

This tutorial was originally titled *Make Sector Trading Your Greatest Relative Strength* and was recorded at the Online Trading Expo

# Sector Trading Strategies

## Turning Steady Profits Even in Stubborn Markets

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# Introduction

- Learn how to trade various market sectors
- Based on relative strength or weakness
- Increase daily trading opportunities
- Minimize risk
- Maximize profits

# Fundamentals of sector trading

- Follow institutional money flow
- Rotate into strong sectors (buy)
- Rotate out of weak sectors (sell short)
- Learn reciprocal relationships

# The Realm of Sectors We Trade

TECH STOCKS (MOSTLY NASDAQ)								
BIOTECHS	COMPUTER HARDWARE	COMPUTER SOFTWARE	COMPUTER STORAGE	INTERNETS	NETWORKERS	SEMIS	SMALL CAPS	WIRELESS
\$BTK.X BBH	\$HWL.X	\$GSO.X SWH		\$IX.X HHH	\$NW.X	\$SOX.X SMH	\$RLX.X	\$WSH WMH
Top-tier Bio Sector Heavyweights	PC Hardware OEM's	Productivity	Fiber-Channel (FC) Equip:	Mega ISP's	Enterprise Networking Equip (Switches/Routers)	CPU's	Always check the intraday volume and spread	Cellular Voice Service Providers
AMGN	CPQ	ADBE	BRCD ***	AOL	CSCO	INTC	CVAS	NXTL
BGEN	DELL	INTU	EMLX ***	ELNK	CS	Graphics-Video	FSII	PCS
DNA	GTW	PSFT	JNIC	eCommerce	EXTR **	ATVI	IDCC	VZ
HGSI **	Unix Workstations	SYMC	MCDT	AMZN	FDRY	ELBO	IO	Wireless Local Area Networks (LANs)
IDPH	HWP	BEAS	QLGC	EBAY **	Online Advertising	NVDA ****	MGL	AETH
IMNX	SUNW	BVSN	Storage Hardware	CNET	AVCI	PXLW	OIL	PROX
MLNM	Conglomerates	IWOV	EMC	DCLK	JNPR ***	RMBS	SCOR	SBL
Genetic Mapping Research	IBM	SEBL	NTAP	YHOO	Next-Gen Packet	THQI	XOMA	
AFFX	LXK	EDA - Electronic	SNDK	Infrastructure (Web Hosting, Portals, Multimedia)	Switching & Mux'ing Equip	Mixed-Signal	XCAR	
CRA	Manufacturing	Design Automation	STK			Datacomm Plays	Note: we are just starting to build the small-cap sector so suggestions & input for good smallcap stocks to consider for inclusion is appreciated. Please limit suggestions to average daily volume >100k shares/day.	
GENE	FLEX	CDN	Storage	CIEN **	ONIS	AMCC **		
GENZ	SANM	SNPS	Networking	EXDS	SCMR	BRCM ***		
IVGN	JBL	MENT	Software	RNWK	RBAC	CNXT		
MEDX	CLS	Development Tools	LGTO	CMGI ***	Optical WAN/Telco Plays (OC-12+)	IDTI		
MLNM *	Handheld	CPWR	VRTS	B2B	PMCS ***	RFMD		
Cancer	Computing	RATL	Storage	FMKT	VTSS	STM		
ABGX	(PDA's)	Application	Peripherals	INKT	ALA	TXCC		
CELG	HAND	Management	ADPT	ITWO	GLW **	Mixed-Signal		
CEPH	PALM	NETA		PCLN	JDSU	CRUS		
DNA	RIMM	CTXS			LU	IRF		
IMCL	Test Hardware	MERQ			NT *	LLTC		
MYGN	A	MUSE			SONS	MXIM		
VRTX	TER	PRGN			Cellular Telephone HW/SW	NSM		
Diabetes	TEK	QSFT			CMVT	Mixed-Signal + DSP	Semis - Continued	
INHL		Entertainment			ERICY	Conglomerates	Superconductors	
Heart Disease		ERTS			MOT	ADI	SCON	
CORR		Security			NOK	TXN	CDTS	
CHIR		CHKP ***			OPWV	Semicustom Logic	ISCO	
Neurology		RSAS			QCOM ***	ALTR		
ELN		VRSN ***			Cable Modem Hardware	LSI		
Infectious		Enterprise Database Apps			SFA	MCHP		
ENZN		ORCL				XLNX		
GILD		CA				LSCC		
MEDI		Manufacturing Support				MEMORY		
PDLI		PMTIC				ATML		
Pharmaceutical Processing						CY		
SEPR *						MU		
						Semi Equipment		
						AMAT *		
						ASML		
						CREE		
						KLAC		
						LRCX		
						NVLS		

NOTE 7-8-01: The Biotech Sector is tricky to subclassify (segment). This is a preliminary grouping, and we will refine as we research each Company. If you are a Biotech expert, please report for duty on the Biotech sector team!



