

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN
RESEARCH LLC

January 8, 2014 – Tuesday's trading took back Monday's losses and then some but volume is still low. Where is everyone who was away for the holidays? Or is this a polar vortex thing?

Tuesday reversed a few more things including broken down biotech **AFFX** and rallying auto **F**. Commodities fell while stocks rallied so that ratio was thrown a curveball, too.

But this morning we have the stronger than expected ADP payrolls and the dollar wiggled. But what does it mean now? More taper? We saw what an actual plan to taper did to stocks - rally. More likely, good news is going to be good from now on now that the Fed has changed hands and policy is less hidden. Still, stocks are as confused as ever today.

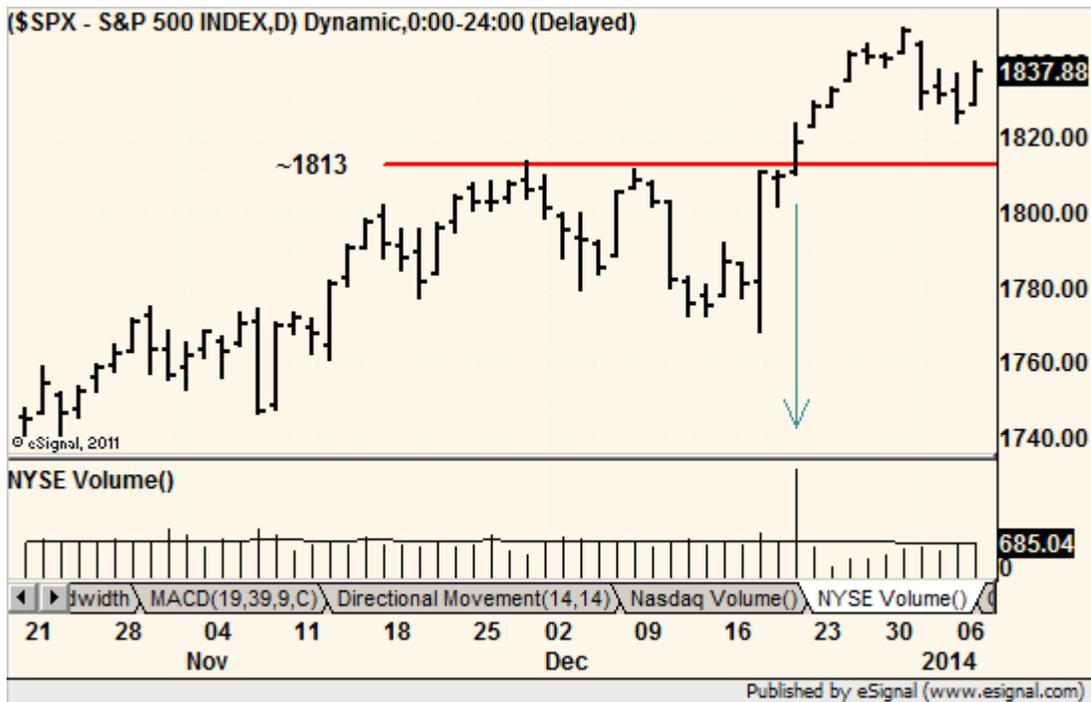


Here's the hourly **SPY** chart and we can see that after the Monday dip the market traded back in its range. We've added a new support to account for the dip but the result is the same. This market is not trending in the short-term and that high in the last bar above was actually a data spike.

While the short-term is flat, the major trend remains up. Sentiment, however, remains excessively bullish and that is still a nagging warning.

Check out the bond ETF charts below. The case for rising interest rates is really not there just yet.

Index Charts of the Day



A possible upside break from what looks to be a bull flag but it is so not convincing, to use current phraseology. Where is the volume? The holiday is over and investors "should" be flocking back to the rally they missed at the end of last month.



Volume is back in the Nasdaq but the bigger day was Monday's decline. Something is not quite right but there is not enough here to make a real bear case.

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.	Triggered	1/2
Gold Miners ETF GDV - Bullish RSI divergence so we'll put a buy on close at 22.15 or higher.	Moved	12/30
Bearish Implications		
American Express AXP - Bear reversal Thursday and higher volume bear reversal Tuesday. Selling close under 88.75	Moved	1/3
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Priceline PCLN - Bull reversal and follow through took it off the bear watch	Removed	1/2
Union Pacific UNP - Here is a rail stock with a new high but a bearish reversal bar. The RSI divergence is questionable.		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. Breakout!		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. Bull reversal but still looks weak.		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
Macys M - Needs to complete the double top to sell but this is a serious divergence from the market.	New	1/8
CVS Caremark CVS - Watching a serious RSI divergence here. No breakdowns yet.	New	1/8
Costco COST - One bad day away from a support and 200-day average breakdown.	New	1/8
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
Computer hardware - Breakouts in IBM, STX, WDC even as AAPL struggles	New	1/8
Oil services ETF OIH - Sitting on critical support and the trendline from June 2012. On-balance volume plummeting.	New	1/8
Updates		
JetBlue JBLU - The charts away from the news looked like a failure and it was indeed down Tuesday.		

