

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

January 3, 2014 – If you bought some puts last week as we suggested it is probably a good time to sell them. Yesterday's market decline took out the previous three days' lows to wash away some of the froth that built up. There is still a small bit of downside room to support as the market trades in a very short-term bear flag but for the most part the hedge seemed to work.

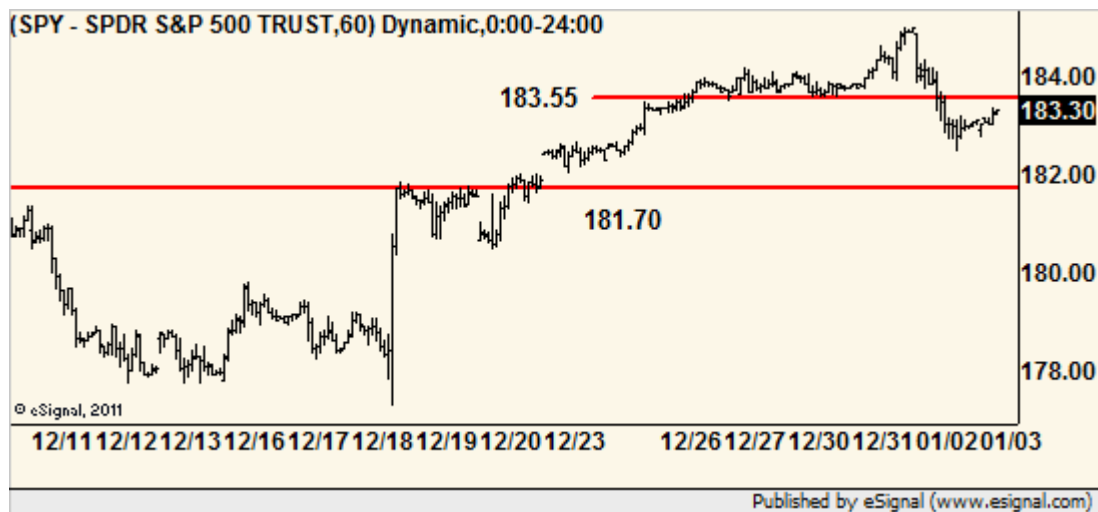
That does not guarantee that support as outlined in the hourly chart below won't break but in charting we assume it will hold.

The three big movers yesterday were oil, which went down a lot, the dollar, which went up a lot, and gold, which also went up a lot. That is unusual since gold is priced in dollars so we took a look at the chart of gold priced in euros. A nice little jump but no breakout. There are some technical positives but nothing to get excited about just yet. Chart below.

Oil and gasoline fell but both look more like cycles down within a trading range. That leaves them to short-term traders at this time. Energy stocks took a little hit although refiners, as usual, moved the other way. Check out the nice triangle in **TSO** that we will run in today's free chart of the day email.

While the Dow had a media-worthy decline of 135 points, it was a mere 0.82% decline. The small cap Russell 2000 was off 1.11% and the broad-based NYSE composite was down 1.12%. Once again, the generals - and that includes the Nasdaq-100 - fared better than the troops. Yet market breadth as indicated by the NYSE advance-decline was not that terrible. It was a net minus 1044 and that is only about half as bad as it has gotten over the past year.