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managing capital intraday, sleeping well at night.  
MASTER STALK LIST (Sector Model)

NOTES:

Hot List

\*=Degree of Demonic  
possession;  
Devil Stocks

## OTHER MARKET SECTORS (MOSTLY LISTED)

OTHER MARKET SECTORS (MOSTLY LISTED)								
FINANCIALS			DRUGS & HEALTHCARE		ENERGY COMPLEX			
BANKS & FINANCIALS	BROKERS	CHEMICALS & PRECIOUS METALS	DRUGS	HEALTHCARE	POWER, UTILITIES	OIL COMPANIES	RETAIL	TELCO SERVICE PROVIDERS
\$BKX.X	\$XBD.X	\$CEX.X	\$DRG.X	\$HCX.X		\$XOI.X	\$RLX.X	\$XTC.X
Consumer Financial Services	Traditional Brokers	Chemical Manufacturing	Major Drug Companies	Healthcare Equipment and Supplies	Power Sector (High Beta)	Oil Producers	Department / Discount Stores	ILEC's (Incumbent TTH)
AXP	AGE	APD	BMJ	ETR	AHC	CHV	MAY	AT
FNM	LEH	PX	JNJ	BAX	CPN	KMG	FD	BLS
FMC	MWD	Plastic & Rubber	LLY	BSX	Alternative Energy	MRO	WMT	SBC
Money Center Banks	SCH	MMM	MRK	GDT	FCEL	OXY	TGT	Q
BAC	MER	DD	PFE	MDT	PLUG	P	S	VZ
BK	Discount Brokers	ROH	Second Tier	STJ	BLDP	RD	JCP	Major IXC's (Inter-Exchange Carriers)
C	NITE	DOW	ABT	Healthcare Facilities	HPOW	SUN	KSS	DT
FBF	AMTD	Precious Metals	AHP	HCA	BCON	TX	Grocery Stores	FON
FTU		ABX	PHA	THC	IMCO	UCL	ABS	T
JPM		ECO	TTP		\$DUX.X	XOM	KR	TMX
ONE		HM	SGP		Traditional Utilities	\$OSX.X	SWY	WCOM
Regional Banks		PDG			EPG	Oil Service (Drillers)	Drug Stores	CLEC's (Competitive Local Exchange Carriers)
PNC		NEM			WMB	BHI	RAD	BRW
PVN					SO	CAM	CVS	GX
STI					DUK	DO	WAG	LVL
USB					AEP	HAL	Electronics Stores	Wireless Svc Providers
WFC					DUK	KMG	RSH	CC
FITB					Note: We are just starting to build out the ENERGY sector, a lot of changes pending in the next release of this spreadsheet. Input welcome from knowledgeable Intraday members.	NE	BBY	AWE
KEY						PTEN	Apparel Stores	VOD
MEL						RIG	ROST	PCS
NCC						SII	GPS	
NTRS						SLB	LTD	
Insurance Companies						TDW	ANF	
\$IUX.X							TLB	
HUM							Specialty Stores	
UNH							BBBY	
WLP							SPLS	
ALL							COST	
AIG							TOY	
AFL							Home Improvement	
CNC							LOW	
SPC							HD	
UNM							Consumer (non-cyclical)	
AET							KKD	
CB							MCD	
CI							KO	
HIG							SBUX	
LNC								
PGC								
AOC								
PGR								
SAFC								



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**MASTER STALK LIST (Sector Model)**

**NOTES:**  
Hot List

## A few examples of Typical Sector Rotation

### OUT OF

Technology sectors  
Oil  
Broader market

### INTO

Drugs  
Transports  
Gold/Utilities

Obviously, the inverse of these relationships is also true.

