The Rhodes Report
"ETF Playbook"

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TRR - Relative Sector / Industry Calls (3-month time horizon)		
	Sector	**Ticker**
Out-perform	Consumer Staples	XLP
	Healthcare	XLV
Under-perform	Consumer Discretionary	XLY
	Energy	XLE
	Financials	XLF
	Industrials	XLI
	Materials	XLB
	Pharmaceutical	PPH
	Technology	XLK
	Utilities	XLU
	Biotechnology	BBH
	Homebuilders	XHB
	Oil Service	OIH
	Real Estate	IYR
	Retail	RTH
	Semiconductor	SMH

Changes to Call:
1) Biotechnology to "UNDER-PERFORM"
2)
3)
4)

SUMMARY OF ETF OBSERVATIONS

"THE HIGHS" ARE IN

➔ **THE VOLATILE MANNER IN WHICH THE "OPENINGS" ARE MATERIALIZING — MEANS IT'S DIFFICULT TO TRADE EFFECTIVELY. WE'LL LOOK TO PUT ON SHORT POSITIONS AS RALLIES DEVELOP IN THE DAYS OR EVEN WEEKS AHEAD**

➔ **A NASCENT "BULLISH SIGN":** The Russell 2000 Small Caps (IWM) continues to hold major support at the 380-day exponential moving average in rather bullish fashion; this is the major bull market moving average that has held every major decline from 2003 to present. If it continues to hold — then this must be construed at least as "short-term bullish" given its recent underperformance to the S&P 500. However, once it fails in earnest — and we believe it shall — then we can expect the other indices to follow hard upon it.

➔ **S&P Financials (XLF)** — As go the financials, so goes the broader market. Presently, prices are trading violently around the 550-day moving average major support level, with no discernible direction. For now, we'll take this a fumbling for a bullish short-term bottom; but ultimately, we expect it to "fail" and result in lower prices.

➔ **World Stocks versus the S&P 500 Spyders** — The recent declines in the country ETFs markets such as Asian Pacific, Emerging Market and Latin American bourse ETFs have turned the relative ratios versus the S&P 500 large caps nascently higher. This means the US is showing signs of outperforming international ETFs — a circumstance most pundits can't understand. For us, it simply means that when we become short — we will short the country ETFs first and foremost.

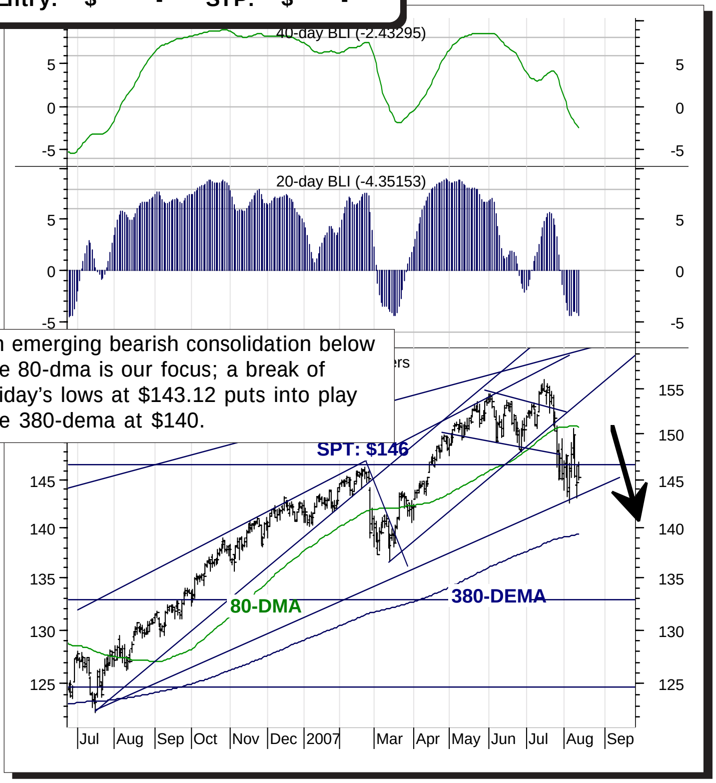
➔ **POTENTIAL TRADES:** If we were to be "long", we would be interested in the Homebuilders (XHB) and DJ Real Estate (IYR) ETFs; while we will consider short positions via the S&P Materials (XLB) and Semiconductors (SMH).

ETF Section: Summary Data

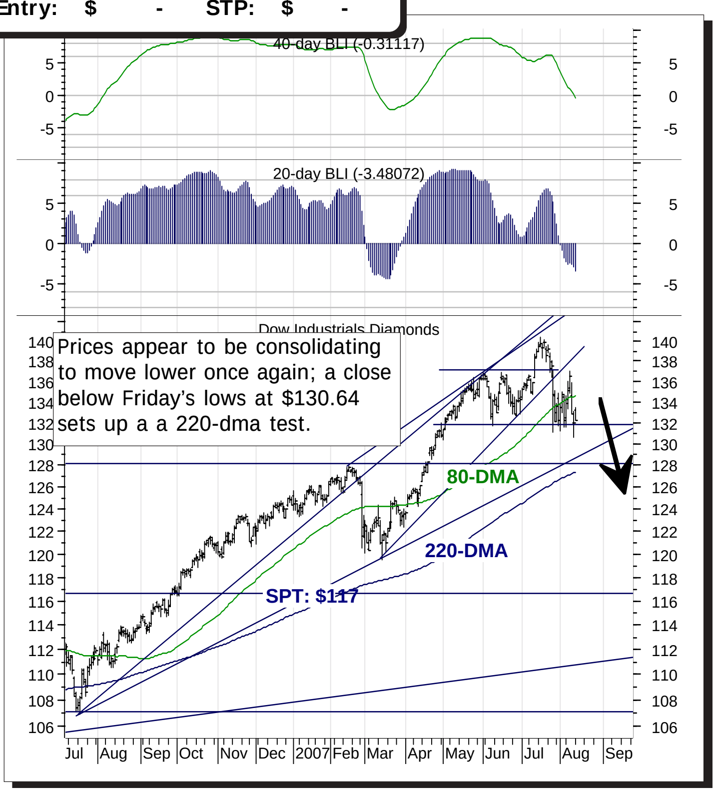
Index	TKR		Last	Chg.	% Chg.	YTD	YTD % Chg	2006 % Chg
US ETFs								
S&P 500 "Spyders"	SPY	up	$ 145.23	$ 0.52	0.36%	$ 3.54	2.84%	13.8%
Dow "Diamonds"	DIA	up	$ 132.18	$ 0.24	0.18%	$ 7.77	7.27%	16.3%
NASDAQ 100	QQQQ	up	$ 47.60	$ 0.32	0.68%	$ 4.44	10.99%	6.8%
Russell 2000 Sm Caps	IWM	down	$ 77.67	$ (0.39)	-0.50%	$ (0.36)	-0.54%	17.0%
WORLD REGION ETFs								
World (ex-US)	EFA	up	$ 76.78	$ 0.15	0.20%	$ 3.56	5.99%	23.2%
Pacific (ex-Jap)	EPP	up	$ 142.30	$ 1.40	0.99%	$ 17.06	17.29%	26.9%
European Union	EZU	up	$ 111.65	$ 0.66	0.59%	$ 8.30	10.69%	33.1%
Emerging Market	EEM	up	$ 128.81	$ 1.26	0.99%	$ 14.64	16.59%	29.4%
Latin America	ILF	down	$ 203.40	$ (0.37)	-0.18%	$ 33.47	27.24%	38.3%
COUNTRY ETFs								
Japan ETF	EWJ	up	$ 13.94	$ 0.02	0.14%	$ (0.27)	-2.00%	5.1%
S. Korea ETF	EWY	up	$ 62.30	$ 0.15	0.24%	$ 12.90	28.83%	10.4%
China ETF	FXI	down	$ 129.67	$ (0.78)	-0.60%	$ 18.22	29.57%	80.9%
Brazil ETF	EWZ	down	$ 59.10	$ (0.40)	-0.67%	$ 12.25	36.71%	40.4%
Mexico ETF	EWW	up	$ 56.87	$ 0.33	0.58%	$ 5.87	16.44%	42.8%
India ETF	IFN	up	$ 45.40	$ 0.21	0.46%	$ (0.50)	-1.26%	15.5%
Russia ETF	TRF	down	$ 64.40	$ (0.10)	-0.15%	$ (22.90)	-41.93%	59.9%
FUTURES / BONDS ETF's								
Gold ETF	GLD	down	$ 66.26	$ (0.31)	-0.47%	$ 3.05	5.91%	22.55%
Crude Oil Trust	USO	up	$ 53.85	$ 0.21	0.39%	$ 2.25	3.31%	-24.14%
Euro Currency	FXE	down	$ 136.25	$ (0.80)	-0.58%	$ 3.94	3.32%	11.64%
Lehman Bond Fund	TLT	up	$ 86.33	$ 0.25	0.29%	$ (2.10)	-2.29%	-3.78%
Emerging Mkt Bond	MSB	up	$ 9.41	$ 0.03	0.32%	$ (1.43)	-13.14%	-0.37%
US SECTOR ETFs								
Consumer Discretionary SPDR	XLY	up	$ 36.56	$ 0.20	0.55%	$ (1.86)	-5.70%	17.67%
Consumer Staples SPDR	XLP	down	$ 27.02	$ (0.08)	-0.30%	$ 0.84	3.61%	12.41%
Energy SPDR	XLE	up	$ 67.80	$ 0.08	0.12%	$ 9.17	18.23%	16.54%
Financial SPDR	XLF	down	$ 33.05	$ (0.30)	-0.90%	$ (3.69)	-11.65%	16.01%
Healthcare SPDR	XLV	up	$ 34.00	$ 0.10	0.29%	$ 0.51	1.61%	5.58%
Industrials SPDR	XLI	up	$ 39.05	$ 0.52	1.35%	$ 4.04	12.86%	11.43%
Materials SPDR	XLB	up	$ 38.85	$ 0.17	0.44%	$ 3.97	13.11%	15.19%
Technology SPDR	XLK	up	$ 25.59	$ 0.35	1.39%	$ 2.31	11.05%	11.39%
Utilities SPDR	XLU	up	$ 39.21	$ 0.20	0.51%	$ 2.49	7.93%	16.98%
US INDUSTRY ETFs								
Biotechnology HOLDRS	BBH	up	$ 162.20	$ 1.65	1.03%	$ (21.64)	-10.78%	-8.43%
Homebuilders SPDR	XHB	down	$ 25.90	$ (1.16)	-4.29%	$ (11.49)	-25.52%	-16.95%
Oil Service HOLDRS	OIH	down	$ 171.70	$ (0.17)	-0.10%	$ 32.04	24.88%	8.43%
Pharmaceutical HOLDRS	PPH	up	$ 78.14	$ -	0.00%	$ 1.08	1.55%	10.64%
DJ Real Estate ETF	IYR	down	$ 71.70	$ (0.30)	-0.42%	$ (11.65)	-18.16%	29.93%
Retail HOLDRS	RTH	down	$ 99.75	$ (0.43)	-0.43%	$ 0.40	0.42%	4.16%
Semiconductor HOLDRS	SMH	down	$ 37.46	$ (0.23)	-0.61%	$ 3.76	10.26%	-8.02%

ETF Section: CHART COMMENTS

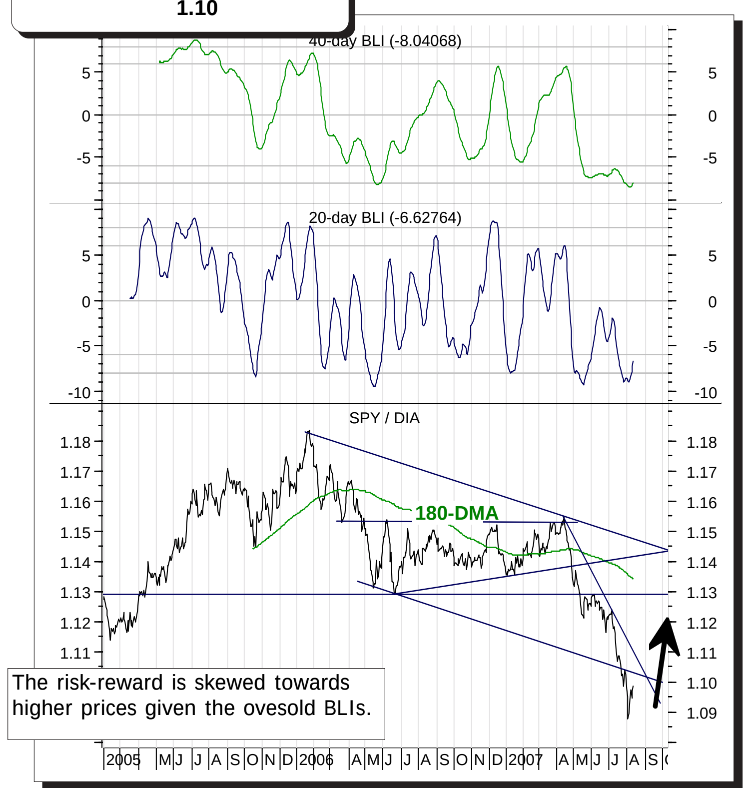
SP 500		SPY		
Last:	$ 145.23	TGT:	$	-
Entry:	$ -	STP:	$	-



