

US ETF Index performance (5d): SPY +3.3%, DIA +3.2%, IWM +2.5%, QQQ +3.6%, TLT +3.5%.

A turbulent week in the markets concludes following the Brexit vote. Considering that Equities, Bonds, and Gold all rallied last week, it should make for an interesting week next week as all of these cannot continue to rally together.

One observation from last week was the pickup in option activity surrounding possible M&A targets. Here is an excerpt of article I wrote:

On Friday, the US 30 year Treasury Bond yield dropped to 2.23%. This is lower than levels reached during the 2008 financial crisis. Rather than debate whether or not this is a good or bad sign for the economy, let's turn the focus to what low rates can mean for companies. They can take advantage of these record low rates by issuing new debt to finance deals or takeovers. Did we begin to see this take shape?

Last week, there were plenty of rumors swirling regarding M &A. Speculative option call buying can sometimes provide a signal of where institutions may think the next target may lie. Option call activity exploded in several buyout targets. On Thursday, the Hershey Company (HSY) gained 16.8% on fresh buyout speculation from Mondelez International Inc. (MDLZ). HSY saw nearly 6x its average daily volume (ADV) in options on Thursday. Further, on Friday, Harley-Davidson, Inc. (HOG) climbed +19.8% on buyout interest. Its shares saw 29x its ADV in options trade. Possible deals in both these companies may have been in the works for months, but with interest rates continuing to fall, further deal activity may be on the horizon.

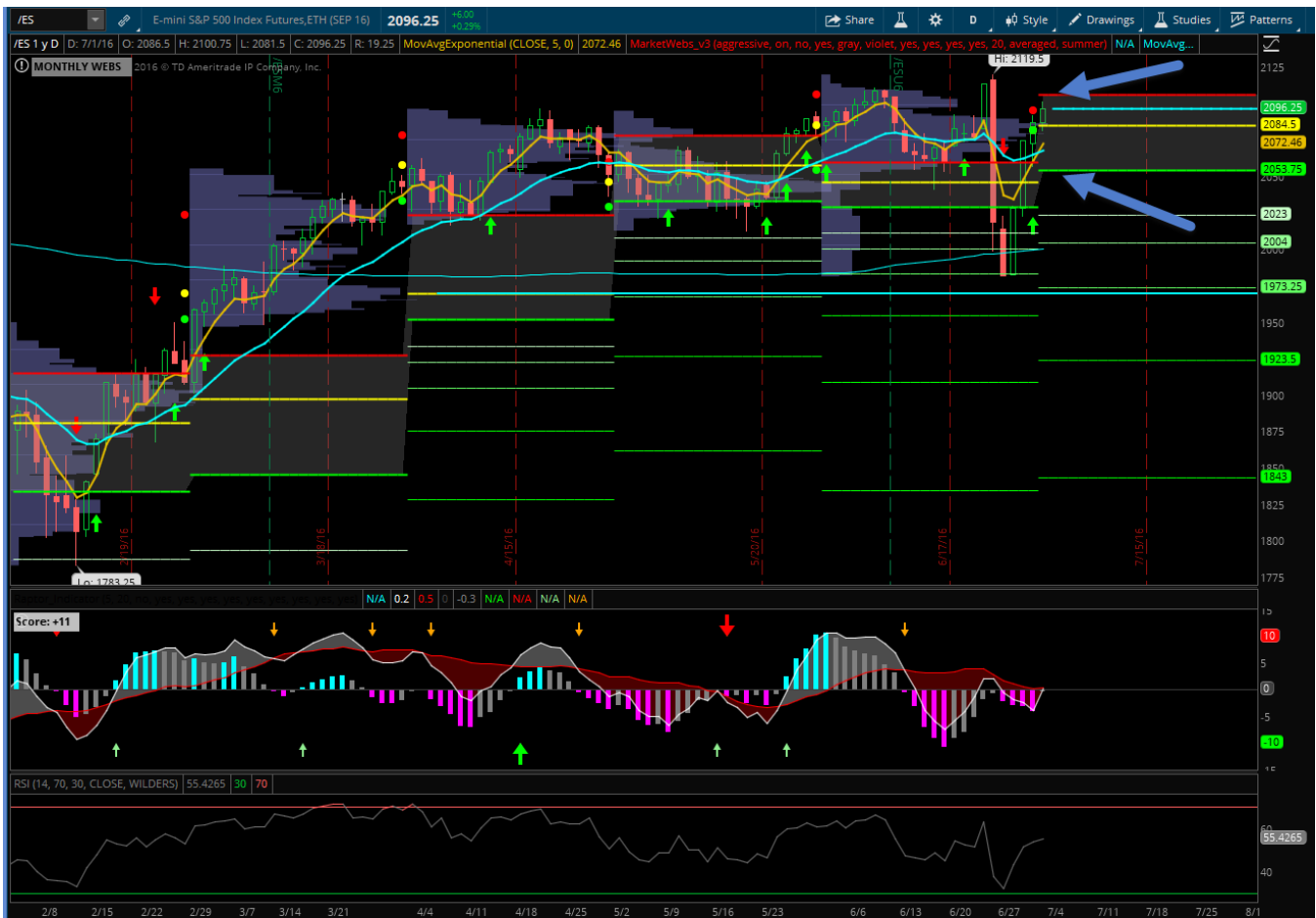
The option market was particularly active last week. Call volume increased in several other companies that may also be ripe for the picking. On Thursday, option volume exploded in Kellogg Company (K) with 22k calls vs 3k puts trade, representing 4x its ADV. Similarly, FireEye, Inc. (FEYE) saw 3x its ADV in option trades with 34k calls vs 4k puts trade Thursday. Other companies that saw higher than normal call volume last week were Kate Spade & Company (KATE) which traded 15x its ADV in option volume on Monday and Splunk Inc (SPLK).

