

# SECTOR ROTATION – A TWO-PART REVIEW

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*HOUSTON AAI RETIREMENT SIG - JUNE 8, 2023*

## 2 PURPOSE OF TODAY'S MEETING

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- Today's subject continues along our desired path to educate members
- Most all professional investors use Sector Rotation to enhance returns
- We limit today's discussion to Equities only
- Many PMs ask themselves this fundamental question regularly:
  - "Should I even be in Equities in today's Market or should I hold cash?"

### 3 SECTOR ROTATION BASIS - MOTLEY FOOL

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- They aim to take advantage of the historical performances of specific industries during different phases of the cycle
- Certain stock market sectors, including real estate, consumer discretionary, information technology, and communications services, are cyclical, meaning their businesses and stock prices tend to perform poorly during a recession
- As such, investors will rotate out of those sectors into consumer staples, healthcare, and utilities because they typically deliver steadier results during a contraction
- Another sector rotation strategy happens during the accumulation and mark-up phases of the stock market
  - Investors will rotate into value stocks during the accumulation phase and then rotate back into growth stocks during the mark-up phase

## 4 CYCLES THAT TRIGGER SECTOR ROTATIONS

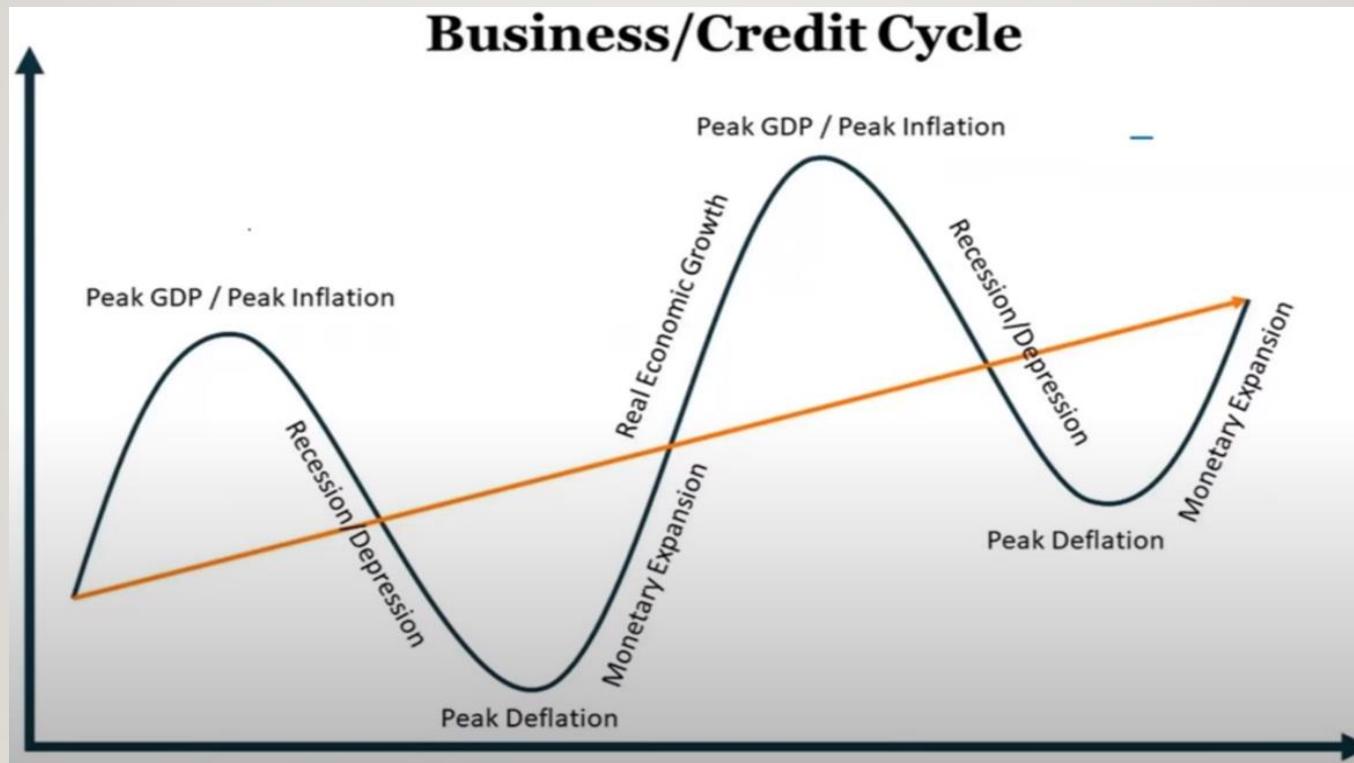
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The economy goes through cycles, and sector rotations occur at each stage. Below are the most common cycles:

- Changes in the **Economic Cycle**
- Changes in the **Market Cycle**
- **Overbought vs Oversold Cycles**

## 5 THE ECONOMIC & BUSINESS CYCLE

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Source: adapted from Aeromir.com, RDalio

## 6 EXAMPLES OF THE ECONOMIC CYCLE – 2006-9

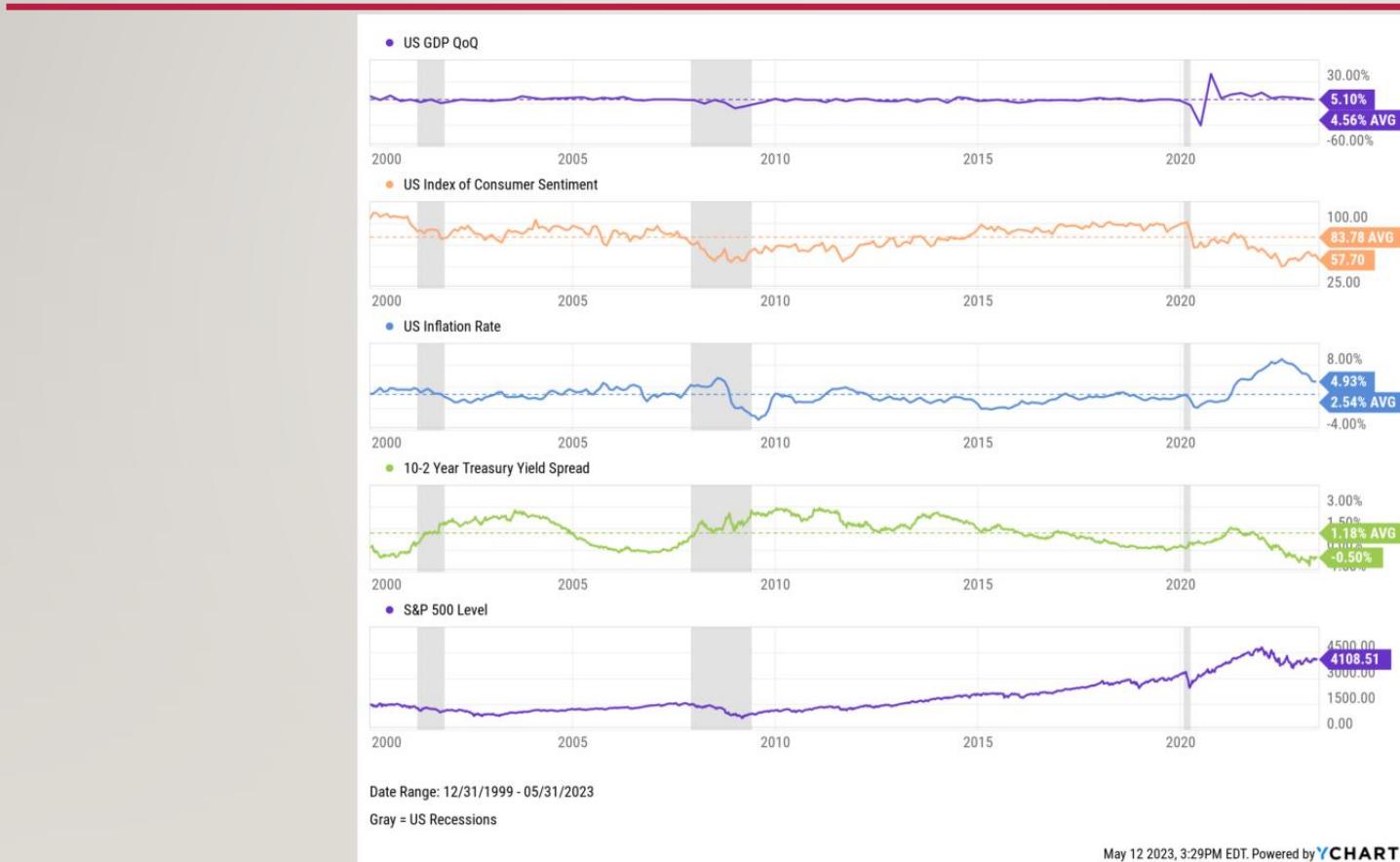


## 7 EXAMPLES OF THE ECONOMIC CYCLE – 2020 COVID

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## 8 ECONOMIC CYCLE INDICATORS

