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US ETF Index performance (5d): SPY +0.9%, DIA +0.7%, IWM -0.4%, QQQ +0.8%, TLT +2.0%, GLD +1.4%

TTG Market View

US Equities stalled toward the end of last week but recovered nicely on Friday with a larger than normal MOC (Market on Close) Buy imbalance. However, **there was quite a bit of sector rotation taking place. Defensive sectors, i.e. Utilities, REITS, Consumer Staples, and Pharma / Health Care names have been on fire the last two weeks. Utilities** were actually last week’s best performing sector, +4.1%. I took advantage of this on Friday by piggy backing on an XLU call buyer. To illustrate how these stocks are moving together, take a look at the **USMV** (iShares Edge MSCI Min Vol USA ETF) ETF in the chart below. This ETF is a basket of Health Care, REITs, Insurance, and Utility names for the most part and is +6% ytd.

USMV Daily Chart



Conclusion: Last week we did not get the pull back that I was looking for to burn off overbought levels. **The SPY, DIA, and QQQs are all in overbought territory with RSI (Relative Strength Index > 70).** That said, why I mentioned the Defensive rally, is this market is very much about **sector rotations**. So, be mindful of money rotating into cheaper areas and out of more expensive ones. If this seems complicated to find, it does not need to be. If you watch option flow and the ETF flows that I provide – **the crowd moving in and out of sectors can be detected fairly easily – just keep an objective view about where the aggressive buying / selling is taking place. Flows (option & ETF) will often confirm one another** – i.e. there was significant call buying in the XLU (Health Care) ETF as well as large inflows a couple weeks back. XLU is +4% over two weeks.

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