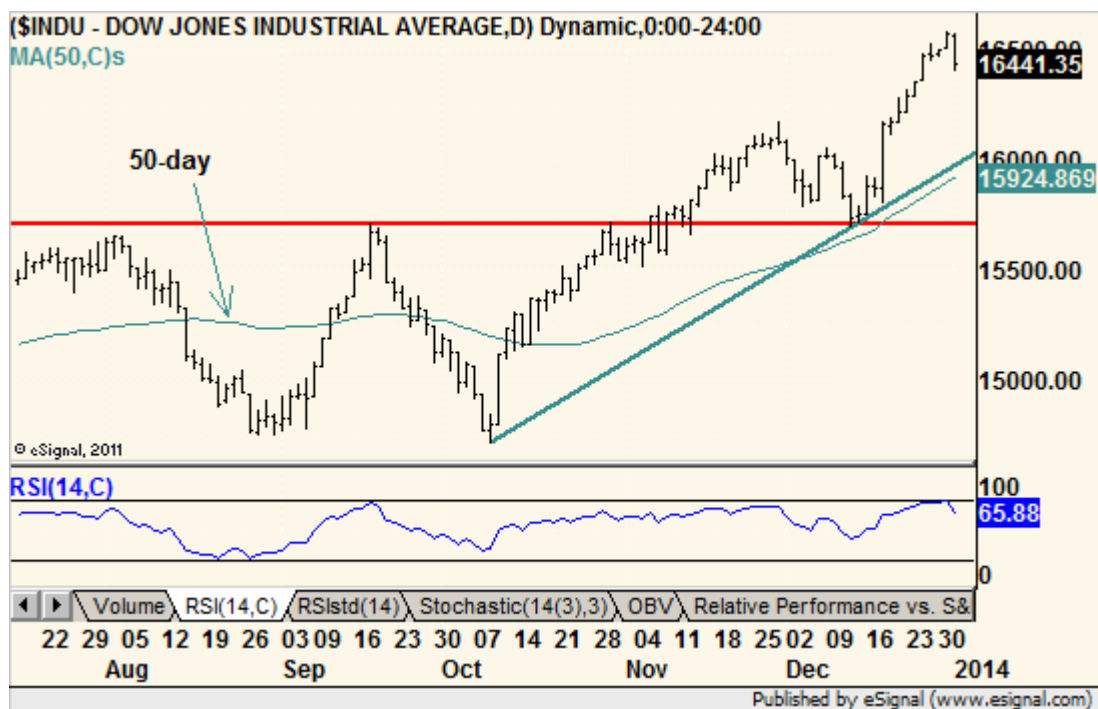
This is something we'd like to check out. Breadth was not terrible yet big stocks clearly held up better than small stocks. Not to mention the 99 new 52-week highs on the NYSE.



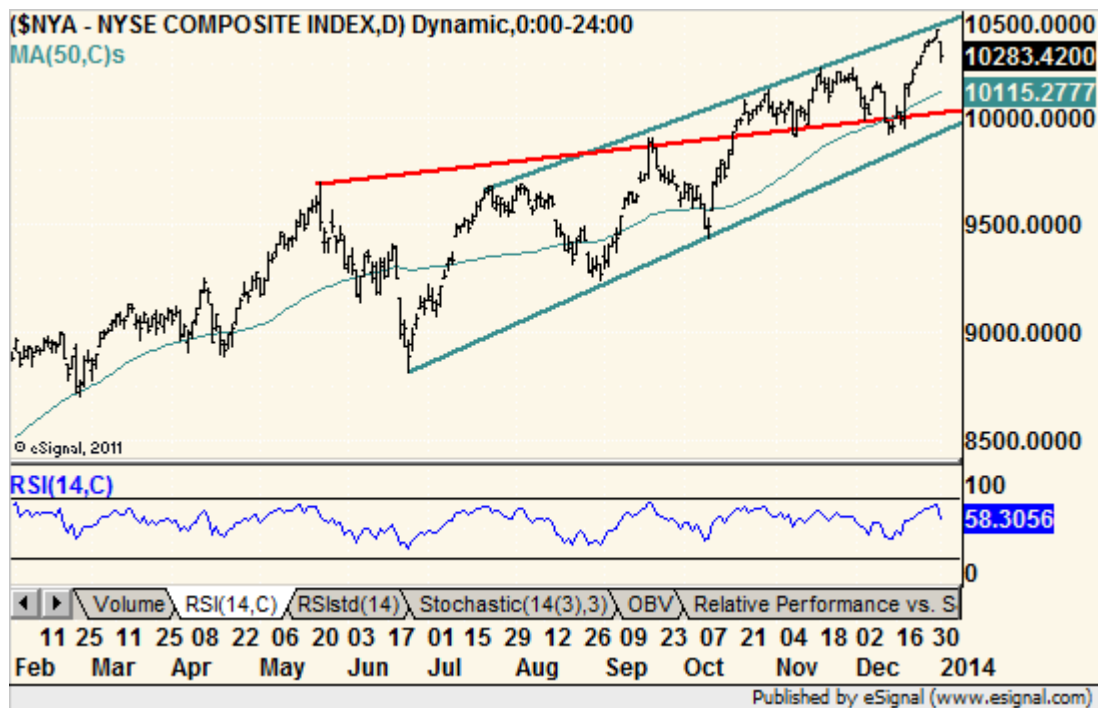
So far, all this agrees - or at least does not disagree - with our thesis of opening 2014 weakness, a bit more rally to upside targets and then the real correction.