Dow Industrials		DIA		
Last:	$ 132.18	TGT:	$	-
Entry:	$ -	STP:	$	-

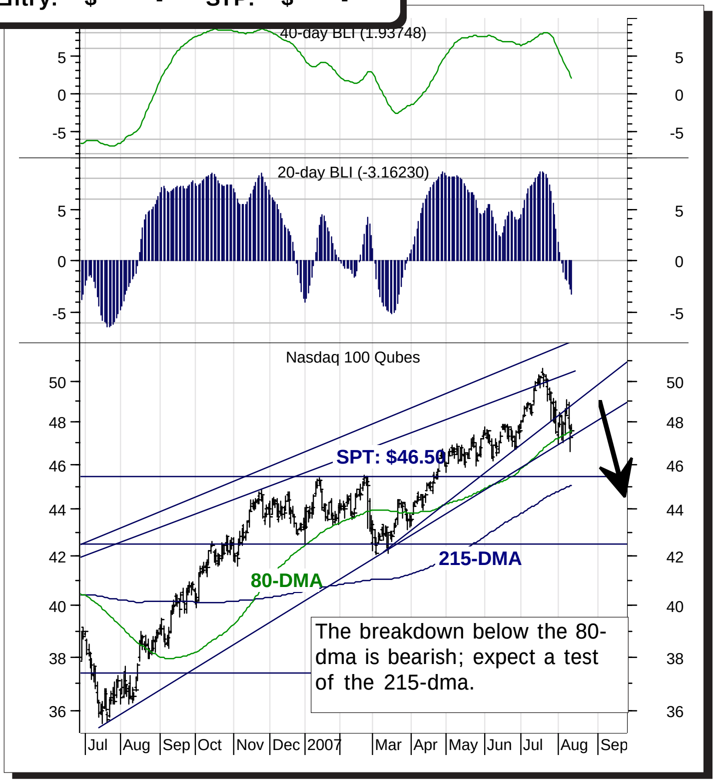


RATIO: SPY / DIA
1.10



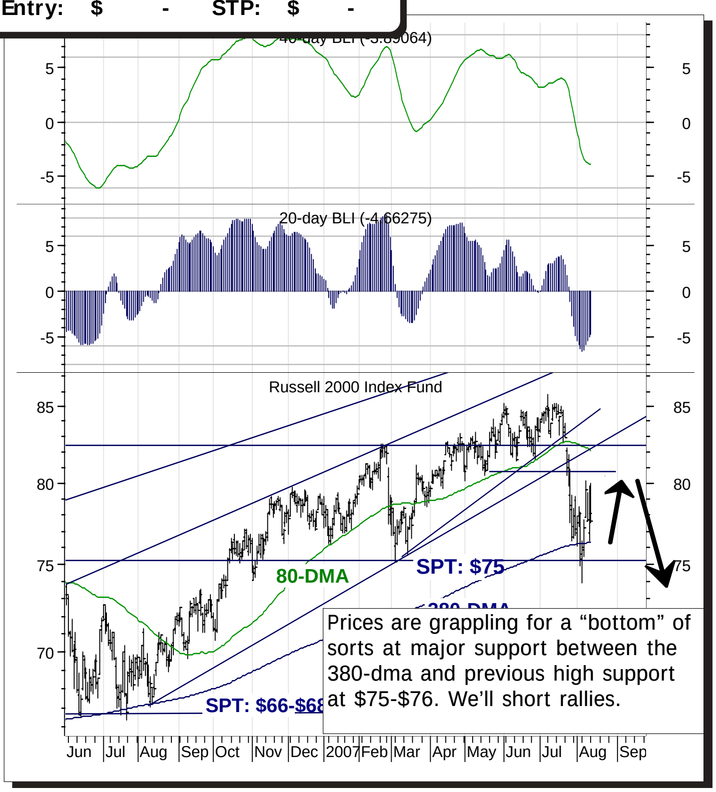
ETF Section: CHART COMMENTS

NASDAQ 100		QQQQ	
Last:	$ 47.60	TGT:	$ -
Entry:	$ -	STP:	$ -

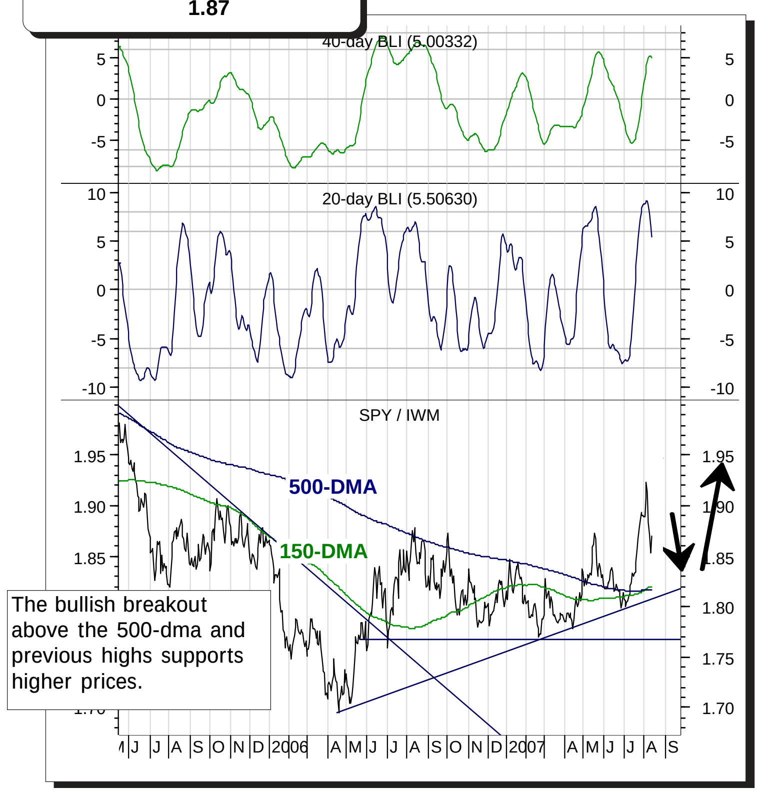


RATIO: SPY / QQQQ
3.05

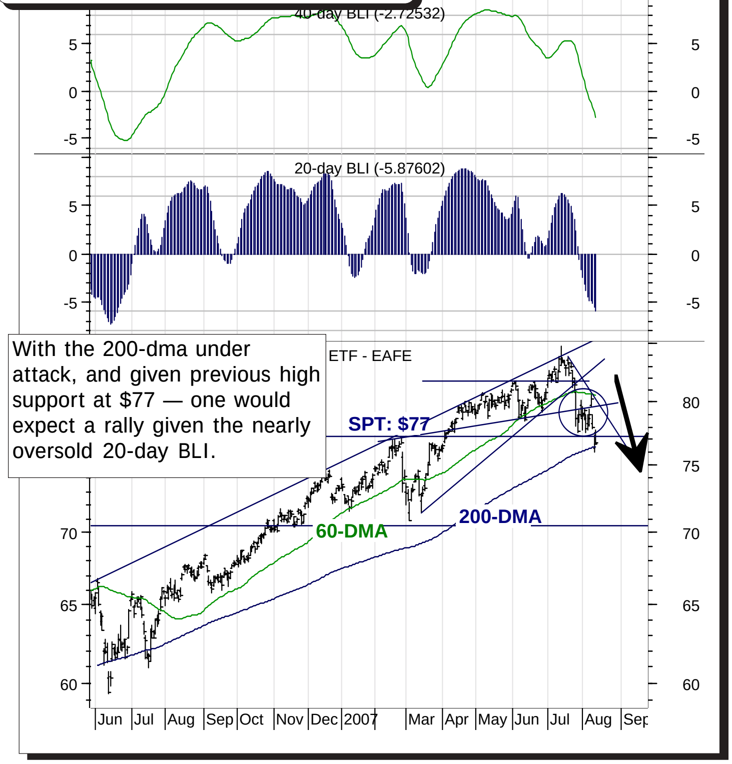
Russell 2000		IWM	
Last:	$ 77.67	TGT:	$ -
Entry:	$ -	STP:	$ -



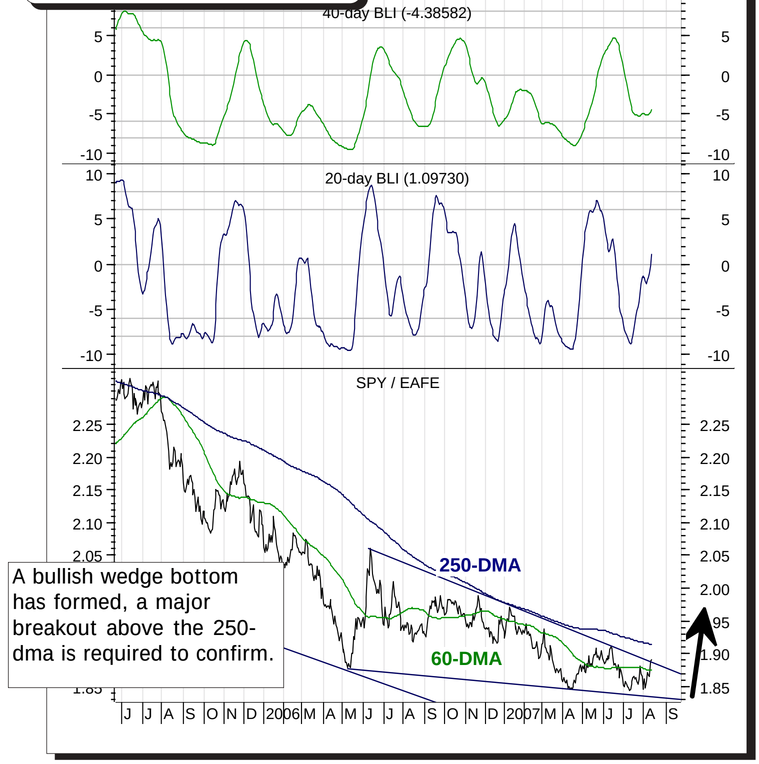
RATIO: SPY / IWM
1.87



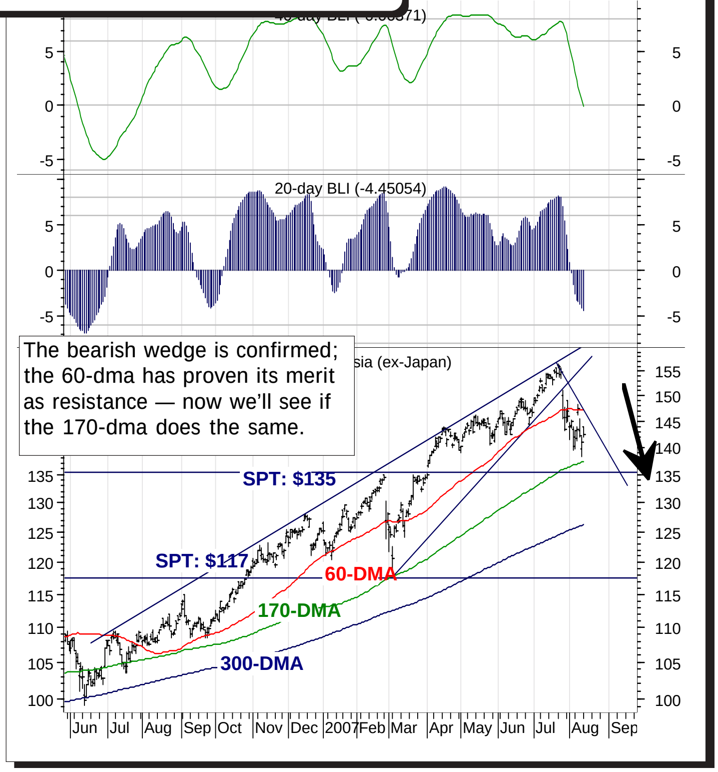
World (ex-US)		EFA	
Last:	$ 76.78	TGT:	$ -
Entry:	$ -	STP:	$ -



