Release Note: Chaikin Analytics v3.0

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Chaikin Analytics

Chaikin Analytics v3.0 includes:

- Chaikin Power Gauge ETF Ratings™ and ETF-related updates.
- Screener usability enhancements
- Chart crosshair usability enhancements

…and other miscellaneous enhancements.


Chaikin Power Gauge ETF Ratings™

We are excited to announce the release of our long-awaited **Chaikin Power Gauge ETF Ratings.** These serve as a companion to our battle-tested **Chaikin Power Gauge Stock Ratings**, and should help individuals and investment professionals better position their ETF portfolios.

This release includes Ratings on over 400 of the most liquid U.S. Equity ETFs. We will be expanding the rating universe in the coming months. More information on ETF Ratings is included in the **Fact Sheet**, below.

Load ETF Groups Into the Watchlist

In the List Navigator, there is now a "drill-down" icon next to the ETF Groups in the U.S. Equity ETFs section. Click this icon to load all of the ETFs in that Group into the Watchlist.

(In the example below, click the (>) icon to see all SPDR Sectors in the Watchlist.)
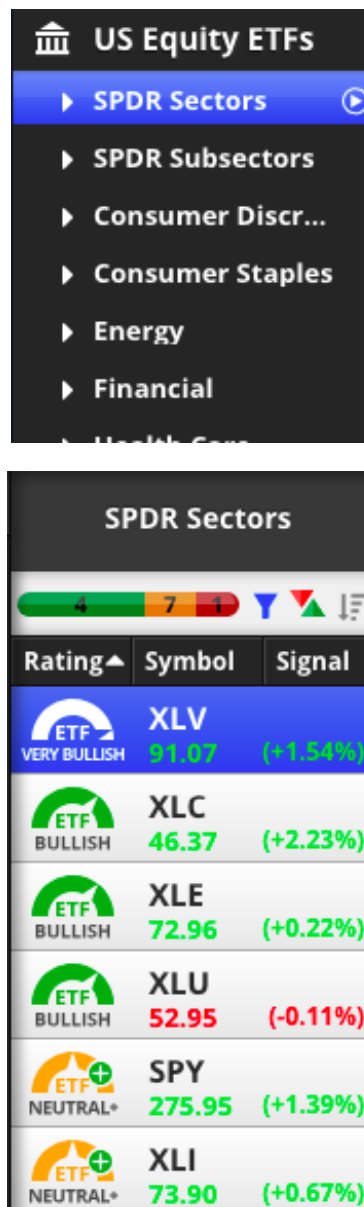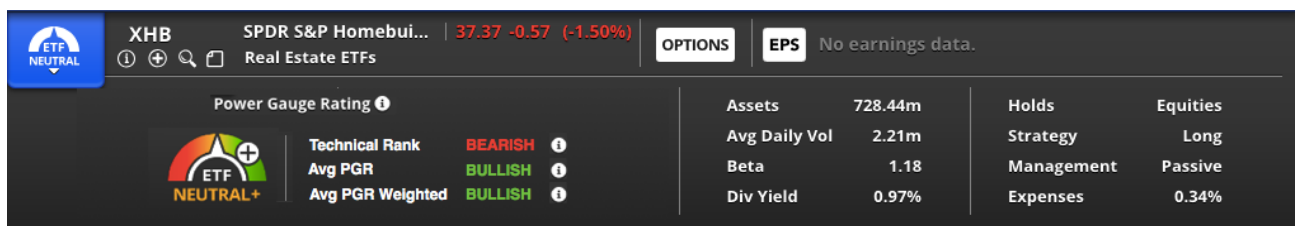

New Power Gauge Rating Icons

We have designed new Power Gauge Rating icons, with an "ETF" stamp for ETFs. The icon shows a "gauge" marker, which allows the icon to make sense independent of color or text.

ETF Chart Header

The ETF Chart header drop-down now shows: Technical Rank, Avg PGR, Avg PGR Weighted.

| | XHB | SPDR S&P Homebui... | 37.37 -0.57 (-1.50%) | | | | |
| ETF NEUTRAL | ⓘ ⊕ 🔍 🗆 | Real Estate ETFs | | OPTIONS | EPS | No earnings data. |

	Power Gauge Rating ⓘ			Assets	728.44m	Holds	Equities
ETF NEUTRAL+	Technical Rank	BEARISH ⓘ		Avg Daily Vol	2.21m	Strategy	Long
	Avg PGR	BULLISH ⓘ		Beta	1.18	Management	Passive
	Avg PGR Weighted	BULLISH ⓘ		Div Yield	0.97%	Expenses	0.34%

Technical Rank is a submodel which evaluates short, intermediate, and longer-term price strength relative to the whole US-listed ETF universe. It reflects more than 50% of the final Rating, and is biased toward longer-term performance, so ETFs which have been in a year-long uptrend may stay Bullish, even during short-term price drops.