We here in the Northeast are buried in snow so traders in NY and managers in Philly, Hartford and Boston are going to have quite a time getting to work. Beware a thinner market.

Index Charts of the Day



The Dow scooted way up last month and has some more room within the current swoon. But based on where the strength is we'd have to say it is not going to make it all the way down to the trendline and 50-day average.



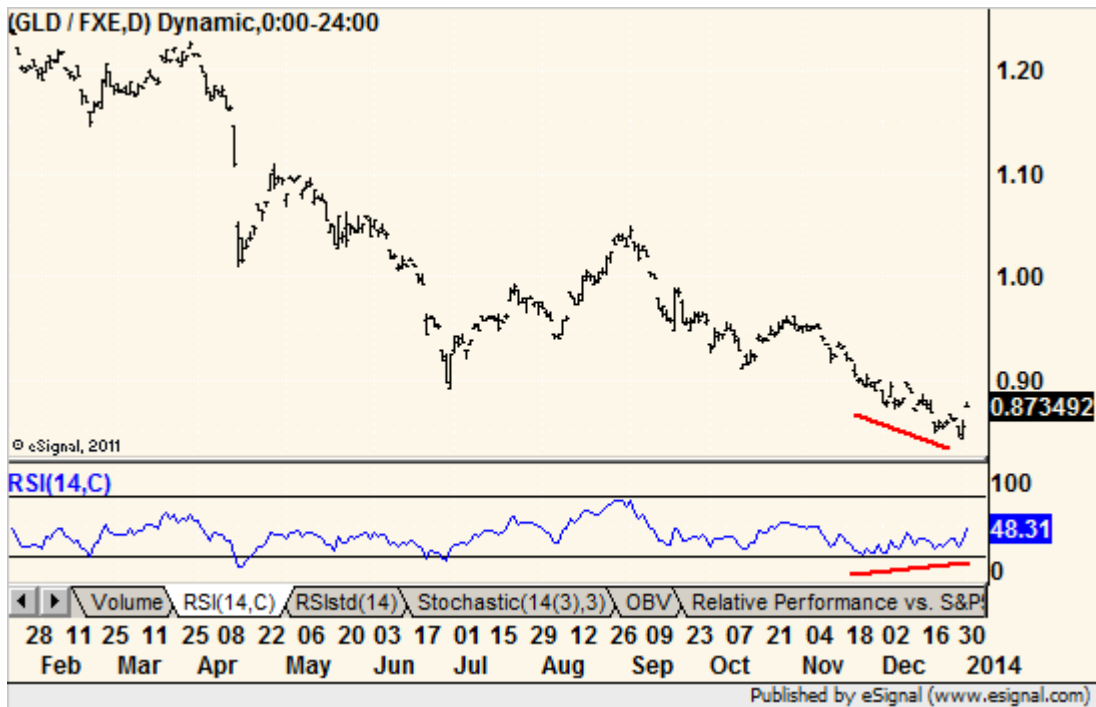
The lower border of the rising wedge in green and the 'inside' trendline in red are about to meet and that seems to be a good line in the sand for the market. As for downside target, the charts above suggest perhaps the 50-day average will be the target.

