

Simple Sector

Trading Strategies

Profit by being in the right markets – at the right time

Outline:

- Slide 1: **INTERMARKET OVERVIEW**
- Slide 2 - 3: **COMMODITIES VS. BONDS**
- Slide 4 - 5: **COMMODITIES VS. STOCKS**
- Slide 6 - 7: **BONDS VS. STOCKS**
- Slide 8: **DOLLAR VS. STOCKS**
- Slide 9 - 10: **STOCKS VS. GOLD**
- Slide 11 - 12: **INDUSTRY GROUPS**
- Slide 13: **MARKET SECTORS**
- Slide 14 - 15: **MARKET INDICES**
- Slide 16: **SECTOR ROTATION MODEL**
- Slide 17-28: **RECENT CHART EXAMPLES**

Intermarket

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Slide - 1



- Bonds and commodities trend in opposite directions

- Commodities follow lead of stocks

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- In a deflationary environment, bonds and stocks decouple
- They trend in opposite directions

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- Stocks and the dollar are falling together :
bullish for gold

- Stocks and gold stocks trend in opposite
directions

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Industry Groups

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Industry Groups

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Slide - 10

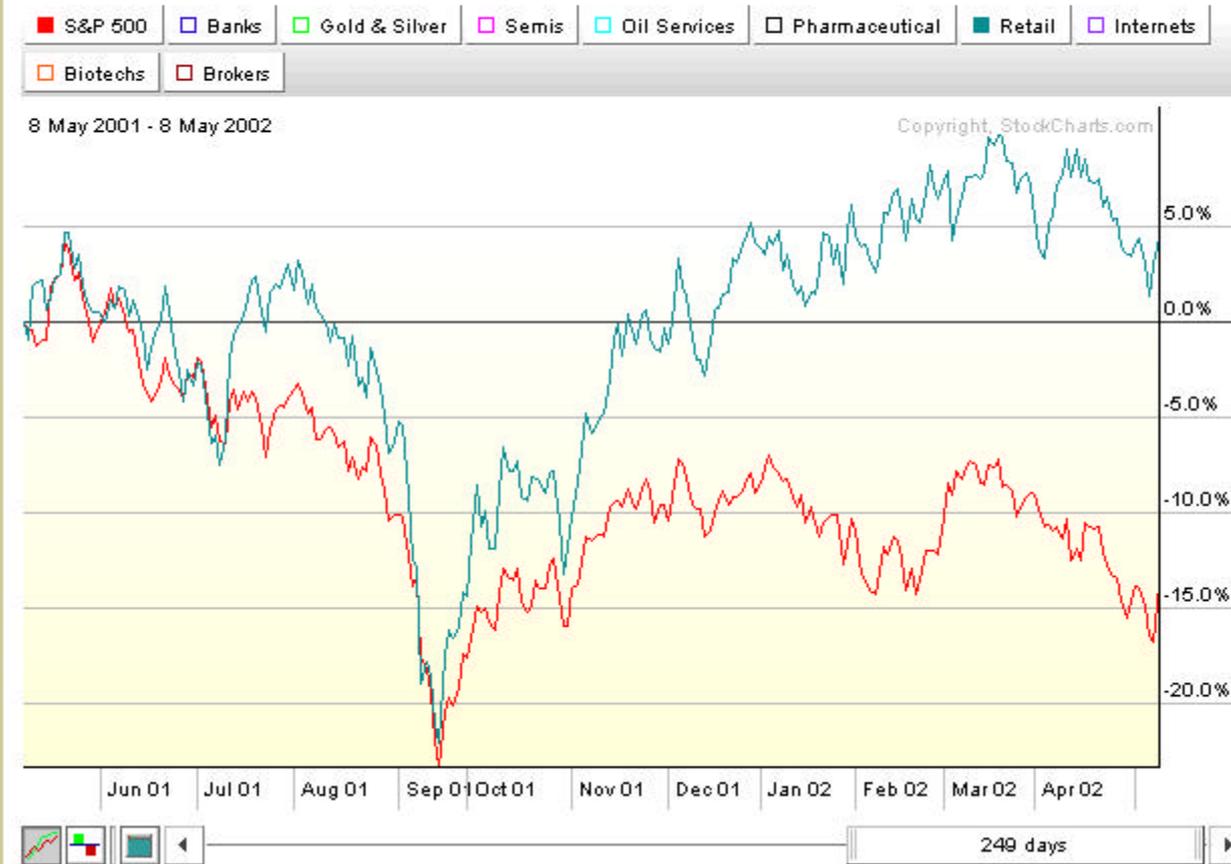


- Retailers lead market rallies at bottoms
- Cyclical stocks lead at bottoms
- Small stocks lead at bottoms

Industry Groups

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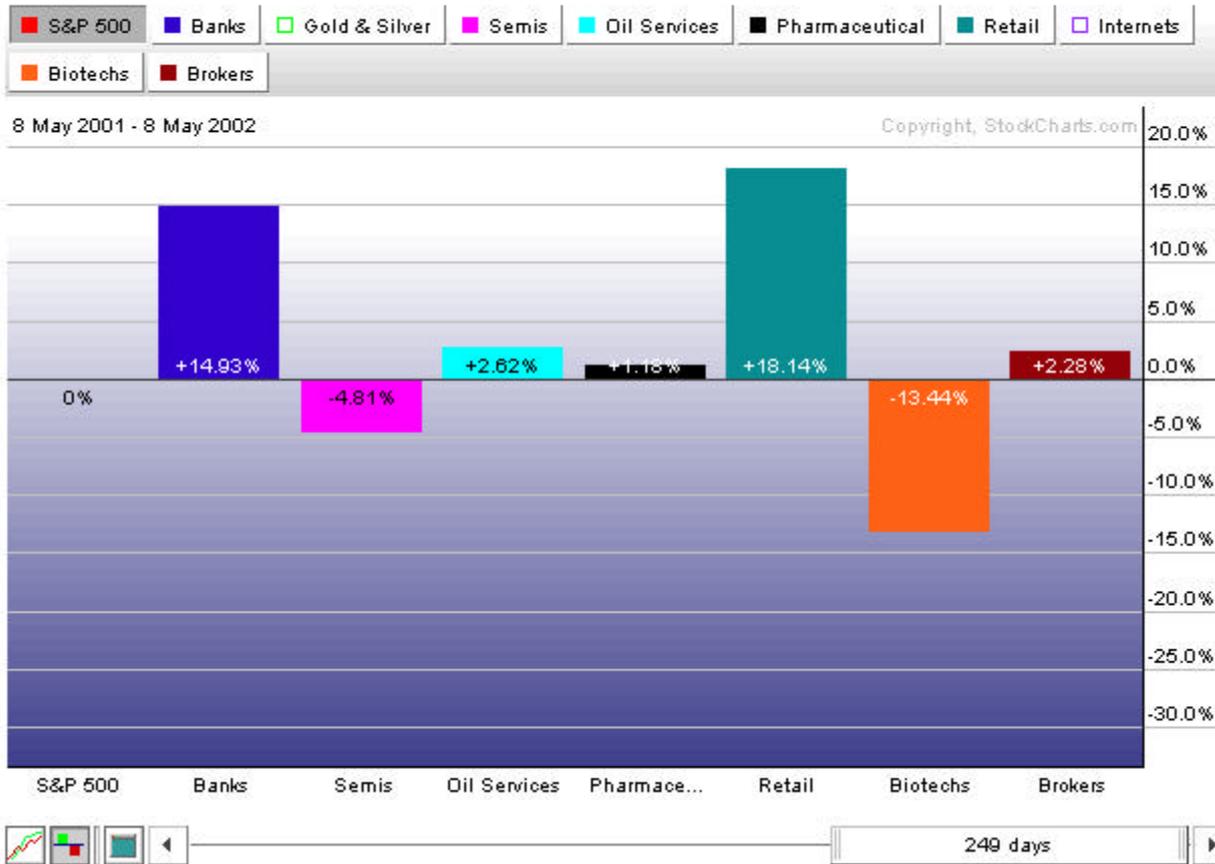
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Industry Groups

