

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

**March 25, 2014** – The week started with red as biotech finally cracked and many momentum leaders are leading no more. For the latter, check out **NFLX, GOOG, PCLN, AMZN, TSLA** and **FB**. That's basically all the market's faves over the past year.

The preponderance of tech losers dealt the Nasdaq a big loss and sent it under its 50-day average, albeit temporarily, for the first time in nearly two months. Curiously, the tech ETF (**XLK**) is still comfortably above its 50-day average. Could it be because **AAPL** broke out to the upside, bucking the trend?

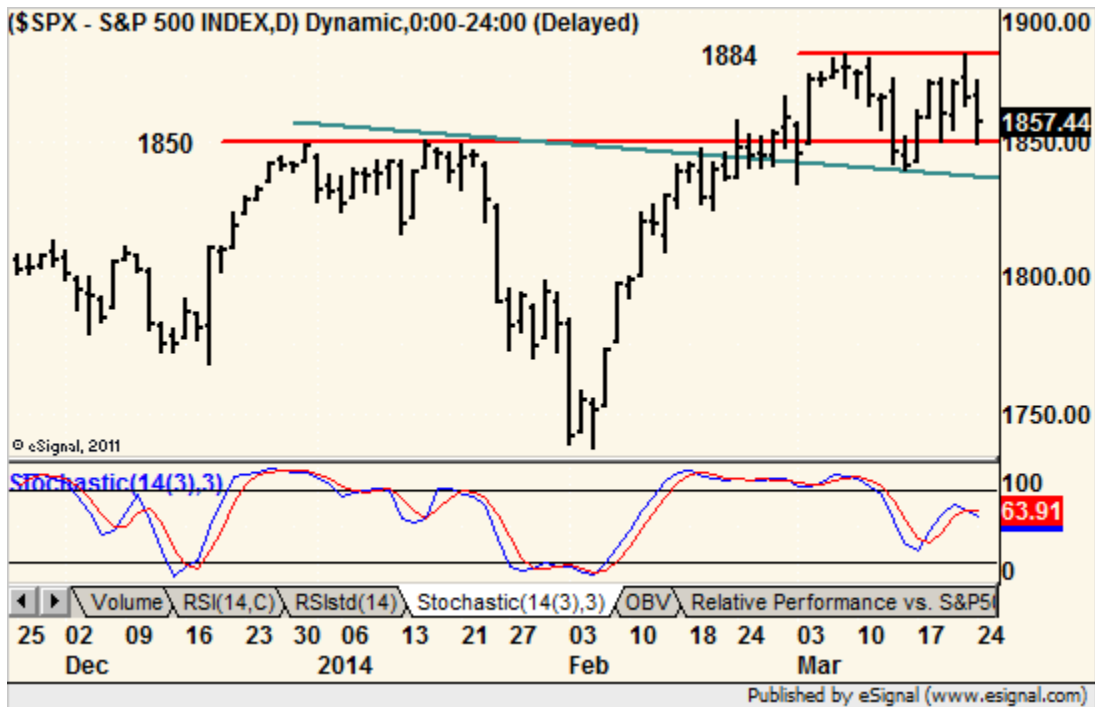
But is that enough to kill the bull? We'll see more in Index Charts of the Day below but the S&P 500 is still in its range following an upside breakout and that is bullish. The Nasdaq is below support and that is bearish. It might come down to the banks and whether they hold on to last week's breakout. I covered that in my [Barron's Online column](#) yesterday.



