

Market & Sector Trend Summary

September 8, 2020

Please refer to Appendix – Important Disclosures.

Volatility Not Yet Disrupting Breadth Gains

	Rising 50-day Averages	Rising 200-day Averages	Close Above 50-day	Close Above 200-day	50-day Above 200-day	Net Highs Vs Lows	13-Wk	52-Wk
International Indexes	70%	30%	55%	50%	55%	4%	0%	
Domestic Indexes	100%	50%	93%	87%	70%	0%	0%	
S&P 500 Sectors	91%	55%	82%	73%	64%	-10%	0%	
S&P 500 Industry Groups	96%	58%	88%	79%	63%	-4%	0%	
S&P 500 Sub-Industries	92%	52%	83%	67%	60%	3%	1%	
S&P 500 Companies			72%	62%	54%			

	Relative Strength Ranking		Relative Strength Trend	Sector Trend Score (-6 to +6)	Sector Comments
	Current	Previous			
Energy	11	11		-2	
Materials	4	** 6		6	Materials climbed two spots in the rankings, keeping it in the leadership group
Industrials	5	** 4		2	Industrials slipped a spot in the rankings this week
Consumer Discretionary	2	** 2		4	
Consumer Staples	6	5	Improving	4	Consumer Staples is seeing improving relative strength
Health Care	7	7		2	
Financials	8	8	Improving	6	Sector-level trends in Financials sector have remained healthy and the sector is improving in relative strength
Information Technology	1	** 1		2	Information Technology remains the top-ranked sector, though sector-level trends are deteriorating
Communication Services	3	** 3		4	
Utilities	10	10		-2	
Real Estate	9	9		6	

