

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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**January 14, 2014** – Now that gold and gold stocks are making some real technical noise it seems that the headlines are rife with calls to buy. Just last week we saw major research houses looking for ever lower prices. Welcome to the world of journalism, headline writing and eyeball gathering.

All of this new bullishness worries us and even suggests a little bump in the road to shake out these nouveau bulls before the real rally begins. We'll nibble long but with some caution just in case the bandwagon gets too full too quickly. Our "best individual stock setups" fared worst yesterday - meaning the garbage led the pack.

We will say, however, that the **SPY / GLD** ratio (gold to stocks) did indeed break its short-term trendline to point to a shift from stocks to gold.

Yesterday's stock market finally saw some vertical activity after two weeks of flatness. Retail got clobbered from discount to luxury. Even credit cards took a beating suggesting bad things for consumer oriented stocks - at least for a correction.

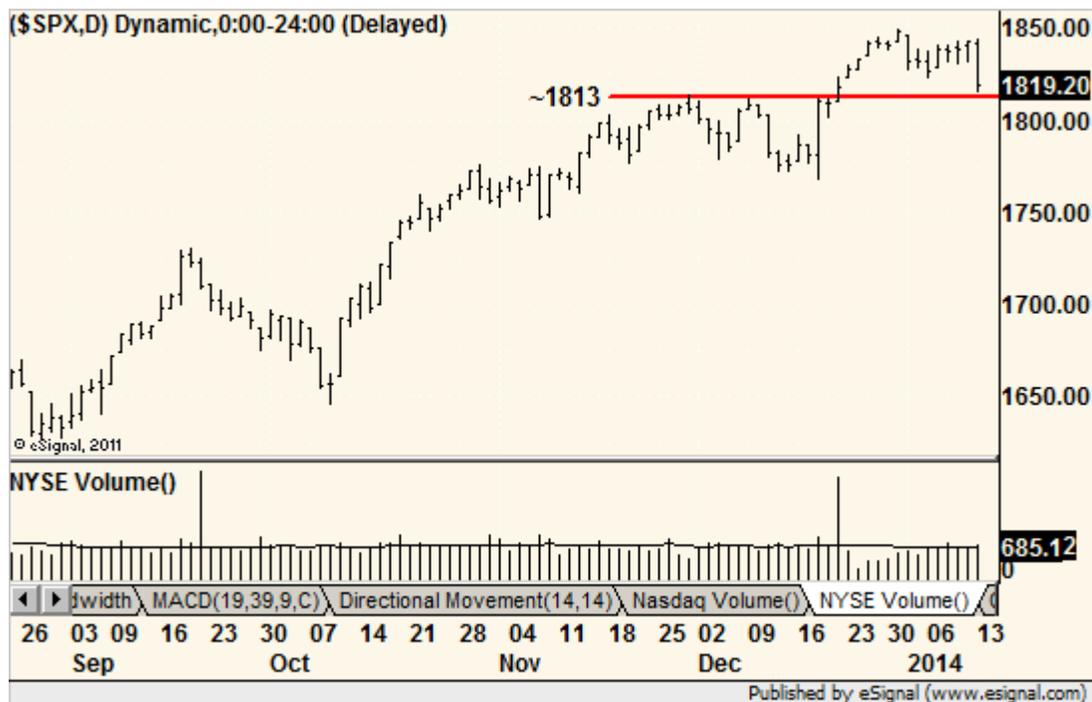
Remember, we still look for one more leg up in the broad market before a correction there. However, individual sectors are free to begin their respective corrections at any time (isn't that nice of us?). If bottoms are events and tops are processes, this makes sense. Sector after sector breaks until the entire market cannot resist the siren call of the bears. It is the same concept as the advance/decline rolling over before the S&P 500 does - which it is not yet doing, by the way..

One condition we see in many of the sector ETFs is a short-term declining trend. Yesterday's sell off continued that trend, with financials scoring not a reversal but a breakdown from a range. Healthcare scored a bearish one-day reversal. Chart below. This is just part of the process mentioned above.

