

## WHAT'S INSIDE THIS WEEK

- ~ ETFs in Focus: VXX
- ~ ETF News in Brief
- ~ Chart of the Week: SPY

## SNAPSHOT

Friday was pivot day, not just for the week but the month. The result ended in the largest weekly point drop in the S&P 500 (SPY, -4.1%) since May and a -1.9% drop for the month. A week removed from reaching pre-Lehman Brothers-collapse levels, global broad based equity indices settled back by as much as 11% from the highs of last week. Volatility returned with a vengeance as the financial markets experienced three of the largest swing days since July. Monday began with a 30 minute rally in equities before selling off the balance of the day. A pause in action on Tuesday gave way to high volume, constant selling on Wednesday. Consumer confidence took a turn lower for the previous week on Tuesday. A 12% decline in mortgage applications, along with a surprise 3.6% drop in new home sales from the previous month sparked Wednesday's route. Thursday's GDP report exceeded estimates, and surprised many who were expecting a downside number. Markets took this news as a confirmation that the recovery has taken hold. All of the damage done in Wednesday's sell-off was undone and then some. Enter the pivot day of 10/30. A cascading sell-off triggered a massive bid in volatility in the US equity markets, unraveling a downward trend in volatility since the surprising and immediate surge of fear following the Lehman collapse. Spot volatility, otherwise known as the CBOE Volatility Index, measures volatility for the S&P 100 index. From the low on 10/23, the measurement added 50% through Friday's close. We have not seen a percentage move like that since January of 2008, indicating the vol. trend may be temporarily changing.

Higher beta/leveraged stocks took the brunt of the selling as profit taking as this year's gains were one part of the selling wave. In broad based terms, The Nasdaq 100 (QQQ) tech-heavy index shed 5.1% while the small cap tracking Russell 2000 (IWM) fell 6.2%. Financials (XLF) dropped 6.9%, some profit taking and the rest concern the credit markets could experience a setback should the consumer not recover due to high unemployment. Banks (KBE) led this sector down, falling 9.3% for the week. Homebuilders (XHB) backed off 8.25% on the home sales and...

*Continued on page 3.*

## ABOUT THE AUTHOR

### ROBERT STEIN Managing Partner

As the managing partner of Astor Asset Management ([www.astorllc.com](http://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
<b>US-BROAD BASED</b>				
SPY	SPDR TRUST SER 1	-4.18%	-1.92%	16.81%
IWM	ISHARES-RUS 2000	-6.21%	-6.49%	15.47%
QQQQ	POWERSH-QQQ	-5.03%	-3.05%	38.26%
<b>US SECTOR</b>				
IYR	ISHARES-DJ REAL	-4.05%	-4.97%	13.98%
XRT	SPDR S&P RETAIL	-6.51%	-1.08%	66.84%
XLE	SPDR-ENERGY SEL	-5.23%	2.47%	17.40%
XLF	SPDR-FINL SELECT	-6.95%	-5.96%	14.33%
<b>COMMODITIES</b>				
GSG	ISHARES S&P GSCI	-5.35%	4.82%	8.74%
OIL	IPATH GS CRD OIL	-3.88%	9.24%	11.73%
UNG	US NAT GAS FD LP	-9.03%	-12.52%	-55.68%
DBA	POWERSHARES DB A	-3.66%	0.43%	-2.33%
<b>INTERNATIONAL</b>				
EFA	ISHARES-MSCI EAF	-5.11%	-2.52%	21.31%
EEM	ISHARES-EMG MKT	-7.83%	-3.44%	51.68%
FXI	ISHARES FT/XI CH	-6.00%	1.91%	44.65%
EWJ	ISHARES-JAPAN	-1.45%	-3.92%	0.22%
<b>BONDS</b>				
IEF	ISHARES 7-10 YR	0.86%	-0.14%	-4.22%
LQD	ISHARES-IBOXX IV	0.78%	-0.49%	8.63%
JNK	SPDR BARCLAYS	-1.73%	-0.28%	30.86%
TIP	ISHARES US TREAS	0.80%	1.15%	8.24%
<b>METALS</b>				
GLD	SPDR GOLD TRUST	-0.93%	3.72%	18.50%
SLV	ISHARES SILVER T	-7.64%	-1.89%	43.48%
JJC	IPATH DJ UBS COP	-2.25%	5.43%	108.11%



