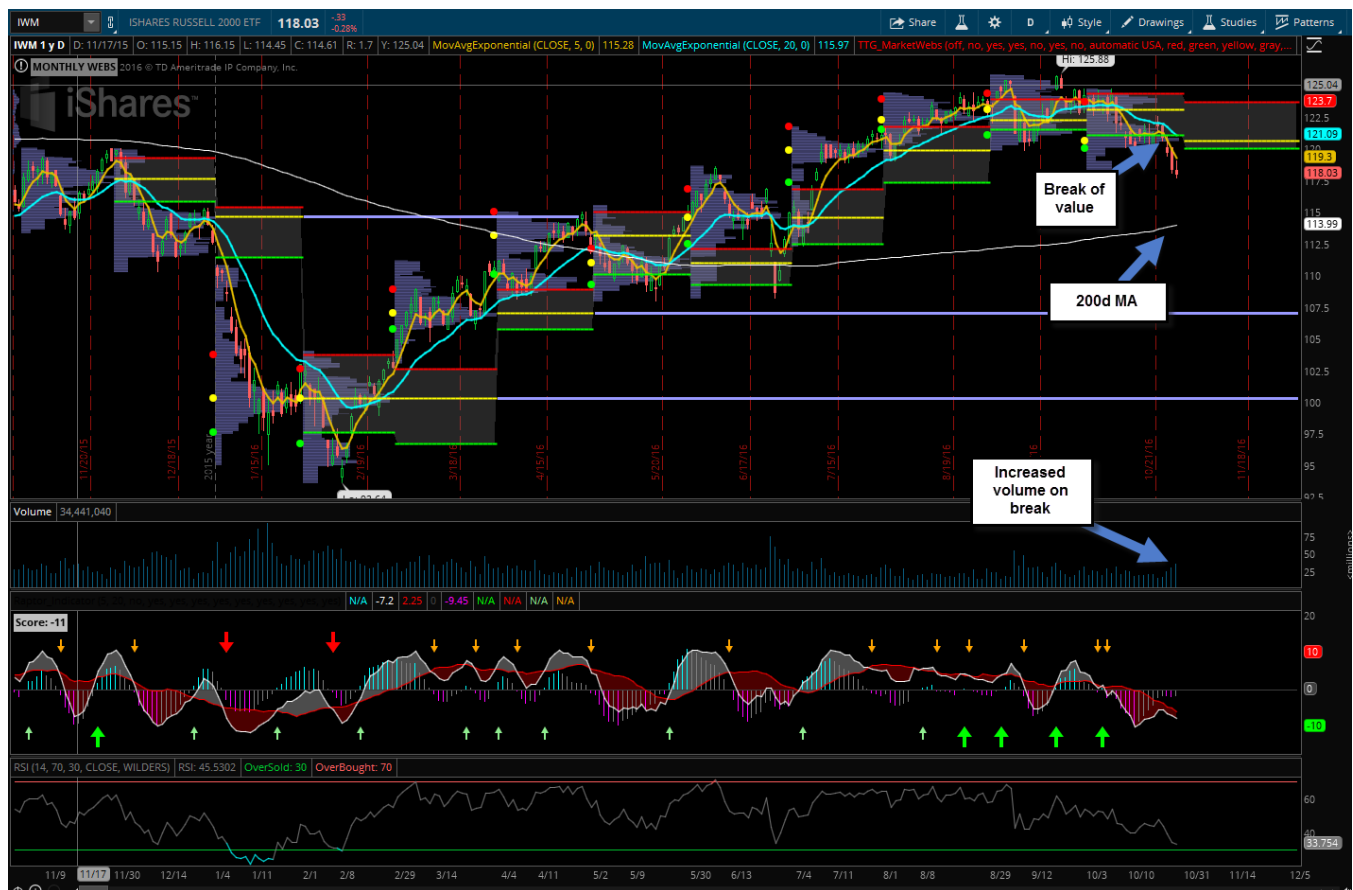


**US ETF Index performance (5d): SPY -0.7%, DIA +0.1%, IWM -2.5%, QQQ -0.9%, TLT -2.2%, GLD +0.6%**

**TTG Market View:** Last week Large Caps were mostly range bound with the SPY -0.7% and the DIA +0.1%. However, there was a move down in **Small Caps (IWM)** which fell -2.5%. The IWM is now under the 100d MA (Moving Average) which I consider **Neutral to Weak**. Note the 200d MA for IWM is \$113.98, and a break below this level is not good for the market. What is the significance of the Small Caps moving lower last week? I believe the Small Caps can provide a leading signal for the overall market and are a good proxy for market risk or appetite for risk. **So, are we doomed? No, not at all but it's not a good signal... it could also be telling us that risk may be off until after earnings season and the election. If you remember from last week's newsletter, I advocated holding a high allocation of cash into the election. With a big week of earnings completed and the election 7 days away I feel the exact same way as I did last week- hold a larger cash position.** Note we have another big week of earnings ahead with FB, PFE, BABA, KHC, QCOM, GILD, AGN, SBUX, CHTR, TWX, AIG, OXY, DUK, MET, EOG, SO, FOXA, D, LVS, etc. There is also a **Fed meeting concluding on Wednesday, the 2nd**. Note Fed Fund futures are pricing in a 17% chance of a rate increase going into the meeting, but it will be interesting if the Fed signals for the next rate increase to take place in Dec (currently a 69% probability).

IWM daily chart



There was a note floating around last week by LPL Financial that indicated that the next 5 days after Oct 27<sup>th</sup> are the strongest of the year historically, and Oct 28<sup>th</sup> is historically the strongest of the year. I put little faith in these seasonal patterns as Oct 28<sup>th</sup> finished -0.3% - so, not so strong... I am not listing it here to say the analysis is wrong, but just so that you are aware of it as it was mentioned in this week's Barron's and I do believe in herd mentality. Meaning if everyone believes in something and they begin to buy, the market may rise. Of course this is very simplistic and ignores all other factors, but I am listing it here because it got a good deal of attention in the financial media.

