

# QUICK TAKES PRO

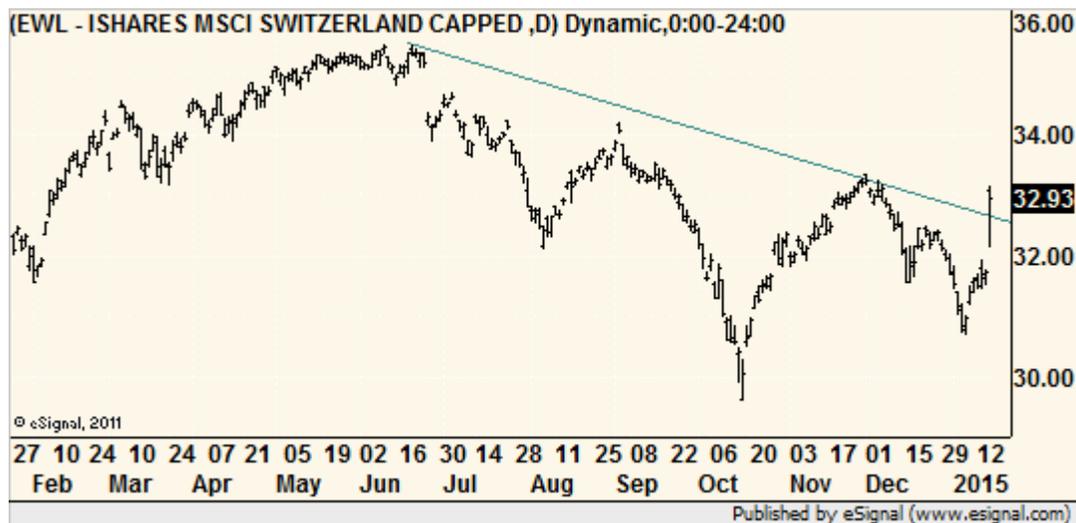
"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

**January 16, 2015** – Another day, another surprise. Yesterday, Switzerland removed its currency peg to the euro and all hell broke out. We've seen explanations such as losses there will have to be covered by selling assets elsewhere, presumably US stocks where there are actual gains. And in currencies, the Swiss franc soared yesterday. Check out this weekly chart of Swissie futures going back to 2011.



It erased all of 2014's losses in one fell swoop. And the Swiss stock market tanked big time. China Syndrome sized. So why did the Swiss market ETF soar higher? The currency translation swamped the stock price losses at home and we get a useless chart like this:

