

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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February 7, 2014 – Not a bad performance thanks to better than expected jobless claims. The media also gave Disney a lot of credit (up 5.3%) but we can match each star with a bomb of similar size.

Leading sectors yesterday were building materials, retailers, gambling and apparel - all beaten down over the past month. The losers mortgage finance, wireless, real estate services, medical supplies and biotech. There is no theme here but we can see dividend payers and Obamacare affected healthcare all over the losers list. The latter is not our opinion but a Moody's downgrade.

Also, bonds took it on the chin yesterday, naturally the day after I wrote a bullish article. However, we are waiting for a trend break to get really bullish and that chart is below. Again, reaction to the jobs report today will be crucial. Time warp - this was written pre-jobs. Post jobs is below.

Overseas, it was rebound day in Asia with Japan jumping huge. Taiwan looks like a textbook dead-cat bounce and that chart is in Today's Lesson below. Meow!

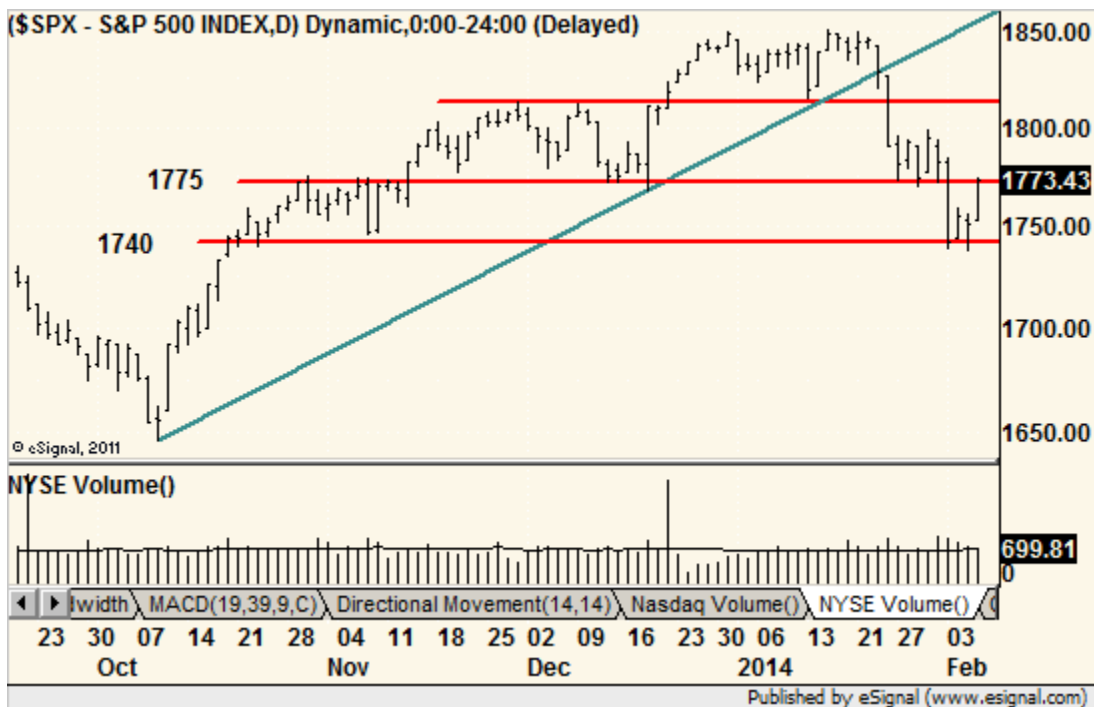


Thursday, the **SPY** tested and then broke resistance from its February range and then scooted up to the bottom of a previous range. We drew that line really fat because the level is rather fuzzy and a single price does not really describe it. The bottom line is it is decision time and the jobs report is the decider.