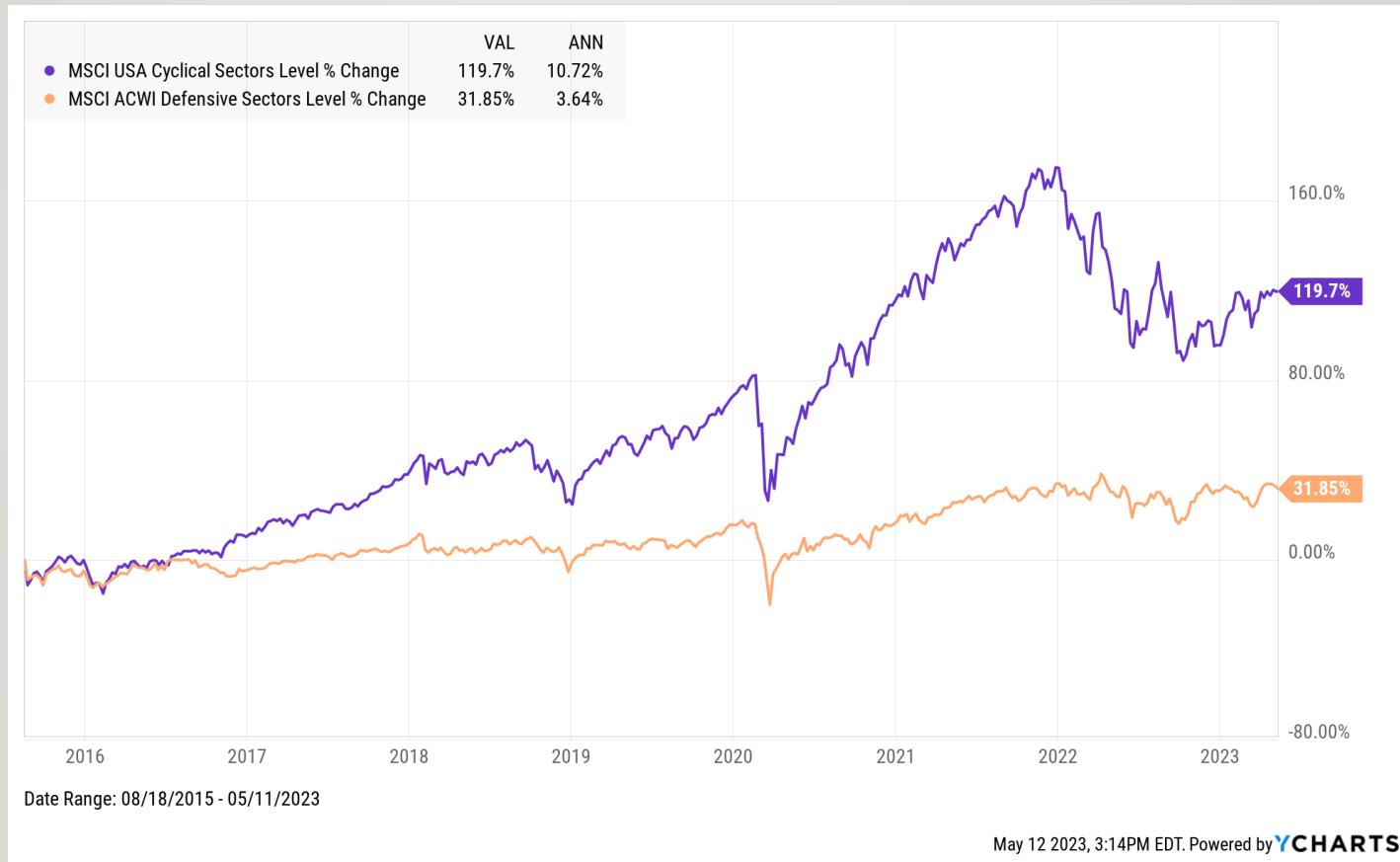


# 9 THE ECONOMIC CYCLE & EQUITY SECTORS

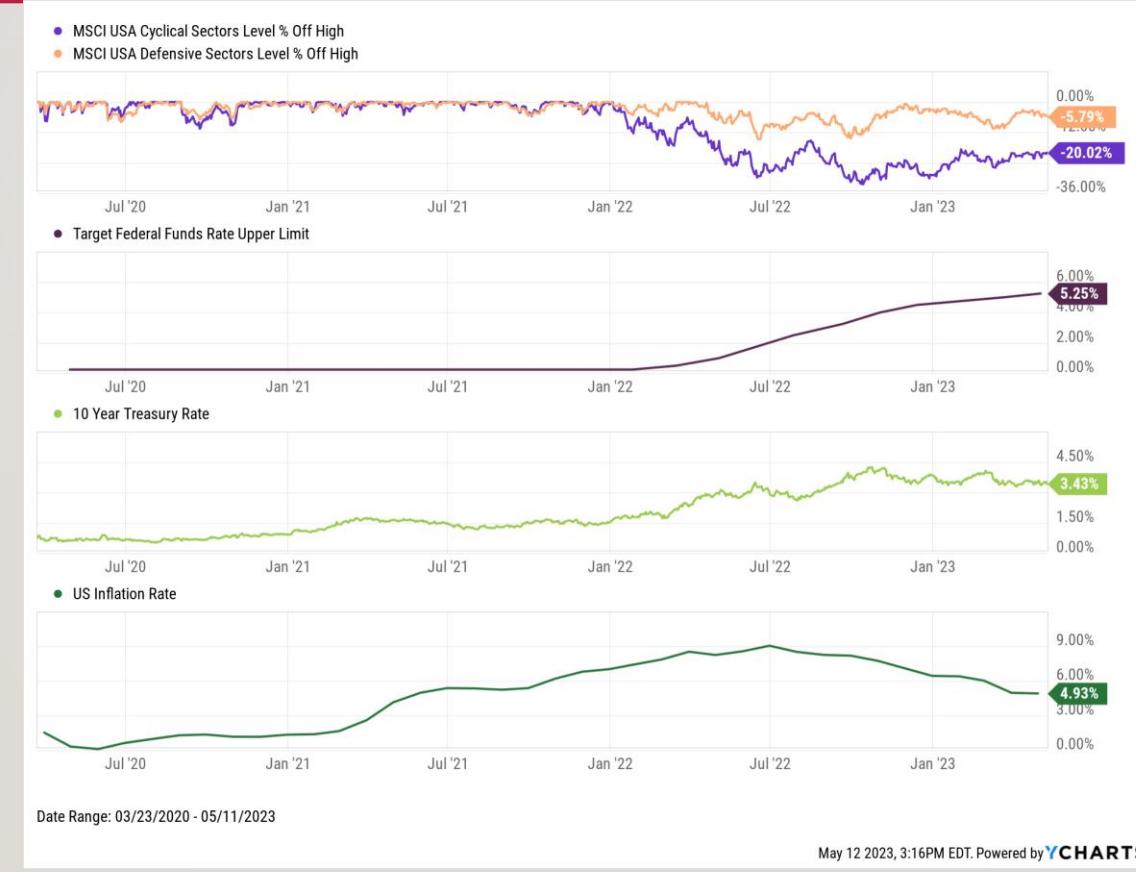
Cycle Stage	What Happens	Best Performing Sectors
Full Recession	Falling GDP, Falling Production, Pessimistic Consumer Sentiment, Deflationary environment, Falling Interest Rates, Normal Yield Curve	Consumer Staples, Health Care, Utilities
Early Expansion	Rebounding GDP, Increased Production, Optimistic Consumer Sentiment, Reflationary environment, Low but Stable Interest Rates, Steepening Yield Curve	Communication Services, Consumer Discretionary, Industrials, Materials, Real Estate, Technology
Late Expansion	Tapering GDP, Tapering Production, Strong Consumer Sentiment, Growing Inflation, Spiking Interest Rates, Flattening Yield Curve	Consumer Discretionary, Energy, Financials, Materials
Early Recession	Declining GDP, Declining Production, Weakening Consumer Sentiment, High Inflation, Tapering Interest Rates, Flat or Inverted Yield Curve	Communication Services, Consumer Staples, Health Care, Utilities

