




THE ETF PLAYBOOK July 5, 2011

PLAYBOOK SPOTLIGHT















Today's ETF Playbook features a new and enhanced format. It includes the funds that reflect positive Power Rankings (either bullish or bearish) across of our diverse and broad coverage of ETFs (ie., US Sector, International and Emerging Markets, Bond Funds, Commodity & Currency Funds and many more). You will notice that we have also introduced new price columns to the Playbook format (see key below) along with funds that are newly reflecting positive Power Rankings from the previous day's close (NEW button). Finally, we include funds that have dropped out of the positive Power Rankings and are no longer 'ranked' positively for a trend (shaded rows). We trust that the daily delivery of this new format will add tremendous value to our readers who actively trade ETFs within their broader portfolio.

In our enhanced Playbook format, we provide you with the funds that are generating a positive 'ranking' (bullish or bearish) within each sector along with the price of the ETF when we first reflected the fund in our Playbook (This Playbook includes funds which were 'ranking' as of the closing price on June 30th. Hence, the 'initial price' column in today's Playbook considers July 1st as the first day the fund would have been presented in the Playbook with a positive Power Ranking). Each day, we provide the 'previous day's closing price' of the funds that continue to show a positive Power Ranking and the price's percentage change from the most recent close price (previous close price column) to the 'initial price'.

The rows of funds that are shaded reflect the funds that are no longer showing a positive Power Ranking (in this case, the rows of funds that are shaded are the ones that were reflecting positive Power Rankings as of June 30th but are no longer 'ranked' positively as of the July 1st closing price.) Finally, as previously mentioned, we highlight funds that are newly reflecting positive Power Rankings (either bullish or bearish) from the previous day's close. These are highlighted with a NEW button (see key below).

SYMBOL KEY	
	Indicates funds that are newly reflecting a positive Power Ranking (bullish or bearish) versus the previous day's listing
FUND	Indicates funds that are no longer reflecting a positive Power Ranking; funds that dropped out of the list of positively 'ranked' funds in the Playbook (bullish or bearish)
*	Initial Price: The closing price of the fund on the day it first reflected a positive Power Ranking (bullish or bearish). The initial price column in this Playbook reflects the July 1st closing price.
**	Previous Close Price: the previous day's closing price
***	Price Changes: the % change from the Initial Price to the most recent closing price (Previous Closing price)

ETF Trend Power Rankings US Sector Funds

Exchange Traded Fund	Power Ranking	Directional Indicator	Ratio Med-Term	Ratio Long-Term	Pivot Upside	Pivot Downside	* Price Initial	**Previous Close Price	***Percentage Price Change
Healthcare									
HOLDRS Biotech - BBH	194%	Bullish	0.20	0.42	112.10	100.62	\$107.29	\$108.02	0.68%
iShares DJ US Pharma Index - IHE	146%	Bullish	0.28	0.63	75.72	69.78	\$73.39	\$74.20	1.10%
 Rydex S&P Equal Weight Healthcare - RYH	97%	Bullish	0.06	0.56	75.69	69.64	\$74.19	\$74.19	0.00%
 Health Care Select Sector SPDR - XLV	79%	Bullish	0.04	0.40	36.60	34.14	\$35.96	\$35.96	0.00%
 Drugs - DRG	69%	Bullish	0.16	0.15	316.23	342.34	\$334.63	\$334.63	0.00%
 SPDR S&P Pharmaceuticals - XPH	34%	Bullish	0.12	0.03	52.79	48.13	\$51.66	\$51.66	0.00%
Real Estate									
 iShares FTSE Nareit Industrial - FIO	383%	Bullish	1.44	2.09	38.66	22.12	\$31.19	\$31.19	0.00%
SPDR KBW Mortgage Finance - KME	132%	Bearish	0.44	0.23	38.42	37.79	\$38.15	\$38.87	1.89%
 iShares FTSE Nareit Retail - RTL	71%	Bullish	0.01	0.32	30.61	28.14	\$30.08	\$30.08	0.00%
iShares FTSE Nareit Mortgage - REM	-29%	Bearish	(0.43)	0.13	15.2832	14.17731	\$14.72	\$14.96	\$0.02
Technology									
 Vanguard Telecommunications Services - VOX	82%	Bullish	0.26	0.11	73.88	67.62	\$72.43	\$72.43	0.00%
 HOLDRS Merrill Lynch Telecom - TTH	47%	Bullish	0.00	0.24	30.93	28.21	\$30.16	\$30.16	0.00%
HOLDRS Merrill Lynch Wireless - WMH	22%	Bearish	(0.32)	0.55	46.6563	42.81986	\$44.89	\$45.93	\$0.02
Utilities									
PowerShares Dynamic Utilies - PUI	212%	Bullish	0.47	0.47	17.93	16.42	\$17.30	\$17.54	1.39%
Strategy									
 Wisdom Tree MidCap Dividend - DON	88%	Bullish	0.15	0.22	56.78	51.44	\$55.28	\$55.28	0.00%
Industrial									
 iShares DJ US Transport Avg - IYT	181%	Bullish	0.28	0.35	102.64	91.68	\$100.19	\$100.19	0.00%
 iShares DJ US Aerospace & Def - ITA	130%	Bullish	0.36	0.16	68.43	60.98	\$66.45	\$66.45	0.00%
Consumer									
 First Trust Consumer Staples AlphaDEX - FXG	77%	Bullish	0.01	0.57	25.85	23.80	\$25.32	\$25.32	0.00%
 SPDR S&P Retail - XRT	55%	Bullish	0.06	0.33	55.67	50.58	\$54.44	\$54.44	0.00%
 Consumer Discretionary Select Sector SPDR - XLY	36%	Bullish	0.02	0.14	42.34	37.17	\$41.02	\$41.02	0.00%
Financial									
None									
Materials									
None									

