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Have an Ultra Happy New Year

By David Schultz
 President of "SectorVue" research and trading

David Schultz - SectorVue research is in its 16th year providing insight into Market fluctuations and Sector rotation to institutional and individual investors continuing and expanding the work of his old partner and AIQ speaker Jim Yates. Mr. Schultz trades for a living and has worked with traders through the years as a Coach and mentor. Institutional clients of SectorVue manage in excess of \$3 billion

While reviewing your trading for last year and making plans for this year be sure to include the Ultra ProShares Exchange Traded Funds' (ETF's), developed by Profunds and trading on the AMEX. This is the fastest growing and most actively traded new area of the markets. More than \$3 billion have poured into the UltraShort QQQ ETF, QID, which is becoming one of the most actively traded ETF's in the World. Friday Jan 4th QID traded close to 28 million shares and gained 9% while stock markets and investors' portfolios were taking a nosedive.

Whether you are a trader or investor the Ultra ETF's are a useful tool which can enhance

your returns while lowering your risk. Starting with Ultra bullish and UltraShort ETF's on broad market indices more than a year ago there are now leveraged bullish and bearish



Sector and International ETF's allowing you to hedge or increase Sector exposure in one easy step. In addition the Ultra and UltraShort ETF's can be used in an IRA or retirement account where neither shorting nor margin is normally allowed.

From a traders perspective the Ultra Bullish and UltraShort ETF's, which move two times the underlying index or inverse the same, are liquid and leveraged tools which are simpler and less risky to use than Options, Futures or shorting stock. Given the stock market has kicked off the New Year by falling 4 to 6% in just three trading days the double bearish ETF's have taken center

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stage. Specifically the UltraShort QQQ, QID, is up 11.6%, the UltraShort S&P 500, SDS, up 6.7% and the UltraShort Russell 2000, TWM, is up 11.2%. While these gains may seem extraordinary a quick look at the graphs shows the bearish and bullish ETF's have had several similar swings over the last year exaggerating the up and downs of this volatile trading range market. Over the last year we have tracked 35 positions averaging a 5% profit with a median holding period of 5 days. The most profitable positions were 1) Ultra bullish Basic Materials, UYM, purchased on Sept 10th at \$79.40 and sold on Sept 19th at \$96 for more than a 20% gain and 2) UltraShort Financial SKM purchased

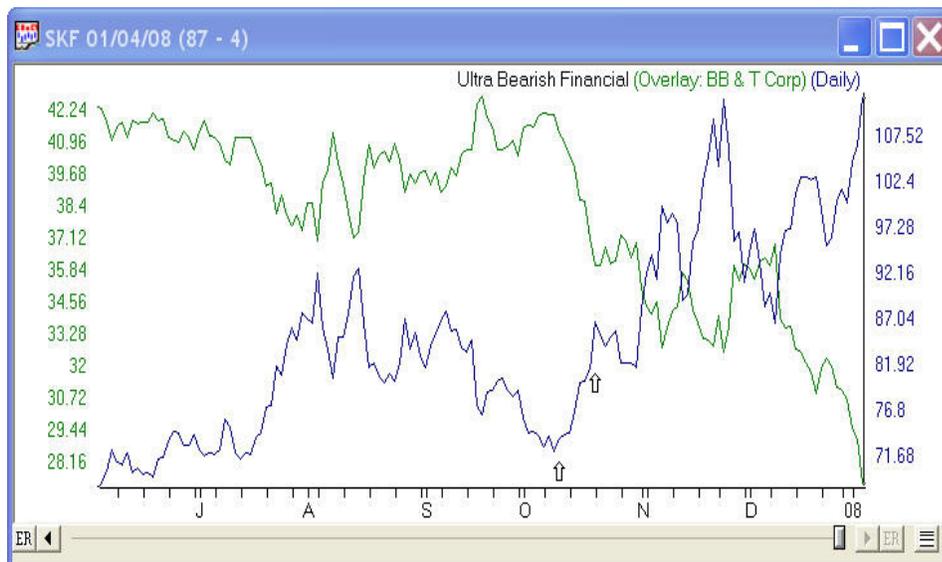


Figure 1. Ultra Bearish Financial overlay with BB&T Corp.

