

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

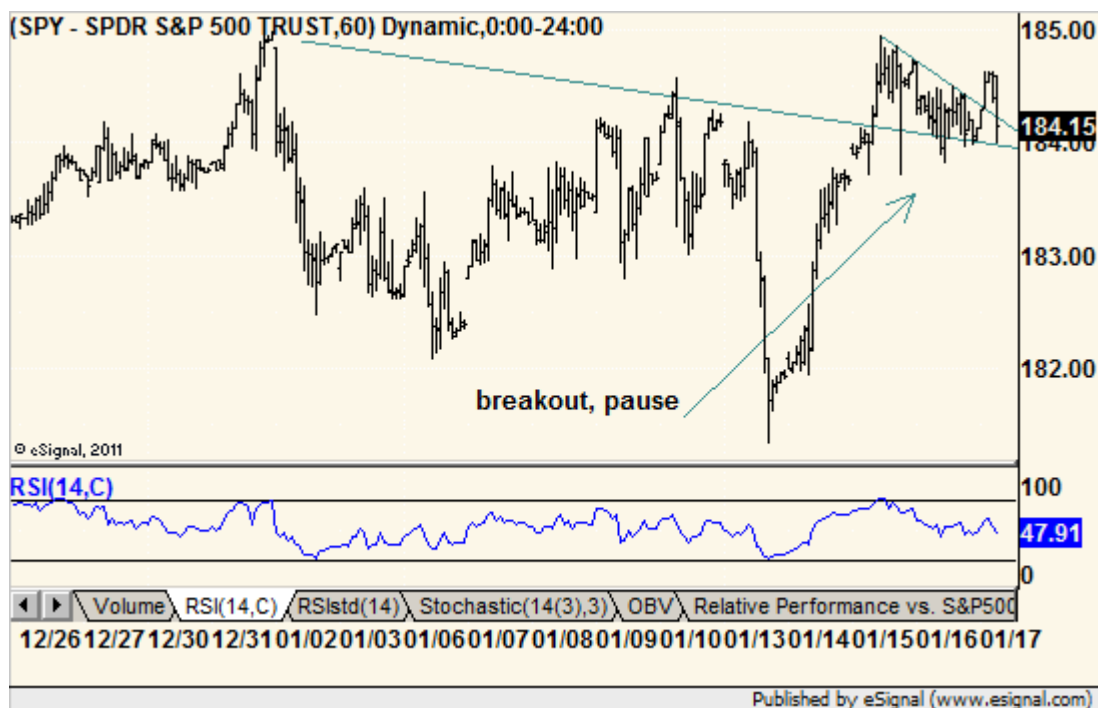
MICHAEL KAHN
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January 17, 2014 – Lots of earnings bombs fell yesterday, from **BBY**, **CSX** and **C** in the morning to **INTC** after the close. But the market was rather steady, despite the morning sell-off and at its worst levels of the day it was at the 50% retracement level of the two-day rally that preceded it. In other words, a correction.

We're not getting too excited, however, as the S&P 500, following its trumpeted new high Wednesday, is still really in a new trading range since late December. It leans bullish and the Nasdaq does indeed have a confirmed upside breakout so this morning's earnings winner - **MS** - should help.

Bonds are also edging higher and the **TLT** ETF looks as if it is coming out of a two-day pause in a new short-term rally. Junk bonds actually broke out and that is a change from what we saw last week (chart below). And municipal bonds continued to move higher following last week's breakout.

