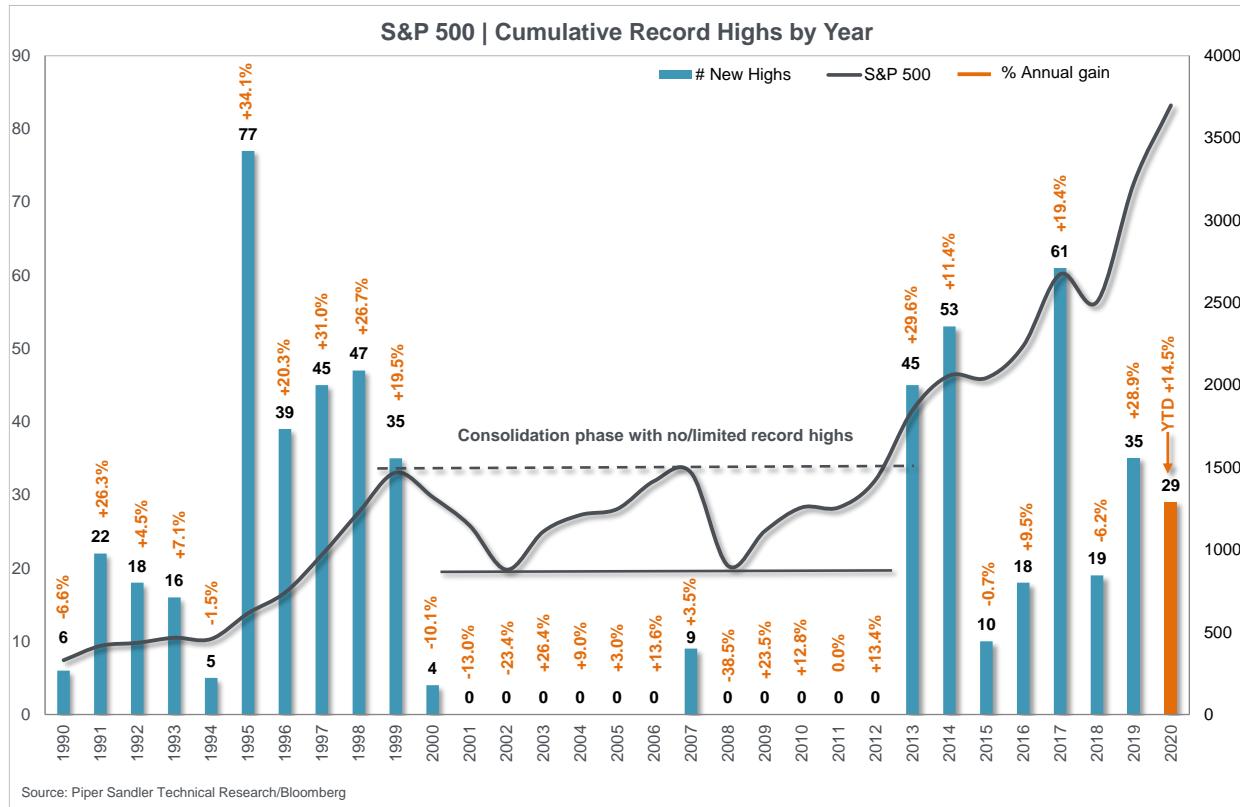
The table to the left provides summary statistics based on historical forward returns following a Dow Theory buy signal. We used the broader S&P 500 index as a benchmark and applied a 52-week filter between any two buy signals.

In summary, buy signals have produced relatively solid returns over the last 90+ years on the S&P 500. While the average/median 4-week returns suggest some consolidation could be in the cards, returns ramp up as 13-/26-/52-week returns have historically averaged 3.4%, 6.1%, and 7.6%, respectively. In addition, the index finished in positive territory at least 67% of the time during these periods.

Overall, we view the recent Dow Theory buy signal as additional evidence that confirms the secular bull market is still alive and kicking.

## New Highs Leads to New Highs – S&P 500

Earlier this month, the S&P 500 notched its 29<sup>th</sup> record-high of the year. The chart below depicts annual returns of the S&P 500 along with the number of associated record-highs the index generated within a calendar year since 1990. As you may notice, the year 2007 appears as an anomaly on the chart, as it marked both the final recovery from the dot com bubble and also the start of the global financial crisis. The chart also shows that record-high momentum can continue for several years in a row.



S&P 500   Cumulative Record Highs by Year (1990-YTD)				
Return Metric	# of New Highs	Annual Return	Maximum Drawdown	+1-Year Return
Average (Since '90)	30	13.05%	-11.15%	9.28%
2020*	29	14.50%	-33.90%	-
Median	25.5	12.95%	-9.03%	10.46%
% Positive	-	72%	0%	67%
Maximum	77	34.11%	-2.53%	34.11%
Minimum	4	-10.14%	-33.90%	-38.49%

Source: Piper Sandler Technical Research/Bloomberg

The table to the left shows various return metrics for years when the S&P 500 recorded an all-time high. A summary of our observations is provided below.

### SUMMARY

- Since 1990, we found 19 other years when the S&P 500 recorded at least one all-time new high. During this timeframe, the index recorded an average of 30 record-highs within a year.
- The highest number of record-highs in a single year was observed in 1995, which included 77 all-time new highs (highest level on record and equivalent to roughly a new record-high every 3.3 trading days).
- Finally, we also analyzed the maximum drawdown observed during each record-high year along with the following year's annual return. Maximum drawdowns averaged around -11.2%, while forward annual returns averaged 9.3%.

## Historical Tax Rate Perspective

The former Vice President Joe Biden has been elected to serve as the nation's forty-sixth president. Biden assured voters during the campaign of his intention to implement policy initiatives on infrastructure and manufacturing, healthcare, and the environment, and to pay for them with increased taxes at the individual and corporate level.

### Key features of Biden's Tax Reforms according to Americans for Tax Fairness:

- Individual tax - Raise taxes on individuals with taxable income greater than \$400,000.
- Corporate tax – Increase the tax rate from 21% to 28% and impose a 15% minimum tax on income to ensure each company pays taxes.
- Capital gains - Income from long-term capital gains and certain dividends would be taxed at ordinary rates for individuals with income of more than \$1 million.
- Tax Credits - Provides \$500 billion to working families and caregivers and \$400 billion for first-time homebuyers, retirement benefits, and green energy. Provides \$300 billion for domestic manufacturing, green energy and investments in low-income communities.
- Close other corporate tax loopholes – Tighten anti-inversion rules on U.S. multinational corporations, eliminate tax breaks for fossil fuels, end tax deduction for prescription drug advertising, and tighten rules for classifying independent contractors.

### What do these potential tax changes mean for the market?

We analyzed all of the corporate, capital gains, and personal income tax increases in the U.S. going back to the early 1900s. Based on these periods, we looked at the INDU's performance before the tax change was implemented (specifically November and December monthly returns), along with the INDU's annual performance during years that a tax increase was applied.

#### Historically, we found that:

- November has been a weak month during years that precede a corporate tax or personal income tax increase.
- Average annual relative returns were negative during years when either the corporate tax or personal income tax increased.
- An increase in the capital gains tax rate has not historically been an ominous sign for the broader market. Average/median annual returns for the INDU during years when the capital gains tax increased have been just over 8% with 85.7% of years also posting positive returns.

## Historical Tax Rates | Corporate Tax

Pre-Tax Increase Year	Increase in Tax	Pre-Tax Increase Year End Performance		Tax Increase Year - Annual Return
		November Returns	December Returns	
1915	1.00%	1.44%	2.52%	-4.19%
1916	4.00%	1.30%	<b>-10.35%</b>	<b>-21.71%</b>
1917	6.00%	<b>-2.48%</b>	2.38%	10.51%
1921	2.50%	5.59%	4.53%	21.50%
1924	0.50%	6.77%	8.47%	30.00%
1925	0.50%	<b>-2.94%</b>	3.69%	0.34%
1929	1.00%	<b>-12.64%</b>	3.99%	<b>-33.77%</b>
1931	1.75%	<b>-9.71%</b>	<b>-17.01%</b>	<b>-22.64%</b>
1935	1.25%	1.86%	1.26%	24.82%
1937	4.00%	<b>-10.83%</b>	<b>-2.13%</b>	27.73%
1939	19.30%	<b>-4.08%</b>	2.95%	<b>-12.57%</b>
1940	5.70%	<b>-3.40%</b>	0.85%	<b>-15.38%</b>
1949	4.00%	1.06%	4.68%	17.39%
1950	8.75%	1.11%	3.47%	14.37%
1951	1.25%	<b>-0.41%</b>	3.05%	8.42%
1967	4.80%	<b>-0.45%</b>	3.35%	4.27%
1992	1.00%	2.44%	<b>-0.12%</b>	13.72%
Average Absolute	3.96%	<b>-1.49%</b>	0.92%	3.70%
Median Absolute	2.50%	<b>-0.41%</b>	2.95%	8.42%
% Positive	n/a	47.06%	76.47%	64.71%
Min	0.50%	<b>-12.64%</b>	<b>-17.01%</b>	<b>-33.77%</b>
Max	19.30%	6.77%	8.47%	30.00%
Average Relative	n/a	<b>-2.28%</b>	<b>-0.17%</b>	<b>-3.74%</b>
Median Relative	n/a	<b>-1.55%</b>	1.23%	0.71%

The table to the left highlights the INDU's performance based on:

- November and December monthly returns during the pre-corporate tax increase year.
- Annual returns of the INDU during the corporate tax increase year.
- Relative returns based on the INDU's November, December, and annual price returns dating back to 1909.

As shown to the left, absolute average and median returns during a corporate tax increase year are positive. However, on a relative basis, corporate tax increase years tend to lag behind the INDU's historical annual performance.

## Historical Tax Rates | Income Tax

Pre-Tax Increase Year	Increase in Tax	Pre-Tax Increase Year End Performance		Tax Increase Year - Annual Return
		November Returns	December Returns	
1915	8.00%	1.44%	2.52%	-4.19%
1916	52.00%	1.30%	-10.35%	-21.71%
1917	10.00%	-2.48%	2.38%	10.51%
1923	2.50%	4.30%	3.44%	26.16%
1929	1.00%	-12.64%	3.99%	-33.77%
1931	38.00%	-9.71%	-17.01%	-22.64%
1935	16.00%	1.86%	1.26%	24.82%
1939	2.10%	-4.08%	2.95%	-12.57%
1941	7.00%	-2.68%	-3.23%	7.61%
1943	6.00%	-6.31%	4.88%	11.80%
1949	2.23%	1.06%	4.68%	17.39%
1950	6.64%	1.11%	3.47%	14.37%
1951	1.00%	-0.41%	3.05%	8.42%
1967	5.25%	-0.45%	3.35%	4.27%
1968	1.75%	3.43%	-4.20%	-15.19%
1990	3.00%	4.80%	2.89%	20.32%
1992	8.60%	2.44%	-0.12%	13.72%
2012	4.60%	-0.54%	0.60%	26.50%
<b>Average Absolute</b>	<b>9.76%</b>	<b>-0.97%</b>	<b>0.25%</b>	<b>4.21%</b>
<b>Median Absolute</b>	<b>5.63%</b>	<b>0.32%</b>	<b>2.71%</b>	<b>9.47%</b>
<b>% Positive</b>	<b>n/a</b>	<b>50.0%</b>	<b>72.2%</b>	<b>66.7%</b>
<b>Min</b>	<b>1.00%</b>	<b>-12.64%</b>	<b>-17.01%</b>	<b>-33.77%</b>
<b>Max</b>	<b>52.00%</b>	<b>4.80%</b>	<b>4.88%</b>	<b>26.50%</b>
<b>Average Relative</b>	<b>n/a</b>	<b>-1.77%</b>	<b>-0.89%</b>	<b>-3.46%</b>
<b>Median Relative</b>	<b>n/a</b>	<b>-0.91%</b>	<b>1.73%</b>	<b>1.05%</b>

The table to the left highlights the INDU's performance based on:

- November and December monthly returns during the pre-income tax increase year.
- Annual returns of the INDU during the income tax increase year.
- Relative returns based on the INDU's November, December, and annual price returns dating back to 1913.

As shown above, returns during December and over the following year after the income tax increase is applied are mixed. Based on average returns, the INDU has historically lagged relative to its average December returns and also annual returns dating back to 1913.

## Historical Tax Rates | Capital Gains Tax

Pre-Tax Increase Year	Increase in Tax	Pre-Tax Increase Year End Performance		Tax Increase Year - Annual Return
		November Returns	December Returns	
1916	52.00%	1.30%	-10.35%	-21.71%
1917	10.00%	-2.48%	2.38%	10.51%
1933	19.00%	11.32%	0.54%	5.44%
1935	7.50%	1.86%	1.26%	24.82%
1967	1.90%	-0.45%	3.35%	4.27%
1968	0.60%	3.43%	-4.20%	-15.19%
1969	4.71%	-5.10%	-1.47%	4.82%
1970	2.04%	5.09%	5.65%	6.11%
1971	2.25%	-0.91%	7.08%	14.58%
1975	3.38%	2.95%	-0.96%	17.86%
1986	8.00%	1.94%	-0.95%	2.26%
1990	0.93%	4.80%	2.89%	20.32%
1992	0.26%	2.44%	-0.12%	13.72%
2012	5.00%	-0.54%	0.60%	26.50%
<b>Average Absolute</b>	<b>8.40%</b>	<b>1.83%</b>	<b>0.41%</b>	<b>8.17%</b>
<b>Median Absolute</b>	<b>4.04%</b>	<b>1.90%</b>	<b>0.57%</b>	<b>8.31%</b>
<b>% Positive</b>	<b>n/a</b>	<b>64.3%</b>	<b>57.1%</b>	<b>85.7%</b>
<b>Min</b>	<b>0.26%</b>	<b>-5.10%</b>	<b>-10.35%</b>	<b>-21.71%</b>
<b>Max</b>	<b>52.00%</b>	<b>11.32%</b>	<b>7.08%</b>	<b>26.50%</b>
<b>Average Relative</b>	<b>n/a</b>	<b>1.03%</b>	<b>-0.73%</b>	<b>0.50%</b>
<b>Median Relative</b>	<b>n/a</b>	<b>0.67%</b>	<b>1.73%</b>	<b>-0.11%</b>

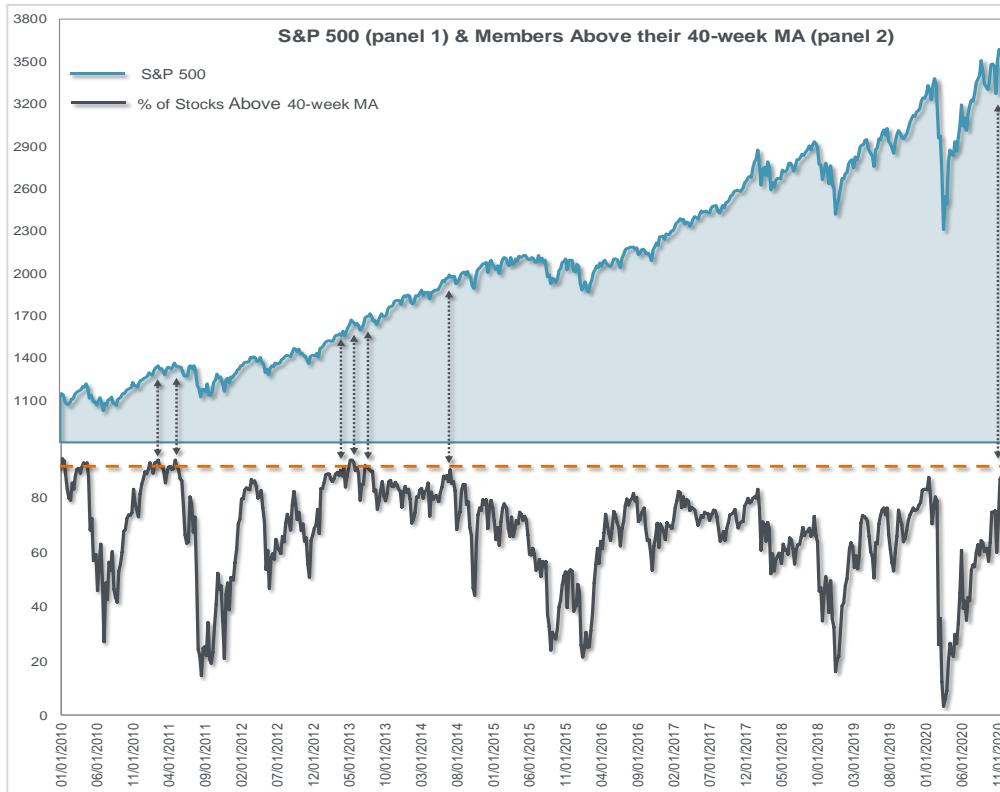
The table to the left highlights the INDU's performance based on:

- November and December monthly returns during the pre-capital gains tax increase year.
- Annual returns of the INDU during the capital gains tax increase year.
- Relative returns based on the INDU's November, December, and annual price returns dating back to 1913.

November and December returns look more constructive during the years preceding an increase in the capital gains tax rate. In addition, an increase in the capital gains tax rate has not historically been an ominous sign for the broader market. Average/median annual returns for the INDU during years when the capital gains tax increased have been just over 8% with 85.7% of years also posting positive returns.

## Breadth Thrust | Percentage of S&P 500 Components Above Their 40-week MA

The sharp rally off the major lows in March created a wave of improvements in several technical indicators, especially those that measure market breadth. The ‘percentage of stocks above the 40-week MA’ is a classic breadth indicator, which (as you may have guessed) measures the percentage of stocks in a given index that are trading above their respective 40-week moving average.



On the S&P 500, this indicator (shown in the lower panel of the chart to the left) has rallied sharply over the last couple of months and reached its highest level on November, 23<sup>rd</sup>, 2020.

Based on other indicators beginning to reach overbought status near the same time, we looked back at the 90% barrier to quantify its relevance and/or potential impact on forward returns. Put simply, we wanted to know if extreme readings in this indicator historically led to a market pullback or further upside.

Forward Returns   SPX Stocks Above their 40-week MA >90% (1990-YTD)				
Date	S&P 500 - Forward Returns			
	+4-weeks	+13-weeks	+26-weeks	+52-weeks
05/31/1991	-4.79%	1.44%	-3.75%	6.55%
07/07/1995	0.46%	4.69%	10.85%	18.17%
09/15/1995	0.20%	5.66%	9.96%	16.66%
08/01/1997	-5.03%	-3.43%	3.50%	18.32%
06/06/2003	-0.21%	3.40%	7.47%	13.64%
08/29/2003	-1.11%	4.98%	13.58%	9.90%
10/03/2003	2.03%	7.64%	10.87%	9.87%
12/12/2003	4.44%	4.32%	5.80%	10.60%
02/23/2007	-1.04%	4.45%	1.94%	-6.76%
08/07/2009	0.59%	5.82%	5.51%	11.00%
11/06/2009	3.43%	-0.29%	3.89%	14.64%
12/25/2009	-3.08%	3.56%	-4.41%	11.57%
03/12/2010	3.86%	-5.08%	-3.52%	13.42%
01/07/2011	3.10%	4.46%	5.69%	0.50%
04/01/2011	2.34%	0.54%	-15.08%	5.71%
03/29/2013	0.83%	2.36%	7.81%	18.38%
05/03/2013	1.01%	5.90%	9.12%	16.52%
07/12/2013	0.67%	1.37%	9.65%	17.10%
07/04/2014	-3.04%	-0.88%	3.66%	4.60%
11/23/2020	-	-	-	-
Average	0.25%	2.68%	4.34%	11.07%
Median	0.59%	3.56%	5.69%	11.57%
% Positive	63%	79%	79%	95%
Std. Deviation	2.75%	3.34%	6.95%	6.68%
Maximum	4.44%	7.64%	13.58%	18.38%
Minimum	-5.03%	-5.08%	-15.08%	-6.76%

Source: Piper Sandler Technical Research/Bloomberg

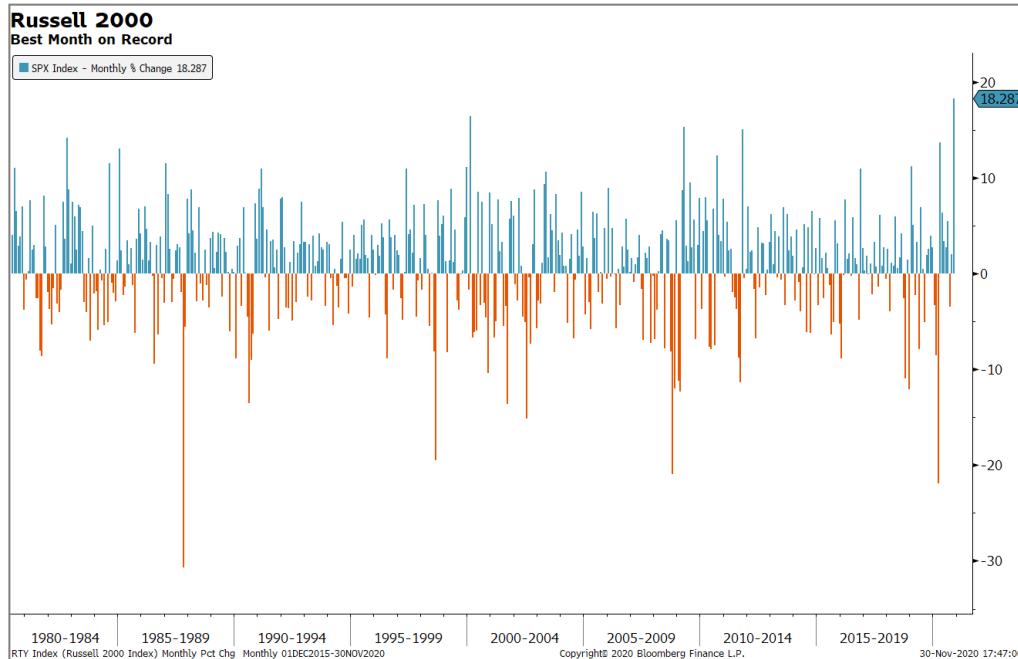
Since 1990, we found 19 other occurrences when the indicator breached the 90% threshold, which are highlighted on the table to the left. It is worth noting, most of these periods aligned with the beginning of an uptrend with several also occurring during recovery periods from sharp corrections/major market lows.

Our research shows that after at least 90% of S&P 500 stocks recaptured their 40-week MAs, forward returns averaged 11.1% over the next 52-weeks and they were also positive 95% of the time. Shorter-term returns suggest there could be some consolidation based on underwhelming 4-week average returns of 0.3%.

In summary, although the data is limited, extreme readings in this indicator have historically led to sustainable upside for the broader market, and suggests that investors should use short-term pullbacks as buying opportunities.

## Russell 2000 | Forward Returns Following a Historic Month

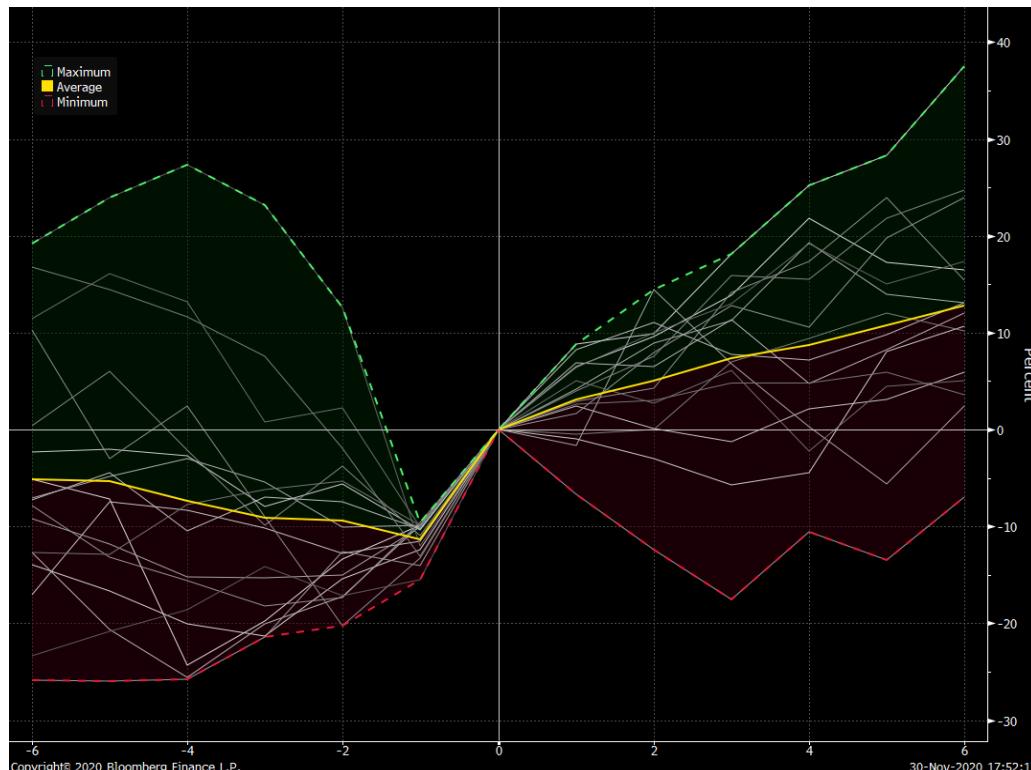
The Russell 2000 wrapped up November with an 18.3% gain, marking its highest monthly return on record. The prior monthly high watermark of 16.4% was registered in February of '00. Given the size of the rally, we researched other historical periods to see how the small-cap focused index performed after posting an unusually high monthly return. In total, we found 16 other periods when the Russell 2000 rallied at least 10%, and based on forward returns following these months, bullish momentum has historically continued.



As shown in the chart to the left, the Russell 2000 posted its best month on record in November with an impressive 18.3% rally. Over the last +40+ years, the small-cap focused index has only posted double-digit gains during 16 other months, or less than 3.5% of the time.

### What happens next?

The chart below shows the pre-/post-performance surrounding a 10% or greater monthly return for the Russell 2000. The lines to the left of the zero line, show the monthly return progression before the event (index posting a 10% or greater monthly advance), while the lines to the right depict the monthly return progression after the event. The yellow line highlights the average of all 16 occurrences we analyzed.



In summary, of the 16 other months with returns of at least 10%, forward returns averaged:

- +1-month = 3.1% (75.0% positive)
- +3-month = 7.4% (81.3% positive)
- +6-month = 12.8% (93.4% positive)

However, the data comes with an asterisk, as monthly returns following the prior record-high return in February '00 averaged:

- +1-month = -6.7%
- +3-month = -17.6%
- +6-month = -7.0%

## Ratio Chart Analysis

Ratio charts provide a visually transparent snapshot of relative performance between two different sets of time series data. We believe they are also one of the simplest and most powerful ways to analyze investment style and macro-level trends. Ratio charts can also be used to analyze valuations (similar to P/E ratios), confirm breakouts/breakdowns/divergences, or identify leaders/laggards in bull and bear markets. The following ratio charts provide an overview of current market trends related to investment style, market-cap, and relative performance across developed and emerging markets.



The uptrend of growth outperformance exhibited in the Russell 1000 Growth vs. Value ratio chart above has been violated. The current drawdown of value outperformance marks the longest period in two-years. A break below support off the summer lows and sustained breakout above 96 bps for 10-year yields would validate a changing of the guard at the leadership level.



Large-caps are beginning to underperform small-caps. The OEX/SML ratio chart has violated an emerging uptrend and is back below the 40-week MA for the first time in over 2-years.

## Ratio Chart Analysis



The S&P 500 is beginning to underperform the broader global equity market, characterized by violation of the rising price channel of the S&P 500/MSCI ACWI ex-USA ratio chart above.



The rotation back into risk assets has pushed the S&P 500 to record-highs relative to the benchmark 30-year Treasury bond. Yields on the long bond have rose roughly 40 bps since the beginning of October.



The S&P 500 has been underperforming emerging markets over the last few months. The S&P 500/ MSCI EM Index chart has now violated an emerging uptrend/rising 40-week MA.

## Trend Analysis & Technical Indicator Snapshot

The tables below provide an overview of the absolute and relative strength sector trends based on our Moving Average Cycle Evaluation (MACE). As a reminder, MACE uses the relative position of short-term (S), intermediate-term (M), and longer-term (L) moving averages to classify a current trend. Based on the position of each moving average, trends are broken down into the following categories:

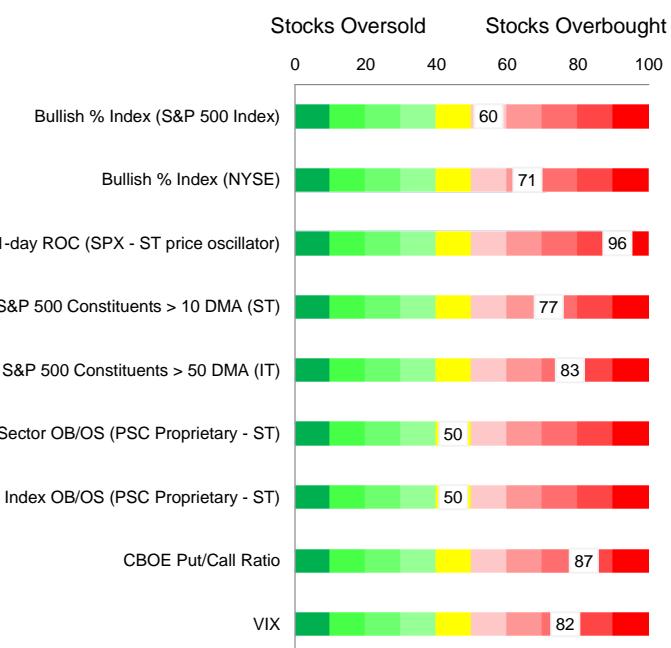
- **Uptrends:** U1=possible uptrend | U2=confirmed uptrend | U3=well-defined uptrend
- **Downtrends:** D1=possible downtrend | D2=confirmed downtrend | D3=well-defined downtrend

We also included a snapshot of several other sentiment and momentum indicators we closely monitor.

