

US ETF Index performance (5d): SPY -1.9%, DIA -1.7%, IWM -1.7%, QQQ -2.1%, TLT -3.0%.

TTG Market View (9/10): What a way to end the week! **The SPX falling 2.4% and closing on the lows. This marks the first time the SPX had a close of greater than +/- 1% in 2 months (on 7/8 the SPX +1.5%).** Considering that we closed on the lows on heavy volume and into value on the weekly chart, this is not a good sign for the market. On the bright side, this was only one day (albeit a huge move) and does not make a trend. I always like to do a quick post mortem and then examine the conclusions and where we might be going.

Catalysts for Friday's selloff:

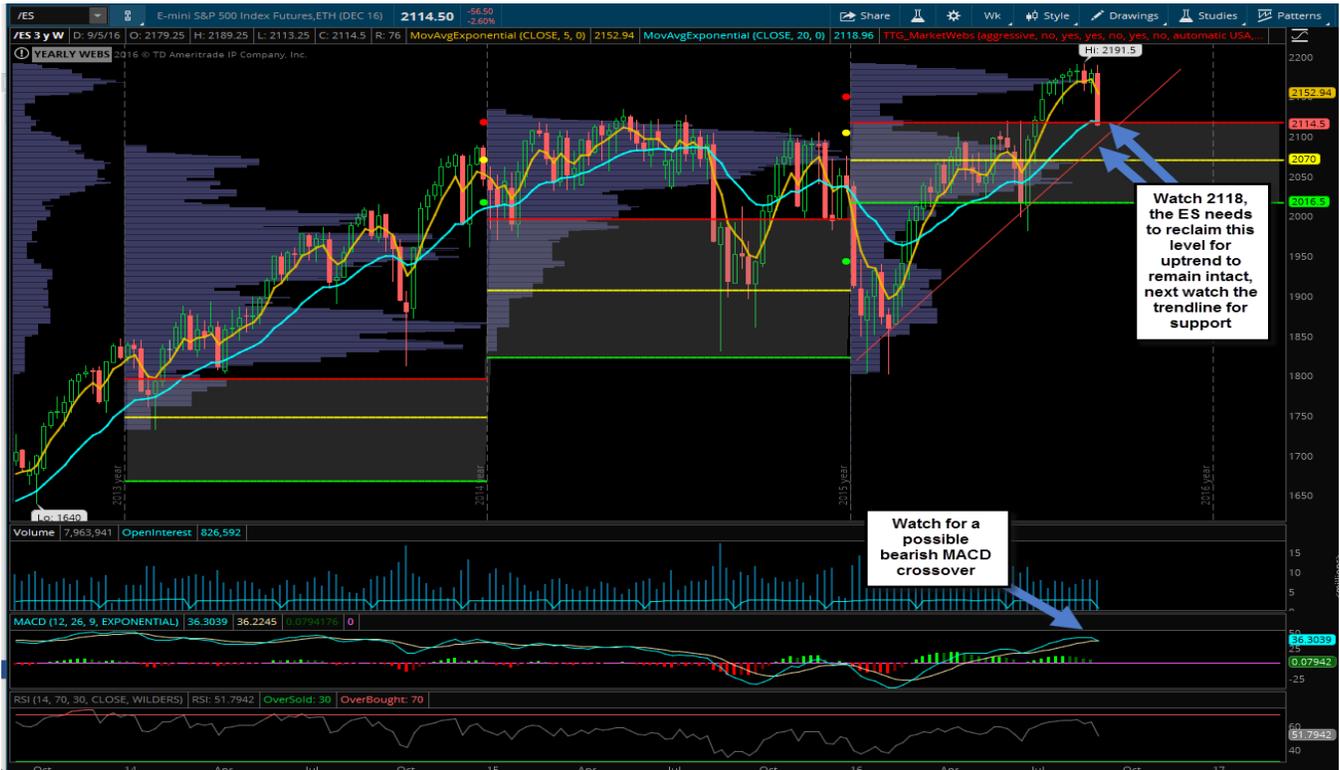
- 1. The Bond selloff / ECB meeting**
- 2. The VIX closed at a 12.51 on Thursday, the market was priced close to perfection**
- 3. The markets were not pricing in a chance of a 2016 rate hike**

Let's jump to # 2 & 3 on the list because I want to talk about # 1 in detail. When the VIX is that low, I consider the market priced close to perfection. Meaning the expected volatility is so low that any *bad* news will cause the market to pull back and we got a few bits of bad news on Friday morning. A North Korea nuke test, the Fed Bank of Boston President Eric Rosengren's comments of a possible rate hike (he was previously a dovish member), and Hanjin Shipping Co granted bankruptcy all contributed to the market volatility. Regarding Fed speak, we continue to hear Fed members push for a rate in their speeches. I have said over and over the market needs to come to grips with this possibility of a rate hike and I believe the market is not ready for it. Fed Fund Futures are still only pricing in a 30% chance of a rate hike in September. The problem here is the market does not like surprises. This number needs to get at least above 50% of there is going to be huge volatility in the market if they actually raise in September. Note in December the expectations are 60% which has increased but still not enough.

