

Upgrading Utilities to Neutral, Downgrading Financials to Underweight



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Note: This edition of Sector Insights is accompanied by the release of the 2H20 Asset Allocator's Guide. As a reminder, monthly report commentary is abbreviated at the end of Q2 and Q4 when the Asset Allocator's Guide is updated. The 2H20 Asset Allocator's Guide will be released on July 10, 2020.

Current Watchlist & Rationale

► **Real Estate - Upgrade to OW:** In our view, expensive equity valuations and low interest rates will lead to lower expected future returns, which could push investors to real assets and private markets. We believe investors are overly negative on the sector. As an example, real estate is the only sector with negative NTM EPS growth (Figure 4). The sector also has the lowest 1-month upward revisions and second lowest 3-month upward revisions (Figure 10). Technicals indicate real estate could outperform (Figures 132 & 133).

► **Materials - Upgrade to N:** Sector is less susceptible to inflationary pressures and could provide an inflation hedge. The sector's blended EPS growth vs the S&P 500 is improving (Figure 108), and the percentage of upward revisions is ticking up slightly (Figure 109). Technicals indicate materials could outperform (Figures 110 & 111). The primary risk is weak economic growth.

► **Tech - Downgrade to N:** Sector valuations remain stretched vs sector history and S&P 500 (Figures 62 & 63). Technicals indicate future returns could be challenged (Figures 66 & 67). Mean reversion will be brutal when the trade falls apart, so rebalancing is a must.

► **Industrials - Downgrade to UW:** We are concerned about weak capacity utilization due to lower demand. The industrial sector is highly dependent on utilization across transportation, manufacturing lines, and construction services. A second infection wave would pressure industrials' fundamentals.

Upgrade Utilities to Neutral

We are upgrading the utility sector from underweight to neutral. The recent 3-month rally amidst a global health pandemic and economic contractions concerns us. As a result, we believe investors would be wise to decrease their portfolio beta. Utilities are oversold due to a drop in demand and provide an attractive yield at a time when dividends are being cut and interest rates are at historic lows.

In our view, the data supports a utility sector upgrade. The valuation composite now sits at +1.6std vs +2.6std on 1/31/2020 (Figure 41). Blended EPS is higher than the S&P 500 due to utilities' more stable LTM EPS and comparable estimated NTM EPS growth (Figure 42). Technicals also indicate the sector could outperform (Figures 44 & 45).

Downgrade Financials to Underweight

We are downgrading the financial sector from neutral to underweight. In June's Sector Insights edition, we highlighted financials already appeared to price in negative catalysts, which made it difficult to underweight the sector. However, we believe investors are overlooking an upcoming negative catalyst. Loan and credit growth are stalling because lenders do not know which borrowers are creditworthy. Stalling loan growth is in addition to the previously known negative catalysts of historically low interest rates (most likely priced into sector valuations) and expected loans losses (partially priced in, but could be underestimated). From a thematic perspective, the financial sector now faces low interest rates, an inability to confidently calculate loan losses on bank balance sheets, and negative loan growth. This combination creates significant headwinds for the sector.

In our view, the data supports a financial sector downgrade. From an overall sector perspective, NTM EPS and NTM sales are only expected to grow +0.5% and +0.3%, respectively (Figure 116). The bright spots in the sector are P&C insurance and insurance brokers, which are both expected to grow EPS and sales more than the sector average. Blended EPS plunged in 2020 vs the S&P 500, with both the LTM and NTM EPS growth rates below the S&P 500 (Figure 119). Technicals are a wreck, with the y/y sector hovering around the -1std line (Figure 121) and y/y relative return vs S&P 500 breaking through the -1std line (Figure 122). In addition, there is a noticeable drop off in the number of financial companies outperforming the S&P 500 over the LTM (Figure 123). While financials trade at a 20-year valuation low vs the S&P 500 (Figures 117 & 118), we do not see a sector catalyst to justify a financials neutral weighting.

Our preferred financial industries are P&C insurance and investment banks. The P&C insurance tactical trade is discussed in the 6/11/2020 Friday Strategist. The investment bank tactical trade is discussed in the 5/22/2020 Friday Strategist.

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MarketDesk Sector Ratings: The goal of sector ratings and the following analysis is to simplify sector investing by focusing on the key drivers of risk and return. Below is a summary of our allocation views for the next 12 months. Up / down arrows indicate a positive (▲) or negative (▼) change in view since the prior monthly report.

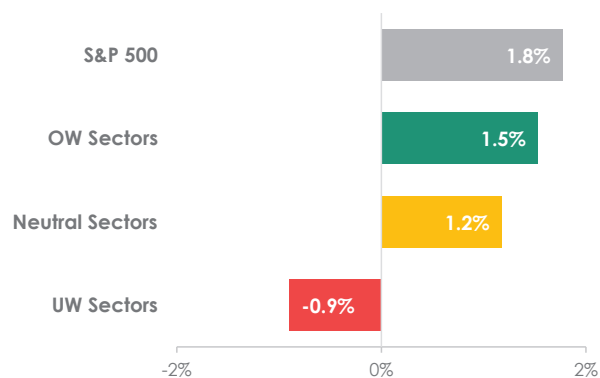
● Underweight (UW) ● Neutral (N) ● Overweight (OW)

Sector	Allocation View				Beta	Dividend Yield	Performance (%)			Asset Flows (%)			Rationale
	Chg	UW	N	OW			1M	6M	1Y	1M	6M	1Y	
U.S. Sectors													
Comm Svcs		●	●	●	0.87	1.02%	0.1	-0.5	8.4	-0.7	27.0	38.0	Mixture of high growth Interactive Media & low beta Telecom; The "Stay at Home Sector"
Tech		●	●	●	1.08	1.15%	6.9	14.7	35.4	1.4	8.9	17.0	Valuation composite +2.7 std vs 5yr average (Fig 4); Technical setup is concerning (Figs 66-67)
Health Care		●	●	●	0.84	1.61%	-2.4	-1.0	10.5	-6.1	13.0	13.0	2020 election risk subsiding; Sector could face pent up demand after high margin elective surgeries resume
Cons Disc		●	●	●	0.96	1.20%	3.1	2.4	8.4	-2.3	-7.2	-8.3	Amazon & online retailers driving the sector higher; Reliant on consumer demand; Second infection wave = Big risk
Energy		●	●	●	1.35	5.87%	-1.1	-35.2	-34.3	2.9	32.0	20.0	Oil demand collapse leading to dwindling storage supply and plunging prices; Long road to recovery
Real Estate		●	●	●	1.11	3.96%	2.4	-13.9	-6.6	0.3	-5.1	-1.9	Investors overly pessimistic in our view; Technicals present an attractive set up (Figs 132-133)
Industrials		●	●	●	1.07	2.21%	2.0	-14.8	-9.3	6.7	-0.5	-5.4	Face low capacity utilization & disrupted supply chain as manufacturers start / stop / re-start production lines
Utilities	▲	●	●	●	0.98	3.44%	-4.7	-11.2	-2.1	5.7	13.0	23.0	Prefer Utilities over Cons Stples as defensive play; Technicals present an attractive set up (Figs 44-45)
Financials	▼	●	●	●	1.22	2.64%	-0.5	-23.8	-13.9	-4.1	-8.8	-19.0	Low interest rates & deteriorating credit quality priced in, but loan growth stalling is not in our view
Materials		●	●	●	1.04	2.14%	2.2	-7.3	-1.6	-13.0	3.6	-9.5	Ability to raise prices if production costs increase; Stimulus could lead to inflation & materials provide a hedge
Cons Stpls		●	●	●	0.76	2.76%	-0.2	-5.7	3.8	-4.5	4.0	8.5	Consumers are stocking up on low margin basic essentials; Low beta will underperform in rally
U.S. Sector Groups													
Cyclicals		●	●	●	1.05	2.05%	2.3	-6.2	3.0	-1.6	2.5	1.6	Limited upside in our view while the economy reopens and investors can assess the economic damage
Defensive		●	●	●	0.86	2.60%	-2.4	-6.0	4.0	-1.7	10.0	15.0	Be prepared to quickly rotate to defensives if case counts continue to increase

Performance is total return including dividends. *Beta* versus S&P 500 Index for past 6 months. *Asset Flows* use 5 largest ETFs for each category and divide total net flows by total beginning of period AUM. *MSCI USA Defensive Sectors* include Health Care, Consumer Staples, and Utilities. *MSCI USA Cyclical Sectors* include Information Technology, Industrials, Communication Services, Consumer Discretionary, Materials, Financials, and Real Estate. Note: Energy is currently removed from defensive sectors due to the sector's idiosyncratic risk drivers.

Figure 1: Performance of MDR Ratings — June 2020

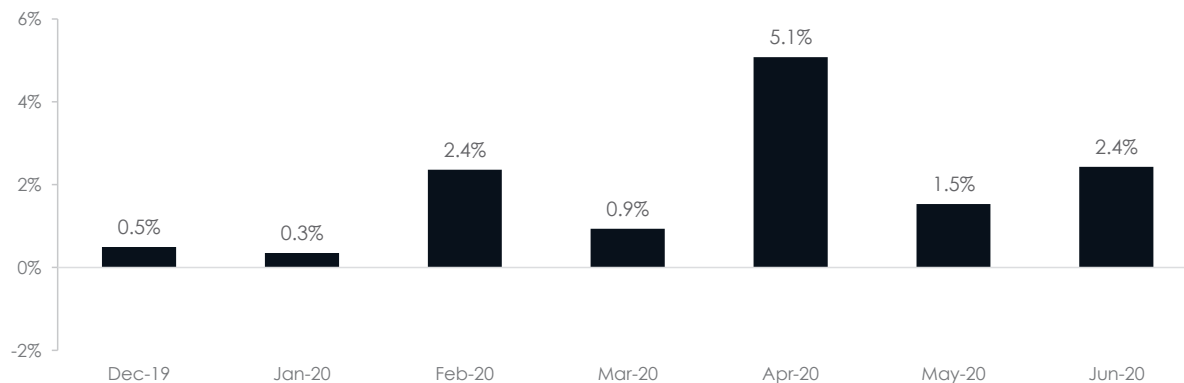
Average sector performance by rating levels across sectors.



Source: MarketDesk Research

Figure 2: Long / Short Model Portfolio — Monthly Performance

The average monthly performance assumes long OW sectors and short UW sectors. Returns do not factor in borrowing cost.



Source: MarketDesk Research. Note: MDR Sector Ratings began in December 2019.



Figure 3: U.S. Sector Total Returns

	July 2019	August 2019	September 2019	October 2019	November 2019	December 2019	January 2020	February 2020	March 2020	April 2020	May 2020	June 2020	YTD	1-Year
Best ↑	Tech 3.5%	Utilities 5.1%	Financials 4.5%	Health 5.1%	Tech 5.4%	Energy 6.0%	Utilities 6.7%	Comm Svcs -5.6%	Health -3.9%	Energy 30.8%	Tech 7.2%	Tech 6.9%	Tech 14.7%	Tech 35.4%
	Comm Svcs 3.4%	Real Estate 3.7%	Utilities 4.2%	Tech 3.9%	Financials 5.1%	Tech 4.3%	Tech 4.0%	Health -6.6%	Cons Stpls -5.6%	Cons Disc 18.9%	Comm Svcs 6.9%	Cons Disc 3.1%	Cons Disc 2.4%	Health 10.5%
	Financials 2.4%	Cons Stpls 2.2%	Energy 4.0%	Comm Svcs 3.0%	Health 5.0%	Health 3.5%	Real Estate 1.2%	Real Estate -7.0%	Tech -8.6%	Materials 15.2%	Materials 6.9%	Real Estate 2.4%	Comm Svcs -0.5%	Cons Disc 8.4%
	Cons Stpls 2.3%	Health -0.6%	Materials 3.2%	Financials 2.5%	Industrials 4.5%	Utilities 3.3%	Comm Svcs 0.6%	Tech -7.3%	Utilities -10.1%	Comm Svcs 14.4%	Cons Disc 6.5%	Materials 2.2%	Health -1.0%	Comm Svcs 8.4%
	Real Estate 1.7%	Cons Disc -0.9%	Industrials 3.0%	Industrials 1.1%	Comm Svcs 3.2%	Materials 2.9%	Cons Stpls 0.3%	Cons Disc -7.6%	Materials -14.1%	Tech 13.7%	Industrials 5.4%	Industrials 2.0%	Cons Stpls -5.7%	Cons Stpls 3.8%
	Cons Disc 1.3%	Tech -1.5%	Real Estate 1.9%	Real Estate 1.1%	Materials 3.2%	Cons Disc 2.8%	Cons Disc -0.1%	Cons Stpls -8.2%	Comm Svcs -14.4%	Health 12.6%	Utilities 4.2%	Comm Svcs 0.1%	Materials -7.3%	Materials -1.6%
	Industrials 0.5%	Industrials -2.6%	Cons Stpls 1.7%	Cons Disc 0.1%	Energy 1.6%	Financials 2.6%	Industrials -0.4%	Materials -8.5%	Cons Disc -15.0%	Financials 9.5%	Health 3.3%	Cons Stpls -0.2%	Utilities -11.2%	Utilities -2.1%
	Utilities -0.1%	Comm Svcs -2.8%	Tech 1.6%	Materials 0.0%	Cons Stpls 1.4%	Cons Stpls 2.4%	Financials -2.7%	Utilities -9.9%	Industrials -18.7%	Real Estate 9.0%	Financials 2.7%	Financials -0.5%	Real Estate -13.9%	Real Estate -6.6%
	Materials -0.3%	Materials -2.8%	Cons Disc 1.3%	Cons Stpls -0.4%	Cons Disc 1.3%	Comm Svcs 2.2%	Health -2.7%	Industrials -9.9%	Real Estate -19.3%	Industrials 8.8%	Energy 2.0%	Energy -1.1%	Industrials -14.8%	Industrials -9.3%
	Energy -1.6%	Financials -4.7%	Health -0.1%	Utilities -0.8%	Real Estate -1.3%	Real Estate 0.7%	Materials -6.2%	Financials -11.2%	Financials -21.1%	Cons Stpls 7.0%	Real Estate 1.7%	Health -2.4%	Financials -23.8%	Financials -13.9%
Worst ↓	Health -1.6%	Energy -8.3%	Comm Svcs -0.3%	Energy -2.1%	Utilities -1.9%	Industrials -0.2%	Energy -11.0%	Energy -15.3%	Energy -34.6%	Utilities 3.3%	Cons Stpls 1.7%	Utilities -4.7%	Energy -35.2%	Energy -34.3%
	Cyclical 1.8%	Defensive 2.2%	Cyclical 2.2%	Cyclical 1.7%	Cyclical 3.0%	Defensive 3.1%	Defensive 1.5%	Cyclical -8.2%	Defensive -6.5%	Cyclical 12.8%	Cyclical 5.3%	Cyclical 2.3%	Defensive -6.0%	Defensive 4.0%
	Defensive 0.2%	Cyclical -1.7%	Defensive 2.0%	Defensive 1.3%	Defensive 1.5%	Cyclical 2.2%	Cyclical -0.5%	Defensive -8.2%	Cyclical -15.9%	Defensive 7.6%	Defensive 3.1%	Defensive -2.4%	Cyclical -6.2%	Cyclical 3.0%

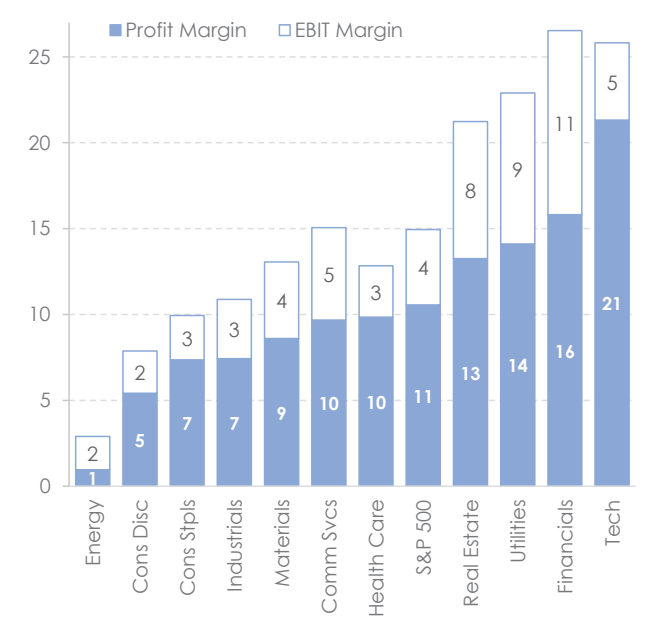
MSCI USA Defensive Sectors include Health Care, Consumer Staples, and Utilities. MSCI USA Cyclical Sectors include Information Technology, Industrials, Communication Services, Consumer Discretionary, Materials, Financials, and Real Estate. Note: Energy is currently removed from defensive sectors due to the sector's idiosyncratic risk drivers.

Figure 4: Valuation & Earnings Snapshot

Sector	Valuation Composite			Valuation Multiples					Earnings Growth				Factor Exposure
	-3 std		+3 std	LTM P/E	NTM P/E	P/B	EV/Sales	EV/EBITDA	LTM EPS Growth	NTM EPS Growth	LTM Sales Growth	NTM Sales Growth	Quant Factor Tilts
S&P 500 Index				21.2x	21.7x	3.5x	2.8x	14.3x	-10.1%	3.8%	-0.5%	2.0%	
OW Comm Svcs			● +1.0	25.8x	26.9x	3.1x	3.2x	11.1x	-4.0	3.0	5.3	3.3	Growth, Momentum
Tech			● +2.7	24.6x	24.9x	8.8x	5.8x	19.0x	1.6	8.5	2.6	5.1	Growth
Health Care			● +1.1	16.7x	16.4x	4.6x	2.5x	15.4x	5.4	8.0	10.2	6.7	Momentum
N Cons Disc				36.9x	38.7x	8.5x	2.0x	15.1x	-28.6	26.8	-2.4	1.6	Value
Energy	● -2.4			-131.4x	-124.3x	1.2x	1.1x	7.3x	-67.2	408.9	-17.4	-5.7	Value
Financials		● -0.3		14.4x	14.4x	1.1x	2.3x	12.0x	-16.1	0.5	-1.2	0.3	Value
Real Estate		● -0.3		17.8x	17.4x	2.3x	7.1x	17.7x	-2.3	-2.9	-2.3	-0.7	Value, Momentum
Industrials			● +1.6	25.1x	25.2x	4.4x	2.0x	11.8x	-27.8	15.1	-8.4	-1.8	Momentum
UW Materials			● +0.9	21.0x	21.6x	2.5x	2.3x	11.9x	-23.4	3.6	-13.1	-0.9	Momentum
Cons Stpls			● +0.4	19.8x	19.2x	5.6x	1.7x	13.7x	-0.2	3.5	2.4	2.3	
Utilities			● +0.6	18.6x	17.2x	1.9x	4.6x	12.5x	5.3	3.8	0.0	1.5	

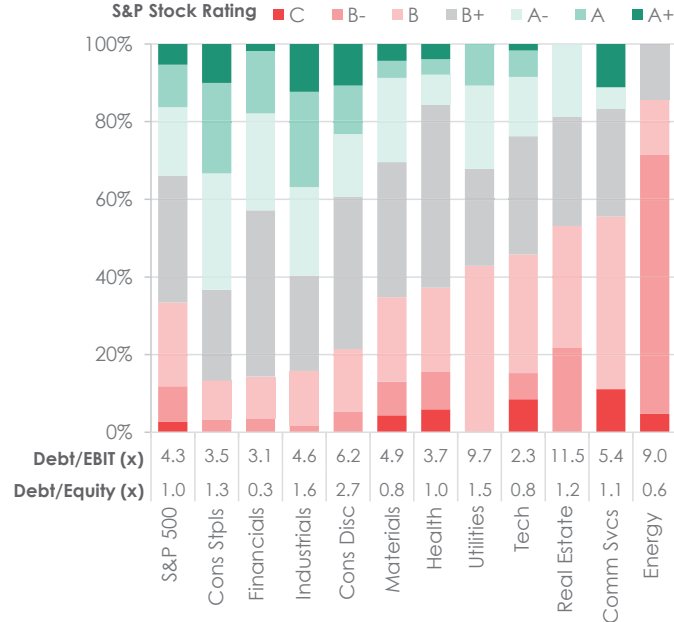
Valuation Composite is average Z-Score of LTM P/E, NTM P/E, P/B, EV/Sales, and EV/EBITDA analyzing the past 5 years of data. **Growth Factor Tilt** = NTM Sales & EPS greater than S&P 500 Index. **Value Factor Tilt** = Valuation composite negative for the sector. **Momentum Factor** = 1-month return higher than the S&P 500 Index.

