MCALINDEN RESEARCH | SECTOR MONITOR

6 MAY 2016

The Sector Monitor features a series of charts to highlight the data and facilitate comparative analysis across the equal-weighted sectors of the S&P 500. By treating each stock equally, the monitor captures the broader underlying trends. Each sector page starts with the pricing, momentum, volatility, and average analyst rating of the aggregated stocks. Other key metrics follow: valuation, earnings, revenues, and margins. A diffusion index is then generated for each of those metrics. They work the same as many purchasing manager surveys: a reading of 50 is neutral, with half the stocks in the sector posting a higher reading compared to three months ago and half the stocks posting a lower reading. The shading compares the sector's diffusion index to that of the S&P 500 as a whole. After the sector pages, several metrics are collected together to make it easier to see any divergences at a glance. The front of the deck includes a dashboard summary of the sectors as well as the industry groups.

SUMMARY TABLE

Equal-Weighted Summary	Price to Next 4Q Earnings		Price to Book		Oper Earn Next 4Q, YoY		Rev Next 4Q, YoY		Margins	
	Level	Diffusion	Level	Diffusion	Level	Diffusion	Level	Diffusion	Level	Diffusion
S&P 500	20.1	90.6	3.7	90.3	-5.8%	20.7	-1.4%	62.2	19.7%	57.9
Consumer Discretionary	17.7	88.1	4.6	86.6	-2.5%	15.5	2.9%	72.3	14.3%	60.1
Consumer Staples	21.6	81.6	6.2	86.5	-1.6%	34.2	-5.1%	71.1	19.3%	73.7
Energy	35.7	97.6	2.2	97.6	-57.7%	34.1	-45.6%	14.6	2.5%	46.3
Financials	19.7	94.3	2.1	95.3	-1.2%	24.7	8.4%	64.6	28.5%	50.0
Health	17.8	76.4	4.0	75.9	-1.6%	9.1	18.9%	85.5	24.7%	58.2
Industrials	17.4	98.5	4.0	90.6	-5.3%	21.5	-5.7%	70.8	16.5%	49.2
Information Technology	18.3	89.2	4.2	89.2	-7.5%	15.4	-1.6%	65.1	26.0%	56.9
Materials	20.7	93.1	3.9	100.0	-8.4%	27.6	-10.2%	55.2	15.7%	69.0
Telecommuncation Services	22.6	100.0	2.7	80.0	-3.9%	20.0	13.2%	40.0	18.5%	100.0
Utilities	18.1	96.7	1.8	100.0	-2.1%	13.3	0.0%	24.1	20.8%	73.3

Price	Price Momentum: Absolute Weekly MACD	Risk/Return (52 wk return vs st dev, ann'd)	Average Analyst Rating
Unweighted price indexes are calculated from weekly percent changes in the underlying security prices for each sector. Weighted indexes are direct Bloomberg feeds.	The moving average convergence divergence line (MACD) is comprised of two parts. The blue line is the difference between the 26-week and 12-week exponential moving average for each index. The red line is 9-week exponential moving average of the blue line. **Crossovers indicate possibly sustained shifts in price momentum.**	Annaulized weekly returns are on the y-axis and the annualized standard devation is on the y-axis. The larger red dot denotes the sector as a whole. The small blue dots are the indiviudal stocks within the sector. On the sector charts, the gray dots are the other **stocks in the broader index.**	Analyst ratings from 1 (worst) to 5 (best) are averaged across the full sector. Underlying security-level data is compiled by Bloomberg.

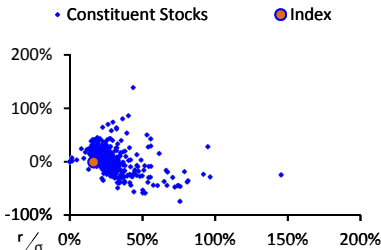| Valuation: Price to Forward 4Q Earnings	3M Diffusion Index (100 = PEs up for all stocks)	Operating Earnings: Next 4Q, YoY	3M Diffusion Index
The ratios of each security price to earnings estimates for the next four quarters are averaged across the full sector. Outliers above 50 are omiitted. Trend is relative to 13 week moving average. Underlying security-level data is compiled by Bloomberg.	The value for each security is compared to where it was 3 months ago. A value of 100 means that all stocks are higher, 50 is half up and half down, and 0 means that the value is lower for all stocks. **The orange shading indicactes the difference between the sectors and the broad index.**	Estimated earnings for the next four quarters are averaged across the sector. Trend is relative to 13 week moving average. Underlying security-level data is compiled by Bloomberg.	The value for each security is compared to where it was 3 months ago. A value of 100 means that all stocks are higher, 50 is half up and half down, and 0 means that the value is lower for all stocks. **The orange shading indicactes the difference between the sectors and the broad index.**

Valuation: Price to Book	3M Diffusion Index	Revenues: Next 4Q, YoY	3M Diffusion Index
The ratios of each security price to book value are averaged across the sector. Outliers above 10 are omitted. Trend is relative to 13 week moving average. Underlying security-level data is compiled by Bloomberg.	**The value for each security is compared to where it was 3 months ago. A value of 100 means that all stocks are higher, 50 is half up and half down, and 0 means that the value is lower for all stocks.** The orange shading indicactes the difference between the sectors and the broad index.	**Estimated revenues for the next four quarters are averaged across the sector. Trend is relative to 13 week moving average. Underlying security-level data is compiled by Bloomberg.**	The value for each security is compared to where it was 3 months ago. A value of 100 means that all stocks are higher, 50 is half up and half down, and 0 means that the value is lower for all stocks. The orange shading indicactes the difference between the sectors and the broad index.

Correlation: Average Stock to Index, 12-Week ma	3M Diffusion Index	Operating Margins: Earnings as % of Revenues	3M Diffusion Index
The 12-week correlation of each security's weekly price change to the broad index (S&P 500) is averaged across the sector. Trend is relative to 13 week moving average.	The value for each security is compared to where it was 3 months ago. A value of 100 means that all stocks are higher, 50 is half up and half down, and 0 means that the value is lower for all stocks. The orange shading indicactes the difference between the sectors and the broad index.	**The ratios of each security's earnings to revenues for the next four quarters are averaged across the sector. Trend is relative to 13 week moving average. Underlying security-level data is compiled by Bloomberg.**	The value for each security is compared to where it was 3 months ago. A value of 100 means that all stocks are higher, 50 is half up and half down, and 0 means that the value is lower for all stocks. The orange shading indicactes the difference between the sectors and the broad index.

Price
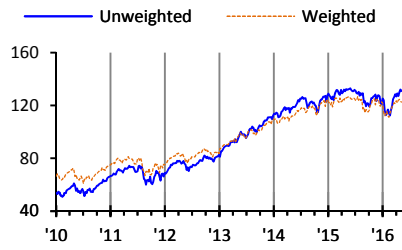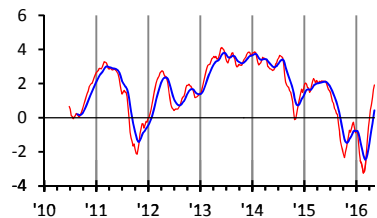
Unweighted   Weighted

Price Momentum: Absolute Weekly MACD

Risk/Return (52 wk return vs st dev, ann'd)
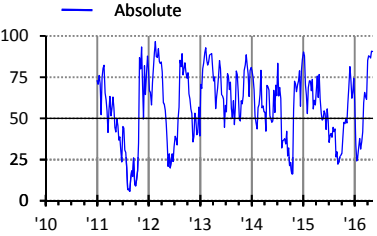
Constituent Stocks   Index

Average Analyst Rating

Price to Forward 4Q Earnings = 20.1
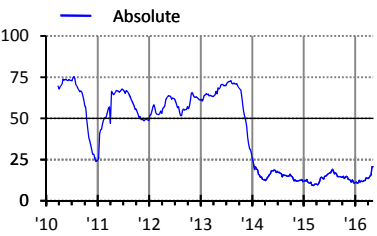Above Average and Trending Up