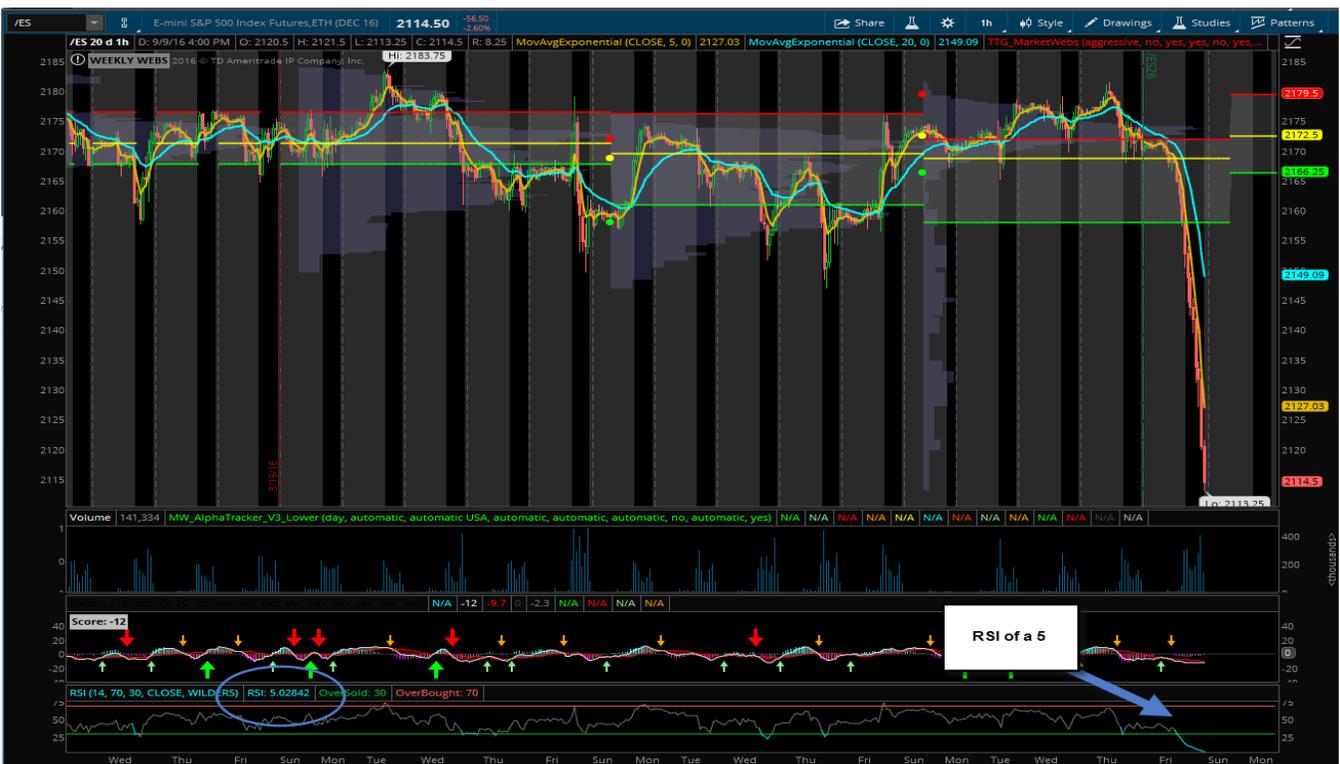
Back to number 1. - **The Bond selloff / ECB meeting.** ECB Chief Mario Draghi changed his tune a bit and not only announced no new asset purchases but also said that policy makers have not discussed what is going to take place when the scheduled end of the 1.7 trillion-euro (\$1.9 trillion) plan expires in 6 months. Again, **this left the market with plenty of uncertainty as what the next move of the ECB will be. As a result the global bond market sold off on Thursday and continued through Friday. Why is this important? Because there has been a gigantic amount of money that is chasing yield in equities over the last few years as bond yields have fallen.** Just in 2016 alone REIT ETFs have added \$7.0B, Utility ETFs have added \$3.0 in assets. The same in dividend ETFs, HDV (iShares Core High Dividend ETF) has added +\$1.7B and DVY (iShares Select Dividend ETF) +\$1B in assets in 2016. One more – low / minimum equity volatility ETFs. Ready? **USMV & SPLV have added a combined \$7.4B in assets in 2016!** Finally, we have heard various market commentators talk about "old Tech" as a great place to earn yield. So what happens if the bond market sells off further??? In my opinion, this is a ticking time bomb in equities if Global QE does not continue. **If Bond yields continue to rise, there could be a mass exodus of the dividend trade, and as illustrated above there are an awful lot of assets in dividend related stocks.** Case in point XLU fell -3.8% and IYR -4% on Friday as TLT -1.7%. **In conclusion, traditionally a bond market selloff can benefit stocks, but due to the global QE, a further bond selloff (rise in yields) could be dangerous for stocks with hefty dividends.** I will discuss more in the chart section.

