



WHAT'S INSIDE THIS WEEK

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- ~ Chart of the Week: JJC

SNAPSHOT

The novice way to check if spaghetti is cooked is to throw it against the wall and see if it sticks. Over the past several weeks, the economy has increasingly been throwing out improving numbers, and they are sticking. The key here is that the frequency of improvement has been increasing also. Advance retail sales and the Empire manufacturing index readings surprised to the upside. Price indices (CPI and PPI) came in higher than expected as well. Combined with strong Industrial production numbers and rebounding capacity utilization, interest rates may start to feel some upward pressure. The Philadelphia Fed survey continued its rapid recovery with its highest reading since Q3 2007. Next week's economic releases will focus on Wednesday's FOMC rate decision and Friday's Durable goods orders.

The one year anniversary of the collapse of Lehman Brothers saw the equity markets head to the highest ground of the year, and return to within earshot of the levels seen prior to the collapse. With it, the S&P 500 moved higher by 2.35% for the week. In a bit of a change from recent weeks, the financials lead the move higher as banks (KBE) rallied 5.1%. Five other sectors put in strong moves to pace domestic equities. The REIT market (IYR) posted a second consecutive strong showing (+8.2%). From the lows of 9/2, REITs have rallied 25% in 15 days. This was only outdone by the Metals and mining sector (XME), which catapulted 28% during the same period as the metal prices (precious and industrial) have surged on improving economic conditions. Materials (XLB), shipping (SEA) and retail (XRT), all economically sensitive groups, gained 4.4% for the week. International stocks fared just as well, with Emerging markets higher by 3.1%. Brazil and South Korea led the charge, advancing by 4.4% (seems to be a familiar number). India (INP) was up 3.1% while Australia advanced 2.8%. International developed markets (EFA, +1.8%) lagged global stocks slightly.

With the overall strength exhibited by the markets, some minor points of attention showed up. The Nasdaq100 tech heavy index advanced 2.3%. It was held back one of the leading technology components in the Semiconductors (SMH), which fell by...

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As the managing partner of Astor Asset Management (www.astorllc.com), Rob Stein doesn't just talk the talk about Exchange Traded Funds, he has developed several successful investment programs that invest exclusively in ETFs for clients of Astor Asset Management. Mr. Stein began his career as a project analyst for the Federal Reserve. He has held senior trading or portfolio management positions with major money center banks. In 1994, he formed Astor Financial, LLC, and later formed Astor Asset Management, LLC. Mr. Stein is often featured in major print and broadcast business news media, and is the author of *The Bull Inside the Bear* ([available on Amazon.com](http://available.on.Amazon.com)), as well as *Inside Greenspan's Briefcase*, and *Charting a Profitable Investment Course with Active Management*.

WEEKLY RECAP

SYMBOL	DESCRIPTION	1 WEEK	MTD	YTD
US-BROAD BASED				
SPY	SPDR TRUST SER 1	2.35%	4.65%	20.37%
IWM	ISHARES-RUS 2000	4.19%	8.23%	26.61%
QQQQ	POWERSH-QQQ	2.31%	6.12%	43.25%
US SECTOR				
IYR	ISHARES-DJ REAL	8.22%	10.38%	24.81%
XRT	SPDR S&P RETAIL	4.35%	7.45%	69.85%
XLE	SPDR-ENERGY SEL	3.41%	8.32%	17.25%
XLF	SPDR-FINL SELECT	4.52%	3.31%	23.20%
COMMODITIES				
GSG	ISHARES S&P GSCI	0.72%	-1.58%	4.58%
OIL	IPATH GS CRD OIL	3.59%	3.03%	5.33%
UNG	US NAT GAS FD LP	9.92%	8.58%	-49.76%
DBA	POWERSHARES DB A	0.25%	-5.90%	-6.23%
INTERNATIONAL				
EFA	ISHARES-MSCI EAF	1.81%	5.54%	26.54%
EEM	ISHARES-EMG MKT	3.09%	10.54%	57.57%
FXI	ISHARES FT/XI CH	2.29%	10.30%	50.40%
EWJ	ISHARES-JAPAN	-1.17%	-0.49%	6.73%
BONDS				
IEF	ISHARES 7-10 YR	-0.91%	-0.18%	-5.32%
LQD	ISHARES-IBOXX IV	-0.40%	0.91%	8.26%
JNK	SPDR BARCLAYS	2.81%	4.95%	29.68%
TIP	ISHARES US TREAS	-0.30%	1.09%	6.03%
METALS				
GLD	SPDR GOLD TRUST	-0.11%	5.64%	14.04%
SLV	ISHARES SILVER T	1.21%	14.23%	49.11%
JJC	IPATH DJ UBS COP	-1.81%	-1.93%	96.28%



