

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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January 7, 2014 – The cold continued to make headlines yesterday and while the thermometer soared to 50 degrees here in the New York area JetBlue decided to ground its entire fleet until later this morning. Why? Well, it is single digits now (negative 14 for your Celsius folks) and the airline reports fuel in their trucks is turning to jelly. It does seem to be a wise move unless you are one of the thousands of stranded travelers.

JetBlue stock fell 4.3% yesterday on the news. We'd say to buy this temporary condition and news driven dip except for one thing - it left a hugely bearish pattern. See it below in Today's Lesson.

Stocks in general eased lower as the 2014 dip continued. There was not much of consequence going on but there were some sector bits to note.

- Gold stocks were firm again. Read my [Barron's Online column](#) from Monday.
- Auto and tire stocks led the pack to the upside. Some good news from China.
- Medical device stocks broke out - **STJ, MDT, BSX, LLY, ABT**
- Home furnishings stocks led to the downside - **TPX, LEG**
- Some biotech breakdowns - **AFFX, CELG, ENZ**

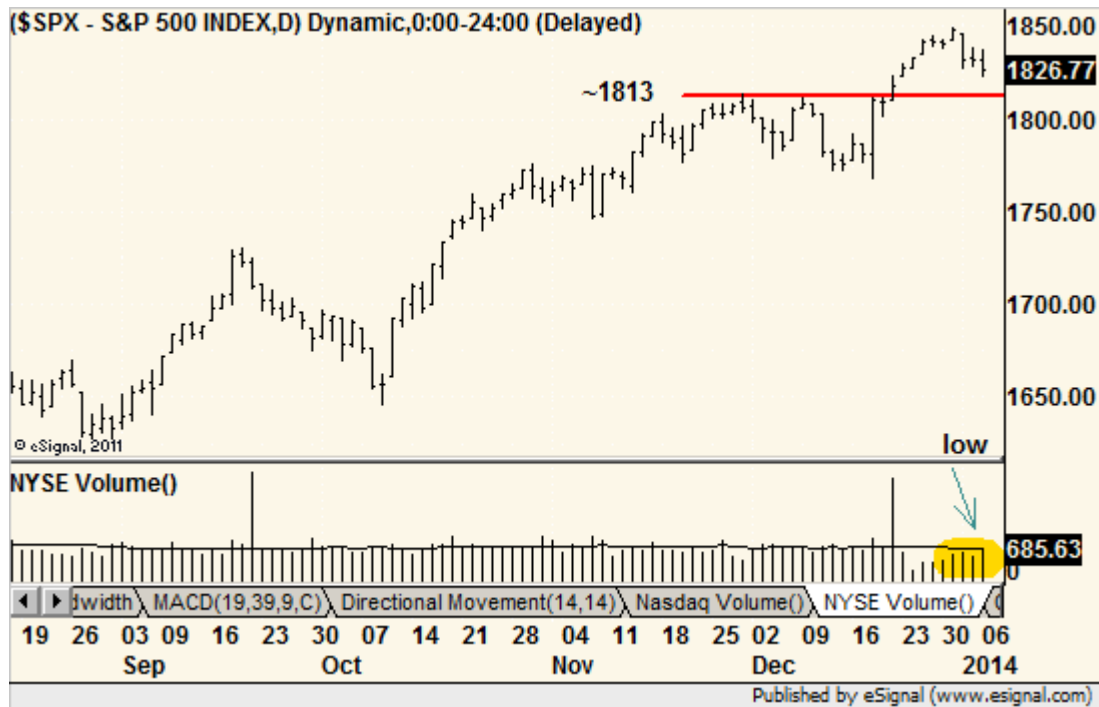
Oil is also on the move lower but the **DBA** ETN, which covers many agricultural commodities, scored a bull reversal (chart below). Is there a shift from financials to commodities beginning?



