

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN
RESEARCH LLC

February 3, 2015 – After undercutting the bottom of its previous “V” recovery for the first time since the major correction of 2011, the stock market came roaring back in the afternoon. Volume was merely average so we don’t want to read too much into this but it does have a some of the characteristics of a sustainable reversal. We are not calling for new highs just yet but once again the bears will have to wait.

Monday’s session was manic with the Dow travelling hundreds of points throughout the day, finally ending in a flurry. Weak economic reports were ignored in favor of a second day of solidly rising oil prices. Of course, “they” used to credit falling oil with rising prices, too, so we won’t hop on that train.

Then comes news overnight the “Greece’s new radical left government is backing down from its demand to have most of the country’s debt burden forgiven,” to quote the AP news report. That market is up 10% as we write this and the rest of Europe is following suit. Keep in mind that Europe had plenty of catching up to do since Monday’s U.S. rally took place after Europe was closed.

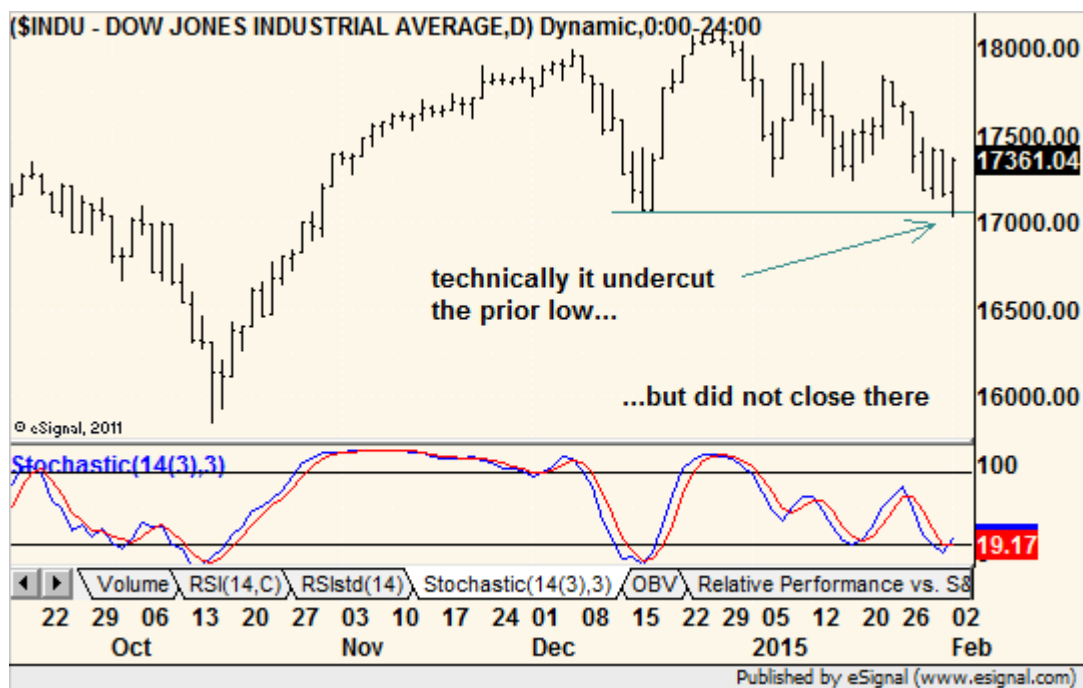
I wrote up major Europe as beating the U.S. for Barron’s Online two weeks ago and the resurgence of three of the five PIIGS yesterday (Portugal, Italy, Ireland). Greece is a hot mess and we want to sleep at night.

In bonds, the German 10-year yield dropped below the Japanese yield as both were close to a quarter percent. Both moved up overnight but the point is that Germany is signaling something bad for the economy there. It may not mean much in the short-term as stocks forge even deeper into record high ground. But deflation has to be on everyone’s minds despite the ECB’s latest efforts. Does that mean more Euro-QE is coming? Stocks may think so.

