

Our Methodology

We have selected a universe of actively traded ETFs which provide coverage of all the major asset classes. These selected funds will be analysed each week using the following consistent approach:

A) Price trend

We will determine the current price trend using a six month bar chart. We will use exponential moving averages to indicate momentum of prices; and potential areas of support or resistance.

b) Relative trend

The lower window of the price charts displays the relative (ratio) indicator for the ETF against the S&P500 index.

This provides a very visual picture as to the performance of that ETF against the benchmark S&P500 index: if the indicator line is rising it indicates outperformance, if the line is falling it indicates underperformance.



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c) Breadth of trends

Breadth indicators provide one of the best ways of calling intermediate market tops and bottoms and for this reason have been widely adopted by the investment community.

Breadth indicators measure the number of stocks with rising trends within a particular index in order to gauge the amount of participation in that index. We have used the percentage of stocks above their 30 week moving average to determine those in uptrends.

Probably the best market buy signals are generated when the breadth indicator moves up from a low level. This is essentially a contrarian signal as there are still only a low percentage of constituent stocks in uptrends (but importantly this number is now growing, signaling a potential change of trend). Conversely, the best market sell signals come from a decline in the breadth indicator from high levels which indicates that market participation has peaked and there a declining number of constituent stocks in uptrends.



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Since Investors Intelligence has global stock coverage, we have been able to construct indicators which measure breadth of trends for most of the countries or regions covered by ETFs.

We have constructed our breadth indicators based on the main local headline indices for each country/region: for example, our Japanese breadth indicator measures the breadth of trends for

the constituent stocks of the Topix 100 index. This will, of course, not always be the same as the holdings for a specific Japanese ETF.

To conclude, we will favor ETFs where the relevant breadth indicator is strong and expanding from low levels and avoid those where breadth is weak and/or deteriorating from high