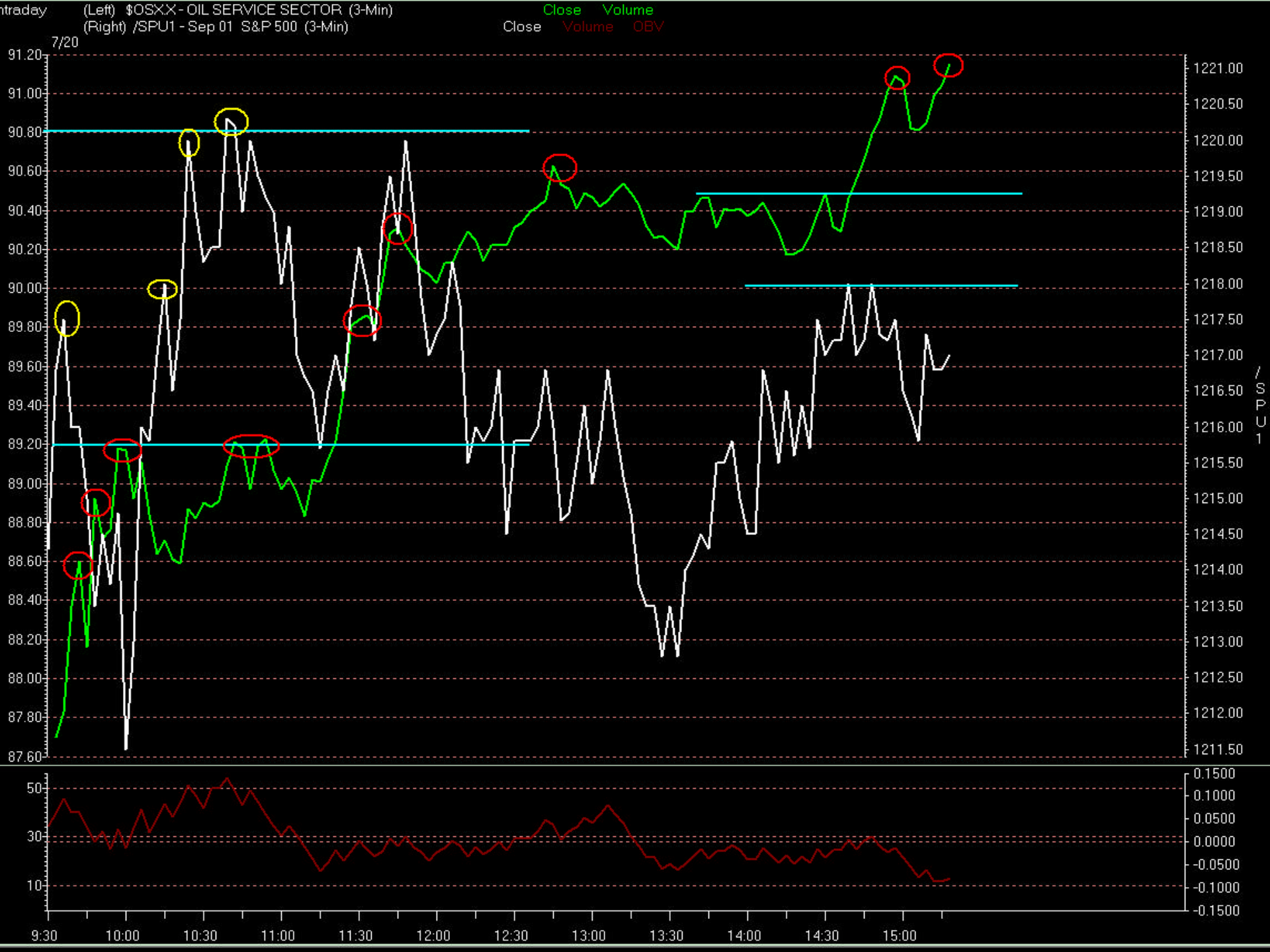
## The sector tracking stocks (holders):