** Denotes Current Relative Strength-Based Leadership Group

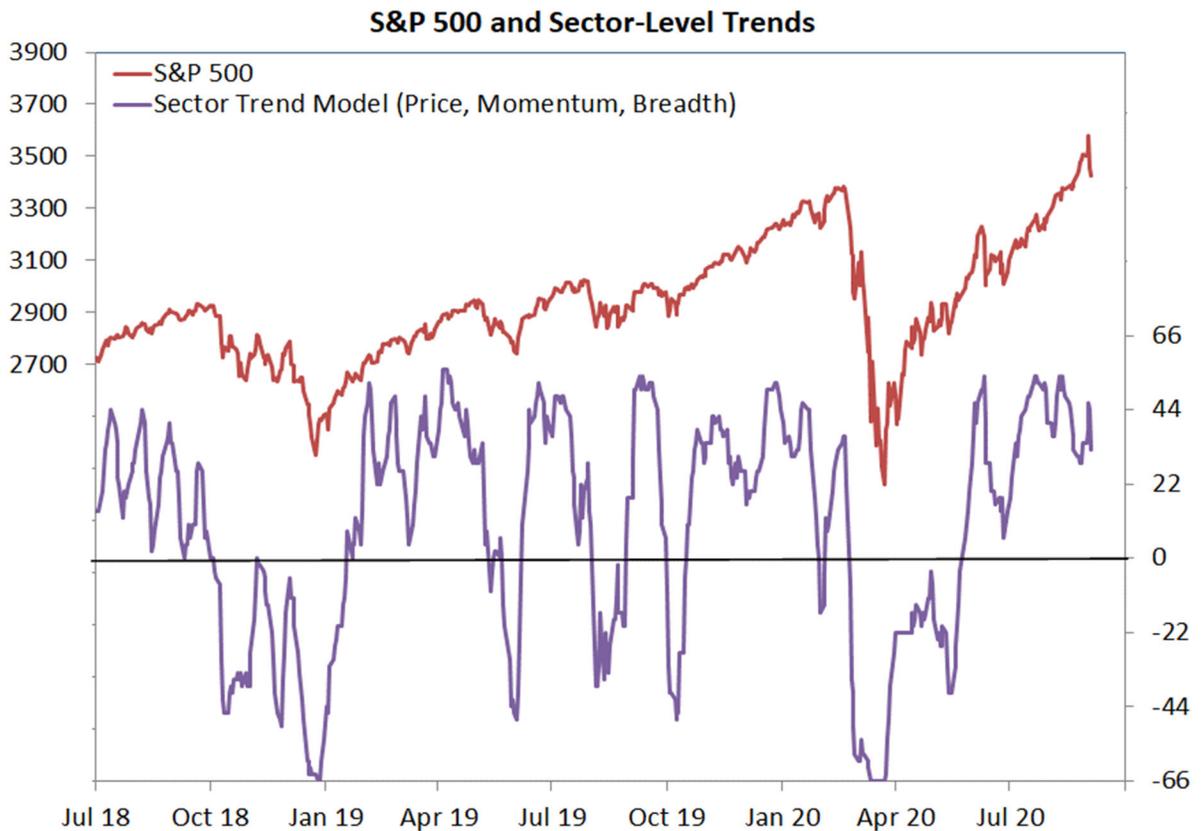
Data Source: FactSet

William Delwiche, CMT, CFA

Investment Strategist

wdelwiche@rwbaird.com

414-298-7802

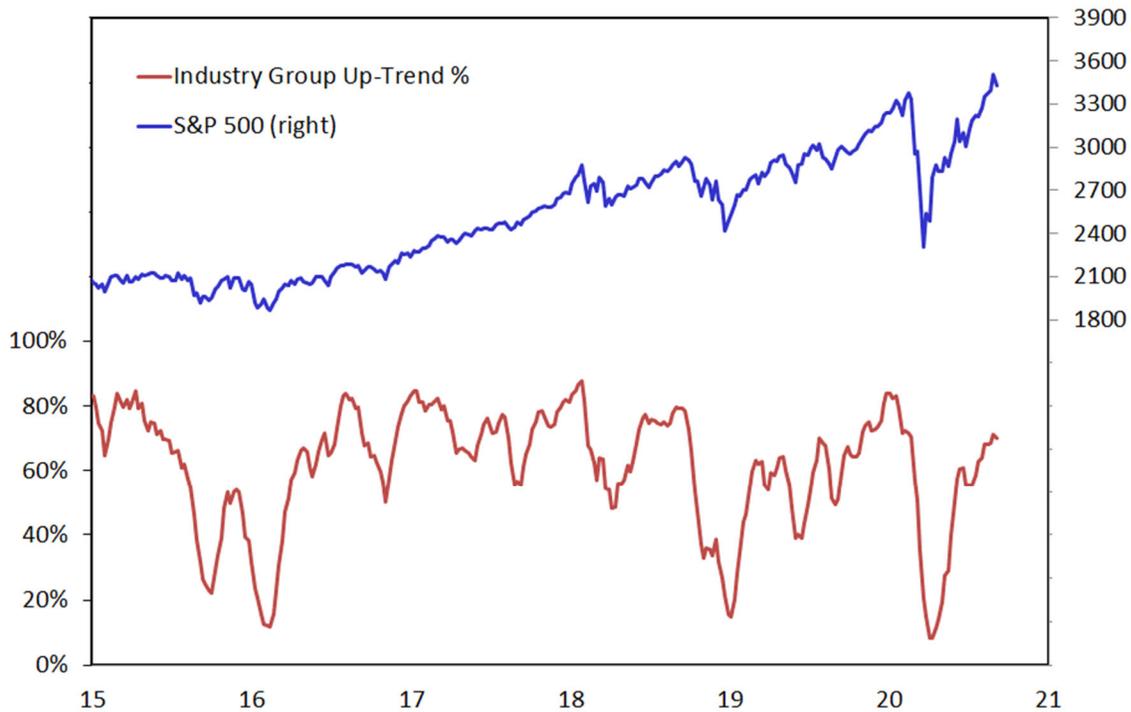


Source: FactSet, RW Baird Calculations

	Price		Momentum		Breadth		Sector Trend Score (-6 to +6)
	Current vs. Trend	Trend Direction	Current vs. Trend	Trend Direction	Current vs. Trend	Trend Direction	
Energy	Neg	Neg	Neg	Neg	Pos	Pos	-2
Materials	Pos	Pos	Pos	Pos	Pos	Pos	6
Industrials	Pos	Pos	Neg	Neg	Pos	Pos	2
Consumer Discretionary	Pos	Pos	Neg	Pos	Pos	Pos	4
Consumer Staples	Pos	Pos	Neg	Pos	Pos	Pos	4
Health Care	Pos	Pos	Neg	Neg	Pos	Pos	2
Financials	Pos	Pos	Pos	Pos	Pos	Pos	6
Information Technology	Pos	Pos	Neg	Pos	Neg	Pos	2
Telecom Services	Pos	Pos	Neg	Pos	Pos	Pos	4
Utilities	Neg	Neg	Neg	Neg	Pos	Pos	-2
Real Estate	Pos	Pos	Pos	Pos	Pos	Pos	6
Indicator Summary (-11 to +11)	7	7	-5	3	9	11	32

- At the sector level, momentum trends are mixed and price trends are deteriorating but breadth trends remain strong.
- With sector-level trends overall still in positive territory, the current weakness is more consistent with consolidation than broader correction (though with a dose of volatility that is fitting for 2020).

S&P 500 and Industry Group Breadth



Source: FactSet, RWB Calculations

Industry Group Relative Strength Trend Heat Map

Industry Groups		Improving/Deteriorating			Top/Bottom			Top Bottom	
		S&P 500	S&P 400	S&P 600	S&P 500	S&P 400	S&P 600		
Energy	0/3				BOT	BOT	BOT		
Materials	0/0								
Capital Goods	0/0								
Commercial Services & Supplies	0/0								
Transportation	1/0				TOP				
Automobiles & Components	1/0	IMP							
Consumer Durables & Apparel	0/1		DET						
Hotels, Restaurants & Leisure	3/0	IMP		IMP		TOP			
Media	1/2				TOP	BOT	BOT		
Retailing	3/0				TOP	TOP	TOP		
Food & Staples Retailing	1/0	IMP							
Food, Beverage & Tobacco	1/0			IMP					
Household & Personal Products	1/1			DET	TOP				
Health Care Equipment & Services	0/1		DET	DET					
Biotechnology	1/2	DET	DET				TOP		
Pharmaceuticals	0/1		DET						
Banks	1/1			IMP		BOT			
Diversified Financials	1/0	IMP							
Insurance	1/0		IMP						
Real Estate	0/0								
Software & Services	0/1	DET							
Technology Hardware & Equipment	1/2		DET		TOP		BOT		
Semiconductors & Semiconductor Equipment	1/1			DET	TOP				
Telecommunication Services	0/1			DET					
Utilities	0/3				BOT	BOT	BOT		
		Improving Deteriorating	4 2	1 5	3 3	6 2	2 4	2 4	Top Bottom

- Our industry group trend indicator ticked lower last week, but at 70% still suggests health beneath the surface.
- At the industry group level, Hotels, Restaurants & Leisure and Retailing have seen broad strength, while Energy and Utilities have been weak.

Market & Sector Trend Summary

	Price Trends (Absolute)		Price Trends (Relative to S&P 500)		High/Low		Seasonals (Relative To S&P 500)	Intra-Sector Sub-Industry Trends			
	10-Week	40-Week	10-Week	40-Week	13-Week	52-Week		Leaders	Laggards	Improving	Deteriorating
Energy	Down	Down	Down	Down	L		Pos	0	5	0	0
Materials	Up	Up	Up	Down	H	H	Neg	0	1	3	0
Industrials	Up	Down	Up	Down			Neg	6	1	0	2
Consumer Discretionary	Up	Up	Up	Up			Pos	6	2	6	2
Consumer Staples	Up	Up	Up	Down	H	H	Pos	1	1	4	0
Health Care	Up	Up	Down	Down			Pos	0	1	1	3
Financials	Up	Down	Down	Down			Pos	0	2	1	1
Information Technology	Up	Up	Up	Up				4	1	0	7
Communication Services	Up	Up	Up	Up			Pos	2	1	0	1
Utilities	Up	Down	Down	Down			Pos	0	1	0	0
Real Estate	Up	Down	Down	Down	H		Pos	0	3	5	0

Sub-Industry Detail:

Relative Strength Leaders

Industrials - Agricultural & Farm Machinery
 Industrials - Trading Companies & Distributors
 Industrials - Diversified Support Services
 Industrials - Air Freight & Logistics
 Industrials - Railroads
 Industrials - Trucking
 Cons Discret - Homebuilding
 Cons Discret - Household Appliances
 Cons Discret - Footwear
 Cons Discret - Internet Retail
 Cons Discret - General Merchandise Stores
 Cons Discret - Computer & Electronics Retail
 Cons Staples - Agricultural Products
 Info Tech - Application Software
 Info Tech - Technology Hardware, Storage & Peripherals
 Info Tech - Electronic Components
 Info Tech - Semiconductors
 Communication Services - Publishing
 Communication Services - Movies & Entertainment

Relative Strength Laggards

Energy - Oil & Gas Equipment & Services
 Energy - Integrated Oil & Gas
 Energy - Oil & Gas Exploration & Production
 Energy - Oil & Gas Refining & Marketing
 Energy - Oil & Gas Storage & Transportation
 Materials - Construction Materials
 Industrials - Aerospace & Defense
 Cons Discret - Specialized Consumer Services
 Cons Discret - Department Stores
 Cons Staples - Drug Retail
 Health Care - Health Care Services
 Financials - Diversified Banks
 Financials - Multi-line Insurance
 Info Tech - Communications Equipment
 Communication Services - Advertising
 Utilities - Electric Utilities
 Real Estate - Office REITs
 Real Estate - Residential REITs
 Real Estate - Retail REITs

