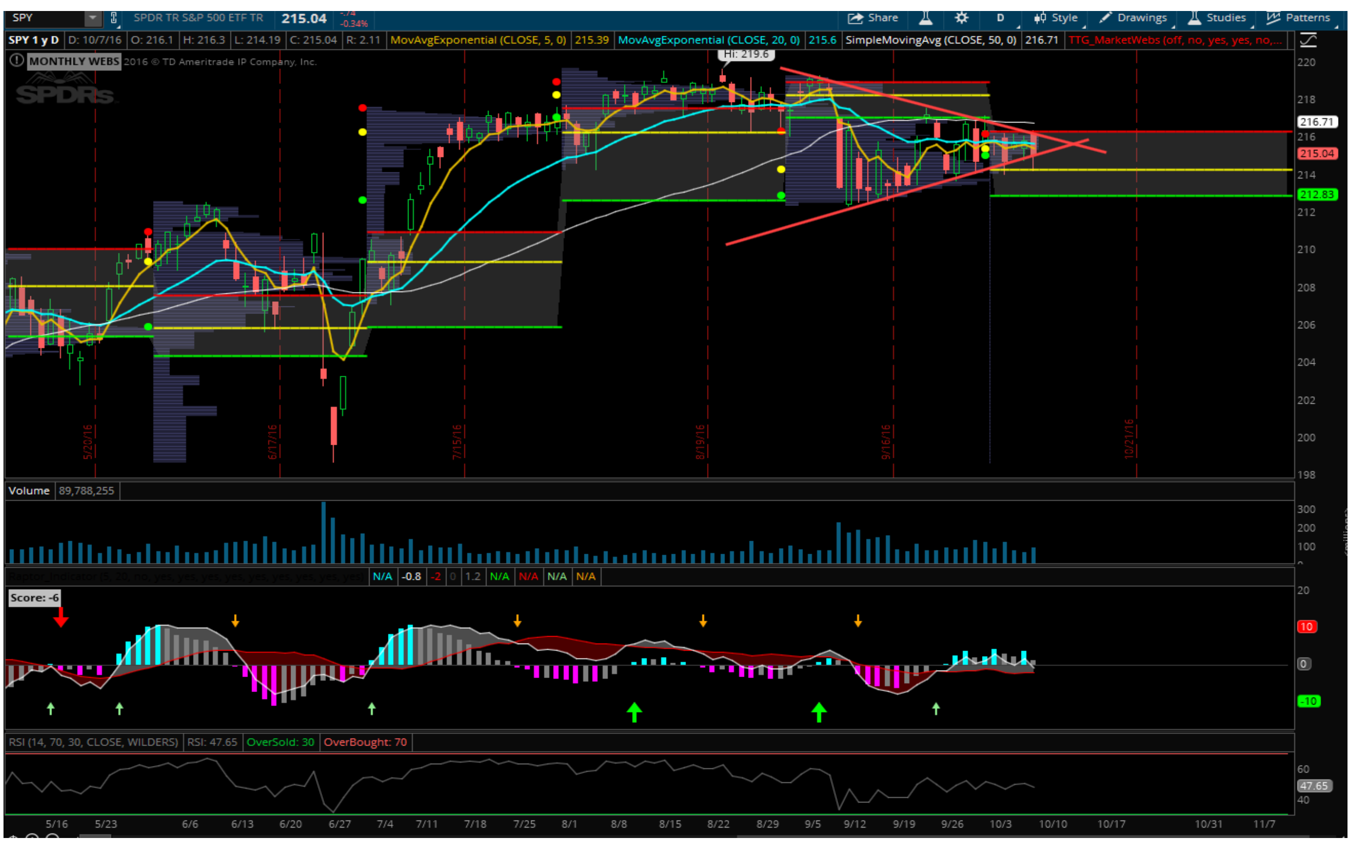
TRIBECA TRADE GROUP

US ETF Index performance (5d): SPY -0.6%, DIA -0.3%, IWM -1.1%, QQQ +0.2%, TLT -2.6% GLD -4.7%

Market Recap: On Friday, the Jobs report was weak **156k vs 172k exp** but not light enough to change the status quo. **Fed Funds futures are pricing in a 65% chance of a December rate hike** (up from 63% pre jobs data). The major averages were little changed last week (and frankly have been that way for the last 3 months with the SPX +1.1). However, **there were larger moves in Gold, Bonds, and in sectors.** The catalyst for many of the moves were Bloomberg headlines hinting that the ECB may begin tapering their QE program. **The headlines were later denied by the ECB but the damage was done.** Gold Miners (GDX) -13%, 20+year treasury bonds (TLT) -2.6%, REITs (IYR) -5.1%, and Utilities (XLU) -3.8%. As I wrote in the newsletter dated 9/10: http://www.tribecatradegroup.com/2016/09/11/we/ **one of the biggest risks to the equity market is a bond selloff which certainly took shape last week with bond proxies falling hard**. On the positive side, Banks (KBE) +2.5% as they benefit from higher interest rates.

