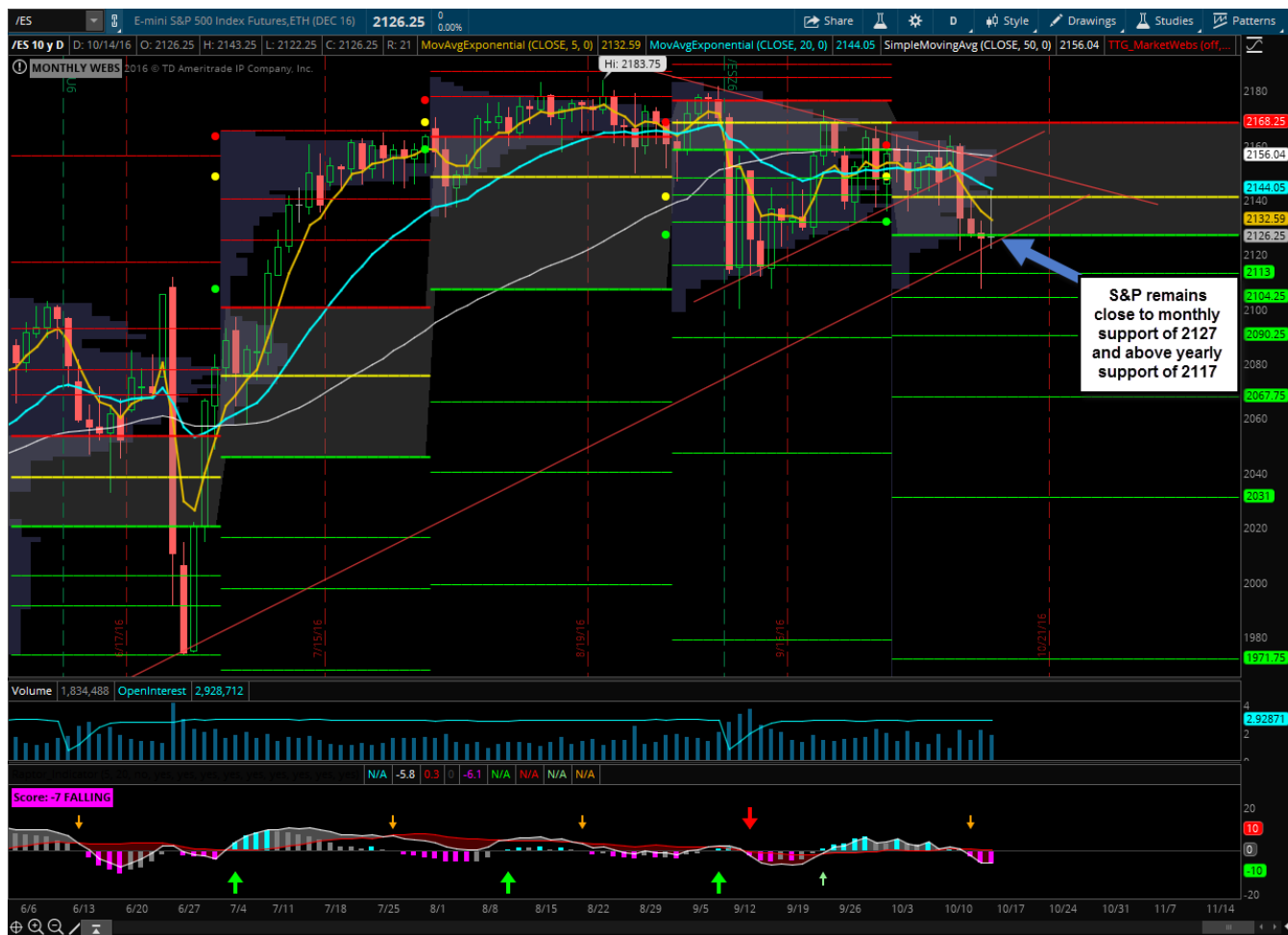


US ETF Index performance (5d): SPY -0.9%, DIA -0.5%, IWM -2.0%, QQQ -1.1%, TLT -1.7% GLD -0.3%

TTG Market View: Next week earnings will be in the spotlight along with the third presidential debate, and US Economics that includes Industrial Production, CPI data, and Housing data. Also on the radar is China’s third quarter GDP, the ECB rate decision, and more Fed speakers. Last week there was little recovery by the major indices and the S&P 500 is hanging onto support. **Key levels that I am watching next week in S&P futures are 2127 and 2117** (see chart below).

