

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

**February 5, 2014** – It was a shaky rebound that actually saw stocks go green and then slightly red before the rally set in. And in the afternoon there were two periods of heavy selling so we have to conclude it was a bottom fishing event. Let's see if the market can form an O'Neil follow through day (FTD) by surging in the four to seven day window following a rally attempt. Tuesday was day number one.

Until that happens, we have to keep the view that the correction is not over. There is plenty of room for backing and filling but the short-term trend is down.



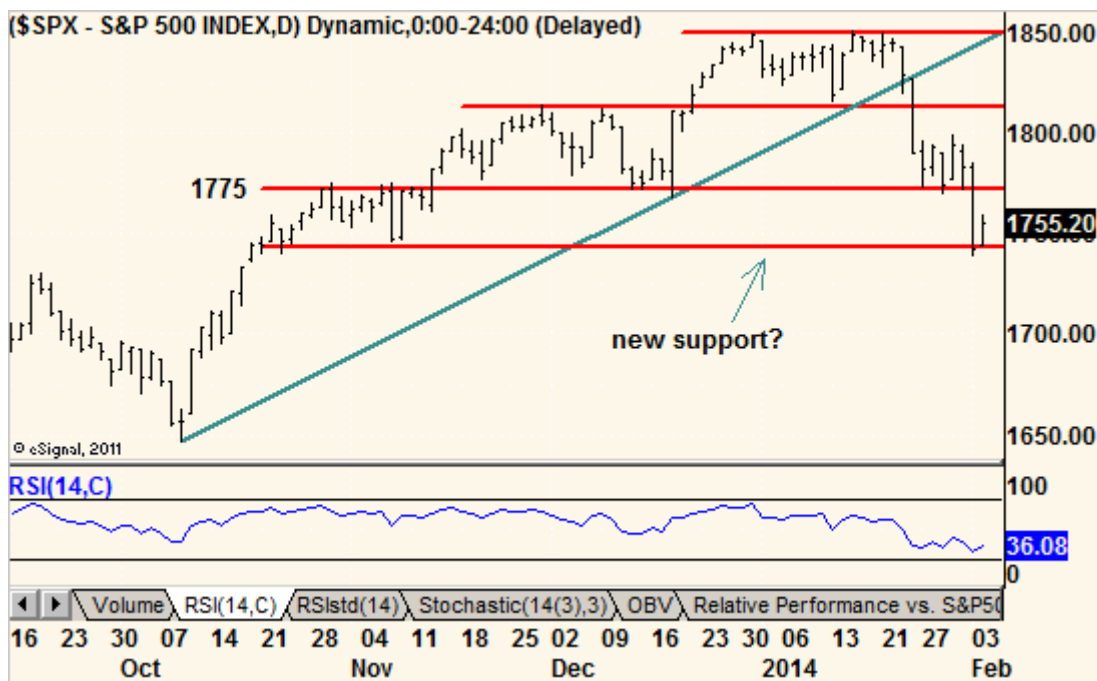
There is not much new in the hourly chart although we can see a new trading range possibly forming. That would give us new support and resistance levels to watch.

Treasury bonds are the winners here and junk the losers in fixed income. Check out the chart of the junk to quality corporate bond ratio in Market Highlights below. It fell off a cliff to suggest an extreme flight to safety.

