

MARKET PERSPECTIVES WEEKLY UPDATE

September 21, 2009

Another Week – Another Gain...

The 'buy the dip' mentality is still in play as any sort of price weakness brings in new buyers. The Fed along with the rest of the world is still flooding the markets with liquidity which promotes strategies like the carry trade which continues to put downward pressure on the U.S. Dollar. This tidal wave of liquidity is also continuing to foster a wild west mentality as fast money piles in and out of positions just as if last year's financial meltdown never happened. If we truly were at the brink of financial Armageddon last year, how is it that now it is just swept under the rug by simply printing more money? If we weren't, then that means that the government engineered the greatest heist in world history by moving money from the taxpayers to the balance sheets of big banks. I am not going to debate the merits of either case, but if either one is correct, does that bode well for the future of this market? We saw a cycle change point come and go on

September 11 as the amount of liquidity in the system continues to chase equities. The trend is up and it is powerful, but investors must remain on their toes. There are cracks still showing in the rally but somehow they have been smoothed over thus far. Two areas to watch are the recent underperformance by semiconductors vs. the Nasdaq 100 and the recent stagnation of copper prices as equities continue to move higher. Once a bona fide correction finally unfolds, we must pay attention to the selling pressure and money flows to gauge the severity of the pullback.

Last Week's top ETF performers were led by beaten down names. Natural gas and solar energy stocks continued their torrid pace. Real estate (IYR) also had a strong week despite rumblings about commercial loan defaults down the road.

Weekly Market Close September 18, 2009		
Index	Close	Change
Dow 30	9820.20	214.79
S&P 500	1068.30	25.57
Nasdaq Composite	2132.86	51.96
	NYSE	Nasdaq
Advances	2589	2026
Declines	582	872
Ratio	4.45	2.32
New Highs	570	289
New Lows	6	14

Market Metric	Reading
Internals	Bullish
Risk	Positive
Short Term Trend	Bullish
Long Term Trend	Bullish
Trend Volatility	Positive

Weekly Top Ten ETFs by Performance

SYMBOL	DESCRIPTION	% Change
KWT	Market Vectors Solar Energy ETF	10.53%
UNG	US Nat Gas FD ETF	9.92%
IYR	iShares Dow Jones US Real Estate Index Fund ETF	8.21%
KOL	Market Vectors Coal ETF	7.88%
JJE	iPath Dow Jones-AIG Energy Total Return Sub-IndexSM ETN	6.68%
IAI	iShares Dow Jones US Broker-Dealers Index Fund ETF	5.94%
IEZ	iShares Dow Jones US Oil Equipment & Services Index Fund ETF	5.40%
KRE	Spdr Kbw Reg Banking Etf	5.37%
IYM	iShares Dow Jones US Basic Materials Index Fund ETF	5.34%
SLX	Market Vectors Steel ETF	5.32%

