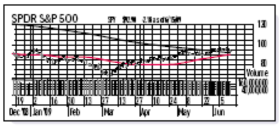
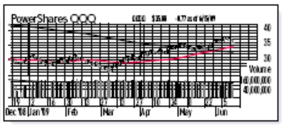
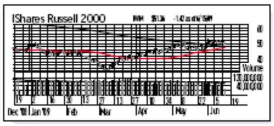
DATA FLOW

Biggest ETFs' Uptrends Waver

SPDR S&P 500, having climbed above its 200-day moving average line three weeks ago, in recent days has fallen to its lowest level in that span. But up to now it's remained above its longer-term trend. IShares Russell 2000 has etched a similar path. PowerShares QQQ has held on to more of its gains.







EXCHANGE TRADED FUNDS

Q&A

Using ETFs To See Market's Warning Signs

Chartered Market Technician

Brandon Wendell explains how to use ETFs to gauge market's direction, health

BY TRANG HO
INVESTOR'S BUSINESS DAILY

Studying intermarket relationships helps you understand events in the stock market. Chartered Market Technician Brandon Wendell should know. He chairs the San Diego chapter of the Market Technicians Association.

The nonprofit trade group aims to educate the public about technical analysis. It has 3,000 members — including advisers, portfolio managers and technical analysts — in 70 countries.

In a Q&A with IBD, Wendell explains how he puts this analysis of a handful of ETFs into action.

IBD: *How do you use ETFs to conduct intermarket analysis?*

Wendell: First, I look for turning points in iPath DJ-UBS Copper Subindex Total Return^{JJC}, which has a pretty close correlation to copper futures. That will generally lead to turning points in the stock market or at least correlate with moves in the stock market and give me extra confirmation that the market is going to continue in one direction or the other.

Copper is coming up toward a resistance level. If it starts to turn down, I may want to start exiting any kind of equity position.

IBD: *How is copper a leading indicator?*

Wendell: Copper is pretty much everywhere in the economy. When there's higher demand in copper, there's generally higher demand in construction and expansion in companies.

Copper bottomed out in late December. When the market was going down in the first part of the year, we saw copper trending in a sideways channel. Copper really started breaking out strong to the upside in late February. A couple of weeks afterward, the market rallied.

IBD: *Your analysis focuses on the U.S. dollar, copper, oil, Treasury yields and gold. Why would looking at all of these be superior to just looking at the price and volume action of the market itself?*

Wendell: Let's take for instance the market bottom of Nov. 21, 2008. The market was heading down. People were very panicky. And there was gloom and doom throughout the market.

But one silver lining that I noticed was that the bond market was actually showing a bit of a bubble. I was anticipating a selling of the bonds. When the bond prices started to break to the downside, there was a little relief for the stock prices. And it started to rally off the November low all the way through the beginning of January 2009.

IBD: *What's going on with the dollar? How does it help you see what's going on in the stock market?*

Wendell: Going back to the October 2007 highs, we've had roughly 86% negative correlation to the stock market and the U.S. dollar.

The U.S. dollar has been declining quite a bit recently; that's allowed U.S. equity prices to rise.

But what's happened recently is that the U.S. dollar has completed a (bullish) technical pattern called the inverse head and shoulders, indicating that the U.S. dollar might start turning positive in the near-term future, therefore putting a little bit of pressure on U.S. equities.

PowerShares DB US Dollar Index Bullish^{UUP} is down below its 200-day moving average. If you go back six months, on the daily chart, you will see a left shoulder that formed on May 22. There's a head on June 2. And we're forming the right shoulder as of right now. June 9 is the bottom of the right shoulder.

If we break through the neckline, not only will we break that long-term downtrend that we've had for most of this year, we would complete the head and shoulders. That would be confirmation.

IBD: *What do Treasuries tell you?*

Wendell: IShares Barclays 7-10 Year Treasury^{IEF} is coming into an area of consolidation (or support) that it hit last year in October and November.

