

# MARKET PERSPECTIVES WEEKLY UPDATE

October 12, 2009

## The Bulls Regain Control.....

As has been the case over the last seven months, the latest dip was used as yet another buying opportunity as optimism over upcoming earnings reports has the bulls running again. The inflows into government bonds that were evident last weekend were reversed this week as treasuries took a beating on Friday on the prospect of higher interest rates on statements made by Fed Chairman Bernanke. Believe it or not, this past week's action did not show traders re-embracing risk in a big way. Volume was weak for a rally of this magnitude, and one of my favorite risk measurements, the consumer discretionary vs. consumer staples spread, continued its recent pattern of lower highs and lower lows (see below). The 'Risk' category remains at **Neutral** as does 'Trend Volatility' as the spread between the 10 and 50 day moving averages on the Nasdaq Composite is not showing the strength that would be expected after last week's 4.45% rally. Gold

broke out to new all time highs this past week, but the dollar has not yet breached the 76 level which has been support since August 2008. Is the dollar holding that level a sign of latent strength that spells the end of gold's run for now, or is gold's breakout forecasting a dollar drop to new lows? The run in the metals is far from over which means that any bounces in the dollar should be temporary. At the risk of being labeled a perma-bear, my indicators are still not showing enough solid money flows to continue to support this rally. The trend remains up, however, and the portfolios remain long with no changes from last week.

**Last Week's top ETF performers were dollar sensitive issues.** Commodity related plays along with individual country plays topped the list. Energy had a strong week as crude oil gained 3.15% for the week to close above \$70/barrel once again.

Weekly Market Close October 9, 2009		
Index	Close	Change
Dow 30	9864.94	377.27
S&P 500	1071.49	46.28
Nasdaq Composite	2139.28	91.17
	NYSE	Nasdaq
Advances	2662	2241
Declines	510	644
Ratio	5.22	3.48
New Highs	684	314
New Lows	8	27

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

## Weekly Top Ten ETFs by Performance

SYMBOL	DESCRIPTION	% Change
RSX	Market Vectors Russia ETF	13.08%
GDX	Market Vectors Gold Miners ETF	12.93%
SEA	Claymore/Delta Global Shipping ETF	11.66%
SLV	iShares Silver Trust ETF	10.24%
IEZ	iShares Dow Jones US Oil Equipment & Services Index Fund ETF	10.04%
IEO	iShares Dow Jones US Oil & Gas Exploration & Production Index Fund ETF	9.73%
KOL	Market Vectors Coal ETF	9.42%
IGE	iShares Goldman Sachs Natural Resources Index Fund ETF	9.33%
SLX	Market Vectors Steel ETF	9.26%
TUR	iShares MSCI Turkey Investable Market Index Fund ETF	9.22%