Average   +/- 1 StDev

3M Diffusion Index = 90.6
High and Trending Up

Absolute

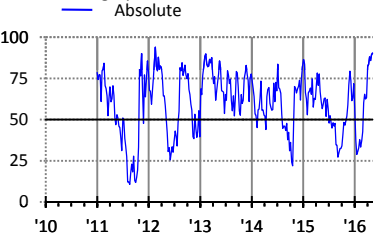Operating Earnings: Next 4Q, YoY = -5.8%
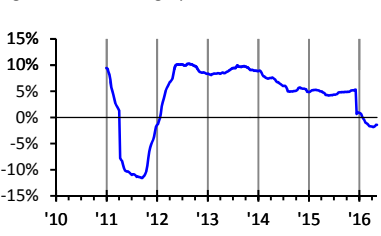Negative and Trending Up
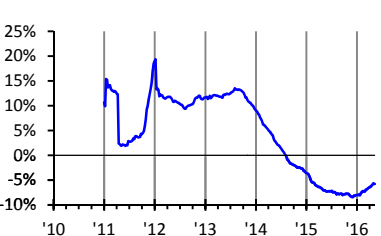
3M Diffusion Index = 20.7
Low and Trending Up
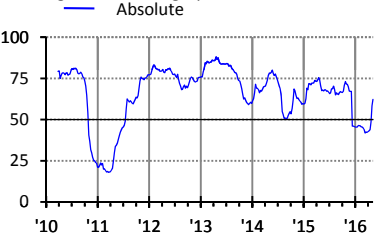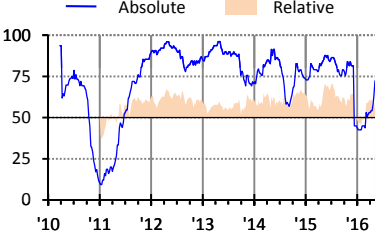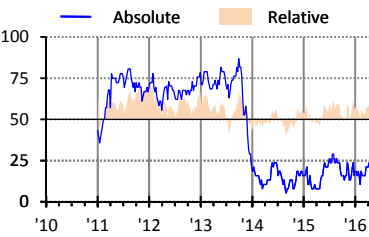
Absolute

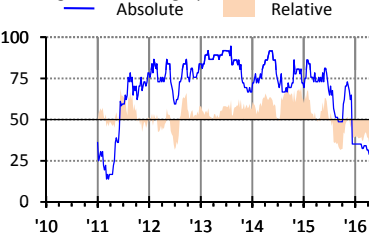Price to Book = 3.7
Above Average and Trending Up

Average   +/- 1 StDev

3M Diffusion Index = 90.3
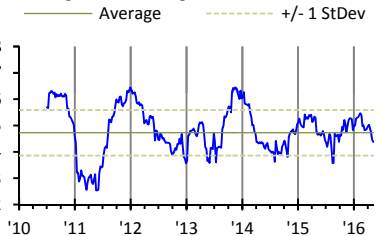High and Trending Up

Absolute

Revenues: Next 4Q, YoY = -1.4%
Negative and Trending Up
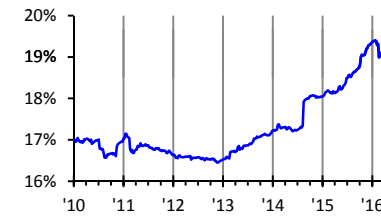
3M Diffusion Index = 62.2
Medium-High and Trending Up

Absolute

Correlation: Avg Stock to Idx, 12W ma = 0.60
Above Average and Trending Up
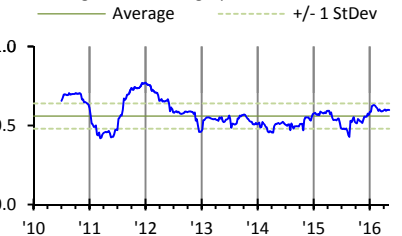
Average   +/- 1 StDev

3M Diffusion Index = 41.6
Medium-Low and Trending Down
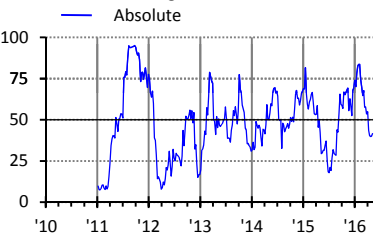
Absolute

Margins (Oper Earn as % of Rev) = 19.7%
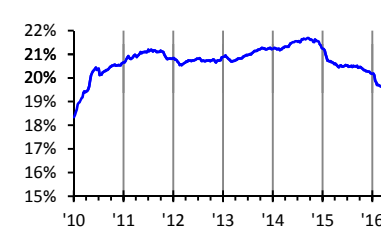
3M Diffusion Index = 57.9
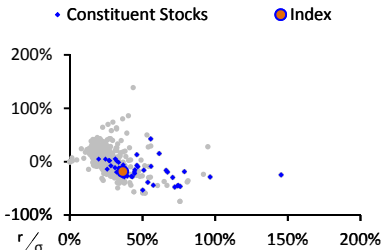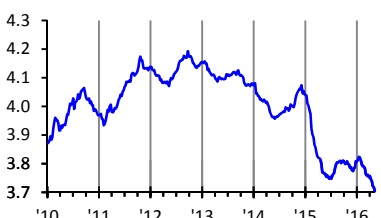Medium-High and Trending Up
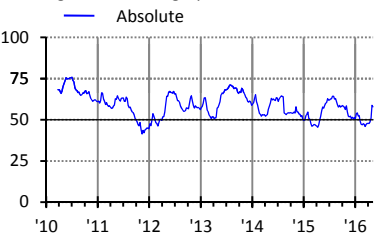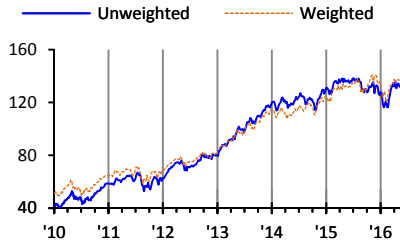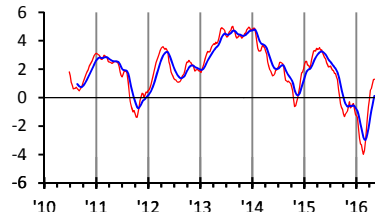
Absolute

3

Price

Unweighted —— Weighted - - - -

Price Momentum: Absolute Weekly MACD

Risk/Return (52 wk return vs st dev, ann'd)

♦ Constituent Stocks   ● Index
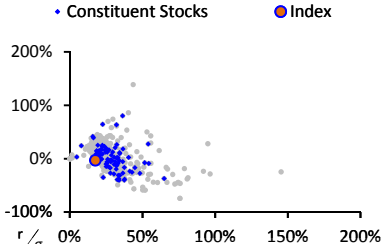
Average Analyst Rating
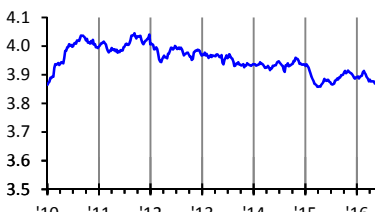
Price to Forward 4Q Earnings = 17.7
Above Average and Trending Up

—— Average   - - - +/- 1 StDev

3M Diffusion Index = 88.1
High and Trending Up

Absolute ——   Relative
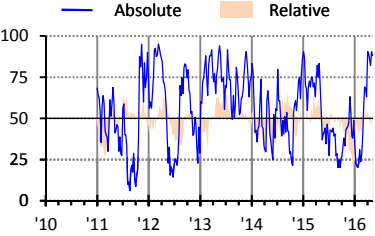
Operating Earnings: Next 4Q, YoY = -2.5%
Negative and Trending Down

3M Diffusion Index = 15.5
Low and Trending Up

Absolute ——   Relative
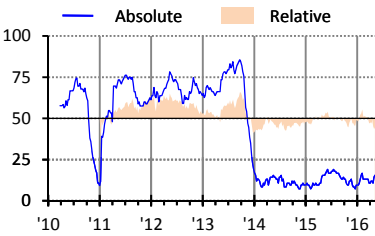
Price to Book = 4.6
Above Average and Trending Up

—— Average   - - - +/- 1 StDev
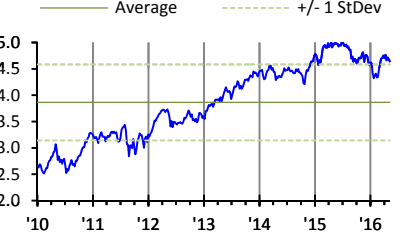
3M Diffusion Index = 86.6
High and Trending Up

Absolute ——   Relative
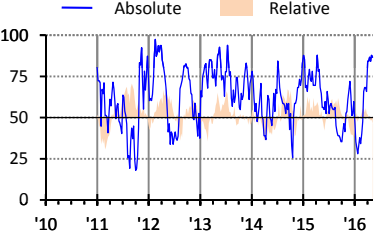
Revenues: Next 4Q, YoY = 2.9%
Positive and Trending Up
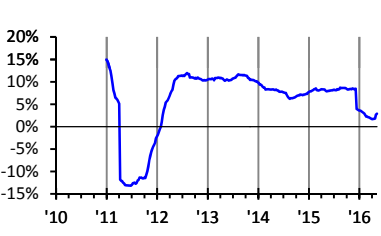
3M Diffusion Index = 72.3
Medium-High and Trending Up