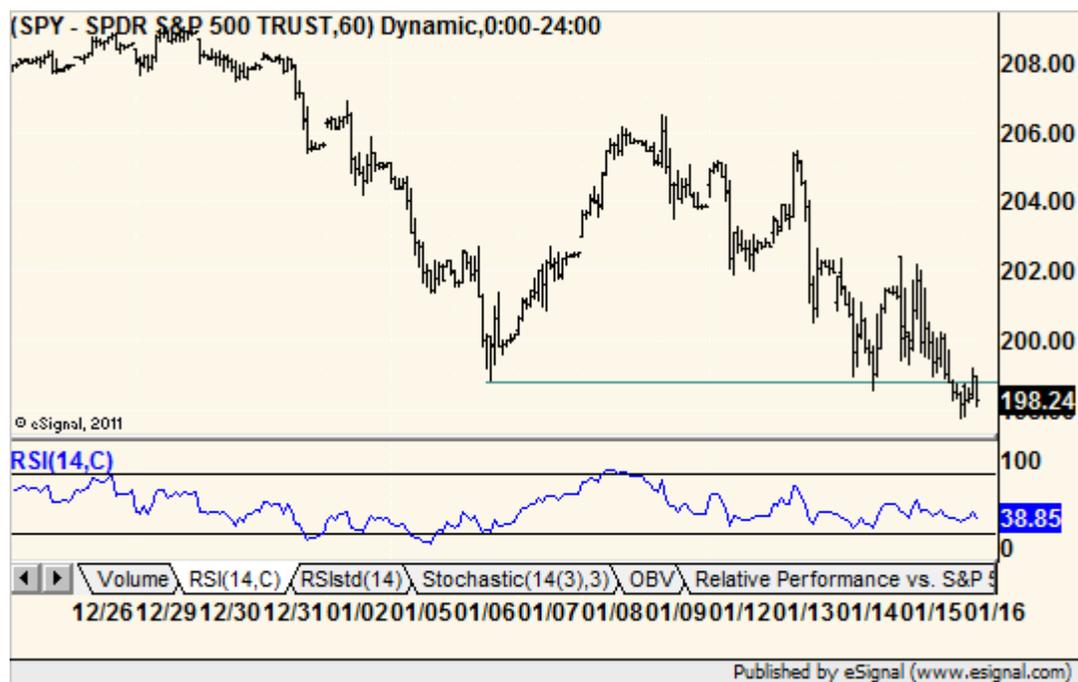


Yeah, it looks like a breakout but it had nothing to do with the stocks contained in the ETF. The good, the bad and the ugly all rolled into one chart.

Continued...

Recall yesterday's euro chart. It had a potential hammer candle in the morning hours but by the end of the day prices faded and so did the hammer. A reversal in the euro would boost gold but gold boosted itself anyway. We now see others jumping on this bandwagon and **GLD** scored an upside breakaway gap yesterday.

What about oil? Signs of life, right? But we've seen this before and in other markets, too, and by the closed the gains were erased. True, it is up again this morning but it will take more than a day and a half of gains to turn this bear market around. We think it will happen this year giving fantastic profits for the bold but we really would like a better signal. The big picture has that sort of climactic volume but the short-term is still lacking.



On the hourly **SPY** chart we have an 'uh-oh' possible as prices dip below the early January low. It does look as if the market is now in correction mode, with the S&P 500 index heading to 1900.

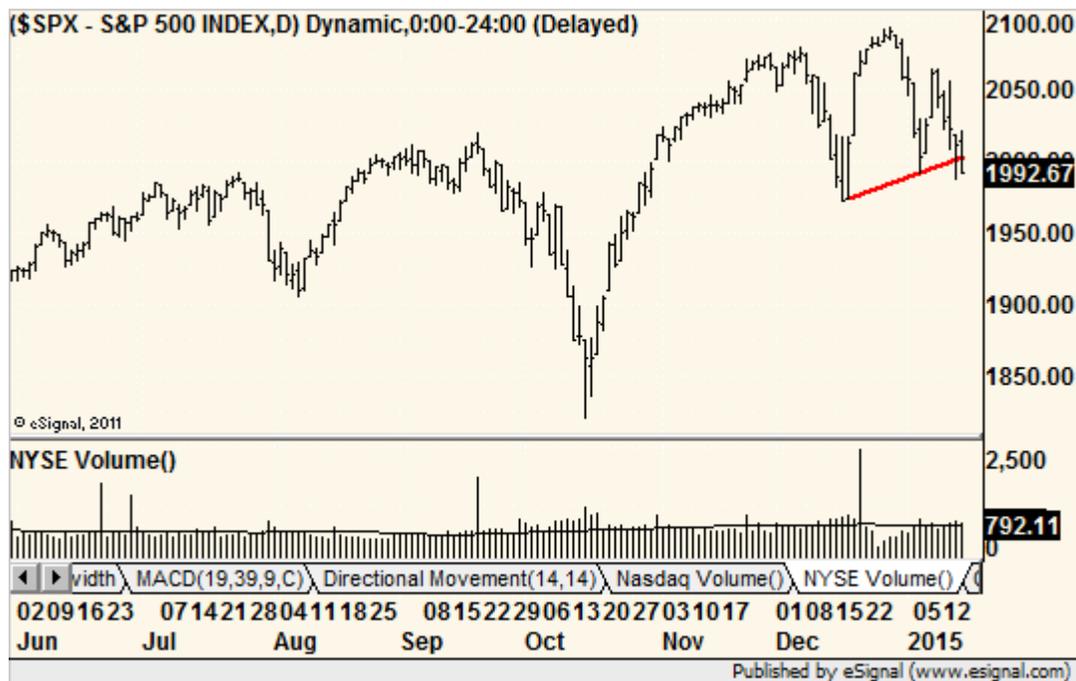
In sectors, I wrote a bullish piece on homebuilders Monday and they have been falling fast since then. This may end up being the correct call but it is also getting close to failing. While it is a big egg mask for me in the press, we can still cut losses on any positions we might already have. The weekly chart looks to have an outside-day reversal to the downside. In the words of Mork from Ork – shazbot.