Figure 5: Sector Operating Margins (%)



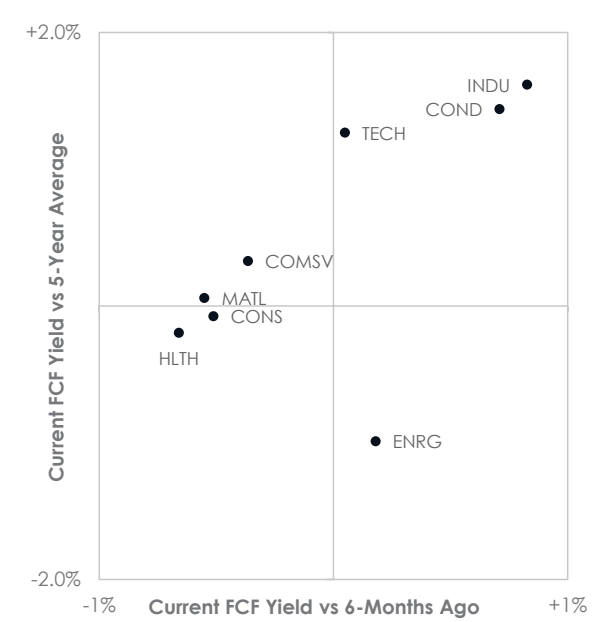
Source: MarketDesk Research

Figure 6: Debt / EBITDA & Sector Rating Composition



Source: MarketDesk Research

Figure 7: Free Cash Flow Trends

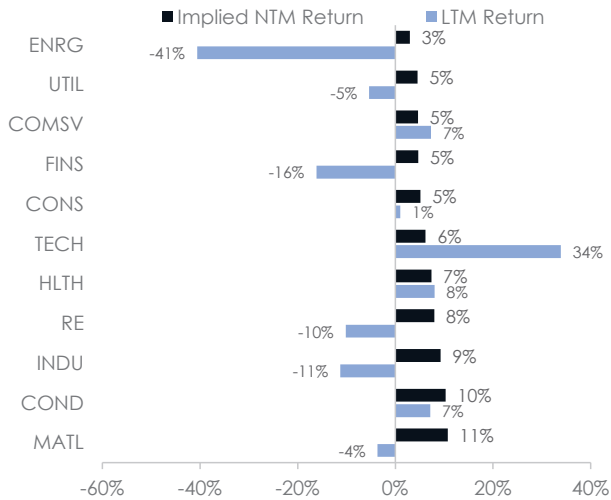


Source: MarketDesk Research



Figure 8: LTM Returns & Implied NTM Returns

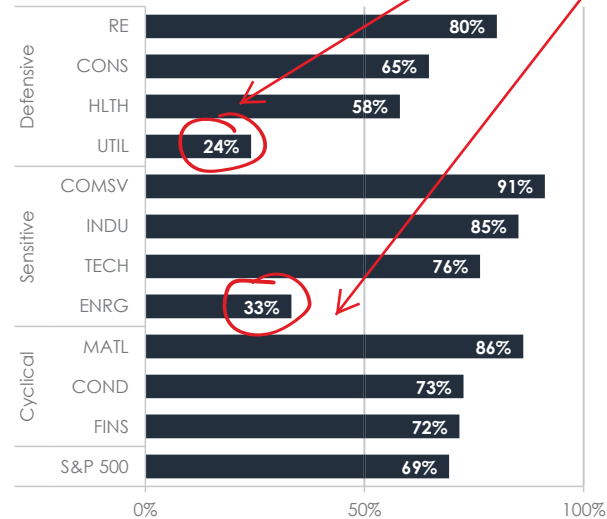
Providing a quantitative view into future sector performance, the implied NTM returns are based on regression analysis using weekly historical data since 2000.



Source: MarketDesk Research

Figure 9: % of Index Above 50dma

Short-term technical strength based on the percentage of companies within each sector above their 50-day moving average.

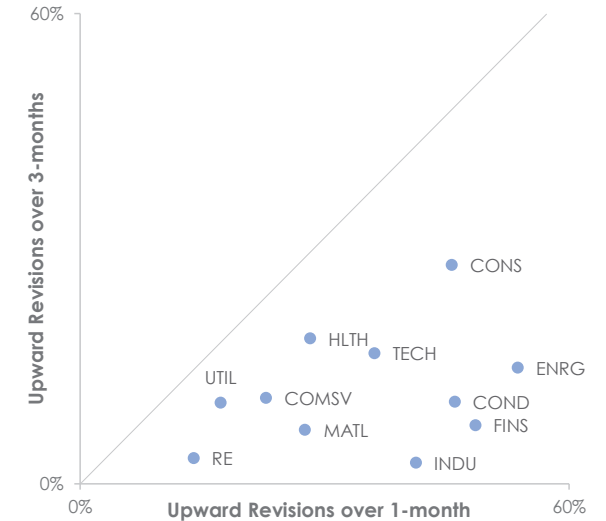


Utilities & Energy remain technically weak...

Source: MarketDesk Research

Figure 10: % of Sector with Upward EPS Revisions

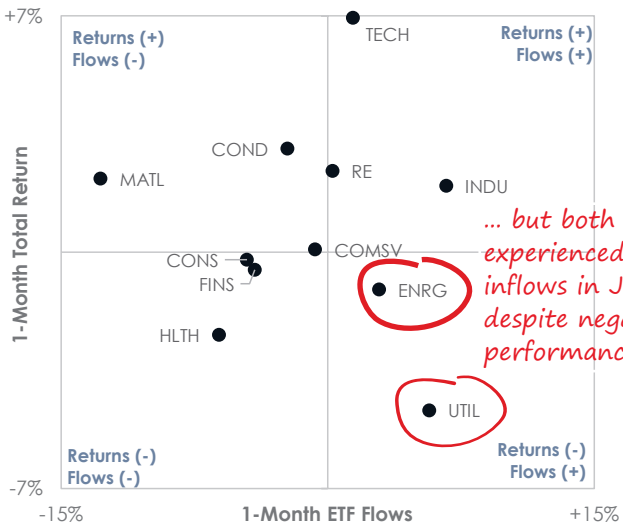
A look at the underlying breadth of upward earnings revisions across sectors over the past 1 and 3-months.



Source: MarketDesk Research

Figure 11: 1-Month Asset Flows vs 1-Month Performance

The scatter plot below highlights areas where investors are adding (or removing) capital based on recent returns.

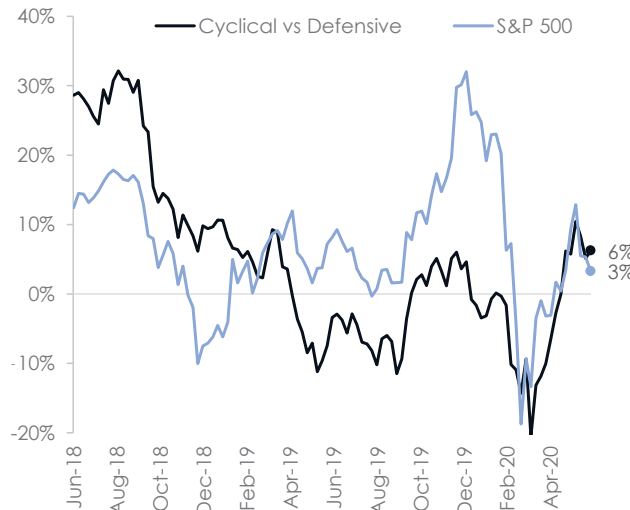


... but both experienced inflows in June despite negative performance.

Source: MarketDesk Research

Figure 12: Cyclical vs Defensive Rolling LTM Returns

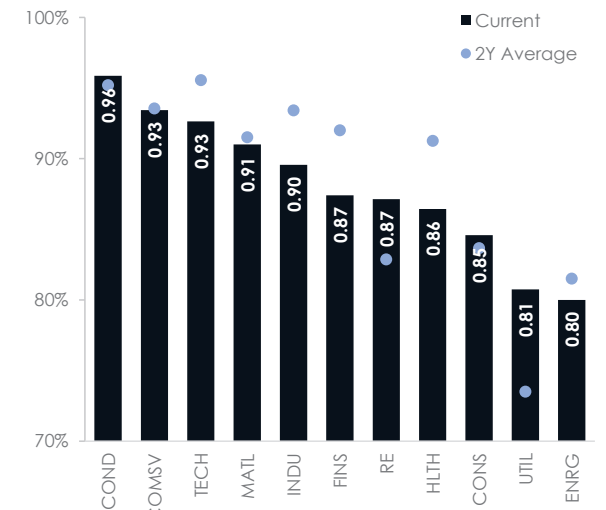
The relative performance between Cons Discretionary (Cyclical) and Cons Staples (Defensive) often leads the S&P 500.



Source: MarketDesk Research

Figure 13: Sector Correlation with S&P 500

The current correlation of each sector's daily movement to the S&P 500 vs its 2-year average level.



Source: MarketDesk Research

Stock vs Sector Selection

The analysis below simplifies Sector Allocation into two investment regimes: stock selection and sector selection. The chart graphs the NTM P/E dispersion against performance intra-correlation for each sector. Both axes are standardized using z-scores based on month-end data vs the three-year moving average. The further a sector's value is from either axis, the stronger the implied investment regime. Performance correlation is measured by taking the average daily correlation of each company vs the sector average performance over the prior 3-months. Positive correlation indicates companies are moving together (e.g. sector allocation), while negative correlation indicates companies are moving independently of each other (e.g. stock selection). NTM P/E dispersion is calculated as the average amount of standard deviations each individual company's NTM P/E sits vs the company's 3-year average. High LTM P/E dispersion highlights countries where the average company is overvalued vs its 3-year average (e.g. active stock selection approach to identify superior stocks), while lower dispersion highlights countries where the average company trades below its 3-year average (e.g. passive allocations to ride country revaluation higher). NTM P/E levels above 50x are removed to cleanse the data.

Figure 14: Sector Valuation Dispersion & Performance Correlation

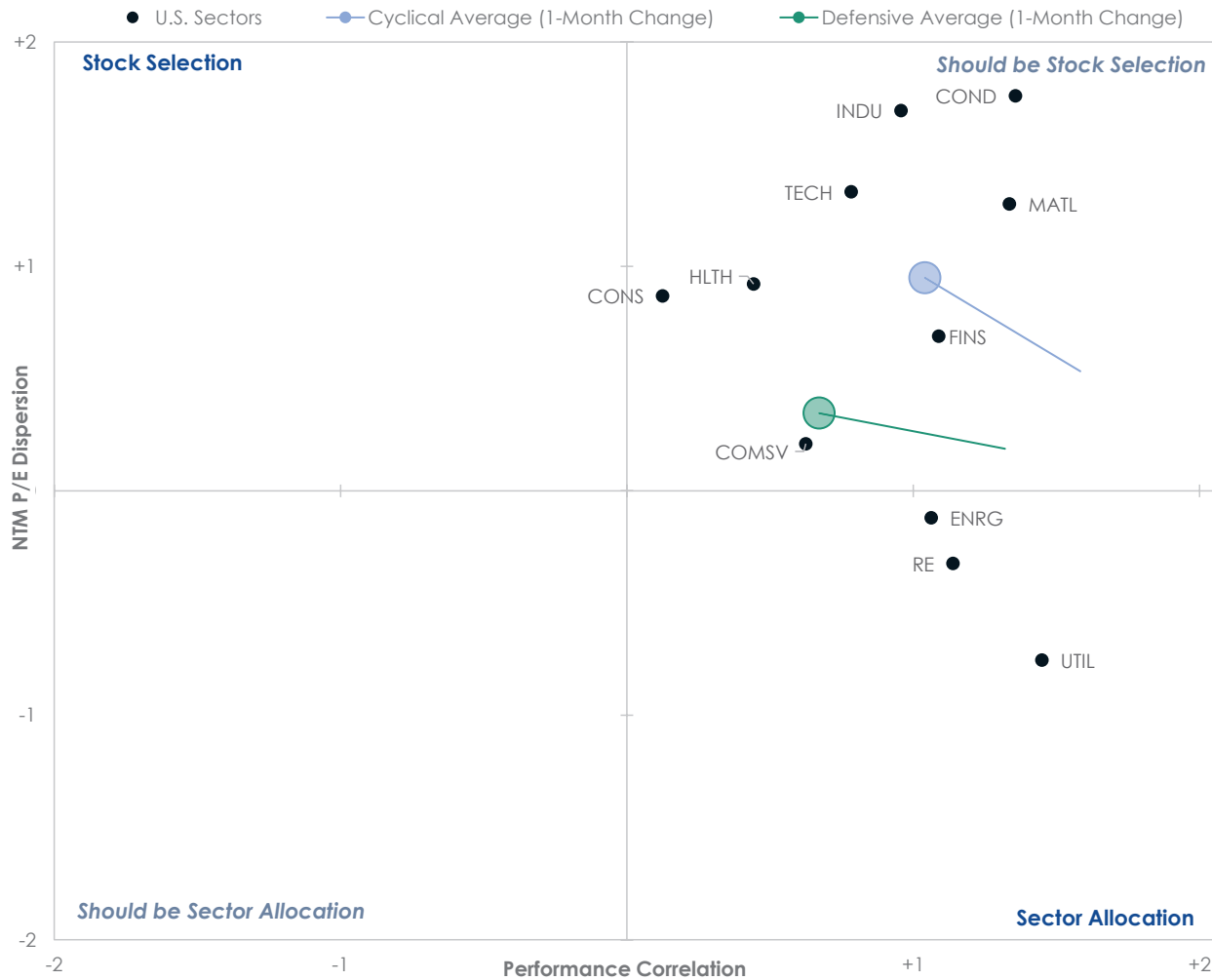
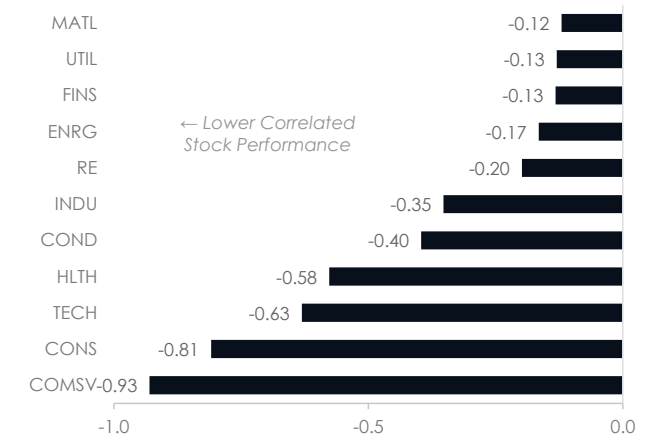
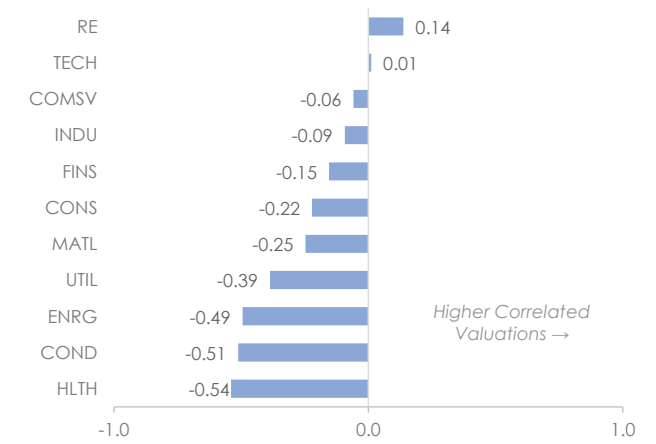


Figure 15: 1-Month Change in Performance Correlation



Source: MarketDesk Research

Figure 16: 1-Month Change in NTM P/E Dispersion



Source: MarketDesk Research

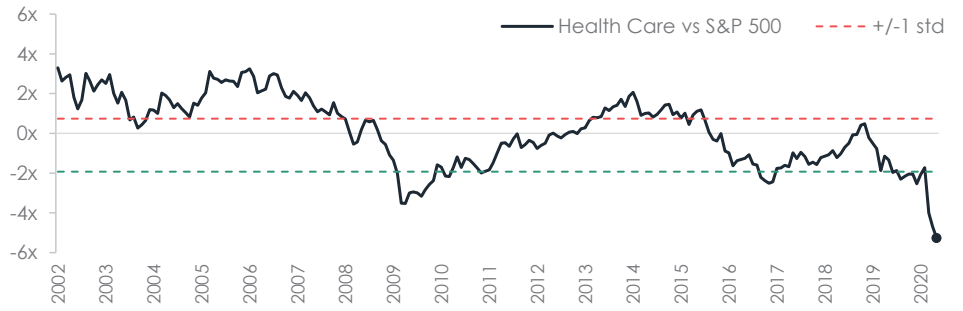
Source: MarketDesk Research. MSCI USA Defensive Sectors include Health Care, Consumer Staples, and Utilities. MSCI USA Cyclical Sectors include Information Technology, Industrials, Communication Services, Consumer Discretionary, Materials, Financials, and Real Estate. Note: Energy is currently removed from defensive sectors due to the sector's idiosyncratic risk drivers.

Figure 17: Sector & Industry Snapshot

Sector / Industry	Valuation Multiples				Operating Ratios			Earnings Growth				Performance			
	LTM P/E	NTM P/E	P/B	EV/EBITDA	EBIT Margin	Profit Margin	Debt/Equity	LTM EPS Growth	NTM EPS Growth	LTM Sales Growth	NTM Sales Growth	Price Return (%)			
												1M	3M	6M	1Y
Health Care	16.7x	16.4x	4.6x	15.4x	12.8%	9.8%	1.0x	5.4%	8.0%	10.2%	6.7%	-3%	13%	-2%	8%
Medical Services	86.4x	80.4x	4.9x	19.4x	7.2	-0.8	1.4x	7.4	77.0	6.3	5.2	2	25	6	20
Biotech	78.6x	71.7x	6.8x	62.8x	19.5	12.3	0.6x	23.7	48.3	7.5	9.0	2	26	18	32
Medical Distributors	11.6x	11.5x	5.7x	8.4x	1.6	1.1	1.8x	-2.6	3.8	4.4	4.4	-1	16	8	10
Pharma	19.3x	22.2x	4.8x	18.4x	31.7	22.9	1.2x	-0.5	6.6	1.5	3.4	-2	15	2	17
Managed Care	14.9x	14.2x	3.0x	6.8x	6.4	4.6	0.5x	14.8	11.1	20.8	10.5	-5	16	-2	18
Hospital/Nursing	20.9x	19.4x	13.3x	8.8x	10.5	3.6	15.7x	-9.9	20.6	-1.2	2.3	-7	8	-21	-11

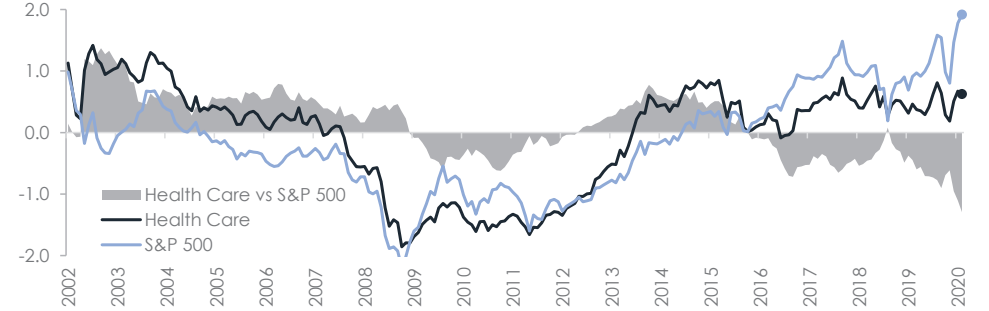
The color blue (red) highlights the highest (lowest) value for each column among industries.

Figure 18: NTM P/E vs S&P 500



Source: MarketDesk Research. Note: 1 std = 10-year avg +/- 10-year standard deviation.

Figure 19: Valuation Composite vs S&P 500



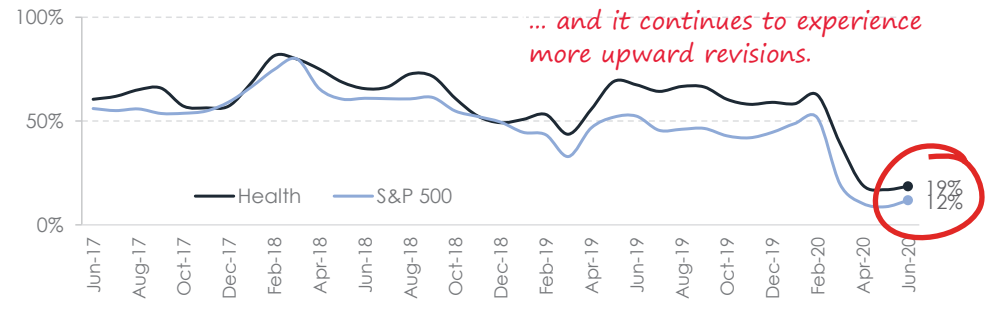
Source: MarketDesk Research. Composite is average Z-Score of LTM P/E, NTM P/E, P/B, EV/S, EV/EBITDA.

