

Excerpt from ETF Guide, October 24, 2008

<http://www.etfguide.com/research/88/8/Dow-Down-40-Percent-In-360-Days---Is-This-The-Bottom?/>

Dow Down 40 Percent In 360 Days – Is This The Bottom?

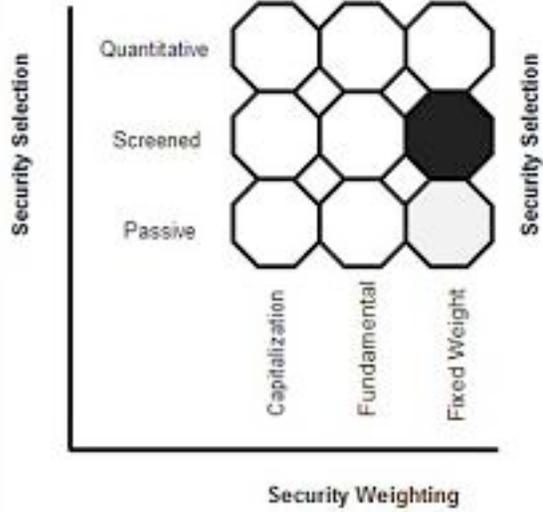
By, Simon Maierhofer

A few more days and the Dow Jones might be down 50% from its high of 14,000. How much lower can it go before a significant counter rally ensues?

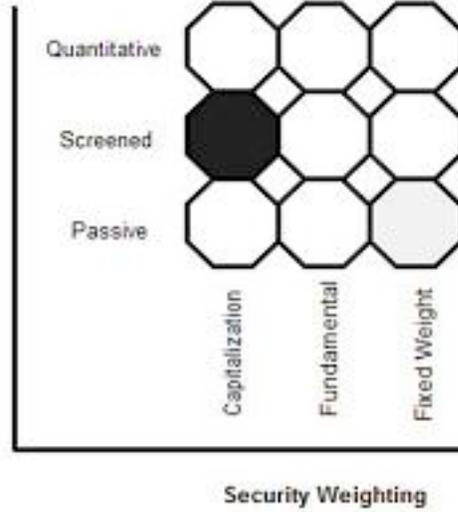
Imagine this: it's a hot summer day and you are just about ready to take the first sip of your favorite milk shake. Your lips are about to touch the straw when someone asks you for a sip. This one sip however morphs into a big gulp leaving only little for yourself. How would you feel? Chances are the stock market took a big "gulp" of your retirement plan in recent months leaving little for yourself. With the S&P 500 (AMEX: [SPY](#)) and the Dow Jones (AMEX: [DIA](#)) down about 40% you could almost say; the glass is half empty. It's tough to adopt "the glass is half full" attitude when all you can see is bad news.

Clean and alternative energy has been the worst performing (sub) sector in the U. S. (yes, even worse than financials). The PowerShares WilderHill Clean Energy Portfolio (AMEX: [PBW](#)) has dropped over 60% followed by the While PBW weighs its components according to a modified fixed weight methodology, ... applies a straight market cap weighting methodology. As a result, the highest exposure of any single security within PBW is capped at around 3.5% while the top two components of ... make up nearly 25% of the fund. All of the above options possess significant upside potential. PBW still boasts a P/E ratio of 22 and is thus vulnerable if the market continues to slide. Leveraged ETFs can be quite hostile if the market moves in the wrong direction. Needless to say, the above options include a "timing component". Timing is key to maximizing your profits and minimizing losses. Where is the near term bottom and how long will the counter rally last?

Index Strategy Map: PBW vs GEX (mod. fixed weighted vs market cap weighted)



Index Strategy Boxes™



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