Avg PGR. This shows the equal-weighted average Power Gauge Rating of the constituent stocks held by the ETF. These PGRs are "uncorrected", meaning that Neutral+ stocks are considered Bullish, and Neutral- stocks are considered Bearish. This closely approximates the value used in the model, but may not correspond to the Power Bars that you see in Chaikin Analytics.

Avg PGR Weighted. This is an average of the "uncorrected" Power Gauge Ratings of the constituent stocks held by the ETF, weighted by their overall percentage of the ETF's holdings. This is directly used in the model.

ETF Comparison page

The ETF Comparison screen now has an ETF Rating column:

Comparing XLV to other SPDR Sectors ETFs

Chart	Rating ▼	Symbol	Name	Power Bar		Last	6 Mos
☑	ETF VERY BULLISH	XLV	Health Care	25 32 7		92.18	11.86%
☑	ETF BULLISH	XLE	Energy	1 23 6	↓	75.35	2.17%
☐	ETF BULLISH	XLU	Utilities	16 12 0		54.00	7.29%
☑	ETF NEUTRAL	SPY	S&P 500	78 314 105		278.30	4.40%
☐	ETF NEUTRAL	XLI	Industrials	5 44 22	↓	75.40	-0.15%
☐	ETF NEUTRAL	XLK	Technology	2 50 13	↓	69.51	5.37%
☐	ETF NEUTRAL	XLY	Consumer Di...	5 38 19		108.42	5.06%
☐	ETF NEUTRAL	XLF	Financials	9 55 3		27.21	-2.30%

The ETF Summary paragraph now includes Rating information:

XLV - Health Care Select Sector SPDR Fund

Over the past 6 months, the Health Care sector has outperformed the S&P 500 by +7.46% and its Power Gauge Rating, which measures future potential, is **Very Bullish.** Its Power Bar Rank is currently #2 of 11 Sectors and has moved down 1 slot over the past week.

Holds:	**Equities**	Dividend Yield:	**1.39%**
Long/Short:	**Long**	Assets	**$18.88b**
Management:	**Passive**	Avg Daily Vol:	**6.48m**
Expense Ratio:	**0.12**	Beta:	**0.96**

Screener Usability Enhancements

We have responded to your requests to make the Screener easier to use. You should now find it more intuitive to create, load, rename, and save Screens, and to get, update, and save Screening Results.

It is now possible to click an individual stocks in Screening Results to chart it in the Workspace.
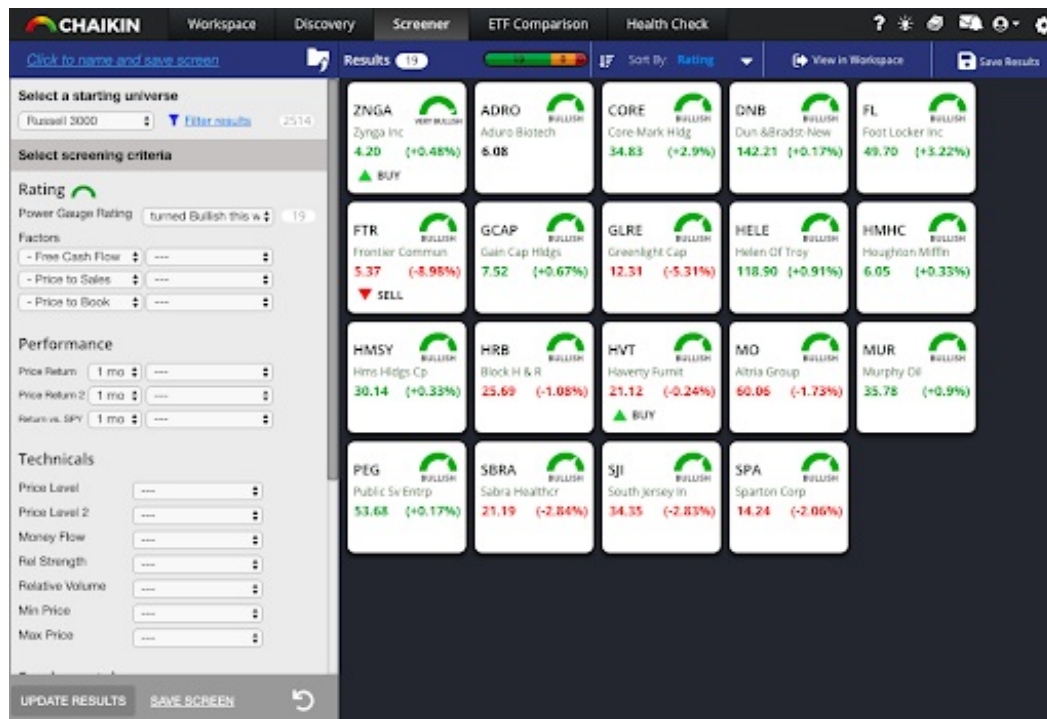

Chart Crosshair Enhancements

Hold down the left mouse button to drag the crosshair around the Chart. You can now move it up and down the Y-axis.

