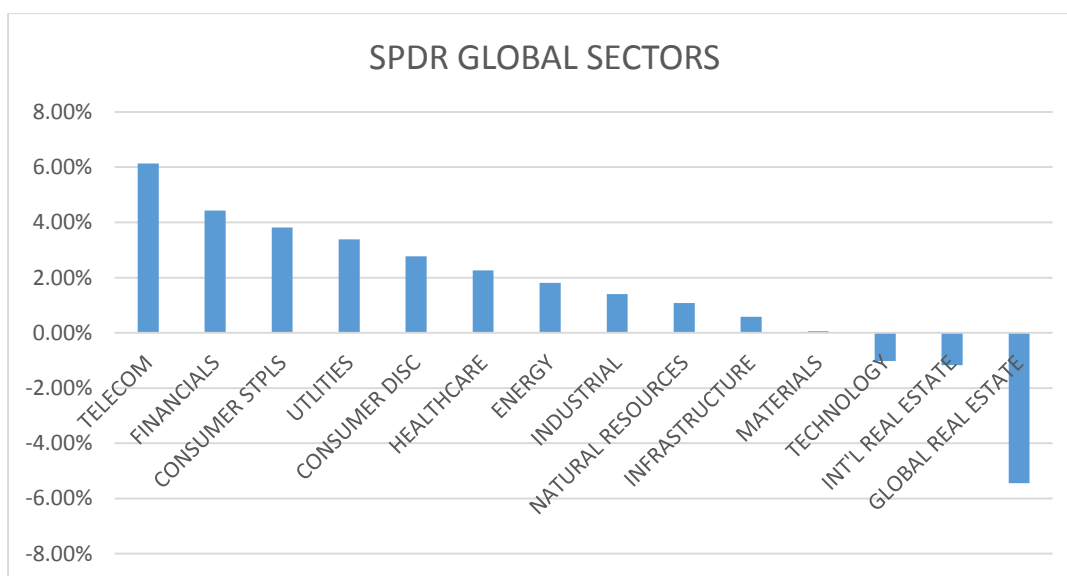


## SPDR INTERNATIONAL SECTOR UPDATE

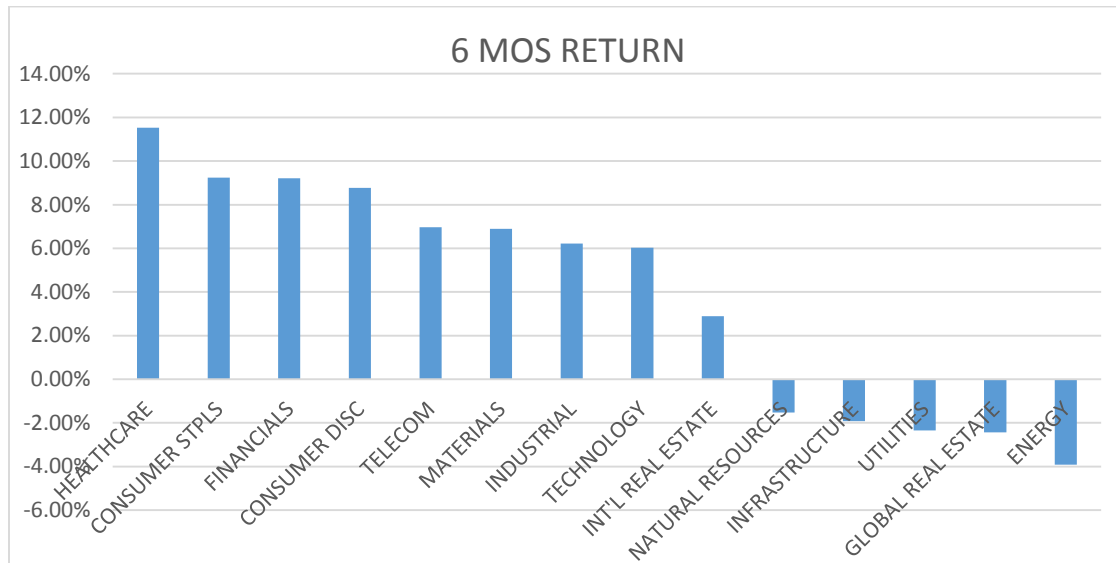
One of the most underreported stories of the last six months is the outperformance of international markets. The EAFE index has outperformed the S&P 500 7.41% to 1.6% over that time frame while EAFE small cap has performed even better, up 11.46%.

Using the SPDR international/global sector ETFs we can look at more detail to see what is outperforming within the international markets. I look at shorter (3 month) and longer (6 months) trends for trading purposes. Sector rotation strategies using Int'l/Global SPDR sector ETFs work just as well as the US versions I've discussed in previous updates. A simple strategy that has produced good results is to buy the 5 SPDR Int'l/Global sector ETFs with the best trailing 3 month performance, rebalanced monthly. Like its US counterpart, it isn't particularly tax efficient as the turnover is high, but it does outperform the underlying EAFE index by a wide enough margin to make it useful. Due to tax implications it is probably most apt for a tax deferred account. Even if you don't pursue a standalone strategy, it is a useful indicator for individual stock picking.

### 3-Month Returns



## 6 Month Returns



Actually, right now there isn't a lot of difference between the leaders at the 3 month and 6 month intervals. It is a largely defensive rally with telecom and consumer staples making the top 5 of both lists and utilities and healthcare making the top 5 for 3 and 6 months respectively. Consumer discretionary and financials, like the more defensive telecom and staples, show up in both time frames. Real Estate, natural resources and materials dominate the other end of the spectrum, not surprising considering the recent weakness in the dollar.

For defensive minded and yield oriented investors the telecom sector deserves some attention. It isn't particularly cheap versus earnings at 18 times but it is reasonable on price/book at 1.85 times. Price/cash flow for the ETF comes in at about 7 times. Again, this isn't deep value territory but it isn't awful. Dividend yield is around 3.5%. Top 5 holdings:

- Vodafone
- Telefonica
- Softbank
- BT Group
- Deutsche Telekom

**Disclosure: Alhambra and/or its clients have positions in VOD (Vodafone), TEF (Telefonica) and SFTBY (Softbank)**

**If you are interested in Alhambra's Sector Rotation portfolio strategies, my contact information is below.**





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***CEO of Alhambra Investment Partners, LLC***

*"Wealth preservation and accumulation through thoughtful investing."*

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