

# TRIBECA TRADE GROUP

**US ETF Index performance (5d): SPY -1.7%, DIA -1.2%, IWM -1.7%, QQQ -2.3%, TLT +0.6%.**

Markets cooled last week after heavy macro events which included two central bank meetings and plenty of economics. What was the takeaway from last week's events? **We may have been a low growth / low interest rate environment for some time. There is now only a 6% probability of a rate hike in July and a 37.9% chance of a December hike according to Fed Fund futures** which in my opinion is a much better gauge of probabilities than the talking heads on CNBC. The possibility of no rate hikes in the coming months weighed on Banks as the KBE (Bank ETF) fell 4% last week. Biotech shares also remain weak and fell 4% last week. There has been an interesting argument in the twittersphere that there is a high inverse correlation between the performance of Biotech shares and the probability of Clinton being elected. Something to keep an eye on...

**The big theme that stood out in option flow last week was dip buying in International areas of the market.** This started in the beginning of the week with buying of calls in EFA (iShares MSCI EAFE ETF). Note the majority of the makeup of the EFA ETF is essentially Japan and Europe (including the UK). Then, on Friday, we saw call buying in VGK (Europe ETF), EWU (UK ETF), and also in EEM (Emerging Markets ETF). **What was particularly interesting was this was not just bullish flow in the option markets, but also in cash.** On Tuesday, there was 1.6mm shares of EWG (Germany ETF), and on Friday another 1.8mm and 510k blocks of EWG traded. These orders traded above the ask price at the time, signaling buying. These orders totaled close to \$100m in market value. There was similar buying in the EZU (Eurozone ETF) and EWJ (Japan ETF) in cash. Here are some significant option flows in EFA, VGK, and EWU last week:

89,472 EFA Jul-16 59.0 Calls @ \$0.18 OPENING 6/14  
30,000 EFA Fri 6/24 50.0 Puts (Wkdy) \$0.12 BIDSIZE SPREAD 6/15  
60,000 EFA Jul16 57.0 Calls \$0.69 ASKSIDE SPREAD 6/15  
10,439 VGK Jul-16 48.0 Calls \$1.10 OPENING 6/17  
78,536 EWU Jul-16 16.0 Calls @ 0.40 OPENING 6/17  
38,838 EEM Jun-16 34.0 Calls (Qtrly) @ \$0.24 6/17  
22,147 EEM Jul16 34.0 Calls @ \$0.43 6/17

**Could it be that International markets have gotten too cheap vs the US???** See more analysis in the chart section.

## TTG Market View:

S&P futures (ESU6) are currently resting on 2059.75 support, which is top of value on the daily chart. Note the ESU6 tested that level 4 straight days last week without closing below it. So, that is the good news as we have done this in the past couple months without breaking down. If you are bullish, you want to see the ESU6 get above that level next week.

The bad news is there are some areas of the market that are either very weak or ripe for further downside. Biotech (XBI ETF) is -24% this year and fell into the value area on the daily chart. Biotech represented the “canary in the coal mine” in the beginning of the year, so I can continue to watch this group as a warning sign. If Biotech rallies next week, I believe it is a good “risk on” proxy for the market. So, I’m watching XBI. Next, the FANG stocks (FB, AMZN, NFLX, and GOOGL) were also weak last week and the charts look like there may be further downside in these names. Another area I’m watching next week is Transports (IYT). Many of Airline stocks (AAL, DAL, UAL, etc) are either at 52week lows or close to them. This is particularly troubling to me. I am watching \$136.10 in the IYT ETF for support.

Finally, this little vote thing call “Brexit” is on Thursday. Sorry, forgive the humor but the Financial Media is well past saturation point with this term. **I think it is wise to have cash on the sidelines in case we see a further pick up in volatility related to the UK vote next week. If we do see a selloff next week on this event it may be a great place to pick up some quality names at a discount.**

## Here are last week's sector performers:

**Best 5d:**

Symbol	Description	5d % chng
IYZ	Telecom	2.02%
XME	Metals & Mining	0.94%
IYR	REITs	0.64%
SLX	Steel	0.34%
FDN	Internet- FANG	0.15%
XLU	Utilities	-0.04%
XOP	Oil & Gas Expl Prod	-0.57%
OIH	Oil Serverices	-0.61%
XRT	Retail	-0.65%
GDX	Gold Miners	-0.65%
XLE	Energy	-0.71%

**Worst 5d:**

Symbol	Description	5d % chng
KRE	Regional Banks	-4.29%
IBB	Biotech	-4.20%
KBE	Banks	-4.06%
XLV	Health Care	-2.40%
XLF	Financials	-2.37%
XLK	Tech	-2.07%
XLI	Industrials	-1.31%
ITB	Home Builders	-1.30%
SMH	Semis	-1.27%
XLP	Staples	-1.22%
XLB	Materials	-1.13%

## Here are last week's largest International performers:

Symbol	Description	5d % chng
EPHE	Philippeanes	2.00%
EWZ	Brazil	0.85%
IDX	Indonesia	0.40%
EPI	India	0.30%
ASHR	China A	0.24%
ECH	Chile	0.17%
EWI	Italy	0.09%
EWT	Taiwan	0.07%
THD	Thailand	-0.09%
EUFN	EURO FINS	-0.11%
EPU	Peru	-0.17%

Symbol	Description	5d % chng
GREK	Greece	-5.90%
DXJ	Japan (FX'd)	-4.68%
EWH	Hong Kong	-3.50%
EWN	Netherlands	-2.78%
VNM	Vietnam	-2.77%
VGK	Europe	-2.64%
PLND	Poland	-2.48%
EWK	Belgium	-2.47%
FXI	China	-2.38%
EWY	South Korea	-2.30%
EWJ	Japan	-1.89%

## ETF Flows for the Week (6/18/16)

**Overall:** Equity ETFs see +\$4.7B in inflows (+\$4.0B prior week), the fourth week in a row of inflows. Index type equity ETFs captured a good portion of last week's inflow with SPY, VO, VTV, and VUG capturing \$3.0B of the overall number. In sector funds, the Material sector continues to attract assets with GDX (Gold Miners) posting \$469M in inflows last week, note the prior week this ETF posted +\$222M in inflows. Note GDX is +88% ytd. REITs also added more asset last week, +\$269M (+\$242M the prior week). Financials saw more chunky outflows of -\$370M (prior week -\$510M).

In International ETFs, Emerging Markets and Developed Market ETF added assets while Europe, China, and Russia saw outflows. Note, the majority of the European outflows occurred in the beginning of the week as "Brexit" fears hit a peak.