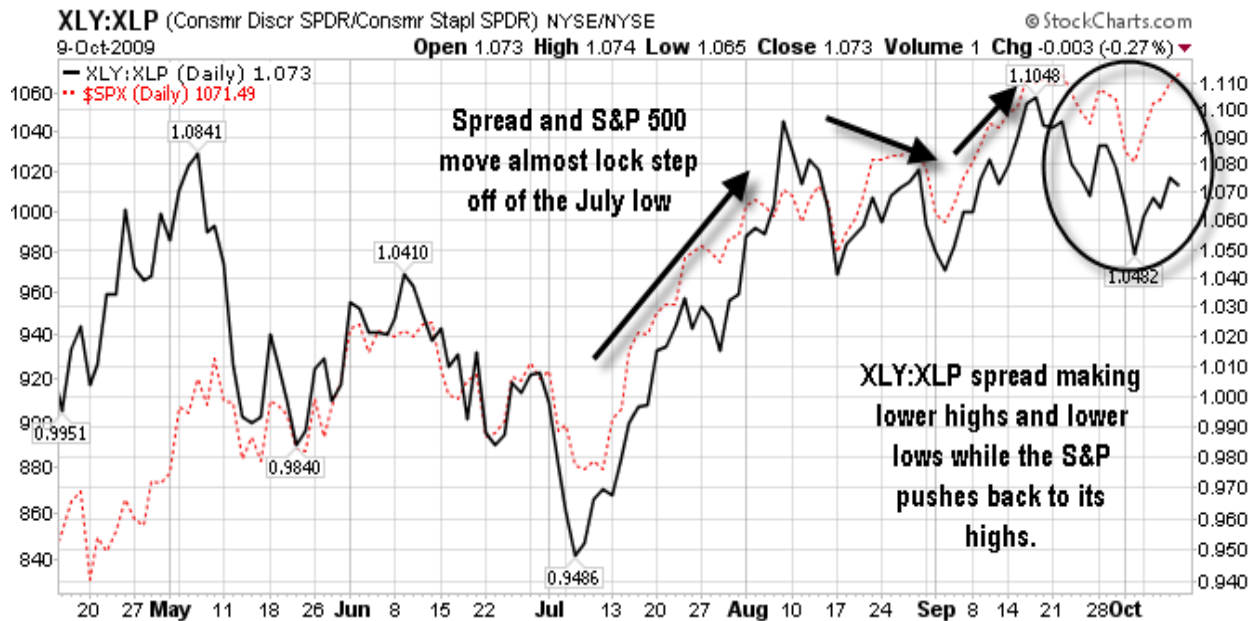
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**Last Week's bottom ETF performers were led by defensive names.** The Power Shares Preferred Portfolio ETF (PGX) was an interesting name on the list as preferreds have been flat since mid September.

## Weekly Bottom Ten ETFs by Performance

SYMBOL	DESCRIPTION	% Change
SGG	iPath Dow Jones-AIG Sugar Total Return Sub-Index ETN	-10.57%
SH	ProShares Short S&P500 ETF	-4.55%
DOG	ProShares Short Trust Dow30	-3.96%
PSQ	ProShares Short QQQ ETF	-3.79%
TLT	iShares Barclays 20+ Year Treasury Bond Fund	-3.14%
IEF	iShares Barclays 7-10 Year Treasury Bond Fund	-1.02%
UUP	PowerShares DB US Dollar Index Bullish Fund	-0.79%
PGX	PowerShares Preferred Portfolio ETF	0.37%
BWX	SPDR Lehman International Treasury Bond Fund ETF	0.48%
BDH	HOLDRS Broadband ETF	0.60%

**Consumer discretionary – consumer staple spread breaking down while the S&P 500 rallies.** In the chart below I have plotted a spread or relative strength line between consumer discretionary stocks (XLY) and consumer staple stocks (XLP). That spread is represented by the black line. When the black line is rising, consumer discretionary stocks are outperforming consumer staple stocks. When it is falling, staple stocks are outperforming discretionary stocks. I have also plotted the S&P 500 as the red dashed line. Since the market's corrective low in July, the spread has moved almost on lock step with the S&P 500 which would be expected since investors are embracing risk by buying consumer discretionary stocks (riskier) over consumer staple stocks (defensive). Notice how the spread pulled back much deeper in early October than the S&P500 and has rebounded much more weakly, signaling a tepid embrace of risk among investors. This spread along with last week's lower volume totals, do not show a market that is running back toward risk. Yes this rally could resume, but this is yet another red flag.



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## Weekly ETF Ranks

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

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**Defensive names are seeing inflows.** SLV (silver) has continued its multi week climb all the way up to the second slot in this week's rankings. SEA (global shipping) made a remarkable 26 slot jump all the way up to number 13, while XLB (basic materials) jumped 10 slots to number 16 on the weak dollar.

