

WORTH CHARTING REPORT

May 16, 2022

Short Consumer Staples / Long Consumer Discretionary

- A simple, highly liquid “Pair Trade” for your consideration.
- Consumer Staples’ relative performance to the market the past several weeks (outperformance) is extreme, by our work.
- Consumer Discretionary’s relative performance to the market the past several weeks (underperformance) is extreme, by our work.
- Our thinking here is to be short the SPDR Consumer Staples Select Sector SPDR Fund (XLP) and to be long the SPDR Discretionary Select Sector SPDR Fund (XLY).
- The first batch of relative charts (pages 3-8) juxtaposes the two Sectors as constructed by Standard & Poor’s (i.e., market-cap weighted) while the second batch of relative charts compares the Equal Weight Consumer Staples Sector to the Equal Weight Consumer Discretionary Sector (pages 10-13).
- The second batch of charts “solves” for the fact that the top 4 Consumer Staples stocks account for the 46% of the Sector while the top 4 Consumer Discretionary stocks account for 49% of the Sector.
- Equal weight or actual weight, the intermediate performance spread between the two Sector is judged to be extreme, with mean reversion likely in the period immediately ahead.

Trade well,

-Carter

Carter Braxton Worth

Kimberly Simon

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First Batch of Relative Charts – Actual Weight

Source: Worth Charting, Bloomberg, FactSet

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Chart 1 of 6:

Ratio chart: Consumer Discretionary / Consumer Staples

S&P 500 GICS Consumer Discretionary Sector's Relative Performance to S&P 500 GICS Consumer Staples Sector... with 150-day moving average



Source: Worth Charting, Bloomberg, FactSet

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Chart 2 of 6:

Ratio chart: Consumer Discretionary / Consumer Staples.

The RS line is now **25.1%** below the 150-day moving average- a more extreme reading than at the Covid Lows..

S&P 500 GICS Consumer Discretionary Sector's Relative Performance to S&P 500 GICS Consumer Staples Sector... with 150-day moving average



Source: Worth Charting, Bloomberg, FactSet

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Chart 3 of 6:

Ratio chart: Consumer Discretionary / Consumer Staples.

15-Year Chart...

**S&P 500 GICS Consumer Discretionary Sector's
Relative Performance to
S&P 500 GICS Consumer Staples Sector... with 150-day moving average**



Source: Worth Charting, Bloomberg, FactSet

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Chart 4 of 6:

Ratio chart: Consumer Discretionary / Consumer Staples.

The RS line is now **25.1%** below the 150-day moving average- a more extreme reading than the Covid Lows and almost as extreme a reading as the **-27.79%** at the Financial Crisis low...

S&P 500 GICS Consumer Discretionary Sector's Relative Performance to S&P 500 GICS Consumer Staples Sector... with 150-day moving average



Source: Worth Charting, Bloomberg, FactSet

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Chart 5 of 6:

Ratio chart: Consumer Discretionary / Consumer Staples

15-Year Chart... with **trendline**

S&P 500 GICS Consumer Discretionary Sector's Relative Performance to S&P 500 GICS Consumer Staples Sector... with 150-day moving average



Source: Worth Charting, Bloomberg, FactSet

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Chart 6 of 6:

Ratio chart: Consumer Discretionary / Consumer Staples

15-Year Chart... with **trendline** and **arrows** drawn (reflecting what we think happens from here in the days/weeks ahead (read: we think the RS line mean reverts a bit))

S&P 500 GICS Consumer Discretionary Sector's Relative Performance to S&P 500 GICS Consumer Staples Sector... with 150-day moving average



Source: Worth Charting, Bloomberg, FactSet

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Second Batch of Relative Charts – Equal Weight

Source: Worth Charting, Bloomberg, FactSet

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Chart 1 of 4:

Ratio chart: Consumer Discretionary / Consumer Staples

S&P 500 GICS Equal Weight Consumer Discretionary Sector's Relative Performance to S&P 500 GICS Equal Weight Consumer Staples Sector