Figure 20: Blended EPS Growth vs S&P 500 (Average of NTM & LTM)



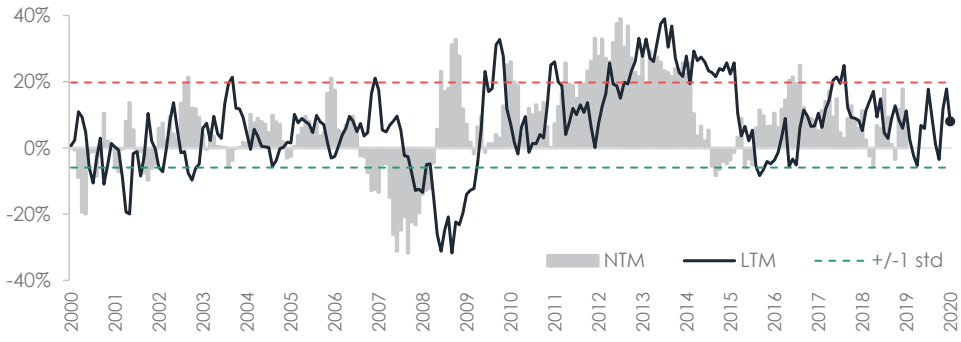
Source: MarketDesk Research

Figure 21: % of Companies with Upward EPS Revisions (Average of 2020 & 2021 EPS)



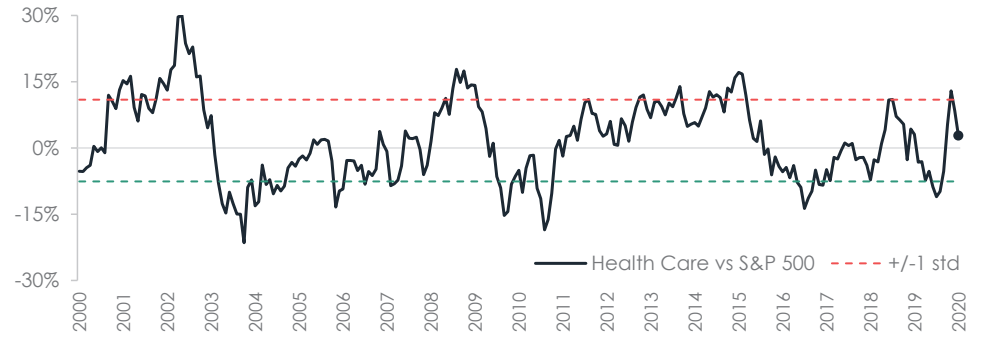
Source: MarketDesk Research

Figure 22: Y/Y Sector Returns



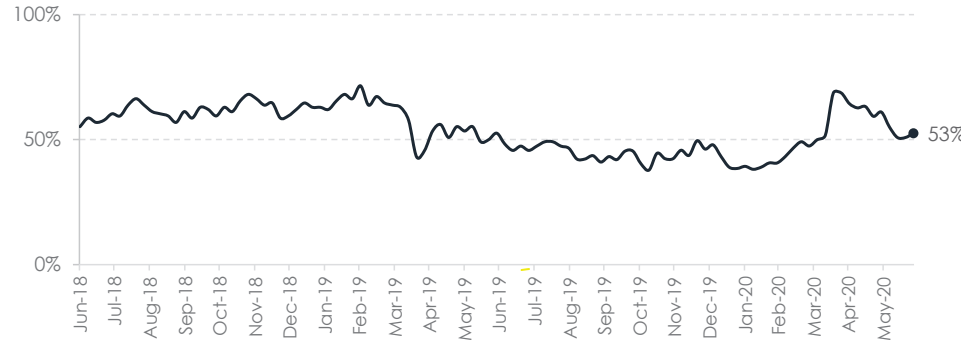
Source: MarketDesk Research

Figure 23: Y/Y Relative Sector Returns vs S&P 500



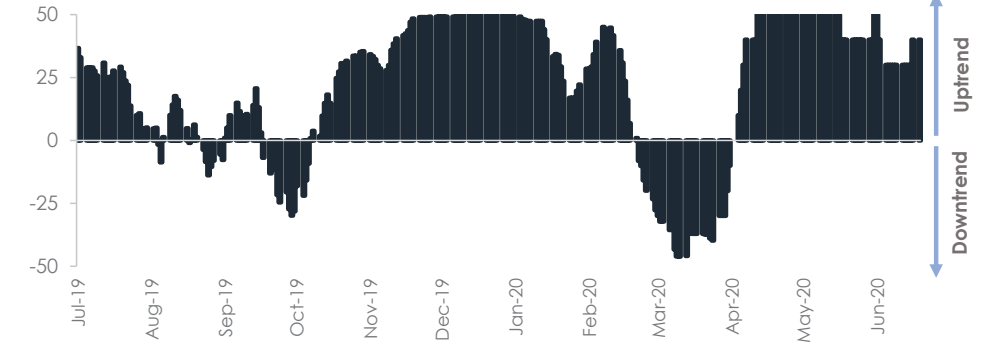
Source: MarketDesk Research

Figure 24: % of Companies Outperforming S&P 500 LTM Returns



Source: MarketDesk Research

Figure 25: Sector High-Low Index



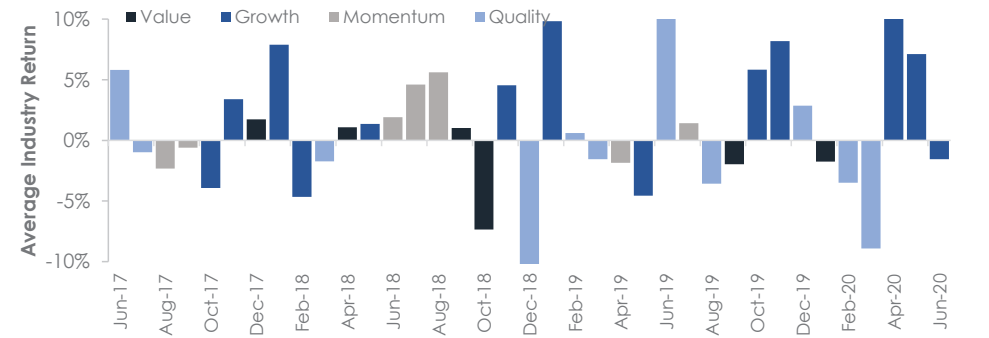
Source: MarketDesk Research. **H/L Index** = (% of New 52wk Highs vs % of New 52wk Lows)-(50%)

Figure 26: Sector ETF Flows (\$ USD Billions)



Source: MarketDesk Research. **ETF Flows** are based on 5 largest sector ETFs.

Figure 27: Largest Factor Driving Industry Performance Each Month



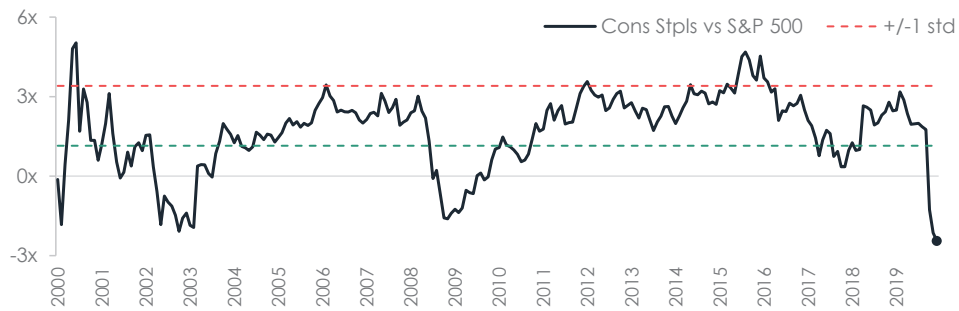
Source: MarketDesk Research. **Value** is based on NTM P/E. **Growth** is based on blended EPS growth (NTM & LTM). **Quality** is based on Profit Margin. **Momentum** is based on previous 3-month returns.

Figure 28: Sector & Industry Snapshot

Sector / Industry	Valuation Multiples				Operating Ratios			Earnings Growth				Performance			
	LTM P/E	NTM P/E	P/B	EV/EBITDA	EBIT Margin	Profit Margin	Debt/Equity	LTM EPS Growth	NTM EPS Growth	LTM Sales Growth	NTM Sales Growth	Price Return			
												1M	3M	6M	1Y
Consumer Staples	19.8x	19.2x	5.6x	13.7x	9.9%	7.4%	1.3x	-0.2%	3.5%	2.4%	2.3%	-1%	8%	-7%	1%
Household Durables	23.7x	23.1x	8.2x	15.9x	19.4	14.7	1.3x	5.7	6.9	1.7	1.5	2	12	-2	6
Food Distributors	21.7x	22.6x	3.9x	11.6x	2.5	1.5	2.4x	-14.1	1.2	6.2	3.1	1	21	-38	-26
Food Products	16.7x	17.4x	2.1x	14.4x	16.3	11.5	0.9x	-4.4	0.7	0.2	0.7	0	14	1	6
Drugstore Chains	8.4x	8.4x	1.4x	8.3x	5.2	2.8	1.0x	-1.6	2.6	10.9	3.1	-1	4	-18	3
Beverages (Non-Alcoholic)	24.3x	22.9x	7.2x	17.0x	20.1	15.2	1.7x	-2.6	2.7	1.7	1.4	-2	7	-10	-6
Beverages	21.9x	21.9x	2.6x	14.1x	21.8	14.4	0.9x	-8.5	-0.4	-1.3	-0.5	-2	16	-8	-4
Tobacco	12.2x	11.3x	-32.2x	9.5x	44.0	30.8	-10.6x	0.8	2.9	-0.1	1.6	-3	-2	-19	-14
Food Retail	21.4x	21.4x	4.6x	10.6x	3.8	2.5	1.0x	1.8	4.4	3.1	2.7	-3	6	2	23

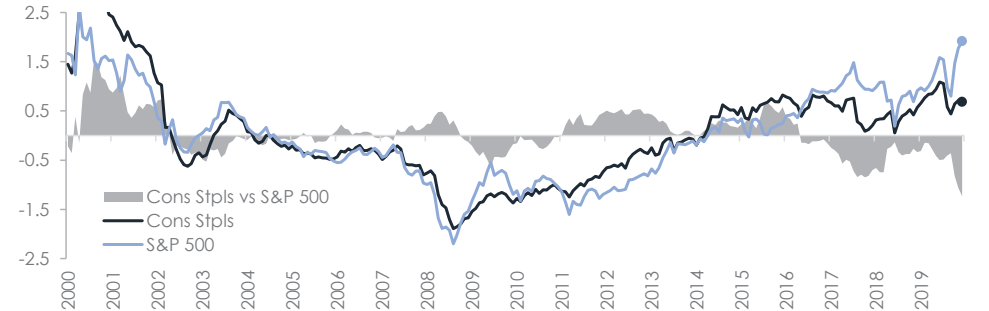
The color blue (red) highlights the highest (lowest) value for each column among industries.

Figure 29: NTM P/E vs S&P 500



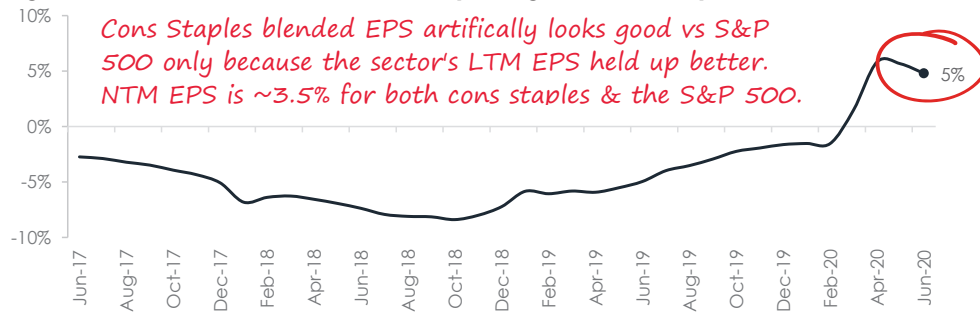
Source: MarketDesk Research. Note: 1 std = 10-year avg +/- 10-year standard deviation.

Figure 30: Valuation Composite vs S&P 500



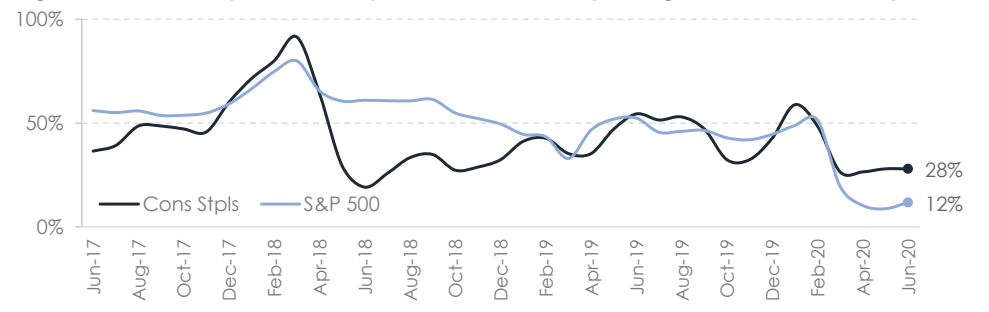
Source: MarketDesk Research. Composite is average Z-Score of LTM P/E, NTM P/E, P/B, EV/S, EV/EBITDA.

Figure 31: Blended EPS Growth vs S&P 500 (Average of NTM & LTM)



Source: MarketDesk Research

Figure 32: % of Companies with Upward EPS Revisions (Average of 2020 & 2021 EPS)

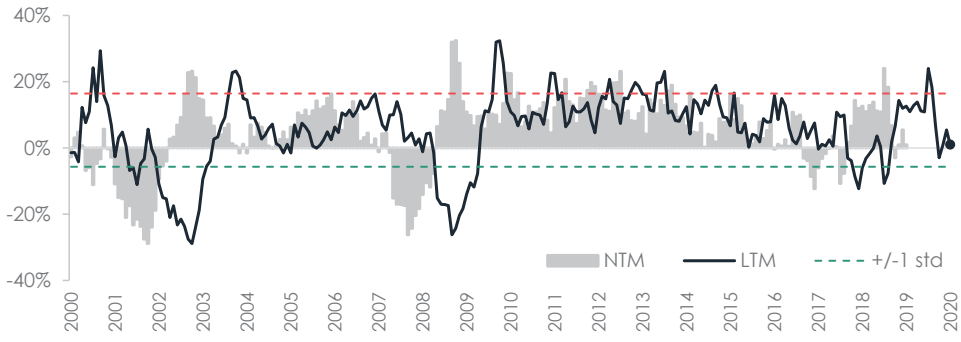


Source: MarketDesk Research

Consumer Staples

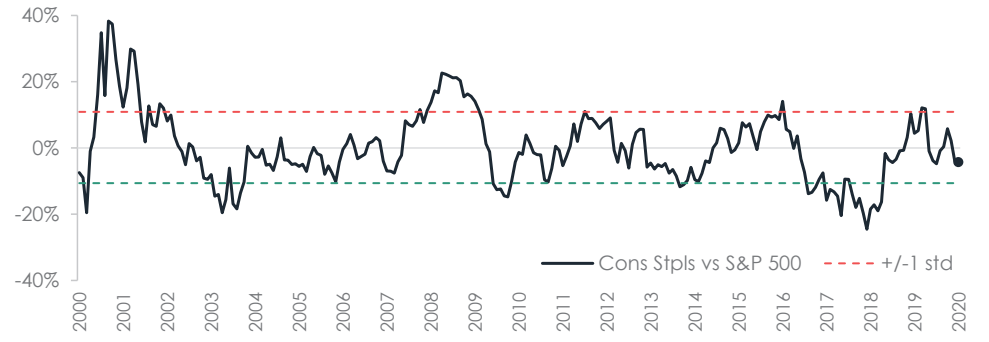
Technicals & Sentiment

Figure 33: Y/Y Sector Returns



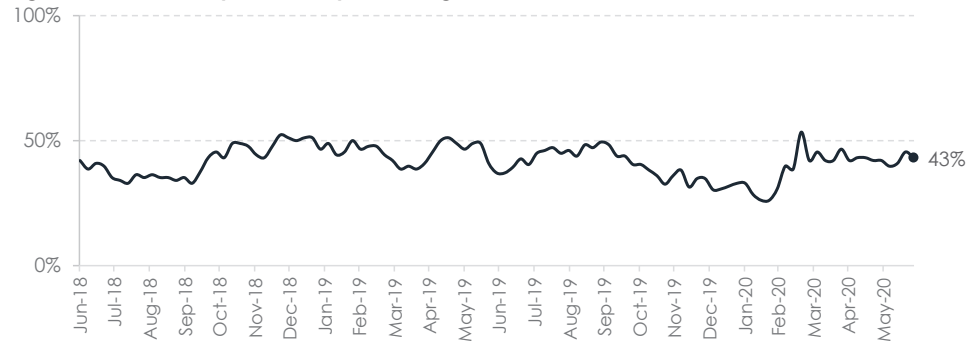
Source: MarketDesk Research

Figure 34: Y/Y Relative Sector Returns vs S&P 500



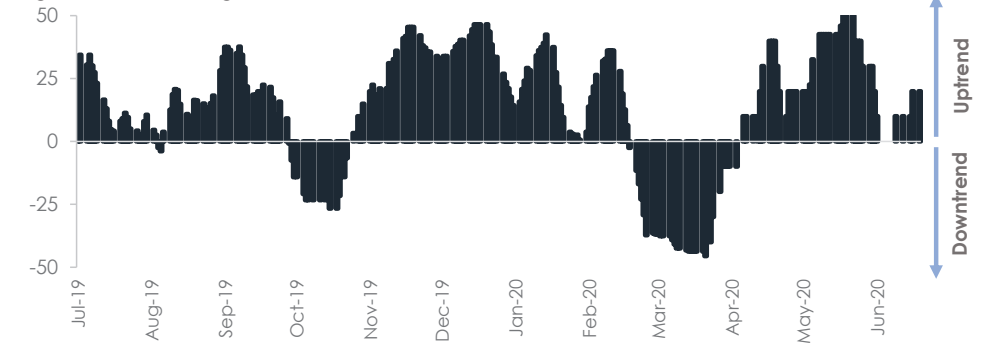
Source: MarketDesk Research

Figure 35: % of Companies Outperforming S&P 500 LTM Returns



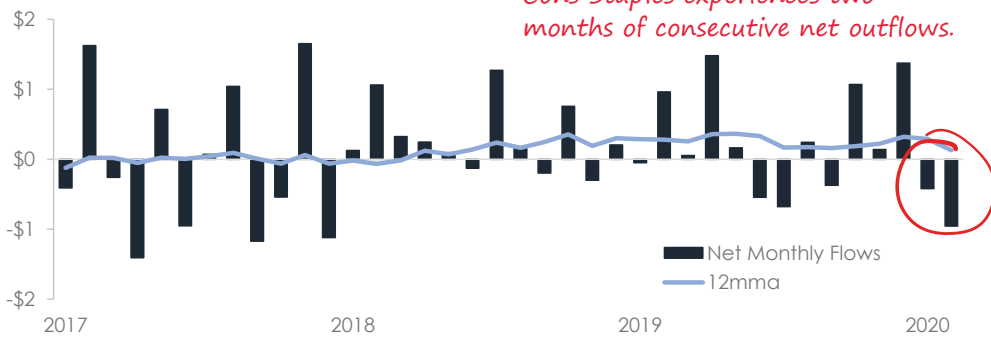
Source: MarketDesk Research

Figure 36: Sector High-Low Index



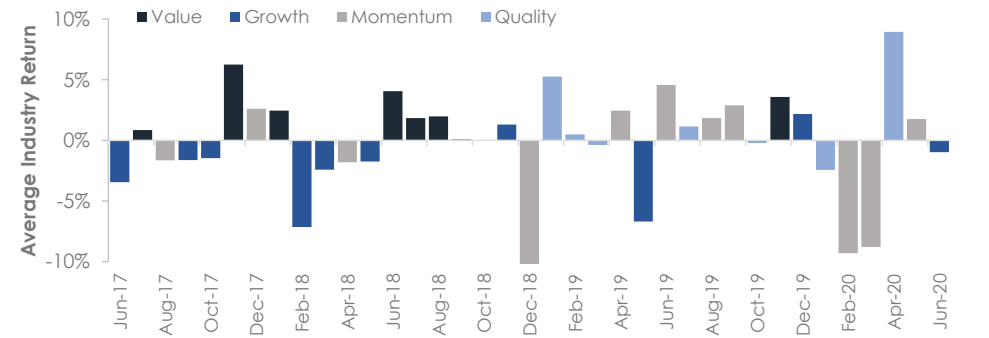
Source: MarketDesk Research. **H/L Index** = (% of New 52wk Highs vs % of New 52wk Lows)-(50%)

Figure 37: Sector ETF Flows (\$ USD Billions)



Source: MarketDesk Research. **ETF Flows** are based on 5 largest sector ETFs.

Figure 38: Largest Factor Driving Industry Performance Each Month



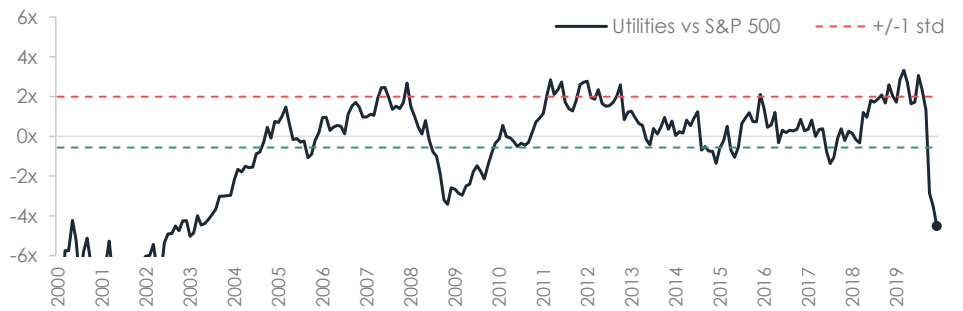
Source: MarketDesk Research. **Value** is based on NTM P/E. **Growth** is based on blended EPS growth (NTM & LTM). **Quality** is based on Profit Margin. **Momentum** is based on previous 3-month returns.

Figure 39: Sector & Industry Snapshot

Sector / Industry	Valuation Multiples				Operating Ratios			Earnings Growth				Performance			
	LTM P/E	NTM P/E	P/B	EV/EBITDA	EBIT Margin	Profit Margin	Debt/Equity	LTM EPS Growth	NTM EPS Growth	LTM Sales Growth	NTM Sales Growth	Price Return			
												1M	3M	6M	1Y
Utilities	18.6x	17.2x	1.9x	12.5x	22.9%	14.1%	1.5x	5.3%	3.8%	0.0%	1.5%	-5%	2%	-13%	-5%
Alt Power Generation	34.4x	25.2x	2.7x	16.6x	29.7	2.4	3.5x	-17.9	29.2	2.9	-3.8	0	13	-1	12
Water Utilities	33.4x	30.4x	3.1x	20.7x	31.4	17.4	1.4x	10.6	10.5	11.0	13.1	0	5	-2	7
Electric Utilities	17.9x	16.8x	1.8x	11.3x	21.8	13.4	1.5x	4.0	1.8	0.7	1.7	-5	2	-13	-7
Gas Utilities	19.4x	16.1x	1.7x	11.9x	18.7	10.5	1.3x	4.9	6.8	0.1	3.3	-6	1	-21	-19

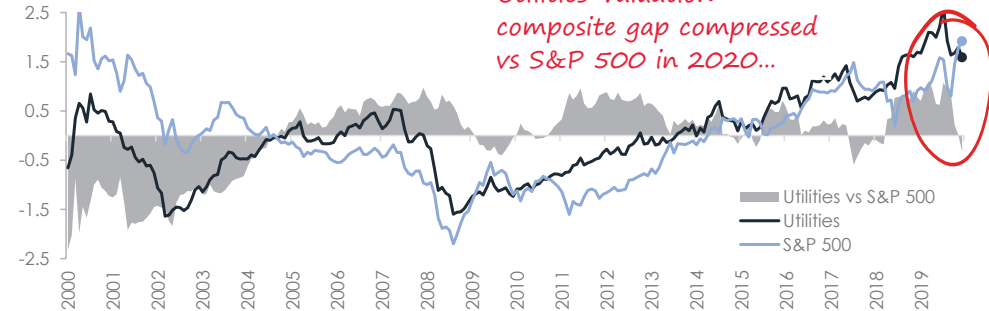
The color blue (red) highlights the highest (lowest) value for each column among industries.