It shows that interest rates are skyrocketing on the 10-year Treasuries. And with higher interest will come a slowdown in the U.S. economy as money becomes tighter. So that's going to be very negative for the U.S. stock market.

If IEF can break through support at 88 and even lower support at 86.50, that's going to be extremely bearish for the stock market.

IEF has been selling off in the month of June. So we would expect to see pressures on the U.S. dollar to the upside.

Brandon Wendell

- Chartered Market Technician
- Chair, San Diego Chapter, Market Technicians Association
- Age: 35
- Senior instructor, Online Trading Academy
- Former stockbroker, brokerage trader, hedge fund trader

IBD: *What's going on with oil?*

Wendell: There's about 75% correlation between U.S. Oil^{USO} and the stock market. USO has done a nice rounded bottom formation along with oil itself.

The big problem is that oil has major resistance coming up at the \$78- to \$80-a-barrel level, which will correlate to about \$50 on USO as an area of resistance. That could push the market to the downside.

IBD: *What's going on with gold?*

Wendell: When I'm tracking gold, the first thing I look at is Market Vectors Gold Miners ETF^{GDX}. They're in a big channel right now on a long-term chart, but they tried to break out of the top side of the channel, showed a little bit of weakness and pulled back in. Overall it's slightly bullish for gold.

Gold itself, SPDR Gold Shares^{GLD}, is going to follow. On a weekly chart, GLD is forming an inverse head-and-shoulders pattern. And an inverse head and shoulders in an uptrend is actually a continuation formation. That means if GLD breaks to the upside, over \$98, gold has the potential to run up to \$1,300 an ounce. And GLD should run up another 30 points to about the \$130 area.

IBD: *How do you use the sector SPDR ETFs?*

Wendell: I have them all charted in relation to the S&P 500. In September and October 2007, sector rotation was telling me the market was getting ready to crash. That was energy outperforming all of the other market sectors.

We're generally at a market peak when energy is the best performer. It was followed just slightly by SPDR Materials^{XLB} and SPDR Consumer Discretionary^{XLY}.

When we're hitting the bottom of a recession, XLY should be the strongest ETF. Coming out of a recession, SPDR Financial^{XLF} should be showing sustained momentum to the upside. Right now it's dying off in relation to the S&P 500.

The Technology Select Sector SPDR^{XLK} would be the next sector to rotate into popularity.

During a bearish market, you're going to see Consumer Staples Select Sector SPDR^{XLP}, Health Care Select Sector SPDR^{XLV} and Utilities Select Sector SPDR^{XLU} outperform a little bit. I'm not saying they're going to be positive, I'm just saying they're going to outperform the market.

We go through this rotation in which each sector is the shining star in different environment.

IBD: *What else do you look at?*

Wendell: I keep a chart with iShares Russell 2000 Index^{IWM}, PowerSharesQQQ^{QQQQ}, SPDR S&P 500^{SPY} and the Diamonds Trust^{DIA} all transposed on top of each other. (These ETFs track the small caps, Nasdaq 100, the S&P 500 and Dow Jones 30, respectively.)

I do a relative-strength analysis to figure out who's making the higher highs first. When that index hits resistance, all four of the indexes are going to turn. Whenever the weakest index hits support, all four of them will turn back to the upside.

We saw the IWM showing weakness in July 2007. Meanwhile, the large caps didn't fail until October 2007. The move to the downside was halted when the Russell was making higher lows in March and gave us a rally to the upside.

IndexIQ, ProShares Add To Their Lineups

BY TRANG HO
INVESTOR'S BUSINESS DAILY

IndexIQ has launched its second ETF that intends to mimic hedge-fund strategies without investing directly in the lightly regulated investment vehicles.

IQ Hedge Macro Strategy Tracker ETF^{MCRO} aims to track the returns of hedge funds that focus on global macro trends and emerging markets. It's a fund of funds that varies the weightings of a basket of 10 ETFs spread across stocks, bonds, commodities and currencies.