Observations on the S&P futures charts (ESZ6). Weekly Chart: Friday's close breached the yearly value area. For the uptrend to remain intact, the ESZ6 needs to reclaim the 2118 level. Also watch for a bearish MACD crossover that would confirm the change in trend. **One Hour chart:** Very oversold at a 5. It is rare to see a RSI at these levels for a long time period.

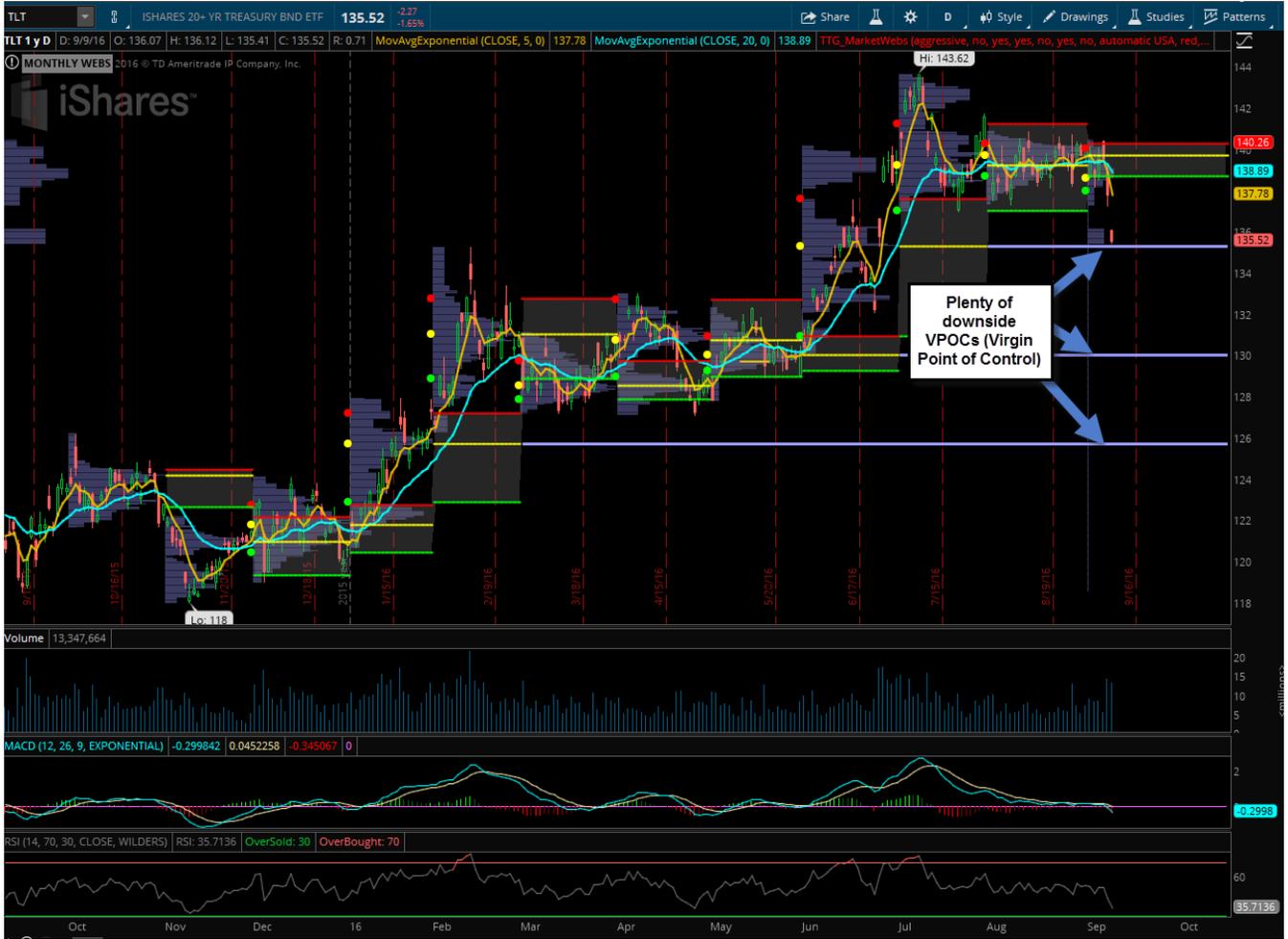
S&P Futures (ESZ6) weekly chart



S&P Futures (ESZ6) 1 hour chart



TLT (iShares 20+ Year Treasury Bond ETF) daily chart



Last week's sector performers:**Best 5d:**

Symbol	Description	5d % chng
XOP	Oil & Gas Expl Prod	3.12%
XLE	Energy	2.03%
GDX	Gold Miners	-0.04%
KRE	Regional Banks	-0.61%
OIH	Oil Serverices	-0.62%
KBE	Banks	-0.68%
IBB	Biotech	-1.00%
FDN	Internet- FANG	-1.01%
XLU	Utilities	-1.06%
IYZ	Telecom	-1.16%
XLV	Health Care	-1.46%