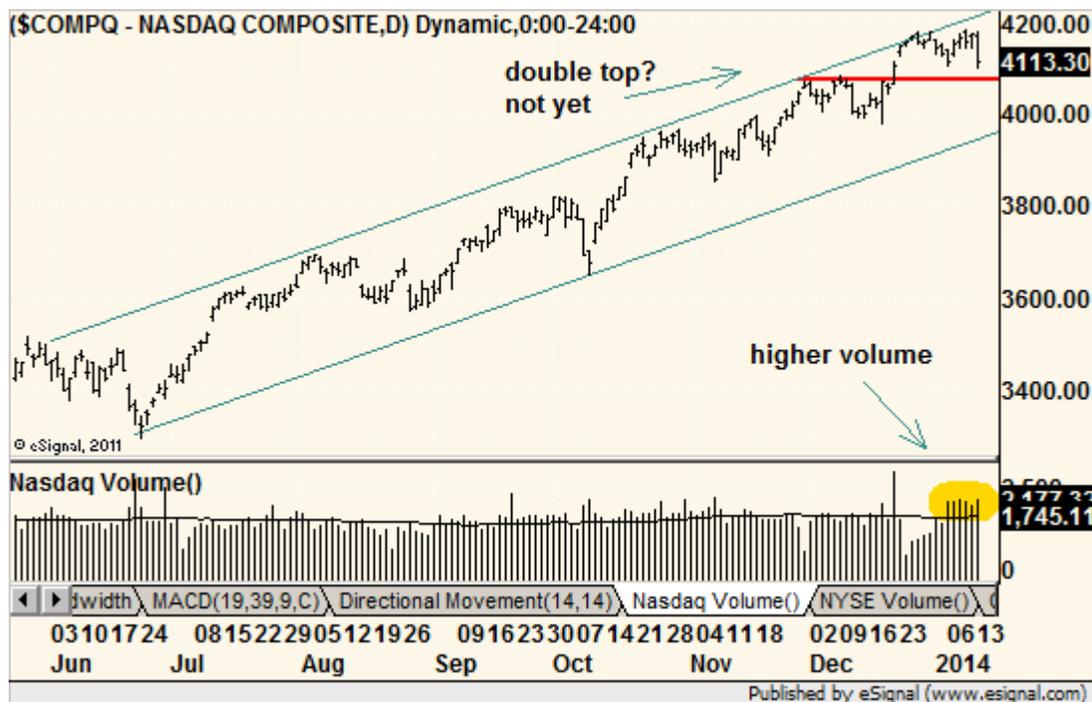


The hourly SPY chart shows a break of the rising channel. We did indeed say the failure for the ETF to hit the upper green line Friday into Monday was a warning but admittedly we did not expect it to break that hard. And one day after removing the red support lines we added one back to see the fall hitting it almost exactly. Again, we still see the market making one more attempt to rally before the real correction.

## Index Charts of the Day



The S&P 500 hit support yesterday after a mediocre volume fall. Not that bearish at all.



Is that a double top in the Nasdaq? Maybe. But it is not a signal until the center low breaks and that will also break support at the red line. But it is all within a rising channel and does not yet point to anything worse than a test of that channel bottom - if the double top completes.