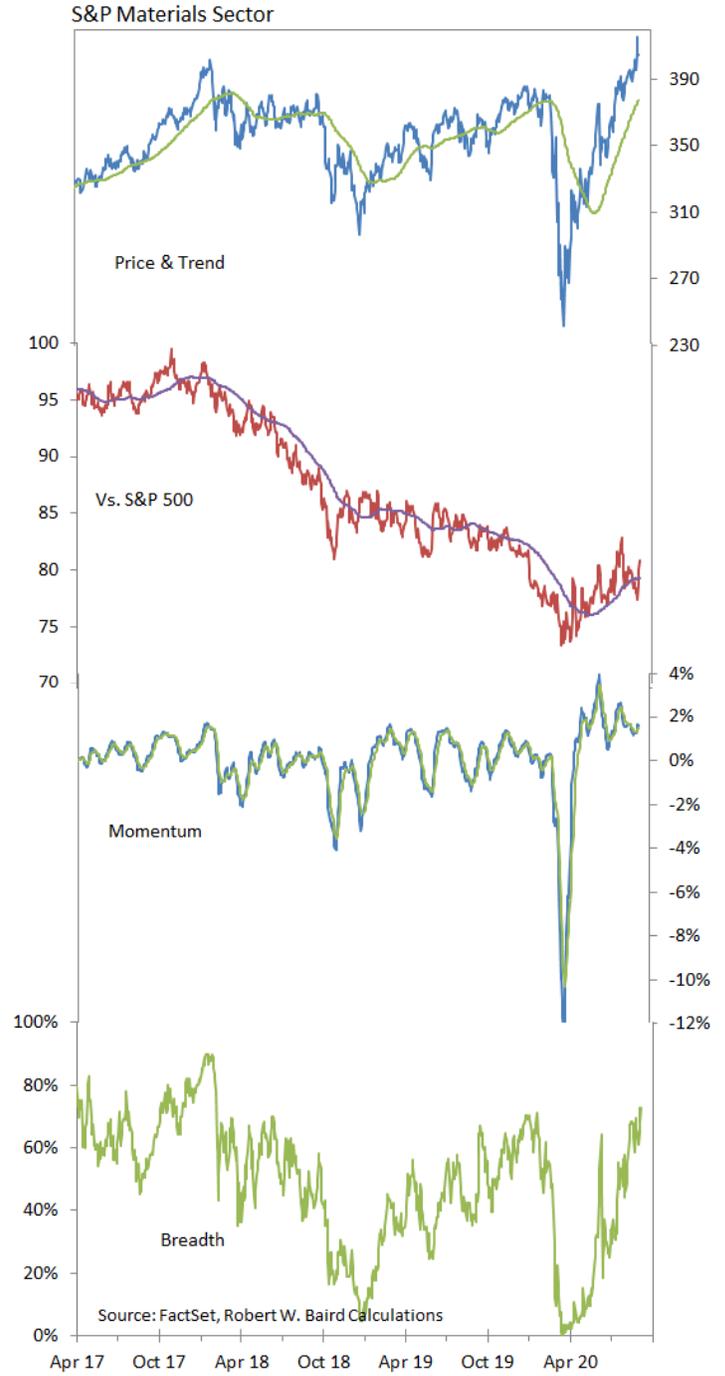
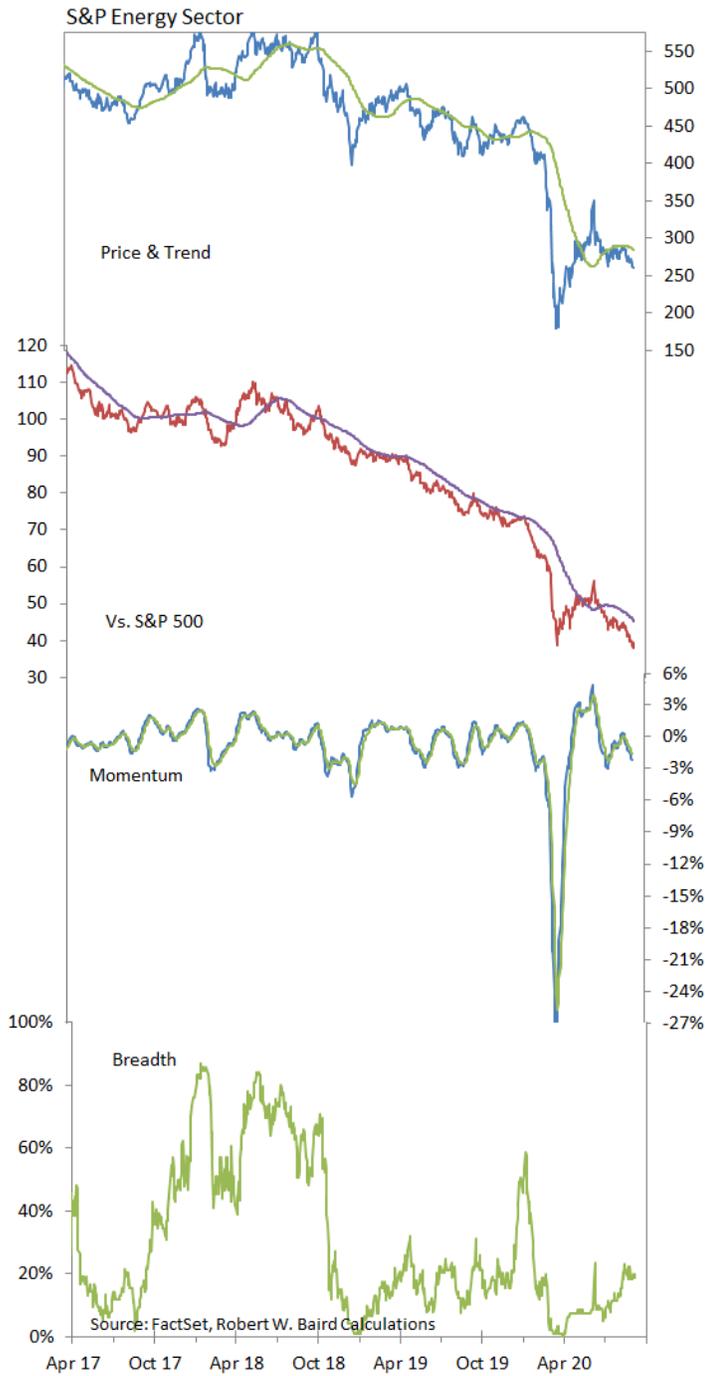
Relative Strength Improving

Materials - Fertilizers & Agricultural Chemicals
 Materials - Metal & Glass Containers
 Materials - Steel
 Cons Discret - Leisure Products
 Cons Discret - Apparel, Accessories & Luxury Goods
 Cons Discret - Casinos & Gaming
 Cons Discret - Hotels, Resorts & Cruise Lines
 Cons Discret - Restaurants
 Cons Discret - Distributors
 Cons Staples - Food Distributors
 Cons Staples - Brewers
 Cons Staples - Soft Drinks
 Cons Staples - Agricultural Products
 Health Care - Health Care Facilities
 Financials - Multi-Sector Holdings
 Real Estate - Hotel & Resort REITs
 Real Estate - Health Care REITs
 Real Estate - Residential REITs
 Real Estate - Retail REITs
 Real Estate - Real Estate Services