While a lot of stuff was lower yesterday, we have a few notables below such as Priceline with breakdowns. 3M has one just waiting to blow. And the offense/defense index has one too.

Last word – MarketWatch ran a piece entitled “Stock-market drop turns one technician ‘all out’ bullish” and we wanted to explain to our readers what he meant. First, the technician in question is quite skilled and not a headlines grabber. What he looked at were cycles and the annual cycle suggests a rally the second half of January. The lower prices and oversold conditions we now have make it more attractive to him.

The only issue we have is that cycles are not pinpointed to the day. The mid-January bottom can take place in February, or December and the average over the years say mid-January. This fits with our view that the correction will end in early February, if at all.

## Index Charts of the Day



The S&P 500 now has a breakdown but it is not that convincing just yet. A down day and it is confirmed with a target of 1900.



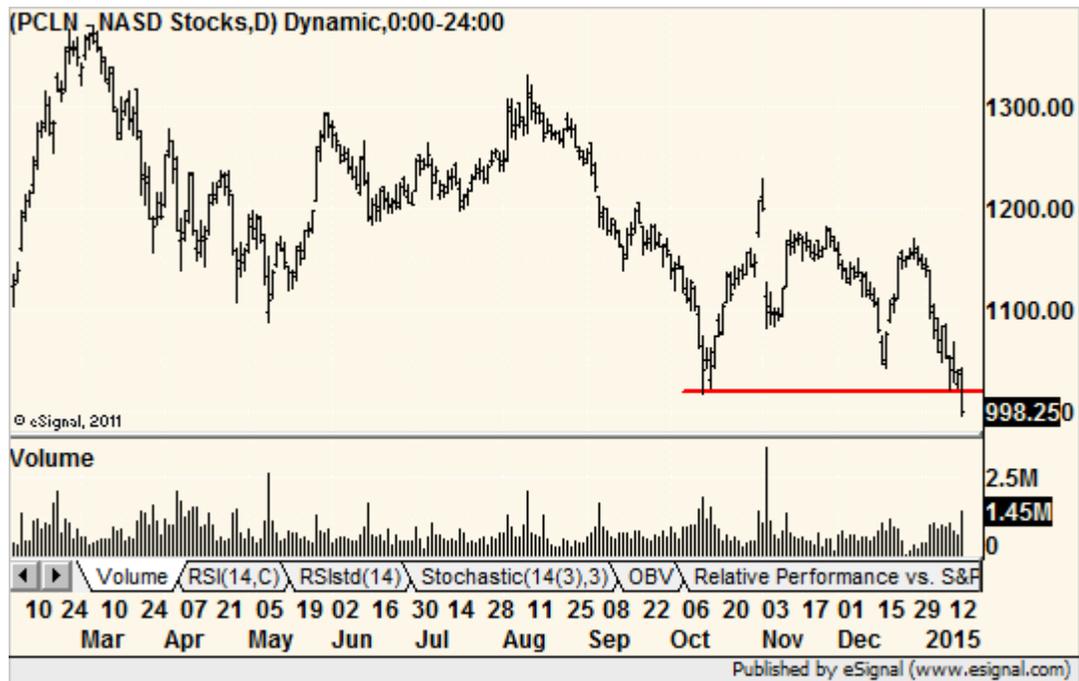
The Nasdaq-100 ETF sports a rather clear change in tone and now sits on critical support. That last two times it was here it bounced immediately. If it does not this time then expect the breakdown.

