

Divergences at the sector level

This document was written on November 27, 2009 by Pascal Willain as part of a training program on the use of the Effective Volume tools.

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The author is French speaking.
This report has not been proof-read for the proper use of English language.

When we have a shakeout such as last Friday, it is interesting to study which sectors attract money and try to find out which stocks among such sectors are the "best buys". Funds who buy when the market drops are usually investors that recognize "value".

As you can see below, only some sectors have shown a positive divergence: Service, Metals, Precious metals, Health and Industrials.

What is the common theme between these sectors?

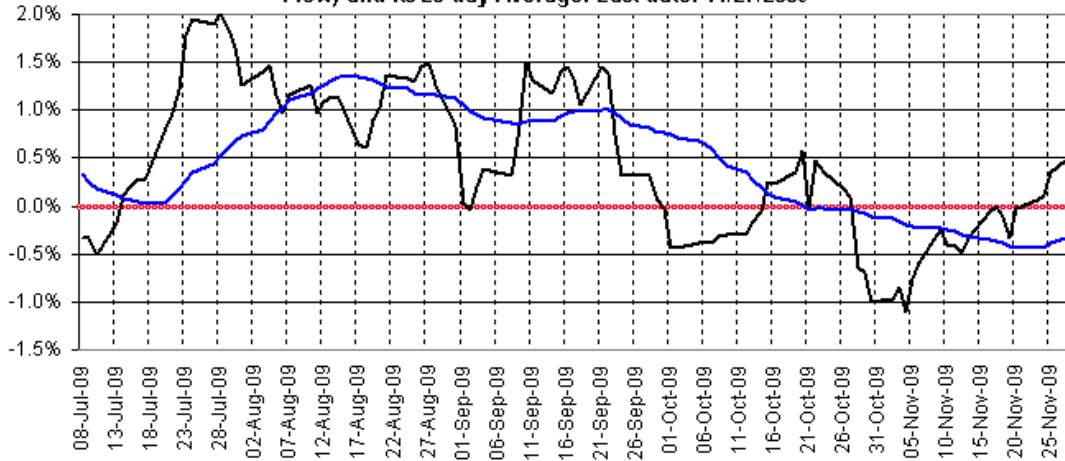
To understand this, I took in each sector the five stocks that attracted the most money (relative to their size).

We can see that the common theme is that these companies present a shelter against a falling US\$.

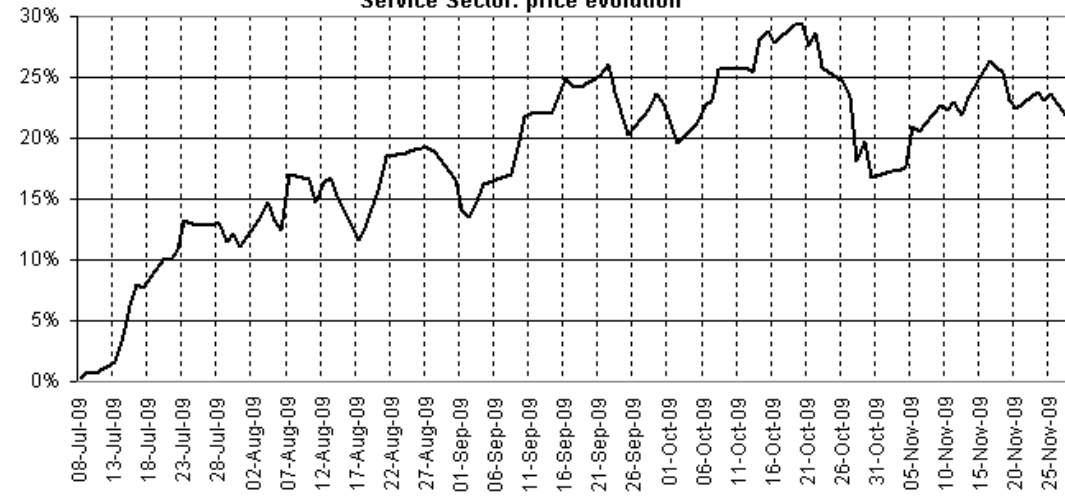
The yellow painted ones have an intrinsic shelter, while the green painted ones operate internationally.

