

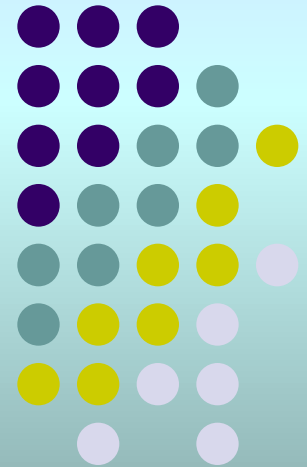
Jake Bernstein

www.jakebernstein.com

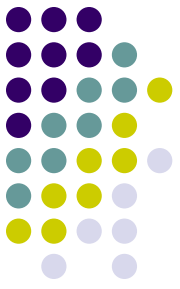
800-678-5253 831-430-0600

ETFs Landmine or Lifeline? How to Trade ETF's for Major Intermediate-Term Moves

Monday
8 August 2011

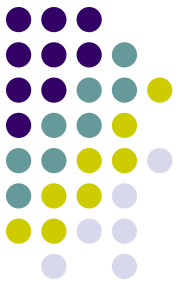


Today



- **How to time entry and exit for Intermediate-Term ETF moves**
- **The ETF HYPE...the good..the bad and the lies...**
- **The underlying dangers of an ETF crash**
- **How to know WHICH of the many ETF's are right for the move you seek**
- **The right and wrong commodity ETF's**
- **A list of different ETF's for underlying commodity moves**
- **How to construct a DIVERSIFIED ETF portfolio**
- **My 10 BEST ETF picks for the coming inflationary moves**
- **Emerging market ETF's**
- **Lower priced and lower risk ETF's**
- **How to correctly navigate the ETF's quagmire**
- **How to take advantage of erratic price swings in ETF's**

ETF's over the next 12 months



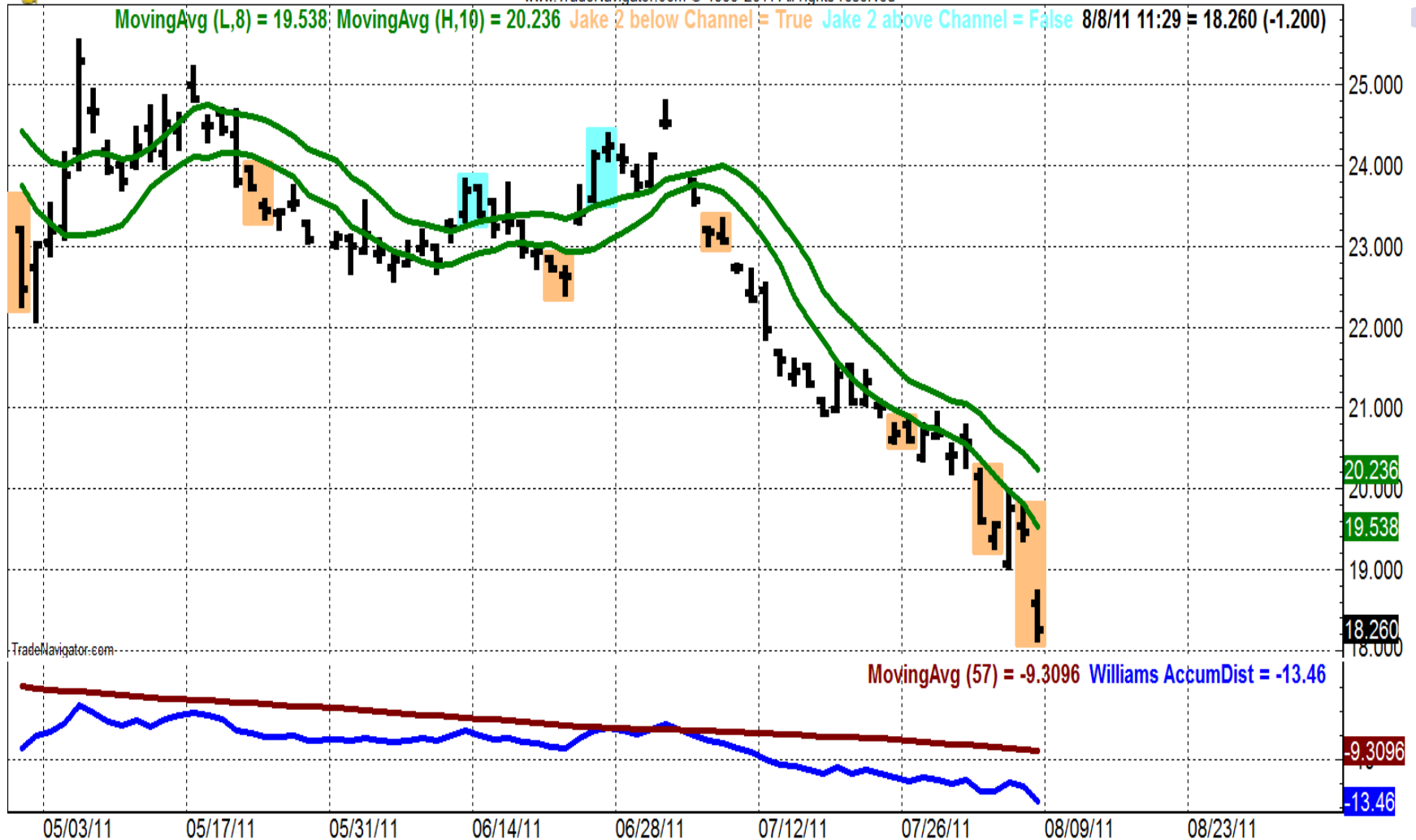
- The panic selling today is the start of a major buying opportunity in ETF's
- We are in the time frame for a bottom of major importance between now and late October
- IMPORTANT lows tend to occur on or about 15 August for about 10 days initially with over 75% odds
- We want to watch ETF's for buys NOW!

Short gold ETF – to be explained



GLL: ProShares UltraShort Gold (Daily bars)

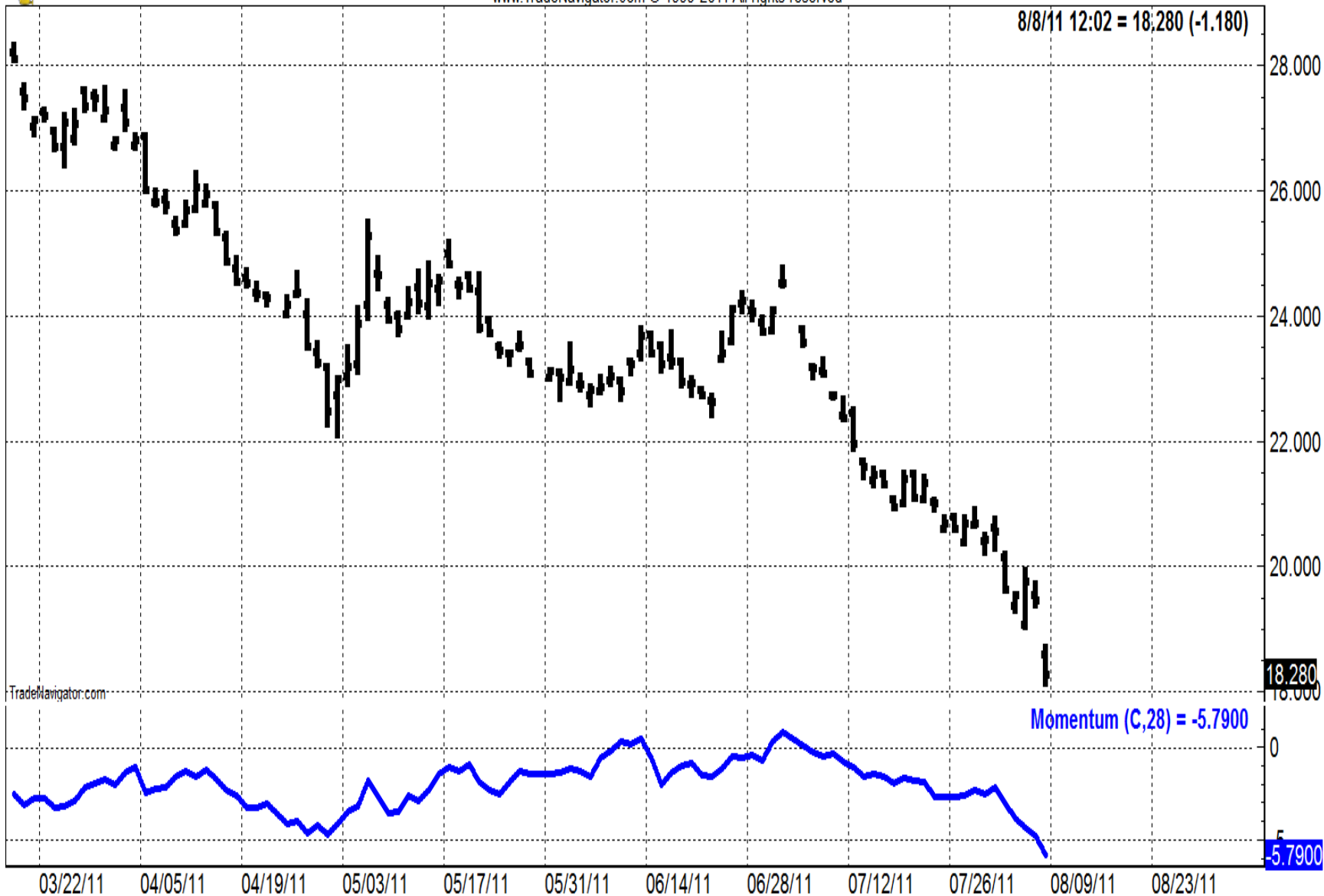
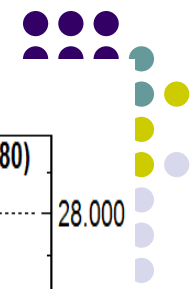
www.TradeNavigator.com © 1999-2011 All rights reserved





GLL: ProShares UltraShort Gold (Daily bars)

www.TradeNavigator.com © 1999-2011 All rights reserved



What is an ETF? What is an ETN?



Exchange traded fund

Trades like a mutual fund

Specific to underlying market or sector

ETN: exchange traded note – usually financials or commodities

Does not have NAV calculated like a mutual fund

Trades like a stock

Has positive and negative aspects

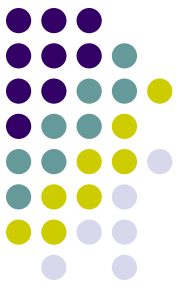
We will examine and discuss these today



A few facts

- 2008 845 ETFs ETNs
- 2011 1295 (202 new)
- 6 closed
- About 10% of listed stocks are ETF's
- Many are NOT viable due to volume or erratic behavior (to be discussed)

Advantages and Disadvantages

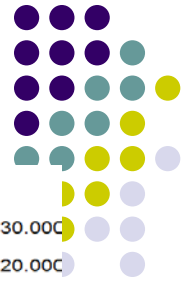


- Represents and sector or group so you
- Don't have to pick and choose
- Tax advantages (not taxed until closed out)
- Volume can be spotty and/or quite variable
- This can lead to false technical signals
- Tracking errors – ETFs...causes?
- A change in dividends for the securities in the fund, lack of liquidity in the underlying index, limited stock allocation in the fund or index, or even high management fees.

- Limits on size of commodity holdings can severely limit tracking correlation in commodity ETFs (UNG) chart next slide
- Commodity ETF's gaps due to trading hour differences (chart)
- **CONCERN:** behavior of double and triple leveraged ETF's on days like today



UNG / NG



UNG: United States Natural Gas Fund (Monthly bars)
www.TradeNavigator.com © 1999-2011 All rights reserved



NG-055: Natural Gas NY (Pit) Cont 1st (Monthly bars)
www.TradeNavigator.com © 1999-2011 All rights reserved



Compare... FXA



FXA: CurrencyShares Australian Doll (Daily bars)

www.TradeNavigator.com © 1999-2011 All rights reserved



G6A where are the gaps?



