

# The Tribeca Trade Group

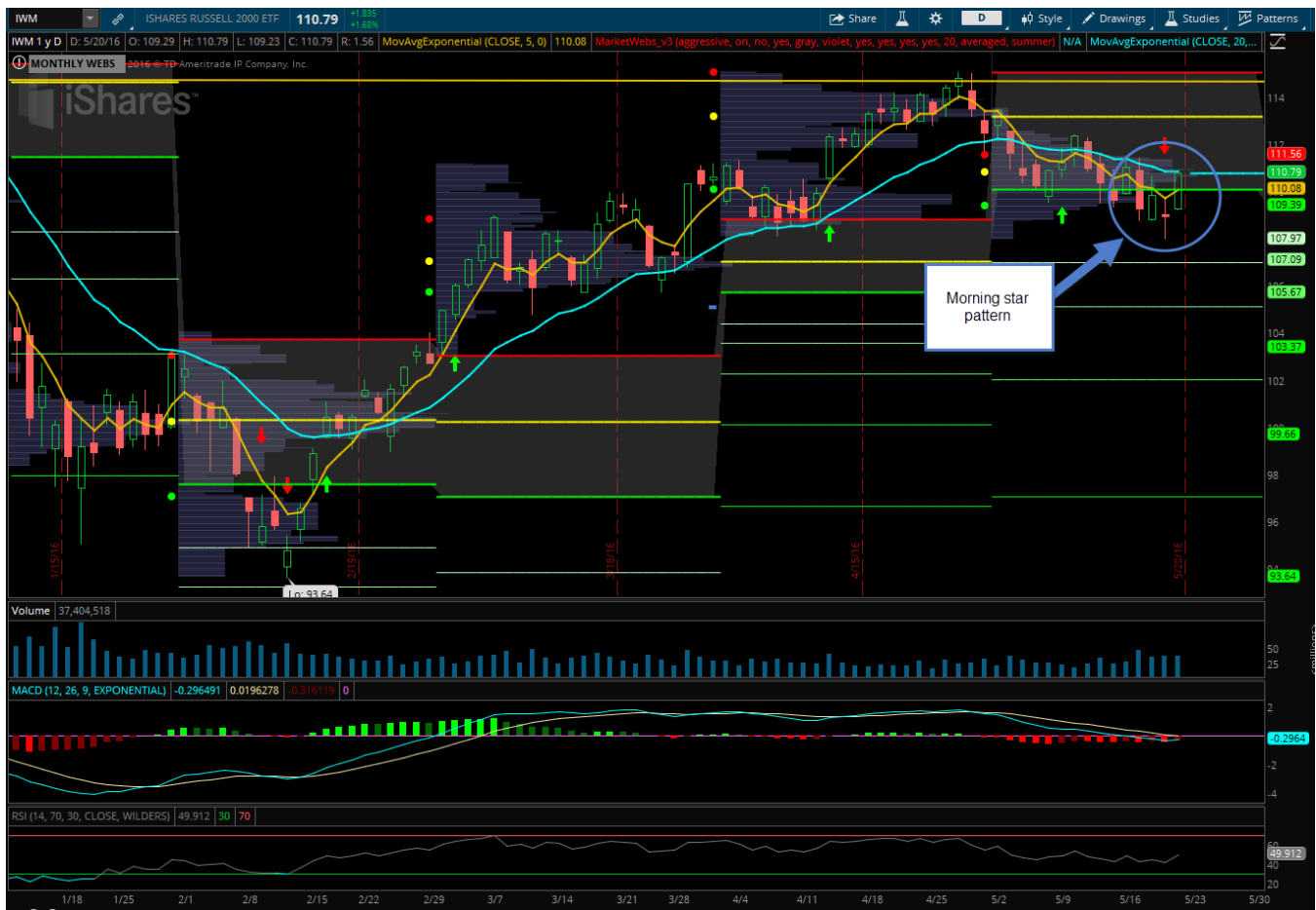
## The Week in Review by Christian Fromhertz @cfromhertz

**US Index performance (5d): SPX +0.3%, DJIA -0.2%, RTY +0.9%, NDX +0.8%, TLT -1.6%.**

Equity markets fluctuated and continued to move sideways. The SPX is flat for the year and seemingly remains trapped in a stalemate between the bulls and bears. Since the beginning of May, S&P futures have broken this month's bottom of value area (2041.75) eight times intraday and have closed below this level once (on Thursday) only to fight back Friday and close back above it this technical level. So, what does this mean & why are US so resilient? We have a great amount of indecision going on in the marketplace, not only in equities, but also in the currency and commodities markets. For example, on May 3<sup>rd</sup> the US Dollar seemingly broke a 1yr + support only to reclaim that support and rally ~4% from those May 3<sup>rd</sup> lows. In addition, Crude oil was the best performer amongst the commodities, gaining +3.3% last week. Crude continues to act as a sentiment indicator and a global growth proxy. For now, equities are buoyed by the rally in Crude oil.

Last week's market moving catalyst that drove currencies and commodities wild was the Fed minutes report that indicated the Fed is leaving the door open for a June interest rate hike. Going into the beginning of last week the Fed Fund futures indicated the probability of rate hike in the June 15<sup>th</sup> meeting at a measly 4%. By Friday, the probability jumped to 28%. In Equities, the effect of this change in rate hike expectations lifted Banks (KBE +4.7%) and drove down yield sensitive sectors REITs (IYR -2.4%), Utilities (XLU -2.2%), Consumer Staples (XLP -2.0%).