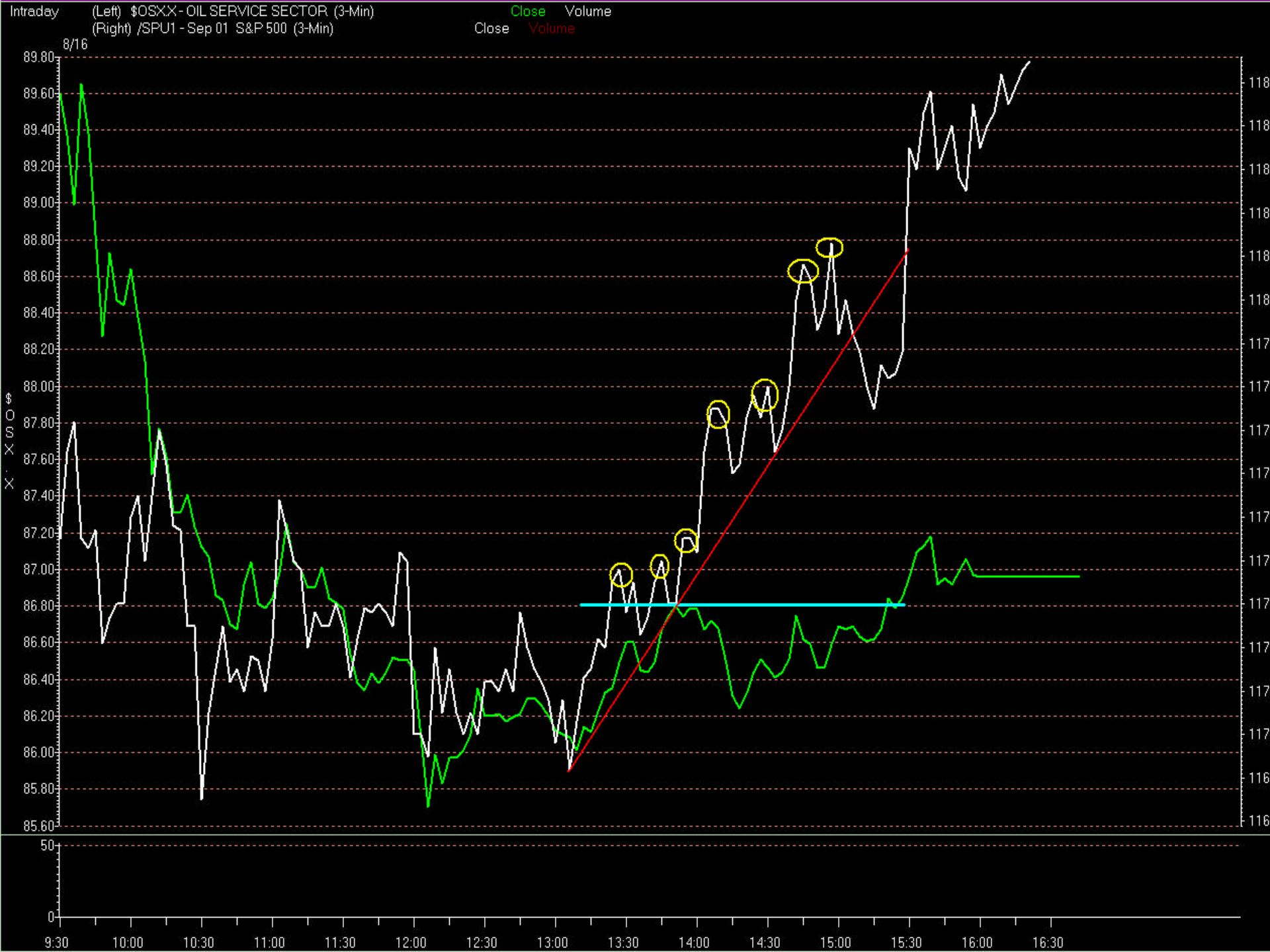
QQQ (Nasdaq 100)  
SPY (Spyder/S&P 500)  
DIA (Diamonds/DJIA)  
BBH (Biotech)  
PPH (Drugs)  
SMH (Semis)  
SWH (Software)  
TTH (Telecom)  
WMH (Wireless)  
HHH (Internets)  
OIH (Oil Service)

