

MARKET PERSPECTIVES WEEKLY UPDATE

November 2, 2009

Trader Doubt Leads To A Market Rout

The air is beginning to come out of the liquidity balloon as the government inflated GDP numbers and another 530,000 Americans filing initial unemployment claims caused a widespread selloff after the obligatory knee jerk move higher. The fact that another half million Americans filing claims was initially seen as a positive was just insane. The only 'stabilization' in the economy has been caused by all of the money being printed to subsidize cash for clunkers along with the home buying credit. Money flows have really begun to turn sour as the Risk and Trend Volatility metrics have both turned **Negative**. The recent underperformance by small caps, semiconductors, and the Dow Transports gave clues that something wasn't right. It seems as though the recent earnings reports provided enough cover for the smart money to get out of their positions and sell their shares to unsuspecting bag holders for the move lower. Is this a major top? I don't know yet, but the recent action definitely has an ugly tone. The selling over the last couple of weeks has been the strongest of any period since this rally began almost eight months ago. The market is due for a bounce here, but I will not get cute with the portfolios trying to play for such a bounce. Adjustments have been made across the board as a more defensive posture is warranted. XLF will be sold across the board as it is experiencing a real breakdown. XLF is featured below.

Weekly Market Close October 30, 2009		
Index	Close	Change
Dow 30	9712.73	-259.45
S&P 500	1036.19	-43.41
Nasdaq Composite	2045.11	-109.36
	NYSE	Nasdaq
Advances	370	451
Declines	2823	2437
Ratio	0.13	0.19
New Highs	218	143
New Lows	28	90

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

Last Week's top ETF performers were dominated by inverse and defensive plays. The flow away from risk is evident in both the top and bottom ETF performers as inverse and bond ETFs were among the strongest names.

Weekly Top Ten ETFs by Performance

SYMBOL	DESCRIPTION	% Change
PSQ	ProShares Short QQQ ETF	4.83%
SH	ProShares Short S&P500 ETF	4.14%
DOG	ProShares Short Trust Dow30	2.68%
UUP	PowerShares DB US Dollar Index Bullish Fund	1.20%
TLT	iShares Barclays 20+ Year Treasury Bond Fund	0.87%
IEF	iShares Barclays 7-10 Year Treasury Bond Fund	0.86%
BWX	SPDR Lehman International Treasury Bond Fund ETF	-0.73%
XLP	SPDRs Select Sector Consumer Staples ETF	-0.92%
GLD	SPDR Gold Trust	-0.93%
SGG	iPath Dow Jones-AIG Sugar Total Return Sub-Index ETN	-1.01%

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Last Week's bottom ETF performers were higher risk positions. As expected. Weak dollar plays got hammered as the dollar is trying to reverse and traders move away from risk.

