



From The Chart Room

Unburdening The S&P 500

Ben Berentson, 10.09.03, 7:00 AM ET

Dr. **Marvin Appel**, the editor of [Systems & Forecasts](#), is excited about a relatively new exchange-traded fund from Rydex.

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The fund is called the **Rydex S&P 500 Equal Weight ETF (amex: RSP)**. As the name implies, it holds the entire S&P 500 in equal dollar amounts. Traditional weighting of the S&P 500 favors the companies with the highest market caps, such as **Microsoft** (nasdaq: [MSFT](#) - [news](#) - [people](#)), **General Electric** (nyse: [GE](#) - [news](#) - [people](#)) and **Citigroup** (nyse: [C](#) - [news](#) - [people](#)). This can obviously skew results. For example, since May the S&P 500 is up about 13%, but Rydex's equally weighted RSP gained 20%. Thus, RSP's price movement is more reflective of all of the companies in the market. RSP has been trading since April, and its current price is nearly \$124 per share.

Last year Curtis Hesler of Professional Timing Service alerted Forbes readers to short Microsoft at \$60 and, within a few months, it fell to \$40. Now he is long gold. To get his current buys, click here.

"RSP has behaved like most mid-cap stock indexes, like the S&P 400 and the Russell Midcap, but it's far more liquid," says Appel. "This is great for traders and is a boon to technical analysts that use advance-decline indicators." He thinks the market is set to move up because of a number of positive intermediate-term indicators. One of Appel's favorite indicators is the ratio of new highs to total new highs plus new lows on the New York Stock Exchange. It's now running at 90%, which is a very bullish reading: "I would consider that indicator to show that it's a good time to be invested in an ETF like RSP, which really tracks the market well." Appel also notes that RSP is locked into an intermediate-term uptrend, but he believes that the fund's drop from its recent high means that it might settle down slightly: He recommends getting in at \$119 and setting a trailing 3% stop loss. He expects it to top \$143 by April.



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