Worst 5d:

Symbol	Description	5d % chng
SMH	Semis	-4.55%
ITB	Home Builders	-3.98%
XME	Metals & Mining	-3.19%
XLP	Staples	-3.14%
IYR	REITs	-3.08%
XLY	Cons Discretion	-2.84%
XLB	Materials	-2.71%
SLX	Steel	-2.67%
XLI	Industrials	-2.59%
XLK	Tech	-2.08%
XLF	Financials	-1.72%

Here are last week's International performers:**Best 5d:**

Symbol	Description	5d % chng
EWH	Hong Kong	3.15%
RSX	Russia	2.48%
FXI	China	2.41%
EWP	Spain	2.16%
EPU	Peru	1.68%
EWL	Swiss	0.56%
EUFN	EURO FINS	0.51%
EWI	Italy	0.35%
EWK	Belgium	0.22%
EWQ	France	0.21%
FM	Frontier Mkts	0.20%

Worst 5d:

Symbol	Description	5d % chng
THD	Thailand	-8.35%
EPHE	Philippeanes	-5.73%
GREK	Greece	-4.01%
EWV	Mexico	-3.02%
EWA	Australia	-2.75%
VNM	Vietnam	-2.35%
IDX	Indonesia	-2.34%
EWN	Netherlands	-1.88%
EWZ	Brazil	-1.64%
DXJ	Japan (FX'd)	-1.49%
HEWG	Germany (FX'd)	-1.12%

ETF Flows for the Week (week ending 9/9/16)

Overall: Equity ETFs post +\$2.6B in assets last week (+6.5B prior week). Similar to the previous week, the SPY ETF made up a large portion of the inflows (91%). In addition, Thursday and Friday Equity flows were flat. As a result of Friday's selloff, I would imagine we will see a good amount of outflows on Tuesday as it takes a couple days for flows to trickle through the system.

In US Sectors, Materials & Gold Miners saw a second week of strong inflows. This is interesting to me given how badly this group was hurt on Thursday & Friday with GDX -7.5%. Keep in mind with analyzing these flows, just because we see strong buying *it doesn't always lead to performance as traders & funds can be wrong...* Another observation were the flows in Financials. Overall for the week they were the saw outflows of -\$87M but showed a high volatility day to day. Something to watch going forward into the FOMC meeting on 9/21. **On the outflows side, Utilities and Health Care saw large outflows. That is the fourth week in a row of large outflows in the Utilities sector (totaling \$1.2B in outflows).**

Emerging Markets added +\$854M in assets last week, now 10 straight weeks of inflows. EWH, the Hong Kong ETF, also saw strong inflows of +\$311M. Europe saw more large outflows of -\$838M. Brazil saw outflows for the third week in a row. **Other notable flows were LQD, the Investment Grade Bond ETF, which saw \$791M in outflows on Friday. Note on Thursday, LQD saw 7k Oct 119 puts trade @ \$0.35.**

US / Sectors (5d):

- **Sector Highlights** (largest movers included)
- **Largest Inflows:**
 - **Materials +\$733M:** GDX +\$456M, GDXJ +\$113M, GUNR +\$82M, DUST +\$72M, XLB +\$71M, NUGT -\$164M
 - **Industrials +\$208M:** XLI +\$121M, IYJ +\$45M
 - **Energy +\$204M:** XOP +\$361M, XLE -\$164M
 - **Tech +\$201M:** XLK +\$272M, VGT +\$153M, IGV -\$83M, SMH -\$80M, FDN -\$78M
- **Largest Outflows:**
 - **Utilities -\$452M:** XLU -\$339M, VPU -\$30M
 - **Health Care -\$412M:** IBB -\$209M, IXJ -\$40M, IYH -\$31M
 - **REITs -\$130M:** IYR -\$160M, VNQ +\$43M, DRN -\$60M

International (5d):