### US / Sectors (5d):

- **Sector Highlights** (largest movers included)
- **Largest Inflows:**
  - **Materials +\$391M:** GDX +\$469M, GDXJ +\$117M, XLB -\$132M, XME -\$45M
  - **REITs +\$269M:** IYR +\$115M, VNQ +\$111M
- **Largest Outflows:**
  - **Financials -\$370M:** XLF -\$353M, KBE -\$156M, KRE -\$61M
  - **Health Care -\$350M:** IBB -\$205M, XLV -\$144M, XPH -\$64M, XBI +\$72M
  - **Energy -\$309M:** OIH -\$145M, XLE -\$144M, GASL +\$49M, XOP -\$190M
  - **Consumer Discretionary -\$244M:** XLY -\$167M, XHB -\$52M, FXD -\$40M, XRT +\$52M
  - **Utilities -\$201M:** JXI -\$166M, IDU -\$57M

### International (5d):

- **International ETFs -\$401M**
- **Country/ Region specific ETFs:**
  - Largest Inflows:**
    - **Emerging Mkts +\$474M:** VWO +\$304M, IEMG +\$48M, EEMV +\$35M
    - **Developed Mkts +\$90M:** VEA +\$158M, SCHF +\$89M, EFAV +\$33M, DBEF -\$190M
  - Largest Outflows:**
    - **Europe -\$543M:** DFE -\$168M, HEDJ -\$153M, VGK -\$112M, DBEU -\$95M
    - **China -\$211M:** FXI -\$197M
    - **Russia -\$116M:** RSX -\$116M

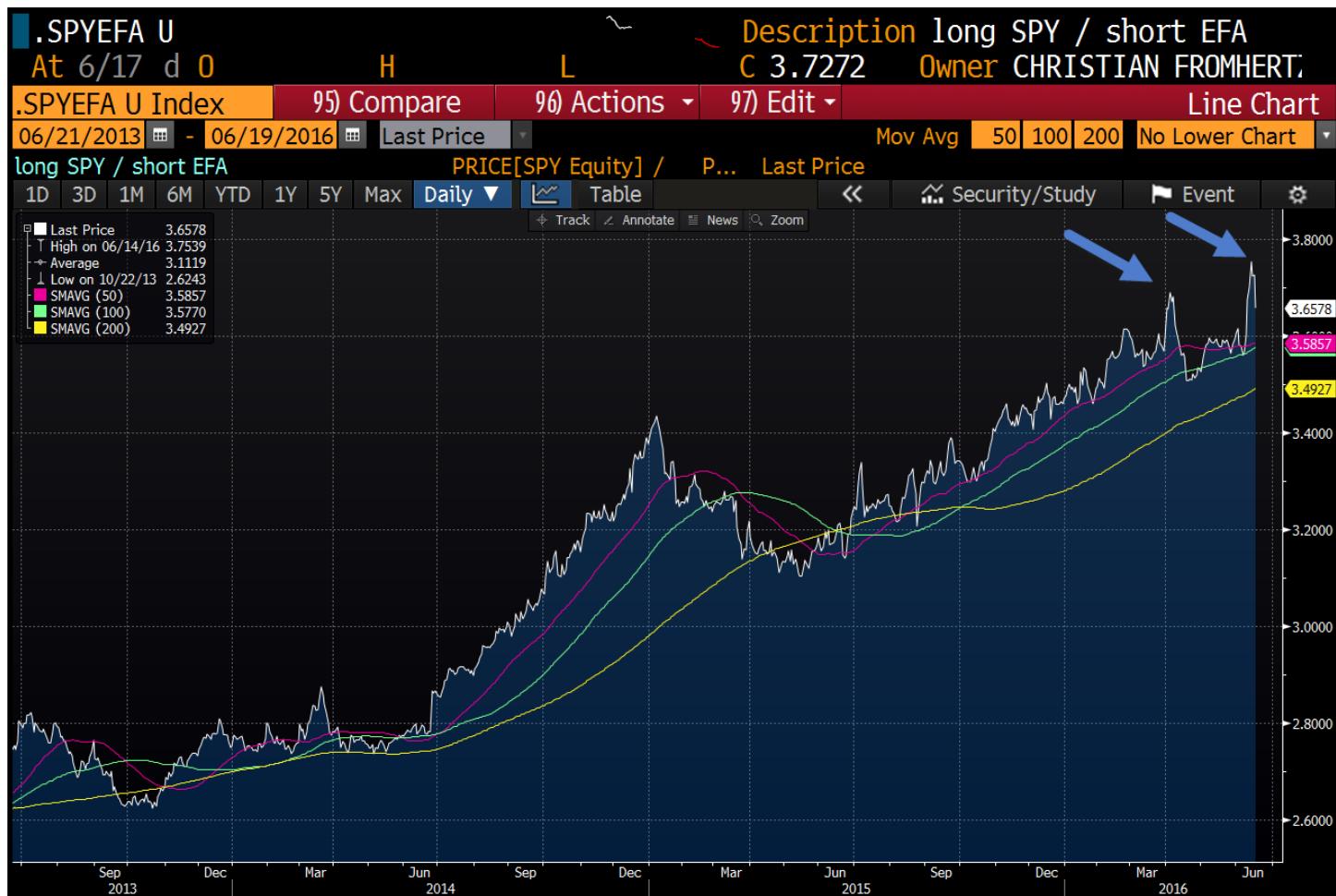
### Largest Flows by Fund

Inflows					Outflows				
Ticker	Description	5d Mkt Value Chng	Fund Size	5d % Chng	Ticker	Description	5d Mkt Value Chng	Fund Size	5d % Chng
SPY	SPX	\$ 1,528,254,196	0.8		HYG	HIGH YIELD BONDS	\$ (1,454,775,000)	-10.0	
VO	MID CAPS	\$ 979,555,508	7.1		QQQ	NDX	\$ (553,748,000)	-1.6	
VTV	VALUE	\$ 633,647,913	3.0		XLF	FINANCIALS	\$ (352,715,096)	-2.2	
GLD	GOLD	\$ 582,565,000	1.6		JNK	HIGH YIELD BONDS	\$ (349,499,651)	-2.9	
GDX	GOLD MINERS	\$ 469,378,000	5.6		UVXY	2X SHORT TERM VIX	\$ (281,184,011)	-24.7	
VUG	GROWTH	\$ 451,308,562	2.2		VXX	SHORT TERM VIX	\$ (234,024,673)	-12.6	