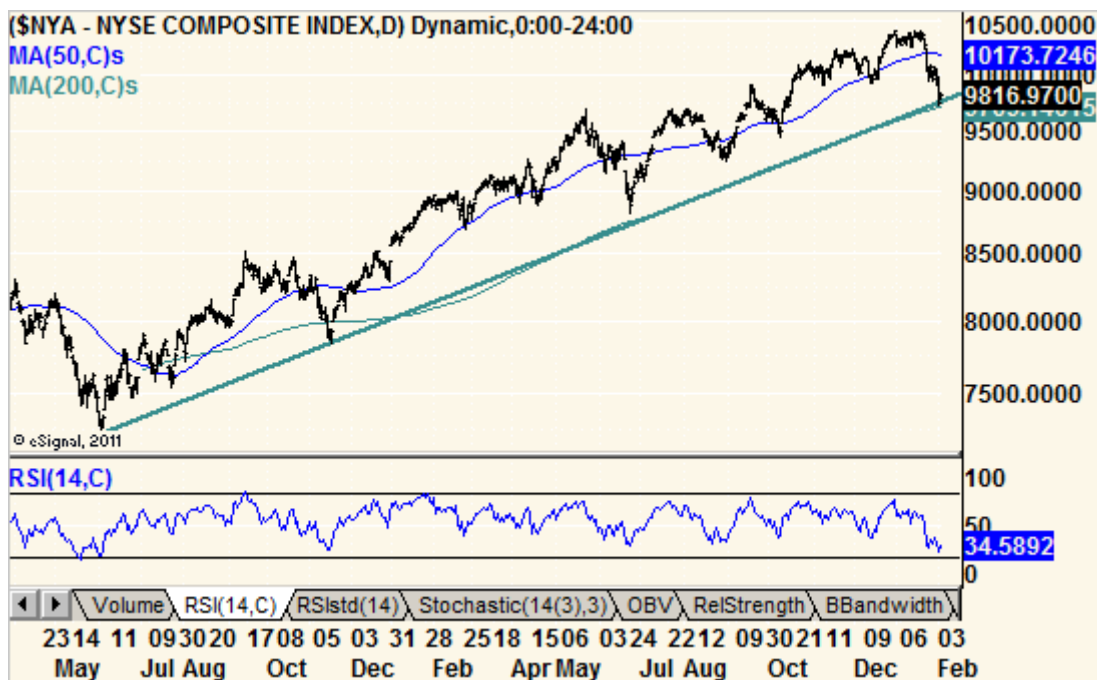
Moving on to the subjective, we follow a sizeable mix of professional traders on Twitter and every day they post their ideas and trading stories. This week that feed is dead quiet. They seem to be sitting it out or at least not as confident of their picks to post them - long or short. It speaks to the change in the market because last month we would have seen plenty of urging to take advantage of the pullback.

Just be careful with the sentiment tidbit because it is neutral, not bearish. There are no calls to sell it all. Plus, CNN's greed-o-meter is in extreme fear territory and that is neutral to bullish. We added neutral because it happened so fast.

## Index Charts of the Day



Just a rebound after a bad day. Not much new to report. Keep an eye out to see if the market just sits here for a few days. If it does, then we'll have the same situation we had last week in preparation for yet another breakdown.



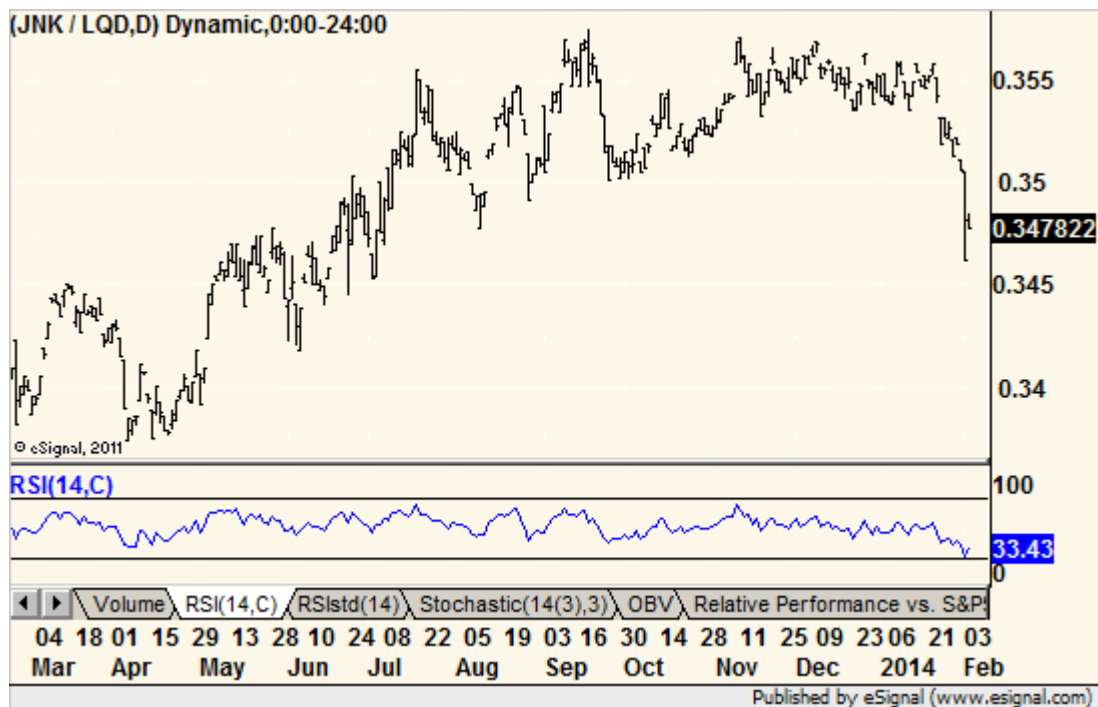
The NYSE composite is sitting on its log-scaled trendline from October 2011 as well as the 200-day moving average. This seems too convenient right now so we may switch back to the linear scale where the trendline is in the 9500 area. That allows for an overshoot of the average and gives the S&P 500 a chance to reach its respective 200-day average.