G6A-055: Australian \$ (Elec) Cont 1st (Daily bars)

www.TradeNavigator.com © 1999-2011 All rights reserved



Coffee futures vs JVA Know what you are trading!



KC2-201109: Coffee (Comb) Sep 2011 (Daily bars)
www.TradeNavigator.com © 1999-2011 All rights reserved



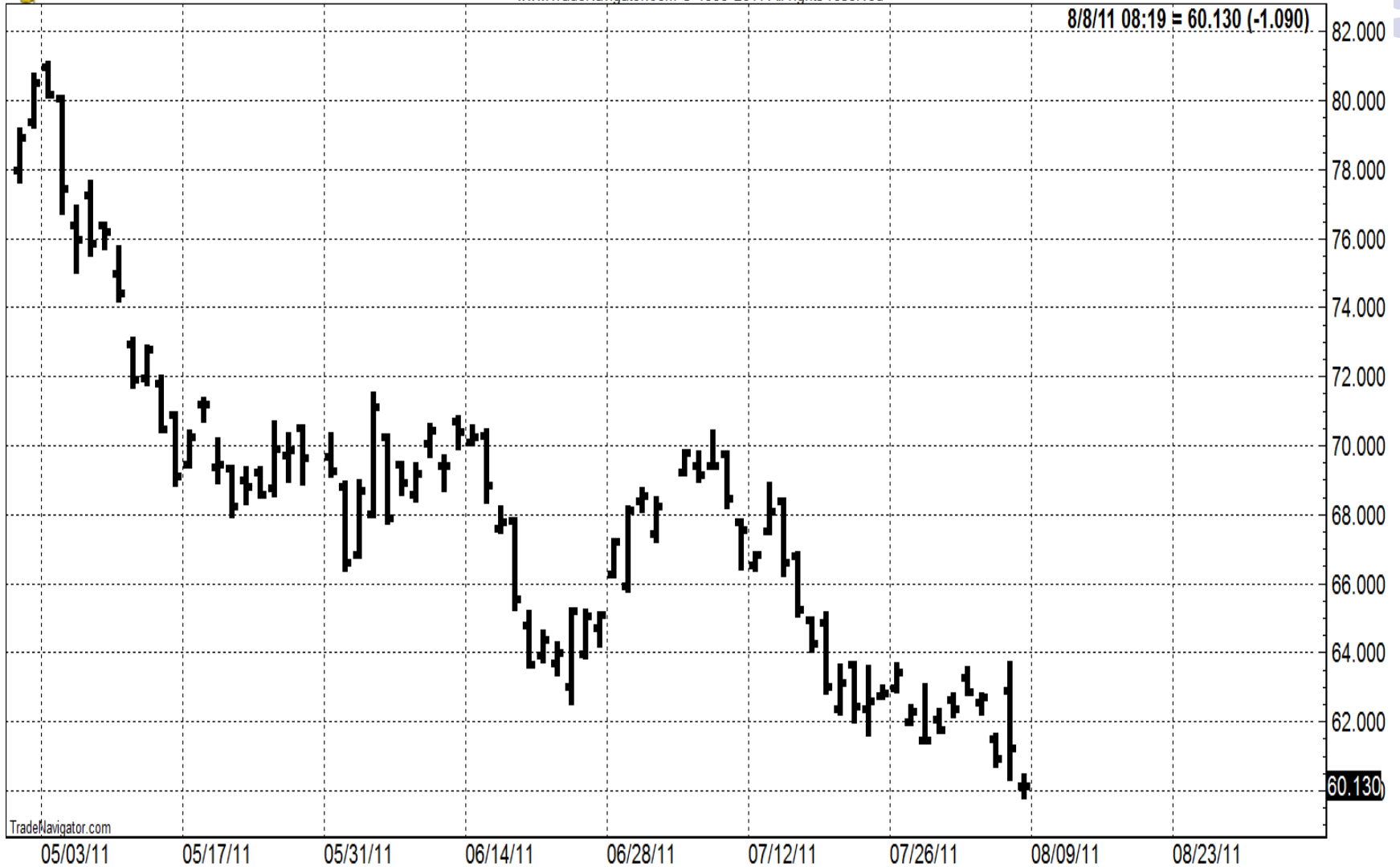
JVA: Coffee Holding Co., Inc. (Daily bars)
www.TradeNavigator.com © 1999-2011 All rights reserved



Coffee ETF JO



JO: iPath DJ-UBS Coffee ETN (Daily bars)
www.TradeNavigator.com © 1999-2011 All rights reserved

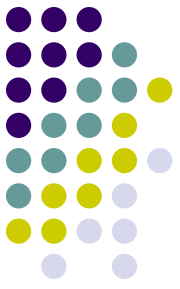


The ETF HYPE...the good..the bad and the lies...



- The ETF idea has been hyped and sold the public without sufficient disclosures
- Most investors are not aware of the limitations and potential problems
- Can be very effective is used correctly
- It's about the selection process
- HOW to decide?

COMPARE trends: easily done



1. Look at the charts side by side or in “stacked” format
2. Compare % moves
3. Are the % moves similar?
4. Are the tops and bottoms similar?
5. Are the trends similar?
6. What about trading volume / liquidity?
7. Examples of the selection process

Gold +14.8% vs GLD 14.9%



GC2-055: Gold Comex (Comb) Cont 1st (Daily bars)
www.TradeNavigator.com © 1999-2011 All rights reserved



GLD: SPDR Gold Trust (Daily bars)
www.TradeNavigator.com © 1999-2011 All rights reserved



Sugar futures vs SGG



SB2-055: Sugar #11 (Comb) Cont 1st (Weekly bars)
www.TradeNavigator.com © 1999-2011 All rights reserved



SGG: iPath DJ-UBS Sugar ETN (Weekly bars)
www.TradeNavigator.com © 1999-2011 All rights reserved



OIL vs CL2



OIL: iPath Goldman Sachs Crude Oil (Weekly bars)
www.TradeNavigator.com © 1999-2011 All rights reserved



CL2-055: Crude Oil NY (Comb) Cont 1st (Weekly bars)
www.TradeNavigator.com © 1999-2011 All rights reserved



GDXJ vs GC2 know your ETF!



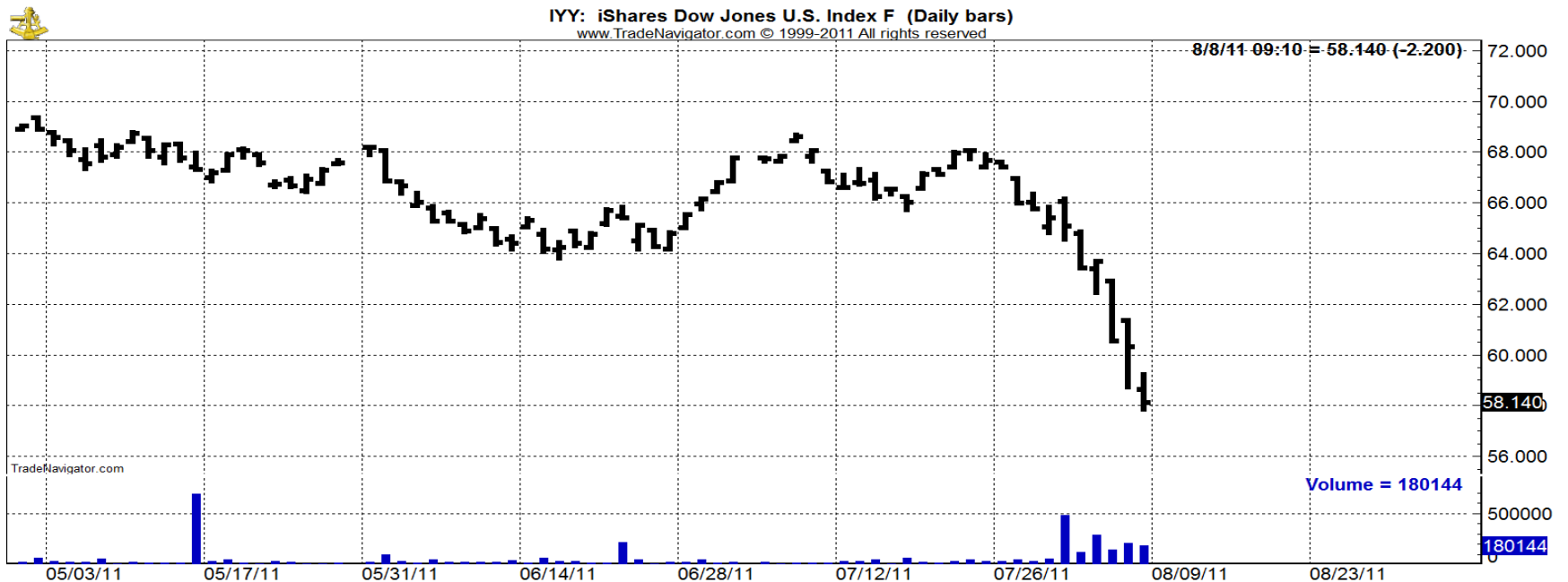
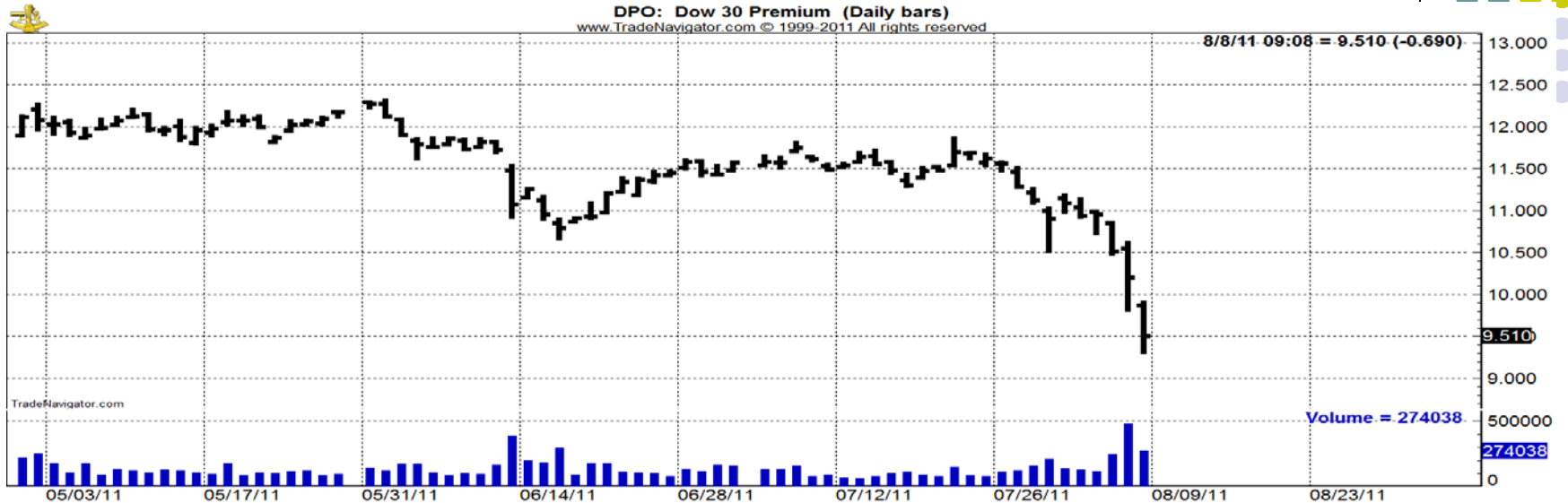
GDXJ: Market Vectors Junior Gold Min (Weekly bars)
www.TradeNavigator.com © 1999-2011 All rights reserved



GC2-055: Gold Comex (Comb) Cont 1st (Weekly bars)
www.TradeNavigator.com © 1999-2011 All rights reserved



How about volume?



CRB / CRBQ



CRBQ: Thomson Reuters/Jefferies CRB (Daily bars)

www.TradeNavigator.com © 1999-2011 All rights reserved



JJG Grains or DBA ag?