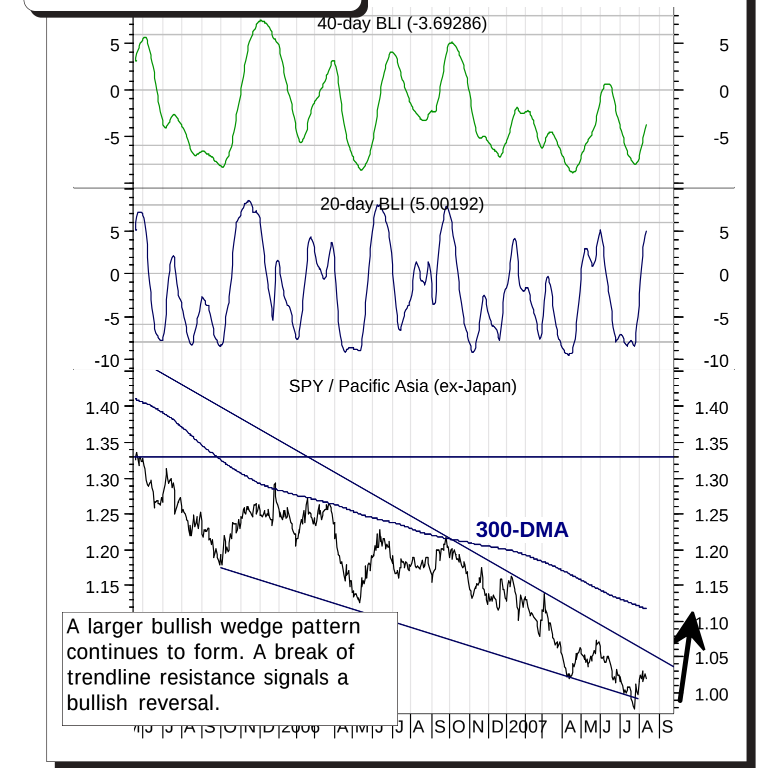
RATIO: SPY / EFA
1.89



Pacific (ex-Jap)		EPP	
Last:	$ 142.30	TGT:	$ -
Entry:	$ -	STP:	$ -

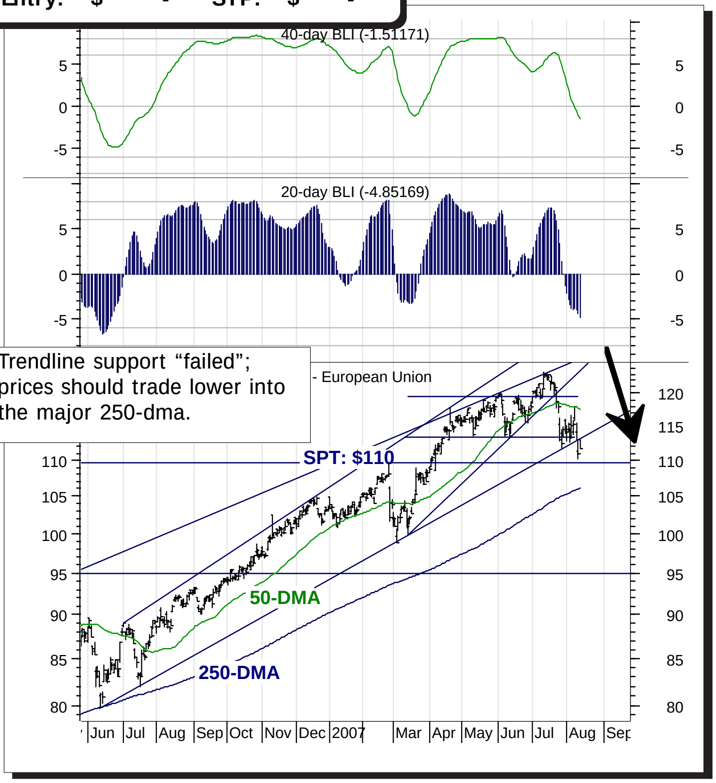


RATIO: SPY / EPP
1.02

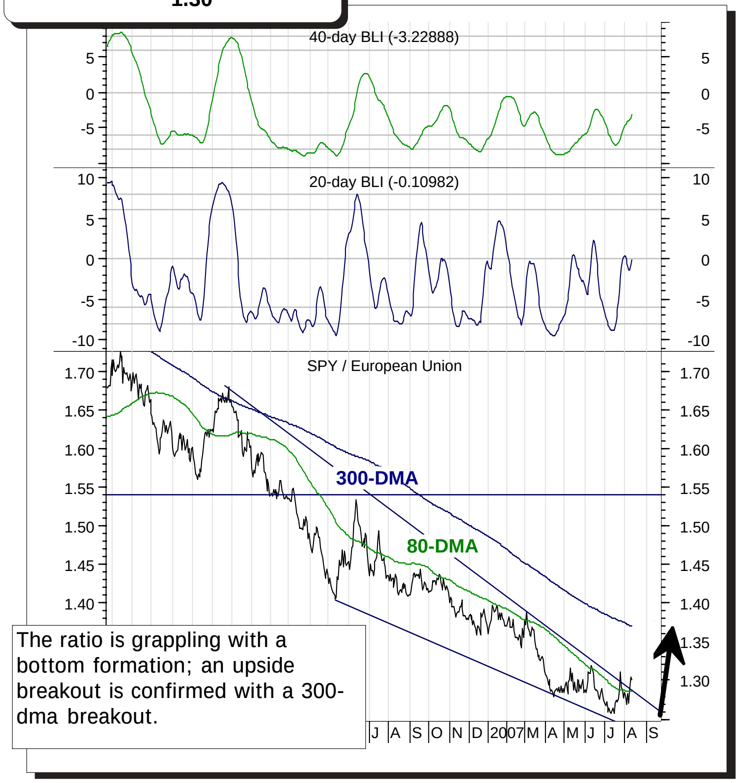


ETF Section: CHART COMMENTS

European Union	EZU		
Last:	$ 111.65	TGT:	$ -
Entry:	$ -	STP:	$ -

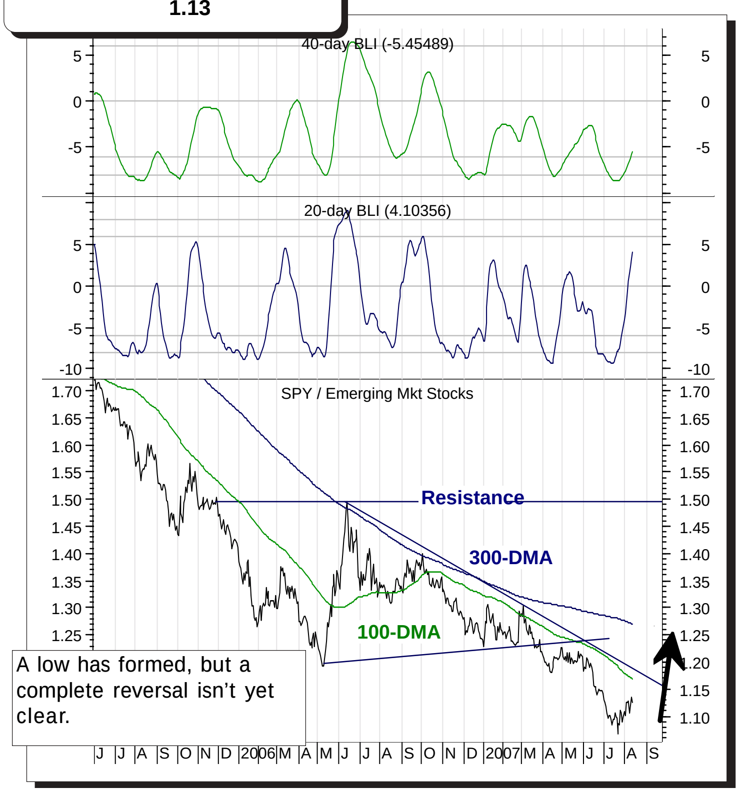


RATIO: SPY / EZU
1.30



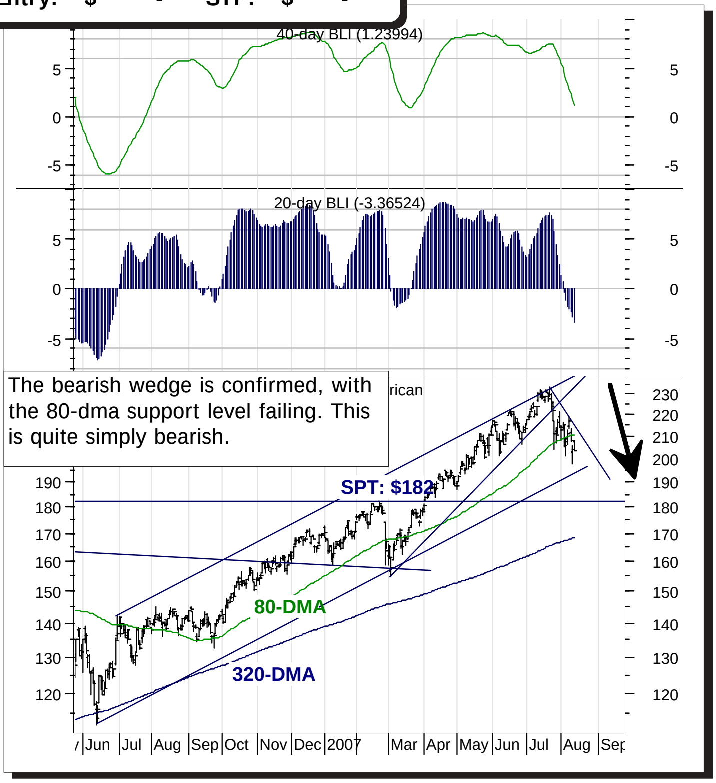
Emerging Mkt Stk	EEM		
Last:	$ 128.81	TGT:	$ -
Entry:	$ -	STP:	$ -

RATIO: SPY / EEM
1.13

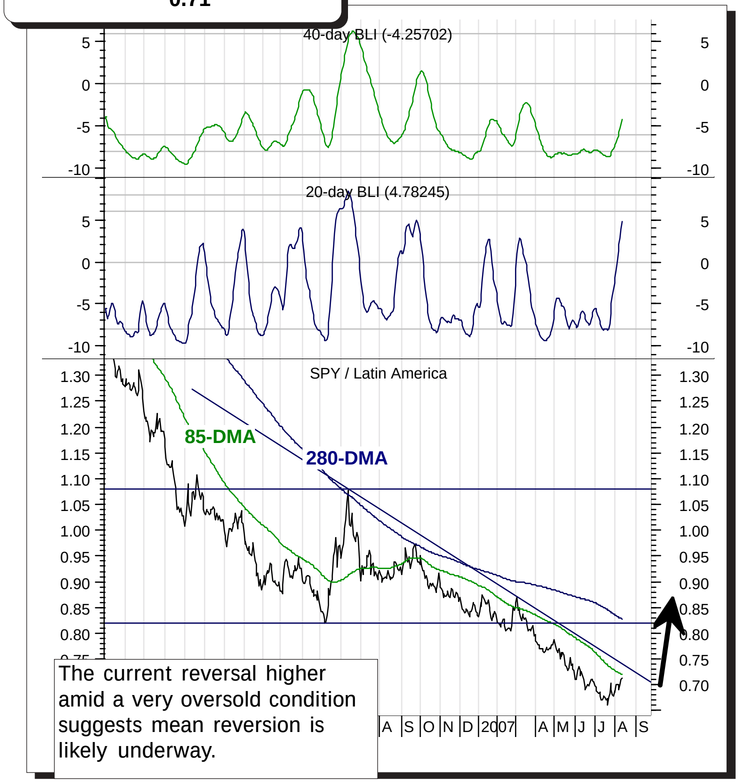


ETF Section: CHART COMMENTS

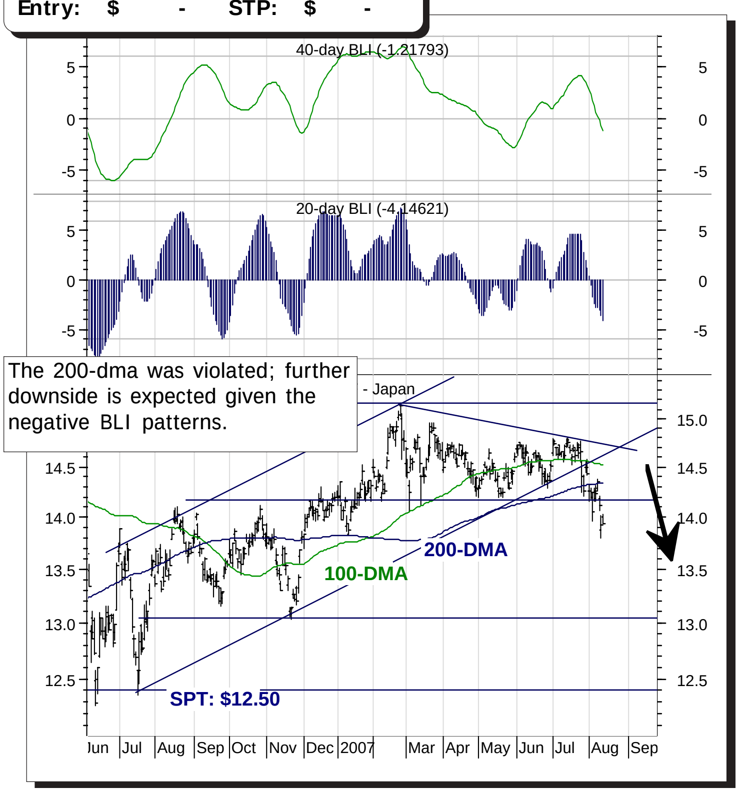
Latin America		ILF		
Last:	$ 203.40	TGT:	$	-
Entry:	$ -	STP:	$	-



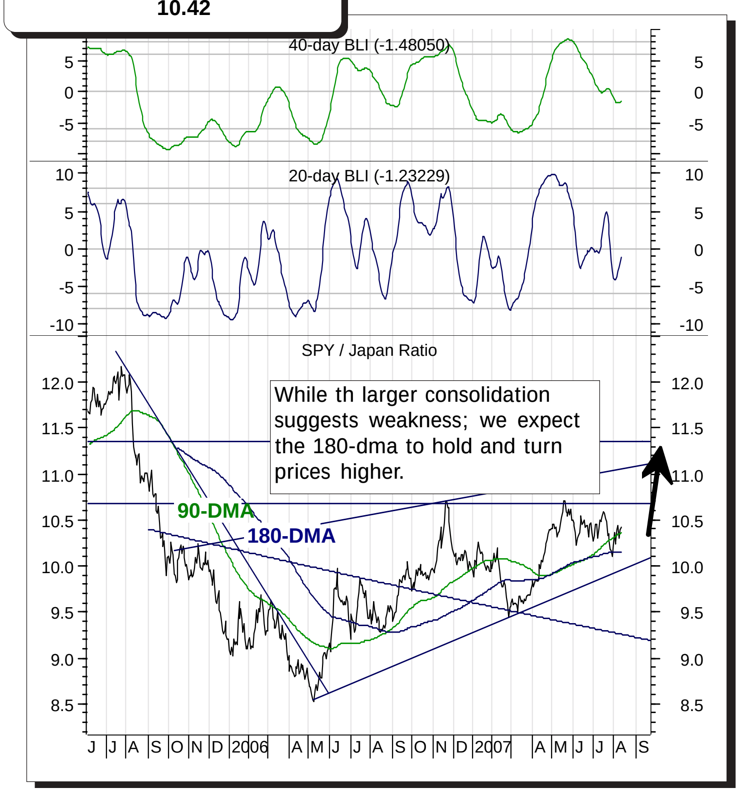
RATIO: SPY / ILF
0.71



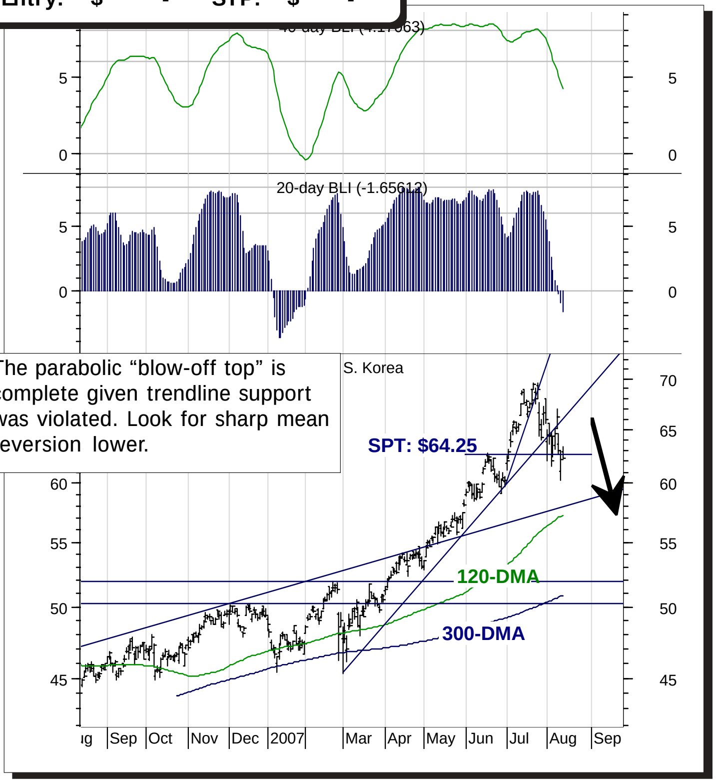
Japan ETF		EWJ		
Last:	$ 13.94	TGT:	$	-
Entry:	$ -	STP:	$	-