Relative Strength Deteriorating

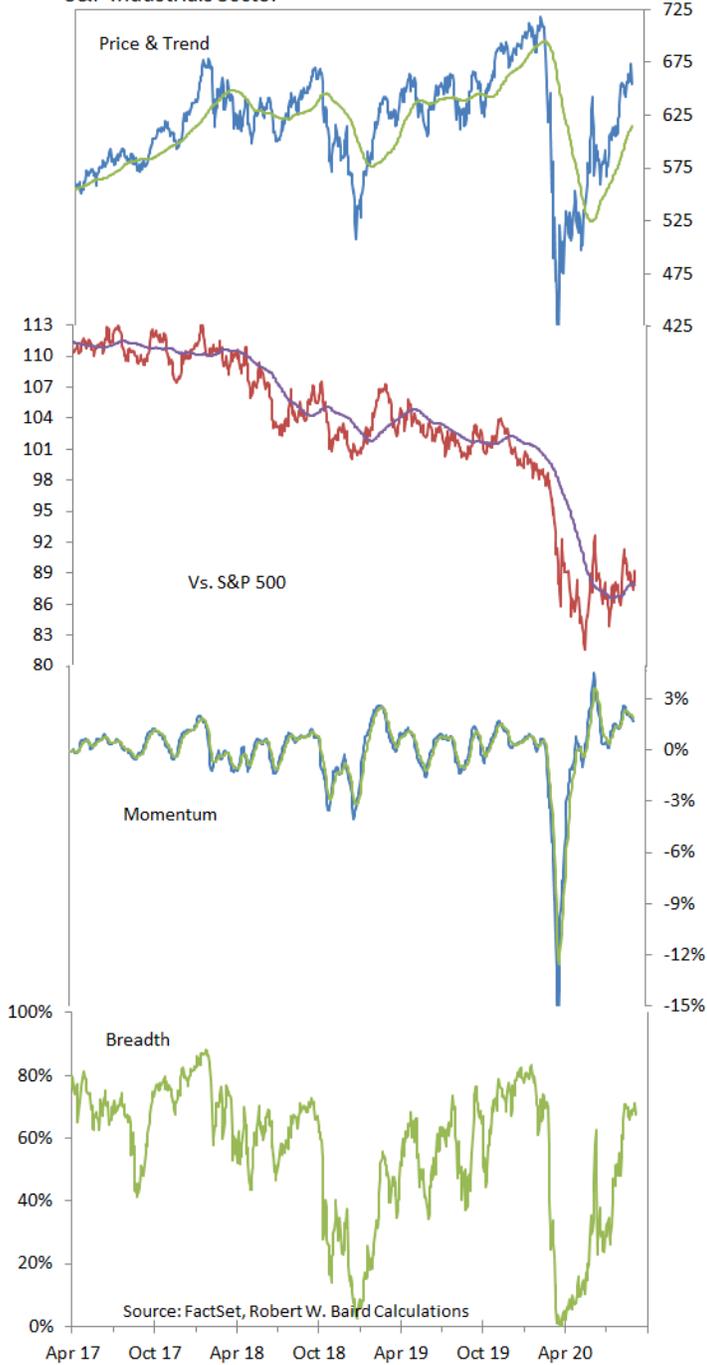
Industrials - Human Resource & Employment Services
 Industrials - Research & Consulting Services
 Cons Discret - Consumer Electronics
 Cons Discret - Housewares & Specialties
 Health Care - Health Care Distributors
 Health Care - Health Care Services
 Health Care - Biotechnology
 Financials - Asset Management & Custody Banks
 Info Tech - Data Processing & Outsourced Services
 Info Tech - Internet Software & Services
 Info Tech - Application Software
 Info Tech - Systems Software
 Info Tech - Communications Equipment
 Info Tech - Electronic Equipment & Instruments
 Info Tech - Semiconductor Equipment
 Communication Services - Home Entertainment Software

• Sector-Level Trends:

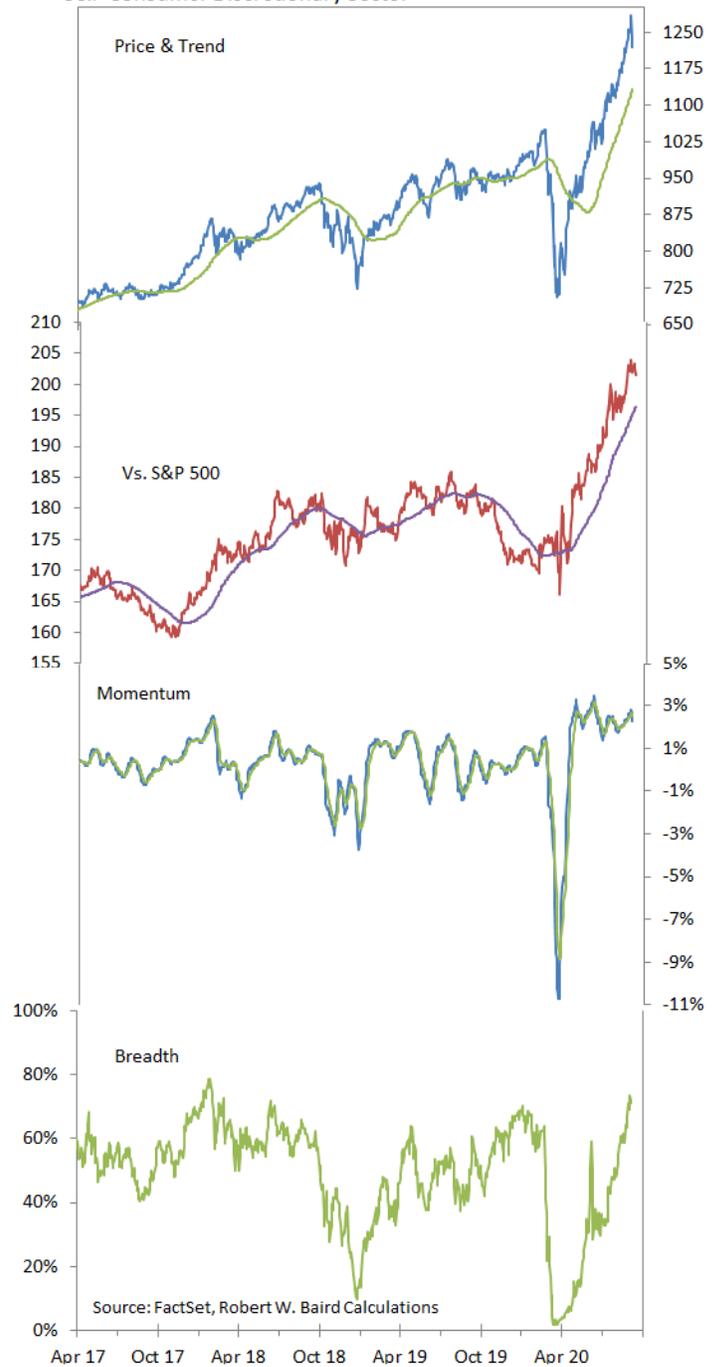


- Energy sector made a new low versus the S&P 500 last week as momentum in the sector has rolled over.
- Materials sector made new price and breadth highs last week.

