

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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**January 6, 2014** – Old man winter was more like million man winter as bitter cold temperatures flowed down from the Arctic. Why mention weather, especially since the Northern Hemisphere growing season is on hiatus? Did you run out to the mall this weekend? Or a restaurant? While we are technicians here we will be interested to see retail data on the next report.

But even before this weekend, the **XRT** retail ETF was lagging the market for at least four weeks. That is interesting because the broader consumer discretionary sector was flat to leading over that same span. We've got no conclusion here and indeed have to put this in the "undetermined" category at this time.

Keeping on the consumer theme, check out the ratio charts below. The discretionary to staples ratio continues to soar to suggest consumers are really moving on the former. Staples tend to be stable to we can assume that discretionary areas are in high demand. That's consumer confidence no matter what the surveys say. And when we look at some other ratios, in our view it looks out of whack with what is going on in the world. Consumers are spending while risk taking in the stock market is waning?

Check out this screen grab off the conferenceboard.org website →

Consumers are more confident but CEO's are less confident. Is that a dumb money / smart money thing? Or are CEO's looking forward as they are paid to do while consumers look at yesterday's action in the newspaper?

We are straying a bit far from our technical mandate so we'll leave it there. Our angle is that market sentiment is too happy and this sort of backs it up more. Don't forget, the Investors Intelligence survey of advisors has not been this bullish since just before the 1987 crash. If you recall, back then everyone was happily raking in the profits while the bond market was falling apart.

Of course, bonds are not falling apart but we've got other things happening from Obamacare to Quantitative Easing and we mean this in the most apolitical way.



OK, let's talk gold. It has been making some noise over the past few days but the trend is still clearly to the downside. However, both futures and ETFs have the possibility of forming major double bottoms here. And check out some of this fundie stuff posted on Twitter by some traders we follow.

- China Still Backing Up the Truck. Demand strong as gold hits a three-week high
- Germany to repatriate gold from US, France
- On the physical side, the shelves are being stripped bare
- India considers easing gold import curbs

Makes a convincing case, right? The technical counterpoint is not quite so strong on the bear side:

- Gold's Point-Figure Signals Further Declines:
- Upside hampered by 50-day MA

We'll maintain the 22.15 minimum breakout to even consider the **GDX** miners ETF and 122 on **GLD** itself.

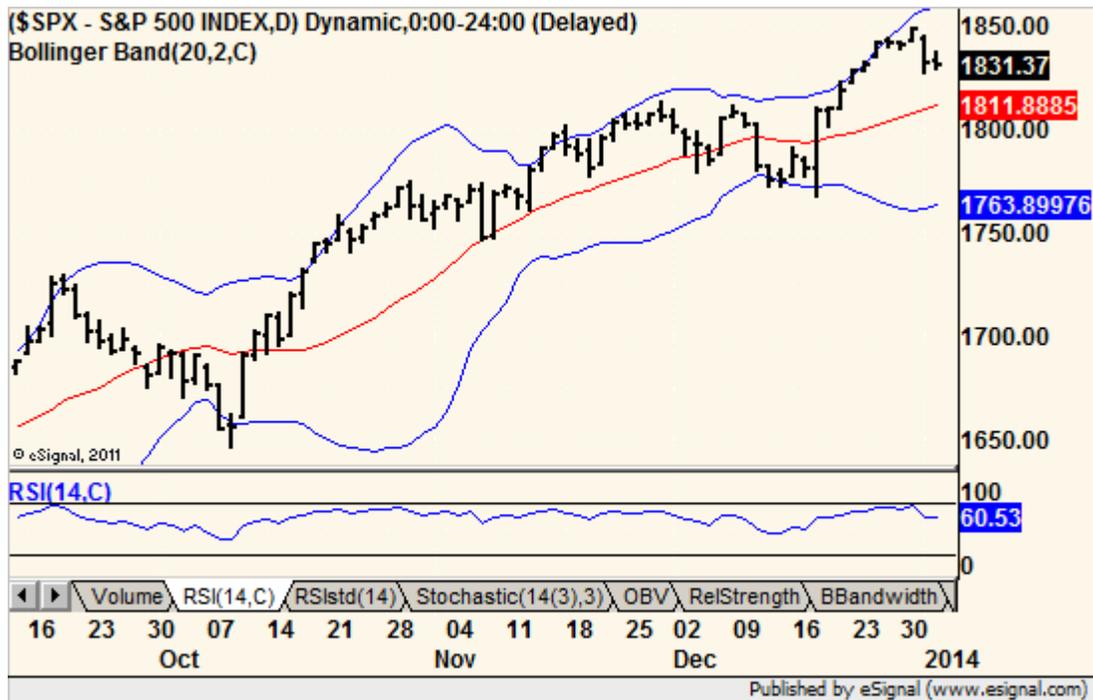
Back to stocks, here is the hourly **SPY** chart:



As you can see, the ETF broke support and established a new support at 182.55 (middle line). It then bounced to test to the higher level and has been trading in a range ever since. There are your key short-term levels - the upper two red lines. For a longer time frame, use the all-time high at 184.98 and the lower red line. Daily charts support the idea of hitting the lower level first.