Now, many times option call volume can be just that, speculative. However, with first quarter GDP at a lackluster 1.1%, companies may take advantage of record lower rates to consolidate in this lower growth environment. Keep an eye on large call volume in small to mid-cap companies for further clues of M&A speculation.

TTG Market View:

After an awesome rebound in equities last week I am watching some technical levels in S&P futures for clues on next week's move. 2,106 is the top of value on the daily chart and will act as near term resistance. After that I am looking at the yearly top of value 2,117 which is the level that the ESU6 failed at twice earlier in June. On the support side, I am watching 2053.75 which is the bottom of the monthly value area. Considering the huge move in interest rates last week, I am also paying attention to **areas of the market that benefit when rates go lower** (i.e. Homebuilders, Equity yield plays) **and areas that do not** (i.e. Banks). See the chart section for more on Homebuilders. Similar to last week, besides watching important technical levels I am watching for aggressive option activity to capitalize on.

S&P Futures (ESU6) daily chart



Source: ThinkorSwim

Here are last week's sector performers:

Best 5d:

| Symbol | Description | 5d % chng |
|--------|-----------------|-----------|
| SLX | Steel | 10.48% |
| XME | Metals & Mining | 8.89% |
| GDX | Gold Miners | 8.76% |
| IBB | Biotech | 5.51% |
| IYZ | Telecom | 4.58% |
| IYR | REITs | 4.44% |
| OIH | Oil Services | 4.24% |
| XLV | Health Care | 4.14% |
| ITB | Home Builders | 4.07% |
| XLU | Utilities | 3.69% |
| XLY | Cons Discretion | 3.57% |

Worst 5d:

| Symbol | Description | 5d % chng |
|--------|---------------------|-----------|
| XLB | Materials | 0.74% |
| KRE | Regional Banks | 0.96% |
| KBE | Banks | 1.04% |
| XOP | Oil & Gas Expl Prod | 2.22% |
| SMH | Semis | 2.65% |
| XLE | Energy | 2.73% |
| FDN | Internet- FANG | 2.79% |
| XLK | Tech | 2.81% |
| XLF | Financials | 2.99% |
| XRT | Retail | 3.02% |
| XLI | Industrials | 3.33% |

Here are last week's largest International performers:

Best 5d:

| Symbol | Description | 5d % chng |
|--------|---------------|-----------|
| EWZ | Brazil | 9.86% |
| IDX | Indonesia | 9.05% |
| EWP | Spain | 8.04% |
| EWV | Mexico | 6.72% |
| EPI | India | 6.40% |
| EEM | Emerging Mkts | 6.28% |
| FXI | China | 6.16% |
| ECH | Chile | 5.99% |
| EWT | Taiwan | 5.97% |
| EWY | South Korea | 5.70% |
| THD | Thailand | 5.59% |