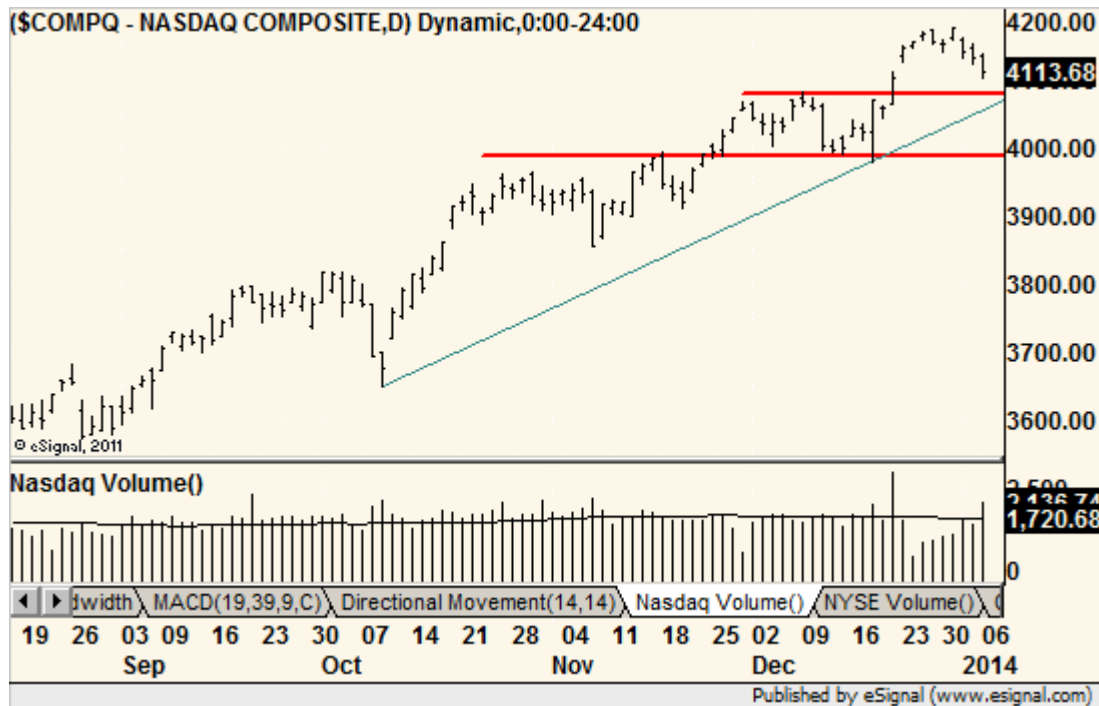
The hourly char broke support yesterday but recovered. It is now back in the recent range but without any momentum whatsoever.

All told, the past week has been rather devoid of stock setups for us. We want to stay long the market during this dip so we'll be in it for the final run - in our view. Yet the dip itself has been mild making the whole thing muddy. Plus, the better looking stocks have not corrected, which normally would be bullish, but sentiment and other factors are more bearish. We are definitely keeping powder dry.

Index Charts of the Day



The small correction continued and with low volume, as corrections should have. Still looking for a test of the former trading range top in the 1813 area.



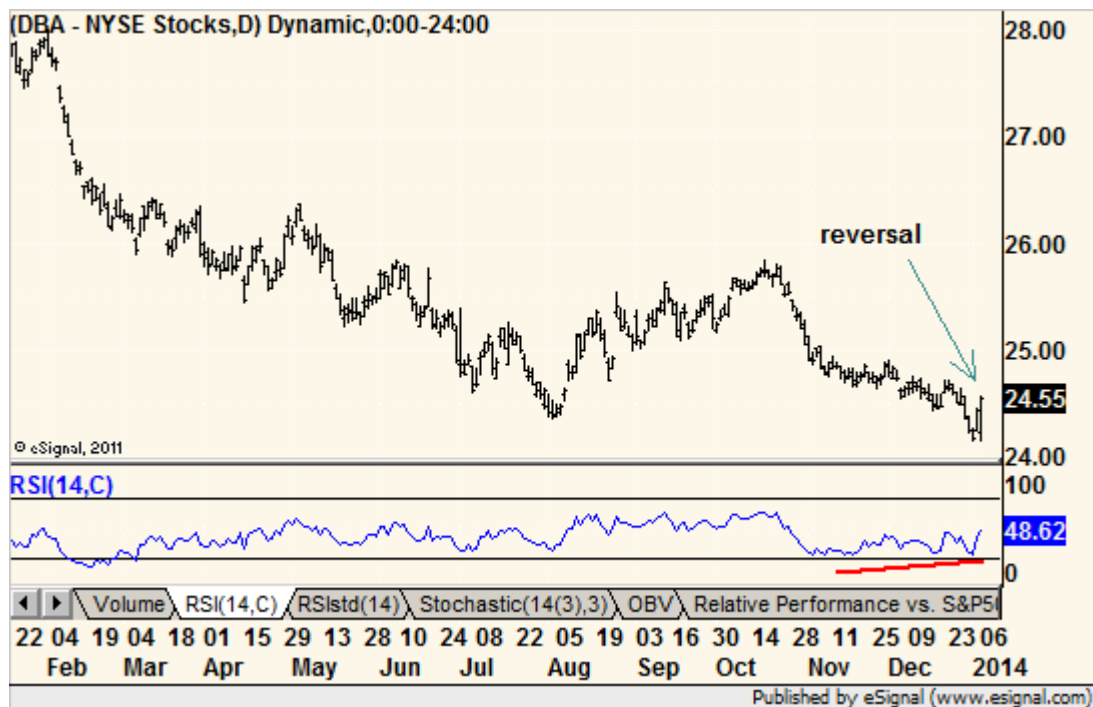
Nasdaq volume was elevated on the decline making it more bearish. Still above support and trendlines so still officially a correction, not reversal.

