

**SUMMARY: Our sector ratios in Technology, Discretionary, & Materials have reached oversold levels. History suggests a buying opportunity is here.**

### **TECHNOLOGY**

The MAP Technology ratio sits at 9.75%. This suggests a bullish setup is near. This ratio looks for unsustainable selling. It measures how many Tech. stocks have shown a UI sell signal over the past 5 weeks. A level of 9.75% means the outsized selling is likely overdone, which should trigger a reversal. Historically it has been very accurate.

This morning, I went through our data to see what the forward returns were for XLK (Technology Select Sector SPDR ETF) in each instance where the ratio spikes through 8%, (big selling).

#### **Below are stats on the 8% level and why it is important:**

There were only 5 times where the ratio spiked above 8%. This is a very rare event!

A couple of observations on XLK returns after popping above the 8% level:

- 1) the Tech. sector averages a +3.61% return three weeks later
- 2) it averages a return of +5.26% eight weeks later

Below details the 5 instances where the ratio spiked above 8%:

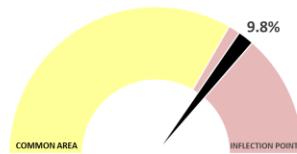
RATIO ABOVE 8%	XLK 3 WEEK RETURN	XLK 8 WEEK RETURN
5/9/2014	3.94%	6.36%
10/13/2014	8.19%	10.76%
7/27/2015	1.62%	-5.24%
8/21/2015	2.02%	6.50%
1/13/2016	2.29%	7.90%

**BOTTOM LINE:** Our data tells us that the Tech. sector could bounce sharply in the coming weeks. Prior high scoring stocks in the Tech. sector will likely bounce the highest.

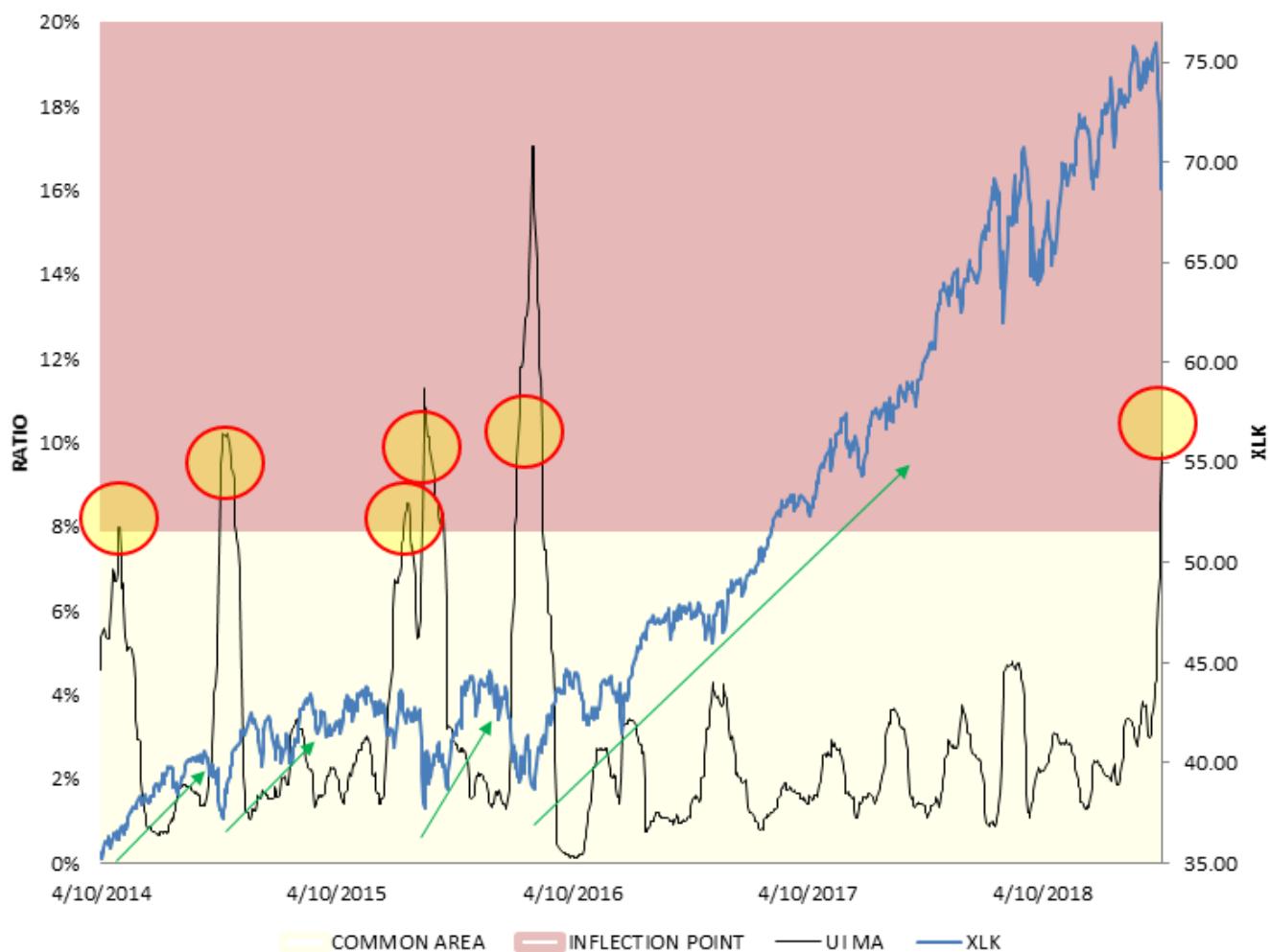
Have a look at the 5 times in the below chart (red circle with yellow fill):