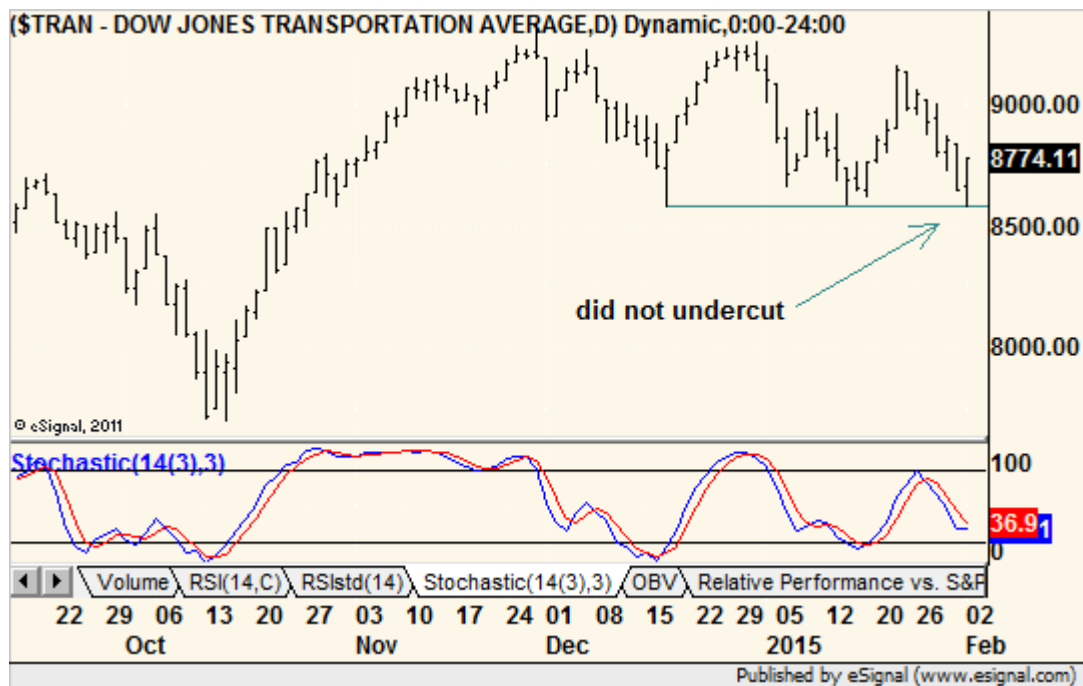


The hourly chart dipped early to test support and then after floundering most of the day it broke out into the close. So far, it has been textbook. We are not going to say that it will reach the upper boundary once again but the bulls do seem to have pulled a rabbit out of a hat. Therefore, we have to see if this is more than a one-day wonder. After all, the daily chart shows back-to-back-to-back opposite moves over the past few days.