Absolute ——   Relative

Correlation: Avg Stock to Idx, 12W ma = 0.64
Above Average and Trending Up

—— Average   - - - +/- 1 StDev

3M Diffusion Index = 62.5
Medium-High and Trending Down

Absolute ——   Relative
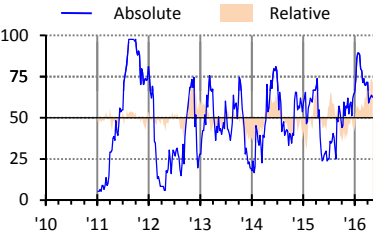
Margins (Oper Earn as % of Rev) = 14.3%
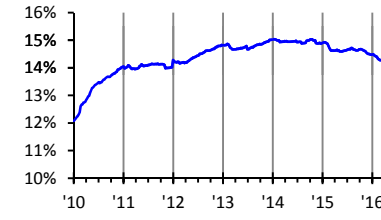
3M Diffusion Index = 60.1
Medium-High and Trending Up
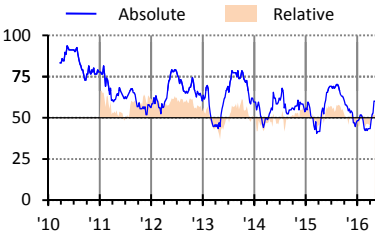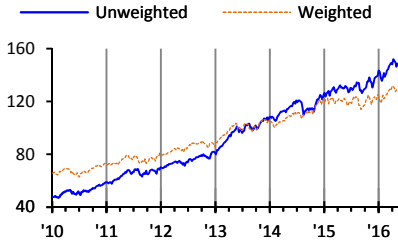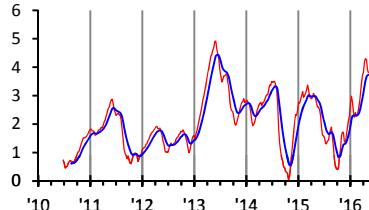
Absolute ——   Relative

4

Price

Unweighted — Weighted

Price Momentum: Absolute Weekly MACD

Risk/Return (52 wk return vs st dev, ann'd)

• Constituent Stocks ● Index
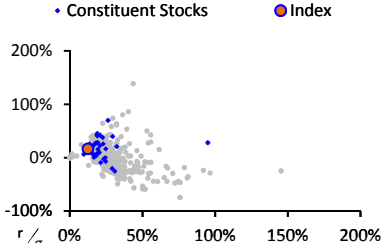
Average Analyst Rating
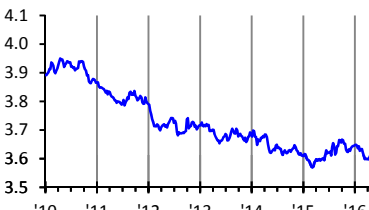
Price to Forward 4Q Earnings = 21.6
Above Average and Trending Down

Average — +/- 1 StDev

3M Diffusion Index = 81.6
High and Trending Up

Absolute — Relative
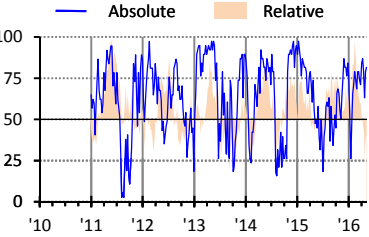
Operating Earnings: Next 4Q, YoY = -1.6%
Negative and Trending Up

3M Diffusion Index = 34.2
Medium-Low and Trending Up

Absolute — Relative

Price to Book = 6.2
Above Average and Trending Up

Average — +/- 1 StDev

3M Diffusion Index = 86.5
High and Trending Up

Absolute — Relative
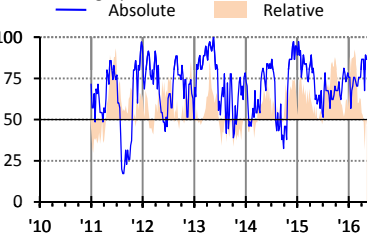
Revenues: Next 4Q, YoY = -5.1%
Negative and Trending Up
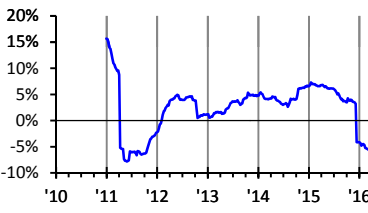
3M Diffusion Index = 71.1
Medium-High and Trending Up

Absolute — Relative

Correlation: Avg Stock to Idx, 12W ma = 0.44
Below Average and Trending Down

Average — +/- 1 StDev

3M Diffusion Index = 13.2
Low and Trending Down

Absolute — Relative
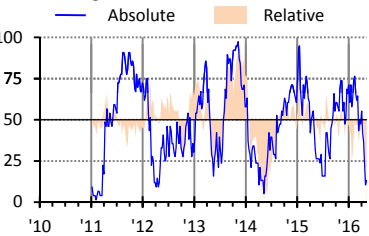
Margins (Oper Earn as % of Rev) = 19.3%

3M Diffusion Index = 73.7
Medium-High and Trending Down
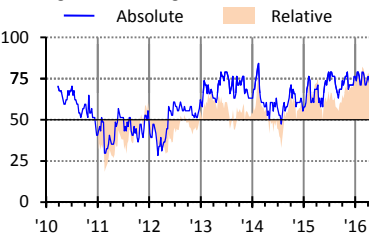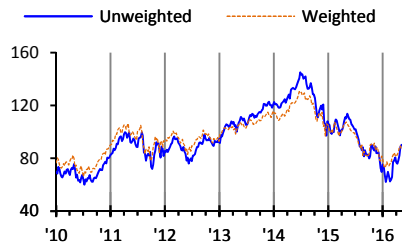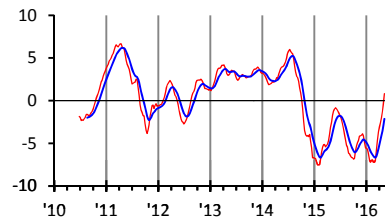
Absolute — Relative

5

Price

Unweighted — — Weighted

Price Momentum: Absolute Weekly MACD

Risk/Return (52 wk return vs st dev, ann'd)

• Constituent Stocks   ○ Index

Average Analyst Rating

Price to Forward 4Q Earnings = 35.7
Above Average and Trending Up

—— Average   - - - +/- 1 StDev

3M Diffusion Index = 97.6
High and Trending Up

—— Absolute   Relative
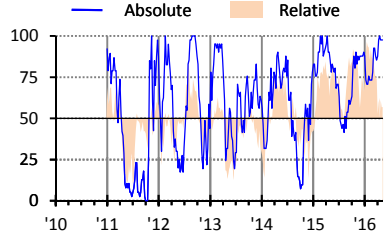
Operating Earnings: Next 4Q, YoY = -57.7%
Negative and Trending Down
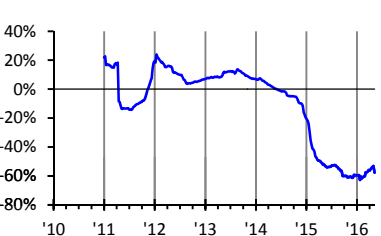
3M Diffusion Index = 34.1
Medium-Low and Trending Up

—— Absolute   Relative
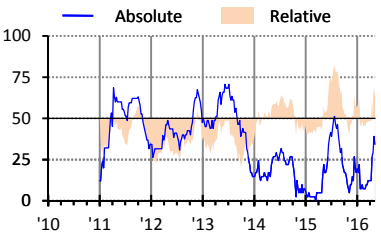
Price to Book = 2.2
Above Average and Trending Up