## The Radar Screen

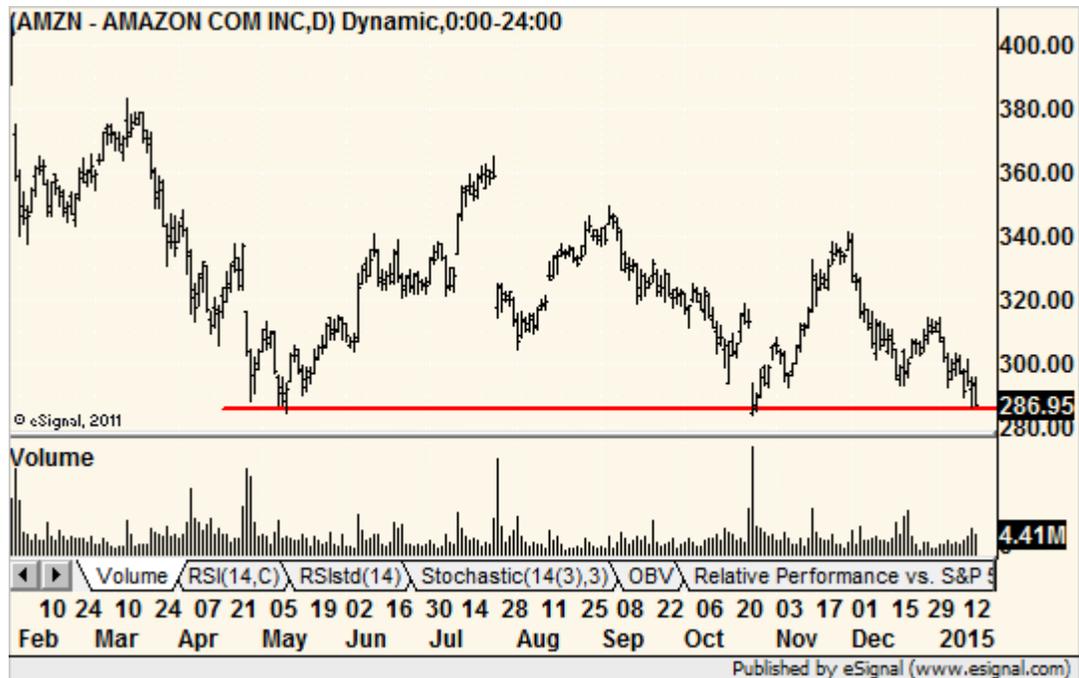
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>Freeport McMoran FCX</b> – Copper was crushed yesterday and copper stocks went with it. However, <b>FCX</b> ended with a hammer candle, which is bullish with confirmation. What is that? A small move up. Note the climactic action, too, with a giant loss after a bear trend and huge volume. Buy a close over yesterday's Wednesday's high of 19.36. |                  | 1/15  |
| <b>Bearish Implications</b>   |                  |       |
| <b>Moody's MCO</b> – Sell close under 93 to complete the fan lines pattern.   | <b>Triggered</b> | 1/14  |
| <b>Procter &amp; Gamble</b> – Head-and-shoulders-like possibility and short setup. Sell close under 89.40.  |                  | 1/14  |
| <b>Unknown Implications</b>   |                  |       |
| <b>none</b> -   |                  |       |
| <b>Holding Tank</b> - red shade leans bearish, green shade leans bullish  |                  |       |
| <b>Caterpillar CAT</b> – Major support at 80 would be hot but we'll bite at 82.   |                  | 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. <b>Rather resilient</b>  |                  | 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 2.4% div yield. Waiting for the breakout but we have to be <b>very</b> patient.   |                  | 1/9   |
| <b>Nike</b> – Breakout failure and possible short setup. Looking to sell support break  |                  | 1/14  |
| <b>Sector Watch</b> (observations that may spark ideas)   |                  |       |
| <b>Gaming</b> –Rallied enough last week to keep us interested   |                  | 12/22 |
| <b>Utilities ETF XLU</b> – Still in rally mode  |                  | 1/5   |
| <b>Real Estate ETF IYR</b> – Looks like time for a pullback, which would be nice.   |                  | 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. Up on a down day  |                  | 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>Now it is</b>   |                  | 1/8   |
| <b>Banks</b> –Breakdown   |                  | 1/12  |
| <b>Social Media</b> – Fell with the market  | <b>Changed</b>   | 1/12  |
| <b>Healthcare ETF XLV</b> – Bear reversal at resistance now creating possible double top. Also sitting on 50-day average and on-balance volume falling. Basically, this leader is done. Perhaps sell under triangle.  | <b>New</b>       | 1/15  |
| <b>Updates</b>  |                  |       |
| <b>none</b> –   |                  |       |

