

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

February 6, 2014 – A weaker than expected ADP jobs report and a stronger than expected ISM Services report tugged at the market yesterday and in the end it was a rather flat ending. Major indices were down modestly but it was much worse in the morning hours. A small victory for the hopeful.

We expect the same sort of chop today as everyone girds for tomorrow's January jobs report - the dreaded NFP (non-farms payroll).

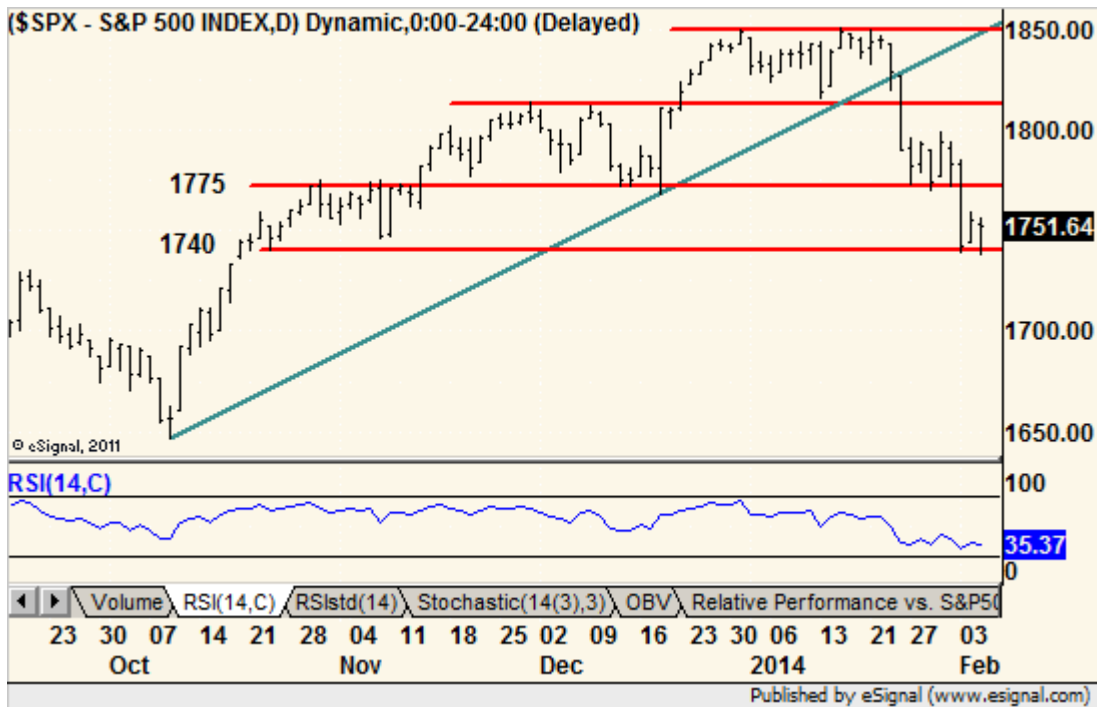
There were some dueling earnings after the bell with **GMCR** soaring and **TWTR** diving. **GM** is set to gap down this morning on an earnings miss but it will land on support. **DIS** will gap up. **P** will gap down. **AKAM** will gap up. Clearly, what you earn is what matters and there are no mulligans in either direction. In bull markets, some earnings transgressions are overlooked. In bear markets, nothing seems to make investors happy.