## ETF PORT 100 INDEX™

99.71 ↓ 3.33

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	3.23%
Expense Ratio	0.43
Dividend	1.87%
Corr (SPY)	0.91
QTD	-1.81%
YTD	12.35%

## ETF PORT 100 INDEX

TOP MOVERS					
TICKER	FUND NAME	CLOSE	WK % CHG	NAV	YTD
TZA	SMALL CAP BEAR 3	14.28	19.40%	13.11	-70.18%
VXX	IPATH-S&P S/T FU	48.22	13.94%	48.14	N/A
SMN	PROSHARES ULTRAS	11.32	13.88%	10.51	-70.89%
BGZ	LARGE CAP BEAR	22.28	12.67%	20.55	-61.85%
TWM	PROSHARES ULTRAS	32.10	11.34%	30.27	-52.02%

## ETF OPTIONS

CBOE Volatility Index exploded last week, jumping 37% to the highest level since July 9th. The was the beginning of a 26% rally in the S&P 500 over the next 3 1/2 months. The next few days will go a long way in deciding what this means. Friday saw VIX trade 25% higher in just one day. There was an absolute complacent attitude by investors in the face of continued credit and other fiscal uncertainties that threaten to derail the economic recovery. Hard to chase volatility from here after the spike. Consider a pull back in VIX/rally in equities before putting on any defensive positions.

### SECURITY VOLATILITY SNAPSHOT

SYMBOL	DESCRIPTION	10 DAY	30 DAY	60 DAY	180 DAY
<b>BROAD</b>					
SPY	SPDR TRUST SER 1	24.07	20.08	18.32	21.93
EFA	ISHARES-MSCI EAF	30.00	24.76	22.39	26.63
EEM	ISHARES-EMG MKT	44.34	32.80	29.15	33.98
QQQQ	POWERSH-QQQ	22.07	19.11	18.52	21.17
<b>SECTOR</b>					
SLV	ISHARES SILVER T	36.33	34.92	31.06	33.14
XLF	SPDR-FINL SELECT	45.63	37.23	33.94	50.64
RSX	MKT VECT-RUSSIA	73.37	52.76	49.43	53.65
PNX	PHOENIX COS	102.51	102.26	111.25	121.94
OIL	IPATH GS CRD OIL	39.50	38.11	40.32	41.99
UUP	POWERSHARES DB U	8.32	8.63	7.85	10.24

### ACTIVE ETF OPTIONS

SYMBOL	DESCRIPTION	MONTH	STRIKE	PUT/ CALL	VOLUME
<b>BROAD BASED</b>					
SPY	SPDR TRUST SER 1	Nov	105	Put	179K
SPY	SPDR TRUST SER 1	Nov	104	Put	150K
SPY	SPDR TRUST SER 1	Mar	91	Put	150K
SPY	SPDR TRUST SER 1	Mar	92	Put	150K
QQQQ	POWERSH-QQQ	Dec	40	Put	131K
SPY	SPDR TRUST SER 1	Nov	103	Put	119K
SPY	SPDR TRUST SER 1	Nov	106	Call	110K
QQQQ	POWERSH-QQQ	Nov	41	Put	93K
SPY	SPDR TRUST SER 1	Nov	106	Put	83K
SPY	SPDR TRUST SER 1	Nov	102	Put	81K
<b>OTHER NOTABLES</b>					
IYR	ISHARES-DJ REAL	Nov	40	Put	35K
SRS	PROSHARES ULTRA	Nov	12	Call	28K
UNG	US NAT GAS FD LP	Nov	12	Call	27K
SRS	PROSHARES ULTRA	Dec	14	Call	24K

## ETFs IN FOCUS

### VXX

iPATH S&P 500 VIX Short-Term Futures ETN

In a week where the S&P 500 lost 4.1%, the clear winner here was the iPath S&P 500 VIX Short-Term Futures ETN, which tracks an index of VIX futures. The CBOE Volatility Index, or VIX, jumped up nearly 24% on Friday to close at 30.69. The VIX moved up 10% on Friday, on volume of nearly three million shares. The note is structured to match the return of an index of rolling futures contracts on the VIX, rather than the spot price of VIX itself. The S&P 500 VIX Short-Term Futures Index TR is a daily rolling position in the first and second month VIX futures contracts, which mean that the return of the ETN is affected not only by the movements of the futures contracts (rather than the VIX itself), but also the roll yield generated from the daily rebalancing, in order to keep a constant maturity. Because VXX is structured as an exchange-traded note, VXX will perfectly track the performance of the underlying index.