PM	Metals	Services	Health	Industrials
ABX	VALE	NWSA	PFE	GE
AUY	TCK	DIS	TEVA	F
NEM	AA	RCL	MRK	FLR
KGC	FCX	TWX	KG	PWR
IAG	X	EXPD	UNH	TYC

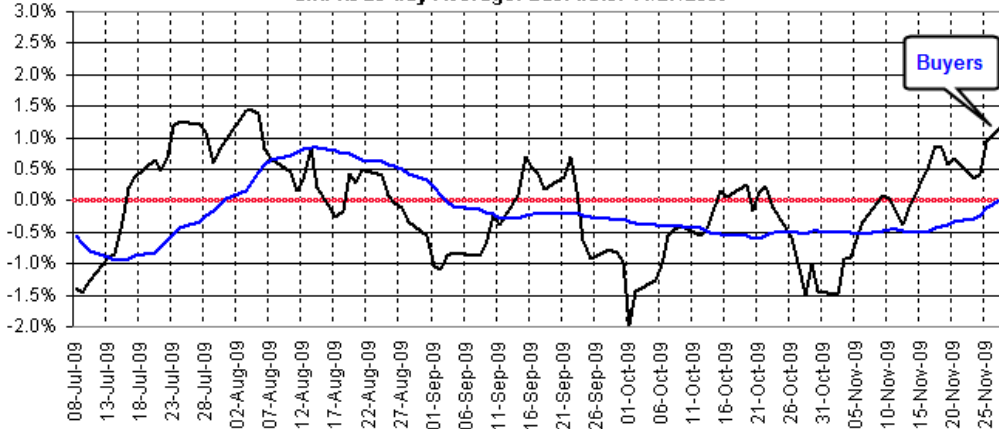
Service Sector: 20-day Large Players' Strength (in Percentage of Total Money Flow) and its 20-day Average. Last date: 11/27/2009



