We appear to have reentered the great waiting game. I say reentered because before crossing the magical number of 20,000 on the DOW we spent a long period bouncing between 20,000 and 18,000. Fortunately, in this case we continue to bump up against the 21,000 barrier only to take a rest in the high 20,000s rather than returning to 19,000.

Ticker	Name	Relative Value
IVV	iShares Core S&P 500 ETF	105.7%
IJH	iShares Core S&P Mid-Cap ETF	118.7%
IJR	iShares Core S&P Small-Cap ETF	113.3%

Figure 1: U.S. Market Capitalization Fair Values for major capitalization categories.
Source: ISN

Relative values remain close across the three market capitalization categories. Large Cap gained 1.6 percentage points over the past 30 days reaching 105.7% which is well within fair value trading range. Small Cap pulled back slightly on a relative fair value basis to 113.3%FV. This is a good move because small cap was beginning to move ahead a a more rapid rate than large cap. Mid cap moved higher slightly reaching 118.7%FV which was a slight improvement of 0.4 percentage points.

Sector Valuations

There were some significant shifts in sector fair values. All sectors are now above 100%FV where last month there were two below. Both Consumer Discretionary and Health Care sectors have crossed the mid-point. Health Care made the biggest move of the two advancing from 98.7%FV to 102.1%. This is an expected move because the sector was the most undervalued as we entered 2017.

Industrials remains the highest in relative valuation at 114.9%FV almost a 1 percentage point advancement.

Name	Relative Value
Consumer Discretionary	100.5%
Consumer Staples	108.4%
Energy	106.2%
Financials	111.0%
Health Care	102.1%
Industrials	114.9%
Information Technology	106.9%
Materials	109.6%
Telecommunication Services	110.6%
Utilities	113.3%

Figure 2: U.S. Large Cap Sector Relative Fair Valuations for major sector classifications.
Source: ISN

Financials retreated slightly as expected, but still well above 100%FV at 111.0%FV. After dominating the top of the chart the sector has retreated one spot to #3. Utilities also retreated to 113.3%FV a full point from last month. The big gainer was Information Technology advancing 2.5 points to 106.9%FV. It is comfortable to see all of the sectors come back closer to 100%FV when they reach levels above other sectors. It maintains some consistency to the market valuations.

Mid Cap has one sector in overvalued territory with Financials remaining above 130%FV at 132.1%FV. This is better than the previous month when Financials were at 132.5%FV, but not by a great amount. We have been saying financials are overvalued as a sector across all capitalization levels and mid cap is the most overvalued. Three other mid cap sectors are at cautionary levels (120.0%FV to 130.0%FV). Both Utilities and Materials remain under caution at 127.0%FV and 121.9%Fv, respectively. Information Technology

Name	Relative Value	Under/Over
Consumer Discretionary	116.9%	
Consumer Staples	92.6%	
Energy	88.9%	
Financials	132.1%	
Health Care	115.7%	
Industrials	118.9%	
Information Technology	120.8%	
Materials	121.9%	
Telecommunication Svcs	86.2%	
Utilities	127.0%	

was flirting with a caution label last month and now holds that honor at 120.8%FV a 2-point increase. Energy retreated below 90%FV to 88.9%FV. A retreat, but well above last years undervalued position.

All individual sectors within the small cap market capitalization remain above 100%FV. Fortunately, all remain within fair value range and only two are in caution territory, Financials and Materials. Financials is the highest at 123.6%FV. Information Technology was the highest last month at 127.8%FV and has softened significantly to 117.9%FV.

Name	Relative Value	Under/Over
Consumer Discretionary	103.5%	
Consumer Staples	115.4%	
Energy	107.4%	
Financials	123.6%	
Health Care	104.0%	
Industrials	114.1%	
Information Technology	117.9%	
Materials	121.1%	
Telecommunication Services	102.9%	
Utilities	118.2%	

Figure 4 U.S. Small cap Sector Relative Fair Valuations for major sector classifications.
Source: ISN

Industry Valuations

Industry group data further segments sector classifications into well-defined sub-sectors. The table/chart in Figure 5 is a consolidated industry group review where all three market capitalization classifications have been combined to create a complete market. The industry groups do not include Energy nor Utilities as they are a single industry in the sector breakouts. All of the other sectors are segmented in greater detail.

There are now only 2 industry groups that are undervalued, Food & Staples Retailing is at 93.2%FV followed by Pharmaceuticals & Biotechnology the closest to 100%FV at 97.7%FV.

Name	RelativeValue	Under/Over
Automobiles & Components	113.5%	
Banks	126.5%	
Capital Goods	117.3%	
Commercial & Professional Servi	121.5%	
Consumer Durables & Apparel	115.4%	
Consumer Services	108.6%	
Diversified Financials	115.5%	
Food & Staples Retailing	93.2%	
Food Beverage & Tobacco	110.2%	
Health Care Equipment & Service	113.2%	
Household & Personal Products	105.9%	
Insurance	125.5%	
Materials	119.6%	
Media	105.2%	
Pharmaceuticals & Biotechnology	97.7%	
Real Estate	104.7%	
Retailing	100.2%	
Semiconductors and Semiconduc	122.3%	
Software & Services	107.8%	
Technology Hardware & Equipme	115.0%	
Transportation	105.4%	

Figure 5 U.S. Industry Group Relative Fair Valuations
Source: ISN

The most overvalued industry group is no surprise, Banks at 128.2%, well into caution territory.