TTG Market View: The SPX has been a triangle or wedge formation over the last month as the price action is just about at the point of the triangle, meaning we may get a decent move once the price action breaks out of this pattern. So which way are we likely to break? Are Sectors or Small Caps giving us hints? Let's take a step back, why is the SPX having difficulty breaking out of a range? **Further examination under the hood reveals that the components or sectors in the SPX are not moving together.** Over that formation of the 1 month triangle, Oil Services (OIH) +9.3%, Semis +9.2%, Fang Stocks (FDN) +3.5%, REITs -4.2%, Homebuilders (ITB) -2%, and Materials (XLB) -1.2%. **My point is there is a tug of war going on in sectors, and this may hinder the major indices from breaking out or breaking down.**

SPY (SPX) daily chart



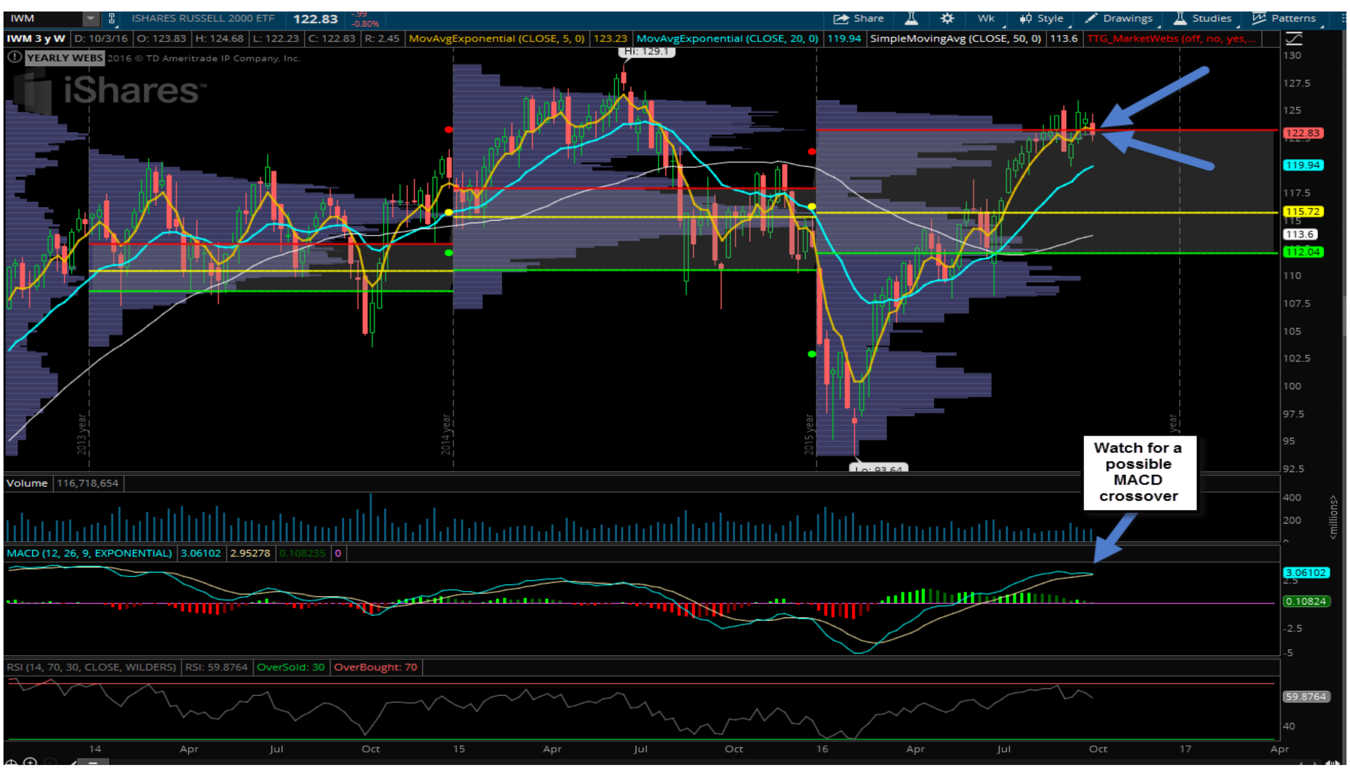
So back to the above question *are sectors providing hints on the next direction in the overall market?* **Of the major 11 SPX sectors or GICS: 3 sectors are strong and are above the 50day MA, 3 sectors have broken down and are below the 200d MA, 4 sectors are now below the 100d MA, and 1 sector is between the 50d and 100d MA. Conclusion: the SPX's health is not great. I believe the 4 sectors that are above the 200d MA but have recently fallen below the 100d are a must watch and could be a pivot point**. If they recover, and get back above the 100d and even better the 50d, **then this would be bullish**.