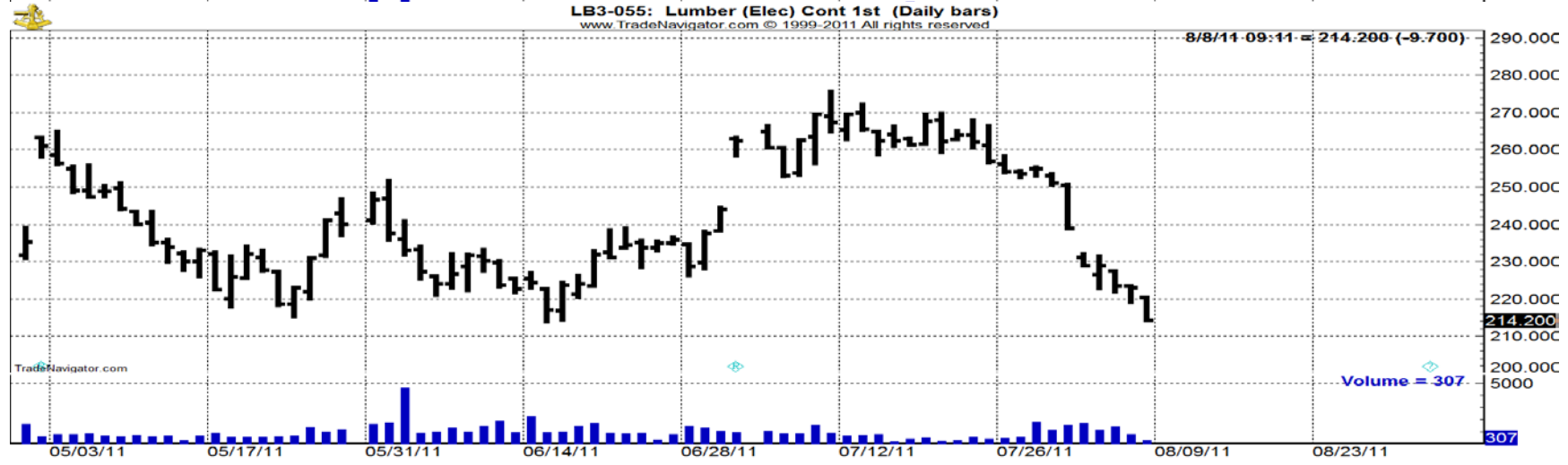
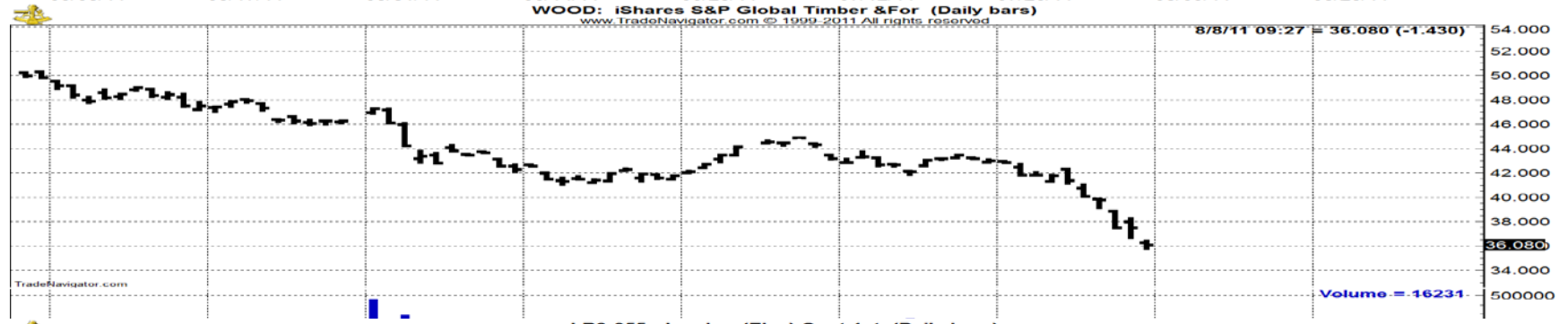
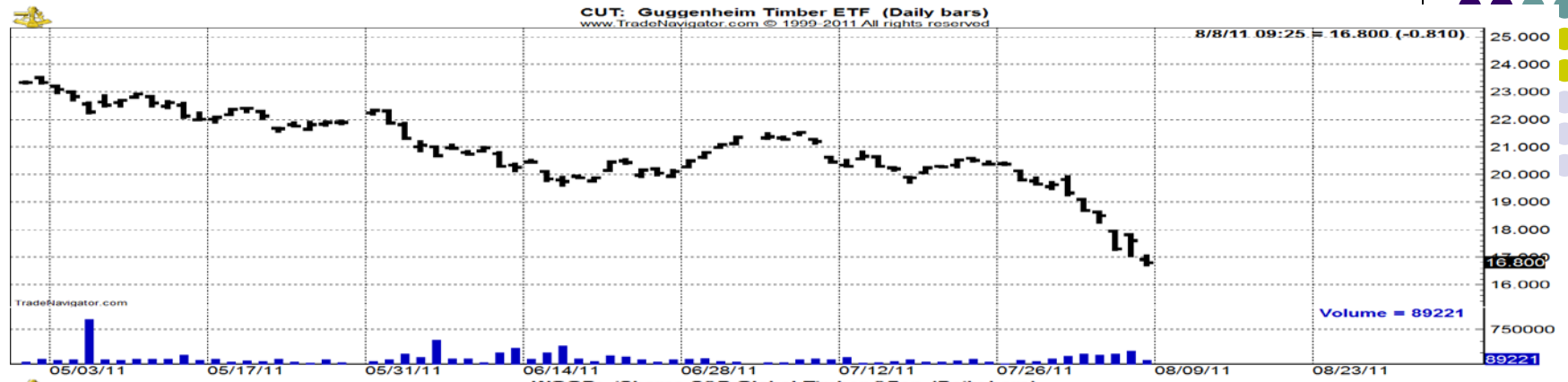
DBA: PowerShares DB Agriculture Fun (Daily bars)
www.TradeNavigator.com © 1999-2011 All rights reserved



JJG: iPath Dow Jones - UBS Grains T (Daily bars)
www.TradeNavigator.com © 1999-2011 All rights reserved



WOOD or CUT?

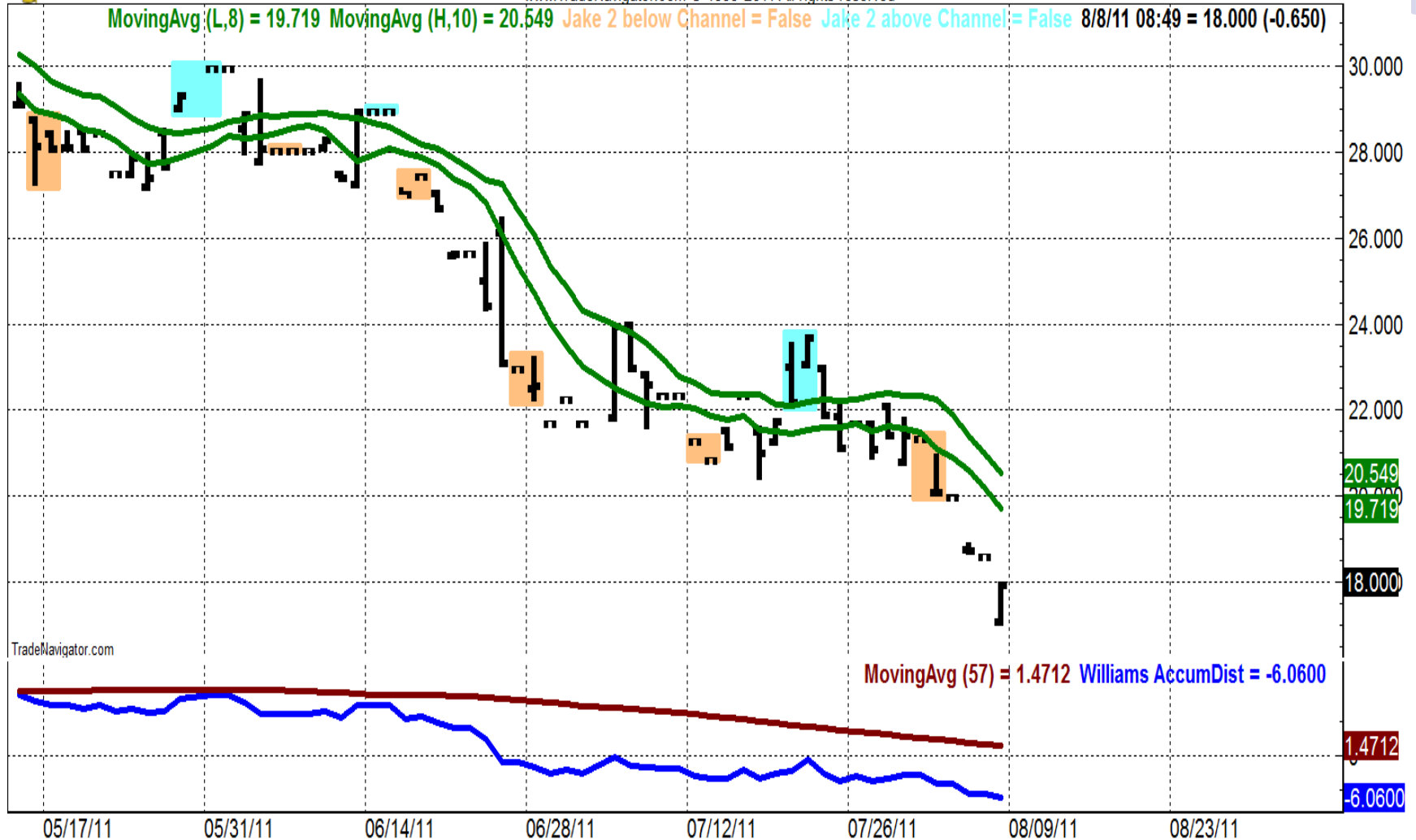


Watch out for small price bars

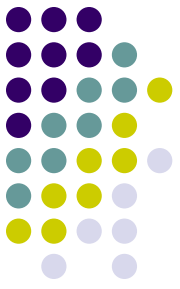


GRN: iPath Global Carbon ETN (Daily bars)

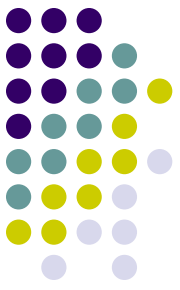
www.TradeNavigator.com © 1999-2011 All rights reserved



The underlying dangers of an ETF crash... here are my concerns



- 1. Poor liquidity and electronic trading***
- 2. Lack of buyers***
- 3. Volatility can work against you***
- 4. This is why you need large volume ETF's***
- 5. Consider choices carefully***