- **International ETFs +\$1.5B**
- **Country/ Region specific ETFs:**
 - Largest Inflows:**
 - **Emerging Mkts +\$854M:** VWO +\$374M, IEMG +\$348M, PCY +\$43M
 - **Developed Mkts +\$570M:** VEA +\$353M, SCHF +\$86M, EFAV +\$47M
 - **Hong Kong +\$311M:** EWH +\$311M
 - Largest Outflows:**
 - **Europe -\$838M:** V GK -\$434M, EZU -\$232M, IEV -\$86M, HEDJ -\$59M
 - **Japan -\$234M:** FJP -\$100M, DFJ -\$62M, EWJ -\$59M
 - **Brazil -\$166M:** BRZU -\$163M

Largest Flows by ETF

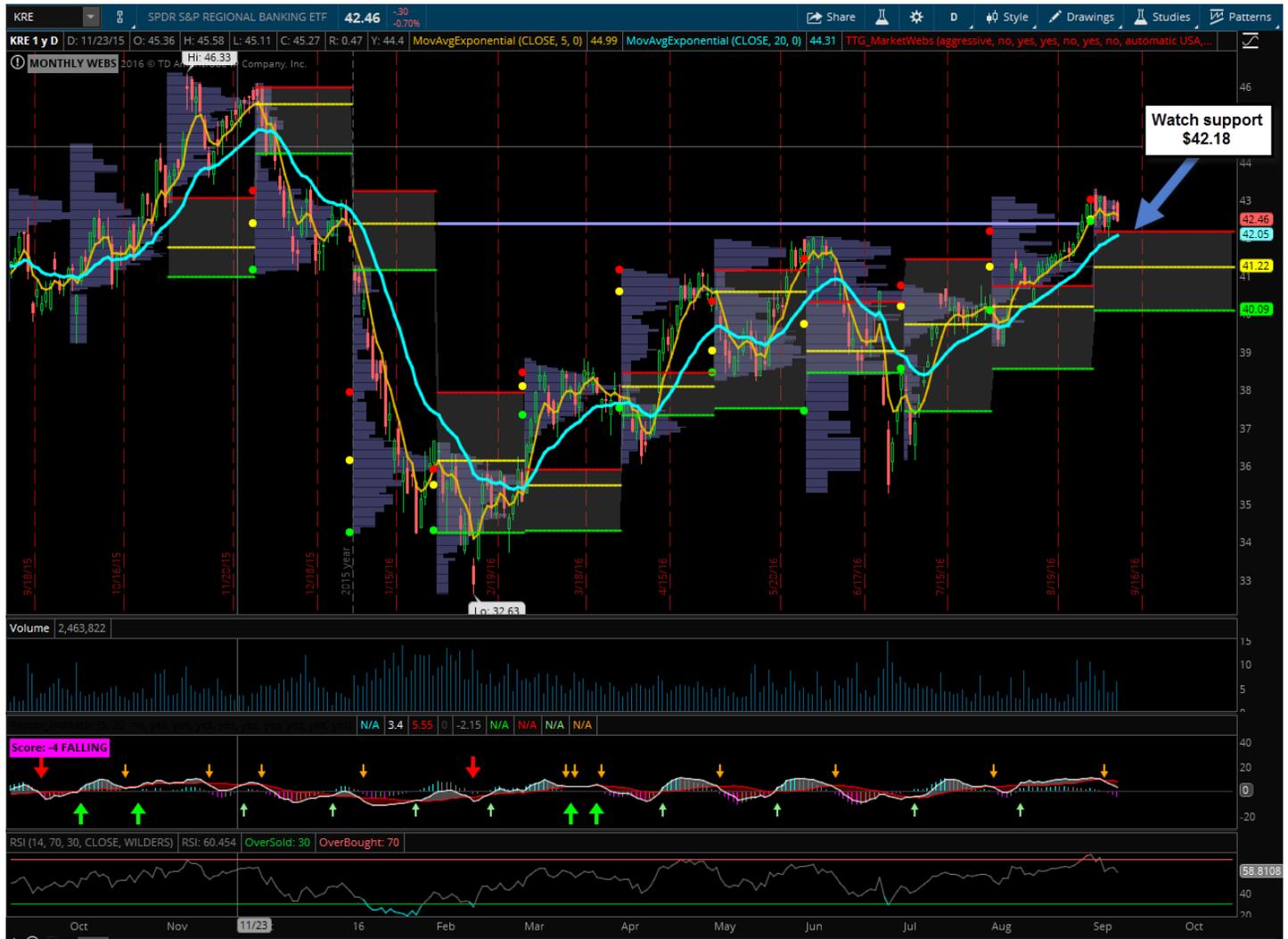
Inflows				Outflows			
Ticker	Description	5d Mkt Value Chng	Fund Size 5d % Chng	Ticker	Description	5d Mkt Value Chng	Fund Size 5d % Chng
SPY	SPX	\$ 2,367,414,398	1.2	IWM	SMALL CAPS	\$ (1,079,125,000)	-3.9
IVV	SPX	\$ 632,893,000	0.8	VXF	EXTENDED MKT	\$ (1,072,601,532)	-25.7
GDX	GOLD MINERS	\$ 455,572,500	4.6	QQQ	NDX	\$ (691,394,000)	-1.8
VWO	EMEGING MARKETS	\$ 374,095,511	0.9	VGK	EUROPE	\$ (434,831,524)	-3.7
XOP	OI&GAS EXPL & PROD	\$ 361,037,750	21.1	LQD	INVESTMENT GRADE BONDS	\$ (389,824,000)	-1.2
IWD	LARGE CAP VALUE	\$ 355,810,000	1.2	XLU	UTILITIES	\$ (339,221,938)	-4.4