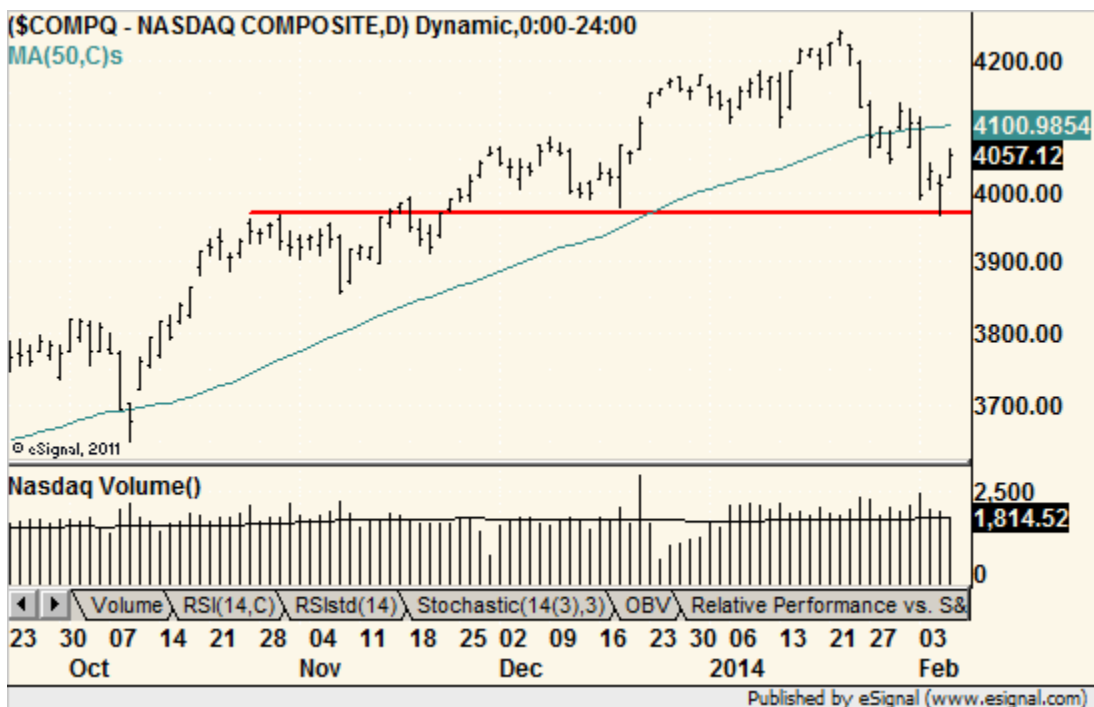
And now we've jumped ahead in time, the report is out and it stunk. Yet, somehow the employment rate fell, proving once again we cannot trust any data from the government. Core inflation, job creation, money supply - none of it makes us any money anyway.

This chart was printed at about 9:00 ET, and you can see the knee-jerk on the news. However, there is a lot of trading left today so we won't make the hard conclusions. We will coast into the weekend, fingers crossed the Olympians will be safe come Monday.

Index Charts of the Day



Buy the rumor of a good jobs report? Volume was the lightest in a week as it testes resistance.



The Nasdaq also had a nice, but low volume bounce off support. It is also still below the 50-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.

Bullish Implications		
Corn Fund CORN - 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 and we'll take it.	Triggered	2/6
Freeport McMoran Copper & Gold FCX - Tagged support Wednesday with a spinning top candle (or weakly formed hammer). 4% dividend yield, too,	Triggered	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.		2/6
Express Scripts ESRX - Here is another ready to sell on the breakdown. Trendline and support at 72.60.		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.		2/6
Healthcare ETF XLV - We've said this sector is still leading and it is but it shows some serious signs of wear and tear. We won't get into the Moody's downgrade of insurers. RSI divergence and preliminary 50-day average break. Now sitting on the key November 2012 trendline. Sell a break of 54.60	New	2/7
Unknown Implications		
none -		
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

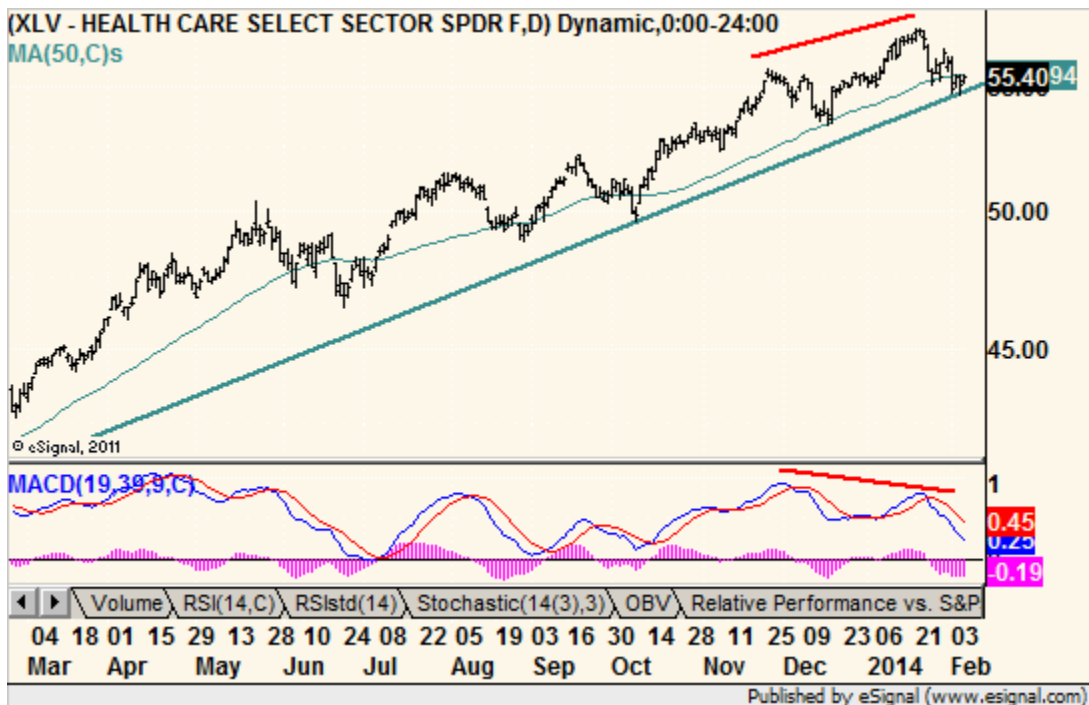
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Sector Watch (observations that may spark ideas)		
Homebuilding ETF ITB - Nice bounce last week so it is still holding on		1/29
Tech ETF XLK - Still leading but it has a flag breakdown		1/29
Healthcare ETF XLV - Still leading but it has a flag breakdown. See chart below		1/29
Energy ETF XLE - 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
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		
none -		

