



# TRIBECA TRADE GROUP

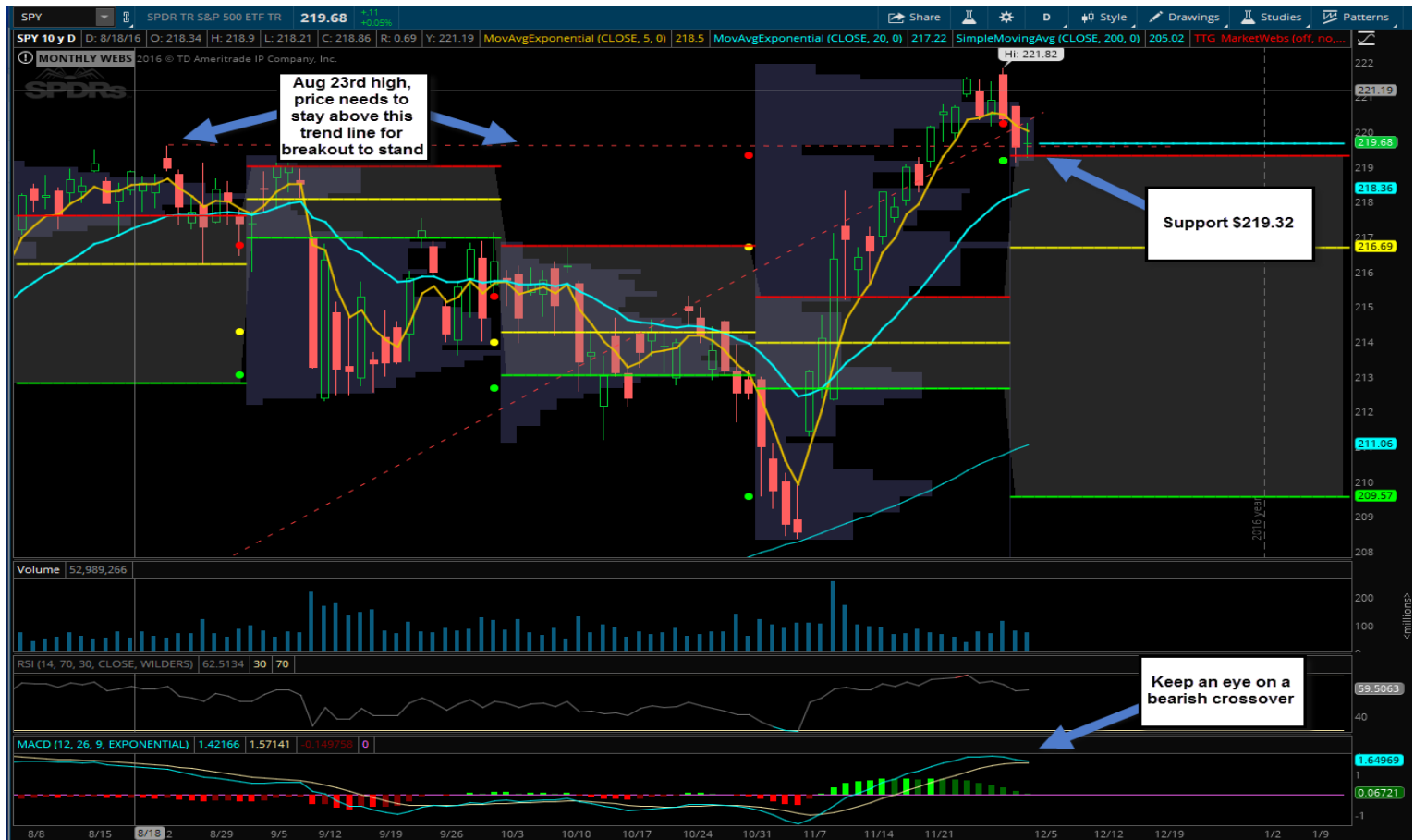
US ETF Index performance (5d): SPY -0.9%, DIA +0.2%, IWM -2.4%, QQQ -2.6%, TLT -1.0%, GLD -0.5%

**TTG Market View (12/3):** If you are a regular reader of this newsletter you know that in last week's newsletter I said this, "So, at this point I am waiting for a little market volatility that would result in burning off some overbought levels before establishing sizable new longs". Mission Accomplished – that is exactly what we got last week - the SPY and IWM both pulled back from overbought levels and the QQQs failed at resistance (more on the QQQs below). That said, let's look at the technicals in the major indices for clues on what to expect next. I want to examine the SPY and the QQQs because there are stark differences between each.