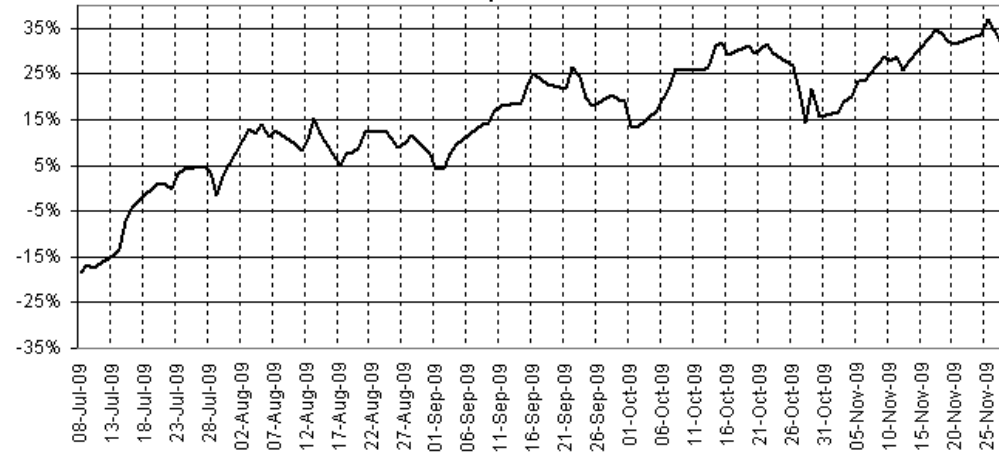
Service Sector: price evolution

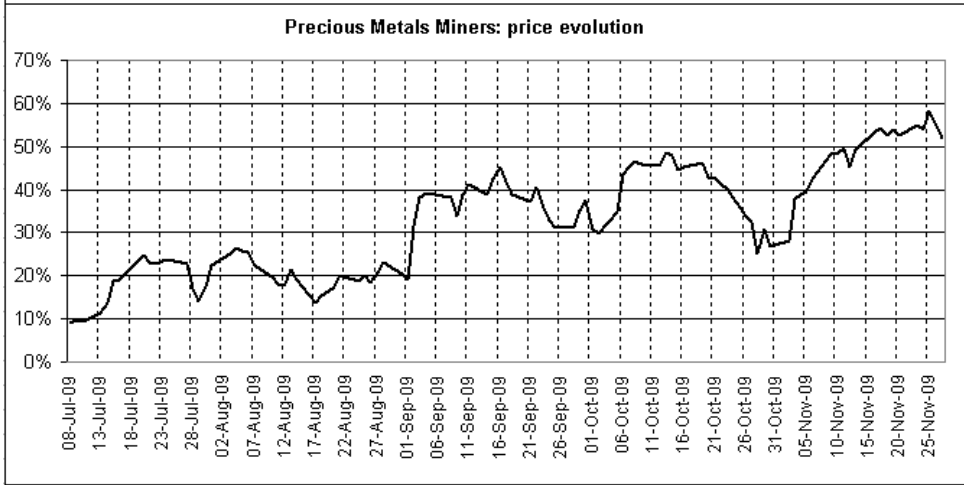
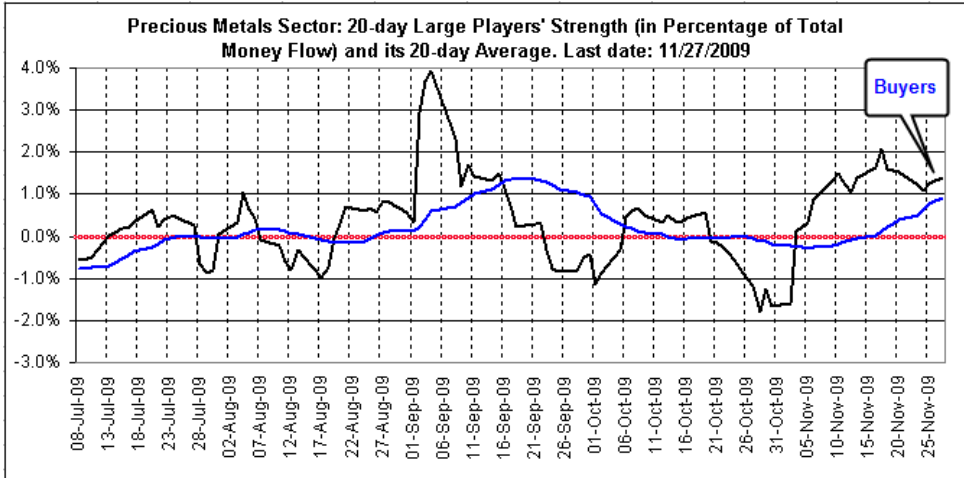


Metals Sector: 20-day Large Players' Strength (in Percentage of Total Money Flow) and its 20-day Average. Last date: 11/27/2009

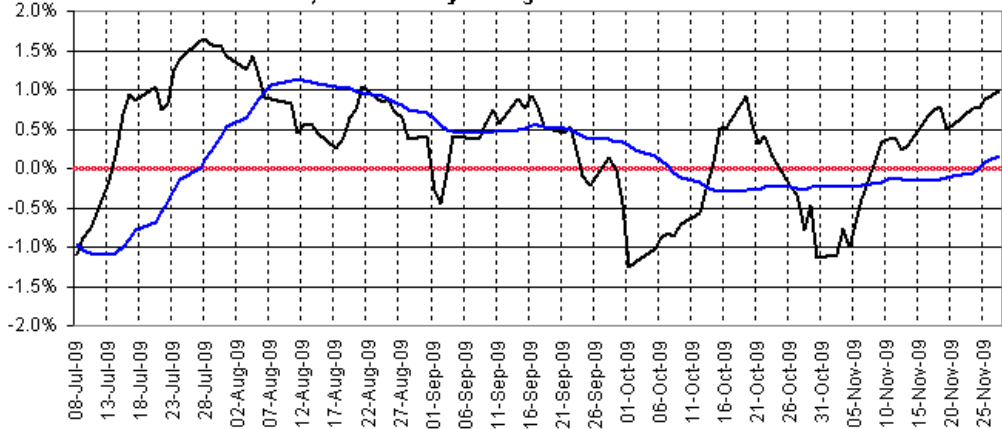


Metals Sector: price evolution





Industrial Sector: 20-day Large Players' Strength (in Percentage of Total Money Flow) and its 20-day Average. Last date: 11/27/2009



Industrial Sector: price evolution