RATIO: SPY / EWJ
10.42

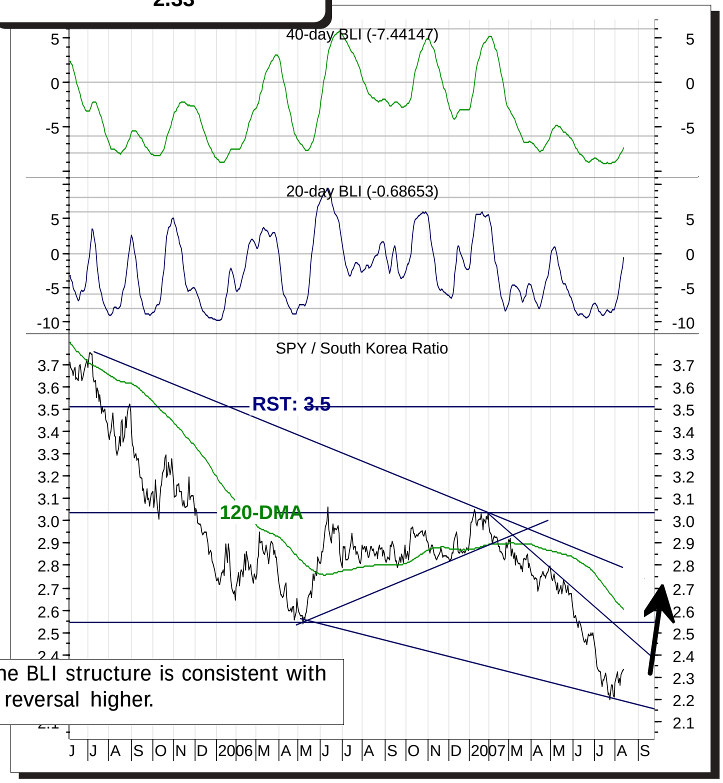


S. Korea ETF		EWY	
Last:	$ 62.30	TGT:	$ -
Entry:	$ -	STP:	$ -



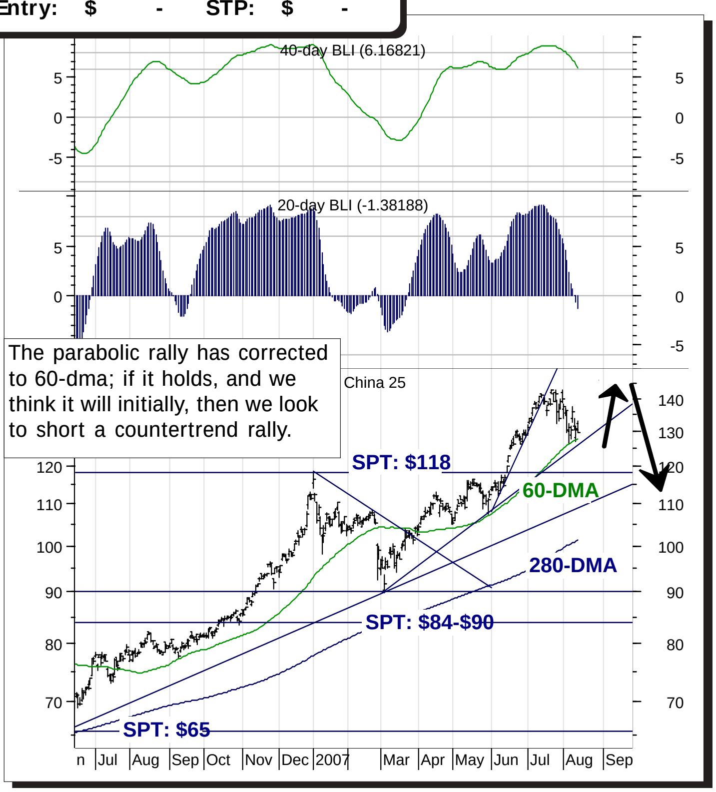
The parabolic "blow-off top" is complete given trendline support was violated. Look for sharp mean reversion lower.

RATIO: SPY / EWY
2.33



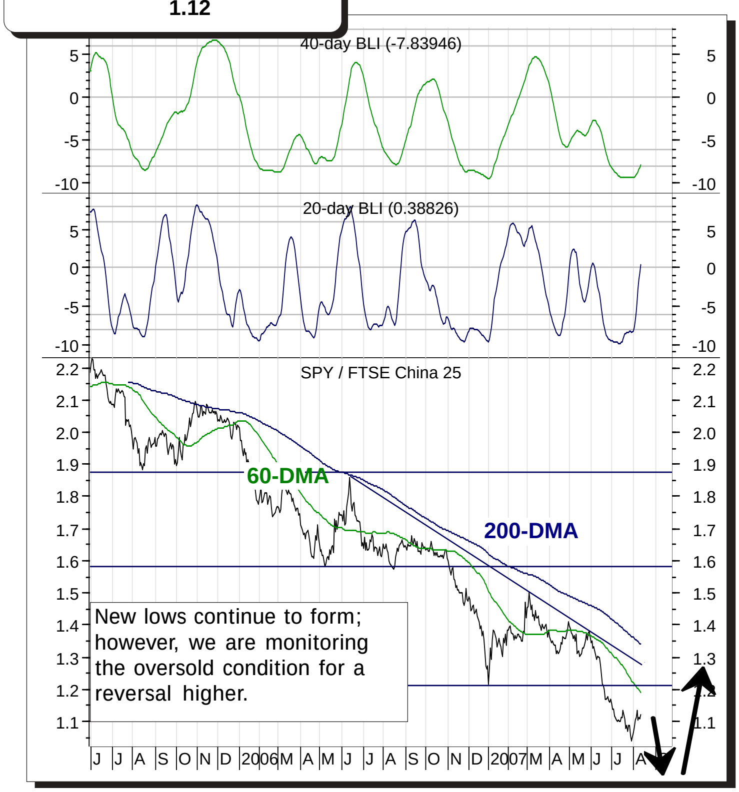
The BLI structure is consistent with a reversal higher.

China ETF		FXI	
Last:	$ 129.67	TGT:	$ -
Entry:	$ -	STP:	$ -



The parabolic rally has corrected to 60-dma; if it holds, and we think it will initially, then we look to short a countertrend rally.

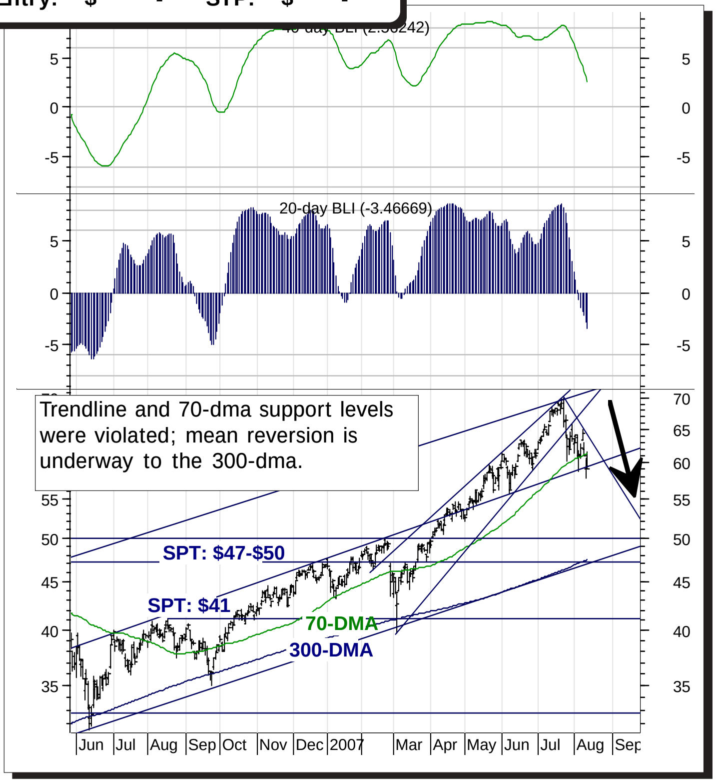
RATIO: SPY / FXI
1.12



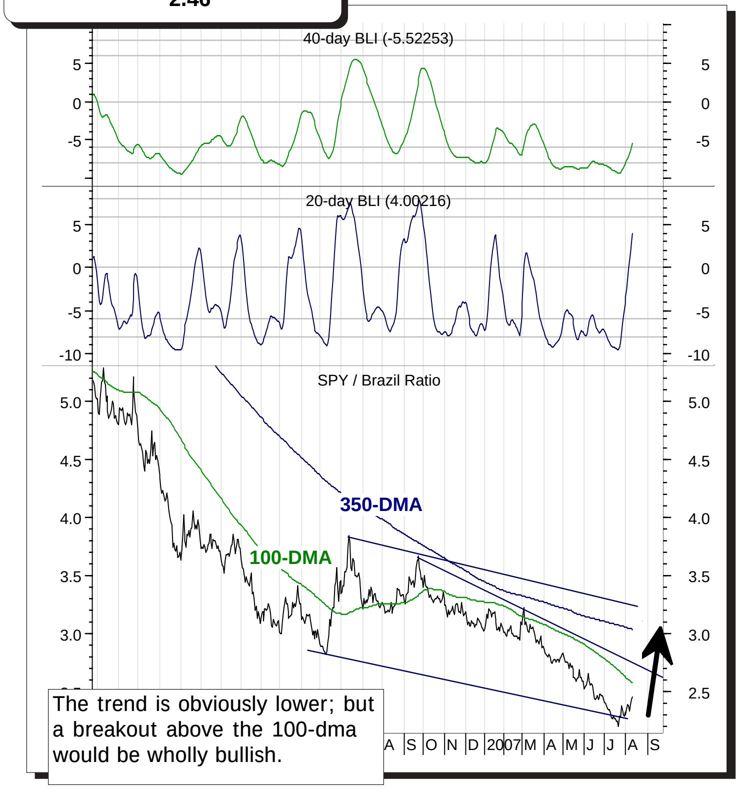
New lows continue to form; however, we are monitoring the oversold condition for a reversal higher.

