

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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January 27, 2014 – They called it "pockets of stress" when a few areas of the global economy stumbled last week. From the Wall Street Journal:

"A mix of local emerging-market strains, nerves over the fallout from the U.S. Federal Reserve's plans to reel in monetary stimulus and patches of weak economic data from China have caused investors to pull back from riskier bets in recent trading days."

The culprits were Turkey, South African, Argentina and China, the latter for economic news rather than "stresses." We can see it in ETF trading and we've got our list of international ETFs below with performances. You can see where the problems were and where they spread - hint: Germany.

On a more "chartly" track - the stock market had every chance to bounce off support but early in Friday's session it became quite clear that it was not to be. Interestingly, that "healthy correction" everyone was looking for got made more bears than bulls emerge. The **VIX** shot up 32% to tell us that fear was rampant.

"Buy when there is blood in the streets" - Baron Rothschild.

"Blood in the streets in the town of Chicago" - Peace Frog, The Doors (1970) - Interestingly, produced by a guy named Paul Rothchild

Asia was a sea of red but then again the overnight hours were its first chance to react to the 318-point Dow slide. We do not have the data but one source said the Hong Kong market advance-decline ratio was zero! No stocks in the green at all! After we said "wow" we had to think that was a panic, if not a wash-out. We won't say bottom but who is left to sell?

A hedge fund friend of mine was convinced we'd see a Monday rally here in this now short-term oversold market. We'll see but the mood certainly changed from exuberance to despair in a hurry. Futures are up just a little this morning but Turkey announced it will take measures to fix things over there and that is helping.

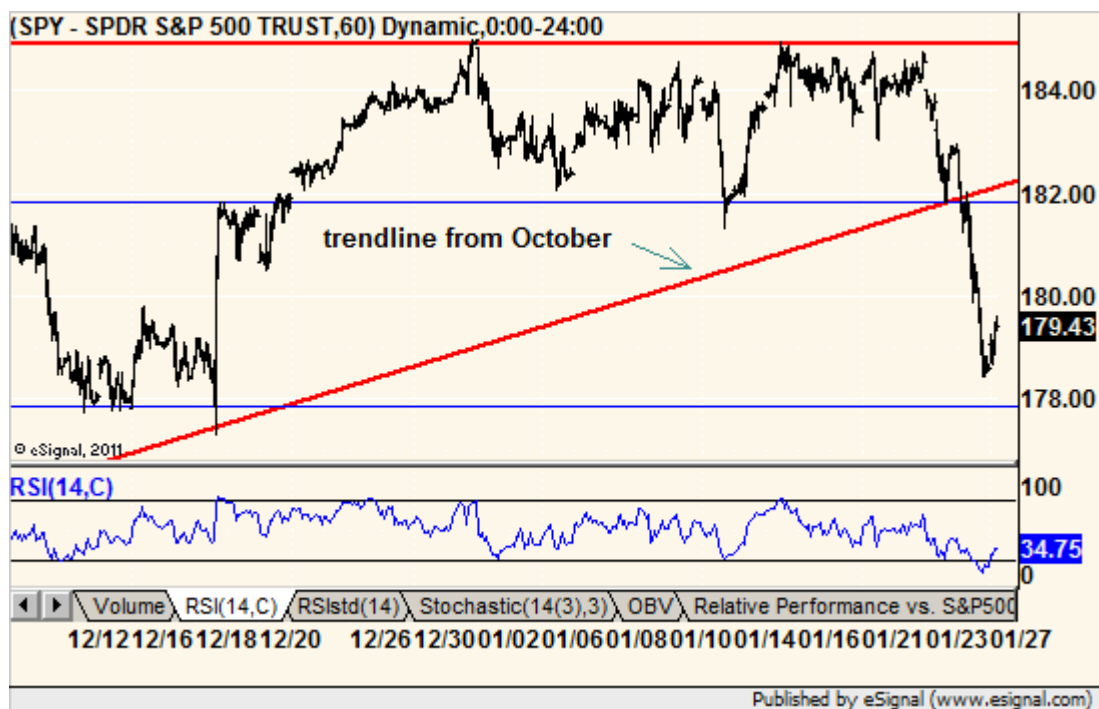
We have also changed our tune but not to "sell everything." Rather, that was the shot across the bow but we expect the market to give us one more chance to reposition at higher levels - just not at new highs. Dow 16,750 now seems to be out of reach - at least with what we now see on the charts.

DecisionPoint suggested a head-and-shoulders is forming and we've got that chart in the Big Picture section below.

What is interesting is that the US dollar index is net where it was Thursday afternoon. So much for the flight to safety, although the Turkish lira and South African rand plunged relative to the US. So where is the money going? Not Australia, which continued to dive. Not the euro, which is also about where it was Thursday afternoon. It is the Japanese yen which is climbing.

One more thing - gold is moving higher but it did not spike say \$50 the way it might during a real panic.

The stock chart is next.....



Here is the hourly **SPY** chart and we can see the October trendline held then cracked. Hot knife through butter. But support from December is now in the area and RSI is, or was, oversold. The risk/reward now seems to be on the upside in this time frame. See the daily charts below for more.

Let's end the regular comments with sectors. The "least bad" were non-durable household goods, toys, restaurants, electronics clothing and food. Hmmm - all consumer stuff.