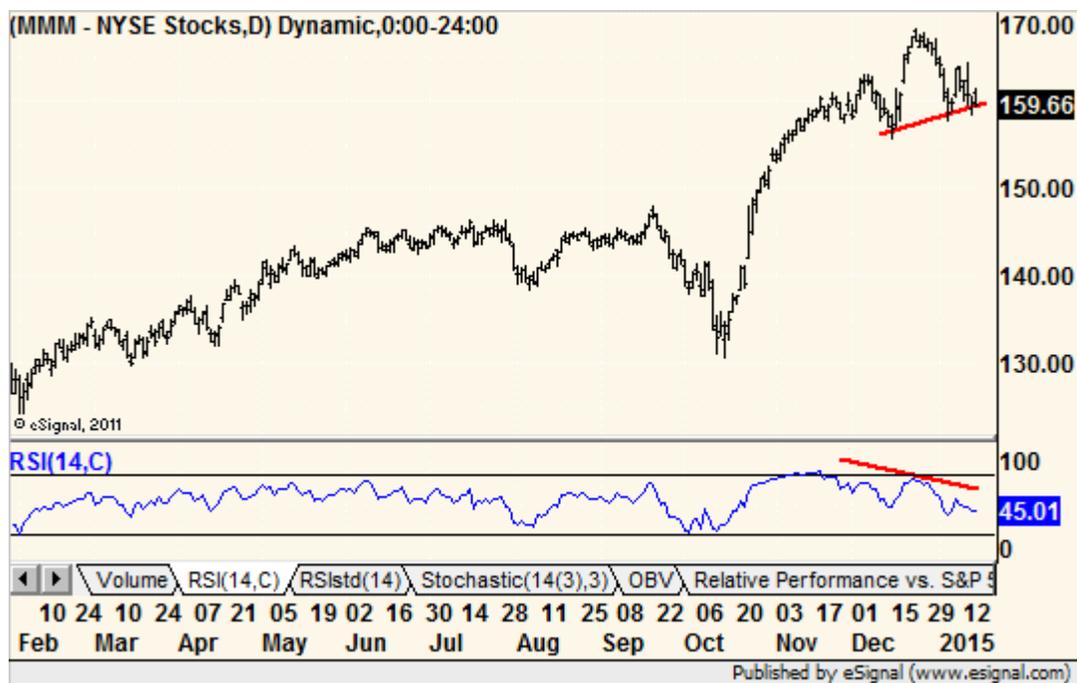
## Market Highlights



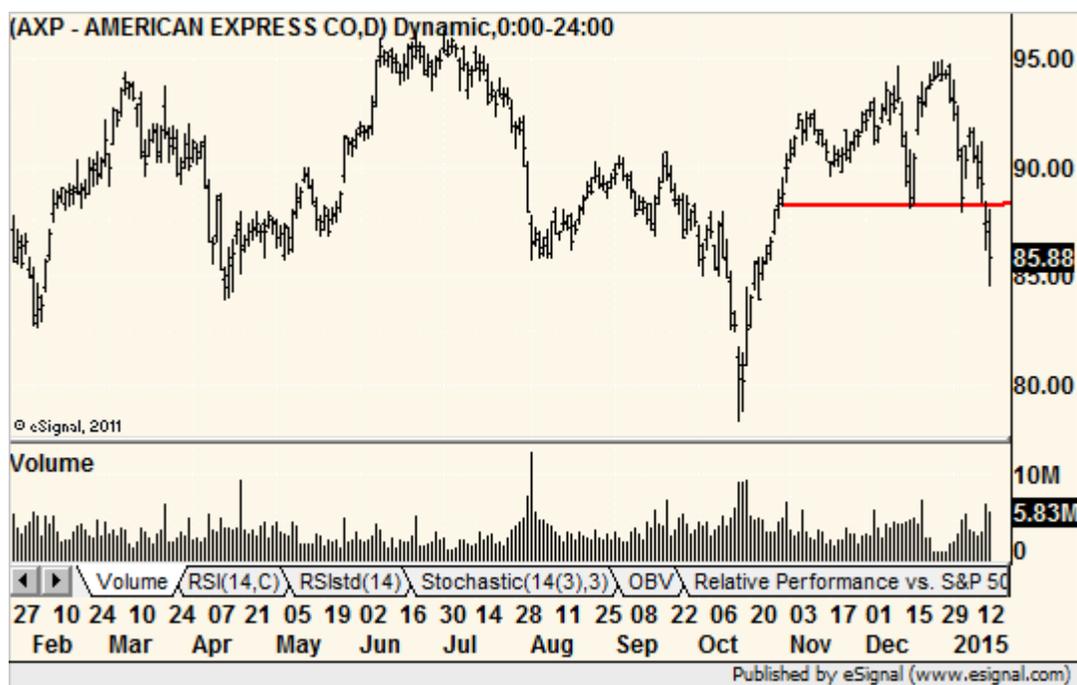
**Priceline** – This stock is just about the