Worst 5d:

| Symbol | Description | 5d % chng |
|--------|----------------|-----------|
| DXJ | Japan (FX'd) | -0.65% |
| EUFN | EURO FINS | 0.32% |
| EWJ | Japan | 1.23% |
| GREK | Greece | 1.58% |
| PLND | Poland | 1.91% |
| EWG | Germany | 2.68% |
| HEWG | Germany (FX'd) | 2.72% |
| EWK | Canada | 2.86% |
| ASHR | China A | 2.92% |
| VNM | Vietnam | 3.24% |
| EWA | Australia | 3.28% |

ETF Flows for the Week (7/3/16)

Overall: Equity ETFs see -\$7.4B in outflows (+\$3.9B prior week), this breaks a streak of five weeks of equity inflows. In US Sectors, Utilities were the only sector to post large inflows. The US 10yr rate dropping to 1.44% and the safety of Utilities drew investors to the sector. Note the XLU ETF is +23.4% ytd, yields 3.1%, but is getting more expensive at a 19 P/E ratio (according to spdrs.com). **Financials saw heavy outflows of -\$1.9B even after 30 out of 31 US Banks passed the stress tests.** My thoughts are even though the banks passed the stress tests, with no rate hike in sight and the yield curve getting flatter it is a tougher environment for the banks. **Health care ETFs also saw sizable outflows of -\$929M last week.**

In International ETFs, Europe saw heavy outflows of -\$1.2B with HEDJ and EZU seeing the most outflows. Other International flows were quiet.

In commodity ETFs, GLD racked up more inflows of +\$848M which was the second largest inflow of any ETF last week. Note IAU (iShares Gold Trust) also posted +\$271M of inflows.

US / Sectors (5d):

- **Sector Highlights** (largest movers included)
- **Largest Inflows:**
 - **Utilities +\$438M:** XLU +\$173M, VPU +\$154M, IDU +\$85M
- **Largest Outflows:**
 - **Financials -\$1.9B:** XLF -\$1.6M, KRE -\$167M, IYF -\$124M, IAT -\$85M
 - **Health Care -\$929M:** IBB -\$552M, XLV -\$245M, XBI -\$198M
 - **Consumer Discretionary -\$455M:** XLY -\$260M, XRT -\$70M, FXD -\$56M, XHB -\$51M
 - **Tech -\$200M:** XLK -\$235M, SMH +\$96M
 - **Materials -\$155M:** NUGT -\$296M, JNUG -\$59M, XME +\$87M, GDXJ +\$86M

International (5d):

- **International ETFs -\$528M**
- **Country/ Region specific ETFs:**
 - Largest Inflows:**
 - **Emerging Mkts +\$549M:** EMB +\$357M, EEMV +\$108M, EMLC +\$60M
 - **Developed Mkts +\$145M:** ACWI +\$192M, VEA +\$177M, SCHF +\$155M, DBEF -\$80M
 - **U.K. +\$122M:** FXB +\$122M
 - Largest Outflows:**
 - **Europe -\$1.2B:** HEDJ -\$745M, EZU -\$639M, FEZ +\$158M
 - **Japan -\$226M:** EWJ -\$639M, DXJ +\$126M, DBJP +\$91M

