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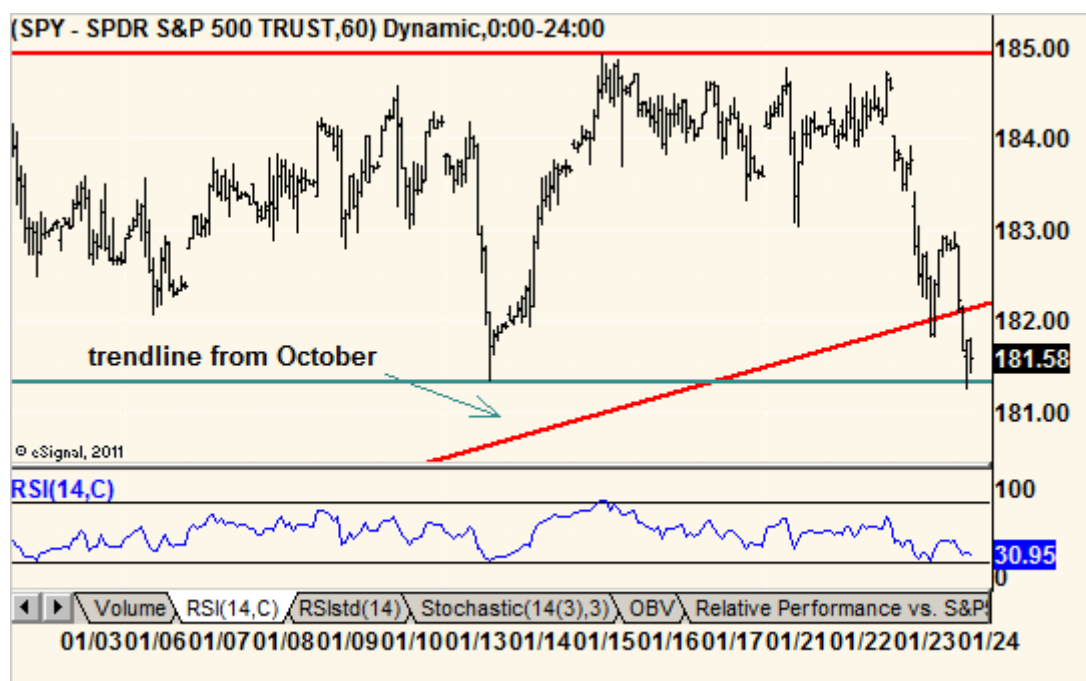
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January 23, 2014 – What started to be a "feels soft" day turned into a real decline. While most parts of the market remained above supports and trendlines, this morning prices are making another attempt to crack.

And then there is MarketWatch's giant front page headline - "How about a 50% crash?"

The story is not forecasting it but rather laying out one scenario to get there. But talk about a fear mongering headline! This is the kind of stuff we see at major bottoms, not tops, as the public is ready to read anything scary. It also does not jibe with the excessively high sentiment readings from Investors Intelligence and others. We'll have to interpret this as the fuel for one more little push higher before the real correction sets in later this year.

Of course, if things start to snowball, we will get out of the way. But for now, as I wrote in Barron's Online yesterday, many sectors are still in solid uptrends and about half of the major sector ETFs are one or two days removed from multi-month highs. We'll need more than a bad day or two to give us a bearish trend.