entire weight of the travel/tourism group and it now has a real breakdown.



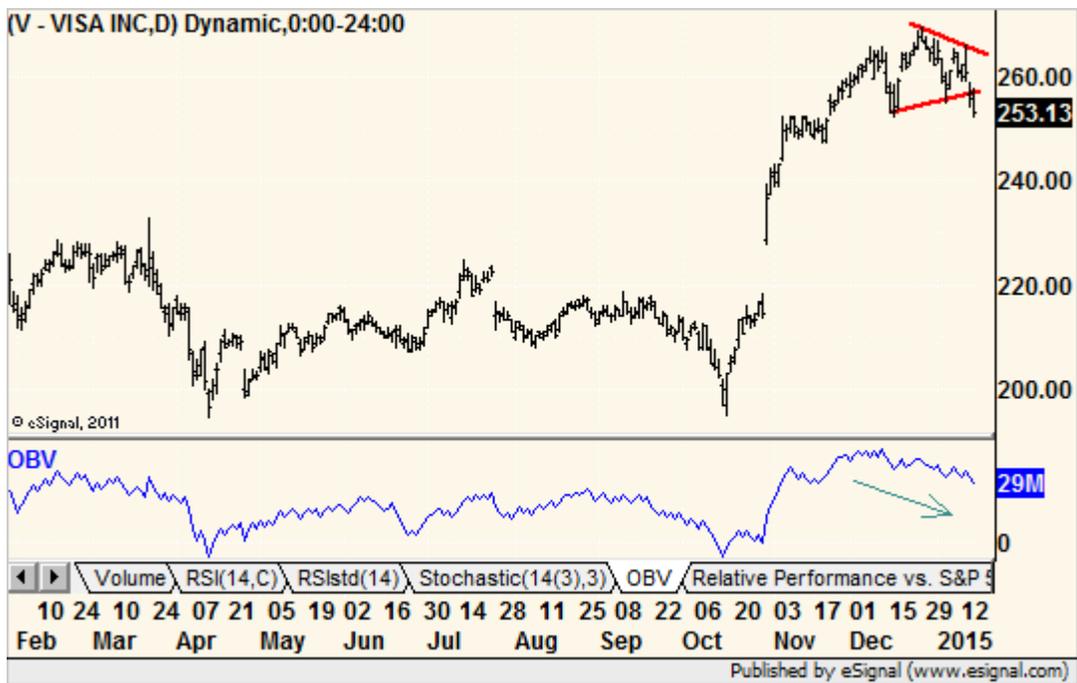
**Amazon** – Ready to break.



