

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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**January 14, 2015** – That was some day! The Dow ranged 424 points from top to bottom before closing down only 27. The media will report a slight decline in price but the chart shows something more significant. What looked to be an O'Neil follow-through day (FTD) in the making ended with yet another failure at short-term resistance (it is highlighted in the Index Charts of the Day below).

We are not quite ready to throw in the towel on this comeback from the early January low but it is close. Yesterday morning we were all excited that the long-term trend was reasserting itself even as the past two months of trading was more of a churn than anything else. Today, not so much.

What is saving the day, so to speak, is sentiment. Headline this morning - Investors facing the worst time ever to buy stocks. This follows yesterday afternoon's - Is this a market ready to crash? It would seem the editors think the reading public is so scared they want to read articles that confirm their feelings and provide comfort in the herd.

But we are not blind to the intermarket forces – which some people call “fundamentals.” Copper fell off a cliff yesterday to a six-year low. Oil, as everyone knows, is already trashed. Steel stocks are even worse than oil stocks and have already taken out their 2008 “commodities crash” low. Coal stocks are still dead. Solar, wind and natural gas stocks are also in steep decline but are nowhere near respective 2008 lows and that makes them better by default.

We still see plenty of signs that oil is in a bottoming phase but until the charts give us either a crystal clear selling panic or form real reversal patterns we have to wait.

What is going up? The dollar, Treasury bonds, high grade corporates and municipals, the latter of which turned around when we stopped watching.

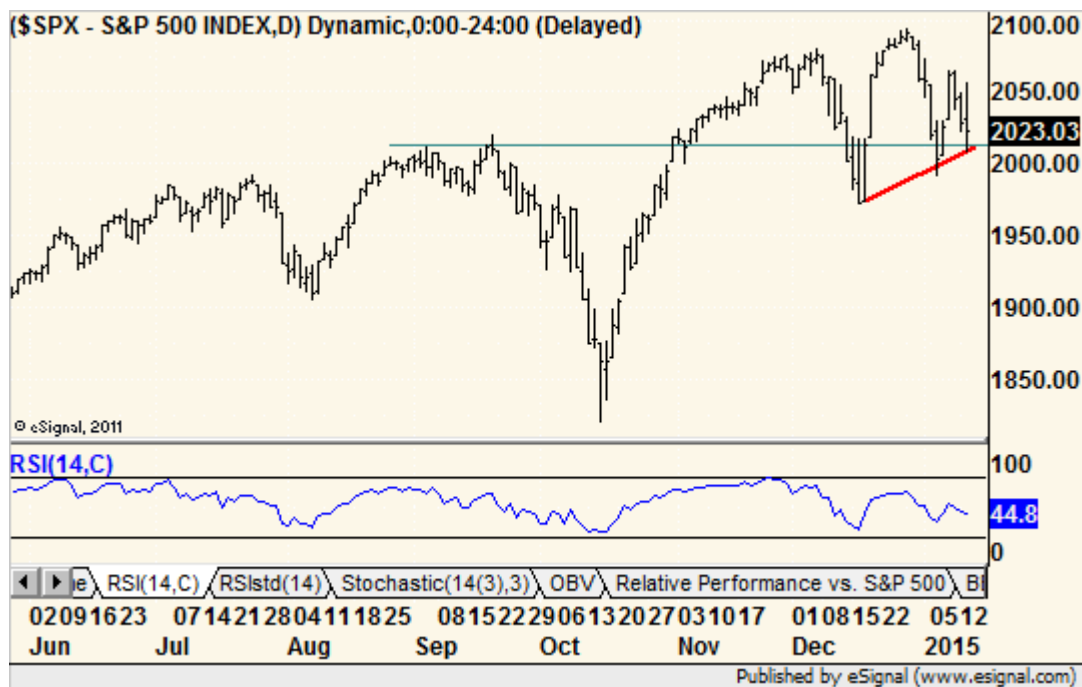


Yesterday, we said on the hourly chart that it better get going right away with a channel break to the upside. Well, it did and then failed and now it is below the last major Fibonacci support as shown. More of what we said yesterday - the stock market is not dead yet although there are a lot of reasons to doubt it. Now there are even more reasons and the January low seems well within sight. (And then hit as soon as the weak retail sales numbers came out before the open.) Basically, **support has been hit.**

## Index Charts of the Day



Here is the Dow and its 424-point range yesterday. That left a rickshaw man doji – which is a doji candle with a very wide range. It signals uncertainty with the trend and since there is no trend for the past two months it is just uncertainty in general. That is not a reversal but it is not exactly bullish, either. Four-pager on basic candle shapes, [click here](#) (included with the service).