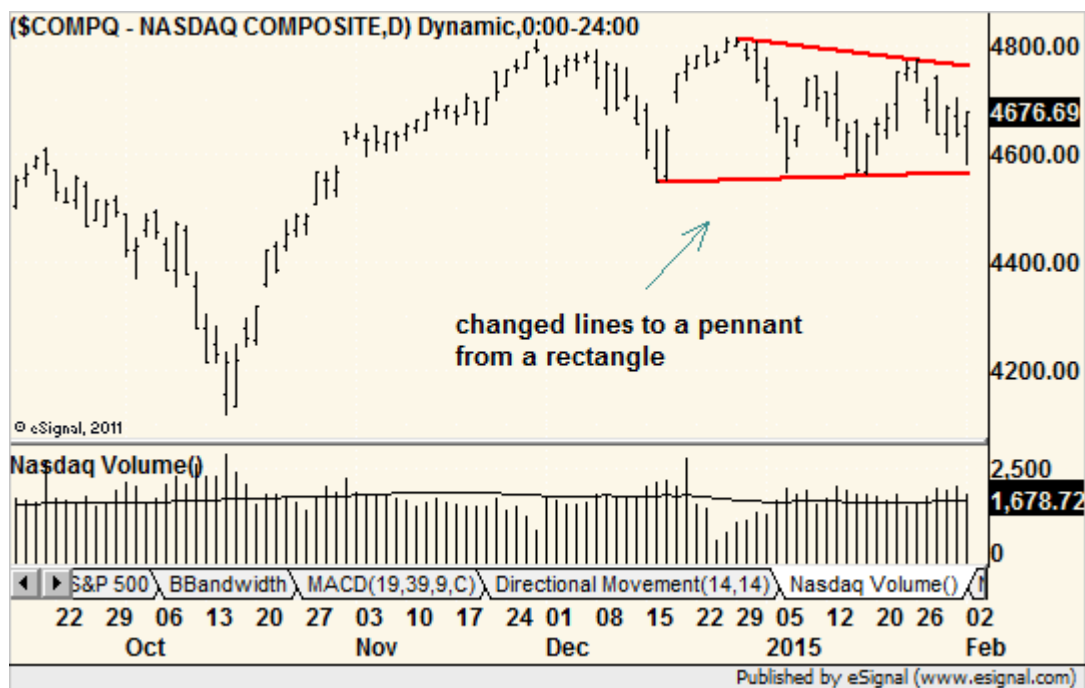
Index Charts of the Day



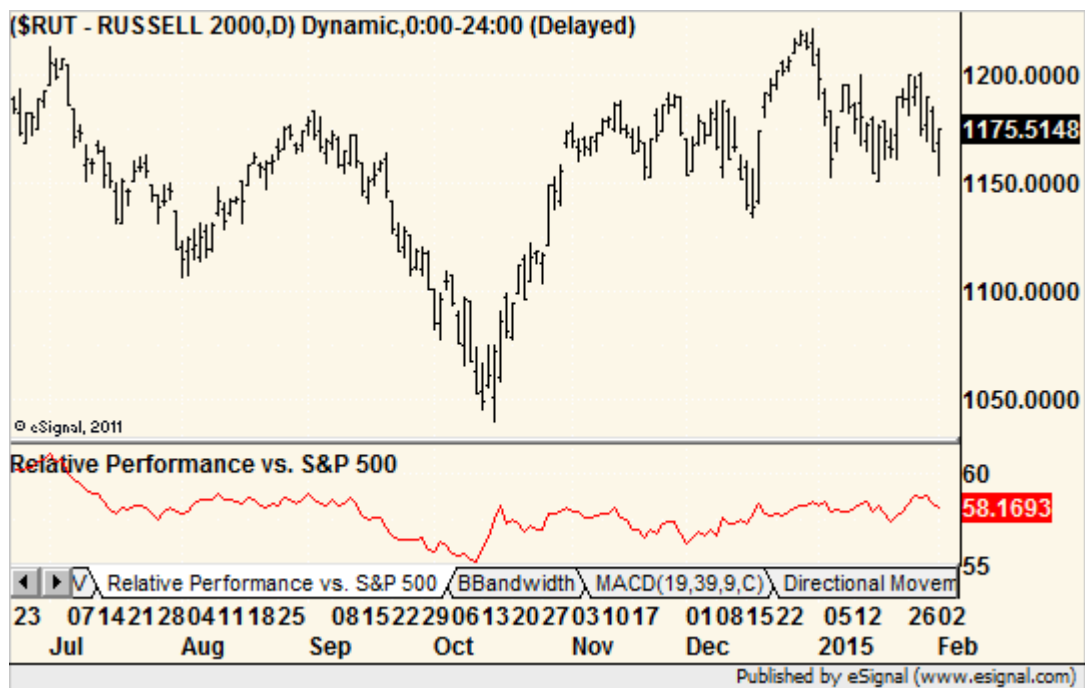
MarketWatch ran a story today about a Dow Theory sell signal now in place. We do not agree. See next...



