



Relative Strength: Buy the Dip or Fade the Rally?

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Topics of Conversation

What is Relative Strength?

How Do We Measure Relative Strength?

Relative Strength and Asset Allocation

Relative Strength and Stock Selection



What is Relative Strength?

Relative Strength compares the performance of one security to another with a ratio chart. This indicator is also known as the Relative Strength indicator or Relative Strength Comparative. Often, the Price Relative indicator is used to compare the performance of a stock against a benchmark index, such as the S&P 500. Chartists can also use the Price Relative to compare the performance of a stock to its sector or industry group. This makes it possible to determine if a stock is leading or lagging its peers. The Price Relative indicator can also be used to find stocks that are holding up better during a broad market decline or showing weakness during a broad market advance.

Relative Strength is simply the base security divided by the comparative security. Typically, the underlying security is a stock and the benchmark is the S&P 500.



How Do We Measure Relative Strength

I have three ways that I like to measure relative strength depending on what I am analysing:

1. In a Table - More Quantitative
2. In a Chart: Both as a Ratio and an Oscillator. The Ratio Chart Allows for the Application of Traditional Technical Analysis
3. In a Relative Rotation Graph

Each of these tells the same story in a slightly different way

In a Table - For Quantitative Studies

<input type="checkbox"/>	Code	Name	Last	Change (%)	YTD	1 Month	3 Month	6 Month	9 Month	12 Month ▾	Average (3, 6 & 12)	ETF Momentum	Above 200 DMA <input type="checkbox"/>
<input type="checkbox"/>	IGV	iShares North American Tech-Software ETF	213.10	0.58%	22.81%	2.29%	14.61%	15.25%	8.83%	21.88%	6.13%	2.71%	True
<input type="checkbox"/>	SMH	VanEck Vectors Semiconductor ETF	117.63	-0.08%	34.73%	10.19%	30.42%	23.06%	10.29%	18.85%	7.60%	3.31%	True
<input type="checkbox"/>	RTH	VanEck Vectors Retail ETF	107.69	-0.11%	14.67%	4.24%	9.26%	2.55%	4.12%	15.03%	3.49%	1.86%	True
<input type="checkbox"/>	PBS	PowerShares Dynamic Media ETF	34.2100	-0.64%	20.37%	6.54%	12.13%	8.64%	5.00%	14.41%	4.13%	2.60%	True
<input type="checkbox"/>	IYR	iShares U.S. Real Estate ETF	84.45	-1.39%	12.62%	-1.67%	6.32%	10.09%	5.21%	14.23%	3.74%	2.40%	True
<input type="checkbox"/>	IGN	iShares North American Tech-Multimedia Networking E	60.00	0.25%	26.99%	8.58%	21.50%	18.09%	12.51%	13.56%	5.56%	3.19%	True
<input type="checkbox"/>	IHI	iShares U.S. Medical Devices ETF	214.24	-0.35%	7.22%	-5.92%	2.07%	2.96%	2.93%	12.54%	2.51%	1.09%	True
<input type="checkbox"/>	IYZ	iShares U.S. Telecommunications ETF	30.76	0.16%	16.70%	4.34%	10.97%	7.85%	11.09%	10.61%	3.34%	2.49%	True
<input type="checkbox"/>	SPY	S & P 500 Stock Index	2,905.40	0.01%	15.88%	3.74%	10.35%	5.43%	3.70%	8.81%	2.78%	2.08%	True
