

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

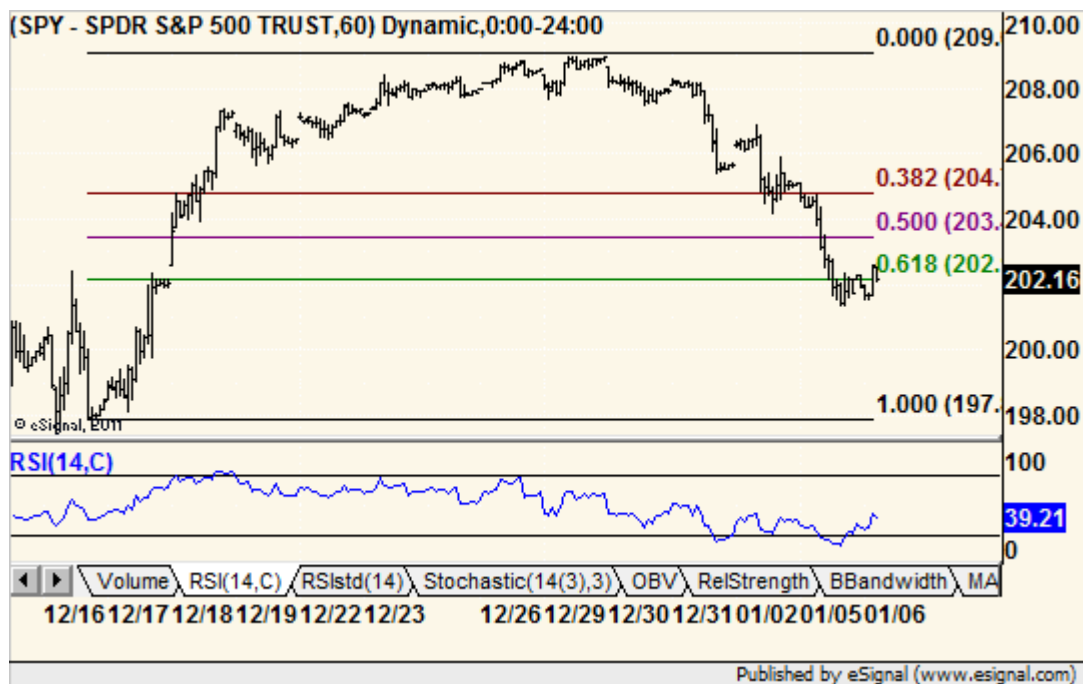
January 6, 2015 – Let's open with a snip from my Barron's Online column last week.

This leaves us with a solid rising trendline now from the October 2011 low... We can also draw a companion line parallel to it to form a trend channel giving us a good framework for the likely action over the next few months.

With prices near the top of the channel, a steep rally seems unlikely without another correction. However, from the long-term point of view, there is nothing screaming "end of rally," at least not in this time frame. Short-term developments in January can, of course, change that but for now bulls have to be content.