ETFs of the Week:

KRE (SPDR S&P Regional Banking ETF)

The Banks have been outperforming for the last few weeks as hopes of rate increase have been a positive catalyst for the group. On Friday we saw heavy call activity in the Sep 43 & 43.5 calls. I added a position in KRE on Friday as I have been looking for an entry point in the banking group. I think that if the market stabilizes this week, bank have a chance to rally further. However, if price breaches \$42.18 support, that would change by bullish stance.

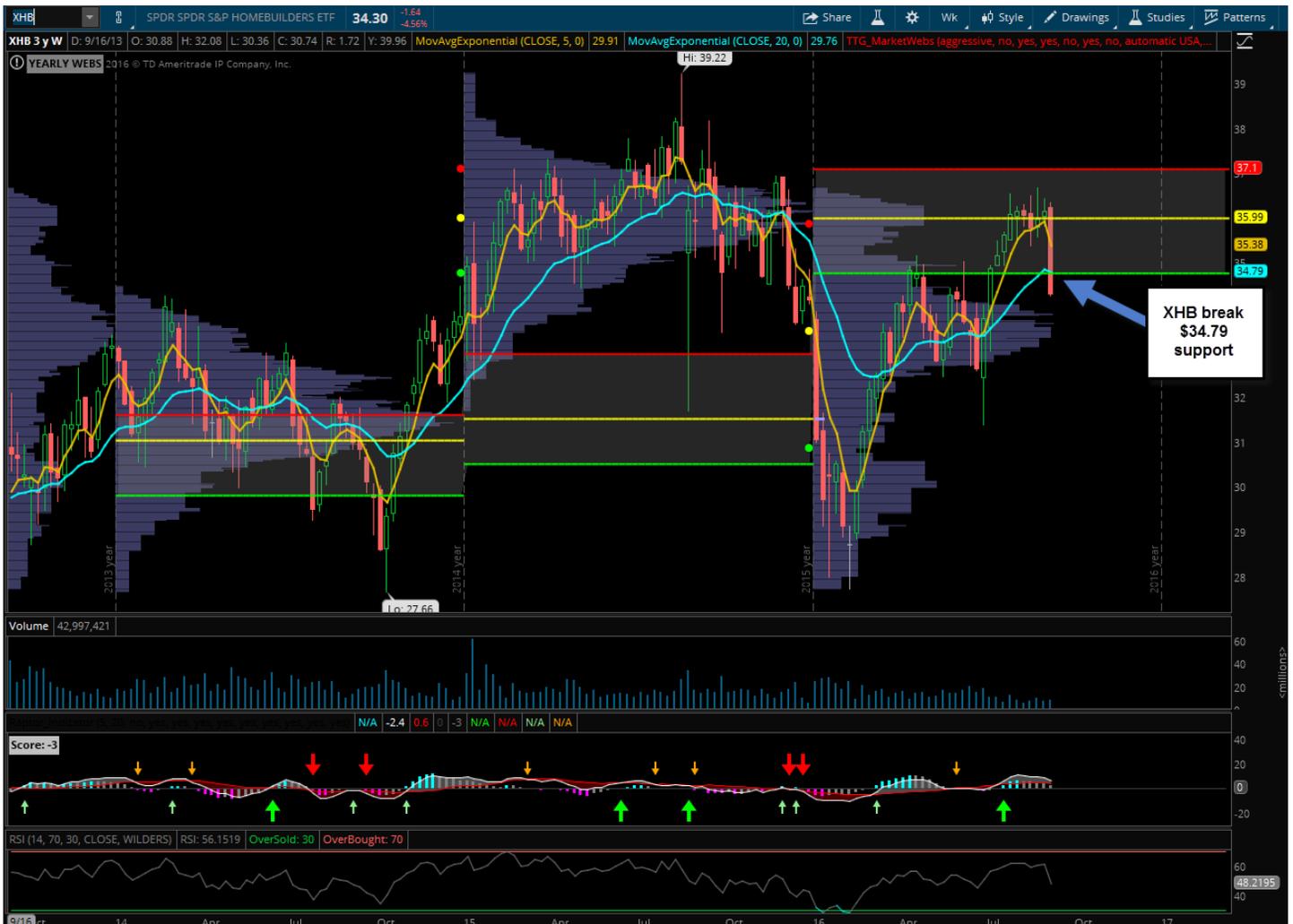
KRE daily chart



XHB (Materials Select Sector SPDR Trust):

The homebuilders and home improvement companies got rocked on Friday, falling -4.6%. Interest rates rising is not a positive for homebuilders and they suffered on Friday as the US 10 year rose to 1.68%. Wednesday's Retail Sales report will be a key report to watch to see if the weakness in retail stocks is overdone or justified.

