October 7, 2016

The ValuEngine Weekly is an Investor Education newsletter focused on the quantitative approach to investing and the tools available from In today's fast-moving and globalized financial markets, it is easy to get overloaded with information. The winners will adopt an objective, scientific, independent and unemotional approach to investing. If you are not yet a member of ValuEngine's stock analysis service, sign up now for a two-week free trial at www.valuengine.com!

VALUATION WATCH: Overvalued stocks now make up 48.28% of our stocks assigned a valuation and 15.84% of those equities are calculated to be overvalued by 20% or more. Seven sectors are calculated to be overvalued.

MARKET OVERVIEW

Index	Started week	Friday AM	Change	Change %	ytd
DJIA	18279.6	18215.05	-64.55	-0.35%	4.53%
NASDAQ	5300.29	5287.37	-12.92	-0.24%	5.59%
RUSSELL 2000	1251.28	1241.14	-10.14	-0.81%	9.27%
S&P 500	2164.33	2151.89	-12.44	-0.57%	5.28%

Summary of VE Stock Universe	
Stocks Undervalued	51.72%
Stocks Overvalued	48.28%
Stocks Undervalued by 20%	20.45%
Stocks Overvalued by 20%	15.84%

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SECTOR OVERVIEW

Sector	Change	MTD	YTD	Valuation	Last 12-M Return	P/E Ratio
Aerospace	-0.32%	0.16%	3.10%	1.63% overvalued	6.22%	18.31
Auto-Tires-Trucks	-0.32%	0.96%	8.43%	3.29% undervalued	8.85%	13.97
Basic Materials	-0.38%	-2.34%	40.82%	0.41% undervalued	47.57%	28.78
Business Services	-0.17%	-0.21%	14.33%	1.38% undervalued	1.82%	24.66
Computer and Technology	-0.18%	0.18%	18.86%	6.25% overvalued	10.47%	29.48
Construction	0.44%	0.58%	32.36%	3.64% undervalued	15.11%	20.21
Consumer Discretionary	-0.28%	0.12%	9.69%	2.28% undervalued	2.69%	23.85
Consumer Staples	-0.10%	-0.72%	10.28%	1.86% overvalued	11.67%	23.93
Finance	-0.24%	-0.60%	6.83%	0.33% undervalued	4.45%	16.66
Industrial Products	-0.08%	-0.41%	18.39%	7.44% overvalued	13.54%	24.2
Medical	-0.90%	-0.09%	2.49%	4.28% undervalued	-5.59%	26.54
Multi-Sector Conglomerates	0.42%	0.58%	8.30%	2.83% overvalued	2.60%	20.97
Oils-Energy	0.35%	2.23%	21.57%	3.50% overvalued	-5.20%	25.67
Retail-Wholesale	-0.30%	0.41%	1.03%	5.31% undervalued	-1.59%	22.06
Transportation	0.10%	0.92%	12.37%	2.32% undervalued	-11.34%	16.94
Utilities	-0.53%	-1.40%	9.87%	3.06% overvalued	11.19%	21.63

Sector Talk—Basic Materials

Below, we present the latest data on leading Basic Materials Sector stocks from our **Professional Stock Analysis Service.** We applied some basic liquidity criteria-- share price greater than $3 and average daily volume in excess of 100k shares. We have been following the sector closely of late because it has been correlated so tightly to overall equity price moves.

Top-Five Basic Materials Sector Stocks--Short-Term Forecast Returns

Ticker	Company Name	Market Price	Valuation	Last 12-M Retrn
AKS	AK STEEL HLDG	4.61	-27.13%	64.64%
SBGL	SIBANYE GLD-ADR	11.64	N/A	99.32%
CZZ	COSAN LTD-A	7.85	N/A	135.03%
RYI	RYERSON HOLDING	9.26	-26.48%	50.57%
RYAM	RAYONIER ADV MT	13.06	N/A	75.30%

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Top-Five Basic Materials Sector Stocks--Long-Term Forecast Returns