S&P Industrials Sector

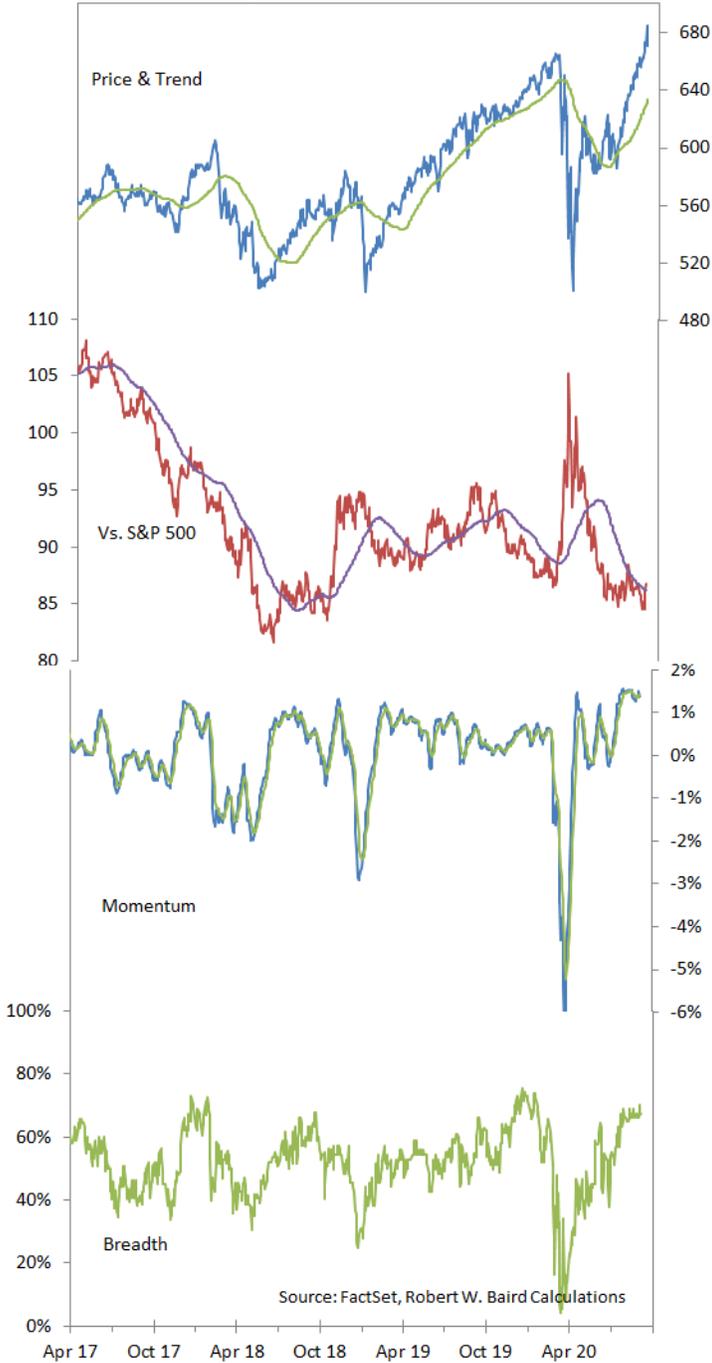


S&P Consumer Discretionary Sector

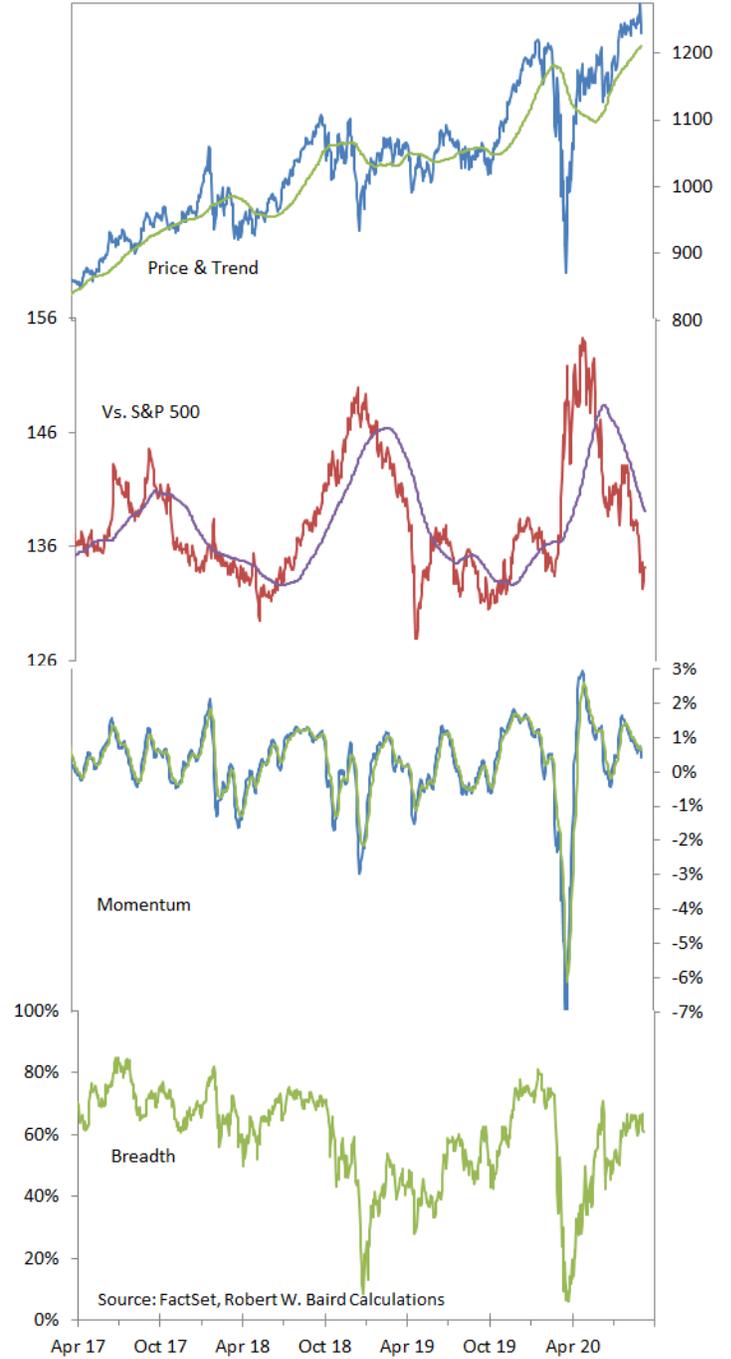


- Industrials sector continues to follow a pattern of higher lows versus the S&P 500 – a pattern of higher highs would suggest sustainable leadership.
- Consumer Discretionary has come off its highs, but very little damage has been done from a price or breadth trend perspective.