<input type="checkbox"/>	IYT	iShares Transportation Average ETF	197.79	0.11%	19.87%	9.40%	12.02%	5.39%	2.32%	4.00%	2.12%	1.29%	True
<input type="checkbox"/>	XHB	SPDR S&P Homebuilders ETF	40.83	-0.62%	25.52%	8.35%	17.75%	22.71%	-0.43%	3.41%	3.94%	2.10%	True
<input type="checkbox"/>	PBJ	Invesco Dynamic Food & Beverage ETF	33.43	-0.34%	12.67%	3.11%	6.94%	3.34%	-0.09%	3.24%	1.40%	1.56%	True
<input type="checkbox"/>	IAK	iShares U.S. Insurance Index Fund ETF	65.82	-0.53%	14.03%	4.57%	7.95%	5.87%	3.98%	0.87%	1.30%	1.24%	True
<input type="checkbox"/>	AML	ALPS Alerian MLP ETF	10.06	1.18%	15.18%	-0.02%	4.88%	-3.76%	-4.12%	0.38%	0.16%	0.09%	False
<input type="checkbox"/>	ITA	iShares U.S. Aerospace & Defense ETF	205.36	-0.15%	18.80%	5.70%	12.26%	1.80%	1.22%	0.34%	1.23%	0.91%	True
<input type="checkbox"/>	IBB	iShares Nasdaq Biotechnology ETF	104.41	-0.12%	8.19%	-3.48%	-3.96%	-4.75%	-11.71%	-0.52%	-0.81%	-0.55%	False
<input type="checkbox"/>	ITB	iShares U.S. Home Construction Index Fund ETF	38.03	-0.70%	26.56%	10.58%	18.96%	27.19%	-3.28%	-1.14%	3.65%	1.72%	True
<input type="checkbox"/>	IHE	iShares U.S. Pharmaceuticals ETF	144.69	-0.53%	2.78%	-5.11%	-0.83%	-8.99%	-8.18%	-1.75%	-1.11%	-0.73%	False
<input type="checkbox"/>	PEJ	PowerShares Dynamic Leisure & Entertainment Portfoli	44.4811	-0.82%	11.76%	6.30%	6.77%	2.27%	-7.47%	-2.33%	0.37%	0.44%	True
<input type="checkbox"/>	JETS	US Global Jets ETF	30.901	-0.96%	10.84%	8.96%	6.23%	3.18%	1.18%	-2.70%	0.33%	0.55%	True
<input type="checkbox"/>	PKB	PowerShares Dynamic Build & Construction ETF	29.2272	-0.52%	22.91%	8.71%	16.34%	12.59%	-5.93%	-4.83%	1.61%	0.93%	True
<input type="checkbox"/>	IHF	iShares U.S. Healthcare Providers ETF	154.09	0.06%	-6.72%	-9.67%	-11.82%	-19.89%	-15.27%	-6.17%	-3.67%	-1.95%	False
<input type="checkbox"/>	IAI	iShares U.S. Broker-Dealers & Security Exchanges ETF	62.76	-0.57%	11.94%	8.83%	3.44%	4.01%	-5.21%	-6.45%	-0.45%	0.06%	True
<input type="checkbox"/>	GDX	VanEck Vectors Gold Miners ETF	21.09	-1.19%	0.02%	-7.42%	3.13%	6.19%	-3.17%	-7.13%	-0.41%	0.10%	True
<input type="checkbox"/>	IAT	iShares U.S. Regional Banks Index Fund ETF	46.26	0.11%	16.06%	9.72%	2.87%	3.17%	-8.50%	-8.09%	-0.84%	-0.09%	False
<input type="checkbox"/>	KBE	SPDR S&P Bank ETF	44.03	-0.27%	17.80%	9.01%	4.24%	4.53%	-9.57%	-8.35%	-0.66%	0.02%	False
<input type="checkbox"/>	IEO	iShares U.S. Oil & Gas Exploration & Production ETF	62.70	2.57%	21.46%	9.44%	9.31%	-9.78%	-14.78%	-10.59%	-1.81%	-0.30%	False
<input type="checkbox"/>	XOP	SPDR S&P Oil & Gas Exploration & Production ETF	32.90	3.41%	24.07%	9.45%	8.62%	-16.41%	-22.59%	-15.34%	-3.21%	-0.50%	False
<input type="checkbox"/>	BJK	VanEck Vectors Gaming ETF	39.25	0.10%	18.85%	8.27%	9.85%	4.89%	-14.94%	-17.59%	-1.70%	-0.08%	True
<input type="checkbox"/>	SLX	VanEck Vectors Steel ETF	39.88	-0.97%	14.47%	2.73%	5.79%	-9.05%	-13.38%	-18.99%	-3.44%	-0.78%	False
<input type="checkbox"/>	OIH	VanEck Vectors Oil Services ETF	18.48	2.63%	31.86%	9.04%	10.81%	-19.04%	-27.46%	-31.14%	-5.88%	-0.64%	False



