



On Our Radar

1

All eleven S&P 500 Sectors in the red yesterday

- defensive groups such as Utilities, Telecom and REIT's leading to the downside

2

However message from the market didn't have exceedingly bearish tone as stocks actually outperformed bonds. At the factor level, small cap outperformed the market and high beta continued to outpace low volatility

3

VIX is up over 25% in January. Surprising given the historically inverse relationship between stocks and volatility.

S&P 500 Sector	Daily Return
Health Care	-0.3%
Consumer Discretionary	-0.3%
Financials	-0.5%
Consumer Staples	-0.5%
Industrials	-0.6%
S&P 500	-0.7%
Technology	-0.9%
Materials	-1.1%
Real Estate	-1.2%
Telecom	-1.3%
Utilities	-1.3%
Energy	-1.5%

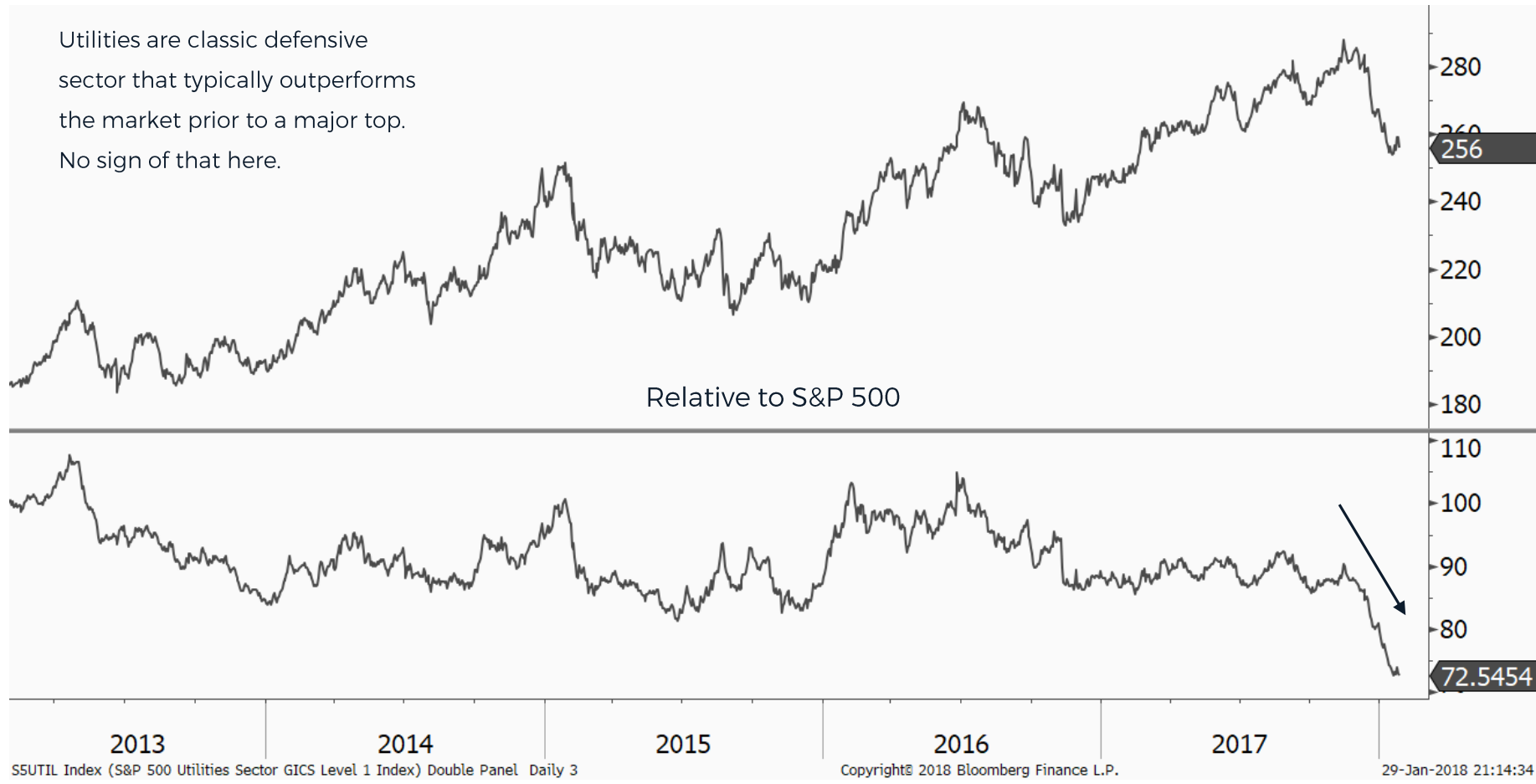
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Utilities not signaling imminent market correction

S&P 500 Utilities Sector

Utilities are classic defensive sector that typically outperforms the market prior to a major top. No sign of that here.