—— Average   - - - +/- 1 StDev

3M Diffusion Index = 97.6
High and Trending Up

—— Absolute   Relative
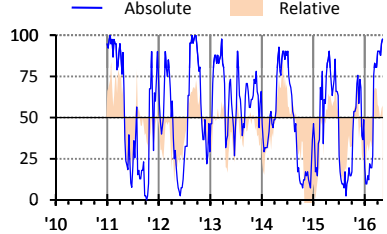
Revenues: Next 4Q, YoY = -45.6%
Negative and Trending Down
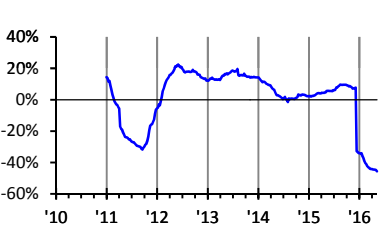
3M Diffusion Index = 14.6
Low and Trending Up
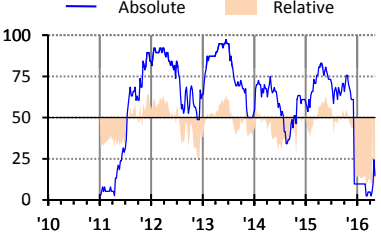
—— Absolute   Relative

Correlation: Avg Stock to Idx, 12W ma = 0.56
Above Average and Trending Down

—— Average   - - - +/- 1 StDev

3M Diffusion Index = 31.7
Medium-Low and Trending Down

—— Absolute   Relative
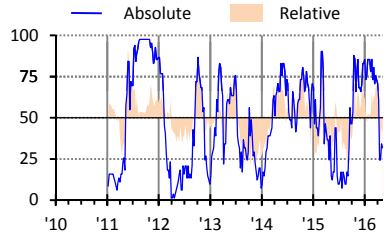
Margins (Oper Earn as % of Rev) = 2.5%
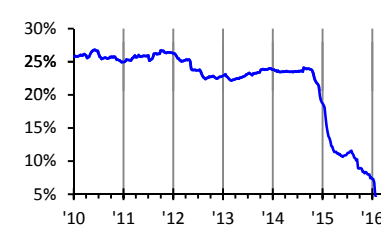
3M Diffusion Index = 46.3
Medium-Low and Trending Up
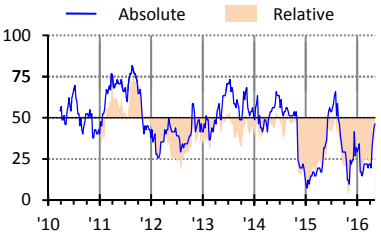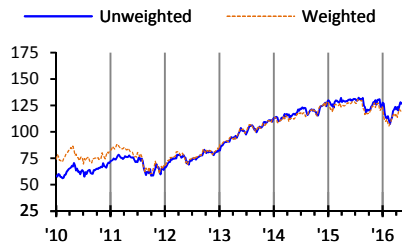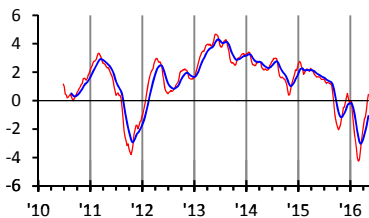
—— Absolute   Relative

6

Price

— Unweighted ---- Weighted

Price Momentum: Absolute Weekly MACD

Risk/Return (52 wk return vs st dev, ann'd)

◆ Constituent Stocks ● Index
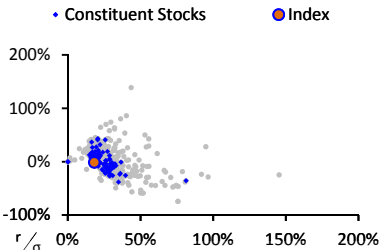
Average Analyst Rating
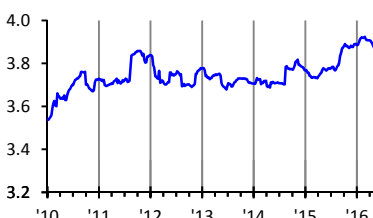
Price to Forward 4Q Earnings = 19.7
Above Average and Trending Up

— Average ---- +/- 1 StDev

3M Diffusion Index = 94.3
High and Trending Up

— Absolute ▨ Relative
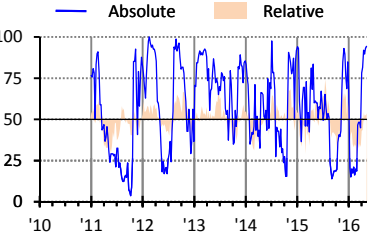
Operating Earnings: Next 4Q, YoY = -1.2%
Negative and Trending Up

3M Diffusion Index = 24.7
Low and Trending Up

— Absolute ▨ Relative
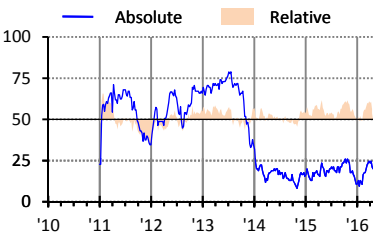
Price to Book = 2.1
Above Average and Trending Up

— Average ---- +/- 1 StDev

3M Diffusion Index = 95.3
High and Trending Up

— Absolute ▨ Relative
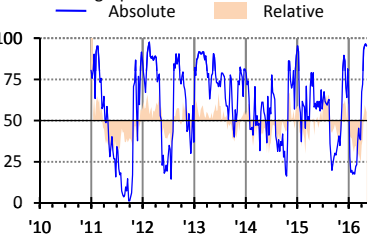
Revenues: Next 4Q, YoY = 8.4%
Positive and Trending Up
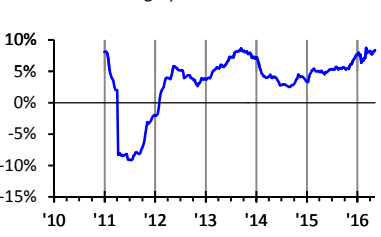
3M Diffusion Index = 64.6
Medium-High and Trending Up
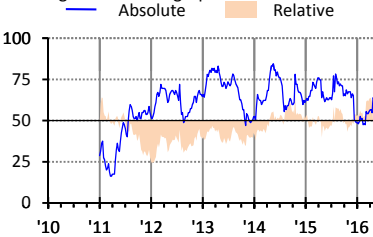
— Absolute ▨ Relative

Correlation: Avg Stock to Idx, 12W ma = 0.73
Above Average and Trending Up

— Average ---- +/- 1 StDev

3M Diffusion Index = 44.8
Medium-Low and Trending Down

— Absolute ▨ Relative
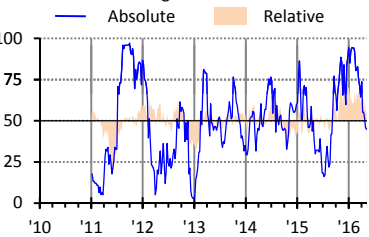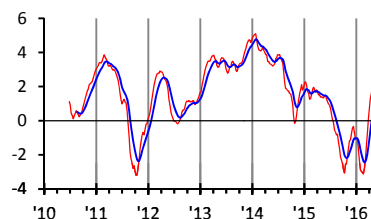
Margins (Oper Earn as % of Rev) = 28.5%
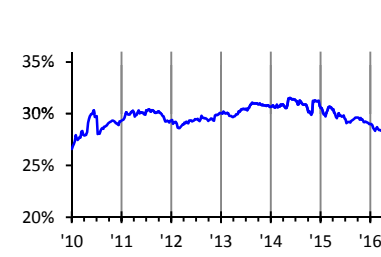
3M Diffusion Index = 50.0
Medium-Low and Trending Up
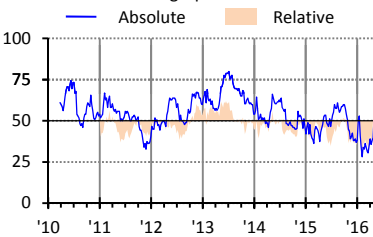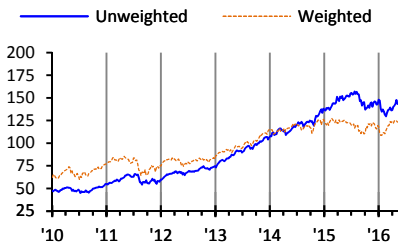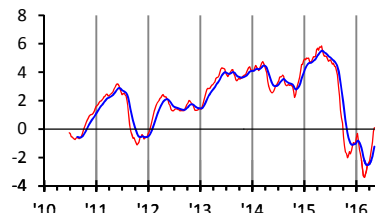
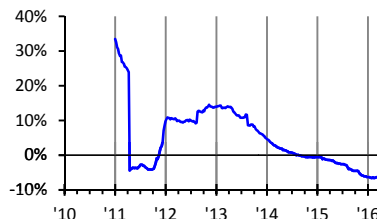— Absolute ▨ Relative

7

Price

Unweighted — Weighted

Price Momentum: Absolute Weekly MACD

Risk/Return (52 wk return vs st dev, ann'd)