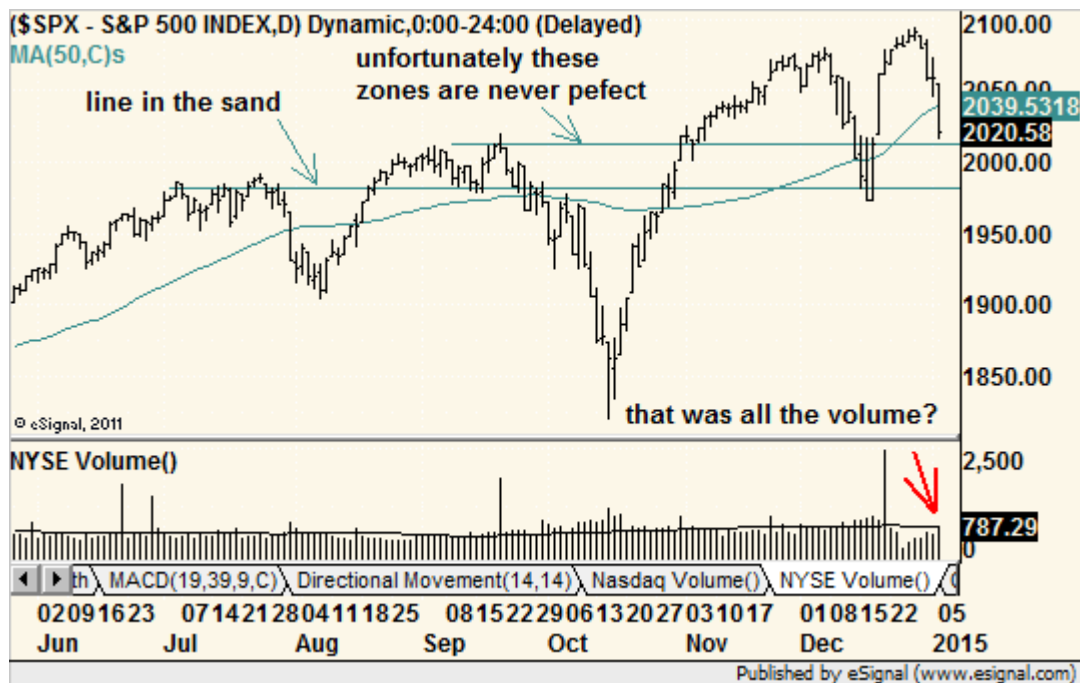
Of course, we had no idea the Dow would tumble 331 points in a single shot but what happened Monday is not outside the framework laid out above. With a soaring U.S. dollar, crumbling confidence in Europe and stronger consumer we have to trot out the argument that there is nothing else to do with investor money, domestic or otherwise.

No, we are not going to be all rose colored glasses either. There was an arguable Hindenburg signal yesterday on top of the cluster we saw a month ago. And the NYSE composite has now officially failed to recapture resistance (chart below). This is the average stock representative so even though small stocks do not feel the pinch of the rising dollar, big stocks do.

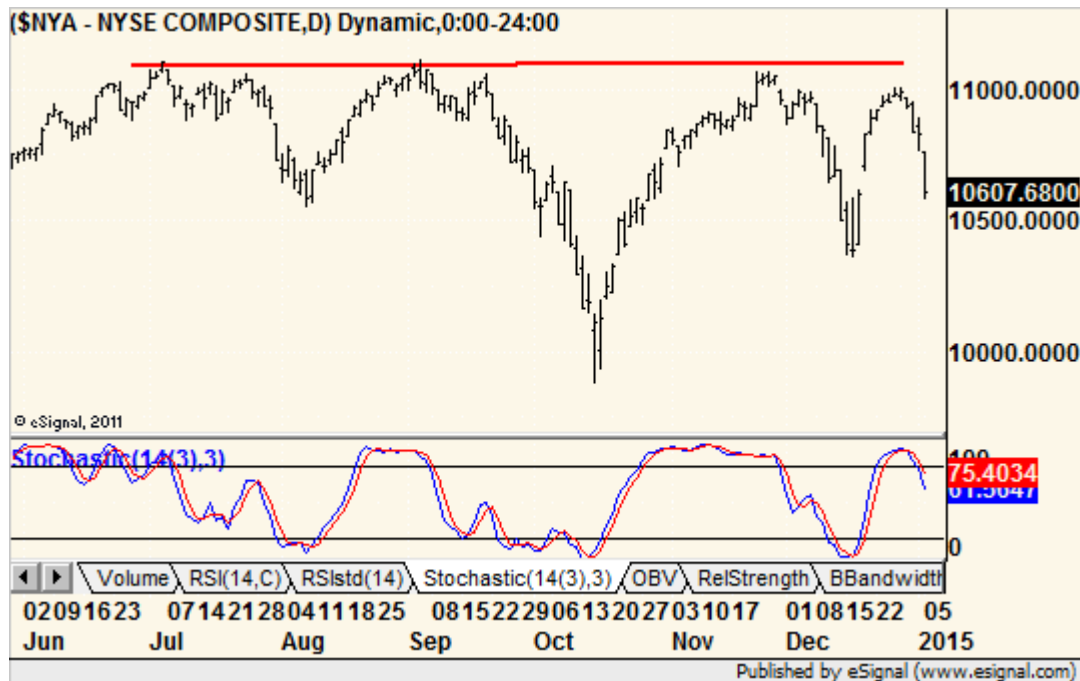


Let's get back into – no panic mode – as we suggested yesterday before the big decline. This hourly chart shows a nice 61.8% Fibonacci retracement of the December rally and a good place for bulls to come back. Whether they do remains to be seen. See the daily charts below for the line in the sand.