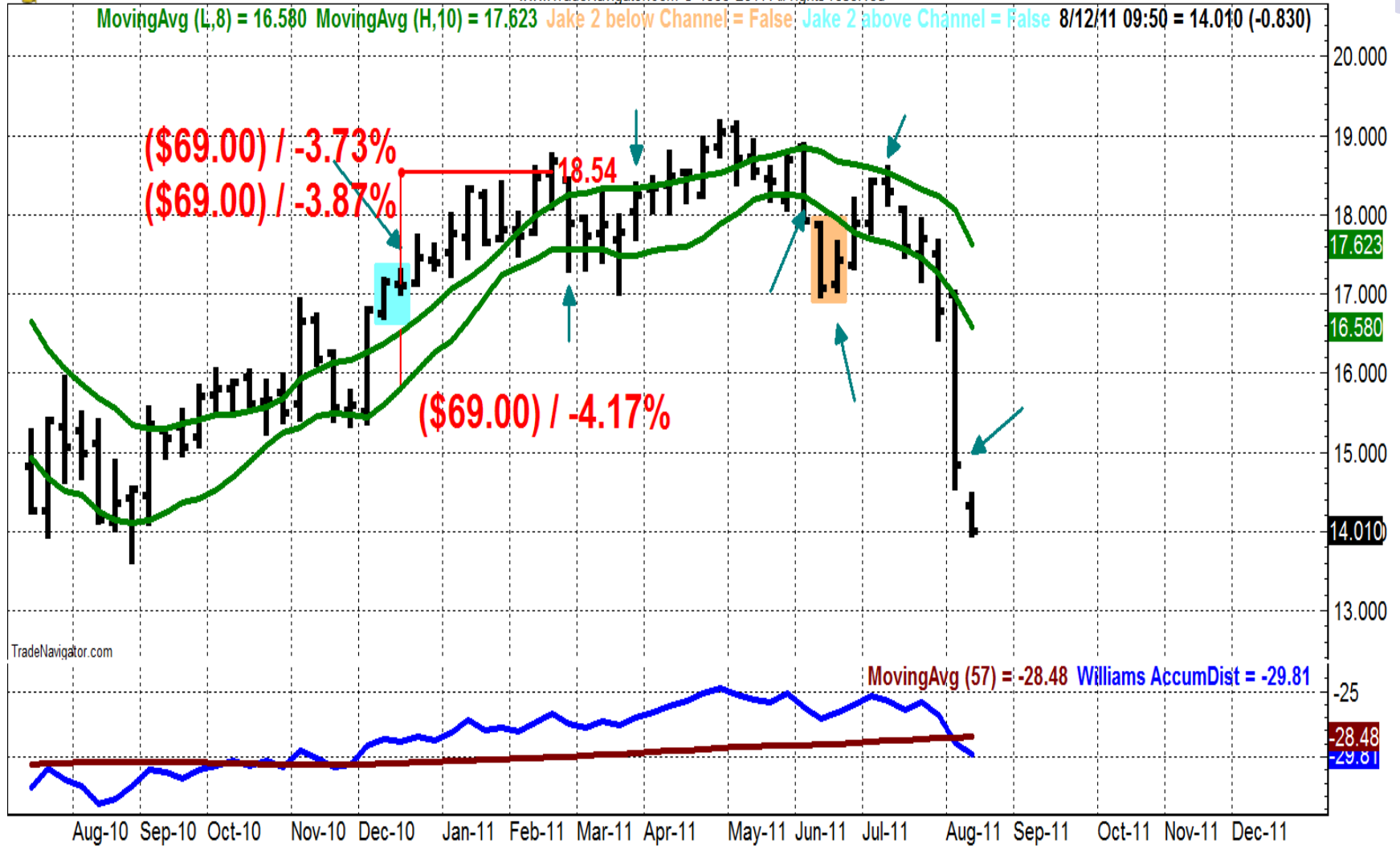
- My preferred approach to ETF trading
- Trade the WEEKLY ETF charts for most of them other than gold, energy and currencies
- Use as an alternative to make investment choices
- Use my MAC method (to be reviewed)
- Can swing trade weekly signals MAC
- ALWAYS USE LIMIT orders
- Use divergence method (to be reviewed)
- Take advantage of spikes
- COT for long term ETF buys (examples)

MAC Weekly



XHB: SPDR S&P Homebuilders ETF (Weekly bars)

www.TradeNavigator.com © 1999-2011 All rights reserved

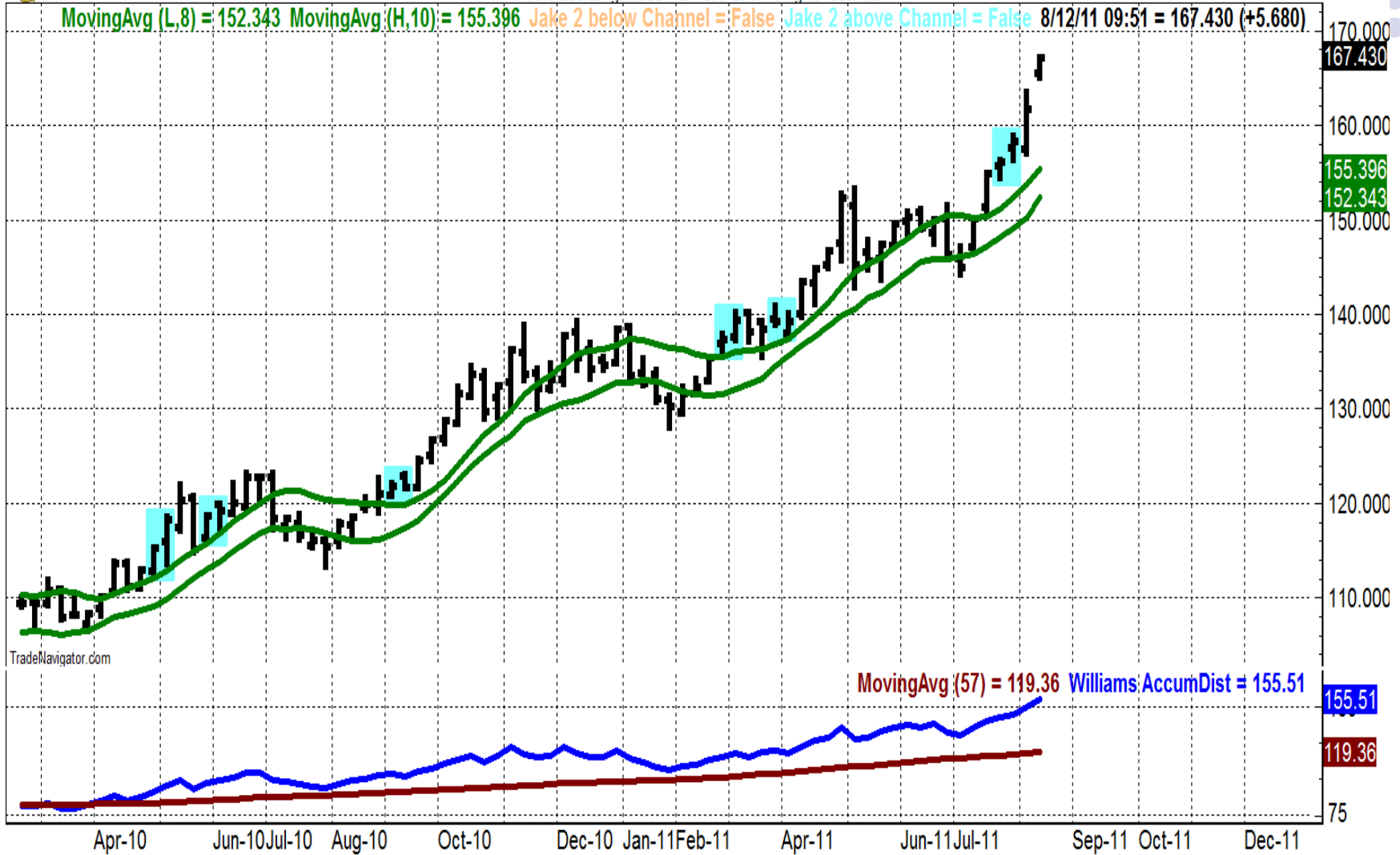


MAC weekly ETF: GLD



GLD: SPDR Gold Trust (Weekly bars)

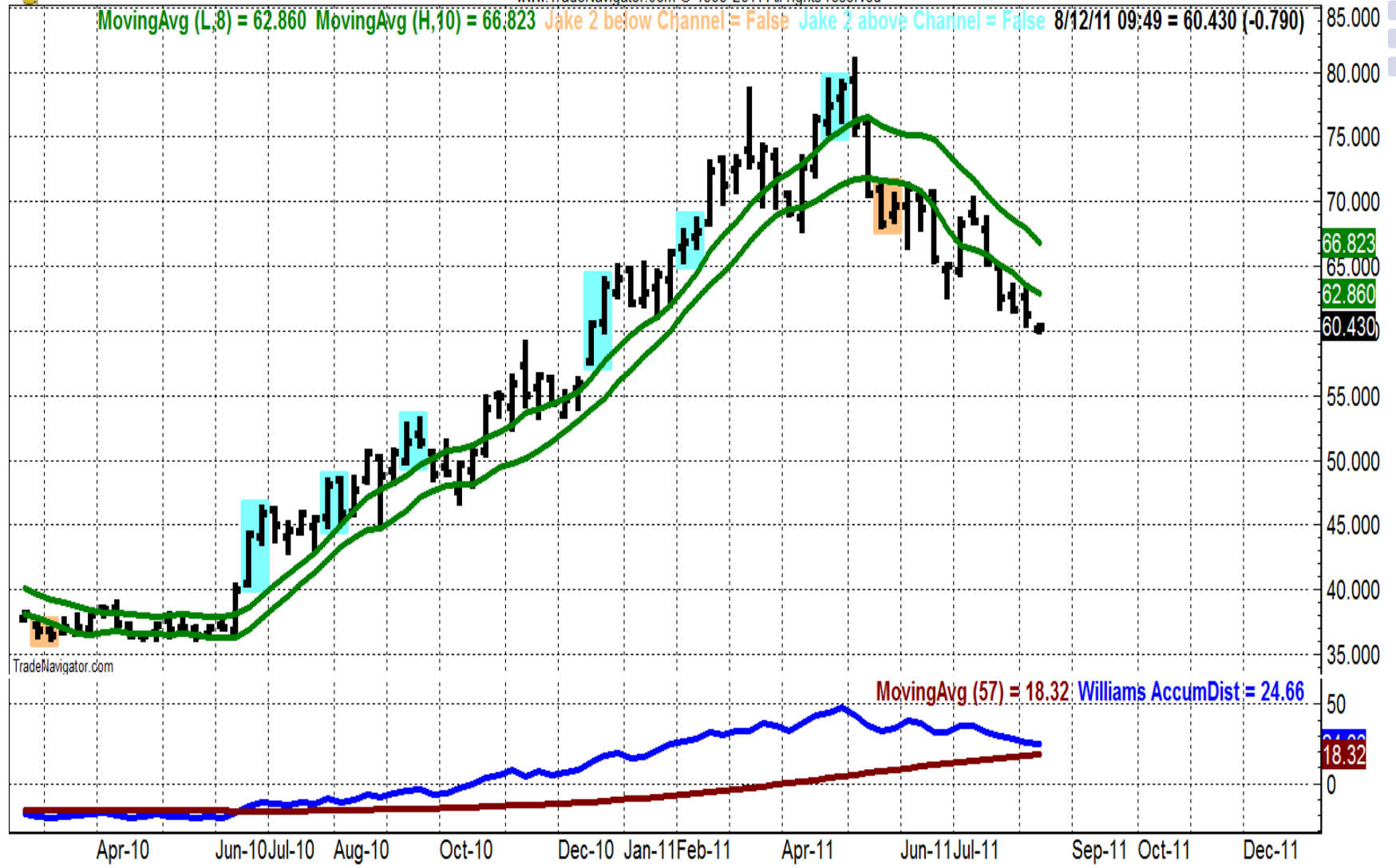
www.TradeNavigator.com © 1999-2011 All rights reserved