Turning the focus to the charts... every day is a new evaluation... IWM (Small Caps) are a good illustration of this. On Wednesday, there was a clear violation of support (sell signal) as price fell below the bottom of the value area (green line), on Thursday a doji candle indicating indecision, and Friday a reversal bar completing a "Morning Star pattern". Note even though Thursday's candle did not completely separate from Wednesday's I am still calling this a "Morning Star".



Source: ThinkorSwim

**Conclusion: while this tug of war between the bulls & bears continues in the major US indices, it remains a “stock pickers market” and I am watching sectors, commodities, and currencies moves for further clues.** For example, if the US Dollar continues rising, it will negatively impact multi-national companies like the Industrials and Consumer Staples sectors. Likewise with interest rates... they have a positive relationship with banks and a negative relationship with yield sensitive equities.

**I continue to have a short term bearish slant on equities but I am not abandoning long equities altogether. I am only looking for longs that are “best of breed” / high quality that are worthy of buying on a dip. Also, names / sectors that are oversold.**

**Here are last week’s sector performers:**

**Best 5d:**

Symbol	Description	5d % chng
SMH	Semis	5.33%
KRE	Regional Banks	4.93%
KBE	Banks	4.69%
IBB	Biotech	4.05%
XOP	Oil & Gas Expl Prod	2.50%
OIH	Oil Services	2.29%
XLE	Energy	1.80%
ITB	Home Builders	1.68%
XLF	Financials	1.44%
XLK	Tech	1.23%
IYZ	Telecom	0.82%

**Worst 5d:**

Symbol	Description	5d % chng
XME	Metals & Mining	-2.99%
GDX	Gold Miners	-2.99%
SLX	Steel	-2.58%
IYR	REITs	-2.40%
XLU	Utilities	-2.23%
XLP	Staples	-2.03%
XLY	Cons Discretion	-0.52%
XLI	Industrials	-0.04%
XRT	Retail	0.54%
XLB	Materials	0.72%
FDN	Internet- FANG	0.73%

**Here are last week’s largest International performers:**

Symbol	Description	5d % chng
GREK	Greece	5.08%
EUFN	EURO FINS	2.78%
EWT	Taiwan	2.27%
EWU	UK	1.98%
DXJ	Japan (FX'd)	1.87%
FM	Frontier Mkts	1.84%
VNM	Vietnam	1.55%
ASHR	China A	1.36%
FXI	China	1.28%
EWB	Hong Kong	1.06%
VGK	Europe	1.03%

Symbol	Description	5d % chng
EWZ	Brazil	-3.38%
EPU	Peru	-2.21%
RSX	Russia	-1.93%
ECH	Chile	-1.62%
EPHE	Philippines	-1.54%
TUR	Turkey	-1.36%
IDX	Indonesia	-1.34%
EWJ	Mexico	-1.28%
EPI	India	-1.05%
EWY	South Korea	-1.03%
PLND	Poland	-0.90%

## The Week Ahead

Next week in addition to key US economic reports including **New Home Sales**, **Durable Goods**, and the second estimate of first-quarter **GDP**, the **G-7** nations gather in western Japan to discuss topics including economic policy, climate change and boosting infrastructure investment. On Saturday, **Finance ministers and central bank governors meet**. A core issue is whether countries can continue to rely on their central banks to stimulate growth. **The G-7 leader's summit takes place on Thursday**. We also get more Fed speak with John Williams (SF) on Monday, John Kaplan (Dallas) on Wednesday, James Bullard (StL) on Monday & Thursday, and Janet Yellen on Friday.

Other notable events include Euro-area preliminary PMIs on Monday, the Eurozone meeting on Tuesday to discuss Greece, IMF Pres. Christina Lagarde holds a news conference on Tuesday, and key earnings reports from **AZO, TOL, BBY, and HPE on Tuesday TIF, PVH, WSM, LGF, COST, HPQ, and EXPR on Wednesday, and DLTR, BURL, SIG, ANF, GME, ULTA, PANW, SPLK, DECK, and DG on Thursday**.

Date Time	Event		Survey	Actual	Prior
05/24/2016 10:00	Richmond Fed Manufact. Index	May	8	--	14
05/24/2016 10:00	New Home Sales	Apr	521k	--	511k
05/25/2016 07:00	MBA Mortgage Applications	weekly	--	--	-1.60%
05/25/2016 08:30	Advance Goods Trade Balance	Apr	-\$60.0b	--	-\$56.9b
05/25/2016 09:00	House Price Purchase Index QoQ	1Q	--	--	1.40%
05/25/2016 09:00	FHFA House Price Index MoM	Mar	0.50%	--	0.40%
05/26/2016 08:30	Initial Jobless Claims	weekly	275k	--	278k
05/26/2016 08:30	Durable Goods Orders	Apr P	0.40%	--	0.80%
05/26/2016 08:30	Durables Ex Transportation	Apr P	0.30%	--	-0.20%
05/26/2016 08:30	Cap Goods Orders Nondef Ex Air	Apr P	0.30%	--	0.10%
05/26/2016 10:00	Pending Home Sales MoM	Apr	0.70%	--	1.40%
05/26/2016 11:00	Kansas City Fed Manf. Activity	May	-3	--	-4
05/27/2016 08:30	GDP Annualized QoQ	1Q S	0.90%	--	0.50%
05/27/2016 08:30	Personal Consumption	1Q S	2.10%	--	1.90%
05/27/2016 08:30	GDP Price Index	1Q S	0.70%	--	0.70%
05/27/2016 08:30	Core PCE QoQ	1Q S	2.10%	--	2.10%

