

MARKET PERSPECTIVES WEEKLY UPDATE

October 19, 2009

Earnings Are Key.....

It is becoming obvious that investors are watching earnings very closely this quarter. After the impressive round of slimming down done by major corporations, an anxious investing community waits to see the expected top line revenue growth that was a main reason for stocks being bid to their current high valuations. Yes the Dow as recovered to 'only' 10,000, but earnings drive the market and if solid growth is not seen quickly, we could be on the brink of another selloff. For decades, the consumer has been the driving force behind the economy, but with the real unemployment rate nearing 17%, banking on a sharp increase in revenues is a tall order indeed. Financials are beginning to falter as the energy sector has emerged as a new market leader. Energy rarely leads a healthy, vibrant market. Homebuilders and real estate – other sectors that were poised to benefit from a real estate bottom – are continuing to falter as a bottom in real estate is not as apparent as it seemed to some a few short weeks ago. I take a look some of the technical issues with one of the leaders in the financial sector (JP Morgan) in my blog at ppttrader.com. The bottom line, however, is that the trend is still up and must be respected. There is only one trade in the model portfolios this week as SLV will be sold in the Aggressive Portfolio.

Weekly Market Close October 16, 2009		
Index	Close	Change
Dow 30	9995.91	130.97
S&P 500	1087.68	16.19
Nasdaq Composite	2156.80	17.52
	NYSE	Nasdaq
Advances	1766	1426
Declines	1391	1460
Ratio	1.27	0.98
New Highs	802	446
New Lows	6	34

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 top ETF performers were energy and commodity names. SGG (Sugar) continued its wild ride while energy and other commodity names dominated the list in the face of a falling dollar.

Weekly Top Ten ETFs by Performance

SYMBOL	DESCRIPTION	% Change
SGG	iPath Dow Jones-AIG Sugar Total Return Sub-Index ETN	12.21%
USO	United States Oil Fund LP	8.85%
JJE	iPath Dow Jones-AIG Energy Total Return Sub-IndexSM ETN	8.39%
IEZ	iShares Dow Jones US Oil Equipment & Services Index Fund ETF	5.97%
DBA	PowerShares DB Agriculture Fund ETF	5.54%
JJA	iPath Dow Jones-AIG Agriculture Total Return Sub-IndexSM ETN	5.33%
IXC	iShares S&P Global Energy Sector Index Fund ETF	5.31%
XLE	SPDRs Select Sector Energy ETF	5.04%
IYE	iShares Dow Jones US Energy Sector Index Fund ETF	4.87%
EWZ	iShares MSCI Brazil Index Fund ETF	4.67%

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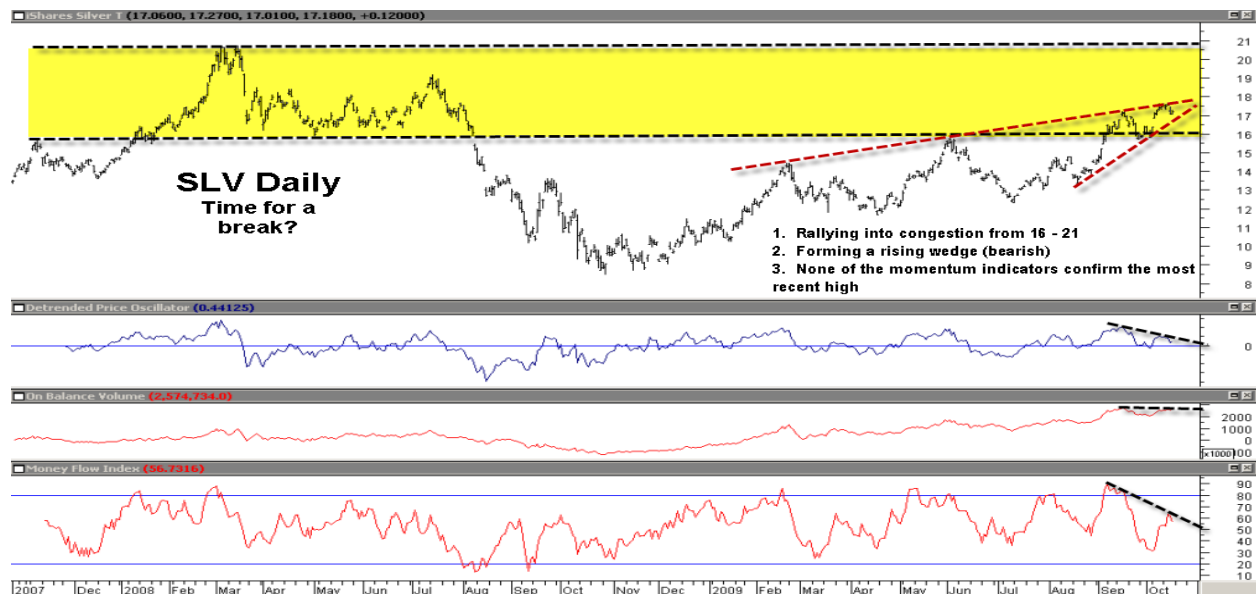
Last Week's bottom ETF performers were a mixed bag. KWT (MV Solar energy ETF) continued its volatile performance of late, while silver (SLV) underperformed – see below.