Click the Crosshair icon to turn on and off "Crosshair Mode". In this mode, you can move the cursor left, right, up, and down – and you can click the (x) in the Data Window to turn it off if you find it is covering important data. When you turn Crosshair mode off and back on, the Data Window will reappear.

Discovery

Click "View in Workspace" to see the selected Discovery Results list in the Workspace.

For Advisors

Subscribers who are Financial Advisors can now set "All Client Holdings" as a list for Daily Stock Alert emails.

Fact Sheet: Chaikin Power Gauge ETF Ratings™

Overview

Exchange-Traded Funds (ETFs) have dramatically increased in popularity over the last decade, with over $3.4 trillion in assets held by U.S. ETFs at the end of Q1 2018.

While typical ETF analysis looks at fees, liquidity, and total assets, Chaikin Analytics has built on its expertise combining Fundamental and Technical analysis to offer **Chaikin Power Gauge ETF Ratings**(™), the result of a multi-year research effort.

What are Chaikin Power Gauge ETF Ratings?

Chaikin Power Gauge ETF Ratings are a proprietary, predictive rating system that indicate an ETF's potential to outperform the overall ETF universe over an intermediate-term horizon (3-6 months), based on extensive backtesting. They combine Chaikin's proprietary multi-factor stock rating model and technical analysis techniques into a unique indication of an ETF's "alpha potential", helping investors decide which ETFs to buy and which to avoid.

Though there are differences between the mechanics of stocks and ETFs, the end result is similar between stock and ETF Ratings.

Rating values are the same as stocks: Very Bullish, Bullish, Neutral(+/-), Bearish, Very Bearish.

What are the goals of the ETF rating system?

- Allow investors to see at a glance which ETFs to avoid or consider buying.
- Deliver a consistent, predictive rating for all types of ETFs.
- Focus initially on the most liquid domestic equity ETFs.
- Build upon success of existing Power Gauge stock ratings.
- Introduce a new, proprietary Technical ranking for ETFs.

Which ETFs will be rated?

The **initial rating Universe** will include the most liquid U.S. Equity ETFs (roughly 400, covering 98% of the market cap of Equity ETFs), with subsequent coverage expanding to include all types of U.S.-listed ETFs (roughly 1500).

Ratings for this initial universe will incorporate stock Power Gauge Ratings and the technical performance of the ETF. Ratings for ETFs which hold other asset types, as well as Inverse and Leveraged ETFs, will be based on technical (price/volume) criteria alone.

Special Note. *For compliance reasons, Chaikin Analytics will not be rating the Chaikin Small Cap (CSML), Chaikin Large Cap (CLRG), or ROOF ETFs issued by our partner IndexIQ.*

How often do ETF Ratings update?

Power Gauge ETF Ratings are evaluated on a weekly basis. Before the first market open of the trading week, the prior week's data is evaluated and new Ratings are generated.

On a daily basis "technical overlays" are calculated to adjust ratings in the case of large price drops or upward movements. These updates are performed before the open each trading day.

How are ETF Ratings calculated?

For domestic equity ETFs, the Power Gauge ETF Rating model looks at three factors:

1. ETF Technical Rank
2. Constituent Bull/Bear Ratio
3. Weighted Average Constituent Power Gauge Rating

These three factors are weighted and combined into a consolidated ETF Rating, from Very Bullish (most likely to outperform), to Very Bearish (most likely to underperform).

Consolidated Ratings are evaluated for all rated ETFs before the start of each trading week.

On a daily basis, a "technical overlay" is applied so that Bullish or Very Bullish ETFs which have had a significant price drop are modified to a "Neutral+" Rating, and Bearish or Very Bearish ETFs which have had a significant price gain are modified to a "Neutral-" Rating.

Finally, a continuity check is performed to prevent gaps in an ETF's Rating from week to week.

A new ETF will get a Rating after 120 days of trading. Chaikin provides 5 years of weekly Rating history on ETF charts.

What do the Ratings mean and how should I use them?

Similar to our stock Ratings, Chaikin Power Gauge ETF Ratings are an **indication of likely intermediate-term relative performance** of an ETF, and can be used to help decide which ETFs to overweight, underweight, or avoid in a portfolio.

