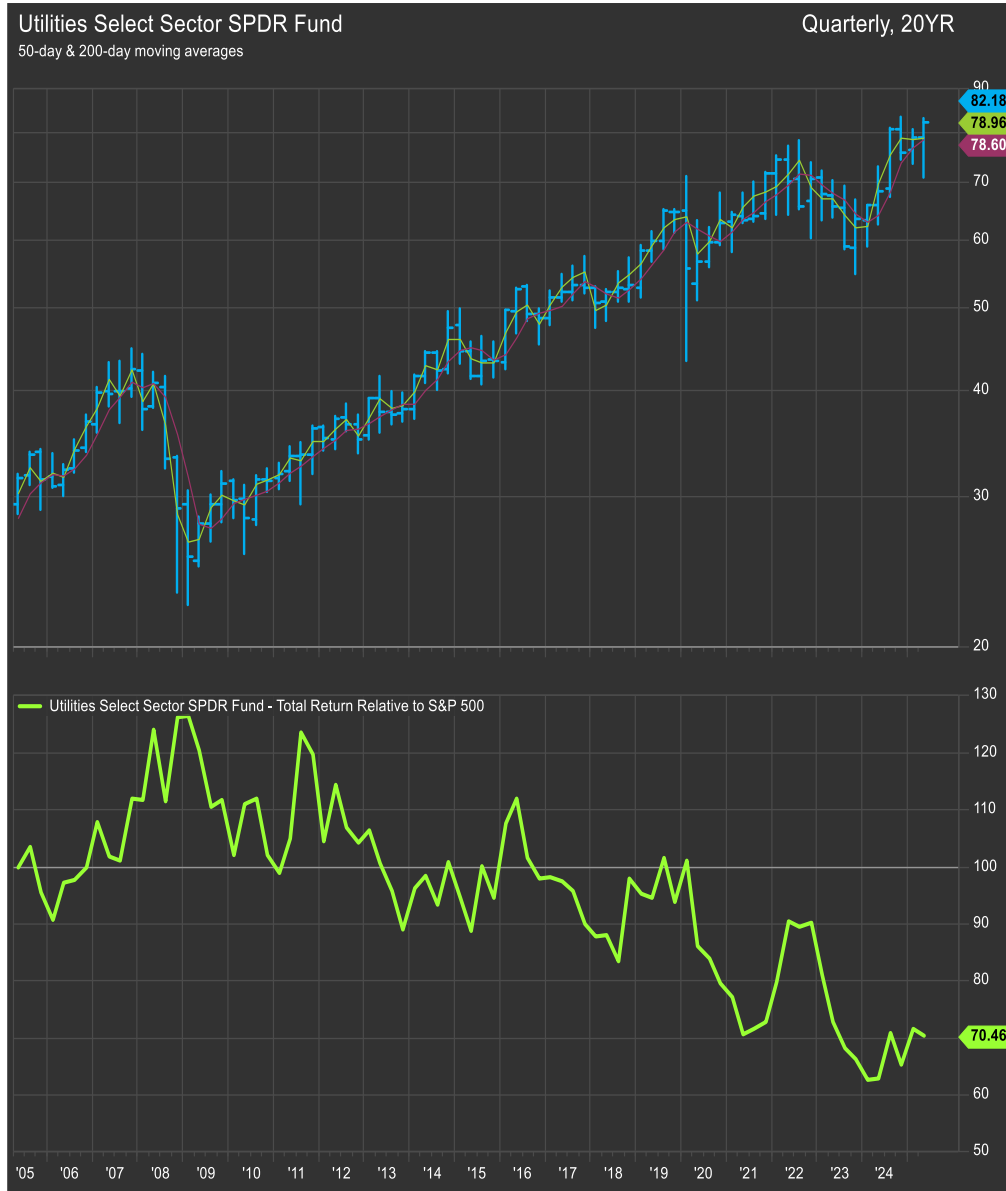


ETFSector.com

# Research Study: Intermediate-term Momentum Utilities 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: XLU
- Reference Security: SPY

