

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

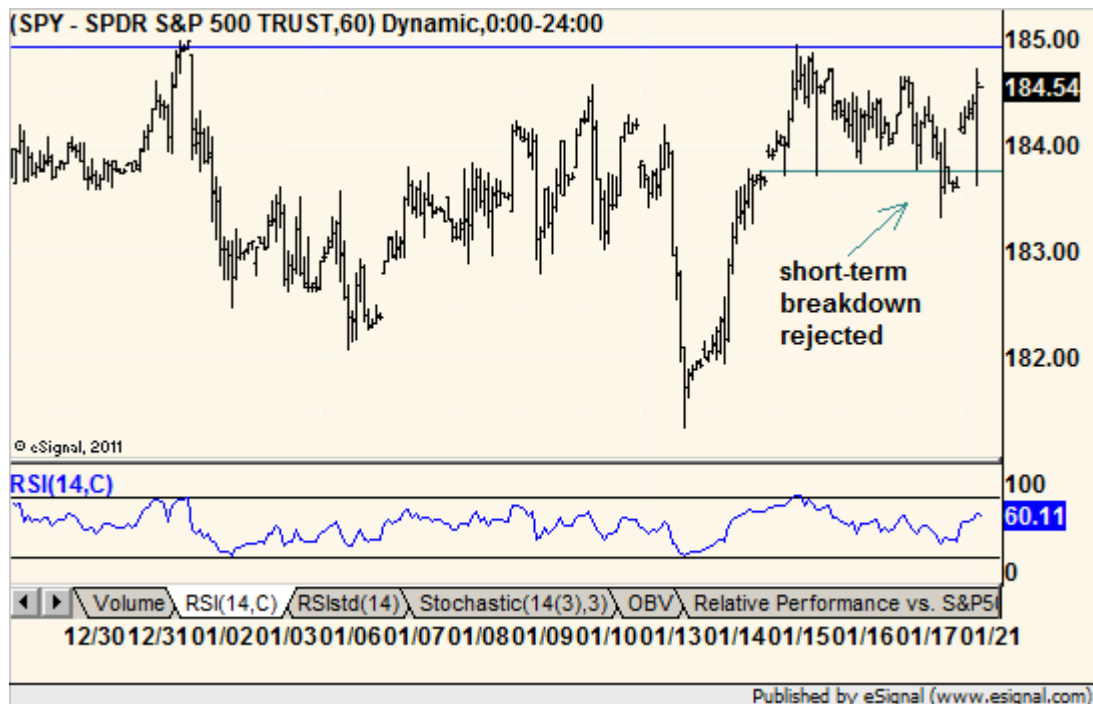
MICHAEL KAHN
RESEARCH LLC

January 21, 2014 – After a long weekend here in the States we see stocks firm in the premarket. Earnings are furiously rolling across the wires

We also see fixed income remaining firm all around with junk and Treasuries both rallying. Municipals are also doing well (check breakouts in **VKI** and **NAC**, the latter being a California fund).

We are now watching commodities, which seem to be on everyone's dislike list. We know that gold and silver are starting to awaken although grains are still in steep declines. Coffee bottomed (breaking arm patting self on back). Check out palladium (**PALL** ETF), which is coiling at a much higher level than its other precious metal cousins (chart below). And then take a look at cattle and milk - both of which are actually in rallies since the summer and steep rallies since November. Time to break out the vegan cookbook? Nah.