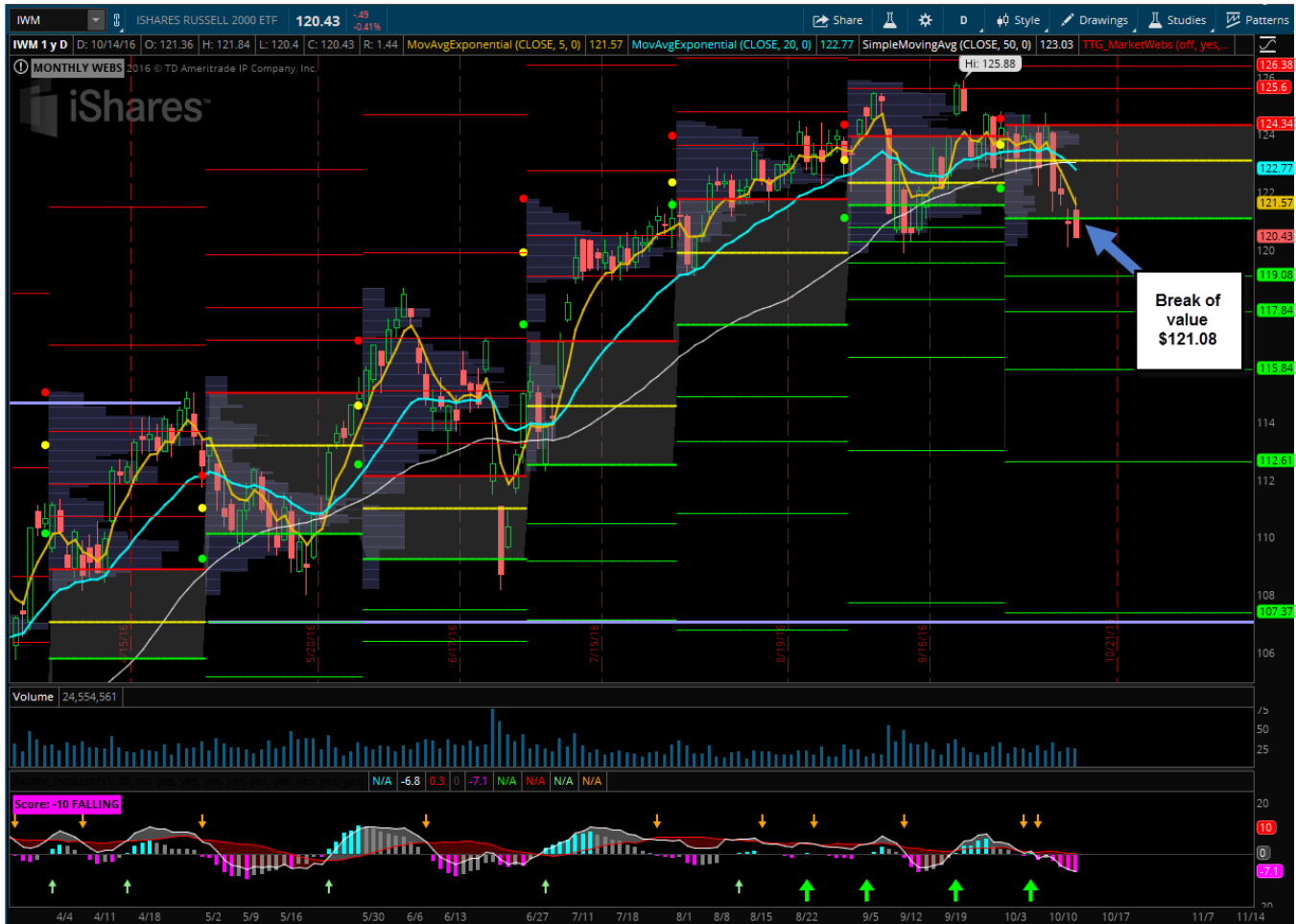
So, what does this mean and how should I be positioned? As long as the S&P is above the support levels that I mentioned above, **I remain neutral this market.** **What would change my mind?** If we climb above the triangle pattern that is drawn below, I will become bullish. Strong earnings reports would also be a market catalyst that would change my neutral stance. However, if we fall below the 2117 level, I will take an overall bearish view. This is also reinforced by Small Caps (IWM) which I’ve detailed in the next paragraph.