XHB weekly chart



XME (SPDR Metals & Mining ETF):

The Metals & Mining group sold off hard on Friday. Unfortunately, I had poor timing going long this ETF. I did not unwind or add to this position on Friday because it is a bit uncertain if this group is going to hold support at \$24.80. If it does hold next week, I may look to add to the position, if it does not I may be forced to unwind the position for a loss. As I mentioned in the ETF fund flow section, there have been strong inflows into the miners which are a large portion of the XME ETF.

XME weekly chart



Stocks to Watch (from Pat Harris @pharris667)

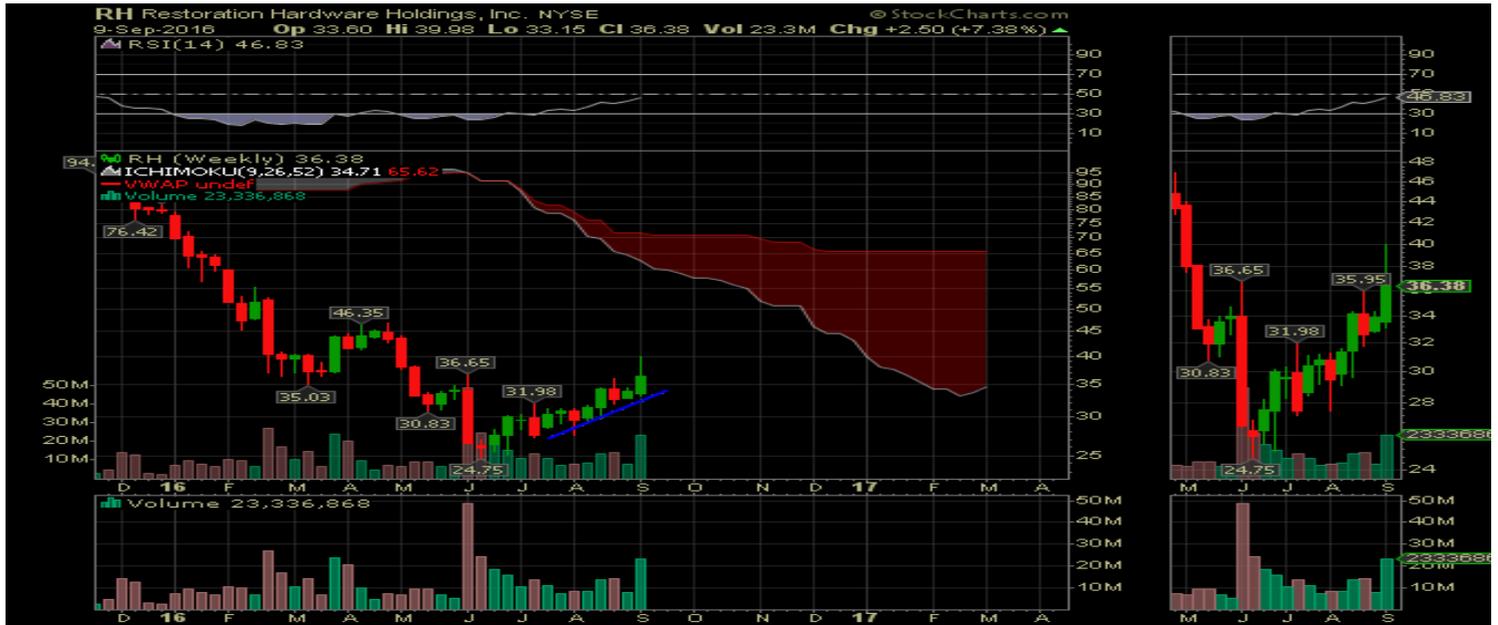
MKTX

MarketAxess Holdings Inc., together with its subsidiaries, operates an electronic trading platform that enables fixed-income market participants to trade corporate bonds and other types of fixed-income instruments worldwide. **Investor day Sept 14.**