The SPX is between the 100d and 200d Moving Average (MA), which in my opinion is "no man's land". Looking at the S&P 500 sectors, a further deterioration is present. There are now only 2 sectors that are strong and remain above the 50d MA, which are Tech and Financials. There are 5 sectors, Consumer Discretionary, Health Care, Consumer Staples, REITs, and Utilities that are weak and below the 200d. If more sectors are looking weak vs strong why has the SPX not completely broken down? Fortunately for the SPX, the weight of the 5 sectors that are weak and have broken down are only a combined 42% of the SPX.

In conclusion, this map of the sectors tells me to avoid the weak (XLY, XLV, XLP, IYR, XLU) and stick with the strong sectors (XLK, XLF) and individual names in these strong sectors unless they break down too.

#### This week's sectors

Symbol	Description	Moving Avg Summary	Category	Weight in SPX
XLK	Tech	>50d	Strong	22
XLF	Financials	>50d	Strong	13
XLE	Energy	>50d>100d	Neutral	7
XLI	Industrials	<100d	Neutral to Weak	10
XLB	Materials	<100d	Neutral to Weak	3
IYZ	Telecom	<100d	Neutral to Weak	3
XLY	Cons Discretion	<200d	Weak	12
XLV	Health Care	<200d	Weak	14
XLP	Consumer Staples	<200d	Weak	10
IYR	REITs	<200d	Weak	3
XLU	Utilities	<200d	Weak	3

#### Last week's sectors (10/22 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	<100d	Neutral to Weak	10
XLY	Cons Discretion	<100d	Neutral to Weak	12
XLB	Materials	<100d	Neutral to Weak	3
IYZ	Telecom	<100d	Neutral to Weak	3
XLV	Health Care	<200d	Weak	15
XLP	Consumer Staples	<200d	Weak	10
IYR	REITs	<200d	Weak	3
XLU	Utilities	<200d	Weak	3

### Last week's sector performers:

#### Best 5d:

Symbol	Description	5d % chng
XLP	Staples	1.00%
XLU	Utilities	0.96%
IYZ	Telecom	0.77%
KRE	Regional Banks	0.74%
XLF	Financials	0.66%
SLX	Steel	0.58%
KBE	Banks	0.49%
XLI	Industrials	0.19%
SMH	Semis	-0.16%
XLK	Tech	-0.19%
XLB	Materials	-0.70%