Ticker	Company Name	Market Price	Valuation	Last 12-M Retrn
AKS	AK STEEL HLDG	4.61	-27.13%	64.64%
SBGL	SIBANYE GLD-ADR	11.64	N/A	99.32%
CZZ	COSAN LTD-A	7.85	N/A	135.03%
RYI	RYERSON HOLDING	9.26	-26.48%	50.57%
RYAM	RAYONIER ADV MT	13.06	N/A	75.30%

Top-Five Basic Materials Sector Stocks--Composite Score

Ticker	Company Name	Market Price	Valuation	Last 12-M Retrn
AKS	AK STEEL HLDG	4.61	-27.13%	64.64%
HUN	HUNTSMAN CORP	16.6	-5.36%	42.12%
RYI	RYERSON HOLDING	9.26	-26.48%	50.57%
TAHO	TAHOE RESOURCES	11.14	-28.16%	16.41%
ABX	BARRICK GOLD CP	15.64	-11.70%	114.25%

Top-Five Basic Materials Sector Stocks--Most Overvalued

Ticker	Company Name	Market Price	Valuation	Last 12-M Retrn
UAN	CVR PARTNERS LP	5.43	300.00%	-47.79%
AA	ALCOA INC	31.78	198.98%	189.44%
MEOH	METHANEX CORP	36.06	116.41%	-8.80%
SLCA	US SILICA HOLDI	48.1	82.60%	204.82%
BVN	BUENAVENTUR-ADR	12.12	79.96%	62.03%

*Find out what Wall Street Investment and Media Professionals already know,
ValuEngine offers sophisticated stock valuation and forecast research as well as a
variety of portfolio screening and creation tools.*

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Free Download for Readers

As a bonus to our Free Weekly Newsletter subscribers, we are offering a FREE DOWNLOAD of one of our Stock Reports

Twitter (TWTR) is a public, real-time, global platform where any user can create a Tweet and any user can follow other users. The platform is unique in its simplicity: Tweets are limited to 140 characters of text. This constraint makes it easy for anyone to quickly create, distribute and discover content that is consistent across our platform and optimized for mobile devices. As a result, Tweets drive a high velocity of information exchange that makes Twitter uniquely live.

Twitter has continued its long slide from its initial IPO and aftermath. The shares took another dive this week as major players in the tech and content fields--Google, Apple, and Disney--have refused to buy the company. Shares had been up due to rumours of an impending takeover deal. We have been down on Twitter for a very long time now, and our models continue to rate it a SELL--details below.

VALUENGINE RECOMMENDATION: ValuEngine continues its SELL recommendation on TWITTER INC for 2016-10-06. Based on the information we have gathered and our resulting research, we feel that TWITTER INC has the probability to UNDERPERFORM average market performance for the next year. The company exhibits UNATTRACTIVE Momentum and Price Sales Ratio.

You can download a free copy of detailed report on Twitter (TWTR) from the link below.

Read our Complete Detailed Valuation Report on Twitter (TWTR) HERE.

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ValuEngine Forecast		
	Target Price*	Expected Return
1-Month	**19.74**	-0.63%
3-Month	**19.28**	-2.99%
6-Month	**18.44**	-7.19%
1-Year	**18.36**	-7.62%
2-Year	**15.37**	-22.66%
3-Year	**11.84**	-40.40%

Valuation & Rankings			
Valuation	35.46% undervalued	**Valuation Rank(?)**	90
1-M Forecast Return	-0.63%	**1-M Forecast Return Rank**	14
12-M Return	-28.06%	**Momentum Rank(?)**	17
Sharpe Ratio	-0.38	**Sharpe Ratio Rank(?)**	23
5-Y Avg Annual Return	-20.81%	**5-Y Avg Annual Rtn Rank**	23
Volatility	54.86%	**Volatility Rank(?)**	32
Expected EPS Growth	5.00%	**EPS Growth Rank(?)**	30
Market Cap (billions)	12.61	**Size Rank**	92
Trailing P/E Ratio	n/a	**Trailing P/E Rank(?)**	27
Forward P/E Ratio	n/a	**Forward P/E Ratio Rank**	n/a
PEG Ratio	9.94	**PEG Ratio Rank**	3
Price/Sales	5.09	**Price/Sales Rank(?)**	20
Market/Book	3.89	**Market/Book Rank(?)**	32
Beta	0.98	**Beta Rank**	44
Alpha	-0.28	**Alpha Rank**	20