## ETF of the Week:

## **SPY (SPX) vs EFA (iShares MSCI EAFE ETF):**

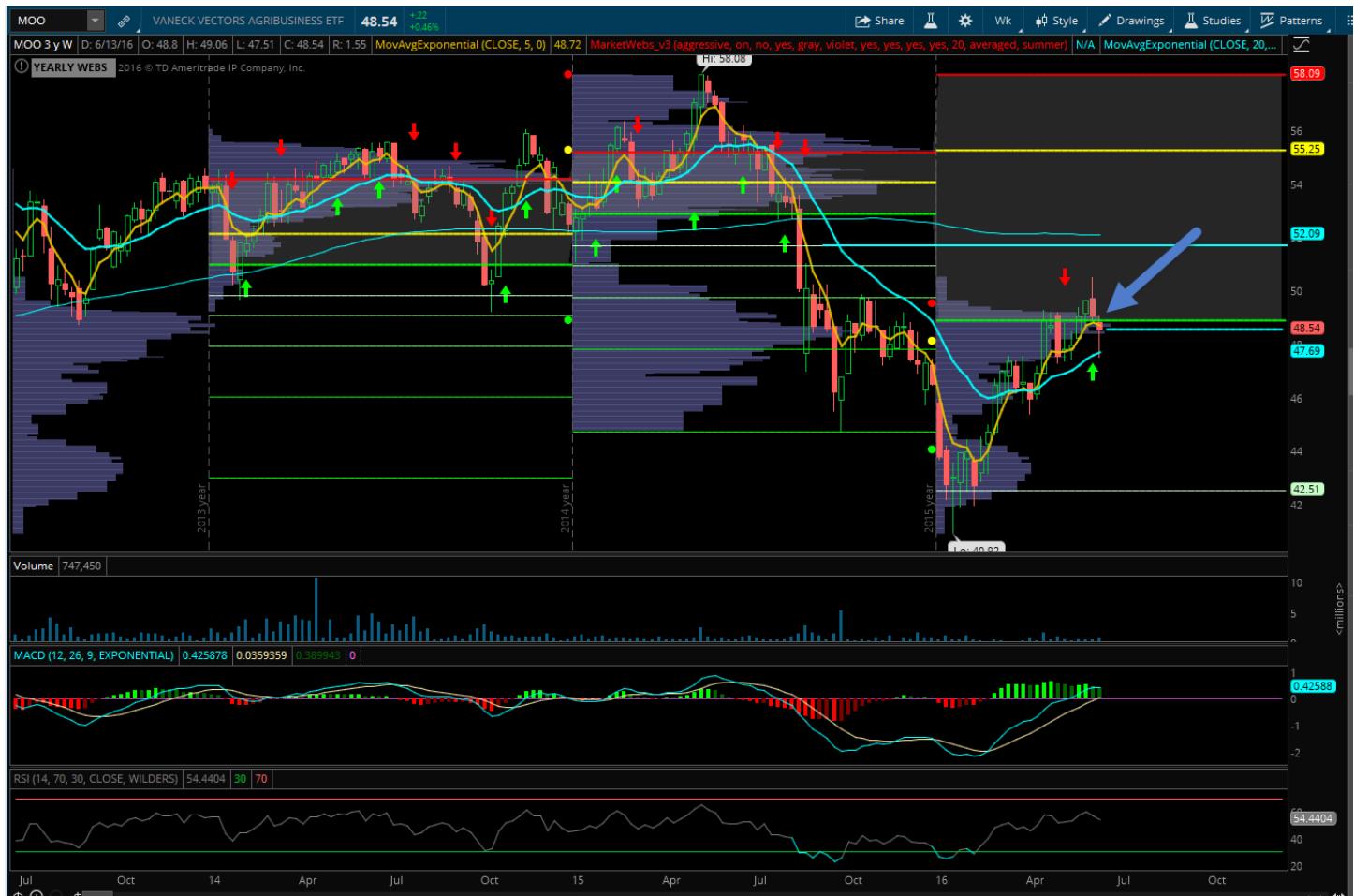
Below is a chart comparing the performance of SPY vs EFA over the last 3 years. As highlighted below, from a relative standpoint, US Large Caps (SPY) got to extreme levels vs International Developed (EFA). What is EFA? From a country perspective, it is made up of 23% Japan, 17% UK, 9.4% France, 9.4% Switzerland, 8.7% Germany, and 7.2% Australia. The top holdings are Nestle, Roche, Toyota, HSBC, British American Tobacco, Royal Dutch Shell, and Total. As I mentioned in the Summary section, we saw bullish positioning in International Developed markets last week in both options and cash markets. Note some of the buying can be considered “dip buying” as these groups are very much in downtrends... One way to play a reversion of this US outperformance is to go long EFA and short SPY. Note if there is further volatility attributed to “Brexit” this spread may get more attractive.



