



**5d performance: SPY -2.0%, DIA -1.9%, IWM -2.5%, QQQ -3.2%, EEM -5.0%, EFA -2.5%, TLT +0.9%, GLD +0.7%**

### **Week Summary & Thoughts**

A headline driven and UBER IPO week concludes. After weeks of hearing about trade negotiation “progress”, the talks broke down with no resolution in sight. Trump ramped up trade tariffs against China and left the market with a higher level of uncertainty. More on last week’s thoughts from the Friday week end video: <https://youtu.be/QghhNI8GUR4>

So, where does this trade war escalation leave us going into next week? The implications remain unknown, and we cannot control what happens next.... So, **let’s focus on what we control**. I think concentrating on chart setups in companies that have less exposure to their supply chain being disrupted is a good start. Interesting that less sensitive “trade” areas showed **Relative Strength**, and as I mentioned last week this was what I would be focused on: Software, Internet, and Consumer Discretionary names, i.e. MSFT, WDAY, PYPL, ZS, CRM, CMG, CME. Also keep in mind that the Fed is currently on hold regarding rate hikes and **while the trade war is a negative, the Fed pausing is a positive**.

**Bottom Line: watch the support in the indices, all three (S&P, QQQ, IWM) managed to hold value on Friday and bounce.** In addition, the put/call ratio got to extreme levels (this is a contrarian indicator for me), and the VIX pulled back hard. For now, watch support (see next section for levels to watch) and if support happens to get broken, I will change my stance and reduce risk in equities, especially in options, but for now let’s see if some of the stronger names can bounce further. Remember, during market pull backs is were we have the strong names in the market (Relative Strength).

**A note about Option Trading:** In my opinion, option trading becomes more complicated when the VIX rises >18. Why? Option prices (premium price) are more expensive or elevated when the VIX is higher as volatility is one of the components of Black Scholes Option pricing. When volatility drops, that will also affect the option prices, which will in turn drop even though the underlying equity may be rising. This principle is called “volatility crush”. There are some practices that I use to counter this rise in option prices that is due to higher volatility. I take smaller positions (remember if equity prices are moving faster, don’t need same size as when the VIX is low), I use call / put spreads to help minimize that increase in premiums, and I also trade more stock as there is no optionality. The last one I believe is overlooked by retail traders who may do the majority of their trading in options. Switching to trade stock has its advantages in periods of higher volatility:

1. Don’t have to worry about elevated option prices / volatility crush
2. Can use charts or levels for stops (something that becomes harder with options)
3. Stock prices are moving faster than normal so almost have that option feel when volatility has really risen

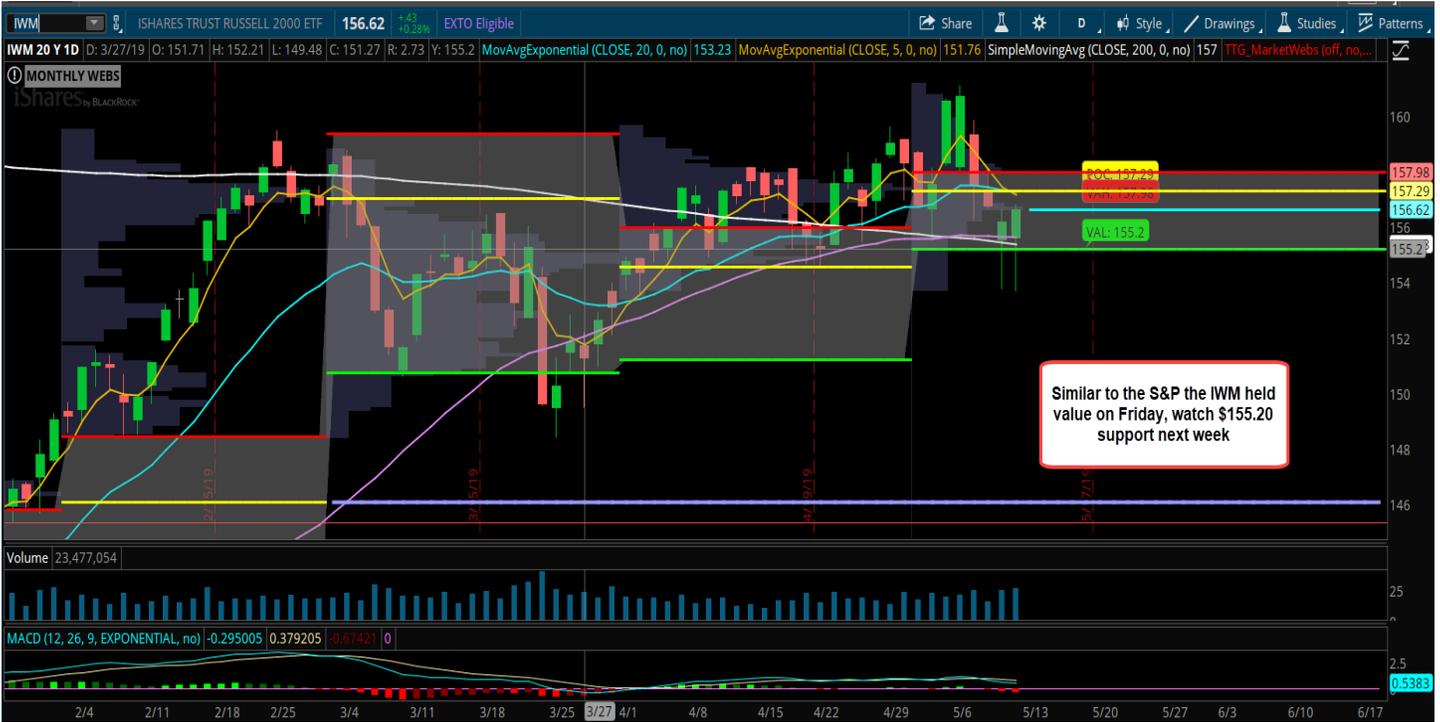
**Remember, we can’t control price and elevated volatility, but we can adjust our trading system and our process for these conditions.**



