

# SPDR® Sector Scorecard

Sector investing is a powerful portfolio construction tool that can enhance your core equity exposure. Our scorecard provides transparent and quantitative measurements of each sector's **valuation, momentum, sentiment, volatility** and **current positioning**.

The metrics shown are z-scores, which are calculated using the mean and standard deviation of the relevant metrics within S&P 500® sectors.

## Monthly Insights

Traditional value-style sectors, such as Energy and Financials, appear attractive based on valuation, momentum, and earnings sentiment. Conversely, bond-proxy sectors, such as Consumer Staples and Utilities exhibit weak momentum and poor earnings sentiment.

Sector	Valuation Composite Score	Momentum Composite Score	Earnings Sentiment Composite Score
Communication Services	-0.16	0.38	0.07
Consumer Discretionary	-1.05	-0.19	0.32
Consumer Staples	0.07	-1.08	-0.69
Energy	1.84	1.07	1.47
Financials	0.51	1.30	0.80
Health Care	0.52	-1.03	-0.74
Industrials	-0.90	0.71	-0.10
Information Technology	-0.99	-0.16	0.23
Materials	0.07	0.52	0.61
Real Estate	0.23	-0.25	-0.50
Utilities	0.31	-1.28	-1.46

Source: FactSet, SPDR Americas Research, as of May 31, 2021. Green shading represents top 3, orange shading represents bottom 3. Orange and green shading are meant to be read vertically.

## Absolute Valuation Composite Score

Strong momentum has led to expensive valuations for Industrials across all metrics. Energy continues to appear cheap despite its outperformance over the broad market.

Sector	P/E	NTM P/E	P/B	P/S	Absolute Valuation Composite Score
Communication Services	0.08	-0.16	-0.47	-0.38	-0.23
Consumer Discretionary	-0.52	-0.07	-0.38	-0.38	-0.34
Consumer Staples	-1.11	-0.68	-0.50	-0.54	-0.71
Energy	N/A	2.89	3.06	2.98	2.98
Financials	1.27	0.01	0.00	-0.54	0.19
Health Care	0.08	0.26	-0.47	0.63	0.13
Industrials	-1.32	-0.75	-0.50	-0.54	-0.78
Information Technology	-0.61	-0.33	-0.47	-0.38	-0.45
Materials	0.17	0.34	-0.02	-0.54	-0.01
Real Estate	2.16	-1.01	-0.50	-0.38	0.07
Utilities	-0.22	-0.50	0.24	0.06	-0.10

Source: FactSet, SPDR Americas Research, as of May 31, 2021. Green shading represents top 3, orange shading represents bottom 3. Orange and green shading are meant to be read vertically. (Note that the P/S column is an exception to the shading rules, as only the top two values are shaded green due to the repeating values.)

Sector z-score for each metric is calculated across sectors.

\* Energy P/E score is N/A due to greater than 50% of sector constituents reporting negative earnings.

## Relative Valuation Composite Score

Although Consumer Staples appears expensive relative to its historical norm, valuations relative to the S&P 500 remain cheap. Consumer Discretionary and Technology appear expensive based on all metrics.

Sector	P/E	NTM P/E	P/B	P/S	Relative Valuation Composite Score
Communication Services	-0.14	0.32	-0.25	-0.26	-0.08
Consumer Discretionary	-1.88	-1.60	-1.81	-1.78	-1.77
Consumer Staples	1.00	0.83	0.52	1.06	0.86
Energy	N/A	0.49	0.76	0.82	0.69
Financials	0.96	0.97	0.73	0.71	0.84
Health Care	0.79	0.94	0.86	1.08	0.92
Industrials	-0.77	-1.77	-1.13	-0.40	-1.02
Information Technology	-1.52	-1.32	-1.68	-1.61	-1.53
Materials	0.66	0.24	0.52	-0.84	0.14
Real Estate	0.15	0.11	0.49	0.86	0.40
Utilities	0.75	0.80	0.98	0.36	0.72

Source: FactSet, SPDR Americas Research, as of May 31, 2021. Green shading represents top 3, orange shading represents bottom 3. Orange and green shading are meant to be read vertically. Sector z-score for each metric is calculated across sectors.

\* Energy P/E score is N/A due to greater than 50% of sector constituents reporting negative earnings.

## Momentum Composite Score

Momentum in defensive sectors, such as Consumer Staples, Health Care and Utilities remains weak. Meanwhile, momentum is strong for cyclical sectors such as Energy, Financials, and Industrials.