The worst were gaming, aluminum, shipping heavy construction and durable household goods. Save for gaming, that's all rather industrial. What does it all mean? Perhaps a shift towards defense as the market thinks the economy will slow down? We are just throwing that out there as that is outside our mandate. But it does tell us where the last to get tossed reside (the baby) and where the most unloved are (the bathwater). Lightening up on the latter first on any bounce would be the way to play.

Continued on next page...

As mentioned, we've got data for you below. Normally, we do not publish tables but here is the list we follow with the actual Argentinean index tossed in. The red full line highlights are the key countries from Friday - Argentina, Turkey and China - where the fear wave began. The darker red highlights show the worst markets of the day. Note the boxed in trio of France, Germany and the UK as some of the worst performers. Germany used to be bullet proof. Not anymore.

#pacific

EWT	13.85	-0.11	-0.79%	4.42M	7.72M	ISHARES MSCI TAIWAN ETF
THD	66	-0.75	-1.12%	328K	332K	ISHARES MSCI THAILAND CAPPED ETF
EPHE	31.03	-0.41	-1.30%	151K	567K	ISHARES MSCI PHILIPPINES ETF
EWM	14.53	-0.22	-1.49%	1.67M	2.80M	ISHARES MSCI MALAYSIA ETF
EWJ	11.68	-0.18	-1.52%	29.0M	52.4M	ISHARES MSCI JAPAN ETF
EWS	12.25	-0.23	-1.84%	1.57M	3.00M	ISHARES MSCI SINGAPORE ETF
EWH	19.46	-0.42	-2.11%	2.47M	6.52M	ISHARES MSCI HONG KONG ETF
EPP	43.91	-0.95	-2.12%	725K	892K	ISHARES MSCI PACIFIC EX JAPAN ET
FXI	34.22	-0.8	-2.28%	22.6M	47.1M	ISHARES CHINA LARGE-CAP ETF
VNM	20.35	-0.57	-2.72%	497K	755K	MARKET VECTORS VIETNAM ETF
GXC	71.32	-2.02	-2.75%	167K	236K	SPDR S&P CHINA ETF
EWY	57.64	-1.71	-2.88%	3.10M	6.88M	ISHARES MSCI SOUTH KOREA CAPPED
EIDO	22.64	-0.94	-3.99%	505K	1.11M	ISHARES MSCI INDONESIA ETF
IDX	20.8	-0.91	-4.19%	166K	334K	MARKET VECTORS INDONESIA INDEX

#latin

GXG	16.24	-0.3	-1.81%	79.9K	99.3K	GLOBAL X/ FTSE COLOMBIA
EWX	62.61	-1.27	-1.99%	2.98M	4.62M	ISHARES MSCI MEXICO CAPPED ETF
ILF	33.4	-0.82	-2.40%	402K	681K	ISHARES LATIN AMERICA 40 ETF
EWZ	39.97	-1.22	-2.96%	12.9M	21.4M	ISHARES MSCI BRAZIL CAPPED ETF
ECH	42.46	-1.71	-3.87%	210K	835K	ISHARES MSCI CHILE CAPPED ETF
MERVAL	5,545.21	-226.55	-3.93%			ARGENTINA MERVAL INDEX
EPU	33.18	-1.41	-4.08%	131K	159K	ISHARES MSCI ALL PERU CAPPED ETF

#british empire

EWC	28.15	-0.45	-1.57%	1.13M	1.58M	ISHARES MSCI CANADA ETF
EWA	22.91	-0.51	-2.18%	1.63M	2.56M	ISHARES MSCI AUSTRALIA ETF
ENZL	38.21	-1.05	-2.67%	41.7K	55.3K	ISHARES MSCI NEW ZEALAND CAPPED
EZA	58	-2.76	-4.54%	364K	1.02M	ISHARES MSCI SOUTH AFRICA ETF

#emerging and BRIC

EGPT	58.99	-0.21	-0.35%	13.5K	23.0K	MARKET VECTORS EGYPT INDEX ETF
PMNA	12.8	-0.06	-0.47%	5.25K	39.4K	POWERSHARES MENA FRONTIER
MES	28.62	-0.38	-1.31%	8.28K	13.8K	MARKET VECTORS GULF STATES
GULF	21.23	-0.34	-1.58%	19.7K	27.3K	WISDOMTREE MIDDLE EAST DIVIDEND
RSX	26.22	-0.62	-2.31%	3.87M	6.62M	MARKET VECTORS RUSSIA ETF
EEB	31.6	-0.77	-2.38%	36.0K	63.0K	GUGGENHEIM BRIC ETF
FRN	15.27	-0.39	-2.49%	40.4K	29.3K	GUGGENHEIM FRONTIER MARKETS
BKF	34.54	-0.9	-2.54%	102K	154K	ISHARES MSCI BRIC ETF
EEM	38.24	-1.03	-2.62%	67.4M	127M	ISHARES MSCI EMERGING MARKETS
GAF	62	-2.2215	-3.46%	12.3K	21.1K	SPDR SP EMRGNG MIDEAST/EAFRICA
INP	54.01	-2.29	-4.07%	37.5K	47.1K	IPATH MSCI INDIA INDEX ETN