*Source: Bloomberg*

## MOO (VanEck Vectors Agribusiness ETF):

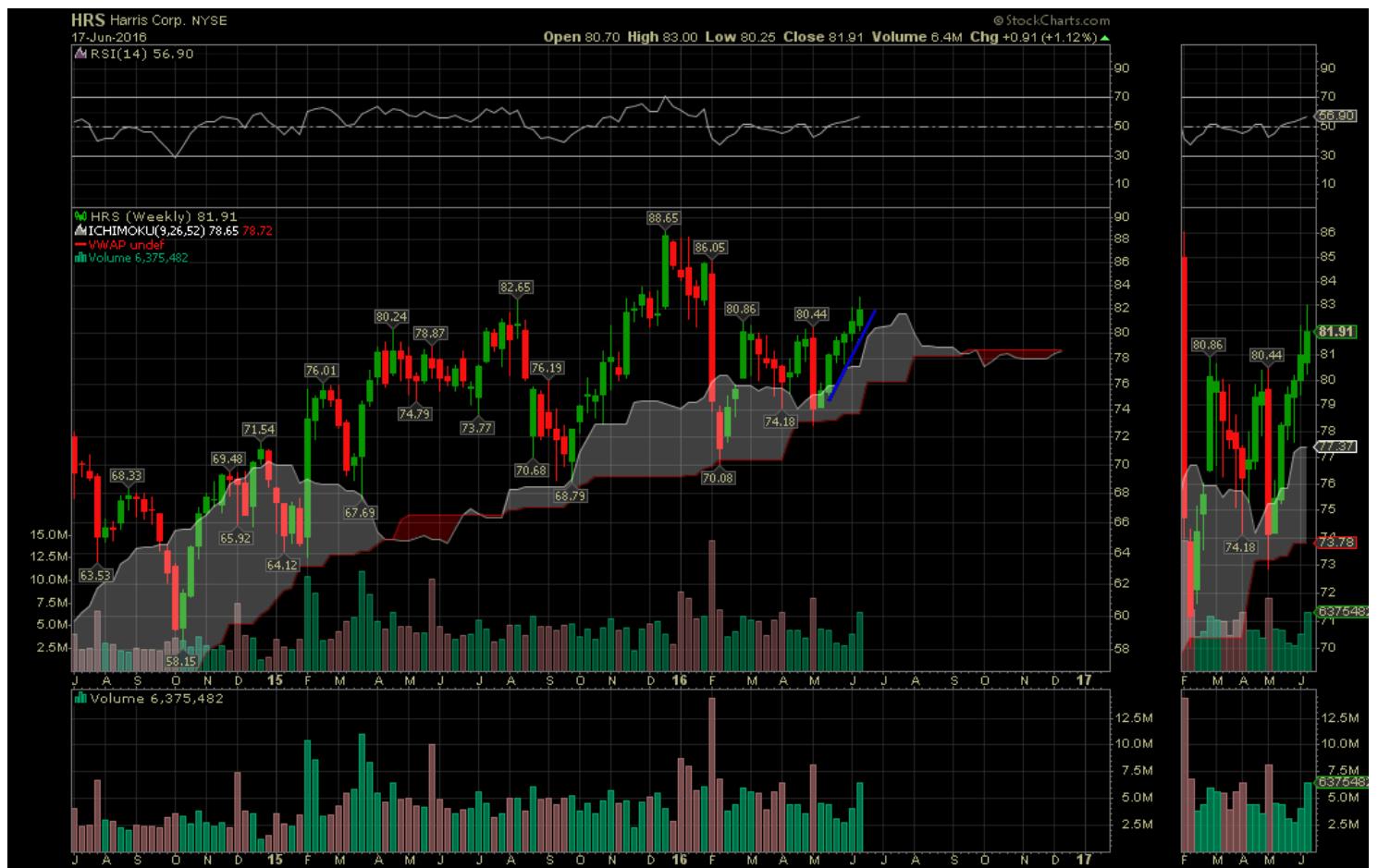
I am posting the same ETF from last week, as I am still watching this for an entry if it gets into the value area >\$49. From the last newsletter, "Agriculture commodities have been on fire over the last couple months. Top holdings in the MOO ETF are MON, SYT, ZTS, DE, ADM, TSN, PUT, and AGU. This ETF has made a healthy move from the lows, keep an eye on the bottom of value \$49 on the yearly value area for more continuation."



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

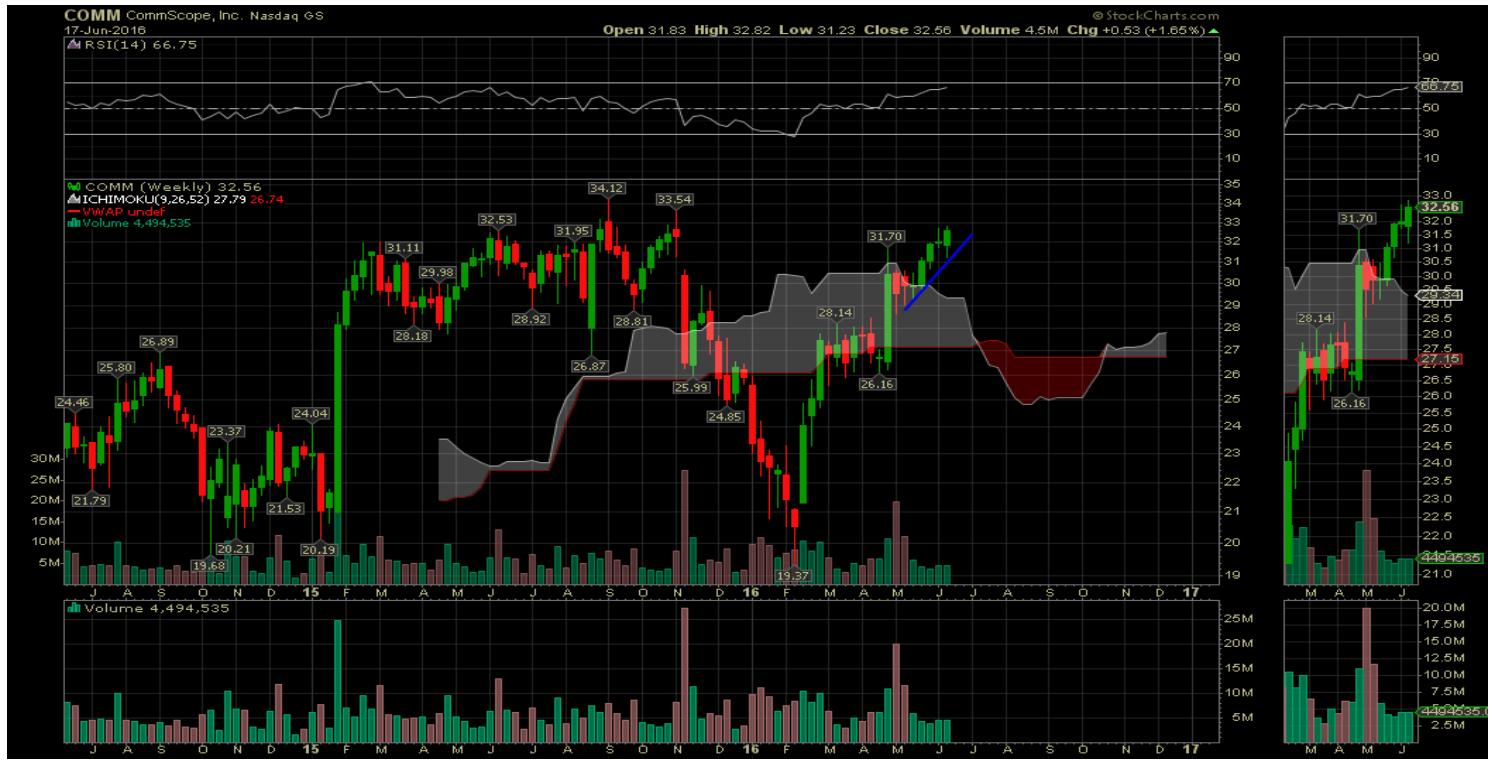
### HRS

Harris Corporation provides technology-based solutions that solve government and commercial customers' mission-critical challenges. The company operates in four segments: Communication Systems, Critical Networks, Electronic Systems, and Space and Intelligence Systems. **Long Set-up 1.7 billion order from Pentagon May fuel this Higher.**



## COMM

CommScope Holding Company, Inc. provides infrastructure solutions for communications networks worldwide. The company's Wireless segment offers macro cell site solutions for wireless tower sites and on rooftops, including base station antennas, microwave antennas, hybrid fiber-feeder and power cables. **Long Set-up**



## OLIN

Olin Corporation manufactures and distributes chemical products in the United States and internationally. It operates through three segments: Chlor Alkali Products and Vinyls, Epoxy, and Winchester. **FORM 4 filings here**.