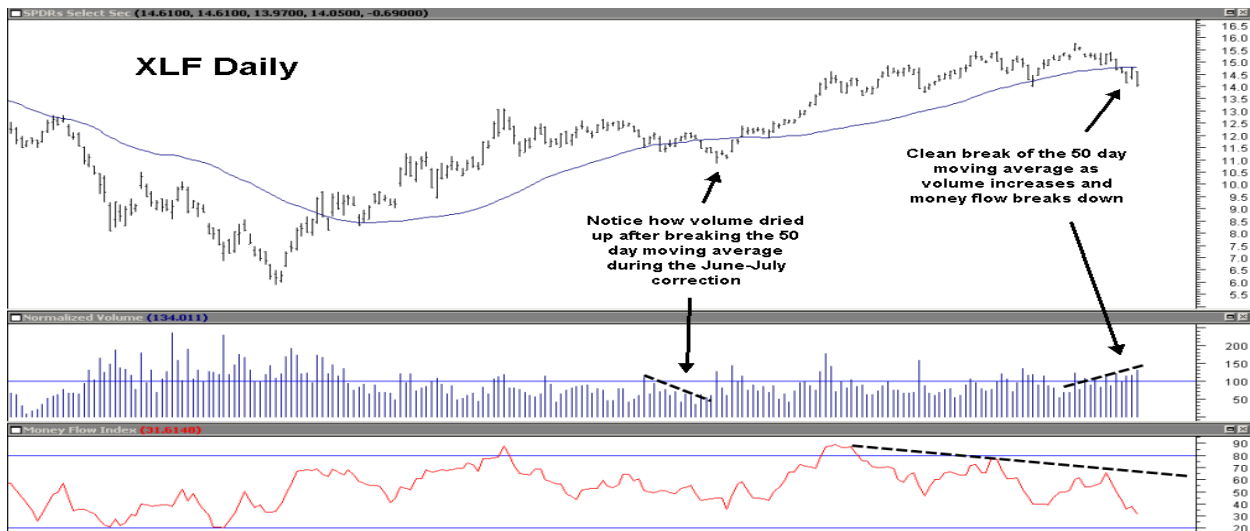
Weekly Bottom Ten ETFs by Performance

SYMBOL	DESCRIPTION	% Change
KWT	Market Vectors Solar Energy ETF	-11.02%
TUR	iShares MSCI Turkey Investable Market Index Fund ETF	-10.93%
RSX	Market Vectors Russia ETF	-10.48%
EWO	iShares MSCI Austria Index Fund ETF	-10.11%
SLX	Market Vectors Steel ETF	-10.07%
GDX	Market Vectors Gold Miners ETF	-9.25%
EWA	iShares MSCI Australia Index Fund ETF	-9.19%
EWG	iShares MSCI Germany Index Fund ETF	-9.17%
UNG	US Nat Gas FD ETF	-9.03%
ITB	iShares Dow Jones US Home Construction Index Fund ETF	-8.76%

Financials Are No Longer The Place To Be

Recall that last week I waved the red flag regarding the underperformance of small caps, now this past week we have seen the beginning of a breakdown in financial stocks. Financials have had an incredible run off of the March low, as XLF has appreciated 168% up to its October 14 high. While the gains were impressive, those of us that follow the markets have been wary of this move as it has been driven purely by revving up the printing presses at the Treasury Department. It now looks as if the party is over for this group that has had unfettered access to taxpayer dollars. Garbage stocks like Citigroup and Fannie Mae have begin to break down and now the big boys like JP Morgan and Goldman Sachs are looking vulnerable as well.

In the chart of XLF below I have plotted its 50 day moving average along with normalized volume and money flow. Notice how volume virtually dried up as price broke its 50 day moving average during the June/July correction. That was a signal that the sellers were running out of gas, and XLF led the market for the next couple of months. Now look at recent volume as XLF broke its 50 day moving average last week. It has picked up considerably and was above average for four of the last five trading days. Money flow also peaked in August, making lower highs ever since. XLF is ripe for a smack down and sellers are stepping up in a big way.



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Weekly ETF Ranks

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

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SPY jumped four slots to number 12 last week. That is very important as it shows that risk is coming out of the market as fewer groups outperform SPY. Just a month ago on September 28, SPY was ranked 23rd with tech, financials, brokers, materials, insurance, aerospace & defense and real estate being some of the groups that were outperforming the market. This is another warning signal that money flows are turning negative.

Automated Models For November

Country Model				YTD Return +8.16%		
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
ILF	iShares S&P Latin America	11/2/2009	43.07	43.07	0.00%	0.00%
EPP	iShares MSCI Pacific Ex Japan	11/2/2009	39.59	39.59	0.00%	0.00%
EWL	iShares MSCI Switzerland	11/2/2009	21.38	21.38	0.00%	0.00%
EWM	iShares MSCI Malaysia ETF	11/2/2009	10.49	10.49	0.00%	0.00%
EWU	iShares MSCI UK Index ETF	11/2/2009	15.49	15.49	0.00%	0.00%
Cumulative					0.00%	0.00%