- Very Bullish ETFs are the most likely to outperform the overall ETF universe.
- Very Bearish ETFs are the most likely to underperform the overall ETF universe.

Since ETFs reflect a number of investment strategies, Chaikin ETF Ratings can help anyone managing a portfolio achieve an allocation across Sectors, Market Cap, Growth/Value – and ultimately across asset classes – in line with Chaikin's backtested methodology.

How shouldn't I use them?

Like stock Ratings, Chaikin Power Gauge ETF Ratings are not trading signals. A Bullish Rating should be considered a "call to attention", allowing the careful investor to look at all relevant factors to decide whether the ETF is a suitable investment candidate for them at that time.

Have Power Gauge ETF Ratings been backtested?

Yes. Results are as follows:

		VBULL	BULL	NEUTRAL	BEAR	VBEAR
RELATIVE RETURNS:		4.16	0.88	-2.23	-4.08	-8.78
ABSOLUTE RETURNS:		12.20	8.56	5.25	3.00	-4.06

In backtesting, going back to 2000 where data was available, using the Russell 3000 ETF as a benchmark, for all Liquid U.S. Equity ETFs:

- **VERY BULLISH** ETFs had a 12.20% annualized return, and outperformed the benchmark by a 4.16% or 416 basis points, annually.
- **BULLISH** ETFs had a 8.56% annualized return, and outperformed the benchmark by .88%, or 88 basis points annually.
- **BEARISH ETFs had a 3.00% annualized return, and underperformed the benchmark by 4.08% or 408 basis points, annually.**
- **VERY BEARISH** ETFs had a negative -4.06% annualized return, and underperformed the benchmark by -8.78% or 878 basis points, annually.

Important Note. *Relative performance is better for ETF Ratings than even for stock Ratings. However this is with a model that allows varying amounts of Bullish or Bearish equity ETF Ratings at a given time. So while there may be fewer Very Bearish ETFs, they have been more likely to underperform (and in fact, go down), than even Very Bearish stocks.*

What should I keep in mind about Power Gauge ETF Ratings?

Technical Rank

Why is this ETF's Technical Rank "Bullish" even though it just dropped?

- The Technical Model is over half of the input into the final ETF Rating. It combines long-term and intermediate-term indicators to rank all U.S. ETFs by technical strength.
- It skews toward longer-term performance, to reduce whipsaws from short-term activity.
- Charts which are going down across the screen tend to have Bearish technical ranks, NOT necessarily the ones with a big drop over the last few weeks.
- The Technical Model ranks **all** types of ETFs, and tests well on its own. For U.S. equity ETFs, Power Gauge stock ratings enhance the performance of the Technical Model.

Power Bars vs. "Average PGR"

Why is this ETF's Power Bar "Bullish" while its Average PGR is not?

- The "Power Bars" shown in Chaikin Analytics may not always align with an ETF's "Average PGR" (shown in the ETF Chart Header).
- This would generally be because Power Bars show "corrected" Ratings (with a "technical overlay" applied), whereas the ETF Rating model looks at "raw" Ratings (without the technical overlay).
- As a result, in the Average PGR, "Neutral+" stocks are considered Bullish, and Neutral- stocks are considered Bearish.
- **Note.** *This can also happen if Chaikin Analytics receives different ETF constituent information from our data provider, Zacks Investment Research, than the Factset system*

used to calculate the Rating model. This should be an infrequent occurrence.

Distribution of Ratings.

Why are there fewer Bearish Ratings for ETFs than for stocks?

- Unlike stocks, ETFs are investment vehicles that can hold multiple asset classes. They are generally used for portfolio construction, rather than for short positions. As such, the Power Gauge ETF Rating model skews somewhat away from Bearish Ratings overall.
- The ETF PGR model allows a consistent distribution of ratings *over the whole U.S. ETF universe*. but when considering only Liquid US Equity ETFs, there may be more or less Bullish or Bearish Ratings at a particular time, depending on how equities as an asset class have performed relative to other types of assets.
- Historically, we have seen on average around 10% of Liquid Equity PGRs be Bearish or Very Bearish on any given day. However, in prolonged Bull markets, where equities as a have been outperforming other asset classes there may be very few Bearish Ratings.

How does the Chaikin Power Gauge ETF Rating compare to other ETF ratings?

Other ETF rating methods typically look at prior price performance, and things like fees and liquidity to determine "strongest" or "weakest" ETFs. While these are valid metrics, only Chaikin ETF PGRs look at the underlying fundamental and technical characteristics of an ETF's constituent holdings to determine an ETF's potential to out- or underperform the market.

We are determining a consistent, meaningful, predictive rating for all classes of ETFs, even though they are very different types of tradable instruments – something which is very differentiated, if not unique, in the marketplace.