#### Worst 5d:

Symbol	Description	5d % chng
OIH	Oil Services	-5.13%
XOP	Oil & Gas Expl Prod	-4.56%
GDX	Gold Miners	-3.29%
ITB	Home Builders	-3.28%
IYR	REITs	-3.17%
XME	Metals & Mining	-2.95%
XLV	Health Care	-2.77%
IBB	Biotech	-2.72%
XLY	Cons Discretion	-1.95%
XRT	Retail	-1.91%
XLE	Energy	-1.17%

### Last week's International performers:

#### Best 5d:

Symbol	Description	5d % chng
ECH	Chile	2.70%
PLND	Poland	1.95%
EUFN	EURO FINS	1.54%
EWP	Spain	1.40%
DXJ	Japan (FX'd)	1.08%
EWI	Italy	0.98%
EWQ	France	0.54%
FM	Frontier Mkts	0.40%
EWJ	Japan	0.40%
EZU	EMU	0.38%
EWG	Germany	0.08%

#### Worst 5d:

Symbol	Description	5d % chng
EPHE	Philippeanes	-4.73%
EWA	Australia	-2.75%
FXI	China	-2.59%
TUR	Turkey	-2.55%
EWV	Mexico	-2.52%
EWK	Belgium	-2.23%
GREK	Greece	-2.01%
EEM	Emerging Mkts	-1.78%
EWL	Swiss	-1.76%
EPU	Peru	-1.72%
EWY	South Korea	-1.67%

## ETF Flows for the Week (week ending 10/28/16)

**Overall: Equity ETFs flows posted a solid +\$7.4B inflow last week (+\$2.9M prior week).** There was a decent amount of rhetoric last week regarding equity funds losing assets. Considering the attention that was spent on this last week in the Financial Media, I wanted to address why I track ETF flows. To be fair, I do not track mutual fund flows so I cannot comment on them with prefect accuracy. Part of the reason why I do not track mutual funds and do not find it material is they are a dying product in my opinion. A product that sees repetitive outflows every week (regardless of market conditions) means there is an issue with the product and may not be a good gauge of investor sentiment. *So, I would rather track a product that continues to grow (ETFs) and where money is distributed inside the product.*

That said, **the largest inflows last week went into the QQQs, +\$1.7B and into SPX related funds SPY, IVV, +\$2.1B.** Other areas that saw inflows were **International Developed Markets +\$1.5B, Emerging Markets +\$535M, Tech +\$309M, Financials +\$286M, Japan +\$192M, and Industrials +\$173M.**

**Fixed Income ETFs lost -\$2.1B assets last week. The outflows were mostly in corporate bond ETFs.** HYG (High Yield) lost -\$1.8B and LQD (investment Grade) -\$1.7B. Fixed Income ETFs that saw inflows were BKLN (Senior Bank Loans) +\$199M, and TIP (TIPs) +\$173M. In commodity ETFs, **Gold (GLD) saw an outflow of -\$450M, that is the 2<sup>nd</sup> week of outflows for gold (-\$483M prior week).**

### US Sectors (5d):

- **Largest Inflows:**
  - **Tech +\$309M:** XLK +\$171M, TECL +\$76M, IGV +\$62M, IXN +\$27M, SMH -\$75M
  - **Financials +\$286M:** XLF +\$146M, KRE +\$83M, VFH +\$47M
  - **Industrials +\$173M:** XLI +\$163M
- **Largest Outflows:**
  - **Consumer Staples -\$306M:** XLP -\$235M, FXG -\$51M
  - **Utilities -\$291M:** XLU -\$252M
  - **Health Care -\$186M:** XLV -\$234M, IHI -\$67M, IBB +\$170M