Constituent Stocks   Index
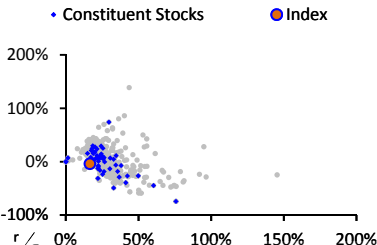
Average Analyst Rating

Price to Forward 4Q Earnings = 17.8
Above Average and Trending Up

Average — +/- 1 StDev

3M Diffusion Index = 76.4
High and Trending Up

Absolute   Relative
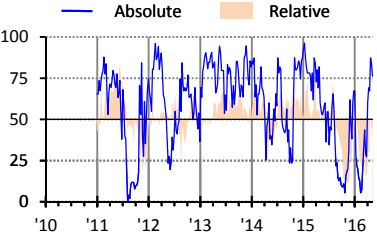
Operating Earnings: Next 4Q, YoY = -1.6%
Negative and Trending Up

3M Diffusion Index = 9.1
Low and Trending Up

Absolute   Relative

Price to Book = 4.0
Above Average and Trending Up

Average — +/- 1 StDev
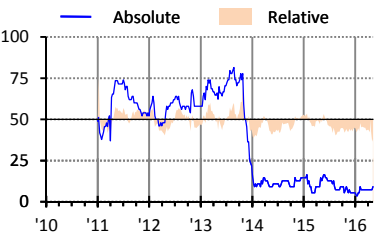
3M Diffusion Index = 75.9
High and Trending Up

Absolute   Relative
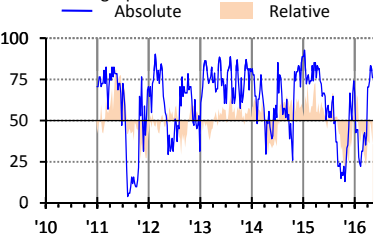
Revenues: Next 4Q, YoY = 18.9%
Positive and Trending Up
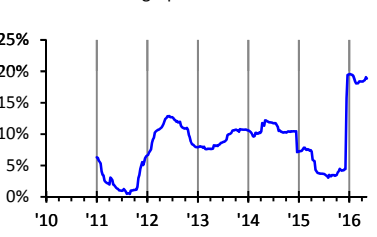
3M Diffusion Index = 85.5
High and Trending Up
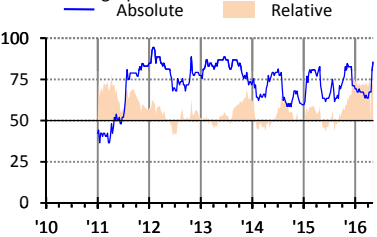
Absolute   Relative

Correlation: Avg Stock to Idx, 12W ma = 0.52
Above Average and Trending Up
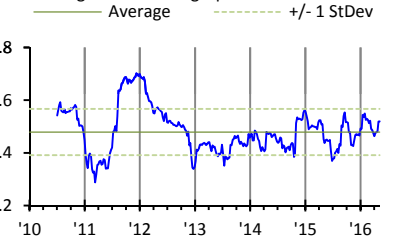
Average — +/- 1 StDev

3M Diffusion Index = 43.6
Medium-Low and Trending Down

Absolute   Relative
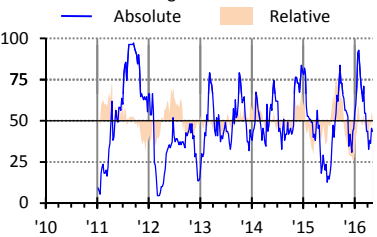
Margins (Oper Earn as % of Rev) = 24.7%
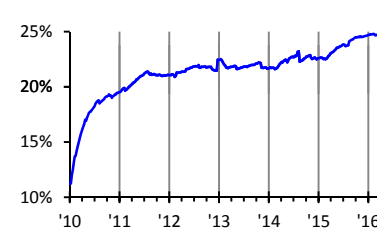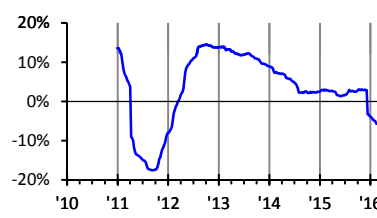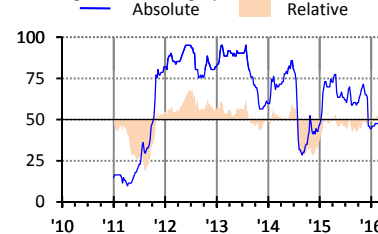
3M Diffusion Index = 58.2
Medium-High and Trending Down
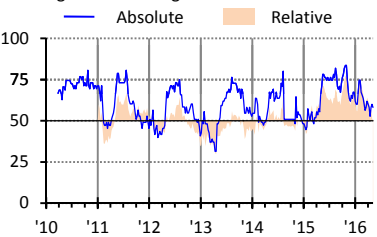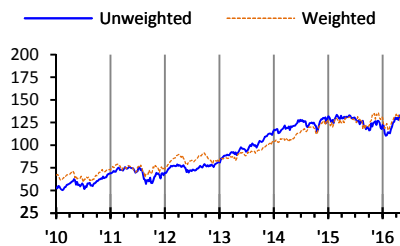
Absolute   Relative
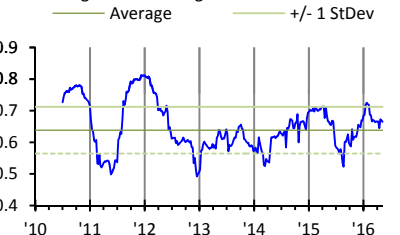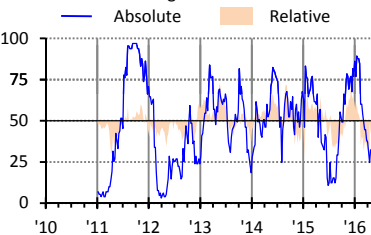
Price

Unweighted — Weighted

Price Momentum: Absolute Weekly MACD
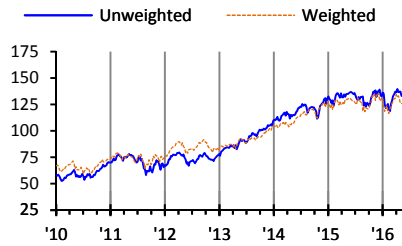
Risk/Return (52 wk return vs st dev, ann'd)

• Constituent Stocks ● Index
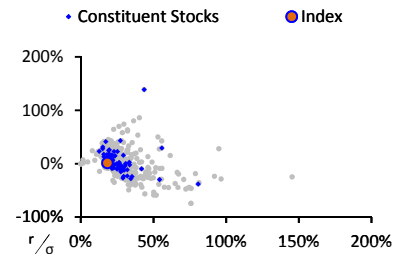
Average Analyst Rating

Price to Forward 4Q Earnings = 17.4
Above Average and Trending Up

Average — +/- 1 StDev

3M Diffusion Index = 98.5
High and Trending Up

Absolute — Relative
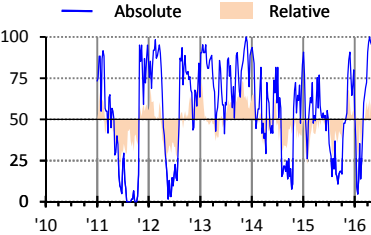
Operating Earnings: Next 4Q, YoY = -5.3%
Negative and Trending Up

3M Diffusion Index = 21.5
Low and Trending Up
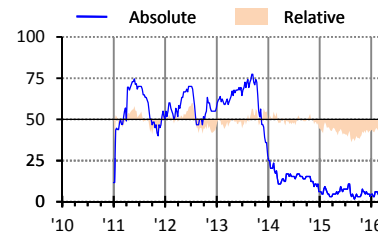
Absolute — Relative

Price to Book = 4.0
Above Average and Trending Up

Average — +/- 1 StDev

3M Diffusion Index = 90.6
High and Trending Up

Absolute — Relative
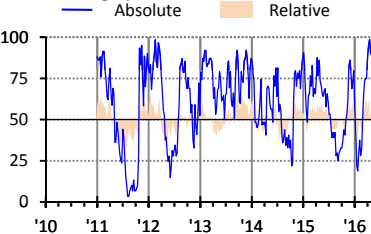
Revenues: Next 4Q, YoY = -5.7%
Negative and Trending Up

