

MARKET PERSPECTIVES WEEKLY UPDATE

September 28, 2009

Sellers Step Up.....

Sellers stepped up to apply pressure over the last three trading days last week, but as has been the case throughout this almost eight month old rally, volume did not increase as the three day selloff unfolded. That would make one believe that it is just a matter of time before buyers once jump in to push equities higher still. There is cause for pause, however. The 'Risk' category has been downgraded to **Neutral** as small caps, mid caps, and tech all underperformed their blue chip counterparts. Also, corporate bonds are beginning to lag intermediate term treasuries, showing a mild flight to safety. This does not mean that we abandon long positions here, but merely that we remain vigilant for signs that sellers may begin to gain some traction. You will notice in the weekly ETF rankings below that bonds moved up the list once again. Gains in treasuries were offset by a solid weekly performance in high yield bonds, which tempers bearish concerns over the near term. This rally has had many chances to roll over during the last eight months, but so far even the shallowest of dips have been seen as buying opportunities. The dollar showed signs of a potential bottom last week, posting solid gains on Wednesday and Thursday. Was this another example of defensive money flow, or was it merely skittish shorts covering positions? There are no portfolio changes this week as swirling crosscurrents make the near term direction unclear.

Last Week's top ETF performers were led by inverse and defensive names. Inflows into treasuries and the inverse ETFs showed that investors are mildly backing away from risk at least for the short term.

Weekly Top Ten ETFs by Performance

SYMBOL	DESCRIPTION	% Change
UNG	US Nat Gas FD ETF	2.84%
TLT	iShares Barclays 20+ Year Treasury Bond Fund	2.32%
SH	ProShares Short S&P500 ETF	2.15%
PSQ	ProShares Short QQQ ETF	1.74%
DOG	ProShares Short Trust Dow30	1.45%
PGX	PowerShares Preferred Portfolio ETF	1.36%
IEF	iShares Barclays 7-10 Year Treasury Bond Fund	1.10%
DBA	PowerShares DB Agriculture Fund ETF	0.86%
SCJ	iShares MSCI Japan Small Cap Index Fund ETF	0.71%
JJN	iPath Dow Jones-AIG Nickel Total Return Sub-IndexSM ETN	0.31%

Weekly Market Close September 25, 2009		
Index	Close	Change
Dow 30	9665.19	-155.01
S&P 500	1044.38	-23.92
Nasdaq Composite	2090.92	-41.94
	NYSE	Nasdaq
Advances	1103	1035
Declines	2071	1844
Ratio	0.53	0.56
New Highs	635	288
New Lows	5	18

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

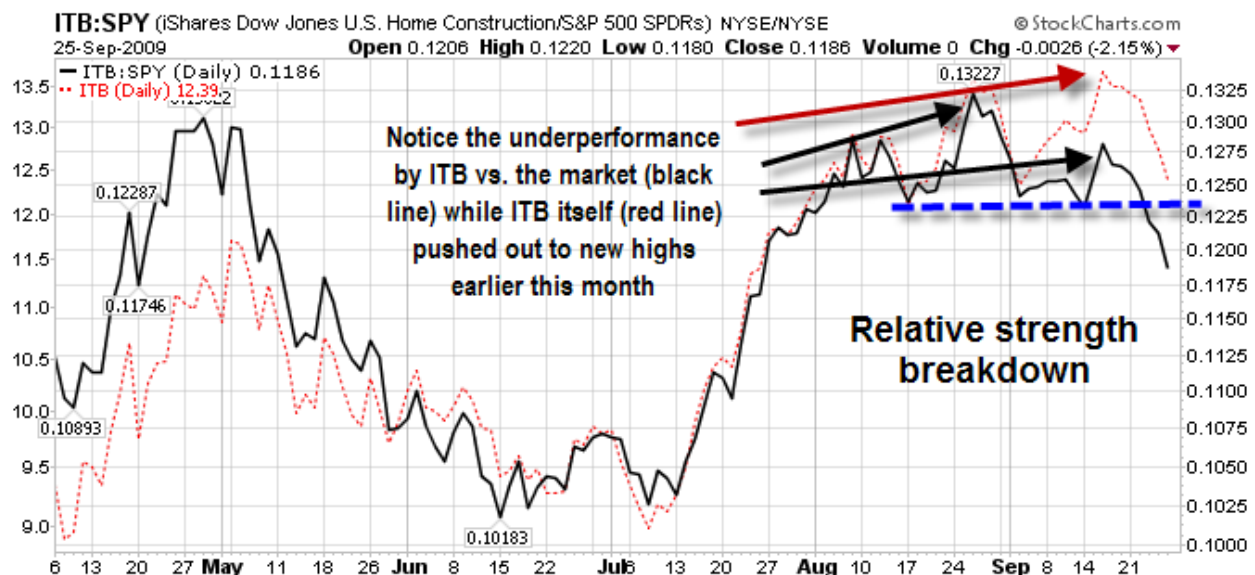
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Last Week's bottom ETF performers were dominated by former leaders. Energy, gold miners, home builders, and REITs all saw sharp losses as investors banked profits and rotated into more defensive areas. We will see if this behavior continues this week or if this is just another buying opportunity.