Largest Flows by ETF

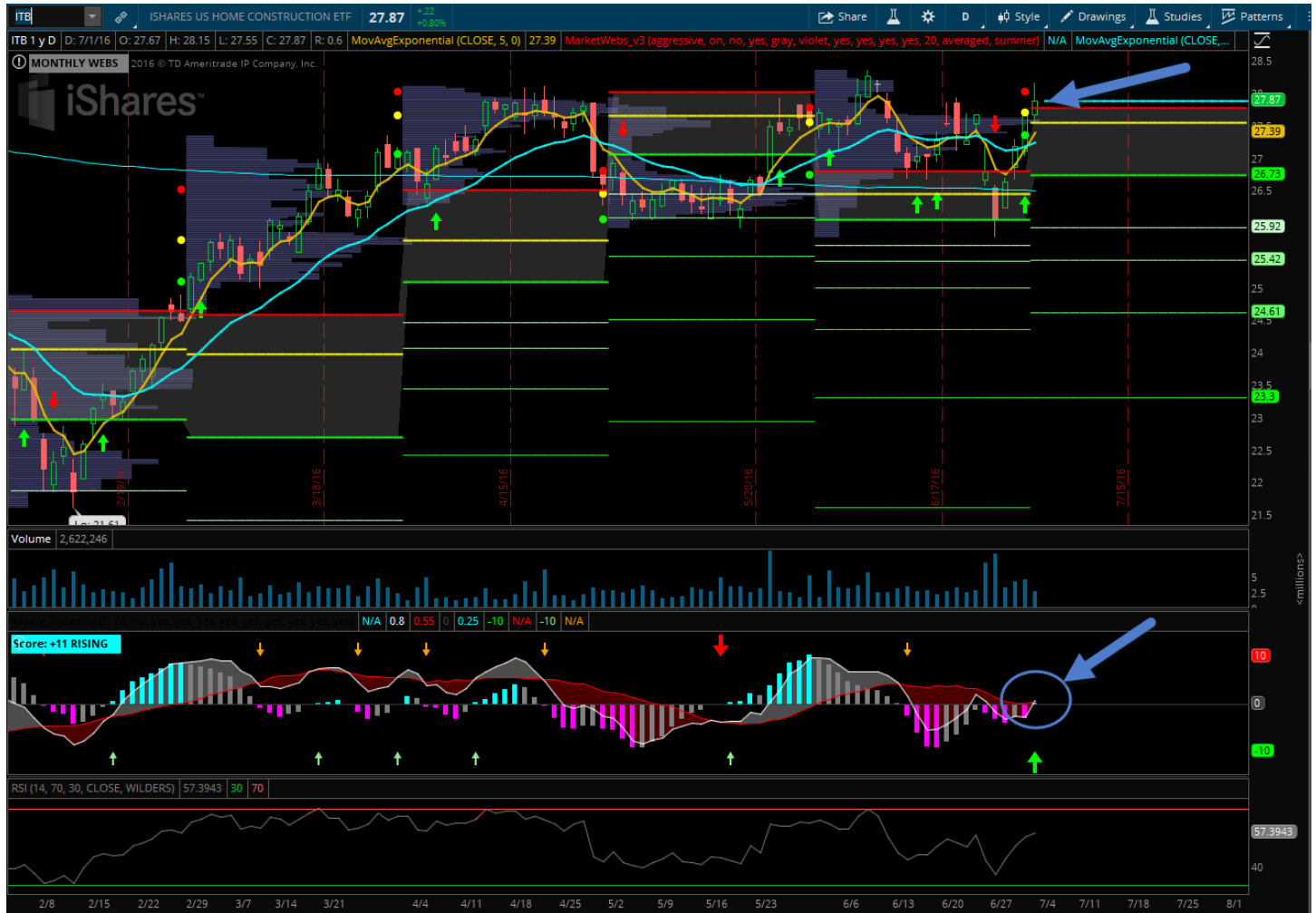
| Inflows | | | | Outflows | | | |
|---------|-----------------------|-------------------|---------------------|----------|------------------|--------------------|---------------------|
| Ticker | Description | 5d Mkt Value Chng | Fund Size 5d % Chng | Ticker | Description | 5d Mkt Value Chng | Fund Size 5d % Chng |
| HYG | HIGH YIELD BONDS | \$ 1,182,580,000 | 8.0 | SPY | SPX | \$ (5,772,815,702) | -3.1 |
| GLD | GOLD | \$ 847,506,000 | 2.1 | XLF | FINANCIALS | \$ (1,647,512,090) | -10.0 |
| VOO | SPX | \$ 815,647,152 | 1.8 | QQQ | NDX | \$ (1,507,716,000) | -4.2 |
| SHV | SHORT TERM TREASURIES | \$ 684,728,000 | 22.0 | HEDJ | EUROPE FX HEDGED | \$ (745,465,000) | -6.7 |
| IVV | SPX | \$ 506,712,000 | 0.7 | JNK | HIGH YIELD BONDS | \$ (657,304,645) | -5.5 |
| LQD | INV GRADE BONDS | \$ 479,895,000 | 1.6 | EZU | EUROPE | \$ (639,144,000) | -6.2 |

Source: Bloomberg

ETFs of the Week:

ITB (iShares U.S. Home Construction ETF)