ETF PORT 100 INDEX™

102.38 ↑ 4.03

The ETF Port 100 Index is a correlation-weighted index of all ETFs which trade over 100,000 shares on an average daily basis over the last 100 days, and have \$100 million or more in total funds under management. The index gives an indication of the overall direction of the investable asset classes represented by this diverse array of ETFs. [Click here](#) for more information on the index.

Week Percent Change	4.10%
Expense Ratio	0.41
Dividend	1.86%
Corr (SPY)	0.91
QTD	11.06%
YTD	15.36%

ETF PORT 100 INDEX

TOP MOVERS					
TICKER	FUND NAME	CLOSE	WK % CHG	NAV	YTD
URE	PROSHARES ULTRA	6.56	17.14%	6.52	5.59%
FAS	FINL BULL 3X	86.99	13.45%	86.98	-31.43%
TNA	SMALL CAP BULL 3	48.44	12.98%	48.46	42.48%
UYM	PROSHARES ULTRA	29.30	10.73%	29.47	105.51%
UNG	US NAT GAS FD LP	11.64	9.92%	11.13	-49.76%

ETF OPTIONS

Option volume was average, but for a quadruple expiration day on Friday, it might be considered week. Trading volume on the NYSE crossed the 2.2Bn mark, the highest in three months. Put/Call ratios on the S&P 100 increased to 1.26/1 while equity ratios dropped 7 to .53/1. This could be read as increasing complacency by retail investors and more cautiousness from the institutions as the market reached new highs for the year. However, we've seen this pattern mean nothing after occurrences in the last 3 months.

SECURITY VOLATILITY SNAPSHOT

SYMBOL	DESCRIPTION	10 DAY	30 DAY	60 DAY	180 DAY
BROAD					
SPY	SPDR TRUST SER 1	16.47	17.42	19.26	30.30
EFA	ISHARES-MSCI EAF	20.20	21.02	23.33	35.71
EEM	ISHARES-EMG MKT	25.06	27.36	30.16	43.75
QQQQ	POWERSH-QQQ	17.46	18.17	19.78	28.54
SECTOR					
IYH	ISHARES-DJ HEALT	9.84	12.98	15.34	22.35
DBA	POWERSHARES DB A	23.17	25.60	26.14	28.14
UUP	POWERSHARES DB U	6.49	7.52	10.32	12.49
USO	UNITED STATES OI	38.18	40.47	39.32	53.52
XLY	SPDR-CONS DISCRE	19.61	21.99	25.63	35.43
FXE	CRYSHS-EURO TR	7.78	9.32	11.00	14.22