Another takeaway is the three strongest sectors: Tech, Financials, and Energy are a big chunk of the SPX at 40% combined. This is important and one of the reasons why the SPX has not broken down. I typically want to own strength, so these sectors (*while they are above 50d MA*) are where I want to be long.

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

Finally, what are the Small Caps telling us? In short, **they are hesitating at the yearly top of value. $123.21 is the level to watch** on the longer term trend***. Conclusion: If the Small Caps climb above this level I will be bullish, if below / neutral to bearish. The fact that we are right at this level along with the SPX close to the endpoint of the triangle – I am neutral the overall market until a see a clear signal.***

IWM (RTY) weekly chart



Last week's sector performers:

Best 5d:

Symbol	Description	5d % chng
KBE	Banks	2.52%
KRE	Regional Banks	2.29%
OIH	Oil Serverices	2.12%
XLF	Financials	1.61%
XRT	Retail	0.83%
SMH	Semis	0.22%
SLX	Steel	0.16%
XLE	Energy	0.00%
XLV	Health Care	-0.33%
XLK	Tech	-0.33%
XOP	Oil & Gas Expl Prod	-0.34%

Worst 5d:

Symbol	Description	5d % chng
GDX	Gold Miners	-12.98%
IYR	REITs	-5.11%
XME	Metals & Mining	-4.03%
XLU	Utilities	-3.82%
IYZ	Telecom	-2.17%
XLB	Materials	-1.86%
IBB	Biotech	-1.85%
XLP	Staples	-1.65%
XLI	Industrials	-1.40%
ITB	Home Builders	-1.20%
FDN	Internet- FANG	-0.55%

Here are last week's International performers:

Best 5d:

Symbol	Description	5d % chng
EWZ	Brazil	5.13%
PLND	Poland	1.96%
DXJ	Japan (FX'd)	1.79%
EPI	India	1.57%
GREK	Greece	1.53%
EWW	Mexico	1.46%
EUFN	EURO FINS	1.28%
FXI	China	1.26%
EEM	Emerging Mkts	0.64%
EWH	Hong Kong	0.41%
EWT	Taiwan	0.32%
ASHR	China A	0.24%
RSX	Russia	0.21%

Worst 5d:

Symbol	Description	5d % chng
EPU	Peru	-3.46%
EWC	Canada	-2.14%
EPHE	Philippeanes	-2.04%
EWU	UK	-1.83%
EWP	Spain	-1.64%
VGK	Europe	-1.35%
EWL	Swiss	-1.28%
EWK	Belgium	-1.17%
EFA	EAFE	-0.93%
VNM	Vietnam	-0.93%
EZU	EMU	-0.90%
EWY	South Korea	-0.89%
EWG	Germany	-0.72%

ETF Flows for the Week (week ending 10/7/16)

Overall: **Equity ETFs saw a tiny outflow of -$300M (-$1.5B prior week).** However, in sectors that were some interesting moves / rotations. **Gold Miners**, which were by far last week's worst performer -13% ***did not* see a rush for the exits**, **instead they saw inflows or dip buying as GDX added +$282M in assets & NUGT added +$272M assets last week.** Gold (GLD), which sank 5%, posted a $455M inflow on Friday.

The main theme of the week was what could be a mass exodus of two very over crowded trades in my opinion. REITs lost -$1.6B in assets and Minimum / Low Volatility ETFs lost -$916M in assets last week. To put this in perspective REIT ETFs have added +$7.8B and Minimum / Low Volatility ETFs added $8.8Bin assets over the last year (net of last week's outflows)

So, with all those outflows, who gained? **Health Care led inflows.** Interestingly, there was call buying in BMY, MRK, and GILD on Friday. **Materials** (as mentioned above), **Tech, Financials, and Energy also posted inflows.**

In International ETFs, **Emerging Markets (EM) tacked on another $1.1B inflow, 14 straight weeks of EM inflows**.