Sector	3 Months	6 Months	12 Months	Momentum Composite Score
Communication Services	0.46	0.05	0.63	0.38
Consumer Discretionary	-0.70	-0.45	0.59	-0.19
Consumer Staples	-0.93	-1.08	-1.25	-1.08
Energy	1.55	2.38	-0.72	1.07
Financials	1.53	1.26	1.12	1.30
Health Care	-1.34	-0.63	-1.12	-1.03
Industrials	0.80	0.24	1.10	0.71
Information Technology	-0.95	-0.25	0.72	-0.16
Materials	0.36	0.06	1.14	0.52
Real Estate	0.29	-0.23	-0.81	-0.25
Utilities	-1.07	-1.35	-1.41	-1.28

Source: Bloomberg Finance L.P., SPDR Americas Research, as of May 31, 2021. Green shading represents top 3, orange shading represents bottom 3. Orange and green shading are meant to be read vertically. Sector z-score for each metric is calculated across sectors.

## Sentiment Composite Score

Analyst upgrades have lifted sentiment in Energy and Materials amid rising inflation expectations. Utilities, Health Care and Consumer Staples showed downbeat earnings sentiment given small upside revisions and poor earnings surprises.

Sector	Changes to 2021 EPS Est. 3-Month Change	2021 EPS Est. Upgrade-to-Downgrade Ratio	Current Earnings Season Magnitude of Earnings Surprise	Current Earnings Season % of Companies with Earnings Beats	Sentiment Composite Score
Communication Services	0.03	-0.83	0.73	0.35	0.07
Consumer Discretionary	-0.33	-0.49	2.18	-0.09	0.32
Consumer Staples	-0.79	-0.92	-0.54	-0.51	-0.69
Energy	2.80	1.41	0.94	0.74	1.47
Financials	0.40	0.77	0.75	1.28	0.80
Health Care	-0.75	-0.64	-0.82	-0.76	-0.74
Industrials	-0.61	-0.06	0.00	0.26	-0.10
Information Technology	-0.41	0.46	-0.28	1.15	0.23
Materials	0.47	2.09	-0.60	0.46	0.61
Real Estate	0.14	-0.76	-0.95	-0.43	-0.50
Utilities	-0.96	-1.02	-1.40	-2.46	-1.46

Source: FactSet, SPDR Americas Research, as of May 31, 2021. Green shading represents top 3, orange shading represents bottom 3. Orange and green shading are meant to be read vertically. Sector z-score for each metric is calculated across sectors.

## Volatility Composite Score

Real Estate and Health Care have exhibited the least volatility. Bond-proxy sectors, such as Utilities and Consumer Staples have exhibited heightened volatility amid rising inflation.

Sector	30-Day Realized Volatility Relative to the S&P 500 (Percentile)	3-Month Implied Volatility Relative to the S&P 500 (Percentile)	Realized Volatility Z-Score	Implied Volatility Z-Score	Volatility Composite Score
Communication Services	77	70	1.38	-0.35	0.52
Consumer Discretionary	55	87	0.31	0.54	0.43
Consumer Staples	71	100	1.08	1.17	1.12
Energy	44	96	-0.18	0.96	0.39
Financials	36	69	-0.62	-0.39	-0.51
Health Care	0	66	-2.30	-0.53	-1.42
Industrials	45	53	-0.14	-1.22	-0.68
Information Technology	54	78	0.30	0.09	0.19
Materials	61	91	0.62	0.72	0.67
Real Estate	26	35	-1.10	-2.13	-1.61
Utilities	61	99	0.64	1.15	0.89

Source: Bloomberg Finance L.P., SPDR Americas Research, as of May 31, 2021. Green shading represents least volatile, orange shading represents most volatile. Orange and green shading are meant to be read vertically. Sector z-score for each metric is calculated across sectors.

## Sector Positioning

Despite poor momentum, investor positioning appears bullish on Health Care as put/call open interest and short interest levels both are near the bottom decile. Investors, however, appear bearish on Utilities and Technology as short interest has increased to its top percentile in a year.

Sector	Put/Call Open Interest Ratio		Short Interest as % of Shares Outstanding		
	Current Level	1-Yr. Percentile Ranking (%)	Current Level (%)	Prior Month (%)	1-Yr. Percentile Ranking (%)
Communication Services	1.51	52	0.8	0.8	5
Consumer Discretionary	0.76	51	6.9	6.0	23
Consumer Staples	1.55	17	9.9	9.7	82
Energy	0.59	46	6.5	6.4	32
Financials	1.28	87	9.5	10.6	18
Health Care	1.17	11	16.7	19.9	9
Industrials	1.95	96	7.0	5.7	45
Information Technology	1.49	58	3.2	2.7	100
Materials	0.99	27	8.2	7.9	18
Real Estate	1.49	39	3.9	3.6	95
Utilities	1.29	67	20.2	19.0	100

Source: Bloomberg Finance L.P., SPDR Americas Research, as of May 31, 2021. Select Sector SPDR Funds' put/call open interest is used to represent the sector. Short interest of all US-listed sector ETFs are used to calculate short interest as % of shares outstanding. Current levels of short interest as % of shares outstanding are in green if short interest decreases from last quarter and are in orange if short interest increases from last quarter. Sectors with lowest percentile ranking based on put/call ratio and % of short interest are shaded in green, and highest ranking are in orange.