ETF Trend Power Rankings International & Emerging Market Funds


Exchange Traded Fund	Power Ranking	Directional Indicator	Ratio Med-Term	Ratio Long-Term	Pivot Upside	Pivot Downside	*Price Initial	**Previous Close Price	***Percentage Price Change
Emerging Global Shares DJ Emerging Markets Titans - EEG	172%	Bearish	0.38	0.34	25.61	25.55	\$25.59	\$25.59	0.00%
Nomura Korea - KEF	155%	Bullish	0.46	0.19	13.30	15.24	\$14.46	\$14.79	2.28%
Market Vectors Indonesia - IDX	150%	Bullish	0.37	0.19	33.53	29.61	\$31.98	\$32.67	2.16%
Wisdom Tree Middle East Dividend - GULF	129%	Bearish	0.26	0.28	16.24	15.13	\$15.66	\$15.68	0.13%
PowerShares MENA Frontier Countries - PMNA	60%	Bearish	0.26	0.14	12.47	11.86	\$12.09	\$12.26	1.41%
iShares MSCI Peru Capped Index Fund - EPU	46%	Bearish	0.20	0.10	38.69	36.60	\$37.62	\$37.66	0.11%
WisdomTree International Real Estate - DRW	33%	Bearish	(0.06)	0.20	30.32375	26.74897	\$28.86	\$29.07	\$0.01
BLDRs Europe 100 ADR - ADRU	-21%	Bullish	(0.19)	0.05	23.11065	20.14249	\$21.99	\$22.31	\$0.01
iShares FTSE/Xinhua China 25 - FXI	-22%	Bearish	(0.16)	0.08	45.02126	40.08529	\$42.95	\$43.30	\$0.01
First Trust Dow Jones STOXX Select Dividend - FDD	-27%	Bullish	(0.24)	0.14	15.09557	13.19879	\$14.29	\$14.56	\$0.02
iShares FTSE China (HK Listed) - FCHI	-36%	Bullish	(0.24)	0.09	53.00697	47.33024	\$50.19	\$51.36	\$0.02
Wisdom Tree Emerging Markets Small Cap Dividend - DGS	-62%	Bullish	(0.17)	(0.08)	55.19009	48.81654	\$52.53	\$53.00	\$0.01

ETF Trend Power Rankings Bond Funds

Exchange Traded Fund	Power Ranking	Directional Indicator	Ratio Med-Term	Ratio Long-Term	Pivot Upside	Pivot Downside	*Price Initial	**Previous Close Price	***Percentage Price Change
Fixed Income									
Claymore US Capital Markets Bond - UBD	16%	Bullish	0.04	0.08	53.00	53.00	\$53.00	\$53.00	0.00%
SPDR BlackRock Capital High Yield bond - JNK	27%	Bullish	(0.02)	0.22	40.89006	38.85137	\$40.22	\$40.22	\$0.00
Agency & Preferred									
None									
Corporate									
None									
International									
None									
Municipals									
None									
Treasury Funds									
None									

ETF Trend Power Rankings Commodity & Currency Funds

Exchange Traded Fund	Power Ranking	Directional Indicator	Ratio Med-Term	Ratio Long-Term	Pivot Upside	Pivot Downside	*Price Initial	**Previous Close Price	***Percentage Price Change
Commodities									
iShares COMEX Gold Trust - IAU	78%	Bullish	0.01	0.61	15.05	14.34	\$14.65	\$14.52	-0.89%
Currencies									
Wisdom Tree Dreyfus Brazilian Real - BZF	168%	Bullish	0.49	0.13	29.97	27.84	\$29.23	\$29.31	0.27%
Wisdom Tree Dreyfus Indian Rupee - ICN	119%	Bullish	0.65	0.12	27.80	26.89	\$27.43	\$27.55	0.44%
iPath JPY/USD Exchange Rate - JYN	111%	Bullish	0.63	0.34	73.77702	72.55177	\$73.14	\$73.14	\$0.00

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EXPLANATION OF POWER RANKINGS

MED-TERM AND LONG-TERM RATIO READINGS

AND, SHORT-TERM PIVOT POINTS

Our Power Rankings are based on proprietary momentum algorithms.

