

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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January 28, 2014 – The market was in rare form Monday, faking a rebound at the open then threatening to break key support midday, rebounding in what looked to be a bullish hammer and then fading into the close. Apple destroyed any hope after the bell and then this morning the games continued with a nice little rally in the premarket.

Sentiment went into the dumper yesterday but by the close the **VIX** reversed to the downside. In English, a big pop in fear, probably more than was justified, now sets up a small recovery, durable goods report included (print Janet print!). We are not betting the farm on that but it does feel as if weak hands were shaken out,



The **SPY** hourly chart shows a bullish RSI divergence at support. A test of the trend break is possible. So is a simple tiny trading range right where it is before another breakdown attempt. We'll have to wait to see which way the market starts to move and then plan accordingly.

Breaking things down a bit, we like to see which sectors rebounded most and which did not. The former can include the most oversold groups and is probably less meaningful. However, the groups that did not recover at all are telling.

The worst group Monday was electronic office equipment including **XXR** and **PBI**. Many of the others are Japanese ADRs and that market, thanks to a stronger yen, broke down. It may not be important for us here.

What we think are significant losers are biotech, travel and tourism and consumer finance. Internet was in there too, thanks to **GOOG**, **EBAY** and a double dip on **PCLN** (Internet and travel).

We also think transports have run their course with truckers, air freight and possibly rails looking really weak.

Utilities were in the green so if you are interested in putting money to work, look for dividend stocks.

Index Charts of the Day



Simple support and resistance for the S&P 500.



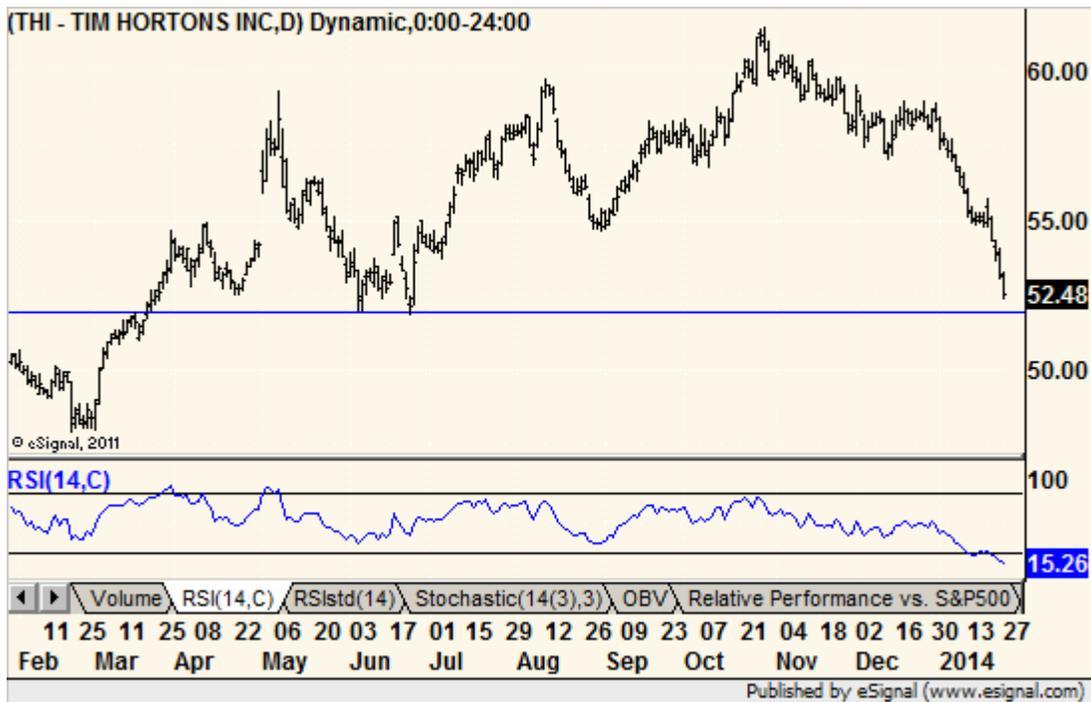
The Nasdaq is sitting on a support level but Apple's weighting should take it below at the open. Still, the support and resistance configuration is similar to the S&P 500's and we'd be more inclined to forecast trading range and possible head-and-shoulders here.

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		
General Electric GE - Oversold Dow stock sitting on support. We actually like the risk/reward here for a quick rally so we will buy.	New	1/28
Tim Horton's - This is a Dunkin Donuts peer and it is just oversold in any we can measure. Support is near so this is a rather low risk setup for a quick strike buy.	New	1/28
Bearish Implications		
none -		
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Home Properties HME - A bit too far from a double bottom breakout so we'll move on. No harm done.	Removed	1/15
Southern Copper SCCO - Also a bit too far from a breakout so we'll move on.	Removed	1/17
Yahoo YHOO - RSI divergence and head-and-shoulders breakdown - sell a bounce.		1/23
Google GOOG - <u>Got crushed over the past few days. We'll leave it here for a short opportunity in case it bounces.</u>		1/23
Buffalo Wild Wings BWLD - This restaurant broke down. Let's see if it gives us a nice test to sell. <u>Might have been a quick outside-day to the downside already.</u>		1/23
Sector Watch (observations that may spark ideas)		
Oil Exploration/Production Index EPX - Huge breakout failure	Changed	1/22
Biotech - Huge decline may have been a game changer here.	Changed	1/22
Updates		
Sina SINA - The Chinese Internet is way down but formed a hammer Monday.		
Natural Gas ETF UGA - Looks like a correction in progress after a long-term base breakout		
Travelers TRV - Oversold Dow stock with bullish reversal Monday		