## 10 CYCLICAL VS DEFENSIVE SECTORS

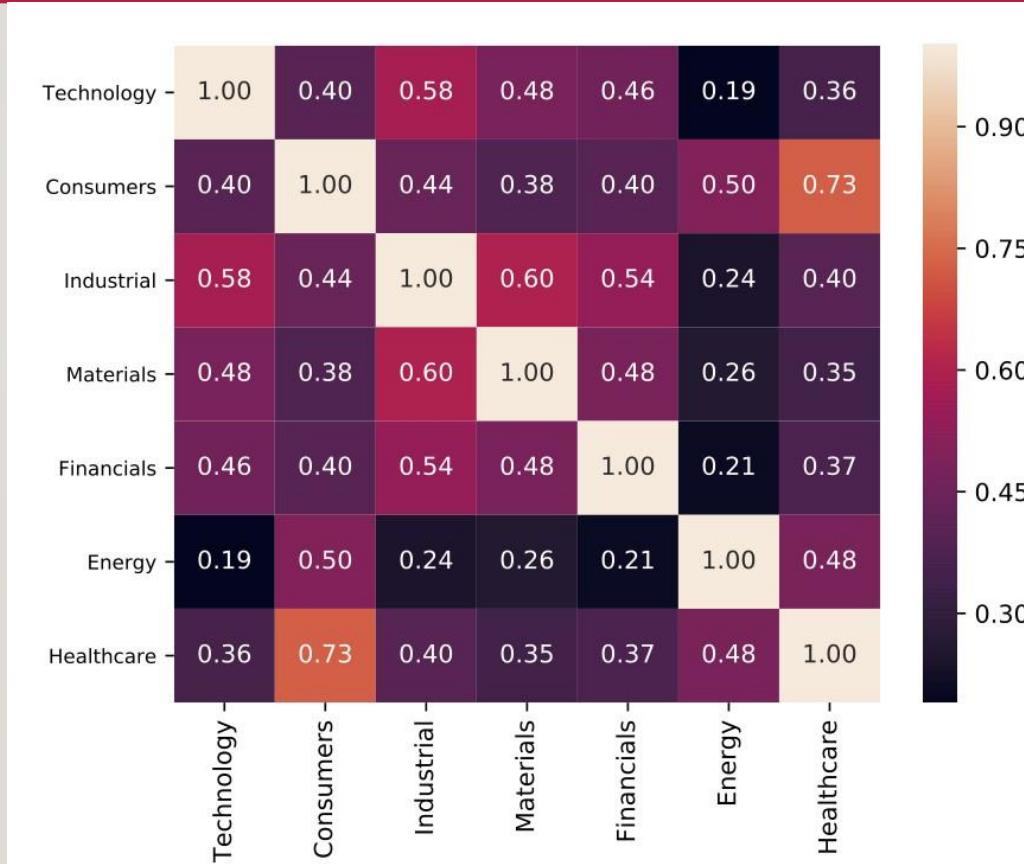
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# || CYCLICAL/DEFENSIVE FUNDS VS MONETARY BACKDROP



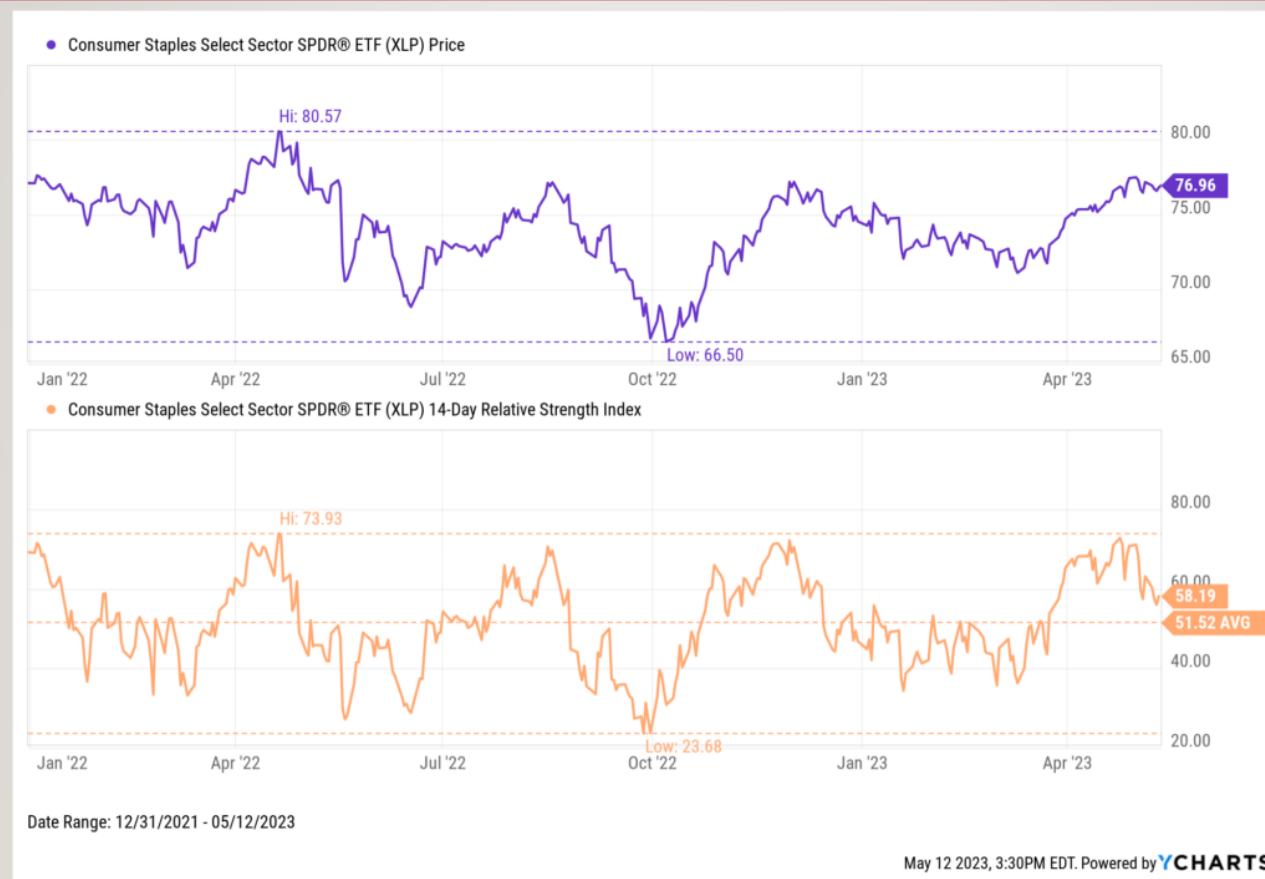
## 12 MARKET CYCLE CORRELATIONS – SPDR EQUITIES



# 13 THE MARKET CYCLE & EQUITY SECTORS

Cycle Stage	What Happens	Sectors to Rotate Into
Market Bottom	Systemic risk resulting from a poor economic backdrop brings the whole market lower. Investors prepare to rotate into more economically sensitive sectors.	Communication Services, Consumer Staples, Health Care, Technology, Utilities
Bull Market	The market bottom has passed, and the worst is over. As economic activity picks back up, so do the share prices of cyclical stocks.	Consumer Discretionary, Energy, Industrials, Materials, Real Estate, Technology
Market Top	Economic growth overheats, and interest rates rise. Investors prepare to rotate into more “defensive” sectors that are less economically sensitive.	Communication Services, Financials, Materials
Bear Market	Markets begin to drift from highs, and economic activity slows. As investors rotate out of cyclical sectors into defensive ones, selling activity accelerates the market decline.	Consumer Staples, Health Care, Utilities