## SPY / SPX

This one is easy. Simply put, the trend is up and we have defined support. The dotted horizontal line represents the SPY breakout which price is currently testing. What was resistance is now support. In addition, \$219.32 is the top of the monthly value area. Very convenient to have a trend line and the value area line up like this. As long as we are above this level I am bullish SPY. Note if we fall into the value area / below the trend line then I will exercise patience and wait for a move back above. Easy right?

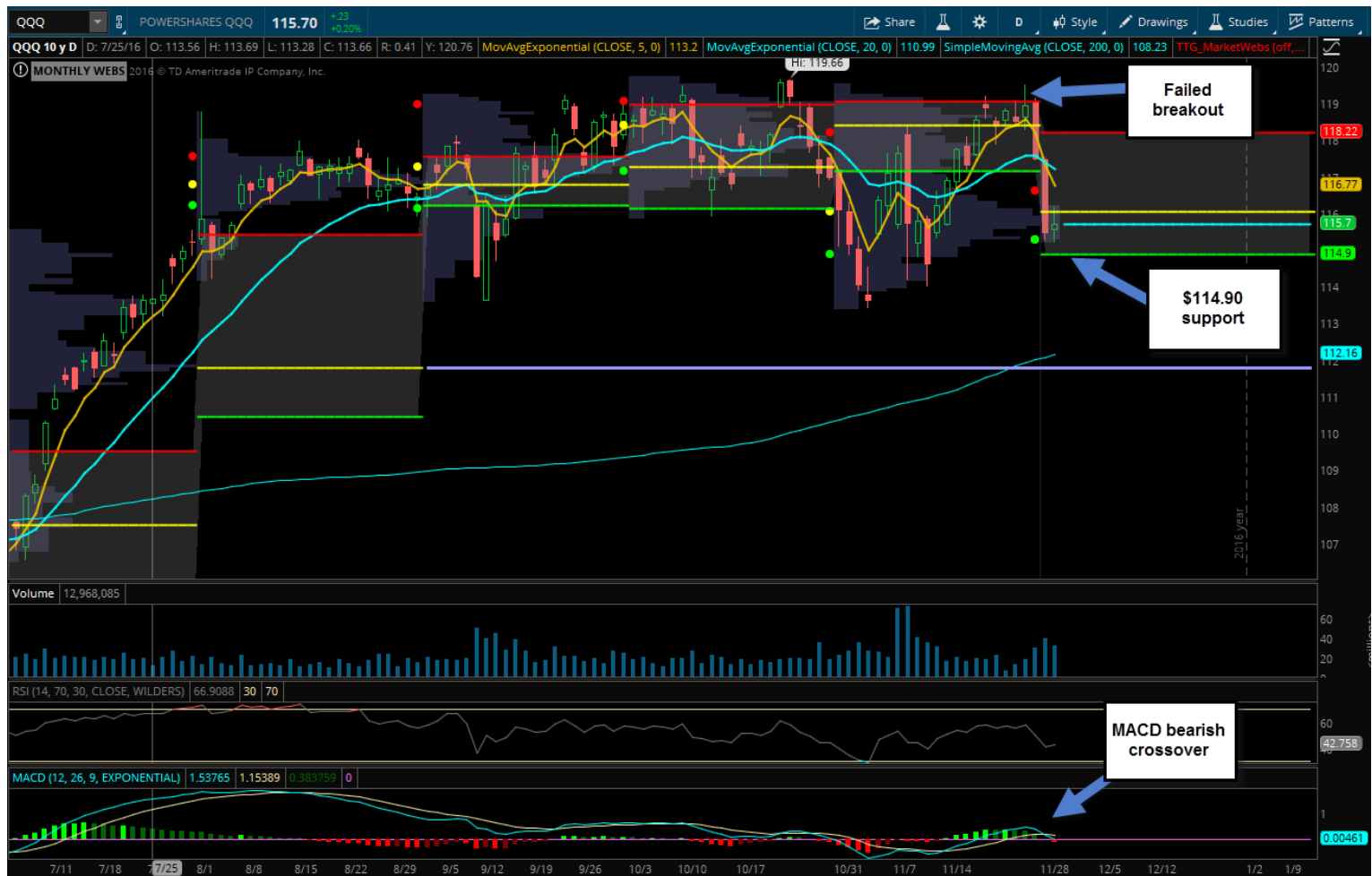
SPY daily chart



## QQQ / NDX

A very different picture than SPY. Last week the QQQ tried to breakout above the value area and failed. This is why closing prices are important because on Tuesday the price action climbed above resistance only to fail by the end of day. What followed on Wednesday and Thursday were sharp declines, which confirmed the price failure on Tuesday. I am watching to see if support holds at \$114.90. Considering that other sectors and indices look more constructive, I am avoiding the QQQs until they firmly climb back above the top of value, > \$118.22. I see no point in forcing the issue here, and will wait for technical confirmation.

QQQ daily chart



Further, the IWM / RUT Small Caps pulled back from overbought levels last week. Last Friday (11/25) the IWM had a reading of >80 on the RSI (Relative Strength Index). I get concerned that we are overheated when the RSI is > 70 on the major indices. The current RSI has dropped back below 70 and is now a 63. **Now that IWM has burned off those overbought levels I am watching for a return to the IWM 11/25 highs and a further breakout above \$134.14.**

## Sector Review

**Changes from 11/26 Newsletter: Tech and Telecom have slipped. The other observation is that many strong sectors have “FALLING” momentum on the Raptor Indicator.** When a sector has FALLING momentum I typically want to exercise patience and wait for the technicals to come back and improve to “RISING”. Note these Raptor Indicator ratings are based on the Daily chart and can change fairly rapidly. For now, I will wait to get back into these strong sectors.

### This week's sectors

Symbol	Description	Moving Avg Summary	Category	Raptor Rating*	Weight in SPX