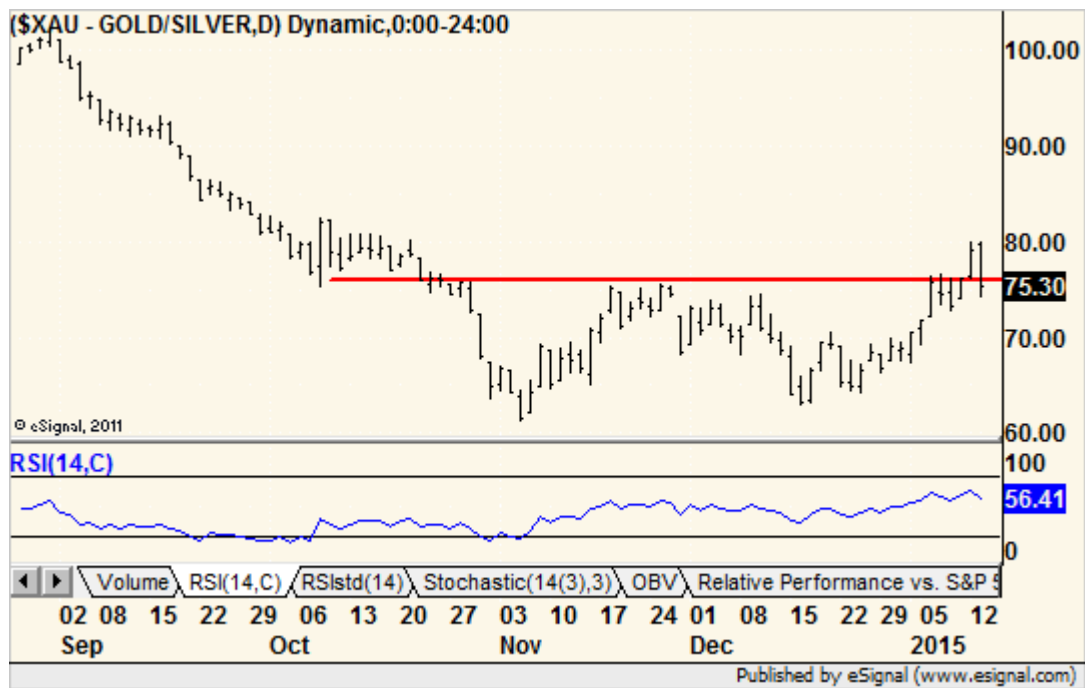
Back to the S&P 500, this view adds support from September running into support from what could be a coiling pattern since last month. The market really needs to get back into gear and now.