### International (5d):

- **International ETFs +\$1.8B**
- **Country/ Region specific ETFs:**
  - Largest Inflows:**
    - **Developed Mkts +\$1.5B:** VEA +\$1.1B, IEFA +\$269M, IEFA +\$136M, HEFA +\$136M, DBEF -\$133M
    - **Emerging Mkts +\$535M:** EMB +\$396M, VWO +\$190M, EMLC +\$37M
    - **Japan +\$192M:** EWW +\$130M
  - Largest Outflows:**
    - **Europe -\$450M:** HEDJ -\$179M, V GK -\$150M, IEV -\$49M, DBEU -\$38M, FEZ -\$33M
    - **Brazil -\$214M:** 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
QQQ	NDX	\$ 1,680,385,000	4.3	HYG	HIGH YIELD BONDS	\$ (1,803,356,500)	-9.9
SPY	SPX	\$ 1,349,381,375	0.7	LQD	INV GRADE BONDS	\$ (1,692,180,000)	-5.2
VEA	INTL DEVELOPED MKTS	\$ 1,101,187,710	3.0	GLD	GOLD	\$ (449,846,000)	-1.2
IVV	SPX	\$ 459,648,500	0.6	XLU	UTILITIES	\$ (251,993,938)	-3.4
IEMG	EMERGING MKTS	\$ 323,208,000	1.9	XLP	CONSUMER STAPLES	\$ (234,736,973)	-2.8
VBR	SMAL CAP VALUE	\$ 275,138,669	3.4	XLV	HEALTH CARE	\$ (233,838,967)	-2.0

## ETFs of the Week:

### DXJ (WisdomTree Japan Hedged Equity Fund)

Last week I profiled the EFA chart and EFA call option activity. Note the composition of EFA is mostly Japan and European equities. Last week, International Developed Market ETFs added +\$1.5B in assets and Japan added \$192M in assets. So, it makes sense to look at DXJ – Japan equities without exposure to the yen. In the chart below, the price action is now above the 50d, 100d, and 200d MA. The 50d MA also recent crossed above the 200d MA (Golden Cross) and the 100d MA – **these are bullish signs**. Note I remain long the DXJ Jan 46 calls at a purchase price of \$0.87 (trade date 10/10) to capitalize on further strength in Japan equities.