“Over the last year we have tracked 35 positions averaging a 5% profit with a median holding period of 5 days.”

on October 10th for \$73.50 and sold on October 22nd at \$86 for a 17% gain. UYM rallied to \$110 a few weeks later and the bearish Financial SKF, soared to \$112 as Banks and financial stocks have fallen. The

flexibility. The most obvious is to use the UltraShort funds, or even short the UltraBull funds, to hedge against market risk and the wide fluctuations we are becoming all too familiar with in today's markets. For example you may have a core position in Microsoft, which has done quite well of late, and would incur a large tax bill if you sold it but are concerned about the stock market in the coming weeks or months. You can purchase enough shares of the UltraShort QQQ ETF, QID, to even out the markets effect on Microsoft stock without disturbing

highly liquid QQQ ETF's, QLD and QID and S&P500 etfs, SDS and SSO, have also become a favorite vehicle for day traders. The first trading day of this year is a good example- On Jan 2nd QLD opened at \$100 sinking to \$95 by noon yet an afternoon flurry saw a 2 point bounce to 97 before sliding back down again for a total of 9 points in one day for a nimble trader.

For investors and Portfolio managers the Proshares ETF's open up a wide variety of risk management tactics, asset allocation strategies and

“The leveraged funds allow you to do this with as little cash as possible and without opening an options or Futures account.”

to 95 your long term position. The ETF's are also flexible and liquid enough for you to target a specific news event like an FOMC meeting or Jobs report using just enough of the Ultra ETF's to be 'market neutral' for a few days or weeks until markets settle down.

AIQ Opening Bell Newsletter

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While the information in this newsletter is believed to be reliable, accuracy cannot be guaranteed. Past performance does not guarantee future results.

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The leveraged funds allow you to do this with as little cash as possible and without opening an options or Futures account. For the Portfolio Manager practicing Asset allocation using Ultra ETF's, which move about twice as much as the underlying index, frees up cash for further diversification by allowing you to take smaller positions with greater effect. For example a million dollar portfolio to be divided between stocks, bonds and 'other' assets a \$250,000 position in the SP500 Ultra fund, SSO, will have the effect of being 50% invested in the S&P500 yet leaves \$750,000 in cash to be invested. If you allocate \$350,000 to Bonds this still leaves \$400,000 or 40% to be invested in non-correlated assets such as Commodities, REIT's, Emerging markets or a few Sectors. Since there are leveraged Emerging Markets and Sector Ultra ETF's and UltraShort ETF's the possible allocation mix is ever expanding.

Sectors being the obvious focus of our research at SectorVue the Proshares Sector ETF's, which track most of the Dow Jones Sectors, deserve some special mention. Over the last twenty years Sector allocation has become as important if not more so than asset allocation. In 2007 being in the right or wrong sectors was likely the difference between making and losing money. Very simply if you owned some of the Oil Patch sectors you did well and if you held the Financials you did not do well. The notion of passive investing with balanced positions in all Sectors probably got you stuck in the mud last year and feeling very exposed to recent turmoil and news headlines. If you have a long term position in a good dividend paying Bank stock then UltraShort Financial ETF, SKF, should have been your best friend allowing you to ride out the sub-prime storm.

The allure of picking Sectors is they trend strongly when macro-economic factors become large enough

