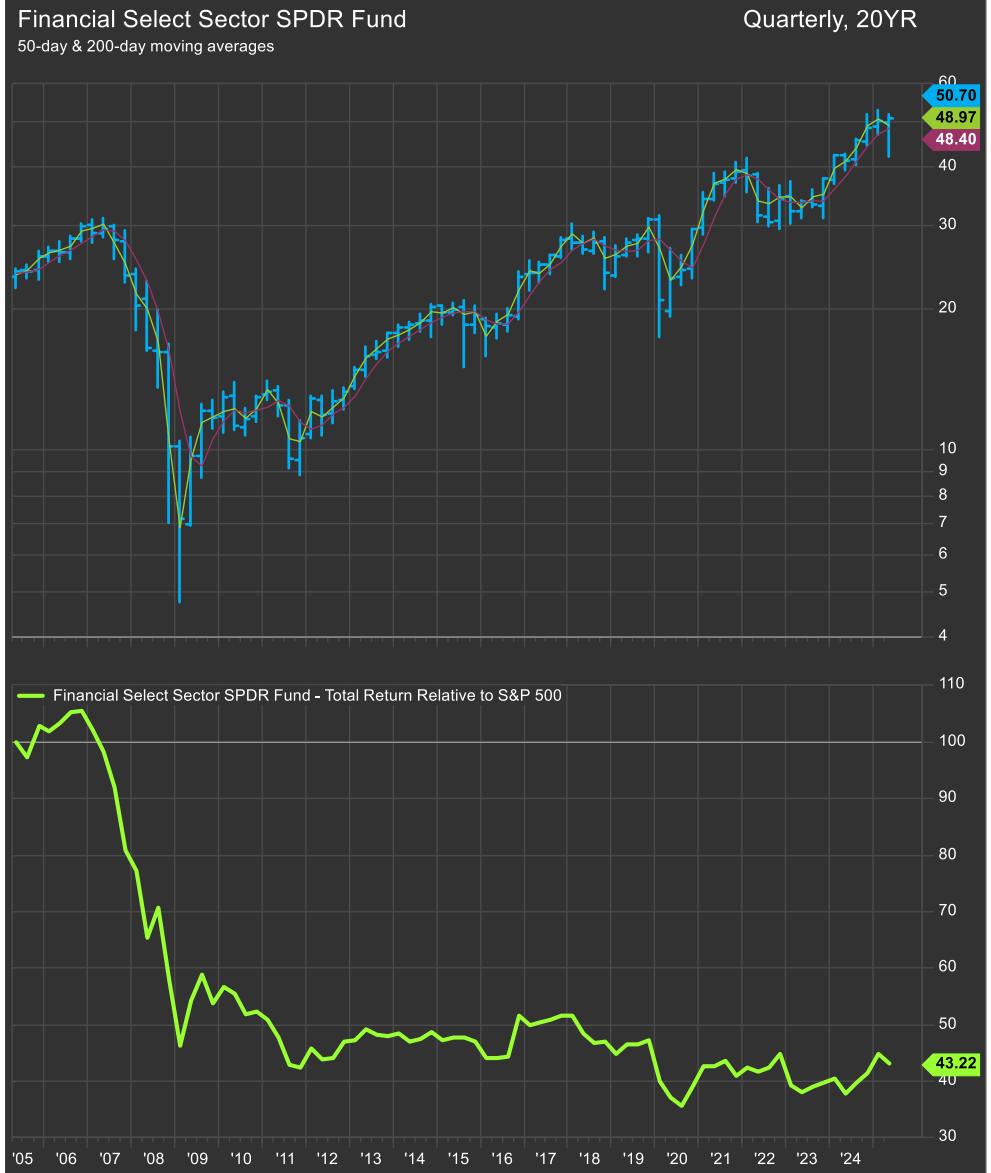


ETFSector.com

Research Study: Intermediate-term Momentum Financial Sector

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Momentum Indicator Study Details



ETFSector.com Intermediate-term Momentum Indicator

Construction:

- Indicator Value = (1M (Trailing) Excess Total Returns * 0.2) + (3M Excess Total Returns * 0.5) + 6M Excess Total Returns * 0.3)
- Binning Values by groups of 5
- Averaging coincident 1, 3, 6 and 12-month coincident excess total return vs. reference security by bin

Study Securities:

- Sector Proxy: XLF
- Reference Security: SPY

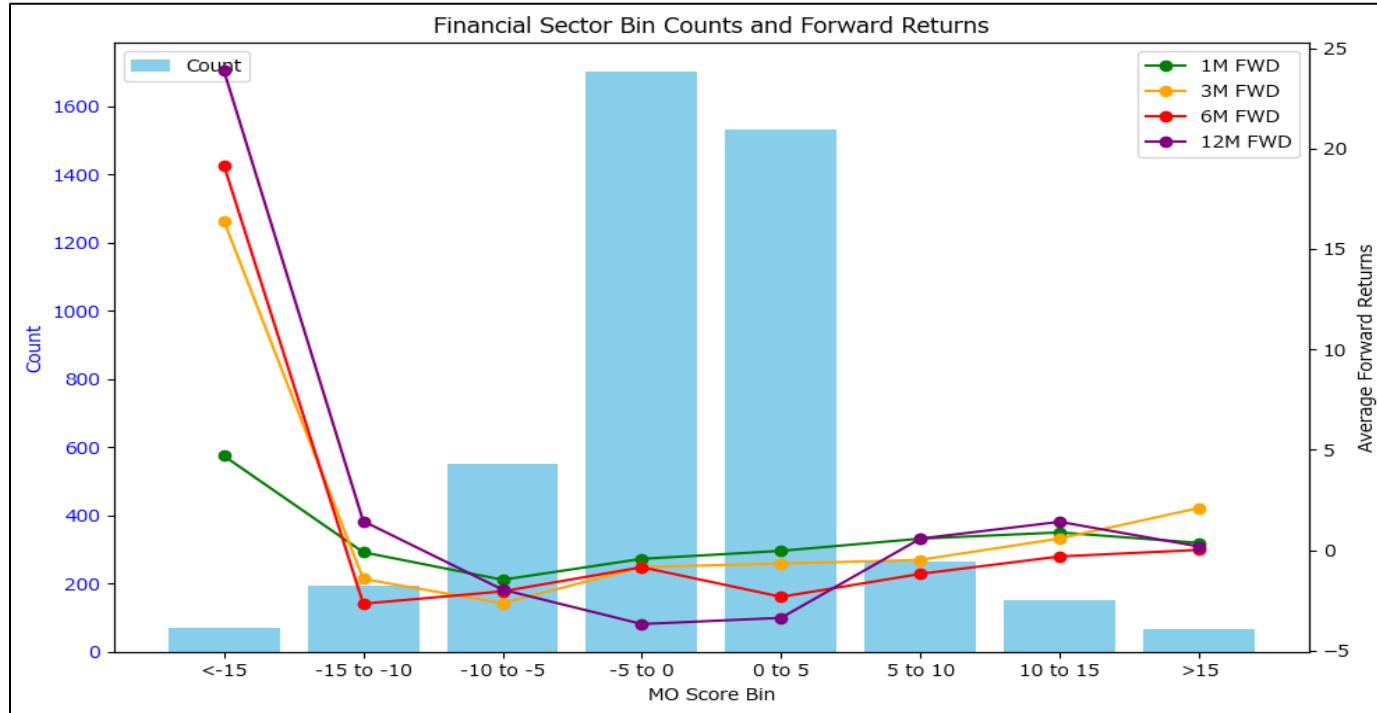
Look Back Period:

- 20 years (Chart)

Objective:

- Insight into the behavior of sector level momentum using a momentum calculation that emphasizes 3-month excess returns
- Identifying historical levels that coincided with positive excess returns