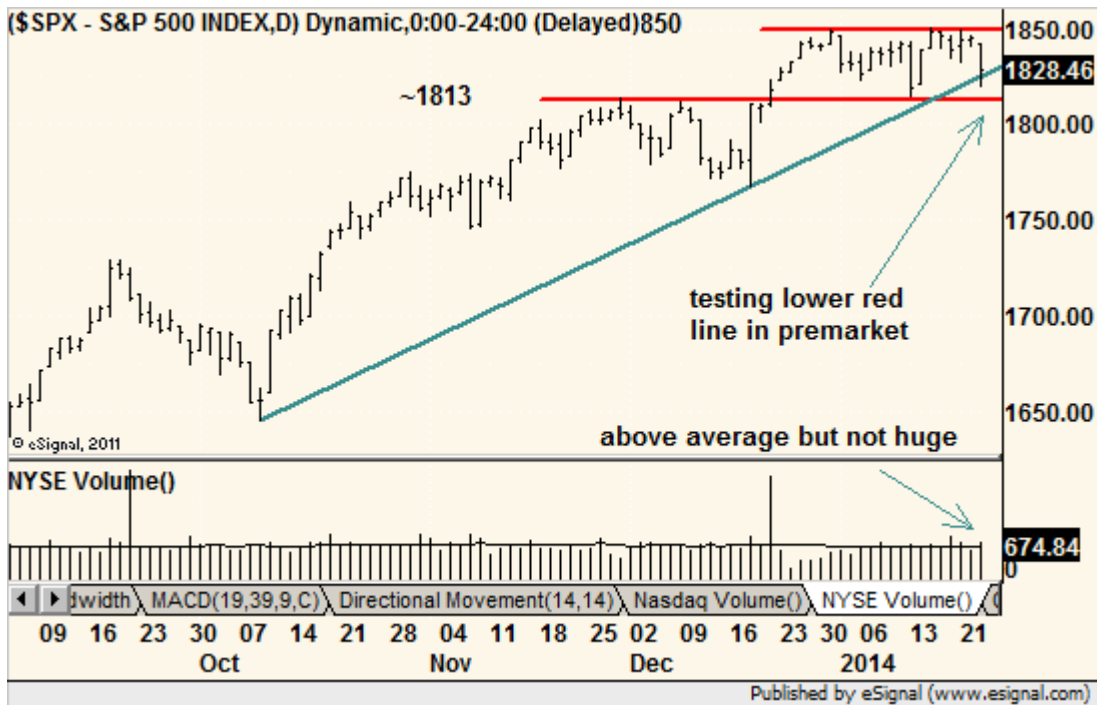
As of yesterday, the October trendline held and the **SPY** bounced nicely off it. This morning, prices are below that line but still above support from earlier this month.

The euro rebounded yesterday and the pound moved still higher after its breakout (the pound tumbled this morning). Adding fuel to the fire, the yen also had a nice rally so the US dollar index is soft. Again, gold likes this. And for a twist, so does the bond market as **TLT** continues