S&P Futures (ESZ6) daily chart



Small Caps (IWM) also continue to move down after hitting yearly resistance of \$123.21. Until Small Caps climb back above \$123.21 I see no reason to be long and I think the Small Caps frequently provide clues on the overall health of the stock market. So it's important to keep them on your radar. IWM also broke monthly support of \$121.08 (see 2nd chart) which is a bearish signal. What to watch - IWM needs to climb back above \$121.08 for a neutral reading, and above \$123.21 for a bullish reading (until then IWM looks bearish to me)

Small Caps (IWM) daily chart



Last week I provided details on the technicals of the S&P GICS Sectors. **The main observation was the sectors have begun to break down and there are fewer sectors pulling the wagon. Did they improve last week? No. US sectors show a further deterioration as Financials fell below the 50d Moving Average (MA) and Industrials and Health Care also slid.**

Last week's sectors (10/8 newsletter)

Symbol	Description	Moving Avg Summary	Category	Weight in SPX
XLK	Tech	>50d	Strong	21
XLE	Energy	>50d	Strong	7
XLF	Financials	>50d	Strong	13
XLI	Industrials	<50d >100d	Neutral	10
XLY	Cons Discretion	<100d	Neutral to Weak	12
XLB	Materials	<100d	Neutral to Weak	3
XLV	Health Care	<100d	Neutral to Weak	15
IYZ	Telecom	<100d	Neutral to Weak	3
XLP	Consumer Staples	<200d	Weak	10
IYR	REITs	<200d	Weak	3
XLU	Utilities	<200d	Weak	3

This week's sectors

Symbol	Description	Moving Avg Summary	Category	Weight in SPX
XLK	Tech	>50d	Strong	7
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IYR	REITs	<200d	Weak	3
XLU	Utilities	<200d	Weak	3

Conclusion: I am holding a much larger than usual cash position going into the heart of earnings season as many of the major indices have broken down from bullish pattern are now neutral to bearish. Other reasons for holding cash: **1) many company buyback programs are approaching quiet periods as they report earnings and will be turned off (less purchasing support) 2) Bonds are Gold have broken down, both are below their 200d MA so there is no reason to own them right now until they retake those Mas.**

Why I am I not short? As mentioned above, the S&P has not breached the yearly value area and many of the market leaders will be reporting earnings in the next couple week. So, if we get strong reports from INTC, MSFT, APPL, FB, GOOGL and AMZN the shorts will feel the pain and equities could easily retake bullish trends / levels.

Finally, this still remains a stock pickers market. The S&P implied correlations are close to a 1 year low (48.92) which means **stocks in the S&P 500 are not moving together – so while I am neutral the overall market, I believe there are still single name opportunities to exploit both on the short and long side.** If correlations jump above 55 I will reexamine.