ETF SECTION: CHART COMMENTS

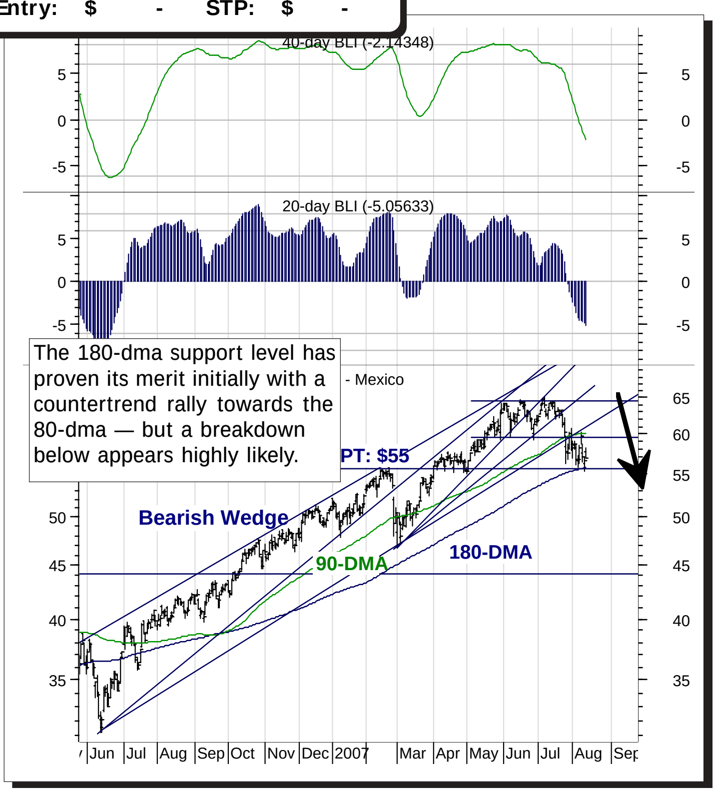
Brazil ETF			EWZ		
Last:	$	59.10	TGT:	$	-
Entry:	$	-	STP:	$	-



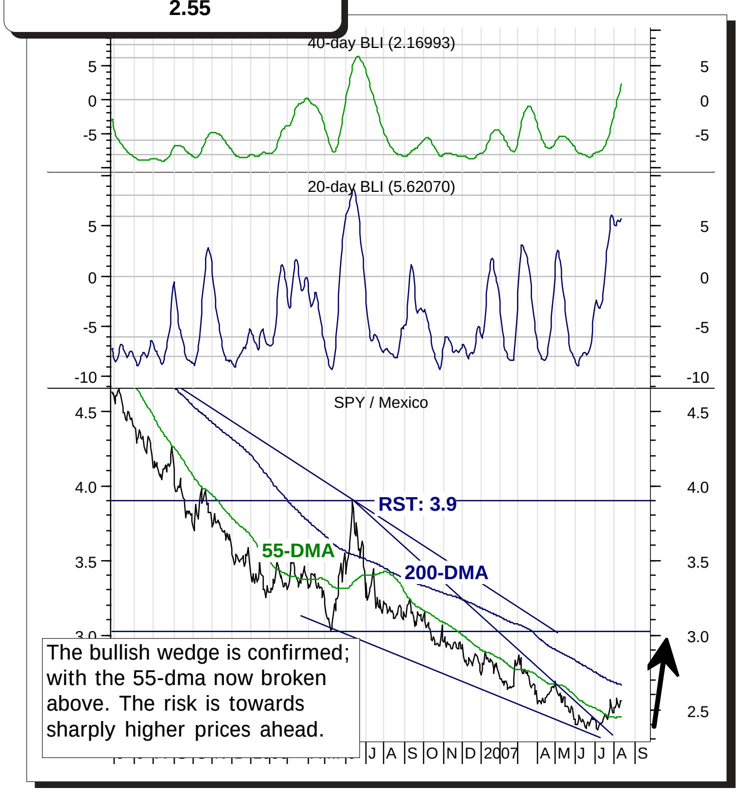
RATIO: SPY / EWZ
2.46



Mexico ETF			EWW		
Last:	$	56.87	TGT:	$	-
Entry:	$	-	STP:	$	-



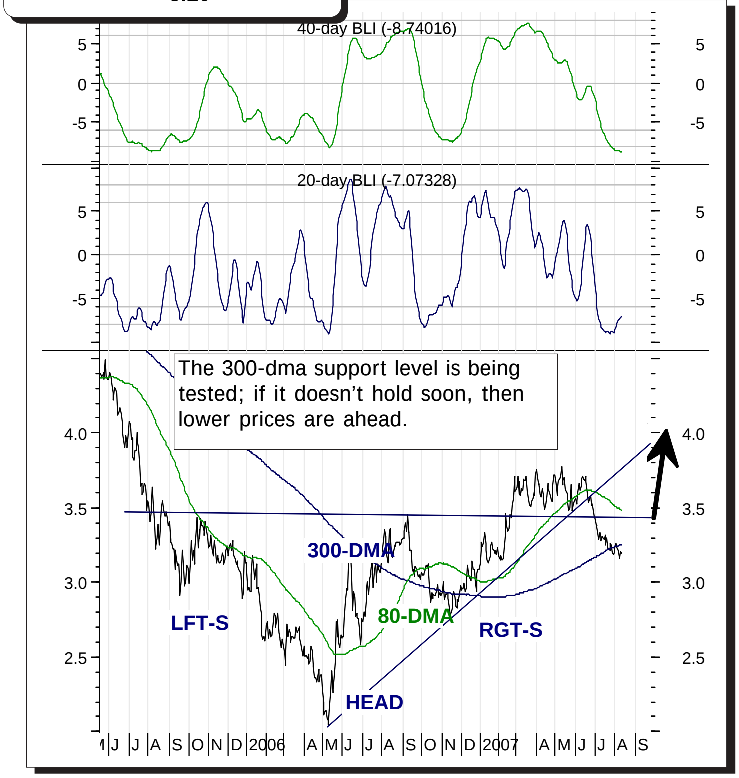
RATIO: SPY / EWW
2.55



ETF Section: CHART COMMENTS

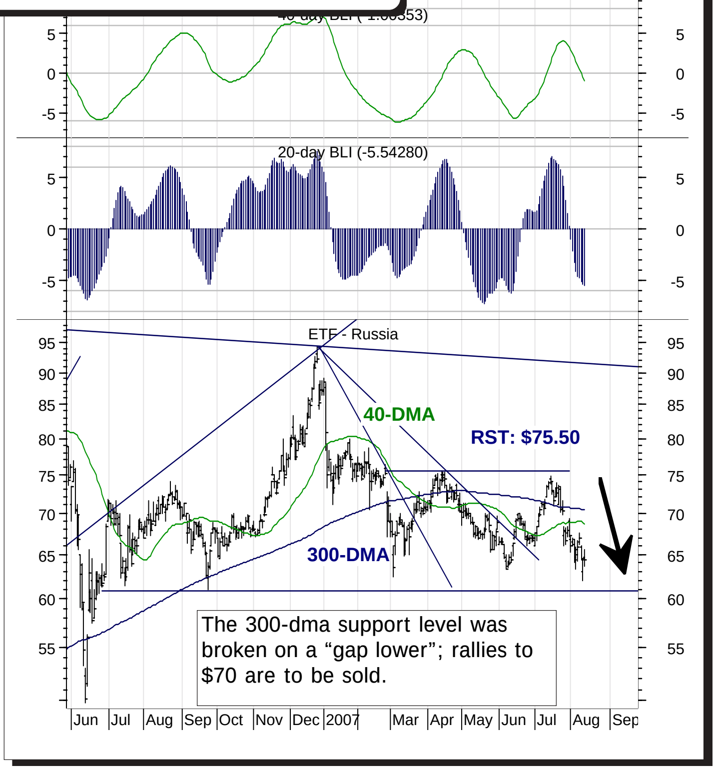
India ETF		IFN		
Last:	$	45.40	TGT:	$ -
Entry:	$	-	STP:	$ -

RATIO: SPY / IFN
3.20



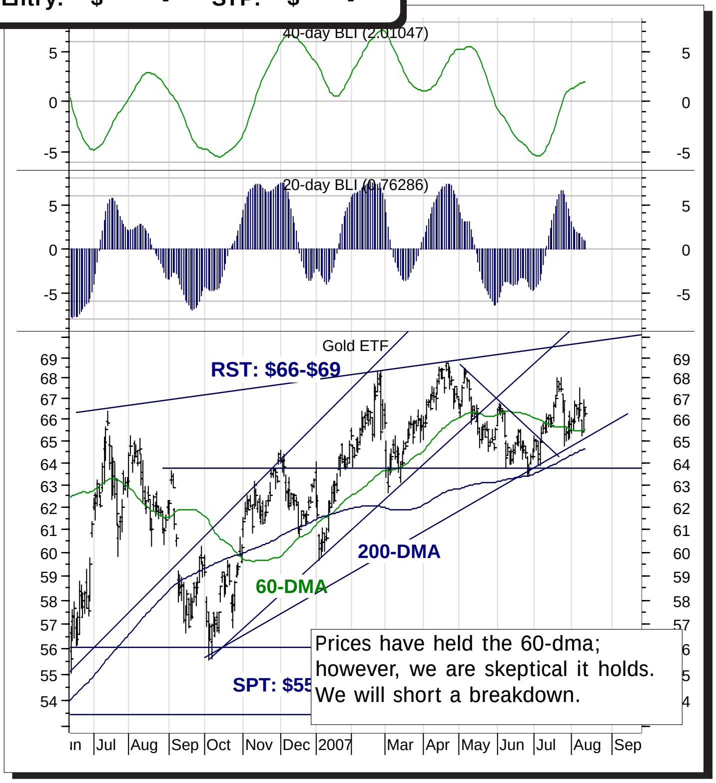
Russia ETF		TRF		
Last:	$	64.40	TGT:	$ -
Entry:	$	-	STP:	$ -