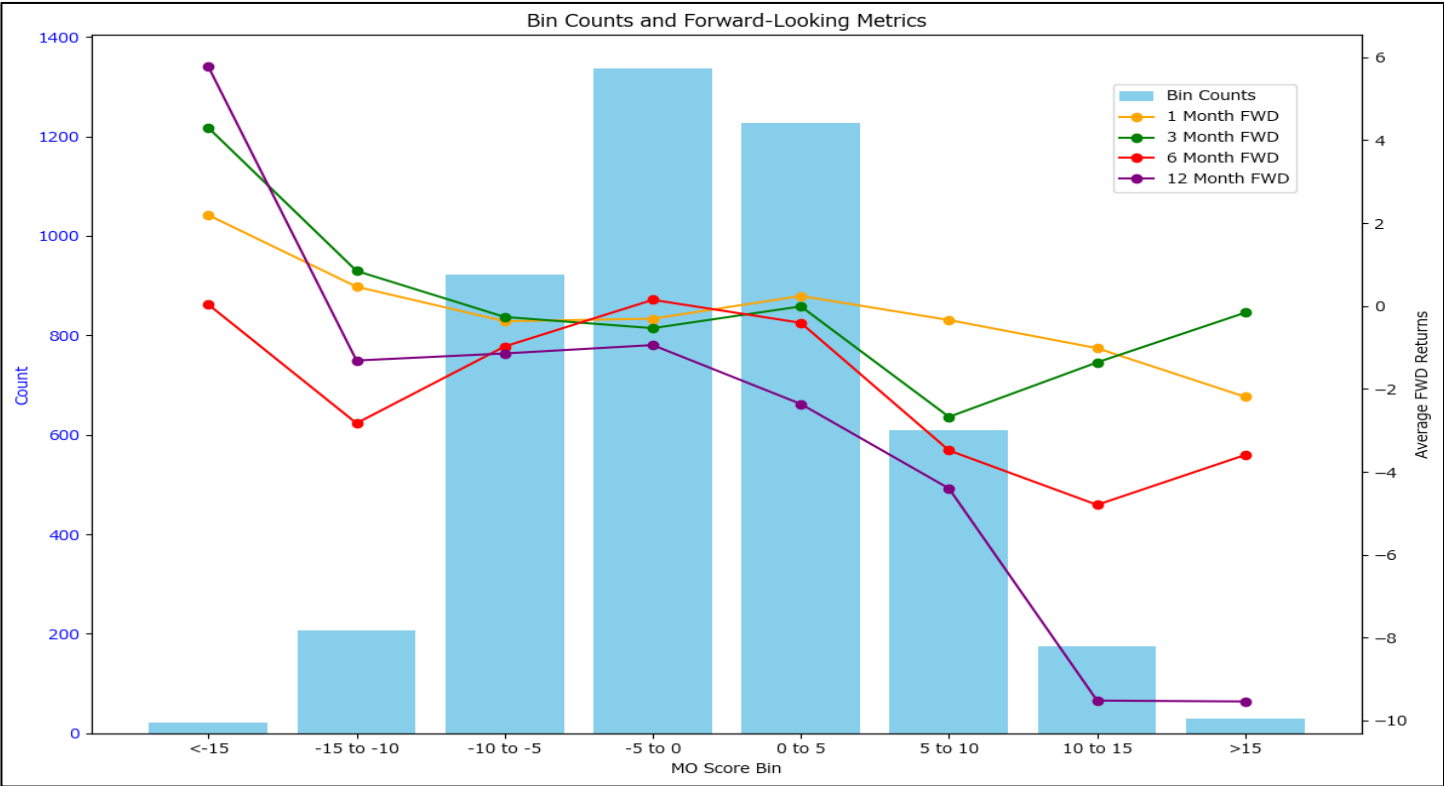
### Look Back Period:

- 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



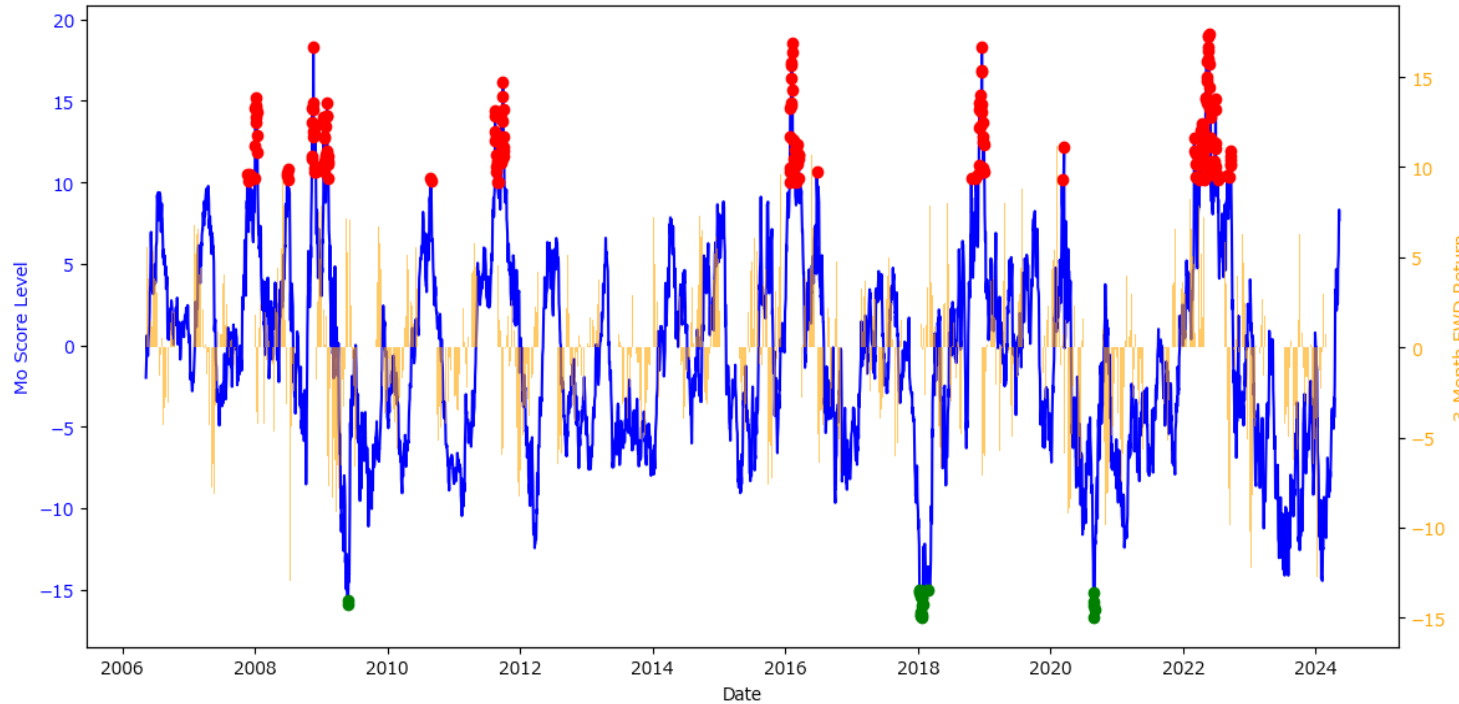
| Bin       | Observations | Avg_1_Month_FWD | Avg_3_Month_FWD | Avg_6_Month_FWD | Avg_12_Month_FWD |
|-----------|--------------|-----------------|-----------------|-----------------|------------------|
| <-15      | 22           | 2.194175529     | 4.299977402     | 0.036192421     | 5.772842139      |
| <-10 >-15 | 206          | 0.465639868     | 0.847108859     | -2.827614677    | -1.313869905     |
| <-5 >-10  | 923          | -0.365970085    | -0.263608345    | -0.975210861    | -1.143824437     |
| <0 >-5    | 1337         | -0.305281348    | -0.533237269    | 0.149795675     | -0.941152556     |
| <5 >0     | 1228         | 0.243747473     | -0.008647658    | -0.404740123    | -2.363198284     |
| <10 >5    | 610          | -0.337200396    | -2.674557226    | -3.483233135    | -4.401475561     |
| <15 >10   | 175          | -1.016226578    | -1.359473949    | -4.796203416    | -9.518889046     |
| >15       | 29           | -2.189805372    | -0.159800587    | -3.592739979    | -9.540106283     |

## Key Takeaways:

- The Utilities Sector profiles classic mean reversion behavior in the context of a secular underperformance trend
- Alpha opportunities are present when our intermediate-term momentum indicator gets to the -15 level which has been observed 22 times on 3 different occasions (2009, 2019, 2020) when equities have been in recessionary bear markets or deep corrections...at those extreme levels the sector has tended to outperform over 1, 3 and 12-month forward periods
- **Based on this research the Utilities Sector registered a strong sell signal on April 2, 2025 while hitting a reading above >10**
- **The current reading is 1.14 which has coincided with positive 1-month excess returns and negative fwd returns over longer periods**

# Momentum Indicator Study: Insights & Strategy Tips

Utilities Sector Mo Score and 3-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 < -15** coincided with the highest excess returns over all study time periods with the strongest returns accruing over 1, 3 and 12-month forward periods from the observation
- If we built an indicator off this research we'd want to optimize our bin levels to find the tightest range that coincides with the alpha signatures we've discovered in this study
- Generally, we want to sell Utilities when momentum gets into positive territory and buy when it is deeply negative