3M Diffusion Index = 70.8
Medium-High and Trending Up

Absolute — Relative

Correlation: Avg Stock to Idx, 12W ma = 0.67
Above Average and Trending Down
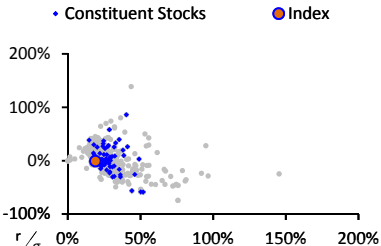
Average — +/- 1 StDev

3M Diffusion Index = 36.9
Medium-Low and Trending Down

Absolute — Relative

Margins (Oper Earn as % of Rev) = 16.5%
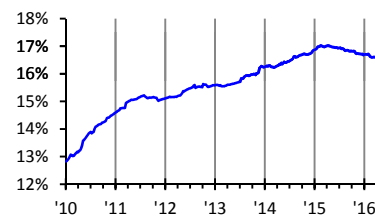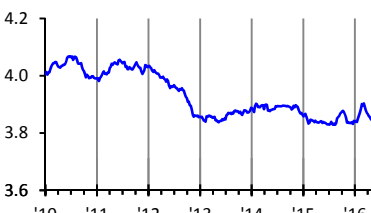
3M Diffusion Index = 49.2
Medium-Low and Trending Up
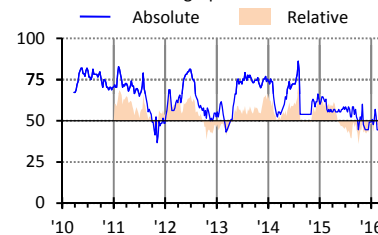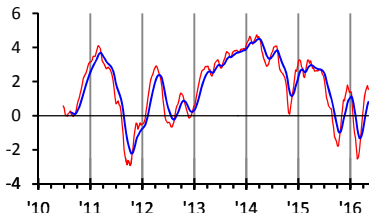
Absolute — Relative

Price

Unweighted — Weighted

Price Momentum: Absolute Weekly MACD

Risk/Return (52 wk return vs st dev, ann'd)

Constituent Stocks • Index

Average Analyst Rating

Price to Forward 4Q Earnings = 18.3
Above Average and Trending Down

—— Average   - - - +/- 1 StDev

3M Diffusion Index = 89.2
High and Trending Up

—— Absolute   Relative
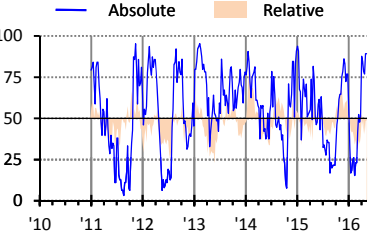
Operating Earnings: Next 4Q, YoY = -7.5%
Negative and Trending Up
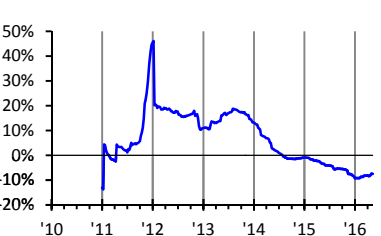
3M Diffusion Index = 15.4
Low and Trending Up

—— Absolute   Relative
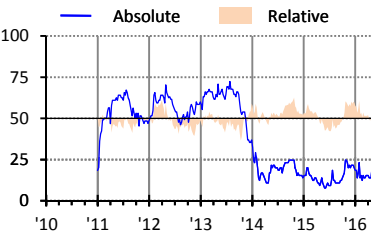
Price to Book = 4.2
Above Average and Trending Up

—— Average   - - - +/- 1 StDev

3M Diffusion Index = 89.2
High and Trending Up

—— Absolute   Relative
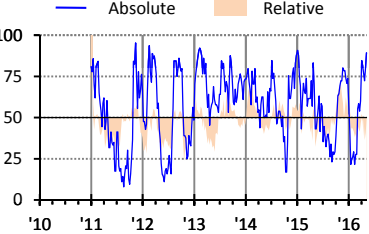
Revenues: Next 4Q, YoY = -1.6%
Negative and Trending Down
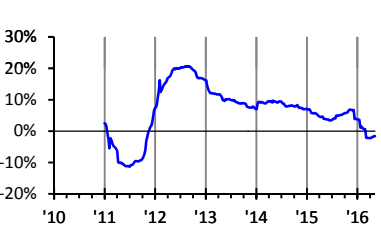
3M Diffusion Index = 65.1
Medium-High and Trending Up
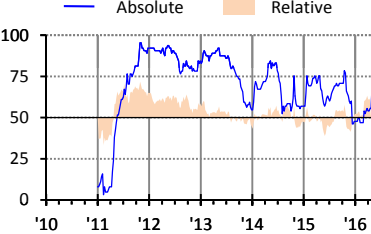
—— Absolute   Relative

Correlation: Avg Stock to Idx, 12W ma = 0.70
Above Average and Trending Up
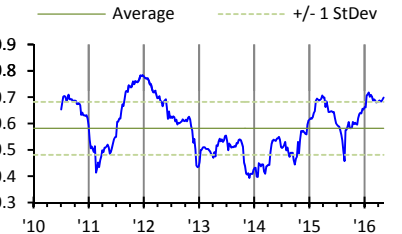
—— Average   - - - +/- 1 StDev

3M Diffusion Index = 41.5
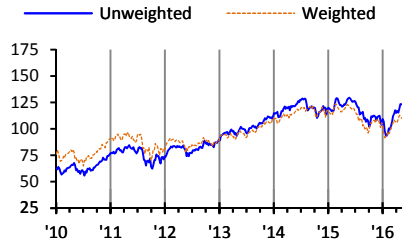Medium-Low and Trending Down

—— Absolute   Relative
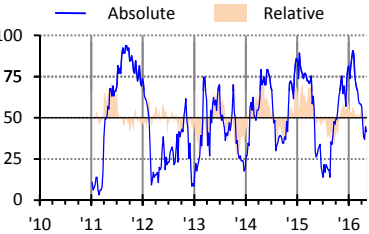
Margins (Oper Earn as % of Rev) = 26.0%
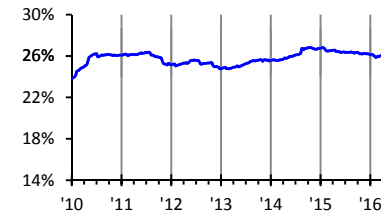
3M Diffusion Index = 56.9
Medium-High and Trending Up
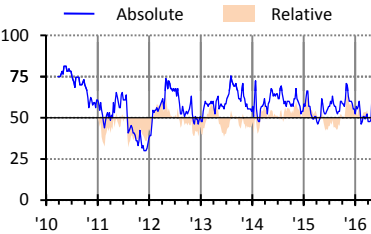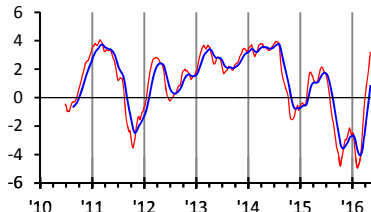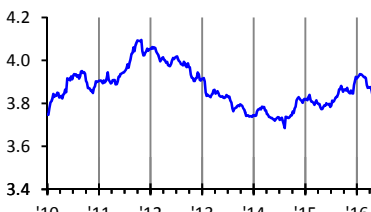
—— Absolute   Relative

Price

Unweighted — Weighted

Price Momentum: Absolute Weekly MACD

Risk/Return (52 wk return vs st dev, ann'd)

Constituent Stocks ● Index
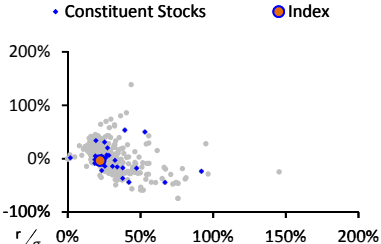
Average Analyst Rating

Price to Forward 4Q Earnings = 20.7
Above Average and Trending Up

— Average --- +/- 1 StDev

3M Diffusion Index = 93.1
High and Trending Up

— Absolute Relative
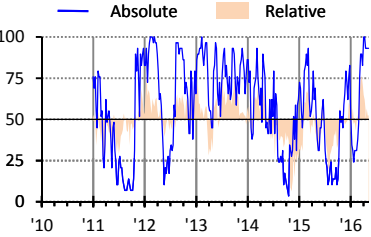
Operating Earnings: Next 4Q, YoY = -8.4%
Negative and Trending Up
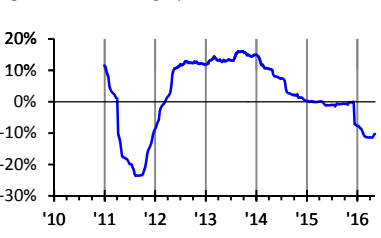