MAP - TECH OVERSOLD  
RATIO UPDATED 10/11/2018

9.8%



## MAP TECH OVERSOLD RATIO



## **DISCRETIONARY**

The MAP Discretionary ratio sits at 9.22%. This suggests a bullish setup is near. This ratio looks for unsustainable selling. It measures how many Discretionary stocks have shown a UI sell signal over the past 5 weeks. A level of 9.22% means the outsized selling is likely overdone, which should trigger a bounce. Historically it has been very accurate.

This morning, I went through our data to see what the forward returns were for XLY (Consumer Discretionary Select SPDR ETF) in each instance where the ratio spikes above 9% (big selling).

### **Below are stats on the 9% level and why it is important:**

We have had only 3 instances where the ratio has spiked through 9%. This is a very rare event!

A couple of observations on XLY returns after breaching the 9% level:

- 1) the sector averages a +3.39% return three weeks later
- 2) the sector averages a return of +9.01% eight weeks later

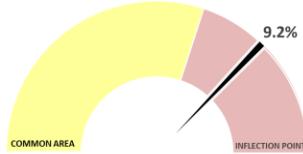
Below are the 3 times the ratio spiked above 9%:

RATIO ABOVE 9%	XLY 3 WEEK RETURN	XLY 8 WEEK RETURN
10/16/2014	7.72%	10.69%
8/24/2015	6.33%	10.04%
1/14/2016	-3.89%	6.29%

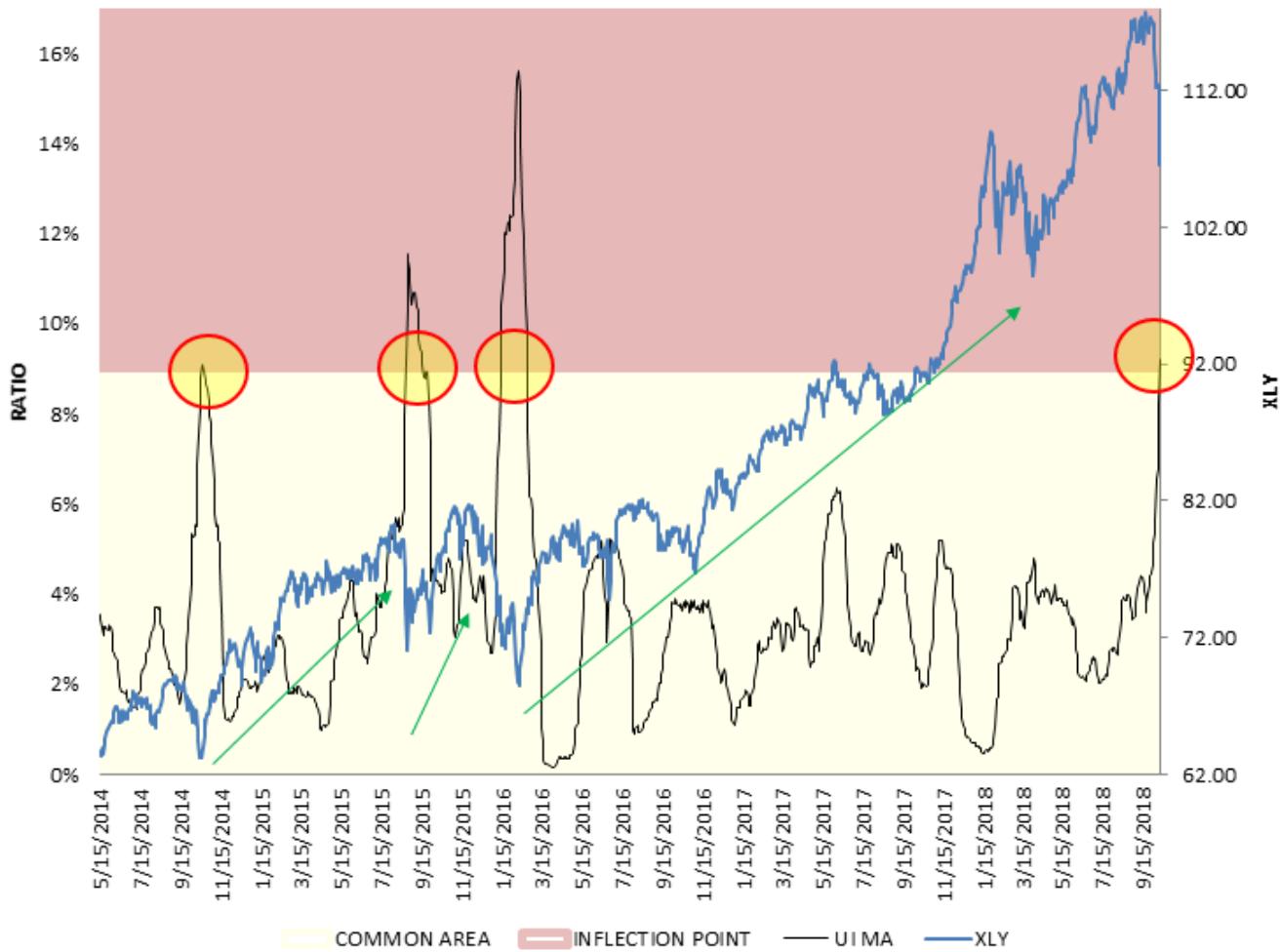
**BOTTOM LINE:** Our data suggests that the Discretionary sector could bounce sharply in the coming weeks. Prior high scoring stocks in this sector will likely bounce the highest.

Have a look at the 3 instances below (red circle with yellow fill):