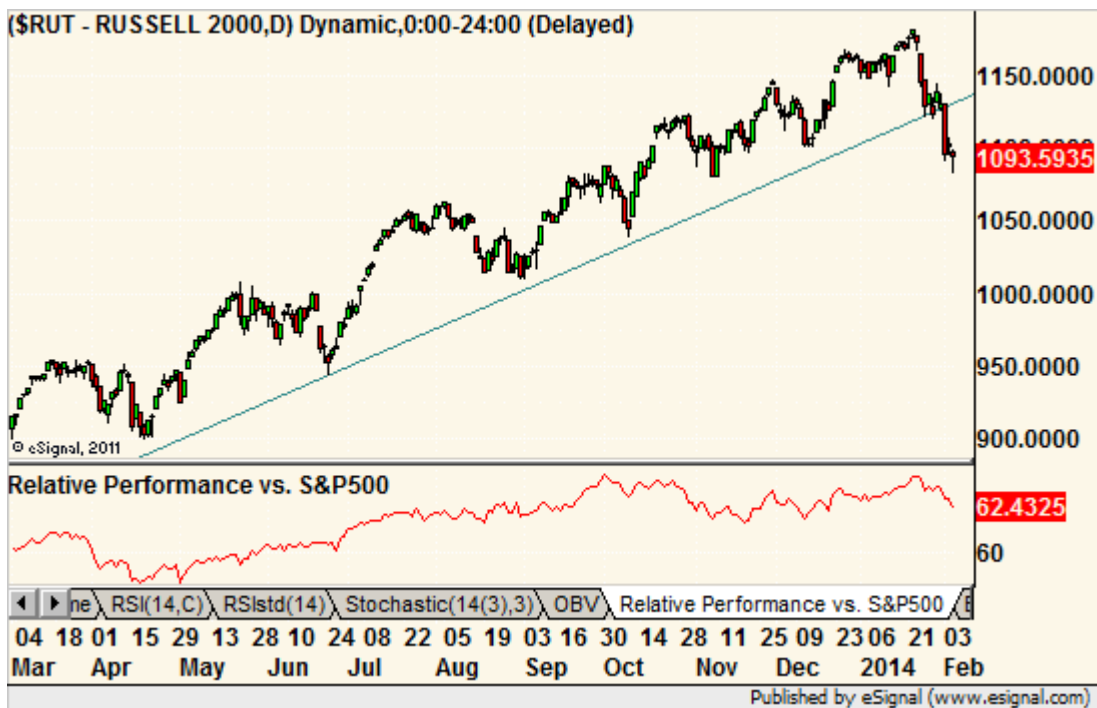
The hourly **SPY** chart looks pretty much like it did 24 hours ago with some bouncing along the bottom of what we thought would be a new range. However, we've added a new line in green to show the top of the tighter range. Why do that? Look at stochastics at high levels when prices are on the green line.

Bottom line - the jobs report is keeping a lid on things. With or without one more small rally, we have switched to trading range strategies from bull market strategies.

Index Charts of the Day



New support now at 1740. This is the place to expect the bounce but so far it has been missing. Tomorrow's jobs report may force the issue.



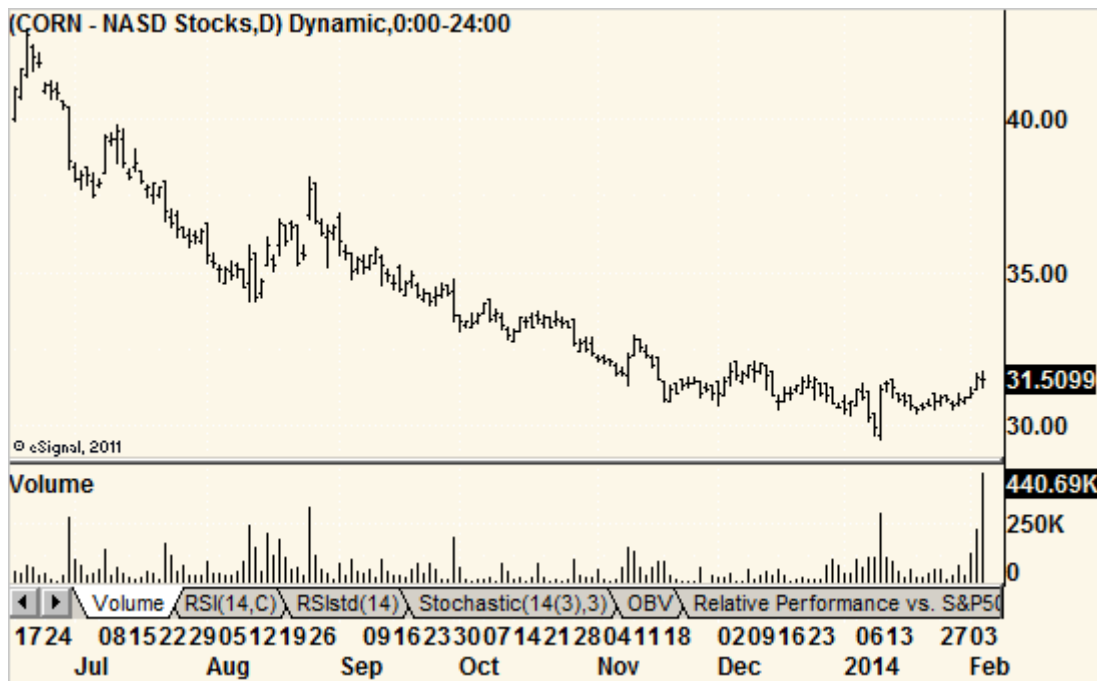
The Russell 2000 broke its Nov 2012 trendline (bearish) unlike the S&P 500 but it scored a small bullish hammer yesterday. Relative performance since October has been flat and the downturn this month adds to the "risk-off" feeling.