### Sector Absolute Trend

Sector Absolute Trend (M.A.C.E)					
Sector	Unwtd	Wtd	Sector	Unwtd	Wtd
Energy (UW)	U2	U2	Transportation	U3	U3
Basic Materials	U3	U3	Healthcare	U3	U3
Industrial Manufacturing (OW)	U3	U3	Consumer Staples (UW)	U3	U3
Utilities (UW)	U3	U3	Consumer Cyclicals (OW)	U3	U3
Services	U3	U3	Technology (OW)	U3	U3
Financials	U3	U3	Communications / Media	U3	U3

### Sentiment & Momentum Indicators



Abbreviations: ST=short-term, IT=intermediate-term.

### Sector RS Trend

Sector RS Trend (M.A.C.E)					
Sector	Unwtd	Wtd	Sector	Unwtd	Wtd
Energy (UW)	U1	U1	Transportation	D3	D1
Basic Materials	D2	U3	Healthcare	D3	D3
Industrial Manufacturing (OW)	U3	U3	Consumer Staples (UW)	D3	D3
Utilities (UW)	D3	D3	Consumer Cyclicals (OW)	U3	D1
Services	U3	U3	Technology (OW)	D1	D2
Financials	U2	U2	Communications / Media	D3	U3

### Relative Trend

RS	Benchmark	RS	Benchmark
↓	Large-cap vs. Small-cap (OEX/SML)	↑	SPX vs. Bonds (SPX/IEF)
↓	SPX vs. EAFE Index (SPX/EFA)	↑	SPX vs. Commodities (SPX/CRB)
↓	SPX vs. Emerging Mkts (SPX/EEM)	↑	SPX vs. Gold (SPX/GLD)
↓	SPX vs. Europe/Pacific (SPX/VEA)	↑	SPX vs. USD (SPX/USD)

As of 12/04/2020

Source: Piper Sandler Technical Research

## SUMMARY

- **Size Matters:** While small-caps have made a recent comeback, our Wtd sector absolute trends suggest large-caps are still holding on to well-defined uptrends, based on our MACE trend model. For example, 9 out of 12 Wtd sectors are trading with a U3 ‘well-defined’ uptrend, while only 6 out of 12 Unwtd sectors are trading with the same rating.
- **TINA (There Is No Alternative):** The S&P 500 continues to outperform other developed markets, 7-10 year Treasury notes (IEF), the U.S. Dollar Index, and commodity markets. Gold started to underperform the S&P 500 over the last month based on absolute and relative trends.
- **Bullish Percent:** The Bullish Percent Index, which tracks how many stocks are bullish within an index based on point and figure analysis (P&F), has improved over the last month. The current percentage of P&F buy signals for the S&P 500 and NYSE Composite stands at 60% and 71%, respectively. These percentages are respectively up from 64% and 60% since our October 21, 2020 publication.
- **Sentiment:** The CBOE Put/Call Ratio has dropped to levels associated with overbought equity market conditions, while the VIX Index remains neutral.

## U.S. Equity Markets—Hope versus Reality

Equity markets are making all-time new highs as hope for a coronavirus vaccine and another round of stimulus keeps the bulls engaged. With the COMPQ, INDU, RUT, and SPX all at new highs and showing no signs of slowing down, we can't help but wonder if this could be as good as it gets for the popular averages and/or what could go wrong. While we believe the longer-term technical setup remains constructive, near-term, we expect more backing and filling ahead. Our primary intermediate-term gauges of market breadth (M.A.C.E, 40-week Technique, and 26-week New Highs indicators) remain in buy positions but at historically extreme readings. At this juncture, several risks and concerns could pause or reverse the bullish uptrend. We have listed these in order of importance below.

1. The second wave of the Coronavirus pandemic is causing new lockdown orders in many U.S. cities and states, as hospital utilization rates are at/near capacity. The increased restrictions will likely have a negative impact on the U.S. economy and slow the recovery in the labor market. Furthermore, investors still do not fully understand the long-term economic impact of this pandemic.
2. The U.S. has meaningfully inflated its balance sheet to battle the economic shock induced by the COVID-19 outbreak. Current estimates suggest the pandemic may cost \$6-\$8 trillion, or roughly 25% of U.S. GDP.
3. Geopolitical risk/domestic protests and riots remain a significant concern.
  - o Geopolitical risk in Europe is rising as Brexit tensions escalate. Time is running out for a smooth transition as Boris Johnson faces pressure to rewrite or scale back some of the Internal Market Bill provisions. Without a trade deal, the economy will likely face disruption from a messy array of tariffs and quotas.
  - o While the U.S. election is mostly over, President Trump has yet to concede the election. He and his legal team continue to raise voter fraud lawsuits in several states in hopes of overturning the election results. While it's a long-shot that he will be successful, the risk remains until President-elect Biden is sworn into office. In addition, the Georgia run off will dictate the balance of Power in Washington. The baseline assumption is currently set for a split Congress. A surprise Democratic win in Georgia would give Democrats the blue wave victory some investors previously feared.
  - o The threat of rising global protectionism is also on the rise, and now in the wake of the COVID-19 pandemic, we suspect that threat will loom even larger in the coming quarters.
  - o Tensions between the U.S. and China remain elevated as each side exchanges jabs over the handling of the COVID-19 pandemic. The risk of China not fulfilling its trade obligations, further government restrictions on private sector companies, and IP theft could further escalate a relatively unstable situation.
4. The recent downshift in the global economic outlook has led the FOMC and other central banks worldwide to reach unprecedented levels of dovishness. At this point, it's too early to conclude that additional accommodative monetary policy and/or fiscal stimulus will be enough to improve the trajectory of growth and prevent a protracted recession/depression.
5. Severe disruption to supply and demand oil dynamics wreaked havoc within the *Energy* sector earlier this year. While meaningfully lower oil prices ultimately benefited consumers, it also means many U.S. based energy producers face a challenging recovery with reduced cash flow to cover elevated levels of debt service. We believe credit risk within the sector remains high.
6. The fixed income market continues to paint a picture of limited growth and inflation. Global yields have plummeted to record-lows as central banks attempt to defend the economy with a range of monetary stimulus. Bear markets also do not come without credit risk. Even though central banks have stepped in to support credit, we believe loan loss provisions and default risk could rise meaningfully amid a prolonged recovery.

## CONCLUSION

In summary, we expect market volatility to remain elevated in 2021 as investors continue to navigate the “hope versus reality” post coronavirus world and the gradual reopening of global economies. While we see further upside in 2021, we do not believe the advance will be linear, and suspect there will be several meaningful corrections throughout the coming year. **We are establishing a 2021 year-end price objective on the S&P 500 of 4,225.**

The Trend is Your Friend,  
Craig W. Johnson, CMT, CFA

Adam L. Turnquist, CMT

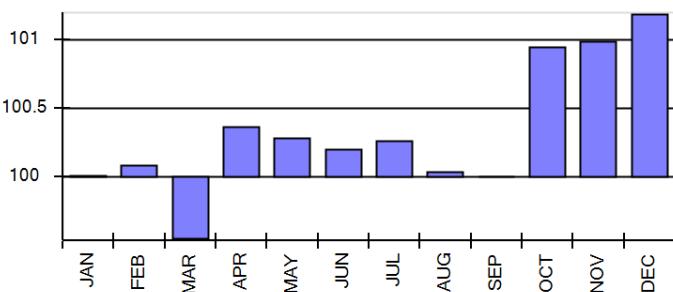
December 8, 2020

## Market Study: Strong December Seasonality

Several *Healthcare and Services* sector MGs have historically shown strong relative performance compared to our MicroGroup Index during the month of December.

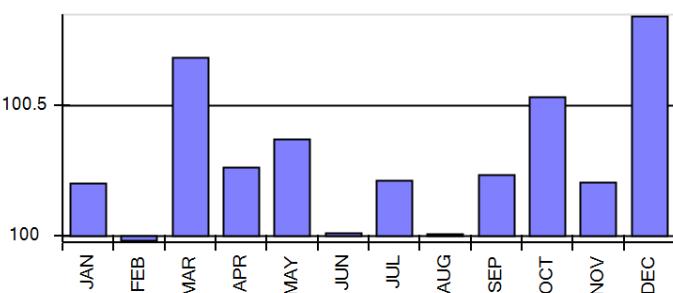
### 506, Information Technology Sol./Svcs

Average Relative Perf. vs. MicroGroup Index (Unwtd)



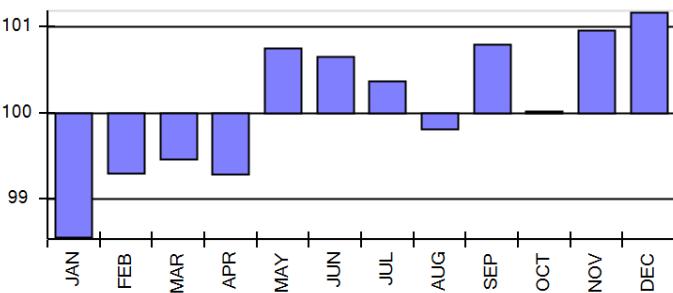
### 515, Security Products/Services

Average Relative Perf. vs. MicroGroup Index (Unwtd)



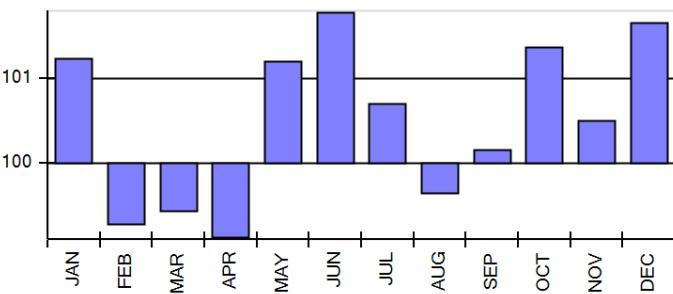
### 818, Managed Care Svcs.

Average Relative Perf. vs. MicroGroup Index (Unwtd)



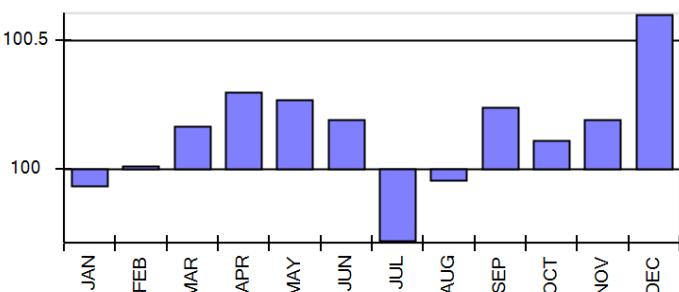
### 830, Molecular Diagnostics

Average Relative Perf. vs. MicroGroup Index (Unwtd)



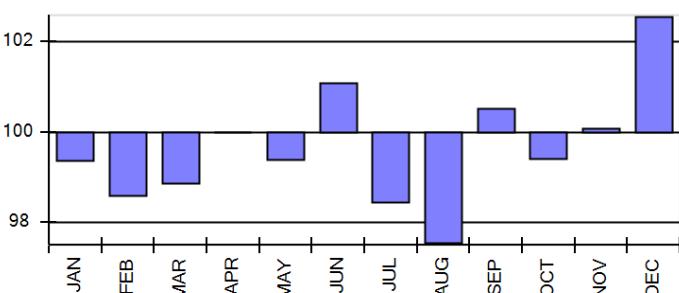
### 510, Business Services, Diversified, Pri.

Average Relative Perf. vs. MicroGroup Index (Unwtd)



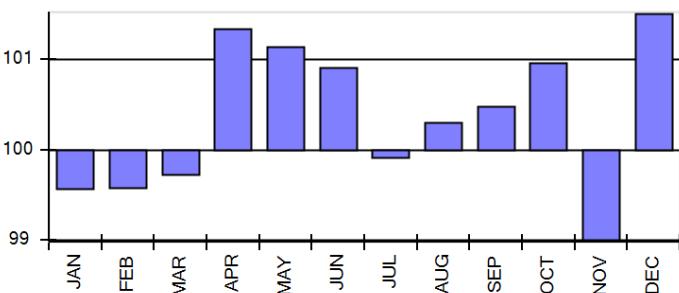
### 535, Marketing Services

Average Relative Perf. vs. MicroGroup Index (Unwtd)



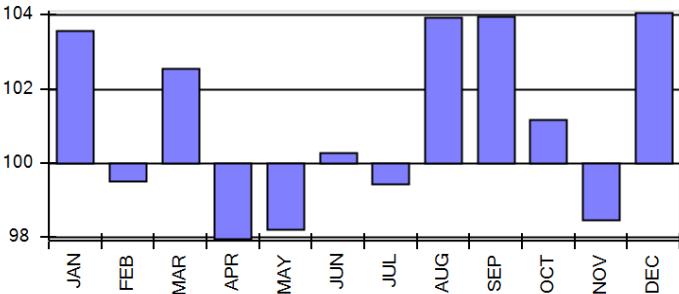
### 825, Diagnostic Services

Average Relative Perf. vs. MicroGroup Index (Unwtd)



### 836, Cannabis, Pri.

Average Relative Perf. vs. MicroGroup Index (Unwtd)

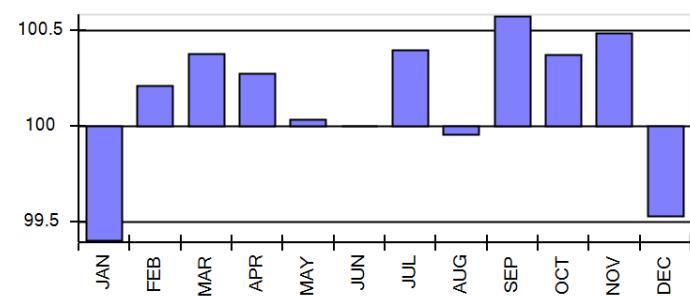


## Market Study: Weak December Seasonality

Select *Consumer Cyclical* and *Financial* sector MGs have historically underperformed relative to our MicroGroup Index during the month of December.

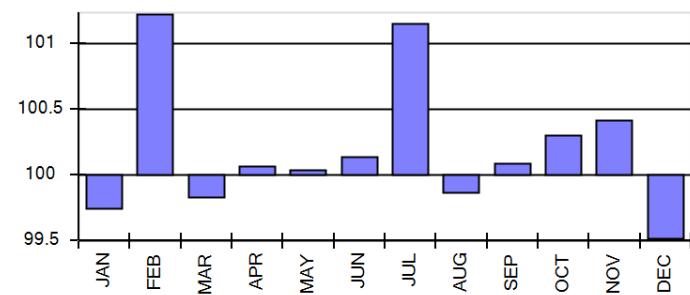
### 609, Banks, Southeast, Pri.

Average Relative Perf. vs. MicroGroup Index (Unwtd)



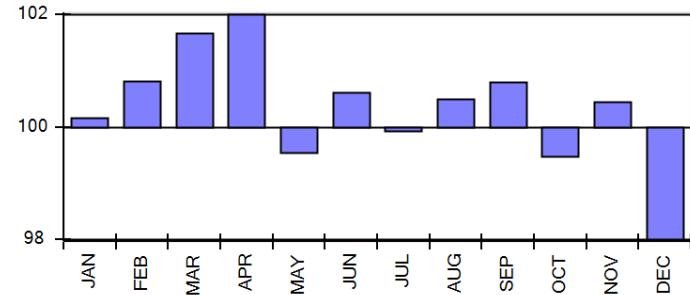
### 628, Thrifts, New England, Pri.

Average Relative Perf. vs. MicroGroup Index (Unwtd)



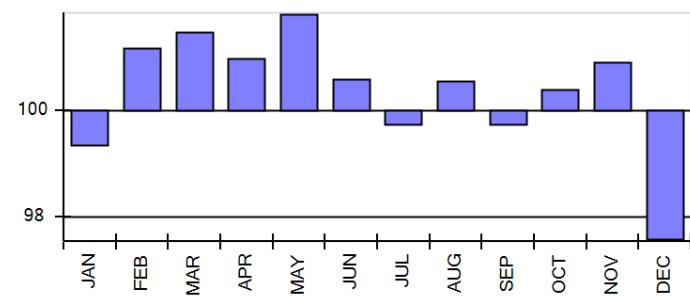
### 1020, Consumer Electronics

Average Relative Perf. vs. MicroGroup Index (Unwtd)



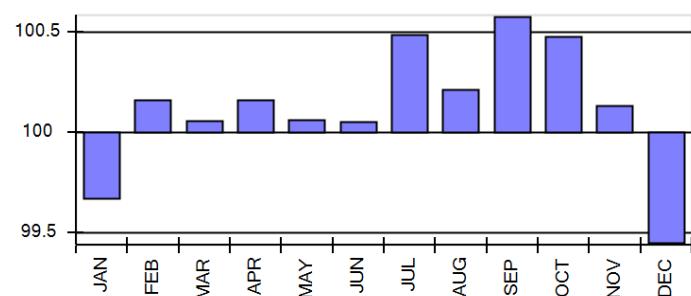
### 1025, Toys

Average Relative Perf. vs. MicroGroup Index (Unwtd)



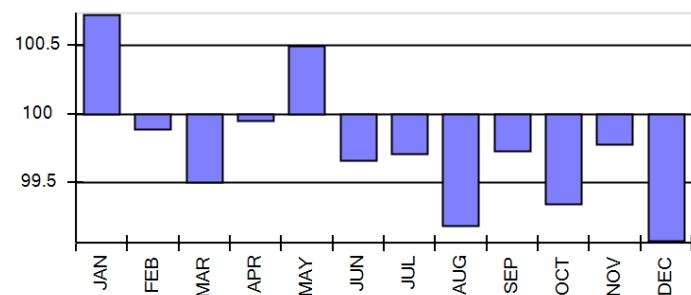
### 613, Banks, Midwest, Micro Cap

Average Relative Perf. vs. MicroGroup Index (Unwtd)



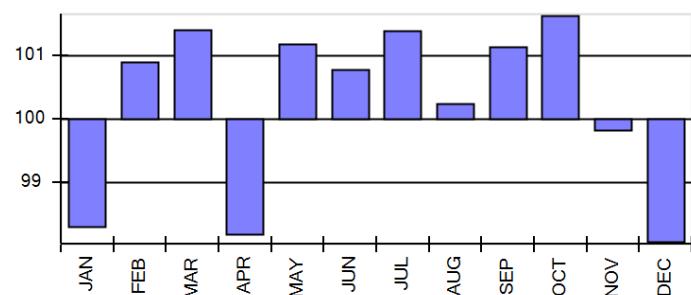
### 639, REITs, Mortgage, Pri.

Average Relative Perf. vs. MicroGroup Index (Unwtd)



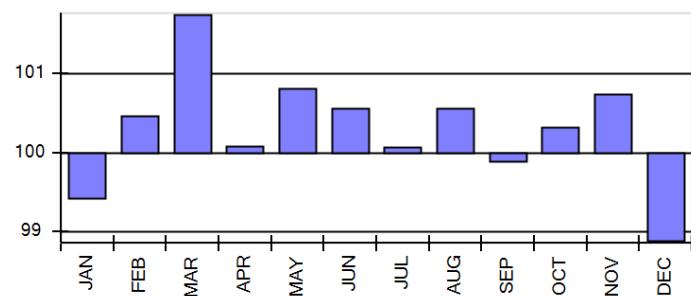
### 1022, Video Game Publishers

Average Relative Perf. vs. MicroGroup Index (Unwtd)



### 1036, Discount Mass Merchants

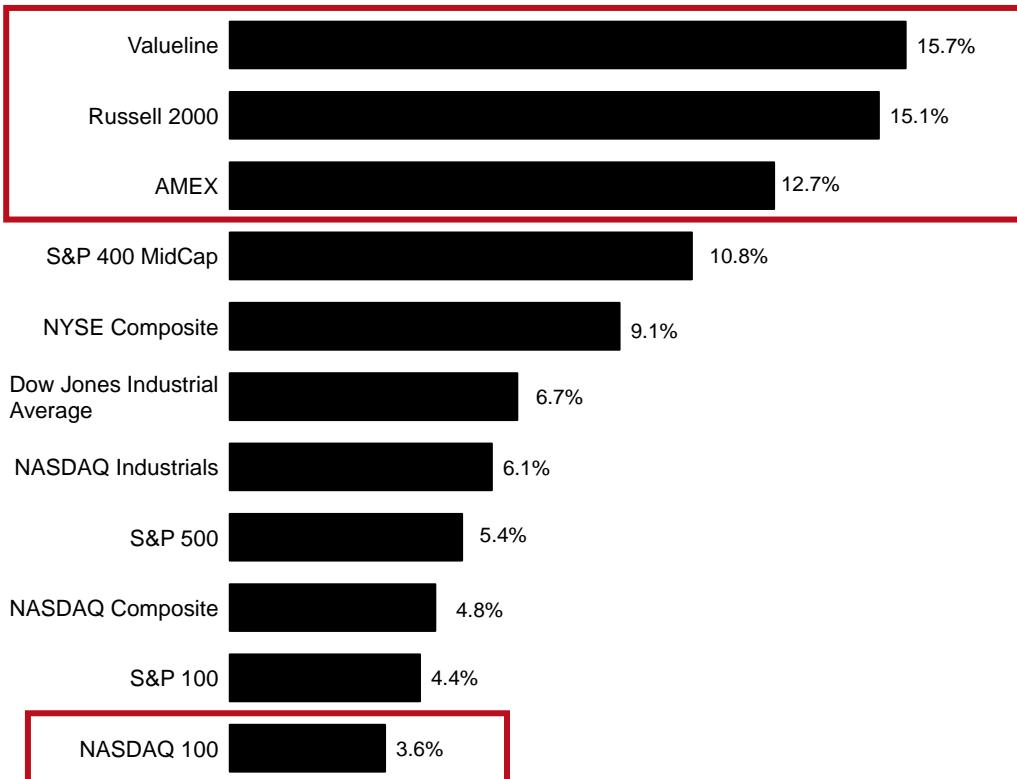
Average Relative Perf. vs. MicroGroup Index (Unwtd)



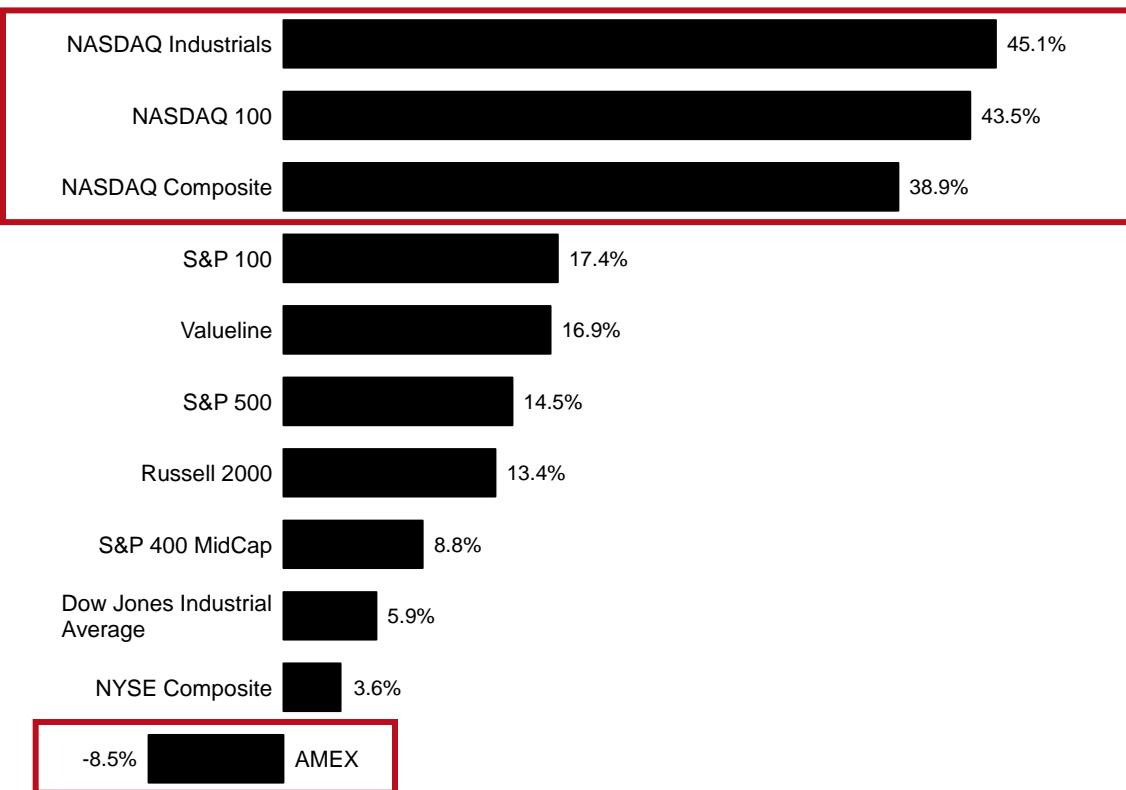
**December 2020 – MicroGroup Summary/Overview**

The following table highlights some of the more actionable looking MicroGroups (MG) in this month's publication. The ↑/↓ arrows denote a rating change in that MG since our last publication. The symbols (+), (-), (=), (PB), (BF), (RR) denote Positive, Negative, Neutral, Pullback Opportunity, Bottom Fishing, and Relief Rally, respectively.