### QQQ (daily chart & 1hr chart)



# IWM (daily chart & 1hr chart)





**Last week's sector performers:**

**Best 5d:**

Symbol	Description	5d % chng
XOP	Oil & Gas Expl Prod	0.57%
GDX	Gold Miners	0.15%
XLP	Staples	-0.17%
XLE	Energy	-0.31%
XLU	Utilities	-0.58%
IYR	REITs	-0.82%
ITB	Home Builders	-1.37%
XLV	Health Care	-1.39%
ITA	Defense & Aerospace	-1.53%
IGV	Software	-1.93%
XLF	Financials	-2.10%
IYZ	Telecom	-2.33%

**Worst 5d:**

Symbol	Description	5d % chng
KWEB	China Internets	-7.63%
SMH	Semis	-5.95%
ROBO	Robotics & Automat	-5.62%
OIH	Oil Services	-5.20%
XME	Metals & Mining	-3.73%
XRT	Retail	-3.73%
FDN	Internet- FANG	-3.55%
XLK	Tech	-3.37%
IYT	Transports	-3.27%
TAN	Solar	-3.13%
SLX	Steel	-3.04%
XLB	Materials	-2.81%

**Last week's International performers:**

**Best 5d:**

Symbol	Description	5d % chng
NGE	Nigeria	0.66%
FM	Frontier Mkts	0.10%
ENZL	New Zealand	-0.10%
EWA	Australia	-0.55%
EIS	Israel	-0.91%
NORW	Norway	-1.03%
VNM	Vietnam	-1.39%
EWC	Canada	-1.41%
EWL	Switzerland	-1.52%
ARGT	Argentina	-1.64%
EIRL	Ireland	-1.74%
EZA	South Africa	-1.92%

**Worst 5d:**

Symbol	Description	5d % chng
ASHR	China A	-7.43%
FXI	China	-6.55%
EWY	South Korea	-6.01%
KSA	Saudi Arabia	-5.72%
EPI	India	-5.42%
EWH	Hong Kong	-5.38%
EPHE	Philippeanes	-5.38%
DXJ	Japan (FX'd)	-5.33%
UAE	UAE	-5.15%
EEM	Emerging Mkts	-5.07%
GREK	Greece	-5.06%
IDX	Indonesia	-4.67%

## ETF Flows (week ending 5/10/19)

**US Equity ETFs saw large outflows of -\$8.1B** (-\$1.6B previous week) **last week**. **International ETFs also saw outflows of -\$0.8B** (+\$0.2B previous week) & **Fixed Income ETFs saw outflows of -\$0.2B** (-\$8.6B previous week) last week.

