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## **SCHAEFFER'S WEEKLY MARKET RUN-DOWN**

**APRIL 8, 2017**

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### **Geopolitical Uncertainty Leads to Slow Q2 Start for Stocks**

**5-Minute Market Run-Down for the Week Ending: March 31, 2017**

#### **Geopolitical Uncertainty Leads to Slow Q2 Start for Stocks**

It was a slow start to the second quarter for stocks, as investors took a cautious approach ahead of President Donald Trump's end-of-week meeting with Chinese President Xi Jinping. After the Dow's comeback on Tuesday, it seemed like Wednesday's impressive ADP employment report would result in a stock rally, but the Fed's March meeting minutes revealed the central bank's intent to reduce its massive balance sheet, sending the major indexes lower yet again.

#### **International Stock Markets Could Attract Investors**

The negative news continued through the latter half of the week, when House Speaker Paul Ryan provided some downbeat comments on tax reform, which followed talk of another Obamacare repeal effort. Growing geopolitical tension in Syria was also a sore spot for equity markets, culminating in a U.S. missile strike late Thursday. This, along with an uninspiring nonfarm payrolls report for March, has further limited stock gains, with the major U.S. indexes struggling for a weekly win. As such, interest in international stock markets may continue to grow, though some options traders certainly seem skeptical of this trade.

#### **Nasdaq Manages Record High as Tesla, Amazon Shine**

While stocks showed early weakness in April, the tech-heavy Nasdaq Composite

(COMP) grabbed another record high on Wednesday. It was a huge week for Elon Musk's Tesla Inc. (NASDAQ:TSLA) after reporting record-setting first-quarter deliveries, with TSLA shares hitting an all-time peak north of \$300 mid-week -- topping Ford Motor Company's (NYSE:F) market cap in the process. Amazon stock also rallied to never-before-seen levels, even as CEO Jeff Bezos unveiled plans to unload some of his AMZN shares.

### **Bearish Bias Picks Up on Semiconductor Stocks**

Elsewhere on the tech front, Apple Inc. (NASDAQ:AAPL) notched yet another record high, but short-sellers continue to target two prominent iPhone suppliers. Speaking of chip stocks, Advanced Micro Devices, Inc. (NASDAQ:AMD) was hit with a "sell" rating at Goldman Sachs, news that prompted accelerated options trading on fellow semiconductor stock NVIDIA Corporation (NASDAQ:NVDA) -- despite NVDA stock dealing with its own downgrade.

### **Panera Buyout Headlines M&A Buzz**

Aside from tech, upbeat casino revenue out of Macau resulted in outsized gains for a number of casino stocks, including red-hot Wynn Resorts, Limited (NASDAQ:WYNN). Elsewhere, JAB's Panera buyout highlighted a busy week on the M&A front, with blue chip Verizon Communications Inc. (NYSE:VZ) being thrown in the mix, as well. Plus, a key partnership had biotech Incyte Corporation (NASDAQ:INCY) on the rise once again.

### **Syria Strike Moves Defense Stocks, Gold, Oil Prices**

The Syria missile strike put defense stocks among the weekly winners, too, with Tomahawk missile producer Raytheon Company (NYSE:RTN) among the big winners. The geopolitical uncertainty also acted as a boon for oil and gold prices, boosting demand for these three [gold ETFs](#). While rising oil prices could be seen as a positive for Chesapeake Energy Corporation (NYSE:CHK) options bulls, it was this [energy stock](#) that that made Goldman Sachs' "Conviction Buy" list.

### **VIX Stays Muted, But Skepticism Creeps in Ahead of Earnings Season**

Even with all the political drama, the CBOE Volatility Index (VIX) has remained rather muted -- though VIX options traders have not. At the same time, other signs suggest bearish sentiment is on the rise, including a recent uptick in short interest and some notable hedging from SPDR S&P 500 ETF (SPY) options traders.

Despite the sideways price action, we have located 13 stocks that could outperform the S&P 500 Index (SPX) going forward.

Looking to next week, earnings season is set to kick off with quarterly reports from a number of major bank stocks, a group that has been inexcusably dismissed by analysts.

Saturday, April 8, 2017

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