## The Radar Screen

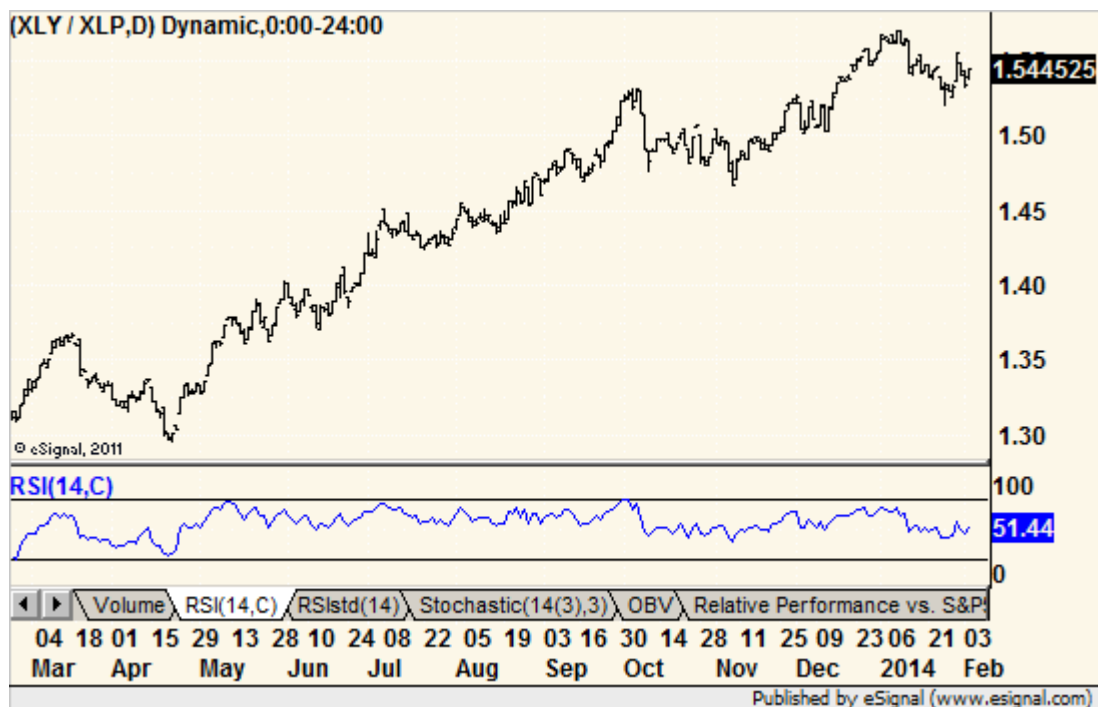
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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.

<b>Bullish Implications</b>		
none -		
<b>Bearish Implications</b>		
none -		
<b>Unknown Implications</b>		
none -		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Freeport McMoran Copper &amp; Gold FCX</b> - getting close to a buy here. We want that 4% dividend yield, too, but we are not setting the trigger just yet. The knife is still falling and can slice through support.	<b>New</b>	2/5
<b>Hess HES</b> - An energy stock with another possible buy area. The trendline is two-years long and drawn on a log scale. Still need some sort of sign the trend is reversing because for now it is still down.	<b>New</b>	2/5
<b>CF Industries CF</b> - A fertilizer stock (basic materials) with a trend break. Will watch to see if it sets up a nice sell trigger.	<b>New</b>	2/5
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Homebuilding ETF ITB</b> - Nice bounce last week so it is still holding on		1/29
<b>Tech ETF XLK</b> - <u>Still leading but it has a flag breakdown</u>		1/29
<b>Healthcare ETF XLV</b> - <u>Still leading but it has a flag breakdown</u>		1/29
<b>Energy ETF XLE</b> - Trendline breakdown but not weak enough to scream buy me for a bounce. Some energy stocks have such low P/E ratios that they will be compelling once the market correction is over.		1/29
<b>Financial ETF</b> - Lost its relative strength edge and now looks like S&P 500. Failed breakouts in banks. Insurance weakest. Asset managers also falling.		1/29
<b>Consumer Discretionary ETF XLY</b> - This one includes retail and we can see it accelerating off a cliff.		2/4
<b>Materials ETF XLB</b> - This includes copper, gold, chemicals, steel and paper and we can see a support break. Still above the 200-day average		2/4
<b>Industrials ETF XLI</b> - Unlike the Dow Industrials, which are really less industrial than blue chips, this ETF is still above its 200-day average and 2012 trendline. Hate the Dow, not the sector.		2/4
<b>Consumer Staples ETF XLP</b> - Even though it is still above support from a trading range, the plunge here makes it ripe for bottom fishing already.		2/4
<b>Updates</b>		
<b>MDU Resource Group MDU</b> - From yesterday's comments section, this one scored a huge bear reversal Monday and then closed back up above Friday's close on Tuesday. See charts on <a href="#">the blog</a>		