The Radar Screen

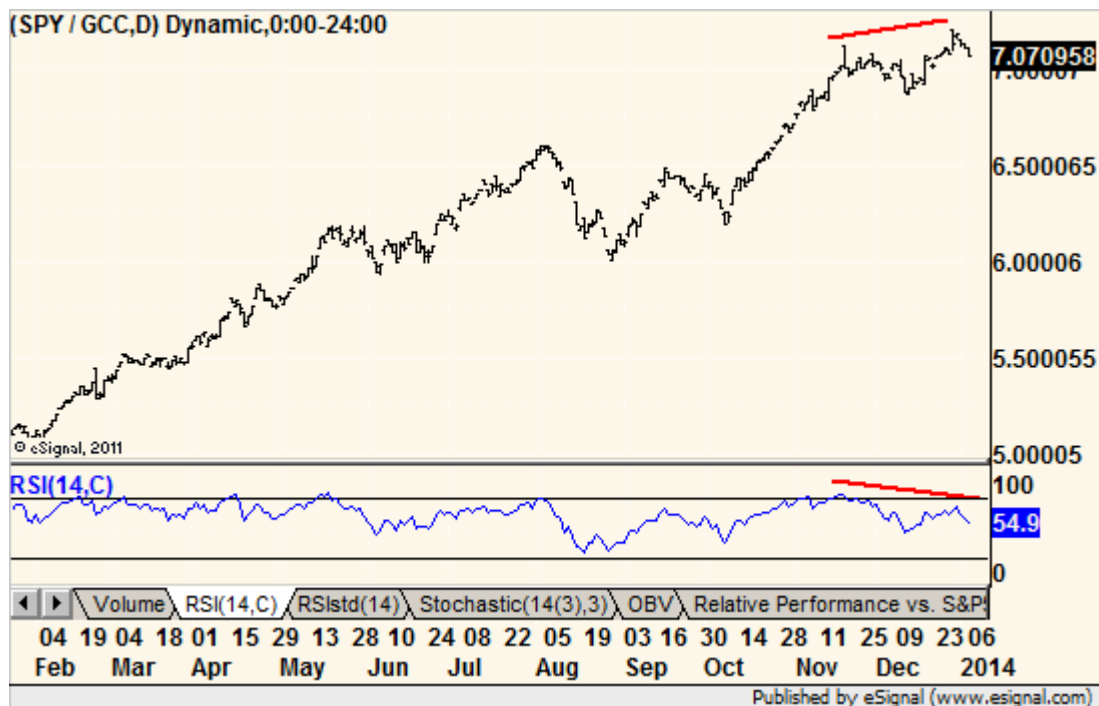
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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. Clearly not ready for that but we'll keep it here for now.		12/30
Callon Petroleum CPE - This is a very small oil and gas explorer/producer. A pullback with a tentative breakout and now awaiting a breakout above 6.55 - which would also break the 50-day average. The pullback also landed on support last month. Check out its preferred A shares, too, for a big dividend.		1/2
Bearish Implications		
none -		
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. Looks like a breakdown but here is something making it look oversold. Bull reversal!		1/2
American Express AXP - Bear reversal Thursday but the rebound had rather high volume.		1/3
Union Pacific UNP - Here is a rail stock with a new high but a bearish reversal bar. The RSI divergence is questionable. <u>Looks like it is following through to the downside.</u>		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		1/3
Apple AAPL - 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. <u>Bull reversal but still looks weak.</u>		1/6
MasterCard MA - 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 .		1/6
Sector Watch (observations that may spark ideas)		
Steel stocks index - May have just suffered a breakout failure	Changed	12/30
Airlines index - Bull flag breakout.		12/30
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.		1/6
Updates		
Facebook FB – Held support in its "handle" and rallied. A good sign.		