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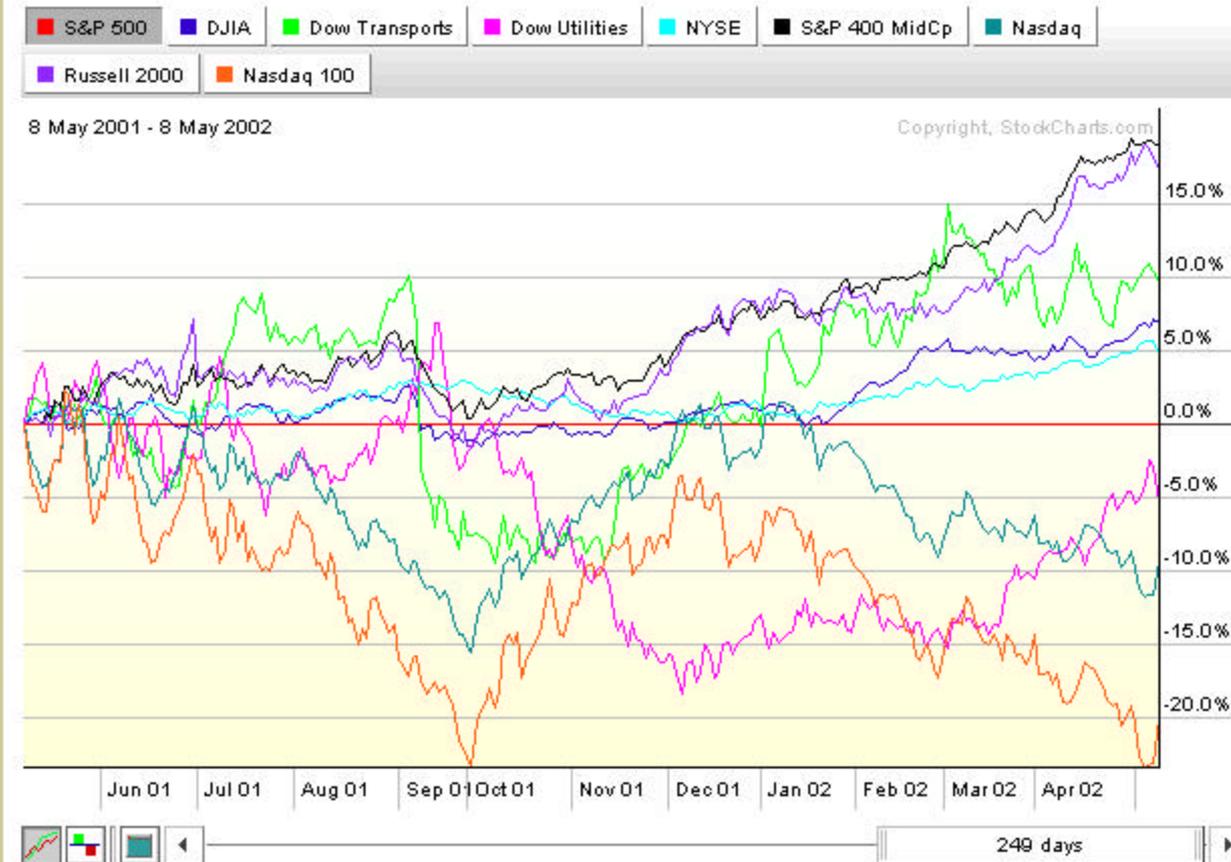
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Market Indices