**MAP -DISC. OVERSOLD**  
**RATIO UPDATED**  
**10/11/2018**  
**9.2%**



## MAP DISCRETIONARY OVERSOLD RATIO



## **MATERIALS**

The MAP Materials ratio is at 10.69%. This suggests a bullish setup is near. This ratio looks for huge amounts of selling. It measures how many Materials stocks have shown a UI sell signal over the past 5 weeks. A level this high usually means the high selling is overdone, which should trigger a bounce. Historically it has been very accurate.

This morning, I went through our data to see what the forward returns were for XLB (Materials Select Sector SPDR ETF) each time the ratio spikes through 9% (big selling).

### **Below are stats on the 9% level and why it is important:**

We have had only 5 instances where the ratio has popped above 9%. This is a very rare event!

A couple of observations on XLB returns after jumping above the 9% level:

- 1) the sector is +4.80% on average three weeks later
- 2) the sector averages a return of +7.44% eight weeks later

Below are the 5 instances where the ratio spiked above 9%:

RATIO ABOVE 9%	XLB 3 WEEK RETURN	XLB 8 WEEK RETURN
10/9/2014	1.04%	5.85%
7/24/2015	1.42%	-6.79%
8/25/2015	6.11%	6.70%
9/24/2015	9.49%	13.47%
1/19/2016	5.96%	17.97%

**BOTTOM LINE:** Our data suggests that the Materials sector could bounce sharply in the coming weeks. Prior high scoring stocks in this sector will likely bounce the highest.