#europe

EWL	32.49	-0.75	-2.26%	518K	444K	ISHARES MSCI SWITZERLAND CAPPED
GUR	37.08	-0.9096	-2.39%	13.4K	10.2K	SPDR S&P EMERGING EUROPE ETF
EWO	20.24	-0.5364	-2.58%	178K	162K	ISHARES MSCI AUSTRIA CAPPED ETF
EWD	34.87	-1	-2.79%	145K	440K	ISHARES MSCI SWEDEN ETF
EWK	16.01	-0.46	-2.79%	98.4K	45.6K	ISHARES MSCI BELGIUM CAPPED ETF
EWN	25.12	-0.79	-3.05%	222K	218K	ISHARES MSCI NETHERLANDS ETF
EWI	15.61	-0.5	-3.10%	1.45M	3.29M	ISHARES MSCI ITALY CAPPED ETF
IEV	46.11	-1.51	-3.17%	668K	734K	ISHARES EUROPE ETF
PLND	21.64	-0.71	-3.18%	17.0K	9.67K	MARKET VECTORS POLAND ETF
EWG	30.52	-1.02	-3.23%	2.98M	3.13M	ISHARES MSCI GERMANY ETF
EWU	20.36	-0.69	-3.28%	3.19M	2.30M	ISHARES MSCI UNITED KINGDOM ETF
EWQ	27.185	-0.945	-3.36%	653K	511K	ISHARES MSCI FRANCE ETF
EZU	39.95	-1.4	-3.39%	4.16M	4.29M	ISHARES MSCI EMU ETF
EPOL	28.13	-1.08	-3.70%	292K	274K	ISHARES MSCI POLAND CAPPED ETF
EWP	38.03	-1.73	-4.35%	882K	802K	ISHARES MSCI SPAIN CAPPED ETF
TUR	40.95	-1.96	-4.57%	676K	1.06M	ISHARES MSCI TURKEY ETF
GREK	21.73	-1.24	-5.40%	242K	459K	GLOBAL X FTSE GREECE 20 ETF

Closed end funds

CH	12.83	0.1524	1.20%	91.0K	144K	ABERDEEN CHILE FD INC
TTF	17.83	-0.06	-0.34%	92.2K	74.3K	THAI FD INC
TWN	18.79	-0.12	-0.63%	6.82K	11.5K	TAIWAN FD INC
TRF	14.4107	-0.1993	-1.36%	21.0K	22.6K	TEMPLETON RUS AND EAST EUR FD
APB	9.87	-0.14	-1.40%	26.6K	37.4K	ASIA PAC FD INC
ISL	16.648	-0.302	-1.78%	9.91K	259	ABERDEEN ISRAEL FUND INC
GRR	10.85	-0.22	-1.99%	37.0K	12.1K	ASIA TIGERS FD INC
IF	8.11	-0.18	-2.17%	51.3K	98.3K	ABERDEEN INDONESIA FD INC
EIS	47.73	-1.2	-2.45%	55.4K	28.9K	ISHARES MSCI ISRAEL CAPPED ETF
IAF	8.59	-0.22	-2.50%	144K	118K	ABERDEEN AUSTRALIA EQTY FD INC
CHN	19.57	-0.59	-2.93%	62.4K	53.4K	CHINA FD INC
TKF	9.97	-0.32	-3.11%	113K	88.9K	TURKISH INVT FD INC
IFN	19.23	-0.63	-3.17%	135K	208K	INDIA FD INC

#emerging bonds

EMB	107.55	-0.59	-0.55%	685K	679K	ISHARES J.P. MORGAN USD EMERGING
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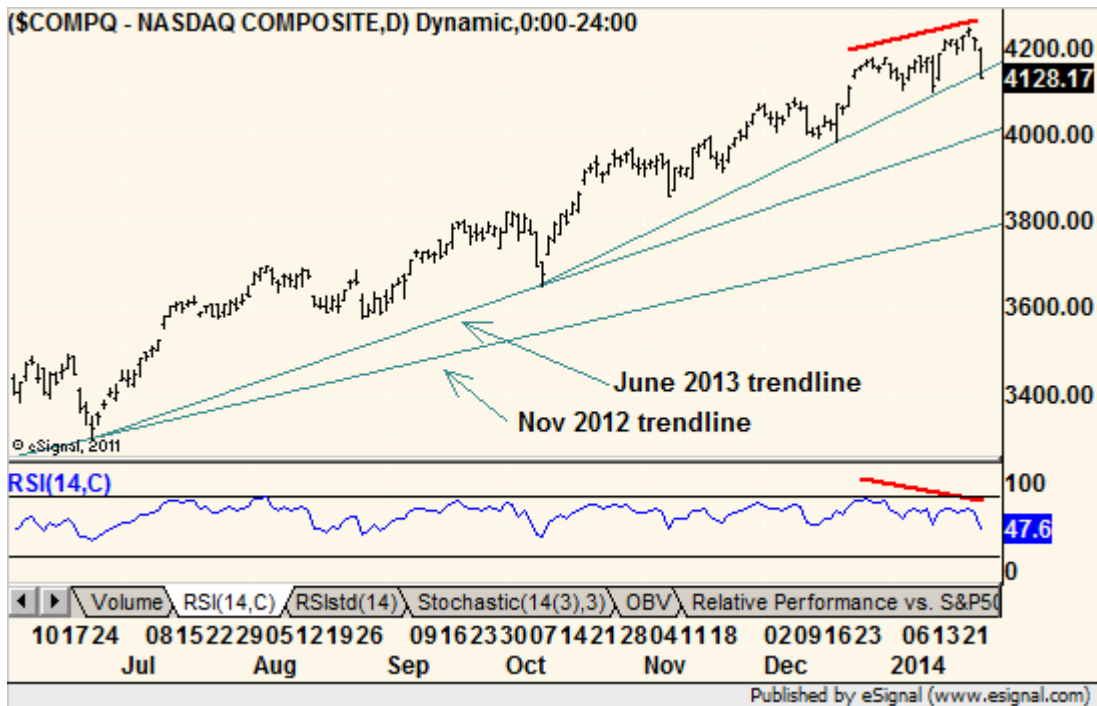
#emerging currency

