

The industrial products and basic materials sectors have fallen out of the top 5 in our sector attractiveness rankings. The two sectors moving up in their place are the utilities and transportation sectors. At the bottom end, the consumer staples and aerospace sectors have broken out of the bottom 5 as the energy and technology sectors have fallen into this bottom group. An underlying theme that could be emerging here and warrants watching is a rotation to a defensive orientation at the expense of the more cyclical sectors.

**Table 1 – Current Sector Rankings and Changed from Last Report (as of January 12, 2018)**

	<b>PREVIOUS INTEGRATED RANK</b>	<b>CURRENT INTEGRATED RANK</b>	<b>CHANGE IN RANK</b>
FINANCE	<b>2</b>	<b>1</b>	1
CONSTRUCTION	<b>3</b>	<b>2</b>	1
CONGLOMERATES	<b>1</b>	<b>3</b>	-2
UTILITIES	<b>6</b>	<b>4</b>	2
TRANSPORTATION	<b>8</b>	<b>5</b>	3
CONSUMER STAPLES	<b>15</b>	<b>6</b>	9
INDUSTRIAL PRODUCTS	<b>4</b>	<b>7</b>	-3
AEROSPACE	<b>14</b>	<b>8</b>	6
AUTO-TIRES-TRUCKS	<b>7</b>	<b>9</b>	-2
BASIC MATERIALS	<b>5</b>	<b>10</b>	-5
CONSUMER DISCRETIONARY	<b>13</b>	<b>11</b>	2
RETAIL-WHOLESALE	<b>12</b>	<b>12</b>	0
BUSINESS SERVICES	<b>11</b>	<b>13</b>	-2
OILS-ENERGY	<b>9</b>	<b>14</b>	-5
COMPUTER AND TECHNOLOGY	<b>10</b>	<b>15</b>	-5
MEDICAL	<b>16</b>	<b>16</b>	0

**Table 2 – Current Sector Rankings with Rankings for Absolute-Scale & Relative-Scale Metrics**

SECTOR	CURRENT INTEGRATED RANK	ABSOLUTE-SCALE METRICS		RELATIVE-SCALE METRICS			
		Technical Outlook RANK	Fundamental Outlook RANK	CURRENT RELATIVE SCALE RANK	VALUATION RANK	TECHNICAL RANK	CATALYTIC RANK
FINANCE	1	2	2	1	8	2	1
CONSTRUCTION	2	5	3	7	10	16	3
CONGLOMERATES	3	4	1	15	14	5	12
UTILITIES	4	1	15	5	2	1	16
TRANSPORTATION	5	10	9	4	4	14	2
CONSUMER STAPLES	6	3	6	6	5	3	7
INDUSTRIAL PRODUCTS	7	7	11	14	12	8	8
AEROSPACE	8	16	5	9	16	11	6
AUTO-TIRES-TRUCKS	9	13	8	8	1	10	10
BASIC MATERIALS	10	15	4	10	7	12	9
CONSUMER DISCRETIONARY	11	9	12	11	9	6	11
RETAIL-WHOLESALE	12	12	10	2	3	9	4
BUSINESS SERVICES	13	6	14	13	11	15	13
OILS-ENERGY	14	14	7	3	6	13	5
COMPUTER AND TECHNOLOGY	15	11	13	16	13	7	15
MEDICAL	16	8	16	12	15	4	14

**Table 3 – Historical Sector Rankings (last 12 months)**

SECTOR	Current Sector Rank 01/12/2018	NOV 2017	OCT 2017	SEP 2017	AUG 2017	JUL 2017	JUN 2017	MAY 2017	APR 2017	MAR 2017	FEB 2017	JAN 2017	DEC 2016	AVG HST RANK
FINANCE	1	12	10	4	1	3	2	7	3	2	3	3	3	4.4
CONSTRUCTION	2	7	6	6	7	2	3	6	5	3	4	14	9	6.0
CONGLOMERATES	3	1	7	15	10	14	1	1	16	13	16	16	16	10.5
UTILITIES	4	8	8	8	8	10	15	16	9	8	14	10	15	10.8
TRANSPORTATION	5	14	14	13	12	4	12	12	10	15	13	13	14	12.2
CONSUMER STAPLES	6	15	15	11	15	11	14	9	11	6	11	15	13	12.2
INDUSTRIAL PRODUCTS	7	2	5	3	4	5	4	4	2	5	2	6	5	3.9
AEROSPACE	8	11	16	5	2	1	9	13	14	7	5	8	4	7.9
AUTO-TIRES-TRUCKS	9	6	1	9	6	6	10	2	6	12	10	9	7	7.0
BASIC MATERIALS	10	4	4	12	16	15	16	11	4	4	6	5	2	8.3
CONSUMER DISCRETIONARY	11	10	2	1	3	9	8	5	15	14	9	12	11	8.3
RETAIL-WHOLESALE	12	16	11	14	13	13	13	14	13	9	7	4	12	11.6
BUSINESS SERVICES	13	9	13	10	9	7	5	8	7	11	8	2	10	8.3
OILS-ENERGY	14	5	12	16	11	16	7	3	1	1	1	1	1	6.3
COMPUTER AND TECHNOLOGY	15	3	3	2	5	8	6	10	8	10	12	7	6	6.7
MEDICAL	16	13	9	7	14	12	11	15	12	16	15	11	8	11.9