XLF	Financials	>50d	Strong	+4 FALLING	14
XLE	Energy	>50d	Strong	+10 FALLING	7
XLI	Industrials	>50d	Strong	+5 FALLING	10
XLB	Materials	>50d	Strong	+7	3
XLK	Tech	>50d	Strong	-9 FALLING	21
XLY	Cons Discretion	>50d	Strong	-2 FALLING	12
IYZ	Telecom	>50d	Neutral	+3	2
XLK	Tech	>50d	Neutral to Weak	-9 FALLING	21
XLV	Health Care	<200d	Weak	-9 FALLING	15
XLP	Consumer Staples	<200d	Weak	-5	10
IYR	REITs	<200d	Weak	-5	3
XLU	Utilities	<200d	Weak	-5	3

### Last week's sectors (11/26 newsletter)

Symbol	Description	Moving Avg Summary	Category	Raptor Rating*	Weight in SPX
XLF	Financials	>50d	Strong	+10 RISING	14
XLE	Energy	>50d	Strong	+7	7
XLI	Industrials	>50d	Strong	+11	10
XLB	Materials	>50d	Strong	+12	3
XLK	Tech	>50d	Strong	+11	21
XLY	Cons Discretion	>50d	Strong	+11	12
IYZ	Telecom	>50d	Strong	+11 RISING	2
XLV	Health Care	<200d	Weak	-5 RISING	15
XLP	Consumer Staples	<200d	Weak	+4 RISING	10
IYR	REITs	<200d	Weak	+4 RISING	3
XLU	Utilities	<200d	Weak	+4 RISING	3

**Conclusion:** I believe that the post-election rally has been very strong and after a week of consolidation we may be poised for a move higher in the coming weeks. I believe it is always important to analyze the major indices for overall direction (as I've done above) **but I believe stock and sector selection are hugely important right now.** Why? **Implied correlations are at a multi-year low (JCJ Index) and sector dispersion is at a one year high (VNDADSUS Index).** Meaning the variation of returns is extremely high right now (it's a stock picker's market).

**Bottom Line: Being in the right sectors is paramount in this environment.** That is why I have included the above sector analysis. Other than for a day trade, I do not want to be in a sector that is being rotated out of – so I am keeping a close eye on ETF fund flows and the major moving averages for clues about where money is moving into and out of so that I am positioned correctly.