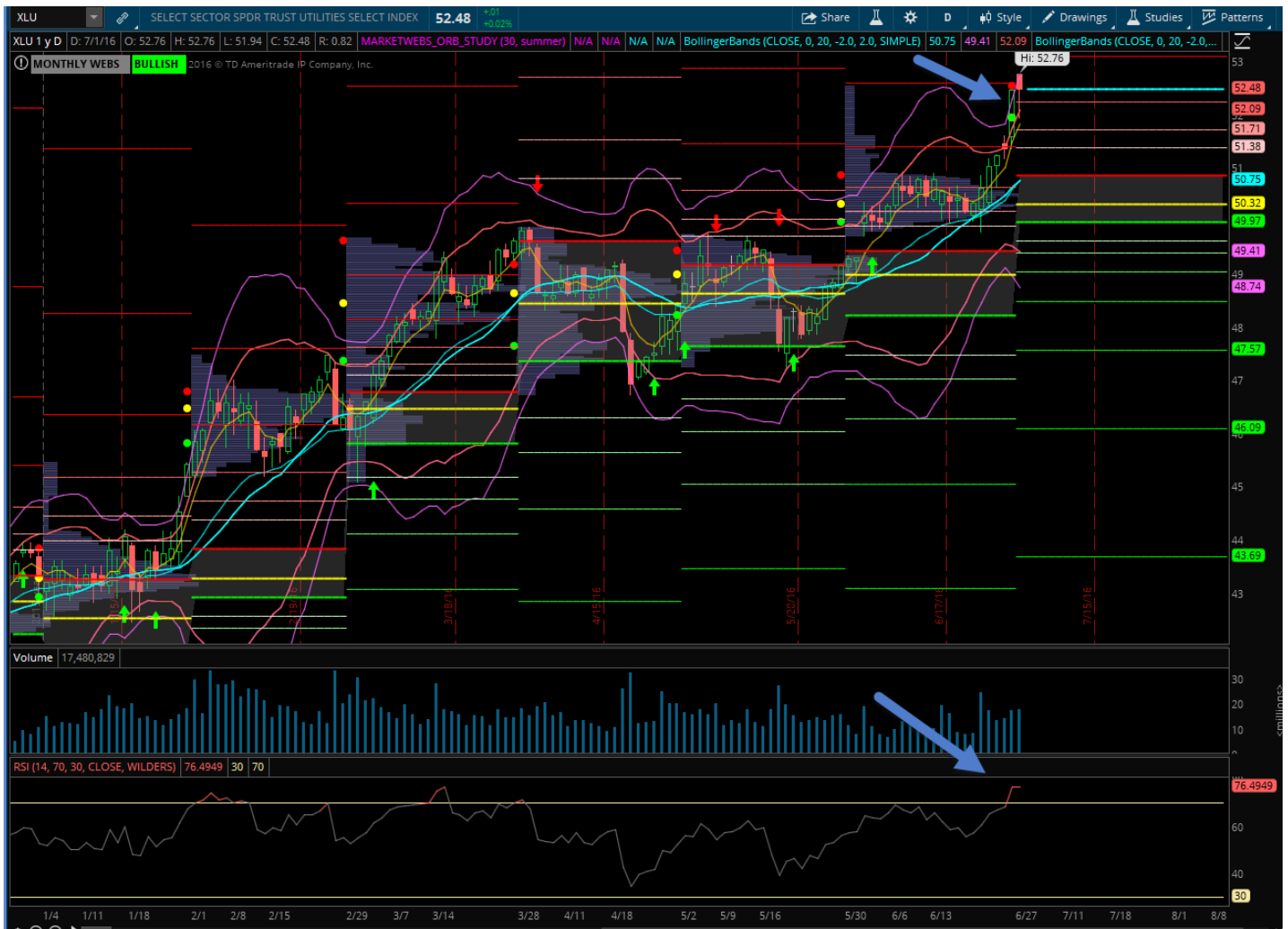
Housing stocks are a beneficiary of lower interest rates. With the US 30yr touching an all-time low of 2.23% this translates into lower mortgage rates. Top weights in the ITB ETF are DHI, LEN, NVR, PHM, TOL and HD. On the chart below, I am watching to see if the ITB ETF can remain above \$27.77 (top of monthly value area) and I am watching for a possible buy signal being generated on the Raptor Indicator. Note on Friday we saw a buyer of the HD Aug 130 calls @ \$3.35.



