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## SCHAEFFER'S WEEKLY MARKET RUN-DOWN

MARCH 25, 2017

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### VIX Streak in Jeopardy as Healthcare Vote Sparks Volatility

#### 5-Minute Market Run-Down for the Week Ending: March 24, 2017

All eyes were on Washington, D.C., this week, as President Donald Trump and House Republicans scrambled to find the votes to pass a [healthcare bill](#) repealing Obamacare. The vote, initially slated for Thursday, was delayed until today (Friday), with Trump giving Republican holdouts an ultimatum to pass the American Health Care Act (AHCA), or the Affordable Care Act (ACA) will remain in place. [Stocks](#) did not react well to the uncertainty, with the Dow poised for its worst week since the election, and the S&P 500 Index (SPX) and Nasdaq Composite (COMP) set to end the week with losses of more than 1%, even as the COMP explored [record highs](#) early on.

#### VIX Comes Off Historically Low Levels

Against this backdrop, and one day after a mountain of [VIX call options](#) expired, the CBOE Volatility Index (VIX) on March 23 marked its highest close since 2016 -- and could be on track to snap this relatively rare [VIX streak](#) of weeks without a move of 10% or more. Nevertheless, VIX continues to hover at [historically low levels](#), which could bode well for stocks over the longer term.

#### Healthcare Shares in Focus as House Vote Looms

Not surprisingly, the healthcare sector was in focus, with [options traders](#) quick to place short-term bets on the Health Care Select Sector SPDR Fund (XLV), the iShares Nasdaq Biotechnology ETF (IBB), and the SPDR S&P Biotech ETF (XBI). Elsewhere, a number

of biotechs made big moves following successful drug trials. Shares of [chronic pain](#) specialist Nektar Therapeutics (NASDAQ:NKTR) shot to a 10-year high, while Ultragenyx Pharmaceutical Inc. (NASDAQ:RARE) plunged after its [treatment for seizures](#) failed in a mid-stage study. Fellow [drug stock](#) Flexion Therapeutics Inc. (NASDAQ:FLXN) jumped more than 33% on reports of a potential \$1 billion bid from Sanofi SA (ADR) (NYSE:SNY).

## **Apple, Disney Stocks Trade at New Highs**

There was plenty of action to be had outside of the healthcare sector, though. Among Dow stocks, Walt [Disney](#) Co (NYSE:DIS) started the week hitting an all-time peak, following a blow-out box office for "Beauty and the Beast" -- and [DIS stock](#) could be ready to continue its hot streak. [Apple](#) Inc. (NASDAQ:AAPL) continued to bask in analysts' bullish limelight -- sending the shares even further into uncharted territory -- with *Barron's* telling traders that it was not time to [sell Apple stock](#). Likewise, analysts took a glass-half-full approach to [Nike stock](#) ahead of earnings -- unlike [NKE options](#) traders -- and though the shares took a post-earnings tumble, they managed to bounce off their rising 200-day moving average.

## **Falling Oil Prices Spark Bearish Options Trading**

Meanwhile, falling oil prices put pressure on energy shares -- drawing a rare batch of [put buyers](#) to the SPDR S&P Oil & Gas Exploration & Production ETF (XOP). Additionally, one United States Oil Fund (USO) options trader appeared to place a \$4 million bet on a [lower oil prices](#). While crude oil is on track for a weekly loss, the U.S. dollar is also poised to close lower on the week. Nevertheless, the put writer who set a short-term floor for the PowerShares DB US Dollar Bullish ETF ([UUP](#)) is poised to pocket the full potential reward on the trade, after identifying the significance of UUP \$25.50.

## **Snap Stock Gets "Buy" Ratings**

FANG stocks also saw their fair share of headlines, with options traders buying puts on Alphabet Inc. (NASDAQ:GOOGL) amid [Google ads](#) backlash. [Netflix](#), Inc. (NASDAQ:NFLX), meanwhile, briefly pulled back after notching its highest mark to date, but found a foothold atop its historically bullish 40-day trend-line -- a potential ["buy" signal](#) also flashing on Amazon.com, Inc. (NASDAQ:AMZN). Elsewhere on the tech circuit, Snapchat parent, Snap Inc., (NYSE:SNAP) earned its first ["buy" ratings](#) from analysts -- sending [SNAP stock](#) nearly 17% higher week-to-date. Chipmaker [Micron](#) Technology, Inc. (NASDAQ:MU) also appears set to close out the

week with impressive gains, with MU stock trading in two-year-high territory, following the company's impressive [earnings report](#).

### **Fed Speeches Headline Next Week's Stock Market Action**

Looking ahead, next week's action will be dominated by [Fed speeches](#) -- and interest-rate chatter could continue to keep [bank shares](#) and [gold stocks](#) front and center. With stocks struggling this week, we will continue to keep our eye on sentiment polls, too, as signs suggest doubt is slowly creeping back into the [stock market](#). While bulls should be hoping for an SEC [Sweet 16](#) win over the weekend, it is always a good reminder to take random [stock market indicators](#) with a grain of salt.

Saturday, March 25, 2017

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