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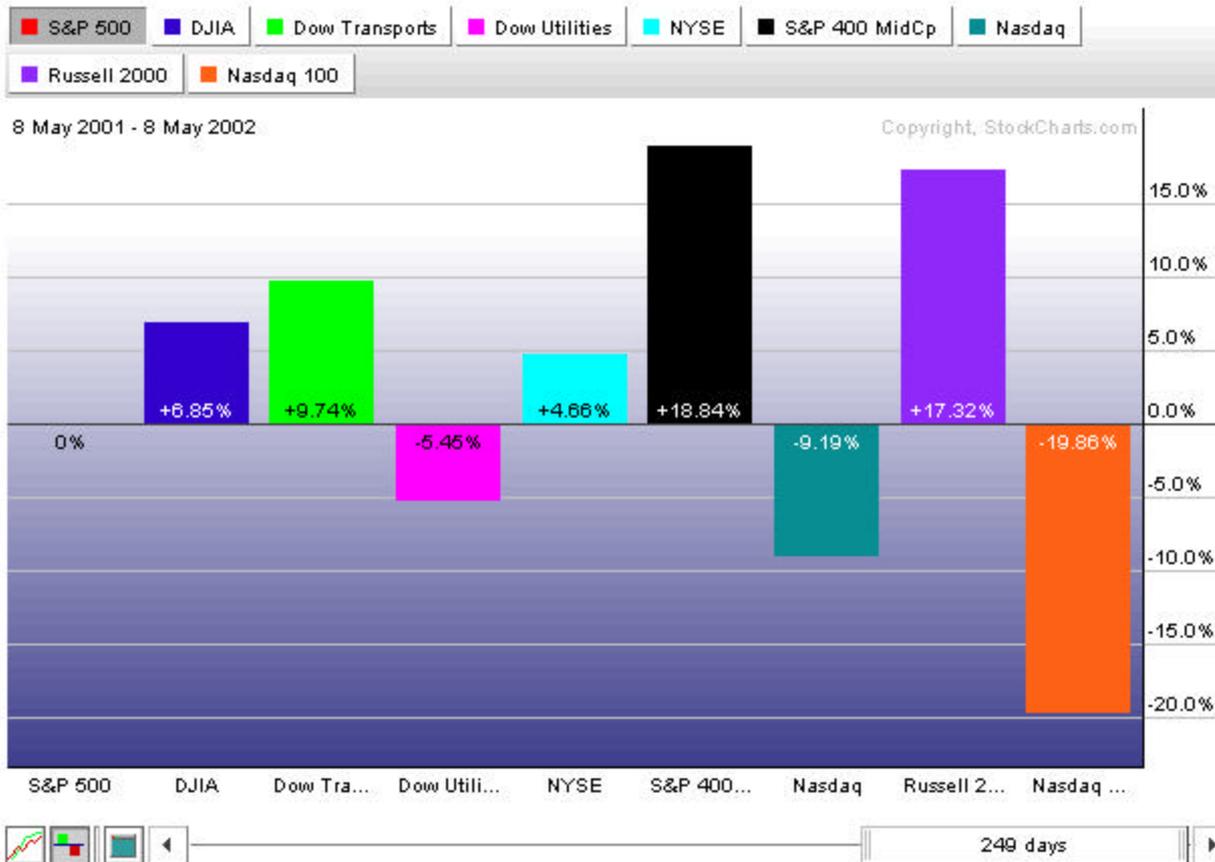
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Market Indices

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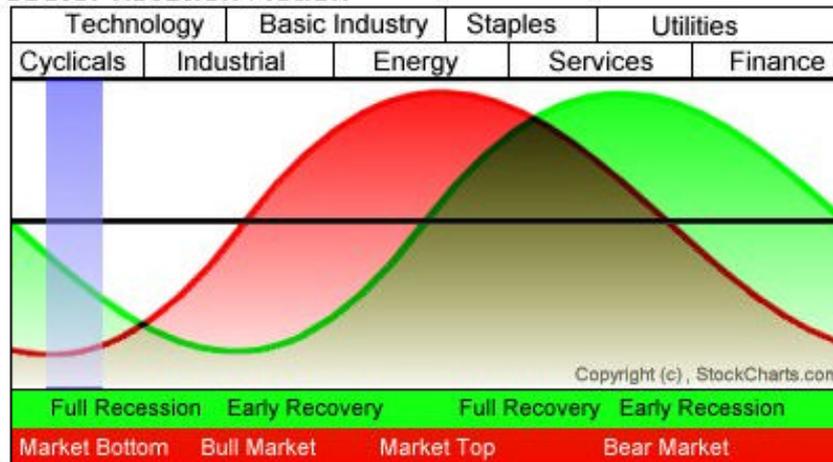