IndexIQ says it uses a proprietary macroeconomic, or top-down, approach to decide how much to invest in each asset class.

The portfolio currently devotes 40% of assets to emerging market ETFs, 33% to short-term bonds, 12% to corporate bonds and 4% to international bonds. It has a 3% short position in real estate. It thinks the worst is yet to come for the embattled sector.

The top holdings are iShares MSCI Emerging Markets^{EEM}, iShares 1-3 Year Treasury Bond^{SHY}, iShares iBoxx Investment-Grade Corporate Bond^{LQD}, Vanguard Emerging Markets^{VWO} and PowerShares DB G10 Currency Harvest^{DBV}.

MCRO hedges the long positions with ProShares UltraShort Real Estate^{SRS}. That ETF provides double the opposite returns of real estate.

"Ideally the bonds will perform better when the stocks are falling and vice versa," said David Fabian, vice president of Fabian Wealth Strategies. "This fund will do well over time if emerging markets continue to outperform domestic indexes."

Some other assets managers took a more cautious view.

"There is little evidence that synthetic hedge fund strategies mimic actual future hedge fund returns," said Richard Ferri, founder and CEO of Portfolio Solutions, Inc. "The past regressions used to create the ETF portfolio are outdated by default and do not reflect current hedge fund holdings."

"I would wait to see how closely the past performance of this strategy can be replicated going forward, in real time, before making an initial commitment today," said William Koehler, chief investment officer of ETF Portfolio Solutions.

MCRO charges shareholders 1.14% of assets to cover expenses.

New Leveraged Foreign ETFs

ProShares released June 3 four new ETFs that double the daily returns of the most popular foreign indexes:

- ProShares Ultra MSCI EAFE^{EFO}
- ProShares Ultra MSCI Emerging Markets^{EET}
- ProShares Ultra FTSE/Xinhua China 25^{XPP}
- ProShares Ultra MSCI Japan^{EZJ}

ProShares also offers UltraShort versions, which double the short exposure to their underlying indexes. They carry expense ratios of 0.95%.

1-Month Winners & Losers

TOP 10

ETF	Symbol	RelStr Rtg	1-mth %chg
ProS Ultra Crude Oil	UCO	54	49.8
PS DB Oil Double Long Etn	DXO	65	40.2
Direxion Technology Bull 3X	TYH	93	30.3
WT India Earn	EPI	86	28.5
Ipath India Etn	INP	86	27.2
PS India Portfoli	PIN	85	27.1
ProS Ultra Semiconductor	USD	46	23.9
DX Energy Bull 3X	ERX	65	23.8
DX Emerg Market Bull 3X	EDC	94	23.7
US Gasoline	UGA	70	23.3

BOTTOM 10

ETF	Symbol	RelStr Rtg	1-mth %chg
PS DB Oil Double Short Etn	DTO	65	-49.7
ProS Ultrashort Crude Oil	SCO	2	-36.1
ProS Ultrashort Ftse/Xinhua	FXP	1	-26.3
DX Energy Bear 3X	ERY	1	-25.3
DX Small Cap Bear 3X	TZA	1	-24.6
ProS Ultshrt Semiconductor	SSG	3	-22.8
DX Mid Cap Bear 3X	MWN	1	-21.4
DX Financial Bear 3X	FAZ	1	-20.7
ProS Ultrashort Real Estate	SRS	1	-19.3
ProS Ultshrt Basic Material	SMN	2	-18.7

