

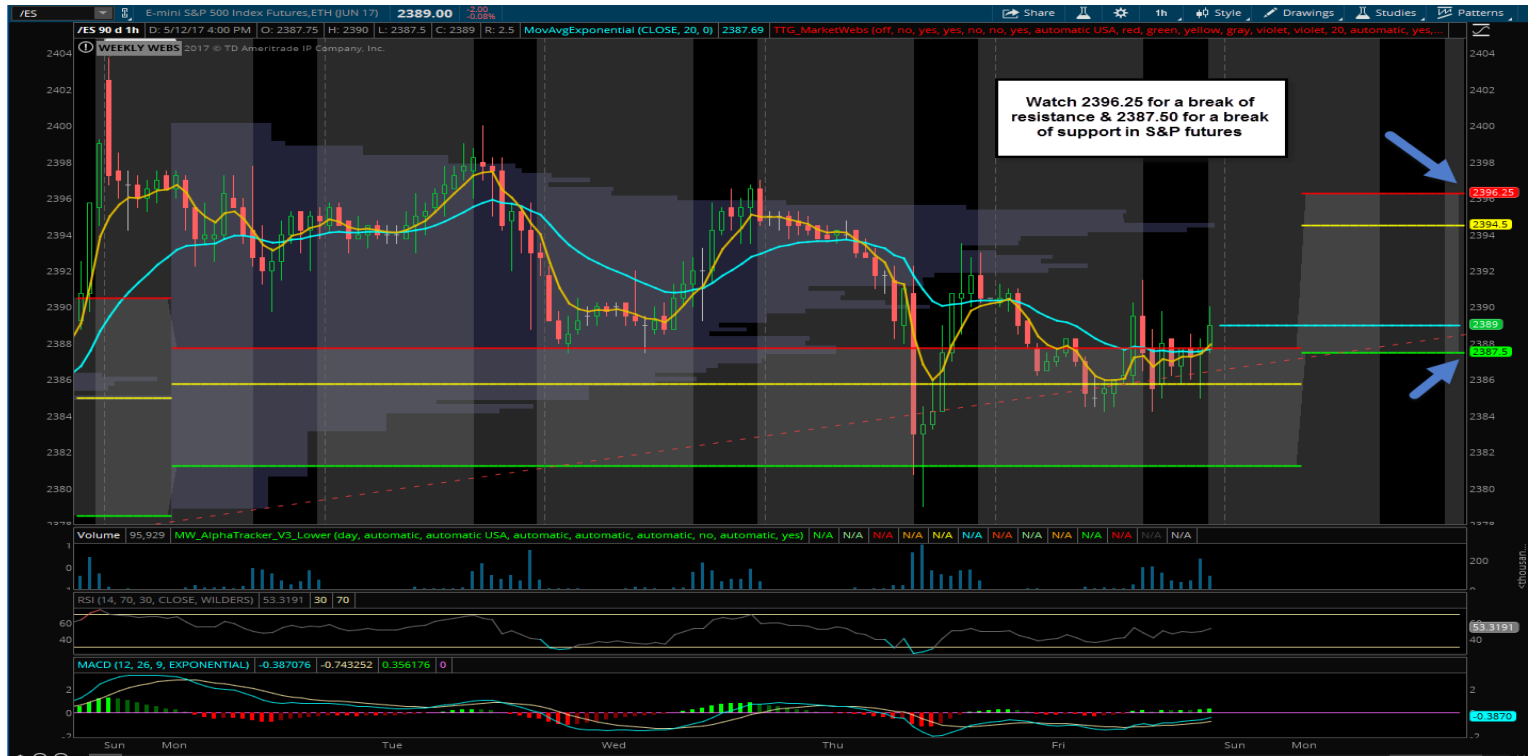
ETF Index performance (5d): SPY -0.3%, DIA -0.4%, IWM -1.0%, QQQ +0.8%, EEM +2.6%, EFA -0.5%, TLT +0.1%, GLD -0.2%