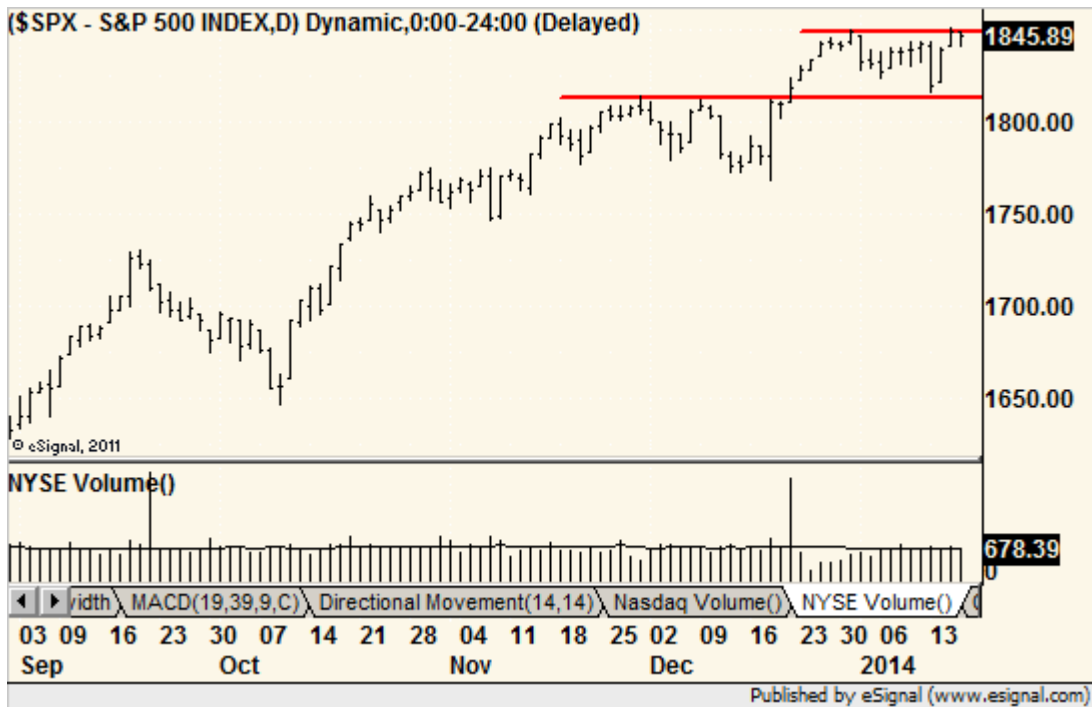
Do you remember the headlines just last week? The 10-year Treasury was auctioned above 3% and fear rippled through journalists. It has been all downhill for interest rates ever since. We won't get into the why of it but the US dollar is doing OK. The Aussie dollar broke big support yesterday and is down more this morning. Check out the chart of the British pound below as it is on the verge of a trendline breakdown and that is more US dollar strength.



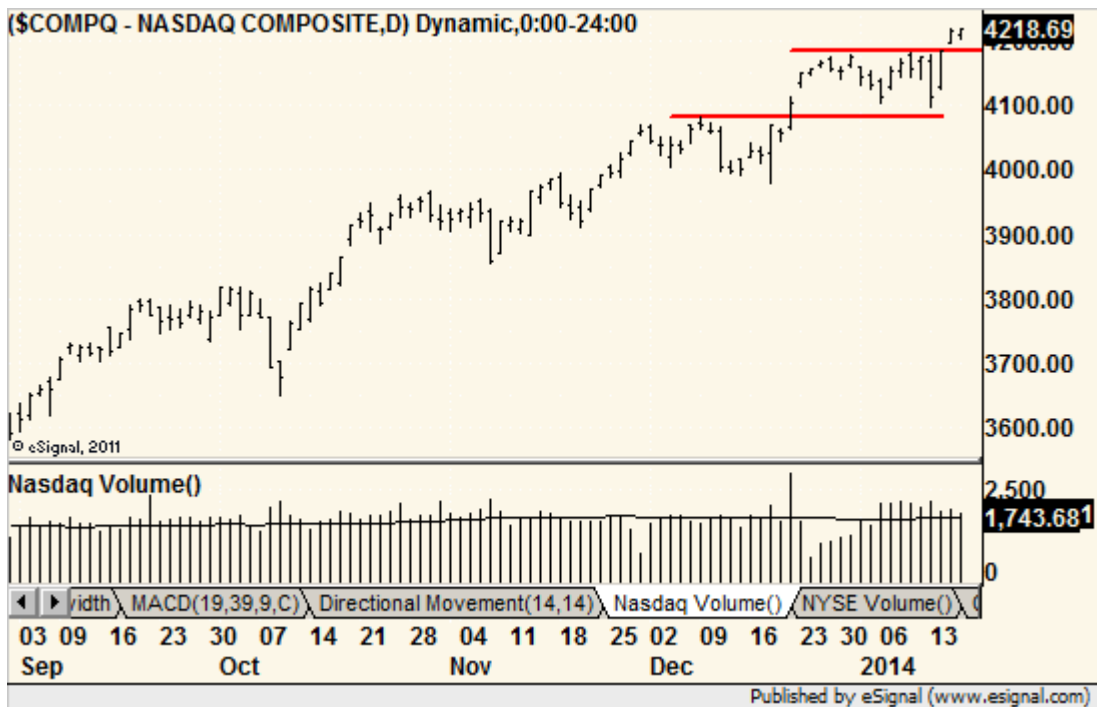
This hourly view of the **SPY** is not as robust as we'd like. The trendline from the December peak is not that well defined but if it is valid we do see a breakout with a test. We are not happy about the sudden drop off late in the premarket and in Europe but so far it is still a breakout.