Source: Worth Charting, Bloomberg, FactSet

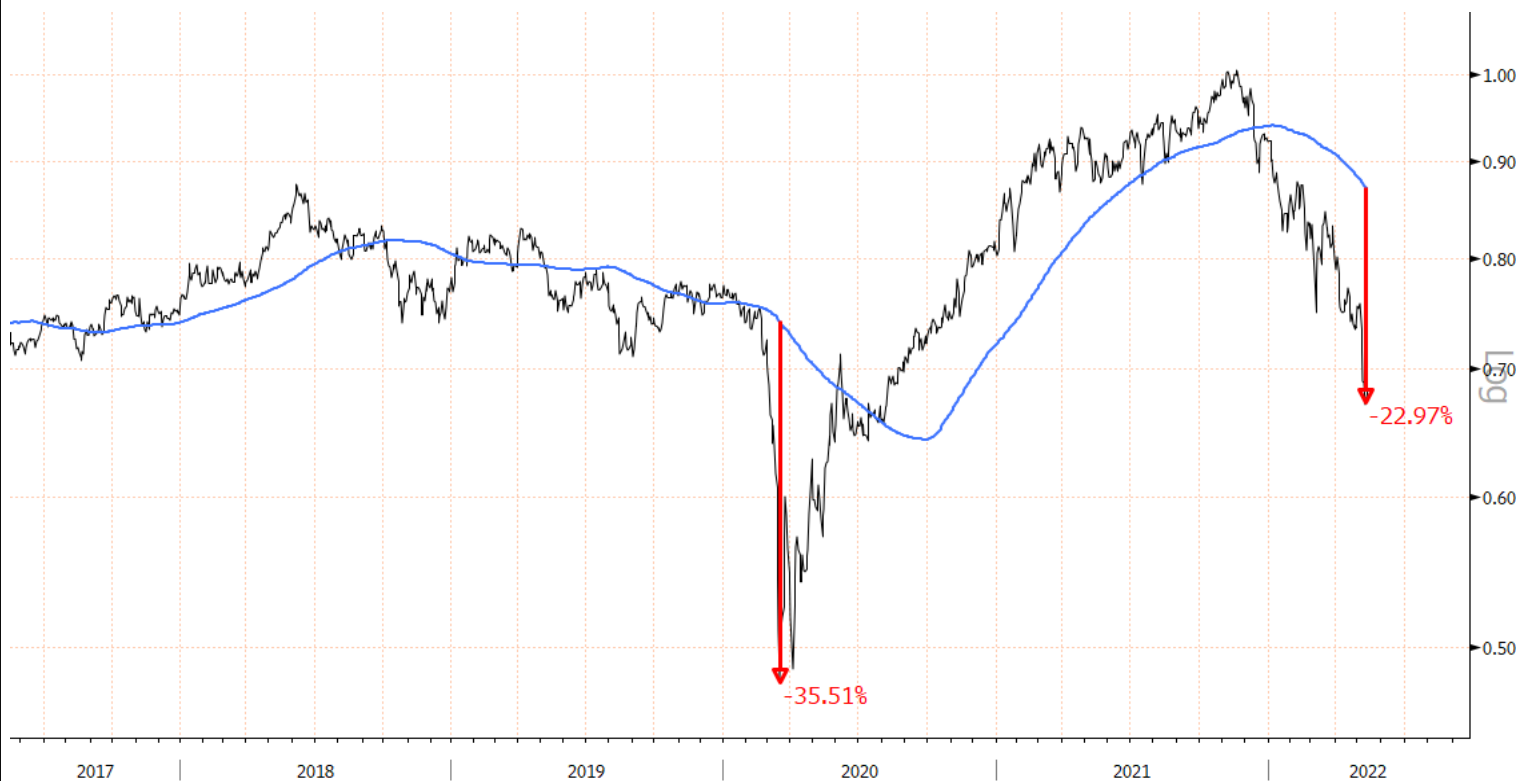
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Chart 2 of 4:

Ratio chart: Consumer Discretionary / Consumer Staples.

The RS line is now **23%** below the 150-day moving average ...

S&P 500 GICS Equal Weight Consumer Discretionary Sector's Relative Performance to S&P 500 GICS Equal Weight Consumer Staples Sector



Source: Worth Charting, Bloomberg, FactSet

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Chart 3 of 4:

Ratio chart: Consumer Discretionary / Consumer Staples

All-data Chart...

S&P 500 GICS Equal Weight Consumer Discretionary Sector's Relative Performance to S&P 500 GICS Equal Weight Consumer Staples Sector



Source: Worth Charting, Bloomberg, FactSet

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Chart 4 of 4:

Ratio chart: Consumer Discretionary / Consumer Staples

All-data Chart: our thinking here is to play for mean reversion, a trade, regardless of one's longer-term view of the market, of "growth vs value", of offense vs defense or inflation or rates or GDP or recession or expansion or Oil or war...

S&P 500 GICS Equal Weight Consumer Discretionary Sector's Relative Performance to S&P 500 GICS Equal Weight Consumer Staples Sector



Source: Worth Charting, Bloomberg, FactSet



Source: Worth Charting, Bloomberg, FactSet

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Source: Worth Charting, Bloomberg, FactSet