TTG Market View

Once again, the large US indices traded in a tight range last week with the NDX or QQQs outperforming and Small Caps (IWM) lagging. Despite, the “chop” the last few weeks, there has been good opportunities in single names, sectors, and non-US Equities. For example, KWEB, the China Internet ETF was +5.5% last week and we have been seeing strong call buying in this group the last few week including BABA, YY, and JD. The Semi group was also +2.5% as NVDA crushed earnings last week. **My point is that even though the major indices have not moved the last couple weeks there are plenty of opportunities in single stocks and this market remains a “stock pickers market”.** Does that mean it’s easy to pick stocks? Not necessarily. I continue to look for strong trending sectors and stocks and defining my risk appropriately. I do not think this is an “own everything” market so being picky and selective is a better system. What has worked well for me is not taking large positions, in fact legging into a position has worked better for me, and bottom line, being disciplined in getting out of losers quickly if the stocks break support.

Next week in US Economics we get Empire Manufacturing, Housing Starts & Building Permits, Industrial Production, Mortgage data, Philly Fed Business Optimism, and the Leading Index data. In earnings reports, HD, TJX, DKS, TGT, CSCO, WMT, AMAT, CRM, BABA, GPS, and DE are among the top companies reporting.

S&P futures /ES 1hr chart



The rest of the newsletter will focus on a US sector review, fund flows which new money continues to flow into International Equities, and charts to watch.

See the weekend video for the Index review and my market view: https://youtu.be/_cMOKUo_SCg

US Sector Review

On Friday, we did a US sector and subsector review in the trading room. **The findings were that many sectors are “Strong”** – as you can see from the table below. **There are 6 sectors which make up 64% of the SPX that are above all the major MAs (Moving Averages).** **There are 3 sectors that I have listed as “Avoid” which are below the 200d MA.** **Note these “Avoids” are only 13% of the SPX.** This is representative of the whole index and why the SPX is close to 52wk highs. There are weak parts or sectors of the SPX but they are small in size in relation to the whole index.

One observation to make is that some of Strong sectors including Consumer Discretionary and Industrials have declining momentum. Considering how tight of a range that we have been trading in the last few weeks I don’t think this should surprise anyone.

There is no doubt that the major US Indices have traded in a very tight range the last few week, but as the saying goes, “don’t short a dull market”. Instead, **keep an eye on the 50d MAs in the strong sectors. If they start to break, it would be a good place to lighten exposure** (in my opinion of course). **Until then, I am staying with the trend and I want to own strong sectors and avoid or short weak ones.**

Symbol	Description	Moving Avg Summary	Trend	*Momentum +12 / -12	Weight in SPX
XLK	Tech	>50d	Strong	+10	22
XLU	Utilities	>50d	Strong	+4	3
XLY	Cons Discretion	>50d	Strong	-3 FALLING	12
XLI	Industrials	>50d	Strong	-3 FALLING	10
XLV	Health Care	>50d	Strong	-4 FALLING	14
XLB	Materials	>50d	Strong	-6 FALLING	3
XLP	Consumer Staples	<50d > 100d > 200d	Strong	-4 FALLING	9
XLF	Financials	<50d < 100d >200d	Neutral	-5 FALLING	14
IYR	REITs	<50d <100d <200d	Avoid	-8 FALLING	4
IYZ	Telecom	<50d <100d <200d	Avoid	-7	2
XLE	Energy	<50d <100d <200d	Avoid	+1 RISING	7

Sectors from last week’s newsletter

Symbol	Description	Moving Avg Summary	Trend	*Momentum +12 / -12	Weight in SPX
XLI	Industrials	>50d	Strong	+8 RISING	10
XLB	Materials	>50d	Strong	+8 RISING	3
XLV	Health Care	>50d	Strong	+8	14
XLK	Tech	>50d	Strong	+7	22
XLY	Cons Discretion	>50d	Strong	+5 FALLING	12
XLP	Consumer Staples	>50d	Strong	+2	9
XLU	Utilities	>50d	Strong	+2	3
XLF	Financials	<50d > 100d >200d	Neutral	+5 RISING	14
IYR	REITs	<50d > 100d <200d	Neutral	-2	4
IYZ	Telecom	<50d <100d <200d	Avoid	-9 FALLING	2
XLE	Energy	<50d <100d <200d	Avoid	-2	7

*Momentum – a TTG proprietary indicator (Raptor Indicator)

Last week's sector performers:

Best 5d:

Symbol	Description	5d % chng
KWEB	China Internets	5.52%
GDX	Gold Miners	5.45%
SMH	Semis	2.54%
TAN	Solar	1.51%
XOP	Oil & Gas Expl Prod	1.32%
ROBO	Robotics & Automat	1.22%
XLK	Tech	1.07%
XLE	Energy	0.65%
ITB	Home Builders	0.53%
XME	Metals & Mining	0.07%
XLU	Utilities	0.00%
FDN	Internet- FANG	-0.04%

Worst 5d:

Symbol	Description	5d % chng
XRT	Retail	-2.90%
OIH	Oil Services	-2.49%
KRE	Regional Banks	-2.12%
KBE	Banks	-1.74%
XLB	Materials	-1.63%
IYR	REITs	-1.37%
SLX	Steel	-1.26%
XLF	Financials	-1.17%
IBB	Biotech	-1.01%
XLI	Industrials	-0.93%
XLV	Health Care	-0.91%
IYZ	Telecom	-0.74%

Last week's International performers:

Best 5d:

Symbol	Description	5d % chng
EWZ	Brazil	5.72%
EWY	South Korea	3.90%
FXI	China	3.42%
EPU	Peru	3.29%
EEM	Emerging Mkts	2.56%
EWH	Hong Kong	1.74%
EPI	India	1.49%
FM	Frontier Mkts	1.45%
EWU	UK	1.07%
EWJ	Mexico	1.07%
GREK	Greece	1.00%
ASHR	China A	0.74%

Worst 5d:

Symbol	Description	5d % chng
EWP	Spain	-3.57%
EUFN	EURO FINS	-1.83%
EWQ	France	-1.70%
EWA	Australia	-1.58%
EPHE	Philippeanes	-1.54%
EZU	EMU	-1.43%
THD	Thailand	-1.25%
HEDJ	Europe (FX'd)	-1.22%
PLND	Poland	-1.12%
EWG	Germany	-1.10%
EWJ	Japan	-0.76%
DXJ	Japan (FX'd)	-0.70%

ETF Flows (week ending 5/12/16)

Overall: More of the same last week – **flows are favoring International Equities**. In fact, of the 5 largest Equity ETF inflows last week (by ETF) **all were International ETFs** (see below). The overall numbers last week were **US Equity ETFs saw -\$1.6B of outflows** and **International Equity ETFs posted a robust +\$5.6B inflow**. This was roughly the same as the previous week total for +\$5.4B. So, **the flow into International Equities has been pretty consistent the last couple months**.

So, again will start with International flows considering that is where the money is going. **Intl Developed Market ETFs took in a large +\$2.7B inflow with EFA +\$1.1B, IEFA +\$647M, VEA +\$410M, and SCZ +\$378M leading the inflows**. **Emerging Markets were next with +\$1.5B inflows** with IEMG +\$749M and VWO +\$303M leading the inflows in the space. Next **European ETFs added +\$944M last week** with EZU +\$320M, VGK +277M, and IEUR +\$132M leading the inflows. **Note Spain EWP, Germany EWG, and Sweden EWD also saw inflows** (see below table). On the outflow side, BRIC and Japan saw small outflows.

International Summary for the week:

International	5d market value change
Developed Markets	2,719,353,583
Emerging Markets	1,533,269,505
Europe / Eurozone	944,282,482
Spain	100,701,160
Germany	69,577,001
Sweden	58,305,000
China	52,581,572
Taiwan	41,328,000
Greece	33,955,750
Japan	(47,341,679)
BRIC	(79,065,000)

US Sector Summary for the week:

US Sector	5d market value change
Technology	585,537,582
Energy	464,349,638
Health Care	334,619,525
Consumer Discretionary	218,437,428
Thematic	66,877,065
Utilities	(48,907,069)
Industrials	(52,655,525)
Materials	(111,855,887)
Consumer Staples	(265,939,430)
REITs	(323,031,481)
Financial	(787,477,987)

As mentioned above, US Equity ETFs -\$1.6B outflows last week. **US Index ETFs: IWM, SPY, DIA, and QQQ all saw outflows**. In sectors, **Tech (XLK, SMH, VGT, FDN, and SOXX) led inflows with +\$585M**. Energy was next, adding +\$464M as investors bought the dip in Energy ETFs (XLE, OIH, and AMLP). Health Care (XLV) and Consumer Discretionary (XLY) also saw inflows last week.