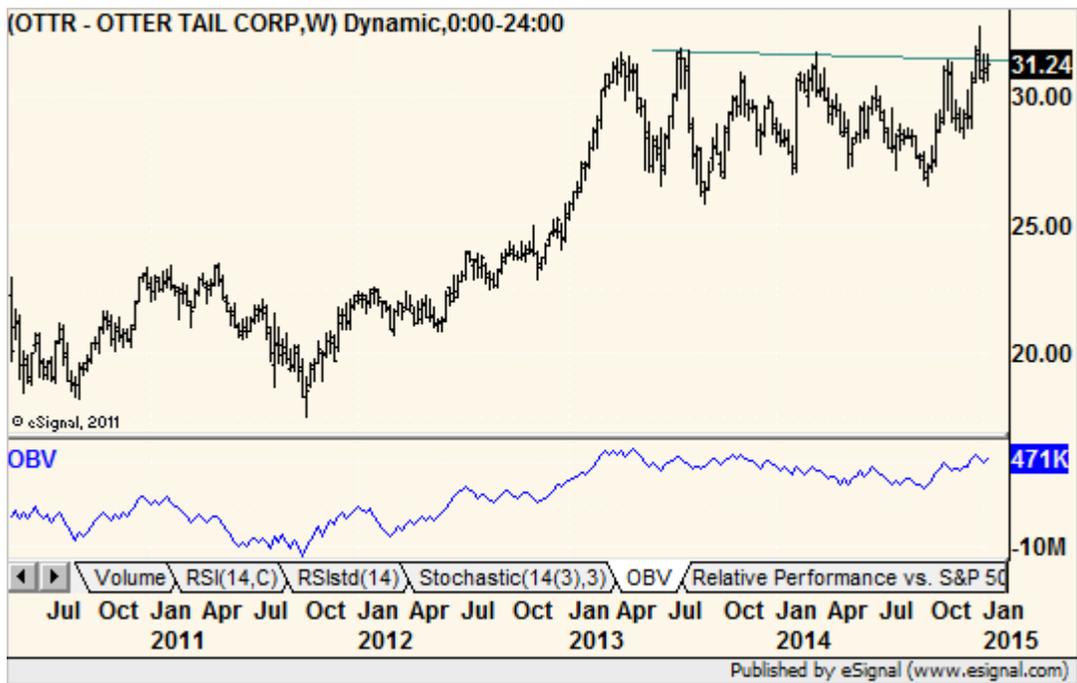
**3M** – Looks just like fellow Dow-mate **PG**. Ready to break.