Market Highlights



JNK Junk Bond ETF - It's either going to break out big or collapse, in our view. Note stochastics getting tighter, too. See next chart.



HYG Junk Bond ETF - this version shows a trend break and test but rising on-balance volume. Bullish? Consider that the gaps down were quick while the gradual rallies took a while. The math puts OBV in a rally.

So which is it? We have to wait for a break one way or the other.



Municipal bond ETF - Another conflict. The muni bond ETF looks like it broke out but volume on the recent swing higher has been falling - even in January.



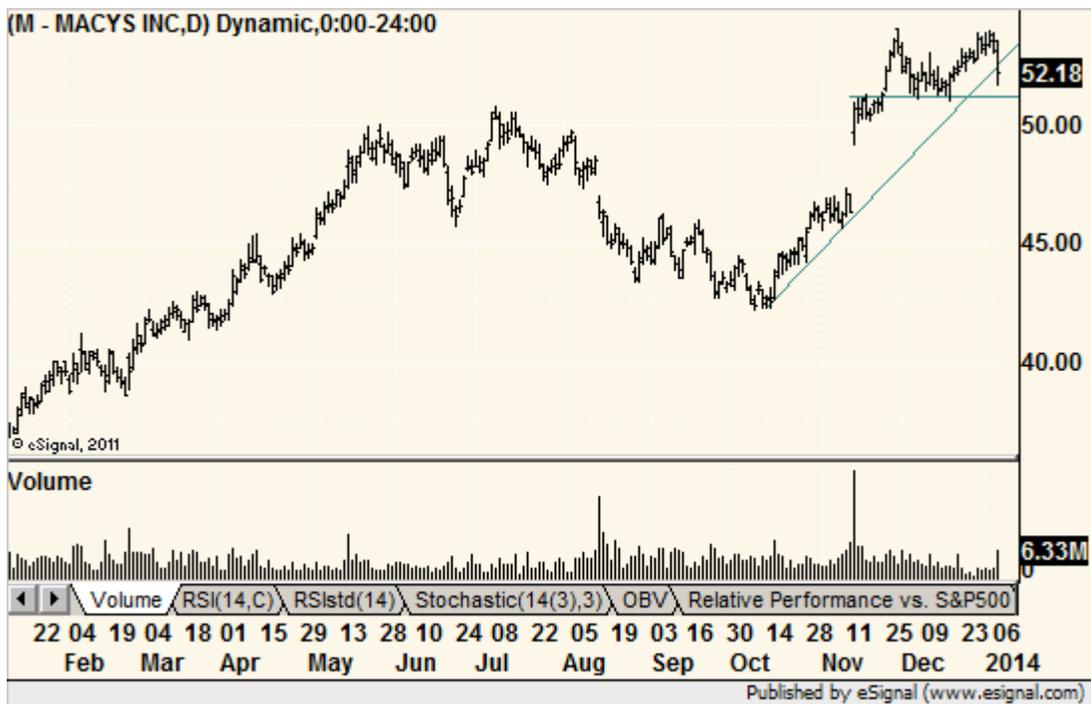
Long T-bond ETF - This is the one that counts for interest rates and it has a false breakdown. The rebound, however, was puny so again we are left with little conviction.