We are a bit paralyzed in the stock picking area and this SPY chart does partially explain it. For now, the major trend remains up for one more little push higher but the current pause is not over.

## Index Charts of the Day



We always pay attention when prices pull back from the upper Bollinger Band but it needs other evidence before we can get really bearish.



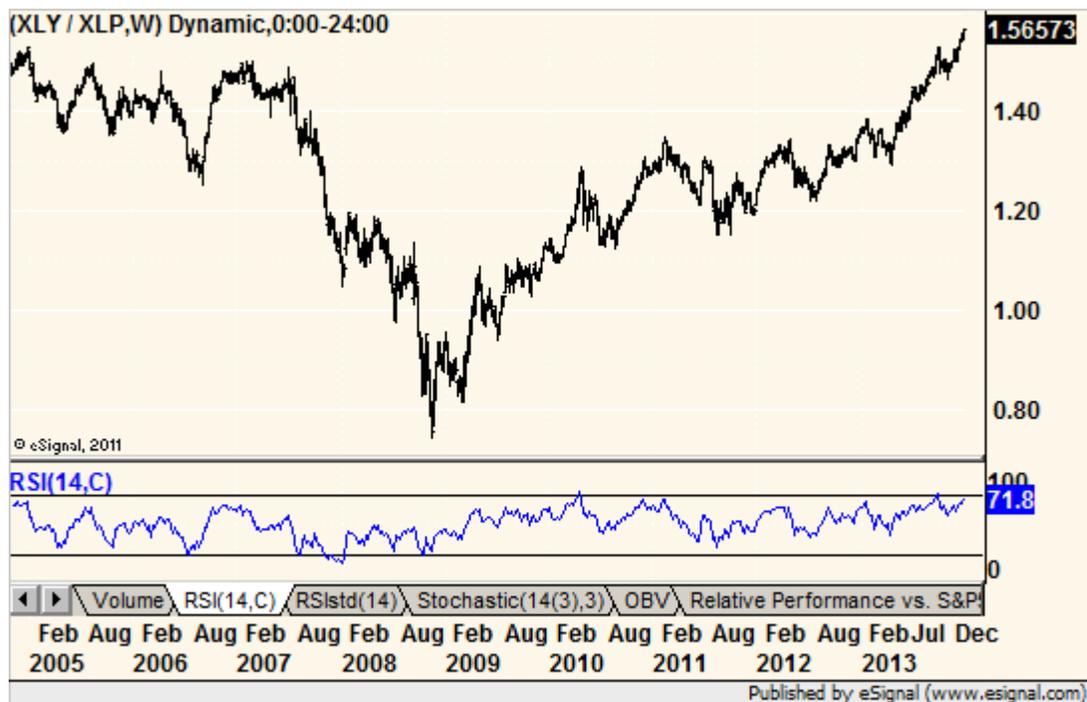
A wedge within a channel for the Nasdaq. No break yet.

## 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.

<b>Bullish Implications</b>		
<b>Procter &amp; Gamble PG</b> - Looking for a fresh breakout above 82.30. Clearly not ready for that but we'll keep it here for now.		12/30
<b>Callon Petroleum CPE</b> - 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.		1/2
<b>Bearish Implications</b>		
<b>none</b> -		
<b>Unknown Implications</b>		
<b>none</b> -		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Gold Miners ETF GDX</b> - Bullish RSI divergence but it needs to get back above 22.15 before we can even think about this.		12/30
<b>Priceline PCLN</b> - On the bear watch list for now. Support at 1145.50 meets the rising trendline soon. <u>Looks like a breakdown but here is something making it look oversold.</u>		1/2
<b>American Express AXP</b> - Bear reversal Thursday but the rebound had rather high volume.		1/3
<b>Union Pacific UNP</b> - 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.		1/3
<b>United Healthcare UNH</b> - 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		1/3
<b>Apple AAPL</b> - We wanted it to fall to 513-ish last month to set up a nice buy but it did not go all the way. Now, we see a possible double top and pending trendline break before that important support level is reached so we'll wait to make any decisions.	<b>New</b>	1/6
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Steel stocks index</b> - A rally with on-balance volume rising and support from the 50-day average. No real resistance until 265 (from current 249).		12/30
<b>Airlines index</b> - Bull flag breakout - in spades.	<b>Changed</b>	12/30
<b>Utilities</b> - On the verge of a breakdown although it has not yet happened. On-balance volume here weak but OBV on the <b>XLU</b> ETF is bleeding out.	<b>New</b>	1/6
<b>Updates</b>		
<b>Gold</b> – Priced in dollar or euros, a rather strong start to 2014. Still no official breakouts, however.		