Source: Bloomberg

## ETF Flows for the Week

**Overall: Equity ETFs saw -\$3.5B in outflows (+\$2.4B prior week) last week.** The major US Index ETFs all lost assets with SPY -\$2.5B, IWM -\$759M, and QQQ -\$431M. So, with those three ETF covering the lion share of equity outflows -\$3.7B, what equity ETFs saw inflows? SPLV (PowerShares S&P 500 Low Volatility Portfolio) saw the most inflows of any ETF last week +\$735M and USMV (iShares Edge MSCI Min Vol USA ETF) also added +\$276M. As I have talked about these ETFs in previous newsletters, these two ETFs represent the “Defensive” theme. SPLV yields +2.1% and the top holdings are DVA, KO, LMT, WM, SYY, CHD, AFL, GIS, and PEP. This ETF is +4.8% vs the SPX flat ytd as investors have flocked to this defensive equity theme.

Financials added +\$216M in assets last week with the gains mostly coming post Fed minutes meeting on Wednesday. Interestingly, Energy ETFs had -\$319M in outflows last week. Could be a signal that the Crude rise has run its course...

**International ETFs continue to bleed assets (-\$756M last week and -\$2.3B previous week) as it appears the US is the best house on a bad block.** Emerging Market ETFs saw HUGE outflows of -\$1.2B which is the 3rd straight week of outflows. EEM had the largest outflow of any International ETF, losing -\$1.5B in assets (previous week -\$1.4B). Europe, Japan, and China continued to lose large chunks of assets.

**US / Sectors (5d):** Large Caps -\$3.7B, Small Caps -\$319M, Mid Caps +\$291M

- **Sector Highlights** (largest movers included)
- **Largest Inflows:**
  - **Materials +\$337M:** XLB +\$164M, XME +\$64M, GDXJ +\$52M
  - **Financials +\$216M:** XLF +\$332M, KIE +\$194M, VFH -\$209M, KRE -\$74M
  - **REITs +\$147M:** IYR +\$73M
- **Largest Outflows:**
  - **Tech -\$496M:** XLK -\$239M, FDN -\$49M, IYW -\$47M, KWEB -\$47M, IGV -\$46M
  - **Health Care -\$387M:** XLV -\$408M, IHI +\$84M
  - **Energy -\$319M:** XOP -\$239M, XLE -\$99M, OIH -\$39M
  - **Consumer Staples -\$174M:** XLP -\$143M

### International (5d):

- **International ETFs -\$756M**
- **Country/ Region specific ETFs:**

**Largest Inflows:**

  - **Developed Mkts +433M:** IEFA +\$235M, EFAV +\$133M, SCHF +\$41M

**Largest Outflows:**

  - **Emerging Mkts -\$1.2B:** EEM -\$1.5B, IEMG +\$190M
  - **Europe -\$709M:** HEDJ -\$259M, EZU -\$150M, VGK -\$102M, FEZ -\$102M, IEF -\$67M
  - **Japan -\$554M:** DXJ -\$408M, EWJ -\$146M
  - **China -\$213M:** FXI -\$85M, KWEB -\$47M, MCHI -\$40M

### Largest Flows by Fund

Inflows				Outflows			
Ticker	Description	5d Mkt Value Chng	Fund Size 5d % Chng	Ticker	Description	5d Mkt Value Chng	Fund Size 5d % Chng
SPLV	LOW VOL EQUITIES	\$ 734,917,500	10.5	SPY	SPX	\$ (2,506,971,835)	-1.4
GLD	GOLD	\$ 730,231,000	2.1	EEM	EMERGING MKTS	\$ (1,507,428,000)	-6.6
VTV	VALUE	\$ 447,880,880	2.2	IWM	SMALL CAPS	\$ (758,911,500)	-3.1
XLF	FINANCIALS	\$ 331,903,928	2.0	HYG	HIGH YLD BONDS	\$ (690,062,000)	-4.6
SH	SHORT SPX	\$ 305,550,000	11.5	QQQ	NDX	\$ (431,203,500)	-1.2
USMV	MIN VOL EQUITIES	\$ 276,192,000	2.2	XLV	HEALTH CARE	\$ (407,684,409)	-3.3

## ETFs of the Week:

### 1. KRE (SPDR S&P Regional Banking ETF):

Last week Banks were one of the best performing sectors on the back of Fed speak and the Fed minutes increasing the odds of a June interest rate hike. Contrary to the rise in banking names last week we have saw active put buyers in KBE, KRE, and XLF (see below for recent activity):

>> 5,460 KBE Jun16 31.0 Puts @ \$0.60 5/18

>> 10,032 KRE Dec-16 29.0 P @ \$0.62 5/16

>> 5,025 KRE Dec-16 30.0 P @ \$0.67 5/18

>> 151,647 XLF Jun-16 22.0 P (Qtrly) @ \$0.31 5/13 Fri

From a technical standpoint, the KRE ETF is in the middle of two trend lines. If the ETF cannot break above the higher trend line it could setup for a short.