Index Charts of the Day



The S&P 500 sliced through the 50-day average and is near the top of a support zone. The lower level, however, is the bottom of a possible double top and at least a significant support/resistance from late last year. That is our line in the sand where a correction becomes much more. And check out the lack of volume.



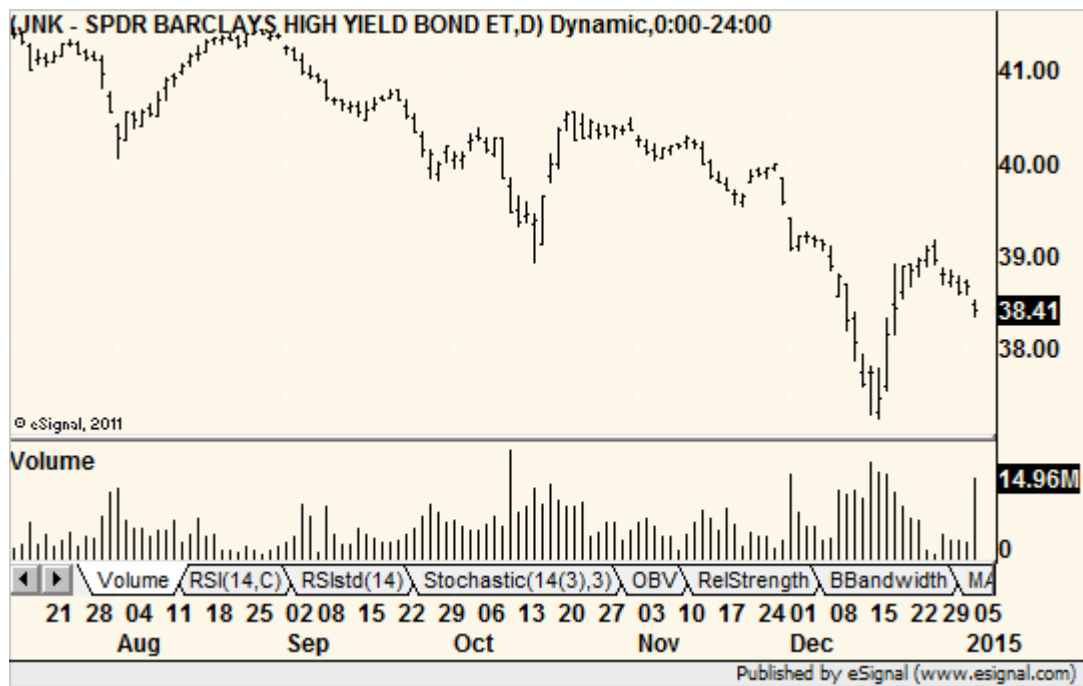
It sure looks as if the NYSE composite failed to reach resistance and that is a bearish warning.