We've got no new trade ideas for today as the market settles down. The trend is still up but it "should have" resumed by now. That keeps us on the sidelines with new money for the time being. Perhaps the market needs one more cycle lower within its current range to shake out the weak hands before the real breakout and attack on our first target at Dow 16,750. See Index Charts below for the range. We are watching breadth, especially after yesterday's high profile earnings bombs.

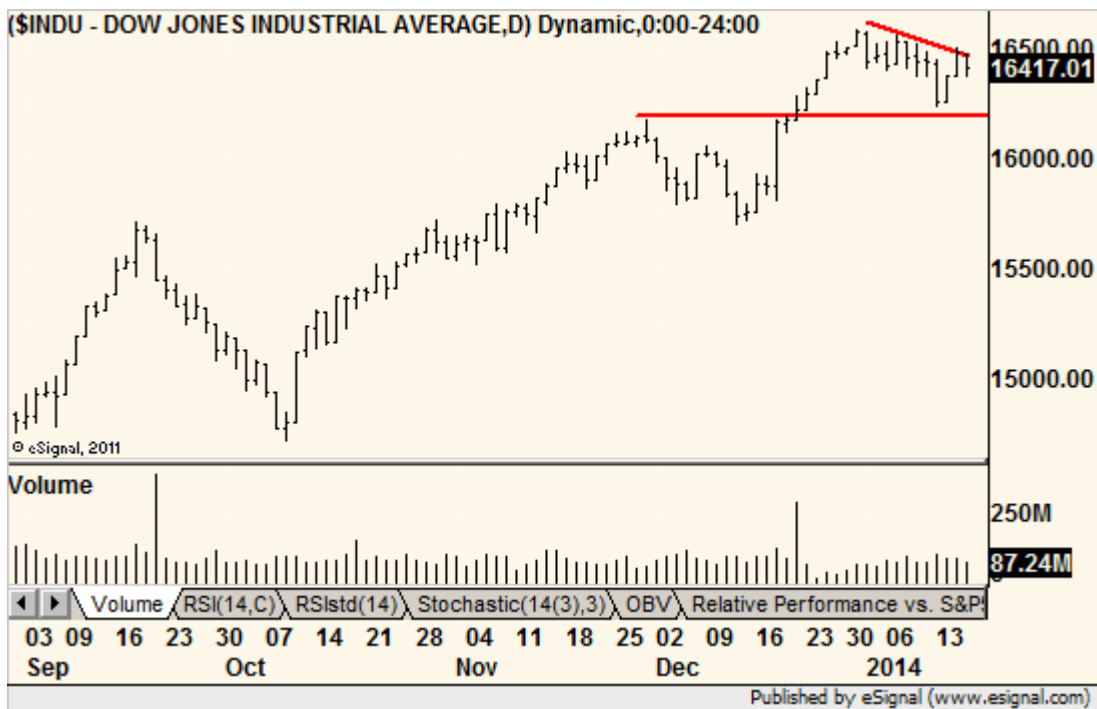
Index Charts of the Day