Weekly Bottom Ten ETFs by Performance

SYMBOL	DESCRIPTION	% Change
KWT	Market Vectors Solar Energy ETF	-2.83%
SCJ	iShares MSCI Japan Small Cap Index Fund ETF	-2.18%
SH	ProShares Short S&P500 ETF	-1.66%
IYR	iShares Dow Jones US Real Estate Index Fund ETF	-1.57%
EWJ	iShares MSCI Japan Index Fund ETF	-1.51%
SLV	iShares Silver Trust ETF	-1.49%
ITF	iShares S&P/TOPIX 150 Index Fund ETF	-1.47%
DOG	ProShares Short Trust Dow30	-1.39%
IGW	iShares S&P GSTI Semiconductor Index Fund ETF	-1.27%
PHO	PowerShares Water Resource Portfolio ETF	-1.20%

Silver Is Due For A Breather

With all of the headlines surrounding gold breaking into new all time high ground, silver's very strong advance has flown under the radar of many analysts. SLV has shown tremendous relative strength, rallying 98% off of its fall 2008 low, compared to a 48% rally in GLD. Even SLV's recent burst of 40% off of its summer 2009 reactionary low has far outpaced GLD's 16.7% advance. Now however, SLV is now showing signs that a pullback is ready to develop. In the chart below I have plotted a daily chart of SLV along with three separate indicators, one price based and two are volume based. The top indicator is a detrended price oscillator, which is valuable in spotting cycle highs and lows and measuring the momentum or strength behind moves. The middle indicator is On Balance Volume which is a volume based indicator that is excellent at confirming price trends. The bottom indicator is a standard 14 period Money Flow Index. There are three reasons for SLV to pull back here. The first of which is the fact that it has rallied into a very wide congestion area which should provide solid resistance. This area is shaded in yellow and is in a price range of \$16 - \$21. Second, price is consolidating in a rising wedge formation which often precedes corrections. Third, none of the momentum indicators confirmed the most recent push out to new highs for the move. With three pieces of evidence coming together, it looks like SLV is headed for a nice pullback.



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Weekly ETF Ranks

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

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Commodity names continue to benefit from a falling dollar. USO (crude oil) made a tremendous jump this past week as inventory numbers painted a bullish supply/demand picture and the dollar continued to slide. DBA (agricultural ETF) also had an impressive week, jumping 15 slots to number 27. Semiconductors (IGW) continue to be a concern, dropping 11 slots to number 34.

Automated Models Through 10/16/09

Country Model				YTD Return +16.3%		
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
EWI	iShares MSCI Italy ETF	9/1/2009	20.41	21.50	3.37%	5.34%
EWY	iShares MSCI South Korea Index I	8/3/2009	46.35	46.08	-1.16%	-0.58%
EWP	iShares MSCI Spain Index Fund E	10/1/2009	50.03	50.88	1.37%	1.70%
EWN	iShares MSCI Netherlands ETF	9/1/2009	20.04	21.13	2.67%	5.44%
EWQ	iShares MSCI France ETF	9/1/2009	25.97	26.61	2.27%	2.46%
Cumulative					1.69%	2.85%

Sector Model				YTD Return +18.6%		
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
IEZ	iShares Dow Jones US Oil Equipm	10/1/2009	41.11	45.65	5.97%	11.04%
SLV	iShares Silver Trust	10/1/2009	16.39	17.18	-1.49%	4.82%
IYR	iShares Dow Jones Real Estate	10/1/2009	42.53	41.95	-1.57%	-1.36%
IXG	iShares S&P Global Financials Se	8/3/2009	47.77	48.84	0.78%	2.24%
SLX	Market Vectors Steel ETF	10/1/2009	52.51	57.41	4.46%	9.33%
Cumulative					1.58%	5.12%

Currency Model				YTD Return +9.4% No Divs Reinvested		
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
FXA	Rydex Currency Shares Australian	8/3/2009	88.15	91.86	1.57%	4.21%
FXE	Rydex Currency Shares Euro Trus	8/3/2009	146.23	148.80	1.28%	1.76%
FXS	Rydex Currency Shares Swedish I	8/3/2009	143.32	143.74	0.71%	0.29%
Cumulative					1.19%	2.07%

Style/Index Model				YTD Return +25.7%		
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
XLF	SPDR Select Sector Financials	9/1/2009	14.94	15.22	-0.13%	1.87%
XRT	SPDR S&P Retail	10/1/2009	33.93	36.25	2.81%	6.84%
Cumulative					1.33%	4.33%

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MODEL PORTFOLIOS

CONSERVATIVE	HEDGED	AGGRESSIVE
CORE	CORE	CORE
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
SECTOR	SECTOR	SECTOR
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
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
COMMODITY	COMMODITY	COMMODITY
10% GLD SPDR Gold Shares	10% GLD SPDR Gold Shares	10% GLD SPDR Gold Shares 0% 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	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
CASH	CASH	CASH
10%	5%	15%

ETF PORTFOLIOS

Sell SLV in the Aggressive Portfolio based on the research above and keep the proceeds in cash. No other trades this week.

October Returns

Portfolio	Weekly	MTD
Conservative	0.84%	2.01%
Hedged	0.78%	1.49%
Aggressive	0.50%	1.56%