The Radar Screen

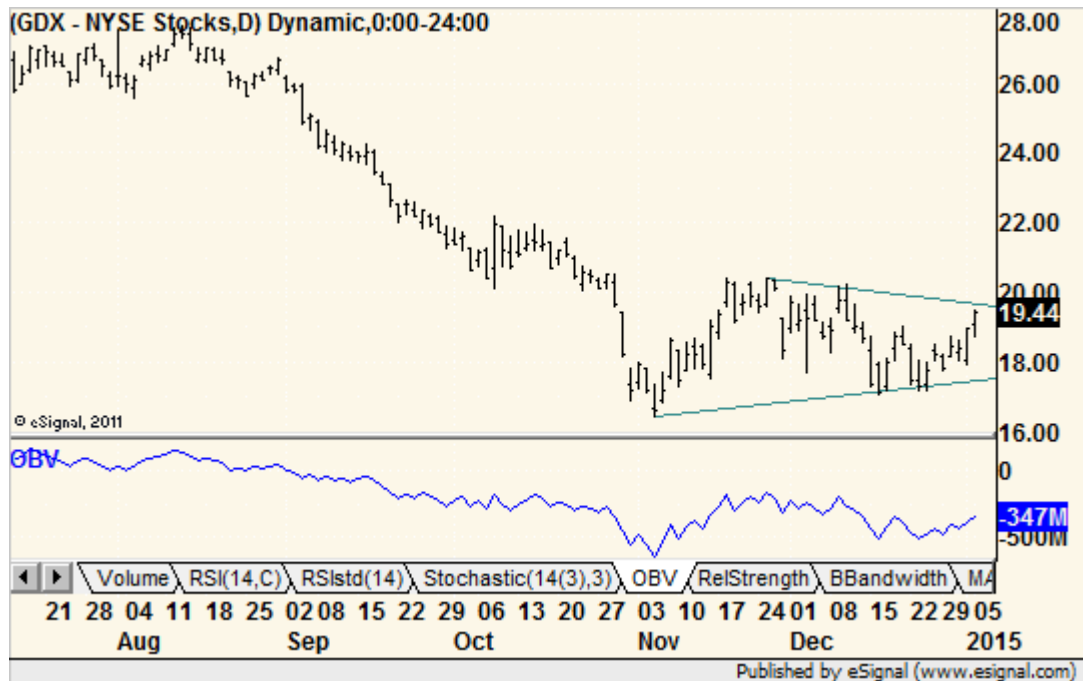
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
JDS Uniphase JDSU - Networker with possible breakout. Watching just a little while longer. Small dip Monday so we are going to take a bite. Remember, networkers are one of the better sectors.	Moved	12/18
Bearish Implications		
none -		
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Freeport McMoran FCX – May have already bottomed but we need to see a breakout from current one-week pause. Looks like this is not ready.	Removed	12/15
Manitowac MTW - This commercial vehicle maker supposedly getting Carl Icahn interest. We see a textbook double bottom in progress with confirming RSI divergence and 50-day average break. Need an upside continuations signal.		12/29
3D Systems DDD - Time to watch 3-D printing stocks again with big RSI divergence. XONE too.		12/29
Panera Bread PNRA – Breakout now being tested. Almost ready.		12/29
Sector Watch (observations that may spark ideas)		
Aerospace/Defense Sector index DFX, DFI – breakdown negated but this is still looking shaky with RSI divergence.		12/15
Networking Index NWX - A breakout and test. Looking good.		12/18
Silver miners SIL - still watching possible double bottom		12/19
Gaming - Still waiting for confirmation of the weekly hammer candle. Still officially a good hammer bottom but it needs to do something positive.		12/22
Utilities ETF XLU – Consider buying the dip to the 50-day average. Nioce rising on-balance volume.		1/5
Real Estate ETF IYR – Look what sector is leading. Something is fishy here as defensive sectors are supposed to be lagging again but clearly some are not.		1/5
Tobacco index –good support coming up for this defensive sector. Big dividends to be had, too. Keeping an eye on it.		1/5
Updates		
none -		

