



From The Chart Room

Safety And Strength In The Dow Dividend ETF

Matt Rand, 09.02.04, 3:54 PM ET

"I'm kind of cautious about the market in general, from a technical point of view," says **Marvin Appel** of Great Neck, N.Y.-based **Appel Asset Management** and co-editor with his father, Gerald, of [Gerald Appel's Systems & Forecasts](#). He says that there had been MACD buy signals on the S&P 500 and the Dow Jones Industrial Average over the last several weeks, but cautions that "the MACD has worked off its oversold condition with practically no price gains. It's like the market has fired off a lot of its ammunition but hasn't hit anything."

That's his take on the overall market, but Appel notes that some of the traditionally most conservative stocks and ETFs are showing remarkable strength. "The relative strength rankings right now are dominated by dividend payers: the REITs, the utilities and then below that, the large-cap values," says Appel.

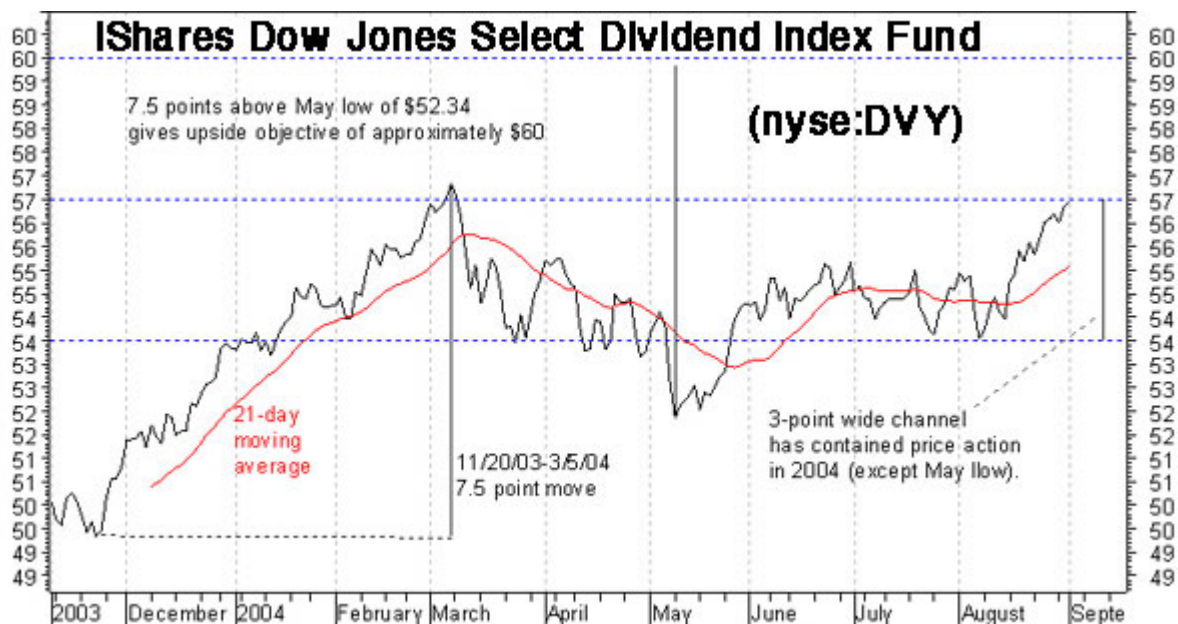
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The best way to play the dividend payers, says Appel, is through the **iShares Dow Jones Select Dividend Index** (nyse: [DVY](#) - [news](#) - [people](#)), an exchange-traded fund that holds dividend-paying stocks from several sectors, but is dominated by banks like **Bank of America** (nyse: [BAC](#) - [news](#) - [people](#)) and **Comerica** (nyse: [CMA](#) - [news](#) - [people](#)) and utilities, including **DTE Energy** (nyse: [DTE](#) - [news](#) - [people](#)) and **FPL Group** (nyse: [FPL](#) - [news](#) - [people](#)). Since early June, the S&P 500 is down about 2%, while the DVY has added about 3.5%. It recently closed at \$56.93 and yields just under 4%.

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"I'd rather wait for a pullback to \$55.50, but I'm not sure that's going to happen," says Appel whose year-end target is \$60, which he concedes is "not that exciting." This is, however, a safe bet, he says, with only a couple of percentage points of downside. "I don't see it going lower than \$55.50 in the intermediate term, and I view it as very unlikely that it would go below \$54." The support at \$55.50 comes from the current 21-day moving average, which is currently at that level and rising. And the support at \$54 is the lower range of the current channel (see chart below).

The highest close for DVY, which is trading at the top of its range since inception in November 2003, is \$57.34. That could be resistance for the ETF, but Appel thinks it will break through that level before the year is out. Compared to the S&P 500, Appel says that DVY "has been a much more stable investment on a price basis, but you get the dividend yield to boot."



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