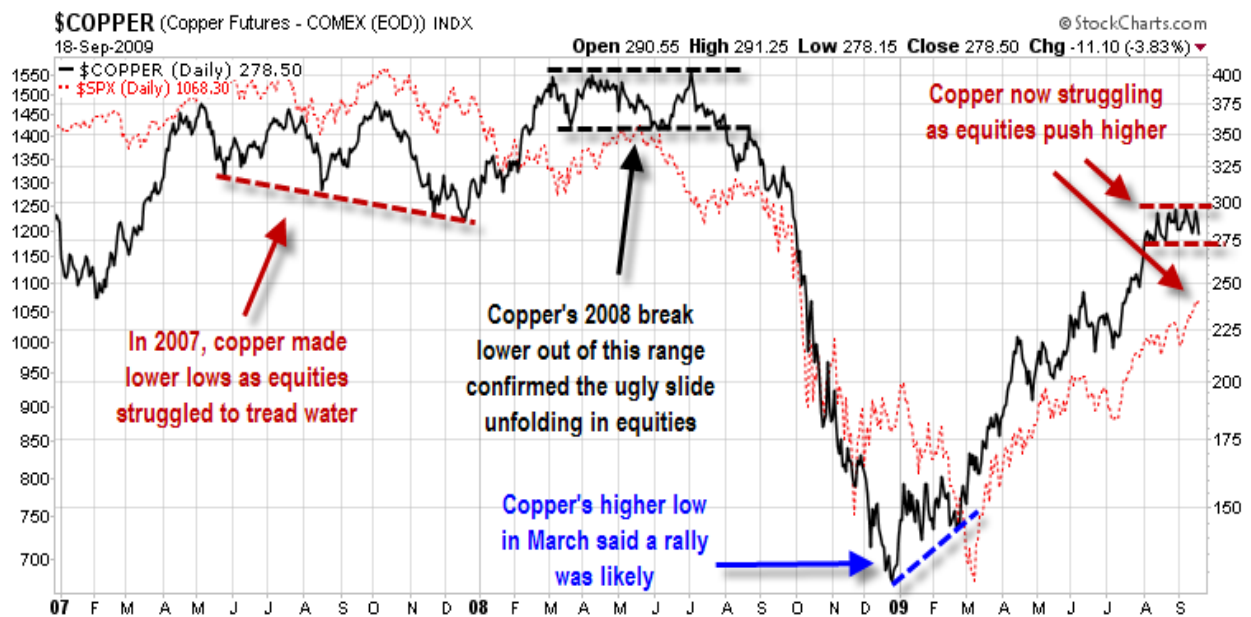
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Last Week's bottom ETF performers were dominated by defensive and inverse names. The Broadband HOLDR (BDH) made the top of the list on weakness in Qualcomm and Corning which make up nearly 75% of this ETF. Copper (JJC) also underperformed as it continued its choppy, range bound trade of the past six weeks (see below).

Weekly Bottom Ten ETFs by Performance

SYMBOL	DESCRIPTION	% Change
BDH	HOLDRS Broadband ETF	-2.87%
SCJ	iShares MSCI Japan Small Cap Index Fund ETF	-2.47%
SH	ProShares Short S&P500 ETF	-2.37%
PSQ	ProShares Short QQQ ETF	-2.26%
DOG	ProShares Short Trust Dow30	-2.15%
JJC	iPath Dow Jones-AIG Copper Total Return Sub-IndexSM ETN	-1.81%
EWU	iShares MSCI United Kingdom Index Fund ETF	-1.17%
TLT	iShares Barclays 20+ Year Treasury Bond Fund	-0.97%
IEF	iShares Barclays 7-10 Year Treasury Bond Fund	-0.91%
EWS	iShares MSCI Singapore Index Fund ETF	-0.83%

Is copper flashing a warning signal? Copper is known as the poster child for economic expansion as it is used in applications from electronics to household plumbing. Increases in copper consumption are a pretty good indication that economic activity is increasing while a fall in copper consumption shows the opposite. In the chart below I have plotted the price of the nearby copper futures contract in black, and the S&P 500 index as the red dashed line. Notice that copper has provided clues as to the direction of equities over the last couple of years. As the S&P 500 was putting in its 2007 top, the price paid for copper was deteriorating, making lower lows while the S&P treaded water. In 2008, copper broke down out of its range to confirm the ugly slide unfolding in equities. This past March, copper put in a higher low even as equities pushed lower, saying that a rally in equities was likely. Now, copper is struggling in range bound trade while equities push higher – a bearish divergence. If copper prices break lower out of this current six week range, equities should follow.