Last week's sector performers:

Best 5d:

Symbol	Description	5d % chng
XLU	Utilities	1.25%
IYR	REITs	1.12%
XLP	Staples	0.08%
GDX	Gold Miners	-0.02%
IYZ	Telecom	-0.03%
OIH	Oil Services	-0.40%
XLK	Tech	-0.52%
XLI	Industrials	-0.57%
XLF	Financials	-0.97%
XLE	Energy	-0.99%
XLY	Cons Discretion	-1.07%

Worst 5d:

Symbol	Description	5d % chng
IBB	Biotech	-6.34%
XME	Metals & Mining	-4.83%
XLV	Health Care	-3.13%
SMH	Semis	-2.87%
KRE	Regional Banks	-2.87%
KBE	Banks	-2.45%
FDN	Internet- FANG	-1.95%
XOP	Oil & Gas Expl Prod	-1.75%
ITB	Home Builders	-1.69%
XRT	Retail	-1.66%
SLX	Steel	-1.32%

Here are last week's International performers:

Best 5d:

Symbol	Description	5d % chng
EWZ	Brazil	1.66%
EWJ	Mexico	1.61%
ECH	Chile	1.16%
EWC	Canada	1.11%
HEWG	Germany (FX'd)	0.78%
HEDJ	Europe (FX'd)	0.67%
GREK	Greece	0.41%
DXJ	Japan (FX'd)	0.21%
ASHR	China A	0.16%
IDX	Indonesia	-0.04%
EWA	Australia	-0.62%

Worst 5d:

Symbol	Description	5d % chng
THD	Thailand	-4.11%
PLND	Poland	-3.92%
EWY	South Korea	-3.91%
EPHE	Philippines	-3.37%
EWU	UK	-2.89%
TUR	Turkey	-2.40%
EUFN	EURO FINS	-2.36%
FXI	China	-2.34%
EWN	Netherlands	-2.33%
EWH	Hong Kong	-2.17%
EEM	Emerging Mkts	-2.15%

ETF Flows for the Week (week ending 10/14/16)

Overall: Equity ETFs flows were essentially flat for the 2nd week in a row (-\$300M prior week). However, a couple interesting themes were present. In US sectors, there were small inflows in energy, tech, and materials. Inside the tech sector, larger cap tech ETFs – XLK, IYW, and VGT posted inflows but Semi ETFs – SMH and SOXX saw decent outflows. Note the sector saw a pull back last week -2.9%. REITs saw sizable outflows for the 2nd week in a row, and totaled \$2b of outflows over those two week. Health Care reversed the previous week's inflows and lost -\$478M last week, mostly originating from XLV as more drug pricing was in the headlines.

Another interesting theme was short term treasury ETFs gaining assets. BSV (Vanguard Short-Term Bond ETF) added +\$362M in assets and SHY (iShares 1-3 Year Treasury Bond ETF) added +\$204M in assets. So, what lost assets? The Corporate Bond group looks like it lost a likeable amount. For example, the JNK (SPDR Barclays High Yield Bond ETF) lost -\$457M in assets last week.

In International ETFs, **Emerging Markets (EM) tacked on another \$1.3B inflow, 15 straight weeks of EM inflows.**

US / Sectors (5d):

- **Sector Highlights** (largest movers included)
- **Largest Inflows:**
 - **Energy +\$227M:** XLE +\$161M, AMLP +\$146M, XOP -\$94M
 - **Tech +\$203M:** XLK +\$142M, IYW +\$53M, VGT +\$42M, SMH -\$108M, SOXX -\$49M
 - **Materials +\$152M:** GDX +\$199M, XLB +\$51M, GNR +\$40M, DUST -\$119M
- **Largest Outflows:**
 - **REITs -\$714M:** IYR -\$182M, VNQ -\$149M, RWR -\$98M, XLRE -\$72M, RWX -\$67M, DRN -\$56M, FRI -\$30M
 - **Health Care -\$478M:** XLV -\$341M, IHF -\$56M, IHI -\$36M, VHT -\$22M

International (5d):

- **International ETFs +\$1.7B**
- **Country/ Region specific ETFs:**
 - Largest Inflows:**
 - **Emerging Mkts +\$1.3B:** VWO +\$538M, IEMG +\$242M, EMB +\$185M, PCY +\$69M, EEMV +\$42M, SCHE +\$37M
 - **Developed Mkts +\$675M:** IEFA +\$602M, EFG +\$53M, DBEF -\$58M
 - **China +\$263M:** MCHI +\$230M

Largest Outflows:

- **Europe -\$440M:** EZU -\$395M, HEDJ -\$35M
- **Brazil -\$248M:** BRZU -\$247M

