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ETFs to Capitalize on an Oil Bounce...

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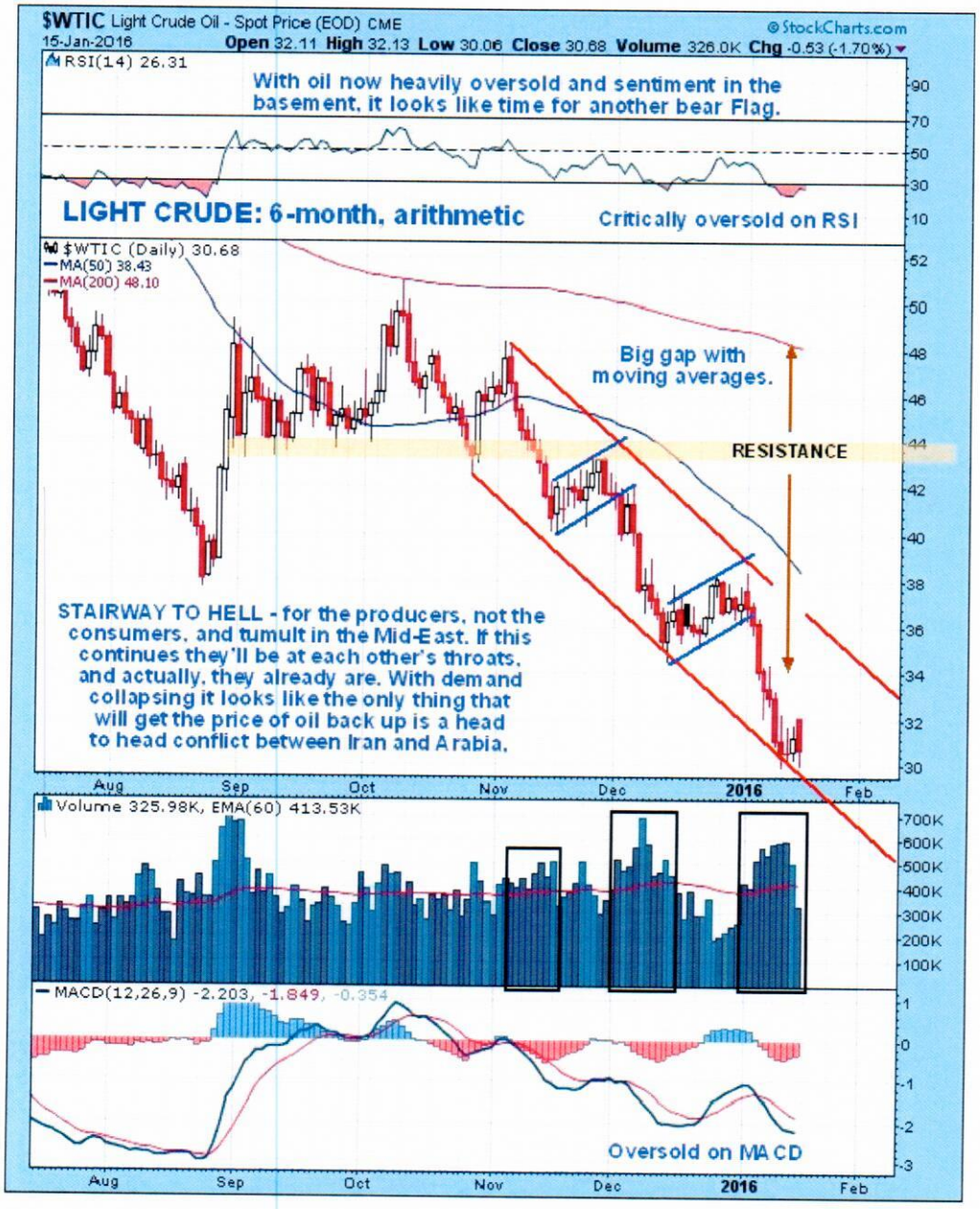
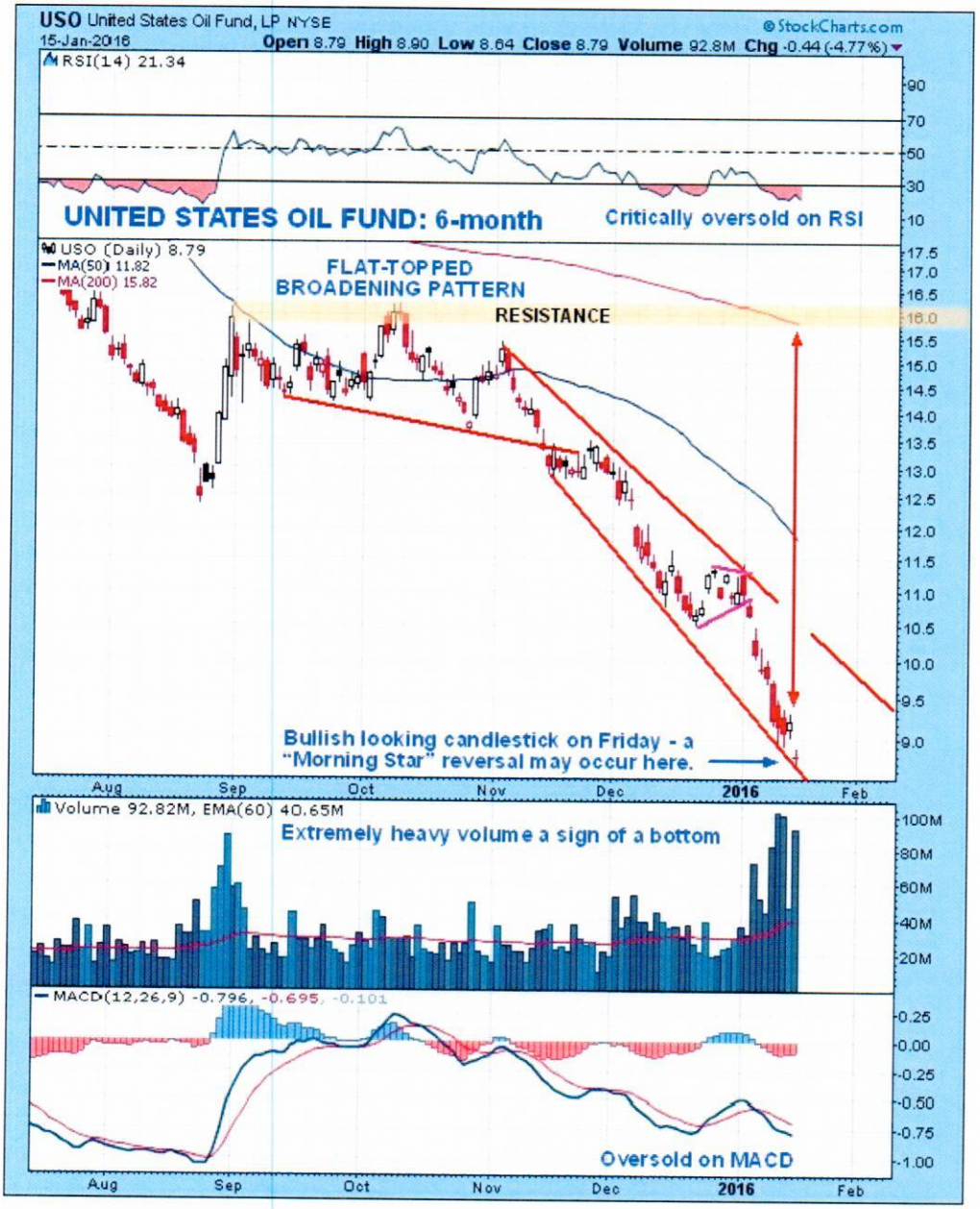
We'll start by reminding ourselves that oil has arrived at a downside target at the lower boundary of an orderly downtrend channel in an extremely oversold state, as we can see on the 6-month chart for Light Crude below. That means that we are likely to see at least a feeble rally here, and possibly considerably more if the dollar drops hard soon, as is looking increasingly likely. The chances of a short-covering rally igniting soon are increased by the fact that virtually NO-ONE is bullish on oil now.