Figure 40: NTM P/E vs S&P 500



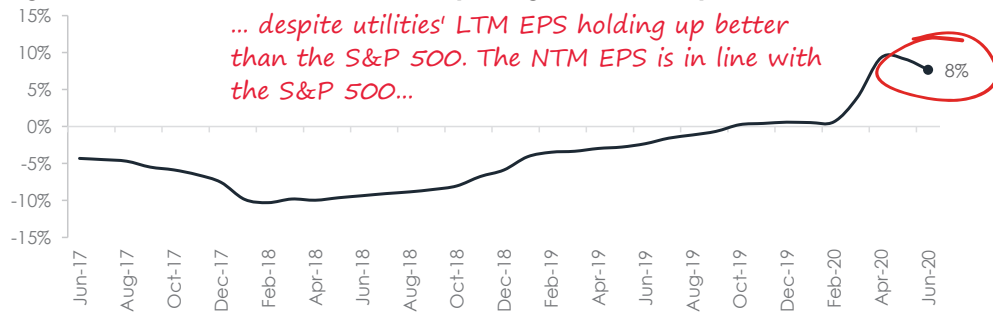
Source: MarketDesk Research. Note: 1 std = 10-year avg +/- 10-year standard deviation.

Figure 41: Valuation Composite vs S&P 500



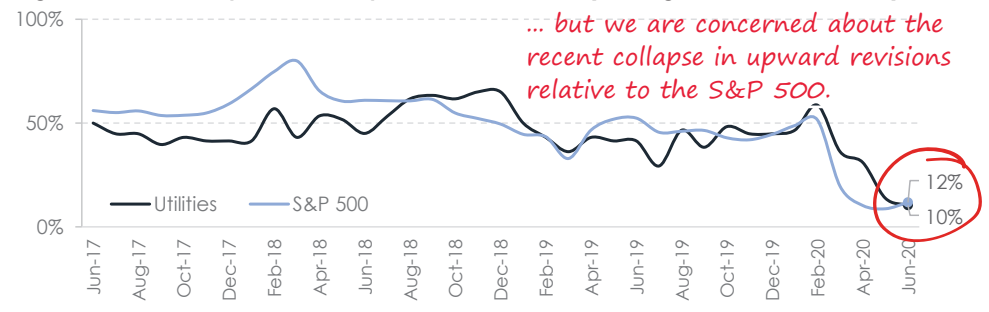
Source: MarketDesk Research. Composite is average Z-Score of LTM P/E, NTM P/E, P/B, EV/S, EV/EBITDA.

Figure 42: Blended EPS Growth vs S&P 500 (Average of NTM & LTM)



Source: MarketDesk Research

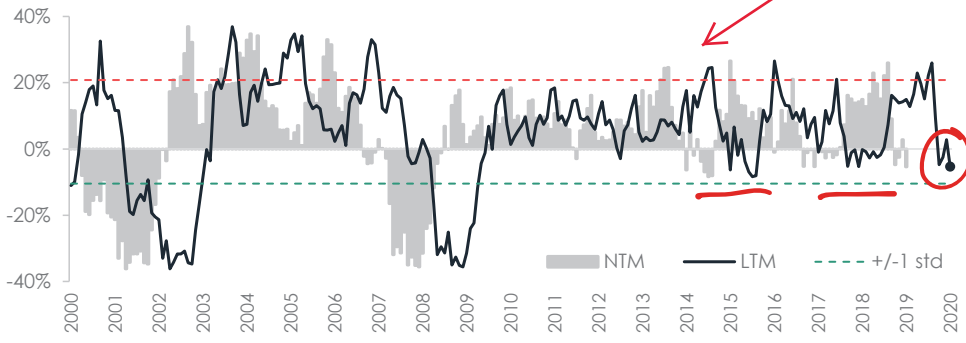
Figure 43: % of Companies with Upward EPS Revisions (Average of 2020 & 2021 EPS)



Source: MarketDesk Research

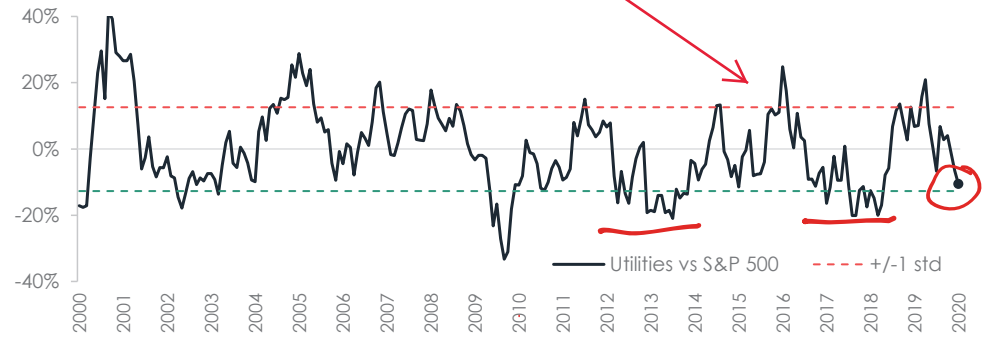
Utilities' technicals present a favorable risk /reward setup in our view. The -1std line in the y/y sector and relative return vs the S&P 500 historically served as a reliable support line since 2010.

Figure 44: Y/Y Sector Returns



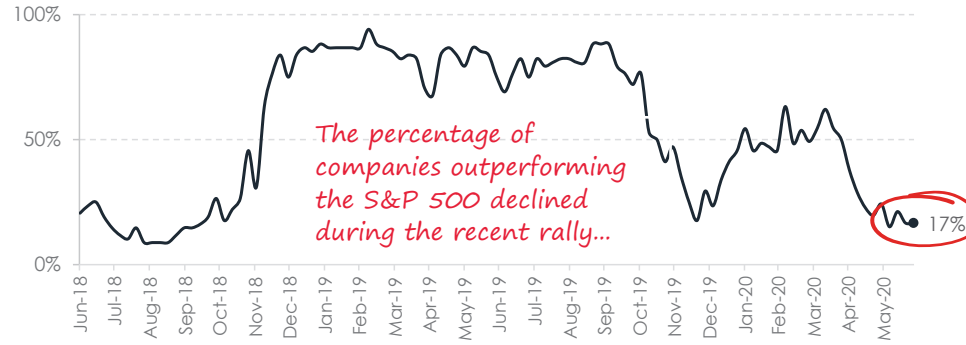
Source: MarketDesk Research

Figure 45: Y/Y Relative Sector Returns vs S&P 500



Source: MarketDesk Research

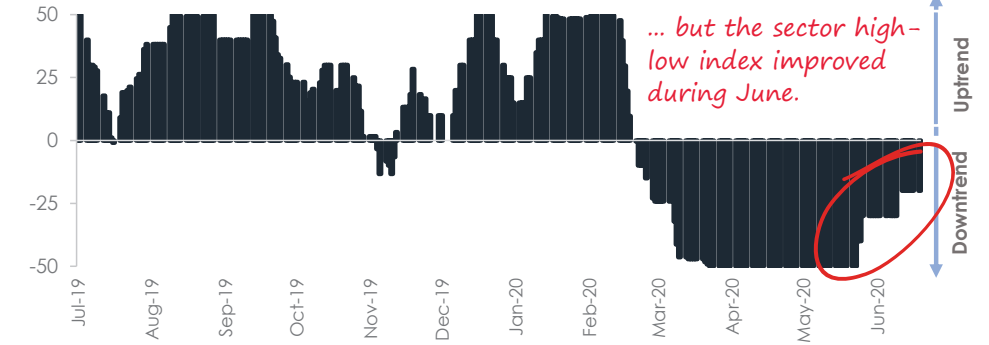
Figure 46: % of Companies Outperforming S&P 500 LTM Returns



The percentage of companies outperforming the S&P 500 declined during the recent rally...

Source: MarketDesk Research

Figure 47: Sector High-Low Index



... but the sector high-low index improved during June.

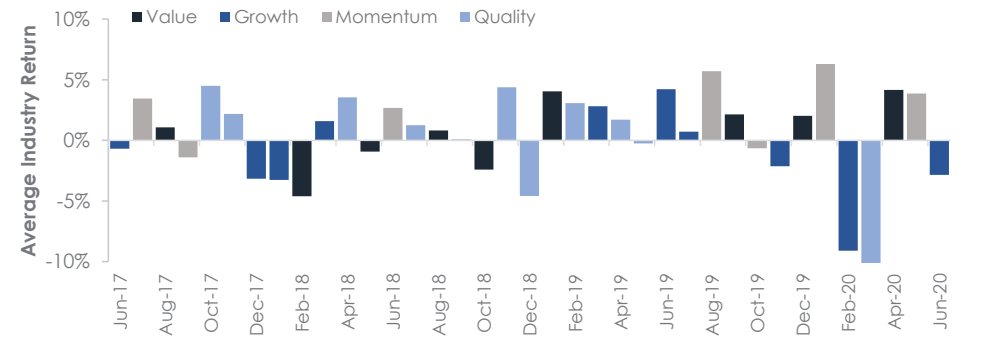
Source: MarketDesk Research. **H/L Index** = (% of New 52wk Highs vs % of New 52wk Lows)-(50%)

Figure 48: Sector ETF Flows (\$ USD Billions)



Source: MarketDesk Research. **ETF Flows** are based on 5 largest sector ETFs.

Figure 49: Largest Factor Driving Industry Performance Each Month



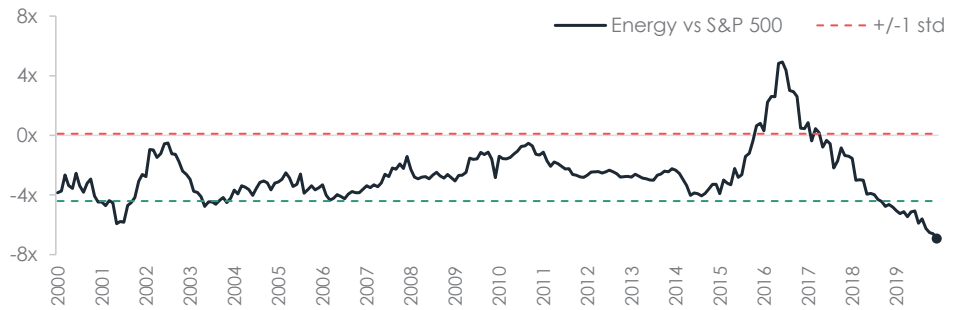
Source: MarketDesk Research. **Value** is based on NTM P/E. **Growth** is based on blended EPS growth (NTM & LTM). **Quality** is based on Profit Margin. **Momentum** is based on previous 3-month returns.

Figure 50: Sector & Industry Snapshot

Sector / Industry	Valuation Multiples				Operating Ratios			Earnings Growth				Performance			
	LTM P/E	NTM P/E	P/B	EV/EBITDA	EBIT Margin	Profit Margin	Debt/Equity	LTM EPS Growth	NTM EPS Growth	LTM Sales Growth	NTM Sales Growth	Price Return			
												1M	3M	6M	1Y
Energy	-131.4x	-124.3x	1.2x	7.3x	2.9%	1.0%	0.6x	-67.2%	408.9%	-17.4%	-5.7%	-2%	30%	-37%	-41%
Oil & Gas Production	-4.7x	-36.4x	0.9x	5.1x	-3.4	-6.8	0.8x	-92.5	-49.0	-15.9	-14.4	6	53	-44	-49
Oilfield Services/Equipment	-62.1x	51.1x	1.4x	6.9x	5.7	1.6	0.9x	-66.3	24.0	-12.7	-15.3	0	38	-52	-44
Integrated Oil	196.3x	202.0x	1.1x	7.9x	3.8	1.6	0.3x	-68.2	585.5	-20.6	-6.2	-2	20	-32	-36
Oil Refining	-8.4x	-7.3x	1.2x	8.9x	3.1	0.9	1.1x	-80.2	86.0	-15.0	0.8	-4	44	-40	-37
Oil & Gas Pipelines	15.6x	13.8x	1.5x	10.3x	16.8	7.3	1.8x	-18.0	16.9	-7.3	-3.3	-6	34	-36	-41
Coal	2.6x	3.4x	0.4x	2.1x	3.1	-0.8	0.7x	-126.1	-14.6	-19.8	-8.5	-8	4	-57	-75

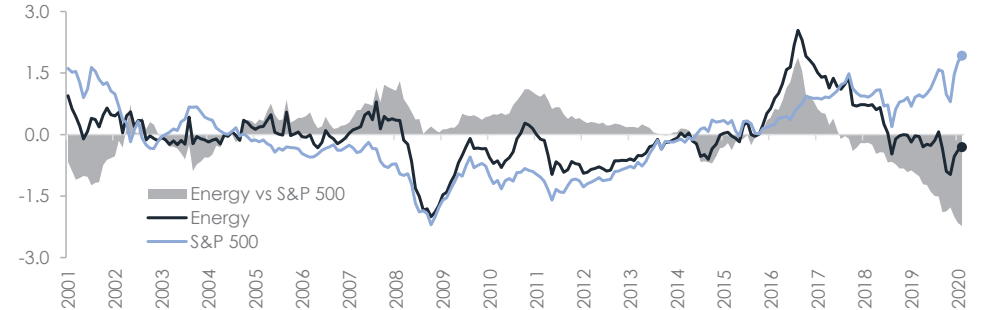
The color blue (red) highlights the highest (lowest) value for each column among industries.

Figure 51: EV/EBITDA vs S&P 500



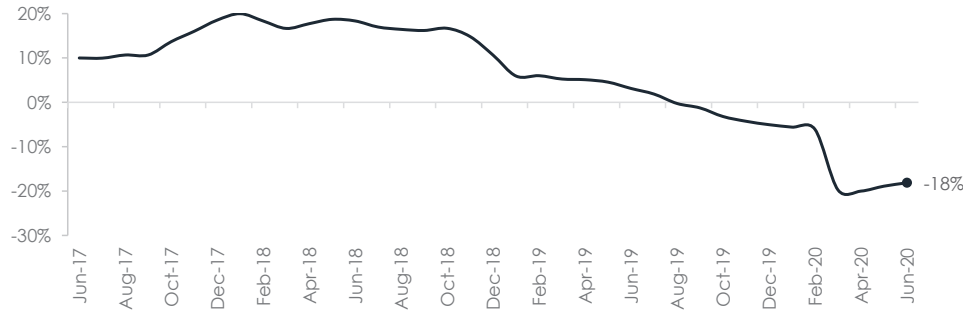
Source: MarketDesk Research. **Note:** 1 std = 10-year avg +/- 10-year standard deviation.

Figure 52: Valuation Composite vs S&P 500



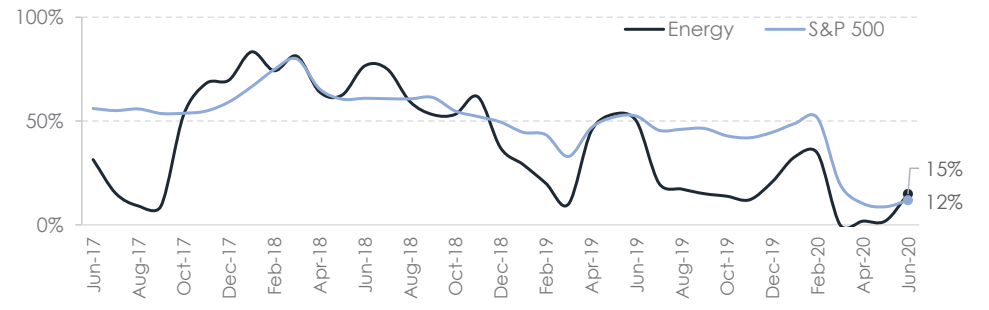
Source: MarketDesk Research. **Composite** is average Z-Score of LTM P/E, NTM P/E, P/B, EV/S, EV/EBITDA.

Figure 53: Blended EBITDA Growth vs S&P 500 (Average of NTM & LTM)



Source: MarketDesk Research

Figure 54: % of Companies with Upward EPS Revisions (Average of 2020 & 2021 EPS)



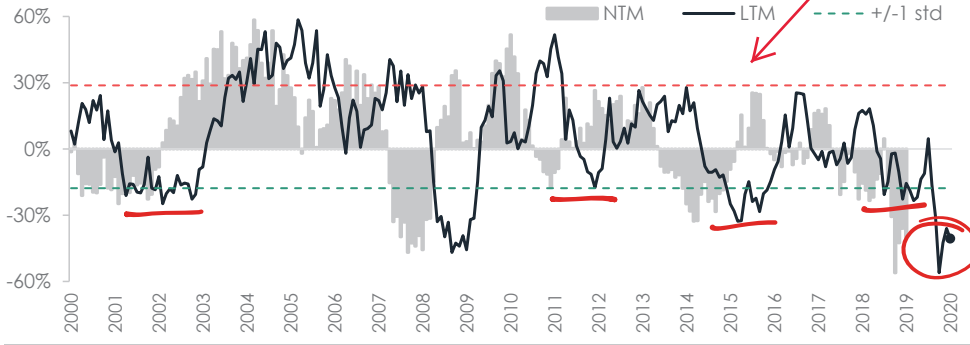
Source: MarketDesk Research

Energy

Technicals & Sentiment

Energy's technicals present an unfavorable risk/reward setup in our view. The -1std line in the y/y sector and relative return vs the S&P 500 historically served as a reliable support line since 2010. However, the energy sector broke below the -1std line in 2020.

Figure 55: Y/Y Sector Returns



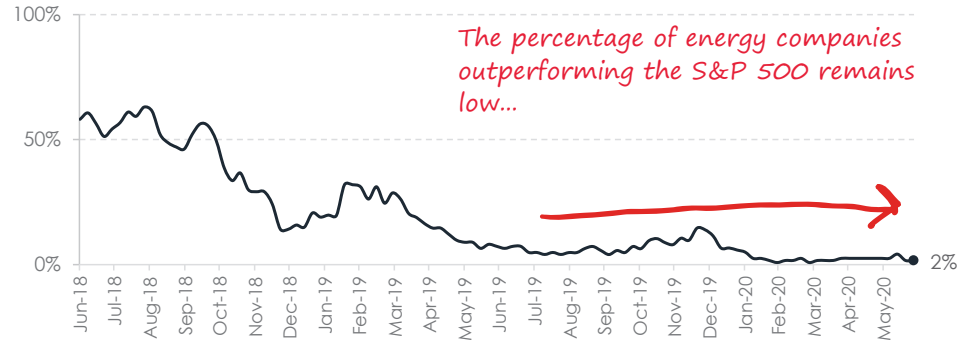
Source: MarketDesk Research

Figure 56: Y/Y Relative Sector Returns vs S&P 500



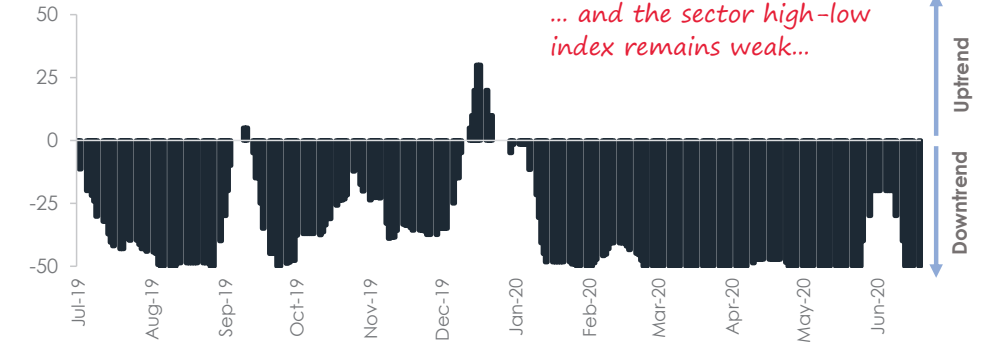
Source: MarketDesk Research

Figure 57: % of Companies Outperforming S&P 500 LTM Returns



Source: MarketDesk Research

Figure 58: Sector High-Low Index



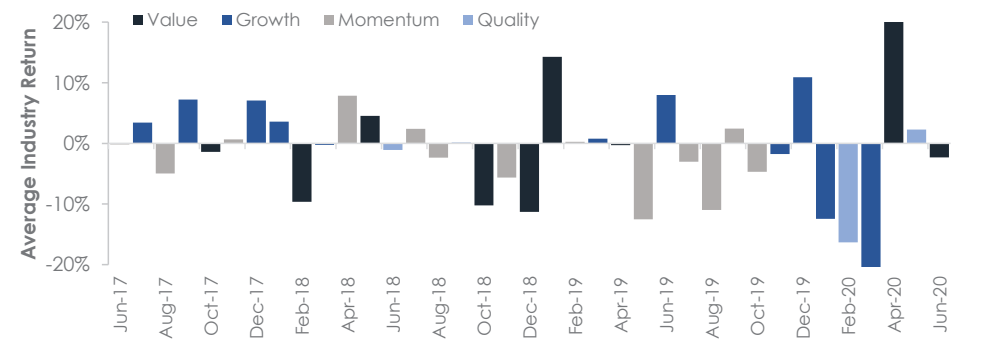
Source: MarketDesk Research. **H/L Index** = (% of New 52wk Highs vs % of New 52wk Lows)-(50%)

Figure 59: Sector ETF Flows (\$ USD Billions)



Source: MarketDesk Research. **ETF Flows** are based on 5 largest sector ETFs.

Figure 60: Largest Factor Driving Industry Performance Each Month



Source: MarketDesk Research. **Value** is based on NTM P/E. **Growth** is based on blended EPS growth (NTM & LTM). **Quality** is based on Profit Margin. **Momentum** is based on previous 3-month returns.