## Last week's sector performers:

### Best 5d:

Symbol	Description	5d % chng
OIH	Oil Services	8.64%
XOP	Oil & Gas Expl Prod	5.95%
GDX	Gold Miners	3.64%
XLE	Energy	2.87%
KBE	Banks	1.54%
KRE	Regional Banks	1.34%
XLF	Financials	1.07%
XLB	Materials	0.85%
XME	Metals & Mining	0.38%
XLI	Industrials	0.16%
IYR	REITs	-0.64%

### Worst 5d:

Symbol	Description	5d % chng
IBB	Biotech	-4.92%
SMH	Semis	-4.10%
ITB	Home Builders	-3.46%
FDN	Internet- FANG	-3.07%
XLK	Tech	-2.73%
XRT	Retail	-2.21%
XLY	Cons Discretion	-1.86%
IYZ	Telecom	-1.60%
XLV	Health Care	-1.54%
XLP	Staples	-1.27%
SLX	Steel	-0.89%

## Last week's International performers:

### Best 5d:

Symbol	Description	5d % chng
EWI	Italy	3.95%
RSX	Russia	3.39%
IDX	Indonesia	3.23%
EWC	Canada	1.35%
DXJ	Japan (FX'd)	1.29%
EPU	Peru	1.09%
ASHR	China A	0.89%
THD	Thailand	0.68%
FXI	China	0.59%
ECH	Chile	0.56%
EUFN	EURO FINS	0.56%

### Worst 5d:

Symbol	Description	5d % chng
EWZ	Brazil	-4.17%
TUR	Turkey	-3.96%
FM	Frontier Mkts	-3.03%
EWN	Netherlands	-2.24%
EWV	Mexico	-1.95%
PLND	Poland	-1.77%
HEWG	Germany (FX'd)	-1.51%
EWK	Belgium	-1.45%
HEDJ	Europe (FX'd)	-1.45%
EWB	Hong Kong	-1.19%
VNM	Vietnam	-1.04%

## One quick observation on the above performance.

**EWI (Italy ETF)** was the best International country ETF performer last week **+4%** ahead of the referendum. Not to say the Brexit vote is the exact same type of vote taking place in Italy this weekend but here is how the UK ETF performed prior and after the Brexit vote:

**EWU week prior to Brexit +8%, week after -9.6%**

## ETF Flows for the Week (week ending 12/2/16)

**Overall: More Equity inflows of +\$7.5B** (previous week +\$5.9B). There were interesting rotations that took place last week. **Energy ETFs added +\$1.5B in assets**, mostly all post OPEC meeting. The Energy Inflows were led by XOP (SPDR S&P Oil & Gas Exploration & Production ETF) which added +\$1.1B in assets last week. Note XLE & OIH also added assets.

**There was a 2 week rotation out of a Consumer Staples ETF FXG** (First Trust Consumer Staples AlphaDEX Fund) **and into an Industrial ETF, FXR** (First Trust Industrials/Producer Durables AlphaDEXTM). **The rotation was for roughly \$1b a side.** Other Industrial ETFs: XLI, ITA, and IXJ saw more inflows. Financials also continue to add assets, last week posting +\$774M inflows.

On the outflow side, other than Consumer Staples, Health Care and Tech saw outflows. **The Semis space, saw-\$280M in outflows last week.** SMH lost -\$233M in assets, which is 30% of the size of fund. **Note SMH also saw a large put buyer on Thurs: 15,684 SMH Feb 64 P @ \$0.89, a ~ \$1.4M bearish option trade.**

International ETFs were mostly quiet last week. **Japan saw its 3<sup>rd</sup> week of inflows, +\$216M last week.** European ETFs lost - \$387M in assets last week ahead of the Italy referendum.

Fixed Income ETFs saw -\$407M outflows last week. **Treasuries (TLT) and Investment Grade Bonds (LQD) led the outflows. High Yield Bond ETF posted +\$424M inflows. Gold ETFs once again saw outflows.** GLD saw \$560M outflows (-\$1.4B prior week) and IAU -\$149M outflow (-\$214M prior week).

### US Sectors (5d):

- **Largest Inflows:**
  - Energy +\$1.5B
  - Industrials +\$1.4B
  - Financials +\$774M
  - Materials +\$234M
- **Largest Outflows:**
  - Consumer Staples -\$1.1B
  - Health Care -\$386M
  - Tech -\$301M
  - REITs -\$172M

### International (5d):

- **International ETFs +\$371M**
- **Country/ Region specific ETFs:**
  - Largest Inflows:**
    - Developed Markets +\$210M
    - Japan +\$216M
    - Canada +\$113M
  - Largest Outflows:**
    - Europe -\$387M