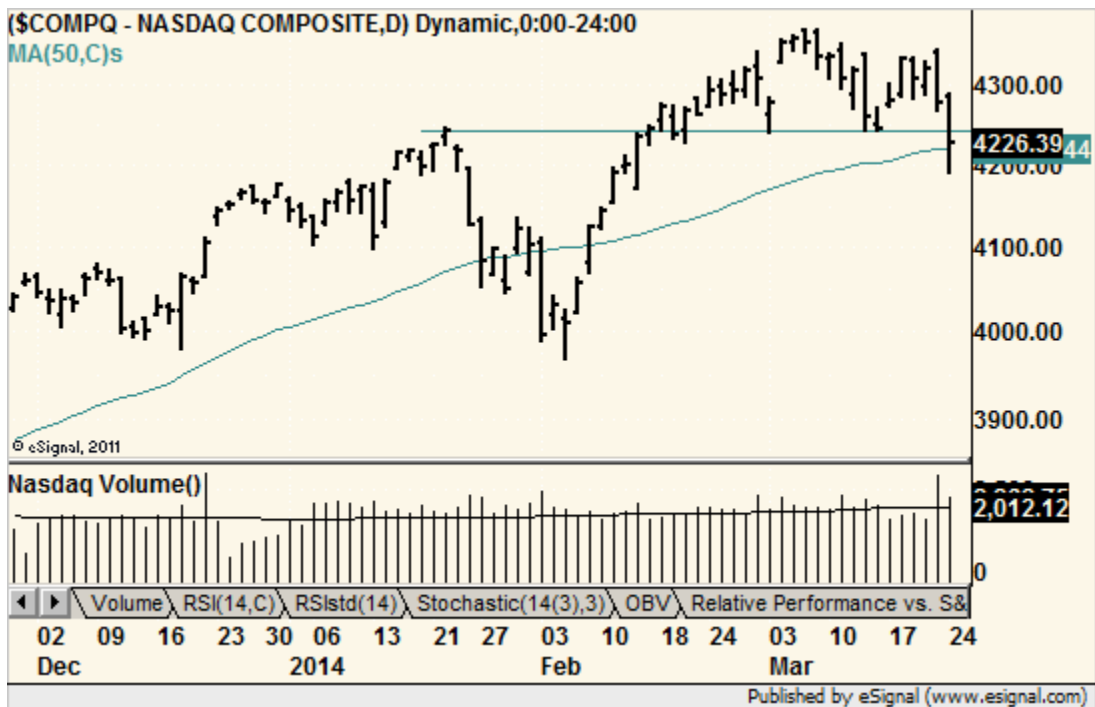
Yesterday's morning decline completed the head-and-shoulders pattern seen on the **SPY** hourly chart. This morning's strength did not confirm nor deny the pattern, at least not yet. We are not watching for either a new high above last week's high or a move under the neckline. In other words, we are still on hold as the range continues.

Gold continued lower, even though the dollar fell. Oil remains in no-man's land so we will not touch it.

## Index Charts of the Day



A bounce off support and no change in the major picture. The breakout is still in effect.



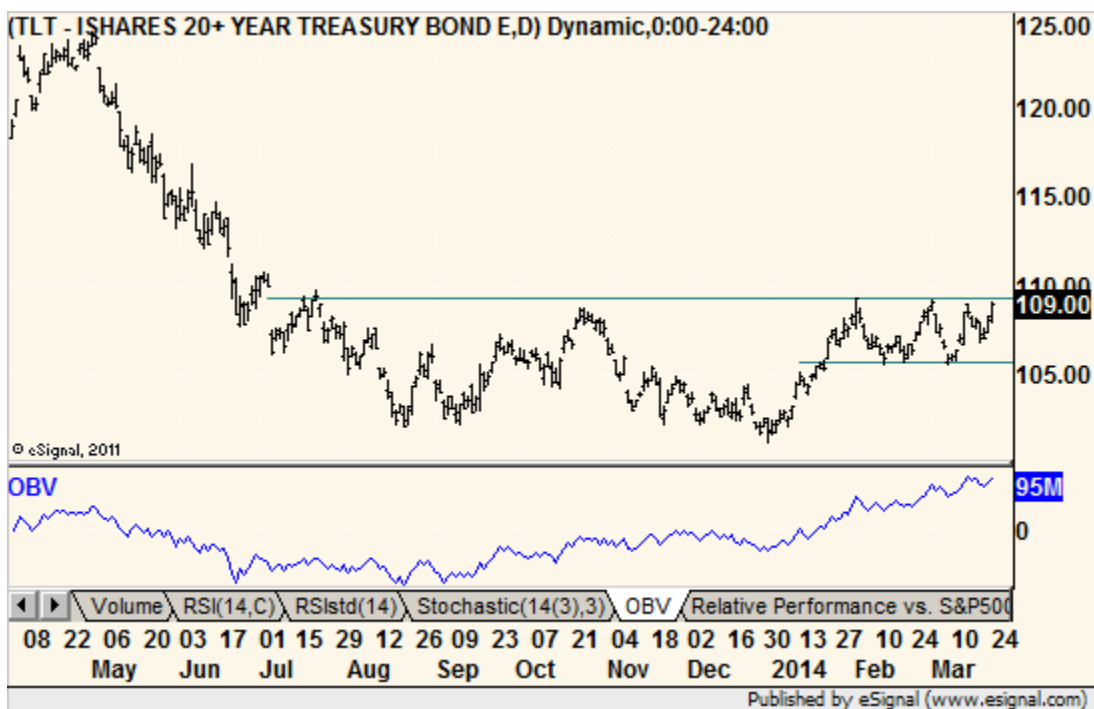
The Nasdaq did break support and it did it on elevated volume. Note the temporary break of the 50-day average.