### Automated Models Through 10/9/09

Country Model						
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
EWI	iShares MSCI Italy ETF	9/1/2009	20.41	20.80	5.96%	1.91%
EWY	iShares MSCI South Korea Index I	8/3/2009	46.35	46.62	3.35%	0.58%
EWP	iShares MSCI Spain Index Fund E	10/1/2009	50.03	50.19	4.19%	0.32%
EWN	iShares MSCI Netherlands ETF	9/1/2009	20.04	20.58	7.13%	2.69%
EWQ	iShares MSCI France ETF	9/1/2009	25.97	26.02	5.22%	0.19%
<b>Cumulative</b>					<b>5.16%</b>	<b>1.14%</b>

Sector Model						
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
IEZ	iShares Dow Jones US Oil Equiprr	10/1/2009	41.11	43.08	10.04%	4.79%
SLV	iShares Silver Trust	10/1/2009	16.39	17.44	10.24%	6.41%
IYR	iShares Dow Jones Real Estate	10/1/2009	42.53	42.62	5.34%	0.21%
IXG	iShares S&P Global Financials Se	8/3/2009	47.77	48.46	7.07%	1.44%
SLX	Market Vectors Steel ETF	10/1/2009	52.51	54.96	9.26%	4.67%
<b>Cumulative</b>					<b>8.37%</b>	<b>3.48%</b>

Currency Model						
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
FXA	Rydex Currency Shares Australian	8/3/2009	88.15	90.44	4.70%	2.60%
FXE	Rydex Currency Shares Euro Trus	8/3/2009	146.23	146.92	0.91%	0.47%
FXS	Rydex Currency Shares Swedish I	8/3/2009	143.32	142.72	0.18%	-0.42%
<b>Cumulative</b>					<b>1.91%</b>	<b>0.88%</b>

Style/Index Model						
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
XLF	SPDR Select Sector Financials	9/1/2009	14.94	15.24	6.65%	2.01%
XRT	SPDR S&P Retail	10/1/2009	33.93	35.26	7.47%	3.92%
<b>Cumulative</b>					<b>7.06%</b>	<b>2.96%</b>

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## MODEL PORTFOLIOS

CONSERVATIVE	HEDGED	AGGRESSIVE
<b>CORE</b>	<b>CORE</b>	<b>CORE</b>
10% DVY    iShares Dow Sel Div 10% SPY    S&P 500 10% IWV    iShares Russell 3000	15% MDY    Mid Cap SPDRS 15% SPY    S&P 500 10% PSQ    Inverse Nasdaq 100	15% MDY    Mid Cap SPDRS 15% IWM    iShares Russell 2000
<b>SECTOR</b>	<b>SECTOR</b>	<b>SECTOR</b>
5% XLF    Financial Sector SPDR 5% XRT    SPDR S&P Retail	5% XLF    Financial Sector SPDR	5% XLF    Financial Sector SPDR  5% IAK    iShares U.S. Insurance
<b>INTERNATIONAL</b>	<b>INT/COUNTRY</b>	<b>INT/COUNTRY</b>
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
<b>COMMODITY</b>	<b>COMMODITY</b>	<b>COMMODITY</b>
10% GLD    SPDR Gold Shares	10% GLD    SPDR Gold Shares	10% GLD    SPDR Gold Shares 5% SLV    iShares Silver Trust
<b>FIXED INCOME</b>	<b>CURRENCIES/FIXED</b>	<b>CURRENCIES</b>
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 D 5% FXE    Rydex Currency/Euro 10% SHY    iShares 1 - 3 Yr Treas	5% FXA    Rydex Currency/Australian D 5% FXE    Rydex Currency/Euro 10% TLT    iShares Barclays 20+ Tr
<b>CASH</b>	<b>CASH</b>	<b>CASH</b>
10%	5%	10%

### ETF PORTFOLIOS

In spite of selling GDX early, adding TLT in the Aggressive portfolio, and putting on a partial hedge in the Hedged portfolio, last week's returns were solid. No changes to the portfolios this week as the questionable risk flows say that exposure is fine where it is with an ever so slight defensive bias.

### October Returns

Portfolio	Weekly	MTD
<b>Conservative</b>	<b>2.87%</b>	<b>1.16%</b>
<b>Hedged</b>	<b>3.19%</b>	<b>0.71%</b>
<b>Aggressive</b>	<b>3.78%</b>	<b>1.05%</b>