Yesterdays action was not a typical risk off day

Stocks outperformed Bonds

	Security	Currency	Price Change
1)	SPY US Equity	USD	-.66%
2)	TLT US Equity	USD	-.70%

And small cap and high beta outperformed large cap

	Security	Currency	Price Change
1)	SPY US Equity	USD	-.66%
2)	IJR US Equity	USD	-.56%
3)	SPHB US Equity	USD	-.48%

In fact low volatility underperformed the market

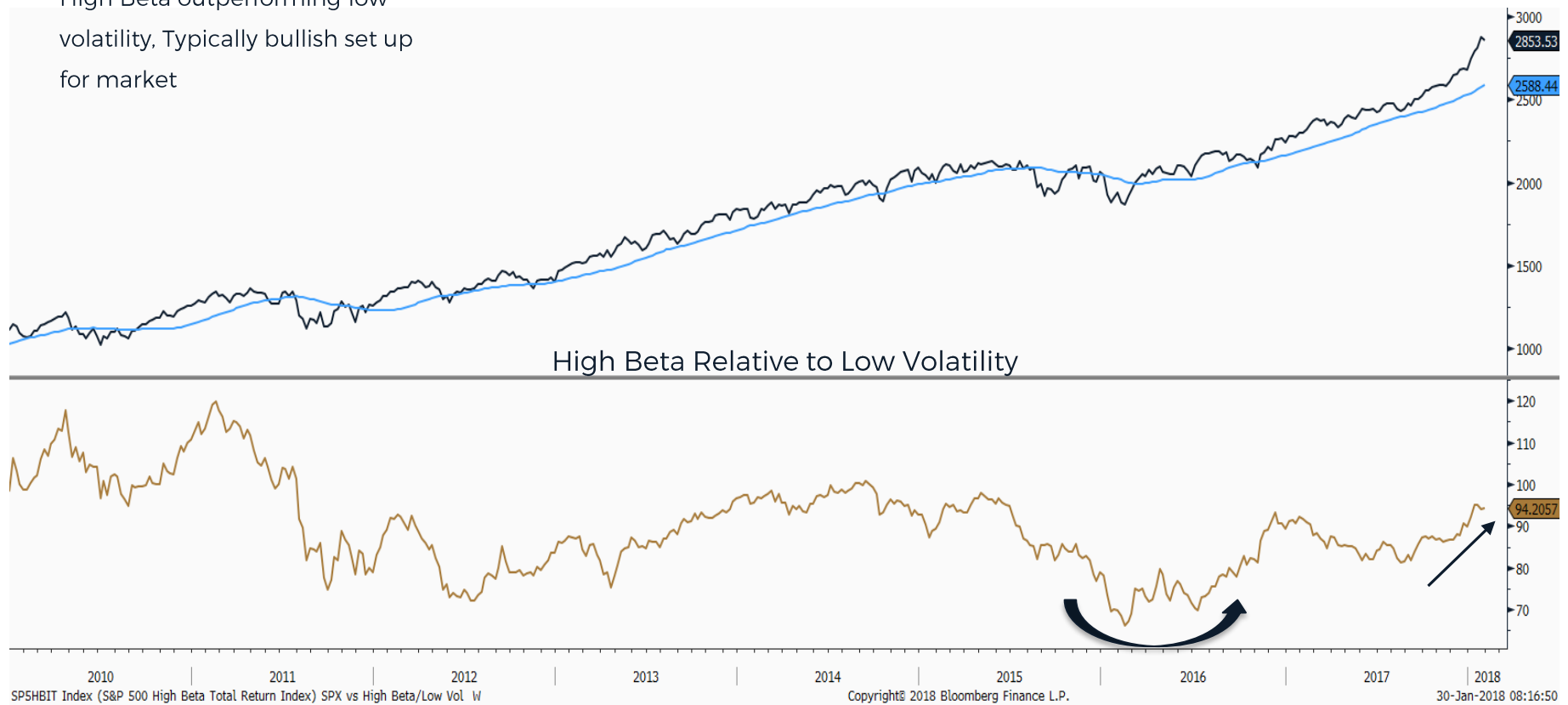
	Security	Currency	Price Change
1)	SPY US Equity	USD	-.66%
2)	SPLV US Equity	USD	-.77%