Largest Flows by ETF

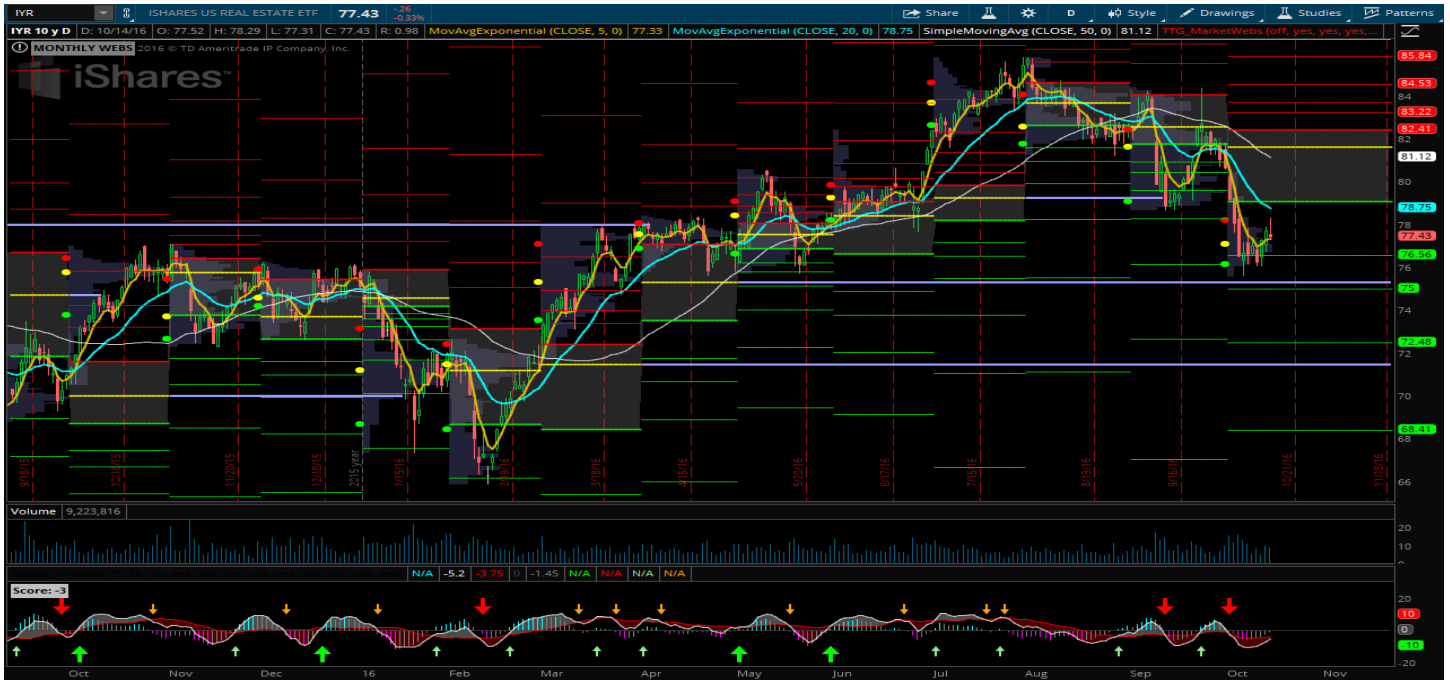
Inflows				Outflows			
Ticker	Description	5d Mkt Value Chng	Fund Size 5d % Chng	Ticker	Description	5d Mkt Value Chng	Fund Size 5d % Chng
IWM	SMALL CAPS	\$ 830,898,000	3.0	SPY	SPX	\$ (1,949,492,608)	-1.0
GLD	GOLD	\$ 716,160,000	1.9	QQQ	NDX	\$ (644,270,000)	-1.7
IVV	SPX	\$ 696,442,500	0.9	IWB	LARGE CAPS	\$ (598,273,500)	-3.7
IEFA	EAFE	\$ 601,888,000	4.7	JNK	HIGH YIELD BONDS	\$ (457,249,634)	-3.7
VWO	EMERGING MKTS	\$ 537,832,702	1.2	EZU	EUROZONE	\$ (394,875,000)	-5.3
ITOT	TOTAL US MARKET	\$ 503,734,500	10.7	XLV	HEALTH CARE	\$ (341,135,911)	-2.8