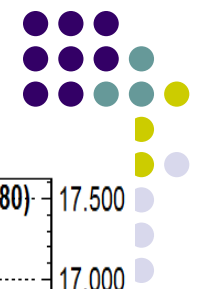


JO: iPath DJ-UBS Coffee ETN (Weekly bars)

www.TradeNavigator.com © 1999-2011 All rights reserved

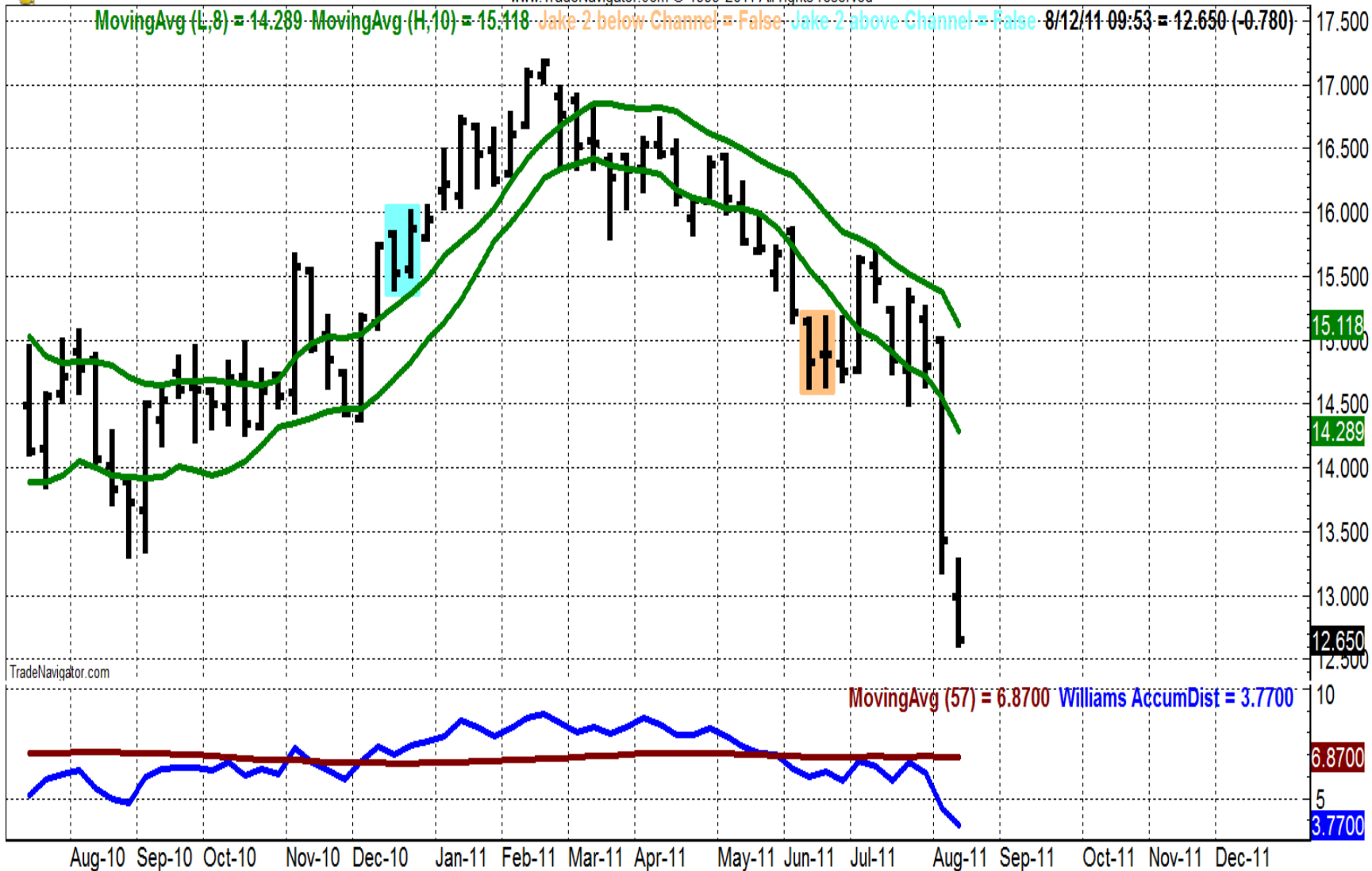


TradeNavigator.com



XLFF: Financial Select Sector SPDR F (Weekly bars)

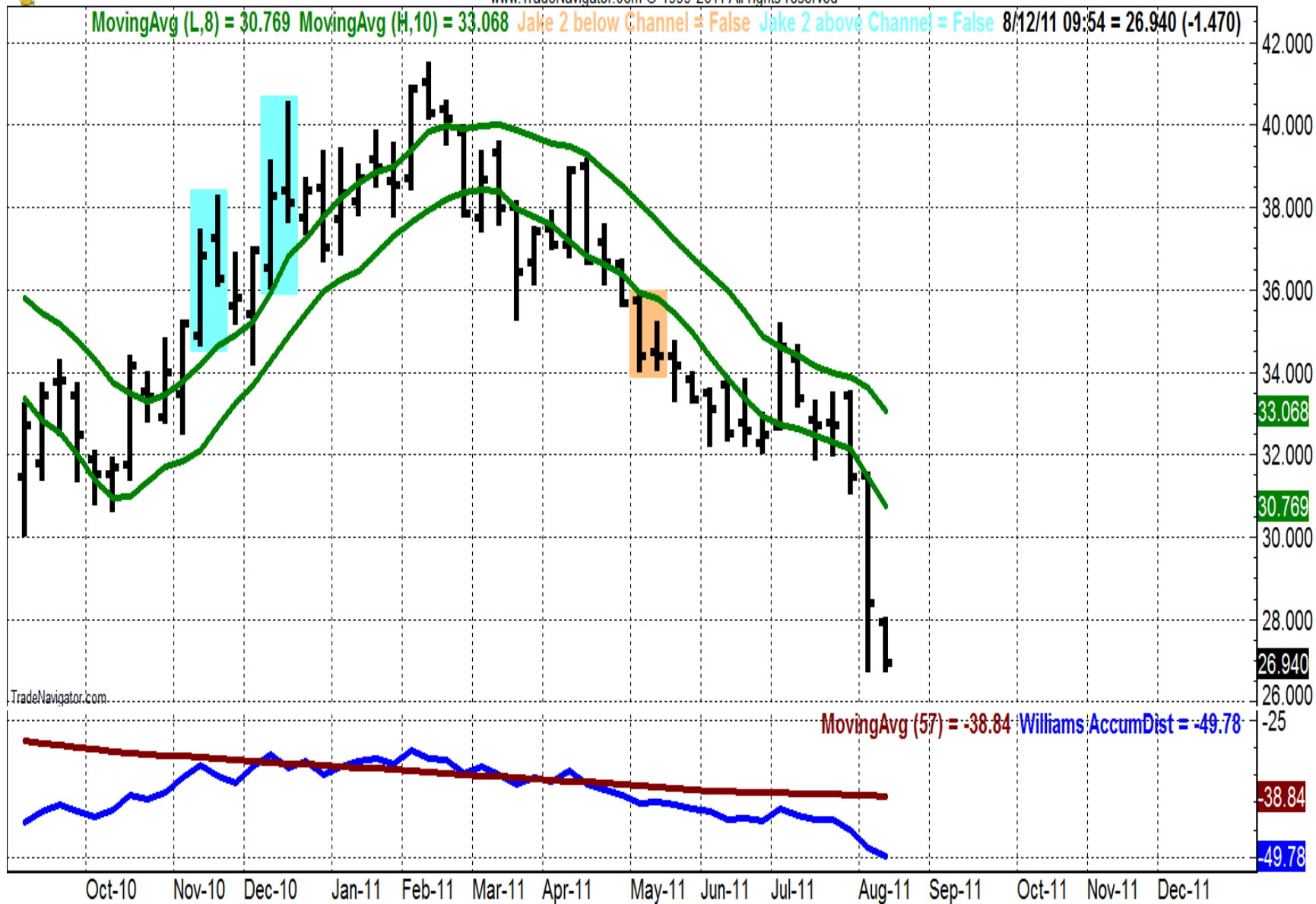
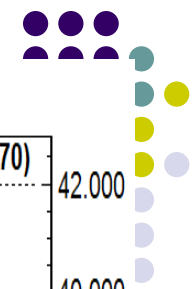
www.TradeNavigator.com © 1999-2011 All rights reserved





TBT: ProShares UltraShort 20+ Year (Weekly bars)

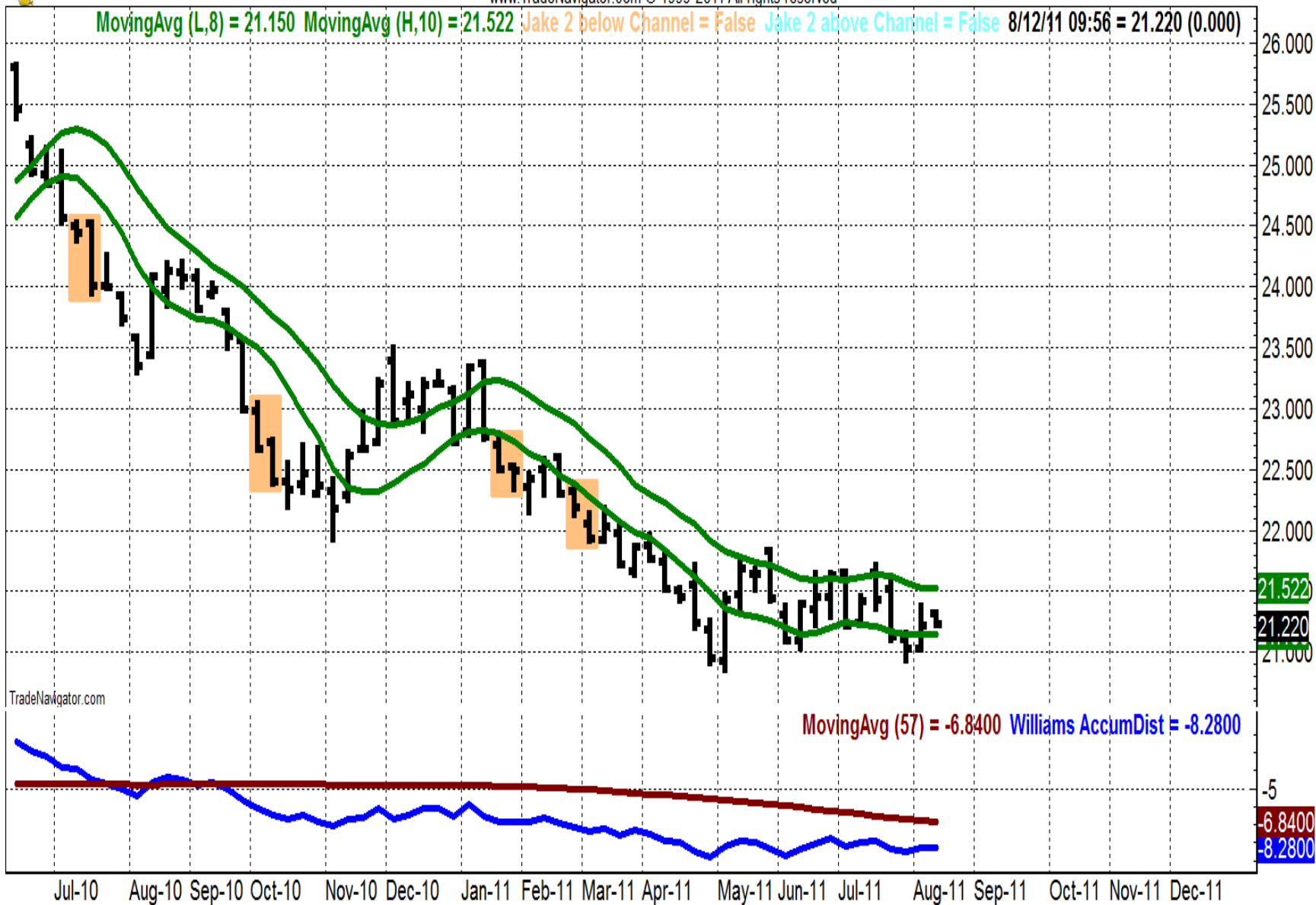
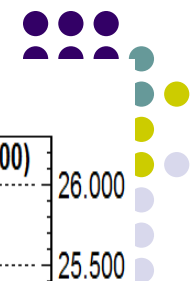
www.TradeNavigator.com © 1999-2011 All rights reserved