## The Radar Screen

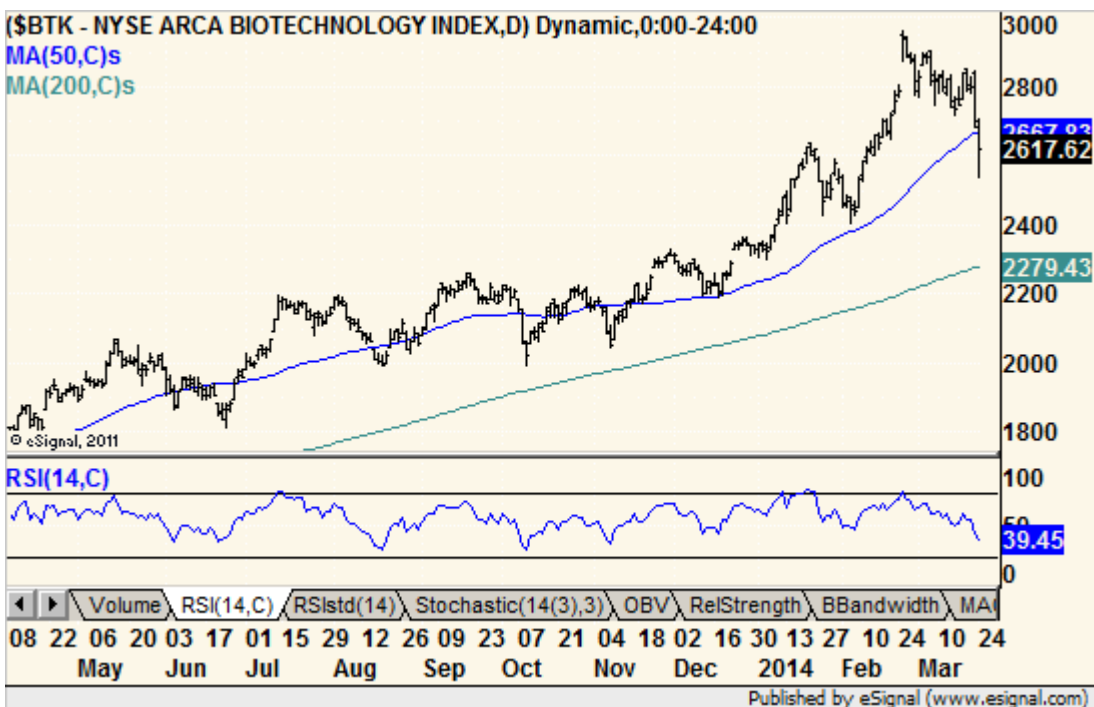
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances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