## The Radar Screen

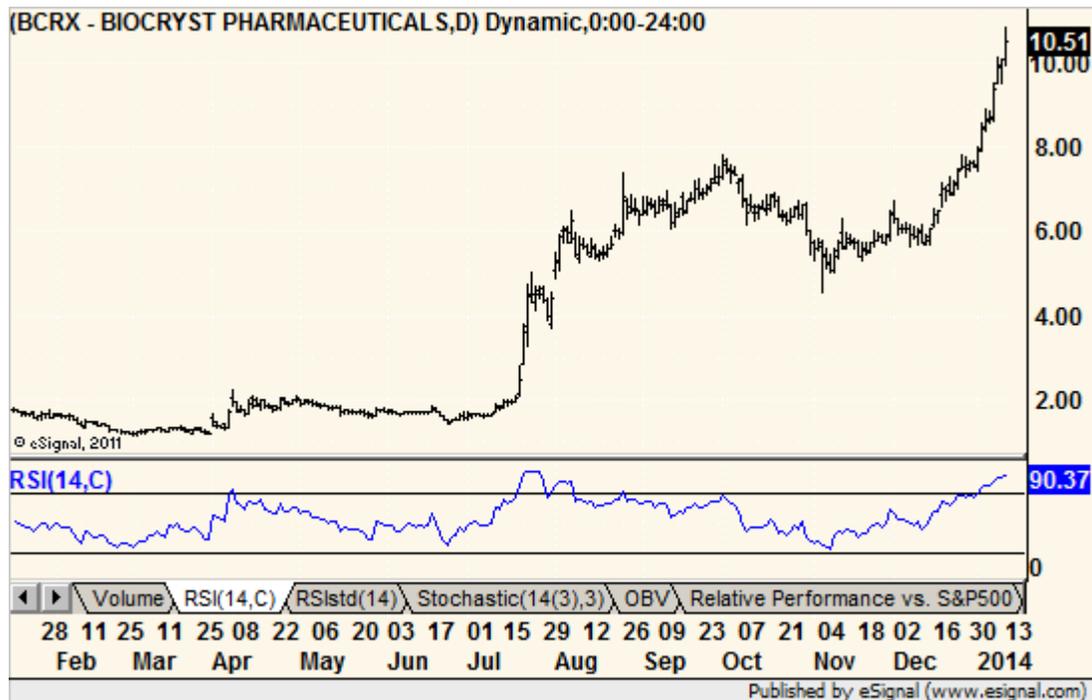
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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.	<b>Removed</b>	12/30
<b>Gold Miners ETF GDX</b> - Bullish RSI divergence so we'll put a buy on close at 22.15 or higher.	<b>Triggered</b>	12/30
<b>AT&amp;T T</b> - Patience. This one sports a monster 5.4% dividend yield and has gone nowhere for two years. A great pickup for investors at support and the long-term trendline in the 33 area. The stop point would be very close if the market and stock break down but the upside is a fat dividend with possibility of upside gains. <b>The risk/reward is now ready to buy. Stop point would be a breakdown.</b>	<b>Changed</b>	1/9
<b>Kraft Foods KRFT</b> - Here is a consumer staples stock with a nice 3.9% dividend. Currently trapped in a triangle pattern and with falling on-balance volume (not shown) but we will keep tabs on it for an upside breakout. If that happens, it will be a nice income producer. If it breaks down, no harm, no foul.		1/13
<b>Bearish Implications</b>		
<b>Starbucks SBUX</b> - This one got a downgrade and is off only fractionally in the premarket. However, it has already broken its bull trend and 50-day average with a downside breakaway gap. Looking to sell support break at 76.	<b>Triggered</b>	1/13
<b>Unknown Implications</b>		
<b>none</b> -		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Apple AAPL</b> - Looks like a pause at support in a double top pattern. Bearish. Wait for the breakdown. <b>Breakdown</b>		1/6
<b>MasterCard MA</b> - 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 <b>V. Bearish reversal bar Friday.</b>		1/6
<b>Macys M</b> - Turned a potential double top into an upside break from a rectangle. Watch to see if this gap up is exhaustion of breakaway.	<b>Removed</b>	1/8
<b>CVS Caremark CVS</b> - Watching a serious RSI divergence. No breakdowns yet.		1/8
<b>Orbital Sciences ORB</b> - A rocket maker with a breakout. Looking to buy a test.		1/10
<b>Ace ACE</b> - This property & casualty insurer broke down from a double top on big volume. We want to see it bounce to test that break and then sell.	<b>New</b>	1/13
<b>AO Smith AOS</b> - Ditto for this water heater maker.	<b>New</b>	1/13
<b>Sketchers SKX</b> - Ditto this shoe maker.	<b>New</b>	1/13

Continued on next page...

<b>Sector Watch</b> (observations that may spark ideas)		
<b>Airlines index</b> - Bull flag breakout.		12/30
<b>Utilities</b> - Big upside move last week to erase any bearishness.		1/6
<b>Computer hardware</b> - Breakouts in <b>IBM, STX, WDC</b> even as <b>AAPL</b> struggles. Things may have taken a turn for the worse so we'll remove this	<b>Removed</b>	1/8
<b>Oil services ETF OIH</b> - Sitting on critical support and the trendline from June 2012. On-balance volume plummeting. <b>Not looking healthy</b>		1/8
<b>S&amp;P Insurance ETF KIE</b> - Bearish RSI divergence and potential double top. Waiting for trendline to break. <b>Broken</b>		1/9
<b>Alternative energy</b> - Fuel cells <b>PLUG, BLDP</b> and <b>FCEL</b> super volatile. Too risky for us but it does get us thinking of alternative energy again, including ethanol <b>PEIX, GPRE, BIOF</b> . <u>No change but since we are not buying we'll remove it from this list.</u>	<b>Removed</b>	1/9
<b>Retail ETF XRT</b> - Lagging the market but still holding its rising trendline. <b>Broken</b>		1/10
<b>Consumer Staples ETF XLP</b> - Lagging the market but at support. May be time to pick up some higher dividend names.		1/10
<b>Banks</b> - Earnings this week. <b>ZION</b> broke out then stumbled. Still OK. We want <b>C</b> to dip to test breakout of 53.70. <b>Looks like C did it.</b>		1/13
<b>Drugs</b> - We're not trading this but rather want to point out that there is a faction within the drug sector that is zooming higher. Most are wildly overbought but this is something to investigate. <b>BCRX, MRK, ALNY, JAZZ, CBST, SCMP</b>	<b>New</b>	1/14
<b>Updates</b>		
<b>United Healthcare UNH</b> – Breakout failure is bearish.		