It is clear from looking at the performance of VXX compared to the VIX that VXX does not offer close tracking of VIX movements, especially on days of large VIX movements, such as on Friday. However, as direct investment in spot VIX is impossible, the ETN offers a valuable method of gaining this exposure. While VXX was launched only this past January, there is published data going back further on the underlying index. This does shed some important light on the index's use as a way to gain exposure to movements in the VIX.

The correlation between spot VIX and the S&P 500 Short-Term VIX Futures Index is high, at 71%. However, it is during periods of extreme movements in the VIX, that the index of futures is likely to most significantly underperform the movements in VIX. Because the volatility of spot VIX is higher than that of the futures-based index, during periods of market stress the futures will move considerably less than the VIX itself. A look at a few of the biggest daily losses in the S&P in the past few years shows this well. While the index is clearly not a replication of spot VIX, the index does show a similar negative correlation to the S&P at -76% (while the correlation of spot VIX with the S&P is -74%), thus still making the VXX a valuable tool to hedge against market declines.

<b>48.22</b>	<b>↑ 5.90</b>
Week Percent Change	13.94%
Yield	N/A
NAV	48.14
NAV Change	13.74%
Premium/Discount	0.17%
52 Week High	120.00
52 Week Low	41.16
QTD	-3.54%
YTD	N/A
Average Volume (3 Mo)	1,137,425
Market Cap	665,657,800
Total Fund Assets (\$M)	611
Inception Date	1/29/2009
Underlying Index	SPVXSTR
Tracking Error	N/A
Expense Ratio	0.89

## CHART OF THE WEEK

### SPY

SPDR Trust Series 1



## Managing ETF Portfolios since 2001

Our objective is to produce positive returns with less risk in all market conditions.

Request a complimentary portfolio review.



## ETF NEWS IN BRIEF

### OKLAHOMA ETF LAUNCHES

OOK Advisors Inc. launched their first ETF this week, OOK, Inc. (OOK) which tracks the performance of 29 companies based in the state of Oklahoma, the first ETF to focus on a specific state. OOK Advisors is rumored to be planning the launch of a Texas fund next.

### UBS INTRODUCES COMPETITOR TO DJP

Under its E-TRACS brand, UBS introduced a new offering to its commodity fund lineup. The DJ-UBS Commodity Index Total Return ETN (DJCI) is structured as a note and offers a significantly lower expense ratio than the nearly \$2B iPath Dow Jones-UBS Commodity Index Total Return ETN (DJP), which tracks the same index.

## SNAPSHOT

*Continued from page 1.*

...consumer confidence reports. XHB had even rallied 67% since the beginning of July. Staying with the consumer aspect, retail stocks (XRT) gave back 6.5% this week. This has been a barometer of the anticipated economic recovery, and still stands up 65% for the year, even with this past week's drop. In a sign of portfolio allocation shifting and defensive rotation, consumer staples (KXI) dropped a meager 1.7% and actually posted gains for the month of 1.6%.

Emerging markets (EEM) traded at a 2X plus beta to the S&P 500 over the last three trading sessions, which equated to a 7.8% plunge this week, twice that of SPY. Russia (RSX) and India (INP) led that charge, falling 10.5% and 9.5%, respectively. Brazil (EWZ) fell 7.4% and China dropped 6%, rounded out the selling. In recent weeks, there has been more of a distribution in returns of emerging market segments. This week took on the appearance much more of wholesale liquidation/profit taking, which could indicate more selling to come. In the mess that was last week, International developed markets (EFA) fell 5.1% to join the global sell-off. Interestingly enough, Japanese stocks did not back off quite as much, dropping 1.5%, all on Friday. The Yen was a big winner this week in currency market, rallying 2.3%. The US dollar (UUP) was also a winner as the selling pressure abated and investors moved to the safer waters. The Euro, which has been on a tear as global equities advanced in the last 6 months, shed 1.8%.