Sector Rotation Model

From: Stockcharts.com

Slide - 16

Sector Rotation Model:



Legend:

Market Cycle
Economic Cycle
Current Position

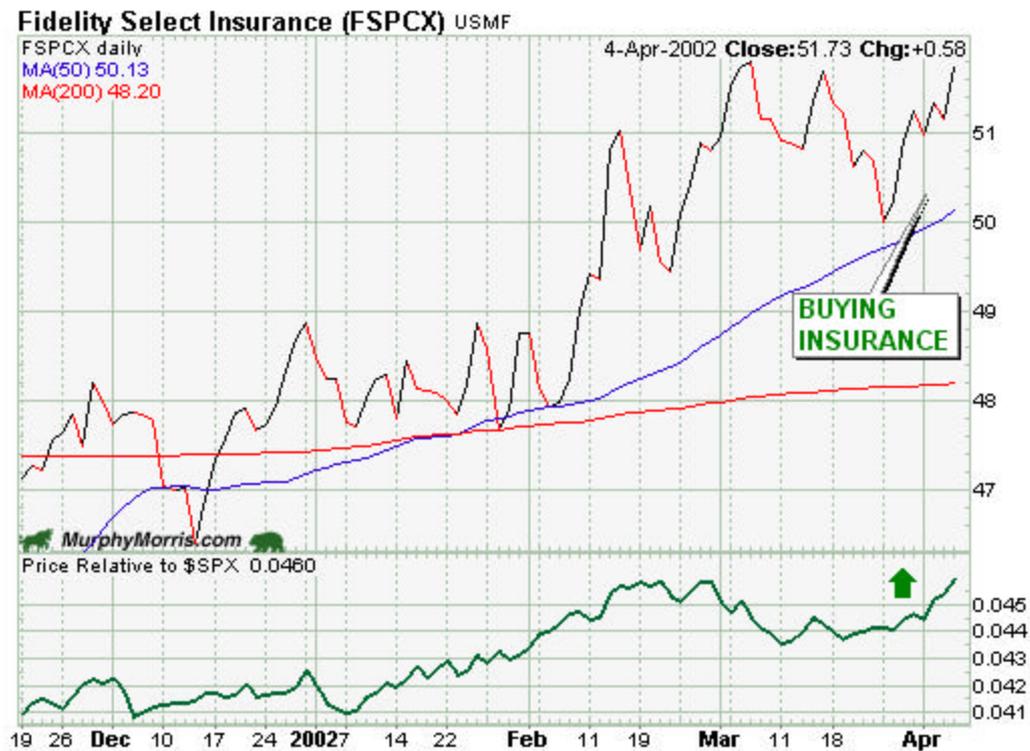
This theoretical model is based on Sam Stovall's [S&P's Guide to Sector Rotation](#) and states that different sectors are stronger at different points in the economic cycle. The graph above shows these relationships and the order in which the various sectors *should* get a boost from the economy. The Market Cycle precedes the Economic Cycle because investors try to anticipate economic effects. The PerfChart at the top of this page tries to help you see this effect. The blue box on this chart is our best guess at where things stand right now based on the PerfChart.

Stage:	Full Recession	Early Recovery	Full Recovery	Early Recession
Consumer Expectations:	Reviving	Rising	Declining	Falling Sharply
Industrial Production:	Bottoming Out	Rising	Flat	Falling
Interest Rates:	Falling	Bottoming Out	Rising Rapidly (Fed)	Peaking
Yield Curve:	Normal	Normal (Steep)	Flattening Out	Flat/Inverted