The Radar Screen

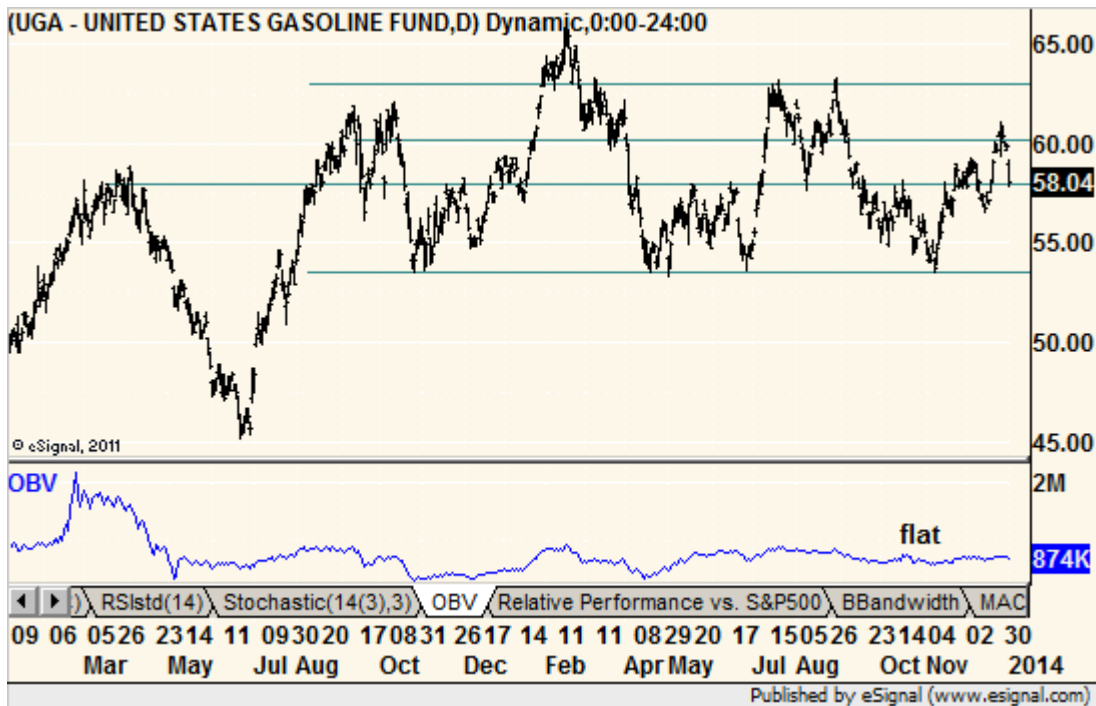
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances in the Radar Screen or the last major update. We do not take "buy/sell on close" triggers or "at the open" triggers if the stock moves more than 4-5%. See <http://quicktakespro.com/radar.html> for all Radar Screen rules and terms.

Bullish Implications		
Procter & Gamble PG - Looking for a fresh breakout above 82.30. <u>Clearly not ready for that but we'll keep it here for now.</u>		12/30
Callon Petroleum CPE - This is a very small oil and gas explorer/producer one of our Twitter pals found but we really like this chart. A pullback with a tentative breakout pausing in a nice hourly triangle is just awaiting a breakout above 6.55 - which would also break the 50-day average. The pullback also landed on support last month and Tuesday's rally had rather strong volume for a holiday session. Check out its preferred A shares, too, for a big dividend.	New	1/2
Bearish Implications		
LinkedIn LNKD - Looking ready to break down under 208.60.	Triggered	1/2
Tesla TSLA - low volume, rising correction to resistance. Looks ready to break. Sell 148.	Triggered	1/2
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Gold Miners ETF GDV - Bullish RSI divergence but it needs to get back above 22.15 before we can even think about this.		12/30
Priceline PCLN - On the bear watch list for now. Support at 1145.50 meets the rising trendline soon.		1/2
American Express AXP - This is one of the stocks that hit a new 52-week high yesterday but it ended with an outside-day reversal to the downside. Statistics are not always what they seem. We are not selling just yet but we'll watch it. GS , too	New	1/3
Union Pacific UNP - Here is a rail stock with a new high but a bearish reversal bar. The RSI divergence is questionable. No trade but we'll watch.	New	1/3
United Healthcare UNH - This health insurer is bumping resistance but on-balance volume looks weak. We'll watch it but it will have to make the breakout move to become a buy	New	1/3
Sector Watch (observations that may spark ideas)		
Oil Services - Small double bottom for OIH and now an upside trend break. <u>So much for that. The breakout was squashed in no uncertain terms.</u>	Removed	12/30
Steel stocks index - A rally with on-balance volume rising and support from the 50-day average. No real resistance until 265 (from current 253).		12/30
Airlines index - Just watching what seems to be a bull flag here. Rising on-balance volume even after Friday's market leading decline. ALK, DAL		12/30
Updates		
none -		