# 14 OVERBOUGHT VS OVERSOLD CYCLES



## 15 EXAMPLES OF OVERBOUGHT & OVERSOLD



## 16 11 SPDR SECTORS – 30 DAY RESULTS

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	30 Day	WFA Outlook
• Communication Services	+7.32%	Neutral
• <b>Information Technology</b>	<b>+3.55%</b>	<b>Favorable</b>
• Consumer Discretionary	+1.97%	Unfavorable
• Consumer Staples	+0.09%	Neutral
• <b>Energy</b>	<b>-9.20%</b>	<b>Favorable</b>
• Industrials	-1.80%	Neutral
• <b>Health Care</b>	<b>-2.44%</b>	<b>Favorable</b>
• Financials	-3.02%	Neutral
• Real Estate	-3.18%	Unfavorable
• Materials	-4.35%	Neutral
• Utilities	-4.98%	Neutral

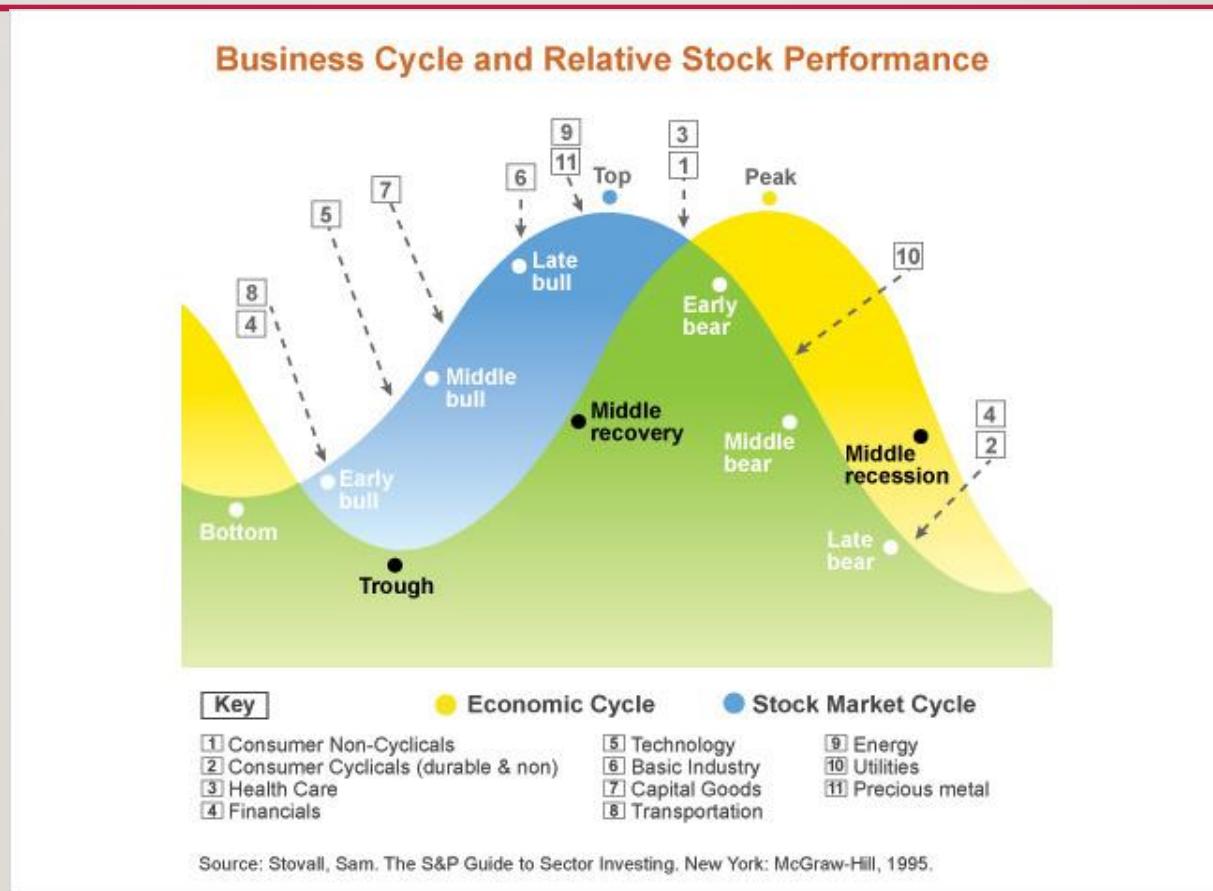
## 17 11 SPDR SECTORS – 1 YEAR RESULTS

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Sectors & Industries  
Toggle

	1 Day	5 Day	30 Day	1 Year	WFA Outlook
• Communication Services				+1.99%	Neutral
• Consumer Discretionary				+1.80%	Unfavorable
• <b>Information Technology</b>				<b>+1.32%</b>	<b>Favorable</b>
• Financials				+1.05%	Neutral
• Industrials				+0.36%	Neutral
• Energy				-0.47%	Favorable
• Health Care				-0.85%	Favorable
• Materials				-1.00%	Neutral
• Consumer Staples				-1.05%	Neutral
• Real Estate				-1.61%	Unfavorable
• Utilities				-2.82	Neutral

# 18 TRANSITION FROM CONCEPTS TO IMPLEMENTATION



# APPROACHING SECTOR ROTATION – MOTLEY FOOL

**THE PICS – SYNTHETIC INTERPRETATION**

**THE TABLES – QUANTITATIVE DESCRIPTION**

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- **Sector** rotation involves requires frequent monitoring of market & economic events to capture opportunities
- The economic cycle takes longer to catch up to the market cycle—& markets could also fail to digest economic news efficiently
  - Mistiming the cycle could cause returns to be left on the table
- Rotating out of a given sector involves selling shares & each profitable sale triggers capital gains tax
  - Tax events can diminish overall returns, which is why the level of active portfolio management should be considered
- **Industries** aren't as homogenous as broader sectors, & a deviation can throw off a rotation strategy
  - Low oil prices are a major tailwind for major airlines, but other industrials like railroads might suffer as crude oil shipments decline
- A rising tide generally lifts all boats, but there could be outlying industries that fail to swim, reinforcing the need for thorough investment research like a full top-down approach

## 20 DEFENSIVE ETFs - ECONOMIC & MARKET CYCLES - RETURN HOW GOOD? LT - OK

Symbol	Name	etfdb ratings Overall	RETURNS						
			1 Week	1 Month	YTD	1 Year	3 Year	5 Year	
SPY	SPDR S&P 500 ETF Trust	B+	SPY	1.9%	3.0%	12.3%	4.3%	13.6%	11.2%
QQQ	Invesco QQQ Trust	A	VT	1.8%	10.1%	33.4%	13.7%	15.6%	16.3%
VT	Vanguard Value ETF	A-	IWD	1.9%	-1.7%	-0.8%	-1.5%	13.7%	8.5%
IWD	iShares Russell 1000 Value ETF	A+	VYM	1.6%	-2.6%	-3.2%	-3.6%	12.6%	7.6%
VYM	Vanguard High Dividend Yield Index ETF	A	SCHD	1.2%	-1.9%	-4.9%	-6.0%	14.5%	11.0%
SCHD	Schwab US Dividend Equity ETF	B+	RSP	1.9%	-0.9%	2.3%	-2.3%	14.0%	9.0%
RSP	Invesco S&P 500® Equal Weight ETF	A	JEPI	1.1%	-0.6%	3.7%	5.3%	12.1%	N/A
JEPI	JPMorgan Equity Premium Income ETF	A	IVE	2.0%	0.8%	7.6%	5.1%	14.5%	9.5%
IVE	iShares S&P 500 Value ETF	A	DGRO	1.7%	-1.2%	1.2%	0.1%	12.7%	10.3%
DGRO	iShares Core Dividend Growth ETF	A-	SPLG	1.9%	3.0%	12.3%	4.3%	13.7%	11.3%
SPLG	SPDR Portfolio S&P 500 ETF	A	SPYV	2.0%	0.8%	7.6%	5.2%	14.7%	9.6%
SPYV	SPDR Portfolio S&P 500 Value ETF	A	IUSV	2.1%	0.9%	7.3%	4.9%	14.9%	9.5%
IUSV	iShares Core S&P U.S. Value ETF								

Source: etfdb.com 06-07-23, msci usa "defensive"