ETFs of the Week:

IYR (iShares U.S. Real Estate ETF) & VNQ (Vanguard REIT ETF) *I am leaving this one in from last week as I am still bearish the REITs*

As mentioned in the ETF flow section, REITs have had gigantic outflows over the last two weeks of -\$2.0B mostly coming from VNQ and IYR. If TLT rises its prices next week (interest rates fall) the IYR ETF could be setup for an oversold bounce as a day trade. Note if rates continue to rise, watch for more downside as there are VPOCs (Virgin Point of Controls) lurking below (purple lines). The second chart indicates, that while last week's outflows were quite large, they could be the tip of the iceberg.

IYR daily chart



TLT (iShares 20+ Year Treasury Bond ETF)

Last week longer dated treasuries continued to fall, -1.7% for the week and breached the 200d MA which is a bearish signal. This is important because it affects all those equity bond proxies (high dividend names, REITs, Utilities, Telecom, etc.). If TLT continues to fall I continue to think that there could be a large unwind in the overcrowded bond proxies.

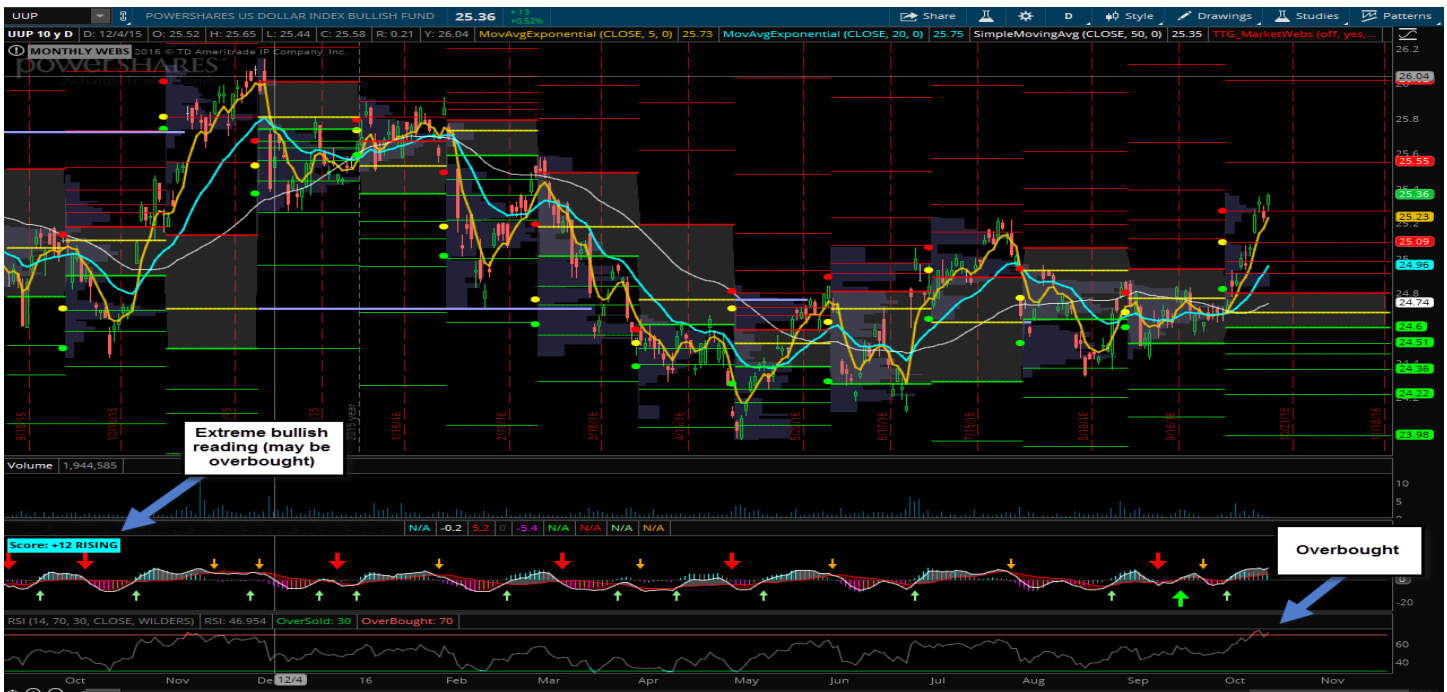
TLT daily chart



UUP (PowerShares DB US Dollar Index Bullish Fund)

The US Dollar is breaking above July levels and another area to keep on your radar. Note the UUP is now in overbought territory with a 72 RSI and a +12 RISING rating on the Raptor Indicator.

UUP daily chart



Stocks to Watch (from Pat Harris @pharris667)

IPGI

Inphi Corporation provides high-speed analog and mixed signal semiconductor solutions for the communications, datacenter, and computing markets worldwide. The company's analog and mixed signal semiconductor solutions offers high signal integrity at data speeds while reducing system power consumption. Its semiconductor solutions are designed to address bandwidth bottlenecks in networks, maximize throughput and minimize latency in computing environments, and enable the rollout of next generation communications, datacenter, and computing infrastructures. **Watching this as it comes out of Syndicate Filing an IBD Sector leader.**



CRPT

Copart, Inc. provides online auctions and vehicle remarketing services. It offers a range of services for processing and selling vehicles over the Internet through its Virtual Bidding Third Generation Internet auction-style sales technology to vehicle sellers, primarily insurance companies, as well as to banks and financial institutions, charities, car dealerships, municipalities, fleet operators, and vehicle rental companies. **FORM 4 Filings.**



WB