RATIO: SPY / TRF
2.26



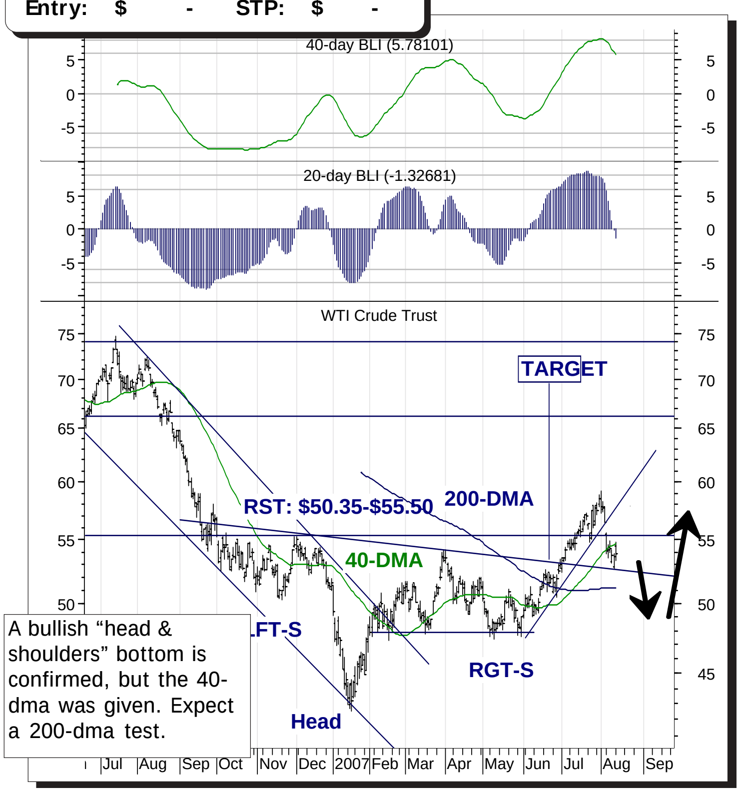
ETF Section: CHART COMMENTS

Gold ETF			GLD		
Last:	$	66.26	TGT:	$	-
Entry:	$	-	STP:	$	-

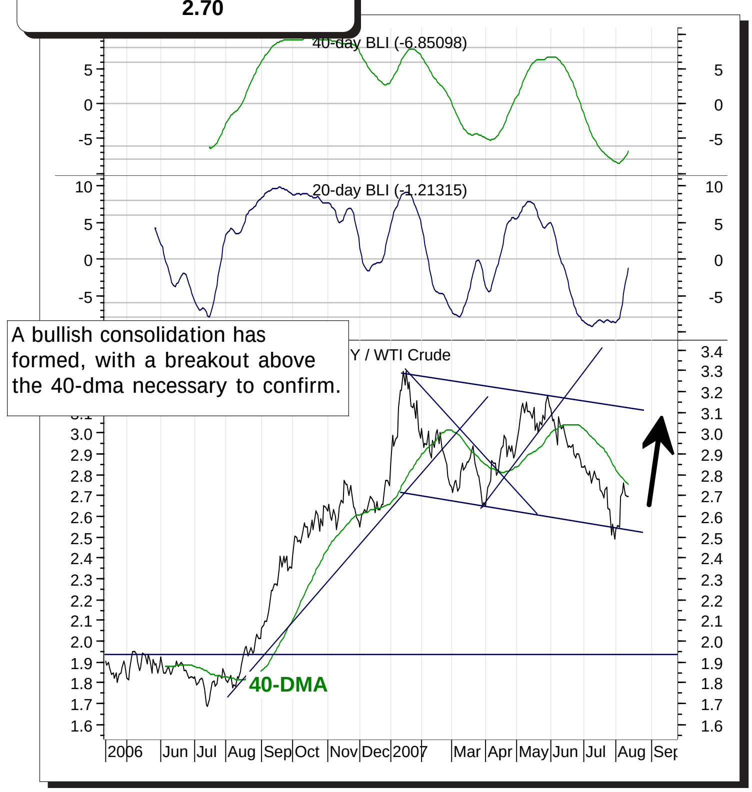


RATIO: SPY / GLD
2.19

WTI Crude			USO		
Last:	$	53.85	TGT:	$	-
Entry:	$	-	STP:	$	-



RATIO: SPY / USO
2.70

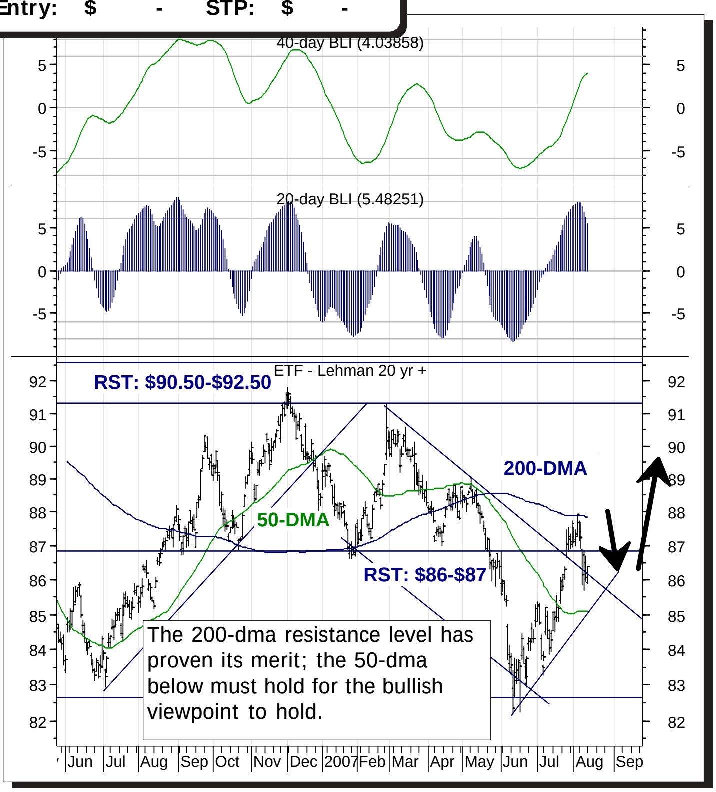


ETF Section: CHART COMMENTS

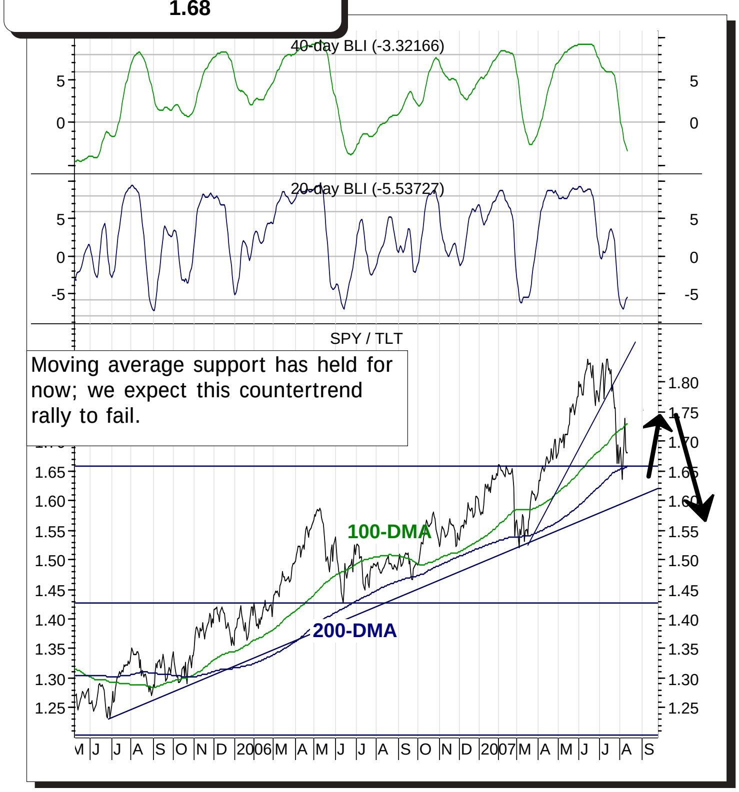
Euro Currency		FXE		
Last:	$	136.25	TGT:	$ -
Entry:	$ -		STP:	$ -

RATIO: SPY / FXE
1.07

Lehman Bond		TLT		
Last:	$	86.33	TGT:	$ -
Entry:	$ -		STP:	$ -



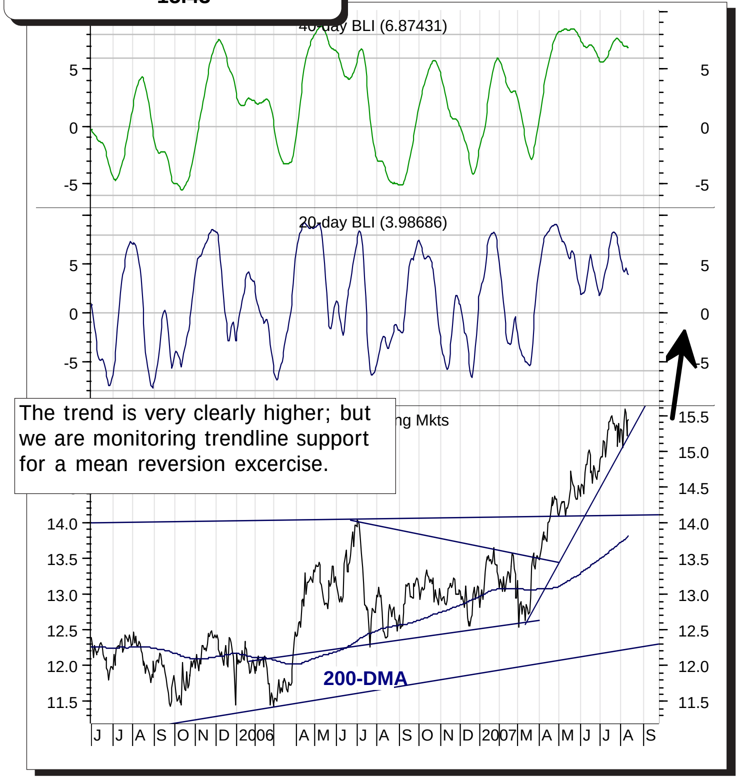
RATIO: SPY / TLT
1.68



ETF SECTION: CHART COMMENTS

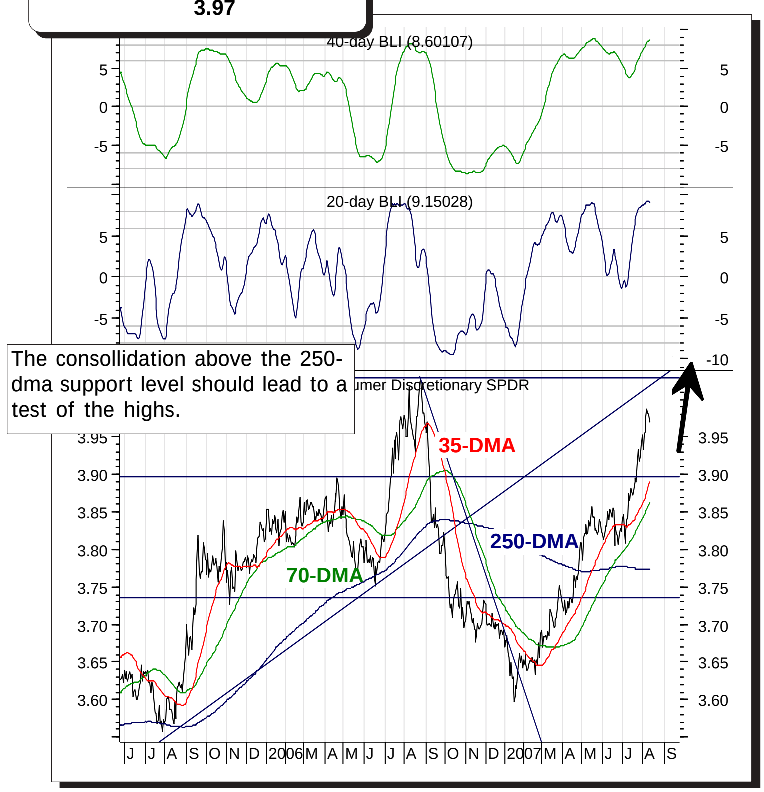
Emerg. Mkt Bond		MSD		
Last:	$ 9.41	TGT:	$	-
Entry:	$ -	STP:	$	-

RATIO: SPY / MSD
15.43



Consumer Discr		XLY		
Last:	$ 36.56	TGT:	$	-
Entry:	$ -	STP:	$	-

RATIO: SPY / XLY
3.97

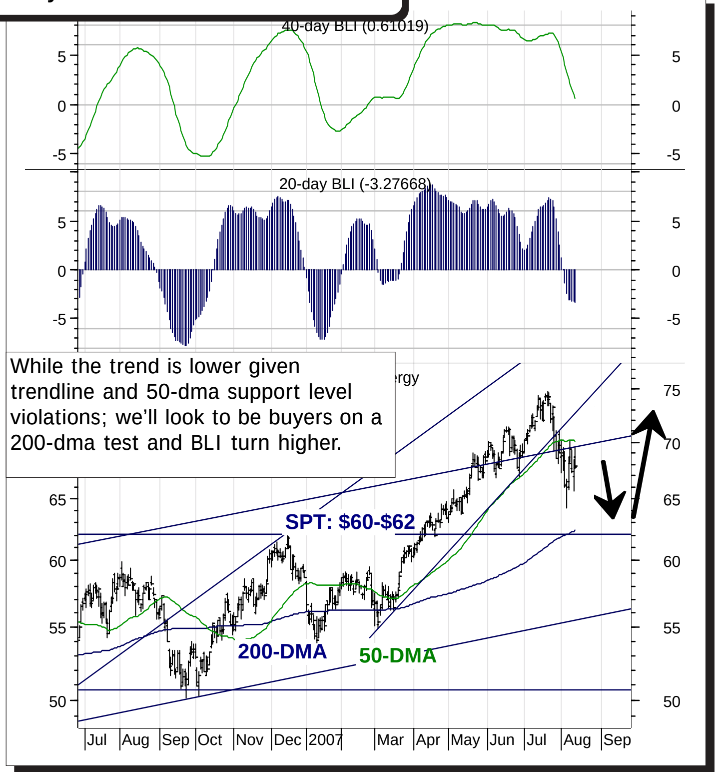


ETF Section: CHART COMMENTS

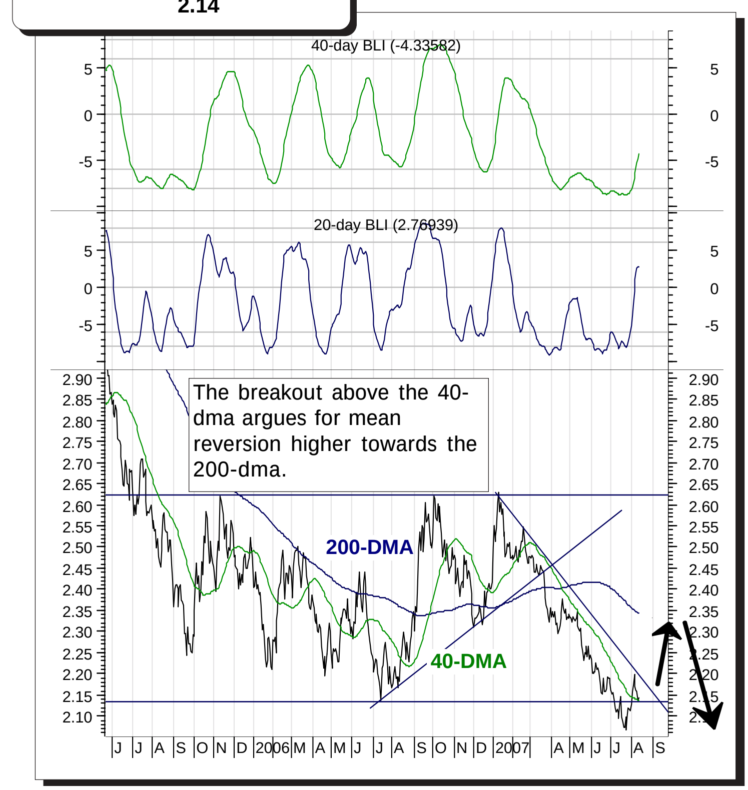
Consum Staples		XLP	
Last:	$ 27.02	TGT:	$ -
Entry:	$ -	STP:	$ -