US / Sectors (5d):

- **Sector Highlights** (largest movers included)
- **Largest Inflows:**
  - **- Health Care +$502M:** XLV +$525M, IBB +$56M, IHI +$50M, PPH -$28M, PTH -$28M, VHT -$26M
  - **- Materials +$389M:** GDX +$282M, NUGT +$272M, JNUG +$168M, IYM -$140M, FXZ -$72M, PYZ -$70M
  - **- Tech +$367M:** VGT +$132M, RYT +$115M, XLK +$73M, IYW +$71M, SMH -$73M, PTF -$49M
  - **- Financials +$167M:** XLF +$195M, KBWB +$81M, KBE -$72M, KRE -$52M

- **Largest Outflows:**
  - **- REITs -$1.6B:** VNQ -$600M, IYR -$597M, XLRE -$141M, ICF -$99M, DRN -$52M, RWX -$47M
  - - **Consumer Discretionary -$425M:** XLY -$379M

International (5d):

- **International ETFs +$1.2B**
- **Country/ Region specific ETFs**:

  Largest Inflows:

  - Emerging Mkts +$1.1B: IEMG +$385M, VWO +$371M, PCY +$198M, EMLC +$72M, SCHE +$44M, EMB -$116M

  - Developed Mkts +$675M: IEFA +$370M, VEA +$185M, EFG +$54M, SCHF +$51M, VEU +$41M, DBEF -$217M

  Largest Outflows:

  - Europe -$376M: EZU -$205M**,** EWG -$70M, FYE -$38M

  - Brazil -$225M: BRZU -$228M

Largest Flows by ETF

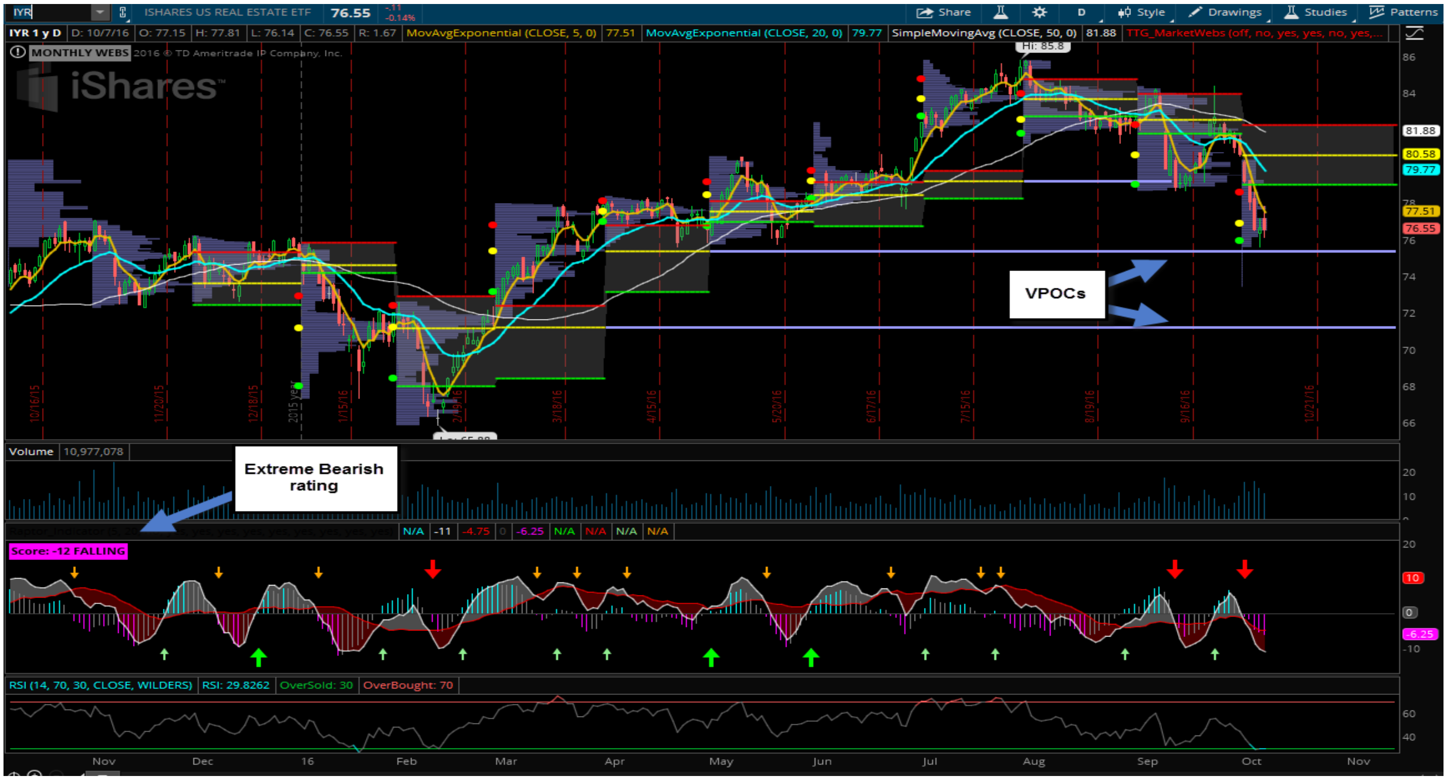
Inflows					Outflows				
Ticker	Description	5d Mkt Value Chng		Fund Size 5d % Chng	Ticker	Description	5d Mkt Value Chng		Fund Size 5d % Chng
HYG	HIGH YIELD BONDS	$	732,060,000	4.2	IWM	SMALL CAPS	$	(835,108,000)	-2.9
GLD	GOLD	$	454,899,140	1.2	USMV	MIN VOLATILITY EQQUITIES	$	(743,985,000)	-5.2
XLE	ENERGY	$	451,904,000	3.1	SPY	SPX	$	(623,580,549)	-0.3
ITOT	TOTAL STOCK MARKET	$	440,071,500	9.4	VNQ	REITS	$	(599,552,881)	-1.8
AGG	AGGREGATE BONDS	$	435,162,000	1.1	IYR	REITS	$	(596,856,000)	-12.8
IVV	SPX	$	432,500,000	0.5	LQD	INV GRADE BONDS	$	(512,862,000)	-1.6

