

>: The Best Investing Bet to Make Right Now

Tuesday, March 10, 2009 / Chris Rowe

My last weekly contribution to *The Tycoon Report* was an article titled "[How to Profit From the Decline Using These ETFs!](#)"

In it, I talked about the importance of focusing primarily on sector activity in the stock market, and I gave you a few ways to profit from it.

The one ETF that I specifically highlighted for you, which was the triple inverse Russell 1000 Financial Services Index (Symbol: FAZ), proceeded to gain 43.7% in just one week. And that goes to show how important it is to stick with the weakest sectors for bearish positions, and the strongest sectors for bullish positions (if you



The major trend is still down, and everyone wants to try to figure out which sectors to take the bearish bets on for the biggest possible gain.

Last week the financial sector lost another 10% (depending on which financial index you look at).

Who knows what it will be next week?

Well, you don't necessarily *need to know*

the answer to that, because typically the best bet to take, assuming we had no information at all except what has already happened, is to *bet on the recent trend continuing*.

However, it makes sense, since you're working with your hard earned cash here, to do a little more homework or use a service that gives you the best sector signals there are. So that's why I really gave the new Sector Hunter a big plug last week in the process of making my point. Instead of just taking me for my word or experience when I tell you to focus ~~hard~~ on sector action, it would help if I addressed exactly why it works.

Today I'll let you read a few paragraphs of the *Internal Strength System* book that I wrote to help you understand exactly why it's important to focus on the sector

Institutions obviously control the movement of the stock market. Institutions generally trade sectors, not just individual stocks. Shifts in the economy stimulate entire sectors, which results in virtually all stocks in a given sector acting in unison. And when institutions are moving billions of dollars into or out of different sectors, they're forced to spread the huge amount of money among a large number of stocks within that sector.

This is called sector rotation, and since institutional action can be like a bull running through a china shop, it's easy for knowledgeable individual investors to recognize this event and profit by piggybacking the resulting move.

The question is: How quickly will you be able to recognize it?

For example:

When energy stocks are attractive, institutions might focus on buying 5-10 or many more different energy stocks. It might take several months to purchase all the stock that they have to buy, but the idea is to benefit from a huge, long-lasting trend caused by a major economic shift.

On the flip side, when institutions don't like a particular sector, such as Regional Banks, they might sell out of, or sell short, 15 or 20 different Regional Bank stocks, which can take months of selling.

another article on sectors next week, too.

In the meantime, I invite everyone reading this to leave a comment if you feel sectors are at least tied for first in your stock market investment decision-making considerations. Until next time, "Profit From The Trend."

?Profit from the Trend?

A handwritten signature in black ink that reads "Chris Rowe". The signature is written in a cursive, slightly slanted style.

Chris Rowe

Chief Investment Officer

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