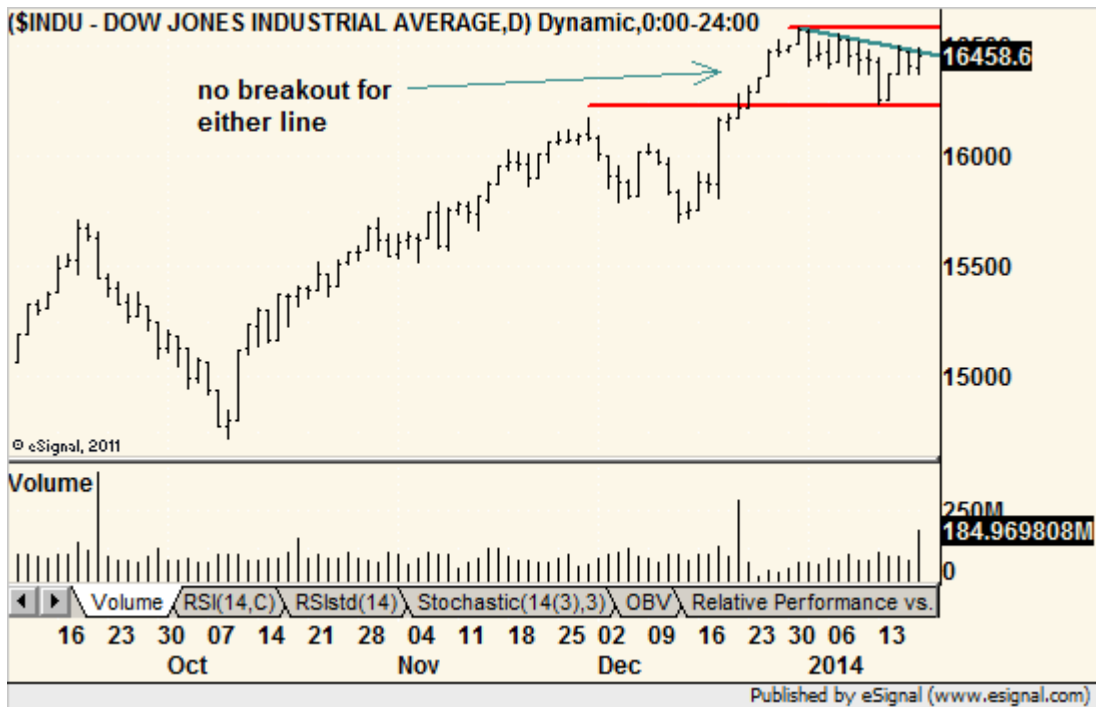
The CRB index, or what is left of it in proxies and vendors keeping the calculations alive, is far from breaking out. We are just keeping minds open here to a different asset class now that the stock market is many years into a bull run.



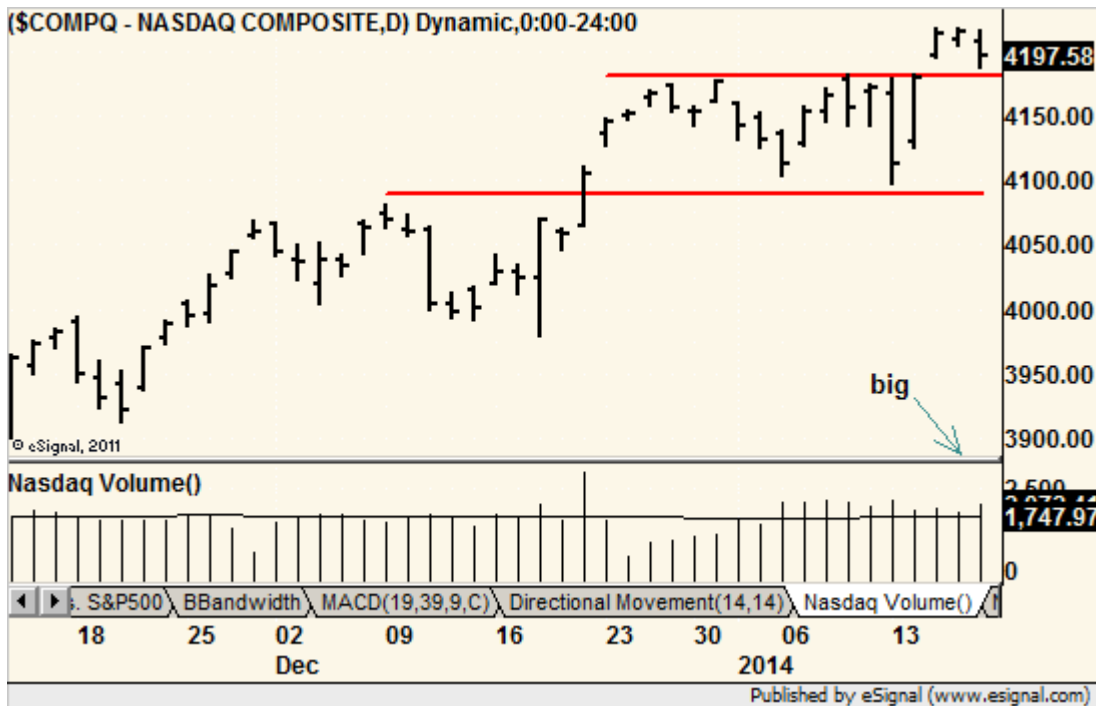
The hourly **SPY** chart shows Friday's tentative breakdown is now rejected with this morning's rally. It still has to take out resistance at all-time highs but it is a positive signal.