High Beta outperforming

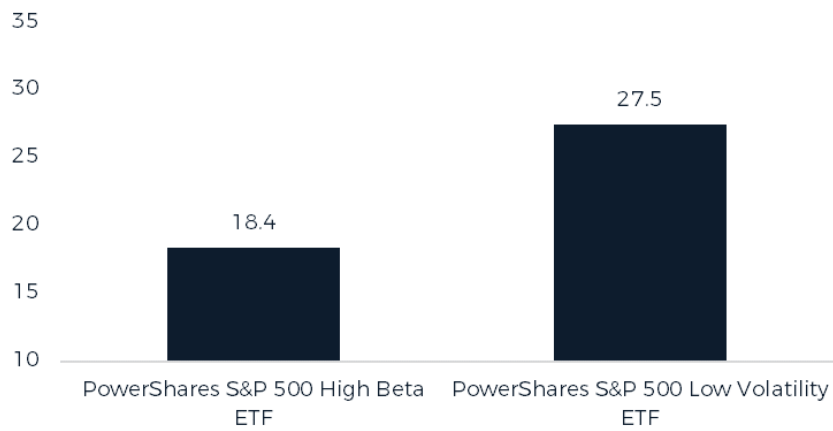
S&P 500 High Beta Index

High Beta outperforming low volatility, Typically bullish set up for market



Everything has a price

Fund P/E Ratio

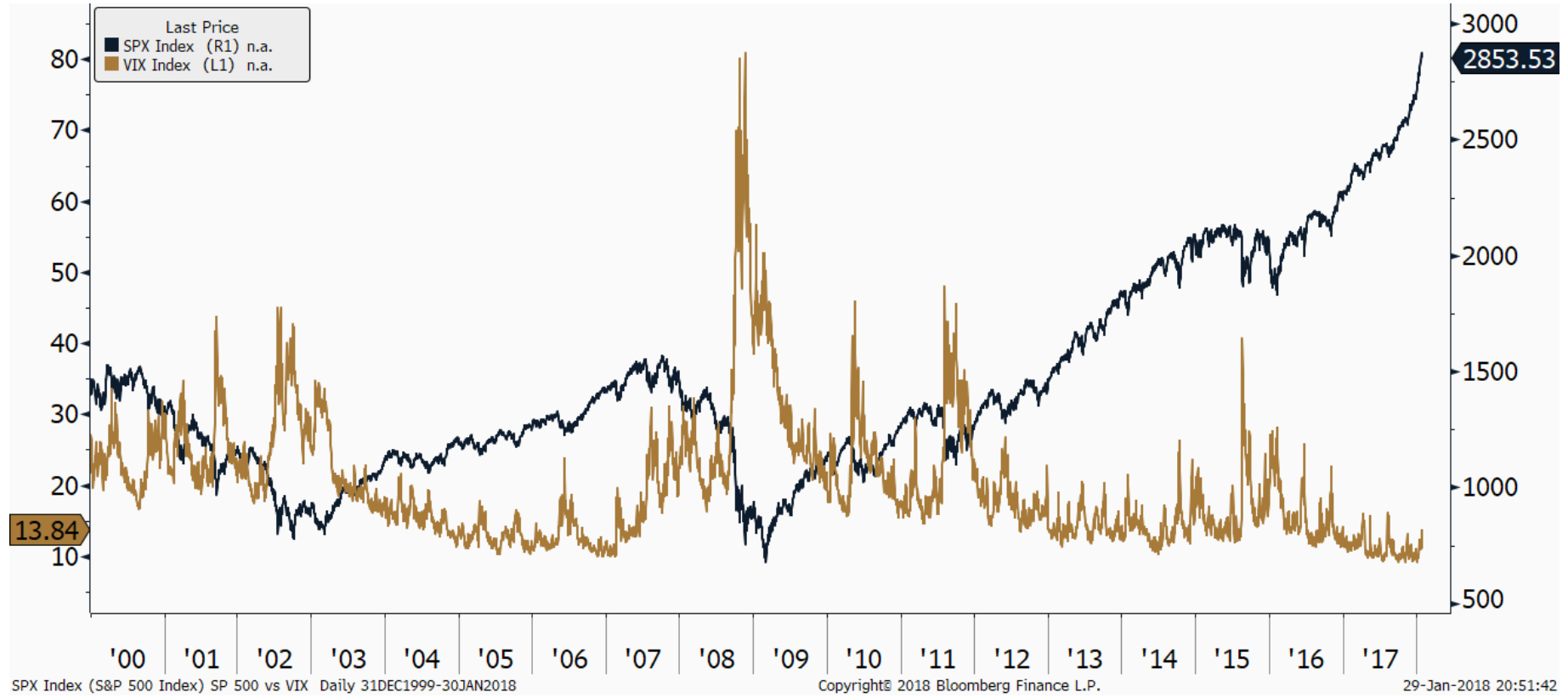


If you choose to favour low volatility as a factor you are inherently choosing to buy expensive stocks