### 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	\$ 1,314,414,500	1.5	UWTI	3X LONG CRUDE	\$ (712,443,941)	-40.5
XOP	ENERGY&GAS EXP&PROD	\$ 1,117,998,000	58.6	LQD	INVESTMENT GRADE BONDS	\$ (698,400,000)	-2.4
FXR	INDUST/PROD DURABLES	\$ 781,159,500	146.4	FXG	CONSUMER STAPLES	\$ (698,034,000)	-44.1
XLF	FINANCIALS	\$ 596,828,406	2.8	GLD	GOLD	\$ (560,500,000)	-1.7
IWM	SMALL CAPS	\$ 471,240,000	1.3	QQQ	NDX	\$ (375,924,900)	-0.9
IJH	MID CAPS	\$ 406,075,000	1.2	USO	WTI CRUDE	\$ (370,804,000)	-9.6

## EQUITY ETFS POST +7.5B INFLOWS week ending 12/2

## ETF LARGEST WEEKLY SECTOR INFLOWS

ENERGY ETF FLOWS +\$1.5B			
Ticker	Description	5d Mkt Value Chng	Fund Size 5d % Chng
XOP	ENERGY&GAS EXP&PROD	\$ 1,117,998,000	58.6
OIH	OIL SERVICES	\$ 200,640,110	19.4
XLE	ENERGY	\$ 198,246,500	1.2
AMPLP	MLPS	\$ 39,650,305	0.4
RYE	EQUAL WGT ENERGY	\$ 32,109,679	13.3
FXN	ENERGY ALPHADEX	\$ (52,704,000)	-3.3
IYE	US ENERGY	\$ (61,860,000)	-4.4

INDUSTRIALS ETF FLOWS +\$1.4B			
Ticker	Description	5d Mkt Value Chng	Fund Size 5d % Chng
FXR	INDUST/PROD DURABLES	\$ 781,159,500	146.4
XLI	INDUSTRIALS	\$ 197,851,500	2.0
ITA	AEROSPACE & DEFENSE	\$ 136,790,500	8.6
IYJ	US INDUSTRIALS	\$ 66,484,000	6.5
IYT	TRANSPORTS	\$ 48,900,000	4.3
RGI	EQUAL WGT INDUSTRIALS	\$ 39,968,000	32.0
VIS	INDUSTRIALS	\$ 38,922,000	1.5

FINANCIAL ETF FLOWS +\$774M			
Ticker	Description	5d Mkt Value Chng	Fund Size 5d % Chng
XLF	FINANCIALS	\$ 596,828,406	2.8
RYF	EQUAL WGT FINANCIALS	\$ 138,138,000	81.1
VFH	FINANCIALS	\$ 115,160,000	2.7
FNCL	FINANCIALS	\$ 36,861,000	8.7
IAT	REGIONAL BANKS	\$ 19,579,500	3.9
KBE	BANKS	\$ (7,244,000)	-2.1
KRE	REGIONAL BANKS	\$ (49,968,000)	-1.6