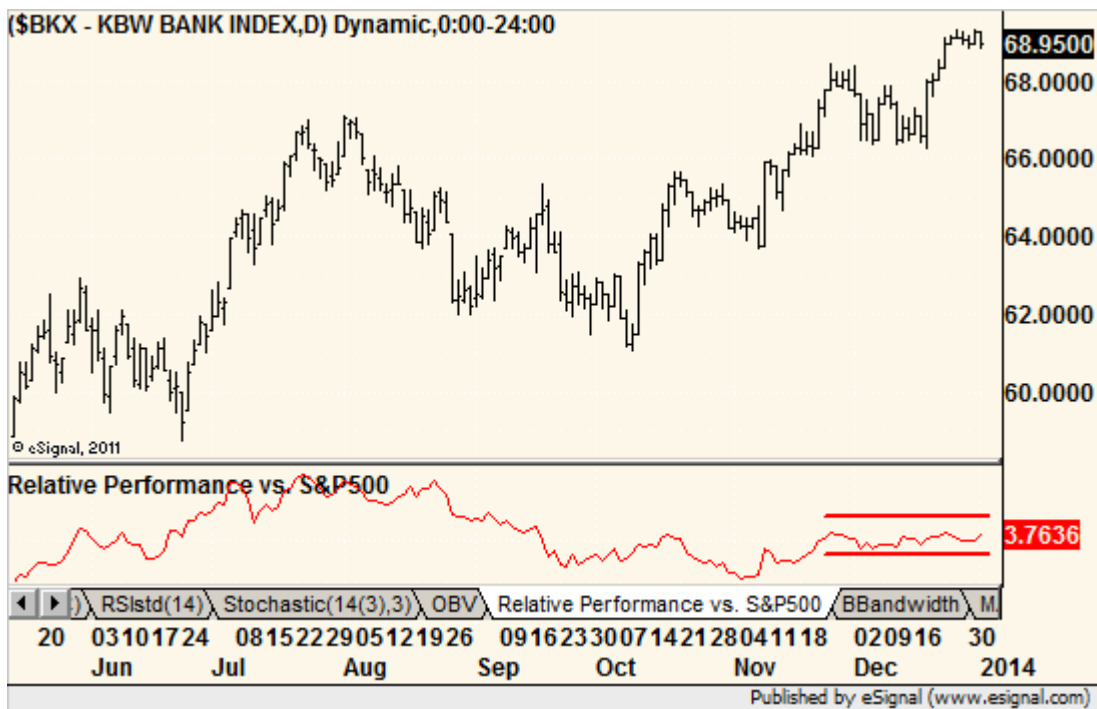
Market Highlights



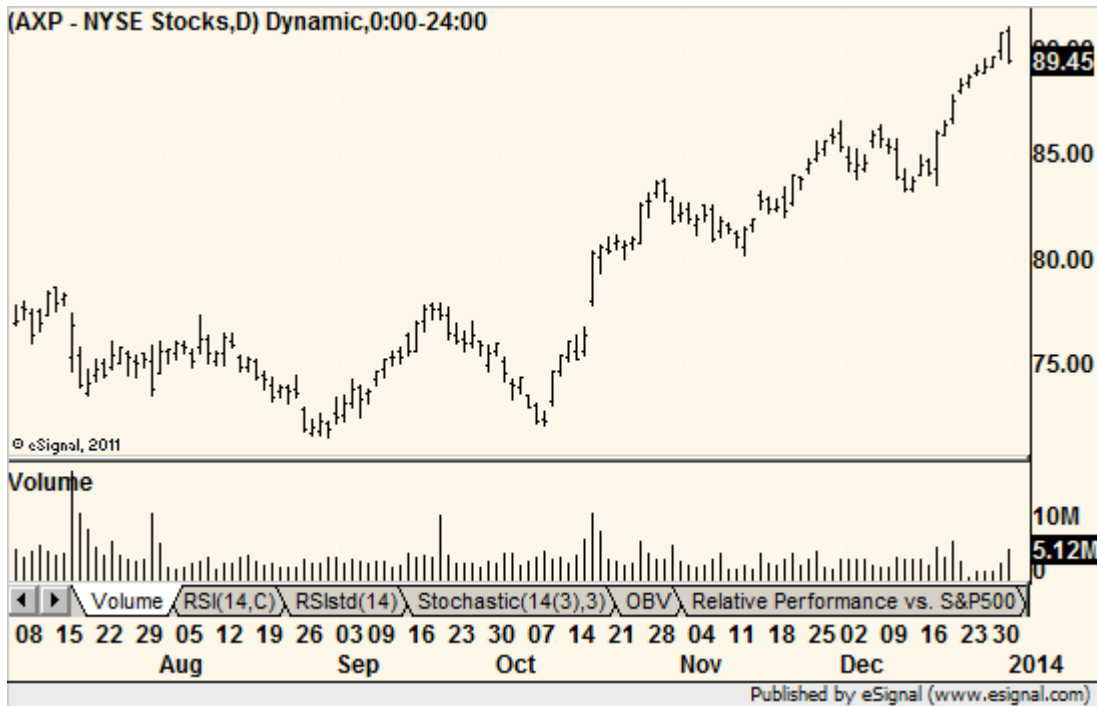
Gold priced in euros - A nice little jump but no breakout. We do see, however, a bullish RSI divergence. With all the gold haters out there, a contrarian play is not out of the question.