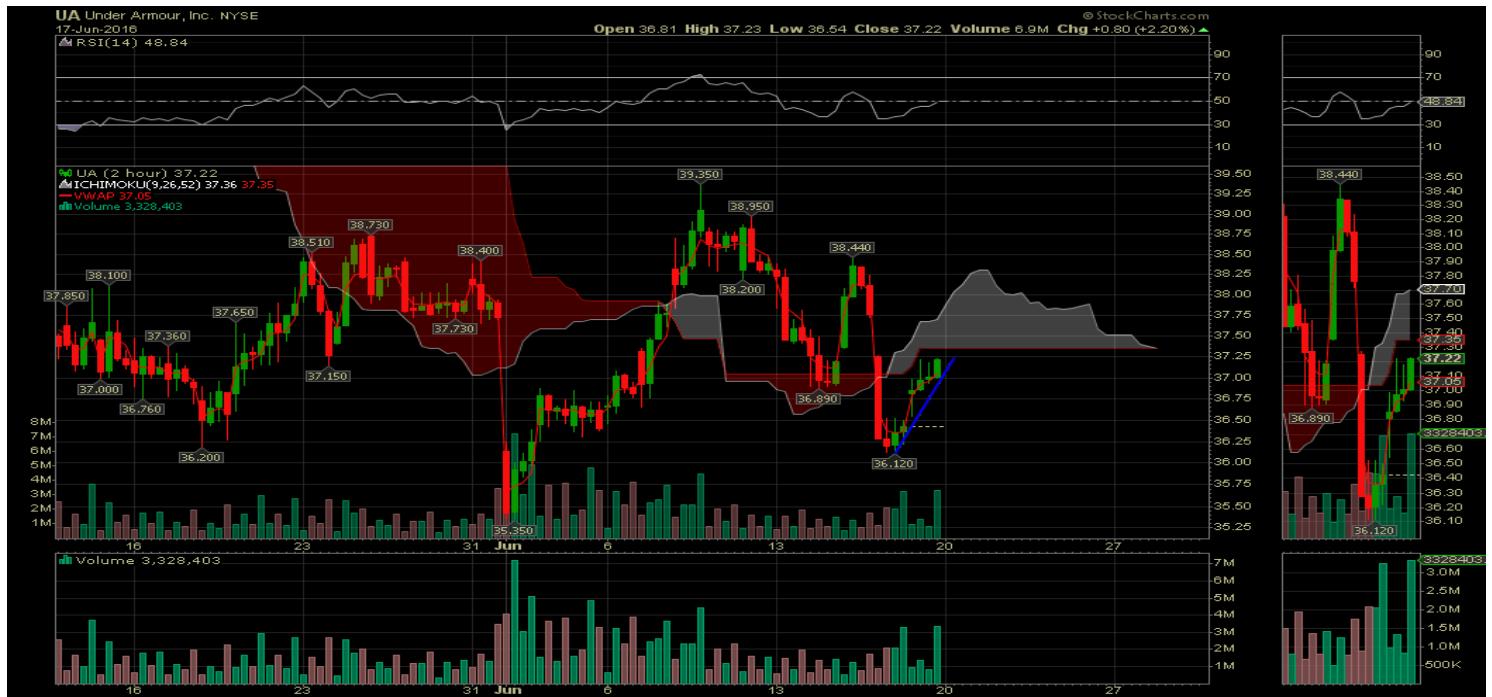
## POST

Post Holdings, Inc. manufactures, markets, and sells branded and private label ready-to-eat cereal products primarily in the United States, Puerto Rico, Canada, Mexico, and the Caribbean. **This has sweeps calls bought all the way through September plus Form 4 filings.**



## UA

Under Armour. Calls swept here Friday. May be a Peter Lynch style of investing but if your Kids are into sports look to see what they're wearing a lot of this name here.



## MAS

Masco Corporation designs, manufactures, markets, and distributes home improvement and building products in North America and internationally. The company's Cabinets and Related Products segment offers assembled cabinetry for kitchen, bath, storage, home office, and home entertainment applications; and integrated bathroom vanity and countertop products. Saw sweeps being bought several times this week.