## Market Highlights



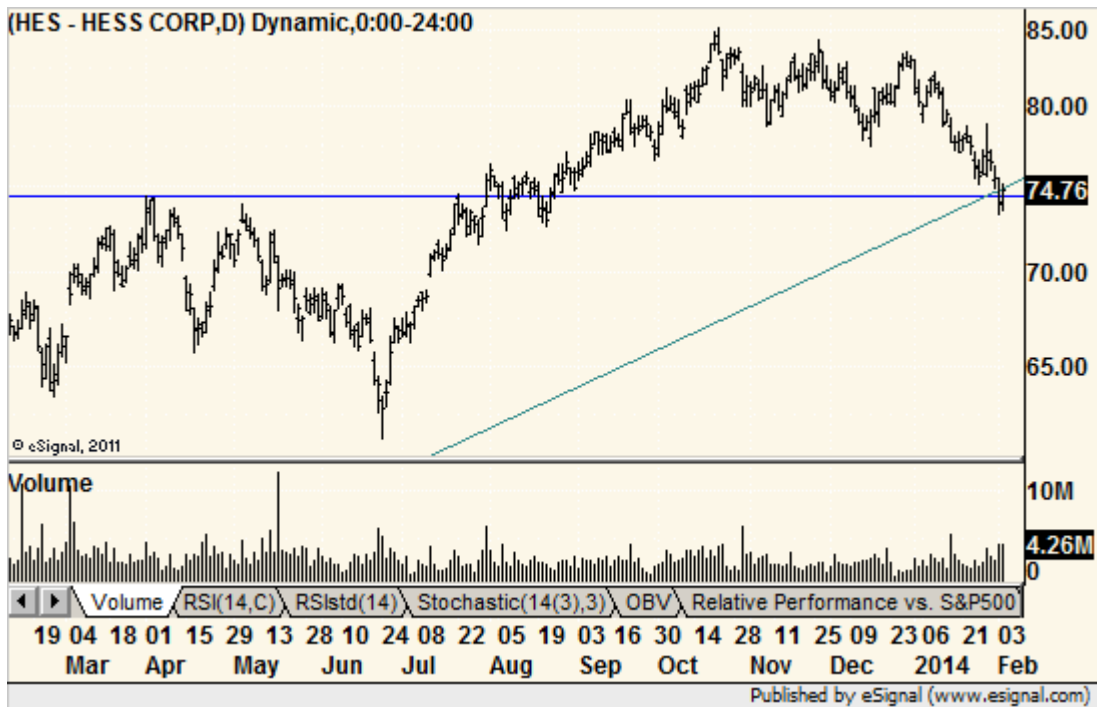
**Junk to quality corporate bond ratio** - No comments needed. This is bearish for stocks and the economy.