Fidelity Select Insurance Top Sector Fund

Slide - 17

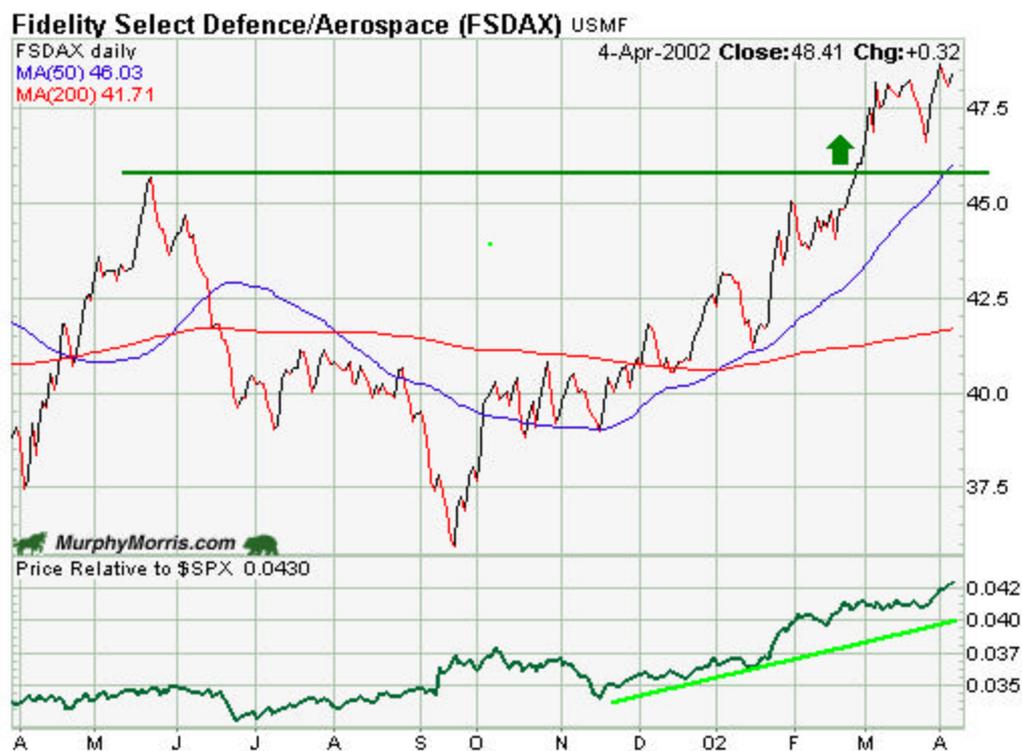
Friday, April 5th, 2002



AeroSpace/Defense Comes in Second

Slide - 18

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Medical Delivery in Third Place

Slide - 19

Friday, April 5th, 2002



Small Stocks Doing Better Than Large...