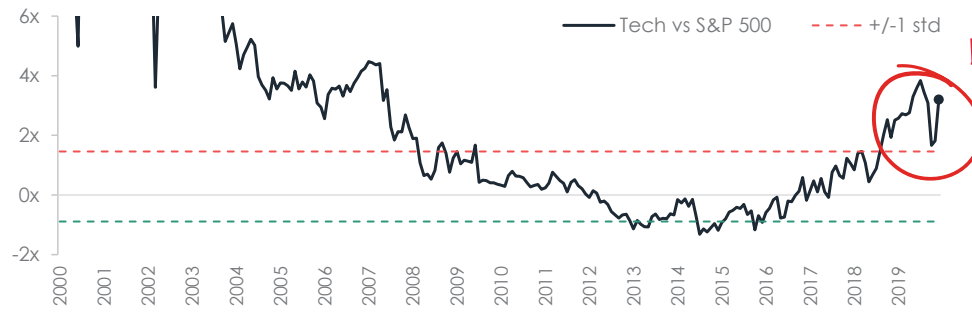
Figure 61: Sector & Industry Snapshot

Sector / Industry	Valuation Multiples				Operating Ratios			Earnings Growth				Performance			
	LTM P/E	NTM P/E	P/B	EV/EBITDA	EBIT Margin	Profit Margin	Debt/Equity	LTM EPS Growth	NTM EPS Growth	LTM Sales Growth	NTM Sales Growth	Price Return			
												1M	3M	6M	1Y
Information Technology	24.6x	24.9x	8.8x	19.0x	25.8%	21.3%	0.8x	1.6%	8.5%	2.6%	5.1%	7%	30%	14%	34%
Telecom Equipment	24.8x	25.3x	17.8x	19.7x	23.3	19.6	1.5x	1.5	13.1	2.9	7.2	14	42	22	74
Software	43.3x	39.7x	11.9x	33.2x	26.6	19.7	0.8x	18.9	23.2	9.8	10.1	9	33	27	38
Hardware	8.4x	8.3x	3.3x	6.7x	8.5	6.1	2.7x	-3.7	-1.6	-3.4	-2.6	9	7	-20	-20
Electronic Components	22.2x	22.3x	2.5x	11.8x	8.8	6.2	0.6x	-13.6	7.0	-1.2	0.4	5	29	-10	-7
Semiconductors	19.4x	20.0x	4.9x	14.6x	30.7	25.5	0.6x	-8.3	5.3	-0.2	5.0	4	28	10	36
Data Processing Services	28.7x	28.4x	3.9x	24.2x	20.9	16.3	0.7x	11.2	7.8	8.5	5.1	3	31	7	11
I.T. Services	22.1x	22.7x	6.6x	17.7x	16.1	12.7	0.9x	-0.7	3.3	3.1	3.1	3	29	8	13
Internet Software	36.7x	35.2x	6.0x	21.9x	21.5	18.0	0.1x	-4.3	16.6	14.2	14.1	2	32	11	26

The color blue (red) highlights the highest (lowest) value for each column among industries.

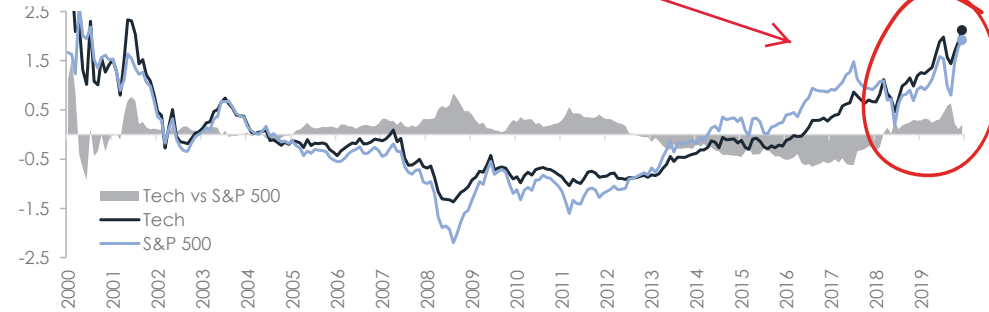
There is no way around it ... tech sector valuations remain stretched vs historical standards.

Figure 62: NTM P/E vs S&P 500



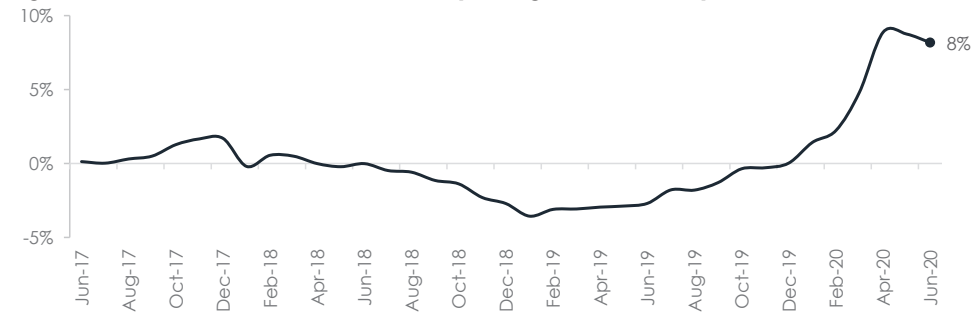
Source: MarketDesk Research. Note: 1 std = 10-year avg +/- 10-year standard deviation.

Figure 63: Valuation Composite vs S&P 500



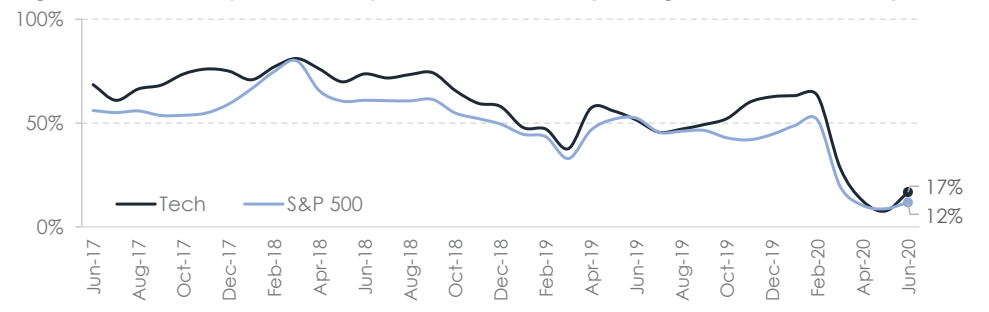
Source: MarketDesk Research. Composite is average Z-Score of LTM P/E, NTM P/E, P/B, EV/S, EV/EBITDA.

Figure 64: Blended EPS Growth vs S&P 500 (Average of NTM & LTM)



Source: MarketDesk Research

Figure 65: % of Companies with Upward EPS Revisions (Average of 2020 & 2021 EPS)



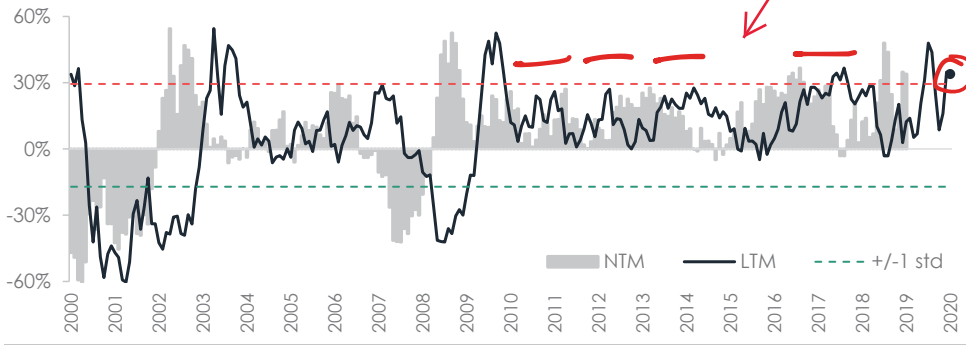
Source: MarketDesk Research

Information Technology

Technical & Sentiment

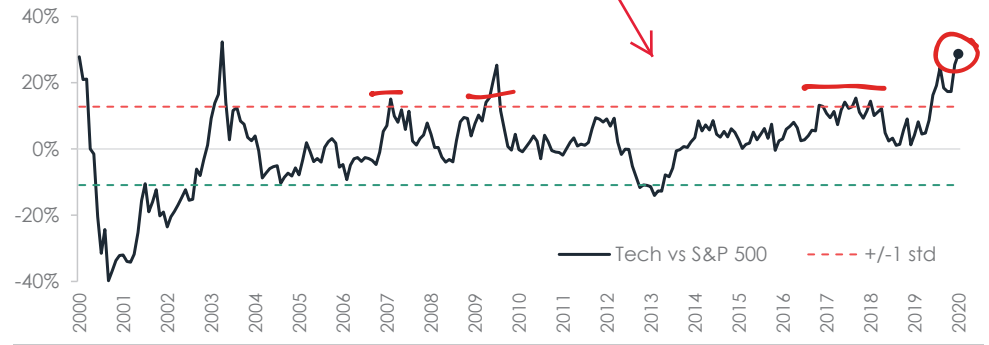
Techs technicals present an unfavorable risk /reward setup in our view. The -1std line in the y/y sector and relative return vs the S&P 500 historically served as reliable resistance line since 2010. However, the tech sector broke above the -1std line in 2020...

Figure 66: Y/Y Sector Returns



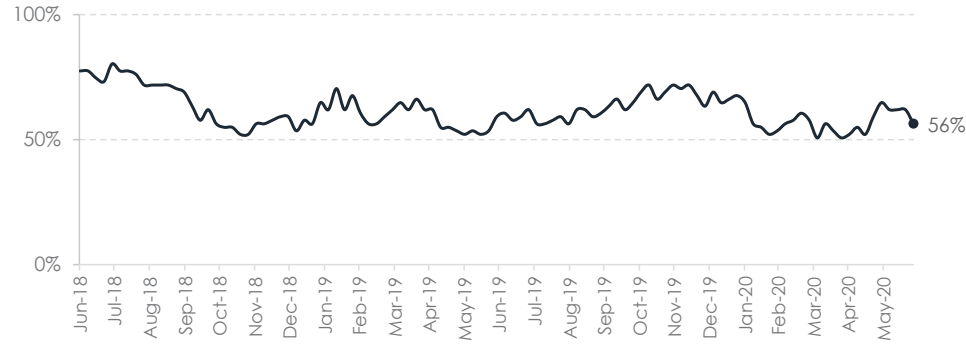
Source: MarketDesk Research

Figure 67: Y/Y Relative Sector Returns vs S&P 500



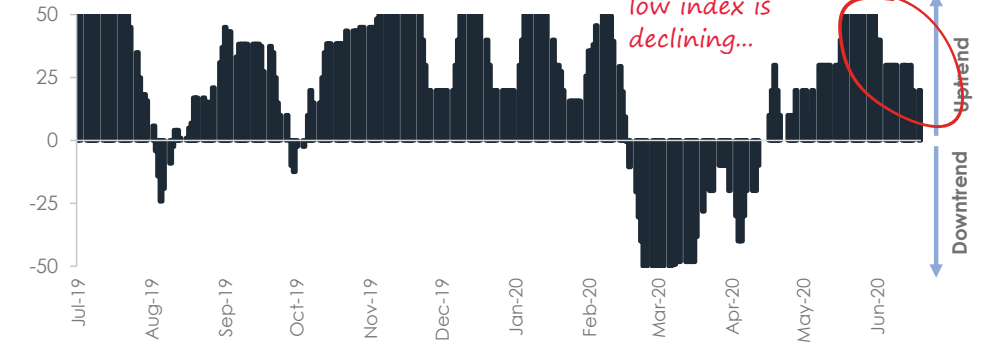
Source: MarketDesk Research

Figure 68: % of Companies Outperforming S&P 500 LTM Returns



Source: MarketDesk Research

Figure 69: Sector High-Low Index



Source: MarketDesk Research. **H/L Index** = (% of New 52wk Highs vs % of New 52wk Lows)-(50%)

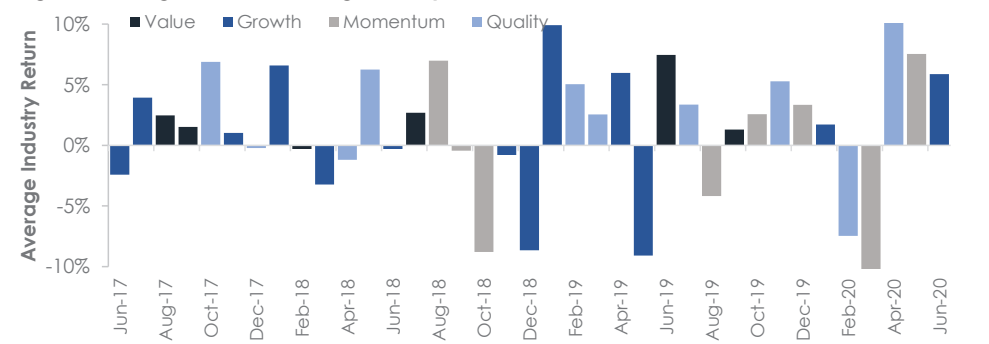
Figure 70: Sector ETF Flows (\$ USD Billions)



Source: MarketDesk Research. **ETF Flows** are based on 5 largest sector ETFs.

... but investors keep allocating to tech given its growth potential and safe-haven reputation.

Figure 71: Largest Factor Driving Industry Performance Each Month



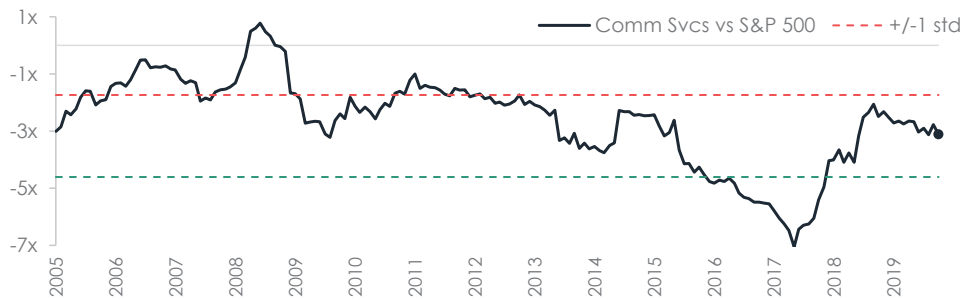
Source: MarketDesk Research. **Value** is based on NTM P/E. **Growth** is based on blended EPS growth (NTM & LTM). **Quality** is based on Profit Margin. **Momentum** is based on previous 3-month returns.

Figure 72: Sector & Industry Snapshot

Sector / Industry	Valuation Multiples				Operating Ratios			Earnings Growth				Performance			
	LTM P/E	NTM P/E	P/B	EV/EBITDA	EBIT Margin	Profit Margin	Debt/Equity	LTM EPS Growth	NTM EPS Growth	LTM Sales Growth	NTM Sales Growth	Price Return			
												1M	3M	6M	1Y
Communication Services	25.8x	26.9x	3.1x	11.1x	15.1%	9.7%	1.1x	-4.0%	3.0%	5.3%	3.3%	0%	22%	-1%	7%
Advertising Services	26.7x	27.4x	7.5x	9.9x	8.9	4.9	4.3x	-17.2	15.8	-6.8	-4.3	11	31	-14	-15
Wireless	100.7x	75.6x	3.6x	11.2x	7.4	1.7	0.9x	-51.1	-9.7	19.8	25.9	4	23	42	36
Specialty Telecom	19.6x	23.7x	1.4x	6.9x	14.8	6.6	2.5x	768.7	-9.5	-3.9	-4.1	2	11	-9	1
Newspapers	-107.8x	-94.2x	1.7x	10.4x	4.6	0.5	0.3x	-14.1	236.7	9.0	5.8	2	34	-2	2
Cable/Satellite	28.6x	27.1x	3.8x	10.9x	16.8	9.5	1.7x	11.5	13.2	5.5	3.8	0	17	5	7
Broadcasting	11.3x	10.6x	2.2x	9.5x	16.2	16.7	2.3x	-2.8	-1.3	27.6	3.8	0	26	-30	-26
Books/Magazines	11.3x	10.7x	1.3x	6.7x	7.8	2.1	0.8x	9.0	8.8	2.5	-0.2	-2	-8	-41	-48
Major Telecom	10.5x	10.3x	1.9x	6.9x	18.8	11.7	1.2x	-2.4	-1.8	-0.6	-1.1	-3	3	-17	-6
Movies/Entertainment	17.4x	47.9x	4.3x	8.9x	-6.5	-11.7	2.8x	-281.8	-221.5	-22.7	13.6	-11	13	-37	-34

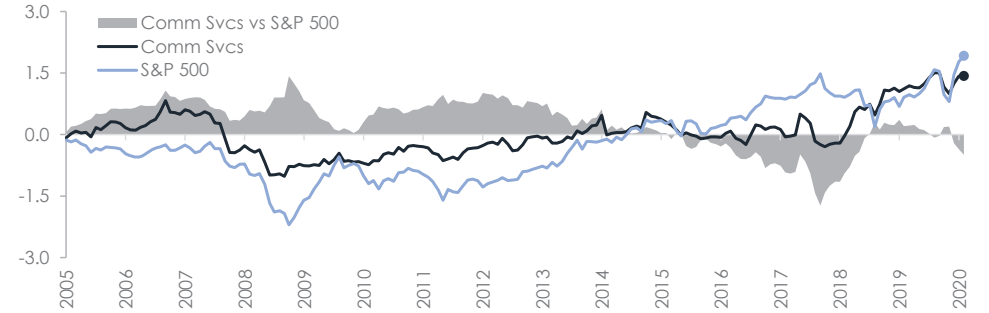
The color blue (red) highlights the highest (lowest) value for each column among industries.

Figure 73: EV/EBITDA vs S&P 500



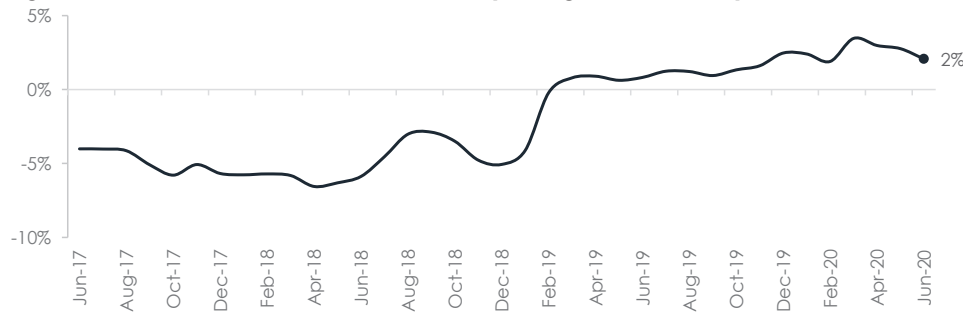
Source: MarketDesk Research. Note: 1 std = 10-year avg +/- 10-year standard deviation.

Figure 74: Valuation Composite vs S&P 500



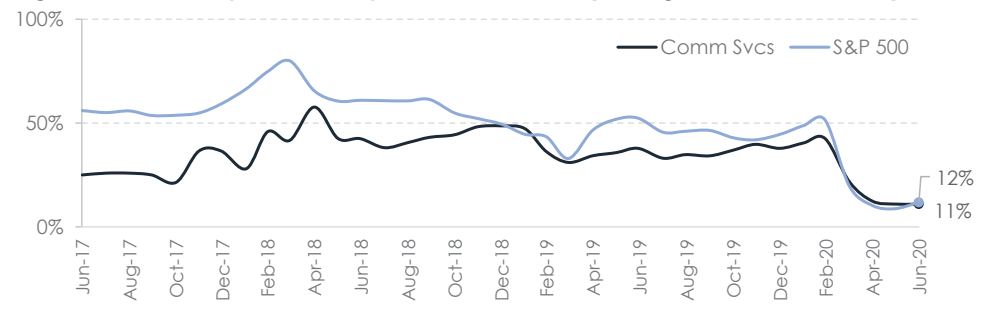
Source: MarketDesk Research. Composite is average Z-Score of LTM P/E, NTM P/E, P/B, EV/S, EV/EBITDA.