What's Hot--ValuEngine Finds "Normal" Valuations As US Election Approaches

ValuEngine tracks more than 7000 US equities, ADRs, and foreign stock which trade on US exchanges as well as @1000 Canadian equities. When EPS estimates are available for a given equity, our model calculates a level of mispricing or valuation percentage for that equity based on earnings estimates and what the stock should be worth if the market were totally rational and efficient--an academic exercise to be sure, but one which allows for useful comparisons between equities, sectors, and industries. Using our Valuation Model, we can currently assign a VE valuation calculation to more than 2800 stocks in our US Universe.

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We combine all of the equities with a valuation calculation to track market valuation figures and use them as a metric for making calls about the overall state of the market. Two factors can lower these figures-- a market pullback, or a significant rise in EPS estimates. Vice-versa, a significant rally or reduction in EPS can raise the figure. Whenever we see overvaluation levels in excess of @ 65% for the overall universe and/or 27% for the overvalued by 20% or more categories, we issue a valuation warning.

We now calculate that 48.28% of the stocks to which we can assign a valuation are overvalued and 15.84% of those stocks are overvalued by 20% or more. These numbers have decreased-- slightly-- since we published our valuation study in August-- when the overvaluation was at 48.83%. Since August, we have seen some fluctuations--and even a day where we were up above 50% overvaluation--but not much change.

Once more we find that the Brexit "panic" was overblown and the US markets have shaken that off quite well. Think about some of the more ridiculous hysteria from certain financial and political pundits at that time. We saw some calls to dump all stocks, "BUY GUNS, BUY SEEDS, BUY GOLD"--as usual--once again. NOT the best tactic for your portfolio and long-term financial health00as we can now see three months later.

The markets called the recent (non) Fed move perfectly. No rate increase for now, but "signals" indicating that the central bank would like to raise rates at least once more in the waning days of 2016. We still think that is a bad idea and that until we have strong signs that the labor market has recovered from the Bush recession and wages are well on the way to recovery it makes no sense to raise rates.

The Fed noted that "the Committee judges that the case for an increase in the federal funds rate has strengthened but decided, for the time being, to wait for further evidence of continued progress toward its objectives." Of course, those objectives are to maintain a sensible level of inflation (2% currently) and support "full employment" (which was historically set at @5%.) Regardless, 2016 looks highly unlikely to see rates in excess of 0.5 and 0.75%.

Our valuations show that the market is not overheated--and even when the indices flirt with record territory they barely spike above 50% overvalued. From their perspective, their is still room to run here given current price levels and earnings for many of our equities.