CEW	19.51	-0.07	-0.36%	42.8K	45.5K	WISDOMTREE EMERGING CURRENCY
BZF	17.13	-0.09	-0.52%	78.6K	42.8K	WISDOMTREE BRAZILIAN REAL STRATE

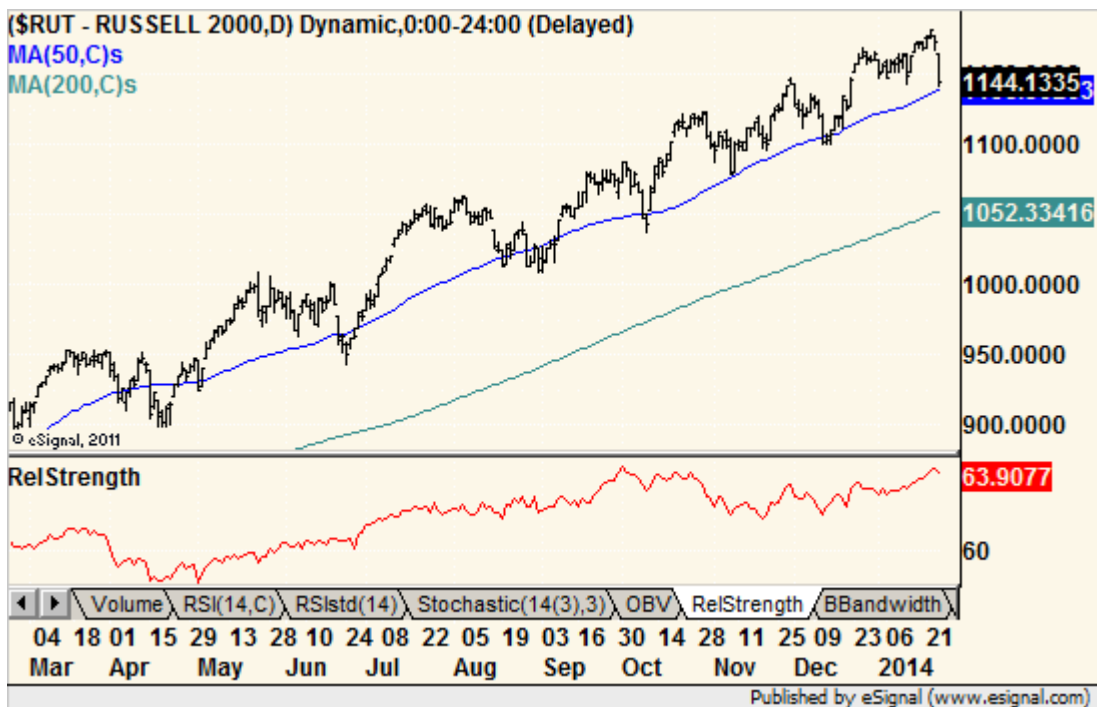
Index Charts of the Day



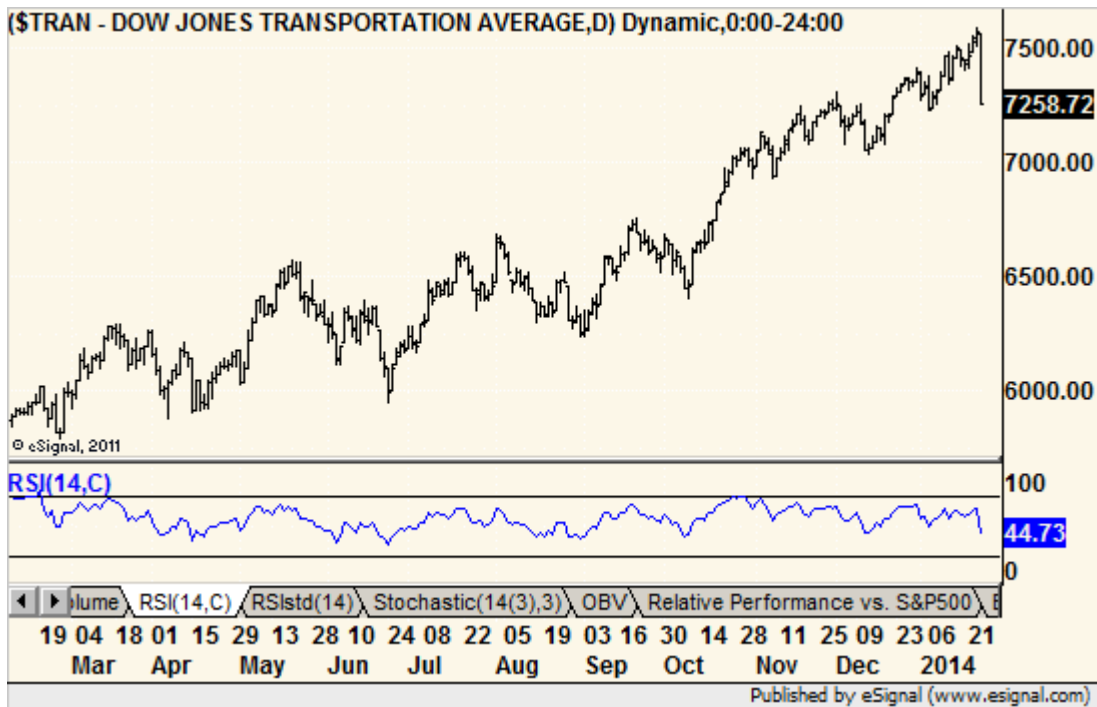
The Dow smashed support and the short-term line but is still above the much more important long-term lines and levels.