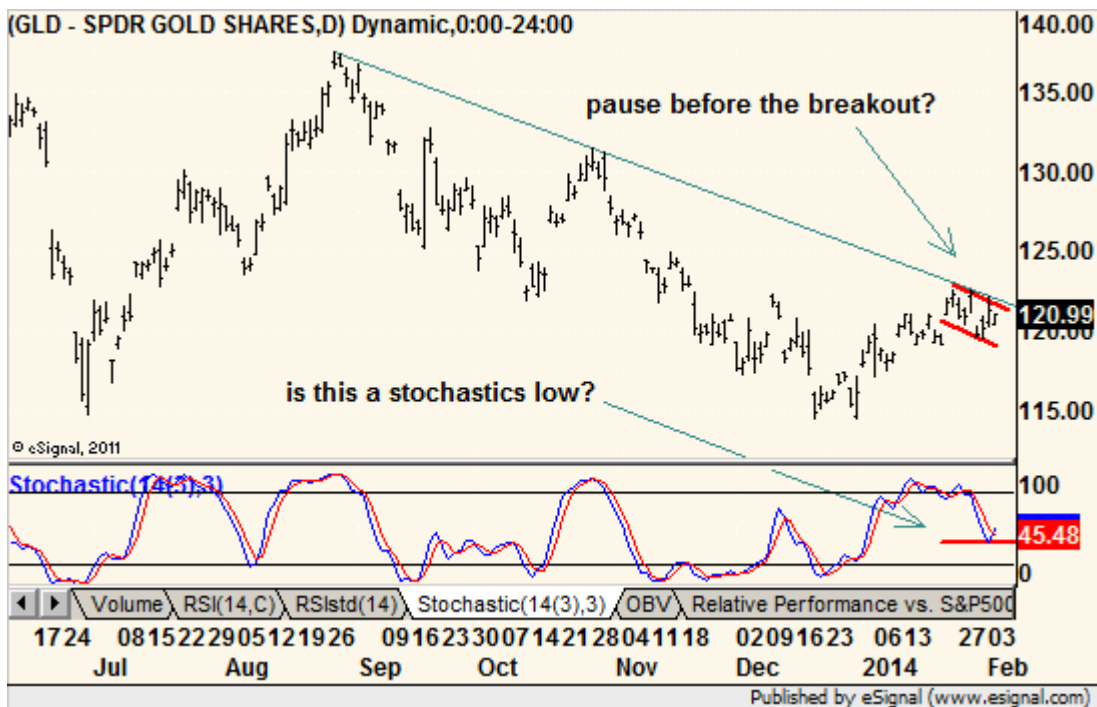
**Consumer sentiment ratio** - This is the discretionary ETF over the staples ETF and it is still in a rising trend. Quite interesting and suggestive that we are in a correction, not a bear market.



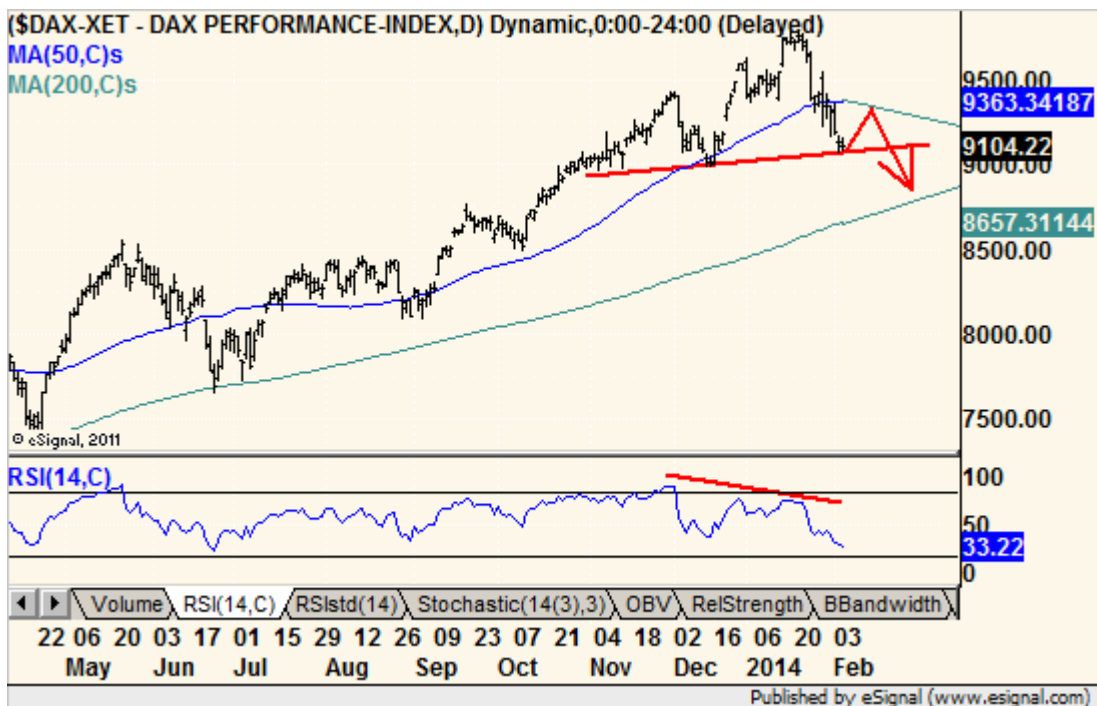
**Freeport McMoran Copper & Gold** - getting close to a buy here. We want that 4% dividend yield, too, but we are not setting the trigger just yet. The knife is still falling and can slice through support.