its big gains. We'll have the bond chart below to show it approaching resistance and the upper border of what may be a double bottom on weekly charts.

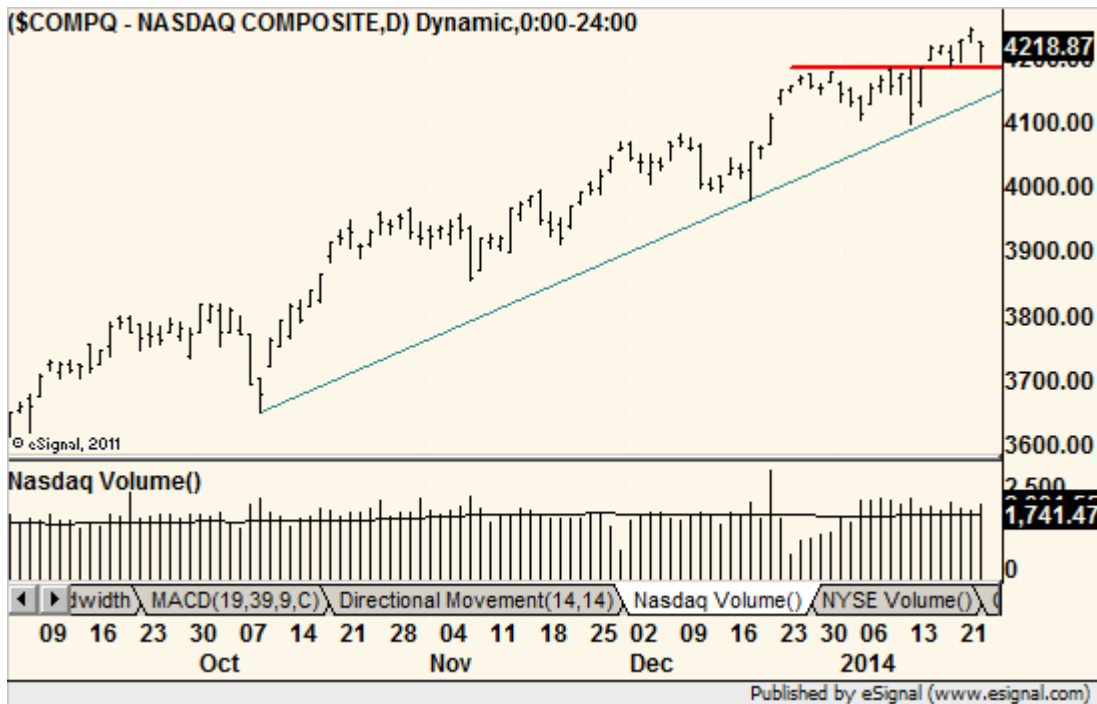
So here is the confusion. Rising gold and falling stocks - risk off. Rising bonds and falling stocks - risk off. Falling dollar? That is risk on. Fed taper and falling stocks - makes sense. Fed taper and rising bonds - wait a minute! The biggest buyer of bonds is pulling back from the market and bonds rally?