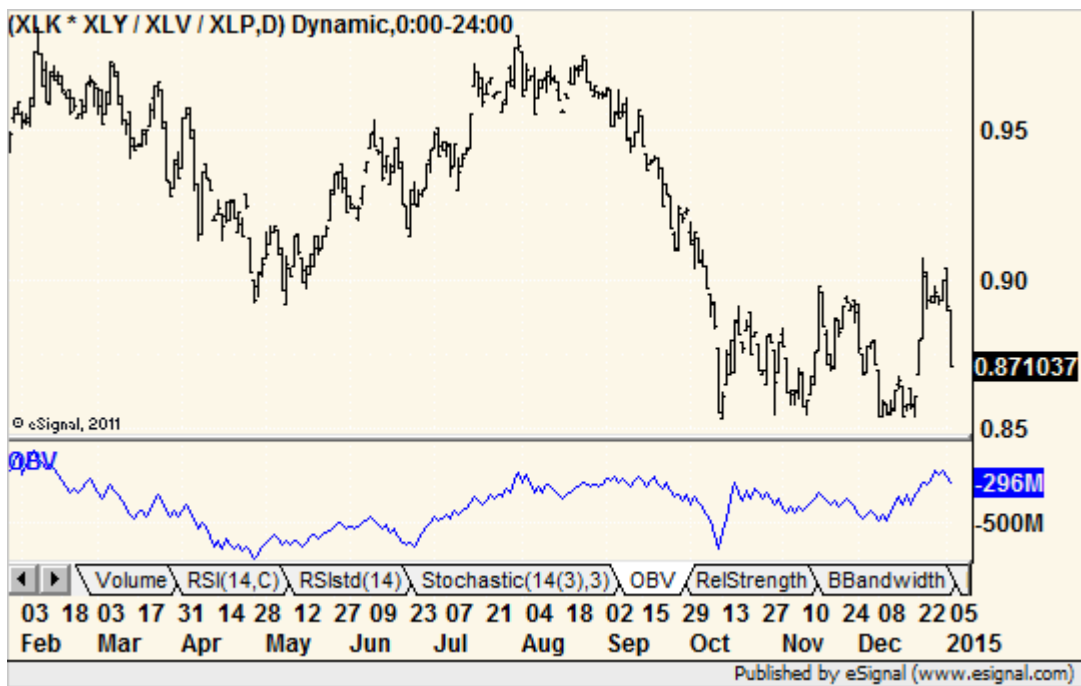
Market Highlights



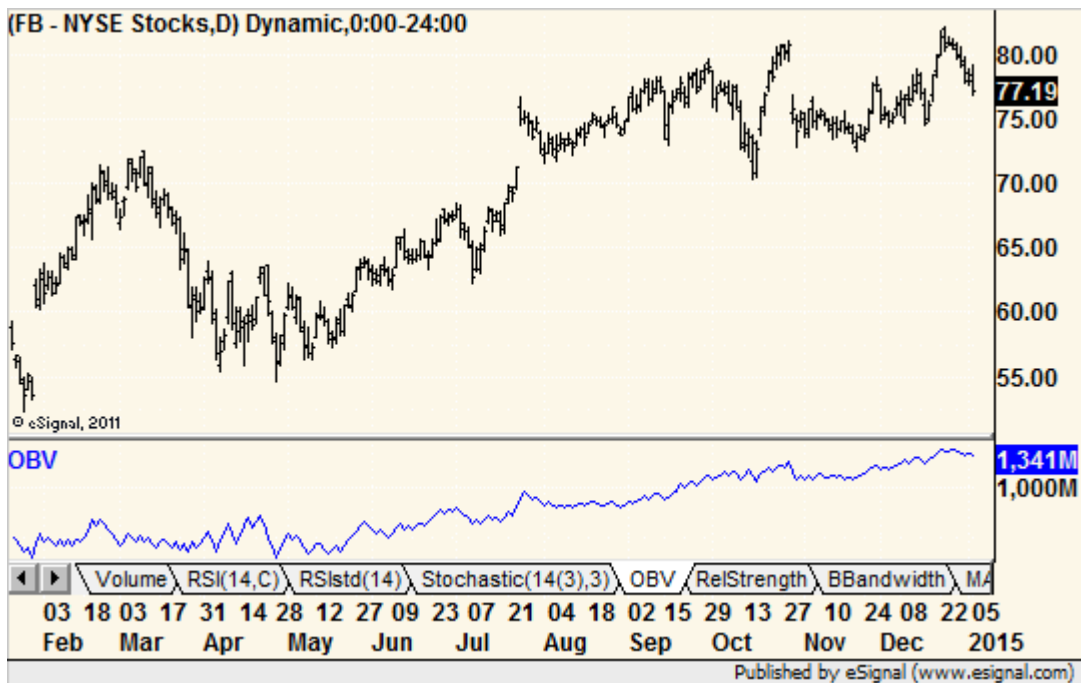
Junk bond ETF – This chart is also not good for stocks. Treasuries soared yesterday but junk was junk.