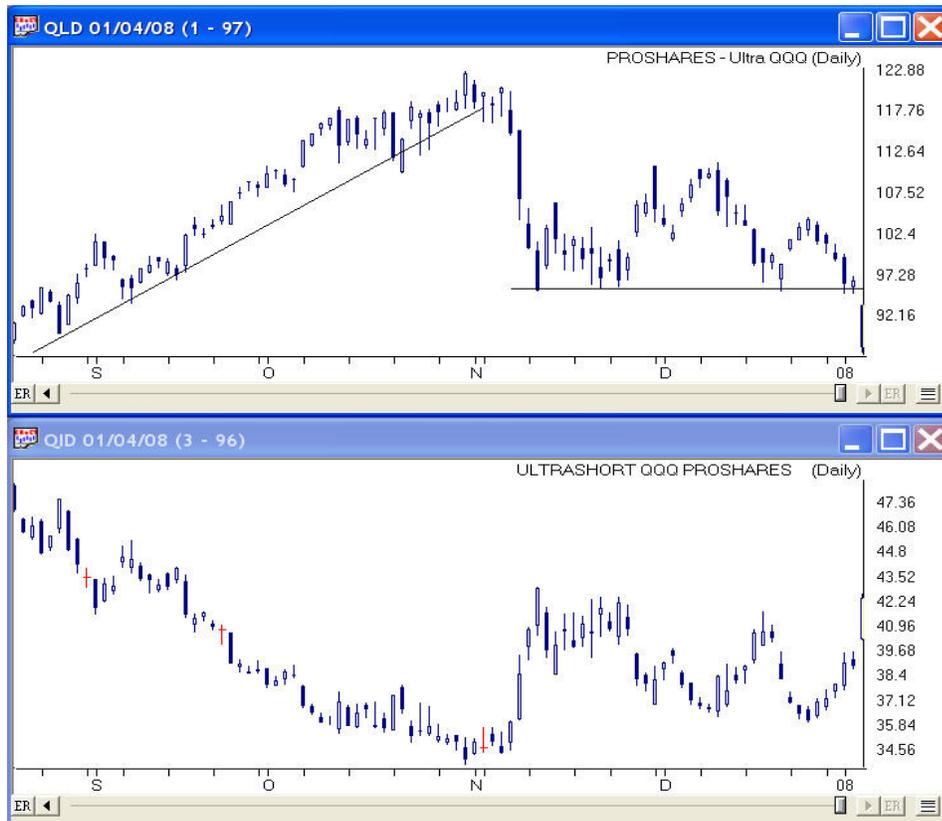


Figure 2. ProShares Ultra QQQQ and UltraShort QQQQ ProShares

to affect the business all in the same way. Last years sub-prime financial crisis and oil price rally are the most recent examples of a powerful trend underway. Proshares Ultra ETF's magnify these moves hence the UltraShort Financial, SKG, is up more than 50% and Ultra bullish Oil and Gas, DIG, bounced up more than 25% in the last quarter of the year.

Perhaps one of the most beneficial aspects of the Ultra Bullish and UltraShort ETF's is the ability to establish a bearish and/or leveraged position in an IRA or retirement account. While bearish and leveraged Mutual Funds have been around for years the ETF's offer a degree of flexibility to adjust positions in response to market movements during the day and generally have lower expense ratios than standard or leveraged Mutual Funds. Establishing a position which goes up when the market goes down is handy enough and current market action more than

warrants exploring the idea. Being able to do so without opening a separate mutual fund account and on a moments notice is a bare necessity these days. While holding a bearish position has not been a profitable long term investment strategy in the past watching your retirement account erode while the stock market sinks is hardly a recipe for resting comfortably now or tomorrow.

The Bullish and Bearish leveraged ETF's, Sector ETF's, and now International ETF's offer the individual and investment professional choices heretofore unavailable to all but the largest and most sophisticated Institutional investors.

Last but not least the introduction of listed options on the Ultra bullish and UltraShort SP500, Dow Jones, NDX and Russell 2000 ETF's allows for some creative tactics. The first is establishing a Covered Call Write on a Bearish ETF which will profit when