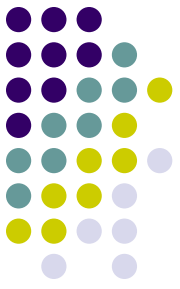
UUP: PowerShares DB US Dollar Index (Weekly bars)

www.TradeNavigator.com © 1999-2011 All rights reserved

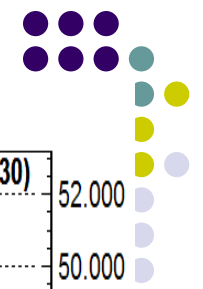


TradeNavigator.com

Divergence PMF method

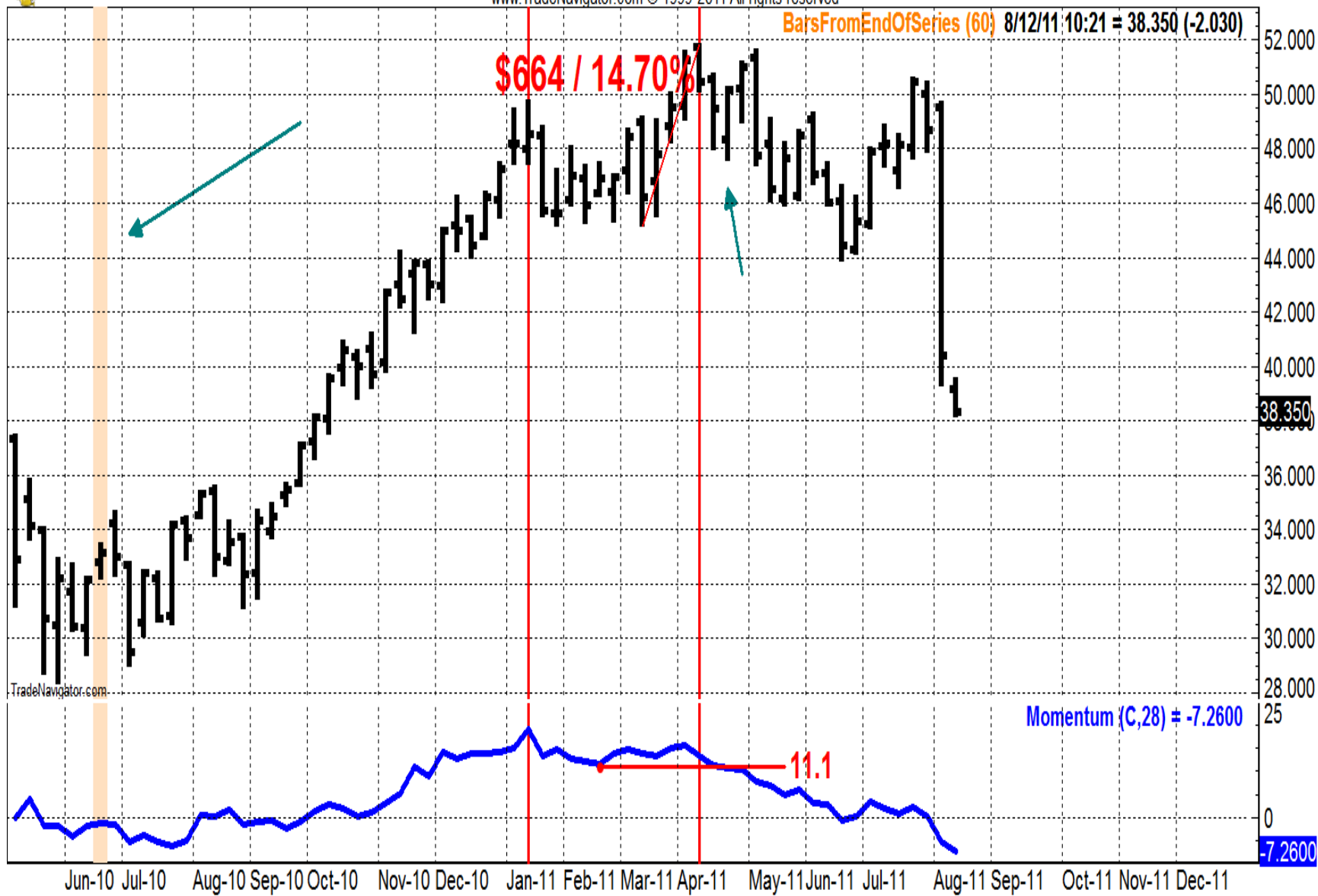


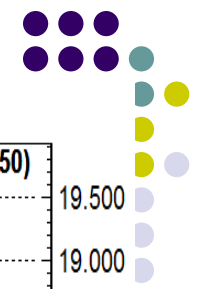
- Momentum 28
- Setup and trigger (to be reviewed)
- Can use daily or weekly
- Examples
- How is this different than MAC?
- Shorter term
- More sensitive to turns
- Picks tops and bottoms more accurately



KOL: Market Vectors Coal ETF (Weekly bars)

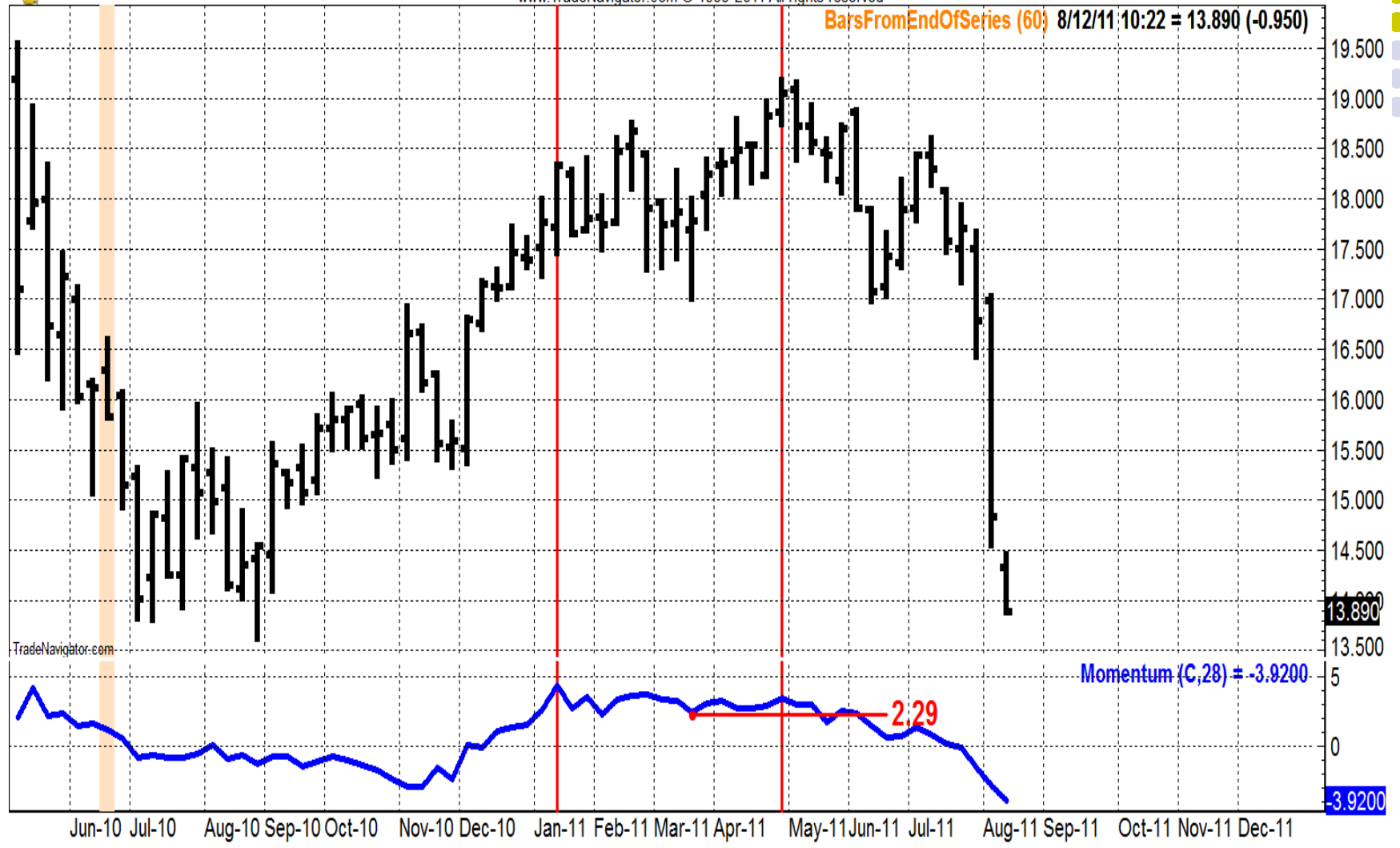
www.TradeNavigator.com © 1999-2011 All rights reserved





XHB: SPDR S&P Homebuilders ETF (Weekly bars)

www.TradeNavigator.com © 1999-2011 All rights reserved



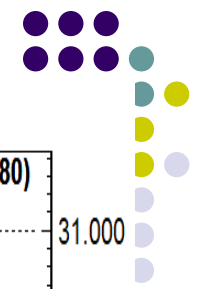
TradeNavigator.com

BarsFromEndOfSeries (60) 8/12/11 10:22 = 13.890 (-0.950)

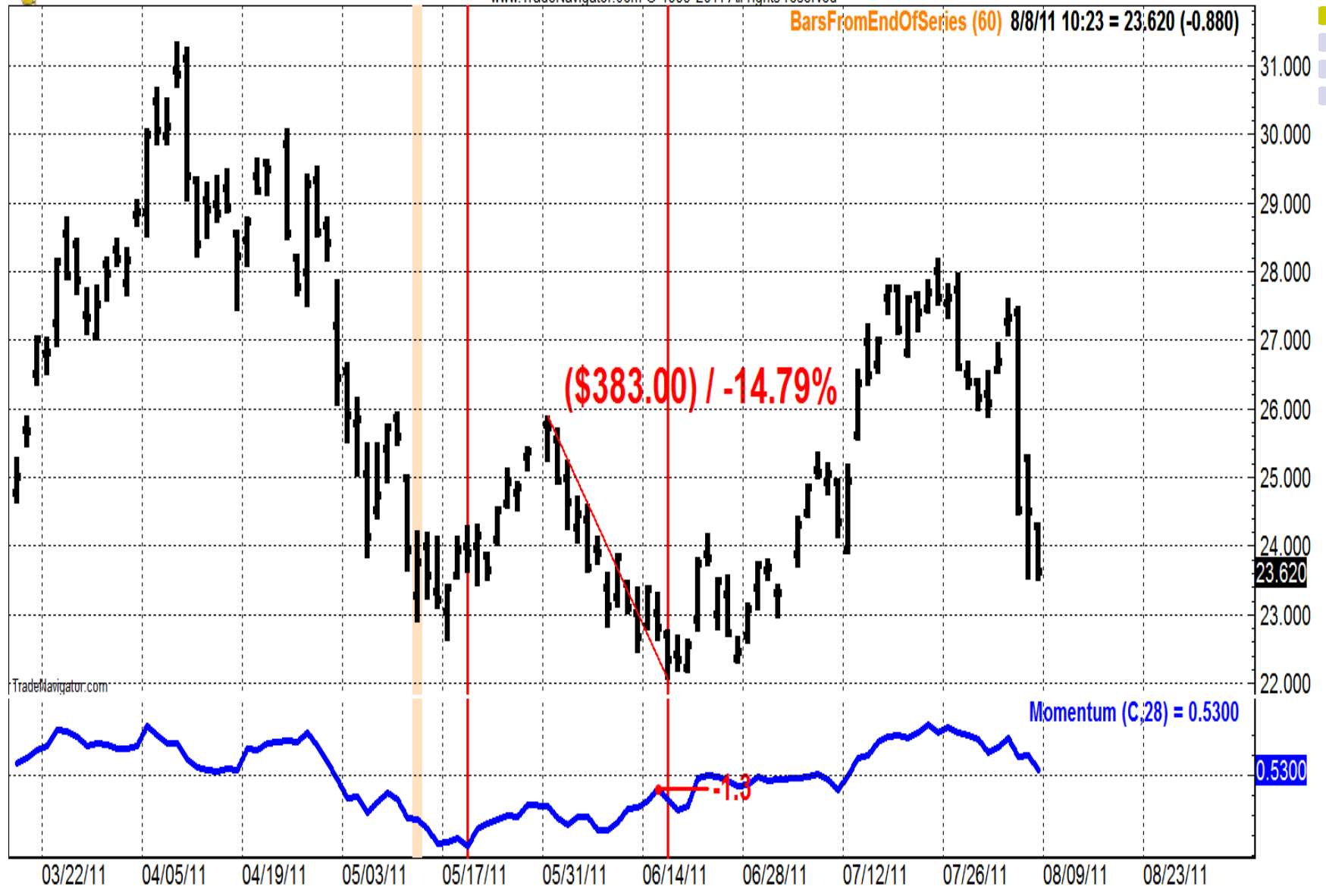
Momentum (C,28) = -3.9200

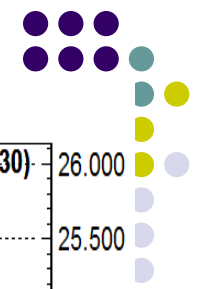
2.29

19.500
19.000
18.500
18.000
17.500
17.000
16.500
16.000
15.500
15.000
14.500
14.000
13.890
13.500
5
0
-3.9200