Finally, we have reported that sentiment readings are too happy and therefore contrarian warnings. Countering that is the raft of bearish and even fear-mongering headlines we've seen over the past week. MarketWatch ran "Three risks that could crash the stock market" this morning and we've seen similar stuff cropping up in other places. Perhaps sentiment is not as frothy as we thought. No conclusion there, just trying to avoid tunnel vision.

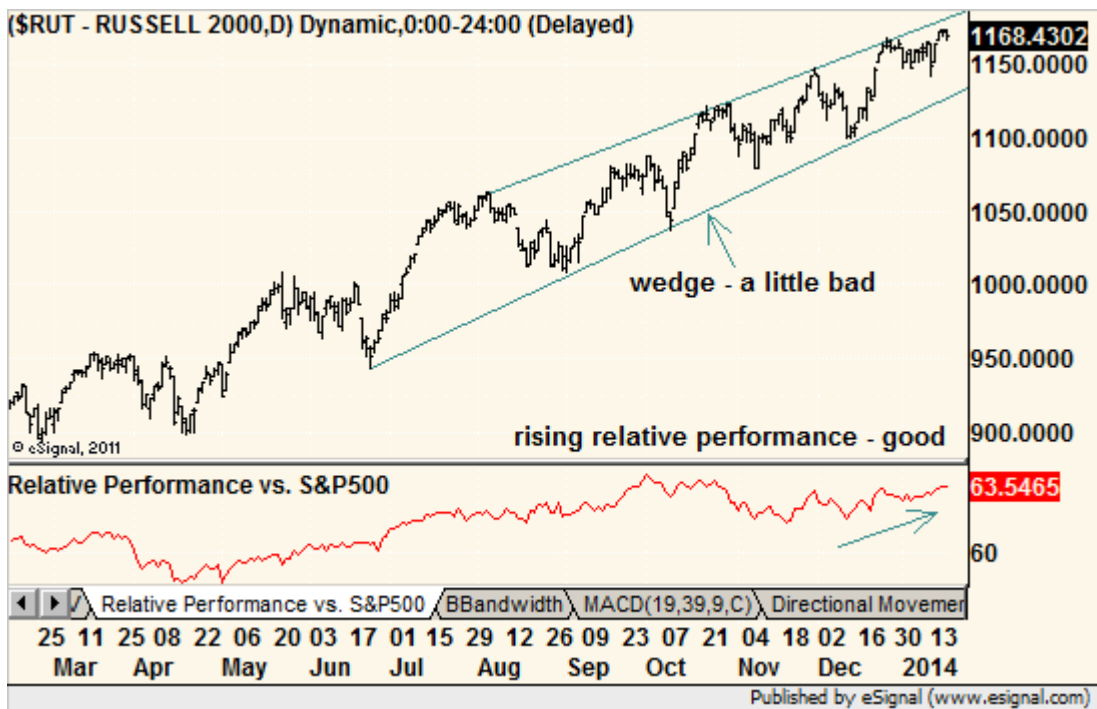
Index Charts of the Day



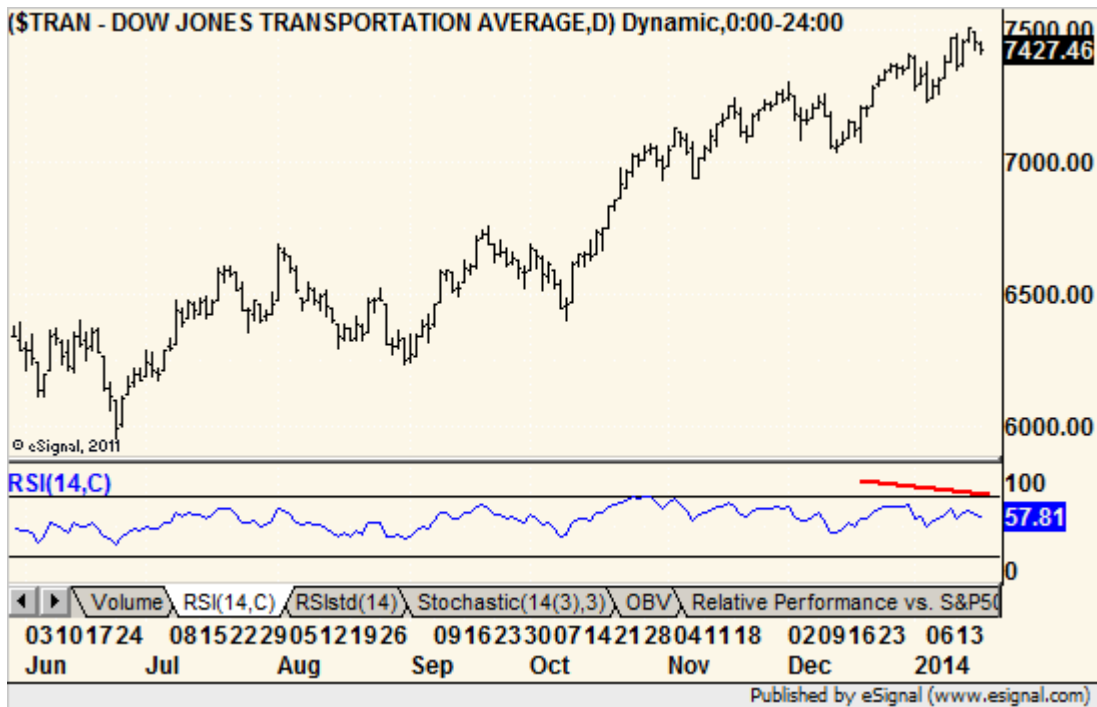
We would like this range to break out to the upside to get this rally back in gear. Green line may break at the open.