Keep in mind though that a Trump victory in November has the potential to wreak havoc on the markets due to the shock and uncertainty. That is the next moment of unknown outcomes that could unsettle investors and shake up global asset flows.
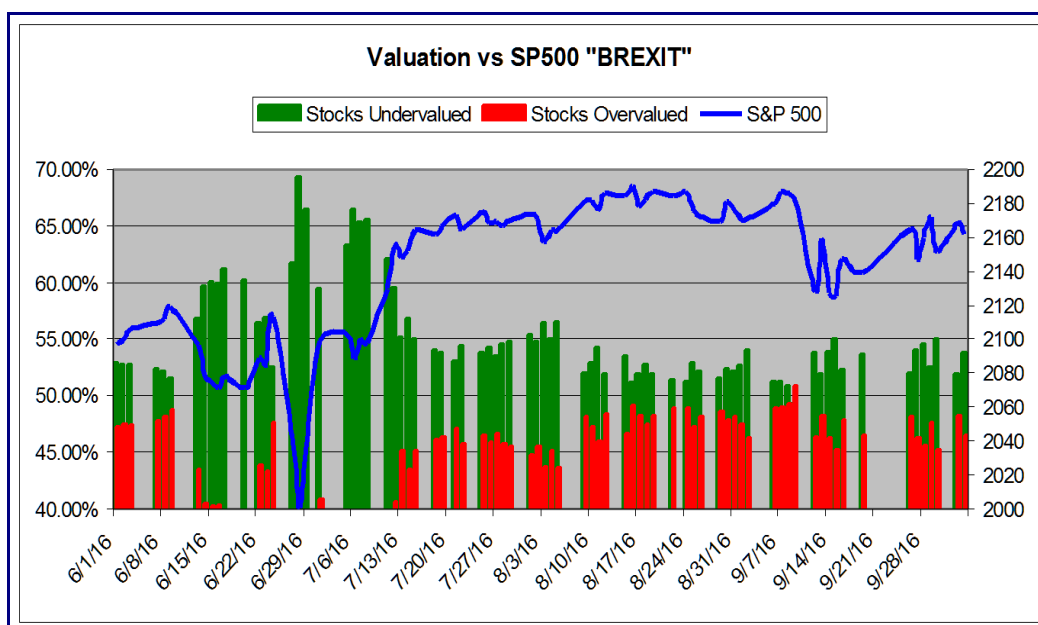
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A candidate who has stated that "debt was sort of always interesting to me. Now we're in a different situation with the country. But I would borrow, knowing that if the economy crashed, you could make a deal. And if the economy was good, it was good. So, therefore, you can't lose. It's like, you know, you make a deal before you go into a poker game, and your odds are so much better" does not sound like a candidate totally devoted to the "full faith and credit" of the United States.

In the event of an unlikely--as of this writing, Trump victory in November, those sorts of sentiments and public statements are sure to give investors pause and may challenge the US as the preferred safe-haven across the globe. Currently, polling and political futures markets indicate that this is an unlikely November "surprise," but investors should be wary of the potential fallout.

For now, our valuation figures once again indicate a "normal" market, with valuations that remain almost exactly in the middle of our scale. The chart below tracks the valuation metrics so far this Summer. It encompasses the Brexit sell off. It shows levels in excess of 40%.
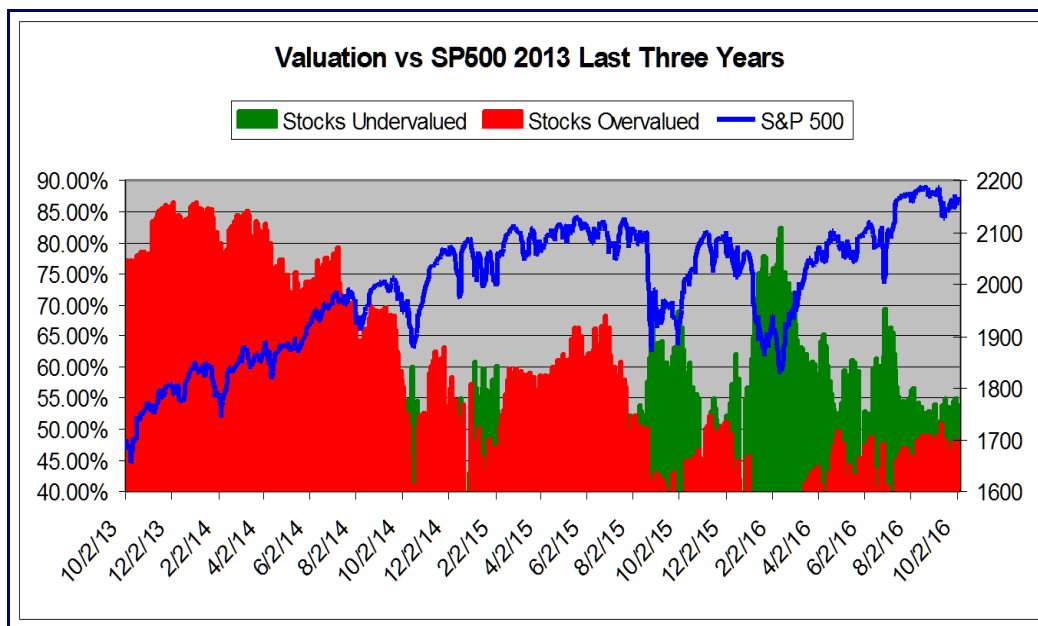

Valuation vs SP500 "BREXIT"

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The chart below tracks the valuation metrics from August 2015. It shows levels in excess of 40%.