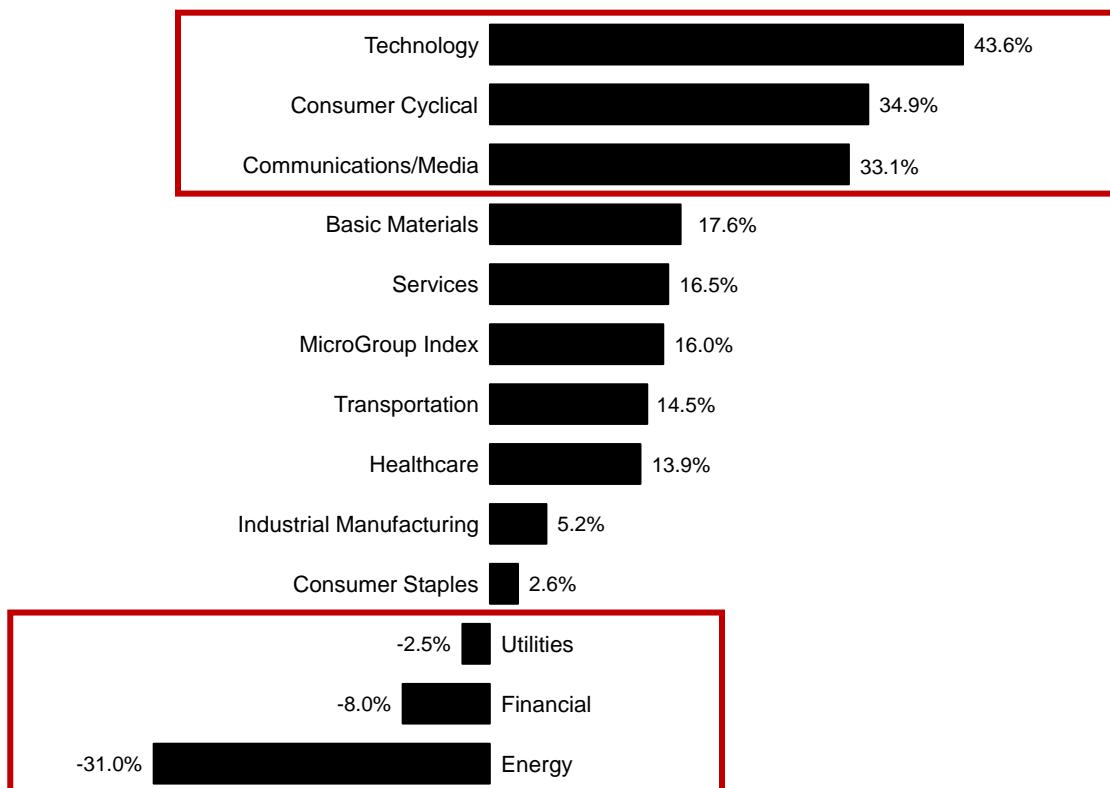
MicroGroup Sectors	Positive Relative Rated Groups		Negative Relative Rated Groups	
	Groups	Tickers	Groups	Tickers
Energy (Sector weight = 0.6x)	↑107 – Oil Equipment & Services, Pri. (pg. 68)	BKR (+)	↓112 – Oil Refin. & Marketing, Pri. (pg. 69) ↓114 – Pipelines, Pri. (pg. 70) ↓120 – Propane, Mark./Distribution (pg. 71)	MUSA (-) TRP (RR) CNX (-)
Basic Materials (Sector weight = 0.9x)	↑202 – Steel, Domestic (pg. 78) ↑206 – Specialty Chemicals, Pri. (pg. 81) ↑213 – Mining, Diversified (pg. 82) ↑217 – Agrifertilizer (pg. 84)	NUE (+) TROX (+) BHP (+) CF (+)	↓215 – Gold & Silver, North & South American (pg. 83)	NEM (-)
Industrial Mfg. (Sector weight = 1.4x)	↑306 – Aerospace, Comp., Pri. (pg. 92) ↑310 – Tubing (pg. 93) ↑316 – Construction/Materials Handling Equip. (pg. 95) ↑326 – Adhesives & Coatings (pg. 97)	BA (BF) TS (BF) HI (+) MMM (+)	None	
Utilities (Sector weight = 0.3x)	↑406 – Electric, Southeast (pg. 107)	SO (+)	↓401 – Electric, Heavy Nuclear (pg. 105) ↓405 – Electric, Midwest (pg. 106) ↓411 – Gas, Mid-Continent (pg. 108)	D (-) AEE (-) ATO (-)
Services (Sector weight = 0.7x)	↑506 – Info. Techn. Sol./Svcs (pg. 117) ↑509 – Federal Gov't IT Services (pg. 119) ↑532 – Tran. Equipment Leasing (pg. 120) ↑533 – Travel Services (pg. 121)	DXC (BF) CACI (+) R (+) LYFT (BF)	None	
Financial (Sector weight = 0.9x)	↑601 – Banks, Money Center (pg. 129) ↑625 – Banks, European (pg. 132) ↑653 – Credit Card Issuers (pg. 135) ↑666 – Investment Banks/Brokers (pg. 136)	JPM (+) HSBC (BF) COF (+) GS (+)	↓645 – REITs, Storage (pg. 134)	PSA (-)
Transportation (Sector weight = 1.0x)	↑701 – Airlines, Legacy (pg. 143) ↑702 – Airlines, Regional/Low Cost (pg. 144) ↑709 – Truck., Truckload Carriers (pg. 146) ↑712 – Freight Forwarding/Logis. (pg. 148)	UAL (BF) ALGT (+) JBHT (+) XPO (+)	None	
Healthcare (Sector weight = 1.1x)	↑809 – Medical Dev., Specialty (pg. 157) ↑813 – Medical Capital Equip. (pg. 160) ↑814 – Hospital Management (pg. 161) ↑825 – Diagnostic Services (pg. 163) ↑831 – Biotechnology, Pri. (pg. 165) ↑834 – Surgical Devices/Equip. (pg. 167) ↑836 – Cannabis, Pri. (pg. 168)	HAE (+) AVNS (BF) HCA (+) RDNT (+) NVCR (+) LMAT (+) CGC (BF)	None	
Consumer Staples (Sector weight = 0.9x)	↑907 – Natural Foods (pg. 176) ↑910 – Soft Drinks & Bottlers (pg. 177) ↑914 – Housewares (pg. 179)	HAIN (+) MNST (+) NWL (+)	↓902 – Processors, Meat & Poultry (pg. 175) ↓912 – Tobacco, Diversified, Pri. (pg. 178) ↓915 – Household Cleaners/Prod. (pg. 180)	HRL (-) BTI (-) CLX (-)
Consumer Cyclicals (Sector weight = 1.1x)	↑1001 – Automobile Manuf., Pri. (pg. 188) ↑1012 – Recreational Vehicles (pg. 191) ↑1025 – Toys (pg. 195) ↑1030 – Footwear, Pri. (pg. 196) ↑1041 – Specialty Retailers (pg. 198) ↑1045 – Hotels & Motels, Pri. (pg. 200) ↑1048 – Casinos, Pri. (pg. 201)	TSLA (+) HOG (+) MAT (+) NKE (+) FCFS (BF) IHG (+) MGM (+)	None	
Technology (Sector weight = 1.0x)	↑1201 – Computer Systems (pg. 210) ↑1207 – Semiconductors, Sec. (pg. 212) ↑1219 – Sftwr., Financial (pg. 214) ↑1226 – Sftwr., IC Des. & Testing (pg. 216) ↑1233 – Lasers (pg. 218) ↑1239 – Optical Equip./Comp., Pri. (pg. 219) ↑1246 – Electronic/Electrical Connectors (pg. 222) ↑1247 – Elec. Comp. Distributors (pg. 223)	HPQ (+) MTSI (+) QTWO (+) MKS1 (+) IPGP (+) GLW (+) TEL (+) ARW (+)	None	
Comm./Media (Sector weight = 0.9x)	↑1405 – Wireless Service Pro. (pg. 232) ↑1407 – Cable Television (pg. 233) ↑1414 – Inter. Search Services (pg. 234)	RCI (+) CMCSA (+) GOOGL (+)	None	

**Market Performance****MARKET PERFORMANCE****4-Week**

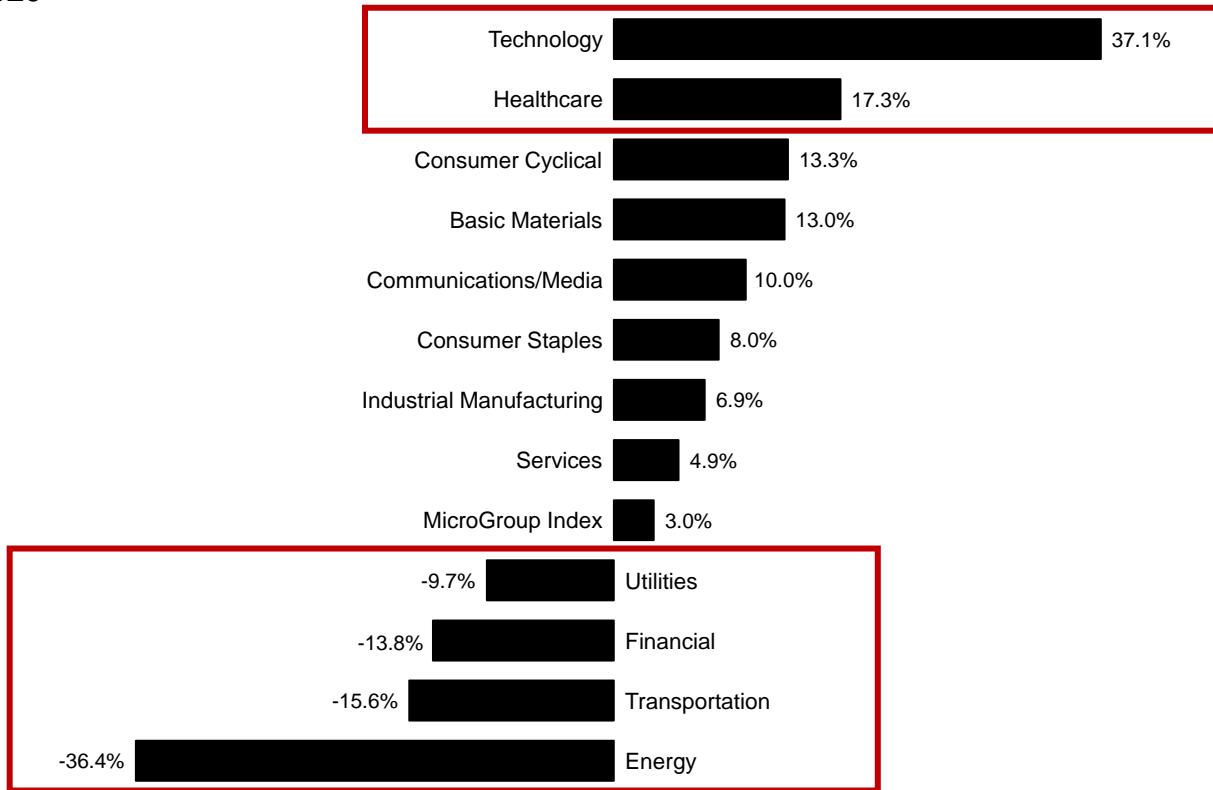
As of 12/04/2020

**MARKET PERFORMANCE****YTD**

As of 12/04/2020

**Market Performance****WTD SECTOR PERFORMANCE  
YTD 2020**

As of 12/04/2020

**UNWTD SECTOR PERFORMANCE  
YTD 2020**

As of 12/04/2020

**Sector Performance Sorted by TechniGrade**

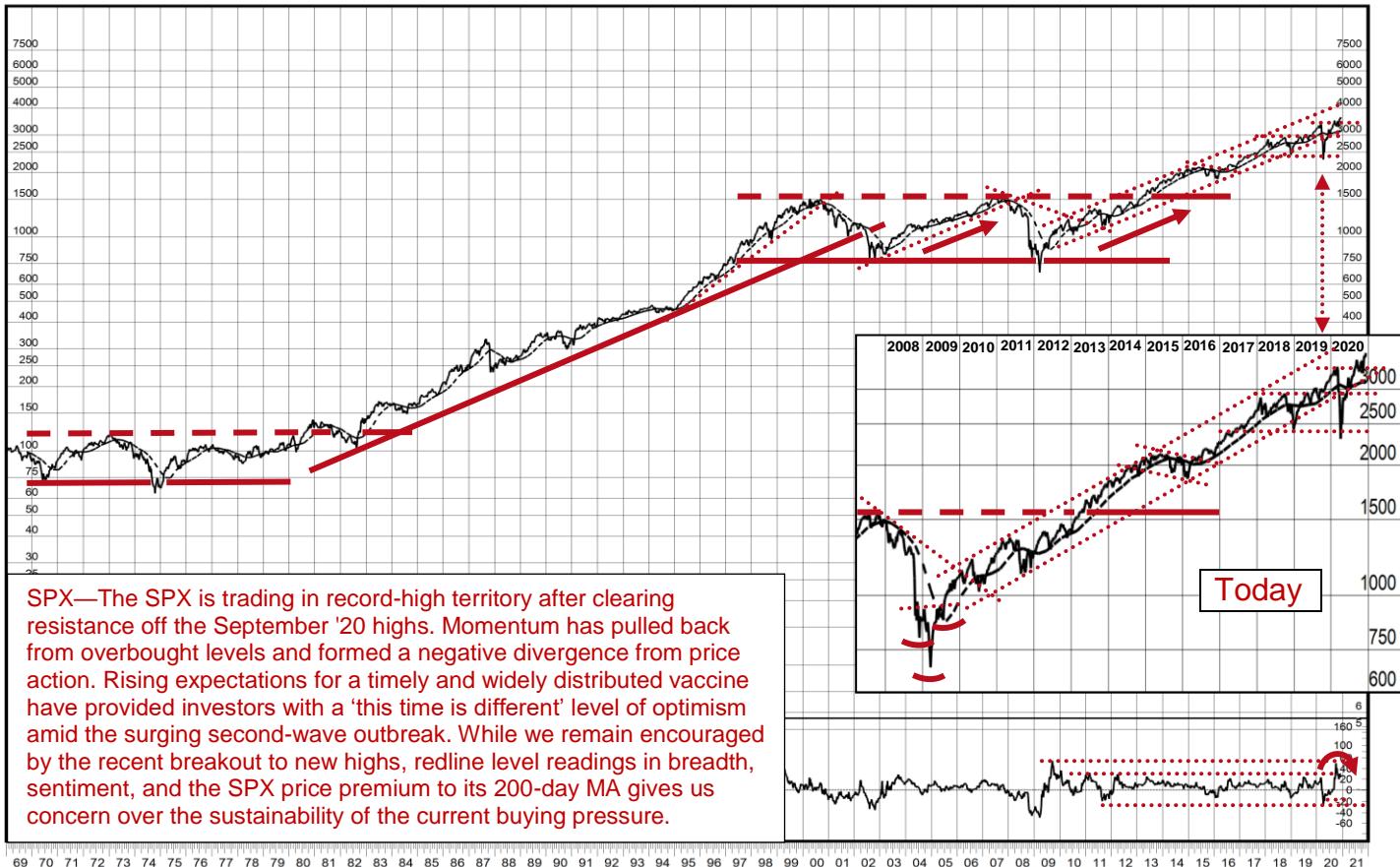
Sectors (Unweighted)		TechniGrade						Absolute Performance				
	Sector Name	Current	1 wk	2 wk	3 wk	4 wk	1 wk	4 wk	13 wk	26 wk	52 wk	YTD
1000	Consumer Cyclical (Unwtd)	7	5	5	6	5	1.25%	15.51%	21.99%	33.78%	15.57%	13.26%
100	Energy (Unwtd)	7	9	14	19	20	4.59%	40.02%	21.74%	-3.82%	-30.14%	-36.41%
300	Industrial Manufacturing (Unwtd)	8	8	7	7	8	1.91%	15.94%	21.62%	22.79%	8.78%	6.93%
1200	Technology (Unwtd)	9	9	11	12	7	2.6%	14.04%	23.9%	30.0%	42.55%	37.09%
500	Services (Unwtd)	10	10	10	9	9	2.91%	15.85%	20.85%	20.61%	7.56%	4.94%
600	Financial (Unwtd)	11	11	10	10	14	2.25%	18.49%	18.78%	11.78%	-12.13%	-13.8%
700	Transportation (Unwtd)	11	11	12	14	16	2.61%	22.11%	16.09%	14.62%	-12.36%	-15.58%
200	Basic Materials (Unwtd)	11	13	13	11	7	5.37%	13.05%	16.96%	29.35%	18.76%	13.0%
1400	Communications/Media (Unwtd)	13	12	12	13	12	0.82%	12.7%	15.56%	16.99%	12.99%	10.05%
900	Consumer Staples (Unwtd)	15	15	15	14	14	2.52%	11.77%	12.52%	15.37%	9.99%	7.99%
800	Healthcare (Unwtd)	15	15	16	15	14	1.96%	11.23%	19.33%	15.45%	23.07%	17.26%
400	Utilities (Unwtd)	19	18	17	15	14	-0.26%	4.39%	7.56%	1.81%	-6.91%	-9.68%

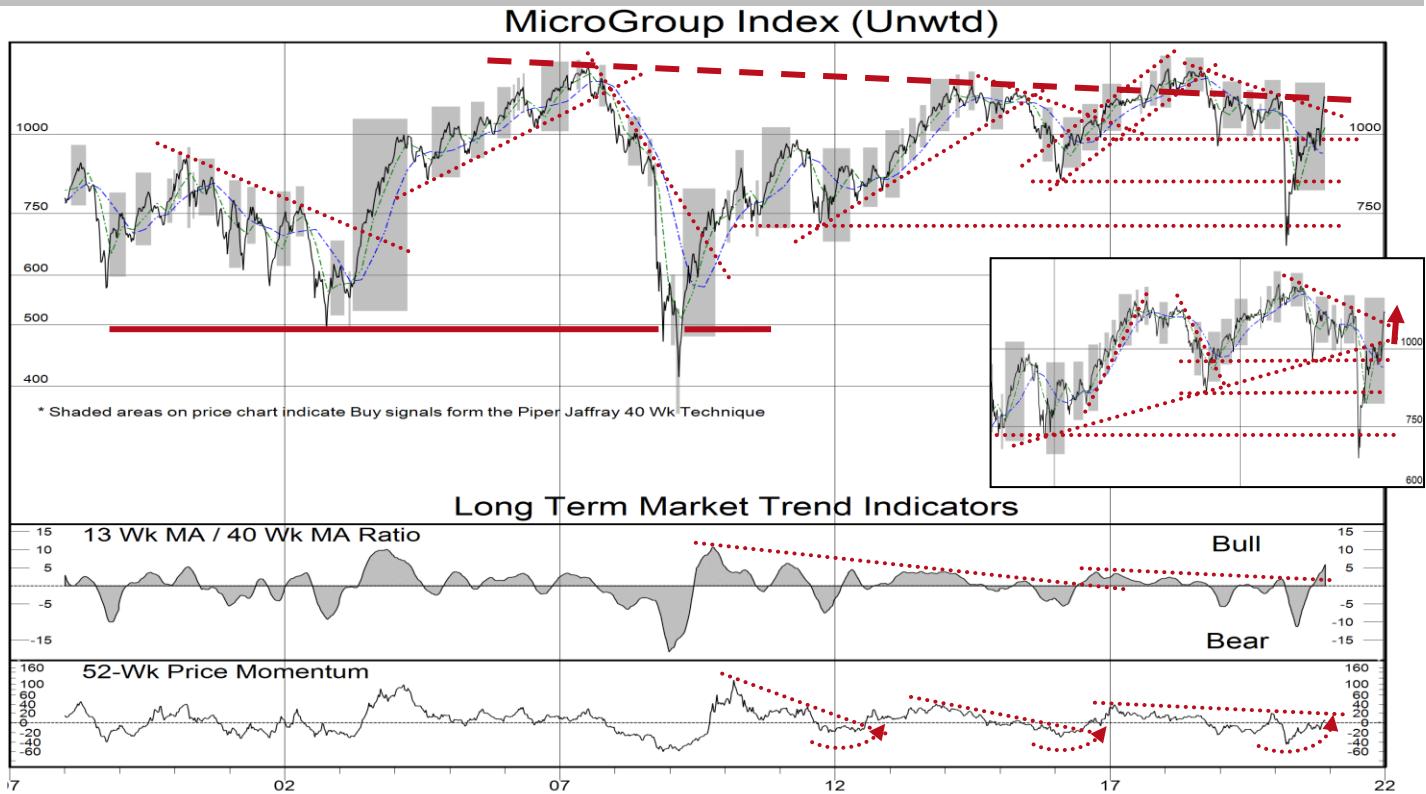
Sectors (Weighted)		TechniGrade						Absolute Performance				
	Sector Name	Current	1 wk	2 wk	3 wk	4 wk	1 wk	4 wk	13 wk	26 wk	52 wk	YTD
100	Energy (Wtd)	11	12	16	19	20	3.56%	35.33%	15.77%	-5.55%	-27.35%	-31.02%
200	Basic Materials (Wtd)	11	13	13	12	8	5.06%	12.51%	16.33%	29.16%	23.03%	17.6%
600	Financial (Wtd)	12	12	12	11	14	2.2%	16.74%	16.0%	11.49%	-6.25%	-8.04%
300	Industrial Manufacturing (Wtd)	13	11	9	8	7	0.55%	10.19%	16.26%	17.97%	5.96%	5.21%
700	Transportation (Wtd)	13	12	10	8	7	1.41%	9.74%	13.17%	26.65%	16.88%	14.52%
1000	Consumer Cyclical (Wtd)	14	12	11	11	5	0.11%	5.76%	10.72%	30.19%	38.51%	34.9%
500	Services (Wtd)	14	14	12	11	8	1.81%	7.99%	14.63%	18.89%	18.58%	16.46%
1200	Technology (Wtd)	14	15	14	12	5	2.65%	4.48%	11.06%	29.78%	49.77%	43.64%
1400	Communications/Media (Wtd)	16	15	13	11	5	0.99%	2.84%	11.15%	22.48%	35.77%	33.12%
800	Healthcare (Wtd)	17	18	18	15	12	2.72%	4.0%	9.24%	11.22%	17.19%	13.9%
900	Consumer Staples (Wtd)	18	18	17	14	13	1.41%	5.34%	6.02%	10.57%	4.39%	2.6%
400	Utilities (Wtd)	19	18	17	13	11	-1.37%	0.75%	6.96%	5.06%	1.17%	-2.54%

Data as of 12/04/2020

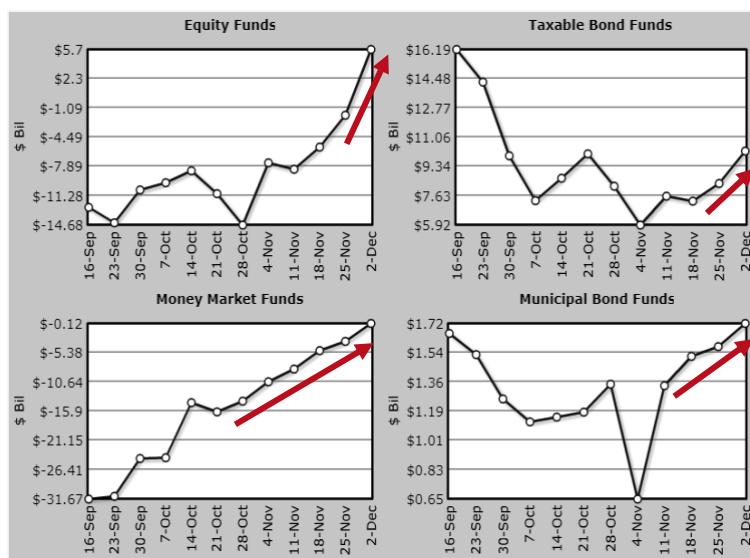
**Market Averages— S&P 500**

S&amp;P 500



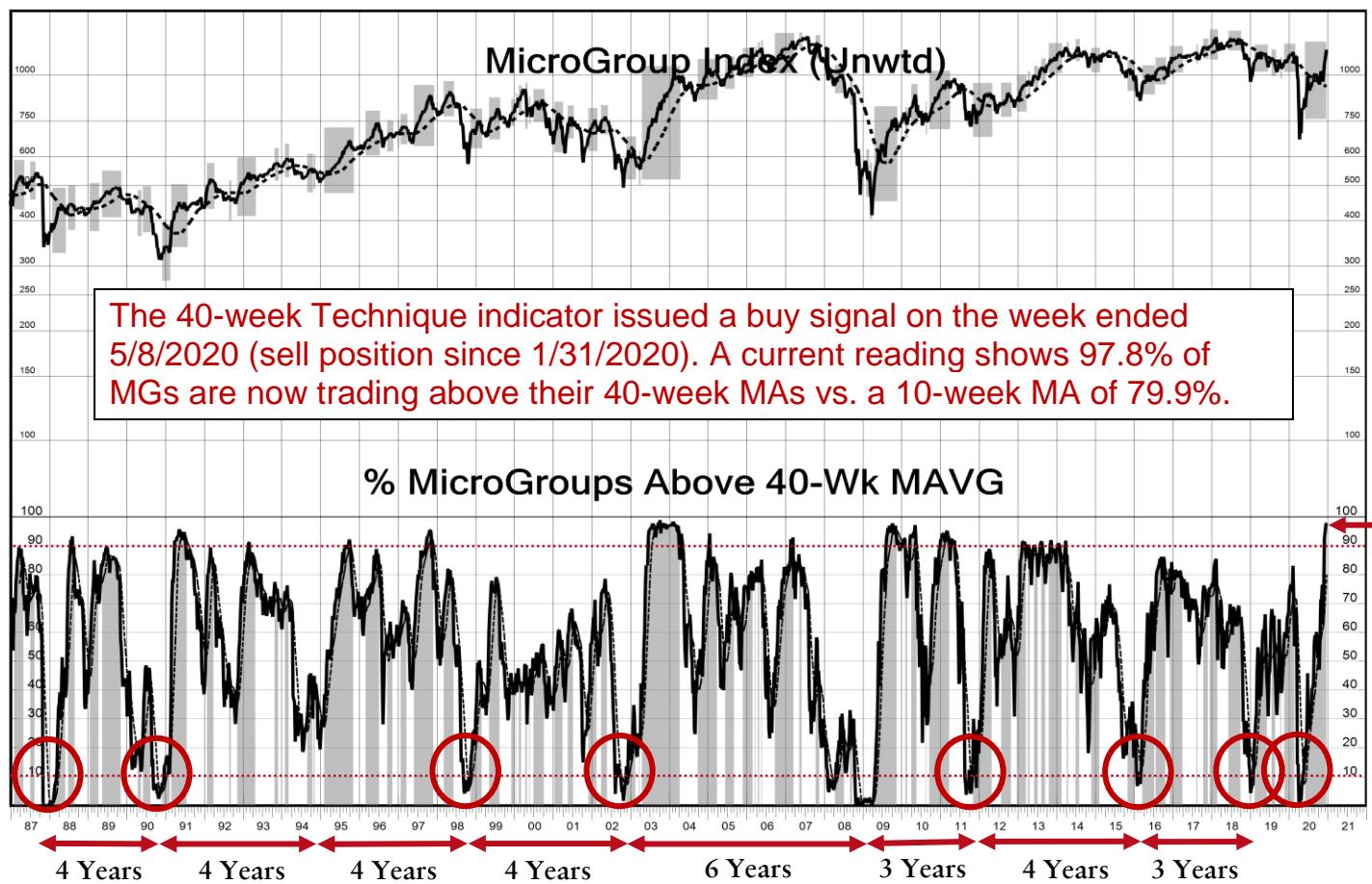
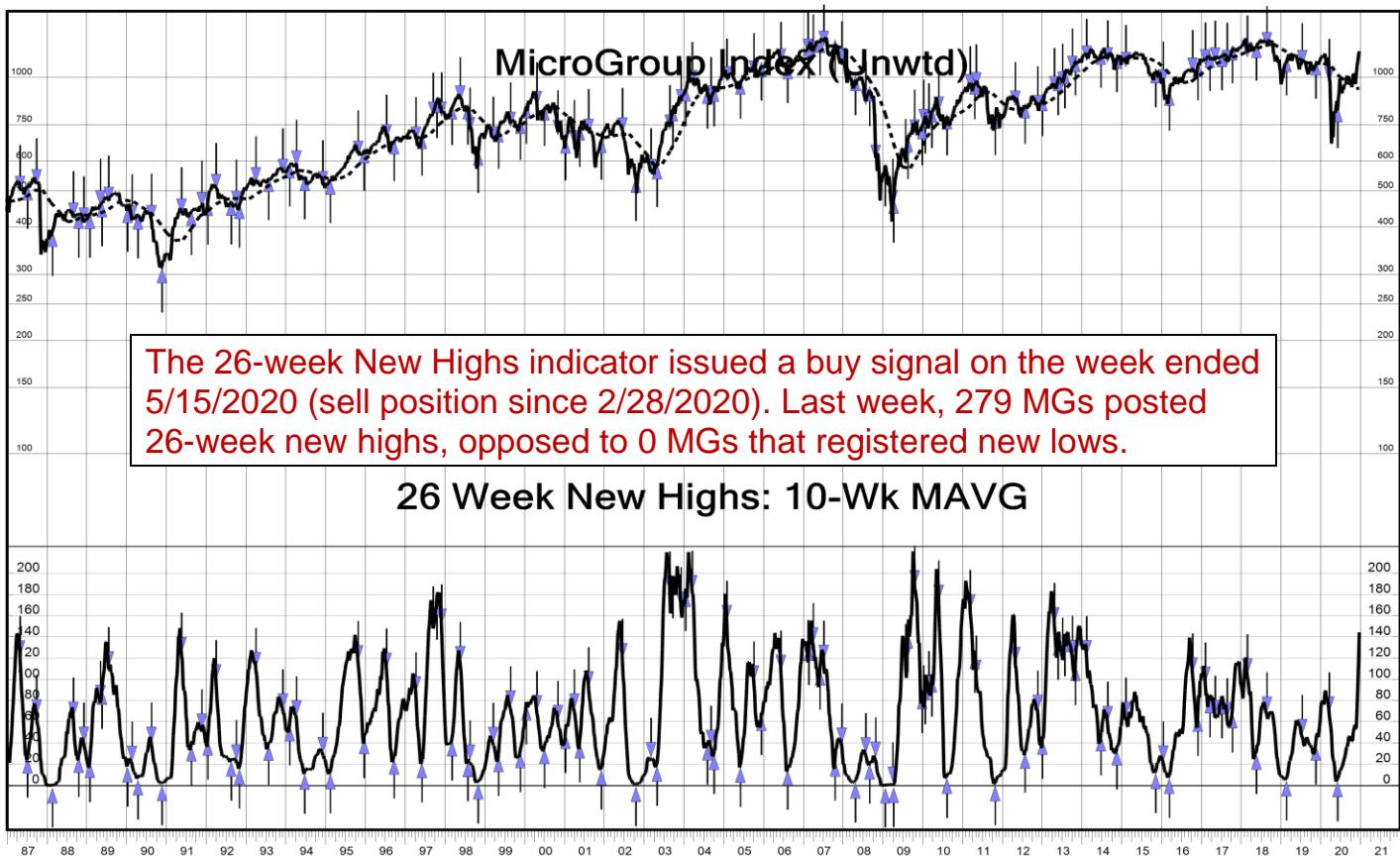
**Market Internals / Breadth / Fund Flows****Lipper Money Flow Charts**

Conventional equity funds (ex-ETF) reported their 32<sup>nd</sup> straight week of outflows last week (-\$2.7 billion). Domestic funds continue to face the brunt of the redemptions. Last week, the group reported \$2.3 billion of outflows with the majority coming out of large-cap focused funds (-\$1.5 billion). Inflows into equity ETFs have been relatively steady, as the group has only reported three weeks of outflows since the beginning of September. Last week, equity ETFs took in \$9.9 billion of new deposits with the majority of cash pouring into S&P 500 related products (+\$2.6 billion). Energy funds continue to attract investor attention as the group has now reported 10 straight weeks of inflows. The bulk of the inflows have been split between the XLE sector ETF along with solar and clean energy-related ETFs. Money continues to flow into taxable fixed income funds (2 weeks of outflows in 6-months). Corporate investment grade funds have captured the majority of new deposits as fund flows into high yield have been more inconsistent. Cash continues to consistently come off the sidelines as money market funds have now reported outflows in 17 out of 19 weeks. However, their total assets still remain nearly \$700 billion above their pre-pandemic levels.