Ratio Charts

iShares North American Tech-Software ETF - IGV (AMEX) - 1 Day Bar Chart - USD - No Layout --- Data from IQFeed

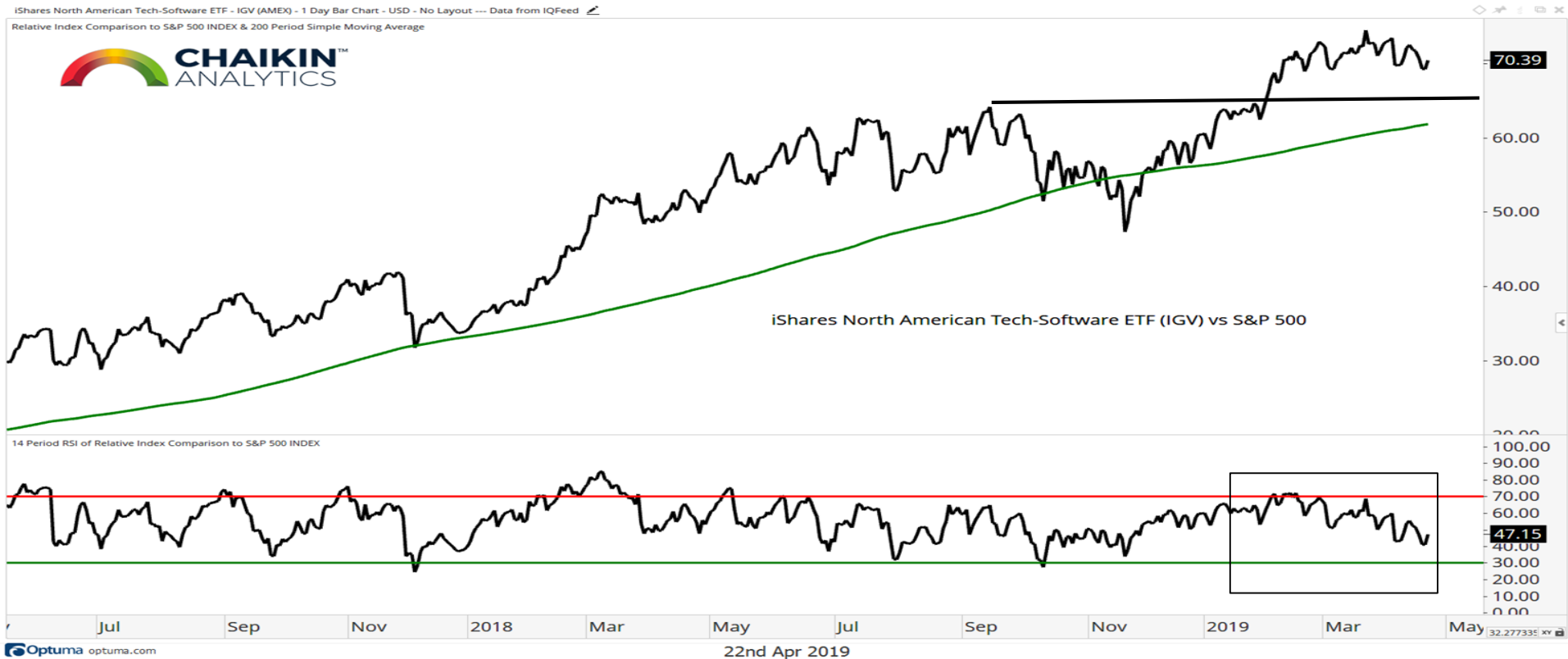
Relative Index Comparison to S&P 500 INDEX