For Monday, June 15, 2009. Ranked by Relative Strength

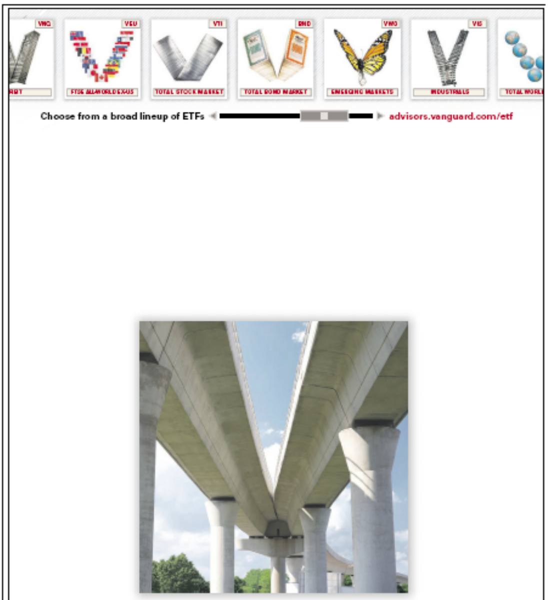
U.S. Stock/Broad Index

YTD % Chg	Rel Str	Acc Dist	52-wk High	Fund	Symbol	Div Yld	Close Price	Chg	Vol % Chg
..	84	B+	63.2	DX Mid Cap Bull 3X	MWJ	..	55.94	-4.87	-6
-15.8	77	A-	58.9	DX SmCap Bull 3X	TNA	0.2	28.71	-2.49	-15
-4.8	70	B	58.8	DX LC Bull 3X Shs	BGU	0.4	34.63	-2.69	-15
18.8	70	A-	51.6	PS Ftse US 1500	PRFZ	0.3	38.23	-1.25	-14
14.8	65	B+	61.8	ProS Ultra Rs2000 Grw	UKK	0.1	21.99	-1.14	-17
28.0	62	B+	86.6	ProS Ultra QQQ	QLD	..	33.10	-1.67	-23
11.6	53	B	53.5	PS Ftse Rafi US	PRF	1.0	38.04	-1.09	10
14.1	53	A-	71.5	VG Small-Cp Growth	VBK	0.0	48.04	-1.18	-25
11.8	51	B-	89.0	IS Russell 2000 Grw	IWO	0.3	56.88	-1.50	-3
12.8	51	B+	45.2	RX S&P 500 Eql Wght	RSP	2.1	31.25	-0.96	-57
20.7	50	B	49.1	PS QQQ Trust	QQQQ	0.5	35.90	-0.75	-18
10.0	49	B	80.0	ProS Ultra Midcap 400	MVV	0.9	27.44	-1.26	-34
-1.6	49	B+	57.4	ProS Ultra Russ2000	UWM	0.5	19.59	-1.07	-36
8.1	49	B-	75.0	VG Small-Cp	VB	0.0	45.92	-1.25	-38
14.0	48	A-	94.3	IS S&P MidCp 400 Grw	IJK	0.3	63.20	-1.48	-61
3.4	46	B+	53.6	IS Russell Microcap	IWC	0.9	32.93	-0.86	15
16.9	46	B-	56.4	IS Russell MidCp Grw	IWP	1.1	36.58	-0.97	-56
10.2	46	B	56.2	VG Extd Market	VXF	0.0	34.80	-0.88	-22
2.9	46	B+	67.4	VG Small-Cp Value	VBR	0.1	43.68	-1.21	-10
4.3	44	A-	79.0	IS Russell 2000 Indx	IWM	1.1	51.26	-1.42	-21
9.2	44	B+	83.7	IS S&P MidCp 400	IJH	1.4	58.26	-1.53	-41
4.4	44	B-	70.7	IS S&P SmCp 600 Grw	IJT	0.1	46.53	-1.00	-57
-8.2	44	B+	61.0	ProS Ultra Smcap 600	SAA	0.4	20.74	-1.24	-16
9.2	43	B+	159.7	S&P Midcap 400	MDY	1.3	106.11	-2.62	-36
5.4	42	B+	52.8	VG Mid-Cap Value	VOE	0.1	34.51	-1.04	-67
10.1	41	B	102.6	IS Russell MidCp Indx	IWR	1.7	65.73	-1.71	-46
1.4	41	B	76.0	IS S&P SmCp 600	IJR	1.1	44.60	-1.14	-27
14.9	39	B+	65.6	IS Mstar Large Grw	JKE	1.1	47.22	-1.01	-47
14.5	39	B-	100.8	IS Mstar Mid Growth	JKH	0.0	61.08	-1.55	-79
11.1	39	B-	58.8	IS Russell 1000 Grw	IWF	1.5	41.17	-0.77	-38
11.2	39	B-	47.6	IS Russell 3000 Grw	IWZ	1.5	33.42	-0.77	-44