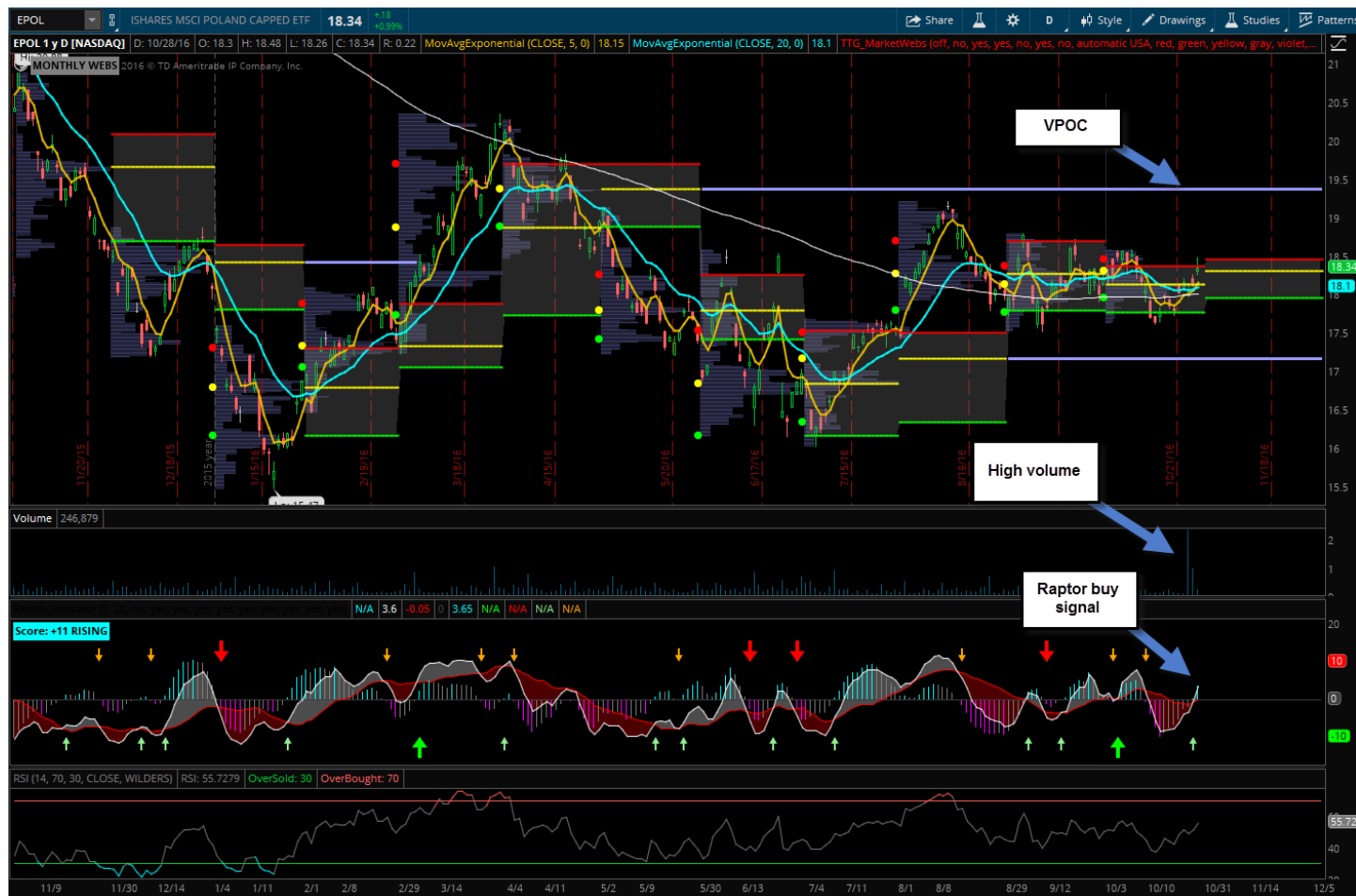
DXJ daily chart



## EPOL (iShares MSCI Poland Capped Investable Market Index Fund)

Last Wednesday and Thursday there were block trades of 1mm and 650k shares in the EPOL ETF which is unusual (see chart below). The ETF gained \$26M in assets last week proving that these block trades were purchases. From a technical perspective the EPOL is above the 50d, 100d, and 200d MA is showing a recent buy signal on the Raptor Indicator. Note there are no options on the EPOL or PLND ETFs, so this is more of a bullish cash trade that I am looking at. Note the VPOC (Virgin Point of Control) at \$19.38, which represents a ~6% move and a good place to take possible profits.