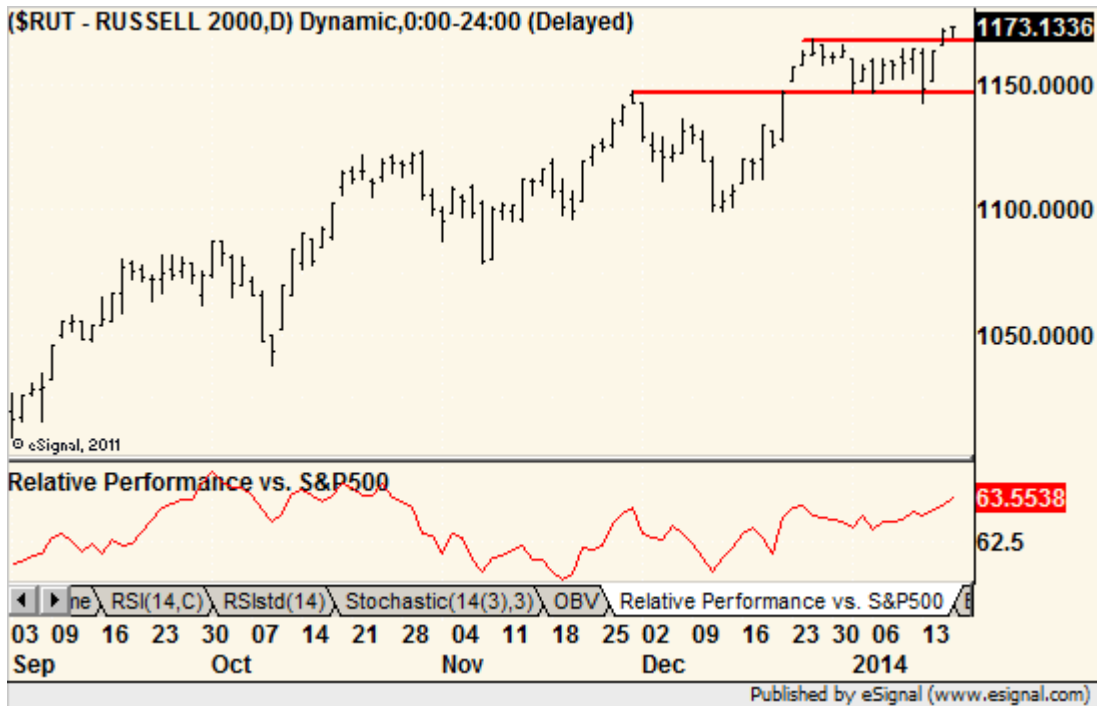
We would like this range to break out to the upside to get this rally back in gear.



The Nasdaq has its range breakout but volume has been sagging. Good but not great for the bulls.



The Dow is working on a flag breakout rather than a range breakout.



The Russell 2000 has its breakout and even has a slight uptick in relative performance - more good news for the bulls.

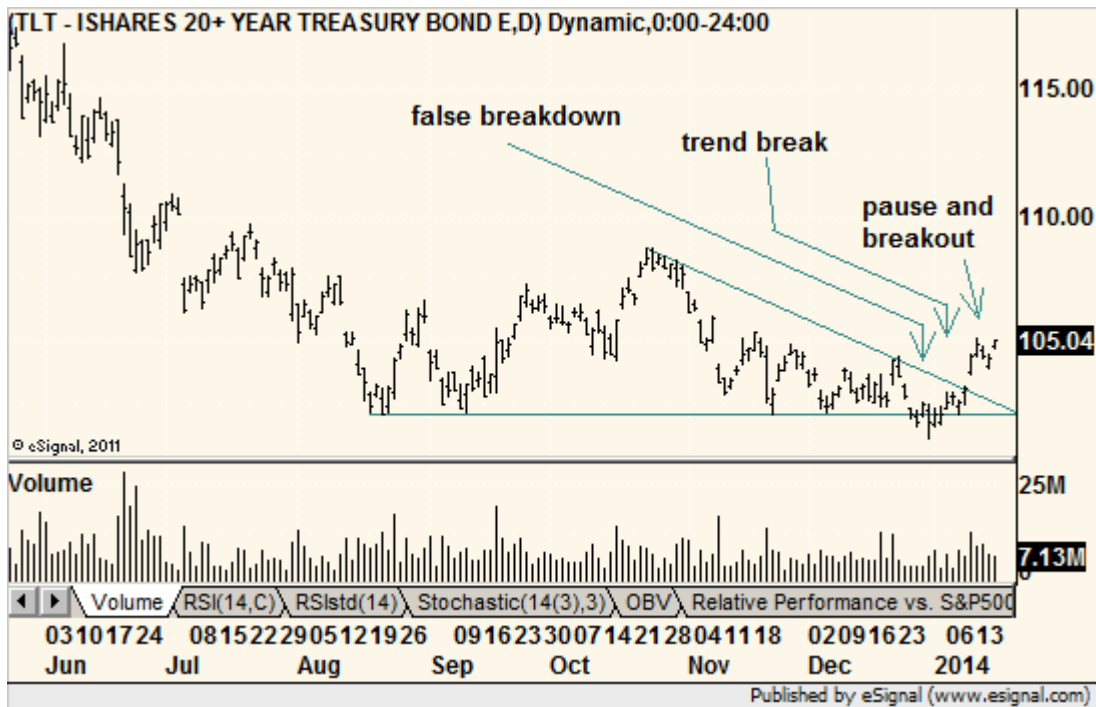
The Radar Screen

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.