Slide - 20

Wed, April 10th, 2002



Small Value Outperforms Small Growth

Slide - 21

Wed, April 10th, 2002



Gold Stocks As A Market Hedge

Slide - 22

Friday, April 26th, 2002



Gold Stocks Move Inversely to Market

Slide - 23

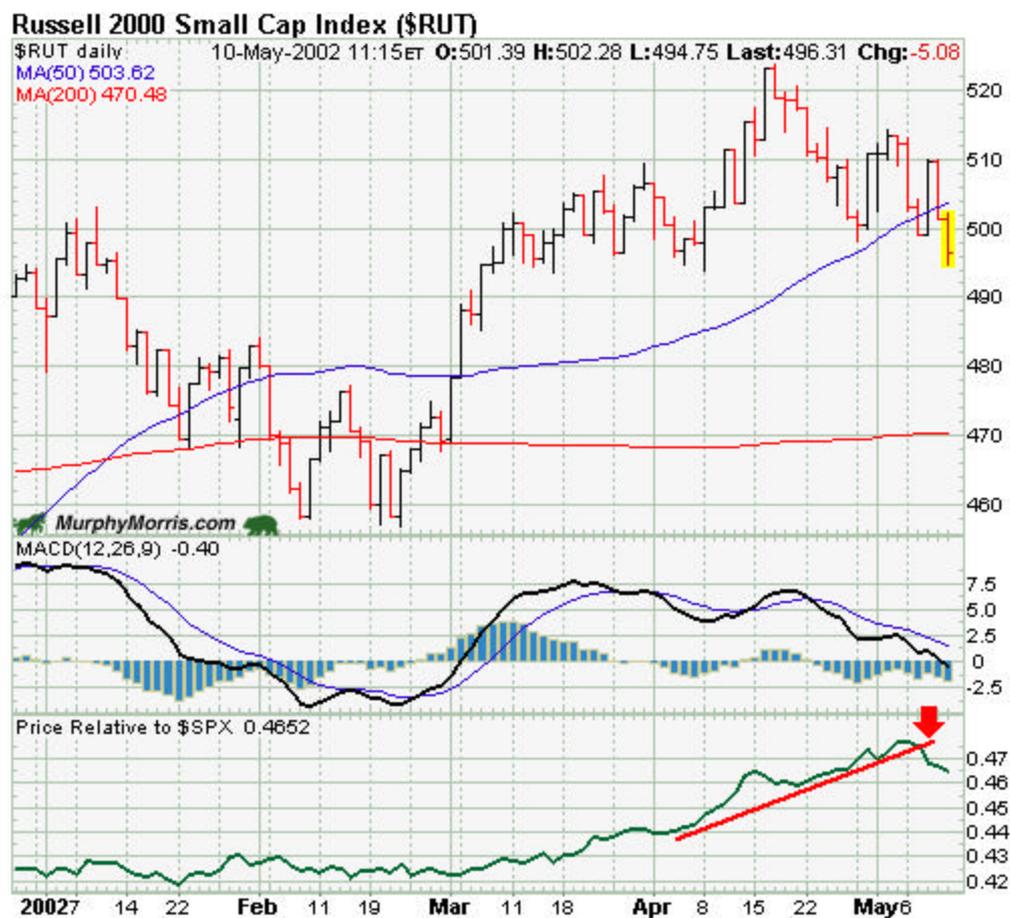
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Russell 2000 Falls Under 50-Day Line

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Small Stocks Slipping

Friday, May 10th, 2002



Confessions of a Technical Analyst :

Slide - 26

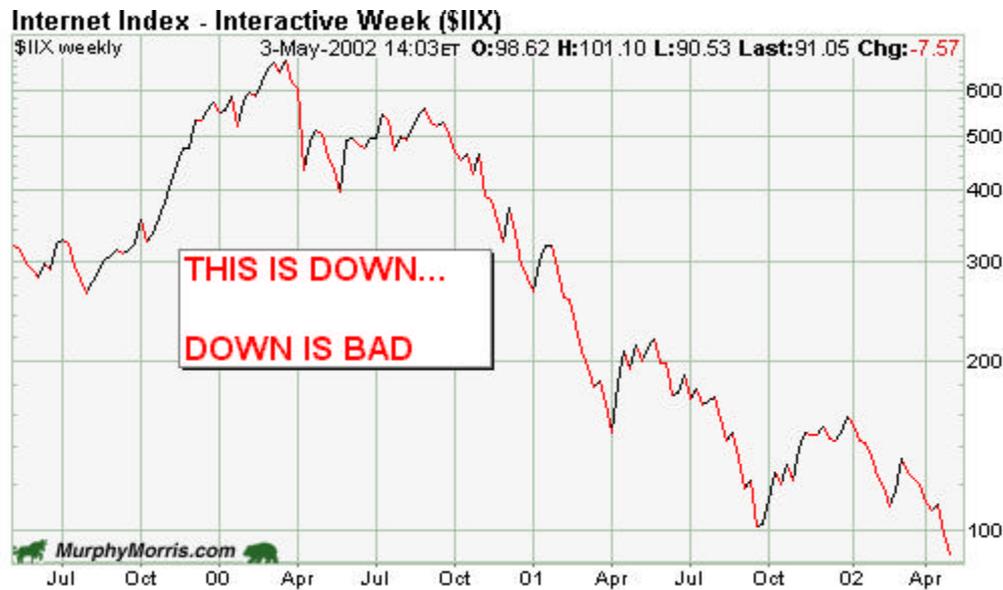
We're Really Fundamental Analysts



Charting is Simple

Slide - 27

Know *UP* From *DOWN*:
UP is Good... *DOWN* is Bad



This is *UP*...
UP is Good

Slide - 28

