



Turning Point Analytics utilizes a time-tested, real-world strategy that optimizes the client's entry and exit points and adds alpha. TPA defines each stock as Trend or Range to identify actionable inflection points.

*"In the short run, the market is a voting machine, but in the long run, it is a weighing machine." - Benjamin Graham*

**WORLD SNAPSHOT – COMMENTS & CHARTS**

Friday, January 15, 2021

General comments first and macro tables at the bottom. [Links for Explanations of Technical terms at the bottom of the report.](#)

## HIGHER RATES POINT TO WINNING STOCKS

The U.S. 10 Year yield put in its low on 8/4/20, confirmed a new trend in October with a pattern of higher lows and broke out of its long-term downtrend in December. **TPA has repeatedly told clients that rising rate environments historically and consistently point to specific performance patterns.**

Specifically, in the 10/26/20 World Snapshot entitled, What Outperforms Historically When Rates Rise, TPA wrote about the coming rate rise and pointed out which areas have consistently performed well and which areas have consistently underperformed in previous rising rate environments. TPA wrote: *"TPA came to the following conclusions for expected performance during rising rate periods:*

1. *The 4 best performing sectors are: TECH, Consumer Discretionary, Industrials, Materials*
2. *The 4 worst performing sectors are: Utilities, Telecomm, REITs, Staples*
3. *The 2 best performing broad categories are: Small-Cap Growth, Small-Cap*
4. *The 2 worst performing sectors are: Large-Cap Value, Large-Cap"*

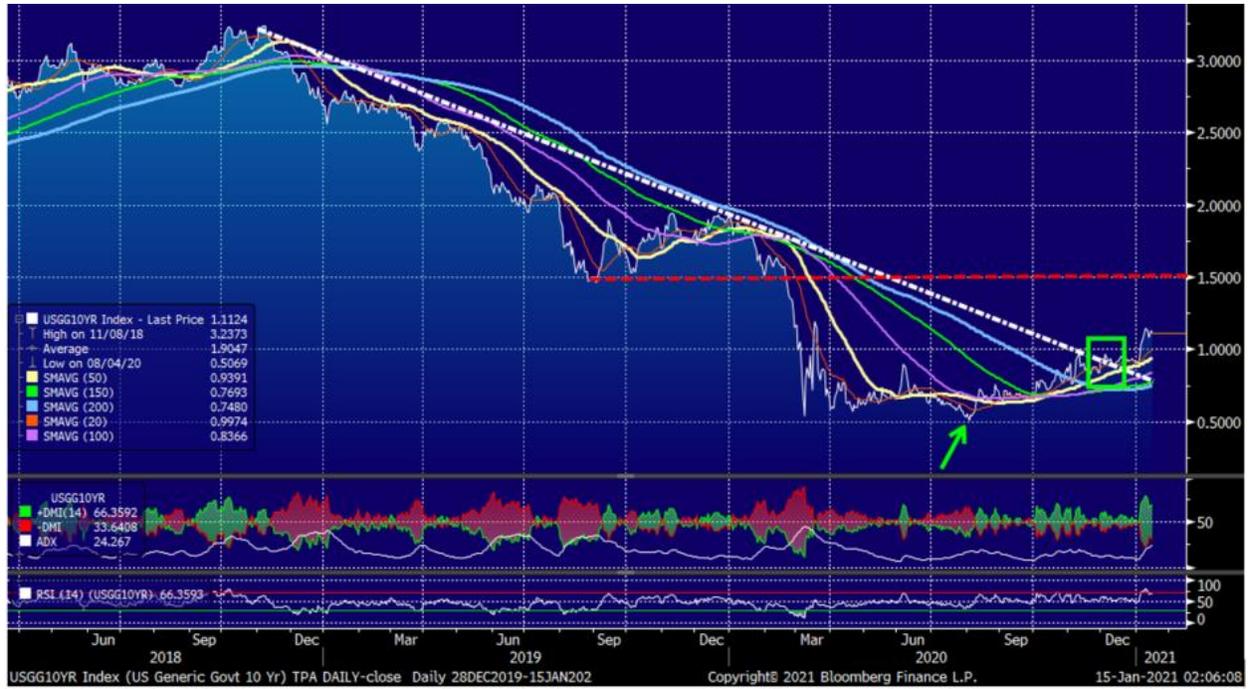
In the 1/4/21 World Snapshot, What to Buy in a Rising Rate Environment, TPA wrote, *"Technically, the 10 Year Yield is poised to move higher."* And told clients to position themselves for the historic performance pattern.

