

## **THIS is a TRADERS MARKET PROFIT with the FOCUS FOUR EXCHANGE TRADED FUNDS**

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As we all know by now, this is a trader's market. The current volatility, fueled by onslaughts of reports from the financial arena – both terrifying and optimistic – has caused our stock market to explode missile-like, then implode, just as fast. These moves take place from one day to the next, one hour to the next . . . and even, it seems, from minute to the next.

If you want to trade in this skittish, jittery, emotional market (novices are strongly advised to wait it out on the sidelines), you can do so more easily—and with less risk—by simply trading the exchange traded funds (ETFs) that represent to what I call the “Focused Four.”

As you can see in the table below, each of my Focused Four group of exchange traded funds include a combination of four ETFs that track four of the market's major indexes: the Dow Jones Industrial Average, the S&P 500 Index, the Nasdaq 100 Index, and the Russell 200 Index. These indexes are easy to track and trade.

Unless the market is chopping sideways (which is a good time to pack up a cooler and head to go to the beach), you should always be able to find a trade within one or more of the fund groups.

Index		FOCUSED FOUR EXCHANGE TRADED FUNDS		
Dow Jones Industrial Avg.	Dow Diamonds (DIA) Closely tracks Dow	ProShares Ultra Dow30 (DDM) Leveraged 2x	ProShares Short Dow30 (DOG) Inverse	ProShares Ultra Short Dow30 (DXD) Inverse, leveraged 2x
S&P 500 Index	S&P 500 SPDR (SPY) Closely tracks S&P 500	ProShares Ultra S&P500 (SSO) Leveraged 2x	ProShares Short S&P500 (SH) Inverse	ProShares Ultra ShortS&P500 (SDS) Inverse, leveraged 2x
Nasdaq 100 Index	Powershares QQQ Standard ETF (QQQQ) Closely tracks Nasdaq 100	ProShares Ultra QQQ (QLD) Leveraged 2x	ProShares Short QQQ (PSQ) Inverse	ProShares Ultra Short QQQ (QID) Inverse, leveraged 2x
Russell 2000 Index	iShares Russell 2000 (IWM) Closely tracks Russell 2000	ProShares Russell 2000 (UWM) Leveraged 2x	ProShares Short Russell2000 (RWM) Inverse	ProShares Ultra Short Russell2000 (TWM) Inverse, leveraged 2x
<p>Before trading any of the ProShares Funds listed, please go to: <a href="http://www.proshares.com">www.proshares.com</a> and study each fund's holdings and risks.</p>				

### Focused Four with Trading Strategies

Each Focused Four combination offer four ETFs that correspond to the major index listed. In the Focused Four table, the first column lists the index.

The next column lists the **standard tracking ETF** for that index, such as the Dow Diamonds (DIA), which closely tracks the Dow Jones Industrial Average, and the Powershares QQQ )QQQQ), which closely tracks the Nasdaq 100 Index.

**Strategies:** When one or more of the major indexes moves in an uptrend (or downtrend), the standard tracking ETFs serve as dandy vehicles for all trading time frames, whether intraday, swing, or trend. (Of course you can sell short any of these ETFs.)

The third column shows **leveraged ProShares ETFs** for each index that offer twice the bang for your buck. These shares, such as the ProShares Ultra S&P500, move 2% for every 1% move taken by the underlying index. When you trade these funds, you gain (or lose—so be careful) twice as much as you would trading the same equity in the standard tracking ETFs.

**Strategies:** when one of the major indexes listed is trading in a strong uptrend, I buy shares in its leveraged ETF to take advantage of the upward momentum. On a more conservative note, I may buy  $\frac{1}{2}$  position in the standard tracking ETF for that index, and fill the remaining position with leveraged shares, to help boost profits.

The fourth column shows **inverse ProShares ETFs** for each index. These are great for hedging in IRAs, since when you *buy* shares in these funds, you are actually *short* the corresponding index. Two examples shown in the table include the ProShares Short QQQ (PSQ), and the ProShares Russell 2000 (RWM). Please take care when you initially start trading these shares. It takes practice to wrap your brain around the reality that your fund is moving in the opposite direction of its corresponding index—and that when you buy inverse fund shares—you are short the market.

**Strategies:** a major index roils through a top reversal pattern and heads into a downtrend. You buy corresponding inverse shares and profit from the downward move, selling your shares when the downtrend shows signs of upcoming recovery. Or, you can hedge long-term positions in your IRA by buying shares of the inverse ETFs. For example, your IRA holds a large portion of technology shares. You buy shares of the ProShares Short QQQ (PSQ), which means you

are short the Nasdaq 100. Naturally, you take profits by selling the PSQ position when the Nasdaq 100 reaches nearby support, or shows signs of bottoming.

The fifth column lists **leveraged, inverse funds** that relate to each index, such as the Ultra Short Dow30 (DXD), which moves 2% higher or lower than the Dow, and in the inverse (opposite) direction.

**Strategies:** Any of the four indexes shown begin to teeter and fall into a sharp down trend. You purchase shares of the leveraged, inverse funds in order to profit from the move lower. Just as in the earlier example with leveraged funds, you can trade a more conservative path by putting  $\frac{1}{2}$  your position in an inverse fund, and the remaining  $\frac{1}{2}$  in a leveraged, inverse fund. Of course, you can also use these leveraged, inverse funds to hedge long, long-term positions by buying shares that relate to your stock holdings.

Figure 1 below shows a daily chart of the standard tracking ETF for the Nasdaq 100, the Powershares QQQ (QQQQ). Compare it to Figure 2, which displays a daily chart of the Nasdaq 100's ProShares Ultra Short QQQ (QID). Note how the QID makes bigger moves (2x leverage does that!) than the standard Qs, and how it moves up when the QQQ heads lower.

### Powershares QQQ (QQQQ) Daily Chart



## ProShares Ultra Short QQQ (QID) Daily Chart



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Remember, when using any ETF, plan your trade before you enter. Become thoroughly accustomed to how leveraged ETFs move—again, before you trade them. That caveat *goes double* for leveraged, inverse ETFs. Never hedge a bad trade. Finally, always set your protective stops just after you enter.

The Focused Four offer you a broad combination of ETFs that correspond to the major indexes, the Dow Jones Average, the S&P 500, the Nasdaq 100 and the Russell 2000. More often than not, one or more of these ETFs pegged to overall market action, will offer you a solid, profitable trade!

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Toni Turner is a trader/investor with seventeen years of experience. She is the best-selling author of [A Beginner's Guide to Day Trading Online](#), [A Beginner's Guide to Short Term Trading](#) and [Short-Term Trading in the New Stock Market](#). Her books have been translated into Vietnamese, Japanese, and Chinese. An investor/trader with sixteen years' experience, she is a popular educator and speaks at trading forums and financial conferences across the United States.

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*. Toni's articles are published on TradingMarkets.com and Yahoo! Finance.

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