Commodity prices declined significantly this week as well as investors liquidated across asset classes. The S&P GSCI Commodity Index (GSG), which contains a high weighting to energy futures, fell 5.3%. The Greenhaven Continuous Commodity Index (GCC) takes an equal weighting of a broad group of commodities. It fell 2.8%, exhibiting selling across commodities, with more pressure on energy. Gold (GLD) fell 0.9%, which could be exhibiting a "safe haven" characteristic should the markets decline further. Also, investors in the metal believe the inflation that will project once a full fledge recovery takes place will spike inflation and make gold an investment of choice, leading them to maintain the holding. High grade corporate bonds (LQD) and treasury bonds (TLT) advanced just shy of 1% on a flight to quality by investors. LQD offers an attractive 5.5% dividend yield compared with TLT's 3.9% yield. Plus, in the event bond yields begin to rise, LQD should not experience the same pressures of treasuries.

Stock prices are off some 7-10% from the highs of the year. They still stand up on the year across the board, with some sectors such as retail topping 65% this year. Concerned investors and bears have been talking for months that prices were do to pull back if not on economic concerns, but just sheet valuations in a low growth environment. After this pullback, is that enough? The next few weeks will be pivotal. If further pressure is felt, traders and money managers may feel the need to lock profits so as to secure the year and not post another down year. This could be enough to push the market further down. At some point, investors will begin to weigh the pros and cons carefully, and if the economy is even simply stable and not growing at the 3.5-4% clip, some valuation level will warrant buying, and that may be higher than most think.

## 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	90.20	24.72%
Commodity price inflation coupled with central bank policies should benefit					
UDN	POWERSHARES DB U	3/23/2009	25.60	28.05	9.57%
Save for a significant break in equity markets we expect the dollar to decline					
SHY	ISHARES 1-3 YR	3/16/2009	83.98	84.02	0.05%
A conservative play					
LQD	ISHARES-IBOXX IV	3/9/2009	93.1	105.68	13.51%
The spread between corporate and Treasuries is not sustainable					
DBA	POWERSHARES DB A	3/9/2009	23.4	25.57	9.27%
Agriculture commodities are ready to shine					
GSG	ISHARES S&P GSCI	3/2/2009	24.08	31.11	29.19%
The fundamentals are supporting commodities, which may have found a bottom					
SSO	PROSHARES ULTRA	3/2/2009	17.31	32.85	89.77%
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	73.38	4.80%
Biotech are well positioned for a declining economic environment					
XRT	SPDR S&P RETAIL	2/23/2009	19.89	33.76	69.73%
Retail has been outperforming this year despite consumer spending declines					
JJC	IPATH DJ UBS COP	2/16/2009	21.74	40.81	87.72%
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	28.39	-5.02%
Utilities sector is actually adding jobs					
MBG	SPDR-BAR MORT BK	2/6/2009	25.91	26.75	3.24%
Stimulus will help the market over the economy					
IPE	SPDR BAR CAP TIP	2/6/2009	48.05	51.38	6.93%
Inflation will ultimately come					
PHO	POWERSH-WATER RE	1/30/2009	12.66	15.72	24.17%
Water is the new oil; an infrastructure play					
XLB	SPDR-MATERIALS	1/30/2009	21.06	29.34	39.32%
An infrastructure play					
XLF	SPDR-FINL SELECT	1/30/2009	9.24	14.05	52.06%
Not necessarily a buy, but will outperform on a bounce					

This information neither is, nor should be construed, as an offer, or a solicitation of an offer, to buy or sell securities by ETF Port, LLC. ETF Port, LLC does not offer or provide any investment advice or opinion regarding the nature, potential, value, suitability, or profitability of any particular investment or investment strategy, and you shall be fully responsible for any investment decisions you make, and such decisions will be based solely on your evaluation of your financial circumstances, investment objectives, risk tolerance, and liquidity needs. Any investment carries risk. Past performance is not indicative of future results.