Chart 1 and 2 below show that the benchmark U.S. 10 Year yield is 1.11%, which is up 122% from its 8/4/20 low of 0.50%. The next level of resistance is 1.5% or 35% higher.

The table and charts at the bottom of the report show that the sectors that normally outperform during rising rate environments have performed as advertised, Small Cap, which historically outperform when rates rise have also broken away from Large Cap stocks.

**TPA would expect this performance pattern to continue until the U.S. 10 Year Yield hits 1.5%.**

**US. 10 YEAR YIELD – 2018-2021**



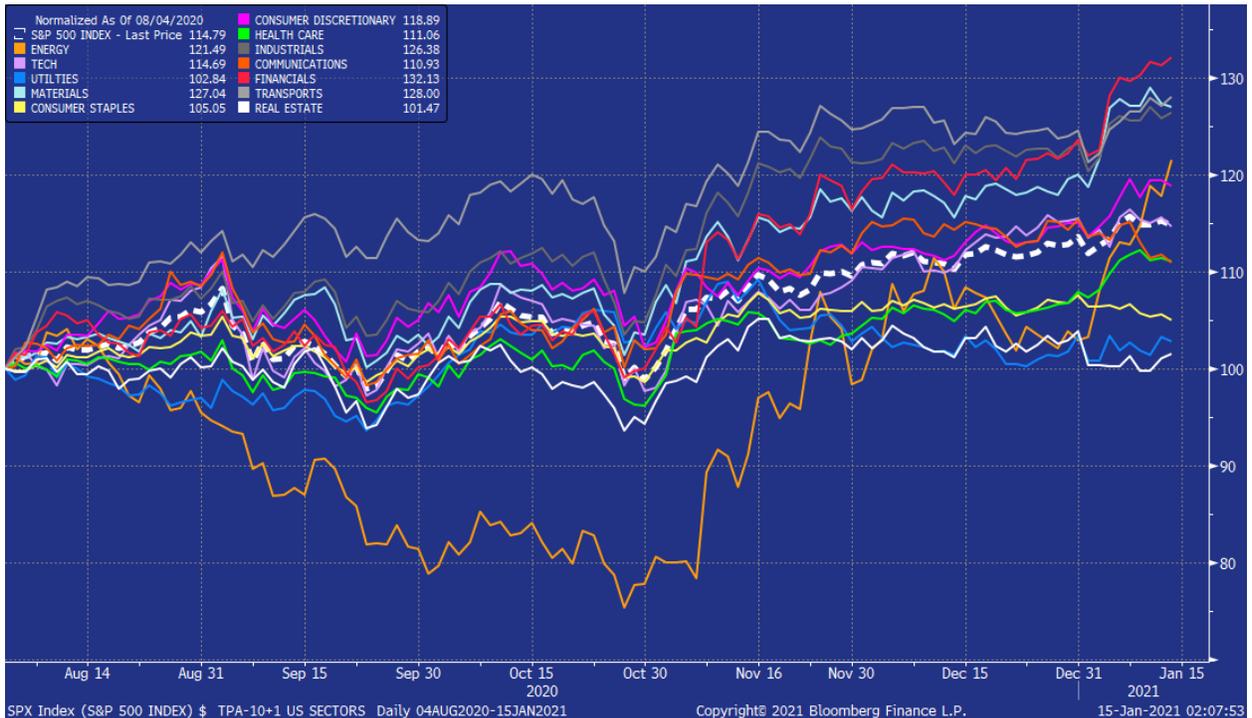
**U.S. 10 YEAR YIELD 2020-2021**



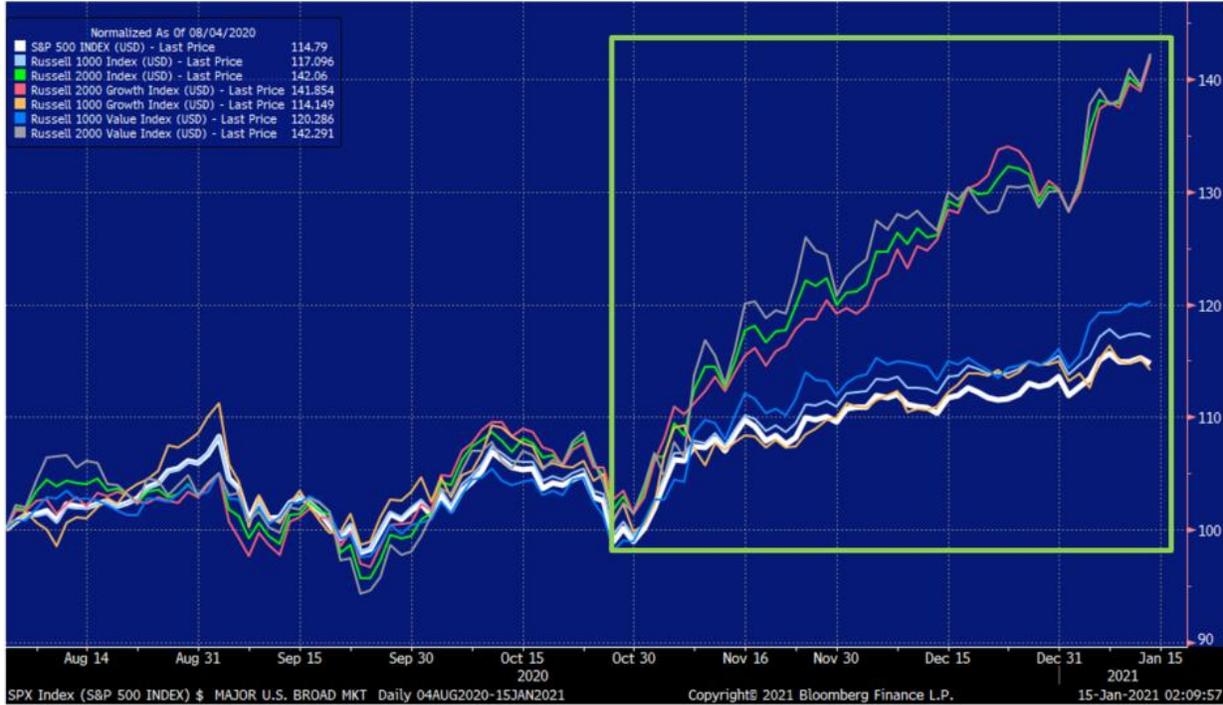
## PERFORMANCE SINCE 8/4/20 (%)

CATEGORY	8/4/20 TO 1/14/21
S&P500	14.79
FINANCIALS	32.13
TRANSPORTS	28.00
MATERIALS	27.04
INDUSTRIALS	26.38
ENERGY	21.49
DISCRETIONARY	18.89
TECH	14.69
HEALTH CARE	11.06
COMMUNICATION	10.93
STAPLES	5.05
UTILITIES	2.84
REITS	1.47
SMALL CAP VALUE	42.29
SMALL CAP	42.06
SMALL CAP GROWTH	41.85
LARGE CAP VALUE	20.29
LARGE CAP	17.10
LARGE CAP GROWTH	14.15

## RELATIVE PERFORMANCE U.S. SECTORS – SINCE 8/4/20



RELATIVE PERFORMANCE OF LARGE CAP AND SMALL CAP BROAD CATEGORIES – SINCE 8/4/20



TPA MARKETSCOPE (most indicators use Top 1000 stocks, detailed explanation below)				Friday, January 15, 2021																																				
Since 2009, TPA has used the indicators below to identify extreme inflection points in the market for institutional clients.																																								