**Total Equities and ETF's**

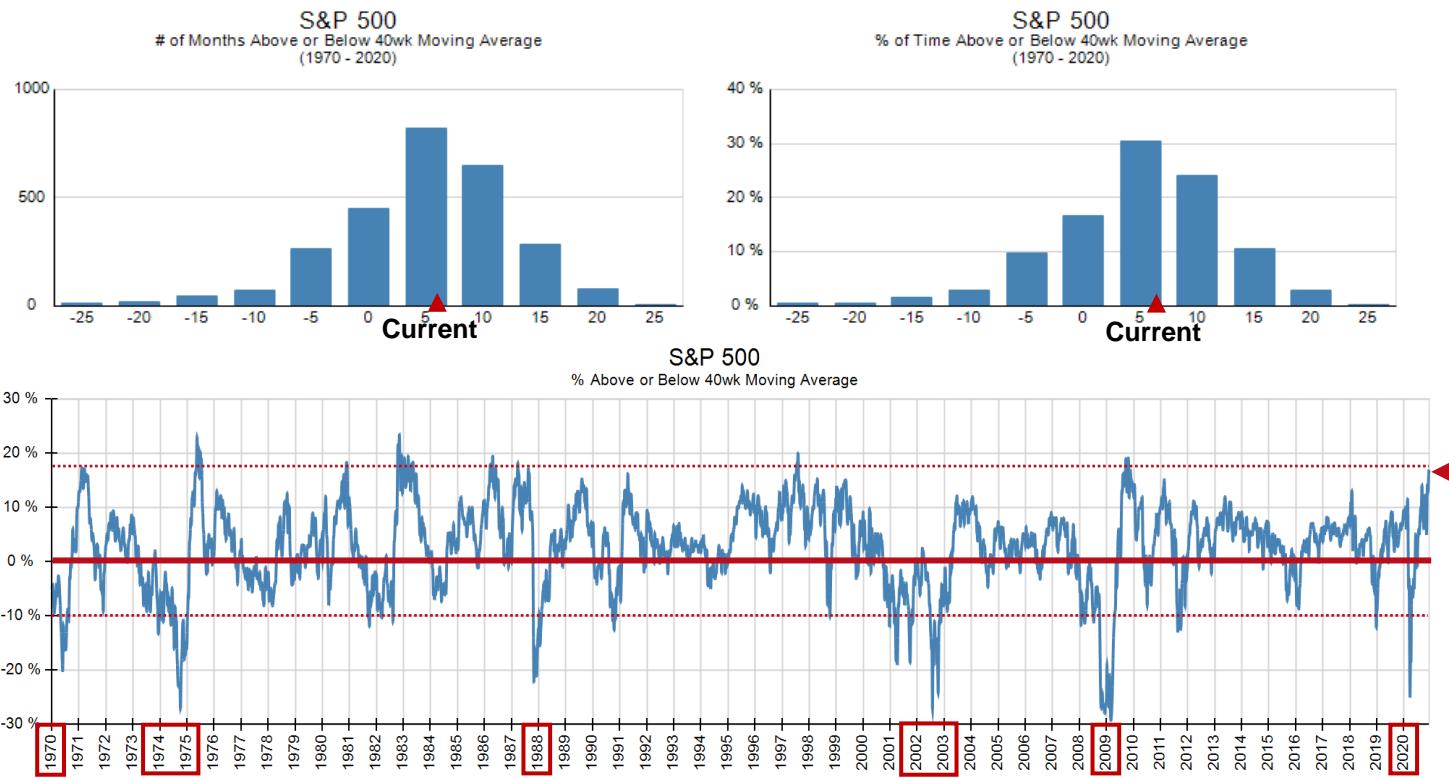
Key Money Flow Stats—Assets in Billions			
Current Week	(12/2/20)	Previous Week	(11/25/20)
Sectors	Assets	Assets	%
Money Markets	\$3,878.0	\$3,880.7	-0.07%
Equities	\$14,959.8	\$14,558.3	2.76%
Taxable Bonds	\$3,535.7	\$3,522.7	0.37%
Municipal Bonds	\$568.2	\$566.0	0.39%

As of 12/02/2020

**Market Internals / Breadth / Fund Flows**

## Market Internals / Breadth / Fund Flows

The S&P 500 climbed back above the 40-week MA at the end of May '20. The index has remained above this long-term MA for the last 6-months. Historically, the index has traded above the 40-week MA for an average period of 5-months.



The S&P 500 is currently trading at a 17% premium to its 40-week MA. A premium of this magnitude or greater has occurred only 2.7% of the time (132/4,810 weeks), representing nearly a +2 standard deviation move. The last time the proverbial rubber band stretched this far was during the fall of '09.

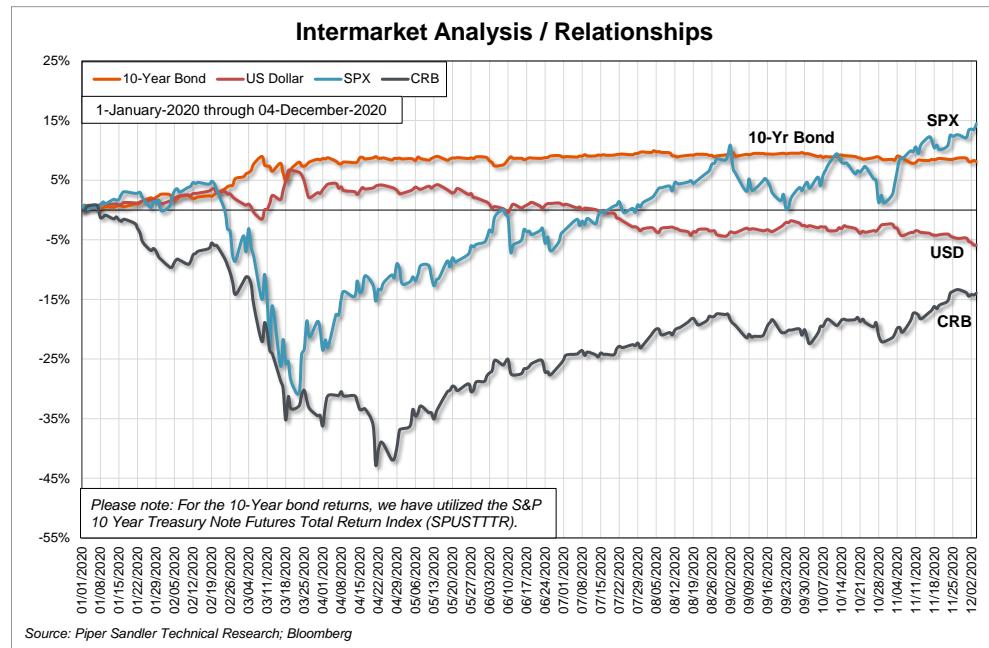
## Sector Analysis (Unwtd / MACE Evaluation)

Sector	U1	U2	U3	D1	D2	D3	Uptrend	Downtrend	Technigrade	Relative Rating	Absolute Rating
100 Energy	13%	39%	29%	2%	2%	15%	82%	18%	7	4	D
200 Basic Materials	5%	8%	55%	8%	9%	15%	68%	32%	11	3	C
300 Industrial Manufacturing	3%	11%	75%	3%	3%	5%	89%	11%	8	3	C
400 Utilities	12%	19%	54%	10%	2%	4%	85%	15%	19	4	D
500 Services	5%	14%	63%	4%	3%	11%	82%	18%	10	3	C
600 Financial	4%	17%	69%	2%	2%	5%	90%	10%	11	3	C
700 Transportation	15%	13%	52%	4%	4%	13%	79%	21%	11	3	D
800 Healthcare	13%	13%	41%	6%	5%	23%	67%	33%	15	2	B
900 Consumer Staples	10%	14%	50%	4%	6%	15%	74%	26%	15	3	C
1000 Consumer Cyclical	5%	9%	65%	8%	4%	8%	79%	21%	7	2	B
1200 Technology	8%	10%	59%	6%	4%	13%	77%	23%	9	2	B
1400 Communications/Media	13%	15%	54%	1%	5%	12%	82%	18%	13	3	C
S&P 500	4%	12%	68%	7%	3%	7%	83%	17%	17		

Currently, 83% of stocks within the S&P 500 are trading in some form of a MACE defined uptrend (U1, U2, or U3 rating), opposed to 59% at the time of our last publication.

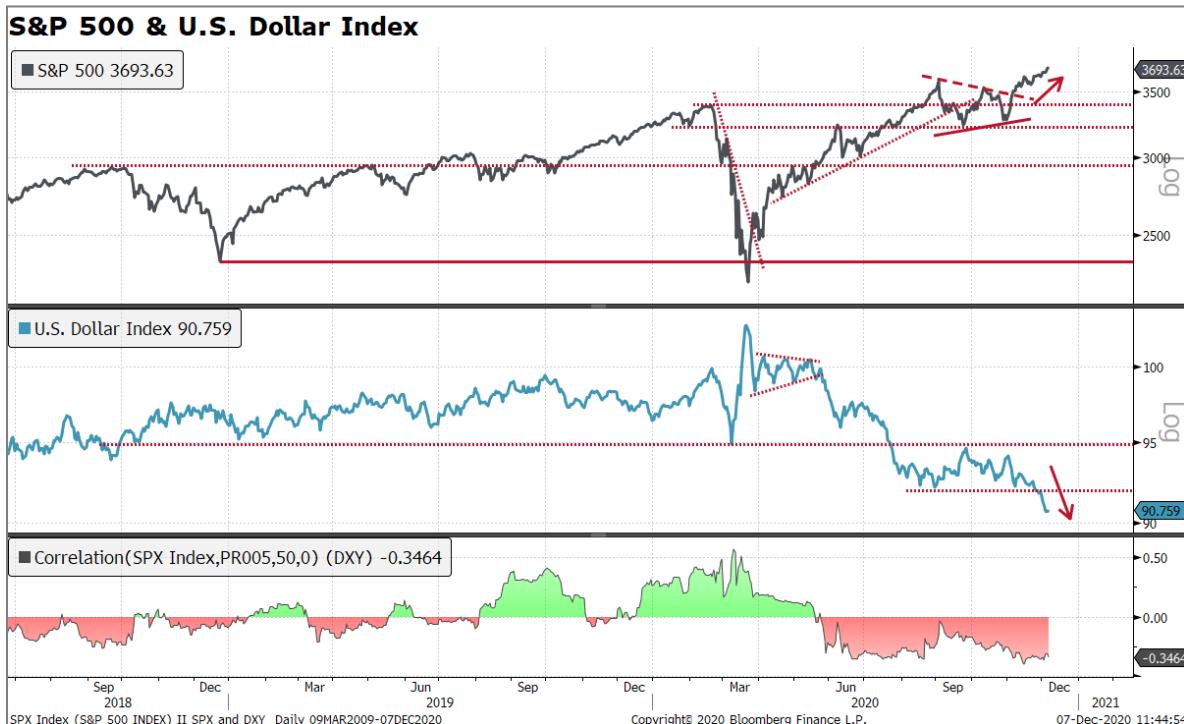
## Intermarket Analysis

The reopening rally has moved capital off the sidelines and into risk assets. The S&P 500 continues to outperform and is now up nearly 15% YTD (+65% off the March lows). The drop in the dollar has underpinned a commodity market rally that drove the CRB index up double digits over the last month. Energy, its largest component, has contributed to the majority of the rebound as WTI crude oil rallied 13% over the last 3-months. Industrial metals such as copper and aluminum have also heated up with 14% rallies over the last month. Investors are leaving the safe harbor of Treasuries for riskier waters. Benchmark 10-year Treasury yields are up 45 bps since their record-low registered this summer.



## US Dollar / SPX Correlation

The correlation between the S&P 500 and U.S. Dollar index has been negative for most of the recovery off the March lows. The high watermark in correlation began to recede as stocks bottomed in March and rallied out of bear market territory. We expect the negative correlation trend to continue as Washington prepares another round of stimulus. Monetary policy, specifically zero-bound interest rates and the Fed's flexibility over upside inflation, should also continue to support stocks and subsequently create headwinds for the greenback.



## Fixed Income Market

U.S. Treasuries are separating themselves from the global safe-haven pack. Unprecedented new issuance and progress toward another sizable stimulus deal have been the primary separating factors for U.S. rates. Benchmark 10-year yields have climbed 45 bps off the summer record-lows and reversed a major downtrend. Spreads to comparable 10-year German bunds have widened to more than 150 bps, marking the largest spread since March. On a relative basis, Treasuries remain attractive when considering Australia and South Korea are the only comparable credits trading with higher yields. Several other safe havens remain in/near negative territory, evidenced by the +\$17 trillion of negative yielding global sovereign debt (record level). The insatiable appetite for yield has compressed credit spreads to record-lows in both the investment grade and high yield space. We believe the vaccine will be a game changer for yields, and with time, other safe havens will likely follow U.S. Treasuries higher in 2021.

**Benchmark 10-Year UST Yields**



Benchmark 10-year Treasury yields have climbed their way out from a bottom via a rising price channel. The downtrend off the '18 highs has been reversed as yields trade near their highest levels since March. Momentum is confirming the breakout with MACD triggering a recent buy signal above the zero line. We believe the pieces are in place for rates to climb higher over the next year as the reopening theme gains momentum. While not linear, the path of least resistance for yields appears to be higher, and we forecast 10-year yields to finish 2021 within a range of 1.50-1.75%.

**S&P 500 & Credit Spreads**



Credit spreads and the SPX continue to trade in opposite directions. With the broader market making new highs, investment grade and high yield spreads have receded back to their pre-pandemic levels.

**Curve Spreads & Breakeven Rates**



10Y-2Y UST spreads have reversed a long-term downtrend after briefly inverting last year.

We believe risk is to the upside for spreads based on 1) the FOMC denouncing a negative interest rate policy, 2) green shoots emerging in the U.S. economy, and 3) inflation expectations recently breaking out to multi-month highs (see panel 2 to the left of 10-year breakeven rates).

## Currencies

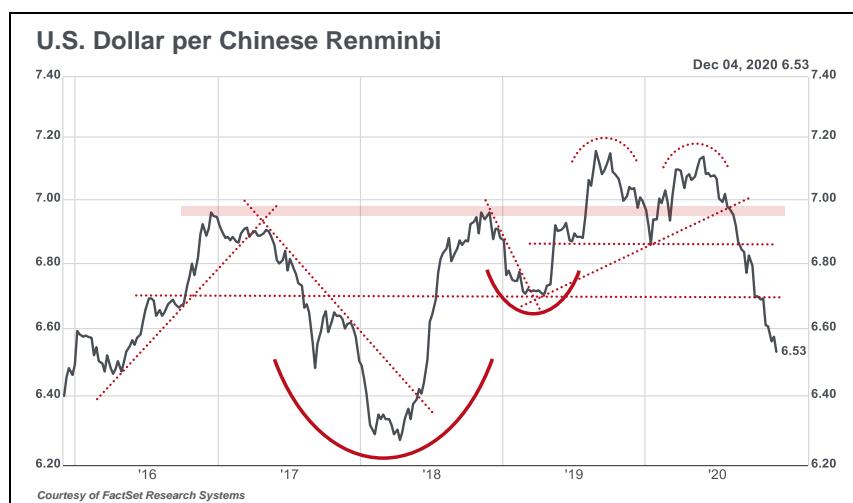
How low will it go has been the ongoing theme for the U.S. dollar. The double-digit drop since March closely resembles the depth and velocity of the '17 decline that drove the dollar from 103 to 88 in 12-months. Considering the parallels in price action, and the 88 level now looking like key support, we suspect this area provide a temporary bottom for the greenback. Until then the path of least resistance appears lower. The dollar demise has been welcomed by Euro bulls as the EUR/USD pair recently broke out from a bottom and appears to be setting up for a retest of the '18 highs near 1.25. Brexit uncertainty could create some volatility along the way as the EU and UK work toward a trade agreement. Avoiding a no-deal Brexit would also likely push the GBP/USD above 1.35, which would validate a breakout from its two-year bottom formation. Outside of Europe, China's quick recovery from the coronavirus and avoidance of a major second wave outbreak has led to meaningful appreciation in the Yuan. The USD/CNY has dropped 9% since June.



The dollar has rolled over and violated a LT uptrend/support near 92; reduce positions, a retest of the '18 lows (near 88) appears likely.



The pair has climbed to multi-year highs after breaking out from a rounding bottom; above the 50-/200-day MAs; RSI has reached overbought levels; use pullbacks as buying opportunities.



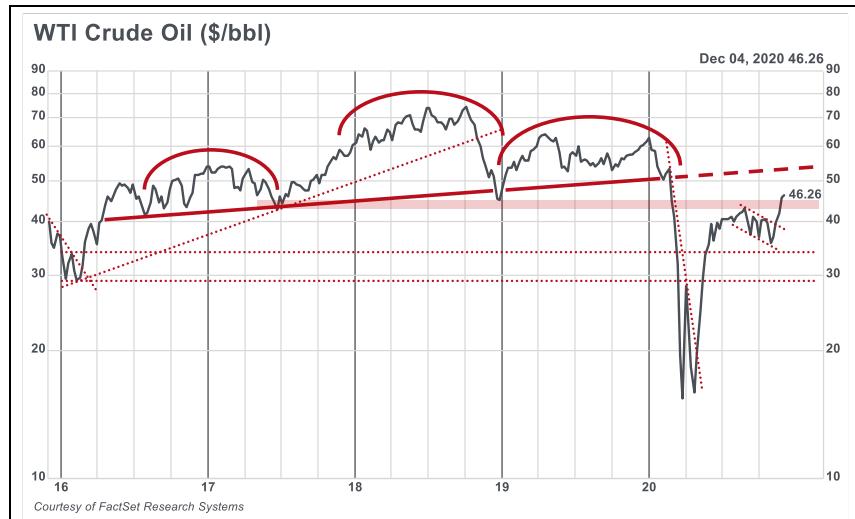
The pair is trending lower after violating multiple support levels; use relief rallies to reduce positions.

## Commodities

The broader commodities complex has staged an impressive recovery over the last several weeks. The CRB Index is up over 10% since the beginning of November as the vaccine news reignited the reopening rally. A breakdown in the dollar provided further tailwinds for commodities. Industrial metals such as aluminum and copper led the charge as they broke out from major bottoms. Gold and silver suffered pullbacks from their recent parabolic price moves, and we remain buyers on weakness. In energy, WTI crude futures broke out from a consolidation range and appear to be setting up for a retest of the '19 lows (\$50). Expectations for a swift rebound in demand appear uncomfortably high; however, the recent OPEC+ compromise should help alleviate some supply side uncertainty. Natural gas stands out on the weaker side as futures recently broke down from a head and shoulders top formation.



The CRB Index has reversed a declining price channel; recent golden crossover between the 50-/200-day MAs; RSI remains in bullish territory and is confirming the recent breakout; add to positions, as we suspect more upside lies ahead.



WTI crude oil futures have broken out from a bullish flag formation; add to positions, as we suspect more upside lies ahead.



Gold futures have bounced off support near the \$1,780-\$1,800 range; use the recent pullback as a buying opportunity.

**Commodities (cont'd)**

Copper futures have cleared resistance off the '18 highs (near \$3.30); a new leg higher appears to be underway.



Aluminum futures have broken out from a bottom and cleared multiple resistance levels; add to positions, a retest of the October '18 highs (\$2,205) appears likely.



Lumber futures recovered from their recent lows and recaptured resistance off the '18 highs; add to positions.

## Foreign Markets

The removal of the overhang from the U.S. election and recent rollout of a coronavirus vaccine has sparked a record-high rally for several of the major global equity benchmarks. The NASDAQ Composite is leading the charge with a YTD gain of nearly 40%. Most of the indices within the Americas region are now at record-highs and approaching overbought levels. European markets have struggled with coronavirus and their own political drama via Brexit, leaving most major indices in the red for the year. Within the Asia/Pacific region, the South Korean Kospi sits at the top of the leaderboard with a YTD gain of 24%. The index has also recently reached overbought RSI readings commensurate with prior pullback periods in June and August.



The index appears poised to retest the '17/'18 highs after breaking out from a consolidation range; add to positions.



The index is trading at multi-year highs after surpassing key overhead resistance; use pullbacks to accumulate positions.



The index has recovered from oversold levels and reversed a major downtrend; add to positions.

**MicroGroup Highlights**

The broader market continues to advance in record-high territory. While we believe there is growing risk for a short-term pullback from overbought levels, we still see several attractive-looking trade ideas within our Overweight rated sectors: *Consumer Cyclicals, Industrials, and Technology*. We have also highlighted a select number of other actionable trade ideas in the following section.

Cap Order &amp; TechniGrade

NUE 9 Nucor Corp	TMST 7 Timkensteel Corpor
STLD 6 Steel Dynamics Inc	
X 1 United States Stl	
WOR 6 Worthington Inds I	
RYI 1 Ryerson Hldg Corp	

**Steel, Domestic**

202



69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 010 011 012 013 014 015 016 017 018 019 020 021

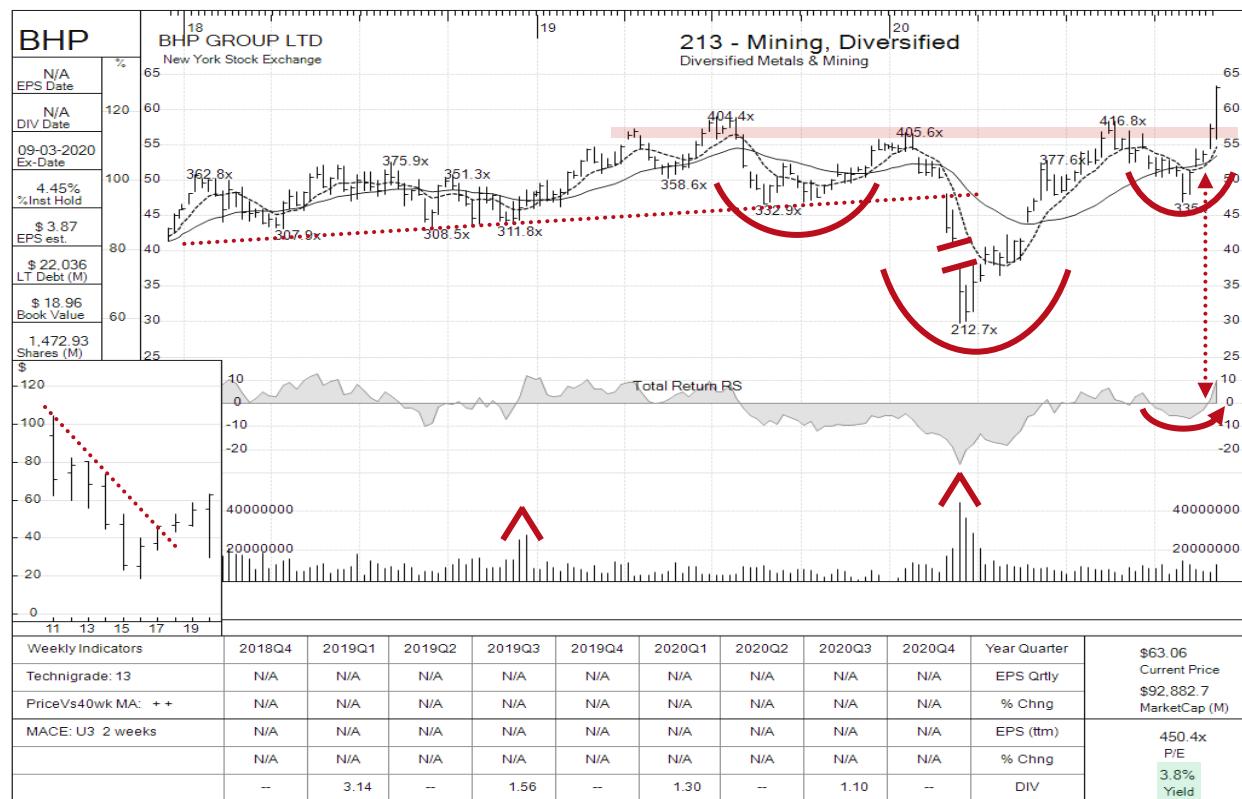
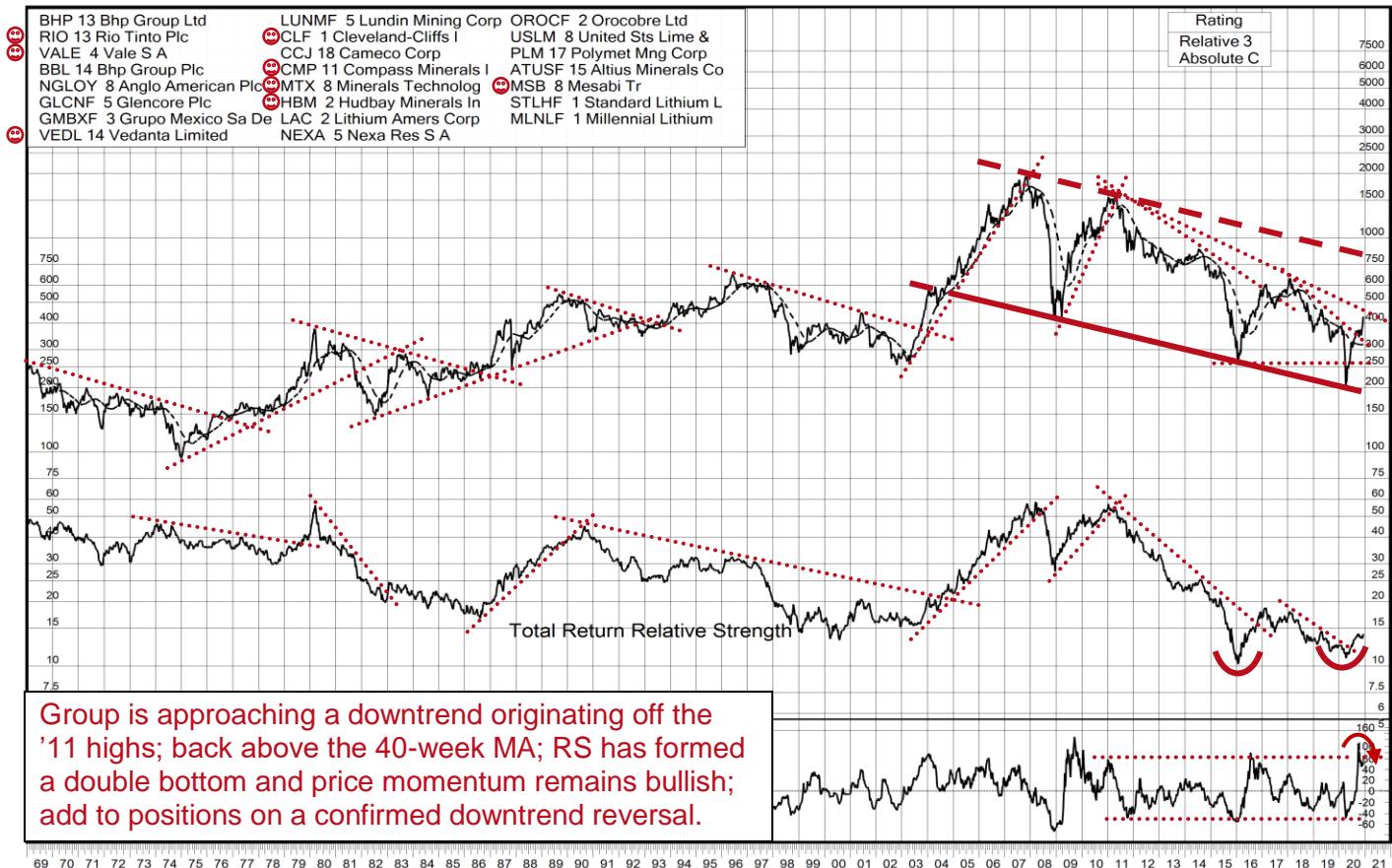