ETFs of the Week:

IYR (iShares U.S. Real Estate ETF) & **VNQ** (Vanguard REIT ETF)

As mentioned in the ETF flow section, REITs had gigantic outflows this week of -$1.6B mostly coming from VNQ and IYR. The IYR ETF is now at an extreme bearish rating on the Raptor Indicator (-12 FALLING), it also has an RSI of a 29. If TLT rises is 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.

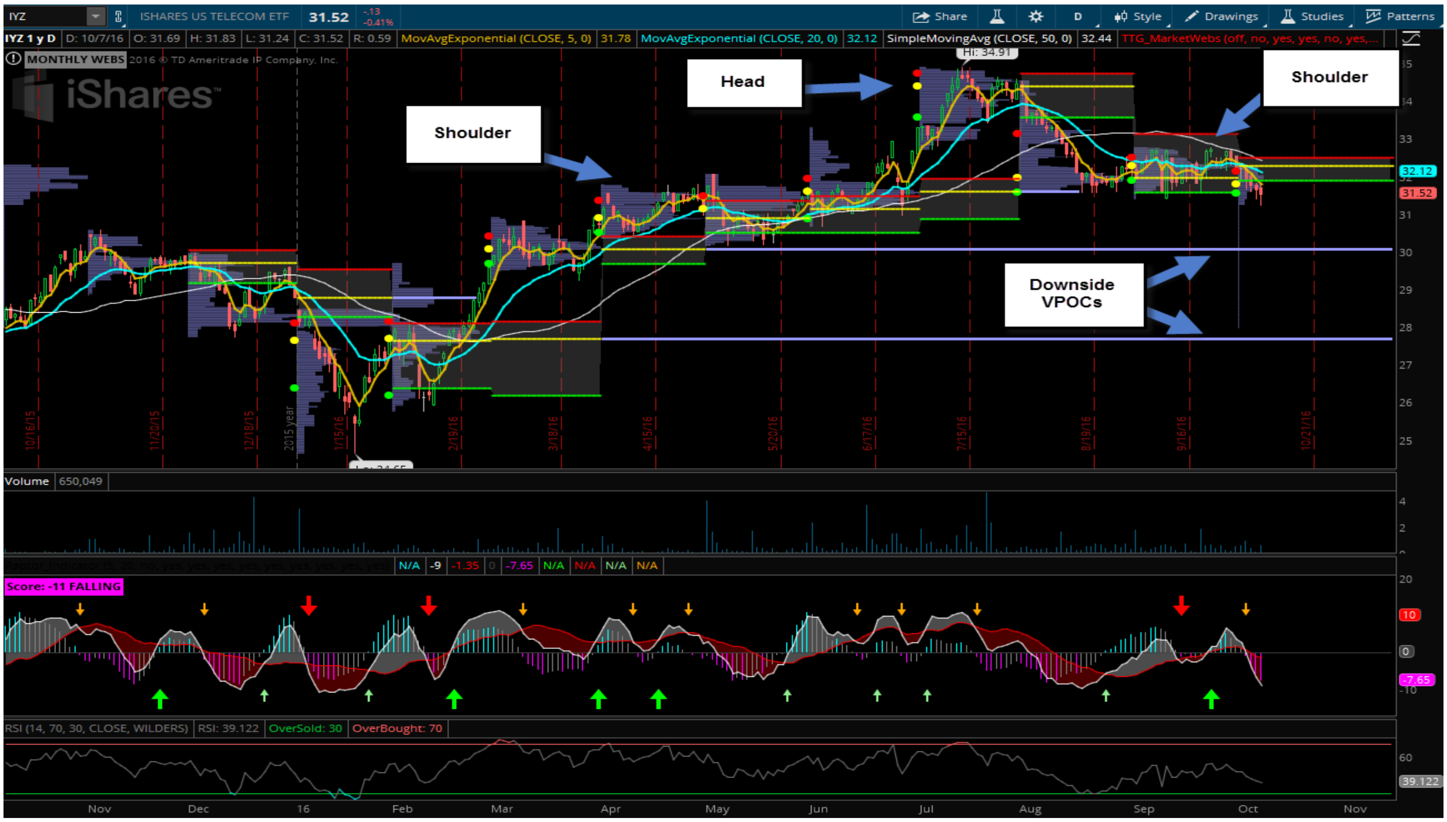
IYR daily chart



IYZ (iShares U.S. Telecommunications ETF)

Similar to REITs and Utilities which have seen decent pull backs, I think telecom stocks could see more downside ahead if interest rates continue to climb. The reasoning is that as interest rates have fallen the last 5 years, investors have flocked to higher yielding equities, and if rates now begin to rise there will be an unwinding of this higher yielding equity trade. An observation below is that appears to be a head and shoulders pattern developing on the IYZ chart. There are also downside targets (VPOCs) which may act as price magnets. Top weights in IYZ are T, VZ, TMUS, CTL, SBAC, LVLT, & S.