## The Radar Screen

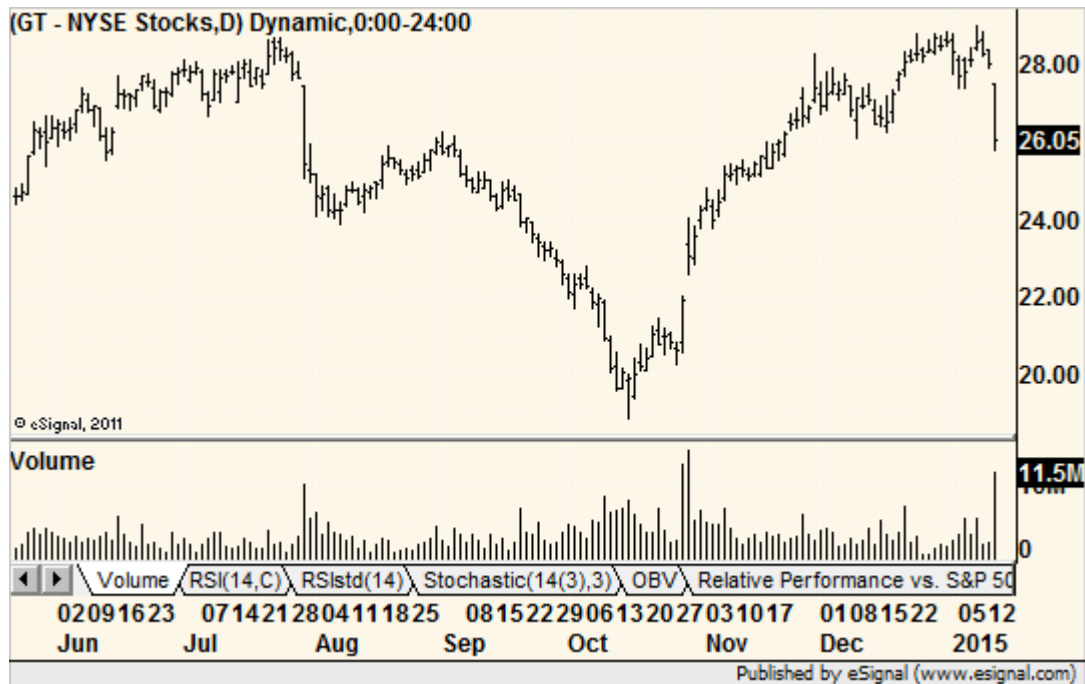
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>Lorillard LO</b> – Tobacco stocks have huge dividend yields although some have precarious charts. A higher close breaks an inverse head-and-shoulders.	<b>Triggered</b>	1/7
<b>Bearish Implications</b>		
<b>Hartford Financial HIG</b> – Head-and-shoulders. Sell close below 40.	<b>New</b>	1/14
<b>Moodys MCO</b> – Sell close under 93 to complete the fan lines pattern.	<b>New</b>	1/14
<b>Unknown Implications</b>		
none -		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Caterpillar CAT</b> – Major support at 80 would be hot <u>but we'll bite at 82.</u>	<b>Changed</b>	1/6
<b>Electronic Arts EA</b> – Toys were one of the worst performing groups Friday but unlike other laggards this one was in a rising trend. A bearish RSI divergence puts this here as a potential sell.		1/12
<b>Valero Energy VLO</b> – Here is a nutty idea – an oil refiner. The chart has potential for a trendline breakout and clearly nobody wants to touch this group. Trailing P/E under 7 and 2.2% div yield. Waiting for the breakout although we might have to be <b>very</b> patient. Back to the Holding Tank`	<b>Moved</b>	1/9
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Networking Index NWX</b> - A breakout and test. Looking good.		12/18
<b>Gaming</b> –Rallied enough last week to keep us interested		12/22
<b>Utilities ETF XLU</b> – Consider buying the dip to the 50-day average. Nice rising on-balance volume.		1/5
<b>Real Estate ETF IYR</b> – Looks like time for a pullback, which would be nice.	<b>Changed</b>	1/5
<b>Tobacco index</b> –good support coming up for this defensive sector. Big dividends to be had, too. Keeping an eye on it. <u>Up on a down day</u>		1/5
<b>Homebuilders ETF ITB</b> – Big reversal after a breakout but it is not enough to invalidate the bullish signal. At least not yet.	<b>Changed</b>	1/8
<b>Banks</b> – Looks like a breakout failure. So much for this sector joining the leaders. Breakdown		1/12
<b>Travel/Tourism</b> – Sector looks weak and some stocks challenging major support		1/12
<b>Social Media</b> – Improving charts <b>FB, TWTR, YELP</b>		1/12
<b>Updates</b>		
<b>Silver Miners ETF SIL</b> – Bearish reversal but the short-term trend is still intact		
<b>Saudi Stock Market</b> – Up again this morning for five of the last six in the green		