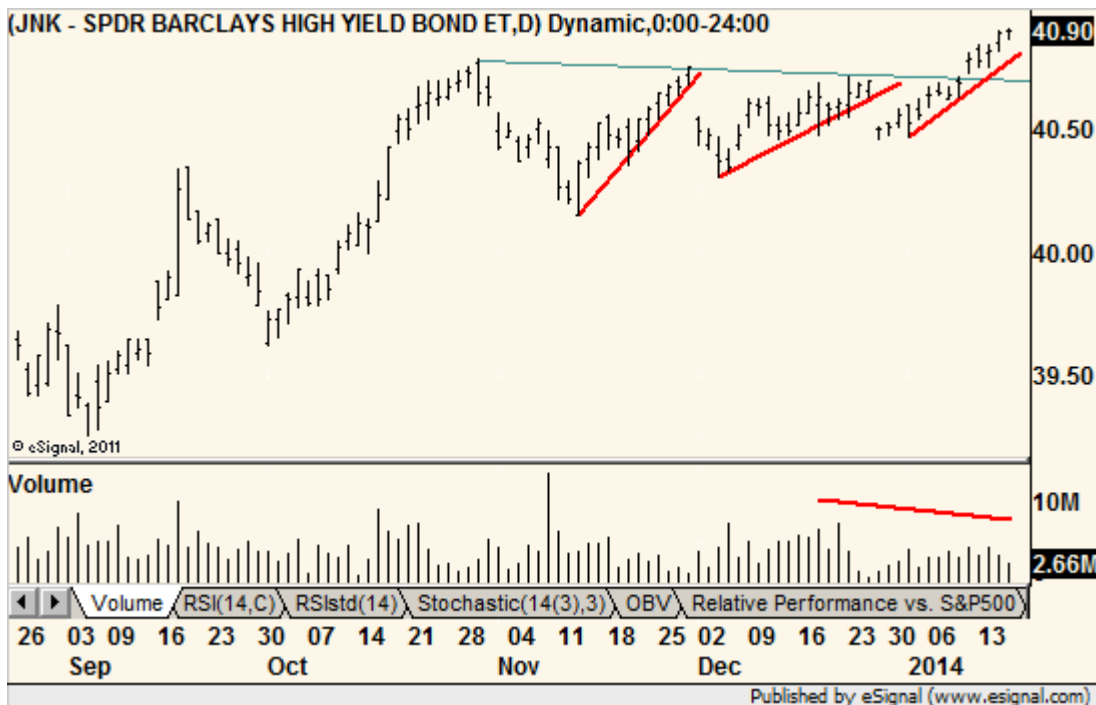
...The cupboard is bare for fresh trades

Bullish Implications		
none -		
Bearish Implications		
none -		
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
CVS Caremark CVS - Watching a serious RSI divergence. Now waiting for a bounce to sell.		1/8
Ace 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. It might have already happened.		1/13
AO Smith AOS - Ditto for this water heater maker. Looks about ripe now.		1/13
Home Properties HME - This REIT is forming a double bottom and should run into its declining trendline soon. Note on-balance volume finally rising. A breakout should be bought but for now we watch.		1/15
Sector Watch (observations that may spark ideas)		
S&P Insurance ETF KIE - Bearish RSI divergence and potential double top. Waiting for trendline to break.		1/9
Retail ETF XRT - Lagging the market but still holding its rising trendline. Broken		1/10
Consumer Staples ETF XLP - Lagging the market but at support. May be time to pick up some higher dividend names. <u>Watch current two-week pause for a break one way or the other.</u>		1/10
Drugs - 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. BCRX, MRK, ALNY, JAZZ, CBST, SCMP		1/14
Updates		
Citigroup C - A big decline on big volume yesterday but it is bouncing off loose support this morning. Not bad but you'll need a little nerve.		

Market Highlights



Long T-bond ETF - Looks good for a run back to its October high.