iShares North American Tech-Software ETF (IGV) vs S&P 500



Ratio Charts

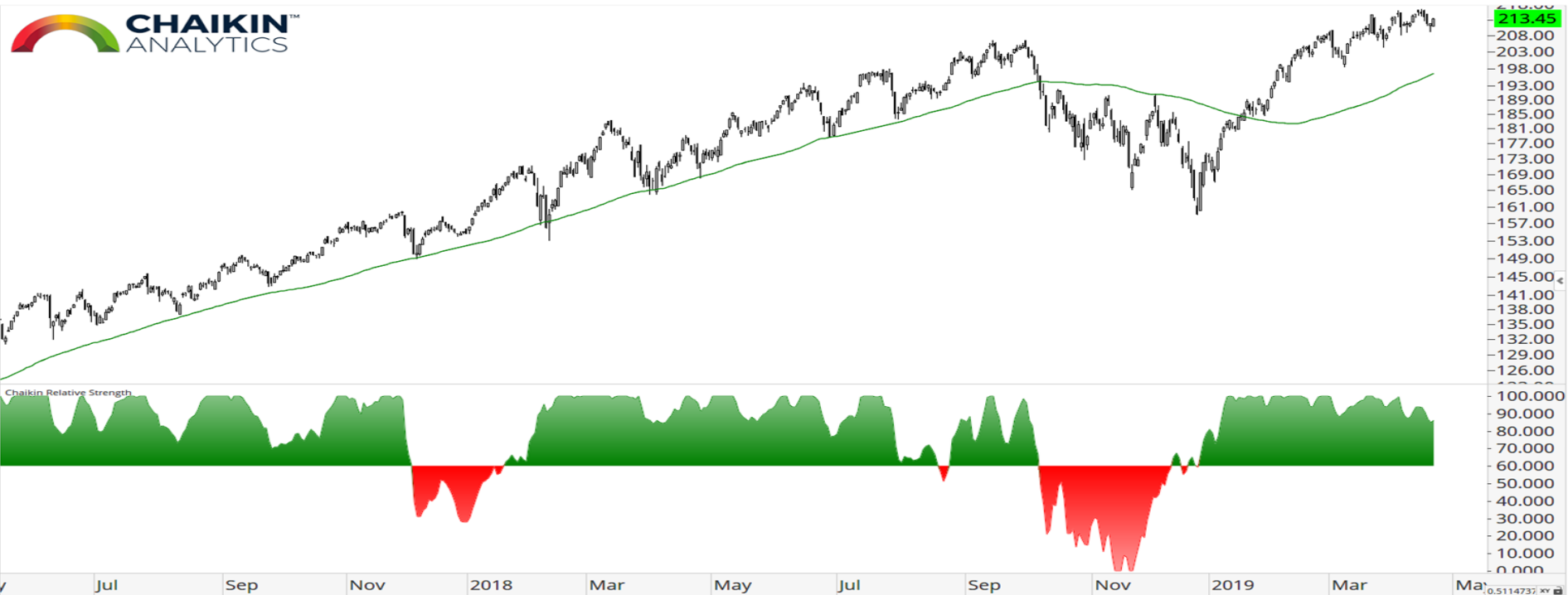


Relative Strength as an Oscillator

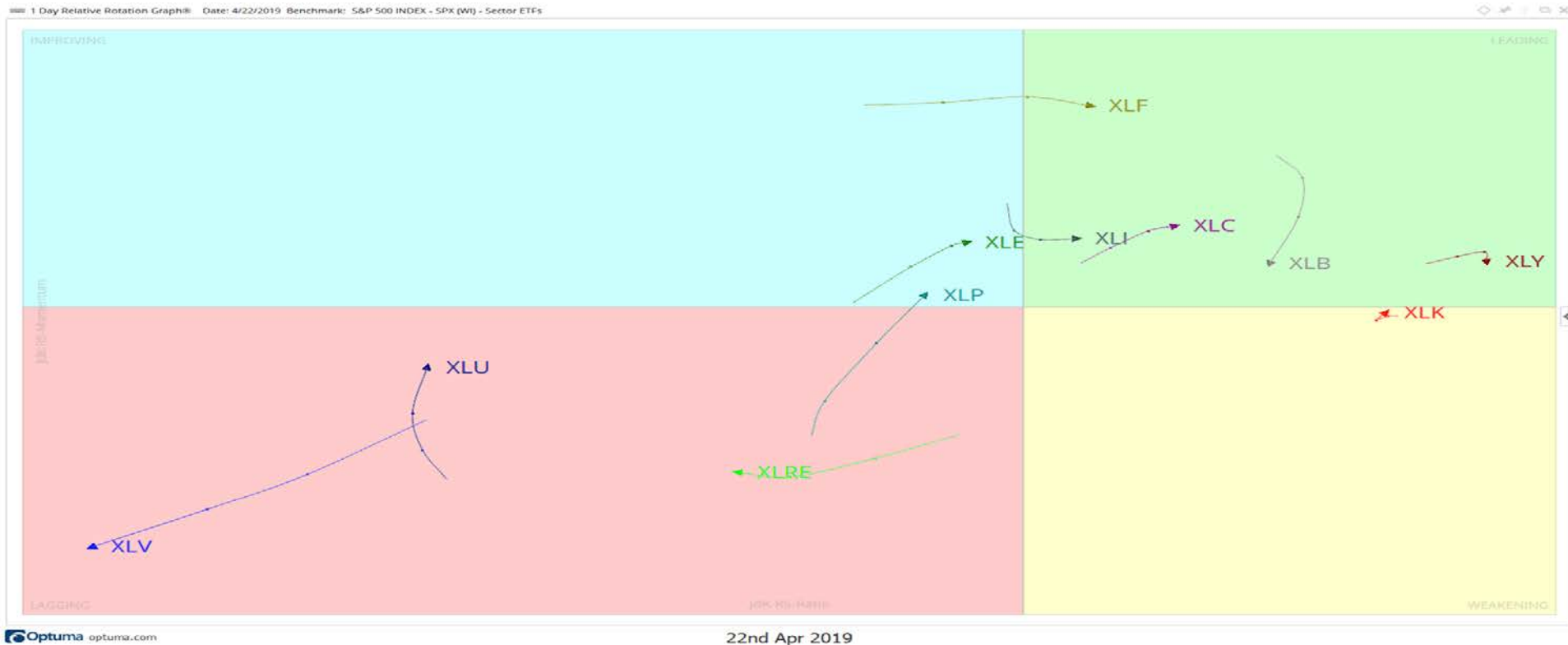
iShares North American Tech-Software ETF - IGV (AMEX) - 1 Day CandleStick Chart - USD - No Layout --- Data from IQFeed

Change (%): 0.75%

iShares North American Tech-Software ETF



Relative Rotation Graph (RRG)