ACTIVE ETF OPTIONS

SYMBOL	DESCRIPTION	MONTH	STRIKE	PUT/ CALL	VOLUME
BROAD BASED					
SPY	SPDR TRUST SER 1	Sep	107	Put	142K
SPY	SPDR TRUST SER 1	Sep	106	Call	110K
QQQQ	POWERSH-QQQ	Oct	41	Put	86K
SPY	SPDR TRUST SER 1	Oct	100	Put	68K
SPY	SPDR TRUST SER 1	Oct	106	Put	63K
SPY	SPDR TRUST SER 1	Oct	105	Put	52K
XLF	SPDR-FINL SELECT	Sep	15	Call	48K
SPY	SPDR TRUST SER 1	Oct	110	Call	47K
FXI	ISHARES FT/XI CH	Nov	43	Call	46K
FXI	ISHARES FT/XI CH	Nov	43	Put	46K
OTHER NOTABLES					
EEM	ISHARES-EMG MKT	Mar	35	Put	33K
GLD	SPDR GOLD TRUST	Jan'11	80	Put	27K
URE	PROSHARES ULTRA	Oct	6	Put	23K
EWZ	ISHARES-BRAZIL	Oct	57	Put	16K

SNAPSHOT

Continued from page 1.

... 0.7%. Japan struggled as well and actually declined by 1.2%. Commodity indices (GSG, +0.6%), even with the advance in oil (USO, +3.6%), could not follow through and stand a good 10% off the highs of the quarter. Part of this reason was copper dropping off 1.8%. While all the horses can't win the race, these are segments that have been in the leadership of the 6 month rally that need to be paid attention too.

Ten year Treasury interest rates rallied 13 basis points on the week on better than expected economic data, especially PPI, CPI and Capacity utilization readings. The US dollar stabilized on this as well as some moderate equity weakness observed on Thursday and Friday. High yield bonds (JNK, +2.8%) kept pace with the equity markets as risk appetite increased. High grade corporate bonds (LQD) did not fair as well, losing 0.4% for the week.

SPOTLIGHT

CURRENCY

The goal of all central banks over the last year was to jointly defend the possibility of global catastrophe. Even if growth emerges slow and uneven, and we experience after shock events in certain market segments such as commercial real estate, it appears fairly certain we have made moves to side-step the worst. However, as we make our ways back, each country will now fight independent domestic battles, in a weakened financial state as a result. Most onlookers view the recovery in the financial markets through the results of the various equity markets. Interest rate actions taken during this period will have ramifications on domestic policy moving forward that will affect everything from growth to trade balance, but all will be impacted to some extent by currency markets reactions.

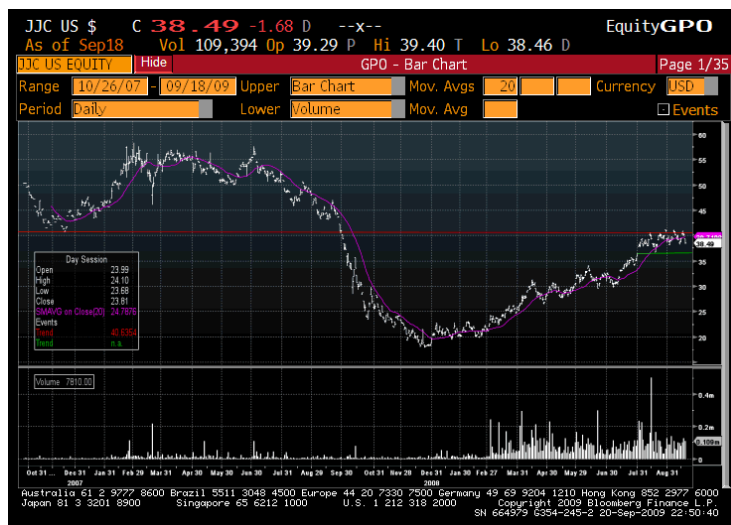
Developed markets with heavy import focus such as the U.K. and the United States will struggle to bring into line fiscal balance sheets in the foreseeable future, especially given the amount of stimulus that was poured into the economies. A careful balance between taking away stimulus too soon and allowing inflation to fester will be the unenviable task of central banks. After the US dollar appreciated in Q4 2008 as global nations sought refuge, it has seen relentless pressure, taking it down The United States has seen the dollar under relentless pressure, bringing it within 10% of multi-decade lows. The US dollar (UUP) is the worst performer of all major currencies year to date, falling 7.8% versus a basket of world currencies. The euro (FXE) has struggled this year as well under the weight of an enormous fiscal deficit, until this quarters 4.8% rally against the dollar put it up just over 5% on the year. The US dollar recently replaced the Japanese Yen as the currency used for carry trades; borrowing in low cost currency to invest in higher yielding assets/currencies. This happens when the outlook for interest rates in a domestic country remains compressed. Any movement higher in domestic rates can move the interest rate parity equation back the other way and impact the currency cross. The Yen has been under pressure this year as well for reasons that higher rate outlooks in Japan have been tame for years and continue the trend. The Yen (FXJ) has fallen 1.25% even versus the US dollar this year, only buoyed by a 5.25% advance this quarter as the US dollar declined.

