

Invest In Consumer Staples With This ETF

In the current market environment there are few sectors that offer the level of stability and growth quite like [consumer staples](#). As you may recall, consumer staples are the goods that people are unwilling to cut out of their spending and household budgets regardless of the state of the economy or their financial position. Companies that conduct business in this sector often provide investors with a lower level or relative risk or beta because the stocks tend to be non-cyclical. We're talking here about companies that sell goods such as food, beverages, tobacco and various household items.

Taking a look at the chart of the Consumer Staples Select Sector SPDR ([XLP](#)), which is a common product used by retail investors for gaining exposure to the types of companies discussed above, you'll notice that it has been trading within a defined uptrend despite the recent broad-market selling pressure. Notice how the 200-day moving average (red line) has propped up the price in the past (blue arrows). This will likely be the lower level that many long-term traders will use when setting up their risk management strategies because they would expect a bounce like in the past. Furthermore, it wouldn't be surprising to see many set their stop-loss orders below \$48.27, or if they want to manage their risk more tightly, many may even choose to place their stops below the dotted trendline near \$49.50. (For related reading see: [Now Is The Time To Buy Consumer Staple Stocks](#))

Consumer Staples Select Sector SPDR ([XLP](#))



XLP Fundamentals

For investors new to this fund, you'll be interested to learn that it holds 39 positions with a weighted average market cap of over \$100 billion. The companies within the holdings of the XLP ETF are truly the cash cows across North America and in many cases across the globe. The fund carries a low gross expense ratio of 0.15% and boasts a 30-day SEC yield of 2.25%. With total net assets of over \$8 billion and a 3-month average volume of near 7 million units it is little wonder why this fund is so popular.

For strategic traders who want to pick and choose their positions it may be worth taking a closer look at the top five holdings shown in the table below:

Company	Weighting (%)
Proctor & Gamble Company. (PG)	11.43
Coca-Cola Company (KO)	8.99
Philip Morris International Inc. (PM)	7.32
CVS Health Corporation (CVS)	7.22
Wal-Mart Stores Inc. (WMT)	6.28

Source: spdrs.com

Wal-Mart Stores

Taking a look at the five-year weekly chart of Wal-Mart Stores, you can see that the pullback so far this year has brought the stock price toward the extremely significant technical level of the 200-day moving average. The consolidation around this moving over the past several weeks shows that the long-term uptrend is very much intact and the proximity to the support level is providing investors with a risk/reward scenario that hasn't been available since early 2012. Many position traders will likely wait for the [MACD indicator](#) to cross above its signal line (blue circle). A bullish crossover on this indicator along with a rising RSI value would make for an ideal trading setup in one of the largest consumer staple companies in the world. (For more, see: [A Guide To Investing In Consumer Staples](#))



