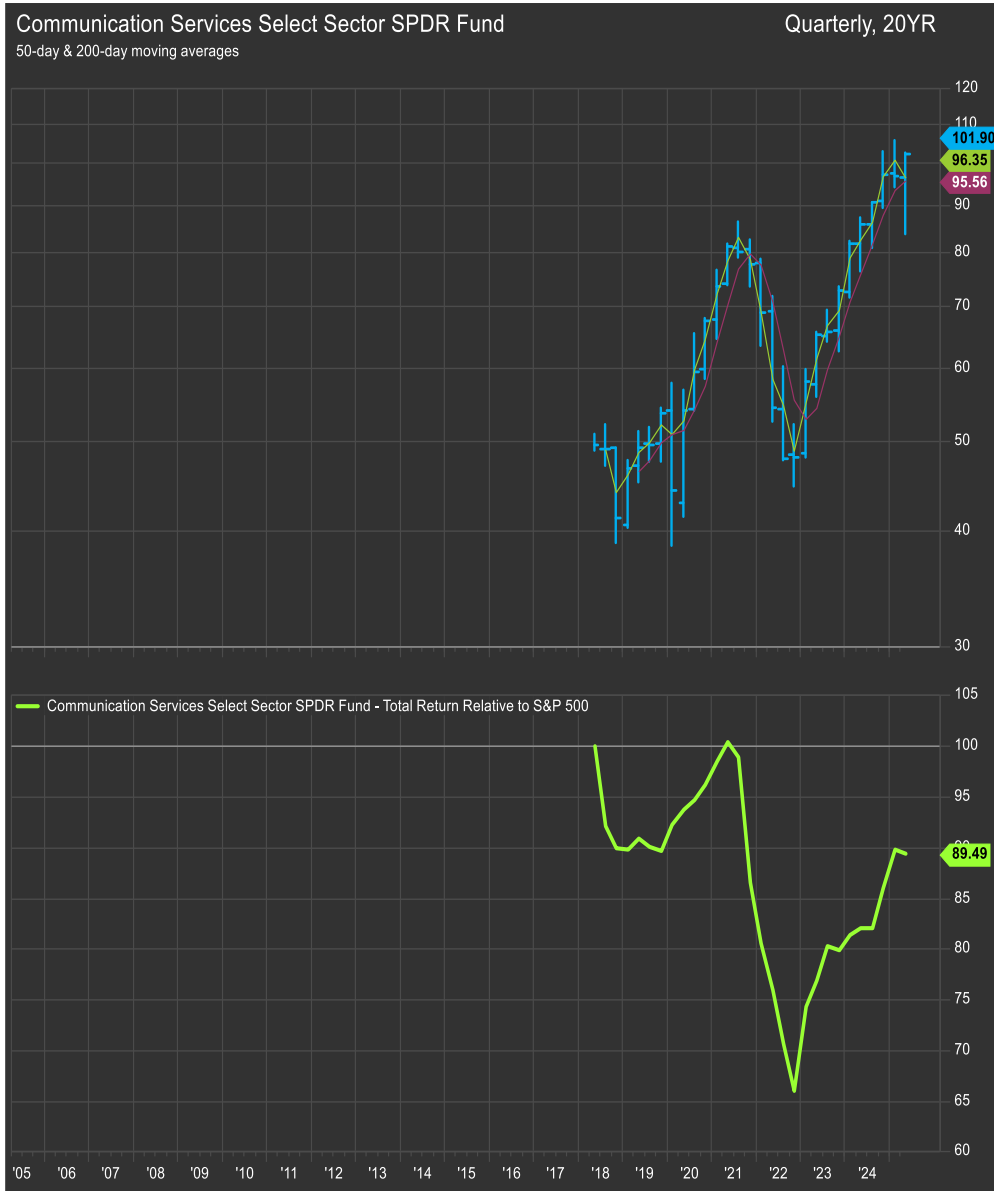


ETFSector.com

Research Study: Intermediate-term Momentum Communication Services 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: XLC
- Reference Security: SPY