The Radar Screen

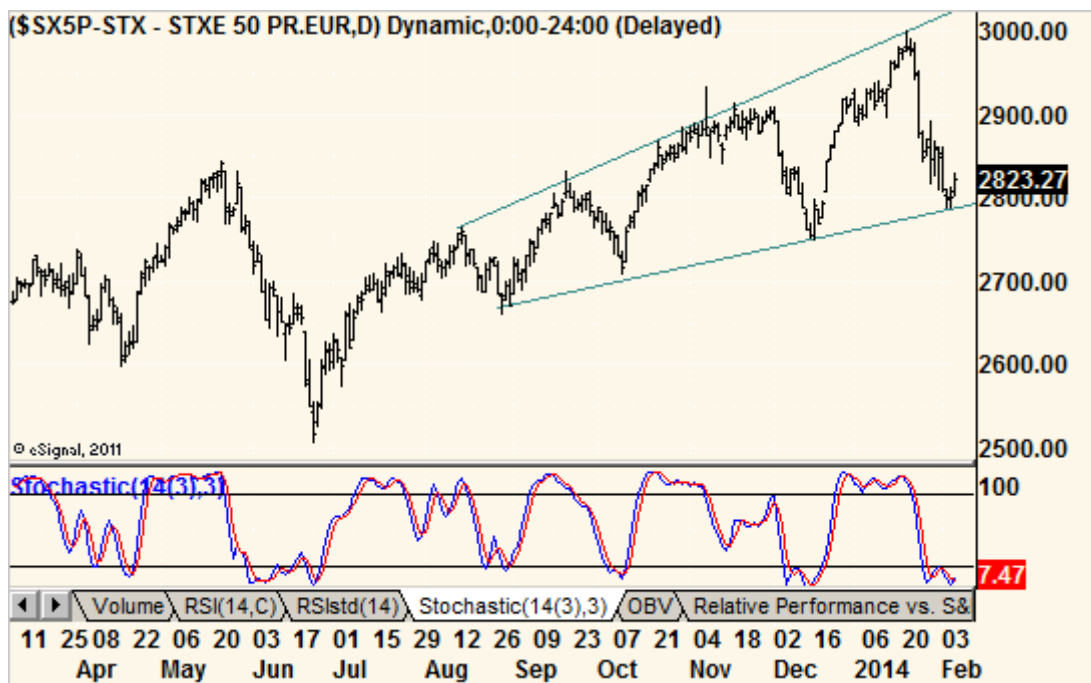
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
Corn Fund CORN - Corn looks to have bottomed. The big rally day at the low was a key reversal to the upside on huge volume and we can see it gaining volume as it moves higher. Corn futures (not shown) have broken resistance from the neck or top of the pattern. If you are looking to diversify, this would be a good place and we'll take it.	New	2/6
Freeport McMoran Copper & Gold FCX - Tagged support Wednesday with a spinning top candle (or weakly formed hammer). 4% dividend yield, too,	Moved	2/5
Bearish Implications		
Comcast CMCSA - This was one of the new 52-week highs Monday that closed with a bearish key reversal bar. Volume was elevated, too. Looking to sell a break of the trendline and support at 51.90 even though the market seems buoyant. We should have shorts ready to go in case jobs tomorrow stink.	New	2/6
Express Scripts ESRX - Here is another ready to sell on the breakdown. Trendline and support at 72.60.	New	2/6
Mylan Labs MYL - This drug maker scored a small bullish hammer on its trendline but it has falling on-balance volume and a rather nasty sell off on Monday. We'll wait for the hammer to fail - if it does, of course, and sell under its low at 42.40.	New	2/6
Holding Tank - red shade leans bearish, green shade leans bullish		
Hess HES - 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.		2/5
CF Industries CF - A fertilizer stock (basic materials) with a trend break. Will watch to see if it sets up a nice sell trigger.		2/5
Sector Watch (observations that may spark ideas)		
Homebuilding ETF ITB - Nice bounce last week so it is still holding on		1/29
Tech ETF XLK - Still leading but it has a flag breakdown		1/29
Healthcare ETF XLV - Still leading but it has a flag breakdown		1/29
Energy ETF XLE - Trendline breakdown but not weak enough to scream buy me. Some stocks have such low P/E ratios to be compelling once the mkt correction ends.		1/29
Financial ETF - Lost its relative strength edge and now looks like S&P 500. Failed breakouts in banks. Insurance weakest. Asset managers also falling.		1/29
Consumer Discretionary ETF XLY - This one includes retail and we can see it accelerating off a cliff.		2/4
Materials ETF XLB - This includes copper, gold, chemicals, steel and paper and we can see a support break. Still above the 200-day average		2/4
Industrials ETF XLI - 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
Consumer Staples ETF XLP - Even though it is still above support from a trading range, the plunge here makes it ripe for bottom fishing already.		2/4
Updates		
Coffee ETF JO - Soaring but now overbought. Take partial profit if you have it.		
IBM - Our trade did not work out but it is now sitting on a triple-bottom type of support		