3M Diffusion Index = 27.6
Medium-Low and Trending Up

— Absolute Relative
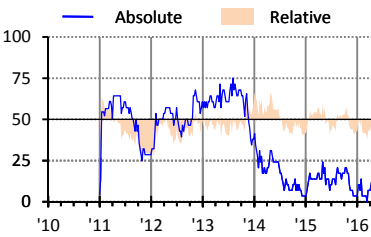
Price to Book = 3.9
Above Average and Trending Up

— Average --- +/- 1 StDev

3M Diffusion Index = 100.0
High and Trending Up

— Absolute Relative
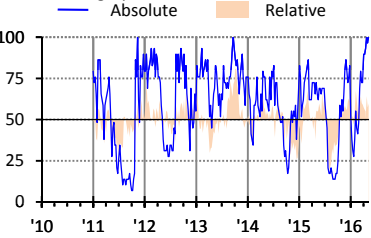
Revenues: Next 4Q, YoY = -10.2%
Negative and Trending Up

3M Diffusion Index = 55.2
Medium-High and Trending Up
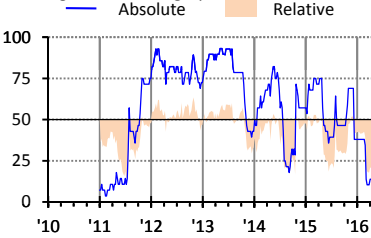
— Absolute Relative

Correlation: Avg Stock to Idx, 12W ma = 0.47
Below Average and Trending Down
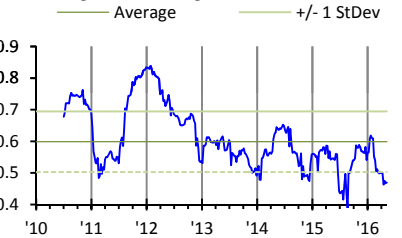
— Average +/- 1 StDev

3M Diffusion Index = 32.8
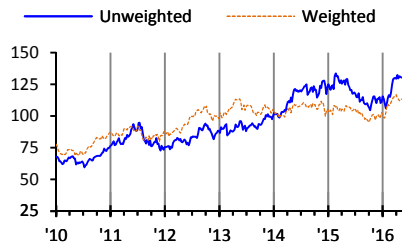Medium-Low and Trending Down

— Absolute Relative
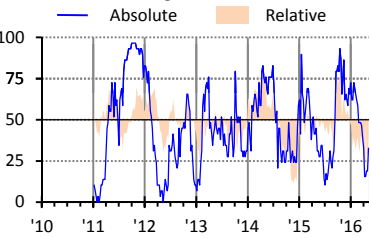
Margins (Oper Earn as % of Rev) = 15.7%
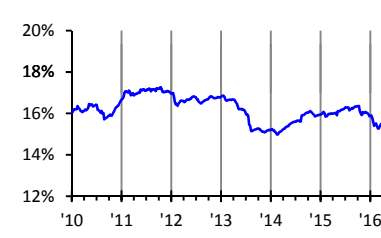
3M Diffusion Index = 69.0
Medium-High and Trending Up
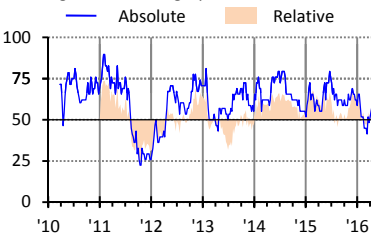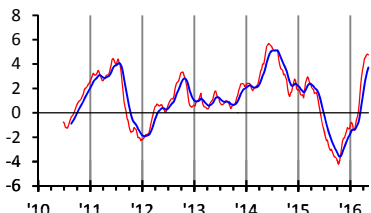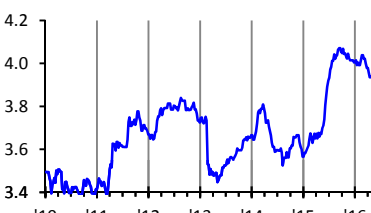
— Absolute Relative

Price

— Unweighted — — Weighted

Price Momentum: Absolute Weekly MACD

Risk/Return (52 wk return vs st dev, ann'd)

• Constituent Stocks ● Index
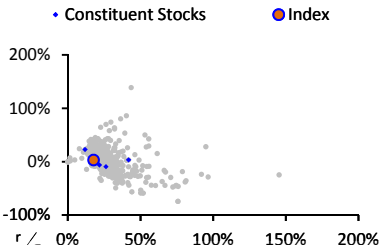
Average Analyst Rating

Price to Forward 4Q Earnings = 22.6
Above Average and Trending Up

— Average — — +/- 1 StDev

3M Diffusion Index = 100.0
High and Trending Up

— Absolute ▨ Relative
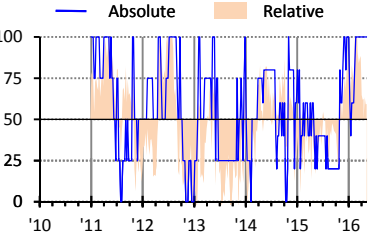
Operating Earnings: Next 4Q, YoY = -3.9%
Negative and Trending Up
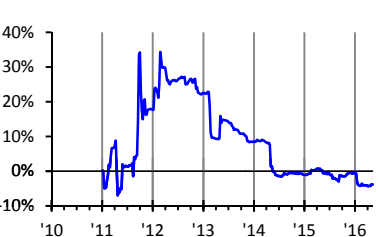
3M Diffusion Index = 20.0
Low and Trending Down

— Absolute ▨ Relative
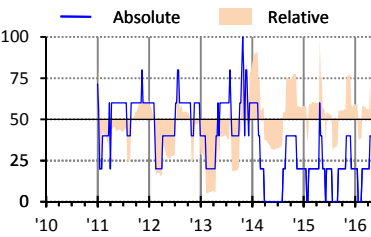
Price to Book = 2.7
Below Average and Trending Up

— Average — — +/- 1 StDev

3M Diffusion Index = 80.0
High and Trending Up

— Absolute ▨ Relative
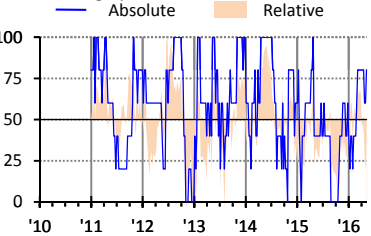
Revenues: Next 4Q, YoY = 13.2%
Positive and Trending Up

3M Diffusion Index = 40.0
Medium-Low and Trending Down
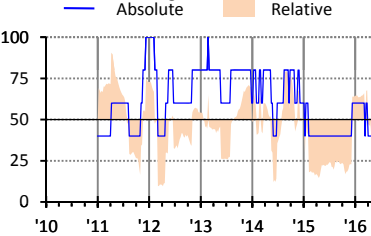
— Absolute ▨ Relative

Correlation: Avg Stock to Idx, 12W ma = 0.59
Above Average and Trending Down

— Average — — +/- 1 StDev

3M Diffusion Index = 40.0
Medium-Low and Trending Up

— Absolute ▨ Relative
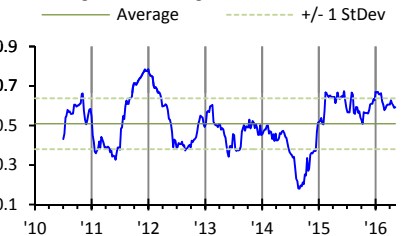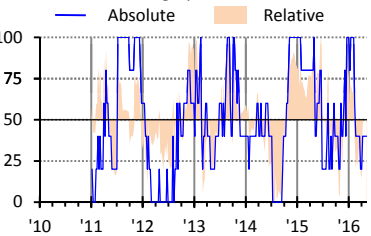
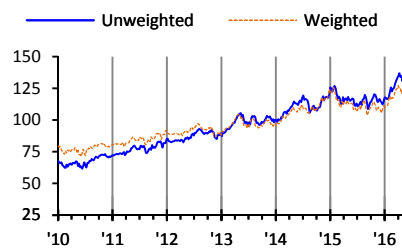**Margins (Oper Earn as % of Rev) = 18.5%**