RH

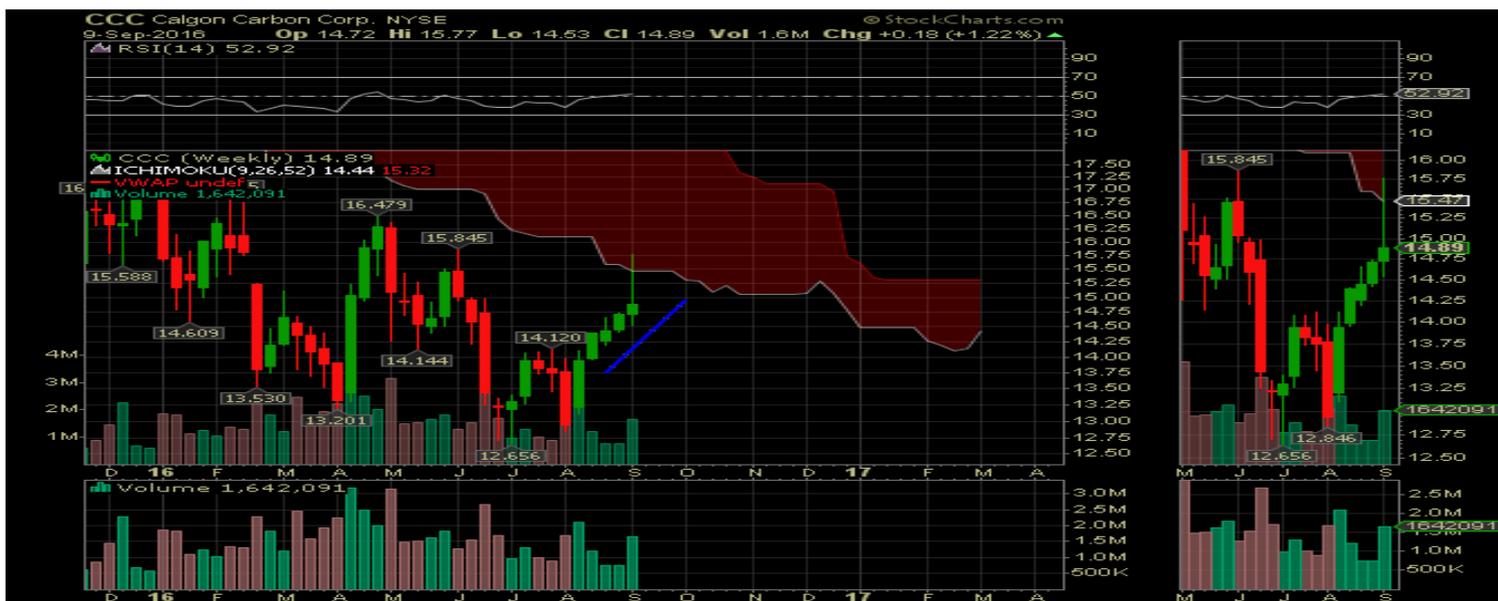
Restoration Hardware Holdings, Inc., together with its subsidiaries, engages in the retail of home furnishings. It offers products in various categories, such as furniture, lighting, textiles, bathware, decor, outdoor and garden, tableware, and child and teen furnishings. **Friday's pullback took a lot of the luster off this play but definitely one to watch.**



CCC

Calgon Carbon Corporation provides services and solutions for purifying water and air, food, beverage, and industrial process streams primarily in the United States, Europe, and Japan. It operates in three segments: Activated Carbon and Service, Equipment, and Consumer.

- After a twelve year ratification process, regulations to protect the world's oceans from the spread of invasive species are finally being put into force
- Approximately 64,000 ships could be required to comply with ballast water regulations, including the Convention, over the next 5 to 7 years
- Total market size is expected to approximate \$18 billion to \$28 billion for ballast water treatment systems



GT

The Goodyear Tire & Rubber Company, together with its subsidiaries, develops, manufactures, markets, and distributes tires, and related products and services. Huge sweep buy here last week keeping my eyes wide open. **Has an activist involved plus an INVESTOR DAY on April 15.**



LVS

Las Vegas Sands Corp., together with its subsidiaries, develops, owns, and operates integrated resorts in Asia and the United States. It owns and operates The Venetian Macao Resort Hotel, Sands Cotai Central, the Four Seasons Hotel Macao, Cotai Strip, the Plaza Casino, and the Sands Macao in Macao, the People's Republic of China; and iconic Marina Bay Sands in Singapore. **Another casino name doing well great earnings and sweeps being bought here plus 150 additional tables improved in Macau.**



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. **One of the best turnaround stories of the year. Since August 1 improved Las Vegas #'s plus Macau numbers were up for the first time in 2 years makes this a great play in a down tape looking for this to break it's high of the year of 105.**



Only watching six charts for longs early this week. Could see continued market weakness until Monday afternoon to give us a sense of direction. Stocks I am watching for a reversal to the long side are TWLO AAPL and also feel MON gets a bid. Huge 20,000 Sep weekly calls in HFC at close FRIDAY keeps it in focus.

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