Stocks and VIX typically have inverse relationship...

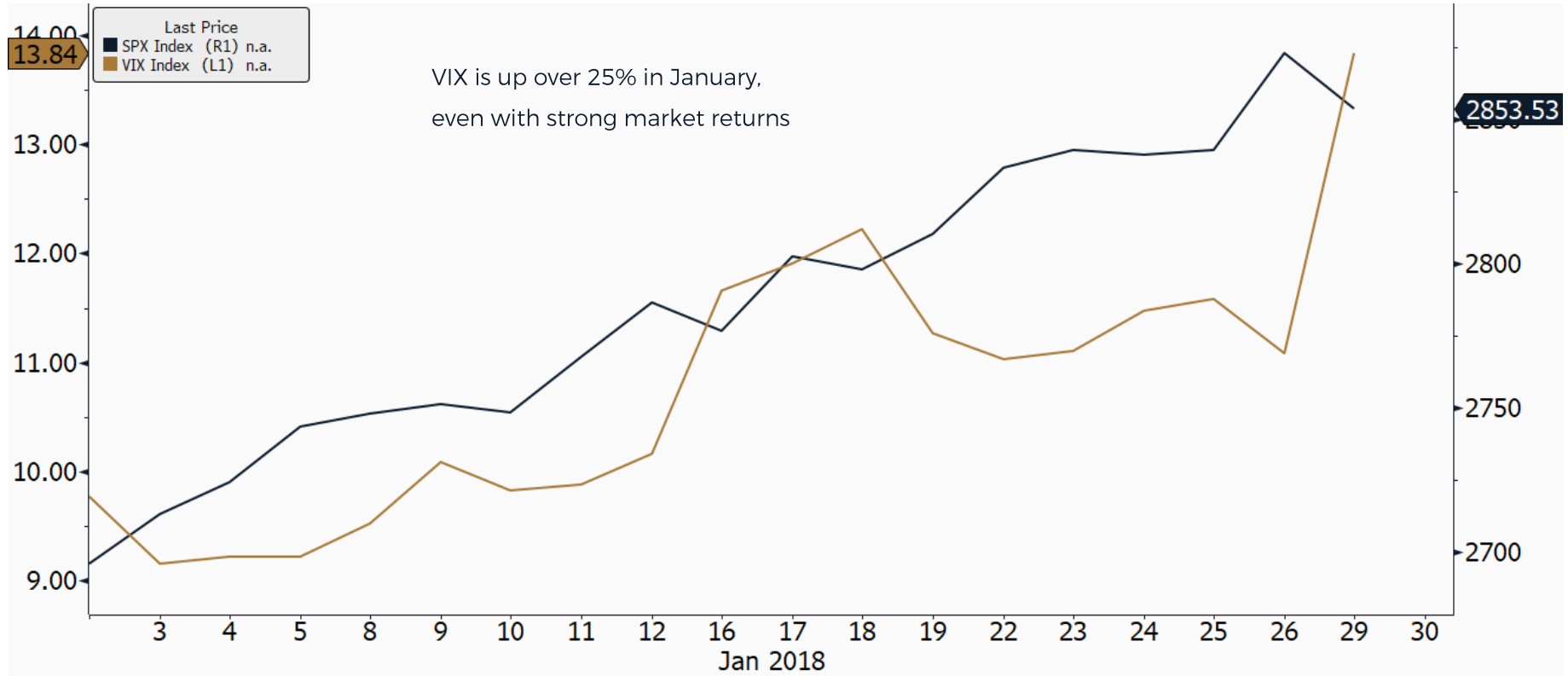
S&P 500 vs VIX





But so far 2018 they are trading in tandem

S&P 500 vs VIX



SPX Index (S&P 500 Index) SP 500 vs VIX Daily 31DEC2017-30JAN2018

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