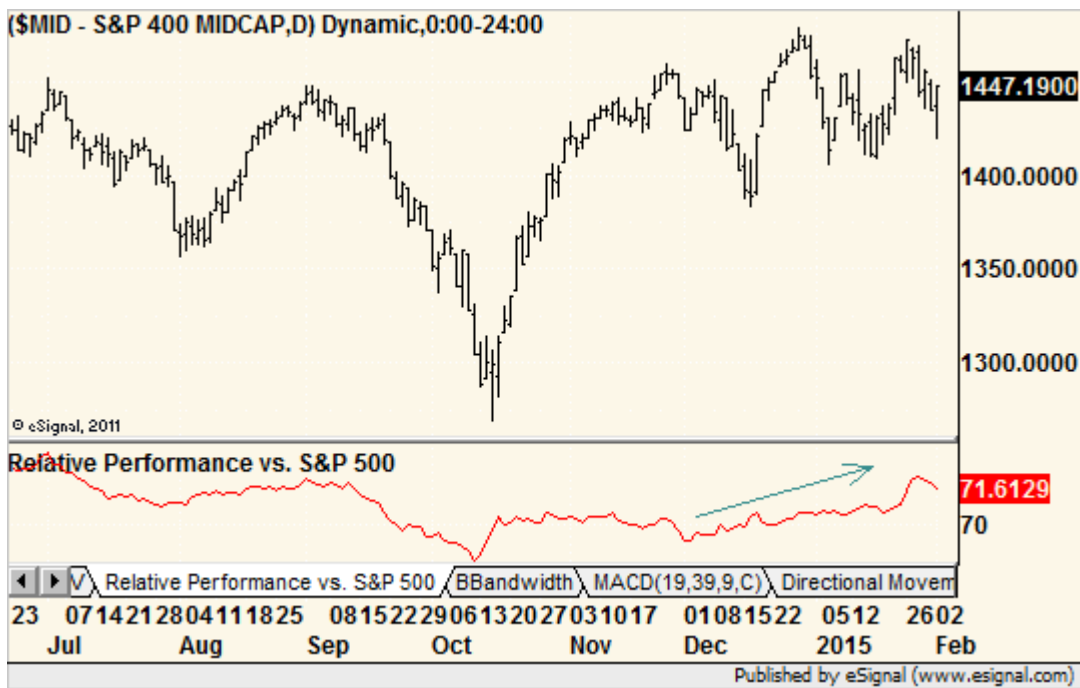
The Transports did not set a lower low although the January closing low was lower than the closing low in December. The bottom line is no Dow Theory sell signal. But we still see a sideways range with a negative bias across the entire stock market.



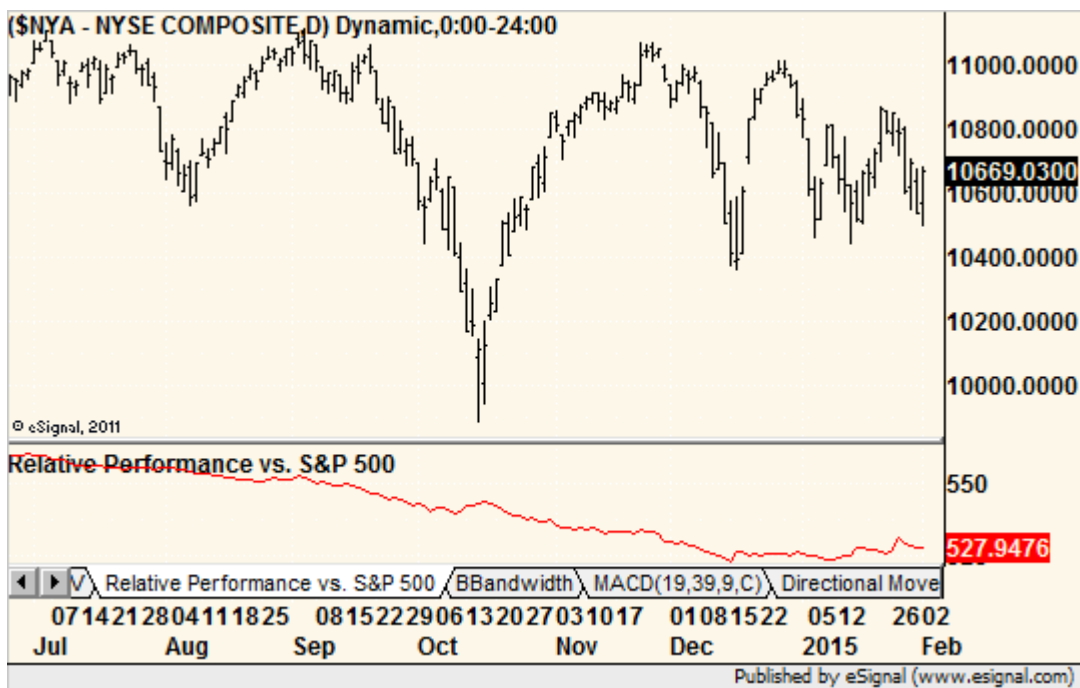
The Nasdaq still makes the case for sideways with no sell signal and no bullish reversal.



We are trying to prove the case many analysts now believe that small and medium caps are outperforming. While the strong dollar makes that logical this chart of the Russell relative to the S&P 500 is only mildly positive. See next chart...