The Nasdaq's breakout may be in jeopardy. Friday's decline came on rather heavy volume. Support is still intact so what happens today and tomorrow is going to be quite important. Premarket shows the market at last week's high in a breakout attempt.



It does look tired but the wedge is still intact. That leaves room for another new high but we would not call this a cheap place to enter the Russell 2000.



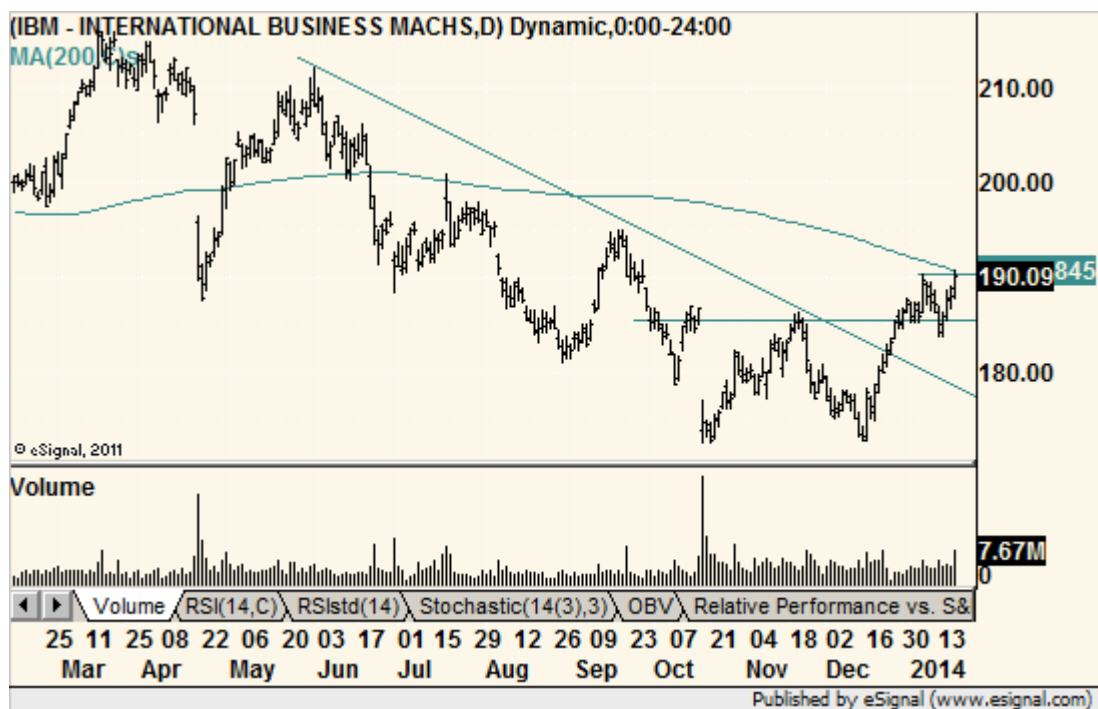
There are technical reasons why this is not a bearish RSI divergence but the decline in the indicator is certainly a concern. Still, trannies are outperforming the market and that might be bullish to the sector watchers.