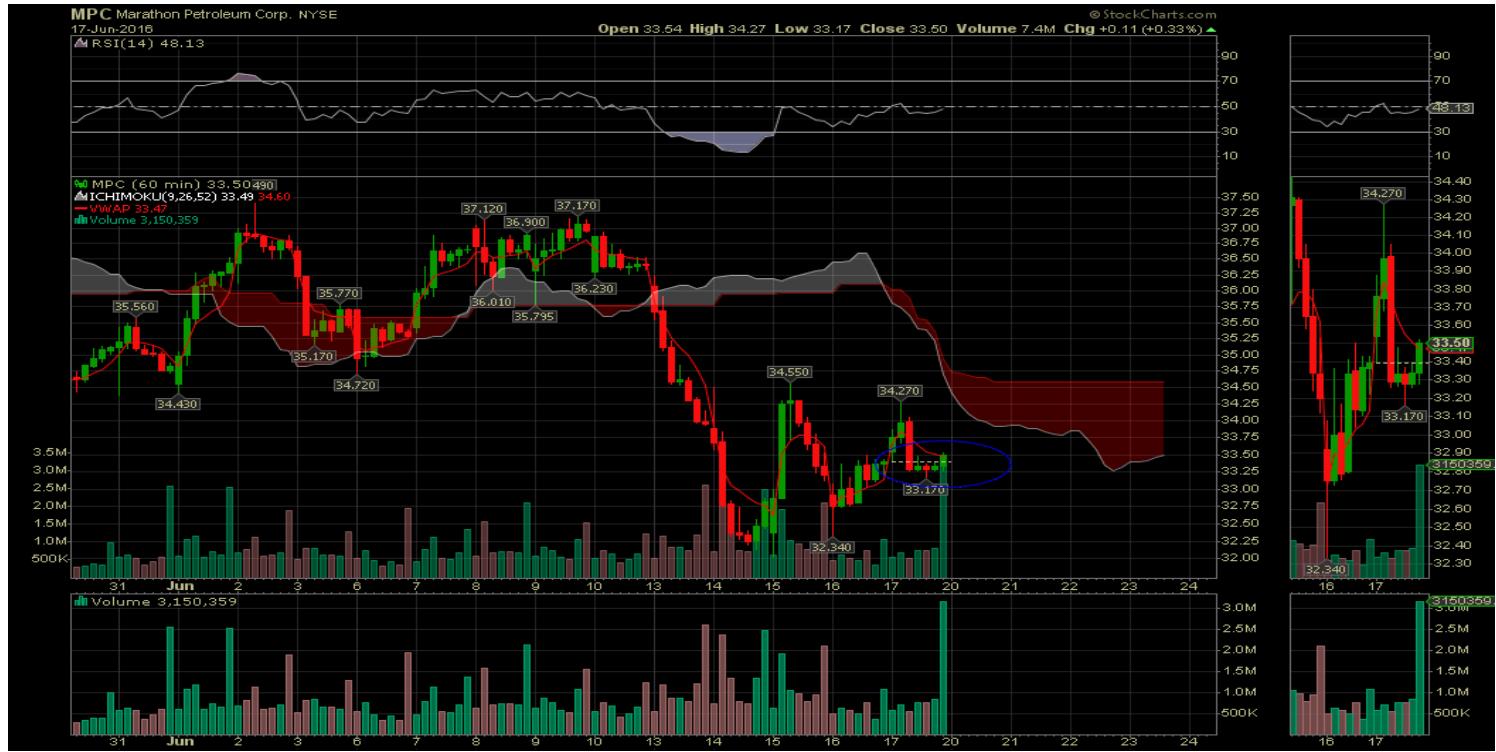
## FDX

FedEx Corporation provides transportation, e-commerce, and business services in the United States and internationally. **Bullish Option Play** 3 weeks ago keeps this on My Radar.



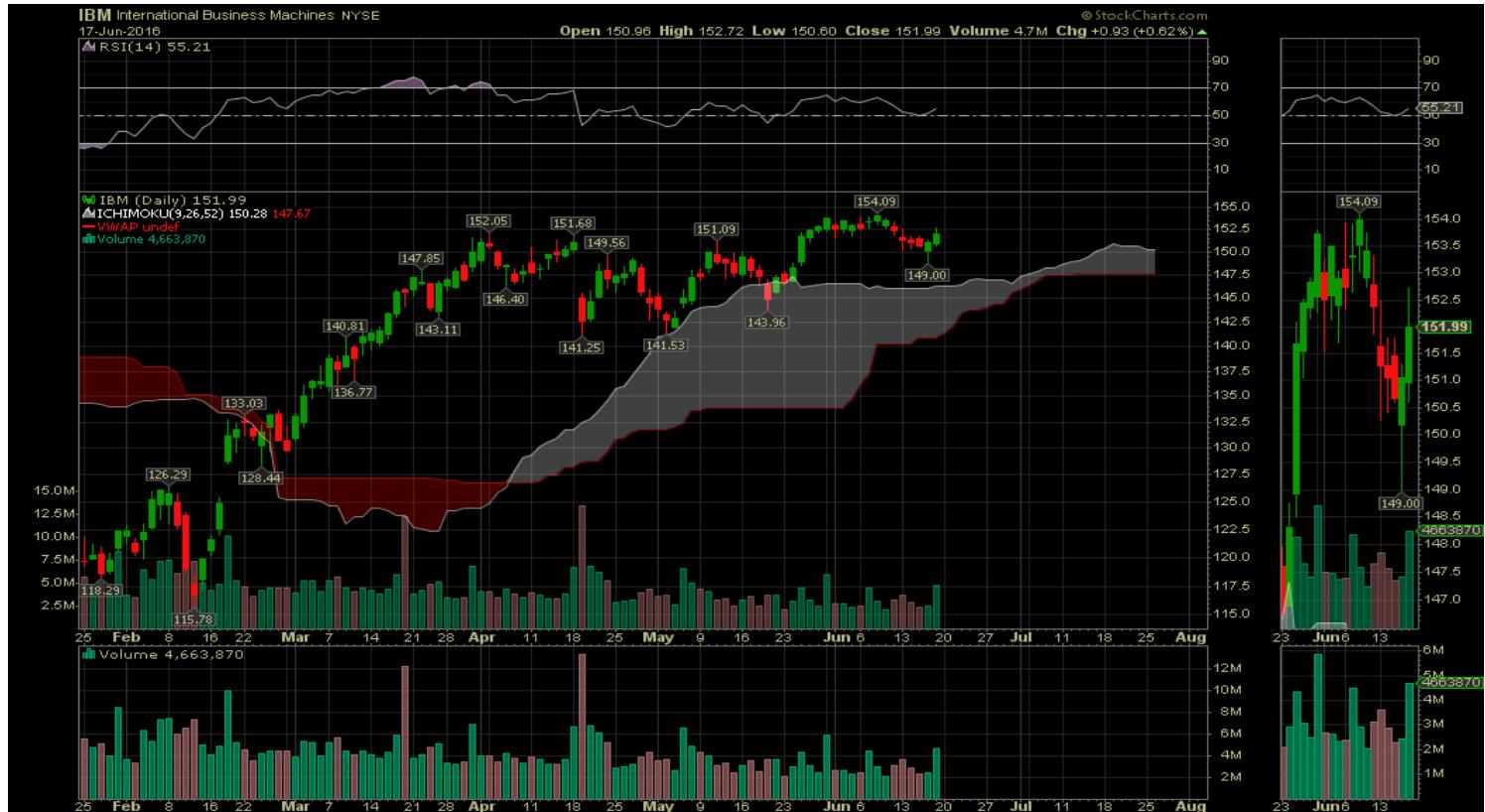
## MPC

Marathon Petroleum Huge July call buying this week. The RSI is 38.



## IBM

International Business Machines good relative strength in this Market.