Figure 75: Blended EBITDA Growth vs S&P 500 (Average of NTM & LTM)



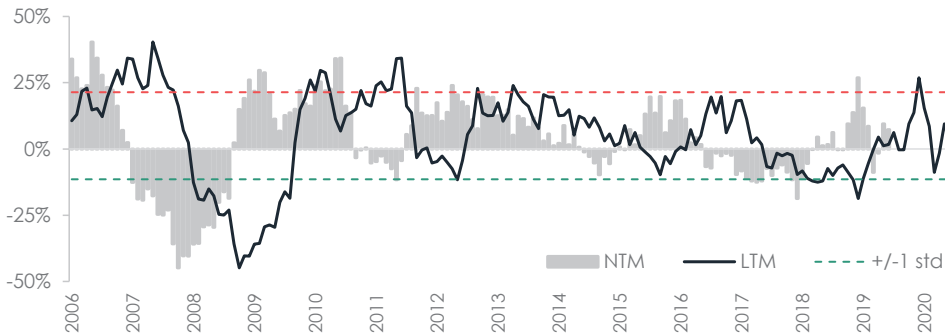
Source: MarketDesk Research

Figure 76: % of Companies with Upward EPS Revisions (Average of 2020 & 2021 EPS)



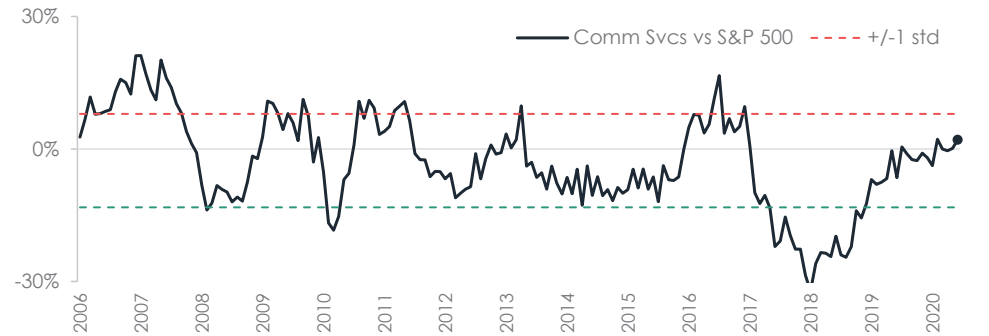
Source: MarketDesk Research

Figure 77: Y/Y Sector Returns



Source: MarketDesk Research

Figure 78: Y/Y Relative Sector Returns vs S&P 500



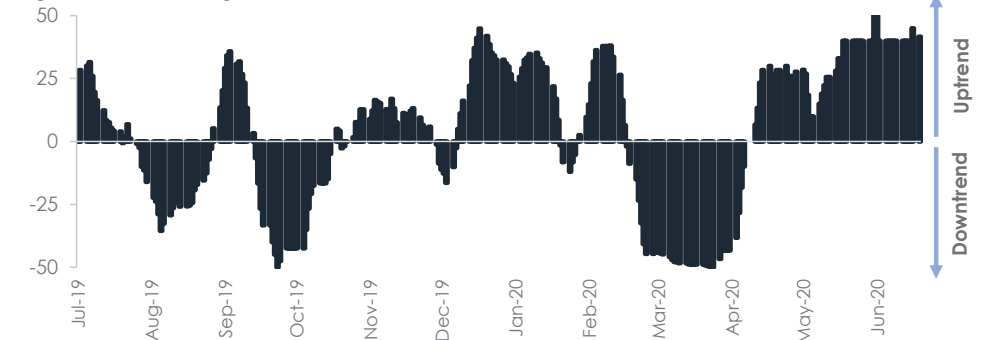
Source: MarketDesk Research

Figure 79: % of Companies Outperforming S&P 500 LTM Returns



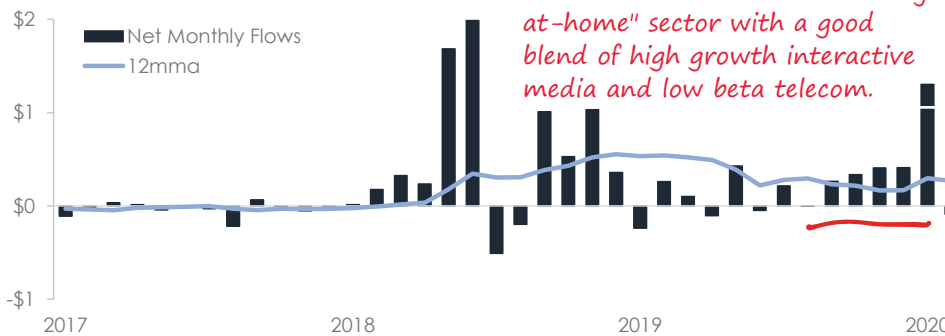
Source: MarketDesk Research

Figure 80: Sector High-Low Index



Source: MarketDesk Research. **H/L Index** = (% of New 52wk Highs vs % of New 52wk Lows)-(50%)

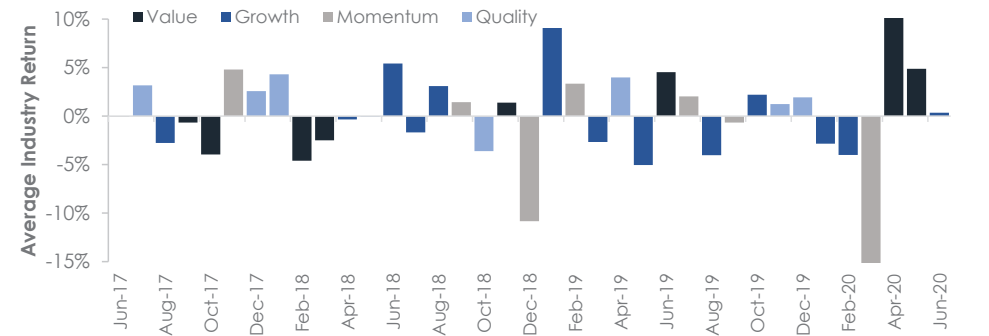
Figure 81: Sector ETF Flows (\$ USD Billions)



Comm Svcs has become the "stay-at-home" sector with a good blend of high growth interactive media and low beta telecom.

Source: MarketDesk Research. **ETF Flows** are based on 5 largest sector ETFs.

Figure 82: Largest Factor Driving Industry Performance Each Month



Source: MarketDesk Research. **Value** is based on NTM P/E. **Growth** is based on blended EPS growth (NTM & LTM). **Quality** is based on Profit Margin. **Momentum** is based on previous 3-month returns.

Consumer Discretionary

Fundamentals *Internet retail (e.g. AMZN, OSTK, SHOP, W) are bright spots in cons disc and supporting performance as other areas (e.g. casinos / gamings, hotels / cruiseslines) struggle.*

Restaurants NTM sales growth of +2.8% seems difficult given social distancing measures limiting seating capacity.

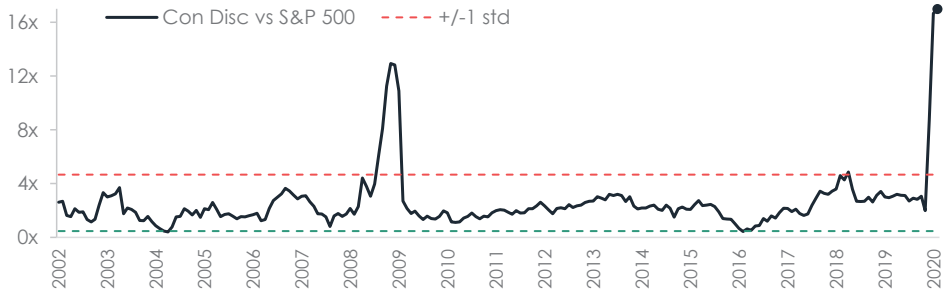
July 1, 2020

Figure 83: Sector & Industry Snapshot

Sector / Industry	Valuation Multiples				Operating Ratios			Earnings Growth				Performance			
	LTM P/E	NTM P/E	P/B	EV/EBITDA	EBIT Margin	Profit Margin	Debt/Equity	LTM EPS Growth	NTM EPS Growth	LTM Sales Growth	NTM Sales Growth	Price Return			
												1M	3M	6M	1Y
Consumer Discretionary	36.9x	38.7x	8.5x	15.1x	7.9%	5.4%	2.7x	-28.6%	26.8%	-2.4%	1.6%	3%	30%	2%	7%
Automobiles	-28.3x	-21.7x	3.6x	15.9x	2.3	1.2	3.9x	-74.1	102.5	-10.2	-0.8	26	84	58	90
Internet Retail	125.3x	116.2x	20.7x	40.0x	4.4	3.0	0.8x	0.3	49.0	20.8	19.8	14	46	53	48
Auto Parts	67.7x	69.2x	2.5x	7.3x	5.0	2.5	1.5x	-58.5	347.0	-10.6	-0.8	4	42	-16	-11
Apparel/Footwear	34.1x	36.1x	6.9x	17.9x	9.1	7.0	0.8x	-18.8	17.2	-4.2	-0.1	3	20	-18	-6
Homebuilding	12.1x	11.9x	1.6x	10.4x	10.2	7.9	0.7x	-0.3	1.0	1.3	0.9	1	57	-2	15
Discount Stores	20.7x	20.4x	4.9x	12.8x	7.6	5.4	0.5x	8.5	11.6	8.1	6.9	-1	29	10	16
Restaurants	33.7x	33.7x	-21.4x	16.2x	15.0	9.5	-5.6x	-16.7	15.7	-1.9	2.8	-2	19	-9	-9
Casinos/Gaming	13.8x	25.6x	4.0x	10.6x	3.9	-5.0	4.7x	-210.2	-131.8	-14.3	10.0	-3	30	-33	-22
Hotels/Cruiseslines	0.3x	19.6x	2.5x	10.0x	2.3	-3.4	2.0x	-85.5	-25.6	-21.2	5.6	-4	22	-48	-43

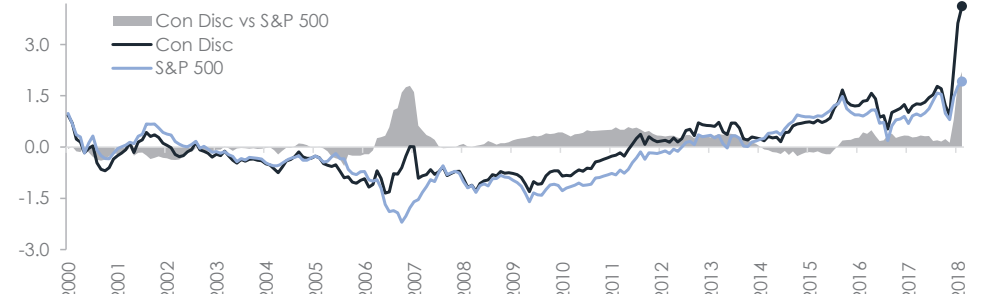
The color blue (red) highlights the highest (lowest) value for each column among industries.

Figure 84: NTM P/E vs S&P 500



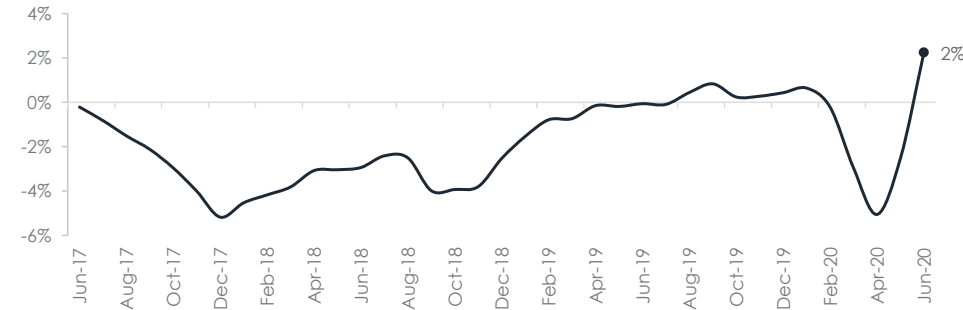
Source: MarketDesk Research. Note: 1 std = 10-year avg +/- 10-year standard deviation.

Figure 85: Valuation Composite vs S&P 500



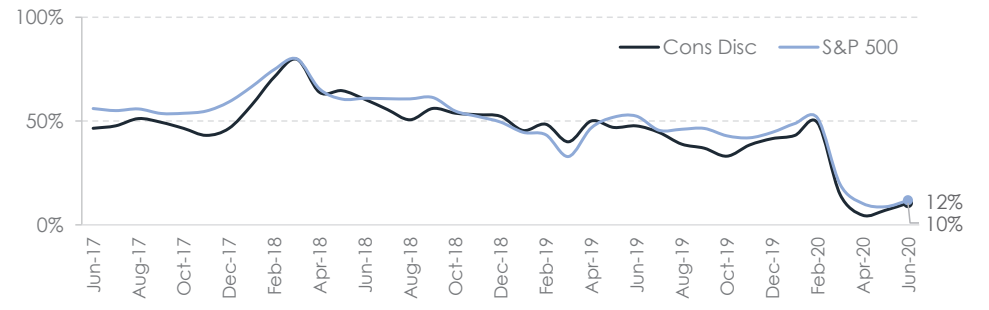
Source: MarketDesk Research. Composite is average Z-Score of LTM P/E, NTM P/E, P/B, EV/S, EV/EBITDA.

Figure 86: Blended EPS Growth vs S&P 500 (Average of NTM & LTM)



Source: MarketDesk Research

Figure 87: % of Companies with Upward EPS Revisions (Average of 2020 & 2021 EPS)



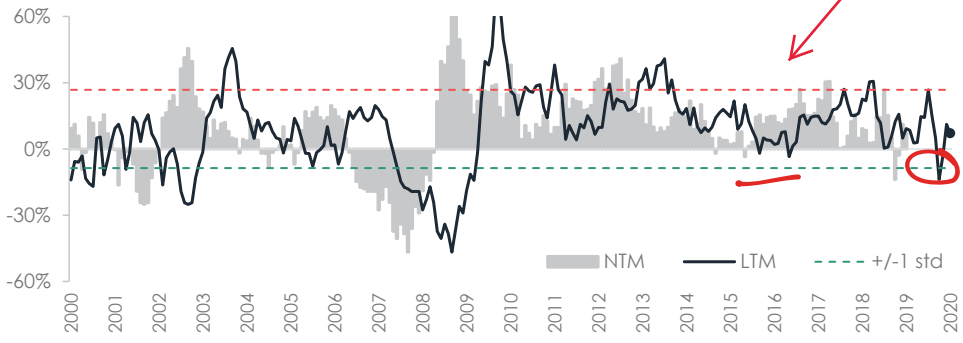
Source: MarketDesk Research

Consumer Discretionary

Technical & Sentiment

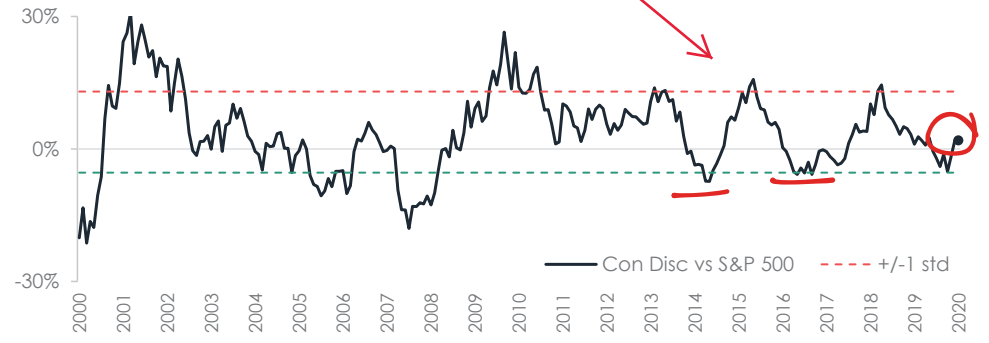
Cons Disc's technicals appear to present a favorable risk /reward setup. The -1std line in the y/y sector and relative return vs the S&P 500 historically served as a reliable support line since 2010. However...

Figure 88: Y/Y Sector Returns



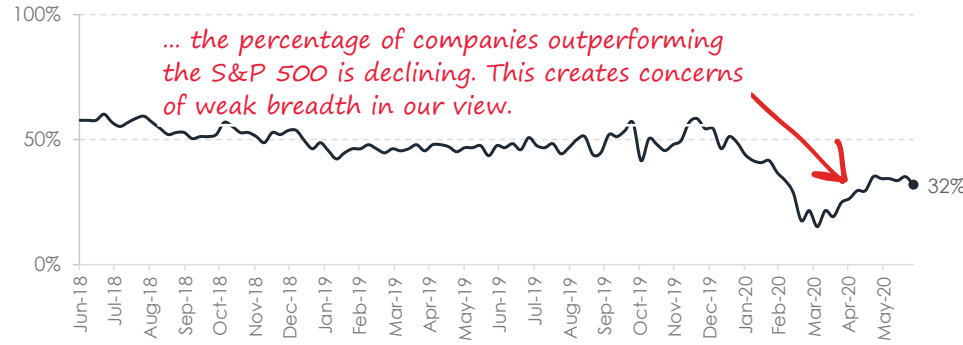
Source: MarketDesk Research

Figure 89: Y/Y Relative Sector Returns vs S&P 500



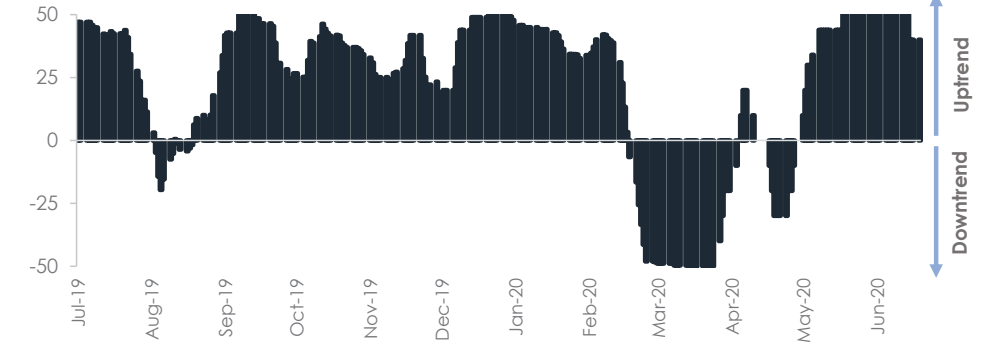
Source: MarketDesk Research

Figure 90: % of Companies Outperforming S&P 500 LTM Returns



Source: MarketDesk Research

Figure 91: Sector High-Low Index



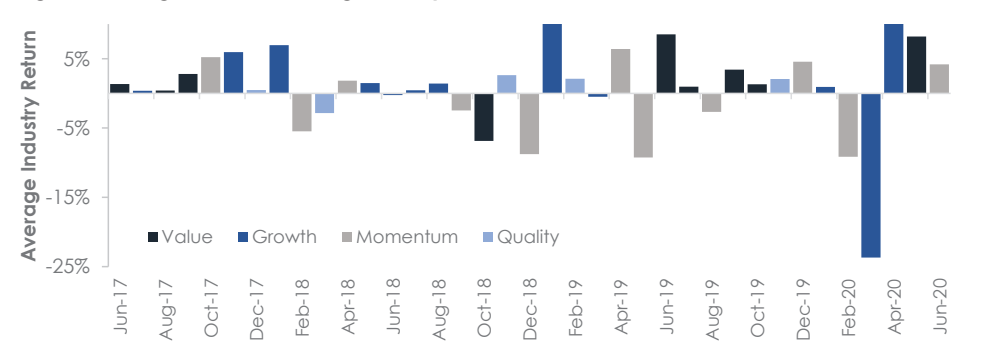
Source: MarketDesk Research. H/L Index = (% of New 52wk Highs vs % of New 52wk Lows)-(50%)

Figure 92: Sector ETF Flows (\$ USD Billions)



Source: MarketDesk Research. ETF Flows are based on 5 largest sector ETFs.

Figure 93: Largest Factor Driving Industry Performance Each Month



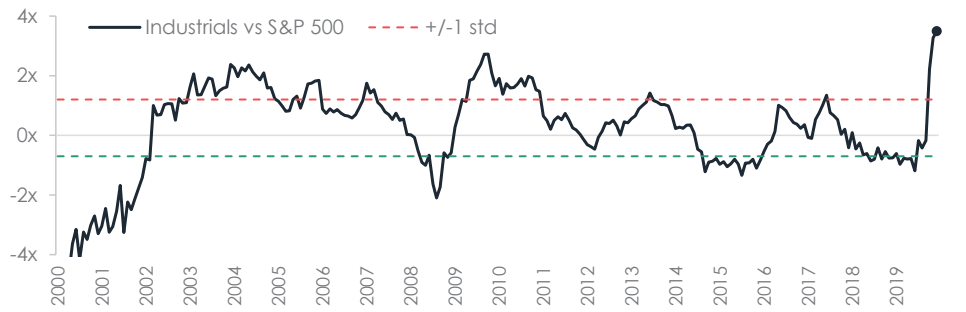
Source: MarketDesk Research. Value is based on NTM P/E. Growth is based on blended EPS growth (NTM & LTM). Quality is based on Profit Margin. Momentum is based on previous 3-month returns.

Figure 94: Sector & Industry Snapshot

Sector / Industry	Valuation Multiples				Operating Ratios			Earnings Growth				Performance			
	LTM P/E	NTM P/E	P/B	EV/EBITDA	EBIT Margin	Profit Margin	Debt/Equity	LTM EPS Growth	NTM EPS Growth	LTM Sales Growth	NTM Sales Growth	Price Return			
												1M	3M	6M	1Y
Industrials	25.1x	25.2x	4.4x	11.8x	10.9%	7.4%	1.6x	-27.8%	15.1%	-8.4%	-1.8%	2%	16%	-16%	-11%
Airlines	1.9x	3.9x	1.5x	4.6x	-10.1	-9.7	1.7x	-125.5	-70.8	-24.8	4.7	12	6	-49	-48
Air Freight/Couriers	16.0x	17.5x	5.0x	10.1x	7.0	5.4	1.6x	12.6	-0.2	0.1	2.3	8	18	-5	-1
Building Products	21.8x	23.0x	11.9x	12.3x	10.7	6.3	3.1x	-11.2	-1.1	-2.1	-0.4	5	25	-10	0
Personnel Services	16.1x	17.3x	2.4x	8.0x	4.2	2.8	0.5x	-20.3	-3.9	-6.5	-2.9	5	32	-23	-20
Engineering & Construction	24.4x	14.3x	1.8x	9.8x	3.9	1.6	0.6x	24.4	59.5	-5.7	-3.3	4	19	-13	-11
Aerospace & Defense	25.6x	21.7x	4.6x	13.2x	8.9	6.0	2.0x	-24.7	14.6	-6.9	1.3	0	9	-26	-24
Trucking	26.2x	27.0x	3.2x	10.0x	6.8	4.2	0.6x	-18.2	11.4	-4.7	0.1	0	31	13	39
Railroads	19.8x	19.5x	4.8x	12.0x	38.9	25.9	1.3x	-5.2	3.1	-7.1	-1.9	-1	20	-6	-4
Marine Shipping	12.4x	6.8x	0.5x	7.6x	29.1	9.5	1.3x	147.7	58.5	8.6	-1.0	-6	-5	-45	-33

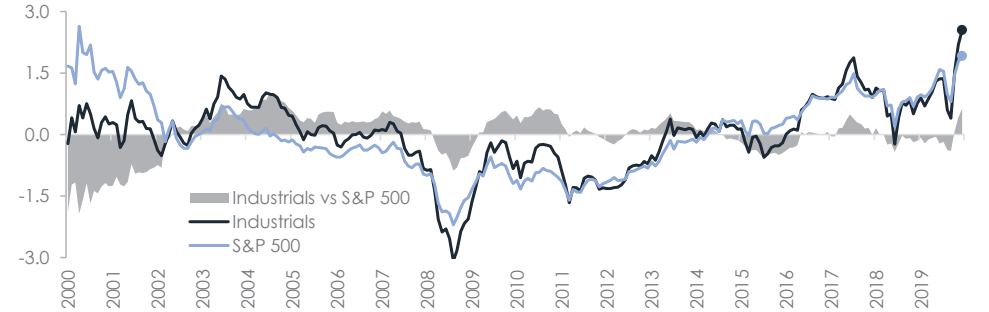
The color blue (red) highlights the highest (lowest) value for each column among industries.