Market Highlights



Ag ETN - This contains many agricultural commodities and it scored a bull reversal with a bullish RSI divergence. We are not buying but it gets us to think the slide in commodities may be nearing its end.



Financials to Commodities ratio - This is the stock market divided by the continuous commodities fund. The trend is still up but it may be slowing down as it nears a reversal. In English, stocks still beat hard assets but a change may be coming soon.

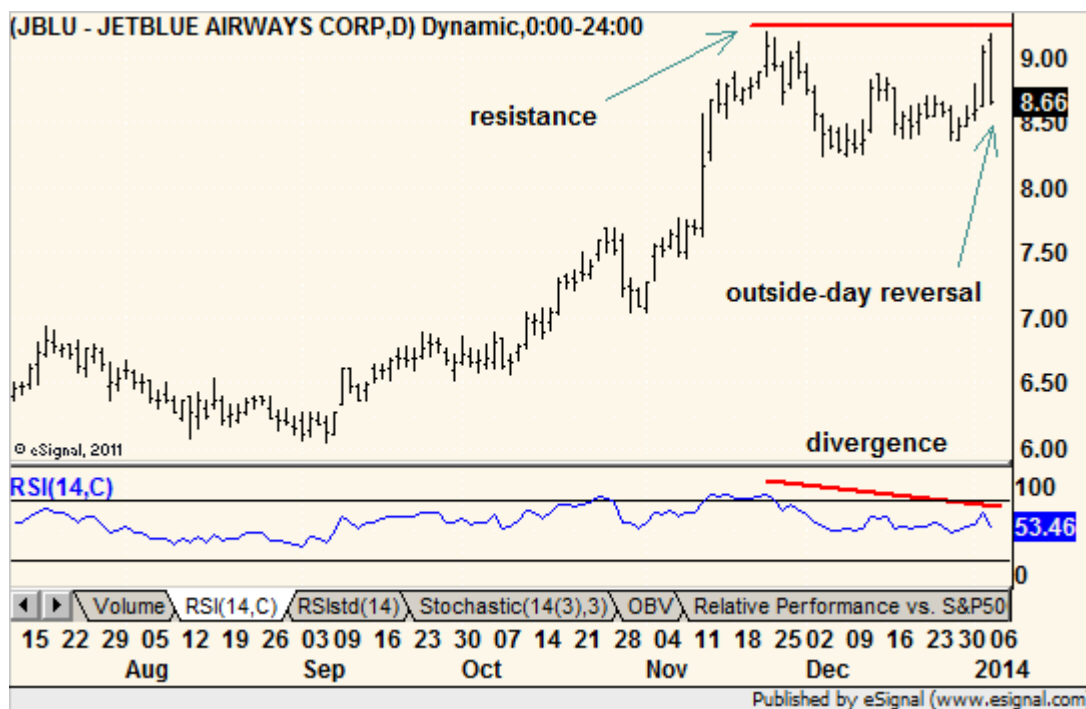


Netflix - They are ganging up on this stocks but it is indeed broken. This morning it is sitting on the lower trendline so chasing the sellers now probably is not a good idea. But selling a bounce would be.

Today's Lesson

In this section, we take a look at a topic in technical analysis in real-time, not textbook time.

Charts vs. News



JetBlue - This airline scuttled its entire schedule due to the cold and the stock was sold big time. Normally, we'd say this was a bump in the road as the schedule resumes this morning, flyers will fly and fares will be collected. After all, the sector did break out from a wedge/triangle correction.

But JetBlue's pattern is rather bearish as seen above. The only thing not shown above is the heavy volume that traded on the decline.

The double top pattern has not yet completed (needs to break support at the Dec lows) but this seems to be more than a news bonk.