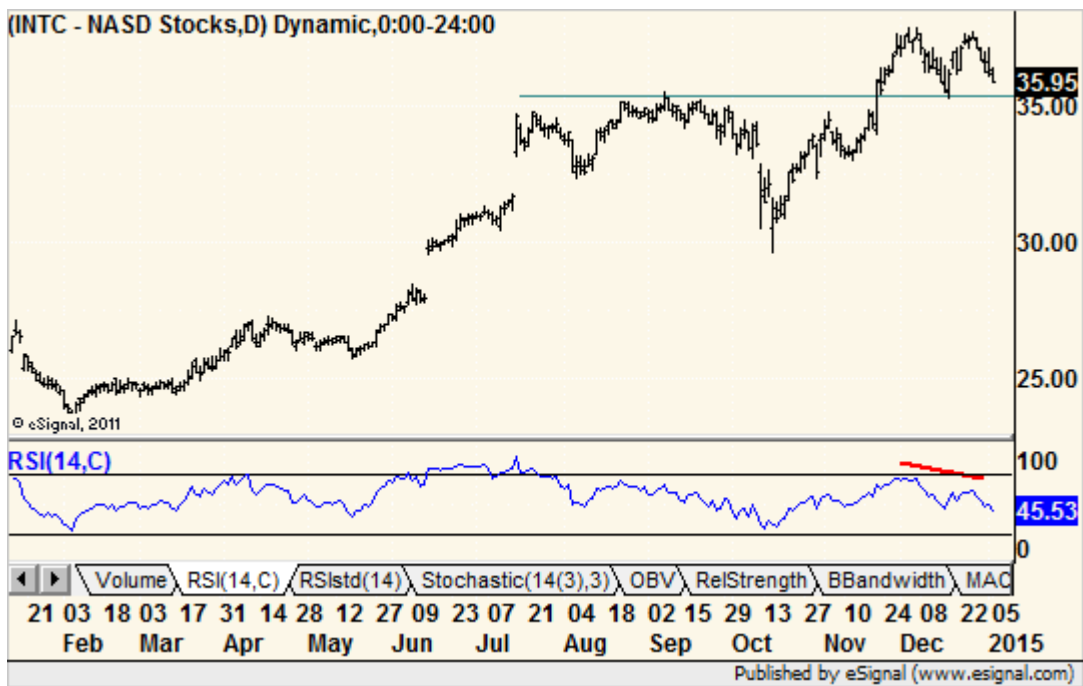
Gold Miners ETF – Given the strong dollar, this was a rather impressive move higher. No breakout yet.



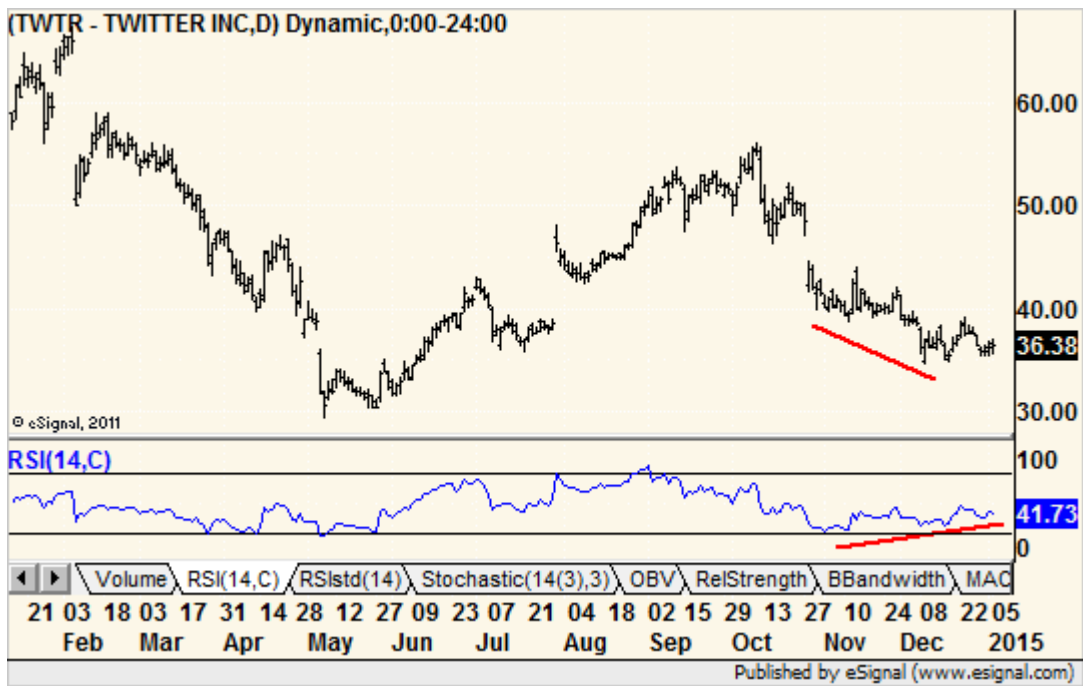
Offense / Defense index – This index took a really big hit and now the double bottom breakout has failed. That is another stock market warning. Within the index, healthcare and specifically biotech held up well (it is in the denominator).