It was “risk off” in US Equities last week and can further be illustrated in sector flows with **Utilities (XLU)**, and **Consumer Staples (XLP)** leading inflows and **Financials (XLF, KRE)** and **Tech (QQQ, SOXX)** seeing heavier outflows.

**International areas also took a “risk off” tone** with Japan (EWJ), Emerging Markets (EMB, EMLC), and China (FXI) posting outflows. Interestingly, the **EM outflows were in Bonds with EMB -\$612M and EMLC -\$297M**. On the inflow side, Developed Mkts (IEFA, VEA) and Australia (EWA) led inflows.

In Fixed Income, same story... **High Yield Bonds (HYG, JNK, BKLN)** saw outflows of **-\$1.0B** and **Treasury ETFs (GOVT, TLT)** saw inflows.

**VIX related ETPs saw outflows** with UVXY -\$302M and TVIX -\$32M.

### US Sector Summary for the week:

US Sector	5d market value change
Utilities	221,981,150
Consumer Staples	213,145,920
Industrials	189,359,873
Thematic	31,164,240
Communications	23,156,000
Materials	(3,641,210)
Consumer Discretionary	(139,749,527)
REITs	(251,522,484)
Energy	(257,086,645)
Health Care	(295,764,668)
Technology	(314,045,297)
Financial	(744,770,118)

### International Summary for the week:

International	5d market value change
Developed Markets	854,146,602
Australia	73,814,000
Brazil	35,926,092
Asian Pacific Region	(58,303,241)
Taiwan	(66,576,000)
Indonesia	(85,015,000)
Hong Kong	(101,998,500)
Mexico	(133,770,000)
European Region	(162,530,916)
China	(227,225,923)
Emerging Markets	(524,273,082)
Japan	(737,040,186)

### 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
IVV	SPX	\$ 435,000,000	0.2	SPY	SPX	\$ (7,416,772,500)	-2.7
AGG	AGGREGATE BONDS	\$ 412,946,000	0.7	EWJ	JAPAN	\$ (665,061,000)	-4.8
BND	TOTAL BOND MARKET	\$ 372,462,000	1.0	XLF	FINANCIALS	\$ (644,406,000)	-2.5
IEFA	CORE EAFE	\$ 342,608,000	0.5	EMB	EMERGING MKT BONDS	\$ (612,248,000)	-3.9
GOVT	US TREASURY BONDS	\$ 336,809,000	3.4	HYG	HIGH YIELD BONDS	\$ (586,364,000)	-3.6
VTI	TOTAL STOCK MKT	\$ 282,977,293	0.3	IWM	SMALL CAPS	\$ (399,228,000)	-0.9
XLU	UTILITIES	\$ 202,860,000	2.2	QQQ	NDX	\$ (379,250,000)	-0.5
VWO	EMERGING MARKETS	\$ 201,654,530	0.3	VOO	SPX	\$ (346,256,680)	-0.3
SCHF	INTERNATIONAL EQUITY	\$ 188,580,000	1.1	JNK	HIGH YIELD BONDS	\$ (323,250,000)	-3.4
USMV	MINIMUM VOLATILITY EQ	\$ 172,405,000	0.7	UVXY	2X SHORT TERM VIX	\$ (302,452,000)	-40.7

Source: Bloomberg

## Chart List –

### PYPL- PayPal Holdings, Inc.



### CME- CME Group Inc.



## WDAY- Workday, Inc.



## TWLO- Twilio Inc.



**CMG**- Chipotle Mexican Grill, Inc. – note this casual dining /fast food space is showing Relative Strength – I also like MCD and DRI (both of which I have traded recently, but no longer have positions in)



**EW**- Edwards Lifesciences Corporation





**CB- Chubb Limited - The Insurance group (KIE ETF) is also showing relative strength**



**PGR - The Progressive Corporation**





**COST - Costco Wholesale (was also in last week's newsetter)**



**ZS- Zscaler, Inc. (was also in last week's newsetter)**



**Existing Trades** – *Think of this as a roster – who’s is in your best team, who will be substituted and who will stay. Note I only have 15 (max) roster spots!*

**MUST BE A MEMBER TO ACCESS LIVE POSITIONS. ALERTS ARE SENT OUT FOR ALL POSITION ENTRIES, EXITS, AND ADJUSTMENTS**

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