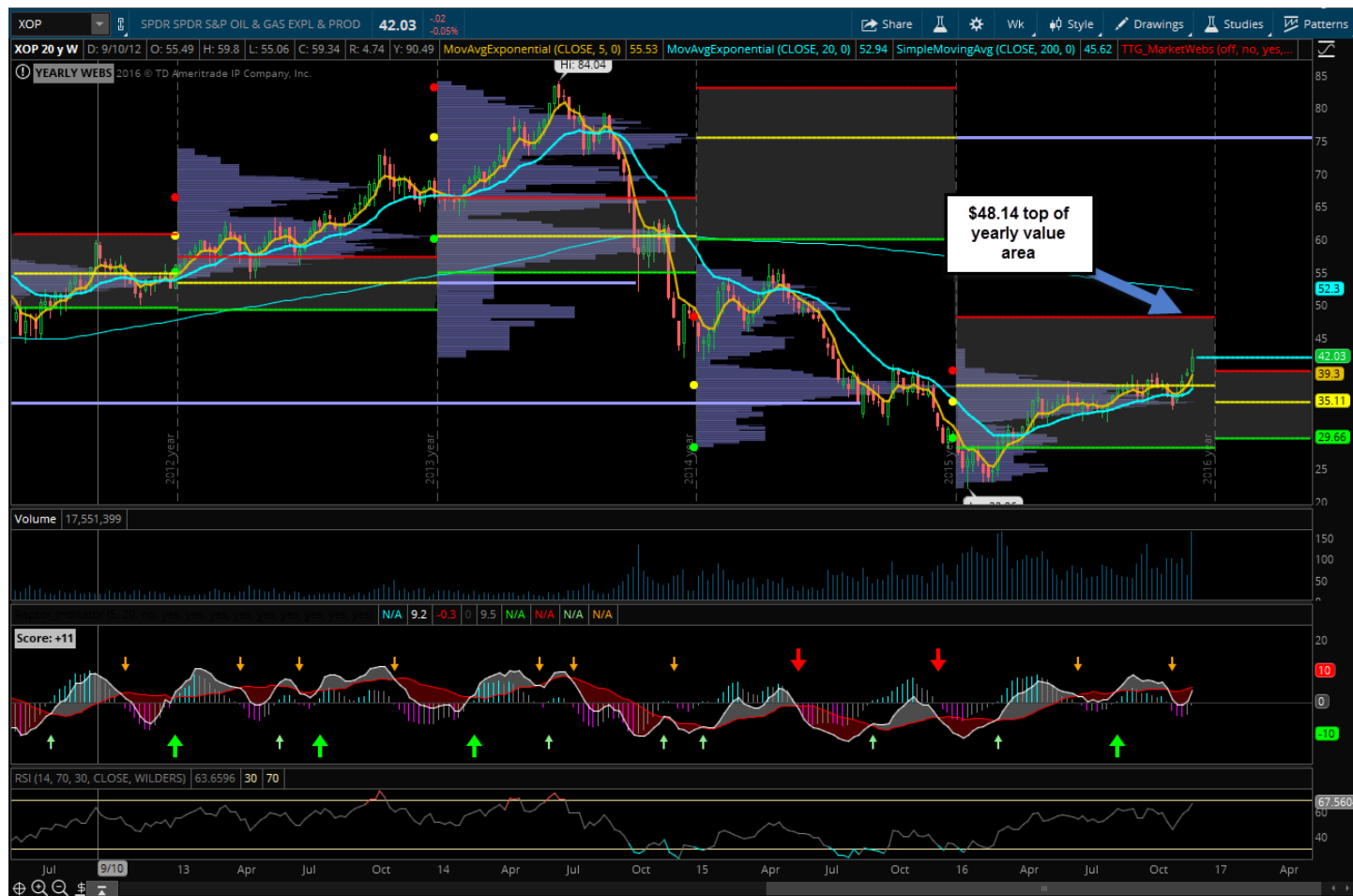
MATERIALS ETF FLOWS +\$234M			
Ticker	Description	5d Mkt Value Chng	Fund Size 5d % Chng
IYM	US BASIC MATERIALS	\$ 104,712,500	18.2
XLB	MATERIALS	\$ 57,477,000	1.6
FXZ	MATERIALS AlphaDex	\$ 55,985,928	23.0
NUGT	GOLD MINERS 3X	\$ 51,546,293	4.1
JNUG	JUNIOR GOLD MINERS 3X	\$ 35,088,000	6.1
XME	METALS & MINING	\$ (35,266,000)	-3.7
GDX	GOLD MINERS	\$ (96,120,000)	-1.0

## ETFs of the Week:

### XOP (SPDR S&P Oil & Gas Exploration & Production ETF)

As mentioned in the flows of the week section, XOP posted +\$1.1B in inflows last week mostly after the OPEC meeting. Long term I like this group and the chart. On the weekly chart, \$48.14 is the top of value (resistance) and represents a 14.6% move from the current price of \$42.03. The \$48.14 represents my price target.