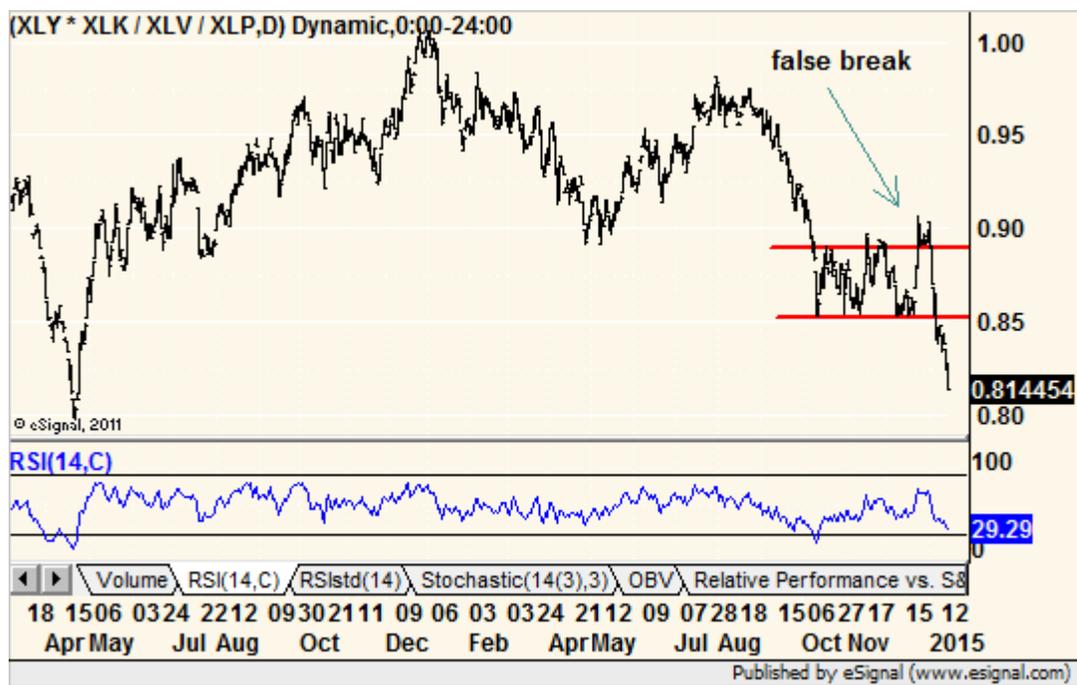
**American Express** – We knew the banks were weak and it spread to other financials.



**Visa** – Breakdown albeit a smaller one. Falling on-balance volume, too.



**Otter Tail** – I recommend this in today's ProfitableTrading website. A utility to own all year for income and possible appreciation.



**Offense/defense index** – a breakdown heading for last year’s low. This is a bearish indicator for now.

## 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>COH</b>    | COACH INC                    | 36.50       | -3.3%      |             | 37.75           | 12/29          | 17           |
|              | <b>JDSU</b>   | JDS UNIPHASE CORP            | 13.25       | -1.6%      |             | 13.46           | 1/7            | 8            |
|              | <b>NOC</b>    | NORTHROP GRUMMAN CORP        | 152.31      | 5.0%       | 148.00      | 145.05          | 1/7            | 8            |
|              | <b>INTC</b>   | INTEL CORP                   | 36.19       | 1.5%       | 35.00       | 35.64           | 1/7            | 8            |
|              | <b>GDXJ</b>   | MARKET VECTORS JR GOLD MINER | 28.58       | 5.5%       | 27.00       | 27.08           | 1/8            | 7            |
|              | <b>FB</b>     | FACEBOOK INC                 | 74.05       | -3.5%      | sell        | 76.72           | 1/12           | 3            |
|              | <b>TWTR</b>   | TWITTER INC                  | 38.00       | -5.7%      |             | 40.28           | 1/12           | 3            |
|              | <b>LO</b>     | LORILLARD INC                | 64.86       | 0.6%       | 62.00       | 64.46           | 1/13           | 2            |
|              |               |                              |             |            |             |                 |                |              |
| <u>Short</u> | <b>HIG</b>    | HARTFORD FINL SVCS GROUP INC | 39.58       | 0.5%       | 41.50       | 39.79           | 1/14           | 1            |
|              | <b>MCO</b>    | MOODYS CORP                  | 92.67       | 0.0%       | 96.00       | 92.67           | 1/15           | 0            |

**Notes:** Getting stopped everywhere as the market changed.

We are going to sell **FB** as it had a technical breakdown. **TWTR** looked good as the market tanked – until yesterday.

Probably should have sold **COH** a day earlier after a reversal bar.

A new short in **MCO** on a support break

Finally, **LO** was higher yesterday as defensive sectors held up.

## 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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