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## SCHAEFFER'S WEEKLY MARKET RUN-DOWN

APRIL 22, 2017

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### Earnings and Tax-Reform Talk Help Dow Snap Weekly Losing Streak

5-Minute Market Run-Down for the Week Ending: April 21, 2017

#### Earnings and Tax-Reform Talk Help Dow Snap Weekly Losing Streak

Just as Wall Street was turning its attention to first-quarter earnings season on Monday, geopolitical concerns flared up, with U.S. Vice President [Mike Pence](#) announcing an end to the "era of strategic patience" with North Korea during his visit to the Asia-Pacific region. The [Dow](#) overcame these jitters to start the week with a big win, but the attention soon shifted to Europe, with U.K. Prime Minister Theresa May calling for a [snap election](#), and the [French election](#) due this weekend.

#### Dow, SPX, Nasdaq Stare Down Weekly Wins

When corporate earnings finally came into focus on Tuesday and Wednesday, traders were left disappointed, as [Goldman Sachs](#) Group Inc. (NYSE:GS) announced surprisingly weak results. The Dow tumbled as a result, and wound up posting another [triple-digit loss](#), after [IBM stock](#) sold off following the blue chip's quarterly report. Fortunately for bulls, stocks bounced back in a big way on Thursday, thanks to talk of "major [tax reform](#)" from Treasury Secretary Steven Mnuchin. As such, the Dow, **S&P 500 Index (SPX)**, and **Nasdaq Composite (COMP)** all snapped their two-week losing streaks.

#### American Express, Visa Highlight Earnings Winners

While [Verizon stock](#) and [Netflix stock](#) also found themselves in a post-earnings

swoon, there were plenty of winners to be found, including [Lam Research and Intuitive Surgical](#). Blue chips finally got in on the bullish action toward the end of the week, with traders applauding strong results from [American Express](#) Company (NYSE:AXP) and [Visa](#) Inc. (NYSE:V).

### **Facebook, McDonald's Stocks Rise to Record Highs**

There were a number of notable movers outside the earnings circle, too. [Facebook stock](#) notched fresh record highs amid bullish analyst attention, while shares of [Starbucks](#) and [Alibaba](#) continued to push higher, too. [McDonald's stock](#) also broke out to record highs, while fellow blue chip [Nike stock](#) looks set to add to its recent gains. Plus, these two [tech stocks](#) could be flashing "buy" signals, while options data suggests this [software stock](#) could be on the verge of higher highs.

### **Valeant Stock Slide Among Week's Worst**

In what may not be a surprising development, embattled drug-maker [Valeant Pharmaceuticals](#) Intl Inc. (NYSE:VRX) headlined this week's losers, with [VRX shares](#) hitting fresh lows. Another huge loser was [Ocwen Financial](#) Corp. (NYSE:OCN), after the mortgage specialist was sued by regulators, while a \$0 price target sank transportation stock [Celadon](#) Group, Inc. (NYSE:CGI). Elsewhere, a Food and Drug Administration (FDA) decision crushed drug stocks [Eli Lilly and Incyte](#) -- though the former could now be flashing a pre-earnings "[buy](#)" signal. Finally, the pharma sector will stay in focus moving forward, with plans for another [Obamacare](#) replacement in the works.

### **Huge Options Trades on Texas Instruments, SPY**

There was plenty of noteworthy options activity this week, as well. It was M&A buzz that had options bulls chasing [Lululemon Athletica stock](#), and SPDR S&P Retail ETF (XRT) data suggests [options traders](#) are betting on a bounce from the retail sector as a whole. Another options bull bet millions on semiconductor stock [Texas Instruments](#) Incorporated (NASDAQ:TXN) ahead of earnings, hoping to emulate the success of the speculator who scored a [\\$1.7 million profit](#) on the Financial Select Sector SPDR Fund (XLF). But not all the options activity was bullish, as evidenced by this seven-figure [options hedge](#). That said, you can [make money trading options](#) no matter which direction stocks are heading.

### **Stock Market Data Mixed as Earnings Season Rolls On**

The current sentiment backdrop is pretty interesting, too. Schaeffer's Senior

Quantitative Analyst Rocky White noted unusually mixed messages from recent [investor sentiment polls](#). On the one hand, Americans are [more optimistic toward the stock market](#) than they've been in roughly 17 years, yet the CBOE Volatility Index ([VIX](#)) remains elevated, and [options traders](#) continue to bet on an even bigger [volatility spike](#) in the months ahead. This, even as one Dow signal suggested investors may not want to "[sell in May](#)" this year. Either way, there should be even more action next week, with dozens of high-profile companies scheduled to [report earnings](#).

Saturday, April 22, 2017

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