



WHAT IS RELATIVE STRENGTH?

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What is Relative Strength?

At SIACHarts, everything that we do across our site is based on Relative Strength analysis. It sounds simple enough, but what exactly is Relative Strength?

Relative strength is “a technique that compares the performance of an asset class or holding against other asset classes or holdings.” Relative Strength calculates which investments are the strongest relative performers by comparing each asset class or holding against the other available choices or within a peer group.

Relative Strength is used all the time in everyday life, maybe without you even knowing it. You use relative strength at the supermarket when you are trying to find the best-looking apples out of the many choices or whether it is fans voting for the relatively strongest hockey players to the All-Star team. The rotten apples may be a little harder to identify in the investment world, but relative strength quickly identifies holdings that we should stay away from just like you would when picking apples.

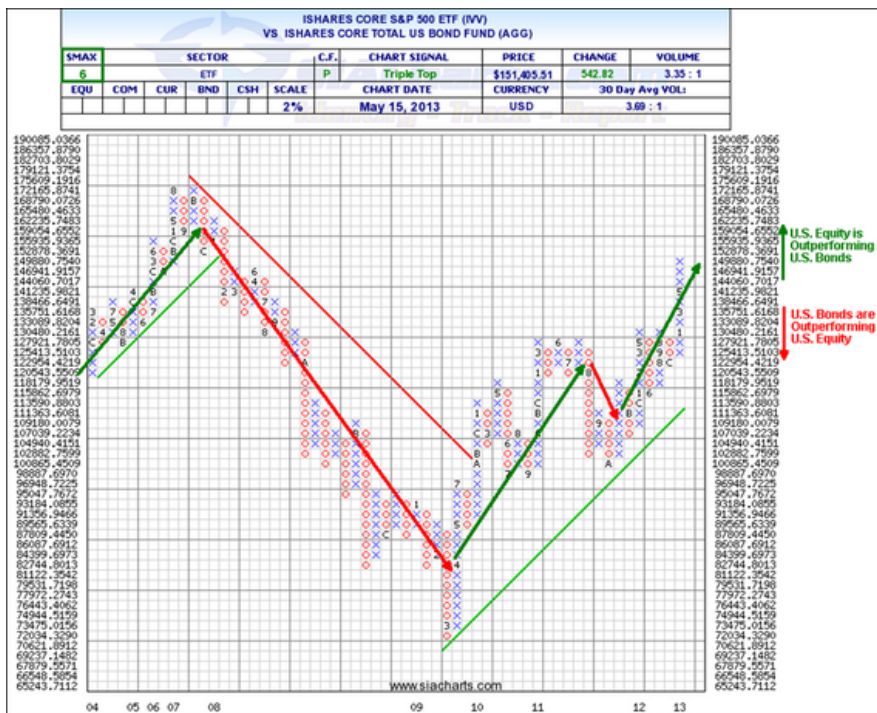


We use that same type of logical thinking in the investment world to help identify the “All-Stars.”

Relative strength between asset classes gives us insight into money flow on a large scale. By understanding where money flows are moving, we can assess Risk vs. Reward for any asset class, sector, or group of investments. What separates SIA is the massive analysis undertaken which includes over 60,000 stocks, ETFs, Canadian and U.S. mutual funds, commodities, currencies, etc. which are analyzed daily to help understand where the strength is. This enables SIA to not only find the “All-Stars” in one sport, but also across many different sports to find the ultimate best athletes or in this case investments.

For our comparisons, we use logarithmic point and figure charting based on historical price movement to show us who is currently winning the battle between two assets or holdings and their long-term outlook.

Looking at the chart, we are seeing a comparison between U.S. Equity and U.S. Bonds. If the chart is currently moving up in a column of X's then the numerator is winning the battle, in this case U.S. Equity. If it is moving down in a column of O's then the denominator is winning the battle, in this case U.S. Bonds.



Although it is important to know who is winning the current battle, we are also concerned with who is winning the longer-term war by analyzing the overall trend of the chart. Is it trending down over time, or is trending upwards? This process can very quickly and effectively find out that U.S. Equity is the stronger asset class for this comparison.

Every night at SIACHARTS we are doing millions of comparison charts to discover which investments are outperforming and which are underperforming. By consistently identifying the “All-Stars” in many asset classes of the investment world, we are able to assist advisors using SIA in making better selections to help reduce risk and improve performance.



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SIACHARTS has spent the last 20 years perfecting Relative Strength analysis for advisors and their practices, developing a powerful process that has universal application whether you use stocks, ETFs or mutual funds.

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