We are going to manage the positions we've got but not add anything new long or short today.

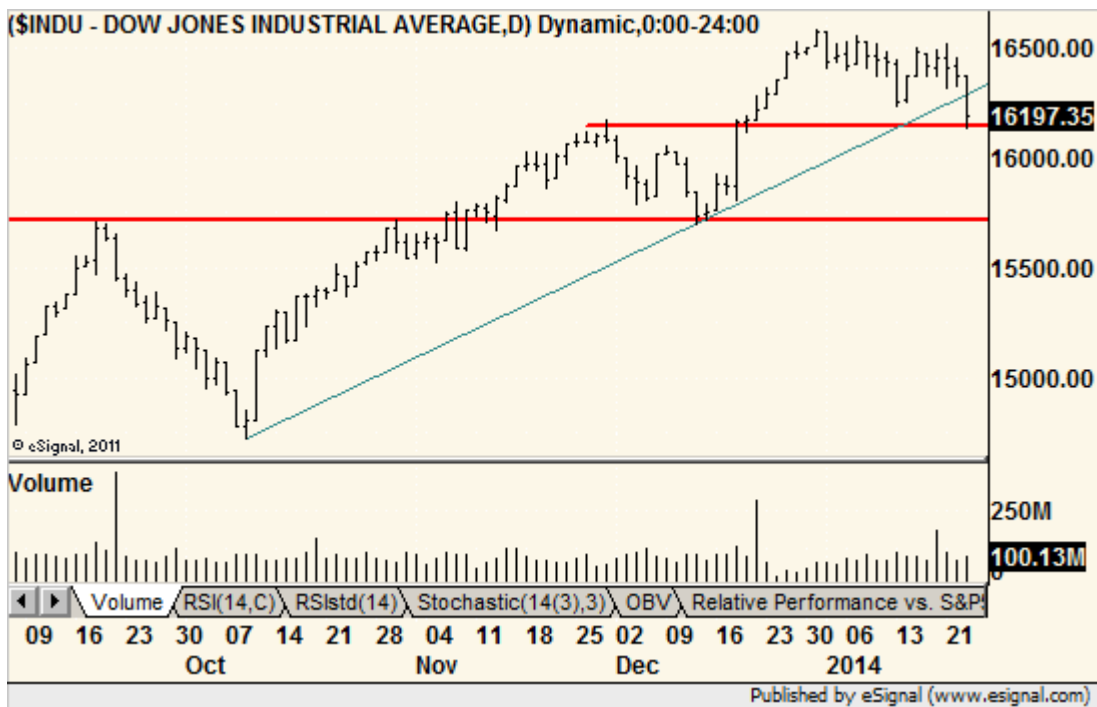
Index Charts of the Day



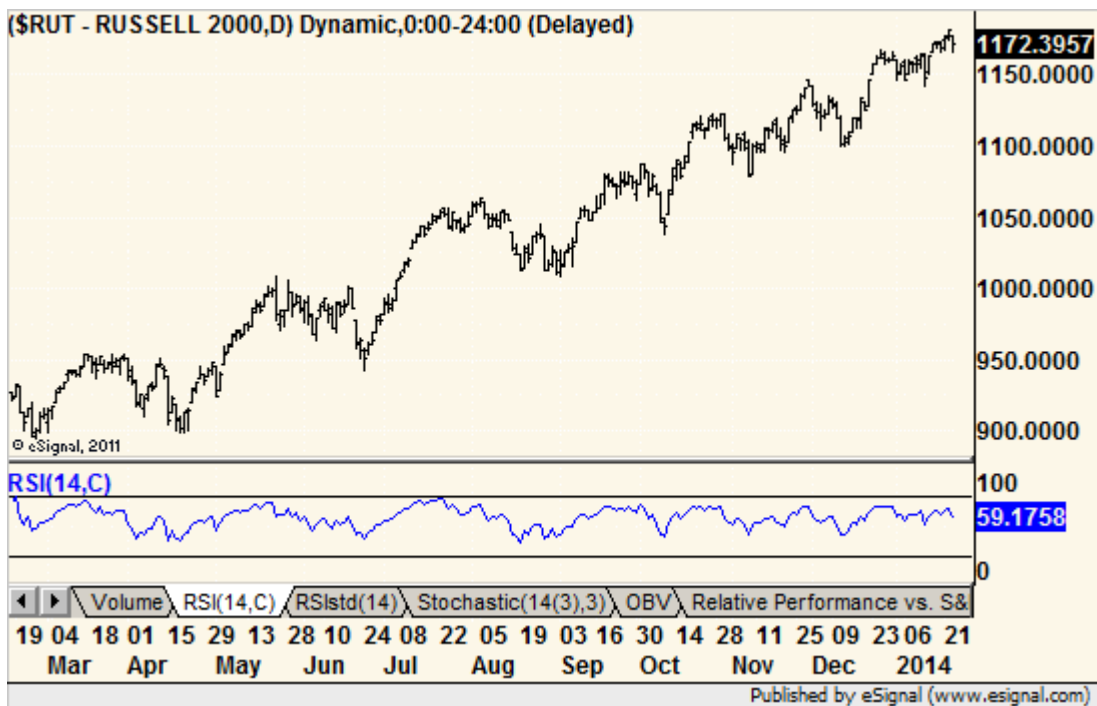
The S&P 500 closed above the trendline but this morning it is below - but still in the trading range. Volume was above average on yesterday's tumble but not the highest over the past week.



We won't be cavalier but there was no breakdown in the Nasdaq. Above average volume here, too, but it was actually one of the lowest totals so far in January.



The Dow is in the worst shape with a real trend break - albeit through a weakly constructed trendline. Volume was nothing special, either. This morning, the upper red line is broken but we'll have to see if that holds into the close. The lower red line is the major support from the former trading range.