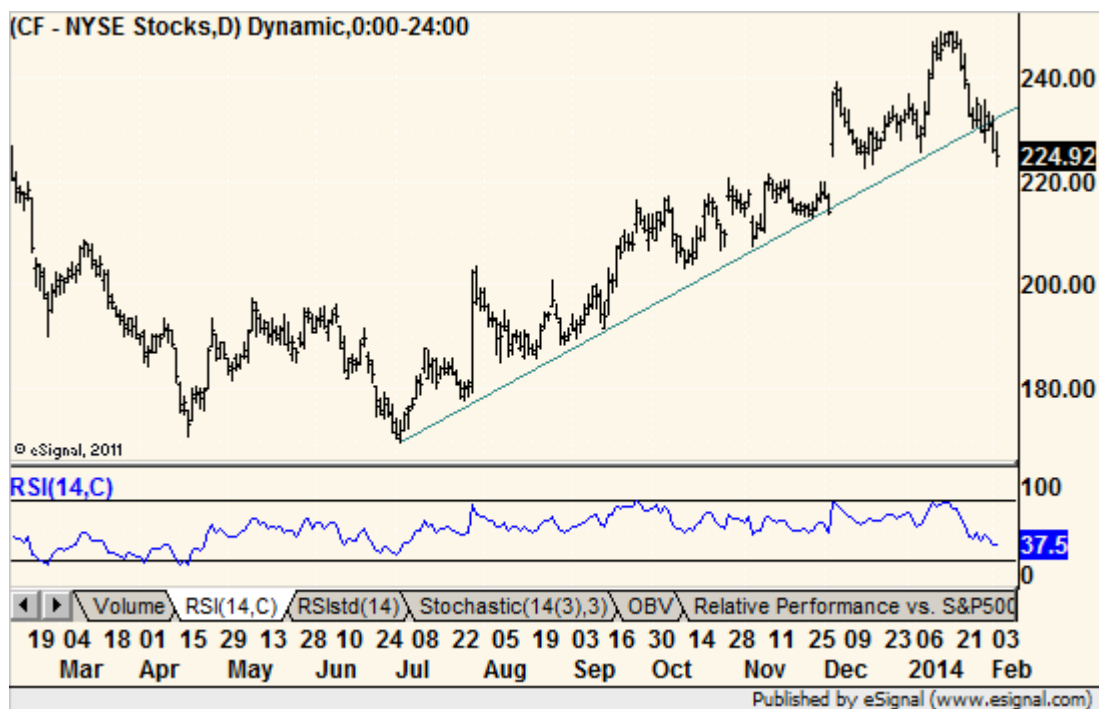
**Hess** - An energy stock with another possible buy area. The trendline is two-years long and drawn on a log scale. Still need some sort of sign the trend is reversing because for now it is still down. Holding Tank



**Gold ETF** - Pausing at the top of a down channel. If it breaks out then stochastics will set a bottom well above the oversold range for a down trend and suggest that we just saw oversold in a rally. The point is that oversold levels are different depending on the trend.



**Germany DAX index** - Just a thought. We only trade on actual chart patterns, not possible ones. But this does lay out a bearish scenario.



**CF Industries** - A fertilizer stock (basic materials) with a trend break. Will watch to see if it sets up a nice sell trigger.

## 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>	<b>NLY</b>	ANNALY CAP MGMT INC	10.79	9.1%	10.20	9.89	12/6	60
	<b>GDX</b>	MARKET VECTORS GOLD MINERS ETF	23.59	6.5%	22.75	22.15	1/13	22
	<b>JTP</b>	NUVEEN QUALITY PFD INCOME FD	7.81	-0.3%	7.70	7.83	1/23	12
	<b>THI</b>	TIM HORTONS INC	50.75	-3.3%		52.47	1/28	7
<u>Short</u>	<b>AOS</b>	SMITH A O	45.89	9.4%	48.00	50.19	1/23	12
	<b>PPG</b>	PPG INDS INC	177.24	2.0%	184.00	180.70	2/3	1
	<b>X</b>	UNITED STATES STL CORP NEW	25.18	-0.5%	26.50	25.06	2/3	1

**Notes:** **THI** stopped out intraday and then proceeded to complete a bullish reversal bar.

## 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 Fran - Moving averages are guides, not hard support and resistance features.



## 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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