## 2 | DEFENSIVE ETFs – ECONOMIC & MARKET CYCLES – FUND FLOW RISK ON / OFF

	FUND FLOW - \$mm															
	AuM -	1 Week FF %		4 Week FF %		YTD FF %		1 Year FF %		3 Year FF %		5 Year FF %				
		4	17	18	19	20	21	22								
		5/29/2023		5/8/2023		12/31/2022		6/5/2022		6/5/2020		6/6/2018				
SPY	\$ 401,131	\$ 3,945	1.0%	\$ 15,903	4.0%	\$ 9,227	2.3%	\$ 18,544	4.6%	\$ 31,145	7.8%	\$ 8,009	2.0%	SPY		
QQQ	\$ 191,691	\$ 3,363	1.8%	\$ 1,175	0.6%	\$ 1,355	0.7%	\$ 5,916	3.1%	\$ 32,658	17.0%	\$ 47,024	24.5%			
VTV	\$ 94,875	\$ (289)	-0.3%	\$ (3,900)	-4.1%	\$ (951)	-1.0%	\$ (1,659)	-1.7%	\$ 29,958	31.6%	\$ 42,960	45.3%	VTV		
IWD	\$ 48,634	\$ 45	0.1%	\$ (153)	-0.3%	\$ (5,107)	-0.5%	\$ (3,386)	-7.0%	\$ 3,635	7.5%	\$ 3,809	7.8%	IWD		
VYM	\$ 46,817	\$ 113	0.2%	\$ (279)	-0.6%	\$ (444)	-0.9%	\$ 4,285	9.2%	\$ 14,111	30.1%	\$ 20,681	44.2%	VYM		
SCHD	\$ 45,137	\$ 155	0.3%	\$ 109	0.2%	\$ 4,115	9.1%	\$ 13,006	28.8%	\$ 31,684	70.2%	\$ 35,180	77.9%	SCHD		
RSP	\$ 32,336	\$ (132)	-0.4%	\$ (306)	-0.9%	\$ 141	0.4%	\$ 2,121	6.6%	\$ 16,502	51.0%	\$ 13,823	42.7%	RSP		
JEPI	\$ 26,209	\$ 396	1.5%	\$ 1,259	4.8%	\$ 8,964	34.2%	\$ 17,045	65.0%	\$ 27,494	104.9%	\$ 27,497	104.9%	JEPI		
IVE	\$ 24,139	\$ (107)	-0.4%	\$ (161)	-0.7%	\$ (1,761)	-7.3%	\$ (1,383)	-5.7%	\$ 2,214	9.2%	\$ 2,342	9.7%	IVE		
DGRO	\$ 22,783	\$ 86	0.4%	\$ (1)	0.0%	\$ (1,353)	-5.9%	\$ 285	1.3%	\$ 8,883	39.0%	\$ 15,339	67.3%	DGRO		
SPLG	\$ 17,370	\$ 22	0.1%	\$ 123	0.7%	\$ 1,119	6.4%	\$ 2,956	17.0%	\$ 9,892	56.9%	\$ 13,460	77.5%	SPLG		
SPYV	\$ 14,756	\$ (2)	0.0%	\$ (32)	-0.2%	\$ (1,167)	-7.9%	\$ 1,120	7.6%	\$ 7,465	50.6%	\$ 10,921	74.0%	SPYV		
IUSV	\$ 13,206	\$ 41	0.3%	\$ (10)	-0.1%	\$ (183)	-1.4%	\$ 1,188	9.0%	\$ 4,459	33.8%	\$ 6,927	52.5%	IUSV		

Source: etfdb.com, msci defensive designation

## 22 DEFENSIVE ETFS – OVER BOUGHT SOLD – TECH – LOW VOLATILITY VS RISK ON

TECHNICAL										
	Price	Vol mm/d	δ Stdev	P/E Ratio	Beta	Low Boll	Up Boll	Sup 1	Res 1	RSI
SPY	\$427.92	89	16.7%	17.86	1.0000	406.94	423.93	425	429.79	63.46
QQQ	\$354.65	57	20.9%	22.7	1.1100	313.58	355.31	352.5	356.32	72.62
VTV	\$138.33	2	5.4%	15.8	0.8900	134.46	138.95	136.94	139.18	52.88
IWD	\$152.61	1.763	5.8%	14.89	0.9500	148.32	152.82	151.26	153.43	53.54
VYM	\$104.05	1.773	4.1%	14.8	0.8400	101.26	104.89	102.95	104.68	50.46
SCHD	\$ 71.24	3.447	2.9%	14.91	0.8800	69.32	71.07	70.52	71.65	50.85
RSP	\$143.73	4.112	6.1%	16.14	1.0500	139.42	143.87	142.36	144.56	53.36
JEPI	\$ 54.37	4.618	1.8%	18.15	0.6200	53.48	54.69	54.13	54.51	55.72
IVE	\$155.37	0.646	7.3%	18.4	0.9400	149.68	154.12	154.16	156.15	58.82
DGRO	\$ 50.31	1.587	1.9%	16.29	0.8900	48.97	50.38	49.84	50.58	54.24
SPLG	\$ 50.33	3.627	2.0%	17.86	1.0000	47.84	49.85	49.98	50.55	63.68
SPYV	\$ 41.67	2.773	2.0%	16.16	0.9400	40.17	41.34	41.33	41.9	58.72
IUSV	\$ 75.42	0.574	3.5%	17.75	0.9500	72.61	74.76	74.69	75.86	58.48

Source: etfdb.com, RetSig Analysis

## 23 SECTOR ETFS - ECONOMIC & MARKET CYCLES - RETURN & FLOW - A TOP?

### Market Top

Economic growth overheats, and interest rates rise.  
Investors prepare to rotate into more "defensive" sectors that are less economically sensitive.

Communication Services, Financials, Materials

Symbol	Name	RETURNS						FUND FLOW	\$mm											
		1 Week	1 Month	YTD	1 Year	3 Year	5 Year			AuM -	4 Week FF %	YTD FF %	1 Year FF %	3 Year FF %	5 Year FF %					
SPY	SPDR S&P 500 ETF Trust	1.9%	3.0%	12.3%	4.3%	13.6%	11.2%	SPY	\$ 401,131	\$ 15,903	4.0%	\$ 9,227	2.3%	\$ 18,544	4.6%	\$ 31,145	7.8%	\$ 8,009	2.0%	SPY
XLK	Technology Select Sector SPDR Fund	1.3%	10.6%	34.4%	17.6%	20.5%	20.0%	XLK	\$ 47,557	\$ (270)	-0.6%	\$ (2,507)	-5.3%	\$ (1,474)	-3.1%	\$ (1,336)	-2.8%	\$ (1,286)	-2.7%	XLK
XLC	Communication Services Select Sector SP	1.6%	5.5%	32.0%	4.7%	5.8%	N/A	XLC	\$ 12,535	\$ 501	4.0%	\$ 2,012	16.1%	\$ 1,693	13.5%	\$ 1,724	13.8%	\$ 10,116	80.7%	XLC
XLY	Consumer Discretionary Select Sector SP	3.3%	7.2%	21.9%	0.6%	8.7%	9.2%	XLY	\$ 15,526	\$ 569	3.7%	\$ 646	4.2%	\$ (225)	-1.5%	\$ (408)	-2.6%	\$ (2,176)	-14.0%	XLY
XLI	Industrial Select Sector SPDR Fund	2.6%	0.4%	3.2%	7.1%	16.0%	8.0%	XLI	\$ 12,766	\$ (284)	-2.2%	\$ (227)	-1.8%	\$ (1,029)	-8.1%	\$ 159	1.2%	\$ (2,896)	-22.7%	XLI
XLB	Materials Select Sector SPDR Fund	3.1%	-2.4%	1.6%	-8.1%	14.3%	8.1%	XLB	\$ 5,292	\$ (208)	-3.9%	\$ 229	4.3%	\$ (1,431)	-27.0%	\$ (527)	-10.0%	\$ (192)	-3.6%	XLB
XLRE	Real Estate Select Sector SPDR Fund	3.1%	-1.6%	0.4%	-14.1%	4.7%	6.5%	XLRE	\$ 4,274	\$ 30	0.7%	\$ (533)	-12.5%	\$ (227)	-5.3%	\$ 568	13.3%	\$ 2,387	55.9%	XLRE
XLP	Consumer Staples Select Sector SPDR Fun	0.3%	-5.0%	-0.8%	1.3%	10.1%	11.1%	XLP	\$ 17,330	\$ (465)	-2.7%	\$ 553	3.2%	\$ 2,231	12.9%	\$ 1,118	6.4%	\$ 6,240	36.0%	XLP
XLF	Financial Select Sector SPDR Fund	2.2%	-0.9%	-3.6%	-5.3%	13.7%	5.8%	XLF	\$ 28,893	\$ (1,168)	-4.0%	\$ (270)	-0.9%	\$ (1,746)	-6.0%	\$ 4,977	17.2%	\$ (5,362)	-18.6%	XLF
XLV	Health Care Select Sector SPDR Fund	2.2%	-2.9%	-3.7%	0.8%	10.2%	11.3%	XLV	\$ 39,895	\$ 900	2.3%	\$ 233	0.6%	\$ 1,596	4.0%	\$ 8,471	21.2%	\$ 15,851	39.7%	XLV
XLU	Utilities Select Sector SPDR Fund	0.8%	-5.8%	-7.0%	-10.2%	5.8%	8.8%	XLU	\$ 15,397	\$ 62	0.4%	\$ 447	2.9%	\$ 1,249	8.1%	\$ 3,673	23.9%	\$ 6,798	44.2%	XLU
XLE	Energy Select Sector SPDR Fund	1.4%	-5.1%	-7.7%	-5.6%	32.6%	6.1%	XLE	\$ 33,564	\$ (1,004)	-3.0%	\$ (2,447)	-7.3%	\$ (4,293)	-12.8%	\$ 5,242	15.6%	\$ 4,228	12.6%	XLE