Source: Bloomberg

## 2. SMH (VanEck Vectors Semiconductor):

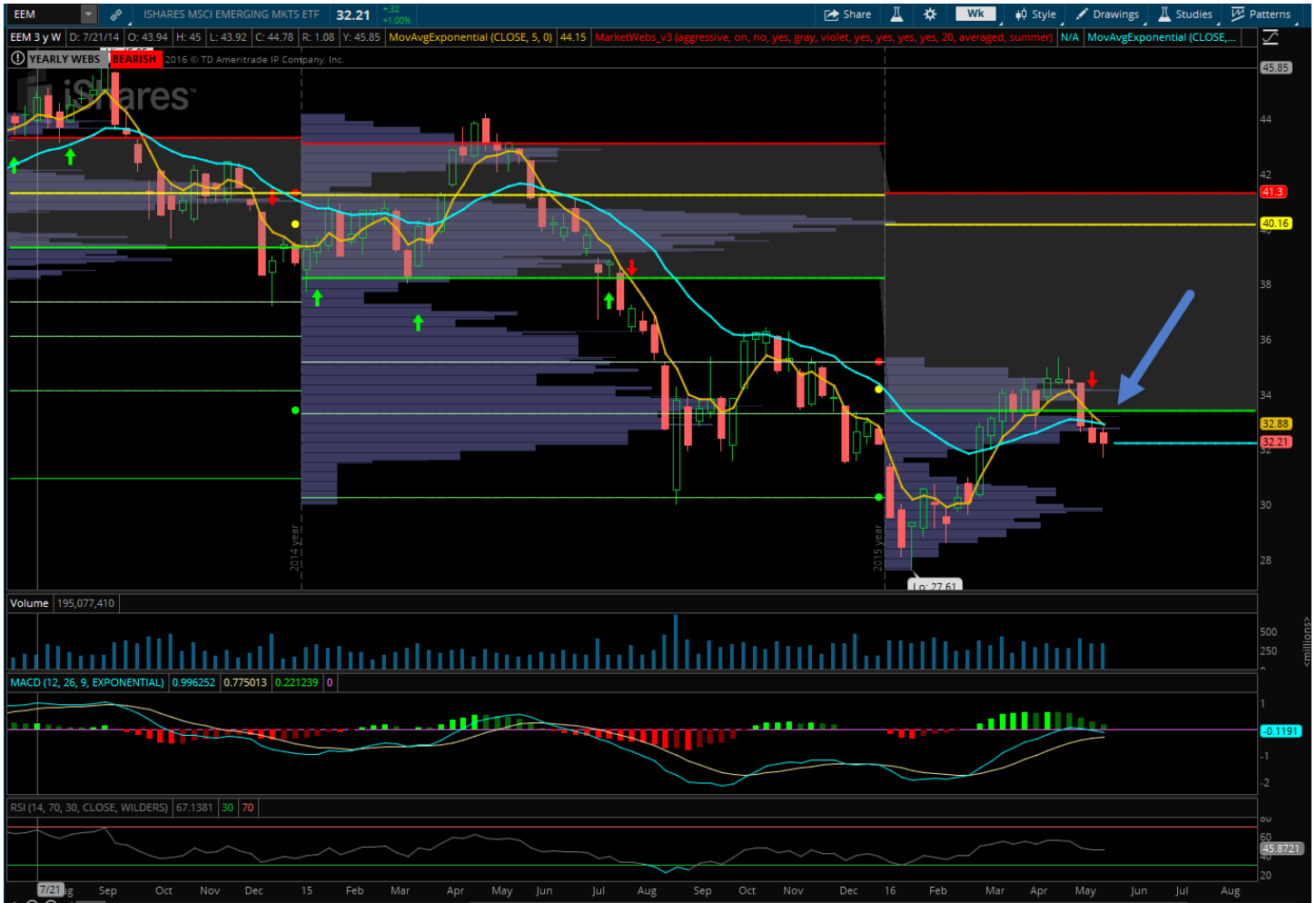
Semis got a huge lift on Friday (+3.3%) from earnings results from AMAT (Applied Materials) +13.8%. Particularly interesting were comments from President and CEO Gary Dickerson: "In our second quarter, we booked our highest orders in 15 years, and we expect to deliver record earnings in fiscal 2016. We are making significant progress with our strategy in semiconductor, display and service, and have a great pipeline of differentiated products that will fuel future growth." This propelled the SMH ETF back into the value area (above green line). I will be watching the semi group next week for follow through price action. This is a good group to watch as it gives an indication of economic activity.



Source: ThinkorSwim

### 3. EEM (iShares MSCI Emerging Markets ETF):

Emerging Market ETFs saw 10 straight of inflows until the week of 5/2. **Since then the EEM ETF has seen \$3B of outflows as the US Dollar has gotten stronger investors have sold EM ETFs.** On the weekly chart, price action has recently broken below the value area (green line), which is bearish. **I am watching for a MACD and a moving average crossover for a sell signal.**

