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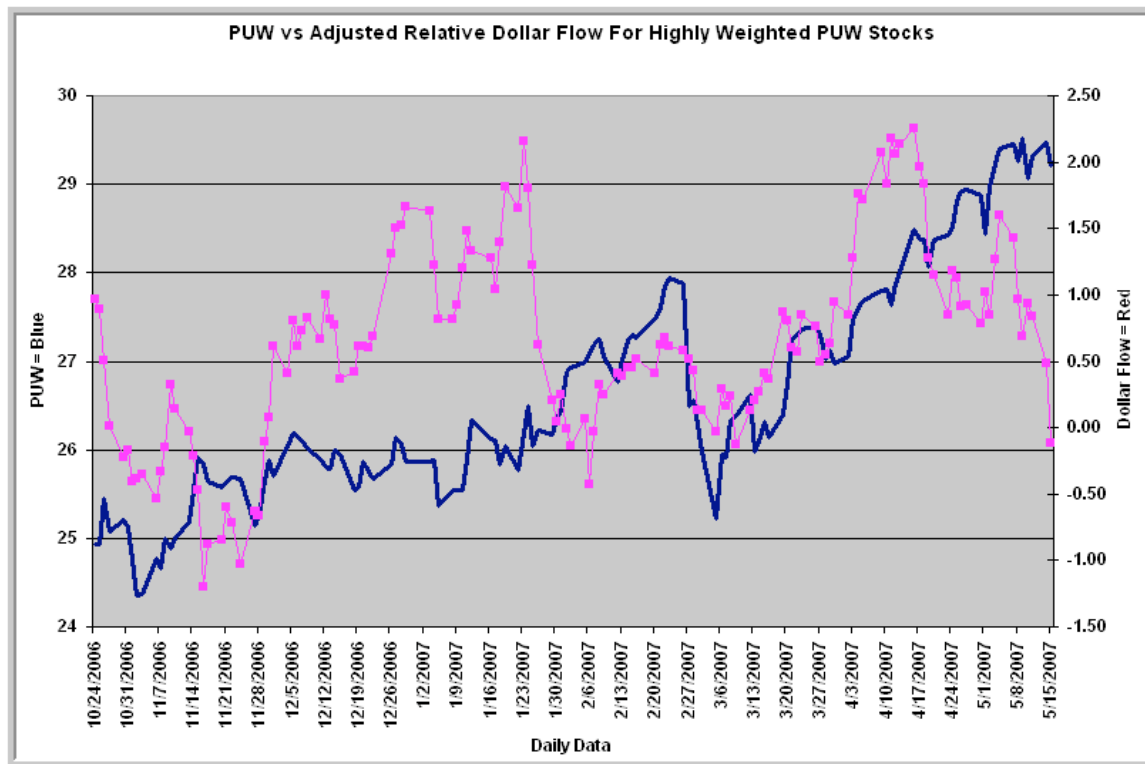
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Using ETFs For Trading Ideas: Consider PowerShares' Progressive Energy

[Brett Steenbarger](#) submits:

I find specialty ETFs to be great ways of developing ideas for trading and investment. In the chart below we see the PowerShares WilderHill Progressive Energy ETF (AMEX: [PUW](#) - [News](#)) (blue line). PUW is different from another energy ETF I have [written](#) about, PowerShares WilderHill Clean Energy ETF (AMEX: [PBW](#) - [News](#)). Unlike PBW, PUW focuses on companies that are involved in improving the efficiency of fossil fuels, not the development of alternative fuels and technologies. PUW has outperformed PBW of late, and I like the fact that PUW draws upon a variety of styles and sectors for its holdings. Specifically, PUW consists of approximately 50% small cap stocks and about 50% growth stocks. About 28% of the companies are Industrials; 21% Energy; 16% Utilities; 12% Technology; and 12% Consumer Discretionary. I like not being locked into one style or sector when investing in a theme.

Below, we can see that money flows have been very good for the most highly weighted PUW stocks. The chart summarizes the Adjusted Relative Dollar Volume Flows for five issues: Tenneco Inc. (NYSE: [TEN](#) - [News](#)), Energizer Holdings, Inc. (NYSE: [ENR](#) - [News](#)), USEC Inc. (NYSE: [USU](#) - [News](#)), Cameco Corp (NYSE: [CCJ](#) - [News](#)), and Methanex Corporation (NasdaqGS: MEOH). *Flows have consistently been above the zero level, meaning that the stocks are seeing dollar inflows above their 200-day averages.* (Note some relative tailing off of dollar flows as we've hit recent highs in PUW. This is a pattern common to many of the market sectors and themes I track and has preceded the recent correction, particularly among the small caps. I'd like to see a pickup of flows before making a commitment to the theme).



Before I allocate capital to PUW, I will have reviewed the money flows for all 46 holdings of the fund. This will tell me which stocks within the universe are particularly strong. This may reveal subthemes within the universe--efficiency plays within utilities for instance--worthy of consideration. Too, the money flow examination might identify stocks beaten down within the theme that could represent value under accumulation. Honda (NYSE: [HMC](#) - [News](#)) and Toyota (NYSE: [TM](#) - [News](#)) are candidates in that regard.

From the 46 stocks, we can also track new highs/lows; expansion and contraction of volume; and other indicators that would help us identify institutional accumulation of the shares. It's not enough to look at a chart of an ETF and make an investment decision. It pays to look under the hood, see if the stocks are under accumulation, and see if the number of issues participating in the ETF strength is growing or waning.

In that sense, the search for good ETFs is the **beginning** of a research process, not the endpoint.