Source: etfdb.com, RetSig Analysis

## 24 SECTOR ETFS – OVER BOUGHT SOLD CYCLES – TECHNICALS INDICATORS

Early Recession	Declining GDP, Declining Production, Weakening Consumer Sentiment, High Inflation, Tapering Interest Rates, Flat or Inverted Yield Curve	Communication Services, Consumer Staples, Health Care, Utilities
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Symbol	Name	YTD	DIVIDEND	TECHNICAL											RSI	a / b
			Yield %	Price	Vol mm/d	δ Stdev	P/E Ratio	Beta	Low Boll	Up Boll	Sup 1	Res 1				
SPY	SPDR S&P 500 ETF Trust	12.3%	1.5%	SPY	\$427.92	89	16.7%	17.86	1.0000	406.94	423.93	425	429.79	63.46	101%	SPY
XLK	Technology Select Sector SPDR Fund	34.4%	0.8%	\$166.90	7	10.8%	23.77	1.1400	145.09	168.03	165.86	167.81	71.23	99%	XLK	
XLY	Consumer Discretionary Select Sector SPDR Fund	21.9%	0.9%	\$157.00	5	8.9%	24.2	1.1800	145.14	154.82	155.56	158.01	64.68	101%	XLY	
XLV	Health Care Select Sector SPDR Fund	-3.7%	1.6%	\$130.32	10	4.4%	16.67	0.7000	126.57	134.54	129.22	130.99	48.61	97%	XLV	
XLI	Industrial Select Sector SPDR Fund	3.2%	1.7%	\$100.94	13	5.8%	18.48	1.1100	96.95	100.48	99.59	101.77	55.72	100%	XLI	
XLE	Energy Select Sector SPDR Fund	-7.7%	4.3%	\$ 79.90	21	6.5%	8.87	1.3600	76.8	81.24	78.81	80.64	48.25	98%	XLE	
XLB	Materials Select Sector SPDR Fund	1.6%	2.3%	\$ 78.57	7	4.3%	16.06	1.0600	75.03	80.22	77.73	79.08	51.04	98%	XLB	
XLP	Consumer Staples Select Sector SPDR Fund	-0.8%	2.6%	\$ 73.61	12	2.6%	19.94	0.5800	71.81	78.48	72.93	73.97	41.7	94%	XLP	
XLU	Utilities Select Sector SPDR Fund	-7.0%	3.2%	\$ 65.12	14	3.3%	17.85	0.5200	63.17	70.19	64.27	65.67	40.09	93%	XLU	
XLC	Communication Services Select Sector SPDR Fund	32.0%	0.8%	\$ 63.16	7	4.2%	15.99	1.0200	57.83	63.6	62.74	63.48	67.17	99%	XLC	
XLRE	Real Estate Select Sector SPDR Fund	0.4%	3.8%	\$ 36.81	5	2.5%	33.65	0.8400	35.2	37.66	36.43	37.07	51.65	98%	XLRE	
XLF	Financial Select Sector SPDR Fund	-3.6%	2.2%	\$ 32.80	60	1.7%	12.51	1.0700	31.62	32.78	32.5	33.01	53.31	100%	XLF	
QQQ	Invesco QQQ Trust	33.4%	0.6%	QQQ	\$354.65	57	20.9%	22.7	1.1100	313.58	355.31	352.5	356.32	72.62	100%	QQQ
VTY	Vanguard Value ETF	-0.8%	2.6%	VTY	\$138.33	2	5.4%	15.8	0.8900	134.46	138.95	136.94	139.18	52.88	100%	VTY

Source: etfdb.com, RetSig Analysis

## 25 SECTOR - TECHNOLOGY DRILL DOWN - INDUSTRY RETURN & FLOW

SECTOR	Industry	AUM Rank	+/-	Return Rank	+/-	Avg. 3-Mo Return	# of ETFs	AuM	Fund Flow Rank	+/-	3-Mo Fund Flow	Pct AuM	Div Rank	+/-	Avg. Div Yld (%)		
TECHnology	Semiconductors	7	-	1	+4	25.1%	13	Semic	\$ 27,195,136,300	7	-3	\$ 658,274,574	2.4%	Semic	50	-4	1.0%
TECHnology	Cryptocurrency	68	+1	2	-1	22.0%	5	Crypt	\$ 71,352,830	20	-2	\$ 6,195,993	8.7%	Crypt	75	-1	0.1%
TECHnology	Broad Technology	1	-	3	-	20.3%	95	Broad	\$ 344,356,941,826	1	+4	\$ 5,641,910,769	1.6%	Broad	61	-1	0.7%
TECHnology	Nanotechnology	77	-	5	+2	15.9%	1	Nanot	\$ 2,650,330	23	-1	\$ -	0.0%	Nanot	66	-1	0.4%
TECHnology	Software	19	-	6	+2	13.7%	9	Softw	\$ 11,389,907,000	11	+42	\$ 173,343,767	1.5%	Softw	74	-1	0.1%
TECHnology	Social Media	62	-	11	-	7.2%	4	Socia	\$ 206,521,196	31	+4	\$ (2,949,076)	-1.4%	Socia	69	-	0.3%
TECHnology	Cloud Computing	51	+1	12	+14	6.8%	5	Cloud	\$ 708,667,020	40	-2	\$ (18,576,024)	-2.6%	Cloud	77	-	0.0%
TECHnology	Internet Architecture	23	-	15	+3	5.0%	3	Inter	\$ 6,177,537,000	61	-1	\$ (153,662,509)	-2.5%	Inter	67	-1	0.4%
TECHnology	Internet Infrastructure	73	-	19	+28	2.3%	1	Inter	\$ 29,466,200	39	-3	\$ (16,121,009)	-54.7%	Inter	23	-3	2.4%
TECHnology	Internet	14	+2	26	+14	0.9%	23	Inter	\$ 12,468,355,790	73	+1	\$ (818,477,905)	-6.6%	Inter	73	+2	0.1%
TECHnology	Networking	65	-	28	+18	0.7%	2	Netwo	\$ 126,876,500	36	-2	\$ (8,116,366)	-6.4%	Netwo	59	-	0.7%
							161		\$ 402,733,411,992			\$ 5,461,822,214					