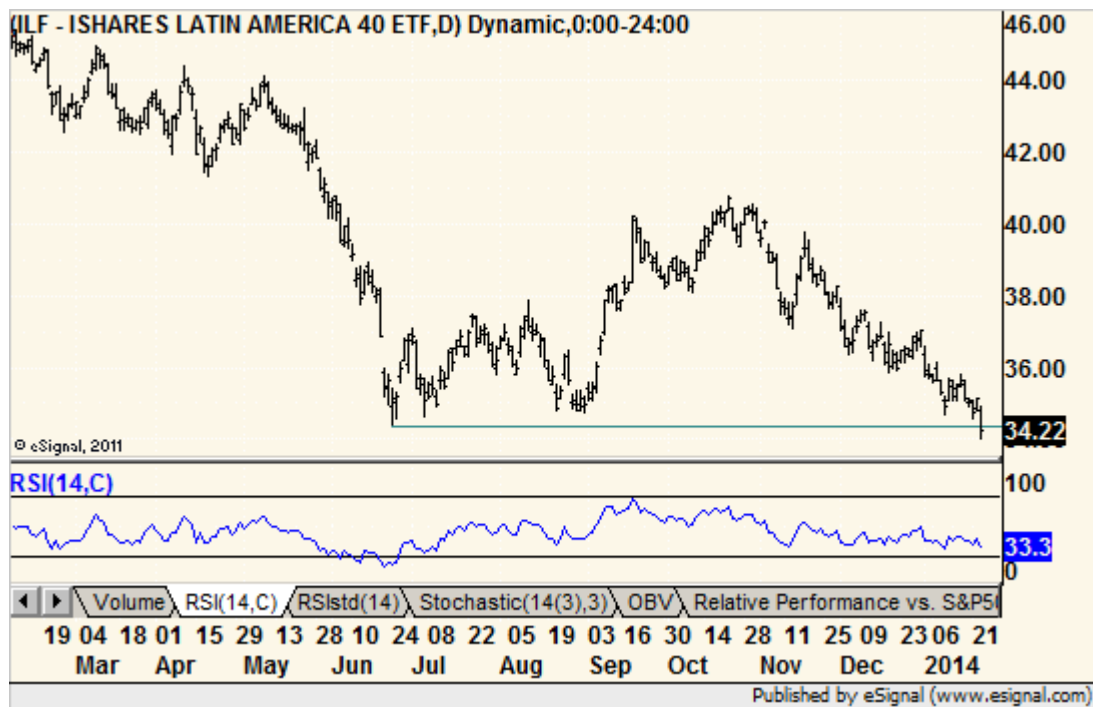
Seriously, ignore the news and look at this chart of the Russell 2000. What do you think about the trend? We are not saying it cannot reverse but right now there is no evidence.

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		
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. <u>Not looking good but we'll keep it here.</u>		1/21
Nuveen Preferred Income fund JTP - Preferred stock closed end fund and the chart looks terrific! Big dividend yield but it went ex-dividend last week. We are buying after yesterday's dip. Warning - went ex-div last week.	Triggered	1/22
Bearish Implications		
AO Smith AOS - Water heater maker with initial breakdown and pause. Selling close under new mini-support at 51.50.		1/13
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 to 44.00.		1/21
Holding Tank - red shade leans bearish, green shade leans bullish		
Home Properties HME - This REIT is forming a double bottom and should run into its declining trendline soon. Note on-balance volume finally rising. Waiting for pause and trend break.		1/15
Southern Copper SCCO - If copper breaks out, this stock is in position for a breakout of its own.		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.		1/21
Yahoo YHOO - It is not quite time to bail on this one if you own it but the RSI divergence and potential head-and-shoulders, squashed as it is, are there. Owns a giant stake in Chinese Alibaba and the latter has been in the news this week.		1/23
Google GOOG - closing in on the third integral multiple of its trading range breakout target. One and two are usually reliable but number three usually has a twist to it. That twist is often a reversal before it is reached and with on-balance volume stumbling, it is time to start to lighten up here with partial profit taking		1/23
Buffalo Wild Wings BWLD - This restaurant broke down. Let's see if it gives us a nice test to sell.		1/23
Sina SINA - Chinese internet breakdown. Perhaps a bounce to sell.		1/23
Sector Watch (observations that may spark ideas)		
S&P Insurance ETF KIE - Bearish RSI divergence and potential double top. Waiting for trendline to break. Broken		1/9
Retail ETF XRT - The one major sector that looks awful		1/10
Oil Exploration/Production Index EPX - Trendline breakout. Best charts EOG, PXD, XEC , but be sure you are comfortable with some of the P/E ratios (we are).		1/22
Railroads - Went from weakest transport sector to a new high. Go figure. No damage done since there was no trade on.		1/22
Biotech - Overbought. Home to some of the steepest gainers we've seen recently		1/22
Updates		
none -		