Relative Strength for Asset Allocation

	Code	Name	Last	Change (%)	YTD	1 Month	3 Month	6 Month	9 Month	12 Month ▼	Average (3, 6 & 12)	ETF Momentum	Above 200 DMA
<input type="checkbox"/>	SPY	SPDR S&P 500 ETF	290.11	0.03%	16.07%	3.89%	10.37%	5.49%	3.73%	8.81%	2.79%	2.09%	True
<input type="checkbox"/>	IWV	iShares Russell 3000 ETF	170.87	-0.03%	16.34%	3.86%	10.22%	5.39%	2.46%	7.94%	2.62%	1.88%	True
<input type="checkbox"/>	AGG	iShares Core U.S. Aggregate Bond ETF	108.11	-0.07%	1.52%	-0.47%	1.57%	3.60%	1.73%	1.99%	0.76%	2.28%	True
<input type="checkbox"/>	SHY	iShares Barclays 1-3 Year Treasury Bond Fund ETF	83.9000	0.01%	0.34%	-0.15%	0.35%	1.17%	0.78%	0.77%	0.25%	2.10%	True
<input type="checkbox"/>	ACWX	iShares MSCI ACWI ex US Index Fund ETF	47.59	-0.17%	13.42%	3.84%	8.88%	6.70%	-0.85%	-5.26%	0.42%	0.70%	True
<input type="checkbox"/>	DBC	Invesco DB Commodity Index Tracking ETF	16.31	0.62%	12.56%	2.32%	5.57%	-8.22%	-3.72%	-6.64%	-1.33%	-0.51%	False

Data From Optuma



Relative Strength for Asset Allocation

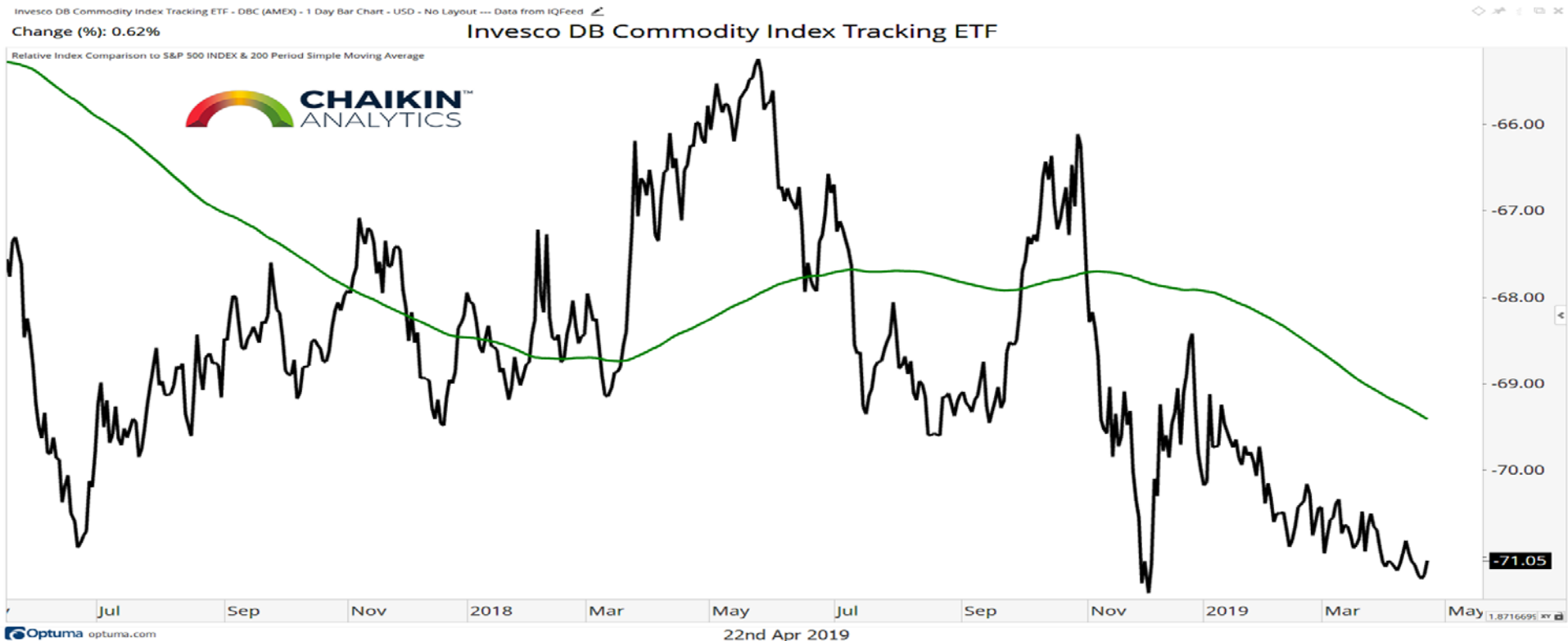
iShares Core U.S. Aggregate Bond ETF - AGG (AMEX) - 1 Day Bar Chart - USD - No Layout --- Data from IQFeed