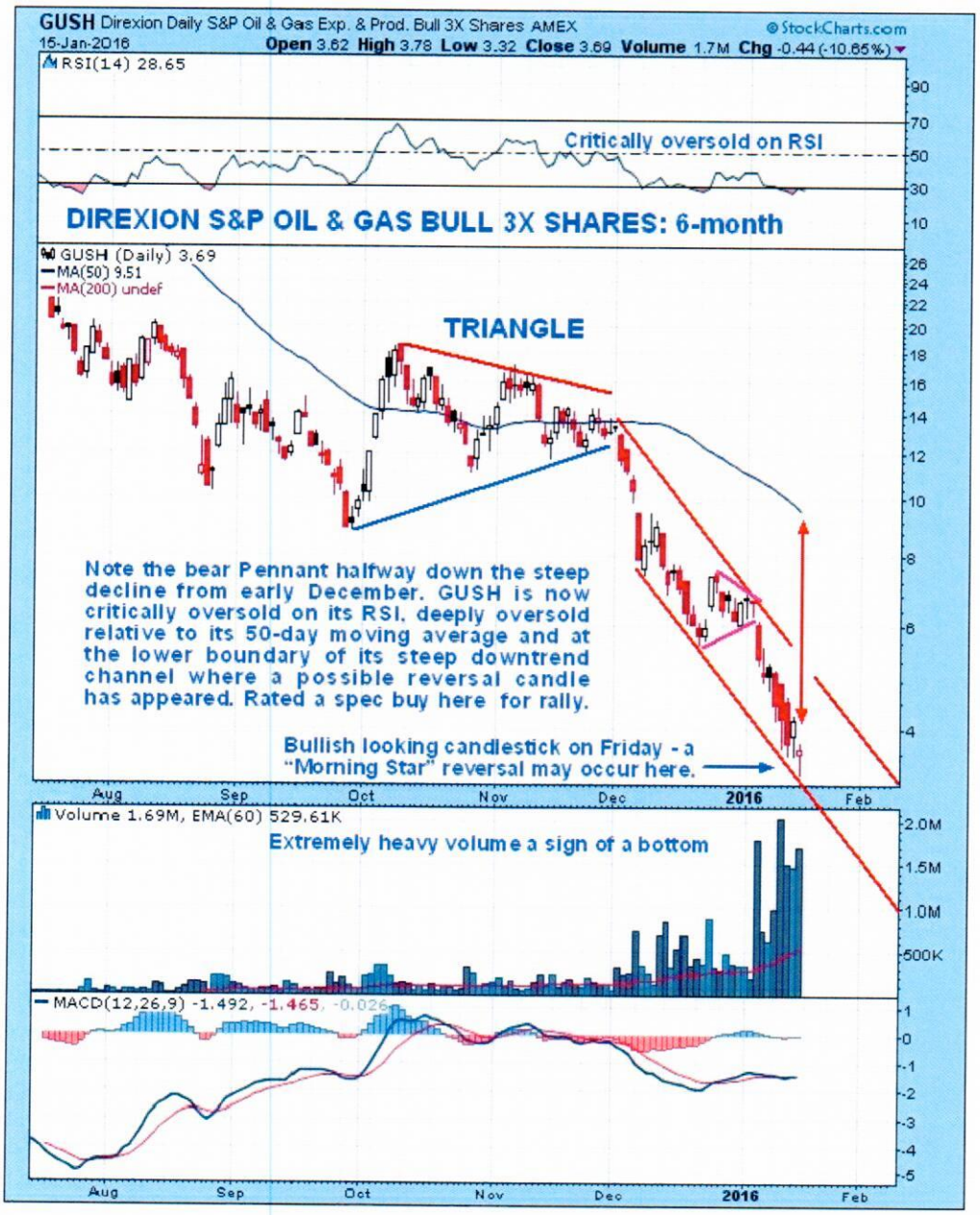
Now we will look at 2 vehicles that may be used to capitalize on a recovery rally by oil, both of which are cheap having been severely beaten down. Like oil they are both at targets at the lower boundaries of their respective downtrends.

The first of these is the United States Oil Fund, code USO, $8.79, which is extremely oversold and has opened up a huge gap with its moving averages...

Oil is so incredibly oversold here that it might be worth giving this a go. We did in fact buy it a couple of days ago so Friday's drop has resulted in a loss. However, it is showing various signs of at least temporary downside exhaustion. The "Star" candlestick that appeared on Friday looks bullish, so we may end up with a "Morning Star" reversal if it rallies today. If the dollar drops hard soon ,as is looking increasingly likely, then it could amplify any recovery rally, and there is a growing danger of a ratcheting up of tensions between between Iran and Arabia, which so far the market has ignored.



Next is the much more highly leveraged Direxion S&P Oil & Gas Bull 3X Shares, code GUSH, $3.69, which may be utilized by those who, conversant with the increased risks created by the high leverage, are out to maximize gains from any rally...



End of update.

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