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## SCHAEFFER'S WEEKLY MARKET RUN-DOWN

**MARCH 18, 2017**

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### **Stocks React to Rate Hike; VIX Options Hot Ahead of Expiration**

#### **5-Minute Market Run-Down for the Week Ending: March 17, 2017**

While President Donald Trump made his appearance felt on Wall Street -- and [McDonald's](#) Corporation's (NYSE:MCD) Twitter feed -- this week, it was the Fed that stole the spotlight. As expected, the Federal Open Market Committee (FOMC) raised its key interest rate by 25 basis points on Wednesday, while iterating its forecast for two more [rate hikes](#) by year's end. In the wake of the Fed's policy shift, stocks took off, with the Dow climbing more than 100 points in Wednesday's trading, and making a brief trek north of the round 21,000 mark Thursday morning before pulling back.

#### **Gold Prices, Bank Stocks React to Fed**

While the reaction to the Fed's decision helped one VanEck Vectors Gold Miners ETF (GDX) [options trader](#) bank a \$1.1 million profit, [gold stock](#) Barrick Gold Corporation (USA) (NYSE:ABX) received some post-Fed love from the brokerage bunch. Elsewhere, the chatter leading up to the rate hike fueled [bank stocks](#) early in the week -- and has big bank [JPMorgan Chase](#) & Co. (NYSE:JPM) ripe for a continued short-squeeze -- though the sector is taking a breather today (Friday).

#### **Apple Shares Hit New Highs as Intel Stock Struggles**

[Apple](#) Inc. (NASDAQ:AAPL), meanwhile, extended its stay in uncharted territory, as analysts continued to wax optimistic over the [iPhone](#) parent. Among other Dow stocks, shares of [Nike](#) Inc (NYSE:NKE) traded higher, after receiving a bevy of upbeat analyst

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attention ahead of next week's earnings report. [Intel](#) Corporation (NASDAQ:INTC) did not fare so well, though, as Wall Street took a glass-half-empty approach to the tech giant's \$15 billion buyout of self-driving car company [Mobileye](#) NV (NYSE:MBLY). Though INTC stock was able to recover some of these earlier losses, it is on track to close south of its 40-week moving average for the first time since last June.

### **FANG Stocks Soar to New Highs**

Elsewhere in the tech sphere, as hedging activity was detected in the PowerShares QQQ Trust (NASDAQ:[QQQ](#)) options pits, Micron Technology, Inc. (NASDAQ:MU) saw a notable rise in [call volume](#) ahead of earnings next week. Meanwhile, [Tesla](#) Inc. (NASDAQ:TSLA) is set to close the week with an 8% gain following a well-received share offering, and while [Facebook](#) Inc. (NASDAQ:FB) appears due for a pullback, the stock continued to chug to new highs, hitting an all-time peak in Friday's trading. Fellow FANG stock [Netflix](#), Inc. (NASDAQ:NFLX) ran to new record highs this week, too, but has stalled in the \$145 area -- a move predicted by Schaeffer's Senior Trading Analyst Bryan Sapp, and one of the reasons he avoided recommending a long straddle [options strategy](#) on the streaming stock.

### **Trump Budget, Obamacare Repeal Keep Healthcare Stocks in Focus**

Healthcare stocks continued to be in the limelight, as Trump's proposed budget included nearly \$6 billion in cuts to the National Institutes of Health. In addition, House Republicans are reportedly set to vote on their Obamacare repeal next week. While founder and CEO Bernie Schaeffer identified the key technical levels to watch on the [Health Care Select Sector SPDR Fund \(XLV\)](#) over the next three weeks, several stocks within the sector crossed our radar. Insurance issue, Anthem Inc. (NYSE:ANTM), for instance, saw a surge in call volume, with options traders initiating short-term bull [call spreads](#), while [Gilead](#) Sciences, Inc. (NASDAQ:GILD) continued to trade below its 80-day moving average following Monday's price-target cut.

### **Valeant Pharmaceuticals Shares Sink to New Low**

Shares of other drugmakers made big moves, including ARRIS International plc (NASDAQ:ARRS) -- which jumped after Goldman Sachs said its "current [valuation is attractive](#)" -- and Amphastar Pharmaceuticals Inc (NASDAQ:AMPH), which was [short-sale restricted](#) after a negative earnings reaction and a round of bearish brokerage notes. Additionally, Valeant Pharmaceuticals Intl Inc. (NYSE:VRX) shares panned new record lows after activist investor [Bill Ackman](#) threw in the towel on his losing bet, although one notable hedge fund expressed a vote of confidence in [Valeant stock](#) .

## **VIX Options Expiration Ahead**

While declining oil prices had options traders circling these two [energy ETFs](#) -- and sent these three [oil stocks](#) back to historically bullish trend-lines -- the three major benchmarks are all on track to notch weekly wins, with the Dow Jones Industrial Average (DJIA) continuing to put [Dow Theory](#) enthusiasts on notice and the S&P 500 Index (SPX) wrapping up a historically bullish [first 50 trading days](#). The CBOE Volatility Index (VIX), on the other hand, does not seem as lucky, although its current 5% week-to-date deficit seems rather modest for the market's "fear gauge." Nevertheless, [VIX options](#) volume has spiked ahead of next Wednesday's front-month expiration, and the near-extreme in call open interest could increase the risk of a [volatility pop](#).

Saturday, March 18, 2017

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