**MicroGroup Highlights**

Cap Order &amp; TechniGrade

**Mining, Diversified**

213



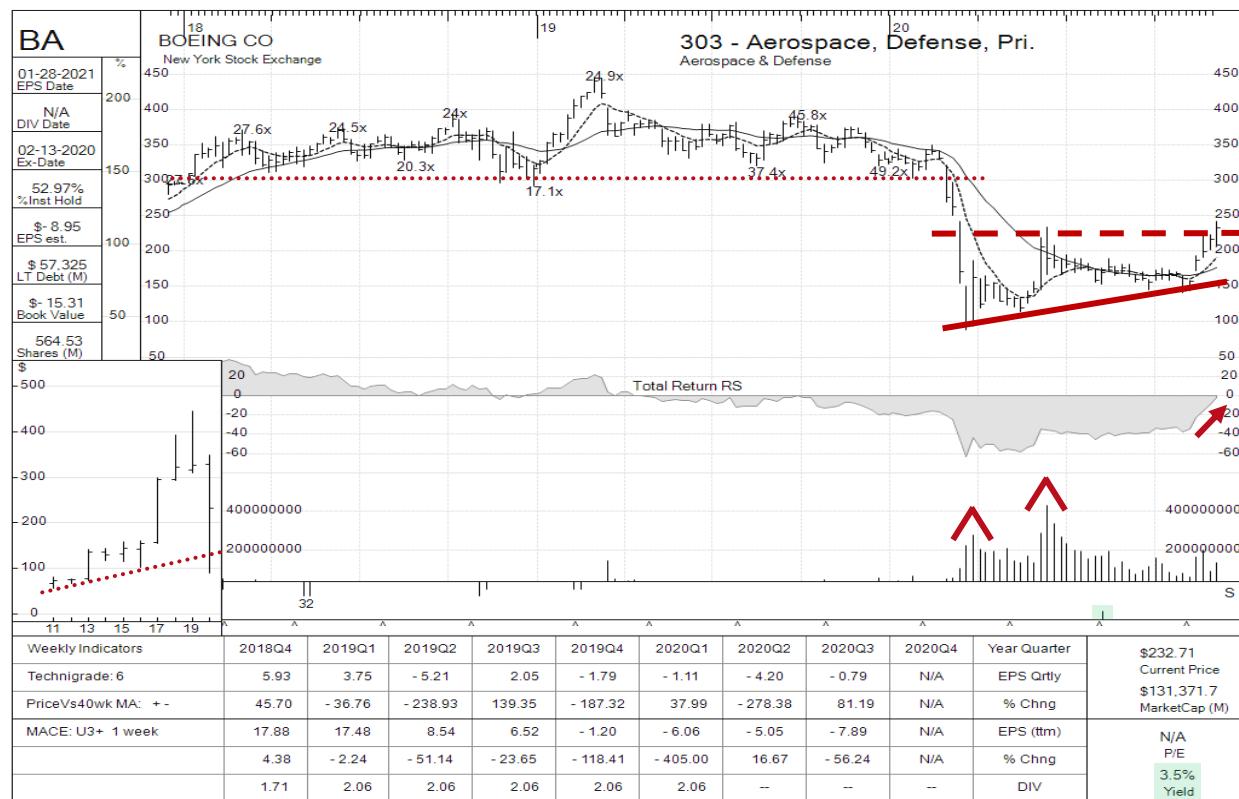
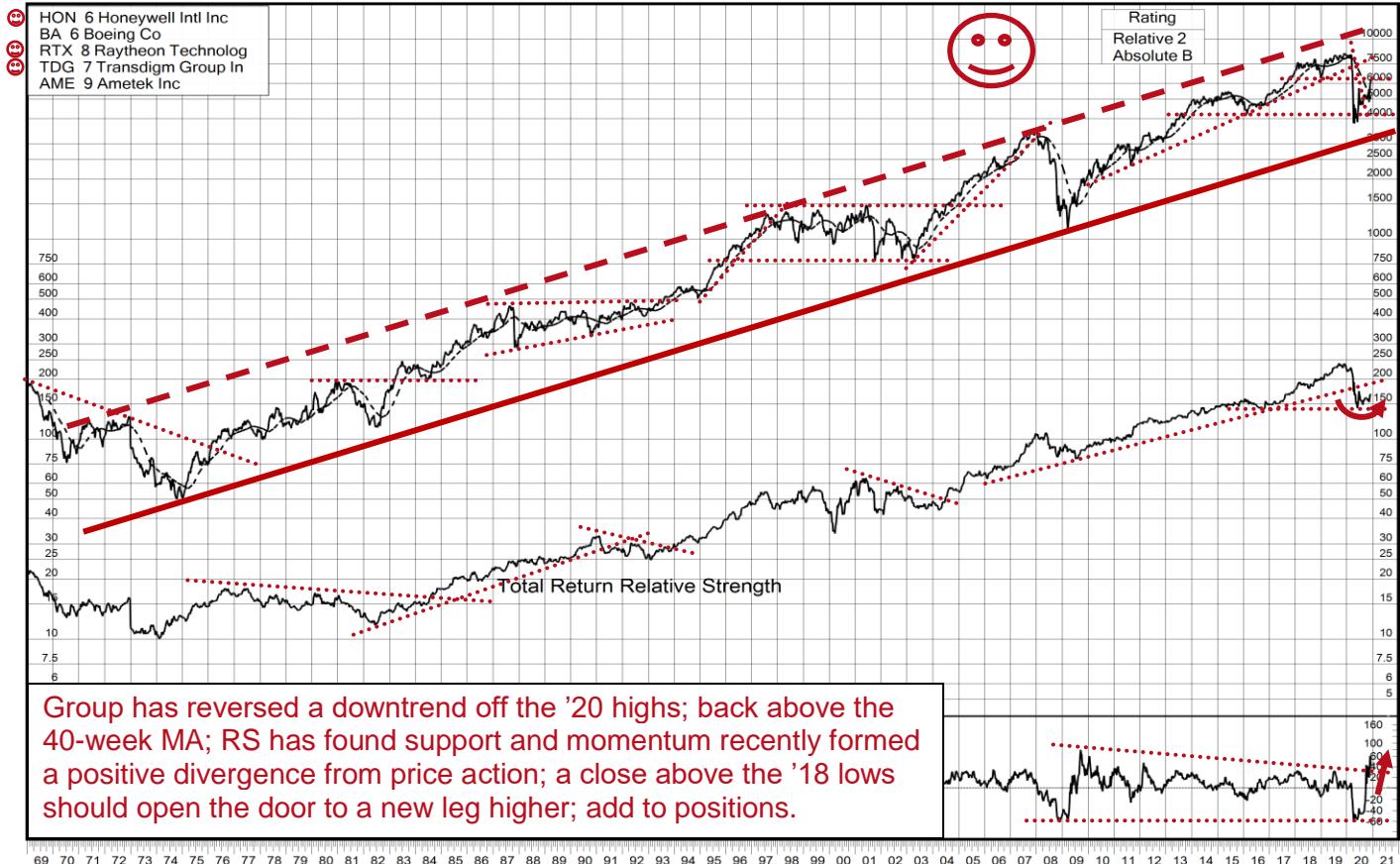
**BHP—Shares have broken out from an inverted head and shoulders formation; recent bullish crossover between the 10-/30-week WMAs; RS has climbed back into positive territory and attractive dividend yield; use pullbacks toward support to accumulate positions.**

**MicroGroup Highlights**

Cap Order &amp; TechniGrade

**Aerospace, Components, Pri.**

306



**BA—Shares have broken out from a multi-month ascending triangle; recent bullish crossover between the 10-/30-week WMAs; RS is trending toward positive territory; attractive dividend yield; accumulate positions, as we suspect more upside lies ahead.**

**MicroGroup Highlights**

Cap Order &amp; TechniGrade

**Construction/Materials Handling Equip.**

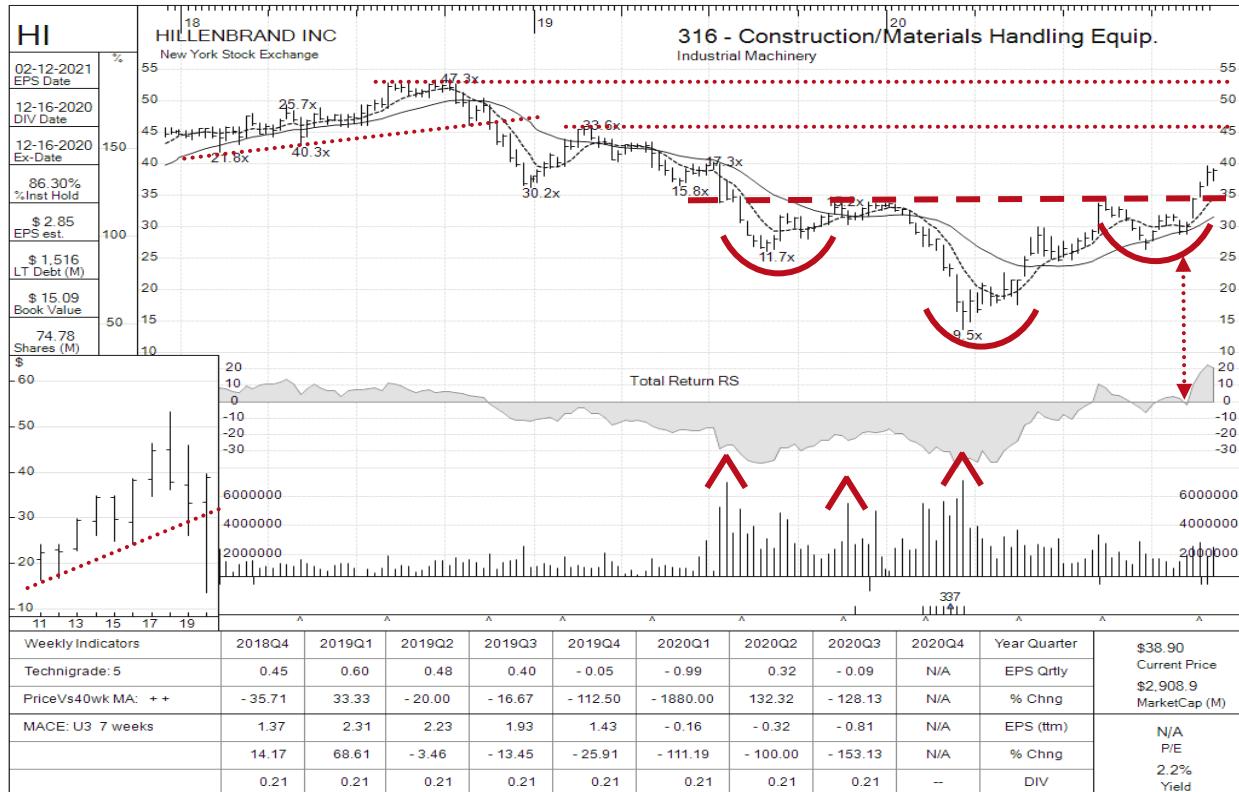
316

<b>CAT</b> 9 Caterpillar Inc	<b>PLOW</b> 13 Douglas Dynamics I
<b>KUBTY</b> 8 Kubota Corp	<b>CMCO</b> 14 Columbus McKinnon
<b>HI</b> 5 Hillenbrand Inc	<b>MTW</b> 8 Manitowoc Co Inc
<b>TEX</b> 2 Terex Corp New	<b>GENC</b> 17 Gencor Inds Inc
<b>ASTE</b> 11 Astec Inds Inc	<b>MNTX</b> 18 Manitex Intl Inc

Rating  
Relative 3  
Absolute C

Group has reversed a declining price channel; back above the 40-week MA; RS has bounced off multi-year lows; momentum has formed a positive divergence from price action; a close above the '19 highs should open the door to a new leg higher.

69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 010 011 012 013 014 015 016 017 018 019 020 021



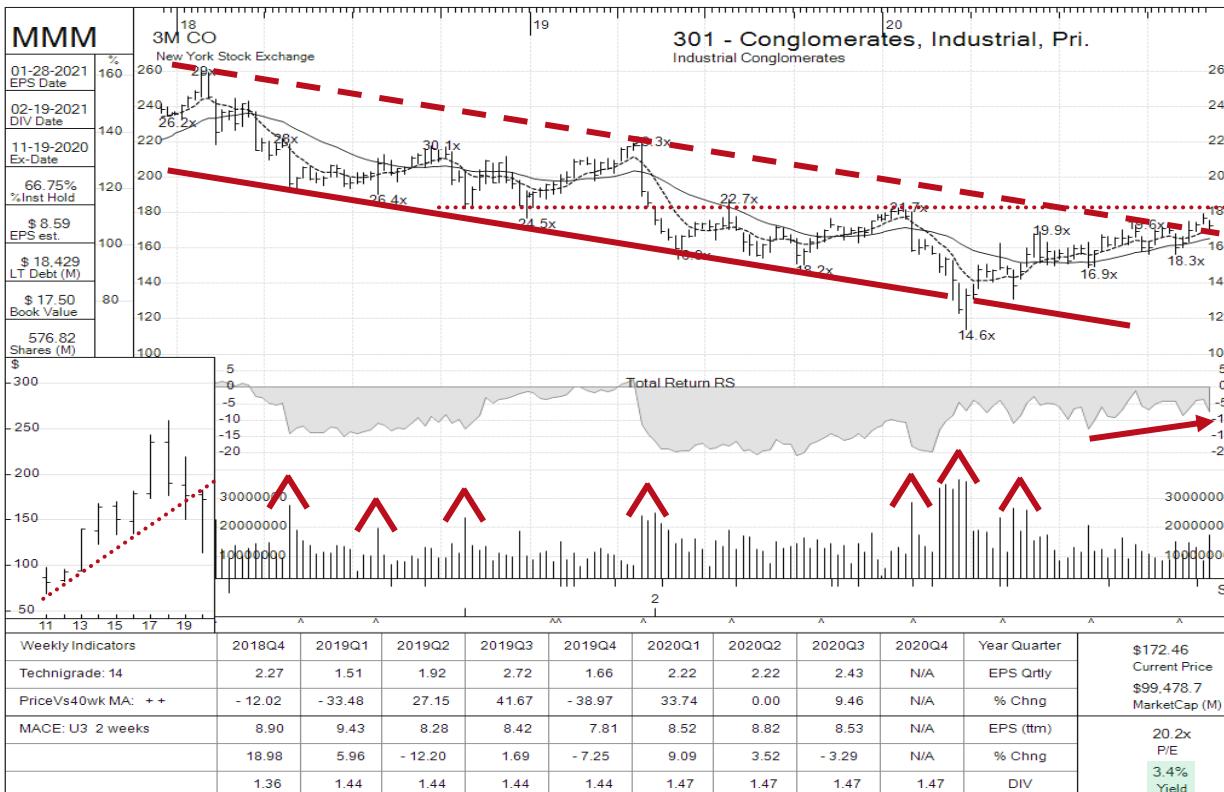
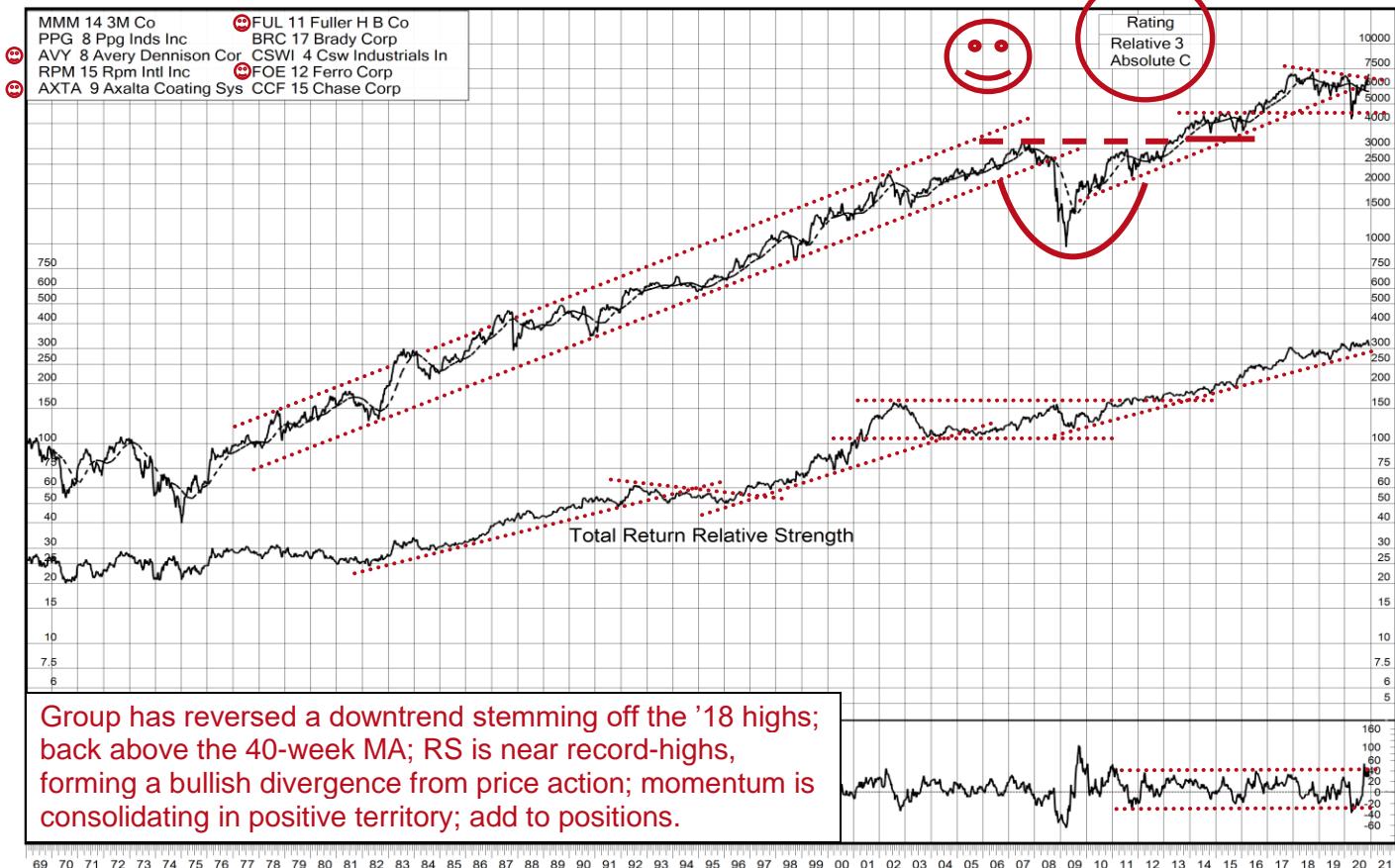
HI—Shares have broken out from an inverted head and shoulders formation; back above the 10/30-week WMAs; RS has climbed to multi-year highs and is confirming the breakout; add to positions, the next levels of resistance set up near \$43.50 and \$50 ('18 highs).

**MicroGroup Highlights**

Cap Order &amp; TechniGrade

**Adhesives & Coatings**

326



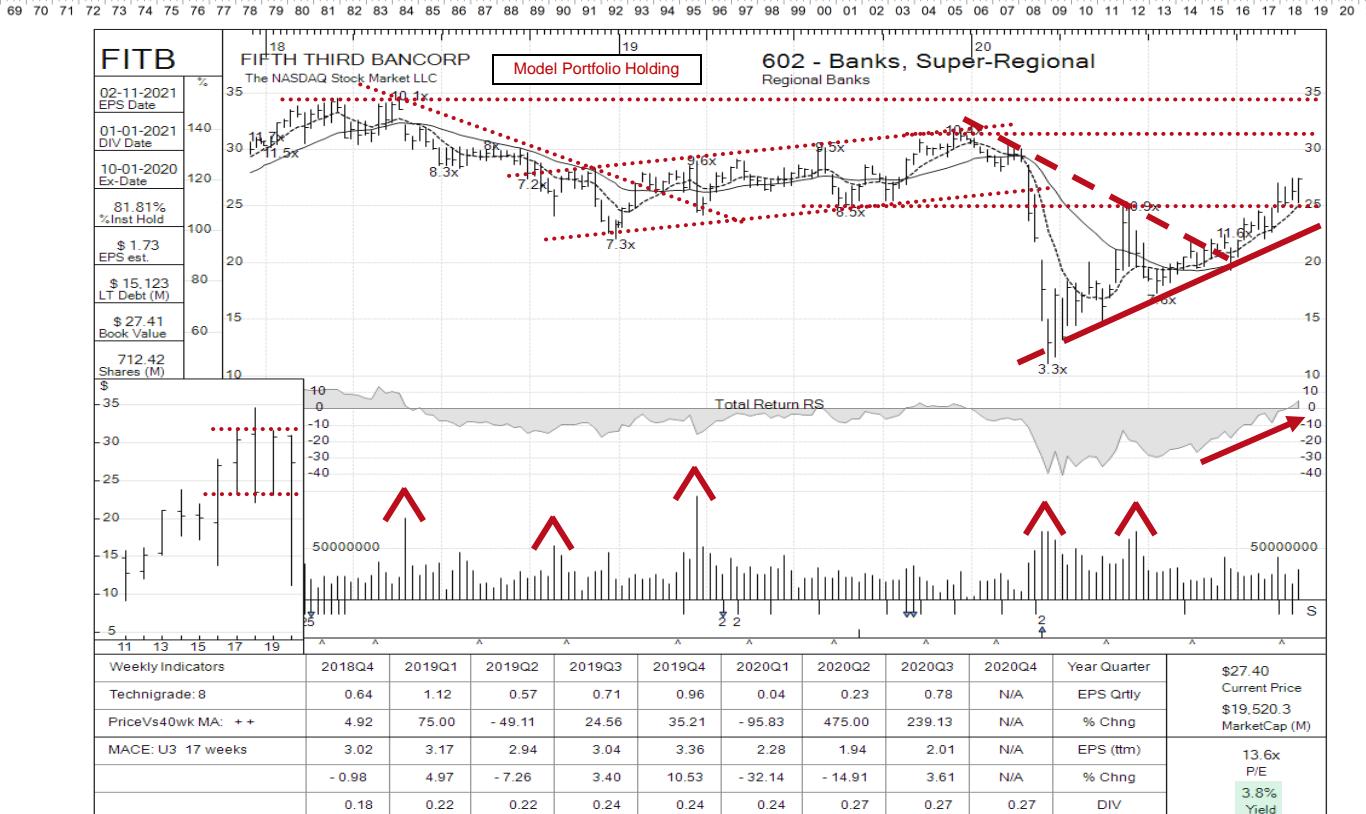
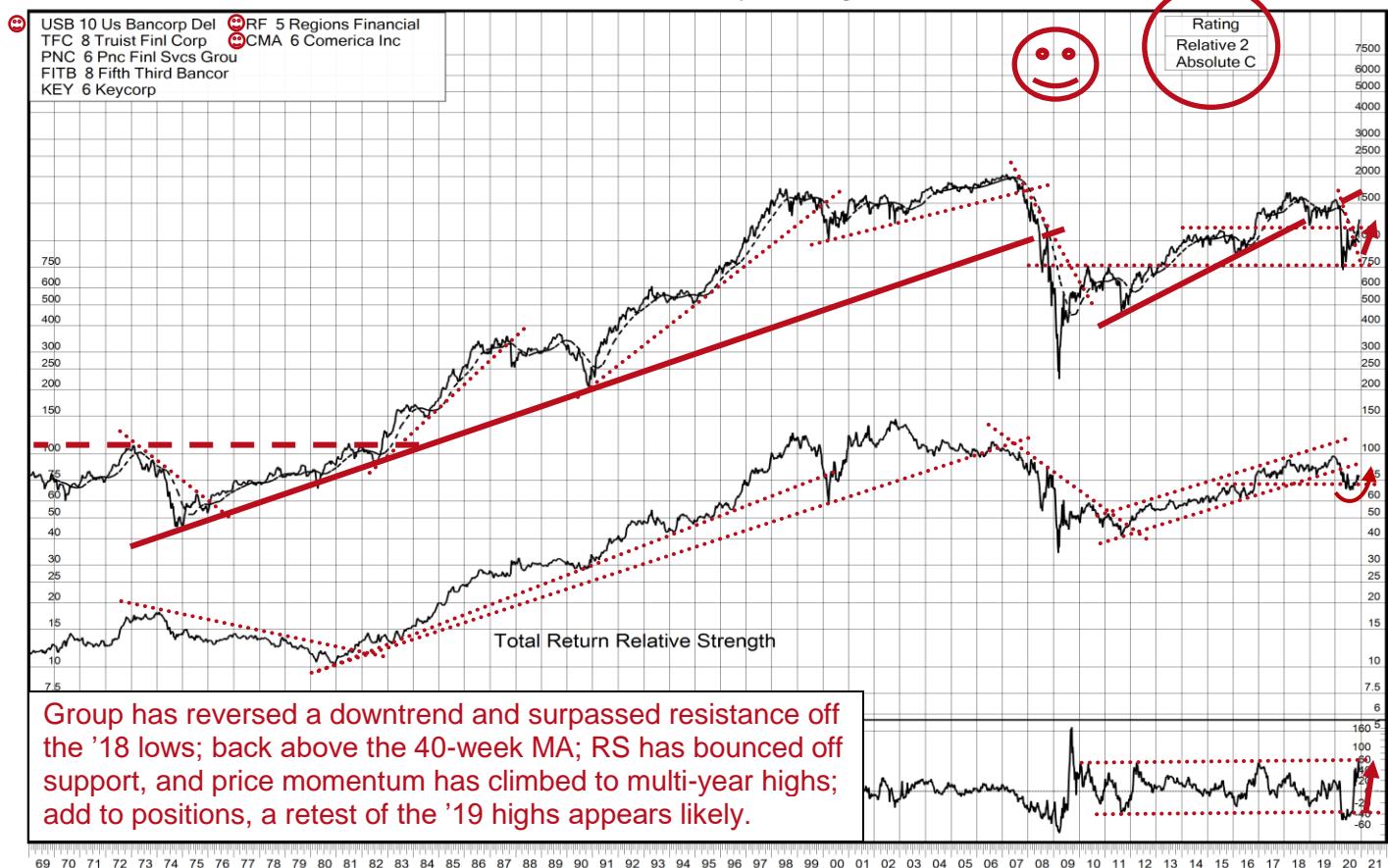
**MMM—Shares have reversed a LT declining price channel; back above the 10-/30-week WMA; RS is improving/moving closer to positive territory; attractive dividend yield; a close above \$175 should open the door to a new leg higher; add to positions.**

**MicroGroup Highlights**

Cap Order &amp; TechniGrade

**Banks, Super-Regional**

602



**FITB**—Shares have broken out from a symmetrical triangle formation after clearing resistance near \$24.50; above the rising 10/30-week WMAs (bullish crossover); RS has climbed back into positive territory and is confirming the breakout; attractive dividend yield; add to positions, a retest of the '19 highs near \$30 appears likely.

**MicroGroup Highlights**12/04/20  
Cap Order & TechniGrade

V 15 Visa Inc	SYF 7 Synchrony Financia
MA 15 Mastercard Incorp	ATLC 3 Atlanticus Hldgs C
AXP 8 American Express C	PMTS 2 Cpi Card Group Inc
COF 6 Capital One Finl C	
DFS 3 Discover Finl Svcs	

**Credit Card Issuers**

653

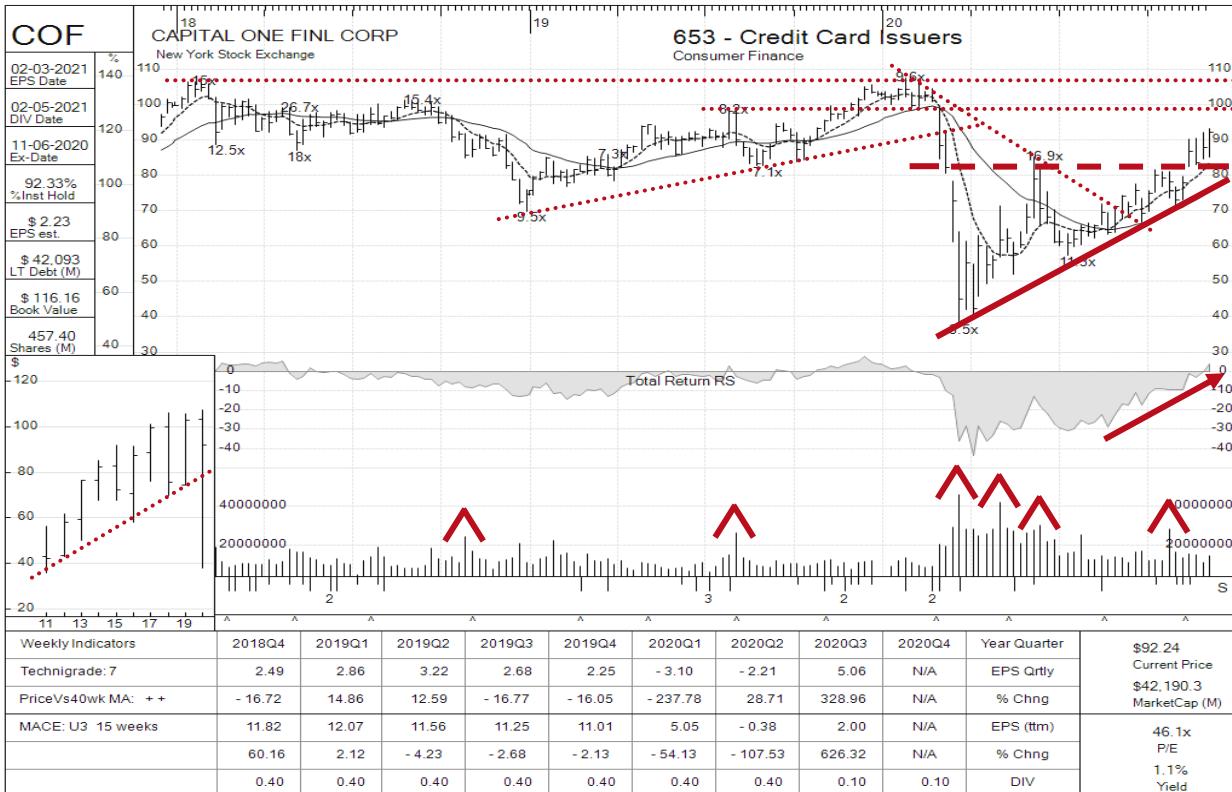


Rating  
Relative 2  
Absolute B

Group has cleared resistance stemming off the February '20 highs; extended above the 40-week MA; constructive RS trend; momentum has eased from overbought territory; use pullbacks to accumulate positions.

**COF**

02-03-2021	%	140
EPS Date		
02-05-2021	DIV Date	
11-06-2020	Ex-Date	
92.33%	% Inst Hold	
\$ 2.23	EPS est.	
\$ 42,093	LT Debt (M)	
\$ 116.16	Book Value	
457.40	Shares (M)	

**CAPITAL ONE FINL CORP**  
New York Stock Exchange**653 - Credit Card Issuers**  
Consumer Finance

**COF**—Shares have broken out from a multi-month ascending triangle; recent bullish crossover between the 10-/30-week WMAs; RS and volume are confirming the breakout; add to positions, the next levels of resistance set up near \$96 and \$105.50 ('20 highs).