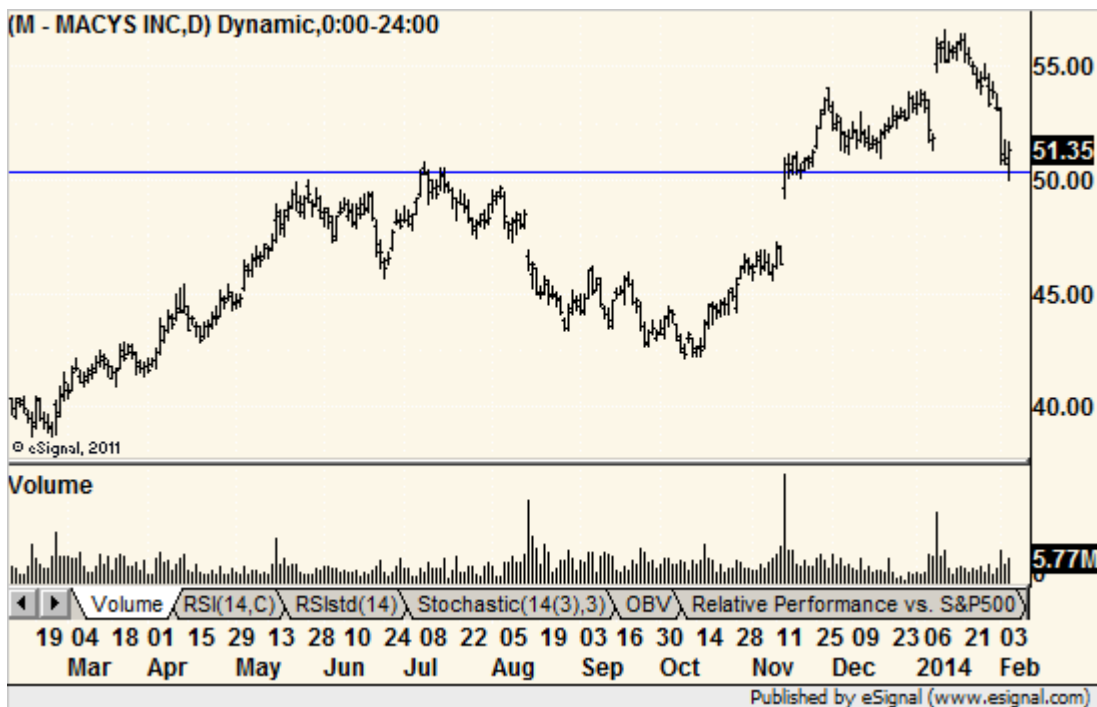
Market Highlights



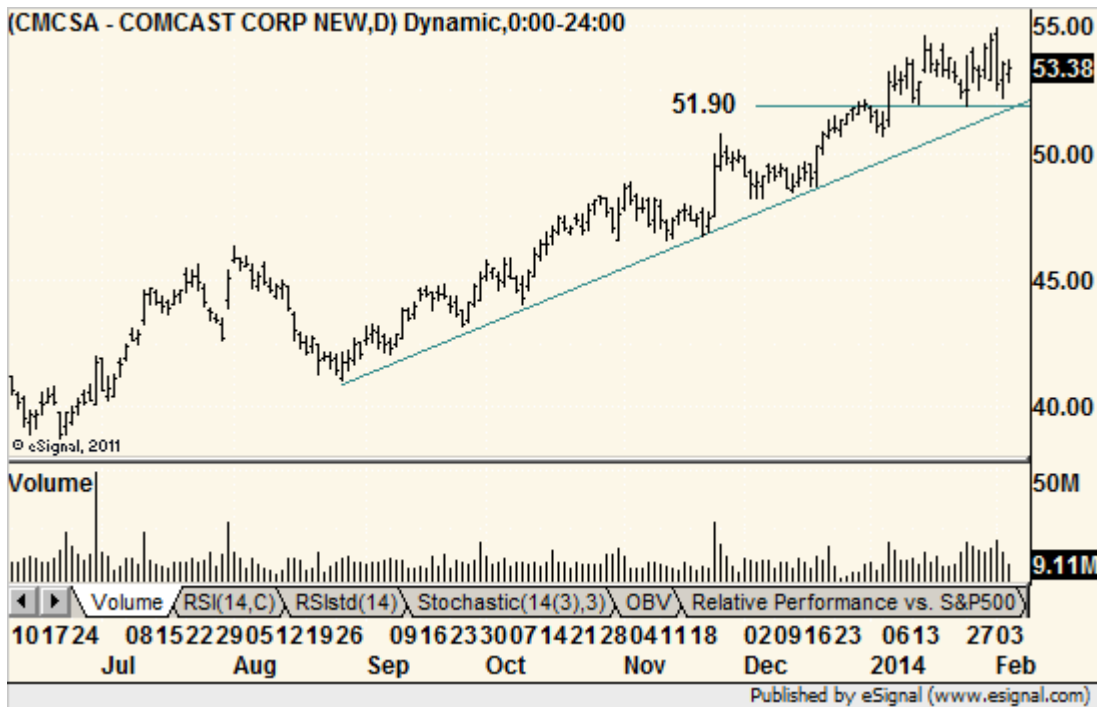
Corn Fund - Corn looks to have bottomed and the pattern is similar to an upside-down Prussian Helmet or even a squashed head-and-shoulders. The big rally day at the low was a key reversal to the upside on huge volume and we can see it gaining volume as it moves higher. Corn futures (not shown) have broken resistance from the neck