


3 ETFs For Trading Technology

By Casey Murphy | October 28, 2015 AAA | 

Extremely strong quarterly earnings from tech giants such as Facebook Inc. (FB), Amazon.com Inc. (AMZN), Microsoft Corp. (MSFT) and Alphabet Inc. (GOOG), sent shares of the respective companies to fresh all-time highs. For the past several months, the technology sector has been the best place for bullish investors to allocate capital and it doesn't seem like this scenario should change for the remaining part of 2015. In the article below, we'll look at several technology-related assets and try to determine if it is too late to take a position. (For more, see: [A Primer On Investing In the Tech Industry](#))

Technology ETF

Investors who are interested in gaining exposure to the technology sector may want to investigate the Technology Select Sector SPDR ETF (XLK). This fund is comprised of 76 holdings from across the technology sector each with a weighted average market capitalization of \$270 billion. The fund is extremely popular with investors given its liquidity a low gross expense ratio of 0.14%. Taking a look at the chart, you can see that the price recently broke above a key level of resistance shown by the dotted trendline. This bullish gap higher is a clear signal that the trend is in favor of the bulls and at this point any would expect the upward momentum to continue. At this point, many bullish traders will likely look to protect their long positions by placing a stop-loss order below the support of the 200-day moving average, which is currently trading near \$41.55. This is one of the strongest risk/reward ratios anywhere in the public markets and will likely remain a key sector for the bulls leading into 2016. (For more on this topic, see; [Choosing Technology ETFs](#))



Semiconductors Also Showing Strength

Another area of the technology sector that is showing promise for investors is that of the [semiconductors](#). Taking a look at the chart of the Market Vectors Semiconductors ETF ([SMH](#)), which is one of the most popular funds for gaining exposure to this segment, you'll find that it is currently facing a short-term level of resistance near an ascending trendline. Based on the patterns, we'd expect many bullish traders to be waiting for a close above the trendline before jumping on board. Despite the near-term resistance, there are also several key indicators that many traders will want to keep an eye on. The bullish crossover between the MACD and its signal line will likely be used as a sign of confirmation that the bulls are taking control of the trend. Once the price breaks above the trendline, it should become an area of support and this is where active traders will be looking to set their stop-loss orders. (For more, see: [Semiconductor Stocks To Watch](#))



Leveraged Technology ETF

Active traders who want to increase their exposure to technology and are willing to increase the amount of risk may want to check out the ProShares Ultra Technology ETF ([ROM](#)). This fund is used by traders to gain exposure to returns that are 2x the daily return of the technology sector of the U.S. equity market. Taking a look at the chart, you can see that the price broke above a key trendline and based on technical analysis is poised for a move higher. Traders will likely protect their positions by placing a stop-loss order below the trendline in an attempt to maximize the risk/reward ration. For more, see:



The Bottom Line

There have been few safe havens in the public markets over the past few months. As discussed in the article above, one of the few exceptions has been investments within the technology sector. Companies from e-commerce, computer hardware, semi-conductors have all been able to benefit from strong moves higher and based on the charts of the key ETFs shown above there doesn't seem to be an end to the uptrend anywhere in sight. For more on this topic, see: [Want To Focus On Tech? Consider This ETF](#)