-2.2	39	B+	80.2	IS S&P SmCp 600 Vl	IJS	2.0	43.57	-1.26	-42
5.0	39	B	20.0	PS Listed PrivEq	PSP	1.2	7.53	-0.06	-62
9.6	39	A-	75.4	VG Mid-Cap	VO	0.1	43.24	-1.29	-49
9.8	37	B-	63.1	VG Growth	VUG	1.4	43.40	-0.89	-45
9.1	37	C+	48.8	VG Mega Cap 300 Grw	MGK	1.6	34.29	-0.68	-36
14.5	37	B+	64.5	VG Mid-Cap Growth	VOT	..	38.82	-0.97	-36
-3.8	36	C+	81.1	IS Russell 2000 Val	IWN	1.9	43.22	-1.17	-3
2.3	36	C	48.2	IS Russell MidCp Val	IWS	3.0	29.09	-0.83	-34
7.6	36	B-	63.5	IS S&P 500 Grw Indx	IVW	1.4	48.26	-1.07	-63
4.7	36	B-	80.3	IS S&P MidCp 400 Vl	IJJ	2.4	52.63	-1.23	-71
4.0	34	B+	75.4	IS DJ US Index	IYY	2.2	45.85	-1.11	-61
3.9	34	B-	80.1	IS Russell 3000 Indx	IWV	2.4	54.04	-1.41	-7
-2.2	34	C+	19.1	PS Dyn Lrg Val	PWV	0.3	14.14	-0.28	-36
-4.4	34	B	56.5	Spdr S&P Dividend	SDY	4.5	38.75	-0.82	-42
4.3	34	B-	68.8	VG Total Stock Mkt	VTI	2.4	46.68	-1.11	-13
-0.1	33	B-	54.1	VG Div Appr	VIG	2.7	40.09	-0.89	-29
2.5	33	B+	46.8	VG Mega Cap 300	MGC	2.6	32.21	-0.72	-33
-2.5	22	B-	15.2	First Tr Value Line Div	FVD	3.3	11.21	-0.26	11
-0.1	22	D	76.4	IS Mstar Large Core	JKD	2.8	54.04	-1.26	-44
4.1	22	C	76.4	IS Russell 1000 Indx	IWB	2.7	50.09	-1.23	-41
2.9	22	A-	61.4	IS S&P 1500 Indx	ISI	2.3	41.64	-0.96	-72
3.2	22	C	157.3	IS S&P 500 Index	IVV	2.4	93.18	-2.21	-41
-1.2	22	B+	70.0	VG Industrials	VIS	2.6	42.34	-1.29	-52
3.4	22	B-	62.1	VG Large-Cap	VV	2.5	42.12	-1.01	-62
6.2	21	B	61.3	RX 2X S&P 500	RSU	1.1	22.82	-0.52	-36
2.9	21	B+	157.1	Spdr S&P 500	SPY	2.4	92.90	-2.18	-20
-4.8	20	C	14.0	PS Zack Micro	PZI	0.7	8.41	-0.26	-27
6.2	20	B	99.6	RX Russell Top 50	XLG	3.3	71.50	-1.50	1
-2.2	20	A-	60.5	VG Value	VTV	3.7	40.27	-1.06	-45
6.6	19	C	70.4	ProS Ultra S&P 500	SSO	1.6	26.44	-1.26	-8
-4.0	19	C	44.8	VG Mega Cap 300 Val	MGV	3.7	30.11	-0.76	-57
-1.2	18	C	133.4	DJ Diamonds Trust	DIA	3.3	86.49	-1.82	-17
-3.3	18	C+	74.2	IS Russell 1000 Val	IWD	3.3	47.90	-1.28	-10
-3.3	18	A	96.4	IS Russell 3000 Val	IWW	3.3	62.49	-1.63	-75
0.4	18	C	62.5	IS S&P 100 Index	OEF	2.9	43.28	-0.93	-35