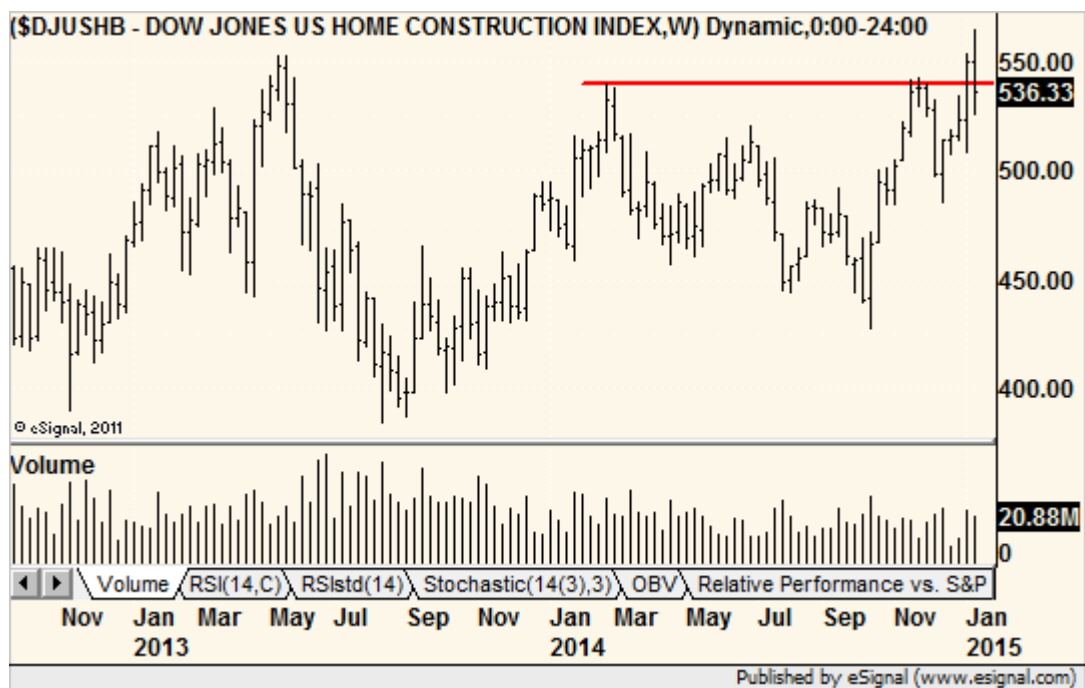
## Market Highlights



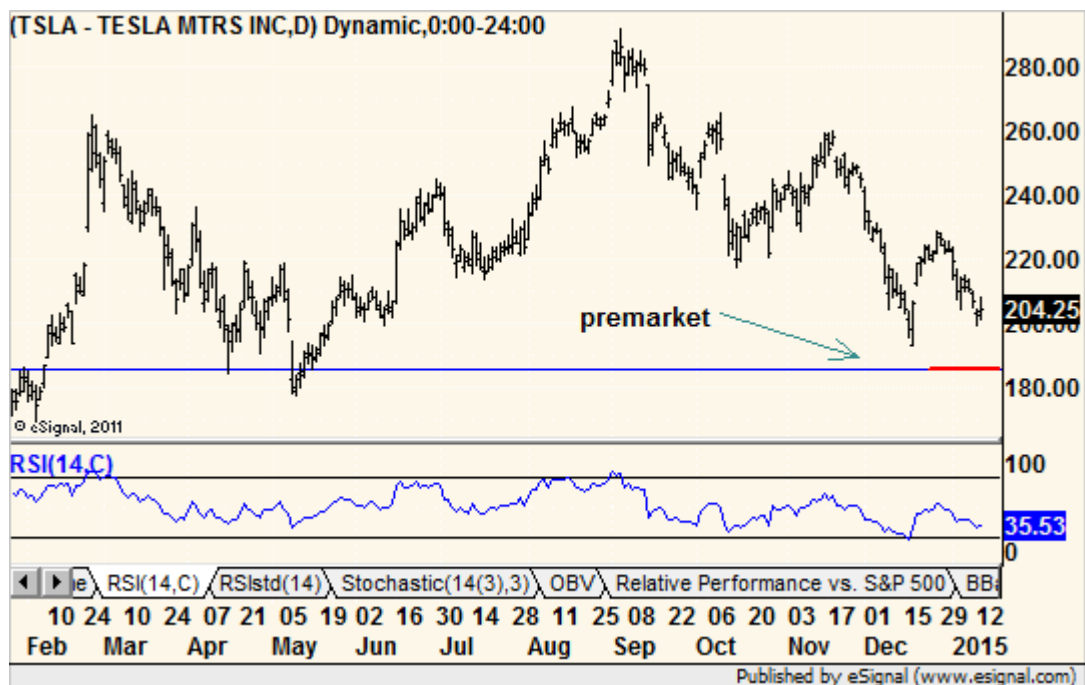
**PHLX gold stock index** – A reversal but not enough to negate the breakout.