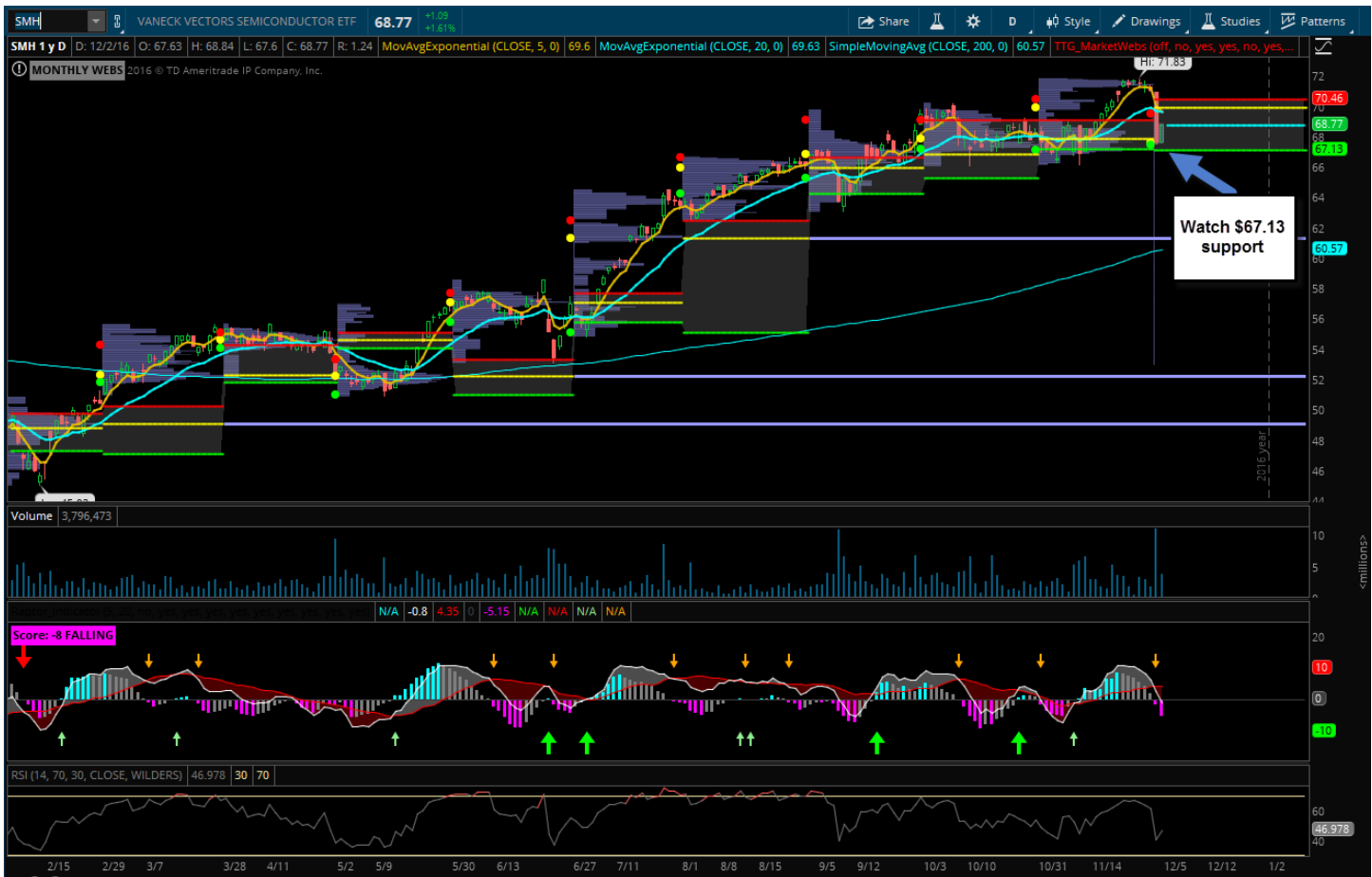
XOP Weekly Chart



## SMH (VanEck Vectors Semiconductor ETF)

As mentioned in the Flows of the week section, SMH saw \$233M in outflows last week, and also saw a large put buyer on Thursday: 15,684 SMH Feb 64 P @ \$0.89, a ~ \$1.4M bearish option trade. So, take it for what it's worth... a trader is either expecting volatility to pick up in this space in the next few months and is either hedging a long portfolio or speculating to the downside. For me, I am no longer long any Semis names, and I am watching the \$67.13 level which is a support on the daily chart. In conclusion, I am not currently shorting this group, but I don't want to be long right now either. Finally, I think of the Semis group as a barometer of the overall Tech space. Meaning if the Semis break down, I would view this as a bearish signal for the whole Tech space.

SMH Daily chart





## HD (The Home Depot) vs ITB (iShares U.S. Home Construction ETF)

Last week in HD options we saw sizable calls trading:

24,857 HD Feb-17 140.0 C ~ \$1.9M premium 11/30 Wed

12,028 HD Feb-17 140.0 C ~ \$1.4M premium 12/1 Thu

One potential headwind for home construction & housing stocks is the increase in interest rates. If interest rates continue to climb it will cost more to purchase a home.

To neutralize this risk, I like the following pair trade: Long HD / short ITB

An observation regarding the HD 1 year chart is the price is just below the 100d and 200d MA (Moving Averages). If price fails at these levels it would be considered a bearish sign.