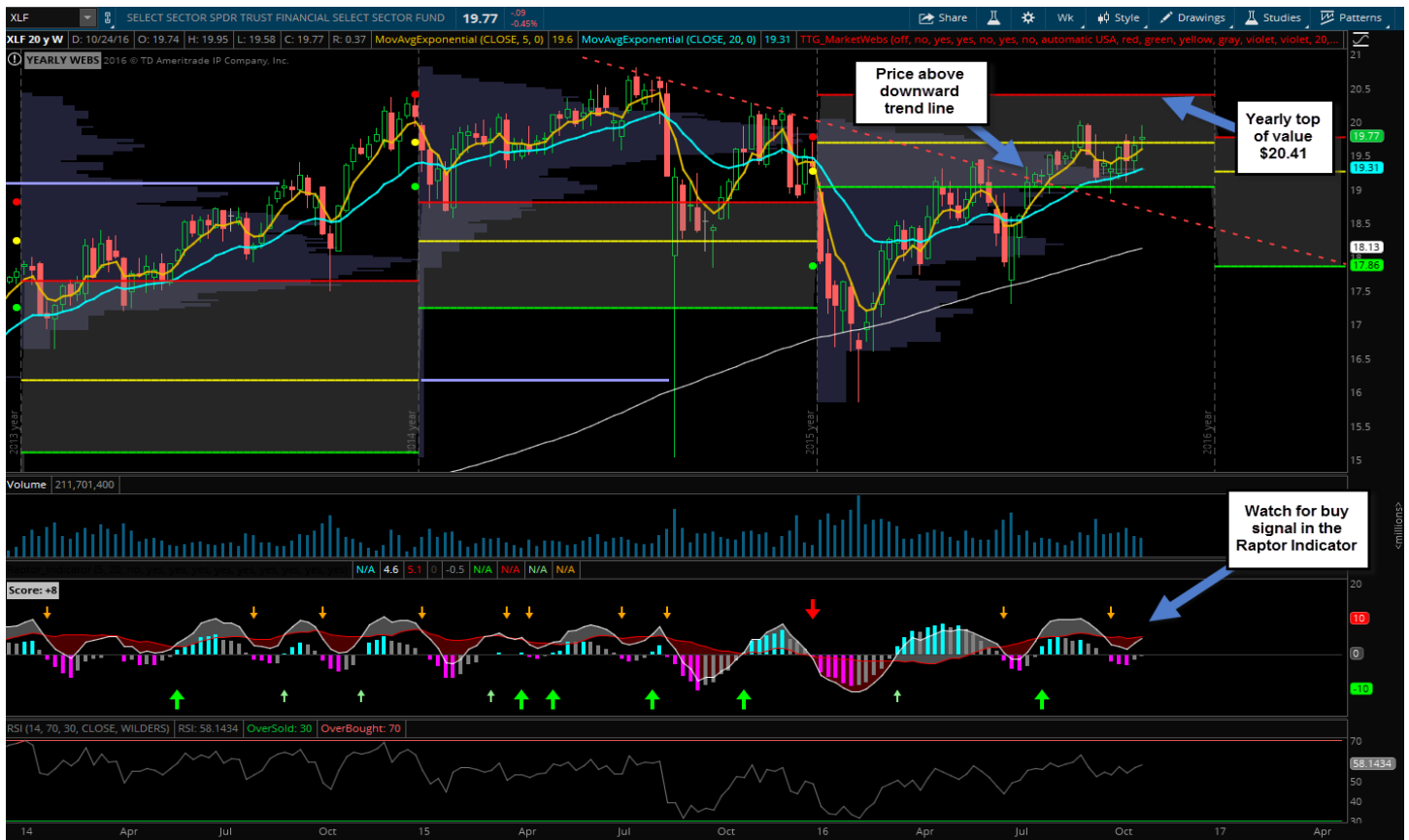
EPOL daily chart



## XLF (Financial Select Sector SPDR Fund)

As mentioned above, Financials are one of the few GICS sectors that are above the 50d MA. I believe we are seeing a rotation into Financials and Banks, this is evidenced by ETF fund flows – **over the past month Financial ETFs posted +\$936M inflows**. Note XLF is now a much different ETF that it used to be due to the rebalance that took place last month which stripped out REITs from the XLF ETF – so, **Banks and Insurance companies have a much higher weighting than they used to in the XLF ETF, and they both positively correlated to rates rising** – (see 2<sup>nd</sup> chart). Note the US 10yr rate has climbed to 1.85% from 1.55% in just one month. This is bullish for Financials.

XLF weekly chart



US 10yr Bond interest rate



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

### FB

Facebook, Inc. operates as a mobile application and Website that enables people to connect, share, discover, and communicate each other on mobile devices and personal computers worldwide. Its solutions also include Instagram, a mobile application that enables people to take photos or videos, customize them with filter effects, and share them with friends and followers in a photo feed or send them directly to friends; Messenger, a messaging application for mobile and Web on various platforms and devices, which enable people to reach others instantly, as well as enable businesses to engage with customers; and WhatsApp Messenger, a mobile messaging application. The company also develops Oculus virtual reality technology and content platform, which allow people to enter an immersive and interactive environment to play games, consume content, and connect with others. **Expect a Good week from Facebook as it reports Nov 2. Could run higher into earnings.**



## BABA

Alibaba Group Holding Limited, through its subsidiaries, operates as an online and mobile commerce company in the People's Republic of China and internationally. It operates Taobao Marketplace, an online shopping destination; Tmall, a third-party platform for brands and retailers; Juhuasuan, a sales and marketing platform for flash sales; Alibaba.com, an online wholesale marketplace; Alitrip, an online travel booking platform; 1688.com, an online wholesale marketplace; and AliExpress, a consumer marketplace. **Singles Day in 2 weeks one of their biggest Retail Events of the year- also reports NOV 2. Should Run Higher into this Event.**