Source: ThinkorSwim

XLU (Utilities Select Sector SPDR Fund):

Utilities are the best S&P Sector ytd +23.4% vs the SPX 5.8%. As mentioned in the ETF Flows of the Week section, the sector added +\$438M in assets, and was the only sector to see sizable inflows. However, I think this group is getting overbought and initiated a short position on Friday (XLU Aug 32 puts). The reason behind this trade is the XLU has an RSI that is in overbought territory at 76, and the price action has pierced a 3 standard deviation Bollinger Band, which means the price action has been extreme and may be ripe for profit taking. There was also 6x the normal put activity in the XLU ETF on Friday.



Stocks to Watch (from Pat Harris @pharris667)

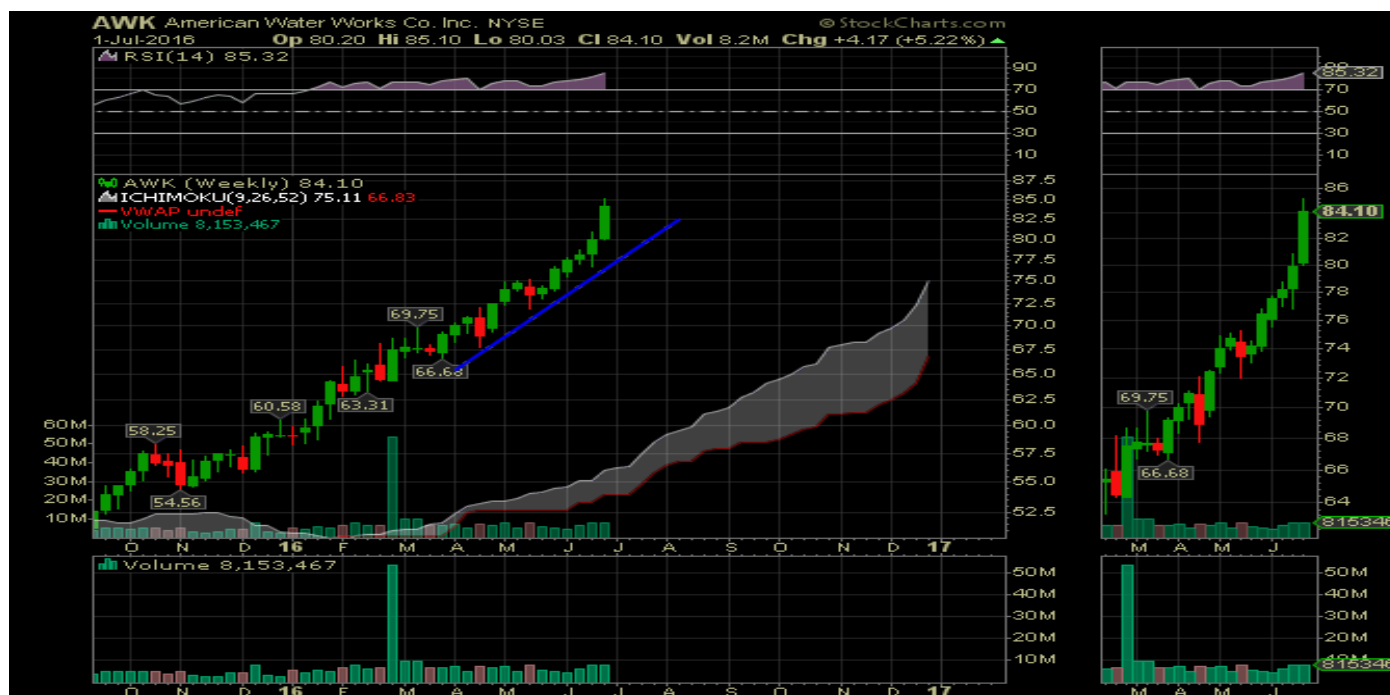
HSY

The Hershey Company manufactures, imports, markets, distributes, and sells confectionery products. The company operates through two segments, North America, and International and other. **This Company stays in Focus as it Broke Out on Thursday because of Mondelez attempted by-these rumors have been out for a Month truly believe this Company is trying to sell itself may pull back a little but this goes for a lot more.**



AWK

American Water Works Company, Inc., through its subsidiaries, provides water and wastewater services in the United States and Canada. **Long set-up Member of IBD Big Cap 20. I know RSI 85 but how do you ignore this chart? Continually on the new high list.**



AMWD

American Woodmark Corporation manufactures and distributes kitchen cabinets and vanities for the remodeling and home construction markets in the United States. **Form 4 filings Construction sector improving.**



WYNN

Wynn Resorts, Limited, together with its subsidiaries, develops, owns, and operates destination casino resorts. It operates in two segments, Macau Operations and Las Vegas Operations. **Okay Both the Las Vegas and Macau numbers have been out in the past week usually trends higher til Next month's numbers come out and most interesting thing each month when it gaps makes a new high for the year.**



DPZ

Domino's Pizza needs to break and Hold Fridays high.