Weekly Bottom Ten ETFs by Performance

SYMBOL	DESCRIPTION	% Change
USO	United States Oil Fund LP	-8.41%
ITB	iShares Dow Jones US Home Construction Index Fund ETF	-8.29%
XHB	SPDR S&P Homebuilders ETF	-7.52%
KWT	Market Vectors Solar Energy ETF	-6.56%
JJE	iPath Dow Jones-AIG Energy Total Return Sub-IndexSM ETN	-6.30%
GDX	Market Vectors Gold Miners ETF	-6.21%
IYR	iShares Dow Jones US Real Estate Index Fund ETF	-6.10%
SLV	iShares Silver Trust ETF	-5.75%
SEA	Claymore/Delta Global Shipping ETF	-5.74%
EWV	iShares MSCI Mexico Index Fund ETF	-5.33%

A former leader is breaking down. Coming out of the June-July correction, anything related to home construction or real estate has seen tremendous inflows. That led to a six week period in which these areas led the market higher as investors banked on a solid recovery in housing. As recent housing data has shown, however, any recovery in housing may not be as quick as pundits and government officials all tried to lead us to believe. Evidence of this began to appear earlier this month as the chart below illustrates. The black line is a relative strength plot between ITB (iShares Dow Jones U.S. Home Construction ETF) and SPY (a general market proxy). The red dashed line is a plot of the closing price of ITB itself. When the black line is rising, ITB is outperforming the market. When the black line is falling, ITB is underperforming the market. Notice how the black line made a much lower high in mid September as the price of ITB itself (the red dashed line) pushed out to new highs. This shows that even as ITB was pushing higher, the smart money was liquidating positions in anticipation of a pause or even a reversal lower. This is the type of action that shows cracks in the armor of former leaders. We will see if another sector steps up to take its place or if this signals the start of a much needed correction.



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Weekly ETF Ranks

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

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The weekly ETF ranks saw big jumps in defense stocks and bonds across the board. ITA – the iShares Dow Jones U.S. Aerospace & Defense ETF saw the biggest jump this week, rising 13 slots to number four. The weekly performance of ITA was nothing to write home about (-3.0%), but its relative strength as compared to other groups aided its jump. ITB (highlighted above) dropped 24 slots to number 29. UNG (natural gas) finally climbed out of the cellar, rising nine slots to number 41.

Automated Models Through 9/25/09

Country Model						
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
EWI	iShares MSCI Italy ETF	9/1/2009	20.31	20.07	-2.19%	-1.18%
EWD	iShares MSCI Sweden Index Fund	8/3/2009	22.93	23.30	-3.96%	1.61%
EWP	iShares MSCI Spain Index Fund E	8/3/2009	47.76	49.47	-2.10%	3.58%
EWN	iShares MSCI Netherlands ETF	9/1/2009	18.36	19.66	-2.38%	7.08%
EWQ	iShares MSCI France ETF	9/1/2009	24.01	25.56	-2.70%	6.46%
Cumulative					-2.67%	3.46%

Sector Model						
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
IAK	iShares Dow Jones US Insurance I	8/3/2009	26.55	26.12	-4.53%	-1.62%
ITB	iShares Dow Jones US Home Con:	9/1/2009	13.19	12.39	-8.29%	-6.07%
IGW	iShares S&P GSTI Semiconductor	8/3/2009	43.44	44.19	-1.56%	1.73%
IXG	iShares S&P Global Financials Sec	8/3/2009	45.74	46.42	-3.47%	1.49%
PXN	PowerShares Lux Nanotech Portfo	8/3/2009	10.26	10.57	-3.91%	3.02%
Cumulative					-4.38%	-0.34%

Currency Model						
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
FXA	Rydex Currency Shares Australian	8/3/2009	84.69	86.62	-0.22%	2.28%
FXE	Rydex Currency Shares Euro Trust	8/3/2009	143.29	146.56	-0.25%	2.28%
FXS	Rydex Currency Shares Swedish K	8/3/2009	140.21	143.99	-1.07%	2.70%
Cumulative					-0.51%	2.42%

Style/Index Model						
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
XLF	SPDR Select Sector Financials	9/1/2009	14.54	14.59	-3.63%	0.34%
XHB	SPDR S&P Homebuilders	9/1/2009	15.45	14.89	-7.52%	-3.62%
Cumulative					-5.59%	-1.66%

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MODEL PORTFOLIOS

CONSERVATIVE	HEDGED	AGGRESSIVE
CORE	CORE	CORE
10% DVY iShares Dow Sel Div 10% SPY S&P 500 10% IWM iShares Russell 3000	15% MDY Mid Cap SPDRS 15% SPY S&P 500	15% MDY Mid Cap SPDRS 15% IWM iShares Russell 2000
SECTOR	SECTOR	SECTOR
5% XLF Financial Sector SPDR 5% XRT SPDR S&P Retail	5% XLF Financial Sector SPDR 5% GDY Mkt Vectors Gold Miners	5% XLF Financial Sector SPDR 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% EWT iShares MSCI Taiwan 10% EFA iShares MSCI EAFE Index	5% EWQ iShares MSCI France ETF 5% EWT iShares MSCI Taiwan 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 10% BWX SPDR Lehman Intl Treas 10% IEF iShares Lehman 7-10 Yr T	5% FXA Rydex Currency/Australian 5% FXE Rydex Currency/Euro 10% SHY iShares 1 - 3 Yr Treas	5% FXA Rydex Currency/Australian D 5% FXE Rydex Currency/Euro
CASH	CASH	CASH
10%	10%	10%

ETF PORTFOLIOS

No trades this week. While recent market activity bears watching, the trend is still up. A reversal in the dollar could have a negative effect on the hedged and aggressive portfolios due to their exposure to currencies, countries, and precious metals. If the dollar bottoms adjustments to the portfolios will be made.

Weekly Returns

Conservative -1.34%

Hedged -1.92%

Aggressive -2.58%