The S&P 400 midcaps do have a positive trend relative to the big caps. But keep reading...



The NYSE composite, even with its high number of bond funds, ETFs and other non-stocks that are doing well as they follow the bond market, does not really show much of an advantage relative the S&P 500.

The Radar Screen

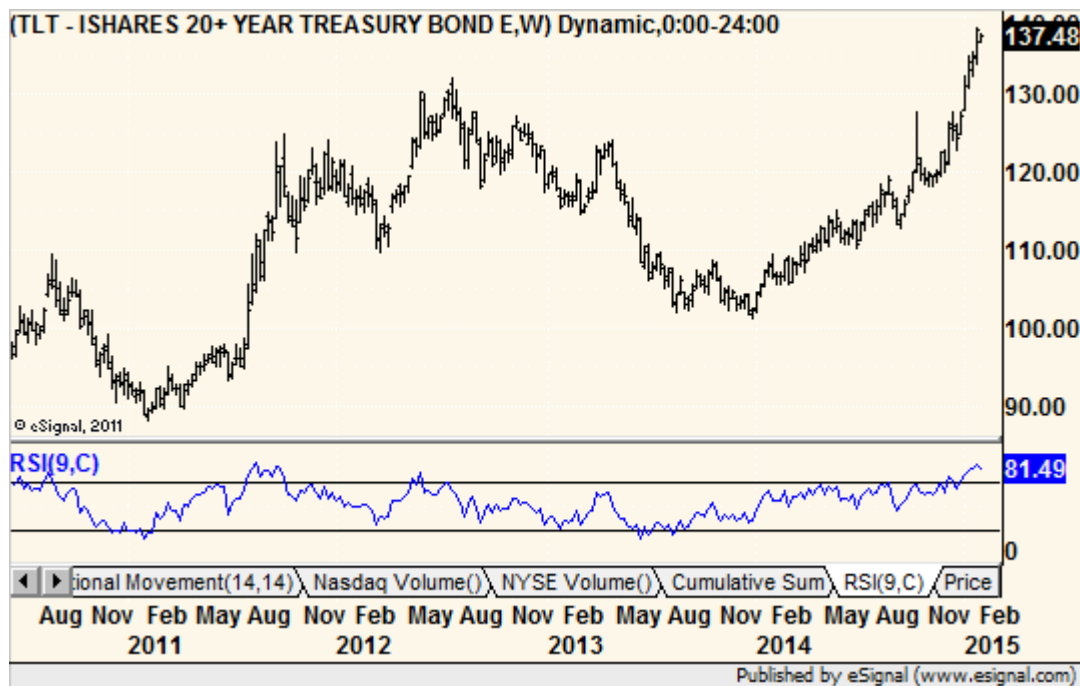
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
Total TOT - Another oil stock setup. Is that an inverted head-and-shoulders? Maybe. Big dividend yield. Buy 53.25	Triggered	2/2
Gold ETF GLD – Breakout now tested. Buy resumption of the trend at 123.50.	New	2/3
Bearish Implications		
Monsanto MON – Setup is gone.	Removed	1/21
Hilton HLT – Breakout failure for this hotel. Note falling on-balance volume. We'll sell a bounce to resistance to 26.75 . <u>Need to adjust after possible hammer</u>	Changed	2/2
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Valero Energy VLO – Right pick, wrong strategy	Removed	1/9
Mondelez MDLZ – Kraft spinoff and Oreo cookie maker now sitting on critical support. Worth a short as we can argue it broke down Wednesday. We'll wait a day for a small bounce.		1/29
Green Mountain Keurig GMCR – My personal favorite coffee company but not favorite stock is also sitting on critical support. Also waiting a day for a small bounce before selling. Waiting for breakdown test		1/29
Marriott MAR – Volume and momentum indicators are flat for this hotel so we wait for the break one way or the other.		2/2
Sector Watch (observations that may spark ideas)		
Tobacco index -TOB having a bad week but sector still in rising trend		1/5
Banks –Down trend		1/12
Healthcare ETF XLV – Now holding in a range but falling on-balance volume		1/15
Updates		
China – Bounced off support in potential double top		
Stoxx 50 – The pan-Europe blue chip index did not look ripe in its bull flag but broke out this morning anyway		