the underlying index sinks or stays the same. For example on December 14th the S&P500 was around 1480 and the UltraShort SP500 ETF, SDS was trading at \$54. If you had a neutral to bearish market opinion or wanted to balance out other covered write positions which are inherently bullish, you would purchase SDS at \$54 and sell the January 56 Call, SDS AD, for \$2. If the S&P 500 stayed relatively the same through expiration day you would earn a static return of about 3.7%. If the S&P500 drops (as it has) and the UltraShort ETF moves up to \$56 or more you could be called away for a 7.4% return in only five weeks. Second comes the possibility of buying a Put or Call on an Ultra ETF. I call these 'options on steroids' since you are applying leverage to a leveraged product. If for instance you had a hunch the big NASDAQ stocks Apple and Google would run into some profit taking after New Year's you could have purchased a Jan 100 Put on the UltraQQQ ETF, QLD, which was just under \$4 on Monday Dec. 31st and leapt up to \$12 by Friday January 4th as the QLD fell from \$100 to \$88. Conversely a Call on the UltraShort QQQ ETF, QID, also tripled from 1.25 to 4.75. Given these 'options on steroids' move so quickly I would only spend as much as you can afford to lose keeping in mind the thought "Have a hunch - buy a bunch. Hunch is wrong - bunch is gone". In summary while using Puts or Calls on Ultra Short and Ultra ETF's requires some upside down and out of the box thinking they add a few arrows to the traders quiver.

David Schultz is President of 'SectorVue' research and trading. For more information on using AIQ's technical analysis and market breadth tools to trade the Ultra ETF's contact Mr. Schultz at 'sectorvue@gmail.net'

Information presented is for educational purposes only. Nothing published by SectorVue should be considered personalized investment advice. There can be no assurance the above mentioned strategies will produce a profit. All trading incurs the risk of losses.

STOCK DATA MAINTENANCE

The following table shows stock splits and other changes:

Stock	Ticker	Split	Approx. Date
Deere	DE	2:1	12/04/07
LKQ Corp	LKQX	2:1	12/04/07
Rofin-Sinair Tech.	RSTI	2:1	12/06/07
Carolina Trust Bank	CART	11:10	12/11/07
Gorman-Rupp Co.	GRC	5:4	12/11/07
Met-Pro Corp	MPR	4:3	12/11/07
Rollins Inc	ROL	3:2	12/11/07
XTO Energy	XTO	5:4	12/14/07
Denbury Resources	DNR	2:1	12/17/07
Borg Warner	BWA	2:1	12/18/07
Kennametal	KMT	2:1	12/19/07
Cameron	CAM	2:1	12/31/07

S&P 500 Changes

Changes to the S&P 500 Index

Additions:

Transocean Inc. (New) RIG
 American Tower Corp. AMT
 Manitowoc Co. MTW
 Pepco Holdings Inc. POM

Deletions:

Transocean Inc. (Old) RIG
 ALLTEL Corp. AT
 Tektronix Inc. TEK
 Manor Care Inc. HCR

AIQ updates the S&P 500 groups and sectors on a regular basis, to find out more visit <http://www.aiqsystems.com/lists.htm>

JANUARY EARNINGS CALENDAR

The following table shows some major stocks earnings dates

Stock	Ticker	Time	Date
Citigroup	C	Before Mkt	01/15/08
Intel	INTC	not avail	01/15/08
US Bancorp	USB	Before Mkt	01/15/08
AMR Corp	AMR	not avail	01/16/08
JP Morgan	JPM	7am est	01/16/08
Wells Fargo Banc.	WFC	Before Mkt	01/16/08
IBM	IBM	After Mkt	01/17/08
Bank of America	BAC	not avail	01/22/08
Johnson & Johnson	JNJ	8:30am est	01/22/08
eBay	EBAY	not avail	01/23/08
General Dynamics	GD	not avail	01/23/08
Motorola	MOT	not avail	01/23/08
United Technologies	UTX	Before mkt	01/23/08
Amgen	AMGN	After mkt	01/24/08
AT&T	T	Before mkt	01/24/08
Nokia	NOK	not avail	01/24/08
Sun Microsystems	JAVA	not avail	01/24/08
Honeywell	HON	Before mkt	01/25/08
Halliburton	HAL	Before mkt	01/28/08
McDonalds	MCD	Before mkt	01/28/08
YAHOO	YHOO	not avail	01/29/08
Amazon	AMZN	not avail	01/30/08
Boeing	BA	not avail	01/30/08

AIQ Webinars January 2008

January 14th**Analyzing Current Market Conditions, and Specific Trading Setups**Presenter - *Steve Palmquist, daisydogger.com*