S&P Consumer Staples Sector

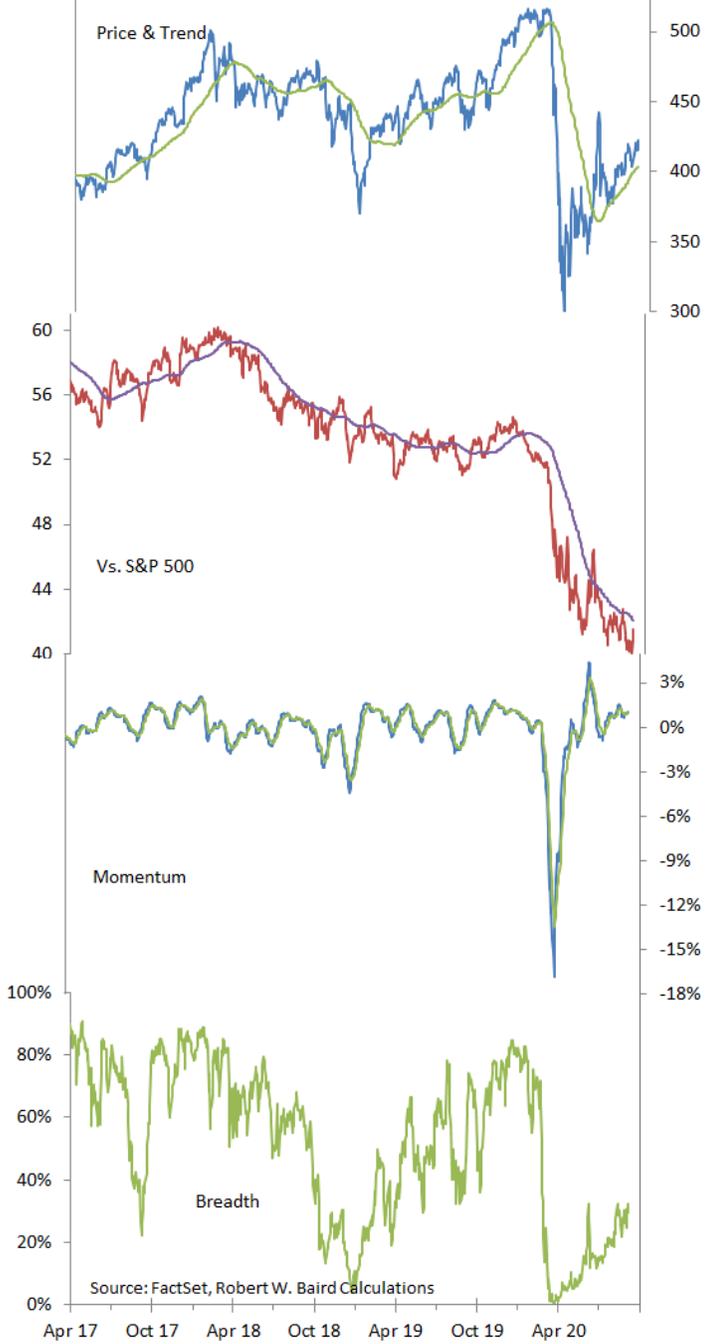


S&P Health Care Sector

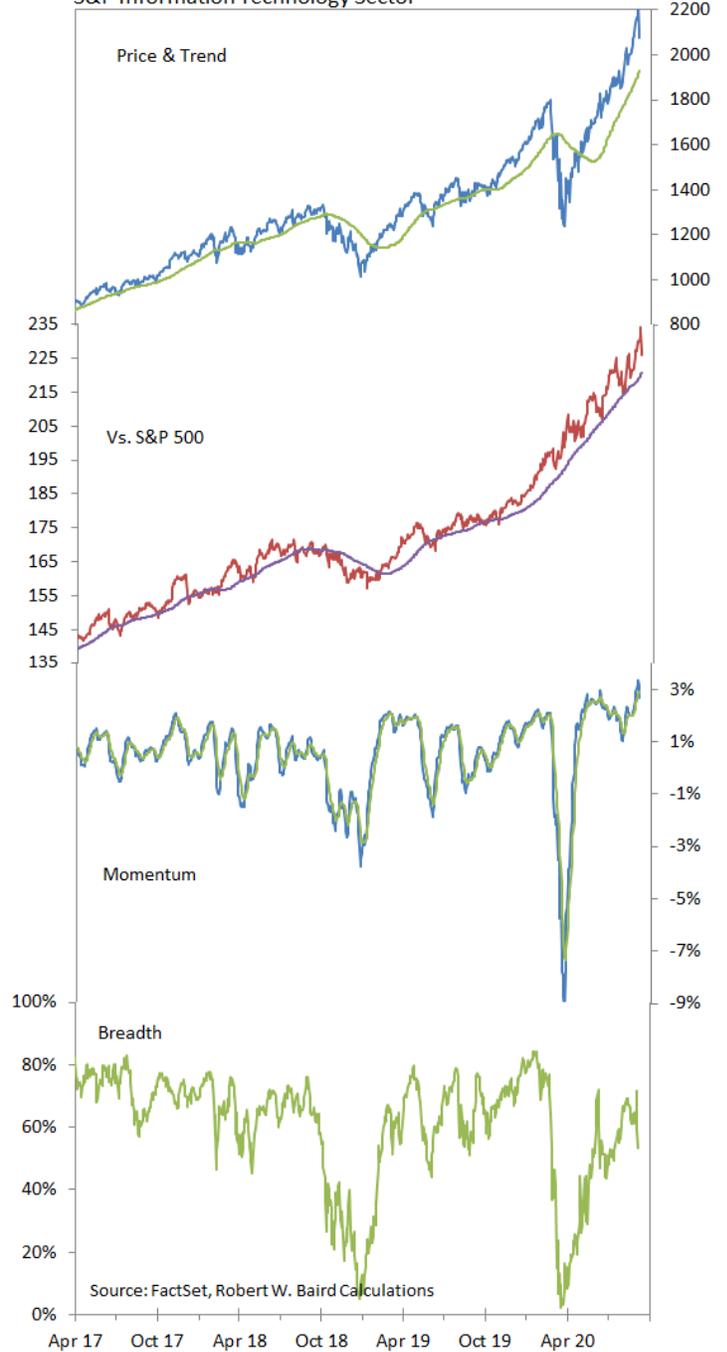


- Consumer Staples sector breadth has been strong, which puts the sector in a good position to see leadership if volatility continues to rise.
- Health Care trends have deteriorated from a price perspective and breadth now is faltering.