The Radar Screen

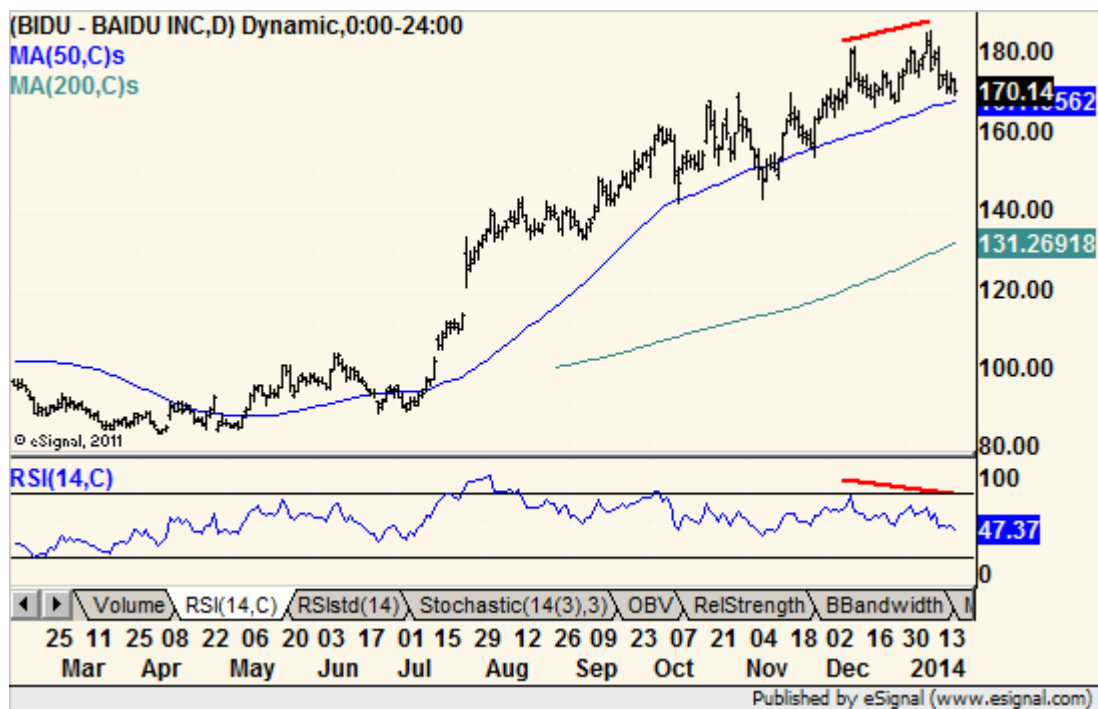
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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 | | |
|---|----------------|------|
| IBM - We botched this trade a week or so ago but now the pattern just looks terrific. A double bottom with breakout, pause and rebound. Now at resistance from the prior high and 200-day average. A fresh breakout now could be good to 200, if not back to old highs - see weekly trading range. Buy 190.50. | New | 1/21 |
| Ntelos Holdings NTLS - This is a wireless carrier in the mid-Atlantic region and it sports a monster 7.9% dividend yield. The technical pattern is positive and we'd like to buy the breakout over 21.35. | New | 1/21 |
| Bearish Implications | | |
| AO Smith AOS - Water heater maker with initial breakdown and pause. Selling close under new mini-support at 51.50. | Moved | 1/13 |
| 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. <u>Still valid but we've got limited attention for this one.</u> | Removed | 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. <u>This one now requires time but we'll keep it here.</u> | | 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 |
| Southern Copper SCCO - If copper breaks out, this stock is in position for a breakout of its own. | | 1/17 |
| Teekay TK - This marine tanker soared and is now in a high tight flag. | | 1/17 |
| Baidu BIDU - Just a warning here, not a trade. This stock sports a big RSI divergence. So far, it is holding the 50-day average, including this morning's premarket. No guarantee it will break down. | New | 1/21 |
| Brunswick BC - This sporting goods maker broke down last week, tested it and broke again. The pattern was either a triangle or a rounded top but the conclusion is the same - sell a bounce if one happens. | New | 1/21 |
| Sector Watch (observations that may spark ideas) | | |
| S&P Insurance ETF KIE - Bearish RSI divergence and potential double top. Waiting for trendline to break. <u>So close.</u> | | 1/9 |
| Retail ETF XRT - The one major sector that looks awful | | 1/10 |
| Consumer Staples ETF XLP - Lagging the market but at support. May be time to pick up some higher dividend names. Watch current two-week pause for a break one way or the other. It may be down. | | 1/10 |
| Updates | | |
| none - | | |