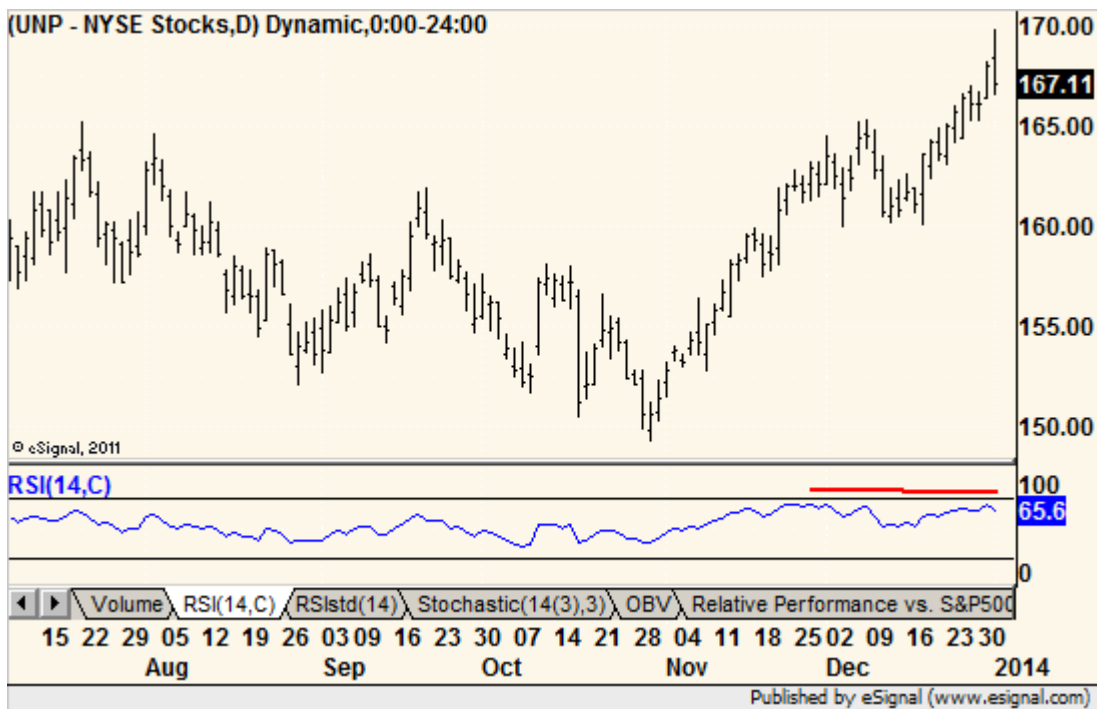
Gasoline ETF - We just slapped a few support and resistance lines on the chart to show that this market is going nowhere in the big picture. Note flat on-balance volume. In the short-term, it looks weak and further declines will target the lowest line in the 53.50 area.