On the other side, large export nations have fared much better. Even as the financial crisis hurt local stock markets severely (export nations are economically sensitive), countries such as Australia (FXA) and Canada (FXC) have sent their currencies appreciate this year significantly. A portion has to do with dollar weakness. However, developed export nations tend to run positive trade balances, supporting fiscal health and local currency. The Canadian dollar has appreciated 13.4% versus the US dollar in 2009, and the Australian dollar has moved 24% higher than the US dollar. One of the problems with an appreciating currency being an export nation is your goods become more expensive (unless you're China and decide to hold your currency in a pegged channel to avoid this and keep your currency artificially cheap).

CHART OF THE WEEK

JJC

iPath Dow Jones-UBS Copper Subindex Total Return ETN



ETFs IN FOCUS

UNG

United States Natural Gas Fund LP

11.64	↑ 1.05
Week Percent Change	9.92%
Yield	N/A
NAV	11.13
NAV Change	22.06%
Premium/Discount	4.58%
52 Week High	36.75
52 Week Low	8.94
QTD	-16.08%
YTD	-49.76%
Average Volume (3 Mo)	40,103,540
Market Cap	4,043,736,000
Total Fund Assets (\$M)	3,189
Inception Date	4/18/2007
Underlying Index	NGUSHHUB
Tracking Error	60.62
Expense Ratio	0.60

Commodity ETFs have had a difficult time of late, most notably with the United States Natural Gas Fund (UNG) closing itself off to issuing new shares of the fund. Although the fund did get SEC clearance to issue new shares weeks ago, the fund stated it would not issue the shares, citing concerns over expected regulatory changes that would affect the fund's purchase of natural gas futures contracts.

This week however, UNG made a surprising announcement, saying it might issue new shares again on September 28. However, the \$3.5 billion fund did state that they would only issue new shares if they could arrange to purchase over-the-counter swap agreements, which would mean the fund would not need to buy futures contracts directly from the exchanges.

The fund's purchase of futures contracts, as with other similar funds, is the issue at hand. Because funds like UNG purchase futures contracts each month they must roll their position,

selling the current month and buying the next month's contract, in order to avoid taking physical delivery of the contract. First of all, this monthly roll has an impact on the fund's performance, with the fund underperforming the commodity it tracks when the futures market is contango (when the contracts sell at higher and higher premiums to the spot price further out in time). When the futures market is in contango it will cost the fund more to buy the next month's contracts then it gets for selling the current month's contracts. With the market in backwardation, the opposite is true and the fund will experience gains from the contract roll.

Furthermore, and more importantly for regulators, the sheer size of many commodity funds means that this monthly roll has a significant impacts on the futures markets. Especially, for natural gas, the size of the fund (and therefore the number of contracts it must purchase) has gotten so large compared to the natural gas futures market that the fund's monthly roll can affect the prices of natural gas futures when the fund rolls over its contracts. To minimize this impact the fund changed from a one-day contract roll to rolling its contracts over a weeklong period.