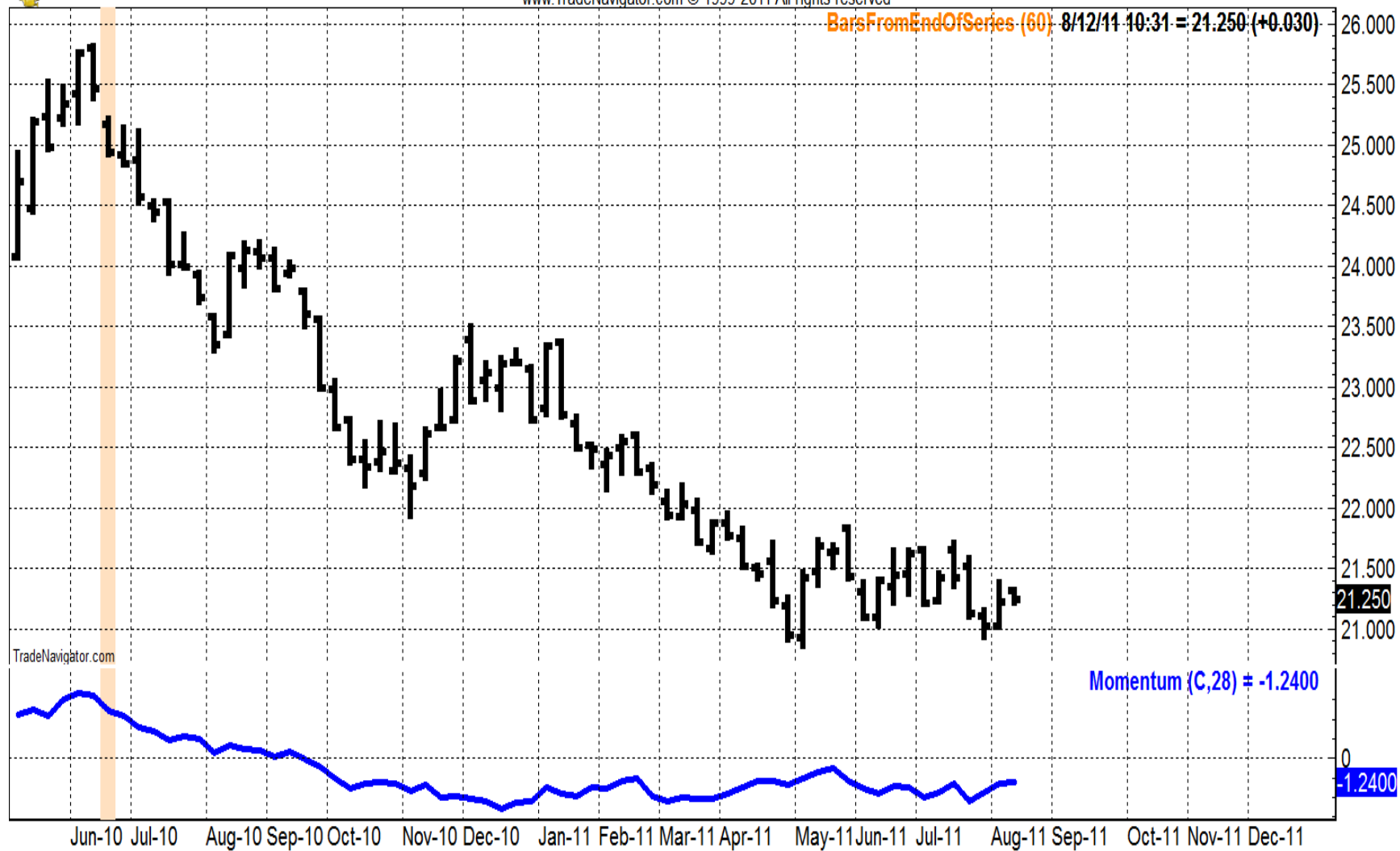
SIL: Global X Silver Miners ETF (Daily bars)
 www.TradeNavigator.com © 1999-2011 All rights reserved





UUP: PowerShares DB US Dollar Index (Weekly bars)

www.TradeNavigator.com © 1999-2011 All rights reserved



BarsFromEndOfSeries (60): 8/12/11 10:31 = 21.250 (+0.030)

26.000
25.500
25.000
24.500
24.000
23.500
23.000
22.500
22.000
21.500
21.250
21.000
0
-1.2400

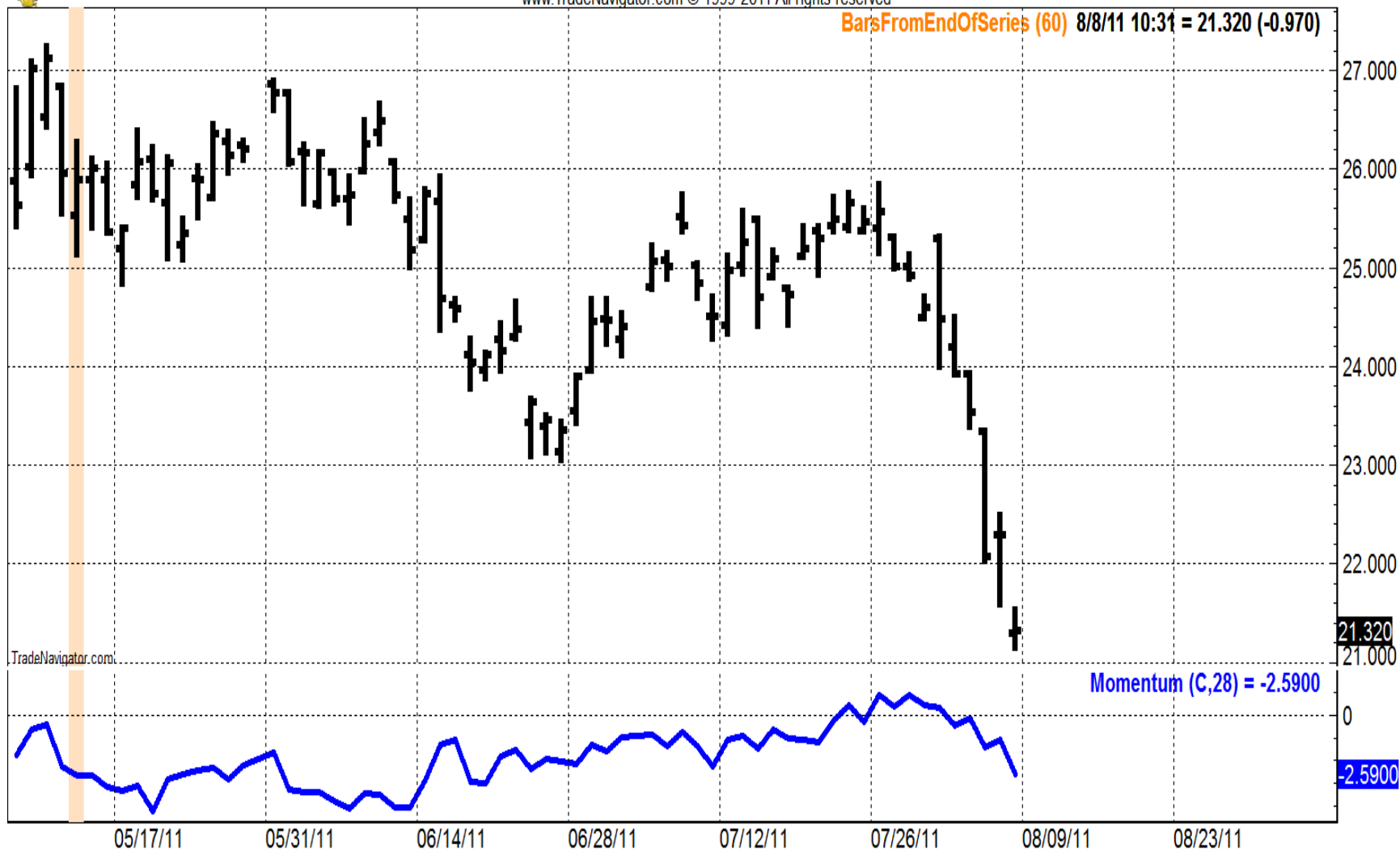
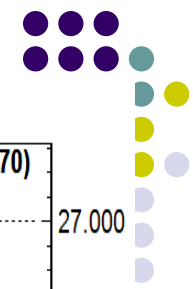
TradeNavigator.com

Momentum (C,28) = -1.2400



OIL: iPath Goldman Sachs Crude Oil (Daily bars)

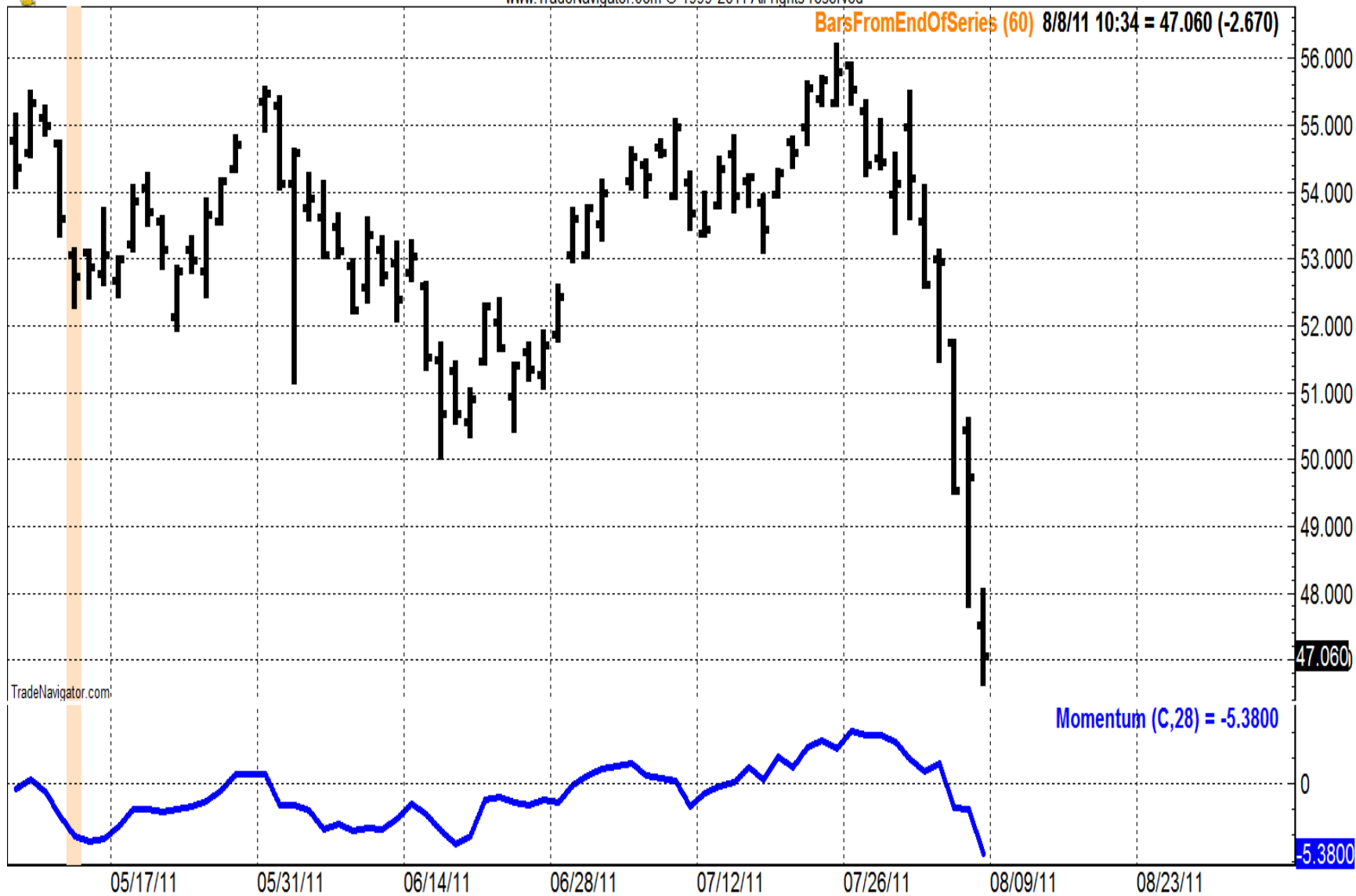
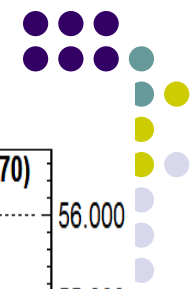
www.TradeNavigator.com © 1999-2011 All rights reserved