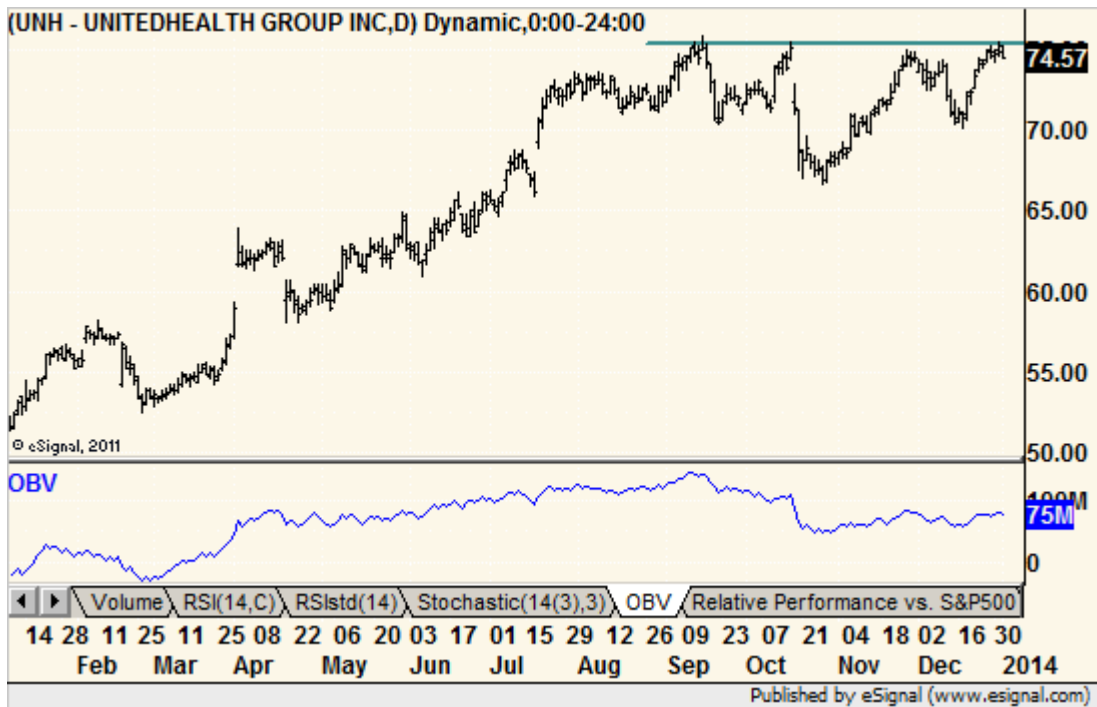
Banks index - BAC soared yesterday but most of the sector fell a bit. It is merely pacing the market at this time.



American Express - This is one of the stocks that hit a new 52-week high yesterday but it ended with an outside-day reversal to the downside. Statistics are not always what they seem. We are not selling just yet but we'll watch it. Goldman Sachs, too.



Union Pacific - Here is a rail stock with a new high but a bearish reversal bar. The RSI divergence is questionable. No trade but we'll watch.



United Healthcare - This health insurer is bumping resistance but on-balance volume looks weak. We'll watch it but it will have to make the breakout move to become a buy.

Advice Tracker

This is a list of stocks that have triggered buys or sells and not a recommended portfolio. We will track them with suggested strategies but specific stops and position closes are up to the subscriber. Symbols in **red** mean that the position was stopped out. Stops in **red** were changed. Any position that moves in the desired direction and then reverses by 5% from the extreme that day is an automatic stop out. This is to compensate for the inability of this once per day newsletter to alert subscribers to the reversal.

	<u>Symbol</u>	<u>Name</u>	<u>Last</u>	<u>P/L</u>	<u>Stop</u>	<u>Price in</u>	<u>Date in</u>	<u>#Days</u>
<u>Long</u>	NLY	ANNALY CAP MGMT INC	10.01	1.2%	9.70	9.89	12/6	27
	MCD	MCDONALDS CORP	96.41	2.4%	93.00	94.19	12/13	20
	MSFT	MICROSOFT CORP	37.16	1.4%	36.00	36.65	12/16	17
	LO	LORILLARD INC	49.99	-0.6%	48.75	50.30	12/24	9
<u>Short</u>	DLPH	DELPHI AUTOMOTIVE PLC	59.42	-2.2%	60.50	58.13	11/18	45
	LNKD	LINKEDIN CORP	207.64	0.5%	220.00	208.60	1/2	0
	TSLA	TESLA MTRS INC	150.10	-1.4%	160.00	148.00	1/2	0

Notes: Two new shorts triggered intraday yesterday - **LNKD** and **TSLA**.

Raised stop in **MSFT** as it was too wide vis a vis chart patterns.

Nothing looks particularly great here so it is more of a "in it to win it" proposition. The market will move one way or the other and we'll ride that side and stop out the other.

Other Information

About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently on financial television including PBS’ Nightly Business Report.



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