The Nasdaq did indeed have a bad Friday but it has not broken anything but very short-term support (not drawn).



The small cap Russell 2000 did fare worse than the big caps but it is still above its 50-day average and the trend is still officially up.



The transports were off over 4% thanks to marine transports. Rails were off a bit less but now show an expanding triangle pattern (bearish). Truckers were not off as much but the chart shows a possible breakout failure. Airfreight is the place where the change in trend and breakdown is very clear.

The Radar Screen

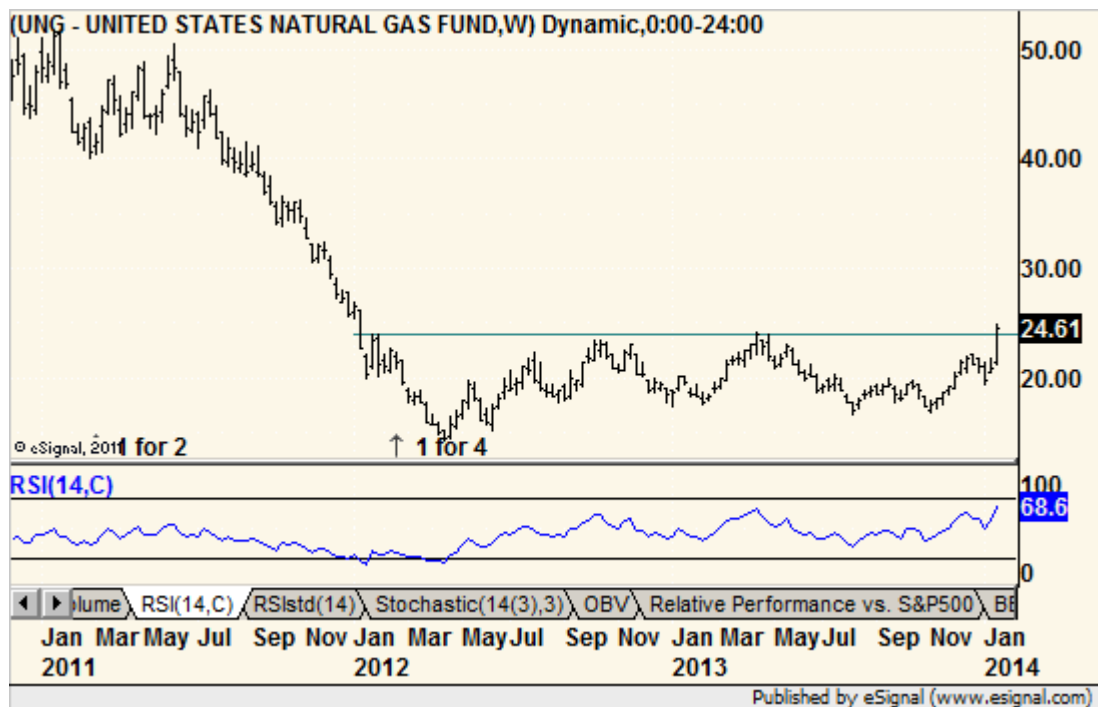
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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. Breakdown with no harm done.	Removed	1/21
Bearish Implications		
AO Smith AOS - Water heater maker with initial breakdown and pause. Selling close under new mini-support at 51.50.	Triggered	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. <u>Too far away</u>	Removed	1/21
Unknown Implications		
none -		
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. Well, it did		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. Breakdown - sell a bounce.		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. And sell some more on any bounce.		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. <u>Nope</u>	Removed	1/23