INDICATORS	TODAY	EXTREME LIMITS		ALERT	HISTORICAL IMPORTANCE																																			
		LOW	HIGH																																					
Short Term Market Score (SPY, see below)	1.0865	-3.50	4.00	Extreme	Works better for the BUY side - accurate on the BUY side 4 out of 5 times since 2010. Valid short term indicator of an overbought market.																																			
Percent Stocks Above 2 STD DEV Bollinger Band	14.34%	2.97%	40%		Valid short term indicator of an oversold market.																																			
Percent Stocks Below 2 STD DEV Bollinger Band	2.97%	60%	40%		Very accurate on the BUY side. Effective irregularly on the SELL side.																																			
Percent Stocks Above 50DMA	80.64%	15%	85%		Mildly successful on predicting short term tops.																																			
Percent Stocks RSI above 70	21.41%	55%	30%		Valid indicator of short term lows.																																			
Percent Stocks 50DMA > 200DMA	91.19%	25%	70%		Medium term indicator of a low extreme and high extreme. (see note below)																																			
<b>TPA 30 DAY MARKET EXTREME SIGNAL</b>																																								
EXPLANATION OF TPA MARKET SCORE: A daily analysis of S&P 500 relative to the normal distribution using the 2 standard deviation Bollinger Band. TPA then adjusts the SCORE by the amount of overbought or oversold as measured by RSI. Finally, probable																																								
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TPA MARKETSCOPE EXPLAINED