RATIO: SPY / XLP
5.37

Energy		XLE	
Last:	$ 67.80	TGT:	$ -
Entry:	$ -	STP:	$ -

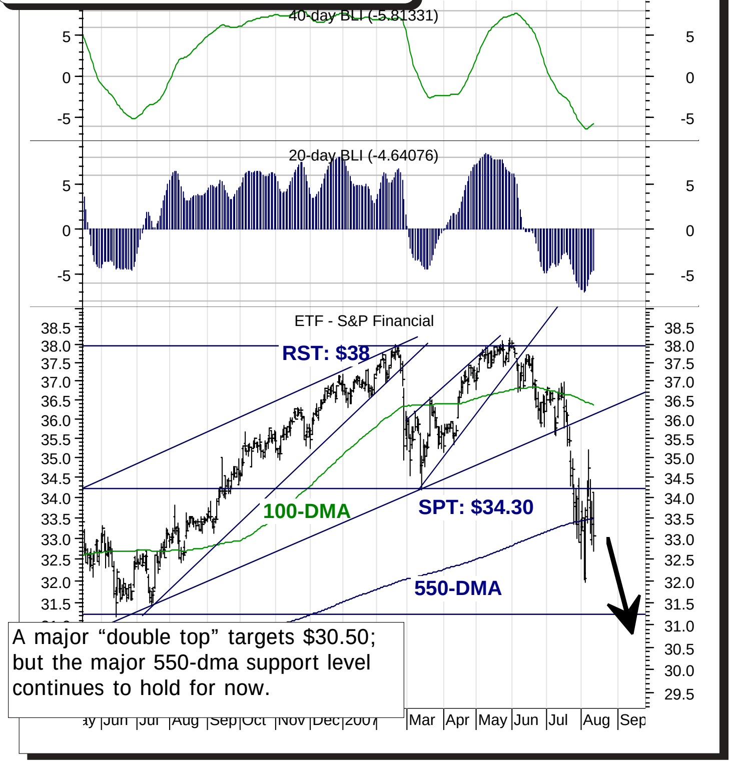


RATIO: SPY / XLE
2.14

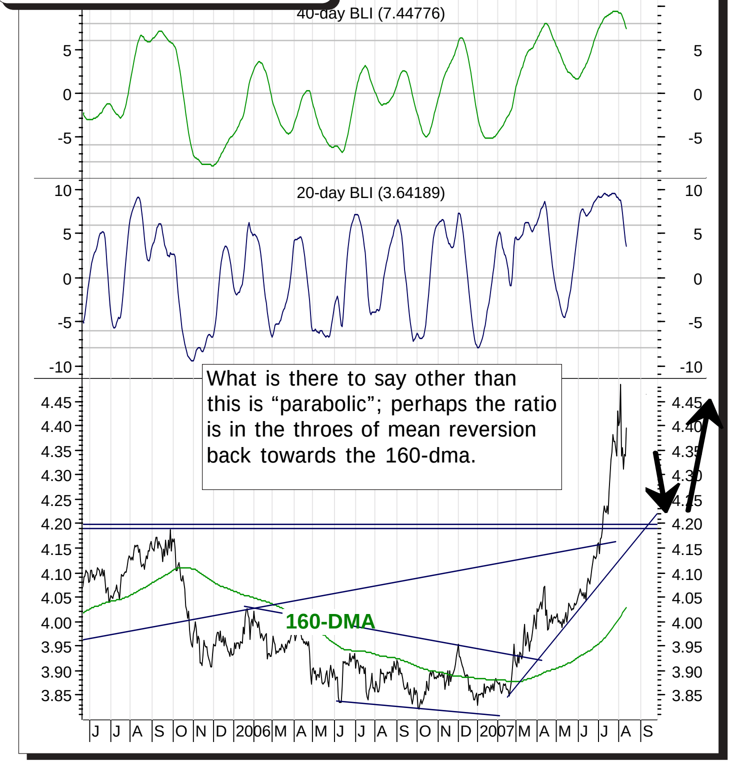


ETF SECTION: CHART COMMENTS

Financial		XLF		
Last:	$ 33.05	TGT:	$	-
Entry:	$ -	STP:	$	-

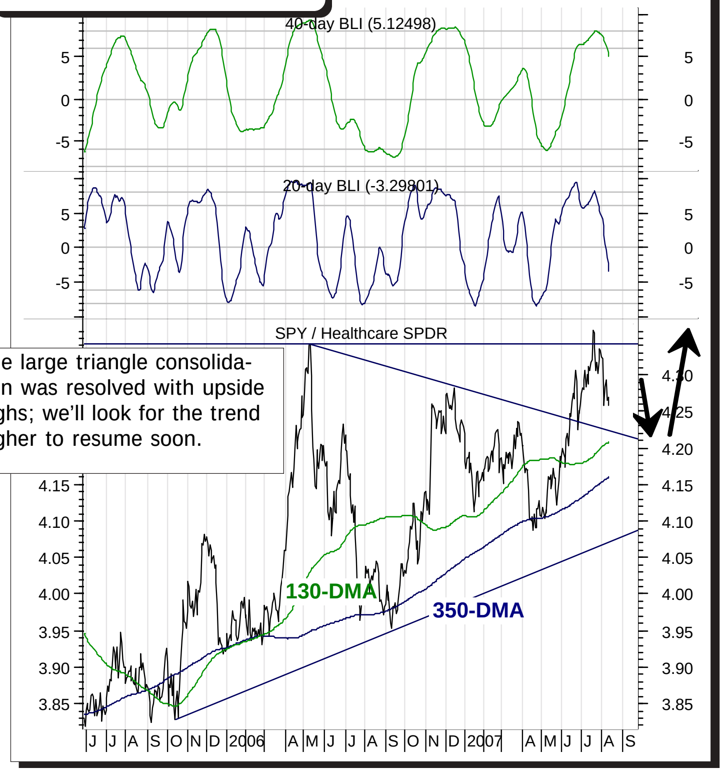


RATIO: SPY / XLF
4.39



Healthcare		XLV		
Last:	$ 34.00	TGT:	$	-
Entry:	$ -	STP:	$	-

RATIO: SPY / XLV
4.27



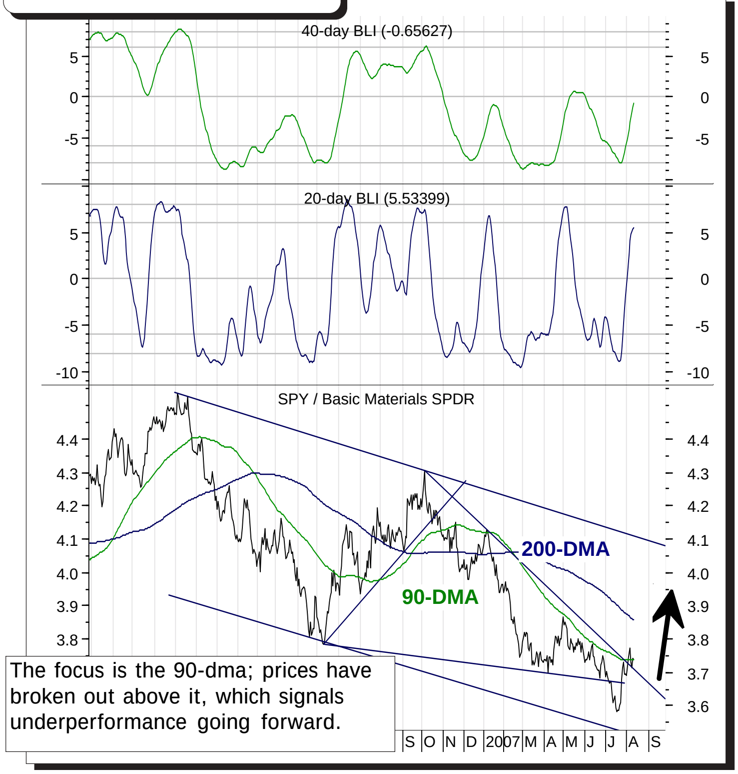
ETF Section: CHART COMMENTS

Industrials		XLI		
Last:	$ 39.05	TGT:	$	-
Entry:	$ -	STP:	$	-

RATIO: SPY / XLI
3.72

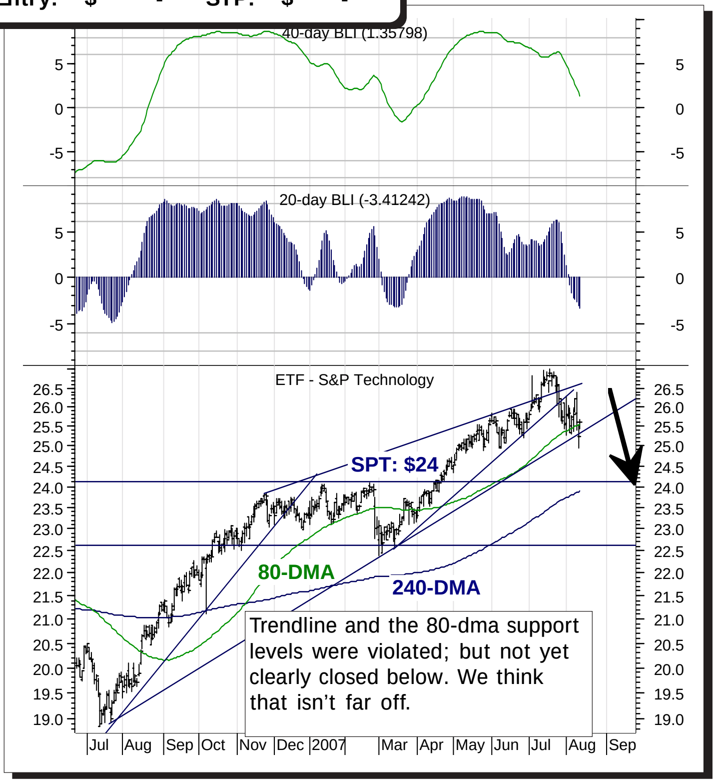
Materials		XLB		
Last:	$ 38.85	TGT:	$	-
Entry:	$ -	STP:	$	-