## Scorecard Methodology

Z-scores are calculated using the mean and standard deviation of the relevant metrics within S&P 500 sectors. Using z-scores to standardize results across all sectors allows for easier relative assessment. Sectors with cheaper valuation, higher price momentum, higher sentiment and higher volatility will have higher z-scores.

We calculate a composite score by equally weighting each metric z-score in the same category.

The scorecard does not represent the investment views of State Street. Metrics used in the scorecard have not been backtested for any sector strategies by State Street. These are for illustrative and educational purposes, as we seek to bring greater transparency to the sector-investing landscape and the due diligence required to build sophisticated portfolios to meet specific client objectives.

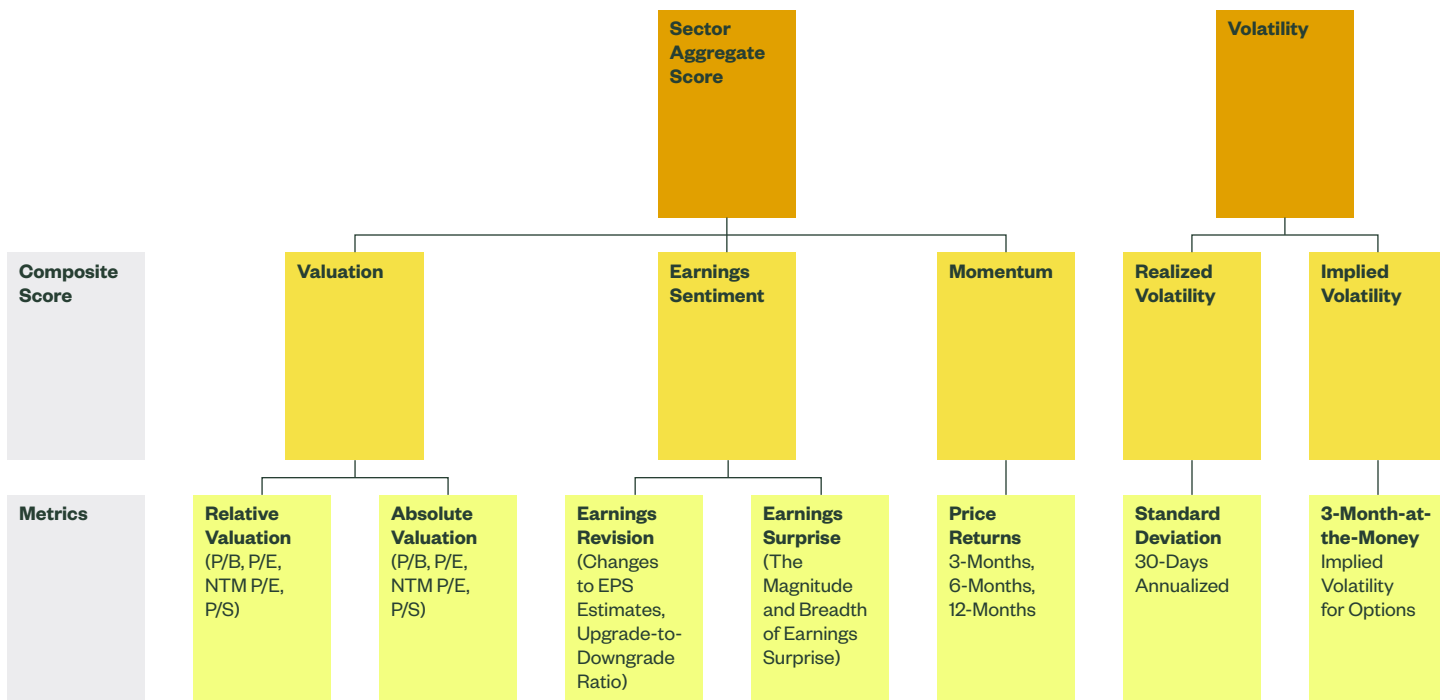
Our rationale for these parameters guides our examinations:

**Value** Stocks that trade at a lower price relative to their fundamentals may outperform high-valuation sectors

**Momentum** Stocks that have performed well may tend to continue doing well in the near term

**Earnings sentiment** Stocks with strong earnings sentiment may indicate improving earnings growth prospects in the near term

**Volatility** Realized volatility provides an insight on the sector historical volatility levels, while implied volatility indicates forward-looking risk levels



Source: SPDR Americas Research.