Weibo Corporation operates as a social media platform for people to create, distribute, and discover Chinese-language content. It operates through two segments, Advertising and Marketing Services, and Other Services. The company offers self-expression products that enable its users to express themselves on its platform; social products to promote social interaction between users on its platform; discovery products to help users discover content on its platform; and notifications to notify users on Weibo account activities through SMS or push notification on their device. It also provides third-party online games, including role playing, card, strategy, and real life simulation games, as well as various services and functions to VIP members; and develops mobile apps comprising Weibo Headlines that aggregates news and information from Weibo and other online sources, as well as Weibo Weather, a weather app. In addition, the company offers advertising and marketing solutions, such as social display ads; and promoted feeds, accounts, and trends to enable its customers to promote their brands and conduct marketing activities. BABA OWN 68% OF THIS COMPANY. [Form SC 13D WEIBO Corp Filed by: Alibaba Group Holding Ltd](#)



EEFT

Euronet Worldwide, Inc. provides payment and transaction processing and distribution solutions to financial institutions, retailers, service providers, and individual consumers worldwide. The company operates in three segments: Electronic Financial Transaction (EFT) Processing, epay, and Money Transfer. The EFT Processing segment provides electronic payment solutions, including automated teller machine (ATM) cash withdrawal and deposit services, ATM network participation, outsourced ATM and point-of-sale (POS) management solutions, credit and debit card outsourcing, card issuing, and merchant acquiring services. **Like the Company IBD stock Rsi 66.**



EXPE

Expedia, Inc., together with its subsidiaries, operates as an online travel company in the United States and internationally. The company operates through Core OTA, trivago, Egencia, eLong, and HomeAway segments. It facilitates the booking of hotel rooms, airline seats, car rentals, and destination services from its travel suppliers; and acts as an agent in the transaction. **13D Filing Trowe Price this week.**



KHC

The Kraft Heinz Company manufactures and markets food and beverage products in the United States, Canada, Europe, and rest of world. The company's products include condiments and sauces, cheese and dairy products, meals, meats, refreshment beverages, coffee, snack nuts, dressings, packaged dinners, infant/nutrition products, and other grocery products. **Talked about this Wednesday as technicals improve watching early in the week to see if it continues.**



Also watching ULTA for Dip Buying

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