Figure 95: NTM P/E vs S&P 500



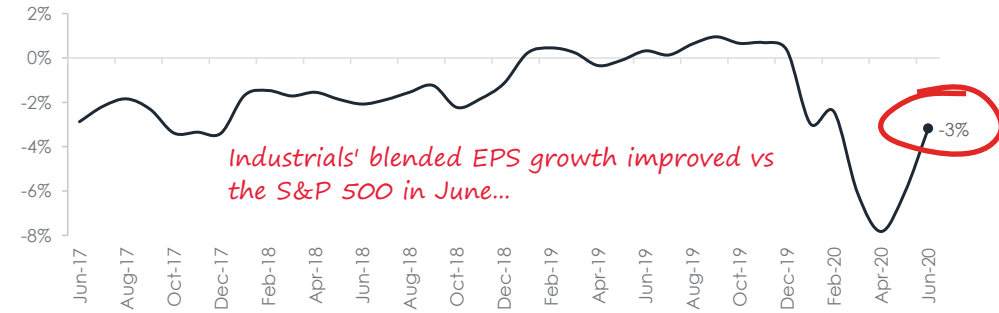
Source: MarketDesk Research. Note: 1 std = 10-year avg +/- 10-year standard deviation.

Figure 96: Valuation Composite vs S&P 500



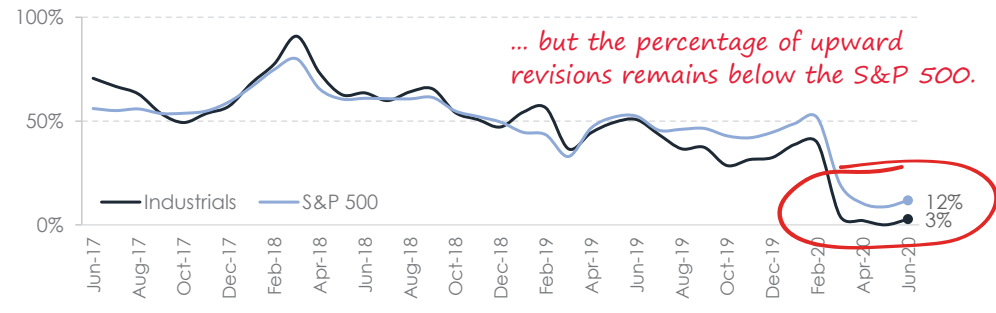
Source: MarketDesk Research. Composite is average Z-Score of LTM P/E, NTM P/E, P/B, EV/S, EV/EBITDA.

Figure 97: Blended EPS Growth vs S&P 500 (Average of NTM & LTM)



Source: MarketDesk Research

Figure 98: % of Companies with Upward EPS Revisions (Average of 2020 & 2021 EPS)



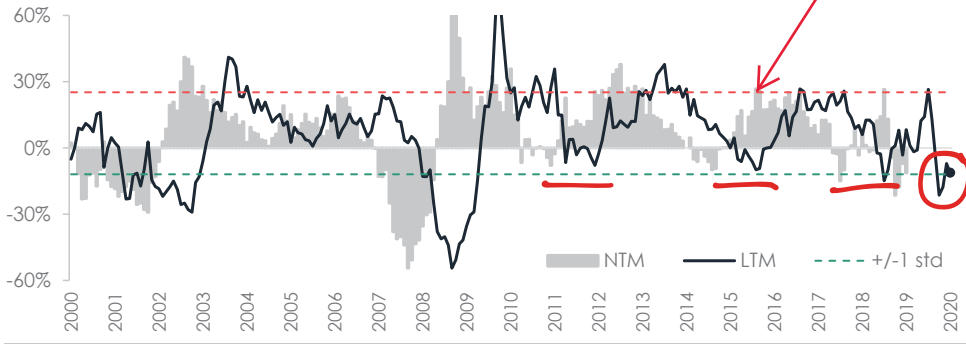
Source: MarketDesk Research

Industrials

Technical & Sentiment

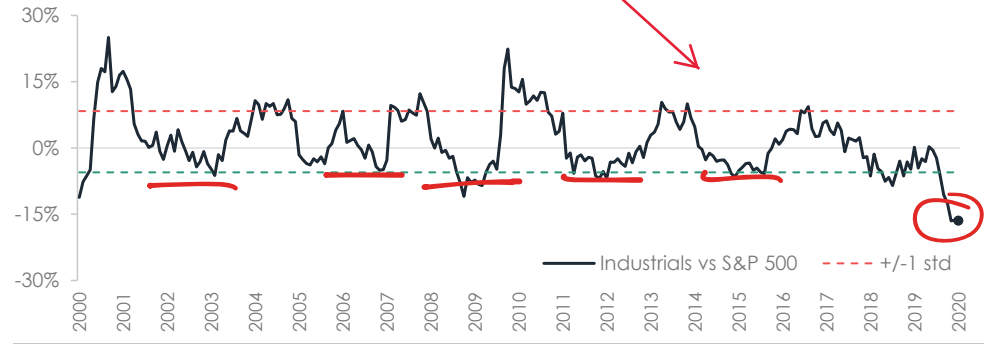
Industrials' technicals appear to present a favorable risk /reward setup. The -1std line in the y/y sector and relative return vs the S&P 500 historically served as a reliable support line since 2010. However...

Figure 99: Y/Y Sector Returns



Source: MarketDesk Research

Figure 100: Y/Y Relative Sector Returns vs S&P 500



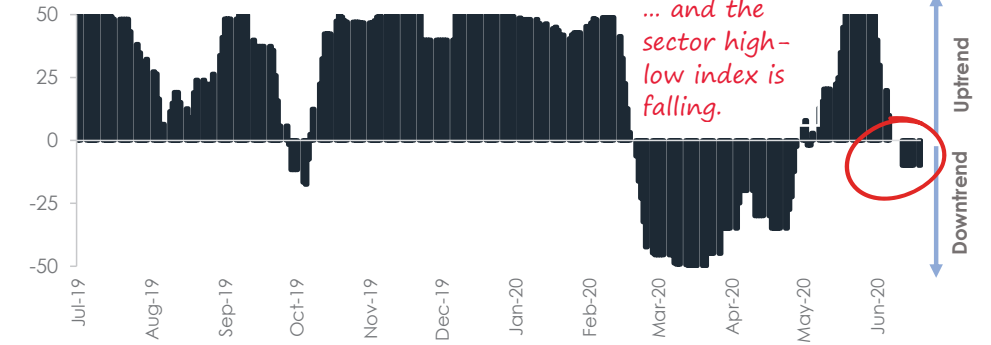
Source: MarketDesk Research

Figure 101: % of Companies Outperforming S&P 500 LTM Returns



Source: MarketDesk Research

Figure 102: Sector High-Low Index



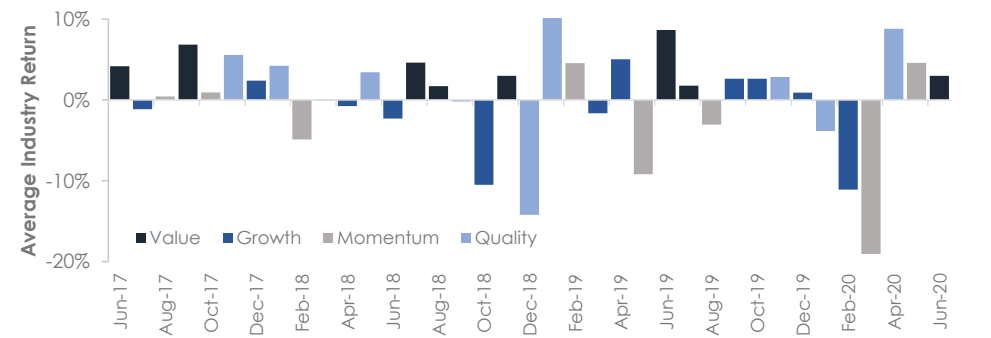
Source: MarketDesk Research. **H/L Index** = (% of New 52wk Highs vs % of New 52wk Lows) - 50%

Figure 103: Sector ETF Flows (\$ USD Billions)



Source: MarketDesk Research. **ETF Flows** are based on 5 largest sector ETFs.

Figure 104: Largest Factor Driving Industry Performance Each Month



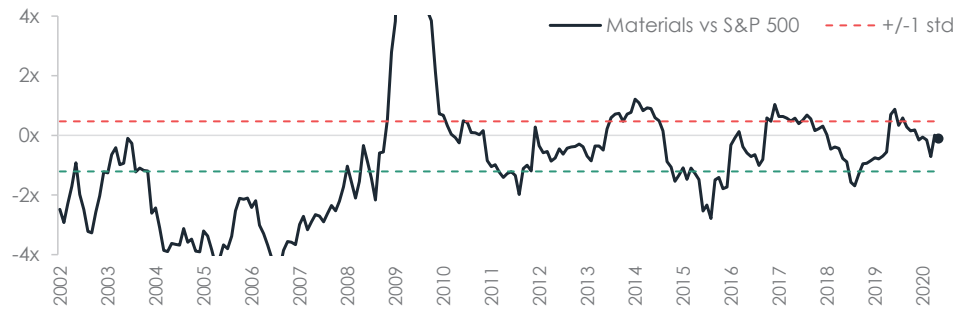
Source: MarketDesk Research. **Value** is based on NTM P/E. **Growth** is based on blended EPS growth (NTM & LTM). **Quality** is based on Profit Margin. **Momentum** is based on previous 3-month returns.

Figure 105: Sector & Industry Snapshot

Sector / Industry	Valuation Multiples				Operating Ratios			Earnings Growth				Performance			
	LTM P/E	NTM P/E	P/B	EV/EBITDA	EBIT Margin	Profit Margin	Debt/Equity	LTM EPS Growth	NTM EPS Growth	LTM Sales Growth	NTM Sales Growth	Price Return			
												1M	3M	6M	1Y
Materials	21.0x	21.6x	2.5x	11.9x	13.1%	8.6%	0.8x	-23.4%	3.6%	-13.1%	-0.9%	2%	25%	-8%	-4%
Aluminum	33.9x	31.0x	1.0x	4.4x	7.1	1.7	0.9x	-67.3	28.8	-20.4	-11.3	16	34	-35	-28
Forest Products	29.3x	28.2x	4.0x	13.8x	5.4	3.0	0.7x	-20.9	11.7	-5.8	0.6	9	53	10	34
Construction Materials	25.2x	23.4x	2.5x	12.0x	14.0	8.4	0.8x	-5.5	-0.9	0.3	0.5	8	10	-24	-15
Pulp & Paper	-50.1x	-48.5x	0.8x	6.6x	3.1	1.0	0.8x	-81.3	316.0	-9.7	-4.0	4	17	-27	-32
Chemicals (Diversified)	14.1x	15.3x	1.3x	9.5x	15.5	10.0	0.7x	-42.0	-1.3	-32.5	-1.7	3	44	-20	-24
Precious Metals	39.3x	28.6x	2.3x	13.5x	18.6	16.6	0.3x	58.3	66.5	20.6	12.9	3	38	29	50
Steel	77.0x	80.9x	1.1x	6.8x	4.9	2.4	0.7x	-69.8	340.8	-10.3	-1.8	2	18	-27	-25
Containers/Packaging	15.5x	16.6x	2.9x	9.3x	10.5	6.1	1.9x	-13.0	-5.8	-0.9	-0.3	0	14	-11	-9
Chemicals (Agricultural)	20.6x	18.6x	1.3x	9.7x	11.7	5.4	0.5x	-14.4	10.8	-1.3	1.6	-1	17	-14	-12

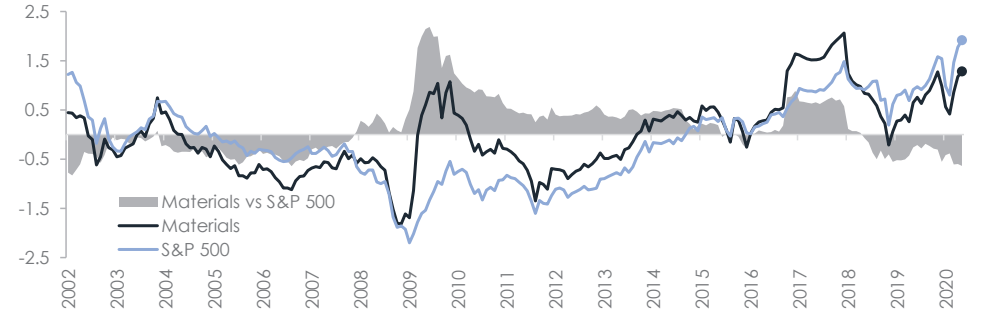
The color blue (red) highlights the highest (lowest) value for each column among industries.

Figure 106: NTM P/E vs S&P 500



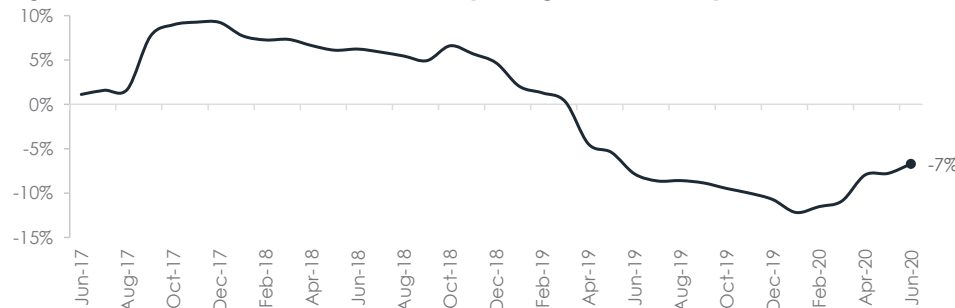
Source: MarketDesk Research. Note: 1 std = 10-year avg +/- 10-year standard deviation.

Figure 107: Valuation Composite vs S&P 500



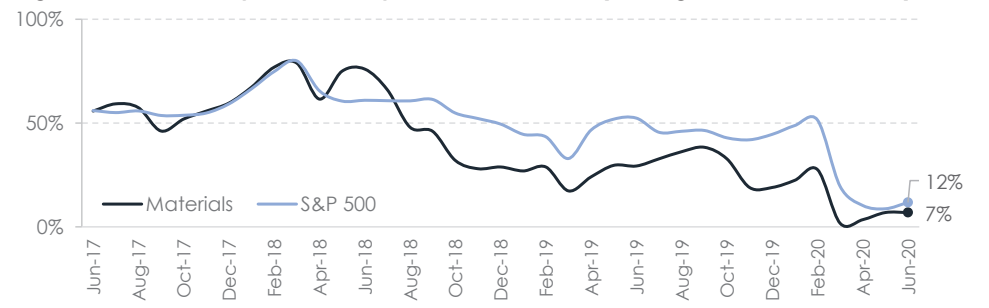
Source: MarketDesk Research. Composite is average Z-Score of LTM P/E, NTM P/E, P/B, EV/S, EV/EBITDA.

Figure 108: Blended EPS Growth vs S&P 500 (Average of NTM & LTM)



Source: MarketDesk Research

Figure 109: % of Companies with Upward EPS Revisions (Average of 2020 & 2021 EPS)



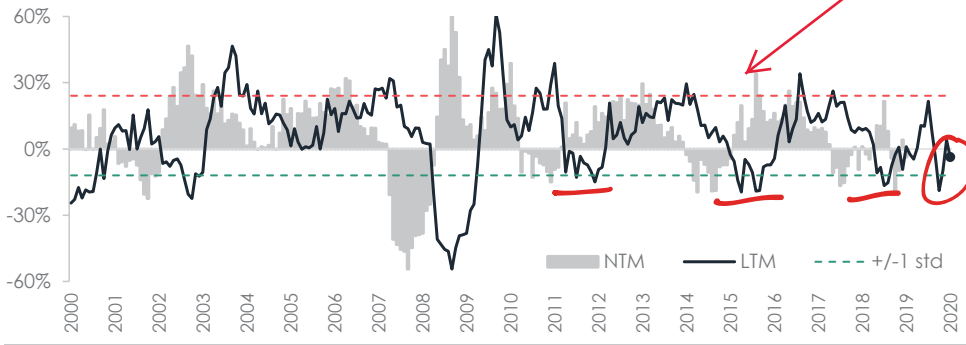
Source: MarketDesk Research

Materials

Technical & Sentiment

Materials' technicals appear to present a favorable risk /reward setup. The -1std line in the y/y sector and relative return vs the S&P 500 historically served as a reliable support line since 2010. However...

Figure 110: Y/Y Sector Returns



Source: MarketDesk Research

Figure 111: Y/Y Relative Sector Returns vs S&P 500



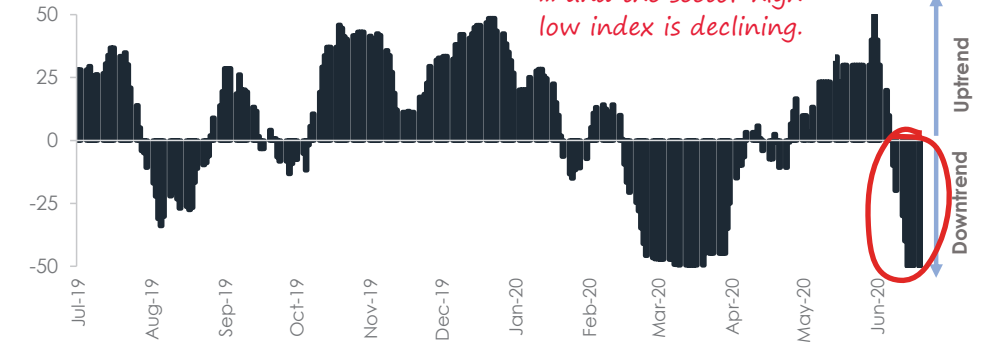
Source: MarketDesk Research

Figure 112: % of Companies Outperforming S&P 500 LTM Returns



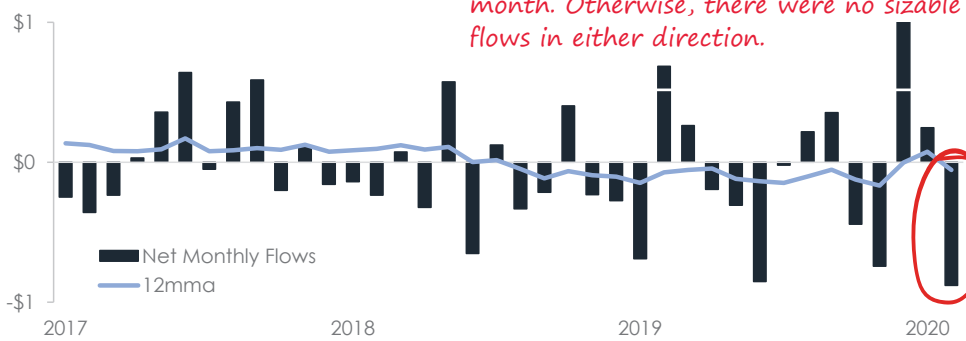
Source: MarketDesk Research

Figure 113: Sector High-Low Index



Source: MarketDesk Research. H/L Index = (% of New 52wk Highs vs % of New 52wk Lows)-(50%)

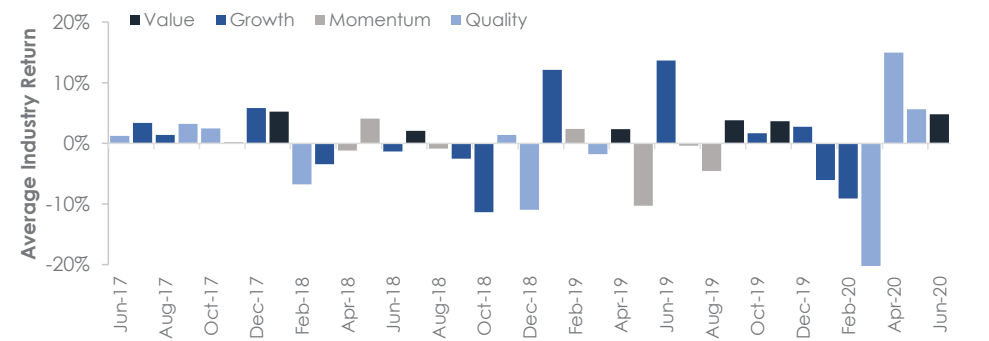
Figure 114: Sector ETF Flows (\$ USD Billions)



Source: MarketDesk Research. ETF Flows are based on 5 largest sector ETFs.

The June 2020 materials outflow appears to be a model change (e.g. sell XLB) mid-month. Otherwise, there were no sizable flows in either direction.

Figure 115: Largest Factor Driving Industry Performance Each Month



Source: MarketDesk Research. Value is based on NTM P/E. Growth is based on blended EPS growth (NTM & LTM). Quality is based on Profit Margin. Momentum is based on previous 3-month returns.

Check out the May 22 Friday Strategist that highlights a tactical investment bank trade within the financial sector.

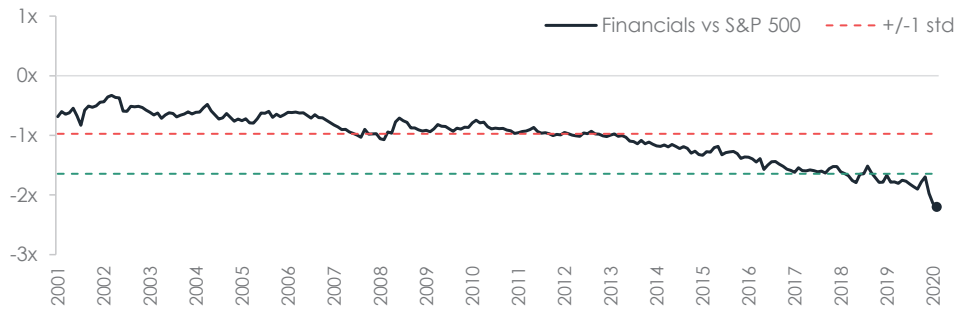
Check out the June 12 Friday Strategist that highlights a tactical P&C Insurance trade within the financial sector.

