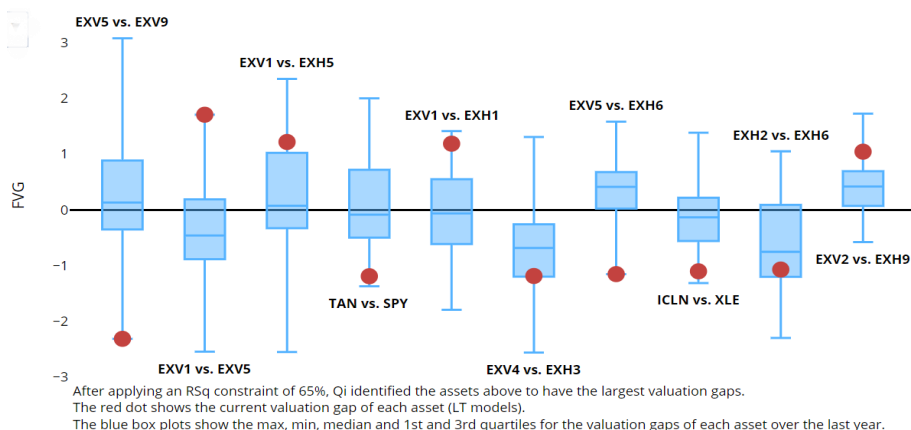


## European Autos

- Qi's Tactical Asset Allocation work flagged that the uptrend in the European Auto sector was exhausted & rolling over. **The momentum picture remains weak** – RETINA™ shows a new ST downtrend while the LT uptrend is sharply decelerating.
- However, **from a macro valuation perspective it is starting to screen as cheap relative to several peers**. The chart below shows the 10 biggest valuation gaps across all Qi's global ETF relative value models. **European Autos (EXV5) is in three of the top 10 FVGs**; & each time it is cheap & at a one year extreme.



- There is a strong need for bottom up analysis here - to assess the impact from the shortage in semiconductor chips & possible production cuts. Align Qi's macro valuation plus trend/momentum analytics with company fundamentals.
- From a macro perspective, Autos are 6.8% cheap versus Travel & Leisure ([EXV5 vs. EXV9](#)), 6.8% cheap vs Banks ([EXV1 vs. EXV5](#)) & 5.6% cheap vs Media ([EXV5 vs. EXH6](#)).
- All back-test well. Buying Autos vs Banks at 1.4 sigma since 2009, for example, produces a 75% hit rate & +1.7% average return. Moreover, it now has a Divergence signal too with spot price of EXV1 / EXV5 & macro fair value moving in opposite directions over the last 10days.
- Separately, Qi **RETINA™ has flagged a momentum sell signal on European Industrials**. The sector is in a strong macro regime but there is no FVG of note. This is not a valuation call, but a pure trend signal – the uptrend looks stretched & has started to lose momentum.

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