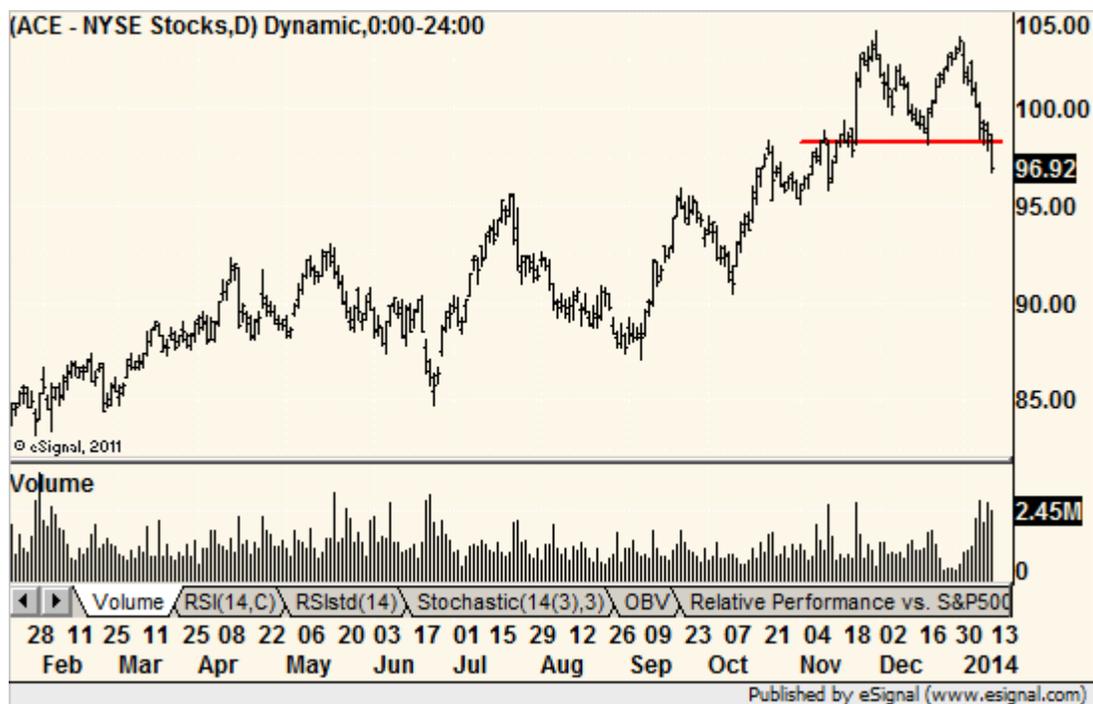
## Market Highlights



**Biocryst Pharma** - We're not trading this but rather want to point out that there is a faction within the drug sector that is zooming higher. Most are wildly overbought but this is something to investigate. **MRK, ALNY, JAZZ, CBST, SCMP**



**St Jude Medical** - This is a medical products company and it may have flamed out yesterday. That is an inverted hammer candle and if it gaps down today it will become a shooting star. Given it is overbought, it is a signal to cash it in.