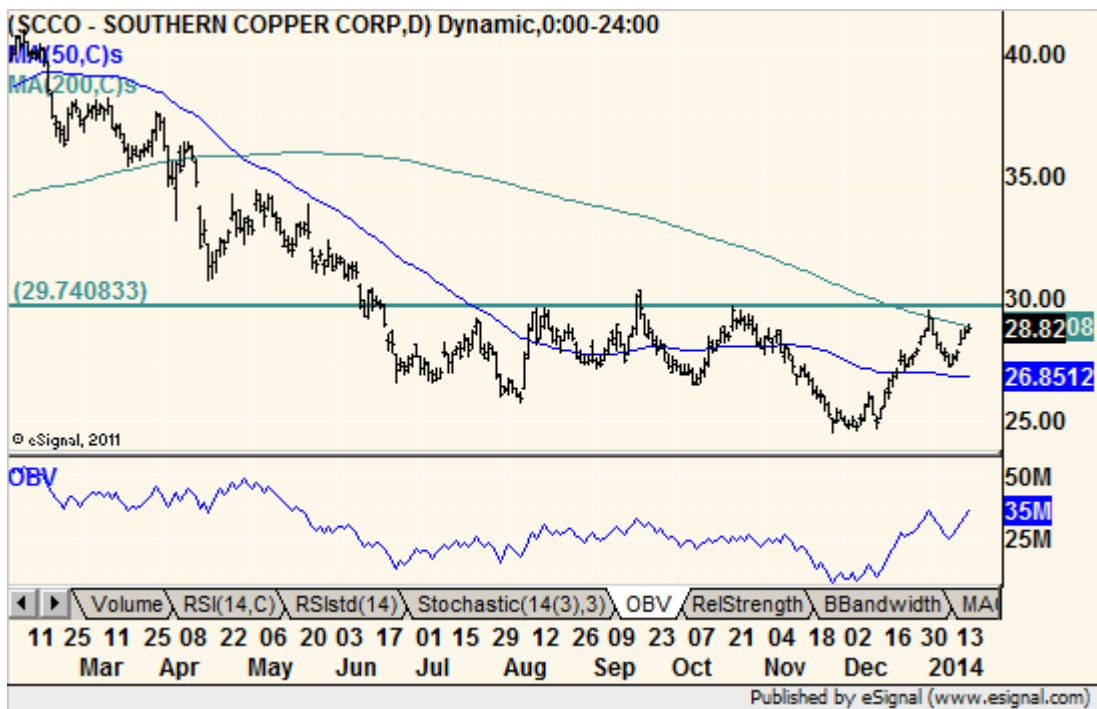
Junk bonds ETF - The saw tooth pattern looked like a rolling over to a bearish trend but the ETF broke out to the upside. Volume is not great but bonds of every type are doing well.



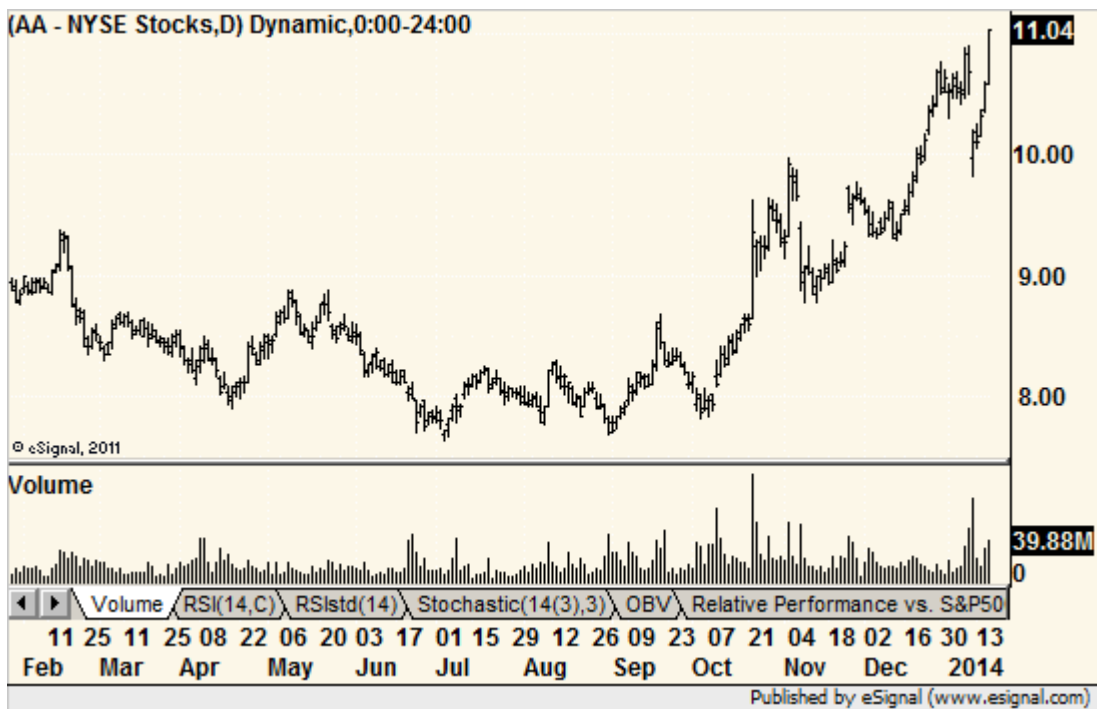
British pound futures - The market is up this morning but it has been flirting with a trend break for a few days. The FXB ETF shows that a bit better.