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	10.11	2.2%	9.70	9.89	12/6	31
	MCD	MCDONALDS CORP	95.85	1.8%	93.00	94.19	12/13	24
	MSFT	MICROSOFT CORP	36.13	-1.4%	36.00	36.65	12/16	21
	LO	LORILLARD INC	49.64	-1.3%	48.75	50.30	12/24	13
<u>Short</u>	DLPH	DELPHI AUTOMOTIVE PLC	59.28	-1.9%	60.50	58.13	11/18	49
	LNKD	LINKEDIN CORP	203.92	2.3%	215.00	208.60	1/2	4
	TSLA	TESLA MTRS INC	147.00	0.7%	157.00	148.00	1/2	4

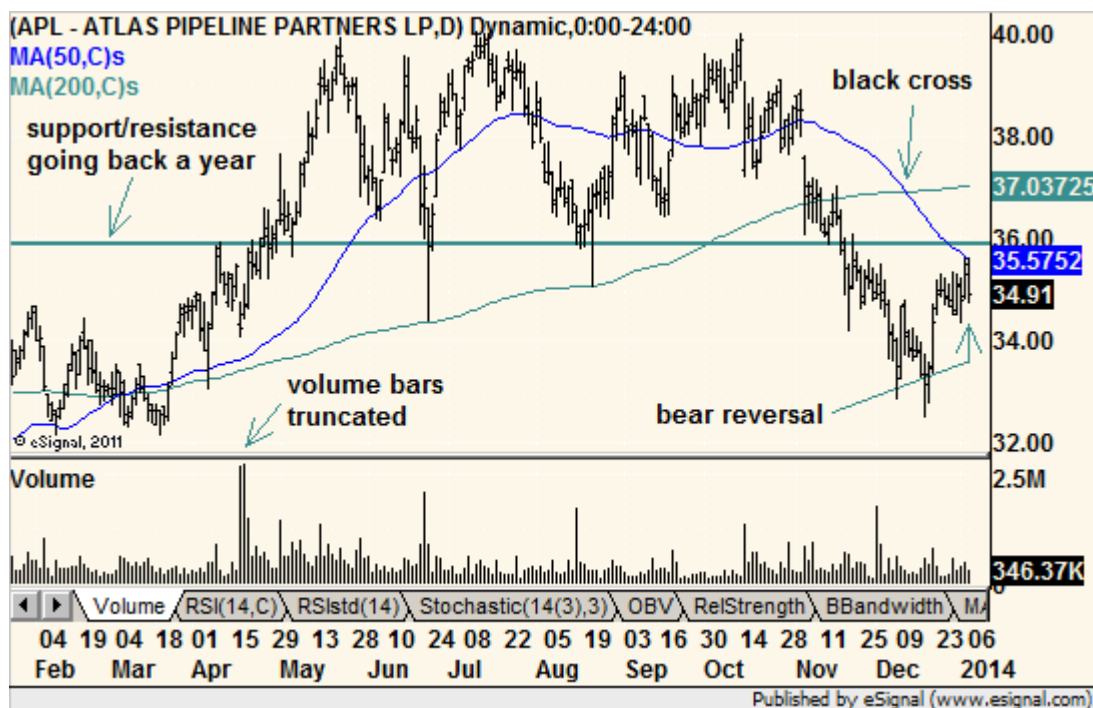
Notes: Just tweaked the stop in **LNKD** a bit.

MCD not looking well but we'll hang on.

NLY looking better and still has a huge dividend.

Subscriber Corner

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



Atlas Pipeline Partners - The subscriber is looking for a short play here and the weight of evidence does favor it. The big caveat is the huge 7.1% dividend yield, which is a big problem for short sellers. Put buyers is a different issue and a dividend payout actually works in their favor.

Here's the evidence on the chart:

- Resistance above at 36 from multiple highs and lows over the past year.
- Bearish moving average crossover
- Resistance from the 50-day average itself
- Unimpressive volume on the December rally
- Bearish reversal bar Monday

The bullish evidence is scarce but we can make a small case for low volume on yesterday's reversal. Also, the Dow Jones pipelines sector index may have broken out from a triangle pattern but that is not as convincing as we'd like.

The bottom line is that this stock has more negatives than positive. Selling now (buying puts) could be good for a ride down to the December low with a stop above this week's high - not a bad risk/reward ratio.



Nasdaq Biotech ETF - Looks more like the market itself than a separate sector. Rising wedge with bearish RSI divergence. Support is somewhere between 213.50 at the red line and 216 from the 50-day average.

Not shown is a declining trend in on-balance volume.

Bottom line - rising trend still intact with plenty of warnings.

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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