Market Highlights



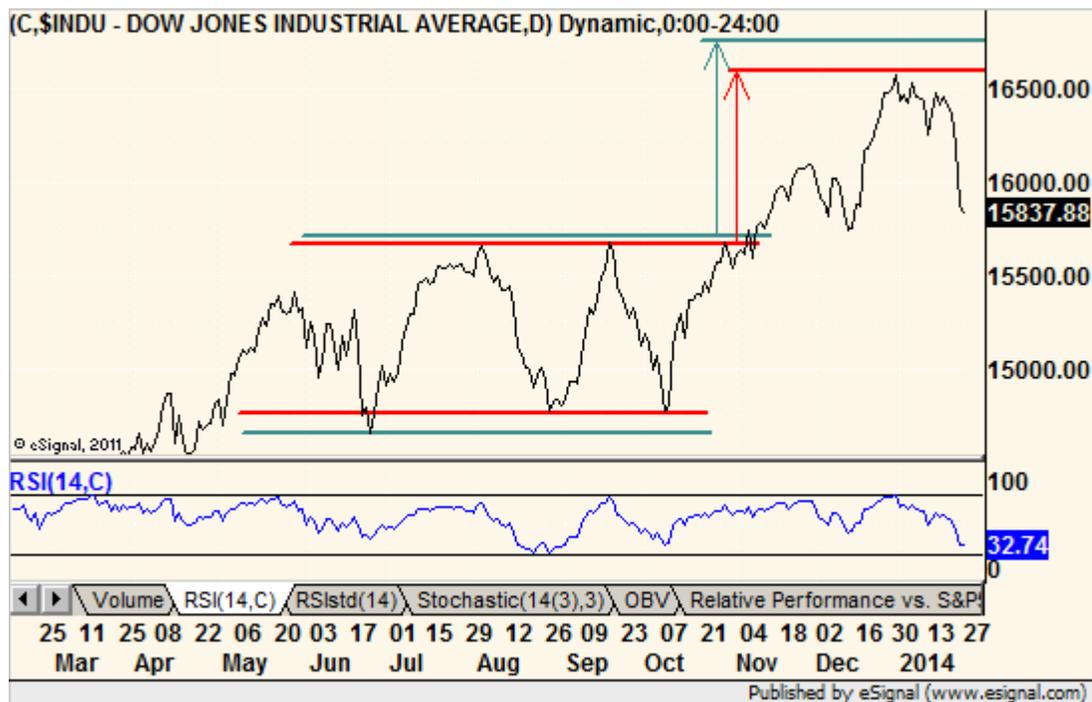
Tim Horton's - This is a Dunkin Donuts peer and it is just oversold in any we can measure. Support is near so this is a rather low risk setup for a quick strike buy. Two-pager on low risk ([click here](#)) describes the risk if we are wrong is low, not the risk of being wrong.



Apple - Just a look at where it is. Now at support, although the trendline is broken. If you were interested in buying we would not talk you out of it.

The Big Picture

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



Here is a back-fitted chart showing why the Dow has already reached its upside target.

The green lines were the original call based on intraday highs and lows.

The red lines were drawn through daily closes and then the new target was projected up. It was not done the other way around making the horizontal lines fit the outcome. Therefore, we can have more confidence that a major high was indeed made.

The question now is whether the Dow completes a head-and-shoulders top (from yesterday's report) or a rectangle that can break out to the upside a few months from now.

Regardless, it is time for trading range strategies of buying low and selling high and not buying high and selling higher.

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	10.42	5.4%	10.00	9.89	12/6	52
	CPE	CALLON PETE CO DEL	6.40	-2.3%		6.55	1/7	20
	GDX	MARKET VECTORS GOLD MINERS ETF	22.89	3.3%	22.50	22.15	1/13	14
	T	AT&T INC	33.51	0.5%	32.25	33.33	1/14	13
	IBM	INTERNATIONAL BUSINESS MACHS	177.90	-1.9%	175.00	181.28	1/22	5
	JTP	NUVEEN QUALITY PFD INCOME FD	7.73	-1.3%	7.70	7.83	1/23	4
<u>Short</u>	STJ	ST JUDE MED INC	61.35	8.9%	cover	66.80	1/14	13
	AOS	SMITH A O	49.17	2.1%	52.00	50.19	1/23	4

Notes: **CPE** stopped out with an intraday dip. This one never really got going but we'd take the original pattern again if we saw it.

Trailed the stop on the **AOS** short.

Covering the short in **STJ** after a nice run. If the market is going to bounce, we want to get paid on this one.

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

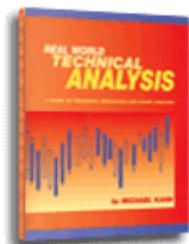
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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