## STLD

Steel Dynamics, Inc., together with its subsidiaries, manufactures and sells steel products; processes and sells recycled ferrous and nonferrous metals; and fabricates and sells steel joist and deck products in the United States and internationally. **Strength in this sector keeps this in play.**



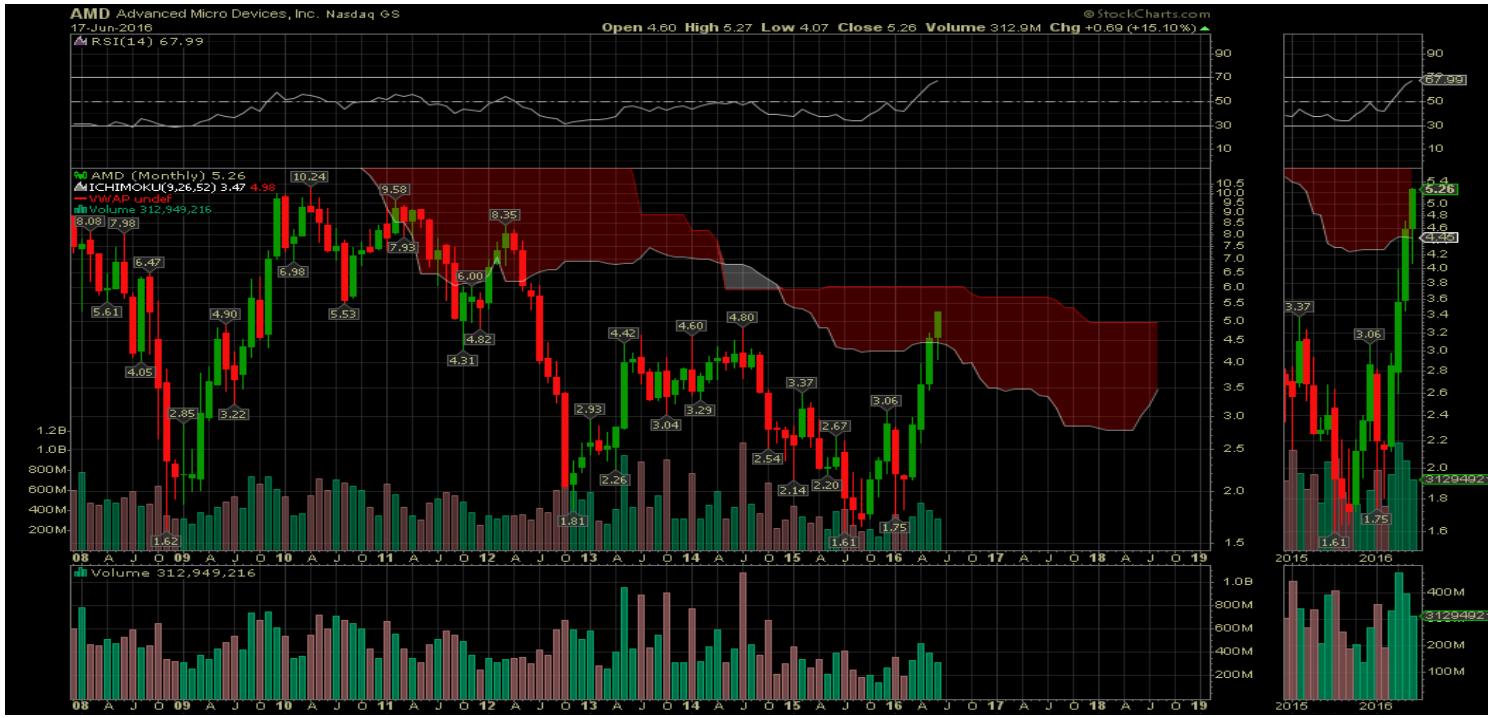
## HOLX

Hologic, Inc. develops, manufactures, and supplies diagnostics products, medical imaging systems, and surgical products for women in the United States, Europe, the Asia-Pacific, and internationally. **FDA grants emergency use of HOLX for treatment of ZIKA**



AMD

Advanced Micro Devices, Inc. operates as a semiconductor company worldwide. The company's products primarily include x86 microprocessors as an accelerated processing unit (APU), chipsets, discrete graphics processing units (GPUs), and semi-custom System-on-Chip (SoC) products. **Over 20,000 October calls bought.**



VZ

**Verizon consistent heavy buying throughout the week. One of the better stocks this year. Also watching T.**



## HSY

The Hershey Company. Interesting rumors here about them shopping their company. When asked to comment about it most companies deny it when asked directly. Their answer was no comment at this time. Huge 100 calls still being bought this week in the Market.