MOO: Market Vectors Agribusiness ET (Daily bars)

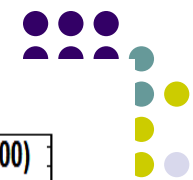
www.TradeNavigator.com © 1999-2011 All rights reserved





SGG: iPath DJ-UBS Sugar ETN (Daily bars)

www.TradeNavigator.com © 1999-2011 All rights reserved



COT for long term ETFs



- USE COT
- Commitments of Traders
- From CFTC or Genesis
- Explanation
- How it works



LC-055: Live Cattle (Pit) Cont 1st (Monthly bars)

www.TradeNavigator.com © 1999-2011 All rights reserved



MOO after COT buy trigger



MOO: Market Vectors Agribusiness ET (Monthly bars)

www.TradeNavigator.com © 1999-2011 All rights reserved

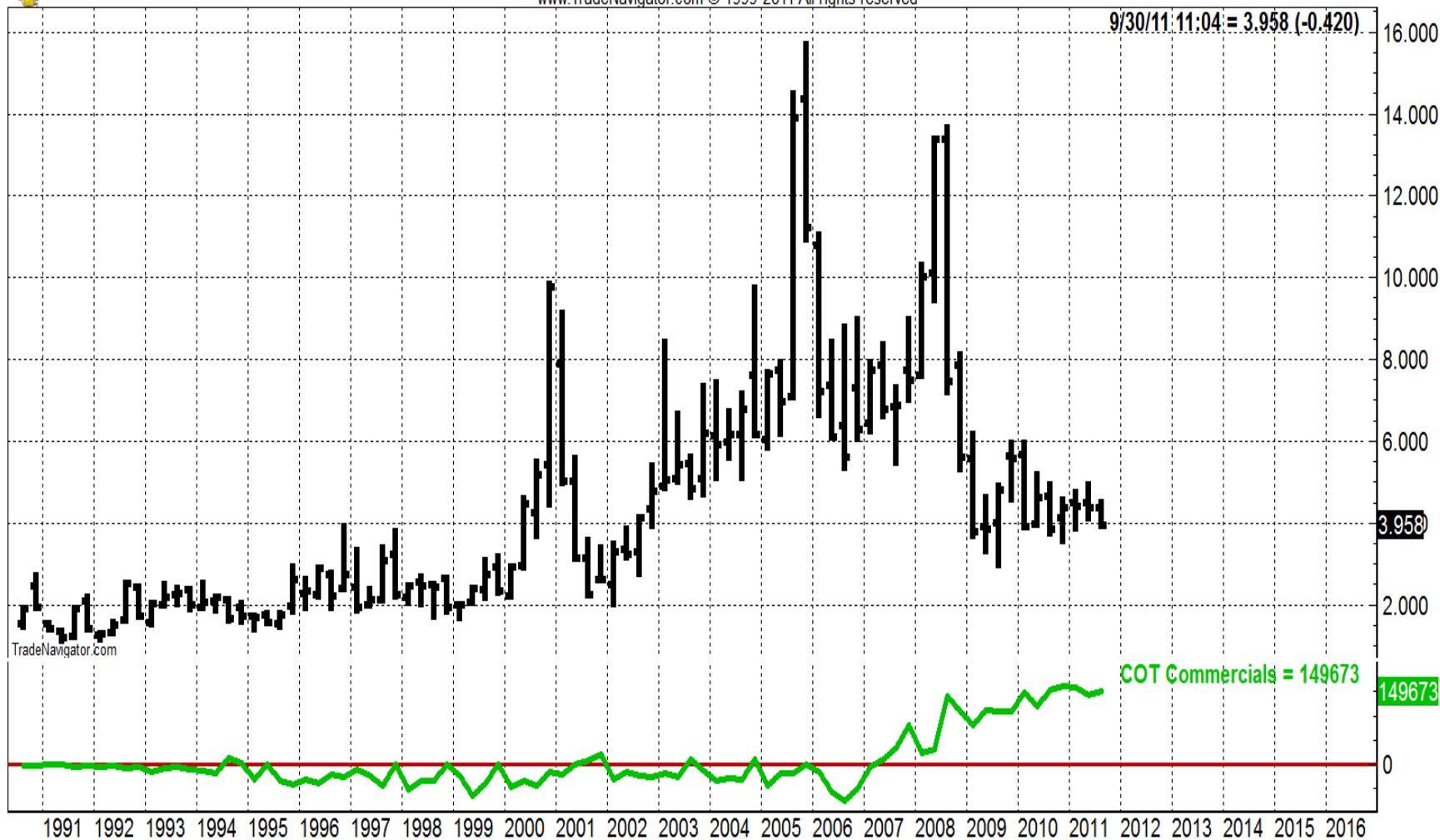


COT and Nat Gas



NG2-055: Natural Gas NY (Comb) Cont 1st (Quarterly bars)

www.TradeNavigator.com © 1999-2011 All rights reserved

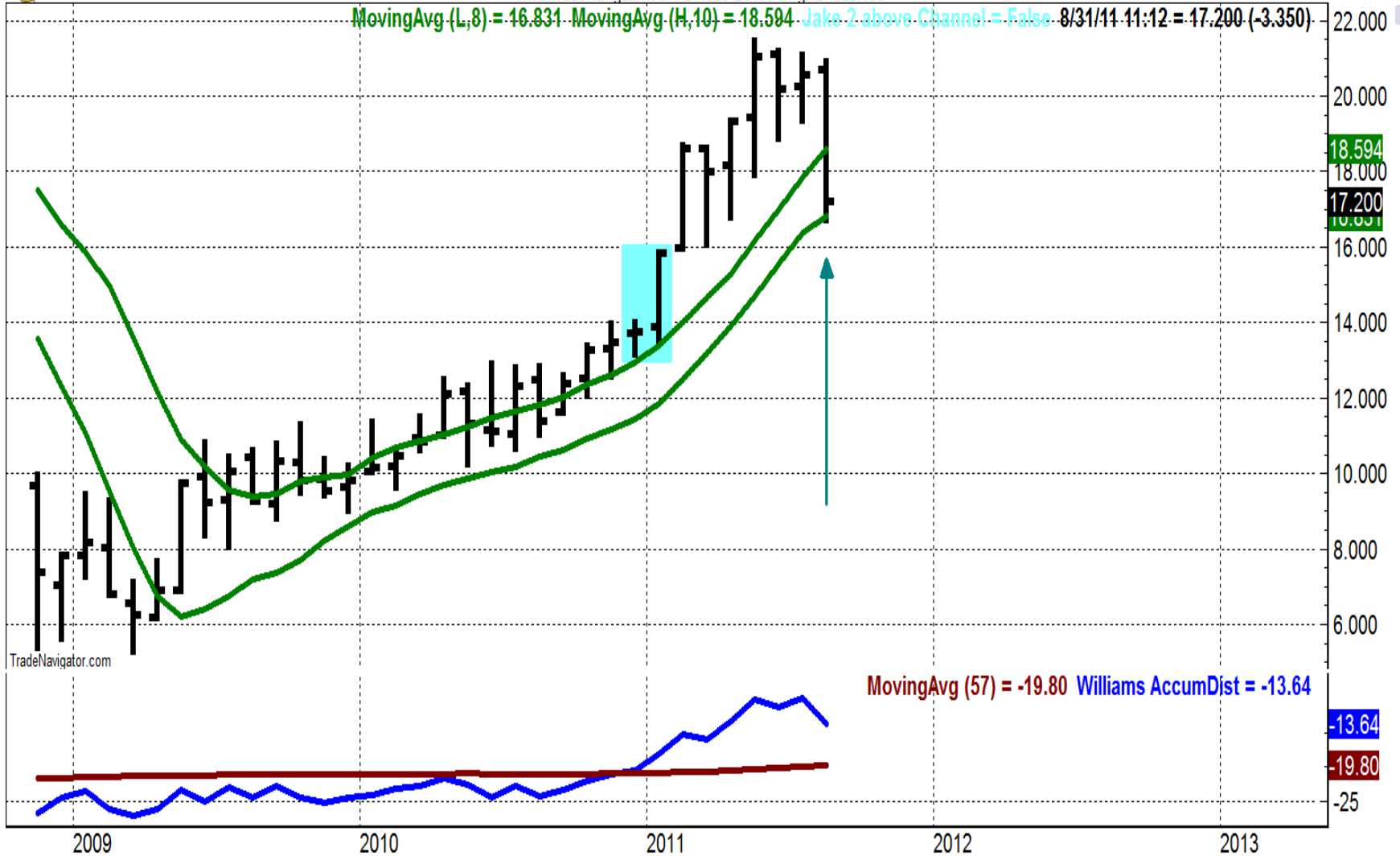


EP or an ETF



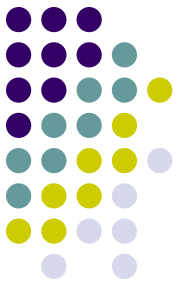
EP: El Paso Corporation (Monthly bars)

www.TradeNavigator.com © 1999-2011 All rights reserved



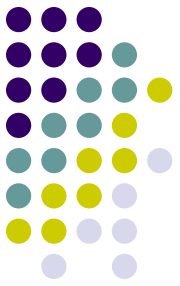
My preferred ETF's

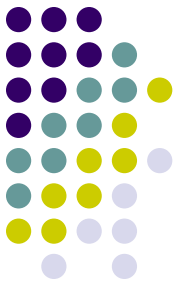
- SGG sugar
- DBA ag
- UUP US\$ up
- GLD gold
- SIL silver
- XLF financial
- TBT interest rates
- XHB home builders
- USO oil
- CRBQ CRB
- GRR Asia
- MOO meats
- VNQ reit
- EWZ Brazil



Summarizing

- ETF's can be good trading vehicles
- Selection process is critical
- I showed you how to select
- I showed you what to avoid
- Use timing triggers
- Best results will be with weekly
- Long term use COT as guide
- 2 basic timing methods
- USE LIMIT ORDERS
- I can be reached at jake@trade-futures.com
- Website: www.jakebernstein.com





- Mentoring appointment interview
- <http://www.comtrade1.com/letter/>
- This session has been recorded

I can be reached at 800-678-5253 or 831-430-0600

- Email me if you have questions:
- jake@trade-futures.com
- Best of trading
- **Jake Bernstein**