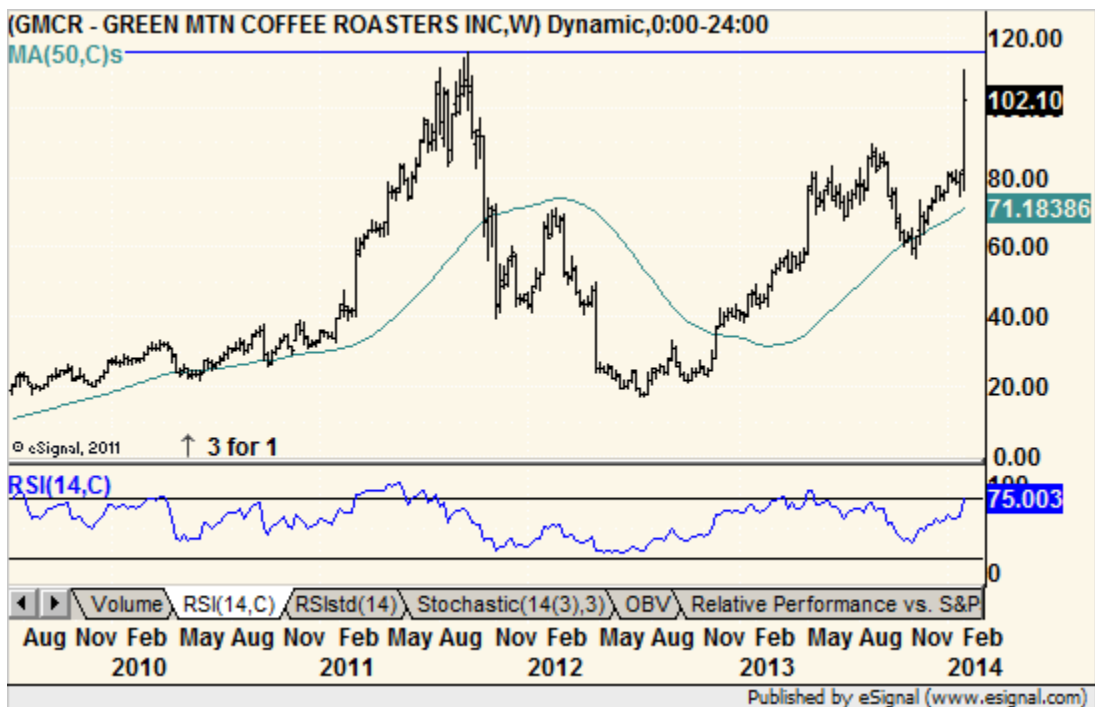
Market Highlights



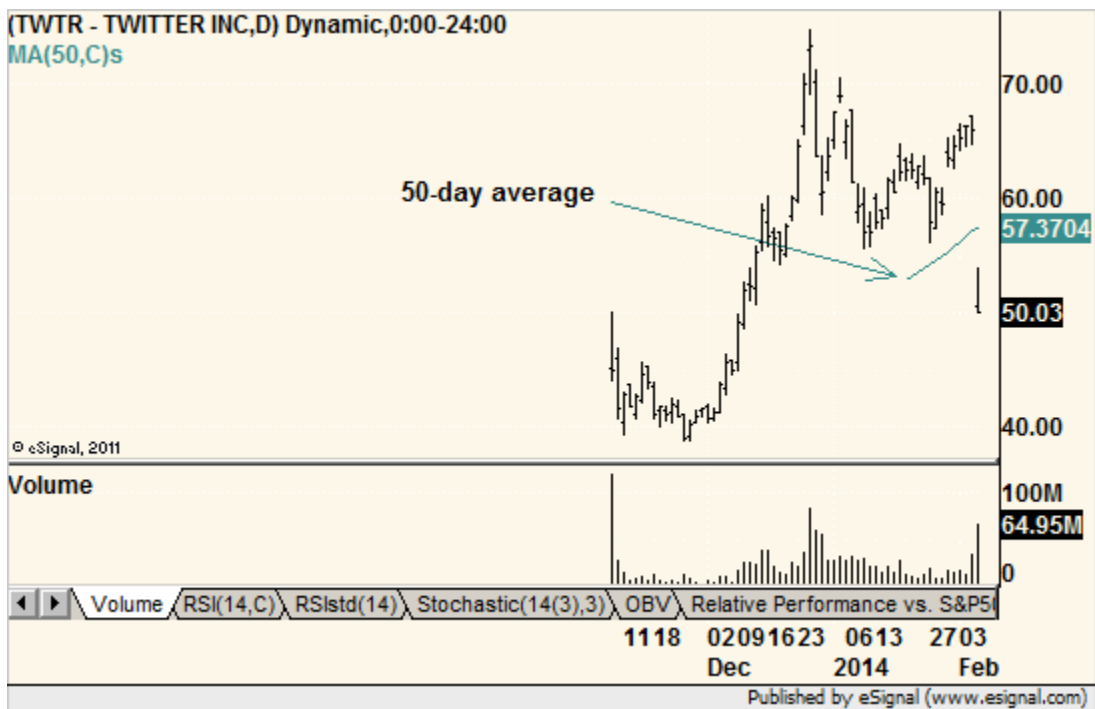
Long T-bond ETF - Hit resistance, pulling back to test a break out, which we now call a "break in" since it moves the ETF back into an old trend channel. A resumption of the rally now and move above resistance would be very bullish.



Healthcare ETF - We've said this sector is still leading and it is but it shows some serious signs of wear and tear. We won't get into the Moody's downgrade of insurers. RSI divergence and preliminary 50-day average break. Now sitting on the key November 2012 trendline. Sell a break of 54.60



Green Mountain Coffee - Really, how much upside is there here? Not much. We'd cash it in if we had it.



Twitter - It may have a little dead-cat bounce in it but this one is broken.

Today's Lesson

In this section, we take a look at a topic in technical analysis in real-time, not textbook time.

Dead-cat bounce



Taiwan Index - Normally, we reserve the phrase "dead-cat bounce" for a market that is actually dead - i.e. falling for a long time and at 52-week lows. Here, we can see that is obviously not the case but it sure looks as if the market dies one week ago. As a dead cat would do at the edge of a cliff, it plunged, giving up about 10 weeks of gains in two sessions.

