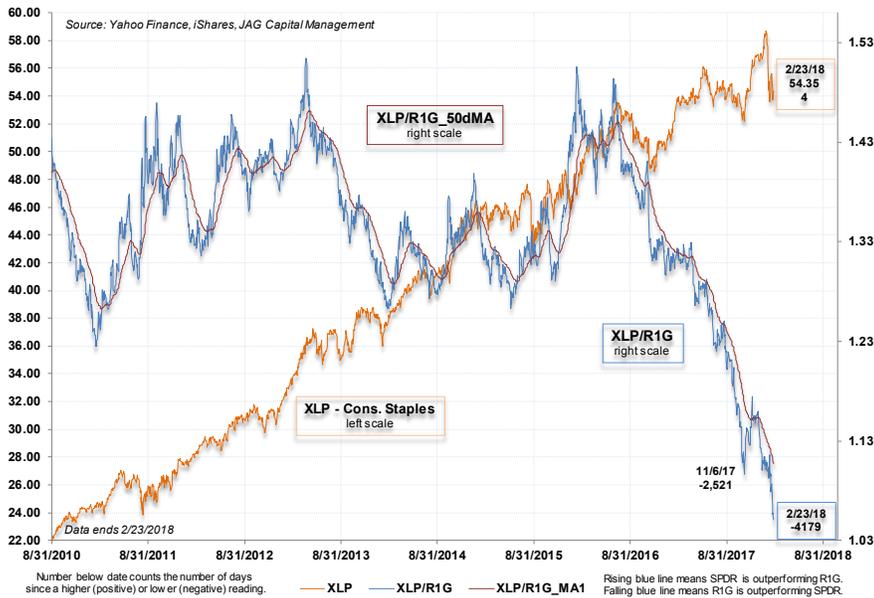


## Timely Insights from JAG's Research Team

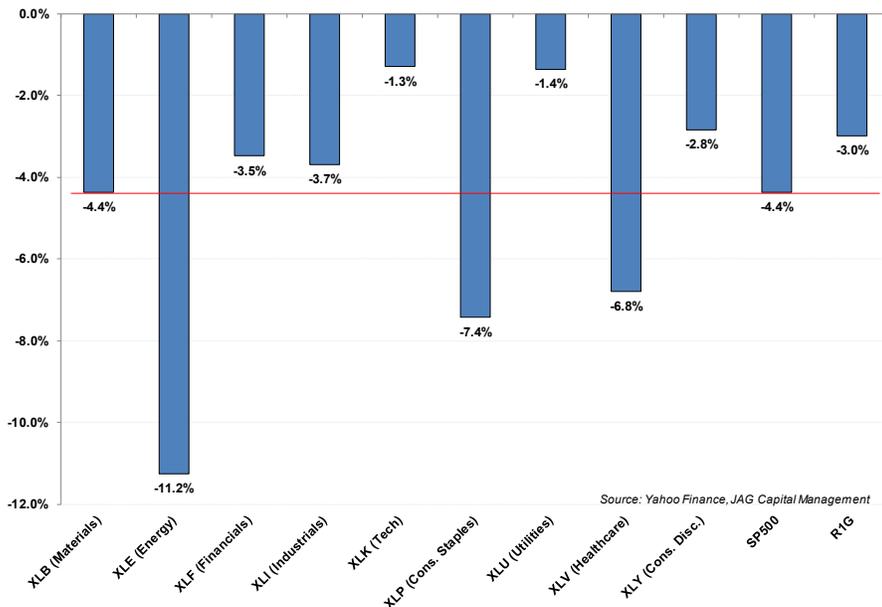
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### XLP vs. XLP / Russell 1000 Growth (R1G) with Moving Average



Consumer Staples stocks have lagged the Russell 1000 Growth Index badly since 2016. In fact, the relative performance of the Consumer Staples Sector SPDR ETF has plunged to a 4,179-trading day low. This equates to the sector's worst relative performance in more than 16 years (!). Staples are plagued by a variety of issues, including relatively high valuations, slow growth rates and margin pressures. Furthermore, over the past several years many investors have been attracted to Staples stocks due to their tendency to pay competitive dividends (the ETF yields roughly 2.8%). As such, the post-Crisis low interest rate environment tempted investors to regard Consumer Staples as "bond proxies." Alas, the recent increase in Treasury bond yields has dented this part of the bull thesis.

### Sector SPDR Performance Between 1/26/2018 - 2/23/2018



Consumer Staples stocks have traditionally been regarded as "blue chip," high quality companies. Historically, this reputation has contributed to a relatively low-volatility profile, which in turn has resulted in these stocks' tendency to serve as a safe haven during periods of correction or turbulence in the broader markets. But during the most-recent market correction, Consumer Staples was actually the second-worst performing sector (next to Energy). In fact, Staples have lagged the broader market significantly since the Fed signaled an end to Quantitative Easing last September. Putting it all together, we think it is likely that the Staples' reputation as a safe port in a storm is now in question. High valuations and low growth potential dissuade us from trying to pick a bottom in this group.

## Disclosures

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