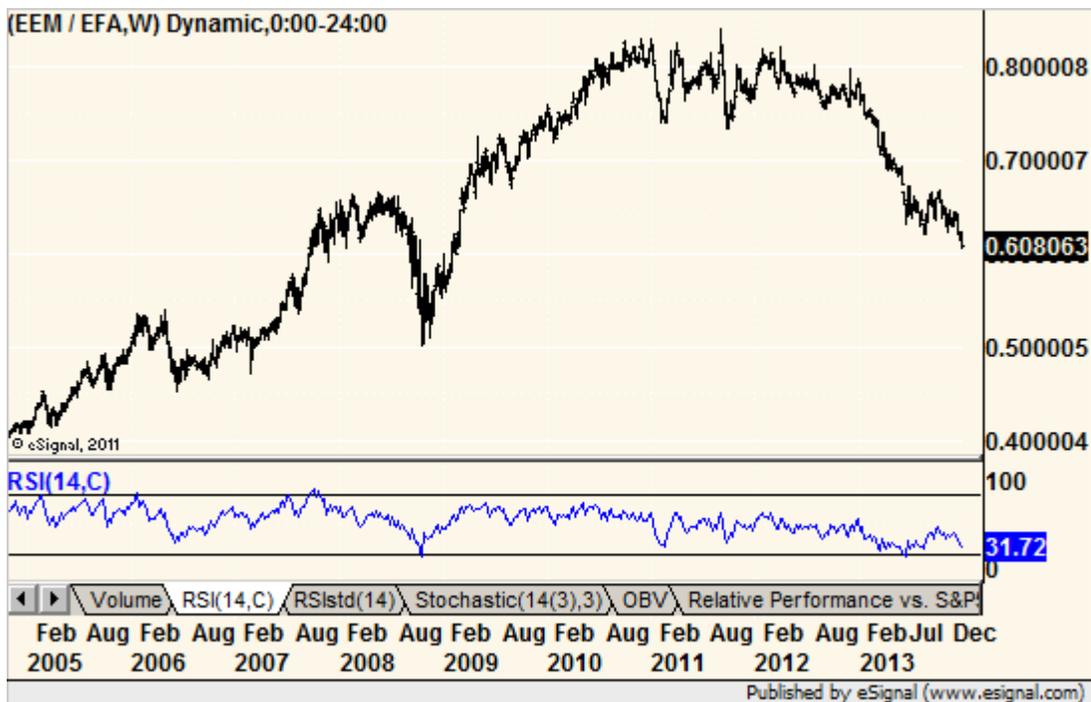
## Market Highlights



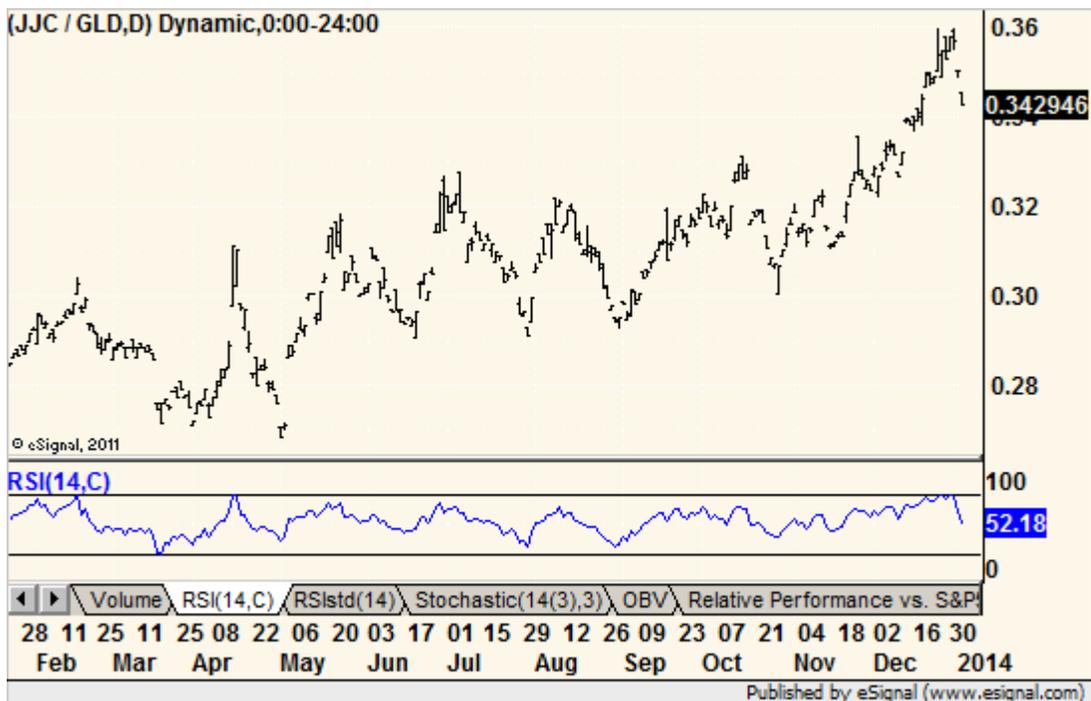
**Consumer discretionary to staples ratio** - Back to pre-bear market levels but the real thing for us is the accelerating slope. It suggests a bit too much enthusiasm to buy stuff in stores and online.



**Russell to Spoo ratio** - This is the small cap Russell 2000 ETF vs. the big-cap SPY ETF (daily format) and it is far from taking out last year's high. Overall speculation seems to be waning and that is not good for bulls.



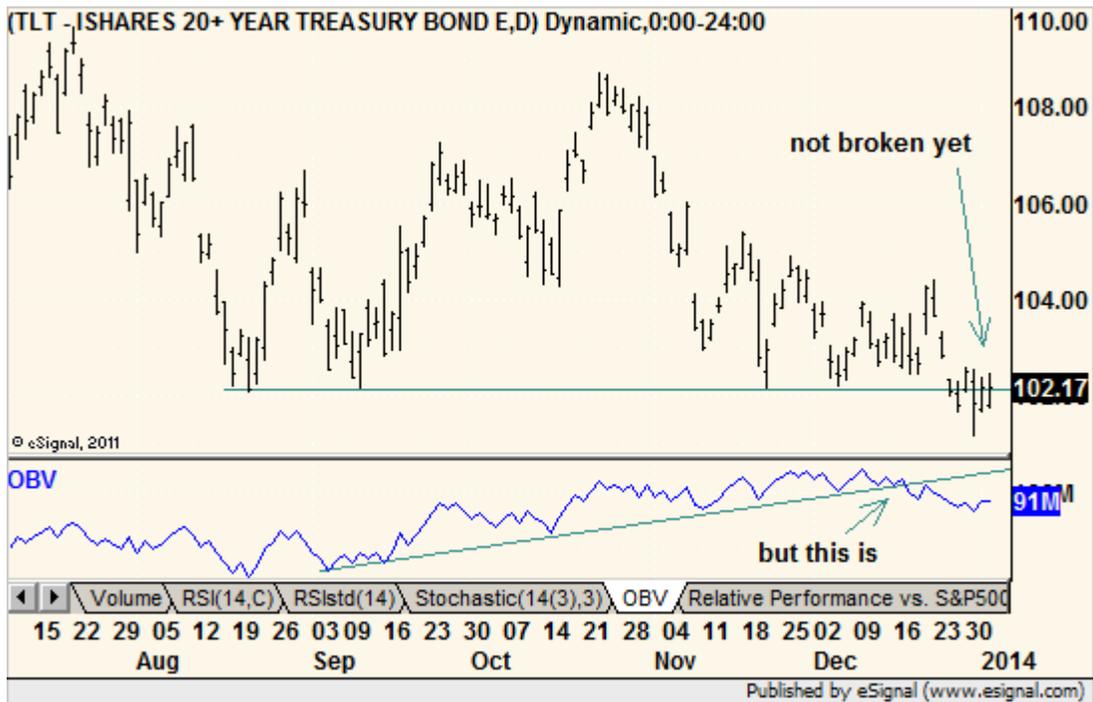
**Emerging markets to World ratio** - Emerging markets, including BRICs, have been lagging the rest of the world for two years and just broke down again on a relative basis. Suggests money wants to be in established markets.



