



Stock Of The Week

Diamonds Start To Sparkle

John Dobosz, 11.02.04, 3:26 PM ET

Marvin Appel, editor with his father **Gerald** of [Gerald Appel's Systems & Forecasts](#), recommends buying the exchange-traded **Diamonds Trust** fund, which tracks the performance of the Dow Jones Industrial Average. Appel is not advocating an extremely risky position, and his goal is simply a 4% gain in the next two months. Diamonds Trust is down 1.6% year-to-date but up 5.4% in the past year. The ETF pays a dividend and yields 1.96%.

"The Dow is in the middle of its trading channel, meaning that by itself the upside potential and downside risk in the near term are about equal," says Appel.

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However, the slow (19- to 39-day) moving average convergence-divergence "has made a positive divergence with price, in that the lows in May, August and October in the MACD occurred at progressively less negative levels even though the Dow industrials made a new low each of those times," Appel says.

Special Offer: Block Trader's ETF Monitor is a weekly advisory that tracks which exchange-traded funds big institutions are buying and selling. Block Traders' just issued a report on a software sector ETF. [Click here to find out if the smart money says it is a buy.](#)

On Oct. 27, Appel bought Diamonds Trust (amex: DIA) at \$100 per share, with an initial mental sell limit of \$102. Because the Dow has not retraced the up move and because the Nasdaq is showing renewed technical strength (a strong Nasdaq is associated with higher stock prices throughout the market), Appel raised his sell limit to \$104 while maintaining a 2% trailing stop.

The biggest representations in Diamonds Trust include **United Technologies** (nyse: [UTX](#) - [news](#) - [people](#)), **IBM** (nyse: [IBM](#) - [news](#) - [people](#)) and **3M** (nyse: [MMM](#) - [news](#) - [people](#)). The Dow had been under serious pressure from weaknesses in insurance stocks in late October. But now that insurance stocks are off of their lows, the Dow has begun to move higher again.

Appel makes most of his technical analysis and market-timing recommendations using sector funds and ETFs. His favorite industry group is big oil. He always advocates buying any of the petroleum majors, such as **Exxon Mobil** (nyse: [XOM](#) - [news](#) - [people](#)), on weakness.



[Click here for a video with more on Diamonds Trust.](#)

This investment above is recommended in Gerald Appel's Systems & Forecasts. [Click here for updates and more in-depth analysis from Marvin and Gerald Appel.](#)

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