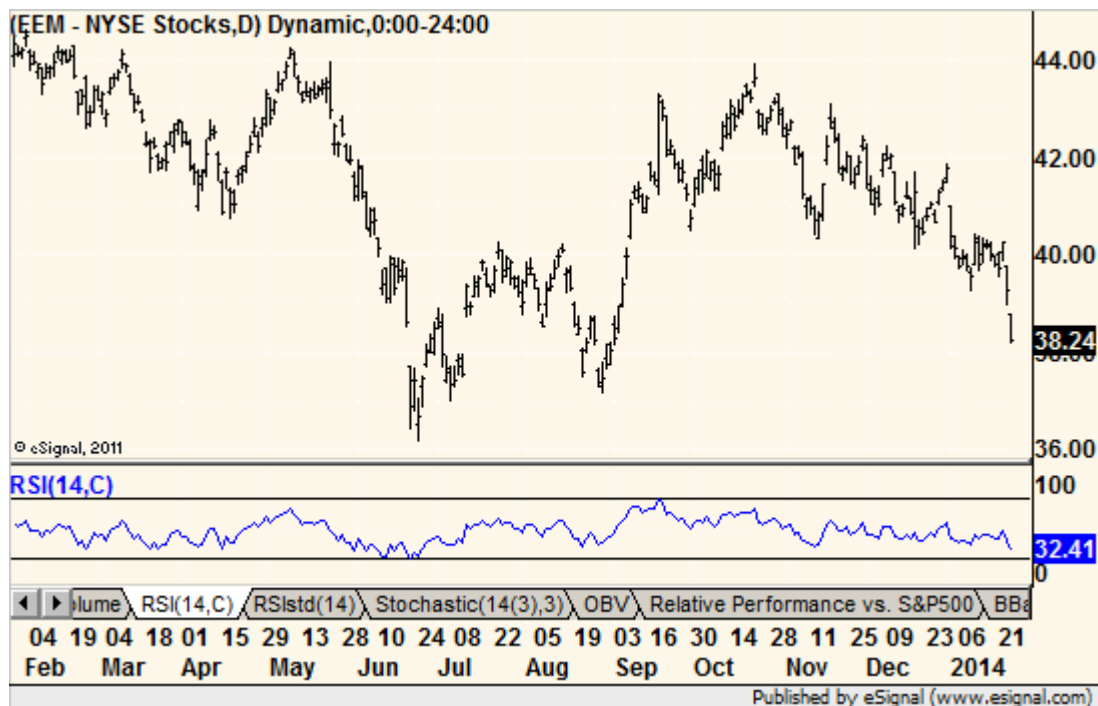
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Sector Watch (observations that may spark ideas)		
S&P Insurance ETF KIE - Bearish RSI divergence and potential double top. Waiting for trendline to break. Broke Thursday and OMG on Friday!		1/9
Oil Exploration/Production Index EPX - Looking like it wants to break out from this decline. RSI never got below 30 and that is a correction condition, not a bearish trend. Best charts in the sector EOG, PXD, XEC , but be sure you are comfortable with some of the P/E ratios (we are). Testing breakout		1/22
Railroads - Expanding triangle		1/22
Biotech - Overbought. Home to some of the steepest gainers we've seen recently <u>and now in the inevitable correction.</u>		1/22
Updates		
Latin ETF ILF – Breakdown through support		
Mexico ETF EWW - Breakdown through triangle border		
Homebuilder ETF ITB - Still above former resistance and holding December breakout		
Potash POT - We were stopped out of a long early last week and it got crushed Friday. Fertilizer is often linked to emerging markets, which tanked.		