Market timing is not a complete investment strategy in and of itself, but should be utilized as a tool for successful investing. Knowing when stocks are at extremes can present investors with opportunities and help them to avoid pitfalls. The TPA

Marketscope uses a set of carefully watched indicators to assess if the market is at or near extremes. When the market is oversold, risk-return favors buying and not selling and when the market is overbought, risk-return favors selling and not buying.

The seven indicators below were developed after years of observation and the extreme limits used have historically been levels that mark short-term and medium-term inflection points.

**Indicators explained:**

- **Short term market score** – is a daily analysis of the S&P500 relative to the normal distribution using the 2 standard deviation Bollinger Band. TPA then adjusts the score by the amount of overbought or oversold as measured by RSI.
  - **Percent stocks above or below the 2 standard deviation Bollinger Band** – Bollinger Bands identify ranges using standard deviations away from a moving average. They, therefore, measure volatility (the width of the band) and extremes (using normal statistical distributions). In a normal distribution, 2 standard deviations identifies 96% of all occurrences. As a stock reaches the extreme of the 2 standard deviation Bollinger Band, it becomes more probable that the price will regress back to the mean. TPA has found that historically market reversions are very likely when 40% of stocks are above or 60% of stocks are below the 2 standard deviation Bollinger Band.
  - **Percent stocks above the 50DMA** – when a large number of stocks (85%) are trading above their 50DMA, the market is at an overbought extreme. When a small number of stocks (15%) are trading above the 50DMA, the market is oversold.
  - **Percent stocks RSI above 70 or below 30** – RSI is a measure of the speed and size of a recent move in a stock or index; the greater the price move and the quicker that move has taken place, the higher RSI. TPA has found that historically market extremes occur when 30% of stocks are trading above RSI 70 or when 55% of stocks are trading below RSI 30.
  - **Percent stocks 50DMA>200DMA** – This is a longer-term measure of extremes. An uptrend is defined when short term prices consistently trade above longer-term prices. An example of an uptrend is Last > 20DMA > 50DMA > 200DMA. Technically, a long-term uptrend is defined by the 50DMA trading above the 200DMA. TPA has found that historic oversold extremes occur when 22% or less stocks are trading 50DMA>200DMA. The overbought extreme has become trickier since it has been declining since 2010 as a small number of TECH stocks have garnered an increasingly large percentage weighting in the S&P500. Currently, the extreme is approximately 40% to 50% of stocks trading 50DMA > 200DMA.
- TPA notes that not all of these indicators are equally consistent. Clients should use the “Historical Importance” comments to determine the weight they will assign to each alert.**

CLICK ON LINKS BELOW FOR TECHNICAL INDICATOR EXPLANATIONS:

[ASCENDING - DESCENDING TRIANGLE](#)

[BASING-TOPPING-CONSOLIDATION](#)

[BREAKOUT \(Breakdown\)](#)

[CHANNEL & RANGE](#)

[DIRECTIONAL MOVEMENT INDEX \(DMI\)](#)

[DOUBLE BOTTOM or DOUBLE TOP](#)

[MACD-MOVING AVERAGE CONVERGENCE-DIVERGENCE](#)

[MOVING AVERAGES](#)

[RELATIVE STRENGTH & PEER STOCK PERFORMANCE](#)

[REPEATING PATTERNS](#)

[RSI-RELATIVE STRENGTH](#)

[SUPPORT, RESISTANCE, BREAKOUT, BREAKDOWN](#)

[TREND](#)

**ALWAYS REMEMBER: No strategy exists in a vacuum – always evaluate the relevant sector & market.**  
*Over 80% of portfolio performance is determined by sector and market forces (Ibbotson & Kaplan study – January/February 2000)*

**Turning Point Analytics Disclaimer**

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