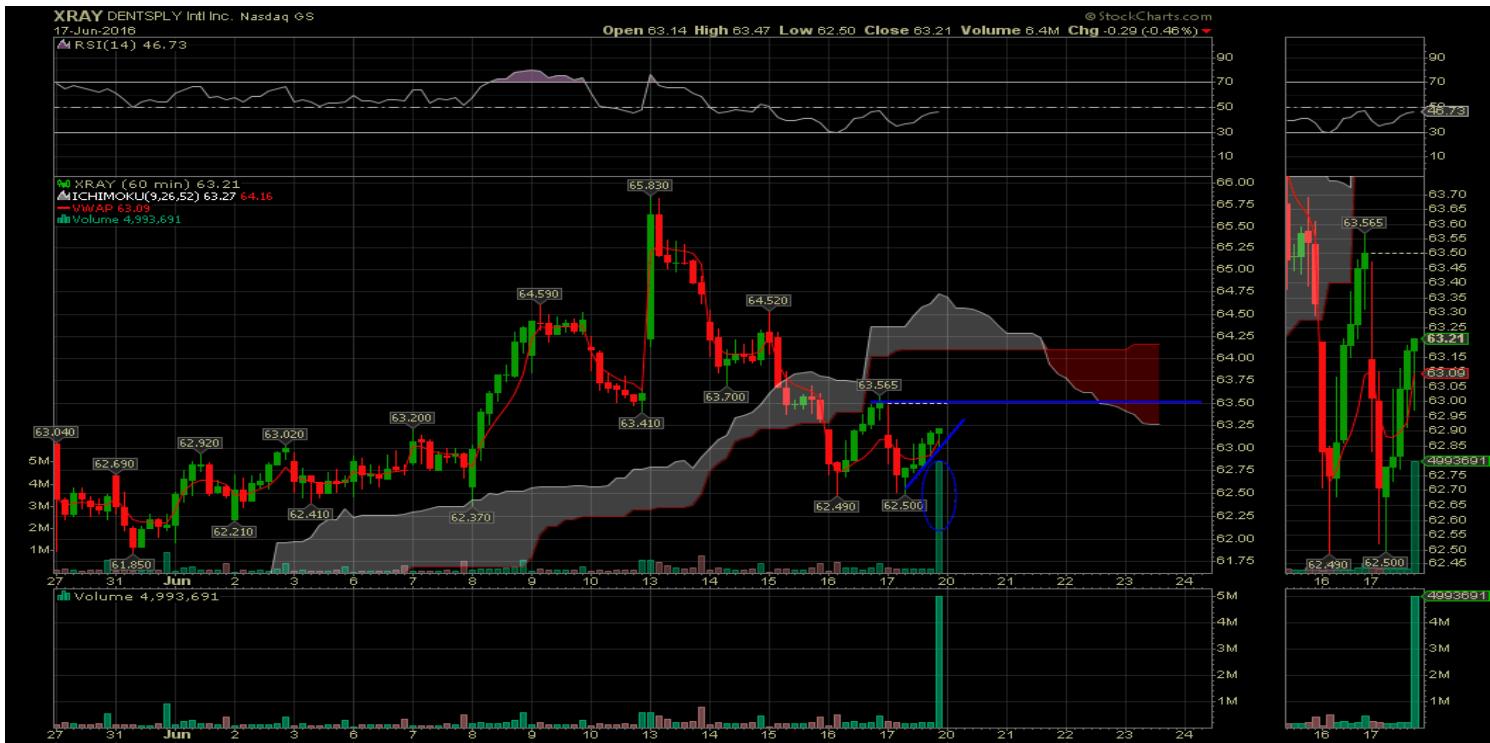
## STOR

STORE Capital is a privately owned real estate investment trust. The firm invests in the real estate markets. It primarily invests in single-tenant properties including chain restaurants, supermarkets, drugstores and other retail, service and distribution facilities. **Form 4 filings, consistently making 52 week highs featured in IBD this week.**



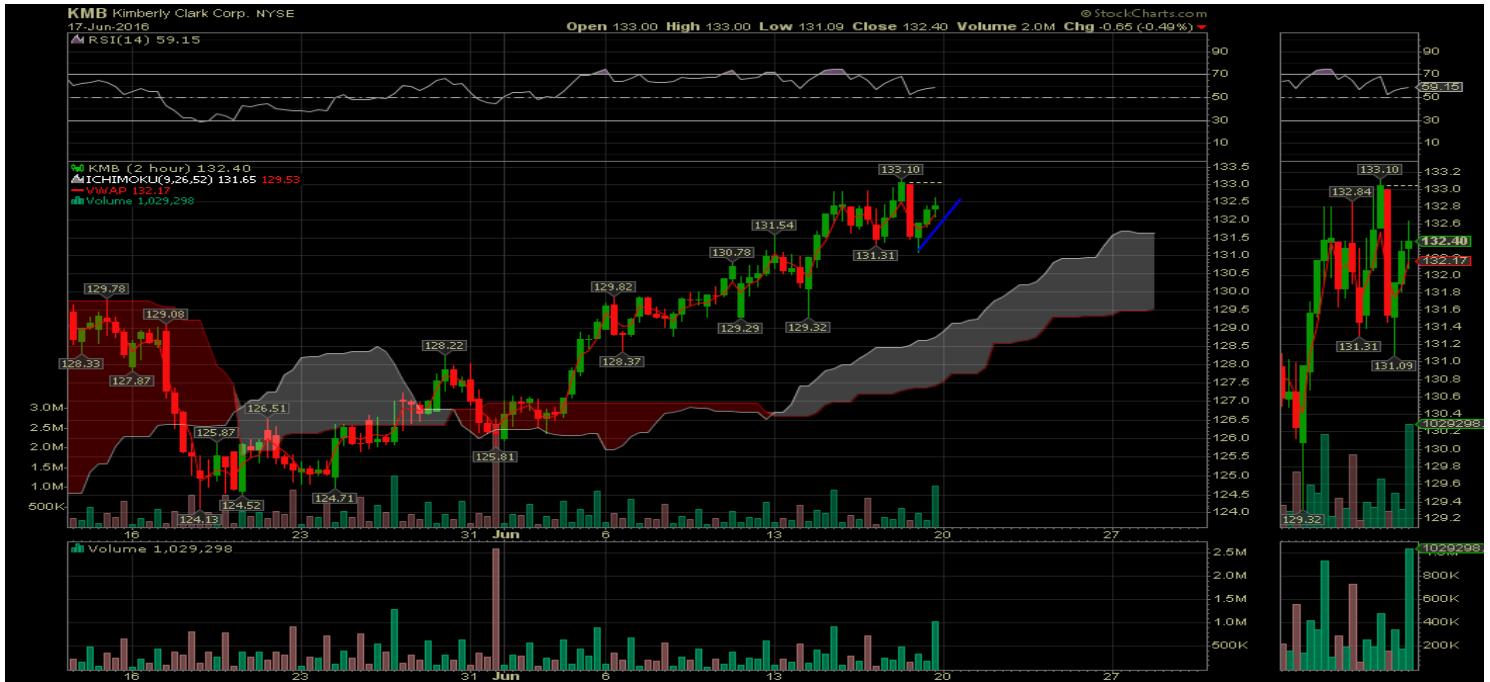
XRAY

DENTSPLY SIRONA Inc. designs, develops, manufactures, and markets various consumable dental products for the professional dental market in the United States and internationally. **Upgraded coming out of last week's Health Care Conference. Divided Recorded 6-24 Payable July 8<sup>th</sup>**



KMB

Kimberly-Clark Corporation, together with its subsidiaries, manufactures and markets personal care, consumer tissue, and professional products worldwide. **In crappy markets usually a safer play.**



## **OGS**

ONE Gas, Inc. operates as a regulated natural gas distribution utility company in the United States. The company operates through three divisions: Oklahoma Natural Gas, Kansas Gas Service, and Texas Gas Service. **In the trading room the other day when Natural gas was rebounding the Question came up what are some good Nat Gas plays to invest in or trade so I set out to find one. A lot of Form 4 filings here and with Oil and gas rebounding why not invest in something consistently making 52 week Highs.**

## **RLYP**

Relypsa, Inc., a biopharmaceutical company, focuses on the discovery, development, and commercialization of polymeric medicines for patients with conditions that are overlooked and undertreated and can be addressed in the gastrointestinal tract primarily in the United States. **Still in Play Huge December sweep calls bought.**

## **XON**

Had this one before and coming into summer a stock to keep an eye on Zika virus propels this.

## **MRK**

Merck JULY 57.5 calls purchased on Thursday small pullback Friday-The news good report on Late Stage Cancer.

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