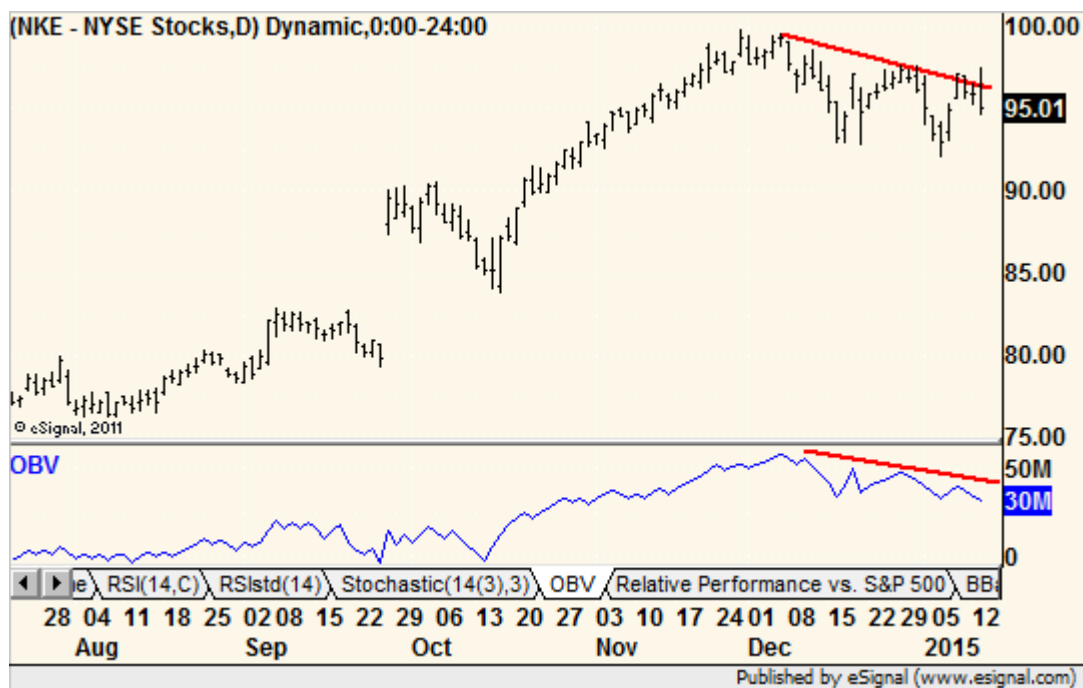
**Goodyear Tire** – This debacle cannot be good for auto bulls. It fell big after failing at resistance on an earnings warning.



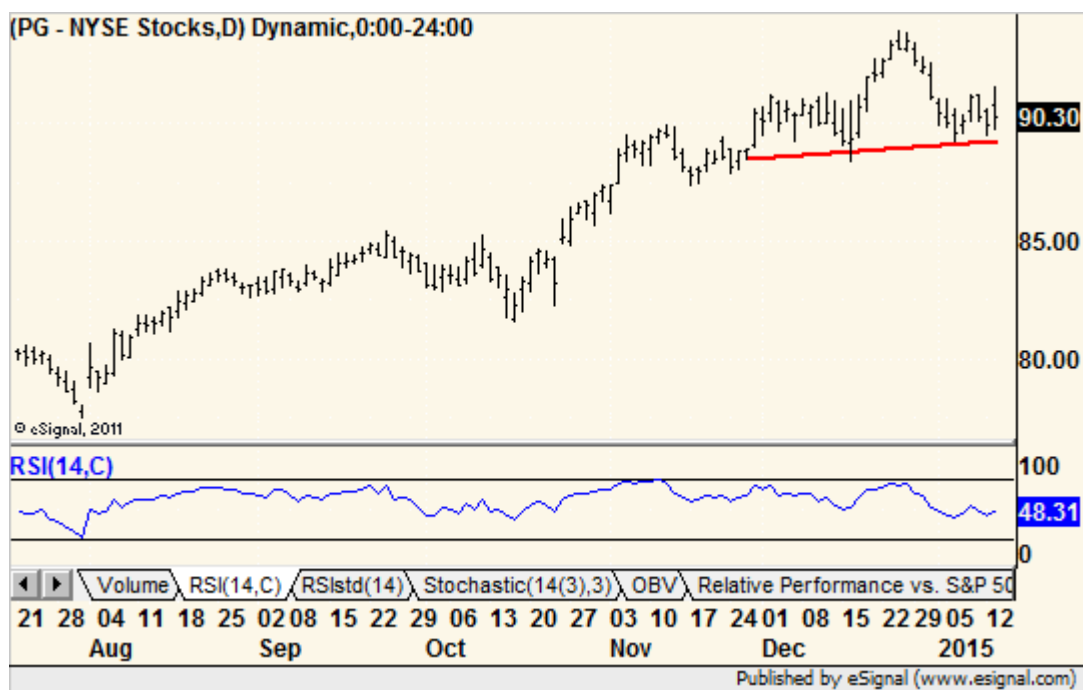
**DJ homebuilders** – A monster reversal thanks to **KBH**, which we did not like anyway. We still think the long-term breakout is valid.