We begin with the premise that the market's trend direction has already been established, and that the purpose of our Power Rankings is to provide a relative gauge of the strength in the momentum driving a particular market move. The higher the headline Power Ranking, the broader, deeper, and greater, is the momentum push behind a trend, calculated on a short-, med-, and long-term basis.

A positive reading is a PRE-REQUISITE for taking risk exposure. Markets that reflect a negative Power Ranking are in a correction relative to the dominant trend, or, are not exhibiting momentum characteristics associated with a trade-able trend.

A reading above Zero suggests preliminary position taking.

A reading above 100% suggests a 'full' position.

A reading above 200% suggests an over-weighted position.

A reading above 300% suggests an over-weighted position, but also indicates a rapid rise in market volatility, and thus mandates a 'tightened' 'risk-stop' profile.

The Medium-Term Power Ranking "Ratio" (MTR) and the LTR (Long-Term Ratio) are separately calculated components of the overall headline Power Ranking.

For a headline Power Ranking signal to be 'valid' ... both the Med-Term and Long-Term Ratios must also be positive.

But, the value of looking at these two indicators, separately from the headline Power Ranking is to note the interplay between the two, in terms of which one is higher, and, how high they each are.

The Med-Term and Long-Term Power Ranking Ratios run from +1.00 to (-) 1.00, though they can move above and below these levels (very rare, and indicative of a white-hot bull-or-bear trend above +1.00 or, a sharply correcting market below (-) 1.00.

The higher than 1.00 the reading is ... the more powerful the momentum is over that particular 'time-frame' (med-term, days ... or long-term, weeks).

The interpretation of the interplay becomes somewhat subjective, as this is not a 'liquidation' signal.

Ideally, both ratios are low, and rising, with the MTR above the LTR, a set-up that usually indicates a market that is in the early stages of what might become a significant trend.

A very high MTR and low LTR ratio indicates a market that has moved quickly and sharply, in a new trend direction, and may become extended in the short-term, until the long-term ratio can 'catch-up'. This often reflects the MEAT of a first leg move, within the context of a longer-term trend. These are optimum opportunity points.

Also opportunistic are times when BOTH the ST and LT Ratios are high and rising. When the LTR is high, and the MTR is low, but positive and rising, this usually indicates a period where a counter-trend correction has ended (reflected by low ST), but that the dominant trend (high LT) is about to resume (re-rise in the ST).

When the LTR is high, but the MTR is negative, this would likely mean that the market is 'IN' a counter-trend correction.

When both the LTR and MTR are negative, there is NO 'trade-able' trend.

Such a circumstance could be the result of a side-ways market, range-bound action, or a market that just ended a major move, and is correcting violently, or, in the midst of a longer-term trend reversal, or reversion to non-trending price action.

And finally, our 'Pivot Points' are derived from Volatility readings. A market that 'touches' a pivot in the direction of the long-term trend, is indicative of a market that is beginning to accelerate within the context of the prevailing trend.

Conversely, a market that breaches a pivot in the direction opposite to the dominant trend, is suggesting that a counter-trend move may be underway.

Thus, one way to utilize the pivot points is to use them as suggested parameters for stop-loss AND new position-initiation order placement.

In other words, someone looking to get long gold might use the mid-point between the two pivots as a buy-on-weakness strategy, while the upper level pivot points represent a 'breakout', buy-on-strength level ... or, vice versa ... the Upper Pivot Point represents a technically defined suggest stop-loss level to be used against short-positions, while the lower pivot would suggest a level for placement of a stop-loss relative to a long-position

... or they would, after an extended trend, suggest profit-taking stop-levels too.

Either way, when a market reaches one of our pivot points, it almost always indicates an expansion in overall volatility, and thus these price levels should be used accordingly.

Over time readers will become more familiar, and thus more comfortable and confident with the nuances of these indicators, particularly the subtle interplay between the MTR and LTR (Ratios). We will offer examples in real-time, as we progress, to assist readers in becoming more familiar with the proper 'reads', as apply to this matrix.

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Trading is risky, and a risk-management overlay is CRITICAL to the success of any trading campaign. We do NOT focus on risk management within the scope of this informational forum. Within our own money management we consider the risk overlay as the single most important element of our portfolio based programs.

Hence, while our momentum based models DO provide the basis for our OWN trading decisions, we are NOT making any specific suggestions based on this alone, particularly as applies to the application of a risk overlay.

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