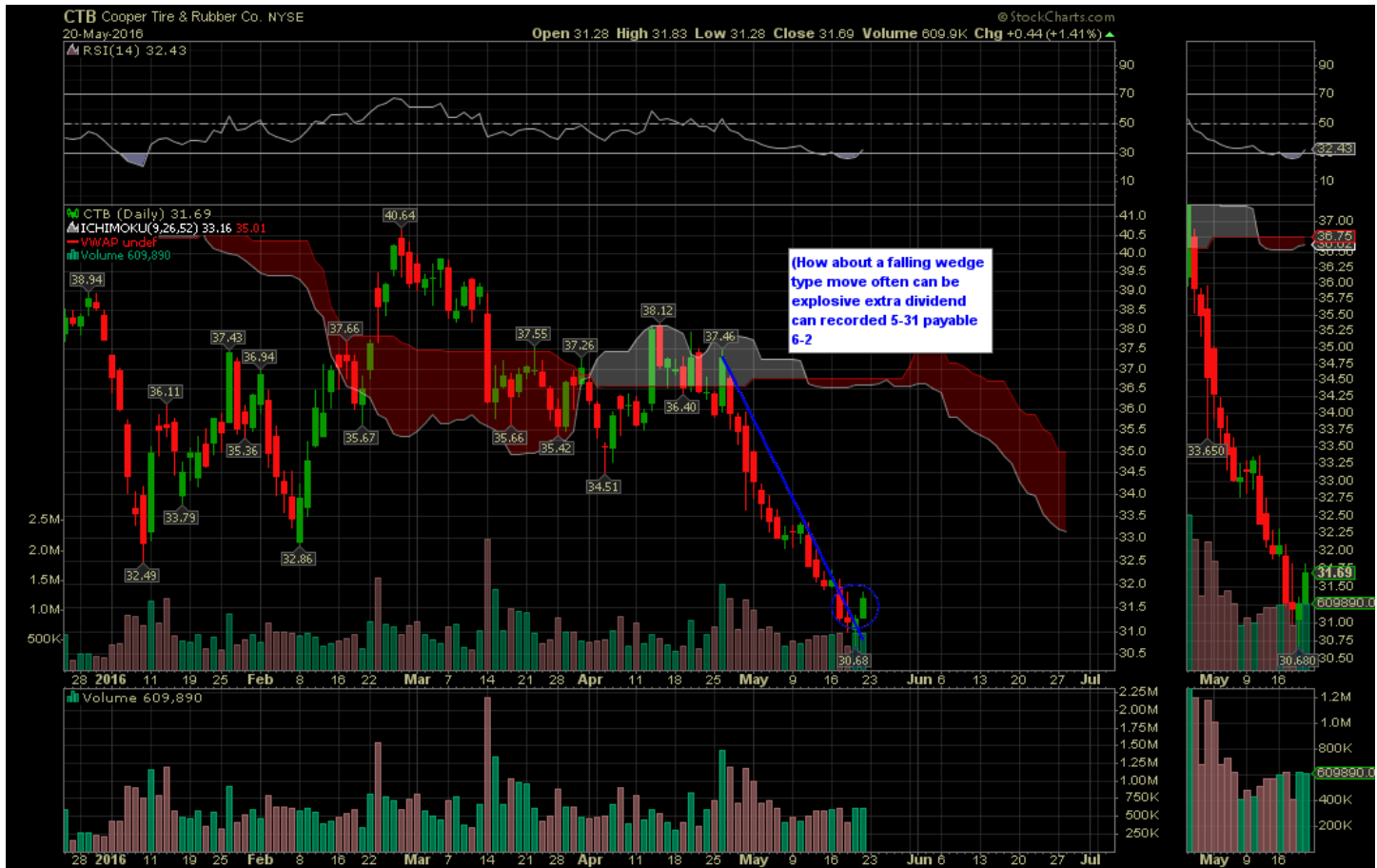


Source: ThinkorSwim

## Stocks to Watch (from Pat Harris @pharris667)

### CTB

Cooper Tire & Rubber Company, together with its subsidiaries, manufactures and markets replacement tires worldwide. The company operates through Americas Tire Operations and International Tire Operations segments. **How about a falling wedge type move often can be explosive extra dividend can recorded 5-31 payable 6-2**