To calculate the **Absolute Valuation Composite Score**, we examined the percentile ranking of sector trailing price-to-earnings (P/E), next-12-month price-to-earnings (NTM P/E), price-to-book (P/B) and price-to-sales (P/S) over the past 15 years. A higher score indicates more attractive valuations at present relative to the sector's historical norm.

To calculate the **Relative Valuation Composite Score**, we examined the percentile ranking of sector valuations relative to the S&P 500 over the past 15 years based on trailing P/E, NTM P/E, P/B and P/S. A higher score indicates more attractive relative valuations compared with the sector's historical norm.

The **Momentum Composite Score** is calculated by combining recent — (not including the most recent month) 3-months, 6-months and 12-months — price performance of the sector. A higher score indicates higher price momentum.

To calculate the **Sentiment Composite Score**, we examined changes to the NTM EPS estimates over the prior three months, the EPS upgrade-to-downgrade ratio, and the magnitude and breadth of earnings beats in the current earnings season. A higher score indicates higher earnings sentiment in the sector.

To calculate the **Volatility Composite Score**, we examined the percentile ranking of each sector's 30-day realized volatility and 3-month implied volatility relative to the S&P 500 over the past 12 months. A z-score was calculated based off that percentile. A higher score indicates higher-than-normal levels of realized or implied volatility.

US Sector ETFs' put and call total open interest is used to calculate **Put/Call Open Interest Ratio**. Short interest of all US-listed sector ETFs are used to calculate **Short Interest as a Percentage of Shares Outstanding**.

## ssga.com/etfs

State Street Global Advisors 1 Iron Street,  
Boston MA 02210. T: +1 866 787 2257.

### Glossary

**Implied Volatility (IV)** is measured by the 3-month at-the-money implied volatility for options tied to the corresponding Select Sector SPDR ETFs. It represents the market's forward-looking expectation of volatility based on current options pricing.

**NTM Price-to-Earnings Ratio (NTM P/E)** The ratio of the price of a stock and the firms earnings per share over the next 12 months. A lower NTM P/E indicates cheaper valuation.

**Price-to-Book Ratio (P/B)** A financial ratio used to compare a company's current market price to its book value which is the carrying value of an asset according to its balance sheet account balance. A lower P/B indicates cheaper valuation.

**Price-to-Earnings Ratio (P/E)** The ratio of the price of a stock and the firms earnings per share. A lower P/E indicates cheaper valuation.

**Price-to-Sales Ratio (P/S)** The ratio of the price of a stock and the firms sales per share. A lower P/S indicates cheaper valuation.

**Z-score** measures how many standard deviations an element is above or below the population mean. A sector z-score can be calculated from the following formula.  $z = (X - \mu) / \sigma$ , where X is the sector value of the metrics,  $\mu$  is the mean of 11 sector values for a certain metric, and  $\sigma$  is the standard deviation of the value of 11 sectors.

### Important Risk Information

**State Street Global Advisors and its affiliates ("SSGA") have not taken into consideration the circumstances of any particular investor in producing this material and are not making an investment recommendation or acting in fiduciary capacity in connection with the provision of the information contained herein.**

The information provided does not constitute investment advice and it should not be relied on as such. It should not be considered a solicitation to buy or an offer to sell a security. It does not take into account any investor's particular investment objectives, strategies, tax status or investment horizon. You should consult your tax and financial advisor.

The views expressed in this material are the views of SPDR Research Team through the period ended May 31, 2021 and are subject to change based on market and other conditions and do not necessarily represent the views of State Street Global Advisors or any of its affiliates. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected. The information provided does not constitute investment advice and it should not be relied on as such.

Investing involves risk, including the risk of loss of principal.

Because of their narrow focus, sector funds tend to be more volatile than funds that diversify across many sectors and companies. Select Sector SPDR Funds bear higher level of risk than more broadly diversified funds.

All ETFs are subject to risk, including possible loss of principal. Sector ETF products are also subject to sector risk and non-diversification risk, which generally result in greater price fluctuations than the overall market.

The trademarks and service marks referenced herein are the property of their respective owners. Third party data providers

make no warranties or representations of any kind relating to the accuracy, completeness or timeliness of the data and have no liability for damages of any kind relating to the use of such data.

Standard & Poor's®, S&P® and SPDR® are registered trademarks of Standard & Poor's Financial Services LLC, a division of S&P Global (S&P); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC (Dow Jones); and these trademarks have been licensed for use by S&P Dow Jones Indices LLC (SPDJI) and sublicensed for certain purposes by State Street Corporation. State Street Corporation's financial products are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates and third party licensors and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have an liability in relation thereto, including for any errors, omissions, or interruptions of any index.

**State Street Global Advisors Funds Distributors, LLC member FINRA SIPC.**

© 2021 State Street Corporation.  
All Rights Reserved.  
ID544700-2111637.40.1.AM.RTL 0621  
Exp. Date: 06/30/2022