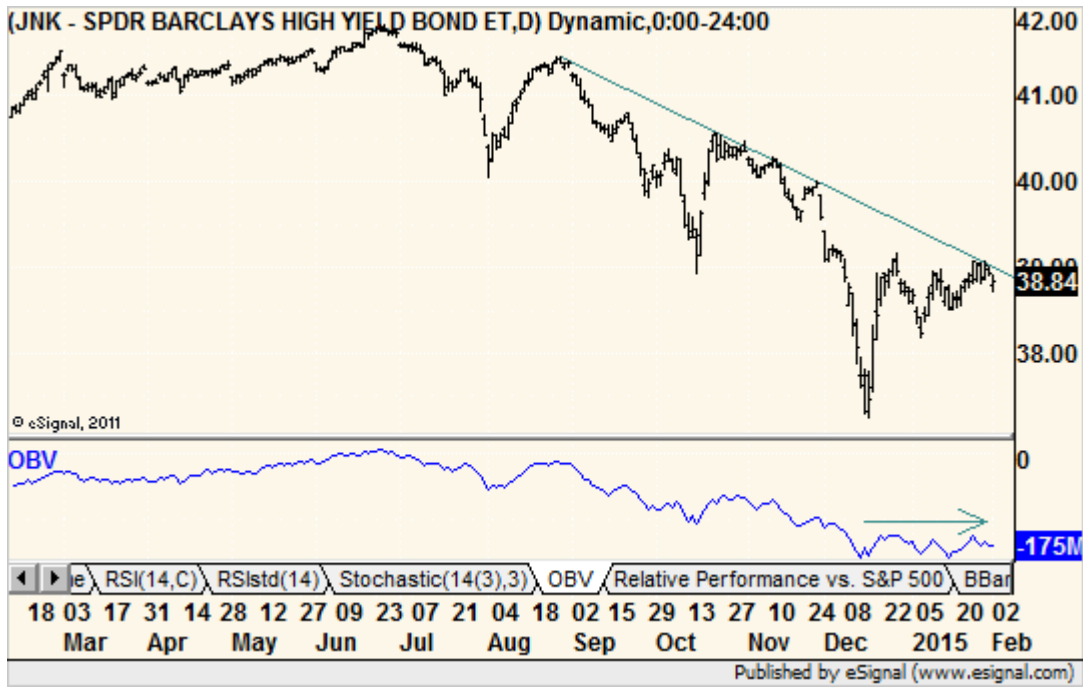
Market Highlights



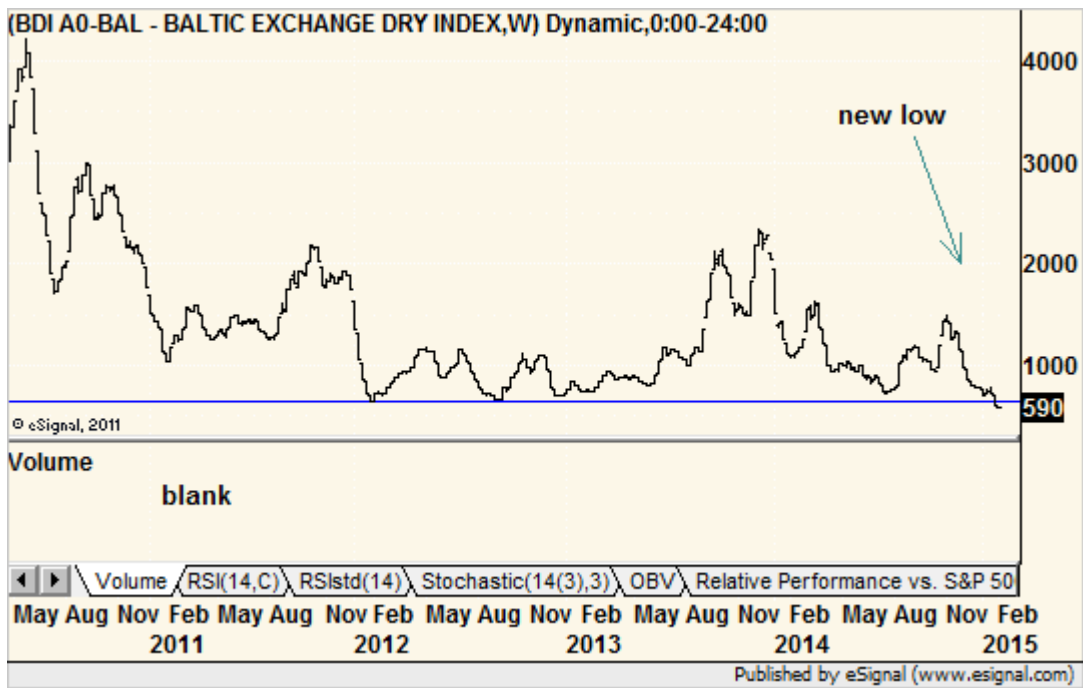
Gold ETF – Breakout now tested. Buy resumption of the trend at 123.50.