3M Diffusion Index = 100.0
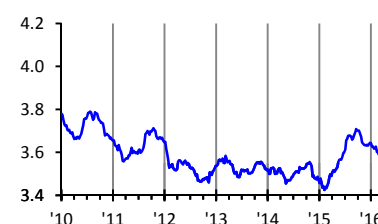High and Trending Up
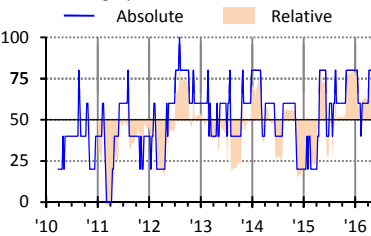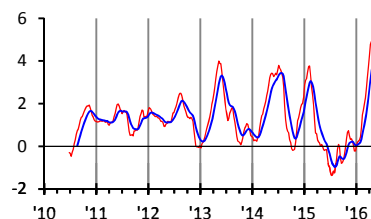
— Absolute ▨ Relative

12

Price

Unweighted — Weighted

Price Momentum: Absolute Weekly MACD

Risk/Return (52 wk return vs st dev, ann'd)

Constituent Stocks ● Index

$r/_\sigma$
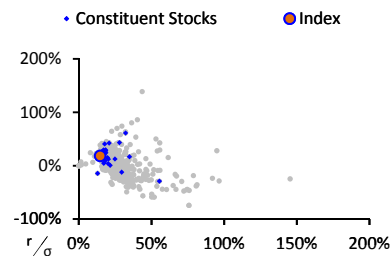
Average Analyst Rating

Price to Forward 4Q Earnings = 18.1
Above Average and Trending Up

Average — +/- 1 StDev
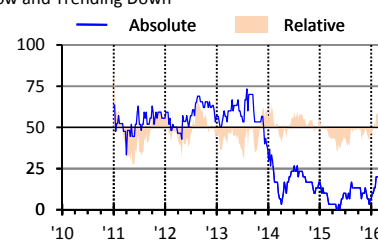
3M Diffusion Index = 96.7
High and Trending Up

Absolute — Relative
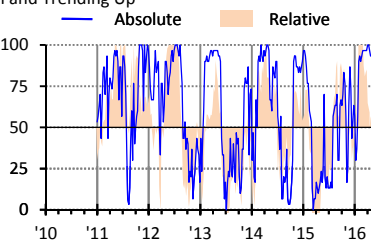
Operating Earnings: Next 4Q, YoY = -2.1%
Negative and Trending Down

3M Diffusion Index = 13.3
Low and Trending Down

Absolute — Relative

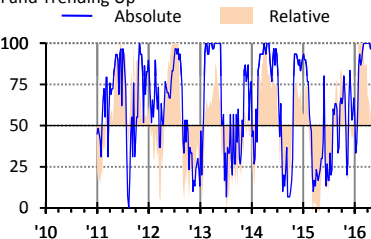Price to Book = 1.8
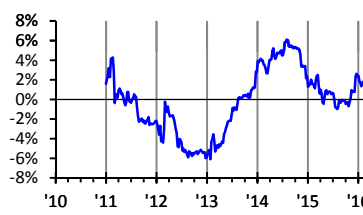Above Average and Trending Up

Average — +/- 1 StDev

3M Diffusion Index = 100.0
High and Trending Up
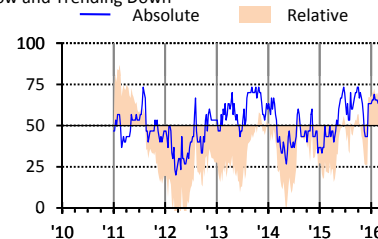
Absolute — Relative

Revenues: Next 4Q, YoY = 0.0%
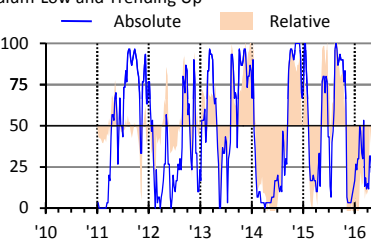Positive and Trending Down

3M Diffusion Index = 24.1
Low and Trending Down

Absolute — Relative

Correlation: Avg Stock to Idx, 12W ma = 0.25
Below Average and Trending Down
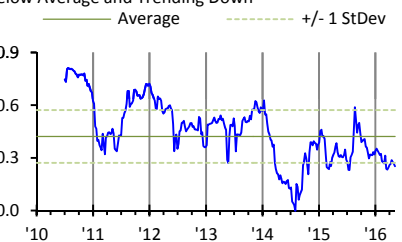
Average — +/- 1 StDev

3M Diffusion Index = 38.3
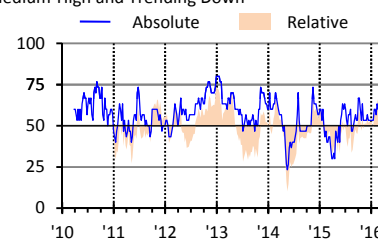Medium-Low and Trending Up

Absolute — Relative

Margins (Oper Earn as % of Rev) = 20.8%
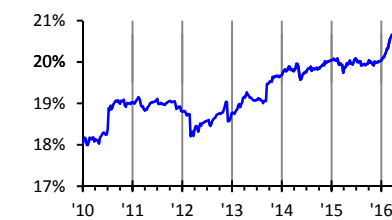
3M Diffusion Index = 73.3
Medium-High and Trending Down

Absolute — Relative

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RISK AND RETURN (52 wk return vs st dev, ann'd)
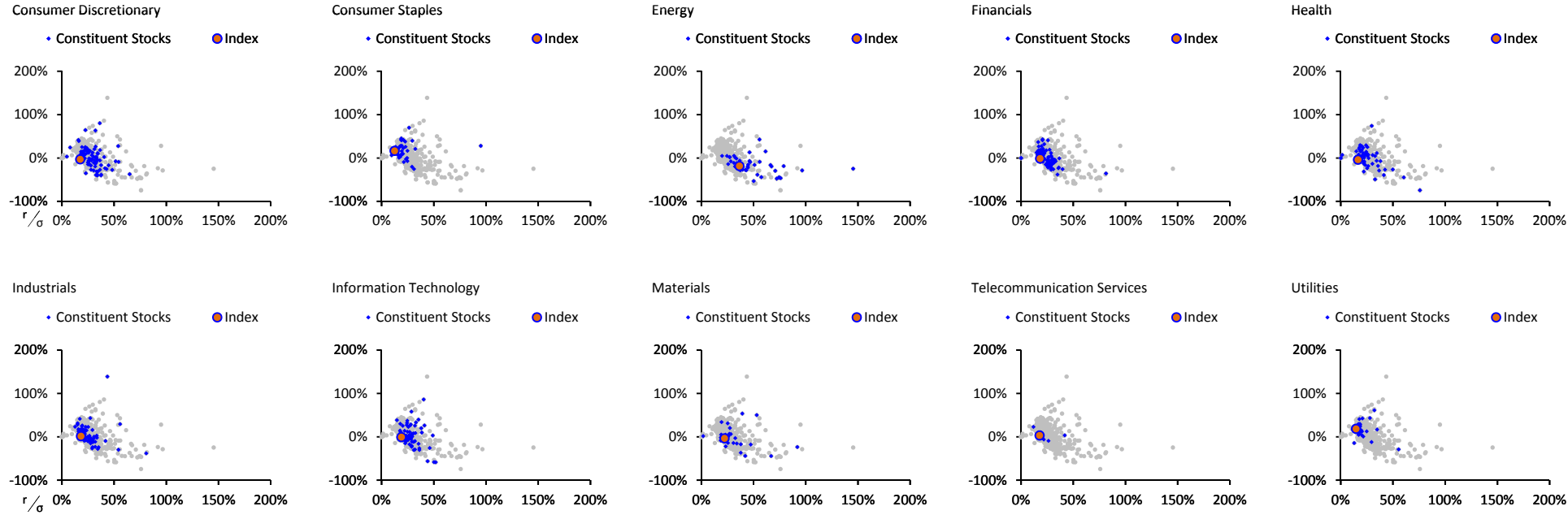
AVERAGE ANALYST RATING

ABSOLUTE

Consumer Discretionary | Consumer Staples | Energy | Financials | Health

Industrials | Information Technology | Materials | Telecommunication Services | Utilities

RELATIVE TO TOTAL INDEX

Consumer Discretionary | Consumer Staples | Energy | Financials | Health

Industrials | Information Technology | Materials | Telecommunication Services | Utilities

ABSOLUTE MACD

Consumer Discretionary

Consumer Staples

Energy

Financials

Health

Industrials

Information Technology

Materials

Telecommunication Services

Utilities

RELATIVE MACD

Consumer Discretionary

Consumer Staples

Energy

Financials

Health

Industrials

Information Technology

Materials

Telecommunication Services

Utilities