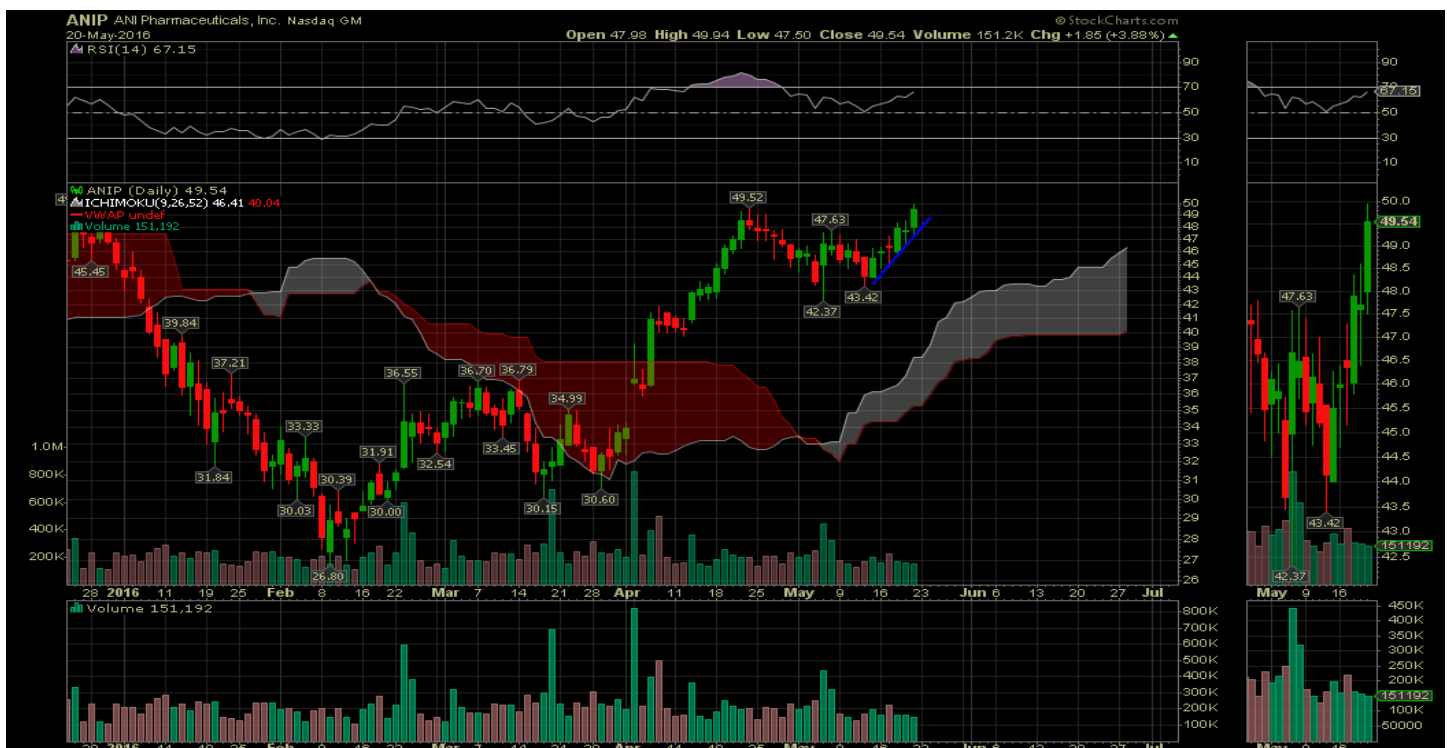
## ALGN

Align Technology, Inc. designs, manufactures, and markets a system of clear aligner therapy, intra-oral scanners, and computer-aided design and computer-aided manufacturing (CAD/CAM) digital services for use in dentistry, orthodontics, and dental records storage in the United States and internationally. **Nice setup to take the next leg up.**



## ANIP

ANI Pharmaceuticals, Inc., a specialty pharmaceutical company, develops, manufactures, and markets branded and generic prescription pharmaceuticals in the United States.



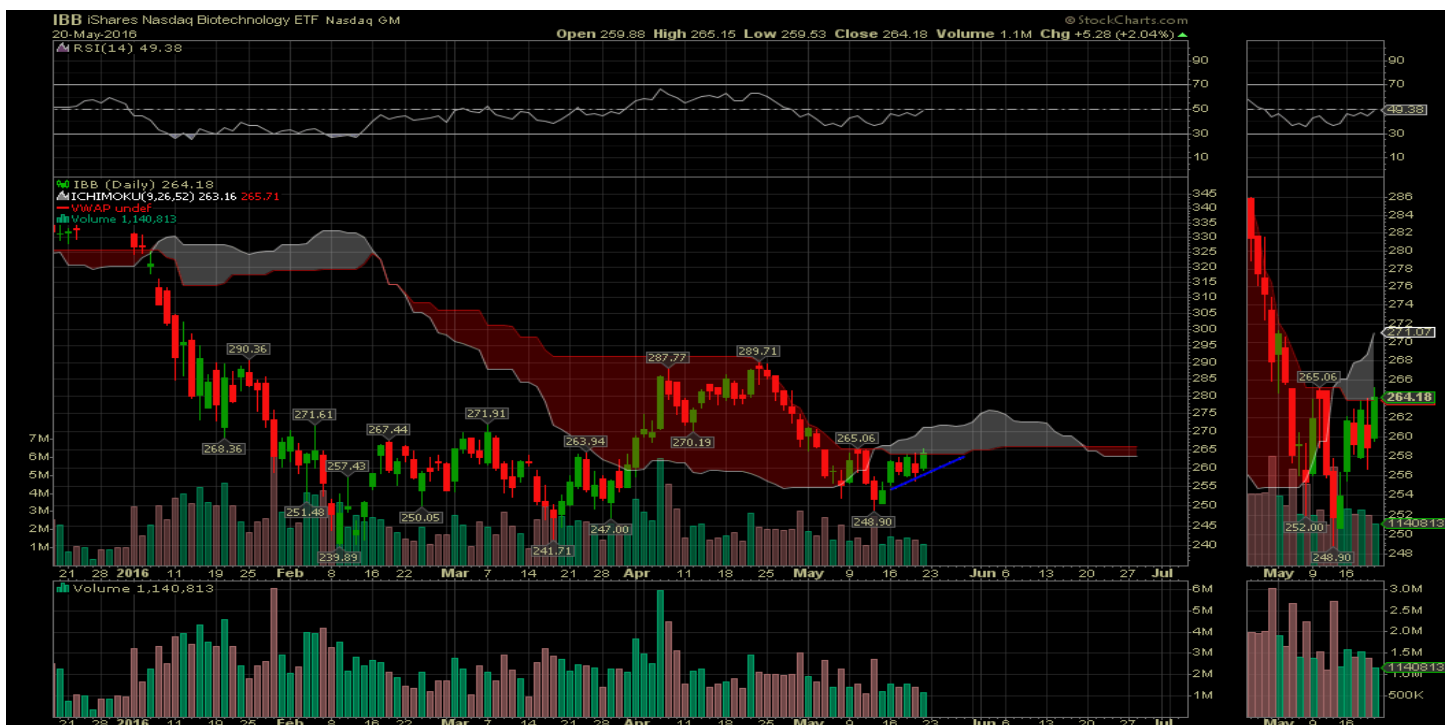
## AGN

Allergan plc, a specialty pharmaceutical company, develops, manufactures, markets, and distributes medical aesthetics, biosimilar, and over-the-counter pharmaceutical products worldwide. Bios back in focus keeping an eye as money flows into bios Friday.