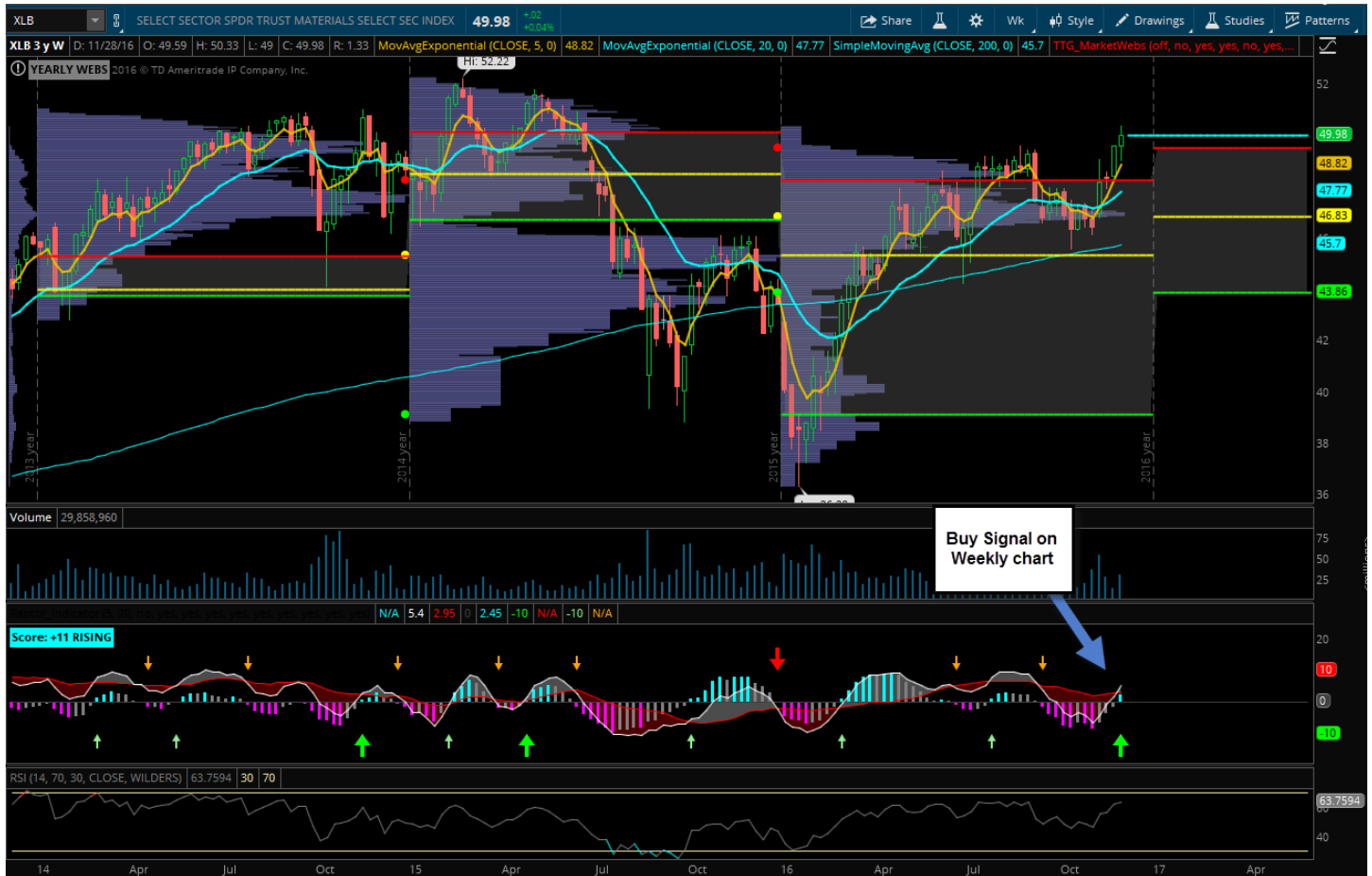
HD 1 year Chart



## XLB (Materials Select Sector SPDR Trust)

I am revisiting the XLB ETF chart from the 11-11 newsletter. I mentioned that the XLB ETF may have more room to climb when the ETF was trading at \$48.15. The XLB is now trading at \$49.98 and I am still bullish on the sector and individual names.

XLB Weekly Chart



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