WFM

Whole Foods Market – watching to see if this keeps moving on Take-Out rumors.



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 as late as Friday. Take out rumors.**



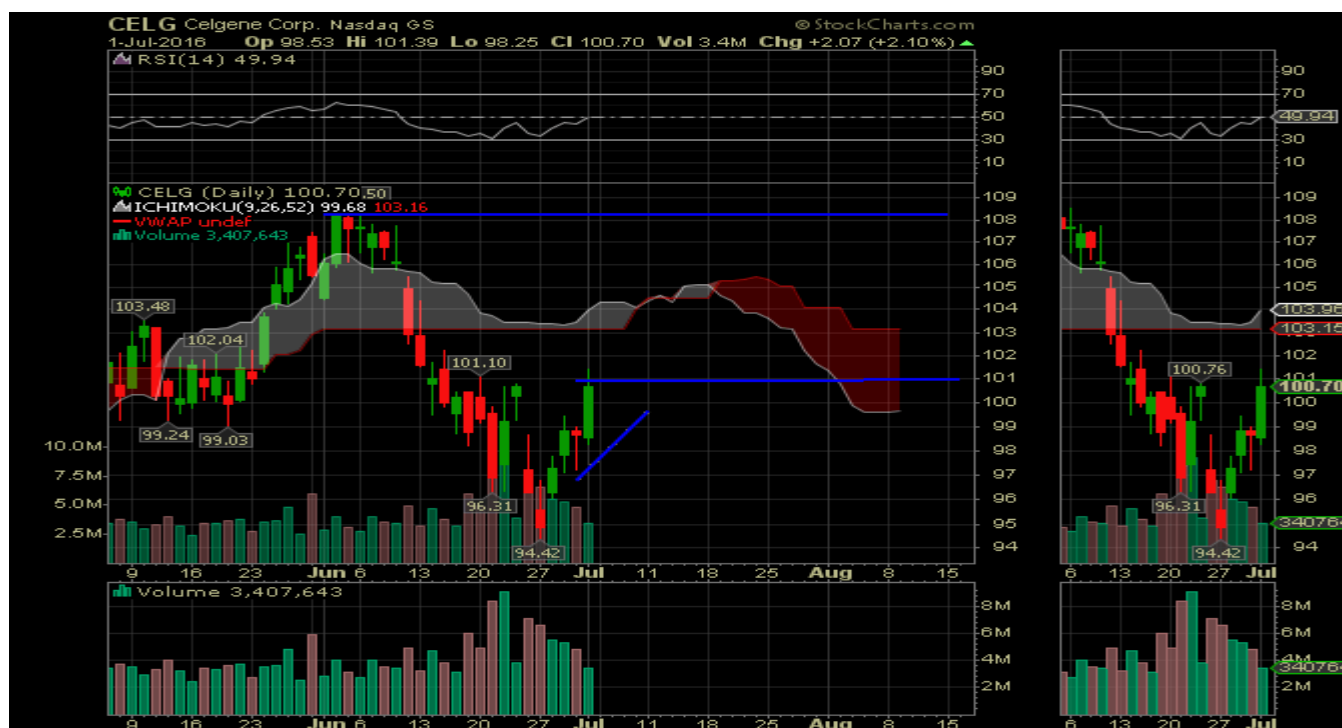
REGN

Regeneron Pharmaceuticals, Inc., a biopharmaceutical company, discovers, invents, develops, manufactures, and commercializes medicines for the treatment of serious medical conditions worldwide. **Watching to see if it holds its uptrend, possible Long.**



CELG

Celgene Corporation discovers, develops, and commercializes therapies to treat cancer and inflammatory diseases worldwide. **Like this to 105 – 106 area as uptrend confirmed.**



RH

Restoration Hardware Holdings, Inc., together with its subsidiaries, engages in the retail of home furnishings. It offers products in various categories, such as furniture, lighting, textiles, bath ware, decor, outdoor and garden, tableware, and child and teen furnishings. **Insider buys and SWEEP Calls being bought.**



WHR

Whirlpool reported great Numbers for June and has had 3 Major Upgrades in the last month.