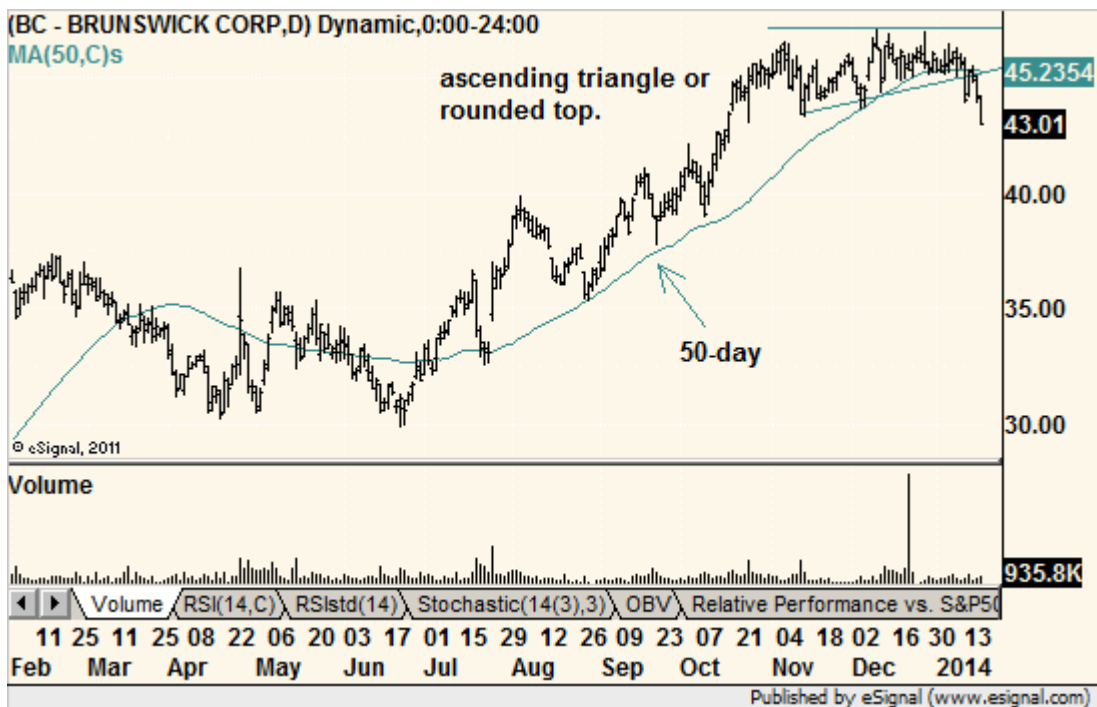
Market Highlights



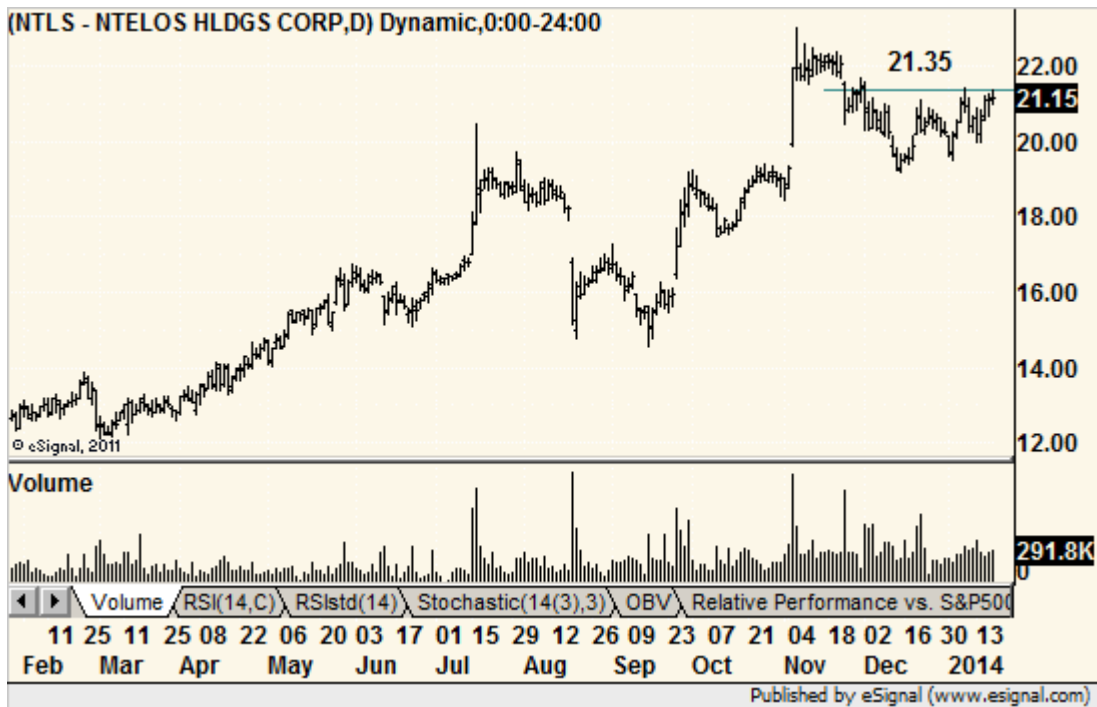
IBM - We botched this trade a week or so ago but now the pattern just looks terrific. A double bottom with breakout, pause and rebound. Now at resistance from the prior high and 200-day average. A fresh breakout now could be good to 200, if not back to old highs - see weekly trading range. Buy 190.50.