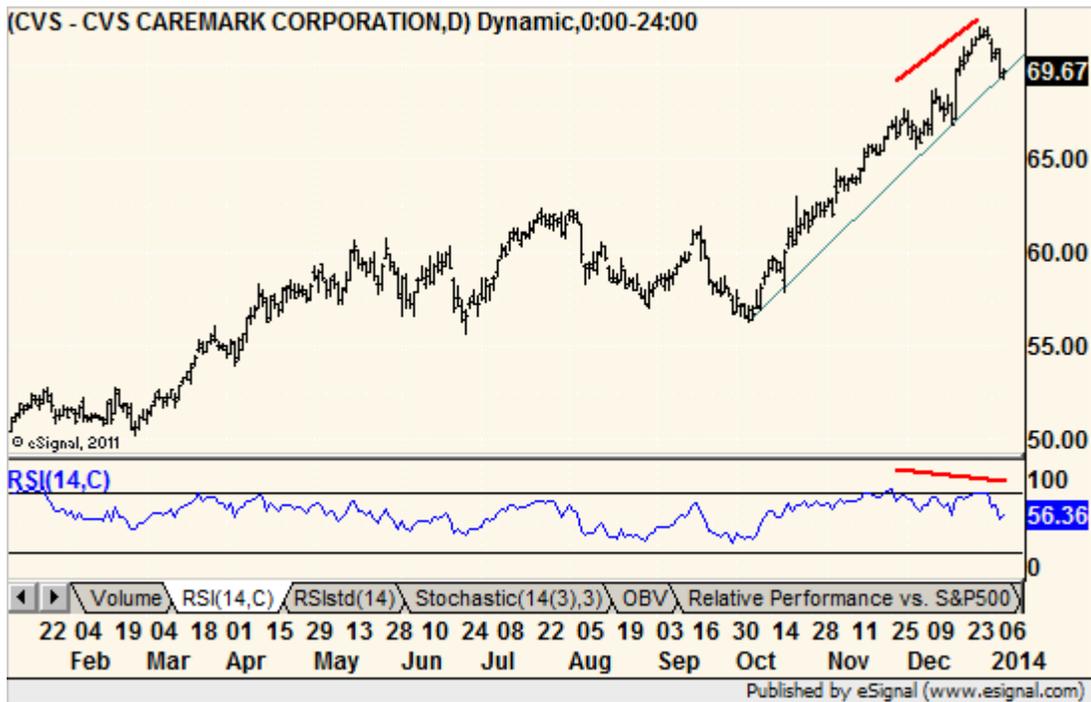
IBM - Finally a double bottom breakout. Yes, this happened after quite a move off the low but that is what we have to give up for a solid breakout.



Oil services ETF - Sitting on critical support and the trendline from June 2012.



Macys - Not a good sign. Needs to complete the double top to sell but this is a serious divergence from the market.



CVS Caremark - Watching a serious RSI divergence here. No breakdowns yet.



Costco - One bad day away from a support and 200-day average breakdown.

You got the theme - retail shows lots of cracks.

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	10.25	3.6%	9.70	9.89	12/6	32
	MCD	MCDONALDS CORP	96.38	2.3%	93.00	94.19	12/13	25
	MSFT	MICROSOFT CORP	36.41	-0.7%	36.00	36.65	12/16	22
	LO	LORILLARD INC	50.07	-0.5%	48.75	50.30	12/24	14
	CPE	CALLON PETE CO DEL	6.55	0.0%	6.10	6.55	1/7	0
<u>Short</u>	DLPH	DELPHI AUTOMOTIVE PLC	60.34	-3.7%	60.50	58.13	11/18	50
	LNKD	LINKEDIN CORP	209.64	-0.5%	215.00	208.60	1/2	5
	TSLA	TESLA MTRS INC	149.36	-0.9%	157.00	148.00	1/2	5

Notes: **LNKD** juked us out of our shorts, so to speak, with a gap down open and big upside reversal but it is still not stopped out. The last upside reversal signal in December lasted but a few days before the stock went on to new lows.

New long in **CPE** - a low priced energy stock.

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.



24/7 Website archive – <http://www.quicktakespro.com/archive> (password needed)

Customer Support - <http://www.quicktakespro.com/support.html>

Recommended reading - <http://www.quicktakespro.com/education.html>



What is a **two-pager**? These are short write-ups on various technical topics that are made available when further explanation of a topic is needed. There is no extra charge to subscribers. For those looking for a more complete reference and a bound version of these two-pagers, we offer the book *Real World Technical Analysis* at <http://www.quicktakespro.com/rwta.html>.

Refer a colleague to Quick Takes Pro and get a free month of service for each new paying subscriber. Just send an email (<mailto:mkahn@quicktakespro.com>) with names and email addresses and we'll track them and credit your account.

Connect with us:



<http://www.facebook.com/QuickTakesPro.biz>



<http://twitter.com/mnkahn>



<http://www.linkedin.com/in/QuickTakesPro>



<http://www.quicktakespro.com/blog>



<http://pinterest.com/mnkahn/>



<http://youtube.com/quicktakespro>



<http://stocktwits.com/mnkahn>

The information contained in this report is opinion, based on information that we deem to be reliable at the time of publication, but is not guaranteed in any form. This report does not constitute a recommendation to purchase or sell any security and the analysts are not registered investment advisors. Further analysis is recommended before undertaking any position in any security. Any risks are solely the responsibility of the buyer/seller. The authors, publishers and distributors of Quick Takes Pro and any associates thereof accept no liability for the content or actions taken by anyone or institution utilizing this report. The authors, publishers and distributors of Quick Takes Pro may have positions in securities mentioned in this report. All charts prepared with [eSignal](#) data and software unless otherwise indicated.

All contents © Michael Kahn Research LLC, 2014