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Five ETF Sectors to Recession-Proof Your Portfolio
Tom Lydon, editor of ETF Trends, submits his picks for the ETF sectors that can help investors weather a recession.

/24-7PressRelease/ - NEWPORT BEACH, CA, February 16, 2008 **-** The signs are all there that we're in a recession: many exchange traded fund (ETF) sectors have taken a hit, Congress is calling hearings, the Federal Reserve is talking about more rate cuts, housing, retail and unemployment numbers are unimpressive at best.

When will the government finally admit what we've all suspected for some time now - that the recession has already started? We can't answer that, but what we can tell you is that now is the time to start thinking about how you can protect your portfolio. The last thing you want to do is wait until it's too late.

Here are a few sectors that have been bucking the trend:

Agriculture
Let's face it: no matter what the economy looks like, people gotta eat. Sure, in times of belt-tightening, you might cut back on the beluga caviar, but you'll still want nutritious and low-cost foods such as bread, milk, meat and vegetables. Apparently, ETFs are on a "see food" diet.

Forget about what's happening in the United States - the world's population is growing, too. Population booms in emerging markets such as China and India mean, among other things, that there are more mouths than ever to feed.

By 2030, our planet will be home to 8.2 billion people. We're going to be a hungrier bunch, too. The average caloric intake per person per day now is 2,600 calories. In the developed world, it's even higher: 3,200 per day. The average worldwide food intake will climb to 3,000 calories a day by 2030.

(As an aside, no one needs to eat that much: it takes 3,500 calories to gain a pound of fat. After a week or two of 3,200 per day, we hope you've left some money aside for new pants).

While your waistline might expand from all that extra food, the demand for agriculture could help related ETFs fatten up, too.

There's also the matter of the energy bill President Bush signed in December. Refineries are required to replace 36 gallons of biofuel by 2022, a move that's going to increase the production of corn, sugar and palm oil. No more than 15 billion of those gallons can come from corn-based ethanol, though, to keep food prices in check.

* PowerShares DB Agriculture (DBA)
* Market Vectors Global Agribusiness (MOO)
* PowerShares DB Commodity Index Tracking Fund (DBC)

Gold
If any investors had doubted gold as a safe haven, it's certainly not showing in the numbers. Investors are snapping up the commodity at such a rate that it seems like a new record is reached every week. On Monday, gold futures surged to $926.70 and there are, in fact, who believe that gold could even hit $1,000 per ounce sometime this year.

What's behind the price surge? High energy prices (crude oil strength is a primary driver of gold prices), geo-political tensions and the continuing weakness of the U.S. dollar all come into play in the cost of gold. There are also those unplanned events that can cause already sky-high prices to rise even further. For example, the power outages in South Africa that brought production to a standstill.

* streetTRACKS Gold Shares (GLD)

* Market Vectors Gold Miners (GDX)
* iShares COMEX Gold Trust (IAU)

Silver
With gold, it's a case of the squeaky wheel getting the grease, but silver isn't anything to turn up one's nose at. In 2007, silver rose 18% and it's showing similarly strong performance this year.

The primary problem with silver is that it's subject to more volatile swings than gold. It's used in industrial applications because of its use as a thermal and electrical conductor, but when industrial demand tapers off in rough economies, so does the demand for silver. However, silver is also useful in water filtration systems, as a wood preservative and in batteries.

* PowerShares DB Silver (DBS)
* iShares Silver Trust (SLV)

Foreign Currency ETFs
The U.S. dollar has been slowing for some time now. As the Federal Reserve is sharpening its scissors and talking of cutting interest rates yet again, the dollar is primed to fall even further.

While that's bad news for the green paper in our wallets, it also makes it a prime time to invest in ETFs that follow foreign currencies. The Swiss franc and Japanese yen have been particularly strong lately.

Today, the yen rose from a one-month low against the dollar after the Japanese economy expanded twice as fast as had been predicted, report Kosuke Goto and Stanley White for Bloomberg. The currency is predicted to continue to keep rising, at least through the end of March.

Meanwhile, Bloomberg users in Switzerland were polled, and they're optimistic about the prospects of the Swiss franc, Daniel Kruger for Bloomberg says. So far this year, the franc has gained 2.9% against the U.S. dollar.

* CurrencyShares Swiss Franc Trust (FXF)
* CurrencyShares Japanese Yen Trust (FXY)

Bonds
The bond market has taken a bit of a hit to its reputation lately, which hasn't necessarily been doing its exchange traded funds (ETFs) any favors.

At the moment, municipal bonds are having their name dragged through the mud as the insurers behind them are taken to task for all kinds of risky investments related to the subprime mortgage industry.

Morgan Housel for the Motley Fool says that this provides a great opportunity for investors, though. When markets are controlled by fear, investments are sold and that's your time to swoop in and maybe make a killing.

Despite all the issues surrounding municipal bonds, they are still a good investment, if only for the tax advantages they offer. Interest income is exempt from federal taxes. Factor that in, and they look more appealing than stocks might.

And even amid the turmoil, these fixed-income investments are still proving themselves as the broader market isn't quite going in the right direction.

For example, iShares Lehman TIPS (TIP) has returned 15.82% while the S&P 500 lost 5.63% over the past year, reports Jesse Emspak for Investor's Business Daily. In fact, all iShares fixed-income ETFs have outperformed the S&P since last year, with the smallest gain bringing in 5.36% from iShares Lehman Short Treasury Bond (SHV).

* PowerShares Insured National Muni Bond (PZA)
* Market Vectors Lehman AMT-Free Int Muni (ITM)
* iShares S&P National Municipal Bond (MUB)
* SPDR Lehman Municipal Bond (TFI)
* PowerShares VRDO Tax-Free Weekly (PVI)
* SPDR Lehman Short Term Municipal Bond (SHM)