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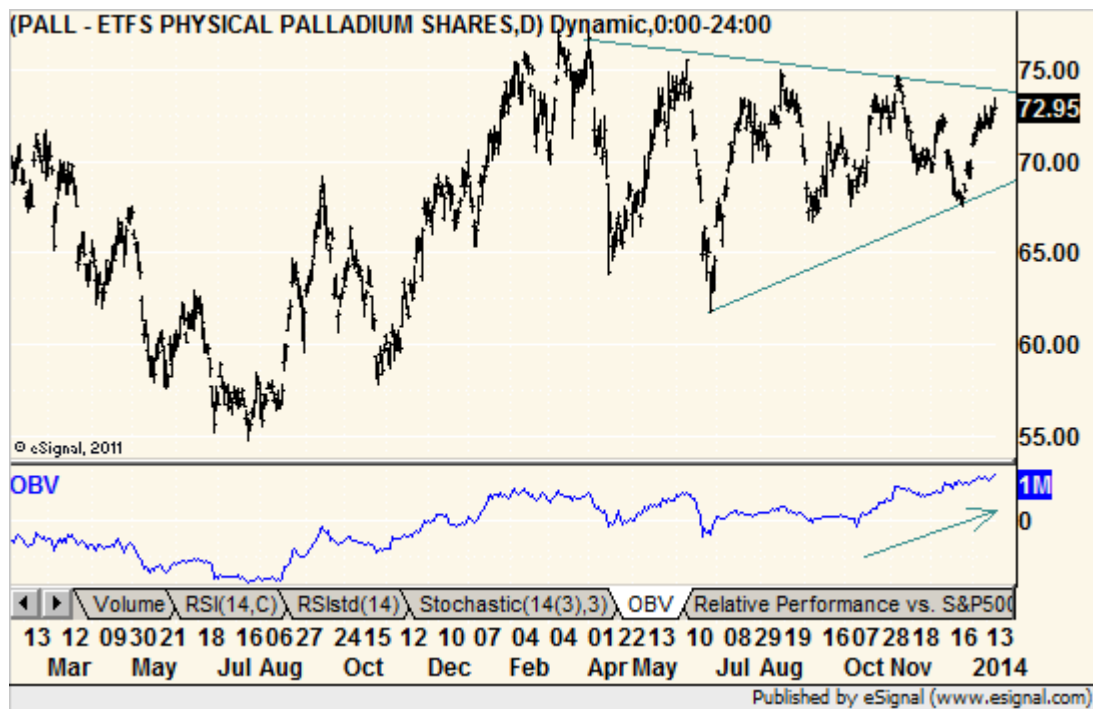
Brunswick - This sporting goods maker broke down last week, tested it and broke again. The pattern was either a triangle or a rounded top but the conclusion is the same - sell a bounce if one happens.



Ntelos Holdings - This is a wireless carrier in the mid-Atlantic region and it sports a monster 7.9% dividend yield. The technical pattern is positive and we'd like to buy the breakout over 21.35.



Euro ETF - This is not the most active way to play the euro but it shows the general condition - a trendline breakdown. (See March euro futures 6E H4).



Palladium ETF - Whereas gold, silver and platinum are in bases at low levels, this one is in a coiling pattern near highs for the past year. On-balance volume may be misleading since volume here is low but what volume there is suggests money flowing in.