Table 4 – Highlighted Names from Most and Least Attractive Sectors (January 12, 2018)

Most Attractive Names from the Most Attractive Sectors			Least Attractive Names from the Least Attractive Sectors		
Polaris All-Cap Core Universe			Polaris All-Cap Core Universe		
	Company	Ticker		Company	Ticker
	<b><u>FINANCE</u></b>			<b><u>MEDICAL</u></b>	
1	Genworth Finl	GNW	1	Qiagen Nv	QGEN
2	Assurant Inc	AIZ	2	Integra Lifesci	IART
3	Validus Holding	VR	3	Alder Biopharma	ALDR
	<b><u>CONSTRUCTION</u></b>			<b><u>COMPUTER AND TECHNOLOGY</u></b>	
1	William Lyon Hm	WLH	1	Zillow Group	ZG
2	Rpm Intl Inc	RPM	2	Symantec Corp	SYMC
3	Nci Bldg System	NCS	3	Itron Inc	ITRI
	<b><u>CONGLOMERATES</u></b>			<b><u>OILS-ENERGY</u></b>	
1	Utd Techs Corp	UTX	1	Superior Energy	SPN
2	3M Co	MMM	2	Weatherford Int	WFT
3	Itt Inc	ITT	3	Targa Resources	TRGP
	<b><u>UTILITIES</u></b>			<b><u>BUSINESS SERVICES</u></b>	
1	Ppl Corp	PPL	1	Steelcase Inc	SCS
2	Pattern Energy	PEGI	2	Ritchie Bros	RBA
3	Nisource Inc	NI	3	Omnicom Grp	OMC
	<b><u>TRANSPORTATION</u></b>			<b><u>RETAIL-WHOLESALE</u></b>	
1	Hawaiian Hldgs	HA	1	Advance Auto Pt	AAP
2	Delta Air Lines	DAL	2	Cheesecake Fact	CAKE
3	Amer Airlines	AAL	3	Travelport Wwd	TVPT

Sturdivant & Co. conducts bottom-up fundamental analysis for a wide range of large and small cap US equities. The sector rankings reported herein reflect a top-down view of our bottom-up analysis of over 2,000 stocks. Utilizing the flexibility of Polaris, our proprietary equity guidance system, we are able to provide timely market intelligence to support stock selection, sector allocation and style rotation decisions. The structure of Polaris is based on the belief that the principal determinants of stock price behavior are 1) valuation, 2) technical, and 3) catalytic properties. Historical performance of our ranking system shows that it has been effective at providing guidance that supports consistent benchmark outperformance (though historical results are no guarantee of future performance). Working closely with each client, the output from Polaris is customized in accordance with the client's organizational structure and their specific investment universe or focus list. Our goal at Sturdivant & Co is to provide differentiated research that is truly client-centered. We accomplish this by providing customized analysis that is singularly focused on investment performance. To learn more about how we can support your team please contact us.

**Brian T. Hannon, CFA**

**Sr. VP & Director of Equity Research**

**Sturdivant & Co., Inc.**

**(856) 433-6126**

**bhannon@sturdivant-co.com**

## **DISCLOSURES AND DEFINITIONS**

Sturdivant & Co. and its employees, officers, and members deal as principal in transactions involving the securities referred to herein (or options or other instruments related thereto), including in transactions which may be contrary to any recommendations contained herein. This publication does not constitute an offer to sell or solicitation to buy of any transaction in any securities referred to herein. Any recommendation contained herein may not be suitable for all investors. Although the information contained in the subject report (not including disclosures contained herein) has been obtained from sources we believe to be reliable, the accuracy and completeness of such information and the opinions expressed herein cannot be guaranteed. This publication and any recommendation contained herein speak only as of the date hereof and are subject to change without notice. Sturdivant & Co. and its employees shall have no obligation to update or amend any information or opinion contained herein. This publication is being furnished to you for informational purposes only and on the condition that it will not form the sole basis for any investment decision. Each investor must make their own determination of the appropriateness of an investment in any securities referred to herein based on the tax, or other considerations applicable to such investor and its own investment strategy. By virtue of this publication, neither Sturdivant & Co. nor any of its employees shall be responsible for any investment decision. This report may not be reproduced, distributed, or published without the prior consent of Sturdivant & Co. All rights reserved by Sturdivant & Co. This report may discuss numerous securities, some of which may not be qualified for sale in certain states and may therefore not be offered to investors in such states. This document should not be construed as providing investment services. Investing in non-U.S. securities including ADRs involves significant risks such as fluctuation of exchange rates that may have adverse effects on the value or price of income derived from the security. Securities of some foreign companies may be less liquid and prices more volatile than securities of U.S. companies. Securities of non-U.S. issuers may not be registered with or subject to Securities and Exchange Commission reporting requirements; therefore, information regarding such issuers may be limited.