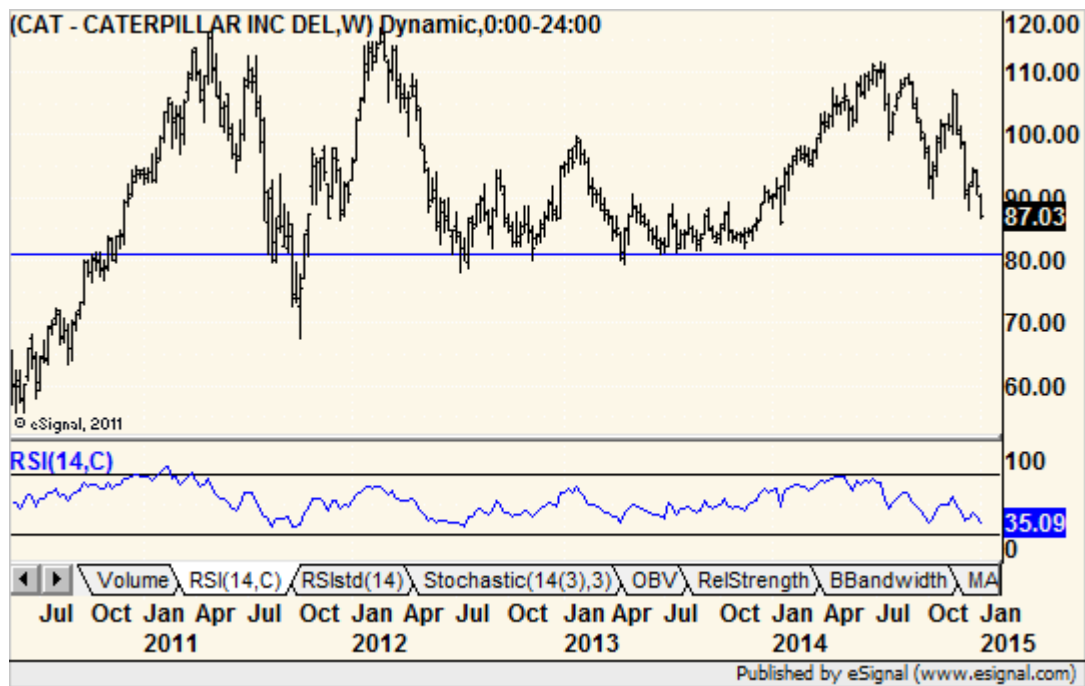
Facebook – Money still pouring in here.



Intel – Watching a possible double top in progress.



Twitter – Bullish RSI divergence. On-balance volume (not shown) flattened out already.



Caterpillar – Since it got crushed yesterday, here is a long-term chart. Looks tasty at 80. Too bad it is still 87.

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>	NDLS	NOODLES & CO	26.54	15.4%	25.50	23.00	11/21	45
	CIEN	CIENA CORP	19.54	3.2%	19.00	18.94	11/21	45
	COH	COACH INC	36.73	-2.7%	35.75	37.75	12/29	7
<u>Short</u>	TIVO	TIVO INC	11.32	14.0%	11.75	12.90	11/10	56

Notes: **NDLS** was up on the day and the stop was raised.

TIVO (we are short) was crushed and we lowered its stop.

Subscriber Corner

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

Note to Graham – Yes, the Dogs of the Dow strategy still looks good.

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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