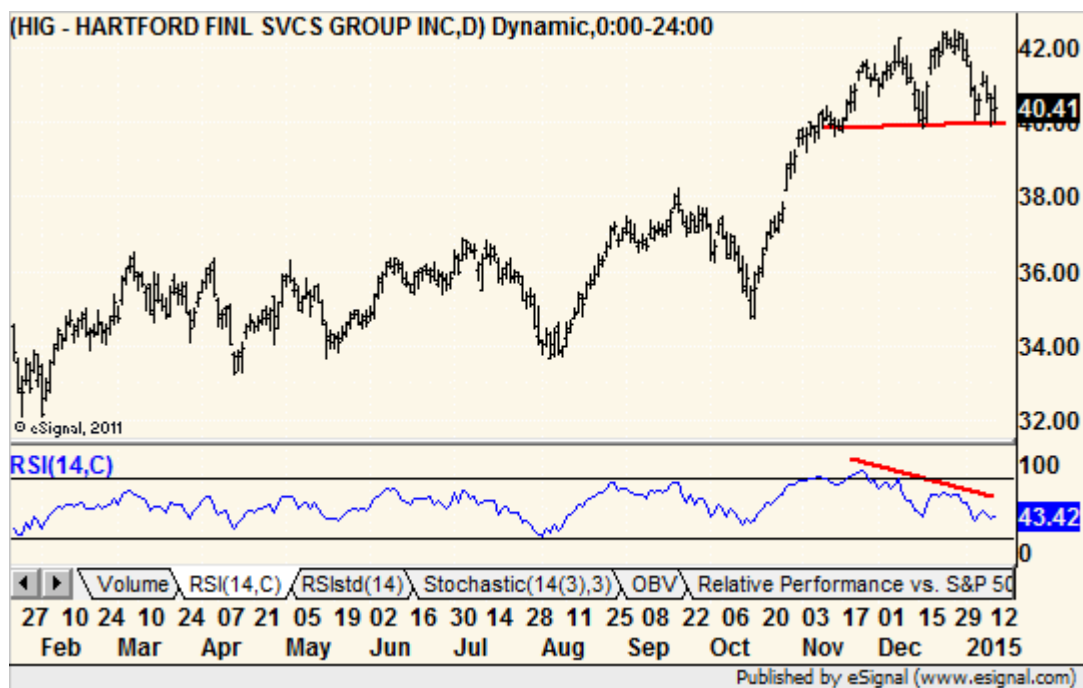
**Tesla** – Getting killed in the premarket. We present this, along with GOOGL from yesterday’s Radar Screen, to suggest innovative stocks are under pressure. A tell on the near-term outlook for innovation and therefore the economy?