Figure 116: Sector & Industry Snapshot

Sector / Industry	Valuation Multiples				Operating Ratios			Earnings Growth				Performance			
	LTM P/E	NTM P/E	P/B	EV/EBITDA	EBIT Margin	Profit Margin	Debt/Equity	LTM EPS Growth	NTM EPS Growth	LTM Sales Growth	NTM Sales Growth	Price Return			
												1M	3M	6M	1Y
Financials	14.4x	14.4x	1.1x	12.0x	26.5%	15.8%	0.3x	-16.1%	0.5%	-1.2%	0.3%	-1%	11%	-25%	-16%
Investment Managers	15.6x	15.8x	2.3x	19.4x	28.9	21.4	1.1x	-1.4	0.6	1.1	2.0	4	25	-4	4
P&C Insurance	13.8x	12.7x	1.4x	-	13.4	9.7	-	8.2	4.4	5.1	3.8	3	7	-17	-17
Regional Banks	12.8x	13.2x	0.9x	-45.7x	41.4	21.7	0.8x	-16.1	-2.8	7.2	3.6	1	16	-31	-24
Savings Banks	14.3x	13.2x	0.9x	-	38.9	23.8	-	-10.3	-2.2	4.8	3.4	1	6	-31	-26
Insurance Brokers	22.0x	21.4x	5.3x	23.0x	21.5	16.1	1.3x	9.5	3.5	4.1	2.8	0	19	-2	6
Investment Banks/Brokers	14.5x	14.7x	1.4x	42.2x	30.1	21.0	0.0x	-11.4	-2.4	-1.1	-0.5	-1	18	-12	-3
Life/Health Insurance	7.7x	6.8x	0.5x	-	10.9	9.2	-	-2.5	2.7	-0.9	-1.0	-2	9	-31	-30
Major Banks	14.5x	14.7x	0.8x	-	38.5	19.0	-	-28.4	9.1	-2.3	-2.8	-2	6	-37	-25

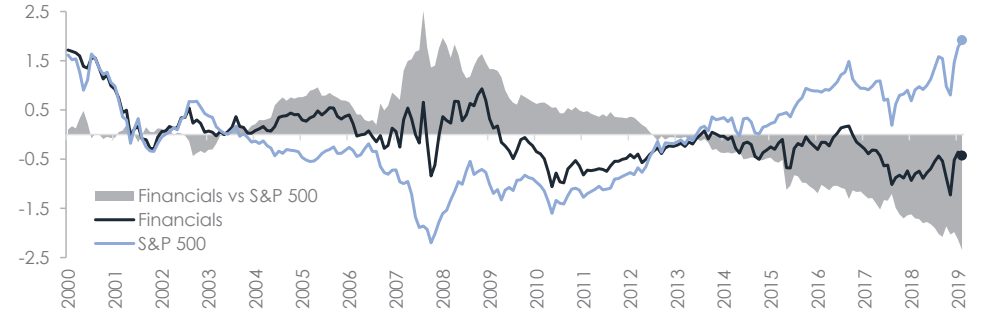
The color blue (red) highlights the highest (lowest) value for each column among industries.

Figure 117: Price/Book Ratio vs S&P 500



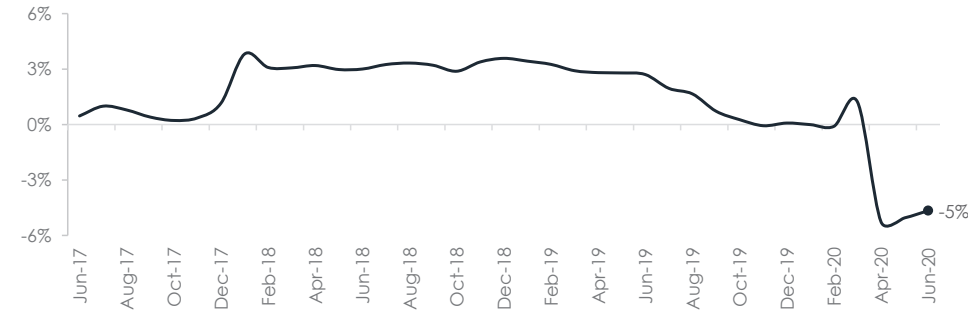
Source: MarketDesk Research. Note: 1 std = 10-year avg +/- 10-year standard deviation.

Figure 118: Valuation Composite vs S&P 500



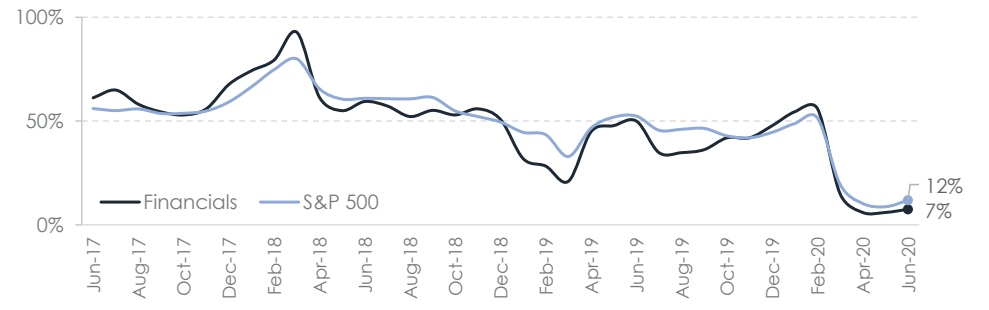
Source: MarketDesk Research. Composite is average Z-Score of LTM P/E, NTM P/E, P/B, EV/S, EV/EBITDA.

Figure 119: Blended EPS Growth vs S&P 500 (Average of NTM & LTM)



Source: MarketDesk Research

Figure 120: % of Companies with Upward EPS Revisions (Average of 2020 & 2021 EPS)



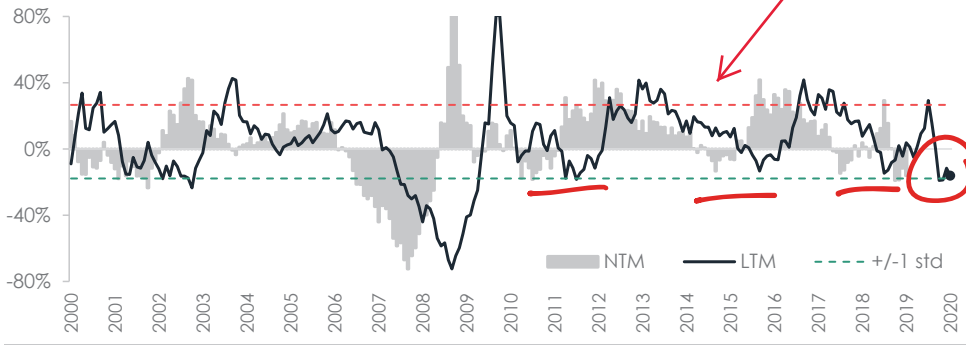
Source: MarketDesk Research

Financials

Technicals & Sentiment

Financials' technicals appear to present a favorable risk /reward setup. The -1std line in the y/y sector and relative return vs the S&P 500 historically served as a reliable support line since 2010. However...

Figure 121: Y/Y Sector Returns



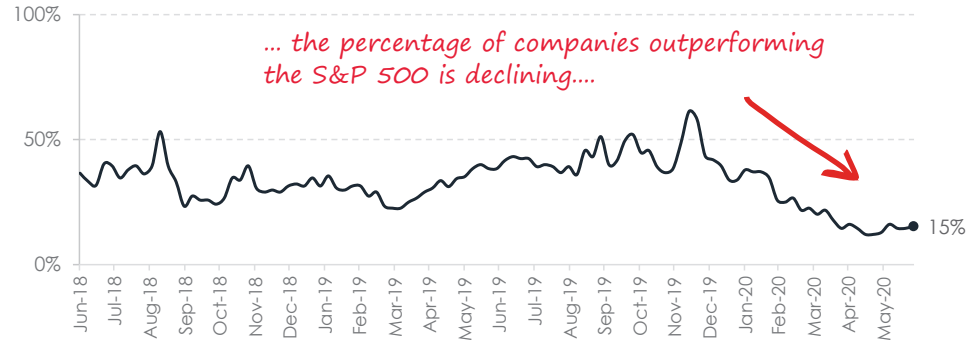
Source: MarketDesk Research

Figure 122: Y/Y Relative Sector Returns vs S&P 500



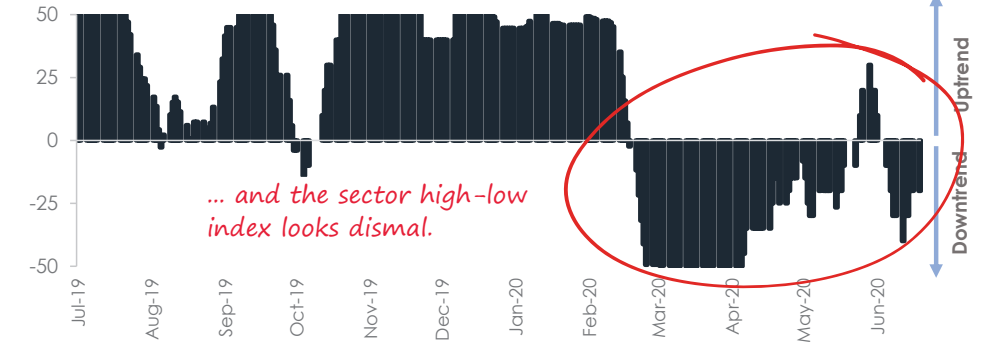
Source: MarketDesk Research

Figure 123: % of Companies Outperforming S&P 500 LTM Returns



Source: MarketDesk Research

Figure 124: Sector High-Low Index



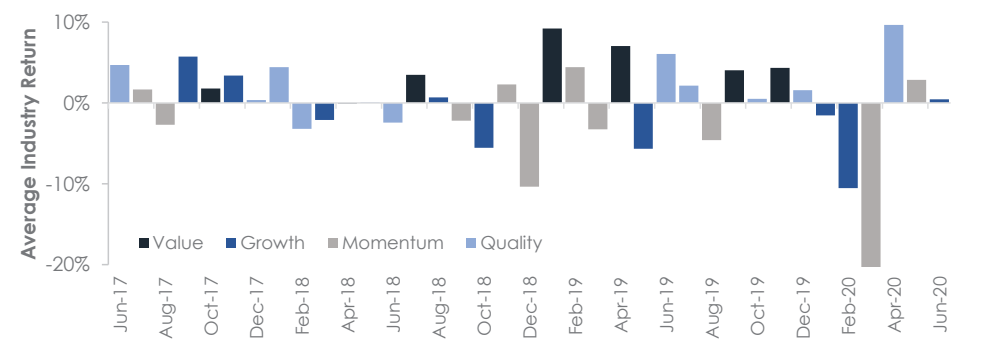
Source: MarketDesk Research. **H/L Index** = (% of New 52wk Highs vs % of New 52wk Lows)-(50%)

Figure 125: Sector ETF Flows (\$ USD Billions)



Source: MarketDesk Research. **ETF Flows** are based on 5 largest sector ETFs.

Figure 126: Largest Factor Driving Industry Performance Each Month



Source: MarketDesk Research. **Value** is based on NTM P/E. **Growth** is based on blended EPS growth (NTM & LTM). **Quality** is based on Profit Margin. **Momentum** is based on previous 3-month returns.

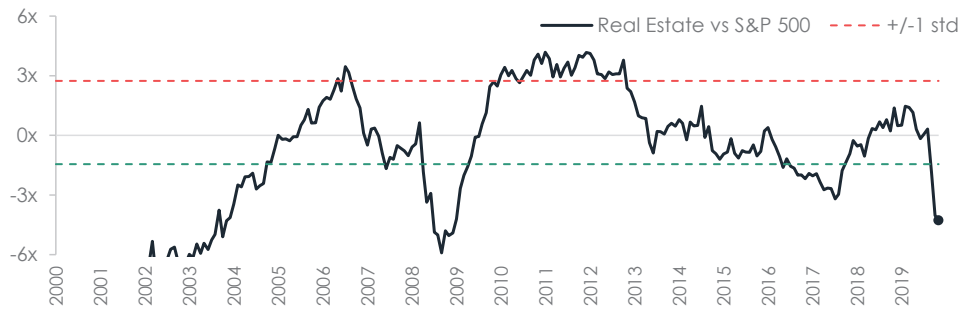
Overall, investors are overly pessimistic about the real estate sector in our view. Real estate is the only sector where NTM EPS growth is forecasted to be negative...

Figure 127: Sector & Industry Snapshot

Sector / Industry	Valuation Multiples				Operating Ratios			Earnings Growth				Performance			
	LTM P/E	NTM P/E	P/B	EV/EBITDA	EBIT Margin	Profit Margin	Debt/Equity	LTM EPS Growth	NTM EPS Growth	LTM Sales Growth	NTM Sales Growth	Price Return			
												1M	3M	6M	1Y
Real Estate	17.8x	17.4x	2.3x	17.7x	21.2%	13.3%	1.2x	-2.3%	-2.9%	-2.3%	-0.7%	1%	12%	-15%	-10%
Real Estate Development	18.2x	16.4x	1.5x	15.4x	7.0	6.9	1.6x	-21.9	1.7	-7.3	0.2	5	21	-30	-21
REITs	17.9x	17.2x	2.2x	22.5x	23.8	11.6	1.7x	-8.4	-0.1	-1.5	0.4	2	13	-17	-12

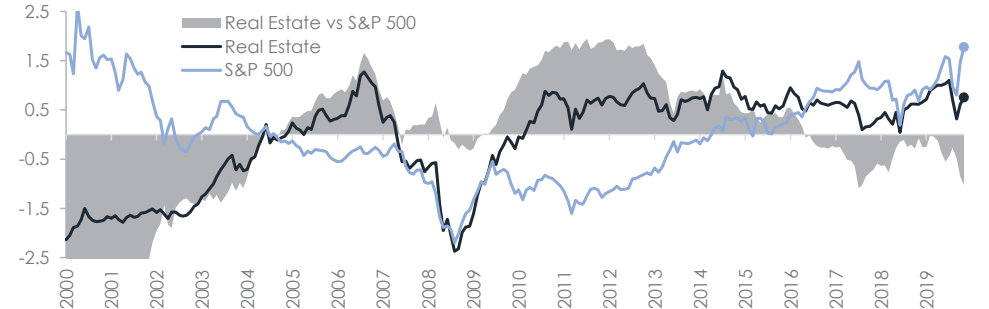
The color blue (red) highlights the highest (lowest) value for each column among industries.

Figure 128: NTM P/E vs S&P 500



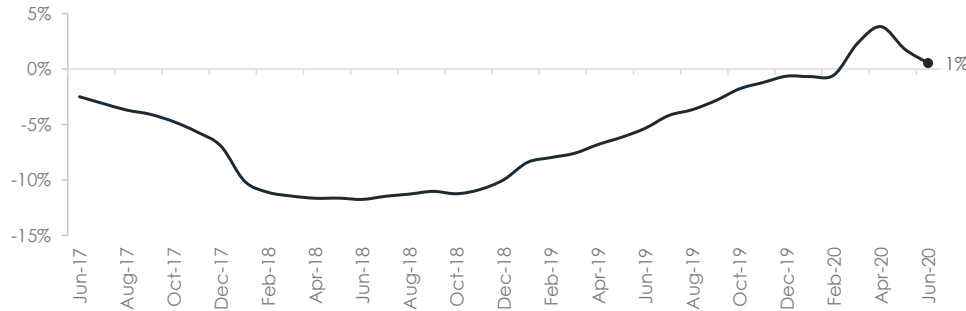
Source: MarketDesk Research. Note: 1 std = 10-year avg +/- 10-year standard deviation.

Figure 129: Valuation Composite vs S&P 500



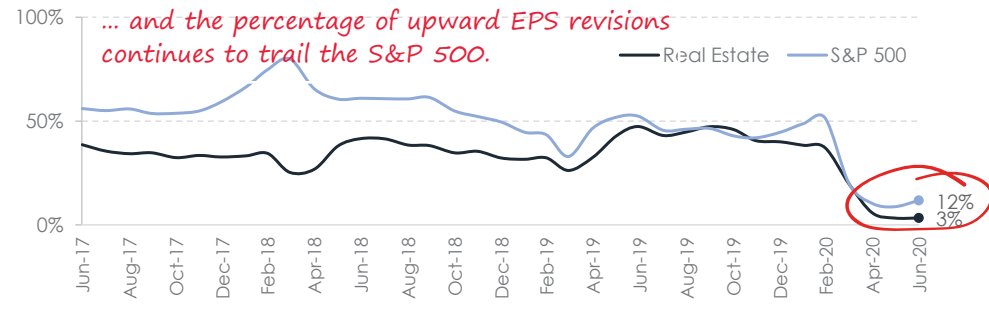
Source: MarketDesk Research. Composite is average Z-Score of LTM P/E, NTM P/E, P/B, EV/S, EV/EBITDA.

Figure 130: Blended EPS Growth vs S&P 500 (Average of NTM & LTM)



Source: MarketDesk Research

Figure 131: % of Companies with Upward EPS Revisions (Average of 2020 & 2021 EPS)



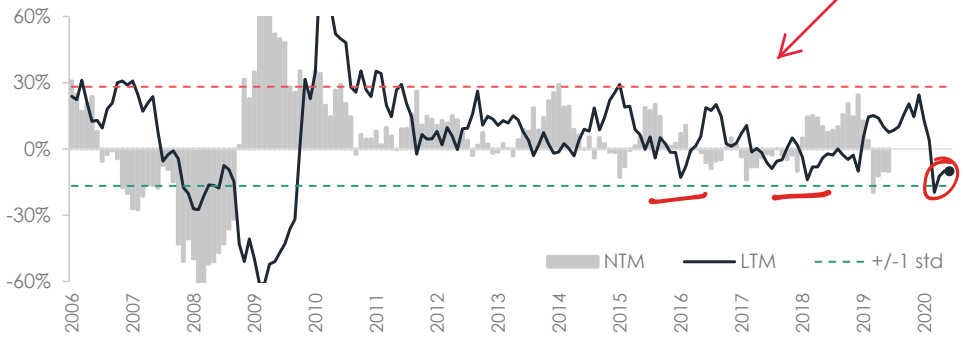
Source: MarketDesk Research

Real Estate

Technicals & Sentiment

However, Real Estate's technicals present a favorable risk / reward setup in our view. The -1std line in the y/y sector and relative return vs the S&P 500 historically served as a reliable support line since 2010.

Figure 132: Y/Y Sector Returns



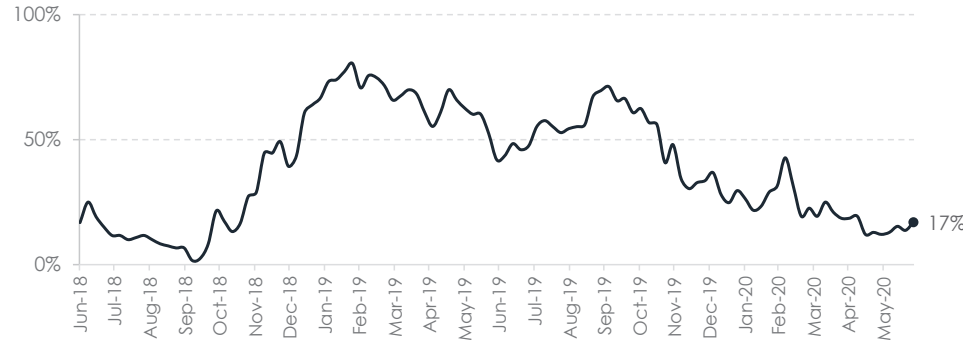
Source: MarketDesk Research

Figure 133: Y/Y Relative Sector Returns vs S&P 500



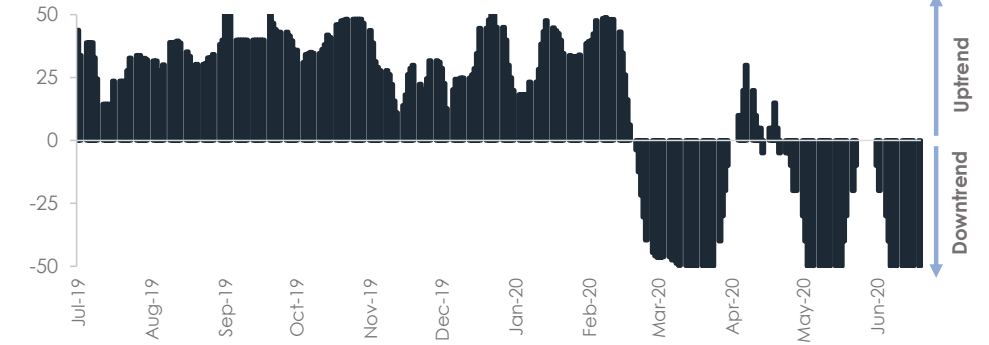
Source: MarketDesk Research

Figure 134: % of Companies Outperforming S&P 500 LTM Returns



Source: MarketDesk Research

Figure 135: Sector High-Low Index



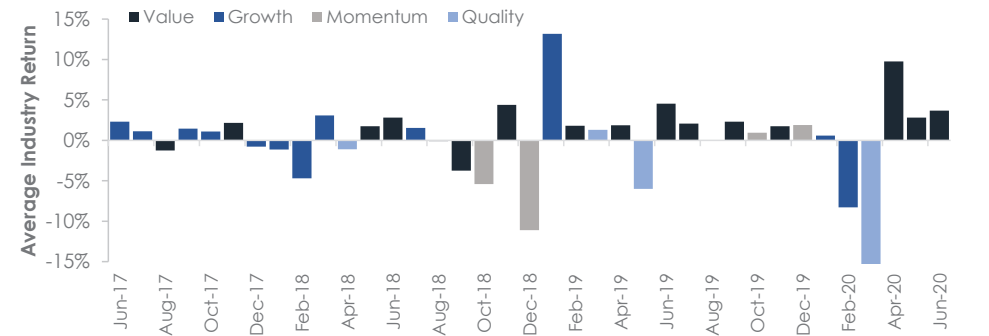
Source: MarketDesk Research. **H/L Index** = (% of New 52wk Highs vs % of New 52wk Lows)-(50%)

Figure 136: Sector ETF Flows (\$ USD Billions)



Source: MarketDesk Research. **ETF Flows** are based on 5 largest sector ETFs.

Figure 137: Largest Factor Driving Industry Performance Each Month



Source: MarketDesk Research. **Value** is based on NTM P/E. **Growth** is based on blended EPS growth (NTM & LTM). **Quality** is based on Profit Margin. **Momentum** is based on previous 3-month returns.

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