or top of the pattern. If you are looking to diversify, this would be a good place.



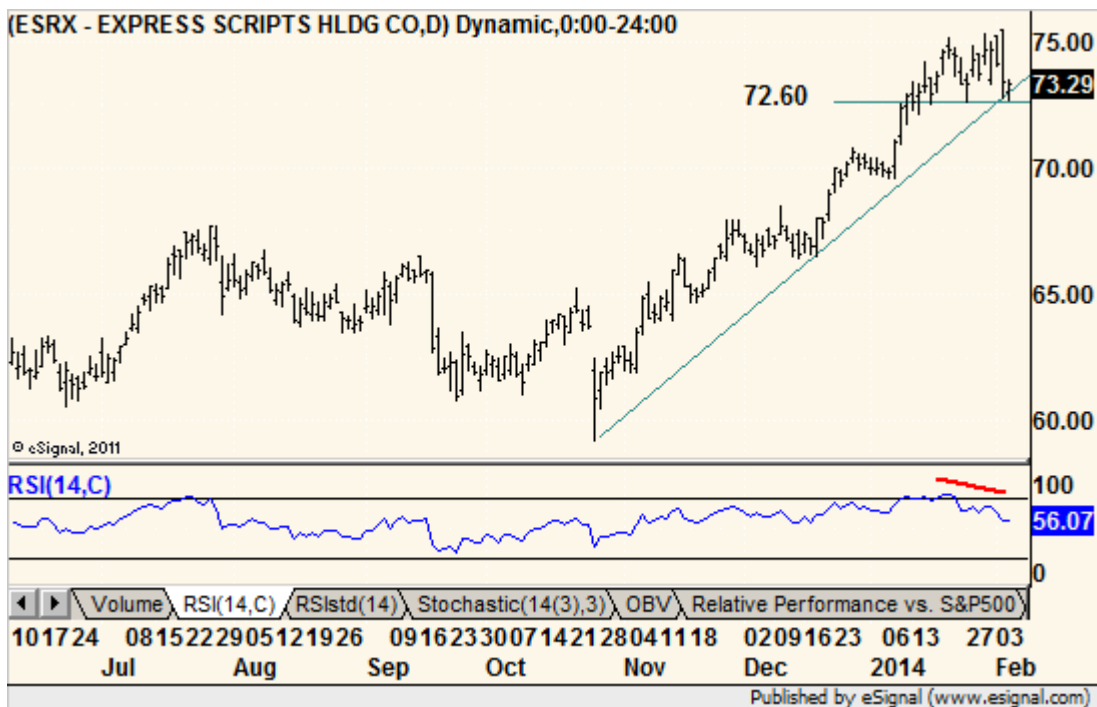
Stoxx 50 - This is the pan-Europe blue chip index and it shows a pattern we've not seen before - an expanding rising wedge. We presume it to be similar to an expanding triangle (megaphone) pattern with increasing volatility and a bearish outlook. However, the lower line is still holding. Just watching.