SBUX

Starbucks with a RSI of 50 this has consolidated for quite a while showed first real movement Wednesday and Thursday keeping an eye for a Long.



CVS



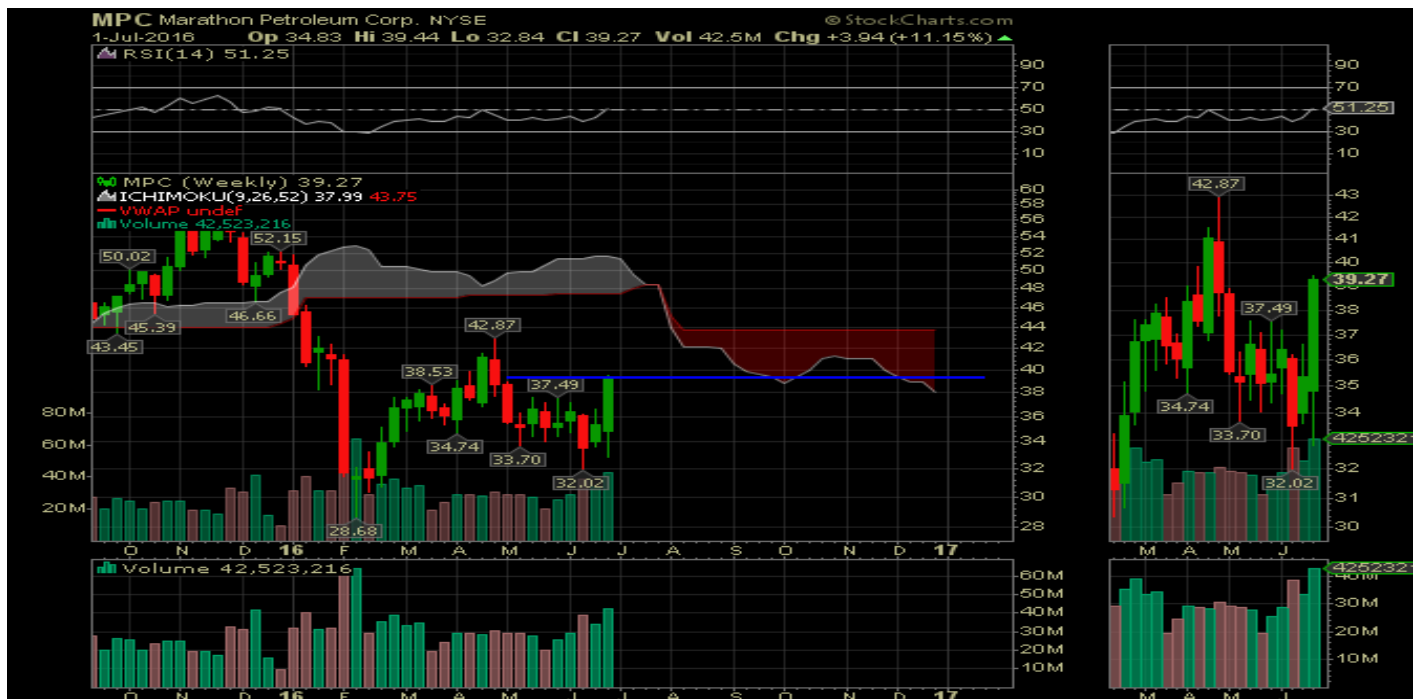
ELLI

Ellie Mae, Inc. provides on-demand software solutions and services for the residential mortgage industry in the United States. The company provides Encompass, a proprietary software solution that combines loan origination and enterprise management software for mortgage originators into a system, as well as access to investors, lenders, and service providers on the Ellie Mae Network. This trends with Mortgage, Homebuilders, Construction RSI 66 LONG.



MPC

Marathon Petroleum Corporation, together with its subsidiaries, engages in refining, marketing, retailing, and transporting petroleum products primarily in the United States. It operates through three segments: Refining & Marketing, Speedway, and Midstream. **Even on pullbacks option sweeps calls continually being bought.**



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