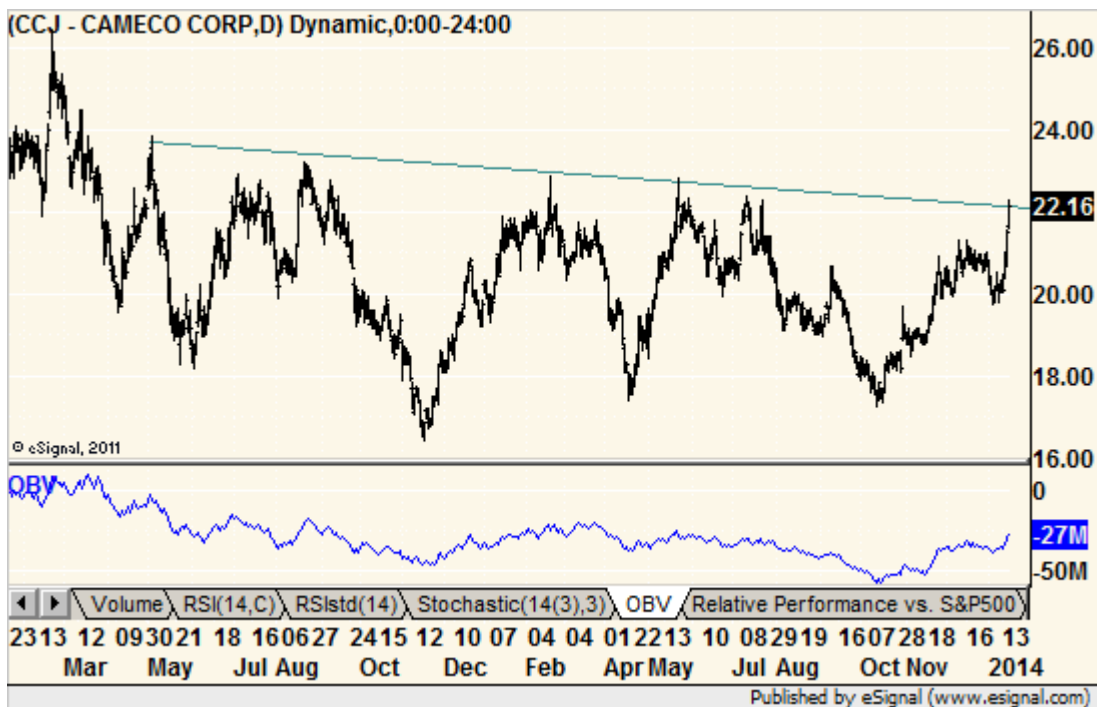
Copper ETN - While we focus on gold and silver, the copper market is getting close to busting out of its long base. The moving average cross is not that meaningful but it does help.