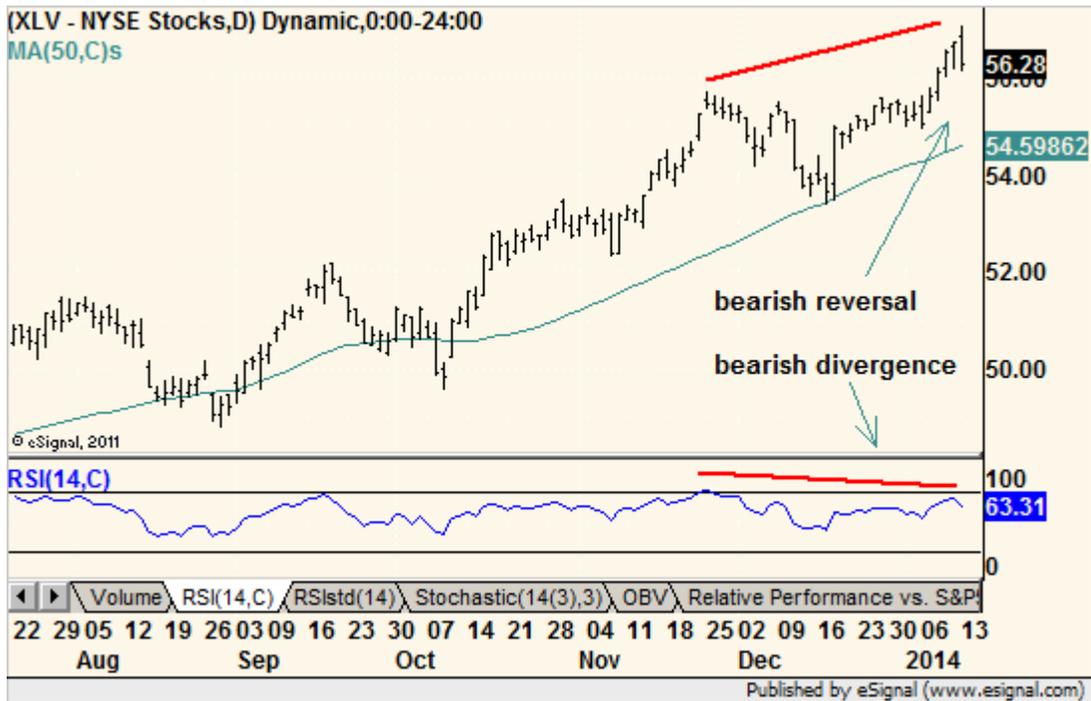
**Ace** - This property & casualty insurer broke down from a double top on big volume. We want to see it bounce to test that break and then sell. Watching for now.



**AO Smith** - Ditto for this water heater maker.



**Sketchers** - Ditto this shoe maker.



**Healthcare ETF** - This one has finally stumbled with the rest of the market.

## 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	10.39	5.1%	9.90	9.89	12/6	38
	<b>MCD</b>	MCDONALDS CORP	94.83	0.7%	93.00	94.19	12/13	31
	<b>LO</b>	LORILLARD INC	49.27	-2.0%	48.75	50.30	12/24	20
	<b>CPE</b>	CALLON PETE CO DEL	6.47	-1.2%	6.30	6.55	1/7	6
	<b>TEVA</b>	TEVA PHARMACEUTICAL INDS LTD	41.43	-0.6%	40.00	41.70	1/10	3
	<b>GDX</b>	MARKET VECTORS GOLD MINERS ETF	22.65	2.3%	21.25	22.15	1/13	0
<u>Short</u>	<b>TSLA</b>	TESLA MTRS INC	139.34	6.2%	150.00	148.00	1/2	11
	<b>AXP</b>	AMERICAN EXPRESS CO	86.99	1.8%	90.00	88.55	1/10	3
	<b>SBUX</b>	STARBUCKS CORP	75.12	1.2%	79.00	76.00	1/13	0

**Notes:** New long in **GDX** and new short in **SBUX**.

**NLY** is starting to move as income stocks perk up.

**MCD** is disappointing and we may bail soon.

Same for **CPE**.

We shorted **AXP** Friday and Monday the whole credit card sector bonked. Yay!

## Subscriber Corner

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



**Gold Mining ETF** - A subscriber rightly asked where we thought GDX was going now that it triggered the long trade. The first target is for the small inverted head-and-shoulders breakout at 24.12.

The next is the second multiple of that move in the 27 area - where there is resistance from October and the lows seen earlier in 2013.

The next is the real long-term test at 31. We've been looking there for months and it kept us from getting bullish in August when it failed there.

We would like to remind everyone that this ETF is only barely starting to outperform the market so be bullish but don't back up the truck just yet.

## 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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