**MicroGroup Highlights**

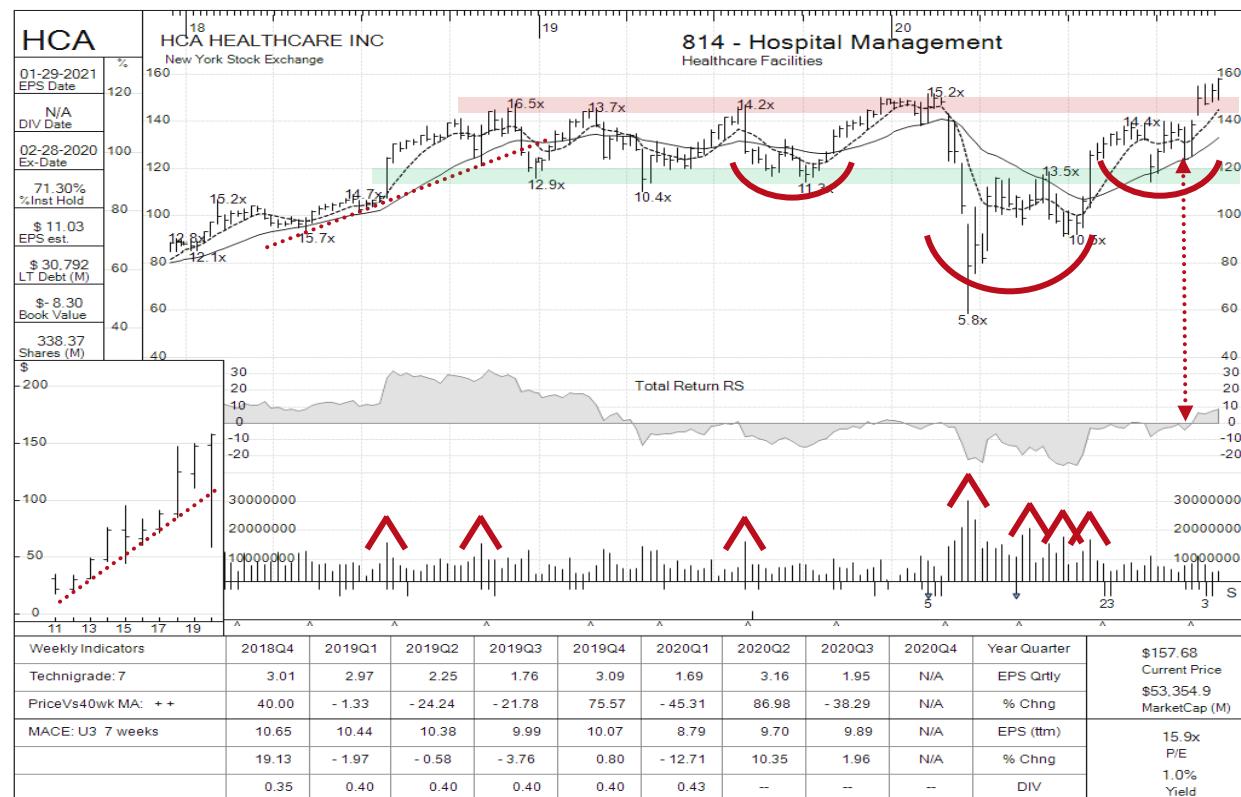
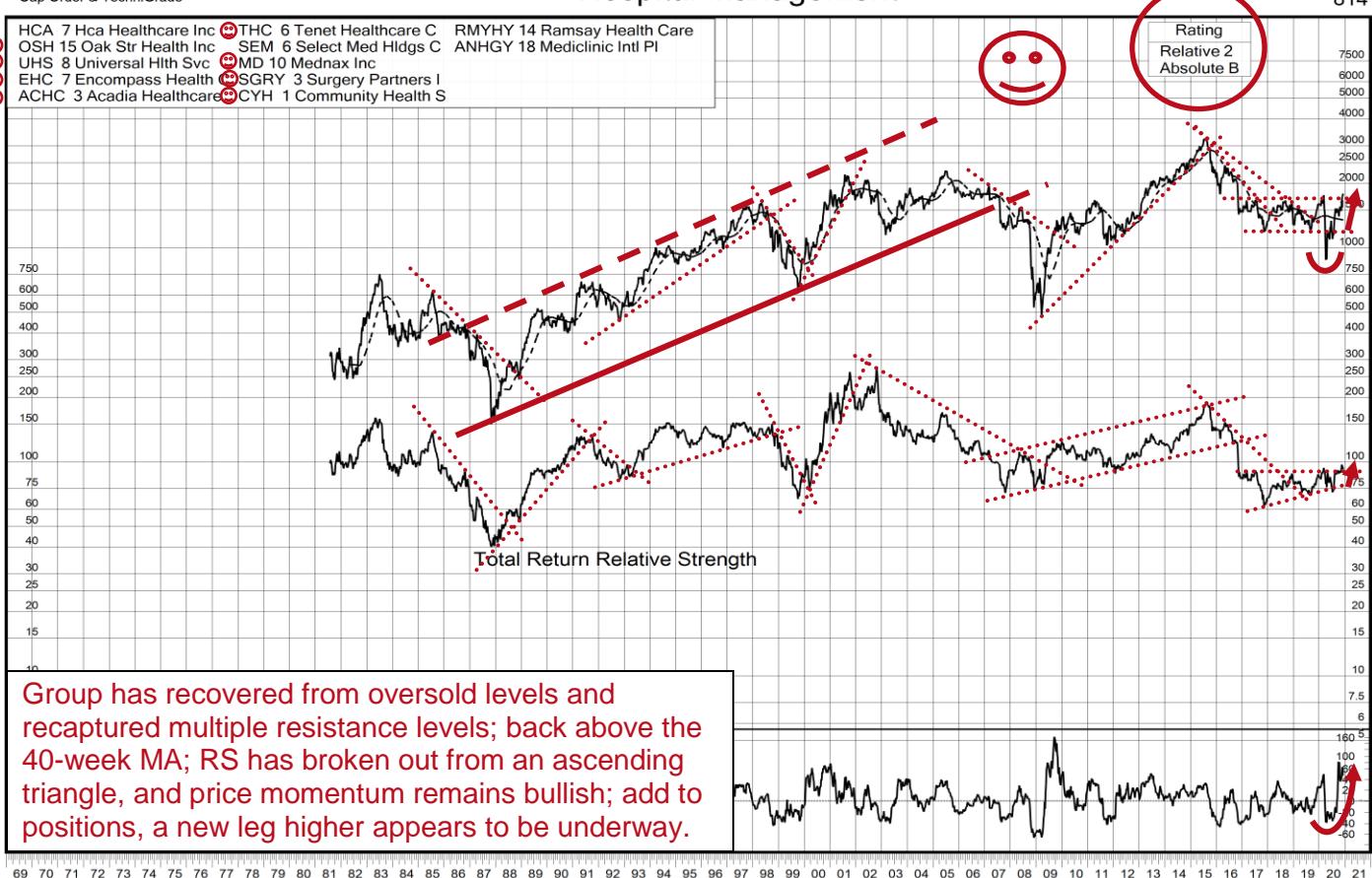
Cap Order &amp; TechniGrade

**Hospital Management**

814

BBB

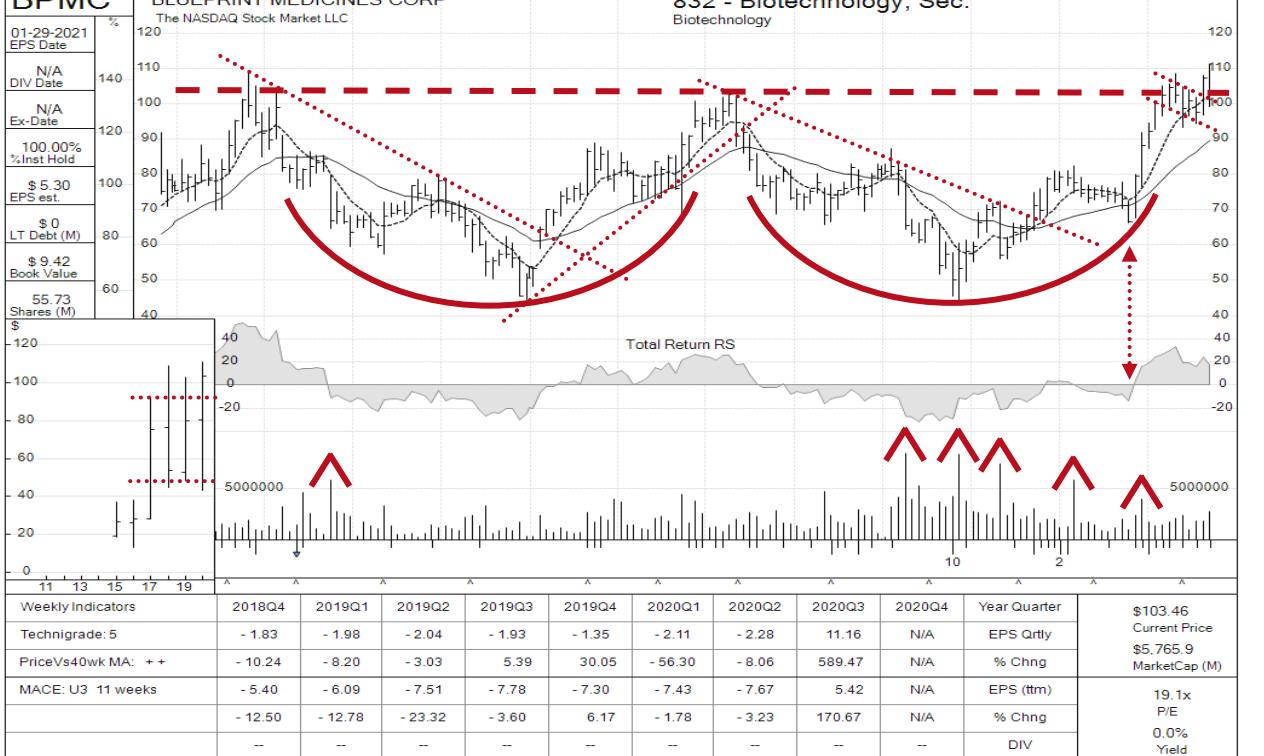
HCA 7 Hca Healthcare Inc THC 6 Tenet Healthcare C RMYHY 14 Ramsay Health Care  
 OSH 15 Oak Str Health Inc SEM 6 Select Med Hldgs C ANHGY 18 Mediclinic Intl Pl  
 UHS 8 Universal Hlth Svc MD 10 Mednax Inc  
 EHC 7 Encompass Health SGRY 3 Surgery Partners I  
 ACHC 3 Acadia Healthcare CYH 1 Community Health S



**HCA—Shares have broken out from an inverted head and shoulders formation; back above the 10/30-week WMAs; RS has climbed back into positive territory and is confirming the breakout; add to positions, as we suspect more upside lies ahead.**

**MicroGroup Highlights****Biotechnology, Sec.**

832

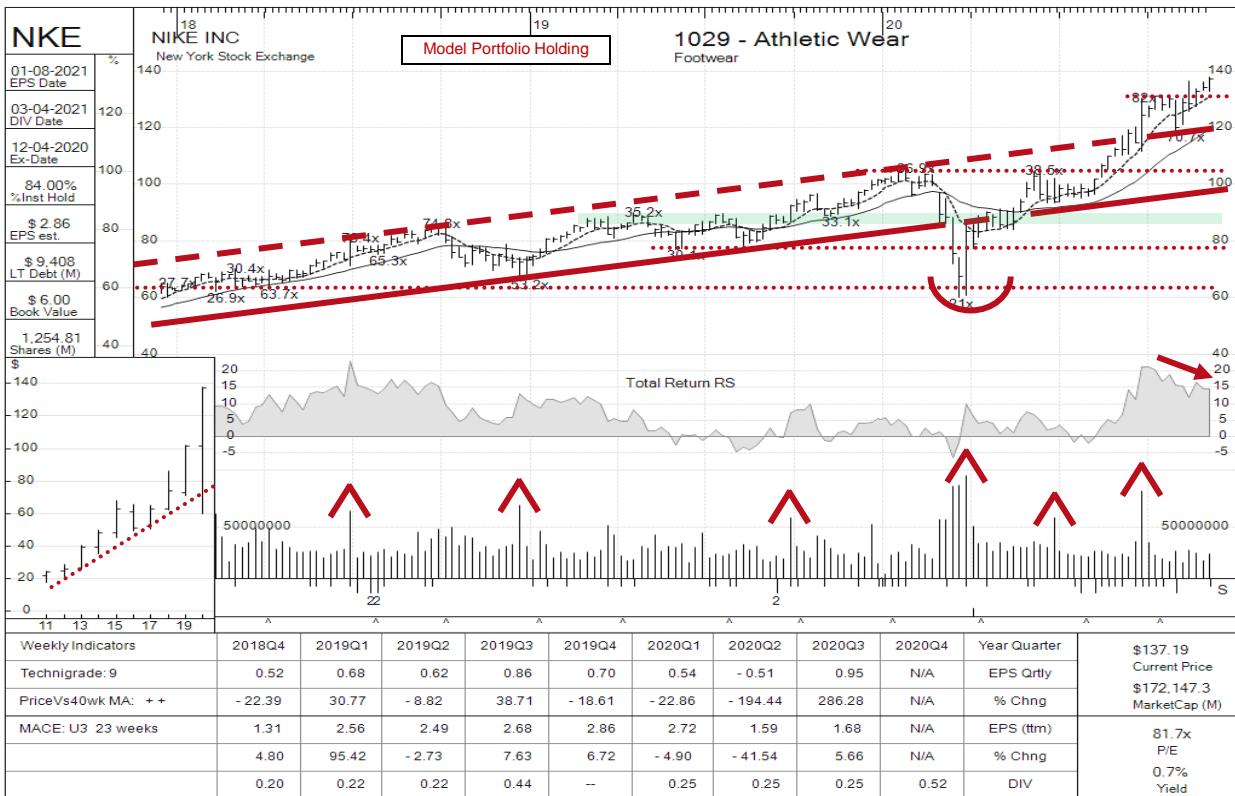
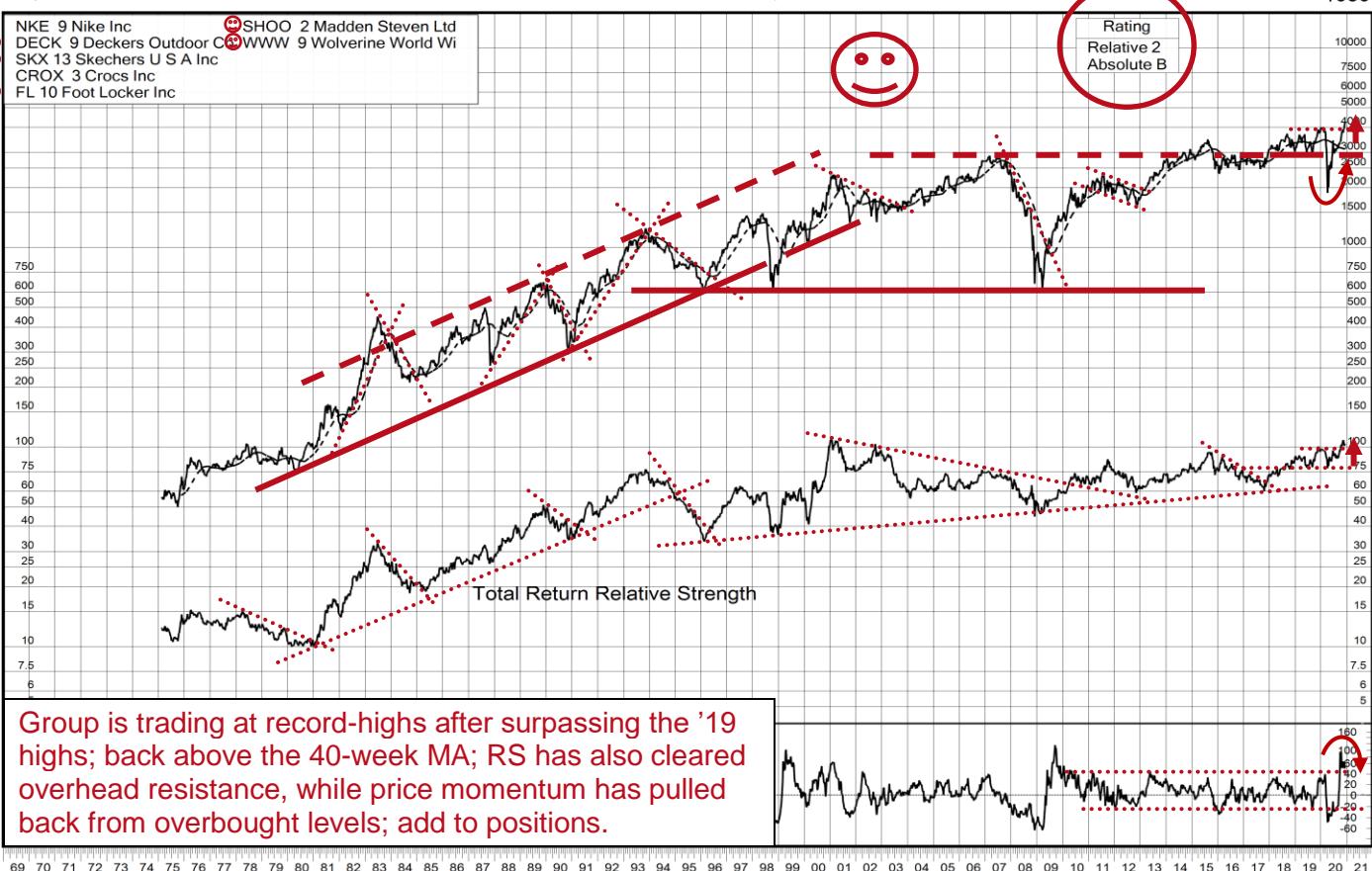
**BPMC****BLUEPRINT MEDICINES CORP**  
The NASDAQ Stock Market LLC**832 - Biotechnology, Sec.**  
Biotechnology

**BPMC—Double-bottom:** Shares have cleared resistance from the '18/'19 highs; back above the rising 10-week WMA; RS has climbed back into positive territory and is confirming the breakout; add to positions, as we suspect more upside lies ahead.

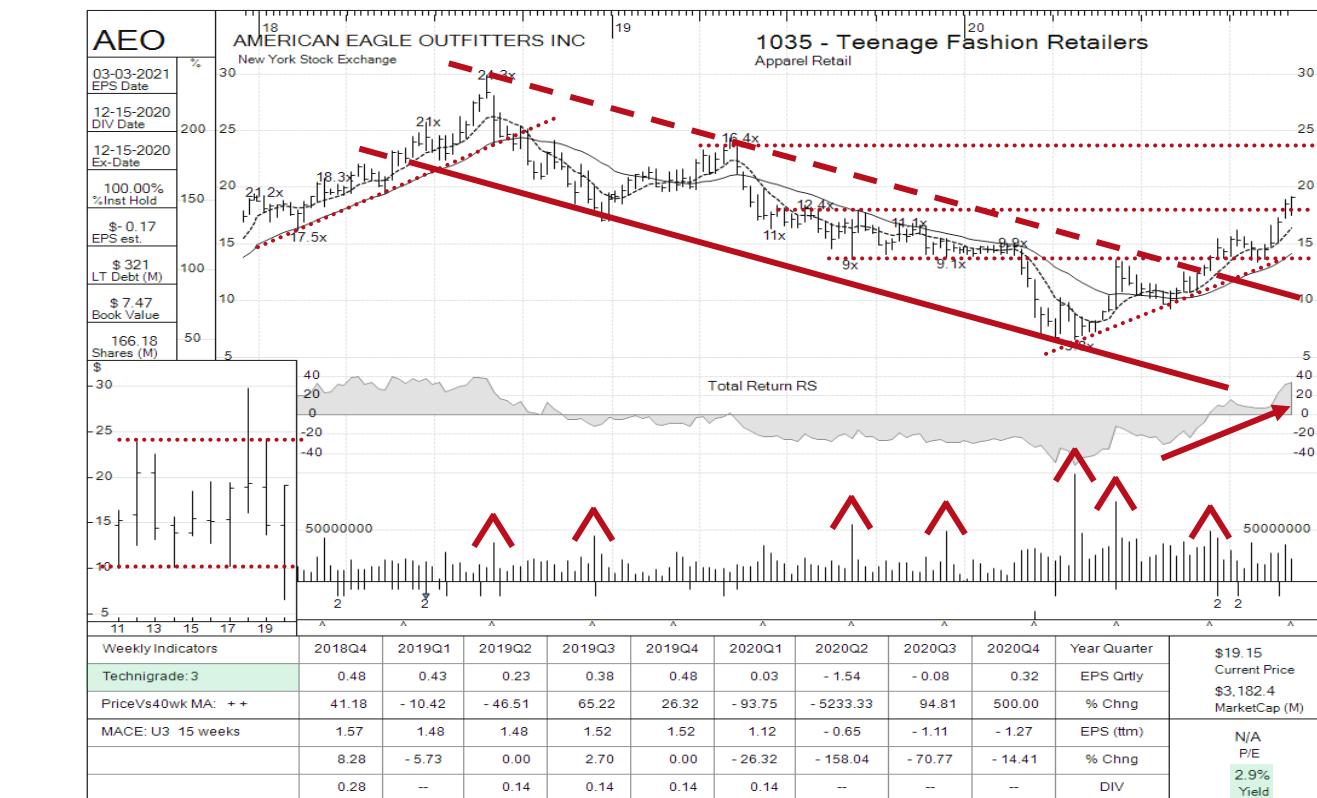
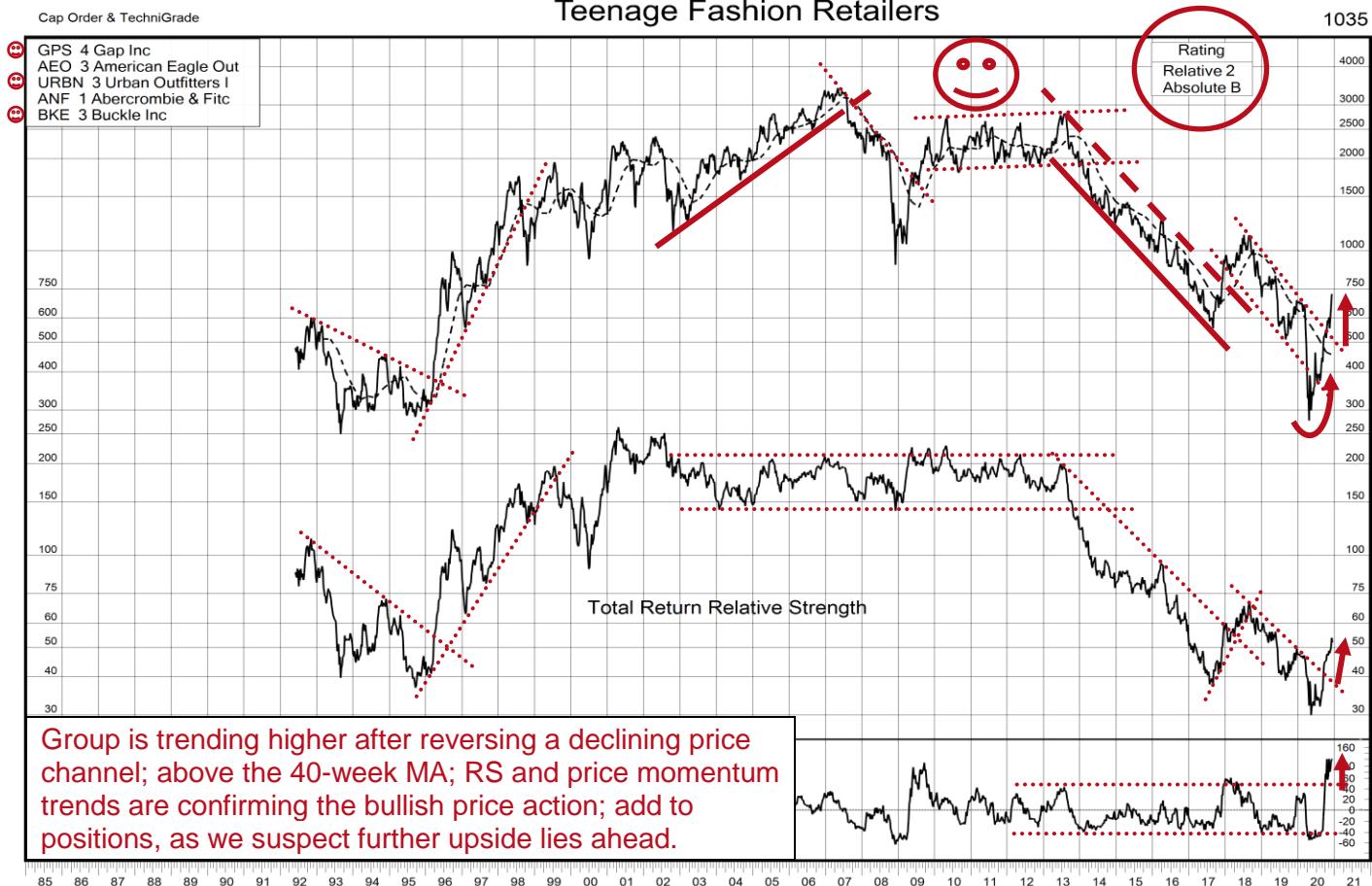
**MicroGroup Highlights**

Cap Order &amp; TechniGrade

NKE 9 Nike Inc	SHOO 2 Madden Steven Ltd
DECK 9 Deckers Outdoor Co	WWW 9 Wolverine World Wi
SKX 13 Skechers U S A Inc	
CROX 3 Crocs Inc	
FL 10 Foot Locker Inc	

**Footwear, Pri.**

**NKE**—Shares have bounced off support and subsequently surpassed resistance at \$131; above the rising 10-/30-week WMAs; RS has eased, but still remains in positive territory; add to positions, as we suspect shares have more room to run.

**MicroGroup Highlights**

**AEO**—Shares have reversed a declining price channel and cleared multiple resistance levels; RS is confirming the reversal and impressive TechniGrade ranking; attractive dividend yield; add to positions, the next level of resistance comes into play near \$23 ('19 highs).

**MicroGroup Highlights**

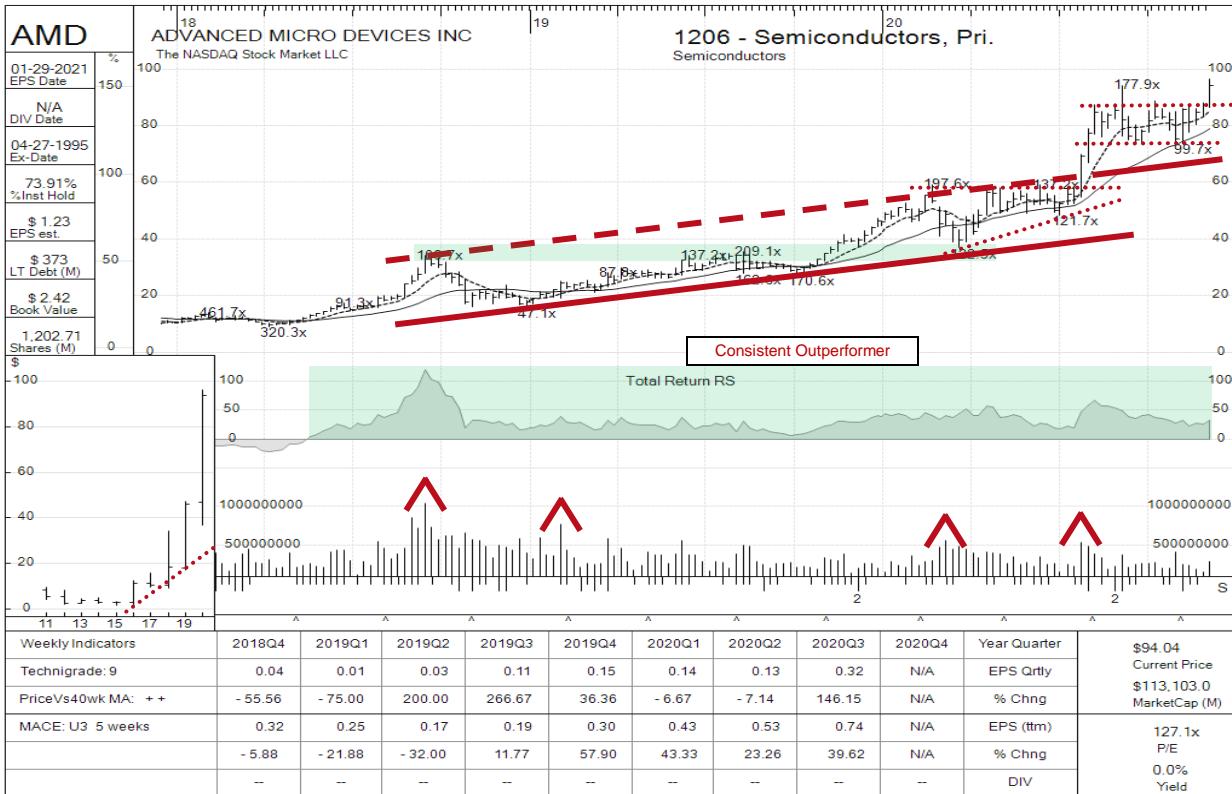
Cap Order &amp; TechniGrade

**Semiconductors, Pri.**

1206

TSM 5 Taiwan Semiconduct	IFNNY 5 Infineon Technolog	SMICY 18 Semiconductor Mfg
NVDA 12 Nvidia Corporation	NXPI 6 Nxp Semiconductors	MXIM 8 Maxim Integrated P
INTC 19 Intel Corp	STM 5 Stmicroelectronics	UMC 1 United Microelectr
AVGO 11 Broadcom Inc	MCHP 7 Microchip Technolo	QRVO 9 Qorvo Inc
TXN 11 Texas Instrs Inc	STMEF 11 Stmicroelectronics	MPWR 8 Monolithic Pwr Sys
AMD 9 Advanced Micro Dev	XLNX 6 Xilinx Inc	ON 6 On Semiconductor C
MU 5 Micron Technology	MRVL 9 Marvel Technology	CREE 3 Cree Inc
ADI 11 Analog Devices Inc	SWKS 18 Skyworks Solutions	OIIM 1 O2Micro Internatio

Group has broken out to multi-year highs after clearing key overhead resistance; above the rising 40-week MA; RS and momentum are confirming the bullish price action; use pullbacks to accumulate positions.



AMD—Shares have broken above the upper end of a multi-month consolidation range; back above the 10-/30-week WMAs; consistent RS outperformer; add to positions, as we suspect a new leg higher is now unfolding.

**MicroGroup Highlights**

Cap Order &amp; TechniGrade

**Semiconductors Suppliers, Pri.**

1209

ASML 10 Asml Holding N V	ASMLY 11 Asm Intl N V	XPER 3 Xperi Holding Corp
AMAT 4 Applied Matis Inc	BRKS 2 Brooks Automation	KLIC 6 Kulicke & Soffa In
LRCX 5 Lam Research Corp	CCMP 16 Cmc Materials Inc	NVMI 7 Nova Measuring Ins
KLAC 6 Kla Corp	BESIY 10 Be Semiconductor	TTMI 12 Ttm Technologies I
TER 6 Teradyne Inc	AEIS 4 Advanced Energy In	ACMR 13 Acm Research Inc
ENTG 6 Entegris Inc	AMKR 9 Amkor Technology	UCTT 5 Ultra Clean Hldgs

Group has broken out to record-highs after clearing key overhead resistance ('00/'19 highs); RS remains in an uptrend, while price momentum has faded from overbought levels; use pullbacks to add to positions.