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Weekly ETF Ranks

Rank	Symbol	Description	Last Week	Change
1	IYR	iShares Dj Us Real Estate Sec	6	5
2	SLX	Market Vectors Steel Index Fun	5	3
3	IAK	iShares DJ US Insurance	4	1
4	SLV	iShares Silver Trust ETF	2	-2
5	ITB	iShares DJ US Home Construct	11	6
6	IEZ	iShares Dow Jones US Oil Equip	10	4
7	IXG	iShares S&P Global Financials	7	0
8	PXN	PowerShares Nanotech Portfolio	1	-7
9	IYJ	iShares Dow Jones US Industria	13	4
10	XLF	Spdr Financial Sector	16	6
11	XLB	Materials Select Sector Spdr	19	8
12	IYT	iShares Dow Jones Trans Avg In	3	-9
13	XRT	SPDR S&P Retail ETF	14	1
14	HHH	Internet HOLDRS ETF	28	14
15	IAI	iShares DJ Broker Dealer Index	35	20
16	XLE	Spdr Energy Sector	21	5
17	ITA	iShares DJ US Aerospace & Def	15	-2
18	IAT	iShares Dow Jones US Regional Banks	31	13
19	TAN	Claymore/MAC Global Solar Ener	39	20
20	IHI	iShares DJ Medical Devices	9	-11
21	IBB	iShares Nasdaq Biotechnology I	18	-3
22	SPY	Standard & Poors Dep Rec	20	-2
23	IXN	iShares S&P Global Technology	12	-11
24	SEA	Claymore/Delta Global Shipping ETF	36	12
25	IGW	iShares Goldman Sachs Semicond	8	-17
26	MOO	Agribusiness ETF	27	1
27	IXP	iShares S&P Global Telecommuni	17	-10
28	IXJ	iShares S&P Global Healthcare	26	-2
29	IYH	iShares Dow Jones US Healthcar	24	-5
30	WMH	Wireless Holdrs Trust	29	-1
31	GLD	StreetTRACKS Gold Shares ETF	23	-8
32	SWH	Software Hlders Trust	22	-10
33	HYG	iShares IBoxx \$ High Yield Corp	37	4
34	IYZ	iShares Dj Us Telecom Sector	34	0
35	XLP	Spdr Cnsmr Stpls Sector	30	-5
36	BDH	Broadband HOLDRS ETF	25	-11
37	XLU	Spdr Utilities Select	41	4
38	LQD	iShares Tr Gs \$ Investop Corp	33	-5
39	USO	United States Oil Fund ETF	42	3
40	PHO	Power Shares Water Res Port	43	3
41	TLT	iShares Tr Lehman 20+ Yr Trsy	32	-9
42	AGG	iShares Lehman Aggregate Bond	38	-4
43	IEF	iShares Lehman 7-10 Year Treas	40	-3
44	DBA	PowerShares DB Agriculture Fun	44	0
45	PST	Proshrs Ult Shrt Lehman 7-10	46	1
46	DOG	ProShares Short Dow30 ETF	45	-1
47	TBT	Proshrs Ultra Short Lehman 20+	49	2
48	SH	ProShares Short S&P500 ETF	47	-1
49	PSQ	ProShares Short QQQ ETF	48	-1
50	UNG	US Nat Gas FD ETF	50	0

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The weekly ETF ranks saw big jumps in solar energy and broker-dealers. TAN – the global energy solar ETF gained 20 slots as a combination of short covering and new buying interest are pushing prices sharply higher in that group. IAI jumped 20 slots also on strong gains by Goldman Sachs and Morgan Stanley. Semiconductors got hammered as IGW dropped 17 slots to number 25. That gross underperformance is a red flag on this phase of the rally as tech has been leading for the last couple of weeks. Tech will have trouble climbing higher without participation from semiconductors.