Momentum Indicator Study: Notable Results

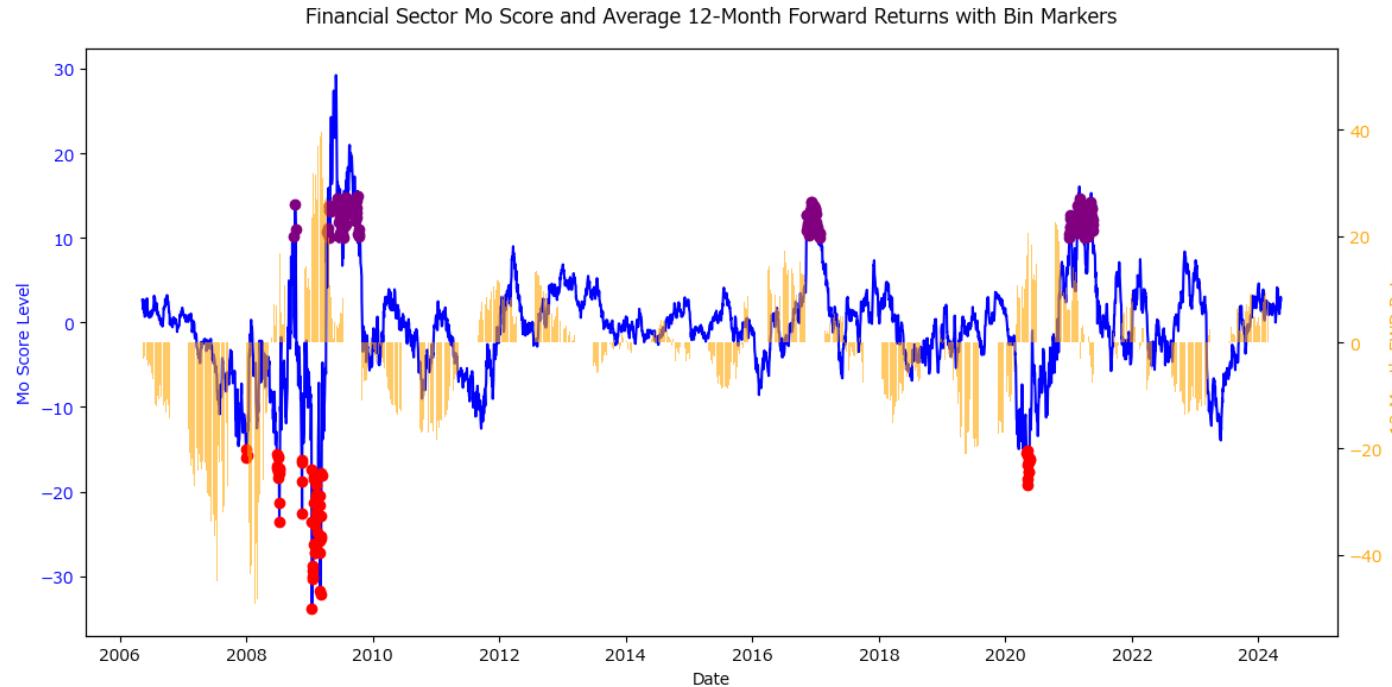


Bin	Observations	Avg_1_Month_FWD	Avg_3_Month_FWD	Avg_6_Month_FWD	Avg_12_Month_FWD
<-15	69	4.692028328	16.40281288	19.1695666	23.87595502
<-10 >-15	193	-0.106917972	-1.437413936	-2.669069013	1.443825637
<-5 >-10	551	-1.475463481	-2.644195633	-2.055126448	-1.965682312
<0 >-5	1700	-0.434686124	-0.843547481	-0.849818661	-3.681334894
<5 >0	1533	-0.036271875	-0.670633093	-2.325578322	-3.373079954
<10 >5	264	0.570937246	-0.485893714	-1.184367101	0.574646504
<15 >10	152	0.880996137	0.578321879	-0.31624931	1.409183363
>15	68	0.358296935	2.097908078	0.011154643	0.179916563

Key Takeaways:

- Over the 20yr study period extreme low momentum scores corresponded with the highest excess returns at the sector level
- The highest Mo scores also had a slightly positive bias
- The data is skewed by observations during the Global Financial Crisis which accounts for most of the positive and negative excess returns in the study
- Based on this research the Financial Sector is on a sell signal with a momentum score of -1.17, the momentum series studied dropped below 5 on May 1, 2025**

Momentum Indicator Study: Insights & Strategy Tips



Insights on the Research:

- **Values > 10** (chart) coincided with above average forward returns over 1, 3, 6 and 12 month periods
- **Values < -15** (chart, top right) coincided with the highest excess forward returns over 1, 3, 6 and 12-month periods
- Both Signals have been episodic with the extreme negative values occurring exclusively during the pandemic drawdown and the 2008 Global Financial Crisis
- Unlike commodities adjacent sectors like Energy, Materials and Industrials, Financials have been marked by episodic periods of massive price instability with longer interludes of stability
- Financials generate their most alpha on reflation from steep drawdowns, and that reflation typically plays out over a longer duration than we see with other cyclical sectors