Out the outflow side, **Financials saw rather large outflows of -\$787M last week with XLF, KRE, KIE, IYG, and KBWB all seeing outflows**. REITs (IYR, DRN), Consumer Staples (XLP), and Materials (GDJ) also saw outflows.

Fixed Income ETFs posted +\$2.3B of inflows last week with LQD, TLT, EMB, AGG, VCIT, and GOVT leading the inflow. In Commodity ETFs, **USO (Oil) added +\$220M inflows and SLV (Silver) added +\$102M inflows** while GLD saw -\$47M outflows. Finally, VXX saw +\$202M inflows last week, but saw -\$70M outflows on Friday.

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
EFA	EAFE	\$ 1,135,176,000	1.6	IWM	SMALL CAPS	\$ (790,970,000)	-2.0
IEMG	CORE EMERGING MKTS	\$ 749,250,000	2.5	DIA	DJIA	\$ (668,832,000)	-4.1
IEFA	CORE EAFE	\$ 656,532,000	2.6	SPY	SPX	\$ (633,475,328)	-0.3
LQD	INVESTMENT GRADE BONDS	\$ 440,411,000	1.4	IWF	LARGE CAP GROWTH	\$ (375,488,000)	-1.1
VEA	INTL DEVELOPED MKTS	\$ 410,048,794	0.8	IWD	LARGE CAP VALUE	\$ (371,182,500)	-1.0
SCZ	EAFE SMALL CAPS	\$ 378,180,000	4.9	XLF	FINANCIALS	\$ (316,881,058)	-1.4

Source: Bloomberg

ETFs / Stocks of the Week:

AMLP (Alerian MLP ETF)

Late Friday, there was sizable option activity in the AMLP ETF.

37,659 AMLP Jan18 13.0 C, ~ \$1.1M option premium.

Note there was a similar size trade in the AMJ ETN on Thursday (which may have been crossed with stock). These ETFs hold baskets of MLPs: EPD, MMP, ETP, PAA, WPZ, MLPX, BPL, OKS, WES, EQM, EEP, etc. Note the yield on AMLP is 7% so may be better suited to hold in cash vs options.

AMLP 2yr chart



EEM (iShares MSCI Emerging Markets ETF) vs SPY (SPDR S&P 500 ETF Trust)

Last week Jeff Gundlach's trade idea at the Sohn conference was **long Emerging Markets vs short the S&P 500**. This is a relationship that we have covered in the TTG room over the last few months. **Emerging Market ETFs (IEMG, VWO, EEM) have seen strong ETF inflows this year of +\$22B vs only +\$8B inflows into SPX ETFs (SPY, VOO, IVV) ytd**. Note EEM is +17.7% and SPY +7.4% ytd. So, EM has outperformed the SPX nicely so far in 2017. However, **looking at a 10yr chart indicates this outperformance may just be starting considering how long EM has underperformed the SPX**.

EEM vs SPY 10yr chart



KWEB (KraneShares CSI China Internet Fund)

Last week KWEB was the best performing group on my watchlist, +5.5%. Considering the RSI is in overbought territory at a 78, it may be a good idea to take some profits and add on a pull back. Obviously analyzing each name on a case by case basis is best, but note the group has gotten overheated. **Note top weights in the ETF are: BABA, JD, BIDU, CTRP, TAL, MOMO, WUBA, VIPS, SINA, NTES, ATHM, WB, and YY.** Next week BABA reports on 5/18 and also is in overbought territory at a 75 RSI. The trend in this earnings season has been many strong companies are rallying hard into their earnings report and then pausing for a few days post report. This could also be the case for BABA...

KWEB 1yr chart



EFA (iShares MSCI EAFE ETF)

EFA has been an ETF that continues to be on my newsletter over the last 6 months. Why am I showing it again? Because the EFA ETF saw the highest inflow of any ETF last week (+\$1.1B), and the whole Intl Developed Market group saw +\$2.7B inflows last week, which led all groups. Note the price of EFA is now above the 2014 & 2015 highs, which can now be used as support.

EFA 3yr chart



Thank you for reading the TTG newsletter, please respond back to me with any comments or questions.

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