Valuation vs SP500 LTM
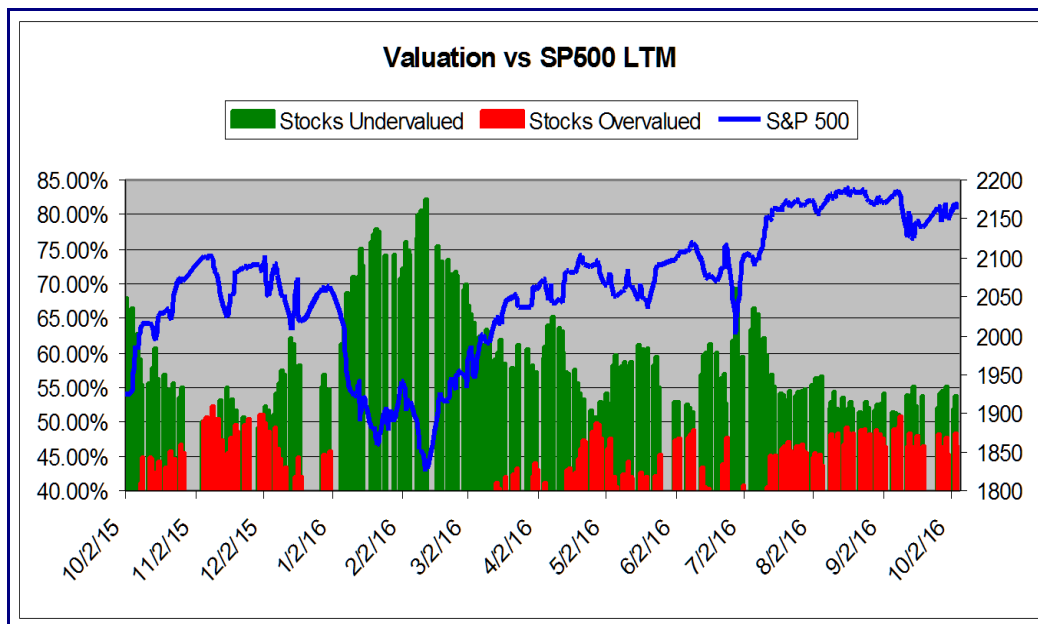
This chart shows overall universe over valuation in excess of 40% vs the S&P 500 from August 2013

Valuation vs SP500 2013 Last Three Years

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This chart shows overall universe under and over valuation in excess of 40% vs the S&P 500 from March 2007*

Valuation vs SP500 2007-Present
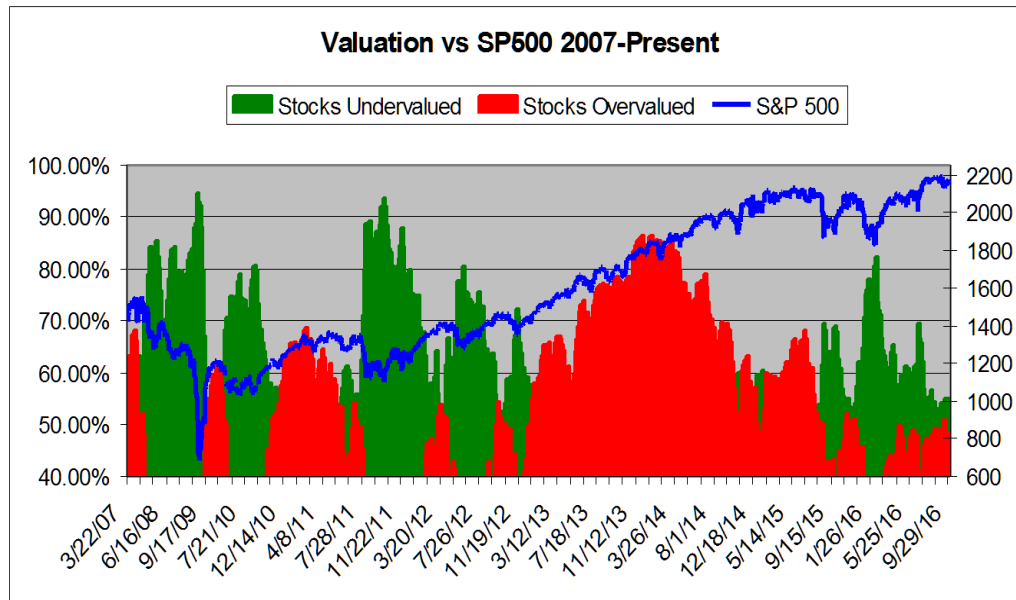
NOTE: Time Scale Compressed Prior to 2011.