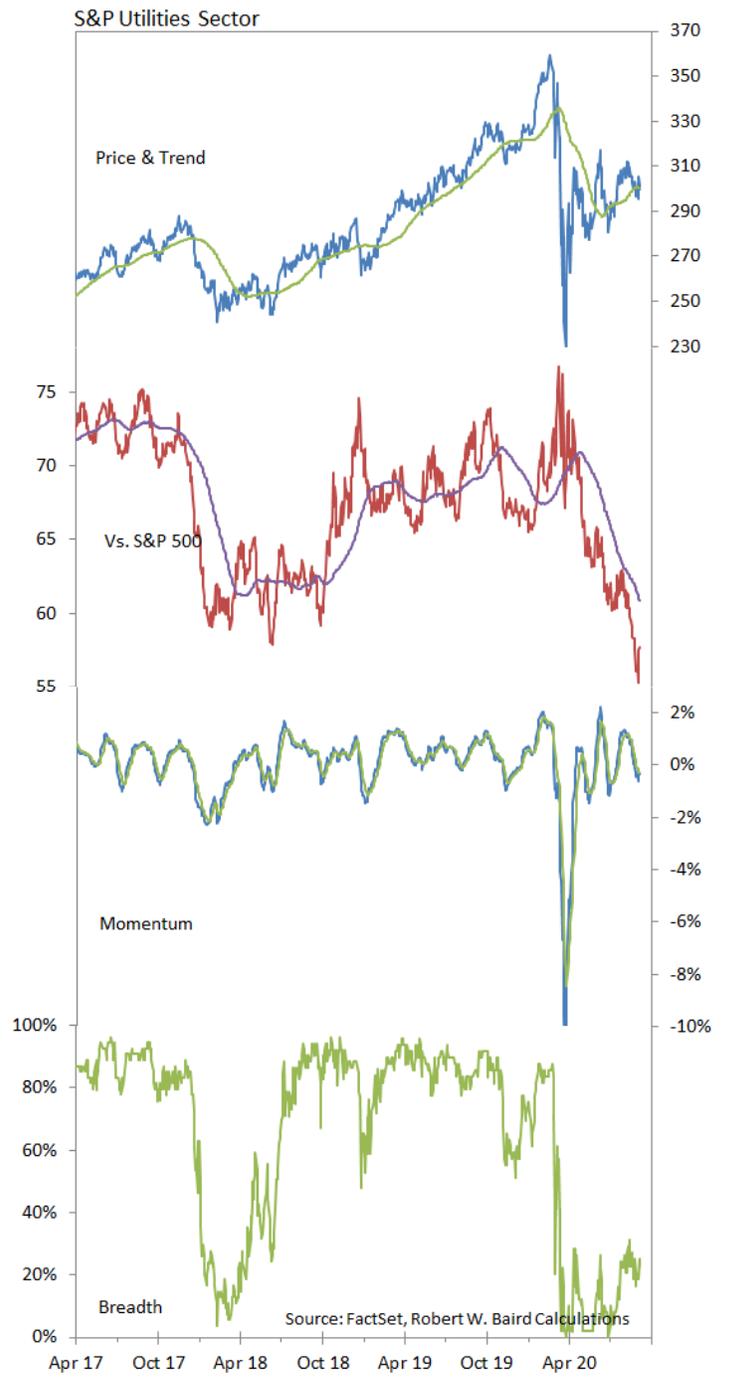
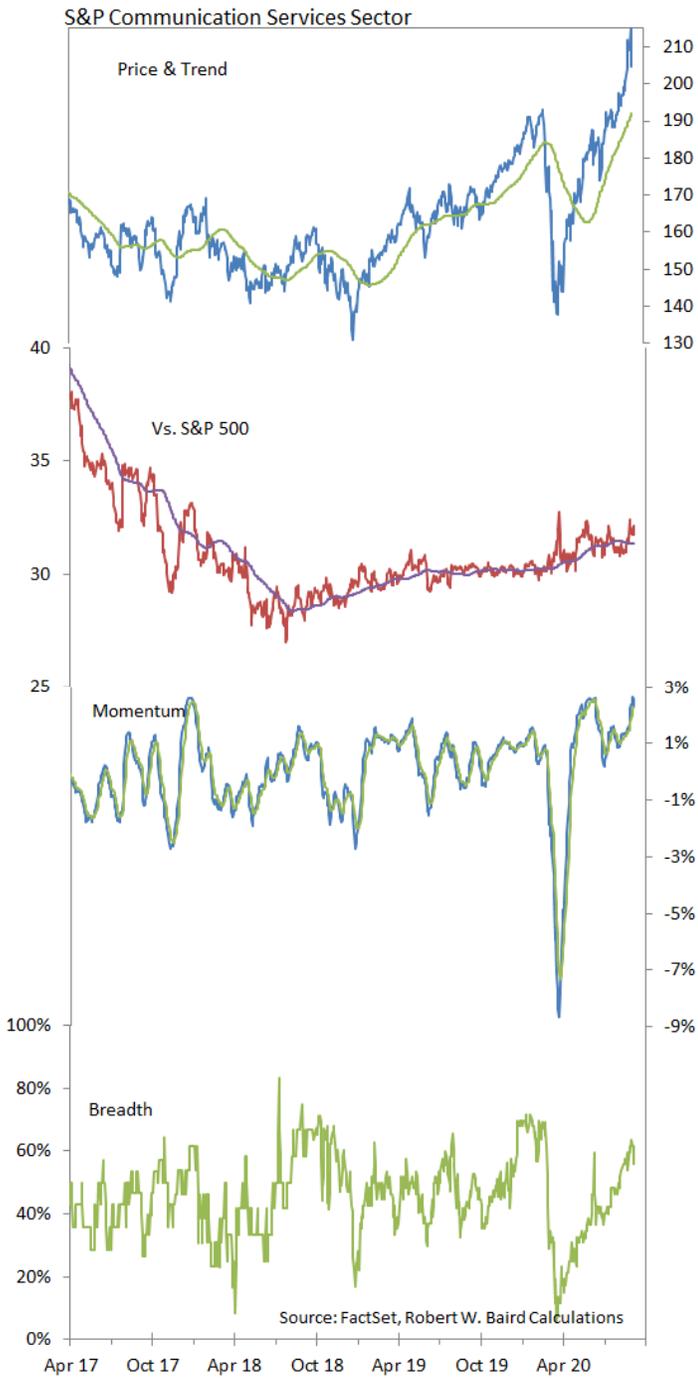
S&P Financials Sector