-2.4	18	B-	69.2	IS S&P 500 Value	IVE	4.4	44.16	-1.13	-49
6.6	18	B-	48.4	PS Dyn Market	PWC	0.8	32.67	-0.34	100
6.6	17	D+	18.0	PS Dyn Lrg Grw	PWB	..	11.47	-0.24	-43
-4.1	17	B-	54.5	WT Large Cap Div	DLN	3.9	34.84	-0.83	-29
-4.6	15	D+	90.3	ProS Short Dow 30	DOG	..	65.41	1.22	-15
-5.7	15	B	70.0	ProS Ultra Dow 30	DDM	1.9	30.11	-1.26	-17
-6.7	15	B	16.5	PS Div Achvrs	PFM	0.3	10.79	-0.21	-40
-6.0	13	B-	71.9	IS Mstar Large Val	JKF	4.1	46.83	-1.07	-64
3.2	23	C+	23.4	PS Dyn Mid Grw	PWJ	..	14.01	-0.21	-16
-12.3	22	B+	64.6	IS DJ Select Dvdnd	DVY	4.8	36.21	-0.83	29
-8.9	22	D-	94.5	ProS Short S&P 500	SH	..	65.59	1.61	-10
-10.1	22	C	48.5	ProS Ultra Rs1000 Val	UVG	2.1	16.02	-0.81	-49
-21.0	20	B	12.8	PS Hi Yld Eq Div	PEY	4.2	6.15	-0.19	177
-16.1	15	D-	94.8	ProS Shrt Midcap 400	MYY	..	57.43	1.25	32
-21.6	12	D	94.8	ProS Short QQQ	PSQ	..	57.38	1.30	-17
-14.2	12	D+	93.1	ProS Short Russ 2000	RWM	..	56.63	1.46	-31
-13.3	10	D	90.9	ProS Ultsft Dow 30	DXD	..	46.43	1.84	-28
-21.3	10	B-	189.6	RX Inv 2X S&P 500	RSW	..	88.72	4.64	10
-34.2	8	C+	112.3	Proshrs Ultsht Indstrl	SIJ	..	41.01	2.22	-20
-22.3	7	D+	118.2	ProS Ultsft S&P 500	SDS	..	55.10	2.47	-12
-25.4	4	C	116.3	ProS Ultsft Midcp 400	MZZ	..	37.67	1.76	-23
-42.2	4	E	88.4	ProS Ultsft QQQ	QID	..	33.15	1.31	-7
-36.7	4	D	136.4	ProS Ultsft SmCp 600	SDD	..	44.99	2.16	-22
-29.6	4	D+	102.9	RX Inv 2X Russll 2000	RRZ	..	61.12	3.69	-71
-33.2	3	C+	122.6	ProS Ultsft Russ 2000	TWM	..	42.37	2.02	45
-29.8	1	E	121.6	DX LC Bear 3X Shrs	BGZ	..	35.17	2.38	-2
..	1	E	136.7	DX Mid Cap Bear 3X	MWN	..	29.54	2.03	14
-52.7	1	E	156.6	DX SmCap Bear 3X	TZA	..	22.64	1.68	50

Sector/Industry

YTD % Chg	Rel Str	Acc Dist	52-wk High	Fund	Symbol	Div Yld	Close Price	Chg	Vol % Chg
61.9	93	A	95.9	Direxion Tech Bull 3X	TYH	..	88.27	-4.24	-26
64.6	81	B+	60.3	MV Coal	KOL	0.4	34.51	-1.76	54
38.2	78	B-	29.3	ClymrMac G Sd Engy	TAN	0.1	10.54	-0.56	6

Exchange Traded Funds are found on B2



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