**KLIC****KULICKE & SOFFA INDS INC**  
The NASDAQ Stock Market LLC**1209 - Semiconductors Suppliers, Pri.**  
Semiconductor Equipment02-19-2021  
EPS Date12-24-2020  
DIV Date09-24-2020  
Ex-Date88.19%  
% Inst Hold\$ 1.37  
EPS est.\$ 0  
LT Debt (M)\$ 12.17  
Book Value62.03  
Shares (M)

34

32

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**MicroGroup Highlights**

Cap Order &amp; TechniGrade

GLW 9 Corning Inc  
 IIVI 3 Ii-Vi Inc  
 CIEN 19 Ciena Corp  
 LITE 16 Lumentum Holdings Inc  
 VIAV 13 Viavi Solutions Inc

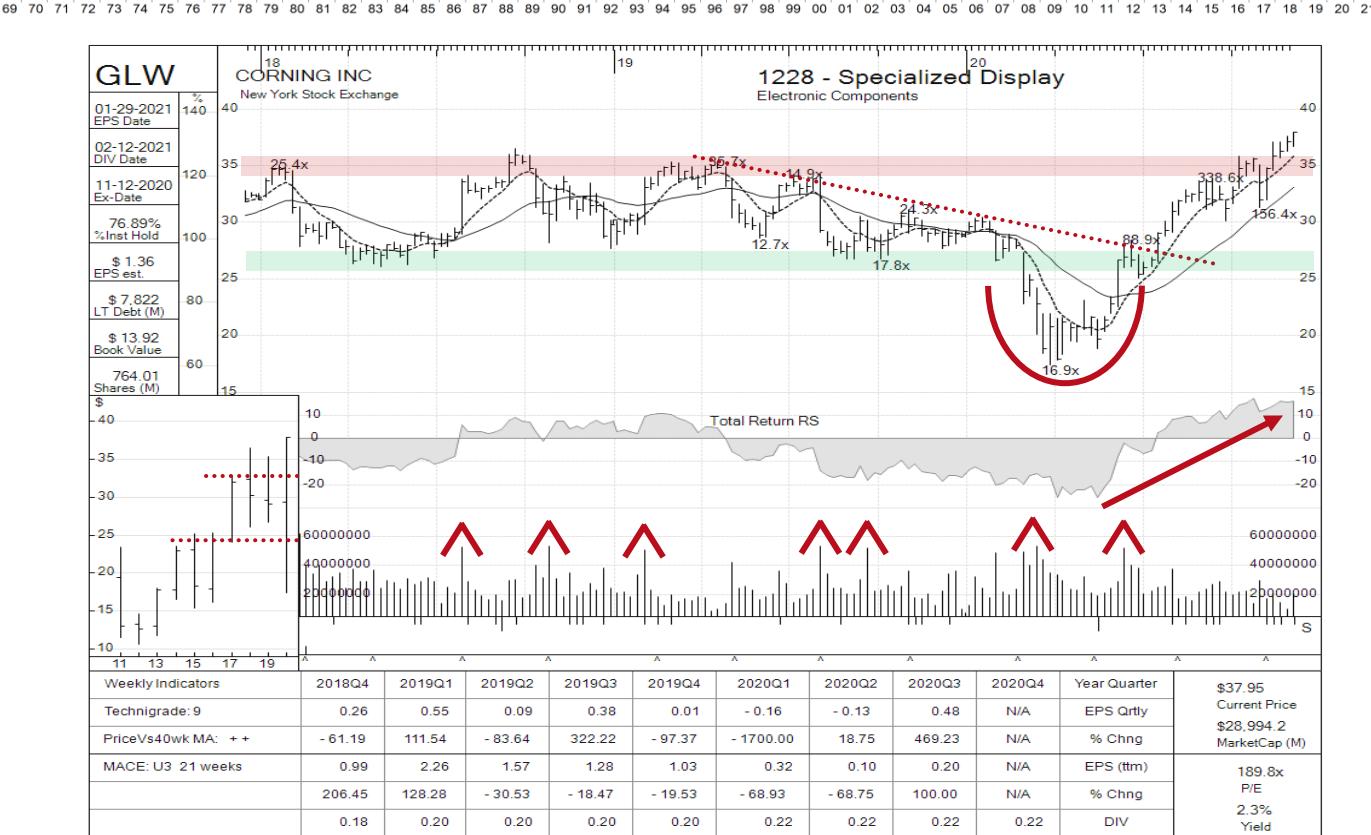
ACIA 17 Acacia Communicat  
 FN 15 Fabrinet  
 INFIN 5 Infinitra Corp

**Optical Equip./Components, Pri.**

1239

BB

Group has confirmed support off a prior breakout level; back above the rising 40-week MA; RS has pulled back to support, while price momentum remains positive; add to positions, as we suspect more upside lies ahead.



**GLW—Shares have cleared resistance dating back to the '18/'19 highs; back above the rising 10-/30-week WMAs; RS is confirming the bullish price action; add to positions, as we suspect a new leg higher is now underway.**

**MicroGroup Highlights**

We see several weak-looking MicroGroups/stocks within sectors we maintain Underweight ratings on including *Consumer Staples*, *Energy*, and *Utilities*. The following trade ideas exhibit a combination of weak technical patterns, relative strength, and momentum.

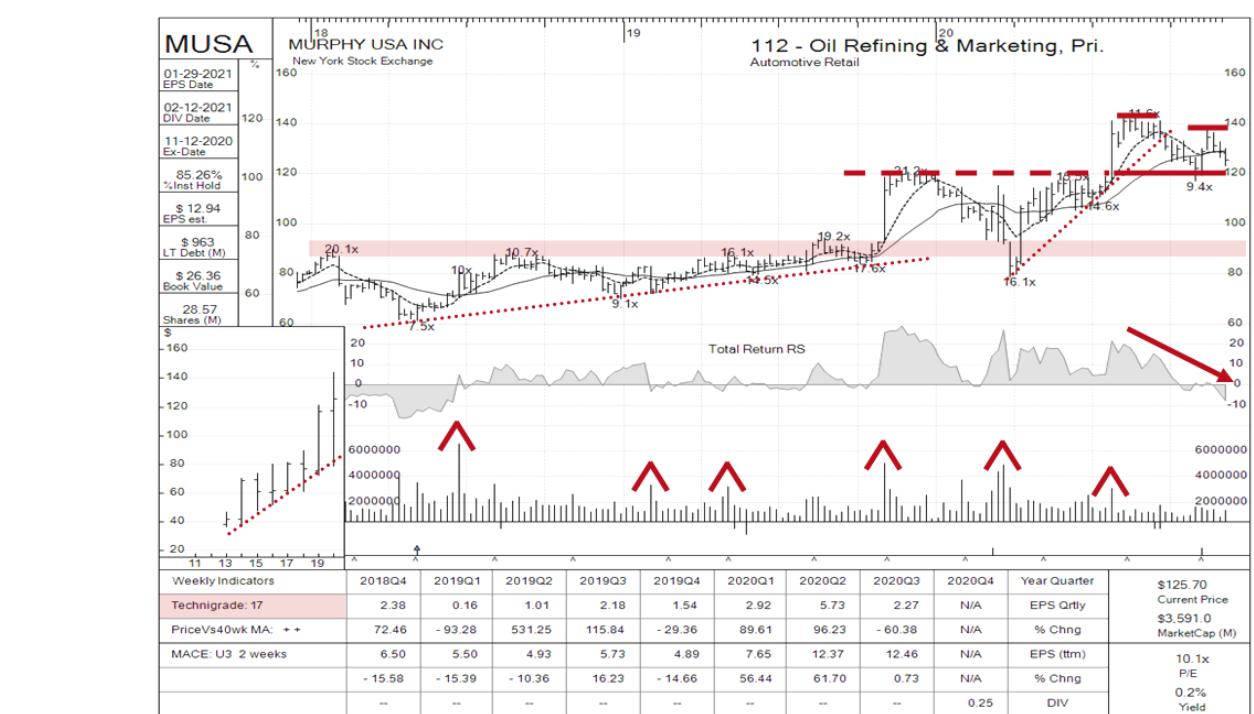
Cap Order &amp; TechniGrade

**Oil Refining & Marketing, Pri.**

112

PSX 12 Phillips 66  
MPC 7 Marathon Pete Corp  
VLO 10 Valero Energy Corp  
HFC 14 Hollyfrontier Corp  
MUSA 17 Murphy USA Inc

Recent relief rally has failed at the declining 40-week MA; RS has bounced off multi-year lows, while price momentum has faded back into negative territory; reduce positions, as we suspect further downside lies ahead.



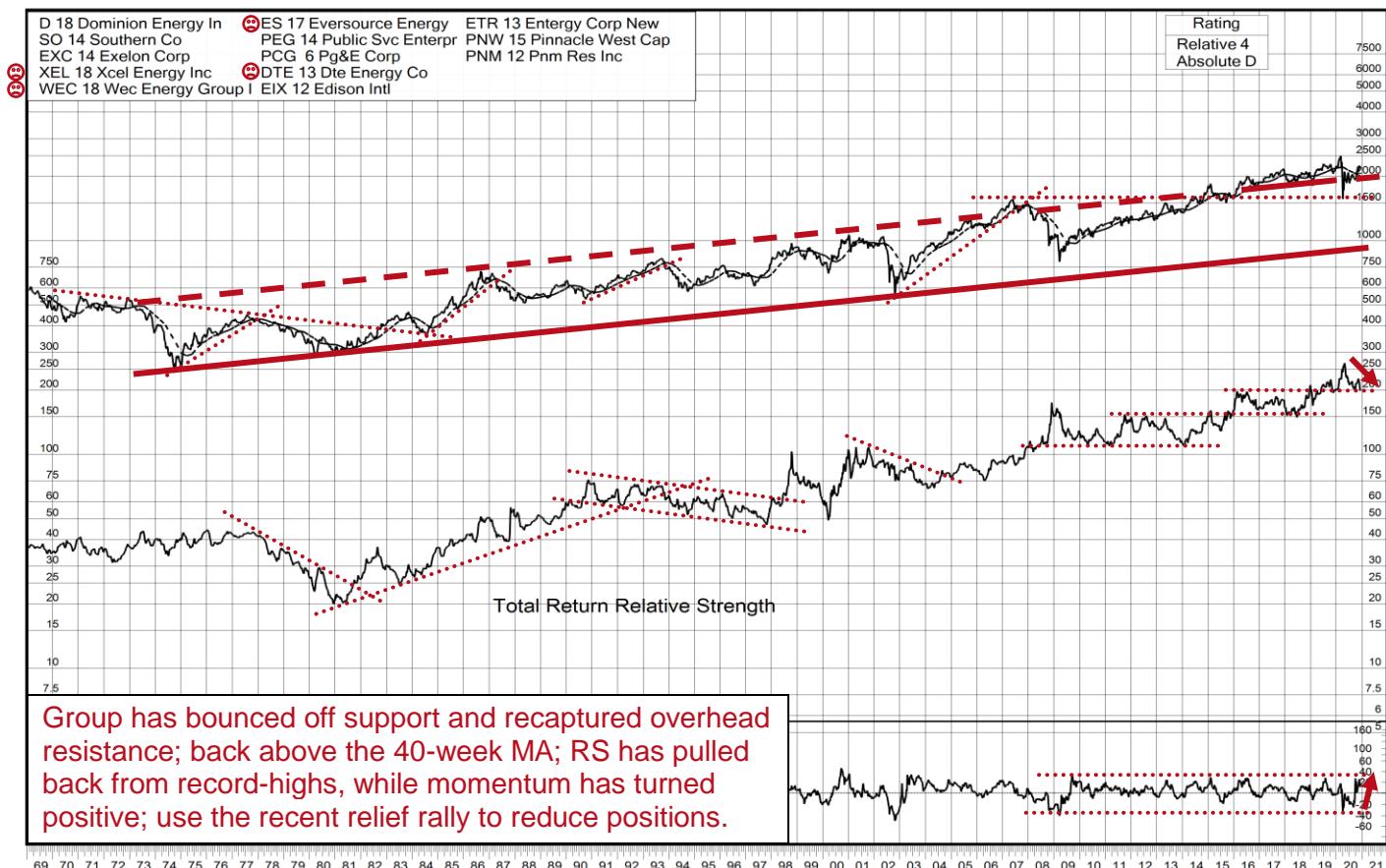
MUSA—Shares have registered a lower high and violated an emerging uptrend; back below the 10-/30-week WMAs; RS is confirming the breakdown and weak TechniGrade ranking; reduce positions on a break below support at \$120.

**MicroGroup Highlights**

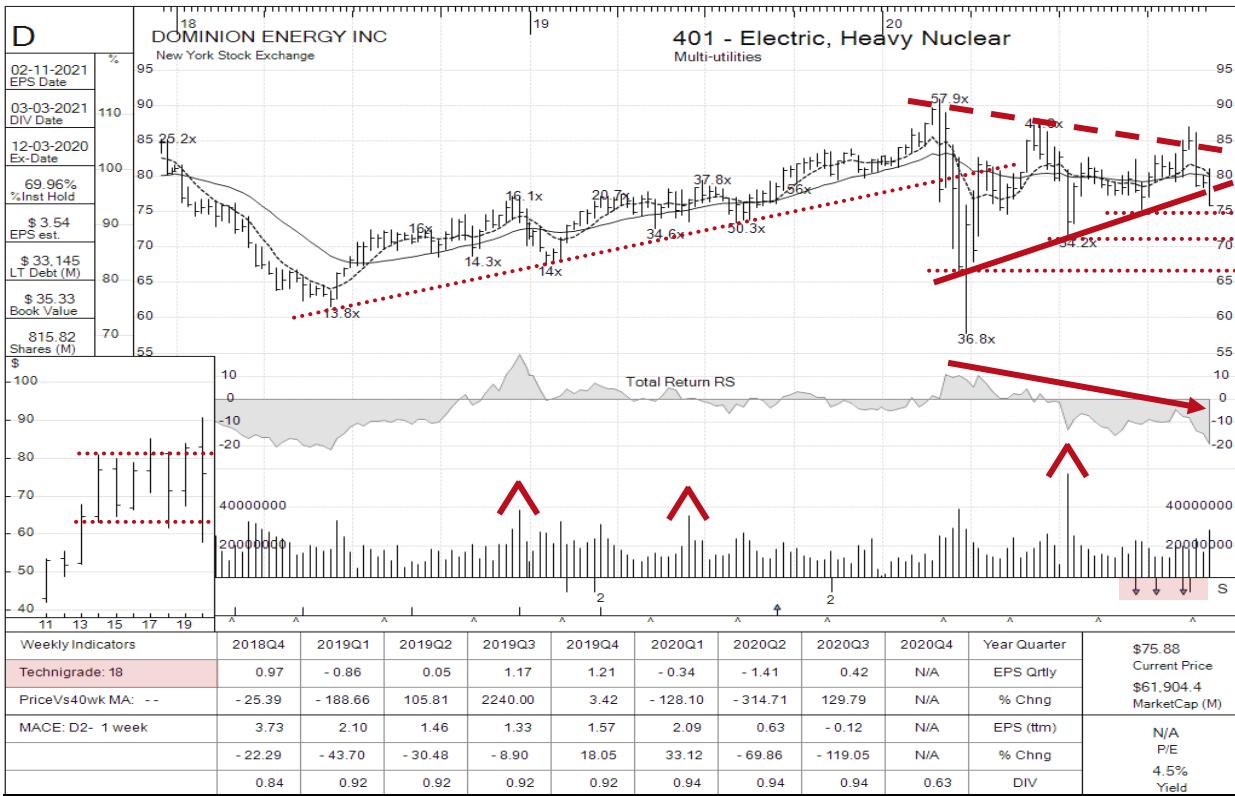
Cap Order &amp; TechniGrade

**Electric, Heavy Nuclear**

401



69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21

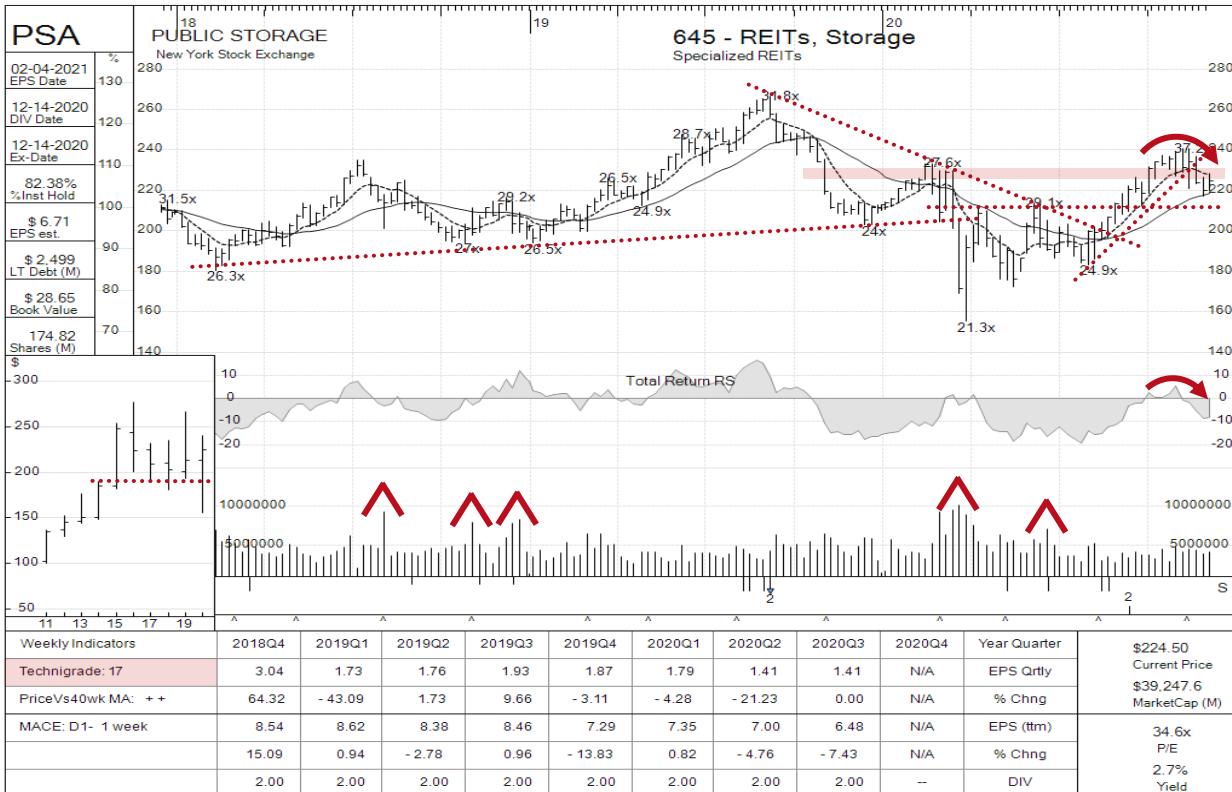
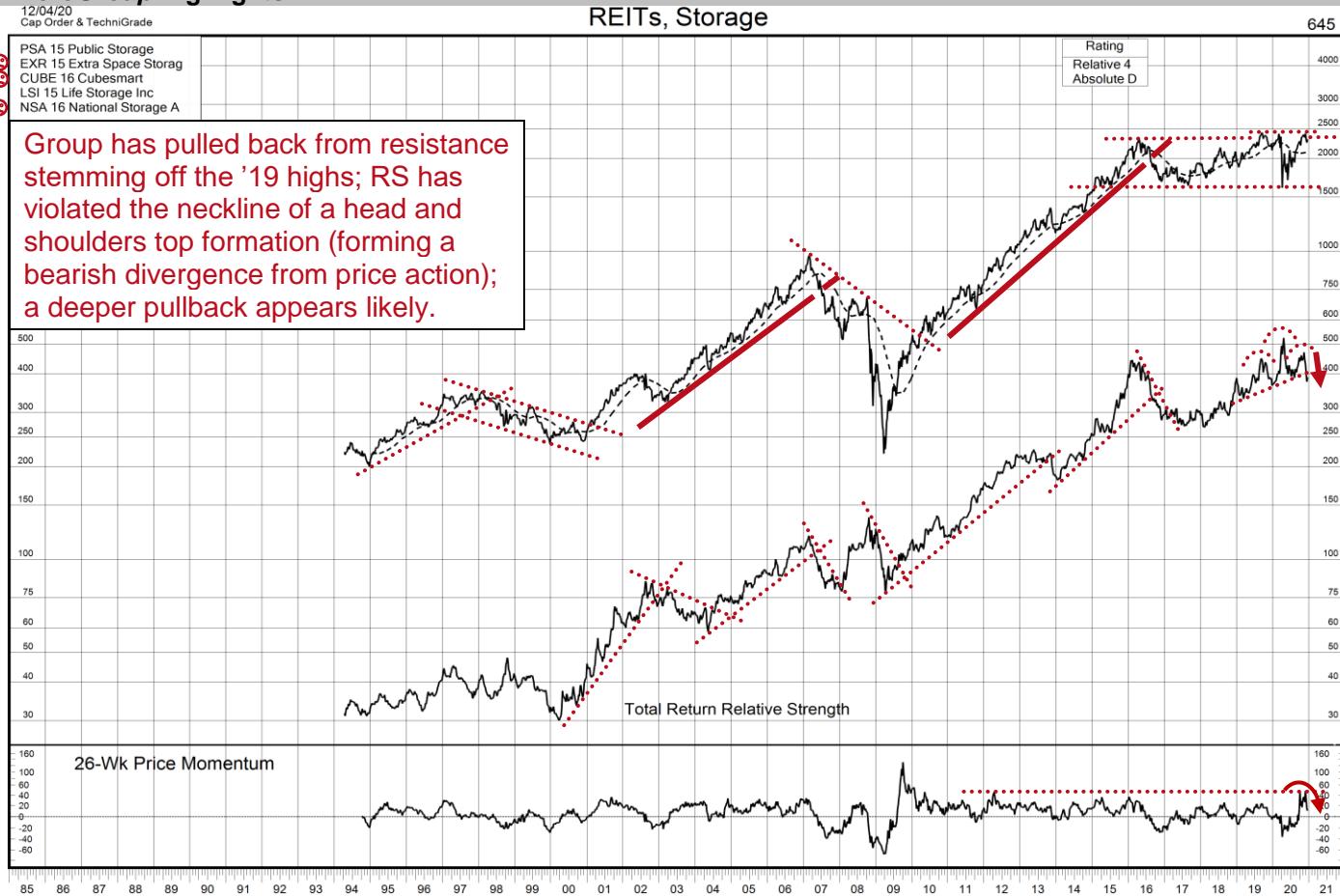


**D**—Shares have broken to the downside of a symmetrical triangle formation; back below the 10-/30-week WMAs; RS has deteriorated to multi-year lows; concerning TechniGrade ranking and recent insider selling activity; reduce positions, the next levels of support set up near \$75.70, \$72, and \$65.

**MicroGroup Highlights**12/04/20  
Cap Order & TechniGrade

PSA 15	Public Storage
EXR 15	Extra Space Storag
CUBE 16	Cubesmart
LSI 15	Life Storage Inc
NSA 16	National Storage A

Group has pulled back from resistance stemming off the '19 highs; RS has violated the neckline of a head and shoulders top formation (forming a bearish divergence from price action); a deeper pullback appears likely.



**MicroGroup Highlights**

Cap Order &amp; TechniGrade

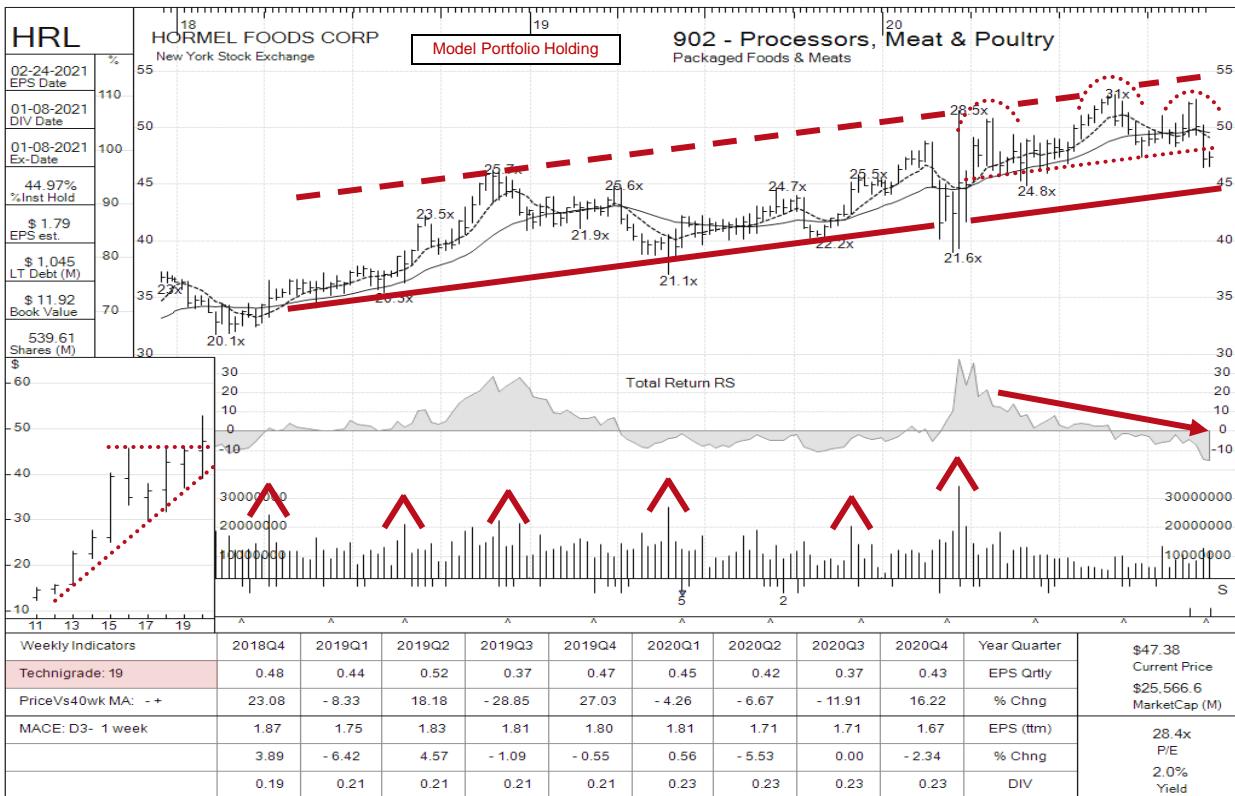
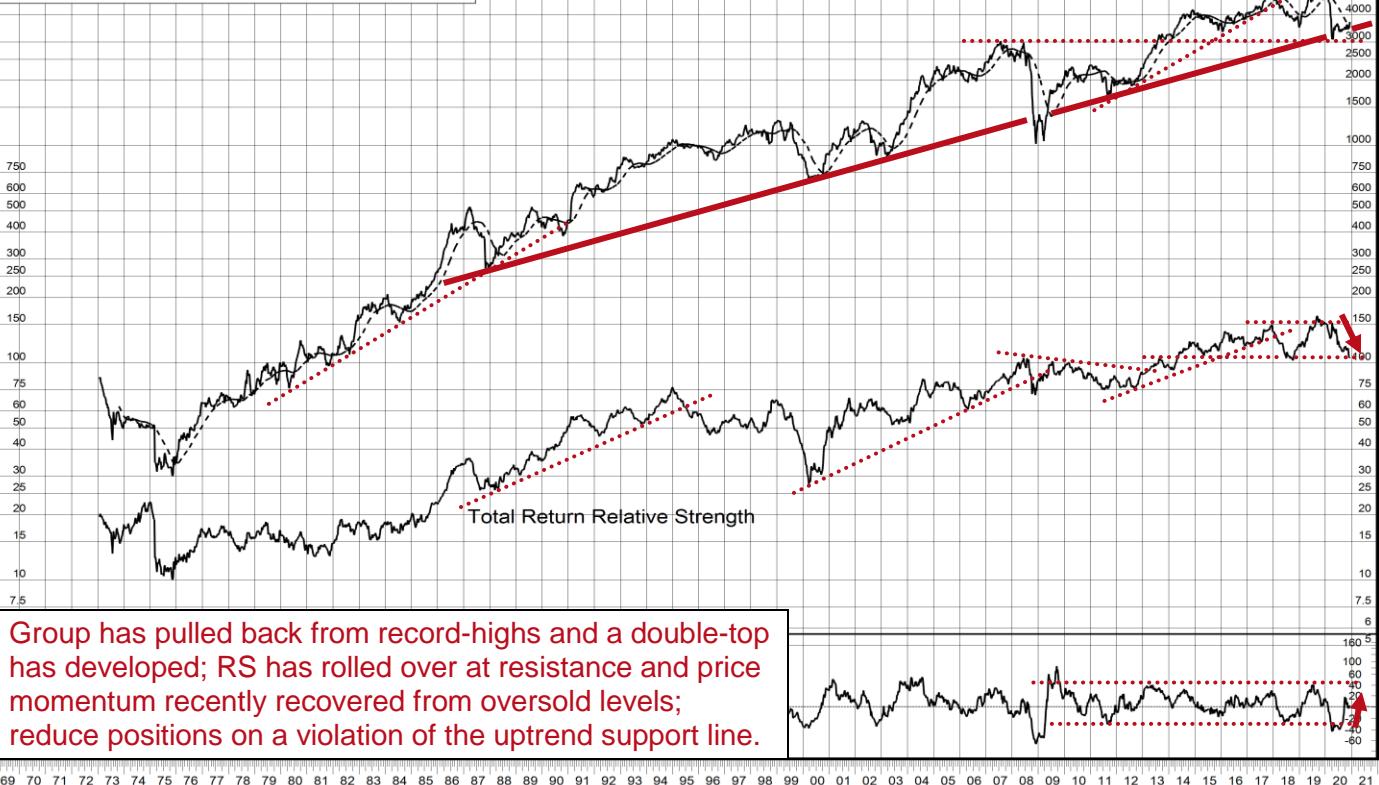
**Processors, Meat & Poultry**

902

HRL 19 Hormel Foods Corp	BRFS 12 Brf Sa
TSN 15 Tyson Foods Inc	SAFM 12 Sanderson Farms In
BYND 18 Beyond Meat Inc.	IBA 13 Industrias Bachoco
PPC 10 Pilgrims Pride Cor	VITL 20 Vital Farms Inc
SEB 14 Seaboard Corp Del	VRYYF 1 The Very Good Food



Rating  
Relative 4  
Absolute D



**HRL**—Shares have violated the neckline of a head and shoulders top formation; back below the 10/30-week WMAs; RS has deteriorated to multi-year lows; concerning TechniGrade ranking; reduce positions, a retest of the lower end of the price channel appears likely.