Source: etfdb.com, RetSig Analysis, OptionsPlay

# 26 SECTOR – TECHNOLOGY DRILL DOWN – INDUSTRY – SEMICONDUCTOR ETFs

Symbol	Name	Issuer	RETURNS						FUND FLOW - \$mm													
			1 Week	1 Month	YTD	1 Year	3 Year	5 Year	AuM -	1 Week FF %	4 Week FF %	YTD FF %	1 Year FF %	3 Year FF %	5 Year FF %							
SMH	VanEck Semiconductor ETF	VanEck	-0.8%	17.3%	44.0%	18.7%	28.6%	23.1%	SMH	\$ 9,425	\$ 372	3.9%	\$ 697	7.4%	\$ 465	4.9%	\$ (138)	-1.5%	\$ 4,877	51.7%	\$ 5,032	53.4% SMH
SOXX	iShares Semiconductor ETF	BlackRock Finan	-1.2%	16.3%	39.4%	12.8%	25.8%	21.7%	SOXX	\$ 9,039	\$ (252)	-2.8%	\$ 419	4.6%	\$ 803	8.9%	\$ 113	1.3%	\$ 3,257	36.0%	\$ 3,831	42.4% SOXX
SOXL	Direxion Daily Semiconductor Bull 3x Shares	Rafferty Asset	-3.8%	50.2%	128.0%	-15.2%	29.9%	14.0%	SOXL	\$ 6,119	\$ (323)	-5.3%	\$ (1,291)	-21.1%	\$ (2,032)	-33.2%	\$ (679)	-11.1%	\$ 2,930	47.9%	\$ 3,077	50.3% SOXL
XSD	SPDR S&P Semiconductor ETF	State Street	-0.5%	15.8%	24.9%	11.8%	25.2%	23.0%	XSD	\$ 1,536	\$ 57	3.7%	\$ 3	0.2%	\$ 250	16.3%	\$ 243	15.8%	\$ 666	43.3%	\$ 726	47.2% XSD
SOXS	Direxion Daily Semiconductor Bear 3x Shares	Rafferty Asset	3.3%	-41.0%	-70.0%	-68.9%	-76.0%	-74.4%	SOXS	\$ 1,212	\$ 14	1.1%	\$ 647	53.4%	\$ 1,598	131.8%	\$ 2,354	194.3%	\$ 2,723	224.7%	\$ 3,176	262.0% SOXS
FTXL	First Trust Nasdaq Semiconductor ETF	First Trust	0.2%	11.5%	26.7%	4.7%	18.4%	15.0%	FTXL	\$ 1,077	\$ 17	1.5%	\$ 23	2.1%	\$ 904	84.0%	\$ 910	84.5%	\$ 942	87.5%	\$ 934	86.7% FTXL
PSI	Invesco Dynamic Semiconductors ETF	Invesco	-0.9%	13.5%	27.8%	7.9%	23.4%	18.4%	PSI	\$ 609	\$ -	0.0%	\$ 24	3.9%	\$ 16	2.7%	\$ (66)	-10.8%	\$ 198	32.6%	\$ 80	13.1% PSI
USD	ProShares Ultra Semiconductors	ProShares	-0.2%	44.4%	131.6%	29.8%	41.4%	25.0%	USD	\$ 219	\$ (5)	-2.2%	\$ (8)	-3.6%	\$ (12)	-5.6%	\$ (39)	-17.7%	\$ 115	52.8%	\$ 109	49.9% USD
SOXQ	Invesco PHLX Semiconductor ETF	Invesco	-1.1%	16.2%	39.3%	12.6%	N/A	N/A	SOXQ	\$ 135	\$ 1	0.4%	\$ 17	12.8%	\$ 26	19.1%	\$ 52	38.3%	\$ 70	51.8%	\$ 70	51.8% SOXQ
NVDS	AXS 1.25X NVDA Bear Daily ETF	AXS Investmer	-2.1%	-38.7%	-76.4%	N/A	N/A	N/A	NVDS	\$ 100	\$ (20)	-19.6%	\$ 39	39.0%	\$ 163	162.8%	\$ 172	172.0%	\$ 172	172.0%	\$ 172	172.0% NVDS
NVDL	GraniteShares 1.5x Long NVDA Daily ETF	GraniteShares	1.4%	54.7%	307.9%	N/A	N/A	N/A	NVDL	\$ 58	\$ 5	8.2%	\$ 20	35.0%	\$ 36	62.3%	\$ 36	62.3%	\$ 36	62.3%	\$ 36	62.3% NVDL
KFVG	KraneShares CICC China 5G & Semiconductor	CICC	1.1%	-2.3%	5.6%	-14.2%	N/A	N/A	KFVG	\$ 14	\$ 0	0.0%	\$ 0	0.0%	\$ 0	0.0%	\$ (2)	-17.1%	\$ 30	219.2%	\$ 30	219.2% KFVG
SSG	Proshares Ultrashort Semiconductors	ProShares	0.0%	-35.8%	-64.9%	-59.1%	-59.3%	-54.5%	SSG	\$ 9	\$ -	0.0%	\$ (0)	-3.7%	\$ 3	32.0%	\$ 10	104.6%	\$ 15	159.6%	\$ 68	719.4% SSG

Source: etfdb.com, RetSig Analysis, OptionsPlay

## 27 SECTOR TECH – INDUSTRY-SEMICONDUCTOR OPTIONS – SMH AND PROSPECT COMPANIES

	<u>pct of SMH</u>		<u>Mkt Cap</u>	<u>1 yr Ret</u>	<u>P / E</u>
NVIDIA Corp	17.59	31-Dec-11	1,619,149,345	105.84	52.08
Taiwan Semiconductor	11.14	31-Dec-11	1,025,525,737	8.93	19.49
Advanced Micro Devices Inc	5.9	20-Mar-17	542,593,689	17.59	43.86
Broadcom Inc	5.42	31-Dec-11	498,428,875	43.86	18.73
ASML Holding NV ADR	5.16	31-Dec-11	474,745,392	26.34	35.34
Lam Research Corp	4.71	31-Dec-11	433,853,554	19.88	21.55
Intel Corp	4.41	31-Dec-11	406,300,451	-25.75	106.38
Applied Materials Inc	4.33	31-Dec-11	398,436,499	17.43	18.15
Micron Technology Inc	4.17	31-Dec-11	384,256,713	-3.48	50
Texas Instruments Inc	4.12	31-Dec-11	379,502,559	4.45	23.42

	Cost	Max Reward	Max Risk	Annualized/Raw Return	12 M Proj Yield	POW	Breakeven	Days to Expiry
Sell to Open 1 SMH Jun 30, 2023 152 Covered Call @ \$114.00	(\$114)	\$842	\$14,358	13.39%*/0.80%	14.22%*	79%	\$144	23
Sell to Open 1 NVDA Jun 30, 2023 405 Covered Call @ \$525.00	(\$525)	\$3,545	\$36,955	25.09%*/1.42%	25.13%*	80%	\$370	23
Sell to Open 1 TSM Jun 30, 2023 105 Covered Call @ \$119.00	(\$119)	\$601	\$9,899	20.86%*/1.20%	22.66%*	74%	\$99	23

Source: etfdb.com, RetSig Analysis, OptionsPlay

## 28 WAYS TO PICK SPDR SECTORS YOURSELF

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- Use economic & market research to understand the environment
- SPDR publishes a weekly status of returns by sector & year to date
- Schwab has a daily, weekly, monthly & annual list on its' Research page
  - Try to ascertain active upward market trends
- Many brokers publish their own recommendations on sector preferences
  - Experience will tell you which are most useful
- When you find discrepancies in opinion, conduct further research to explain the underlying assumptions
  - Then choose the set in which you have the highest confidence

## 29 *SETTING UP A ROTATION DISCIPLINE*

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- Determine your level of investment starting with a modest amount
- Do your research & decide which 2-3 sectors you will invest in for the following month
- Update your research at month-end & analyze progress
- Decide which new 2-3 sector groupings you will proceed with from the prior & new month's analysis
- Monitor your progress over time & decide whether to increase the \$ allocation
  - Hopefully, you will find good trends to allocate more \$ to as months go by, like XLE in 2022
- Rinse & repeat monthly

## 30 *LOTS OF CHOICE IN SECTOR FUNDS*

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- There are SPDR funds
- There are MSCI funds
- US News & World report publishes top 3 ETFs by sector
  - Vanguard
  - Fidelity
  - SPDR

## 3 | TAKING SECTOR ROTATION ALL THE WAY – *CAUTION!*

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- From Managed Equity Funds to **Sectors**
- From **Sectors** to Mutuals or **ETFs**
- From Sectors to **Industry** groupings
- From **Industry groupings** to individual stocks
- From individual stock holdings to **Options**
  