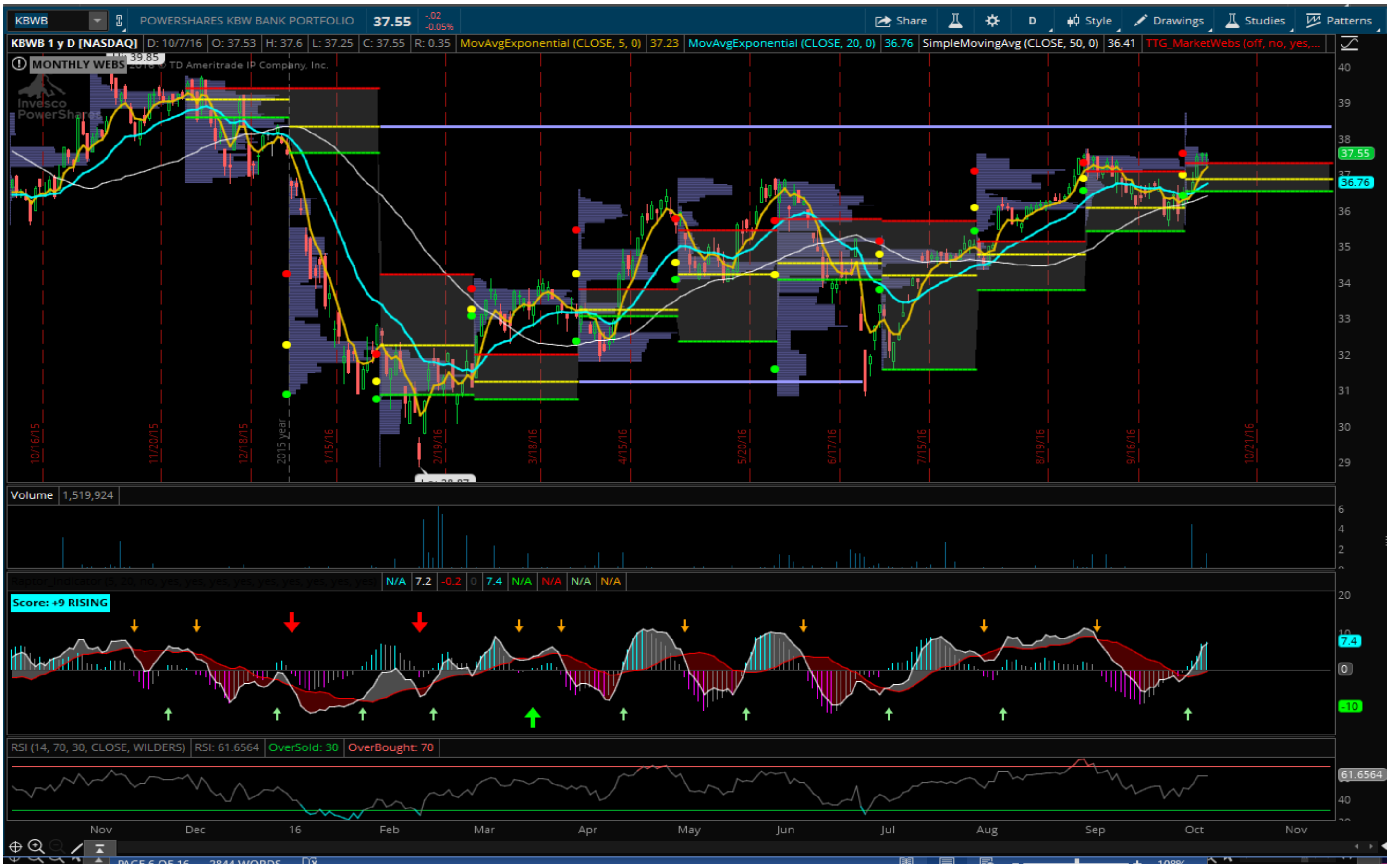
IYZ daily chart



KBWB (PowerShares KBW Bank Portfolio)

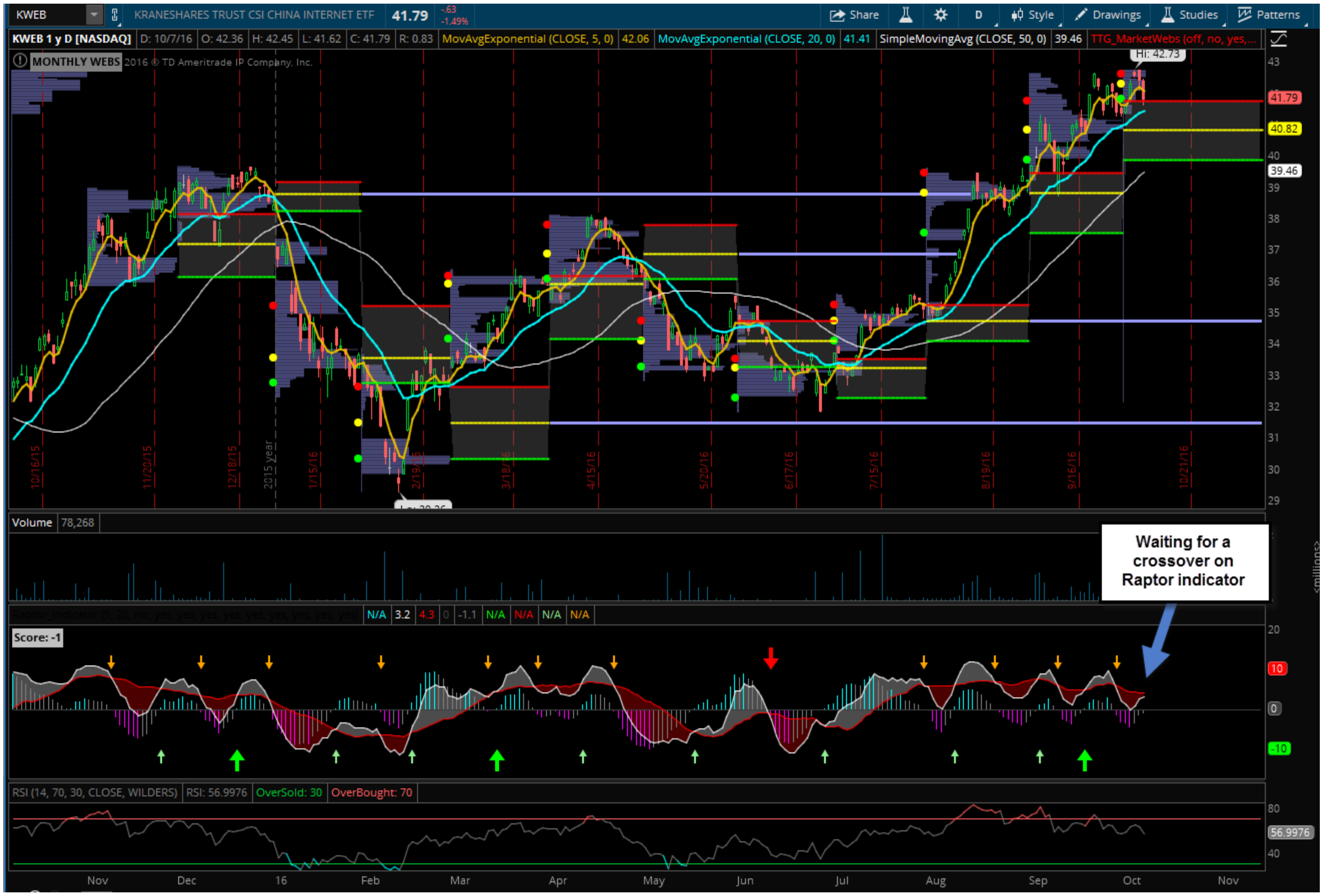
The KBWB ETF tracks the popular BKX Index which in turn tracks the money center banks – C, JPM, BAC, USB, WFC, STI, STT, and FITB. I have talked a great deal about the effect of interest rate moves on equities. Banks benefit from interest rate increases. The Banks were last week's top performing sector +2.9% and they could be ready to break out or at least hit that purple line below (VPOC). Next week we have earnings from JPM, WFC, C, and PNC at the end of the week. KBWB is a way to play the group without taking on single stock risk.