Change (%): -0.08%

iShares Core U.S. Aggregate Bond ETF



Relative Strength for Asset Allocation





Stocks Are Leading, Now What? Sector Work

	Code	Name	Last	Change (%)	YTD	1 Month	3 Month	6 Month	12 Month ▼	Average (3, 6 & 12)	ETF Momentum	Above 200 DMA
<input type="checkbox"/>	XLK	SPDR Technology Select Sector Fund ETF	77.94	0.15%	25.77%	6.30%	21.31%	10.41%	17.72%	5.60%	2.87%	True
<input type="checkbox"/>	XLRE	SPDR Real Estate Select Sector Fund ETF	34.98	-1.55%	12.84%	-2.29%	7.30%	11.51%	15.75%	4.19%	2.42%	True
<input type="checkbox"/>	XLY	SPDR Consumer Discretionary Select Sector Fund ETF	119.16	-0.09%	20.38%	6.71%	13.26%	11.60%	15.71%	4.69%	2.87%	True
<input type="checkbox"/>	XLU	SPDR Utilities Select Sector Fund ETF	57.15	-0.25%	7.98%	-2.30%	7.33%	5.39%	13.61%	3.33%	1.90%	True
<input type="checkbox"/>	XLP	SPDR Consumer Staples Select Sector Fund ETF	56.89	0.04%	12.01%	3.29%	9.47%	4.81%	12.68%	3.30%	2.34%	True
<input type="checkbox"/>	SPY	SPDR S&P 500 ETF	290.15	0.04%	16.11%	3.90%	10.38%	5.51%	8.83%	2.80%	2.09%	True
<input type="checkbox"/>	XLV	SPDR Health Care Select Sector Fund ETF	85.71	-0.24%	-0.89%	-5.42%	-4.19%	-5.56%	4.41%	-0.08%	-0.42%	False
<input type="checkbox"/>	XLI	SPDR Industrial Select Sector Fund ETF	78.12	-0.25%	21.28%	7.08%	13.64%	7.11%	3.33%	2.28%	1.58%	True
<input type="checkbox"/>	XLC	SPDR Communication Services Select Sector ETF	49.22	0.13%	19.23%	4.78%	11.75%	5.41%	1.00%	1.60%	0.00%	True
<input type="checkbox"/>	XLF	SPDR Financial Select Sector Fund ETF	27.31	-0.11%	14.61%	7.75%	6.25%	4.62%	-2.06%	0.56%	0.61%	True
<input type="checkbox"/>	XLB	SPDR Materials Select Sector Fund ETF	57.57	-0.43%	13.95%	5.96%	9.10%	9.28%	-2.42%	1.13%	0.99%	True
<input type="checkbox"/>	XLE	SPDR Energy Select Sector Fund ETF	68.59	2.08%	19.58%	4.77%	9.83%	-3.04%	-6.43%	-0.50%	0.01%	True