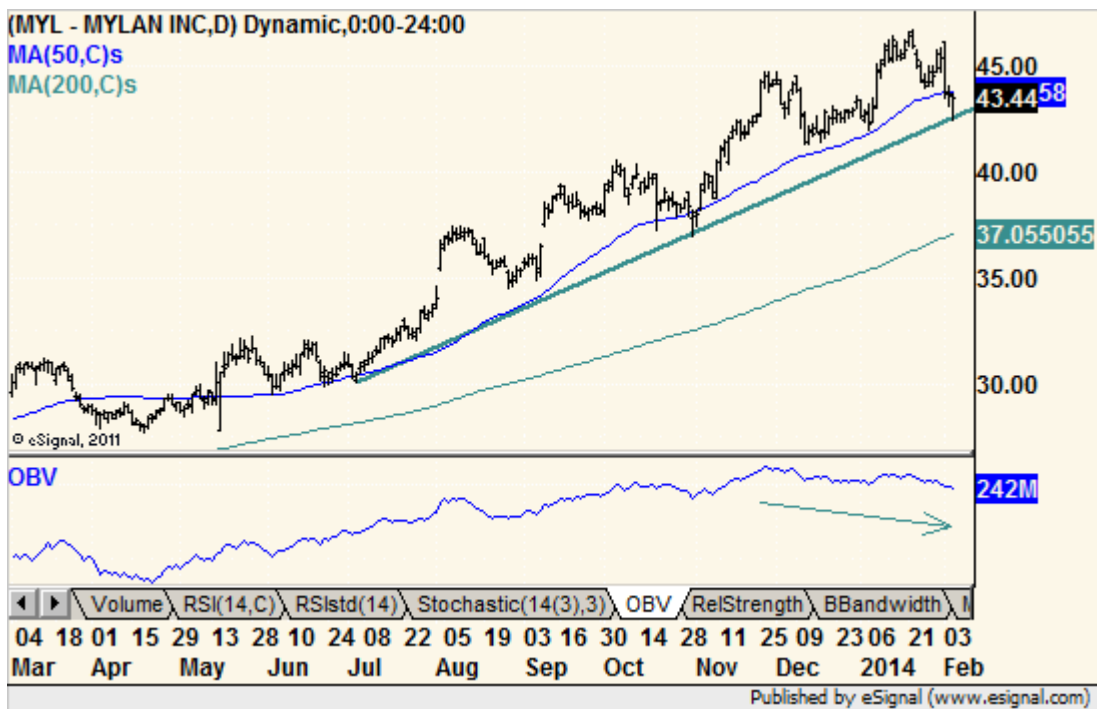
Macys - We are seeing a lot of bullish reversals in retail (**KSS, ANF, ROST**) but they worry us. Volumes were not that impressive and the trend is still down in the market. No trades.



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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	10.99	11.1%	10.40	9.89	12/6	61
	GDX	MARKET VECTORS GOLD MINERS ETF	23.21	4.8%	22.75	22.15	1/13	23
	JTP	NUVEEN QUALITY PFD INCOME FD	7.83	0.0%	7.70	7.83	1/23	13
<u>Short</u>	AOS	SMITH A O	46.15	8.8%	48.00	50.19	1/23	13
	PPG	PPG INDS INC	177.22	2.0%	184.00	180.70	2/3	2
	X	UNITED STATES STL CORP NEW	24.82	1.0%	26.50	25.06	2/3	2

Notes: Raised the stop on **NLY** again.

Subscriber Corner

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



Merck - The subscriber asked very simply, "should I sell?" Here is what we see:

1. Healthcare is still the leading sector and has not broken down.
2. **MRK** is still in a rising short-term trend from October
3. Still above the 20-, 50- and 200-day exponential moving averages
4. Shook off similar big rally and weak close days to eventually move to new high

But...

5. Volume shows a bearish divergence meaning each move generates less enthusiasm
6. Not shown is a bearish RSI divergence, too

We think the decision is not made until the 20-day expo, currently at 52, is broken.

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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