Long T-Bond ETF – Looks a bit parabolic to us in the weekly view. Way overbought. Way risky right now although shorting is a bad idea, too.



Junk Bonds ETF – Watch this one. If it cannot break out then be wary of stocks.



Baltic Dry rate – Here is another weak economic signal. Shipping rates at a new multi-year low.

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>	NOC	NORTHROP GRUMMAN CORP	159.19	9.7%	152.00	145.05	1/7	26
	LO	LORILLARD INC	66.29	2.8%	64.00	64.46	1/13	20
	CAT	CATERPILLAR INC DEL	80.84	1.4%	78.00	79.74	1/27	6
	TOT	TOTAL S A	53.76	1.0%	51.00	53.25	2/2	0
<u>Short</u>	HIG	HARTFORD FINL SVCS GROUP INC	39.56	0.6%	41.00	39.79	1/14	19
	MCO	MOODYS CORP	89.32	3.8%	92.00	92.67	1/15	18
	V	VISA INC	255.34	-1.7%	260.00	250.99	1/27	6
	CSCO	CISCO SYS INC	26.83	0.2%	27.75	26.88	1/30	3
	BRK.B	BERKSHIRE HATHAWAY INC DEL	146.73	-0.8%	150.00	145.57	1/30	3

Notes: New long in **TOT** at the open Monday.

Lowered stop in **MCO** short as it crashed lower. Unfortunately for us it closed well and there is a real risk it bounces big.

Subscriber Corner

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

Note to Gary – Transports, natural gas, shipping rates, bond yields all do point to economic problems. Whether that means a weak stock market is a different question as central banks keep the financial world a weird place.

Other Information

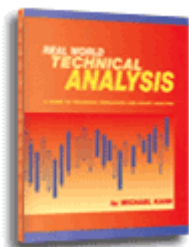
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



24/7 Website archive – <http://www.quicktakespro.com/archive> (password needed)

Customer Support - <http://www.quicktakespro.com/support.html>

Recommended reading - <http://www.quicktakespro.com/education.html>



What is a **two-pager**? These are short write-ups on various technical topics that are made available when further explanation of a topic is needed. There is no extra charge to subscribers. For those looking for a more complete reference and a bound version of these two-pagers, we offer the book *Real World Technical Analysis* at <http://www.quicktakespro.com/rwta.html>.

Refer a colleague to Quick Takes Pro and get a free month of service for each new paying subscriber. Just send an email (<mailto:mkahn@quicktakespro.com>) with names and email addresses and we’ll track them and credit your account.

Connect with us:



<http://www.facebook.com/QuickTakesPro.biz>



<http://twitter.com/mnkahn>



<http://www.linkedin.com/in/QuickTakesPro>



<http://www.quicktakespro.com/blog>



<http://pinterest.com/mnkahn/>



<http://youtube.com/quicktakespro>



<http://stocktwits.com/mnkahn>



<http://www.talkmarkets.com/contributor/mnkahn>

The information contained in this report is opinion, based on information that we deem to be reliable at the time of publication, but is not guaranteed in any form. This report does not constitute a recommendation to purchase or sell any security and the analysts are not registered investment advisors. Further analysis is recommended before undertaking any position in any security. Any risks are solely the responsibility of the buyer/seller. The authors, publishers and distributors of Quick Takes Pro and any associates thereof accept no liability for the content or actions taken by anyone or institution utilizing this report. The authors, publishers and distributors of Quick Takes Pro may have positions in securities mentioned in this report. All charts prepared with [eSignal](#) data and software unless otherwise indicated.

All contents © Michael Kahn Research LLC, 2015