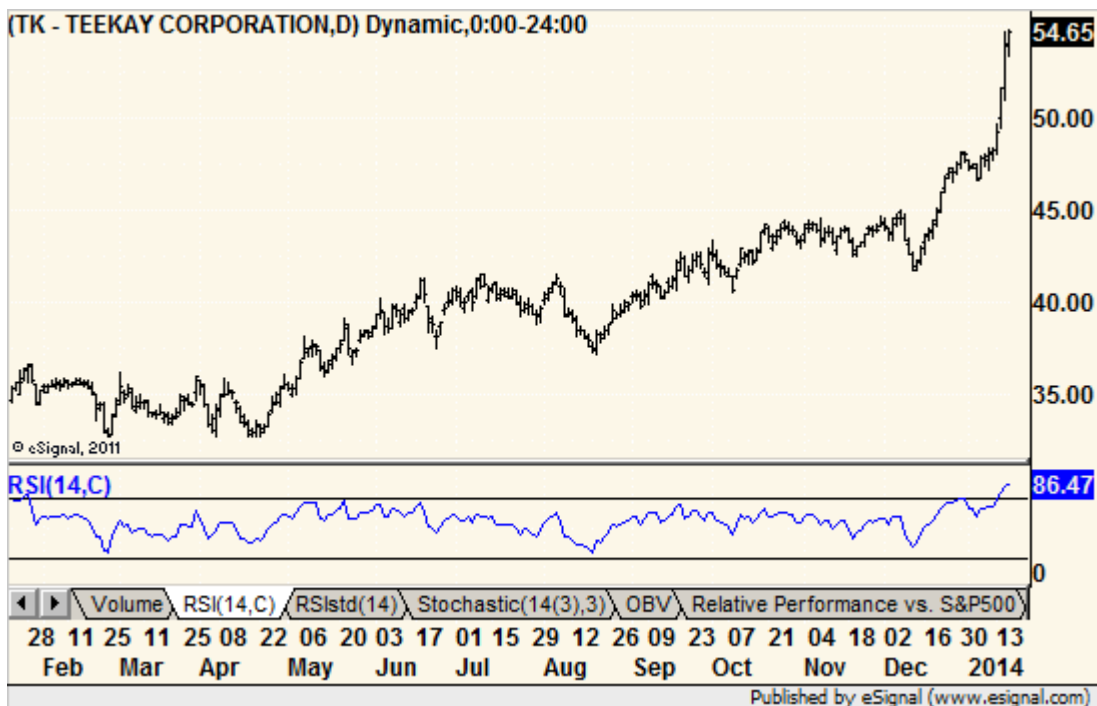
Southern Copper - And if copper breaks out, this stock is in position for a breakout of its own.



Alcoa - Remember this stocks' bonk last week? Negated. Mining of every type seems to be recovering.



Cameco - How about a uranium miner? Not quite a breakout but it was rather strong this week to round out the thesis that metals - industrial and precious - are firming up. Is that inflation? We'll let the economists figure that out.



Teekay - Oil tankers have been soaring although the Baltic Dry rate - which is not for oil shipments - has been, excuse the pun, tanking. Oil prices are not exactly soaring so something is going on here: a desire for energy? The sector is a bit overbought so no trading but we will come back to this one to see if there is a better entry, if one at all.

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	10.21	3.2%	9.90	9.89	12/6	41
	MCD	MCDONALDS CORP	96.06	2.0%	93.00	94.19	12/13	34
	LO	LORILLARD INC	49.51	-1.6%	48.75	50.30	12/24	23
	CPE	CALLON PETE CO DEL	6.65	1.5%	6.40	6.55	1/7	9
	TEVA	TEVA PHARMACEUTICAL INDS LTD	43.55	4.4%	42.50	41.70	1/10	6
	GDX	MARKET VECTORS GOLD MINERS ETF	22.62	2.1%	21.25	22.15	1/13	3
	T	AT&T INC	33.96	1.9%	32.25	33.33	1/14	2
	MON	MONSANTO CO NEW	112.68	-0.3%	109.00	113.00	1/15	1
	POT	POTASH CORP SASK INC	34.87	0.6%	33.25	34.66	1/15	1
<u>Short</u>	AXP	AMERICAN EXPRESS CO	87.78	0.9%	90.00	88.55	1/10	6
	SBUX	STARBUCKS CORP	75.29	0.9%	79.00	76.00	1/13	3
	STJ	ST JUDE MED INC	66.80	0.0%	68.00	66.80	1/14	2

Notes: We've tightened the stop on **CPE** as it is not performing. **LO** and **MCD** got a reprieve but they better do better soon or we'll bail out.

On the short side, we did not like the action in **AXP** and would have bailed on the open but it is bid up close to our stop and the market is on the weak side.

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

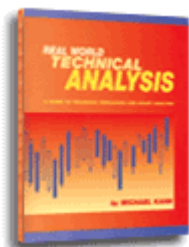
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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