Time 1:00 - 1:30pm EST cost FREE

<https://aiq.ilinc.com/join/vwmpwx/hkkbsbx>January 15th**Successful Options Trading Strategy - The Options Hunter.**Presenter - *Dale Wheatley, The Options Hunter*

Time 7:00 - 8:00pm EST cost FREE

<http://prowebinars.epopcentral.com/?join=R53>January 18th**ChartProfit - Introduction to this powerful market analysis service.**Presenter - *Bob Debnam, ChartProfit.com*

Time 1:00pm EST cost FREE

<http://prowebinars.epopcentral.com/?join=D91>January 29th**Successful Options Trading Strategy - The Options Hunter.**Presenter - *Dale Wheatley, The Options Hunter*

Time 7:00 - 8:00pm EST cost FREE

<http://prowebinars.epopcentral.com/?join=R53>January 30th**Ultra Bulls and Bears**Presenter - *David Schultz, SectorVue*

Time 4:30pm EST cost FREE

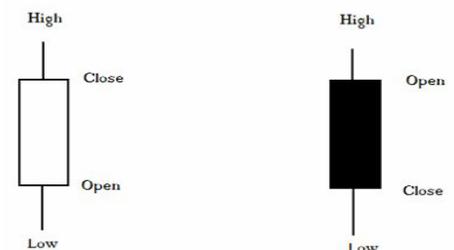
<http://prowebinars.epopcentral.com/?join=T87>**Effective Candlestick Patterns**

Presented by Steve Palmquist

a live web seminar January 29th 1:00 2:30pm Eastern.

This session covers research and testing of several candlestick patterns to reveal what works and what does not. Some popular candlestick patterns yield poor results and others may be effectively integrated into various trading strategies. Steve's test results provide traders with specific knowledge of what works and what doesn't with candlestick patterns.

This session also outlines testing results that show how altering the relationships between the candle body and tails can strongly affect results. Attendees will have a better idea of which candlestick patterns work, and how to use them in different market conditions.

**This is must have knowledge for traders using candlesticks**Sign up now and take advantage of a special discount price for this event **only \$129**Call 1-800-332-2999 or visit <http://www.aiqsystems.com/stevepchargeablewebinarcandles.htm>



The Options Hunter



Options Hunter Two-day Seminar

Presented by Dale Wheatley, The Options Hunter

PLUS Introduction to Options session with
Steve Hill, CEO AIQ Systems

February 28 & 29, 2008 Comfort Suites-Orlando Downtown, FL

Day One - In the morning, brush up on your options knowledge with a basics of options trading session with Steve Hill, CEO of AIQ Systems. The remainder of the first day you'll discover the power of Dale Wheatley's powerful option trading system and learn how to identify the unique setup pattern that can lead to huge winners trading options. Dale will also identify the strong patterns setting up and the best options to buy .

Day Two - Continuing with Dale's option trading system attendees will also have a unique opportunity to watch how the option picks from the first day unfold.

WHAT YOU'LL LEARN

- Why options offer you a great alternative investment
- Limited risk, but unlimited potential!
- The extraordinary power of compounding money
- Goal Setting to determine your starting point and your desired results
- Chart Analysis to determine the best patterns to achieve greatest % gains
- Classroom examples of how to locate trades using end of day charts
- The Power of group/Sector analysis
- Interactive participation from group so that everyone will know what to do when they get home
- When to buy Puts!
- When to buy Calls!
- How different markets can give us valuable insight into our own markets
- Finding the best chart patterns to allow us to leverage this valuable insight using option
- Why our risk becomes almost non-existent with the correct patterns and patience
- What Stocks and Other Instruments To Trade
- Risk Management How To Enter and Exit
- Your Checklist
- Keeping Records
- Workshop - Trade Examples and Chart Analysis
- Your Action Plan

**Subscribers to the Options Hunter service, take advantage of a special discount price
only \$1395 for this two-day event.**

Call 1-800-332-2999 or visit <http://www.theoptionshunter.com/optionshunter2day.htm>

Not an Options Hunter subscriber? You can still attend this event for \$1595