

INVESTOR'S BUSINESS DAILY*

Exchange-Traded Funds

Plunge In Crude Oil Topples Energy ETFs

BY TRANG HO
INVESTOR'S BUSINESS DAILY

Posted 1/12/2007

The fourth consecutive week of declines in crude oil prices has battered exchange traded funds that hold energy and oil stocks. But a rebound Friday offered some relief to the hemorrhaging.

"In the short term, we're getting a relief bounce," said Sam Subramanian, who specializes in sector investing for AlphaProfit Investments in Sugar Land, Texas.

"But over the intermediate term, there seems to be oversupply, even with the two OPEC cuts (in 2006)," he said. "It (the Organization of Petroleum Exporting Countries) has done really little to perk up oil prices."

OPEC reduced production in November, and more cuts are set for the beginning of next month.

Subramanian sees oil prices falling further and turning back up when driving season rolls around next summer.

The commodity plunged 15% since the beginning of the year. A short play in oil, **Claymore Macroshares Oil Down**, (DCR) meanwhile went through the roof. It advanced 13% year to date. The ETF offers the inverse of the returns in West Texas crude oil. Its pair, **Claymore Macroshares Oil Up**, (UCR) has fallen 8.75% this year.

Peak Oil

The mostly heavily traded oil ETF, **Energy Select Sector SPDR**, (XLE) fell below both its 10-week and 40-week moving averages on heavy volume the past two weeks.

It peaked Dec. 14 at 62.13 and sits 11% below its all-time high. It has been range bound between resistance in the low \$60s and support at \$50 over the past year.

The Select Sector SPDRs family of ETFs divides the S&P 500 into nine sector index funds. **Exxon Mobil** (XOM), with \$420.23 in market cap, accounts for 22.87% of the 33-stock energy portfolio.

Oil Services HOLDERS, (OIH) the second-largest oil ETF, trades less than half the volume of the Energy Select Sector SPDR. It peaked last May at 169.75 and bottomed at 118.19 at the beginning of October.

The OIH looks more bearish than the XLE since its 10-week moving average crossed below the 40-week moving average. Oil Service HOLDERS contains 18 stocks that Merrill Lynch handpicked to represent the sector.

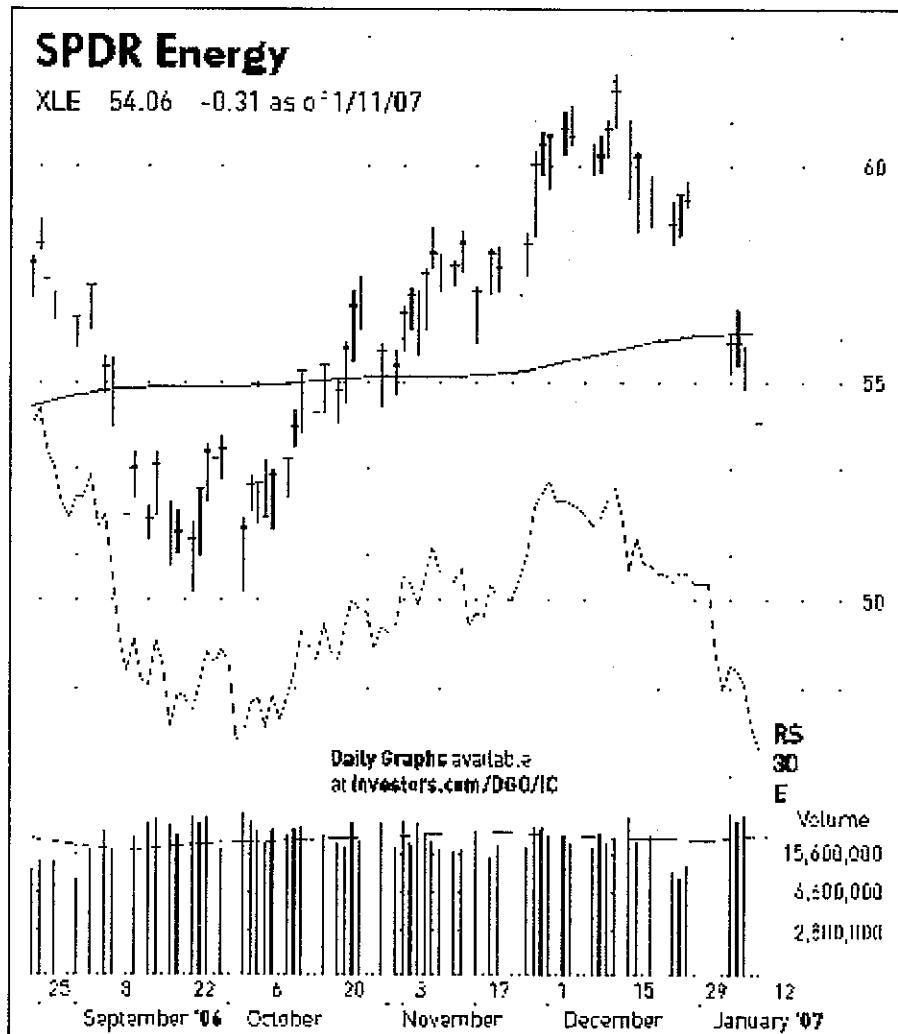
A Flood Of Oil ETFs

A slew of other energy-related ETFs includes: **iShares Dow Jones US Oil Equipment Index**, (IEZ) **SPDR Oil & Gas Exploration & Production**, (XOP) **iShares Dow Jones U.S. Oil & Gas Exploration & Production Index**

Fund, (IEO) iShares S&P Global Energy, (IXC) iShares Dow Jones US Energy, (IYE) Vanguard Energy, (VDE) SPDR Oil & Gas Equipment & Services (XES) and PowerShares Dynamic Oil & Gas Services. (PXJ) They've fallen 7% to 10% this year.

The ETF that tracks the actual commodity, **United States Oil**, (USO) is down 14% this year. USO tracks the spot price of West Texas crude.

PowerShares has released two new oil ETFs, **PowerShares DB Energy Fund** (DBE) and **PowerShares DB Oil Fund**. (DBO)



[Return to top of page](#)

© Investor's Business Daily, Inc. 2000-2007. All Rights Reserved. Reproduction or redistribution is prohibited without prior authorized permission from Investor's Business Daily. For information on reprints, webprints, permissions or back issue orders, go to www.investors.com/terms/reprints.asp.