Sector Model				YTD Return +10.23%		
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
IEZ	iShares Dow Jones US Oil Equiprr	10/1/2009	41.11	41.11	0.00%	0.00%
SLV	iShares Silver Trust	10/1/2009	16.07	16.07	0.00%	0.00%
GLD	SPDR Gold Trust	11/2/2009	102.53	102.53	0.00%	0.00%
HHH	Internet HLDRs ETF	11/2/2009	53.50	53.50	0.00%	0.00%
XLE	SPDRs Sel Sec Energy	11/2/2009	55.25	55.25	0.00%	0.00%
Cumulative					0.00%	0.00%

Currency Model				YTD Return +8.99% No Divs Reinvest		
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
BZF	WisdomTree Dreyfus Brazil Inc	11/2/2009	26.18	26.18	0.00%	0.00%
BNZ	WisdomTree Dreyfus New Zeala	11/2/2009	24.90	24.90	0.00%	0.00%
FXA	Rydex Currency Shares Australia	8/3/2009	90.20	90.20	0.00%	0.00%
Cumulative					0.00%	0.00%

Style/Index Model				YTD Return +17.97%		
Symbol	Name	Purch Date	Month Start	Close	Weekly Return	MTD Return
AGG	iShrs Barclays Agg Bond ETF	11/2/2009	104.81	104.81	0.00%	0.00%
LQD	iShrs iboxx Inv Corp Bond ETF	11/2/2009	105.68	105.68	0.00%	0.00%
Cumulative					0.00%	0.00%

New Automated Model positions shaded in blue

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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	10% RWM ProShrs Short Russ 2000
0% IWV iShares Russell 3000	10% PSQ Inverse Nasdaq 100	
SECTOR	SECTOR	SECTOR
0% XLF Financial Sector SPDR	0% XLF Financial Sector SPDR	0% XLF Financial Sector SPDR
5% XRT SPDR S&P Retail		5% IAK iShares U.S. Insurance
		5% XLP Consumer Staples
INTERNATIONAL	INT/COUNTRY	INT/COUNTRY
10% EFA iShares MSCI EAFE Index	0% EWQ iShares MSCI France ETF	0% EWQ iShares MSCI France ETF
	0% EWT iShares MSCI Taiwan	0% EWT iShares MSCI Taiwan
	10% EFA iShares MSCI EAFE Index	5% EEM iShares MSCI Emerging Mkt
		5% EWL iShares Switzerland
COMMODITY	COMMODITY	COMMODITY
10% GLD SPDR Gold Shares	10% GLD SPDR Gold Shares	10% GLD SPDR Gold Shares
	0% DBB PwrShrs Metals Fund	0% DBB PwrShrs Metals Fund
	5% GLD SPDR Gold Shares	10% GLD SPDR Gold Shares
FIXED INCOME	CURRENCIES/FIXED	CURRENCIES
10% AGG iShares Lehman Agg Bond	5% FXA Rydex Currency/Australian D	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	10% SHY iShares 1 - 3 Yr Treas	5% FXS Rydex Currency Swed Kro
10% LQD iShrs iBoxx Corp Bd		10% TLT iShares Barclays 20+ Tr
CASH	CASH	CASH
15%	15%	10%

ETF PORTFOLIOS

The moves last week were timely, and this week's moves will give even more of a defensive posture. Sell DBB as it did not work out from the beginning. Even though the portfolios are not meant for high turnover, positions breaking down will be liquidated. The hedged and aggressive portfolios will add to their gold positions while selling EWQ (France) and EWT (Taiwan) which are breaking down badly. XLF (financials) will be sold across all three portfolios as the run is over there. The conservative portfolio will now hold 40% fixed income with the sale of IWV and purchase of LQD (investment grade corporates).

October Returns

Portfolio	Weekly	MTD
Conservative	-2.51%	-0.82%
Hedged	-3.20%	-2.11%
Aggressive	-2.63%	-1.84%