

## 3 Funds to Help You Battle the Bears

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As one of Wall Street's most popular trading and investing tools, exchange traded funds (ETFs) have captured the hearts and wallets of Wall Street players. Everyone, it seems, has jumped on the ETF bandwagon, from institutional players such as hedge funds and pension funds, to individual traders and investors.

ETFs are baskets of stocks (or futures contracts, commodities, bonds, or currencies) that focus on a particular index and trade as a single stock on U.S. exchanges.

One reason ETFs have grown in popularity is that they are extremely versatile - you can use them for pure profit plays, diversification, or hedging plays.

ETFs are typically created as individual members of fund "families." One of the oldest and biggest ETF families is Barclays iShares (iShares.com). Indeed, Barclays advertises iShares as "The world's largest family of ETFs."

iShares funds live up to that claim, cutting a broad swath through the financial markets and offering a wide range of ETFs. Their funds focus on seven fund categories: Market Cap, Style (growth or value), Sector / Industry, International, Specialty / Real Estate, Fixed Income and Commodities.

Although you can use many tactics to trade and invest with iShares ETFs, at the moment, with the stock market white-knuckling bear market territory, I've focused on three funds and strategies: the iShares Nasdaq Biotech Index Fund (IBB) as a look-forward strategy, the iShares COMEX Gold Trust (IAU) as a hedge against inflation, and the iShares DJ US Utilities Index Fund (IDU) as a potential defensive play.

### **Baby-boomer bet on biotech: iShares Nasdaq Biotech Fund (IBB)**

If you think that the long-suffering healthcare sector has taken enough nasty medicine from the bears and is ready to regain its health, you might want to investigate healthcare in the form of the iShares Nasdaq Biotech Index Fund. It hasn't taken the walloping that pharmaceutical shares have, and the long-term chart actually looks reasonably attractive. (That's quite a victory in this market!).



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The IBB's top holdings are Gilead Sciences, Inc., Amgen Inc., Celgene Corp., and Teva Pharmaceuticals ADR. What with the leading edge of the baby boomers now marching into their 60's, it makes sense that more money will be focused on the healthcare arena in the future.

As well, the IBB beautifully demonstrates one benefit inherent to ETFs: Since the fund focuses on an index of biotech stocks-not just a single stock-when one stock in the index takes a nosedive (biotechs are notoriously hot-blooded), the remaining components soften the blow.

At the moment, the IBB is trading in a 3-month consolidation, just above its flat-lined 20-day and 50-day moving averages. If the IBB can break above this consolidation and move above its 200-day moving average (about \$80), it may be able to return to prior highs at \$85.

Risk-wise, if the IBB slides below 76.50, I'll take it off my watch list until it recuperates.

### **All that glitters: iShares COMEX gold iShares**

With inflation rearing its ugly head in food and oil prices, the spotlight is once again shining on gold. One of the easiest ways to participate in any gold rush is to trade and/or invest in gold-related ETFs.

The iShares COMEX Gold Trust represents an index that seeks to reflect the day-to-day price of gold bullion.

In the chart of the IAU, you can see how it rose to its high of \$100.48 on March 17th, (which was also Bear Stearns takeover day.) It subsequently retreated to its April 1st low of \$83.56. Since then, the ETF is making an attempt to break above the highs of its base (\$93.50). The recent

positive crossover of the 20-day moving average above the 50-day line is a positive step, as is the MACD's rise above its 0 line.



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### Getting defensive: iShares DJ US utilities

Although the shares took a hit today (July 2) along with most other funds, the iShares DJ US Utilities Index Fund has generally held up well in the last couple of months relative to the S&P 500 index.

Utilities are known as a defensive sector. And although they typically flourish in times of low interest rates, they can also handle reasonable oil price increases, because they can eventually pass on those costs to customers.

The IDU's top fund holdings are Exelon Corp., Dominion Resources, Inc., Southern Co., FirstEnergy Corp., and FPL Group, Inc.



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I'm putting the iShares DJ US Utilities Index Fund (IDU) on my watch list. As long as it holds its lows at \$97 and reverses to rise above its 20-day moving average (red line), a break above \$102 could result in a positive long trade.

This summer, take time to investigate the iShares fund family offerings. Click on the funds that appeal to you and check out their holdings. (Please do this with any ETF you consider as a trade or investing target.)

When Mother Market gets over her ill-tempered mood (hopefully soon!) and becomes a little happier, you'll find the versatile and wide-ranging iShares are great tools for pure profit, diversifying and hedging tools.

***Toni Turner*** is a trader and investor with seventeen years of experience in the financial markets. She is the best-selling author of *A Beginner's Guide to Day Trading Online 2nd Edition*, *A Beginner's Guide to Short Term Trading* and *Short-Term Trading in the New Stock Market*. Toni has appeared on NBC, MSNBC, CNN, and CNBC. She has been interviewed on dozens of radio programs and featured in periodicals such as Fortune magazine, Stocks and Commodities, SFO, MarketWatch, Fidelity Active Trader, and Bloomberg Personal Finance.

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