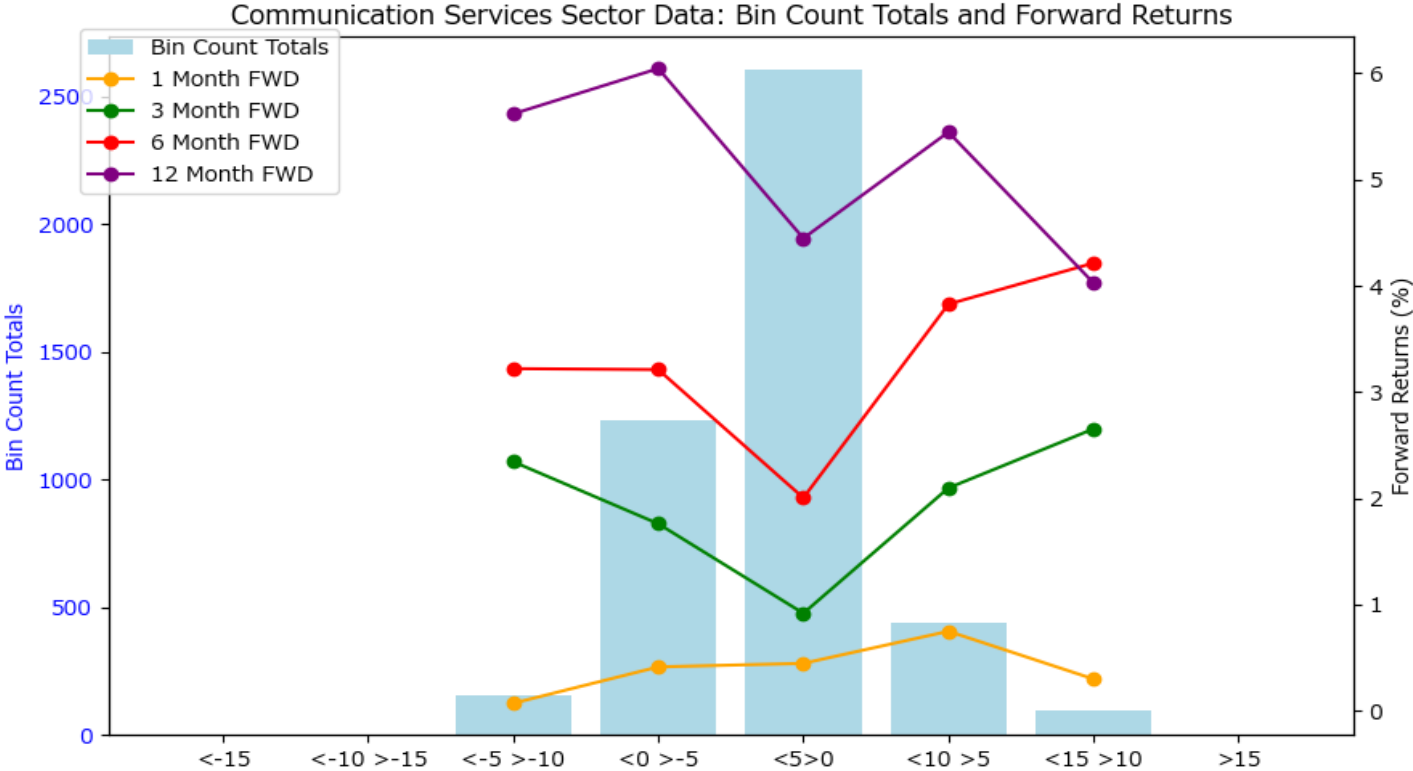
Look Back Period:

- 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



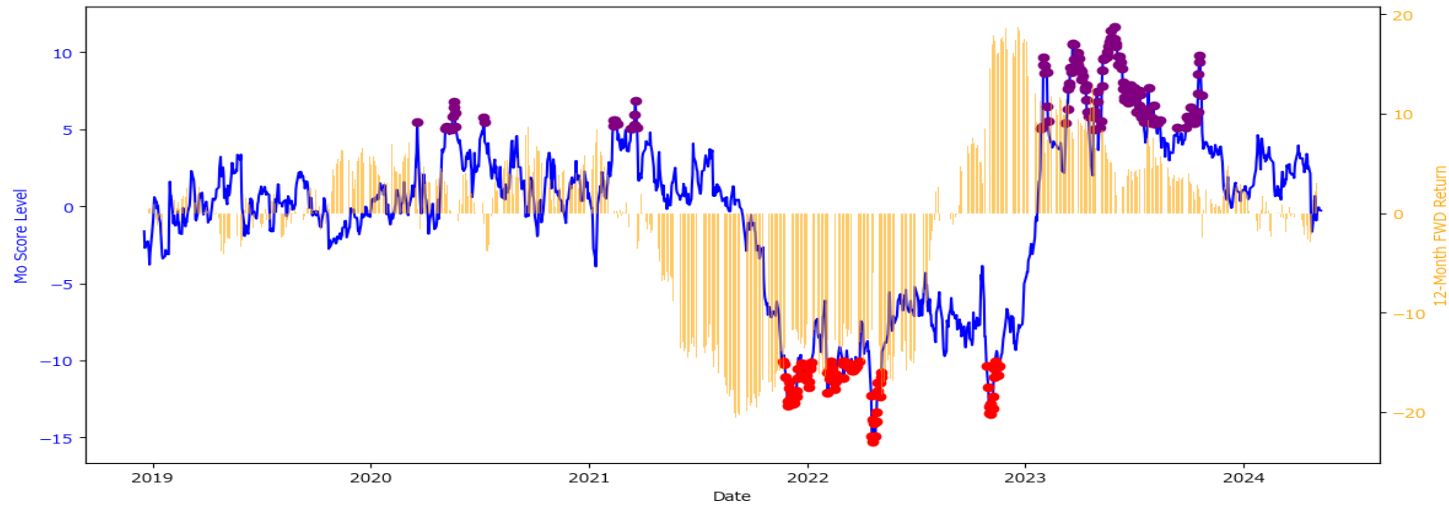
Bin	Observations	Avg_1_Month_FWD	Avg_3_Month_FWD	Avg_6_Month_FWD	Avg_12_Month_FWD
<-15	1	-1.938021265	-3.955912466	-11.31488098	-7.204181096
<-10 >-15	82	-0.964320576	-3.099968375	-7.343628292	-9.006215056
<-5 >-10	214	-2.257154203	-4.745656403	-4.746026335	0.795501378
<0 >-5	269	0.251185501	0.204479029	0.377337851	0.34109936
<5 >0	646	0.41613993	0.62746215	-0.107345746	-1.692453421
<10 >5	132	0.642475753	2.689558396	4.837480713	5.099784548
<15 >10	14	-0.534769119	1.821044108	5.43456983	7.090465584