The point about these types of moves is that any market will bounce if dropped from a high enough perch. They say even a dead cat will, too, so here we are.

Is this a buy signal? Hardly. It is still below the short-term trendline and former resistance level.

Caveat - the **EWT** Taiwan ETF does not look like this. However, it has a support break and that suggests both should be sold and we do not expect anyone out there to short Taiwan - it is just a lesson - on the bounce and test of the breakdowns.

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	10.82	9.4%	10.40	9.89	12/6	62
	GDX	MARKET VECTORS GOLD MINERS ETF	23.19	4.7%	22.75	22.15	1/13	24
	JTP	NUVEEN QUALITY PFD INCOME FD	7.85	0.3%	7.70	7.83	1/23	14
	CORN	TEUCRIUM CORN FUND	31.55	-0.1%	30.00	31.57	2/6	0
	FCX	FREEPORT-MCMORAN COPPER GOLD	31.54	0.6%	30.00	31.36	2/6	0
<u>Short</u>	AOS	SMITH A O	45.87	9.4%	48.00	50.19	1/23	14
	PPG	PPG INDS INC	178.92	1.0%	184.00	180.70	2/3	3
	X	UNITED STATES STL CORP NEW	25.52	-1.8%	26.50	25.06	2/3	3

Notes: Two new longs at the open Thursday - **CORN** and **FCX**. That leaves us long income payers, gold and corn. We are short basic materials (sans gold) and building materials.

Just something to watch, **NLY** formed a bearish reversal albeit on low volume.

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

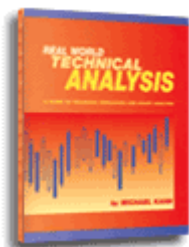
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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