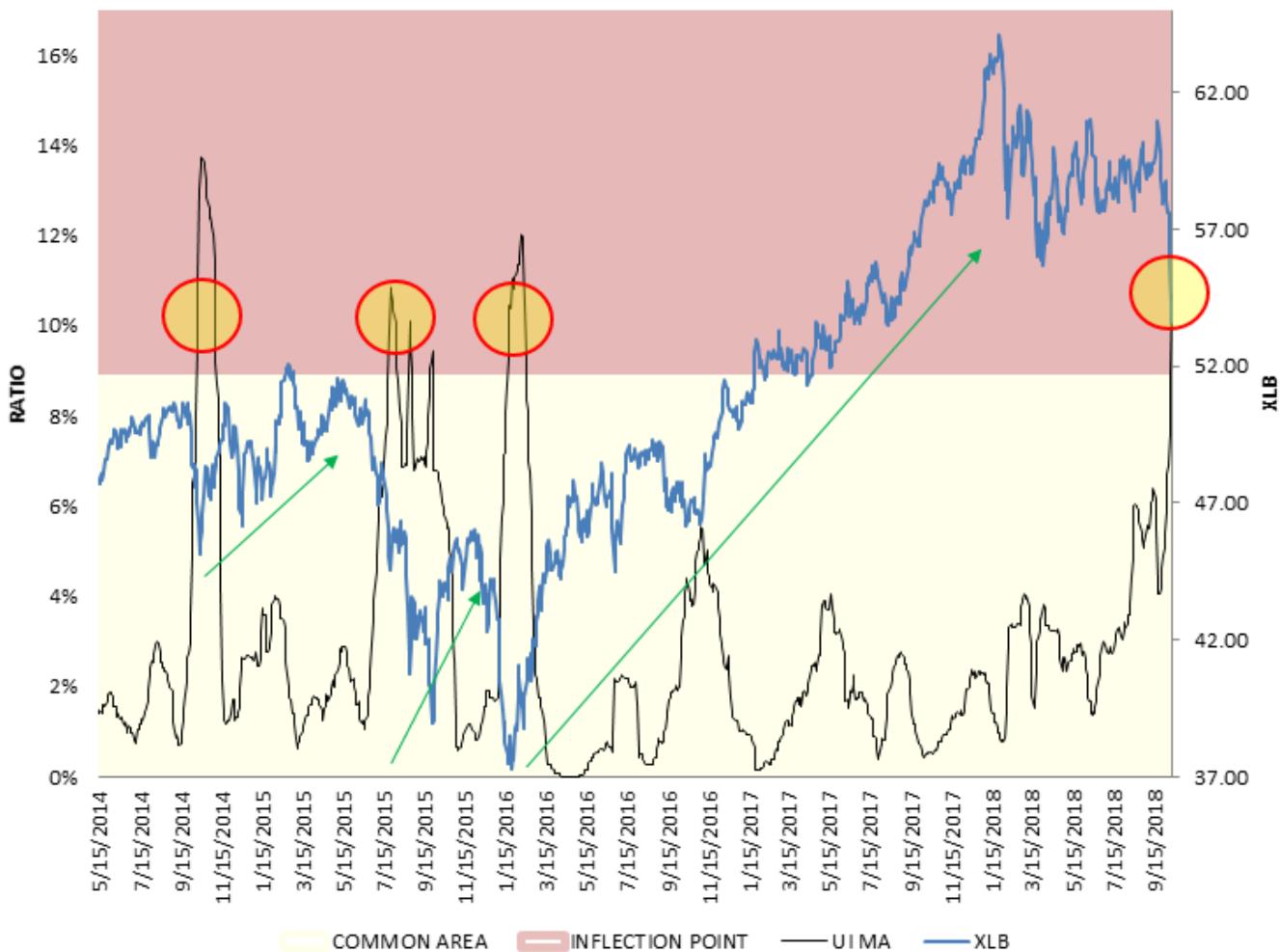
Below are the 5 times (red circle with yellow fill):

**MAP - MATERIALS  
OVERSOLD UPDATED  
10/11/2018**

**10.7%**



## MAP MATERIALS OVERSOLD RATIO



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