Data From Optuma

Analysis of the Technology Sector

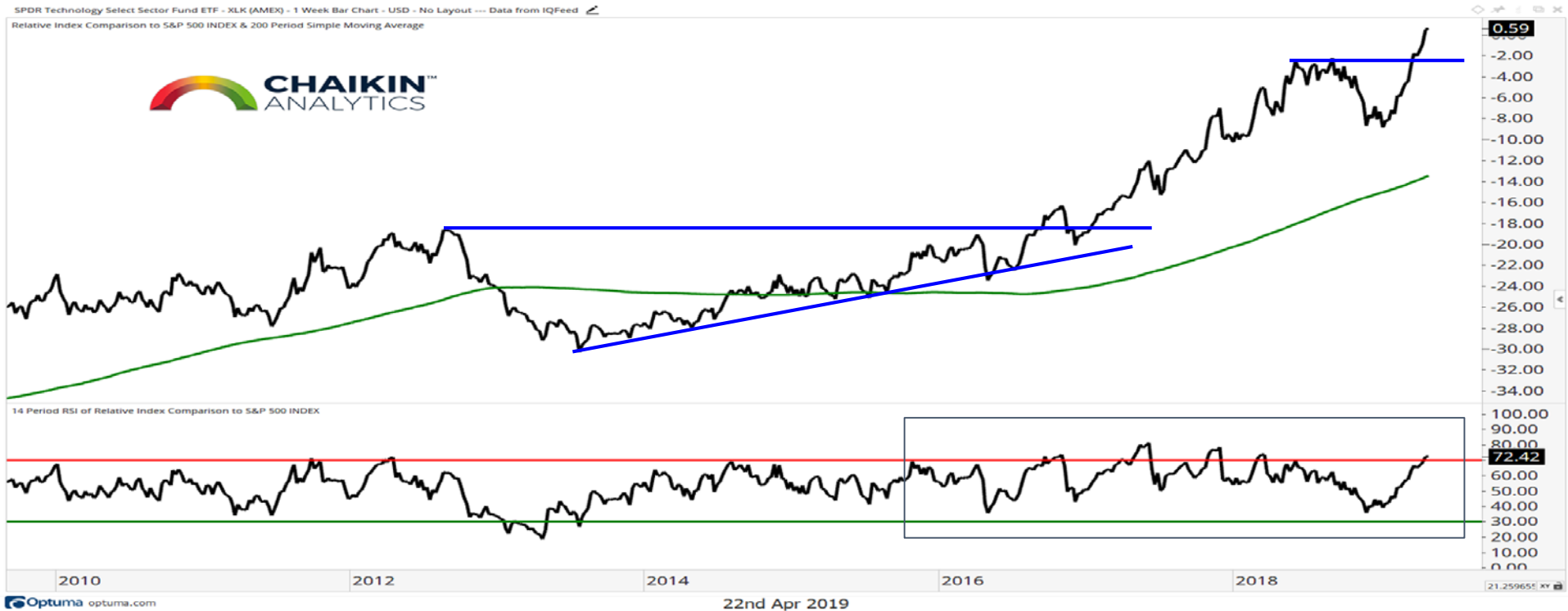


Chart Source: Optuma



Analysis of the Energy Sector





Stock Selection: Fundamentals and Technicals

Look For Leading Stocks in Leading Sectors

20-Factor Model

It is unbiased. It is unemotional.

Financials:

LT Debt to Equity:



Price to Book:



Return on Equity:



Price to Sales:



Free Cash Flow:



Earnings:

Earnings Growth:



Earnings Surprise:



Earnings Trend:



Projected P/E:



Earnings Consistency:



Technicals:

Rel Strength vs Market:



Chaikin Money Flow:



Price Strength:



Price Trend ROC:



Volume Trend:



Experts:

Estimate Trend:



Short Interest:



Insider Activity:



Analyst Rating Trend:



Industry Rel Strength:





Buy the Dip: Cadence Design - CDNS



Buy the Dip: Cadence Design - CDNS

Cadence Design Systems Inc - CDNS (NASDAQ) - 1 Day CandleStick Chart - USD - No Layout --- Data from IQFeed

Change (%): 0.86%

Cadence Design Systems Inc





Fade the Rally: Halliburton Co - HAL



Fade the Rally: Halliburton Co - HAL



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