ValuEngine CEO Paul Henneman In The News

ValuEngine CEO Paul Henneman appeared on the BenZinga Pre-market Prep show this week. He discussed the theory and practice behind the **ValuEngine stock valuation and forecast systems** as well as our full-service wealth management firm, **ValuEngine Capital.** In addition, Henneman discussed the latest ValuEngine analysis for stocks of interest such as Apple (AAPL) and Twitter (TWTR).

You can listen to Henneman on the Benzinga Pre-Market Prep Show by clicking on the logo below. His time on the program begins @17 minutes into the show.

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ValuEngine Capital Money Management Services

We are pleased to announce that ValuEngine Capital has begun trading for our clients. ValuEngine Capital, a registered investment advisory firm, offers our clients investment-management services based on industry-leading ValuEngine research. ValuEngine Capital melds the cutting-edge financial theory of ValuEngine's award-winning quantitative independent research with the best real-world Wall St. practices. ValuEngine Capital offers refined investment portfolios for investors of all risk-reward profiles.

ValuEngine Capital is offering several investment strategies to clients, including the the ValuEngine View Strategy and the ValuEngine Diversified Strategy

Professional Portfolio Management Services

ValuEngine View Strategy: The ValuEngine View Strategy is the product of a sophisticated stock valuation model that was first developed by ValuEngine's academic research team.

- It utilizes a three factor approach: fundamental variables such as a company's trailing 12-month Earnings-Per-Share (EPS), the analyst consensus estimate of the company's future 12-month EPS, and the 30-year Treasury yield are all used to create a more accurate reflection of a company's fair value.

- A total of eleven additional firm specific variables are also used. The ValuEngine View portfolio is constructed by integrating both our Aggressive Growth—based on the Valuation Model--and Diversified Growth—based on the Forecast Model-- Portfolio Strategies.

- The ValuEngine View Strategy is constructed by integrating this model along with some basic rules for market capitalization and industry diversification. The portfolio has 15 stocks and is rebalanced once each month.

Strategies To Suit All Investor Types

The ValuEngine Diversified Strategy: The ValuEngine Diversified Strategy invests in a variety of asset classes in order to provide investors with stable returns and a high- dividend yield coupled with significantly lower risk than single-asset products.

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- The ValuEngine Diversified Strategy may include ETFs focused on commodities, stock indices, REITS, bonds, emerging markets, and other suitable products.

- By reaping the benefits of diversification, the ValuEngine Diversified Strategy seeks to remain resilient during times of market volatility.

- The ValuEngine Diversified Strategy is designed for investors seeking management for their IRA and other retirement funds as well as those whose risk-profile is not suitable for our other strategies.

Please contact us if you would like to put the power of ValuEngine to work for you at our new full-service money management firm-- ValuEngine Capital

For more information, please contact us by email at info@ValuEngineCapital.com or by phone at (407) 308-5686.

Or, sign up online with our easy-to-use portal HERE:

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☑ *Steve Hach*
Senior Editor, ValuEngine.com