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PowerShares Clean Energy ETF Lights Up Gloomy Market

The S&P declined 2.9% last week to finish at 1293, the lowest closing level of the year and within 20 points of the intraday lows reached on January 22nd and 23rd. Stocks are confronted with a number of obstacles that are collectively preventing a break of the downside momentum.

Despite aggressive efforts from the Fed, credit market turmoil and financial de-leveraging persists; financial stocks continue to lead the market lower (banking and brokerage indexes dropped 6% to 7% last week); crude oil prices are holding above the \$100/barrel level amid across-the-board commodity price spikes that are fueling inflation worries; incoming economic data continue to point to recession; and the U.S. dollar continues to trade at record lows.

Not surprising, this set of conditions has created a disturbing sense that the U.S. financial system is in a state of disarray and has led to an extremely high level of investor anxiety and risk aversion. The silver lining is that the stock market is not a barometer of current conditions, but rather an anticipatory mechanism that looks ahead to future economic conditions.

Historically, the stock market bottoms about half way through an economic recession. The ten recessions that the U.S. economy has experienced since 1945 have lasted eleven months on average. As Warren Buffet aptly stated last week, "by any common sense measure," the U.S. economy is in recession and, we believe, has been since November 2007. Assuming this recession is of average length, it should be over by the fall of 2008, but the stock market may very well reach its ultimate bottom this spring.

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We are going to take advantage of recent stock market weakness to add a position to our portfolios this week. In all three of our models, we are buying a 3% position in the **PowerShares WilderHill Clean Energy Portfolio (PBW)**. PBW closed on Friday at \$19.57,

more than 30% below the high end of its 52-week range of \$17.54 – \$28.84.

We view alternative energy as an attractive long-term investment theme for a variety of reasons – economic, geopolitical and climate-related. We expect tremendous growth in the sector in the years ahead, and would note that all three of the Presidential candidates would pursue policies that will increase spending in this area of the economy.

The PowerShares WilderHill Clean Energy Portfolio is the oldest and largest alternative energy ETF on the market. PBW was originally launched March 3, 2005, and currently has \$1.3 billion of assets. The fund, which has 42 holdings, with no single stock accounting for more than 5% of the portfolio, seeks to replicate, before fees and expenses, the WilderHill Clean Energy Index, which is designed to deliver capital appreciation through the selection of companies that focus on greener and generally renewable sources of energy and technologies that facilitate cleaner energy.