# Four keys to sector trading

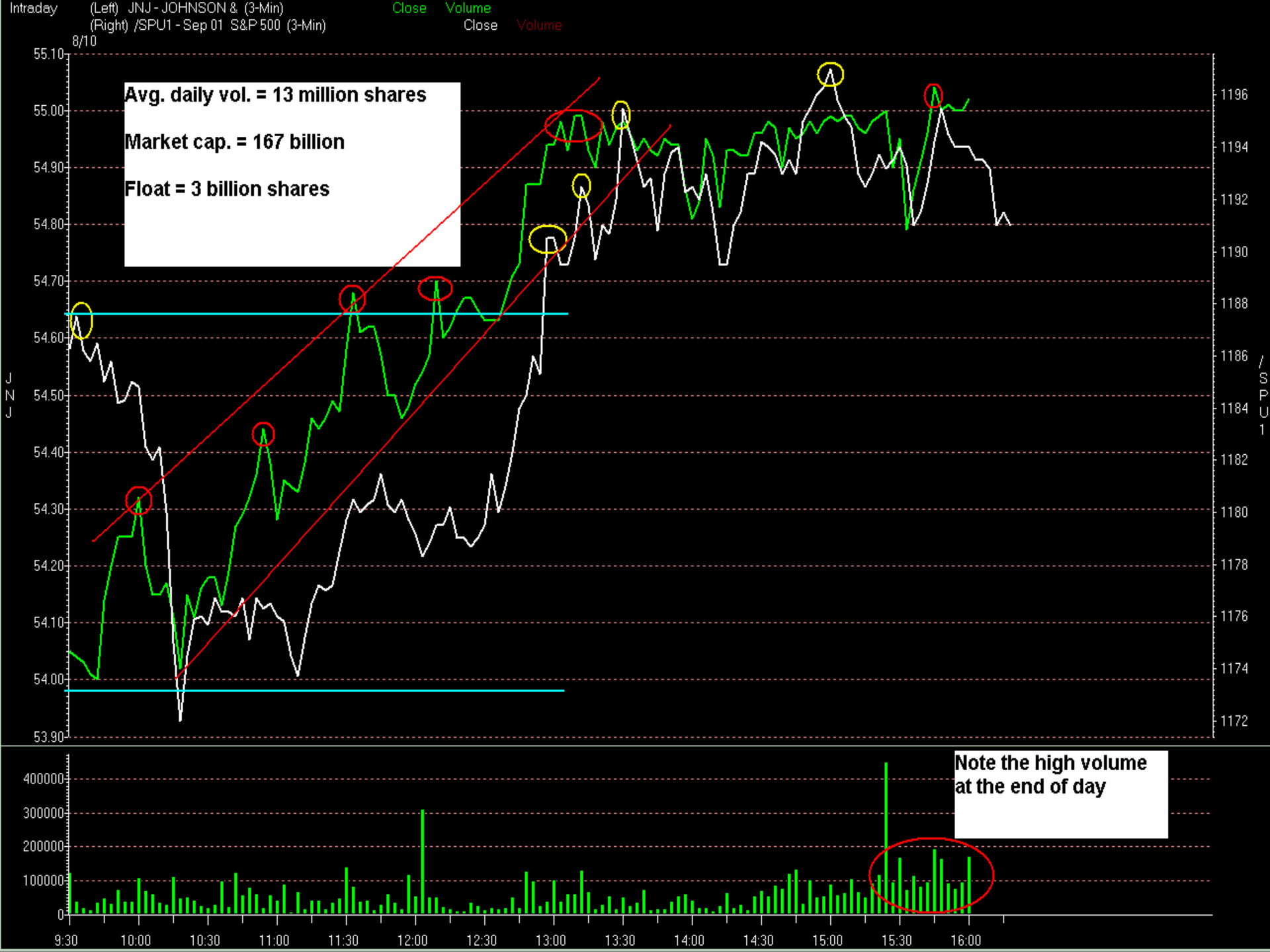
- Always trade with the trend of the markets
- Trade sectors showing the most relative strength or weakness to the markets
- Trade the leaders, not the laggards
- Remember that volume speaks volumes!







	Symbol	Last	t Chg. %	Low	High	Change
↑	\$CEX.X	404.76S	-1.19	403.06	406.51	-.78
↑	\$DJU	338.77S	-.50	337.56	340.74	-1.69
↑	\$DRG.X	391.9 S	-.94	389.0	392.5	-3.7
↑	\$XNG.X	211.11S	-1.01	210.79	212.66	-2.16
↓	\$OSX.X	85.92 S	-1.20	85.35	86.86	-1.04
↓	\$IUX.X	723.13S	-1.33	719.32	729.18	-9.77
↑	\$DJT	2824.65S	-1.38	2816.48	2864.91	-39.57
↓	\$BKX.X	888.53S	-1.41	884.98	895.95	-12.73
↑	\$XOI.X	551.27S	-1.50	550.15	555.31	-8.37
↑	\$RLX.X	869.35S	-1.52	862.74	870.64	-13.38
↑	\$XTC.X	863.77S	-2.20	860.57	868.72	-19.42
↓	\$BTK.X	492.78S	-2.68	492.67	503.33	-13.57
↓	\$NWX.X	296.92S	-2.85	294.28	299.89	-8.70
↓	\$HWI.X	153.92S	-3.18	152.88	155.14	-5.05
↑	\$GSO.X	165.60S	-3.27	165.22	167.90	-5.60
↑	\$TXX.X	528.44S	-3.27	526.82	534.91	-17.89
↓	\$IIX.X	144.21S	-4.43	143.98	148.14	-6.69
↓	\$SOX.X	555.54S	-4.72	552.41	564.31	-27.49











# Summary

- Determine trend of markets
- Find sectors with relative strength or weakness
- Trade the high-volume leaders in each sector