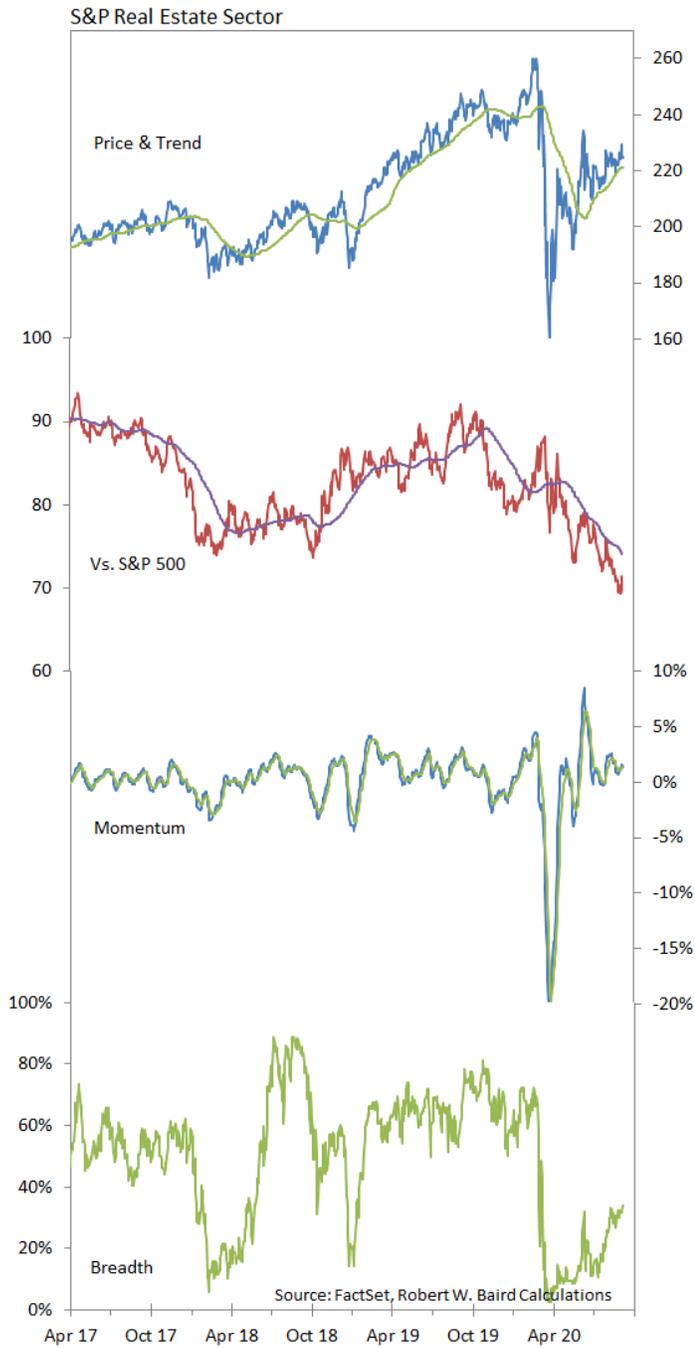
S&P Information Technology Sector



- Financials are again trying to gain relative strength. Beneath the surface, sector-level breadth continues to slowly improve.
- Technology sector breadth is faltering, suggesting some selling pressure that goes beyond just a handful of mega-cap stocks.



- Communication Services sector remains in good shape for now from a price and momentum trend perspective.
- Utilities sector bounced off its lows versus the S&P 500, but the sector overall remains weak.



- Real Estate sector breadth is improving, even though the sector has struggled to make headway versus the S&P 500.

Appendix – Important Disclosures and Analyst Certification

Analyst Certification

The senior research analyst(s) certifies that the views expressed in this research report and/or financial model accurately reflect such senior analyst's personal views about the subject securities or issuers and that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report.

Disclaimers

This is not a complete analysis of every material fact regarding any company, industry or security. The opinions expressed here reflect our judgment at this date and are subject to change. The information has been obtained from sources we consider to be reliable, but we cannot guarantee the accuracy.

ADDITIONAL INFORMATION ON COMPANIES MENTIONED HEREIN IS AVAILABLE UPON REQUEST

The Dow Jones Industrial Average, S&P 500, S&P 400 and Russell 2000 and any other indices mentioned are unmanaged common stock indices used to measure and report performance of various sectors of the stock market; direct investment in indices is not available. Baird is exempt from the requirement to hold an Australian financial services license. Baird is regulated by the United States Securities and Exchange Commission, FINRA, and various other self-regulatory organizations and those laws and regulations may differ from Australian laws. This report has been prepared in accordance with the laws and regulations governing United States broker-dealers and not Australian laws.

United Kingdom (“UK”) disclosure requirements for the purpose of distributing this research into the UK and other countries for which Robert W. Baird Limited holds a MiFID passport.

The contents of this report may contain an "investment recommendation", as defined by the Market Abuse Regulation EU No 596/2014 ("MAR"). This report does not contain a "personal recommendation" or "investment advice", as defined by the Market in Financial Instruments Directive 2014/65/EU ("MiFID"). Please therefore be aware of the important disclosures outlined below. Unless otherwise stated, this report was completed and first disseminated at the date and time provided on the timestamp of the report. If you would like further information on dissemination times, please contact us. The views contained in this report: (i) do not necessarily correspond to, and may differ from, the views of Robert W. Baird Limited or any other entity within the Baird Group, in particular Robert W. Baird & Co. Incorporated; and (ii) may differ from the views of another individual of Robert W. Baird Limited.

This material is distributed in the UK and the European Economic Area (“EEA”) by Robert W. Baird Limited, which has an office at Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB and is authorized and regulated by the Financial Conduct Authority (“FCA”) in the UK.

For the purposes of the FCA requirements, this investment research report is classified as investment research and is objective. This material is only directed at and is only made available to persons in the EEA who would satisfy the criteria of being "Professional" investors under MiFID and to persons in the UK falling within Articles 19, 38, 47, and 49 of the Financial Services and Markets Act of 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). Accordingly, this document is intended only for persons regarded as investment professionals (or equivalent) and is not to be distributed to or passed onto any other person (such as persons who would be classified as Retail clients under MiFID).

All substantially material sources of the information contained in this report are disclosed. All sources of information in this report are reliable, but where there is any doubt as to reliability of a particular source, this is clearly indicated. There is no intention to update this report in future. Where, for any reason, an update is made, this will be made clear in writing on the research report. Such instances will be occasional only.

Investment involves risk. The price of securities may fluctuate and past performance is not indicative of future results. Any recommendation contained in the research report does not have regard to the specific investment objectives, financial situation and the particular needs of any individuals. You are advised to exercise caution in relation to the research report. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Robert W. Baird Limited and Robert W. Baird & Co. Incorporated have in place organisational and administrative arrangements for the prevention, avoidance, and disclosure of conflicts of interest with respect to research recommendations. Robert W. Baird Limited's Conflicts of Interest Policy, available [here](#), outlines the approach Robert W. Baird Limited takes in relation to conflicts of interest and includes detail as to its procedures in place to identify, manage and control conflicts of interest. Robert W. Baird Limited and or one of its affiliates may be party to an agreement with the issuer that is the subject of this report relating to the provision of services of investment firms. Robert W. Baird & Co. Incorporated's policies and procedures are designed to identify and effectively manage conflicts of interest related to the preparation and content of research reports and to promote objective and reliable research that reflects the truly held opinions of research analysts. Robert W. Baird & Co. Incorporated's research analysts certify on a quarterly basis that such research reports accurately reflect their personal views.

This material is strictly confidential to the recipient and not intended for persons in jurisdictions where the distribution or publication of this research report is not permitted under the applicable laws or regulations of such jurisdiction.

Robert W. Baird Limited is exempt from the requirement to hold an Australian financial services license and is regulated by the FCA under UK laws, which may differ from Australian laws. As such, this document has not been prepared in accordance with Australian laws.

Copyright 2020 Robert W. Baird & Co. Incorporated