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 | 10.20 | 3.1% | 9.90 | 9.89 | 12/6 | 43 |
| | MCD | MCDONALDS CORP | 94.93 | 0.8% | sell | 94.19 | 12/13 | 36 |
| | LO | LORILLARD INC | 49.22 | -2.1% | sell | 50.30 | 12/24 | 25 |
| | CPE | CALLON PETE CO DEL | 6.46 | -1.4% | 6.40 | 6.55 | 1/7 | 11 |
| | TEVA | TEVA PHARMACEUTICAL INDS LTD | 44.27 | 6.2% | 42.50 | 41.70 | 1/10 | 8 |
| | GDX | MARKET VECTORS GOLD MINERS ETF | 23.33 | 5.3% | 22.00 | 22.15 | 1/13 | 5 |
| | T | AT&T INC | 33.70 | 1.1% | 32.25 | 33.33 | 1/14 | 4 |
| | MON | MONSANTO CO NEW | 113.11 | 0.1% | 109.00 | 113.00 | 1/15 | 3 |
| | POT | POTASH CORP SASK INC | 34.17 | -1.4% | 33.25 | 34.66 | 1/15 | 3 |
| | | | | | | | | |
| <u>Short</u> | AXP | AMERICAN EXPRESS CO | 91.93 | -3.7% | | 88.55 | 1/10 | 8 |
| | SBUX | STARBUCKS CORP | 74.90 | 1.5% | 79.00 | 76.00 | 1/13 | 5 |
| | STJ | ST JUDE MED INC | 65.90 | 1.4% | 68.00 | 66.80 | 1/14 | 4 |

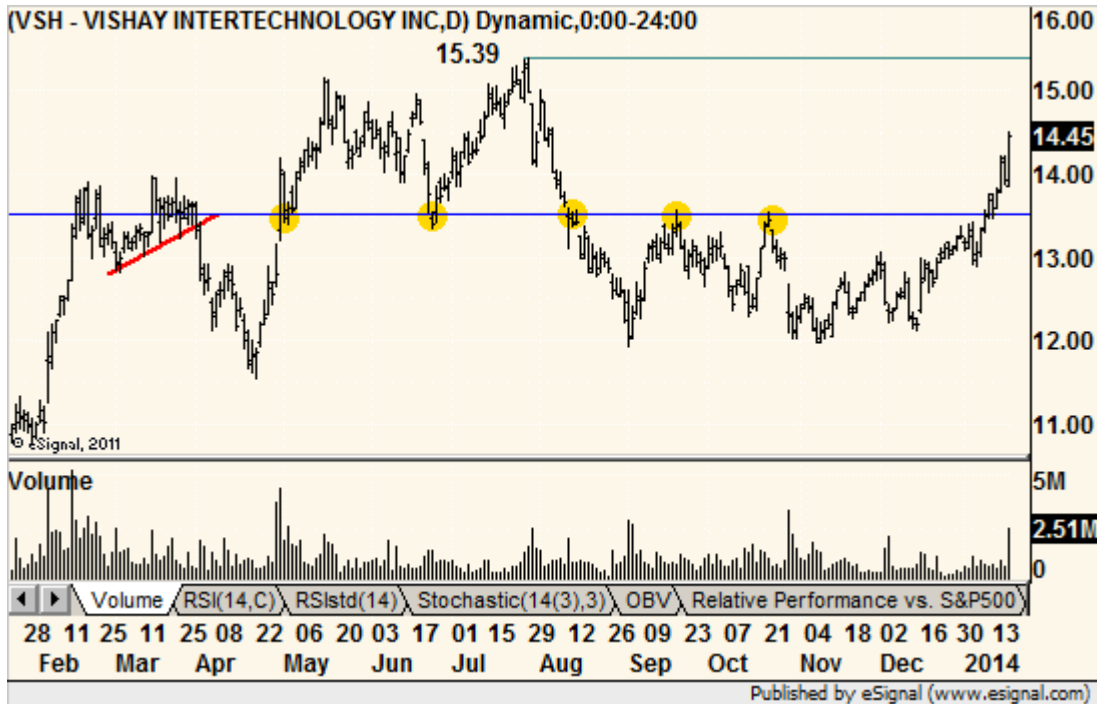
Notes: We did not like the action on **AXP** and then they announced earnings. It gapped up trapping us in a short - and a loss. Per our rules, we do not trade in the premarket and had to take the gap up open.

Raised the stop on **GDX**.

Selling longs in **MCD** and **LO** as they just stink.

Subscriber Corner

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



Vishay Intertechnology - This electronics stock had a nice breakout and a super move last week. Great volume Friday as its biggest "customer" Germany reported good news. It seems short-term overbought right now and has already reached the halfway point to its upside target at the summer high. It is a place where we often see corrections begin so we'd like to see this dip just a little for safety. Otherwise, you can risk the dip to be sure to avoid missing the run to the target.

The target is really a bit below resistance. Measure the Aug-Jan trading range and project it up to 15.05.

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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