KBWB daily chart



KBWB (KraneShares CSI China Internet Fund)

The Chinese Internets have been on fire the last 3 months, +24.5% and I want to be with the trend in this one until it breaks. I started a position last week in the KWEB Feb 44 calls, I will look to add to this position if I see the Raptor indicator firing off a buy signal. I am also watching the top of value - $41.79 as support. Top weights in the KWEB ETF are: BABA, JD, BIDU, NTES, VIPS, XRS, CTRP, SINA, WUBA, and WB.



Stocks to Watch (from Pat Harris @pharris667)

BMY

Bristol-Myers Squibb Company discovers, develops, licenses, manufactures, markets, distributes, and sells biopharmaceutical products worldwide**. Continual Buying of Nov 55 keep this in my focus. Great news on cancer drug Saturday.**

MRK

Merck & Co., Inc. provides health care solutions worldwide. The company offers therapeutic and preventive agents to treat cardiovascular, type 2 diabetes, asthma, nasal allergy symptoms, allergic rhinitis, chronic hepatitis C virus, HIV-1 infection, fungal infections, intra-abdominal infections, hypertension, arthritis and pain**, Looks tight and ready Institutional Sweep Buying plus news from Friday**.

https://eresearch.fidelity.com/eresearch/evaluate/news/basicNewsStory.jhtml?symbols=MRK&storyid=201610090216BIZWIRE_USPR_____BW5065&provider=BIZWIRE_&product=USPR_____&sb=1

AZPN

Aspen Technology, Inc., together with its subsidiaries, provides software and services to the process industries in the United States, Europe, and internationally. It operates through two segments, Subscription and Software, and Services. The company licenses integrated process optimization software solutions and associated support services designed to manage and optimize plant and process design, operational performance, and supply chain planning. Its software suites include aspenONE engineering, and aspenONE Manufacturing and Supply Chain, which are integrated applications that allow end users to design process manufacturing environments, forecast and simulate potential actions, monitor operational performance, and manage planning and scheduling activities, as well as collaborate across these functions and activities. **Form 4 Filings.**

K

Kellogg Company manufactures and markets ready-to-eat cereal and convenience foods. It operates through U.S. Morning Foods, U.S. Snacks, U.S. Specialty, North America Other, Europe, Latin America, and Asia Pacific segments**. May get in on the ground floor repeat Institutional Buying here somebody is acquiring a position here.**

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
Ulta Beauty Analyst and Investor Day 10/13/2016 to 10/13/2016 11:00 AM EST. Also a lot of insider buying here Form 4.

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.**

VIPS

Vipshop Holdings Limited, through its subsidiaries, operates as an online discount retailer for various brands in the People's Republic of China. It offers a range of branded products, including women's apparel, such as casual wear, jeans, dresses, outerwear, swimsuits, lingerie, pajamas, and maternity clothes; men's apparel comprising casual and smart-casual T-shirts, polo shirts, jackets, pants, and underwear; women and men shoes for casual and formal occasions; and accessories consisting of belts, fashionable jewelry, watches, and glasses for women and men**. Vips Split 10 – 1 about 3 years ago from a price of over 200 dollars and has Struggled since then with Various Factors However Much better price actions the Last 2 months Plus IBD has much Better Strength ratings on it.**