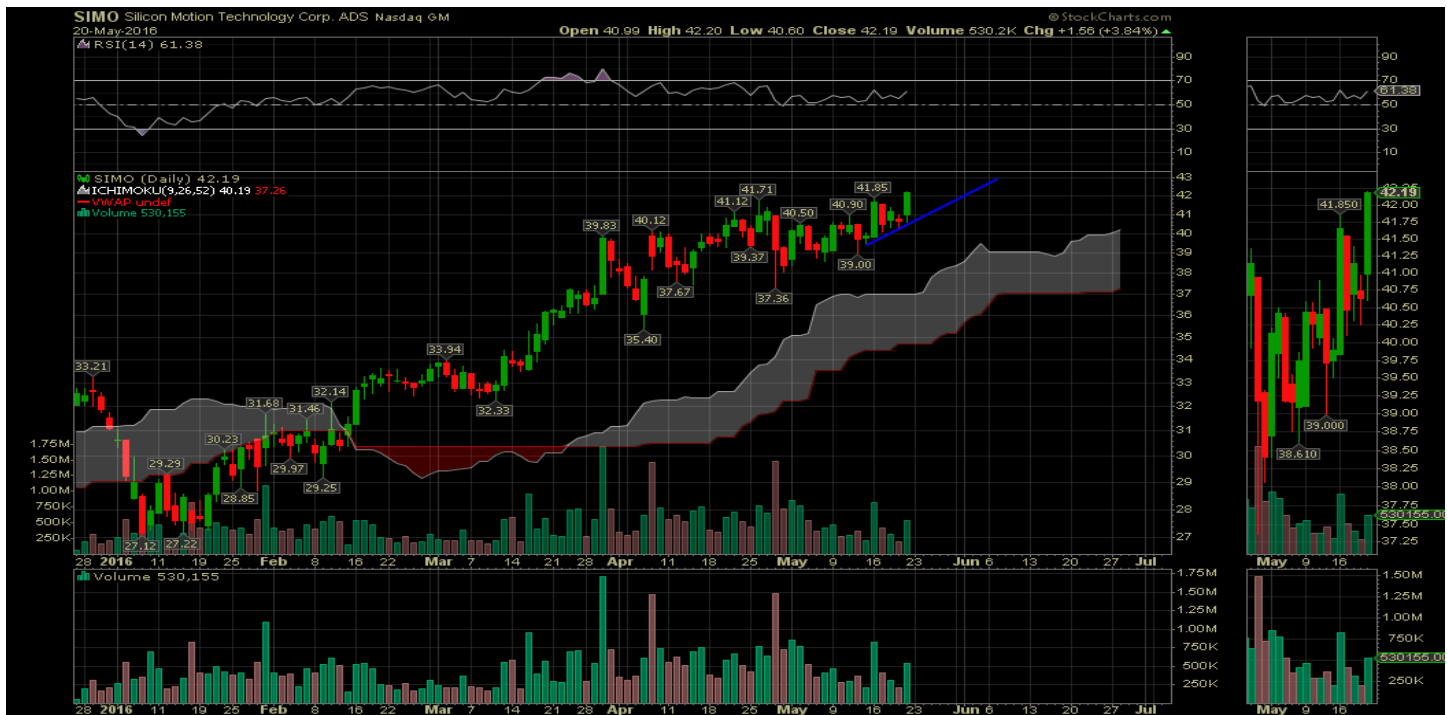
## IBB

The investment seeks to track the investment results of the NASDAQ Biotechnology Index, which contains securities of NASDAQ® listed companies that are classified according to the Industry Classification Benchmark as either biotechnology or pharmaceuticals and that also meet other eligibility criteria determined by NASDAQ OMX. Don't want to invest in a company, how about an etf.