RATIO: SPY / XLB
3.74



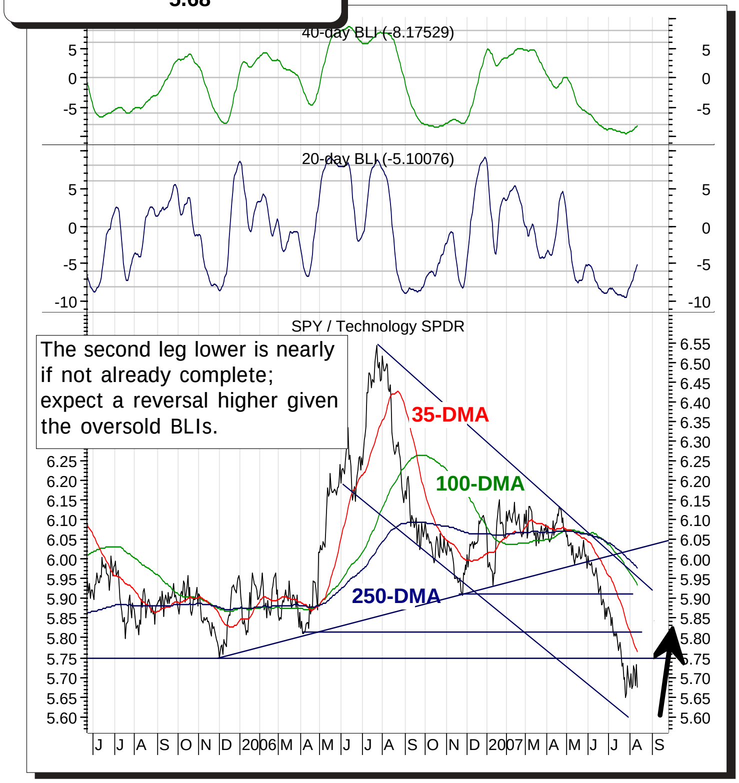
ETF SECTION: CHART COMMENTS

Technology		XLK	
Last:	$ 25.59	TGT:	$ -
Entry:	$ -	STP:	$ -



RATIO: SPY / XLK

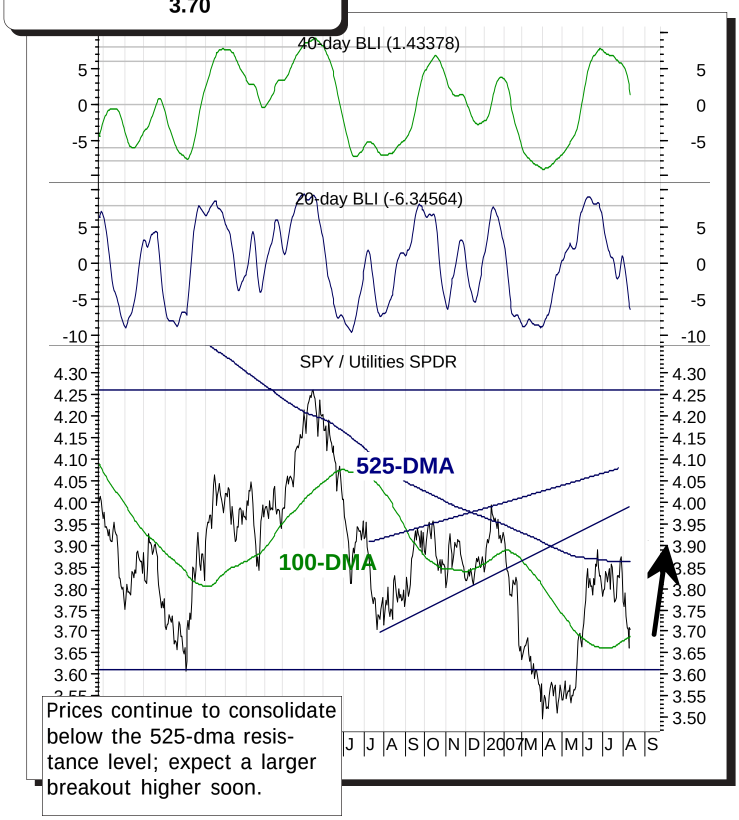
5.68



Utilities		XLU	
Last:	$ 39.21	TGT:	$ -
Entry:	$ -	STP:	$ -

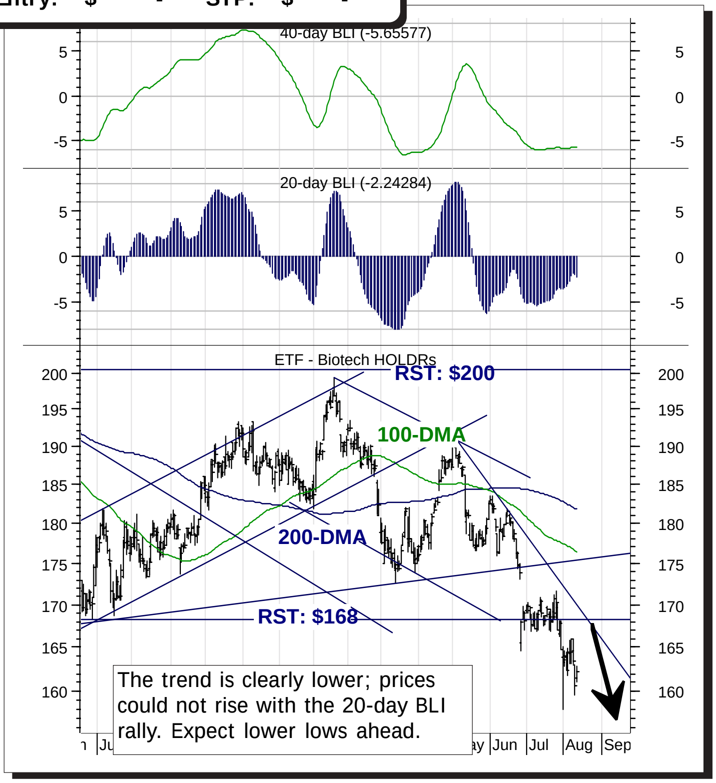
RATIO: SPY / XLU

3.70

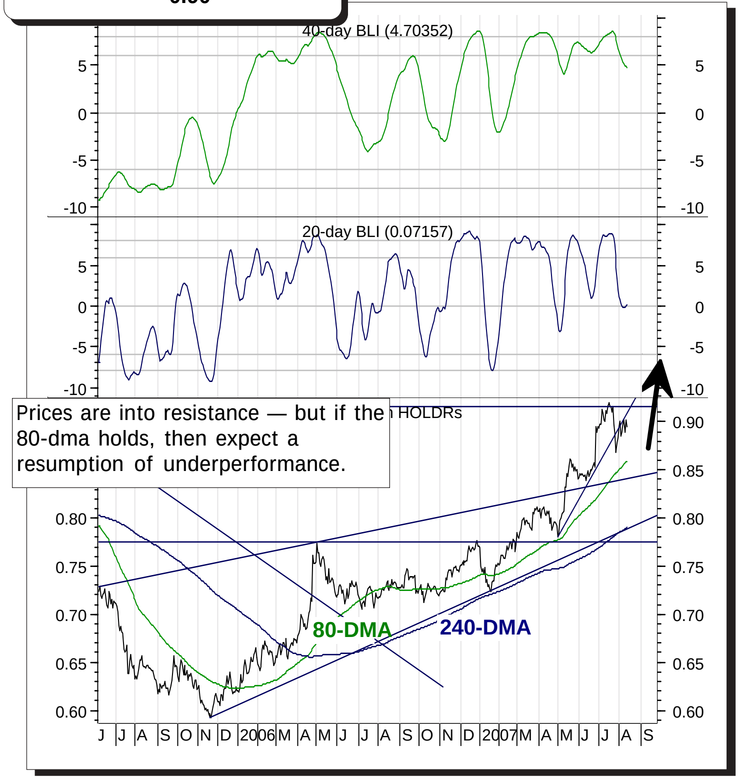


ETF SECTION: CHART COMMENTS

Biotechnology	BBH		
Last:	$ 162.20	TGT:	$ -
Entry:	$ -	STP:	$ -



RATIO: SPY / BBH
0.90



Homebuilders	XHB		
Last:	$ 25.90	TGT:	$ -
Entry:	$ -	STP:	$ -

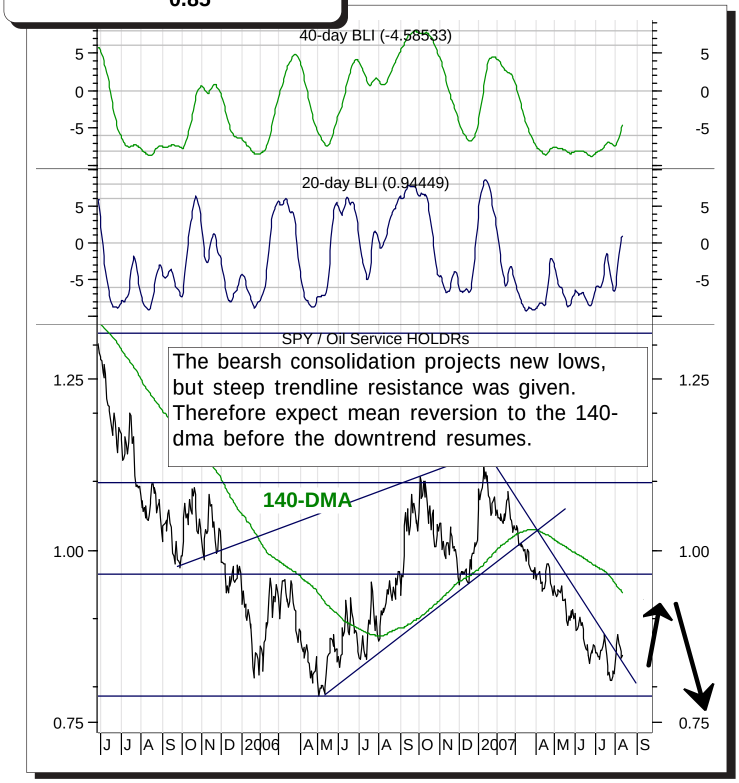
RATIO: SPY / XHB
5.61

ETF Section: CHART COMMENTS

Oil Service		OIH	
Last:	$ 171.70	TGT:	$ -
Entry:	$ -	STP:	$ -

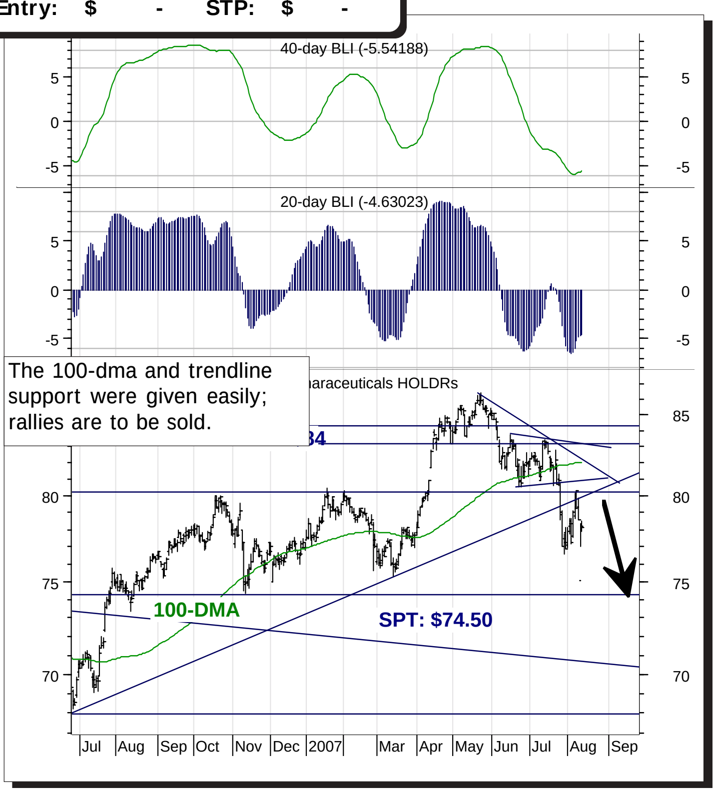
The trend remains higher for now; but a clear break of the 80-dma would mean a short position.

RATIO: SPY / OIH
0.85



The bearsh consolidation projects new lows, but steep trendline resistance was given. Therefore expect mean reversion to the 140-dma before the downtrend resumes.

Pharmaceutical		PPH	
Last:	$ 78.14	TGT:	$ -
Entry:	$ -	STP:	$ -



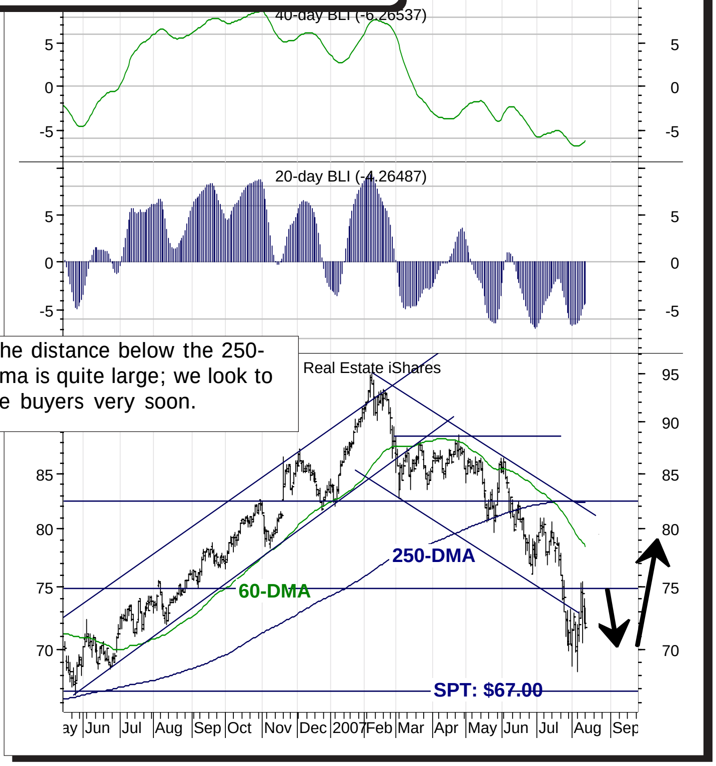
The 100-dma and trendline support were given easily; rallies are to be sold.

RATIO: SPY / PPH
1.86

A large bullish consolidation resolved itself higher; hence underperformance reigns for an extended period.

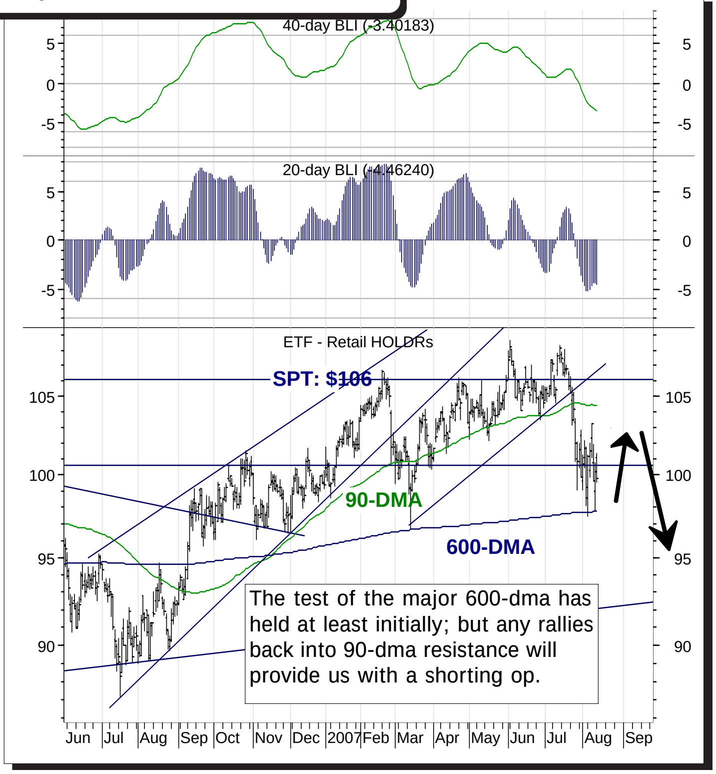
ETF Section: CHART COMMENTS

Real Estate		IYR	
Last:	$ 71.70	TGT:	$ -
Entry:	$ -	STP:	$ -

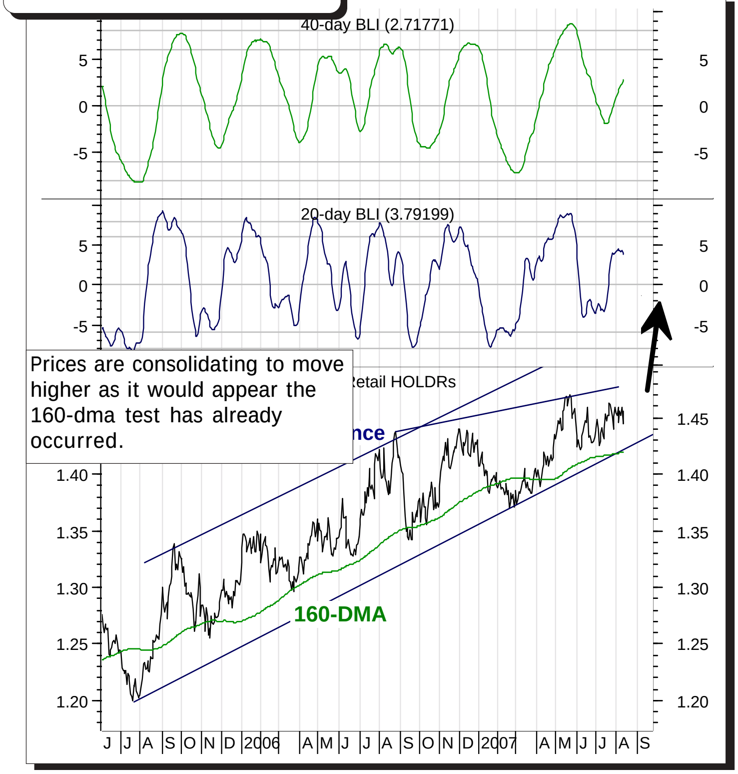


RATIO: SPY / IYR
2.03

Retail		RTH	
Last:	$ 99.75	TGT:	$ -
Entry:	$ -	STP:	$ -

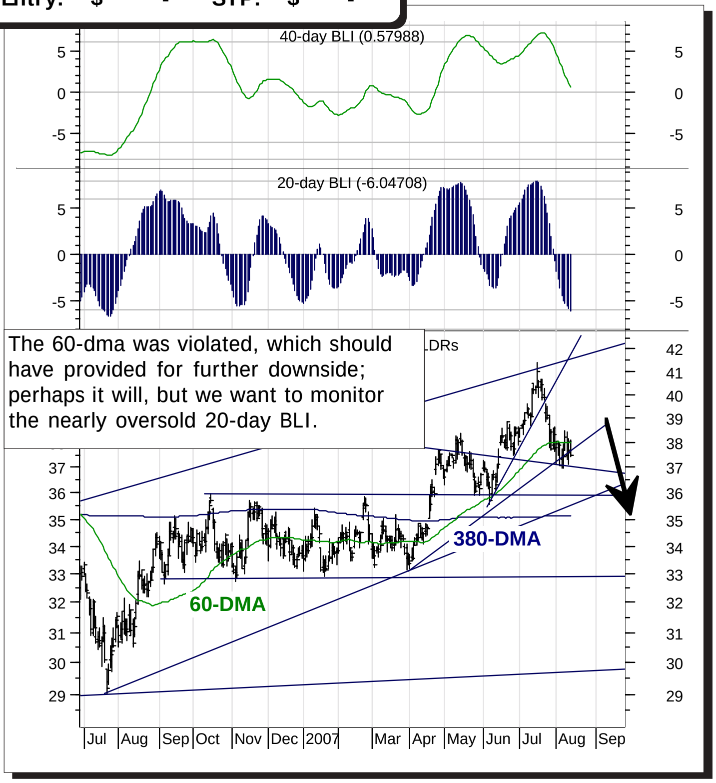


RATIO: SPY / RTH
1.46



ETF Section: CHART COMMENTS

Semiconductor		SMH		
Last:	$ 37.46	TGT:	$	-
Entry:	$ -	STP:	$	-



RATIO: SPY / SMH
3.88