**Risk to hedge ratio** - Using copper and gold ETNs/ETFs to eliminate the effect of the dollar, we see a sudden break over the past week. It is not much right now but we have to watch it as economic demand seems to be fading relative to hedging demand.



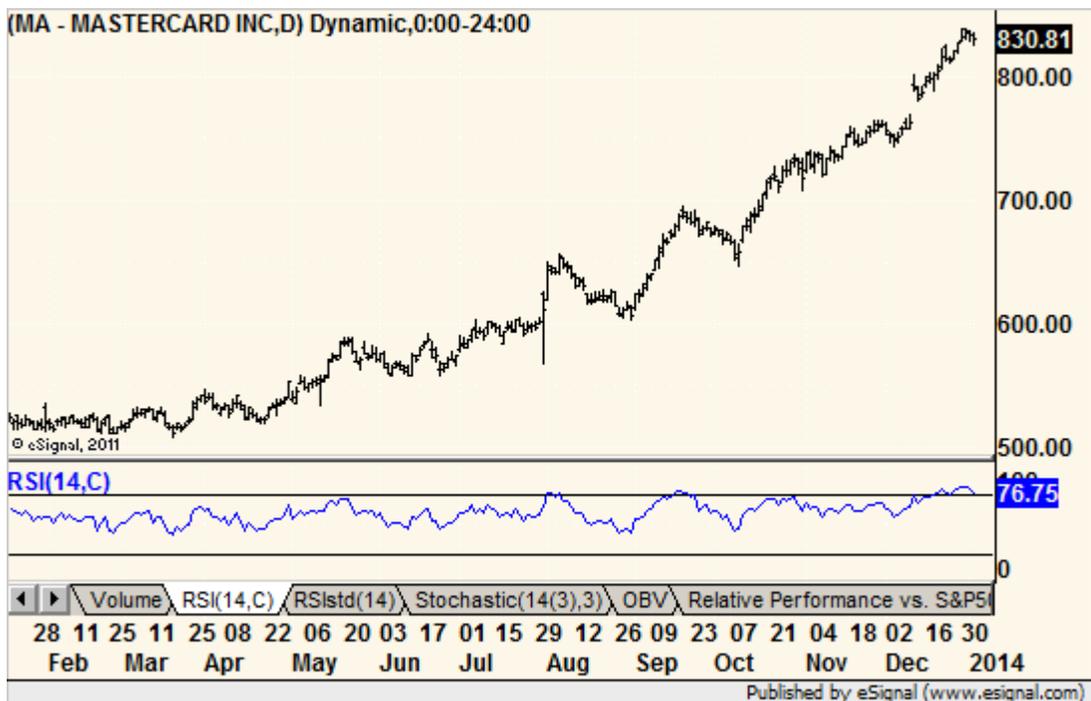
**Utilities** - On the verge of a breakdown although it has not yet happened. On-balance volume here weak but OBV on the **XLU** ETF is bleeding out. This might be a bear signal for Treasury bonds.



**Long T-bond ETF** - Not a healthy picture but it has not yet broken down.



**Apple** - We wanted it to fall to 513-ish last month to set up a nice buy but it did not go all the way. Now, we see a possible double top and pending trendline break before that important support level is reached so we'll wait to make any decisions. Holding Tank.



**MasterCard** - This stock is up huge and the trend is accelerating. Something just feels wrong here but we have to wait for a technical signal to sell it. Ditto V.

## 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>	<b>NLY</b>	ANNALY CAP MGMT INC	10.00	1.1%	9.70	9.89	12/6	29
	<b>MCD</b>	MCDONALDS CORP	96.54	2.5%	93.00	94.19	12/13	22
	<b>MSFT</b>	MICROSOFT CORP	36.91	0.7%	36.00	36.65	12/16	19
	<b>LO</b>	LORILLARD INC	49.80	-1.0%	48.75	50.30	12/24	11
<u>Short</u>	<b>DLPH</b>	DELPHI AUTOMOTIVE PLC	59.27	-1.9%	60.50	58.13	11/18	47
	<b>LNKD</b>	LINKEDIN CORP	207.42	0.6%	220.00	208.60	1/2	2
	<b>TSLA</b>	TESLA MTRS INC	149.56	-1.0%	157.00	148.00	1/2	2

**Notes:** Just tweaked the stop in **TSLA**. The current Advice Tracker is far from exciting and rather lackluster in outlook.

## Subscriber Corner

This section is dedicated to subscriber requests for stock, futures, index and foreign exchange analysis. Send requests to <mailto:mkahn@quicktakespro.com>.

## 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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