**MicroGroup Highlights**

Cap Order &amp; TechniGrade

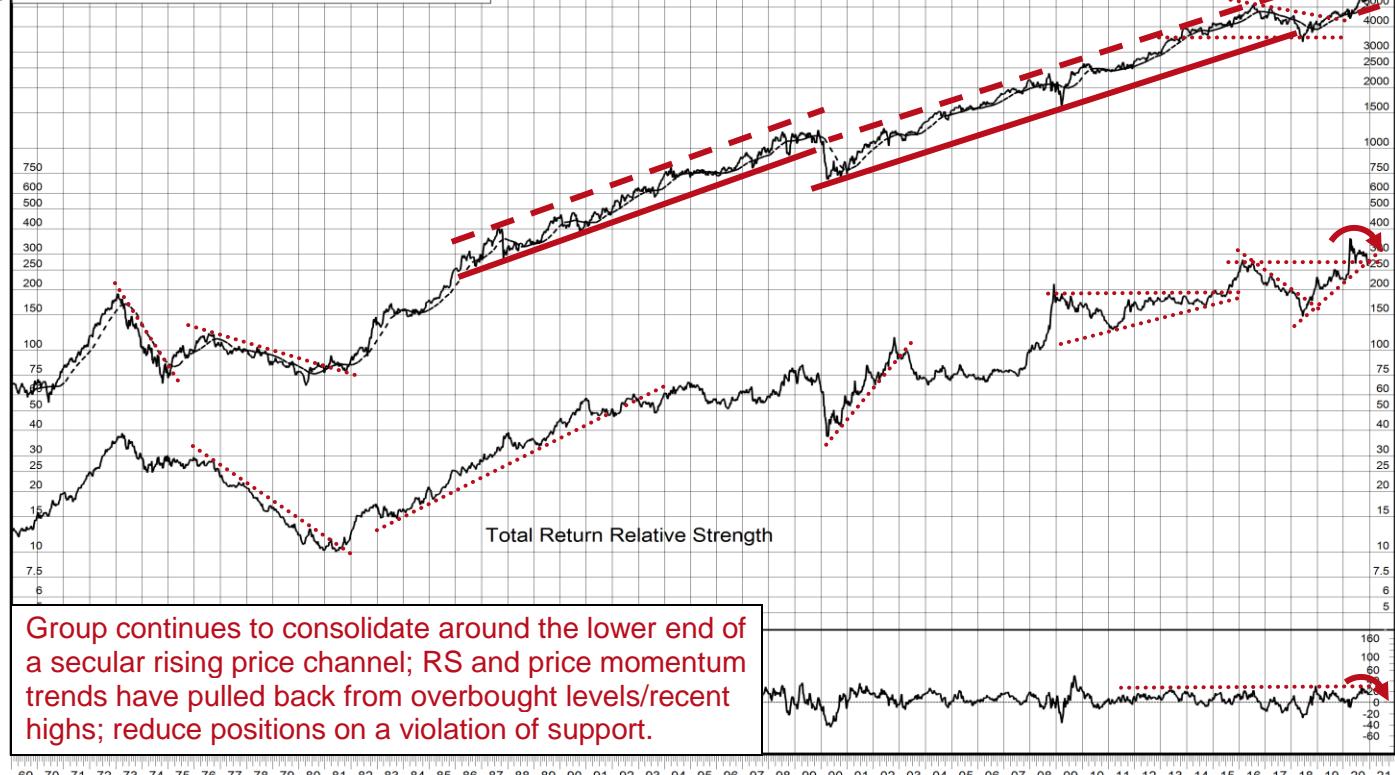
**Household Cleansers/Products**

915

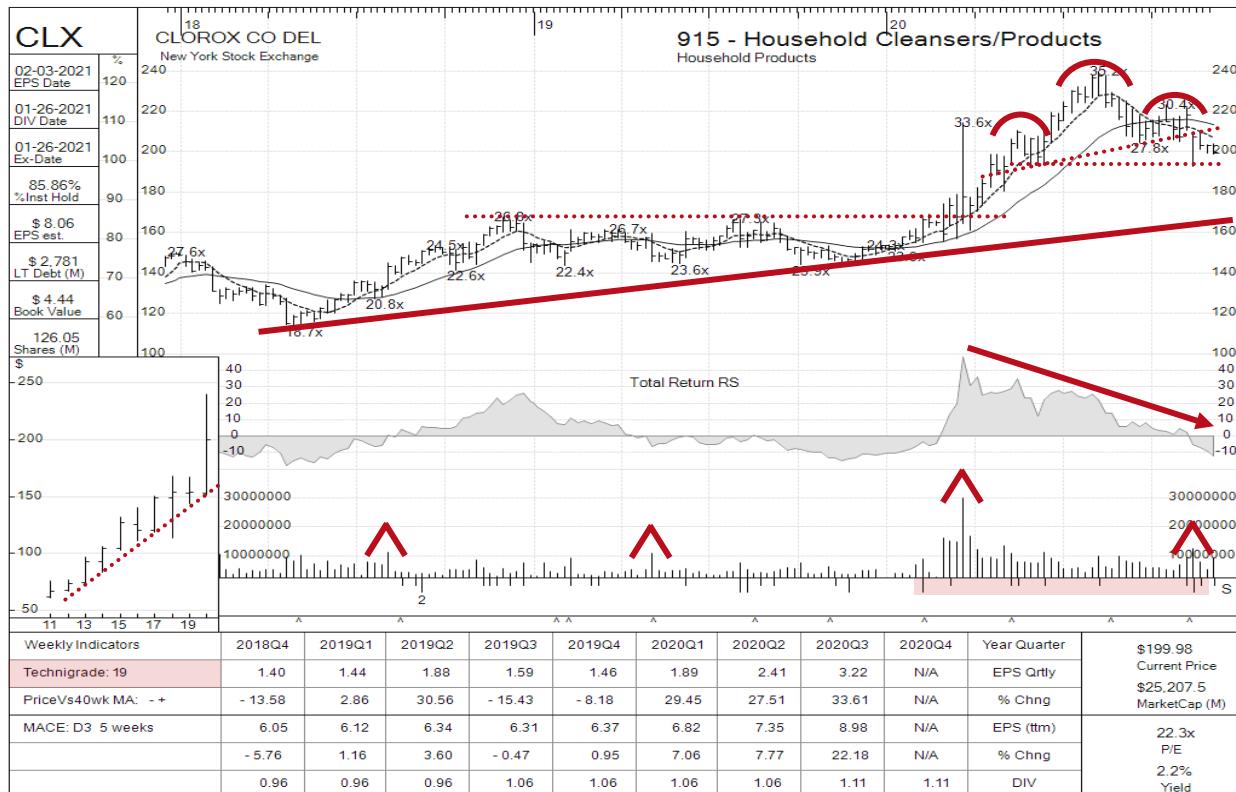
PG 16 Procter and Gamble	REYN 19 Reynolds Consumer
CL 12 Colgate Palmolive	WDFC 6 Wd-40 Co
KMB 18 Kimberly-Clark Cor	
CLX 19 Clorox Co Del	
CHD 18 Church & Dwight In	



Rating  
Relative 4  
Absolute D



69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21



**CLX—Shares have violated the neckline of a head and shoulders top formation; recent bearish crossover between the 10-/30-week WMAs; RS and volume are confirming the breakdown; concerning TechniGrade ranking and insider selling activity; reduce positions, the next level of support sets up near \$192.**

## Relative & Absolute Ratings

All the numerical data contained in this publication is computer-generated, e.g., MACE, TechniGrade, etc., except for the MicroGroup and Sector Rating System. Here, each Group and Sector is subjectively rated on both a relative and absolute basis, relying on a multitude of inputs, including fundamental and technical data. While the allowable relative ratings will be skewed to represent a bell-shaped curve, i.e., 30% outperform, 40% neutral, 30% underperform, the absolute ratings can, in theory, and may in practice, be highly skewed toward a decidedly bullish or bearish position.

### Relative Rating

A numerical relative ranking from two through four, signifying projected performance compared to the entire market.

Since the spectrum of securities prices can be said to be normally distributed (a bell curve), it follows that at any given juncture, a full range of performances from worst-to-best will be available. Thus, when assigning relative ratings, we adhere to these constraints by maintaining guideline allowable percentages for each number as outlined below:

#### Positives:

2= Outperform the market  
(30.0 % of MicroGroups)

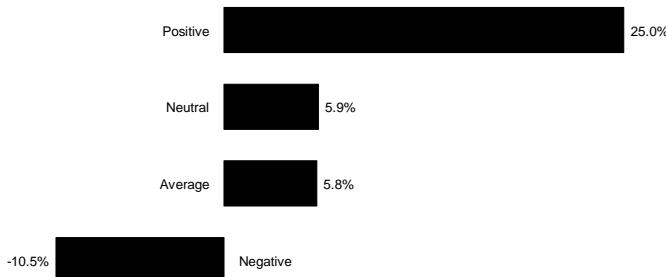
#### Neutral:

3= Perform in-line with the market  
(40.0% of MicroGroups)

#### Negatives:

4= Underperform the market  
(30.0% of MicroGroups)

**UNWEIGHTED RELATIVE RATING- YTD**  
2020 YTD — 12/04/20



**UNWEIGHTED RELATIVE RATING -- CUMULATIVE**

12/31/77 — 12/04/20



#### Absolute Rating

- A** Buy
- B** Accumulate on weakness
- C** Hold
- D** Sell on strength
- F** Sell

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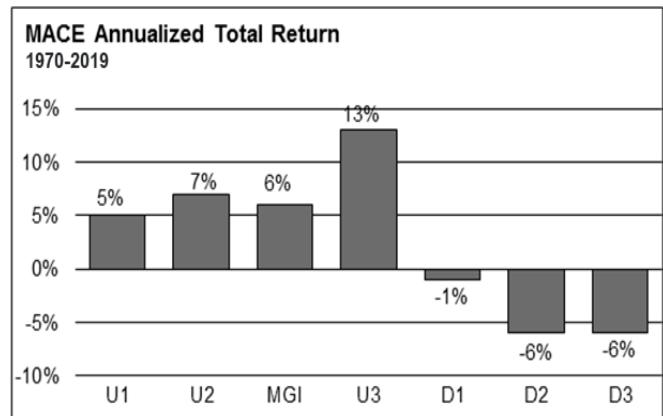
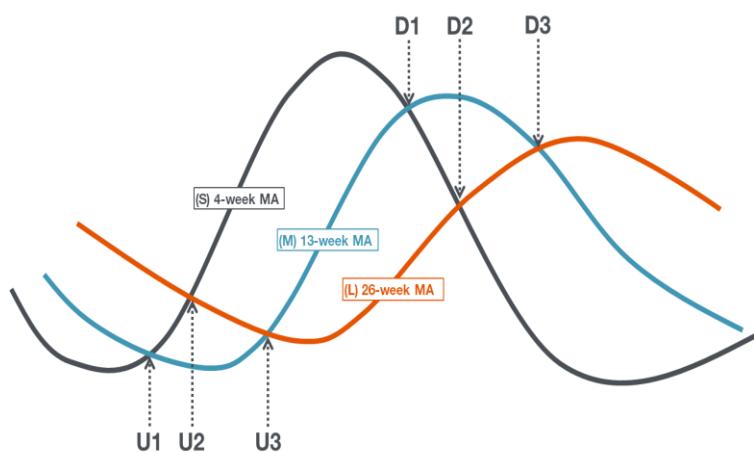
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## **DEFINITIONS**

## INDICATOR DEFINITIONS & HISTORICAL PERFORMANCE

### MACE (Moving Average Cycle Evaluation)

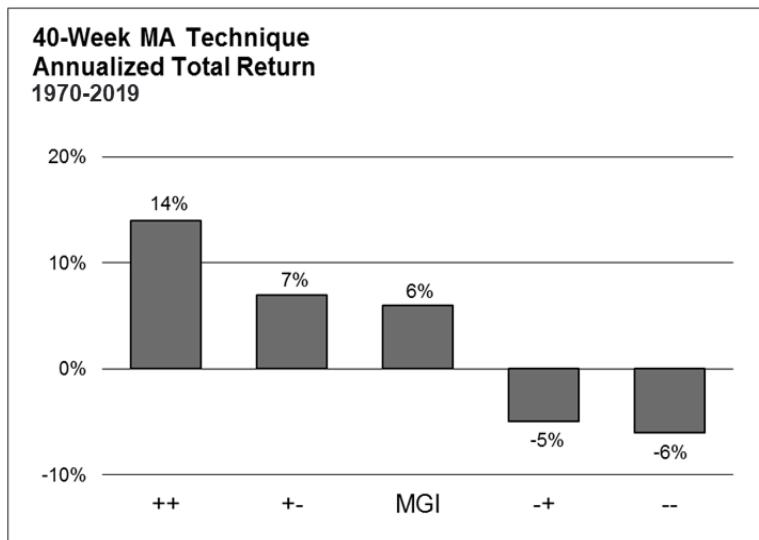
Entails looking at precise position of each Group's short (4-week, denoted by an "S"), intermediate (13-week, "M"), and longer term (26-week, "L") moving averages and related crossovers.



- U1** Possible uptrend (L > S > M)
- U2\*** Confirmed uptrend (S > L > M)
- U3\*** Well-defined uptrend (S > M > L)
- D1** Possible downtrend (M > S > L)
- D2** Confirmed downtrend (M > L > S)
- D3** Well-defined downtrend (L > M > S)

\* Historically best performance

### 40-WEEK TECHNIQUE

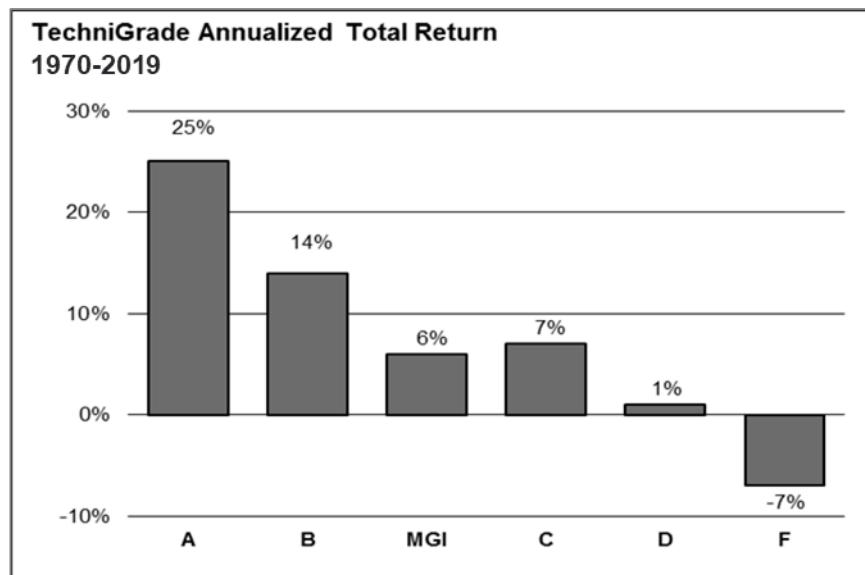


- ++** Price is above a **rising** 40-week Moving Average\*
- +-** Price is above a **falling** 40-week Moving Average\*
- +** Price is below a **rising** 40-week Moving Average
- Price is below a **falling** 40-week Moving Average

\* Historically best performance

## TECHNIGRADE

The “*TechniGrade*” concept is simply a numerical way of looking at the relative (comparative) Performance of each Sector, *MicroGroup*, and issue over time. With this concept, the performance of each *MicroGroup* is compared to the performance of the *MicroGroup* universe of nearly 6,000 stocks, known as the “*MicroGroup Index*.” This process is then repeated until a ratio has been calculated over the last six-month period that supplies a heavier weighting to the most recent weeks. Based on these computer calculations, a *TechniGrade* rating from 1 (top 5% of performers) to 20 (bottom 5% of performers) is automatically assigned to each *MicroGroup* on an ongoing basis.



## KEY

TechniGrade
A ranking from 1 (best) to 20 (worst) based on relative performance. Historically Groups with a <i>TechniGrade</i> of 1 - 4 give the best performance, but the trend in <i>TechniGrade</i> is also important. Read from the right to the left to identify the <i>TechniGrade</i> trend.

MACE
U1 Possible uptrend *U2 Confirmed uptrend *U3 Well-defined uptrend D1 Possible downtrend D2 Confirmed downtrend D3 Well-defined downtrend

40-Week Moving Average
P* A* Explanation
+ + Price is above a rising 40-week Moving Average**
+ - Price is above a falling 40-week Moving Average**
- + Price is below a rising 40-week Moving Average
- - Price is below a falling 40-week Moving Average

\* Historically best performance

\* P=Price, A=Average  
\*\* Historically best performance

**COMPANY INDEX**

<b>Ticker</b>	<b>Company Name</b>	<b>Page</b>	<b>Ticker</b>	<b>Company Name</b>	<b>Page</b>
AEE	Ameren Corporation	106	KEYS	Keysight Technologies Inc	221
AEO	American Eagle Outfitters, Inc.	197	KLIC	Kulicke & Soffa Industries, Inc.	213
ALGN	Align Technology, Inc.	156	KSU	Kansas City Southern	145
ALGT	Allegiant Travel Company	144	LAD	Lithia Motors, Inc. Class A	190
AMD	Advanced Micro Devices, Inc.	211	LEA	Lear Corporation	98
ARW	Arrow Electronics, Inc.	223	LMAT	LeMaitre Vascular, Inc.	167
ATO	Atmos Energy Corporation	108	LPL	LG Display Co., Ltd Sponsored ADR	217
AVNS	Avanos Medical, Inc.	160	LYB	LyondellBasell Industries NV	80
BA	Boeing Company	92	LYFT	Lyft Inc Class A	121
BBIO	BridgeBio Pharma, Inc.	164	MAT	Mattel, Inc.	195
BE	Bloom Energy Corporation Class A	220	MED	Medifast, Inc.	202
BEAT	BioTelemetry, Inc.	158	MGM	MGM Resorts International	201
BHP	BHP Group Ltd Sponsored ADR	82	MKSI	MKS Instruments, Inc.	216
BKR	Baker Hughes Company Class A	68	MMM	3M Company	97
BPMC	Blueprint Medicines Corp.	166	MNST	Monster Beverage Corporation	177
BTI	British American Tobacco PLC	178	MT	ArcelorMittal SA ADR	79
CACI	CACI International Inc Class A	119	MTSI	MACOM Technology Solutions	212
CF	CF Industries Holdings, Inc.	84	MUR	Murphy Oil Corporation	67
CGC	Canopy Growth Corporation	168	MUSA	Murphy USA, Inc.	69
CHEF	Chefs' Warehouse, Inc.	181	NEM	Newmont Corporation	83
CLX	Clorox Company	180	NKE	NIKE, Inc. Class B	196
CMCSA	Comcast Corporation Class A	233	NUE	Nucor Corporation	78
CNX	CNX Resources Corporation	71	NVCR	NovoCure Ltd.	165
COF	Capital One Financial Corporation	135	NWL	Newell Brands Inc	179
COG	Cabot Oil & Gas Corporation	66	PAGS	PagSeguro Digital Ltd. Class A	116
COP	ConocoPhillips	65	PFE	Pfizer Inc.	155
D	Dominion Energy Inc	105	PNC	PNC Financial Services Group, Inc.	131
DLR	Digital Realty Trust, Inc.	133	PSA	Public Storage	134
DXC	DXC Technology Co.	117	QTWO	Q2 Holdings, Inc.	214
ETH	Ethan Allen Interiors Inc.	192	R	Ryder System, Inc.	120
FB	Facebook, Inc. Class A	235	RCI	Rogers Communications Inc. Class B	232
FCFS	FirstCash, Inc.	198	RDNT	RadNet, Inc.	163
FDX	FedEx Corporation	147	ROP	Roper Technologies, Inc.	91
FITB	Fifth Third Bancorp	130	SBUX	Starbucks Corporation	199
GLW	Corning Inc	219	SIG	Signet Jewelers Limited	194
GMED	Globus Medical Inc Class A	159	SNE	Sony Corporation Sponsored ADR	193
GOOGL	Alphabet Inc. Class A	234	SO	Southern Company	107
GS	Goldman Sachs Group, Inc.	136	SON	Sonoco Products Company	94
GWRE	Guidewire Software, Inc.	215	SSNC	SS&C Technologies Holdings, Inc.	118
HAE	Haemonetics Corporation	157	T	AT&T Inc.	231
HAIN	Hain Celestial Group, Inc.	176	TEL	TE Connectivity Ltd.	222
HCA	HCA Healthcare Inc	161	TFC	Truist Financial Corporation	131
HI	Hillenbrand, Inc.	95	TROX	Tronox Holdings Plc	81
HOG	Harley-Davidson, Inc.	191	TRP	TC Energy Corporation	70
HPQ	HP Inc.	210	TS	Tenaris S.A. Sponsored ADR	93
HRL	Hormel Foods Corporation	175	TSLA	Tesla Inc	188
HSBC	HSBC Holdings PLC Sponsored ADR	132	TVTY	Tivity Health, Inc.	162
IHG	InterContinental Hotels Group PLC	200	TWLO	Twilio, Inc. Class A	224
IPGP	IPG Photonics Corporation	218	UAL	United Airlines Holdings, Inc.	143
ITT	ITT, Inc.	96	VNE	Veoneer, Inc.	189
JBHT	J.B. Hunt Transport Services, Inc.	146	XPO	XPO Logistics, Inc.	148
JPM	JPMorgan Chase & Co.	129			

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**Historical Data Prior to 1969 Provided By:**

Market Timing Reports  
P.O. Box 225  
Tucson, AZ 85702

**Charts Courtesy:**

Lipper, a Thomson Reuters Company  
The Thomson Reuters Building  
3 Times Square, 17<sup>th</sup> Floor  
New York, NY 10036

Bloomberg  
731 Lexington Avenue  
New York, NY 10022

MarketSmith\*  
P.O. Box 24933  
Los Angeles, CA 90024  
(213) 820-7011

FactSet Research Systems Inc.  
One Greenwich Plaza  
Greenwich, CT 06830

Thomson Reuters Group PLC  
10050 Manchester Road  
St. Louis, MO 63122

Securities Research Company  
23 Midstate Drive, Suite 114  
Auburn, MA 01501

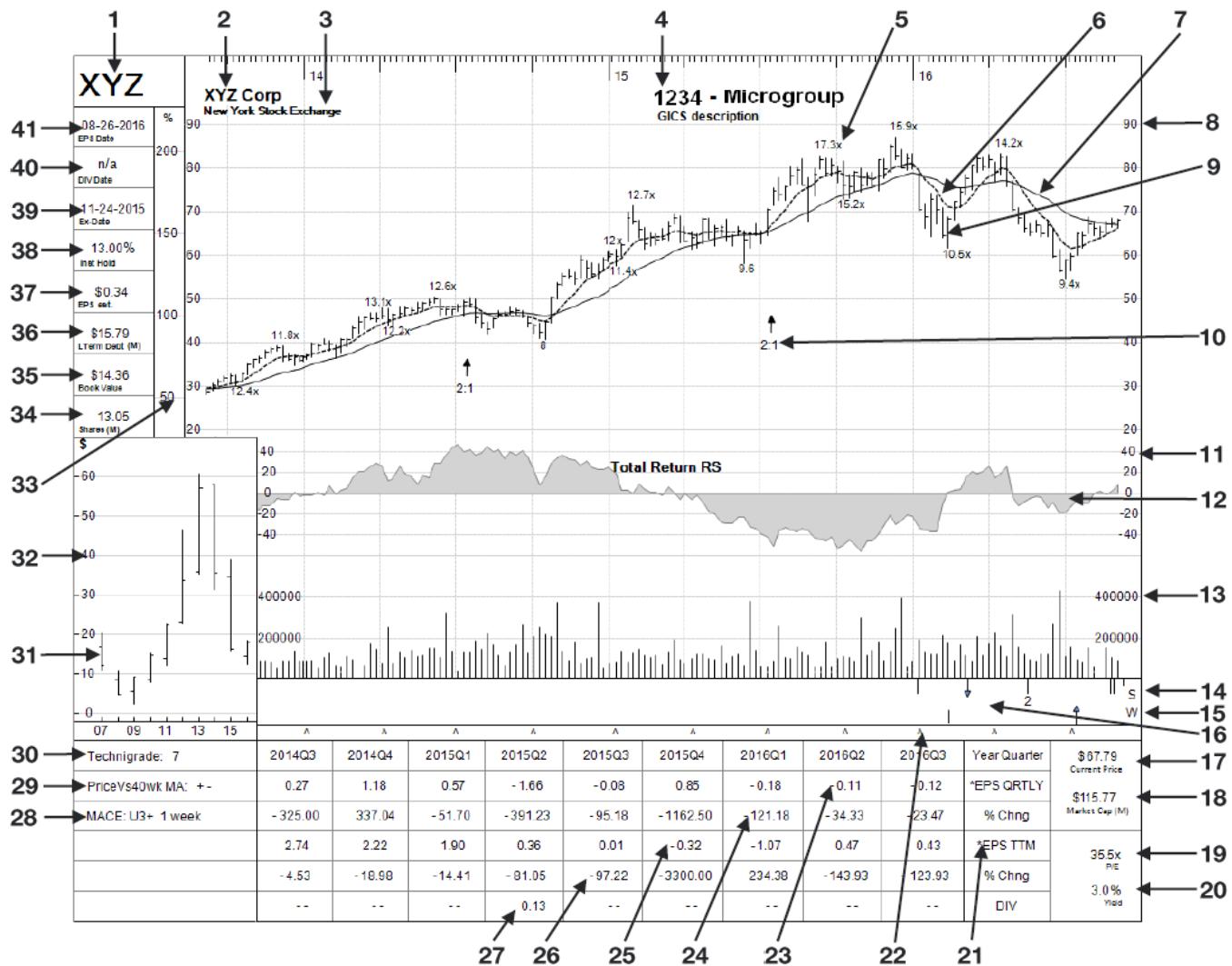
StockCharts.com, Inc.  
11241 Willows Road - Suite 140  
Redmond, WA 98052 USA

The Chart Store, Inc.  
235 South Adams Street  
Westmont, IL 60559

Interactive Data Pricing And Reference Data, LLC  
32 Crosby Drive  
Bedford, MA 01730

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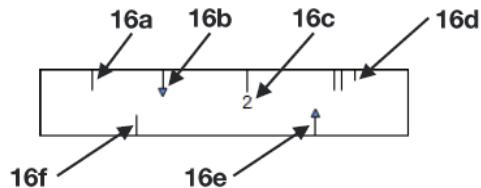
# Stock Charts Guide:



1. Ticker Symbol
2. Company Name
3. Options Listing/Exchange
4. Business / Industry Description
5. P/E Ratio at Reversal Point
6. 10-week weighted moving average
7. 30-wk weighted moving average
8. Stock Price Scale (chart axis value - derived)
9. Weekly High /Low /Close
10. Special Occurrences (splits, spin-offs, etc.)
11. Performance Ratio Scale, *derived axis value*
12. Performance Ratio vs. S&P500
13. Volume Bar Graph (weekly)
14. "S" = component of the S&P500
15. "W" = Warrants also Traded
16. Insider Transactions Key:
  - 16a. Sale
  - 16b. Significant Sale
  - 16c. Multiple (2) Transactions
  - 16d. Option Related Sale
  - 16e. Significant Purchase
  - 16f. Purchase
17. Current Price
18. Current Market Cap (in millions)

19. Current P/E
20. Current Yield
21. Week Information Added (star [\*] = public and newly added during the week)
22. Dates Earnings Published
23. Latest Quarterly Earnings
24. Percent Change Quarterly Earnings
25. Cumulative Earnings (12-month trailing earnings or sum of the past 4 quarters)
26. Percent Change in Cumulative Earnings.
27. Latest Quarterly Dividend
28. Piper MACE Score
29. Price vs. 40 week Moving Avg. Score
30. Piper Technigrade Score
31. Long Range Price History:
  - Annual open = left tick
  - Annual close = right tick
32. Long Range Price History Scale (derived)
33. Percent Scale (a scale for determining %change in price, based off the 52-wk MA)

## Insider Transaction Key:



34. Shares Outstanding (M)
35. Book Value (stockholder equity per share)
36. Long Term Debt (M)
37. Earnings Estimate for the fiscal year
38. Institutional Holdings (% held by institutions)
39. Ex-Dividend Date
40. Date Dividend Action is Expected (based on previous year)
41. Date Earnings Publication is Expected (based on previous year)

**THE INFORMED INVESTOR**

A Timely Analysis of MicroGroup/Sector Trends for the Professional Investor

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