**Nike** – Breakout failure and possible short setup.



**Procter & Gamble** – Head-and-shoulders-like possibility and short setup.



**Hartford Financial** – Head-and-shoulders. Sell close below 40.

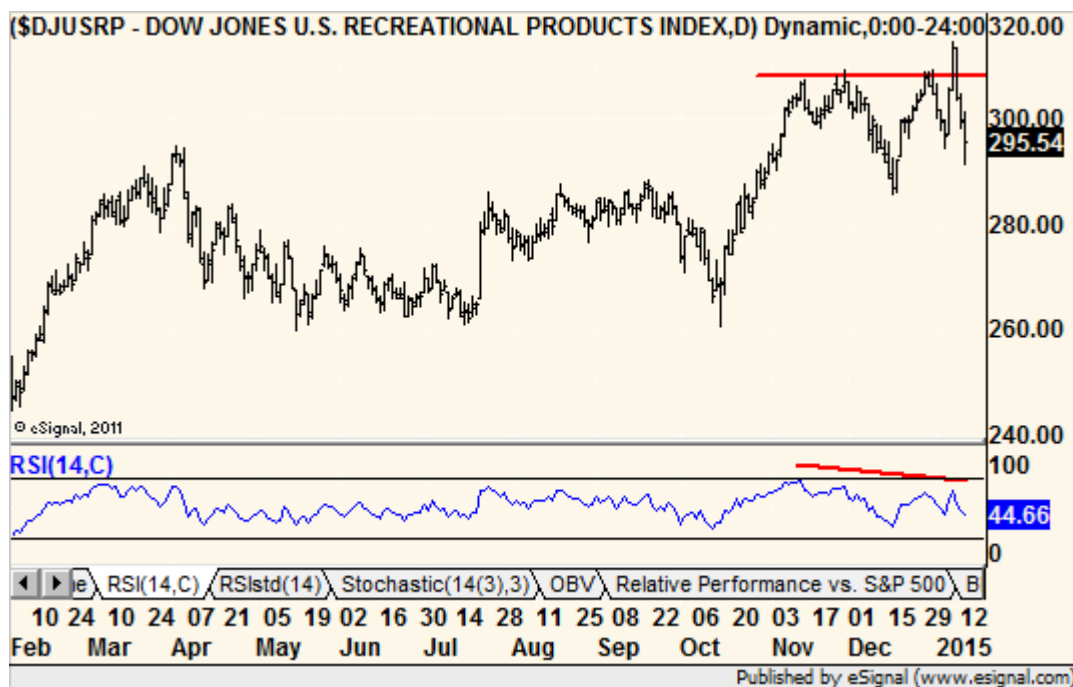


**Moodys** – Sell close under 93 to complete the fan lines pattern.

## Today's Lesson

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

### Not all great charts make you money



**DJ Recreational Products index** – This index does not trade anywhere as it is only a calculation. The group is so diverse (all-terrain vehicles, golf clubs, camping gear) that it does not tell us much about sectors on a useable level. Perhaps we can glean clues on recreational demand.

The chart is a beautiful example of a range breakout and failure. It is quite bearish now but it cannot make us any money. It can tip us off to look at component stocks for patterns of their own. We did that and nothing really stood out – perhaps the all-terrain vehicles look worst – **PII** and **ACAT**.

So why talk about this? Because the analysis does not always translate into trading.



## 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>CIEN</b>	CIENA CORP	19.10	0.8%	19.00	18.94	11/21	53
	<b>COH</b>	COACH INC	37.88	0.3%	36.50	37.75	12/29	15
	<b>JDSU</b>	JDS UNIPHASE CORP	13.54	0.6%	13.25	13.46	1/7	6
	<b>MTW</b>	MANITOWOC INC	19.10	-4.5%		20.00	1/7	6
	<b>NOC</b>	NORTHROP GRUMMAN CORP	152.00	4.8%	148.00	145.05	1/7	6
	<b>INTC</b>	INTEL CORP	36.50	2.4%	35.00	35.64	1/7	6
	<b>GDXJ</b>	MARKET VECTORS JR GOLD MINER	27.84	2.8%	26.00	27.08	1/8	5
	<b>FB</b>	FACEBOOK INC	76.45	-0.4%	73.00	76.72	1/12	1
	<b>TWTR</b>	TWITTER INC	39.65	-1.6%	38.00	40.28	1/12	1
	<b>LO</b>	LORILLARD INC	64.46	0.0%	62.00	64.46	1/13	0
<u>Short</u>	<b>none</b>							

**Notes:** Stopped out of **MTW** – no surprise as it was floundering for a while.

New long in **LO** (defensive tobacco stock) triggered at the close.

Tweaked stop in **GDXJ** as it was just too wide. Probably still is.

## 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

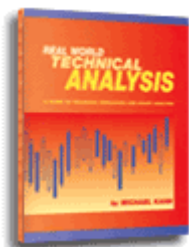
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently on financial television including PBS' Nightly Business Report.



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