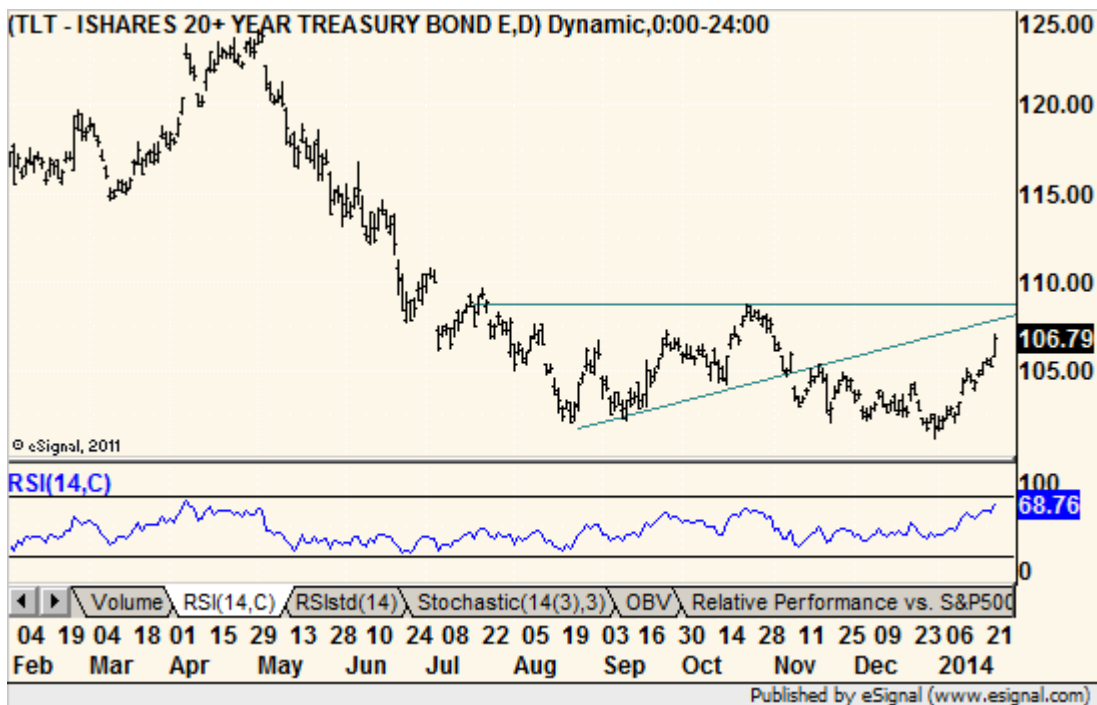
Market Highlights



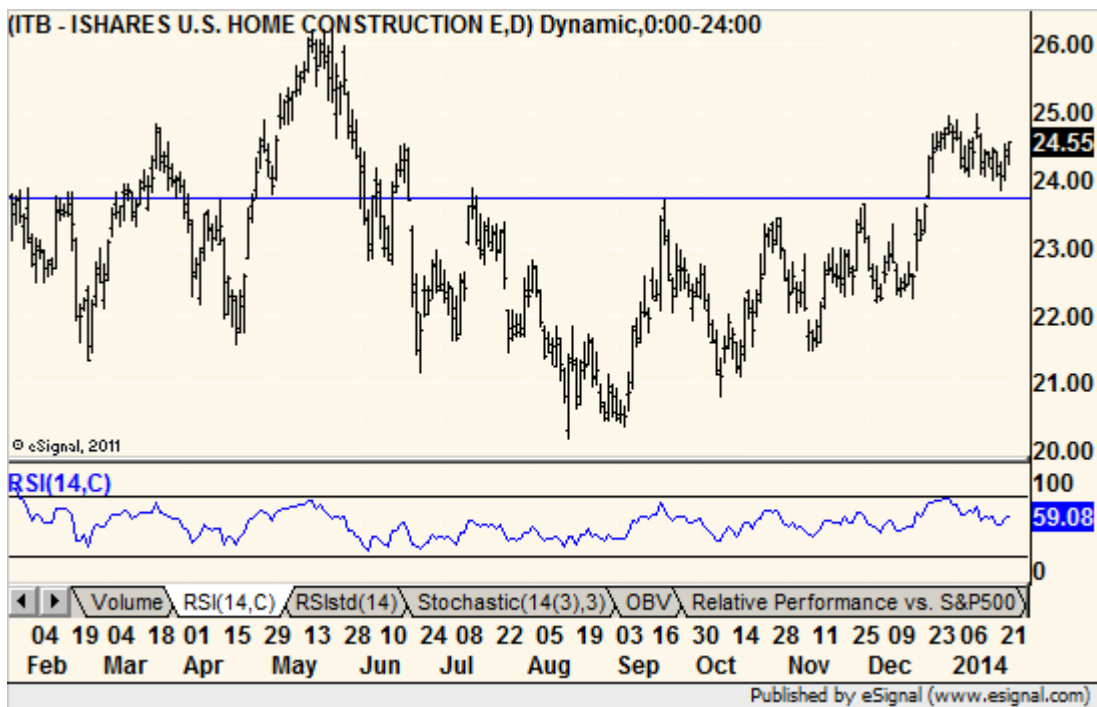
Latin America 40 ETF - A new low but a marginal support break. Not oversold. This part of the world has been falling since 2010 and, of course, is dominated by Brazil. However, Mexico, which has been much stronger, may be starting to crack, too. See next chart...



Mexico ETF - This ETF may be starting to break. It is already below its major averages and closed right on the lower border of its triangle pattern.



Long-T-bond ETF - Looking good as it approaches resistance.



Homebuilder ETF - Here is a question - if the market is getting bad then why is this sector rallying? It is one of the economic indicators for 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>	NLY	ANNALY CAP MGMT INC	10.52	6.4%	10.00	9.89	12/6	48
	CPE	CALLON PETE CO DEL	6.60	0.8%	6.40	6.55	1/7	16
	TEVA	TEVA PHARMACEUTICAL INDS LTD	44.01	5.5%	43.25	41.70	1/10	13
	GDX	MARKET VECTORS GOLD MINERS ETF	23.72	7.1%	22.50	22.15	1/13	10
	T	AT&T INC	33.80	1.4%	32.25	33.33	1/14	9
	MON	MONSANTO CO NEW	108.83	-3.7%		113.00	1/15	8
	IBM	INTERNATIONAL BUSINESS MACHS	182.73	0.8%	175.00	181.28	1/22	1
	JTP	NUVEEN QUALITY PFD INCOME FD	7.83	0.0%	7.70	7.83	1/23	0
<u>Short</u>	SBUX	STARBUCKS CORP	73.39	3.6%	cover	76.00	1/13	10
	STJ	ST JUDE MED INC	63.79	4.7%	67.00	66.80	1/14	9

Notes: **MON** stopped out as expected after agribusiness stocks started to fall the day before.

New long in **JTP** - a bond equivalent.

Covering short in **SBUX** after it closed with a hammer candle yesterday. Bid up in the premarket so we will likely not end up with much of a profit.

Elsewhere, tweaked a bunch of stops.

If you did not buy **T** when we did, you have another chance as it scored a bull reversal at support yesterday.

Subscriber Corner

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



Fusion IO - We just eyeballed support and resistance levels as seen above. The trendline was hit yesterday, as was the target for the Dec-Jan double bottom.

We'd say this rebound is over for the time being. A pause now and then a breakout would be a new leg higher. A breakout without a pause would be very fragile, in our view, unless there is more news.

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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