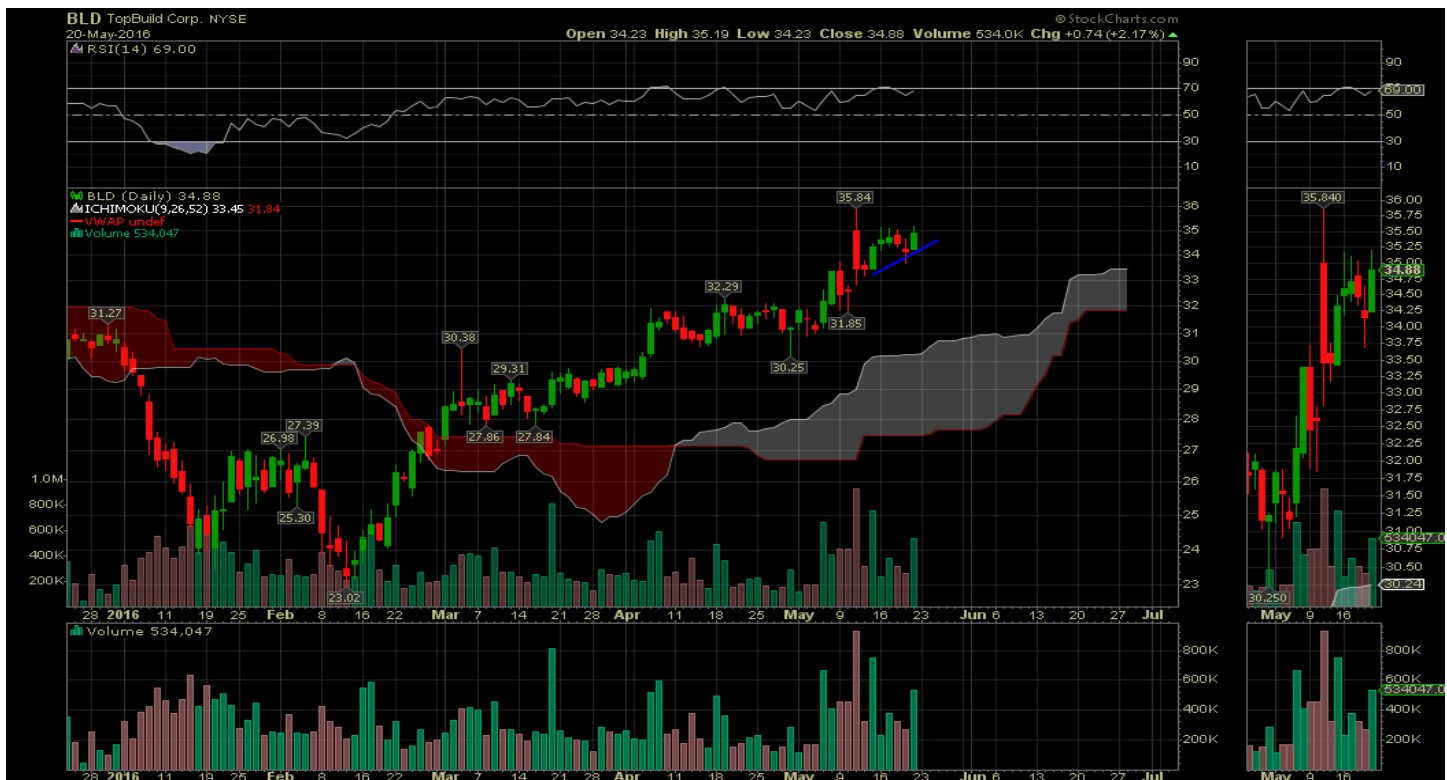
## SIMO

Silicon Motion Technology Corporation, a fabless semiconductor company, designs, develops, and markets semiconductor solutions for the mobile storage and mobile communications markets worldwide.



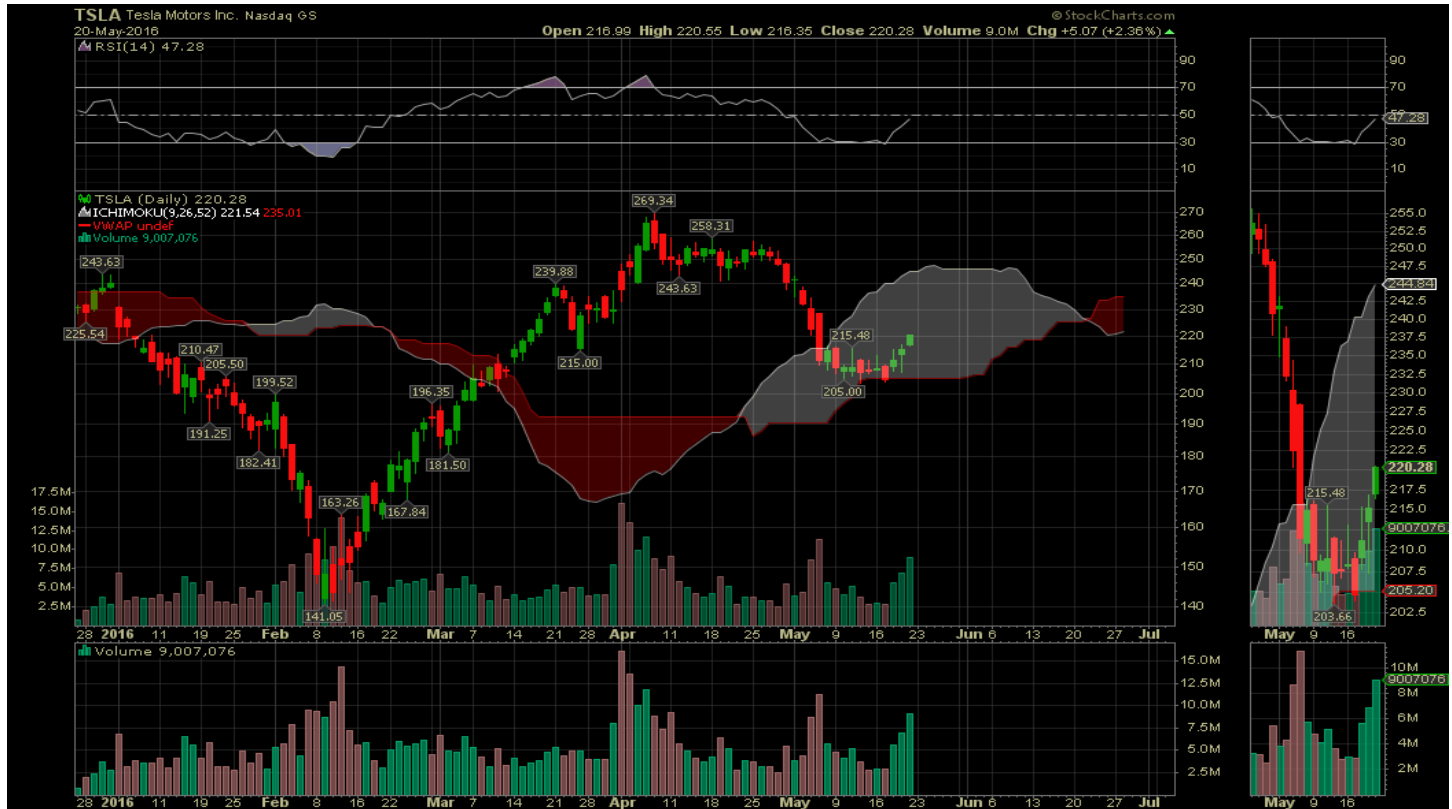
## BLD

TopBuild Corp. engages in the installation, distribution, and sale of insulation and other building products to the United States construction industry



## TSLA

Elon needs Money and hasn't even started tweeting and publishing to build his stock-Just getting started



Also watching EW MSFT SIX DIS LOW REGN SBUX LEN TOL

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