## NVDA

NVIDIA Corporation operates as a visual computing company worldwide. It operates in two segments, GPU and Tegra Processor. The GPU segment offers processors, which include GeForce for PC gaming; Quadro for design professionals working in computer-aided design, video editing, special effects, and other creative applications; Tesla for deep learning, accelerated computing, and general purpose computing; and GRID for cloud-based streaming on gaming devices. **Strength in this Market abounds And Very first option Bought Friday MARCH 95 Calls. Also announced By TSLA as a new Customer for their Self Driving cars.**



## ULTA

Ulta Salon, Cosmetics & Fragrance, Inc. operates as a specialty retailer in the United States. Its stores provide cosmetics, fragrance, haircare, skincare, bath and body products, and salon styling tools. The company also offers cosmetics. **Finally** the stock finished **Green** this week. Thought it would get just below 240 never got there. I have checked the Option Flows and someone is Buying 265 calls I Small lots almost daily. Remember they gave great guidance on their Analysts Day. The chart below this one is for reference.



## VMW

VMware, Inc. provides virtualization and cloud infrastructure solutions in the United States and internationally. Its virtualization infrastructure solutions include a suite of products and services designed to deliver a software-defined data center (SDDC), run on industry-standard desktop computers, servers, and mobile devices; and support a range of operating system and application environments, as well as networking and storage infrastructures. **Beat estimates last two Quarters in a row plus like the Idea that Amazon selected their platform.**



## RP

RealPage, Inc. provides software and software-enabled services for the rental housing and vacation rental industries in the United States. It offers property management solutions, including OneSite to serve multi-family, affordable property, rural housing, military housing, senior and student housing, and commercial sectors; and Propertyware for accounting, maintenance and work order management, marketing spend management, and portal services, as well as screening, renter's insurance, and payment solutions. The company also provides Kigo, a solution for vacation rental property management; spend management solutions for property owners and managers; and RealPage Cloud, an application infrastructure that allow property owners and managers to outsource portions of the information technology (IT) operations. **IBD Spotlight chart of the week Like the Company.**



## CATM

Cardtronics plc provides automated consumer financial services through its network of automated teller machines (ATMs) and multi-function financial services kiosks in North America and Europe. The company offers cash dispensing and bank account balance inquiries, as well as other consumer financial services, including bill payments, check cashing, remote deposit capture, and money transfer services. It also provides electronic funds transfer transaction processing platforms that provide transaction processing services to other ATMs owned and operated by third parties; and monitoring, maintenance, cash management, communications, and customer services. **The old Peter Lynch Style of investing have a little of that in me-How many people use ATM's especially the younger people in the 20's and early 30's never seem to carry cash. LONG**



## MS

Morgan Stanley, a financial holding company, provides various financial products and services to corporations, governments, financial institutions, and individuals worldwide. The company's Institutional Securities segment offers capital raising and financial advisory services, including services related to the underwriting of debt, equity, and other securities, as well as advice on mergers and acquisitions, restructurings, real estate, and project finance. This segment also provides sales and trading services, such as sales, financing, and market-making services in equity securities and fixed income products, including foreign exchange and commodities, as well as prime brokerage services; and corporate lending services, credit products, and investments and research services. Possible short play here stock has done very well in this Market But filed a [Form 424B2 MORGAN STANLEY](#) at the close FRIDAY which is required 2 days before the filing takes effect.

EDGAR SEC FILINGS – 10/28/2016



## FLT

FleetCor Technologies, Inc. provides fuel cards, commercial payment and data solutions, stored value solutions, and workforce payment products and services. It sells a range of customized fleet and lodging payment programs; and offers card products to purchase fuel, lodging, food, toll, transportation, and related products and services at participating locations. The company also offers telematics solution that allows fleet operators to monitor the capacity utilization and movement of vehicles and drivers; vehicle maintenance services; prepaid fuel and food vouchers, and cards; and workforce payment product related to public transportation and toll vouchers. In addition, it provides proprietary equipment that reduces unauthorized and fraudulent transactions to over-the-road trucking fleets, shipping fleets, and other operators of heavily industrialized equipment, including sea-going vessels, mining equipment, agricultural equipment, and locomotives. **A leader in the Industry for years- in this Market chop doesn't have the wild swings of some companies just a solid Company.**



Also watching EW NVRO to continue a little more

Have a great week.

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