- Each step changes the Risk vs Reward balance
  - Make sure the level fits your personal risk tolerance

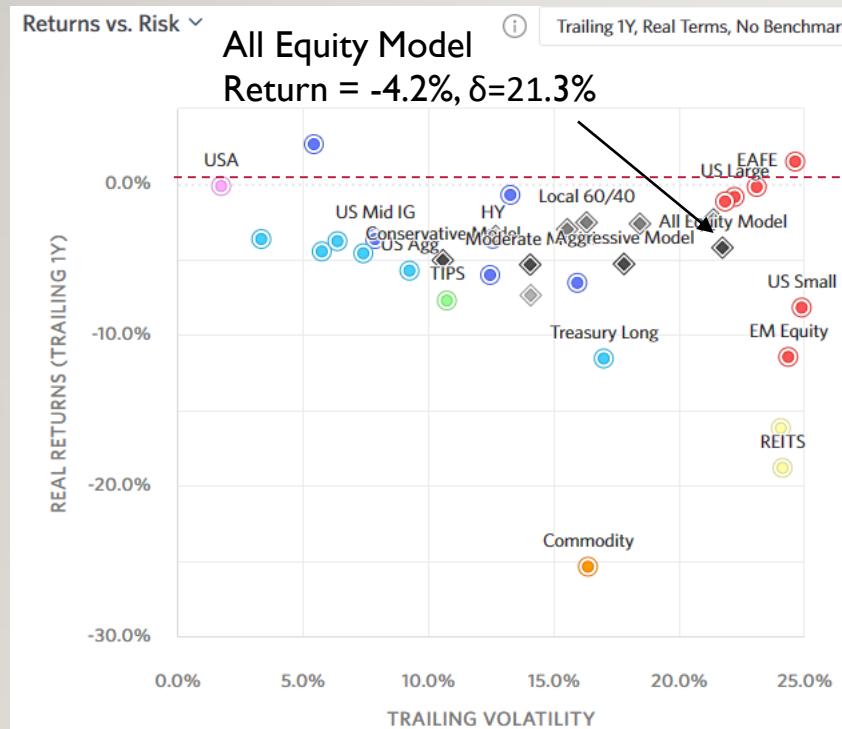
## 32 *NEXT STEPS ... BEYOND US EQUITIES ..*

Symbol	Name	Issuer	RETURNS							
			1 Week	1 Month	YTD	1 Year	3 Year	5 Year		
SPY	SPDR S&P 500 ETF Trust	State Street	1.9%	3.0%	12.3%	4.3%	13.6%	11.2%	SPY	
TLT	iShares 20+ Year Treasury Bond ETF	BlackRock Fina	1.2%	-0.8%	3.8%	-9.8%	-12.6%	-1.2%	TLT	
GLD	SPDR Gold Shares	World Gold Co	0.1%	-1.6%	6.7%	3.8%	3.4%	8.1%	GLD	
UUP	Invesco DB US Dollar Index Bullish Fund	Invesco	-0.1%	2.4%	2.7%	6.0%	2.9%	3.7%	UUP	
IWM	iShares Russell 2000 ETF	BlackRock Fina	3.3%	3.8%	4.8%	-2.0%	10.5%	3.5%	IWM	
EEM	iShares MSCI Emerging Markets ETF	BlackRock Fina	1.4%	1.4%	4.3%	-6.0%	2.8%	-1.0%	EEM	
TECHNICAL										
a. Price	Vol mm/d	δ Stdev	P/E Ratio	Beta	Low Boll	b. Up Boll	Sup 1	Res 1	RSI	a / b
SPY	\$ 427.92	89	16.7%	17.86	1.0000	406.94	423.93	425	429.79	63.46
TLT	\$ 101.99	23	5.5%	N/A	0.0600	99.53	105.06	101.6	102.72	46.86
GLD	\$ 181.05	9	10.5%	N/A	0.1500	179.1	189.83	180.15	182.75	44.67
UUP	\$ 28.57	3	0.8%	N/A	-0.1500	27.57	28.81	28.45	28.63	60.71
IWM	\$ 182.02	33	8.0%	10.96	1.1500	171.38	179.1	178.95	183.59	58.44
EEM	\$ 39.54	30	1.9%	10.53	0.7400	38.21	39.64	39.47	39.63	54.51
										100% EEM

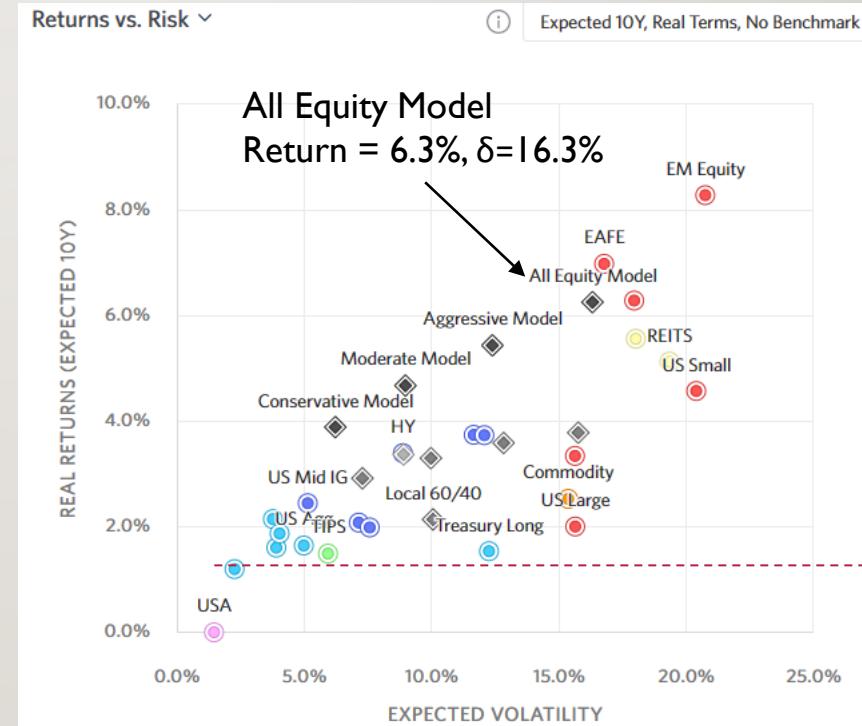
Source: etfdb.com, RetSig Analysis

### 33 *NEXT STEPS ... BEYOND US EQUITIES ... TO A FORMALLY DIVERSIFIED, RISK ADJUSTED FRAMEWORK*

ACTUAL 1 year Trailing, Real Return



EXPECTED 10 year. Real Return



Source: <https://interactive.researchaffiliates.com/>

# QUESTIONS & COMMENTS

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***SECTOR ROTATION – A TWO PART REVIEW***

*JUNE 8, 2023*

## 35 CRITERIA TO EVALUATE FUNDS - NOT SECTORS

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- Do you have capacity in your asset allocation to buy these funds?
- Do they beat their benchmark indices in these cycles?
- Can you stand their volatility?
- Rank them heavily on their MS ratings & Risk vs Reward factors
- Rank them on their Treynor ratios of Risk-adjusted returns
- Rank them on their correlation to the S&P500
- Rank them on the best positive Up ratio vs Down ratios
- Rank them on their expense ratios

## 36 SECTOR ROTATION ETFS TO CONSIDER:

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- Anfield US Equity Sector Rotation ETF ([AESR](#))
- ATAC US Rotation ETF ([RORO](#))
- First Trust Lunt US Factor Rotation ETF ([FCTR](#))
- Main Sector Rotation ETF ([SECT](#))
- Q3 All-Season Active Rotation ETF ([QVOY](#))
- RH Tactical Rotation ETF ([RHRX](#))
- SPDR SSGA Fixed Income Sector Rotation ETF ([FISR](#))
- SPDR SSGA US Sector Rotation ETF ([XLSR](#))

*Fund in blue is best*

## 37 SECTOR ROTATION MUTUALS TO CONSIDER

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- ATAC Rotation Institutional ([ATCIX](#))
- ATAC Rotation Investor ([ATACX](#))
- Conquer Risk Tactical Rotation ([CRTBX](#))
- Q3 All-Season Sector Rotation Instl ([QAISX](#))
- Sector Rotation Fund ([NAVFX](#))

*Fund in blue is best*