Automated Models Through 9/18/09

Country Model						
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
EWI	iShares MSCI Italy ETF	9/1/2009	20.31	20.52	3.06%	1.03%
EWD	iShares MSCI Sweden Index Fund	8/3/2009	22.93	24.26	2.45%	5.80%
EWP	iShares MSCI Spain Index Fund E	8/3/2009	47.76	50.53	4.21%	5.80%
EWN	iShares MSCI Netherlands ETF	9/1/2009	18.36	20.14	3.55%	9.69%
EWQ	iShares MSCI France ETF	9/1/2009	24.01	26.27	4.00%	9.41%
Cumulative					3.45%	6.30%

Sector Model						
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
IAK	iShares Dow Jones US Insurance I	8/3/2009	26.64	27.36	3.32%	2.70%
ITB	iShares Dow Jones US Home Con:	9/1/2009	13.19	13.51	4.08%	2.43%
IGW	iShares S&P GSTI Semiconductor	8/3/2009	43.44	44.89	-0.75%	3.34%
IXG	iShares S&P Global Financials Sec	8/3/2009	45.74	48.09	4.11%	5.14%
PXN	PowerShares Lux Nanotech Portfo	8/3/2009	10.26	11.00	1.85%	7.21%
Cumulative					2.51%	4.15%

Currency Model						
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
FXA	Rydex Currency Shares Australian	8/3/2009	84.69	86.81	0.56%	2.50%
FXE	Rydex Currency Shares Euro Trusi	8/3/2009	143.29	146.93	0.82%	2.54%
FXS	Rydex Currency Shares Swedish K	8/3/2009	140.21	145.55	1.93%	3.81%
Cumulative					1.10%	2.95%

Style/Index Model						
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
XLF	SPDR Select Sector Financials	9/1/2009	14.54	15.14	4.20%	4.13%
XHB	SPDR S&P Homebuilders	9/1/2009	15.45	16.10	3.47%	4.21%
Cumulative					3.83%	4.17%

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MODEL PORTFOLIOS

CONSERVATIVE	HEDGED	AGGRESSIVE
CORE	CORE	CORE
10% DVY iShares Dow Sel Div	15% MDY Mid Cap SPDRS	15% MDY Mid Cap SPDRS
10% SPY S&P 500	15% SPY S&P 500	15% IWM iShares Russell 2000
10% IWV iShares Russell 3000		
SECTOR	SECTOR	SECTOR
5% XLF Financial Sector SPDR	5% XLF Financial Sector SPDR	5% XLF Financial Sector SPDR
0% IGW iShares S&P GSTI Semi	0% IGW iShares S&P GSTI Semi	0% IGW iShares S&P GSTI Semi
5% XRT SPDR S&P Retail	5% GDY Mkt Vectors Gold Miners	5% GDY Mkt Vectors Gold Miners
		5% IAK iShares U.S. Insurance
INTERNATIONAL	INT/COUNTRY	INT/COUNTRY
10% EFA iShares MSCI EAFE Index	5% EWQ iShares MSCI France ETF	5% EWQ iShares MSCI France ETF
	5% EWT iShares MSCI Taiwan	5% EWT iShares MSCI Taiwan
	10% EFA iShares MSCI EAFE Index	5% EEM iShares MSCI Emerging Mkt
		5% EWS iShares MSCI Singapore
COMMODITY	COMMODITY	COMMODITY
10% GLD SPDR Gold Shares	10% GLD SPDR Gold Shares	10% GLD SPDR Gold Shares
		5% SLV iShares Silver Trust
FIXED INCOME	CURRENCIES/FIXED	CURRENCIES
10% AGG iShares Lehman Agg Bond	5% FXA Rydex Currency/Australian	5% FXA Rydex Currency/Australian D
10% BWX SPDR Lehman Intl Treas	5% FXE Rydex Currency/Euro	5% FXE Rydex Currency/Euro
10% IEF iShares Lehman 7-10 Yr T	10% SHY iShares 1 - 3 Yr Treas	
CASH	CASH	CASH
10%	10%	10%

ETF PORTFOLIOS

I will heed the warnings being given by copper and semiconductors. Sell IGW in all portfolios and leave the proceeds in cash.

Weekly Returns

Conservative +1.38%

Hedged +1.43%

Aggressive +1.95%