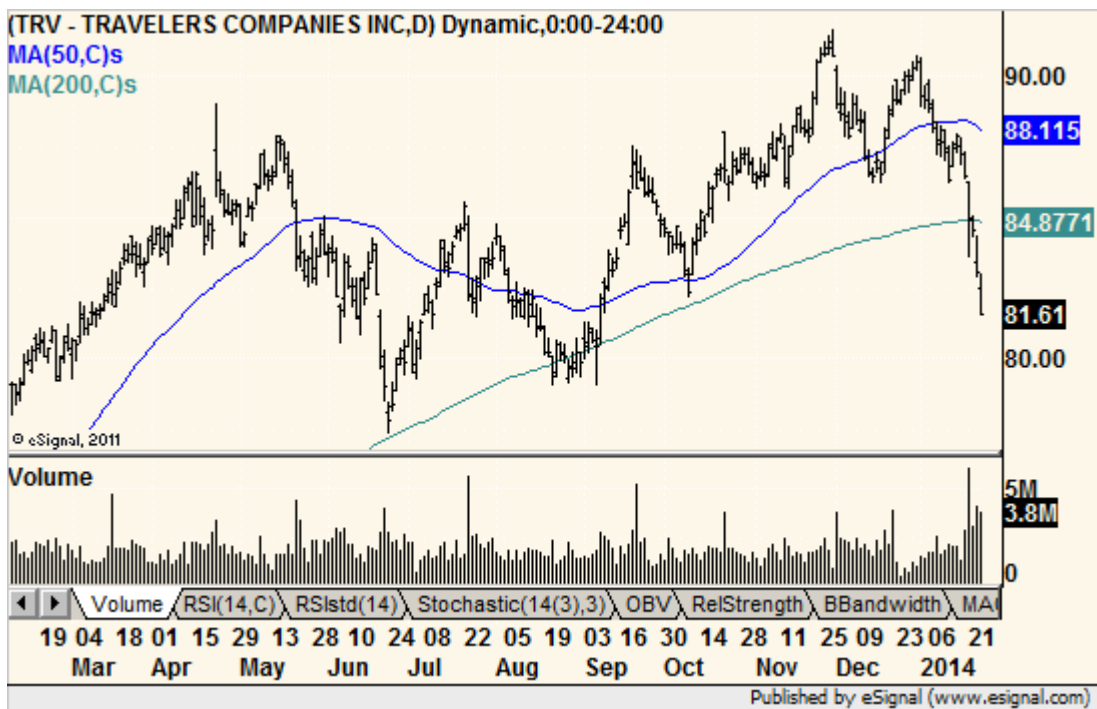
Market Highlights



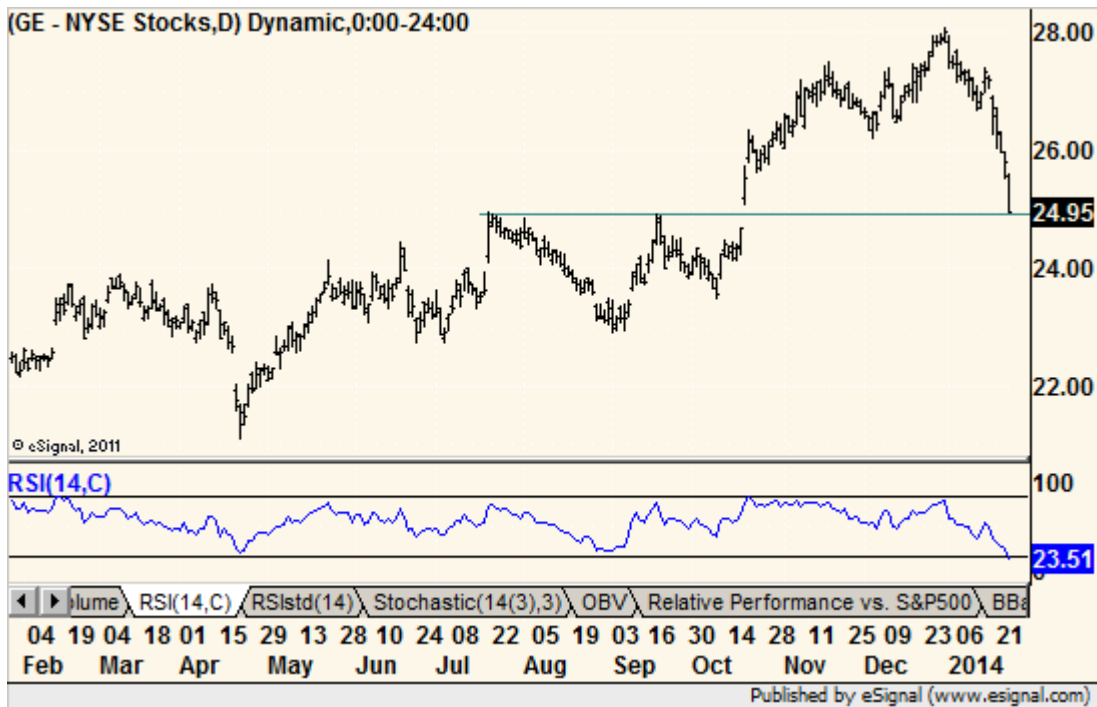
Natural Gas ETF - While we are focusing on the stock market, this market has soared. It is now above long-term resistance from a two-year base. We might be interested in it if it pauses here.



Emerging Markets ETF - Falling knife.



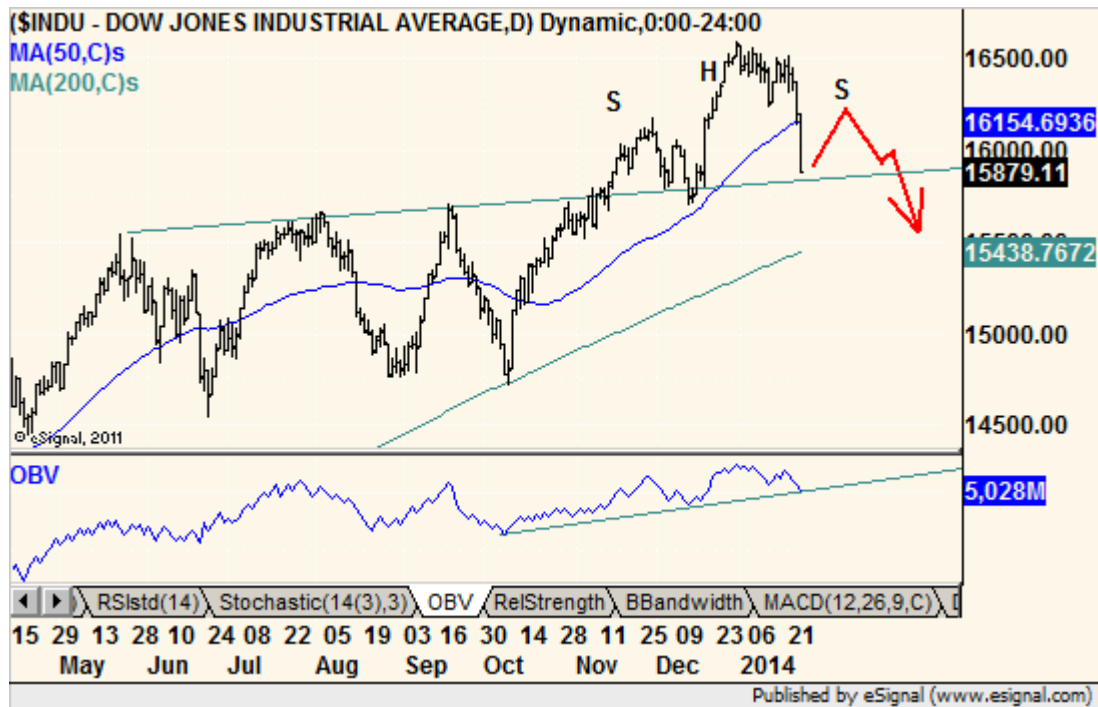
Travelers - We think insurance has rolled over but this one has been crushed. Short-term traders might like this one on a bounce back to the 200-day average. Investors should avoid.