Speculators have tried to profit from this event, betting that the fund's selling of the current month's contracts would cause prices to go down. This month, however, traders who shorted the October contract expecting the fund's roll to depress prices got killed as natural gas prices rose this week and the fund's roll had little effect on prices. Volatility surged, though, to its highest level since September 2006.

While energy funds and UNG in particular have been at the forefront of the debate over commodity ETFs, it appears that the Commodity Futures Trading Commission (CFTC) has moved in on wheat and corn ETFs first, revoking position limit exemptions for the PowerShares DB Commodity Index Tracking Fund (DBC) and PowerShares DB Agriculture Fund (DBA). The revocation becomes effective at the end of October. As commodity funds will no doubt attempt to find alternative ways of achieving their investment objective, just as UNG is attempting to negotiation swap agreements, new ways for investors to track commodity prices will undoubtedly also emerge. A new commodity index, the Thomson Reuters/Jefferies In-the-Ground CRB Global Commodity Equity Index is launching, with ETFs based on the index expected soon. The index tracks a basket of commodity-producing companies, rather than the commodities themselves, with the index weighted in the same manner as the Thomson Reuters/Jefferies CRB Index. Because the index tracks equity prices, the ETF, which is expected to be offered from ALPS Advisors and sub-advisor Arrow Investment Advisors, will not be affected by a control roll or on position limits in commodity markets. It will remain to be seen if such a fund can offer investors the same commodity exposure they are looking for with current futures-based commodity funds.

UPDATES ON ACTIONABLE IDEAS

PERFORMANCE UPDATE ON ETF PORT ACTIONABLE IDEAS AS OF FRIDAY'S CLOSE

TICKER	FUND NAME	DATE	PRICE	CURRENT PRICE	GAIN/LOSS
FXA	CRYSHS-AUS DOL T	4/27/2009	72.32	86.81	20.04%
Commodity price inflation coupled with central bank policies should benefit					
UDN	POWERSHARES DB U	3/23/2009	25.60	28.00	9.37%
Save for a significant break in equity markets we expect the dollar to decline					
SHY	ISHARES 1-3 YR	3/16/2009	83.98	83.81	-0.20%
A conservative play					
LQD	ISHARES-IBOXX IV	3/9/2009	93.1	105.79	13.63%
The spread between corporate and Treasuries is not sustainable					
DBA	POWERSHARES DB A	3/9/2009	23.4	24.55	4.91%
Agriculture commodities are ready to shine					
GSG	ISHARES S&P GSCI	3/2/2009	24.08	29.92	24.25%
The fundamentals are supporting commodities, which may have found a bottom					
SSO	PROSHARES ULTRA	3/2/2009	17.31	35.14	103.00%
A good play for a short-term bear market rally; update on 3/27: cut position by half					
IBB	ISHARES-NDQ BIOT	2/23/2009	70.02	82.63	18.01%
Biotech are well positioned for a declining economic environment					
XRT	SPDR S&P RETAIL	2/23/2009	19.89	34.37	72.80%
Retail has been outperforming this year despite consumer spending declines					
JJC	IPATH DJ UBS COP	2/16/2009	21.74	38.49	77.05%
There is support based on China's stimulus and the lows are likely in for cooper					
XLU	SPDR-UTIL SELECT	2/6/2009	29.89	29.68	-0.70%
Utilities sector is actually adding jobs					
MBG	SPDR-BAR MORT BK	2/6/2009	25.91	26.55	2.47%
Stimulus will help the market over the economy					
IPE	SPDR BAR CAP TIP	2/6/2009	48.05	50.26	4.60%
Inflation will ultimately come					
PHO	POWERSH-WATER RE	1/30/2009	12.66	17.43	37.68%
Water is the new oil; an infrastructure play					
XLB	SPDR-MATERIALS	1/30/2009	21.06	32.01	51.99%
An infrastructure play					
XLF	SPDR-FINL SELECT	1/30/2009	9.24	15.14	63.85%
Not necessarily a buy, but will outperform on a bounce					

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