Key Takeaways:

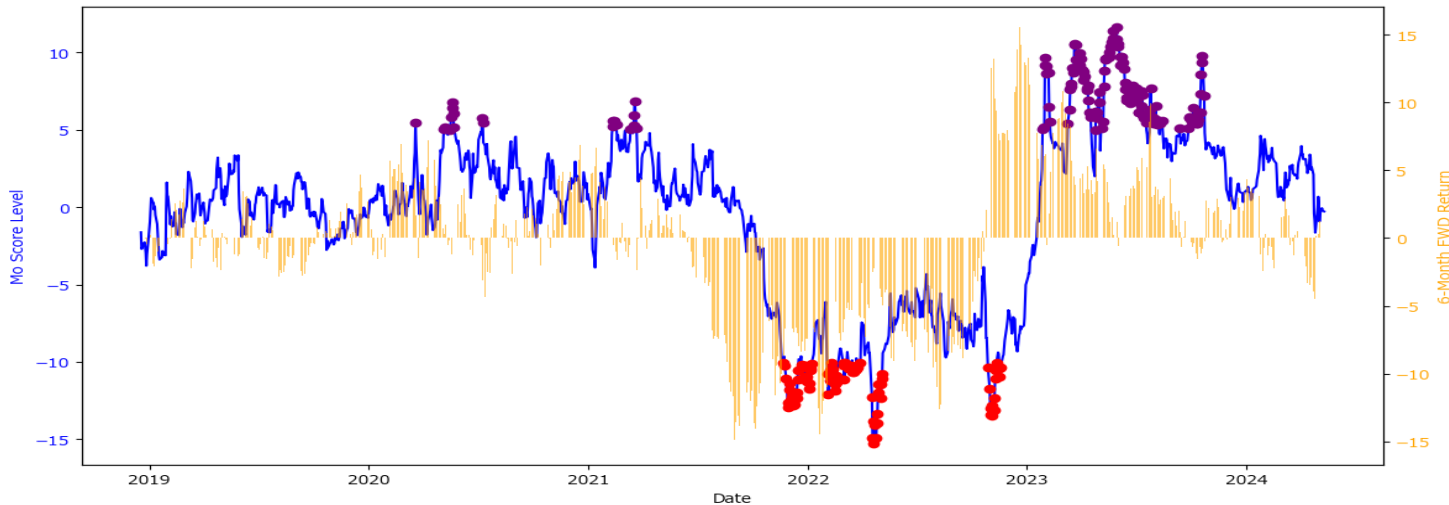
- The Communication Services Sector was formed in 2018 taking the legacy Telecom Sector and adding interactive media and entertainment stocks from the Info Tech Sector where those co.'s like META, GOOG, NFLX, EA and TTW among others were previously bucketed in Software and Internet Software and Services Industries... the latter having an excellent track record prior to the sector re-org
- We're dealing with truncated history, but the results show the sector behaves as a classic pro-momentum instrument with the presence of upside momentum a positive for 3, 6 and 12-month forward returns while negative or downside momentum has come ahead of negative average returns over all study time periods
- *Based on this research the Communication Services Sector currently registers a neutral reading of 1.16 on May 30, 2025, the last signal registered in the series was a BUY Signal on a move above 5 on January 23, 2025 which still projects excess forward returns for the sector based on the study data*

Momentum Indicator Study: Insights & Strategy Tips

Communication Services Sector Mo Score and Average 12-Month Forward Returns with Bin Markers



Communication Services Sector Mo Score and Average 6-Month Forward Returns with Bin Markers



Insights on the Research:

- **Values <-10** coincided with sharply negative average excess returns over 6 and 12-month periods (charts, right)
- **Values > 5** coincided with the highest excess returns over 3, 6 and 12-month periods
- A truncated data set leaves the study heavily influenced by bull/bear market dynamics, but given the provenance of the stock groups that comprise this relatively new sector that is not surprising
- If we built an indicator off this research we'd want to use momentum levels near 5 and -10 as our buy and sell signals and we'd want to use them in combination with a trend overlay on the S&P 500 to combine momentum levels with trend-following techniques so that we can trade on strong or weak momentum and use index level trend change to help with our entry and exit strategies