General Electric - Ditto

The Big Picture

In this section, we take a macro look at things.



We thought the Dow would hit 16,750 before the game ended but perhaps that target was too aggressive. So now, rather than looking for a new high, we are looking for a rebound to complete a head-and-shoulders top.

Will the market follow our path? We'd be fools to think it will but that does not mean it will not move in a similar manner. We have always been looking for a decline in the first half of the year but like everyone else we were not ready for last week's rout.

The November 2012 trendline is now at 15,500 and that was where we thought it would go. What happens there will be the mystery.

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	10.54	6.6%	10.00	9.89	12/6	50
	CPE	CALLON PETE CO DEL	6.66	1.7%	6.40	6.55	1/7	18
	TEVA	TEVA PHARMACEUTICAL INDS LTD	43.25	3.7%		41.70	1/10	15
	GDX	MARKET VECTORS GOLD MINERS ETF	23.67	6.9%	22.50	22.15	1/13	12
	T	AT&T INC	33.42	0.3%	32.25	33.33	1/14	11
	IBM	INTERNATIONAL BUSINESS MACHS	179.64	-0.9%	175.00	181.28	1/22	3
	JTP	NUVEEN QUALITY PFD INCOME FD	7.73	-1.3%	7.70	7.83	1/23	2
<u>Short</u>	STJ	ST JUDE MED INC	62.11	7.6%	65.00	66.80	1/14	11
	AOS	SMITH A O	50.19	0.0%	53.00	50.19	1/23	2

Notes: Stopped out of **TEVA** for a small profit

Covered short in **SBUX** at the open Friday after Thursday's bullish hammer. Unfortunately, our rules force us to trade regular hours, not pre- or post-market so we lost some profit to the gap up open. We ended with 1.7% profit in 12 days. Better than nothing.

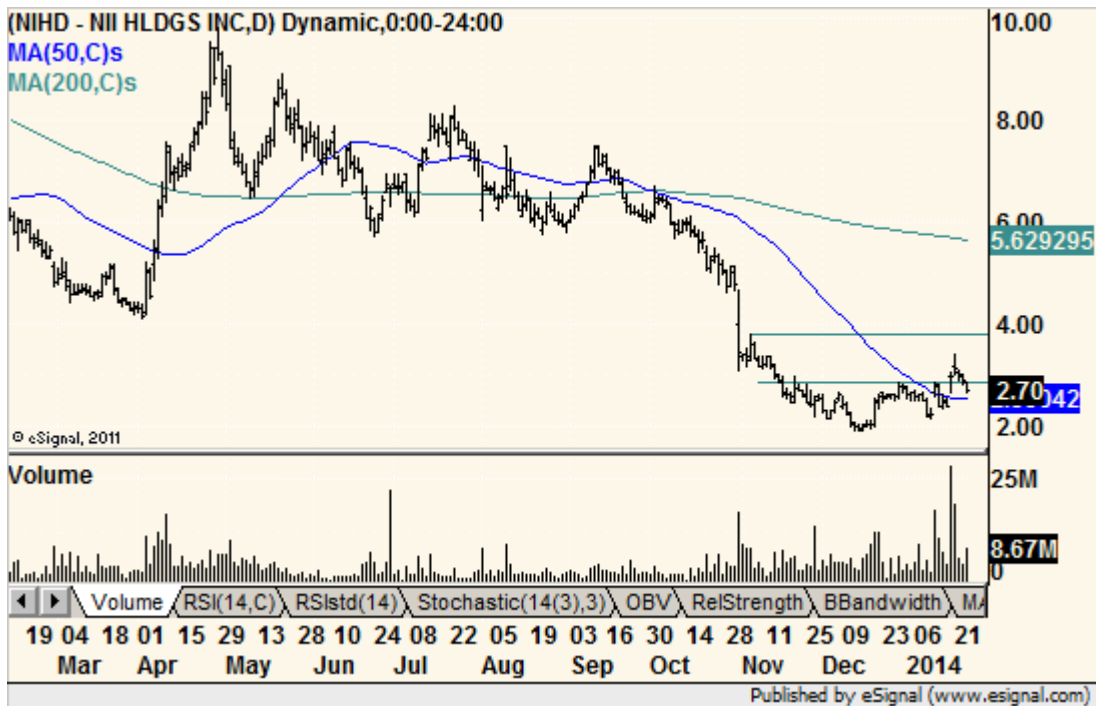
Lowered stop in **STJ** short.

JTP's stop may be too tight. We like this stock, even after the decline Friday.

New short in **AOS** triggered at the close - unfortunately after a 3.9% decline during the day. Our rule saying no "on close" trades does not kick in until a 4% or 5% loss. We'll have to ride the bounce but the pattern is indeed broken to the downside.

Subscriber Corner

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



NII Holdings - Short-term breakout and test yes. Above 50-day average, too. But this stock is in a seven-year bear market and needs more than two months of stability to end it.

With that said, the possible percentage gain is big, even for a short-term trade. Of course, so is the potential loss if this has indeed failed to hold its breakout. So, with some fundamental insight into the company, if you are nimble and risk tolerant you can give it a go with a stop in the area of the 50-day average. Resistance at the post-October decline recovery high in the 3.79 area.

Other Information

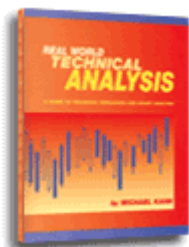
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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