<b>Bullish Implications</b>		
<b>Hasbro HAS</b> - Here is the toy maker stock that we promised Friday. Nice pause at resistance with rising on-balance volume. Buy 55.60.		
<b>Bob Evans Farms BOBE</b> - This is a restaurant stocks and it survived a total thrashing March 5 on an earnings miss by rallying back immediately. It had another big volume gain Friday so we'll buy the breakout over 52.10.	<b>Moved</b>	3/24
<b>Bearish Implications</b>		
<b>Boeing BA</b> - We are finally going to set a sell trigger here as the defense sector, while still leading, is starting to weaken. Boeing is by far the weakest in the group. Selling 121.		3/21
<b>Salesforce.com CRM</b> - Broke its trendline. Selling bounce to 58.	<b>Moved</b>	3/24
<b>Celgene CELG</b> - Here is a biotech with a typical breakdown pattern. It is oversold but a bounce back to test the support break, the 200-day average break and possibly the declining trendline/50-day average combination would be the strategy. Sell bounce to 149.	<b>New</b>	3/25
<b>Rockwell Collins COL</b> - We are waiting for defense, the other leader, to break, too. Here is a component stocks with a nice bearish trigger at a support and 50-day average break below 79.40. Yes, the average is below that price but it is rising daily and averages should not be precise triggers.	<b>New</b>	3/25
<b>Unknown Implications</b>		
<b>none</b> -		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Gold ETF GLD</b> - Fibonacci price and time suggests a buy on April 9 at a price of 126.34		3/19
<b>FirstEnergy FE</b> - An electric utility with a possible rounded bottom. We'd like to see it form a "handle" here before breaking out. Forgive the incorrect use of "handle" but a pause at resistance is harder to say.		3/24
<b>Electronic Arts EA</b> - Watching a bearish reversal taking place well above its 50-day average. <u>We may have missed this one.</u>		3/24
<b>MasterCard MA</b> - Bearish reversal at the 50-day average.		3/24
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Defense</b> - Watching this leader. Bearish RSI divergence now in place but the trend is still up. <b>See COL chart below.</b>		
<b>Biotech</b> - Time to decide between exhaustion gap and bull flag. Breakdown		3/7
<b>Homebuilders</b> - Failed at resistance. Breakdown		3/11
<b>Banks</b> - Banks of all kinds just broke out through resistance.		3/13
<b>Toys</b> - Looking decent for the bulls.		3/14
<b>Semiconductors</b> - expanding triangle obliterated with a new high		3/17
<b>Updates</b>		
<b>none</b> -		

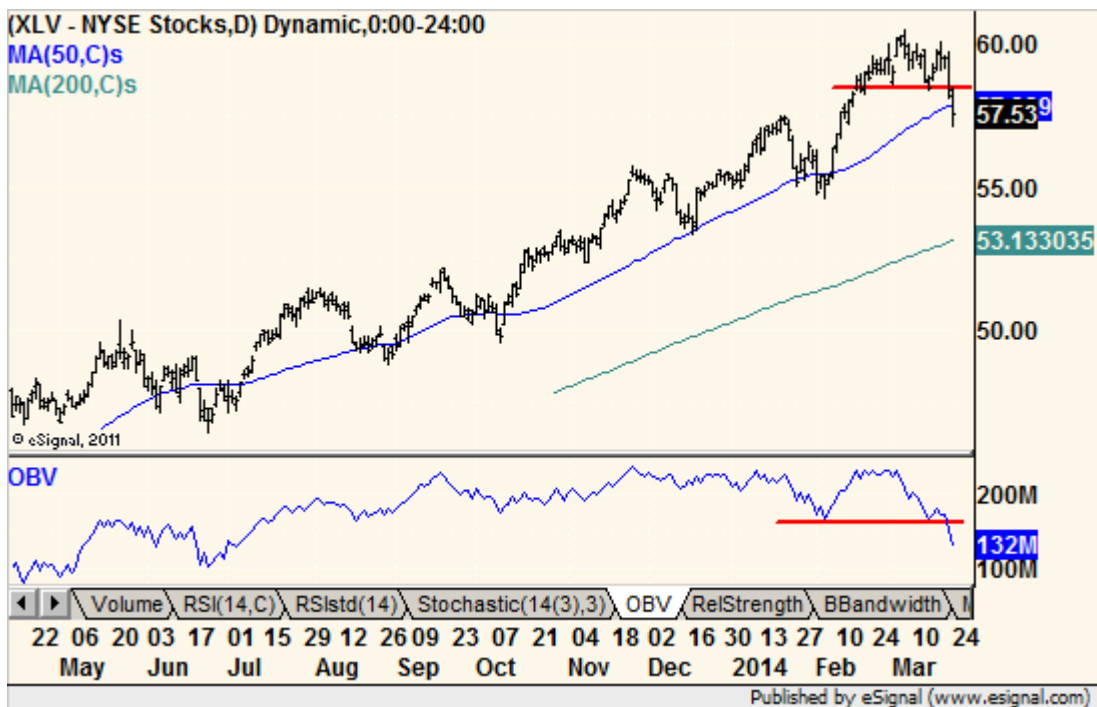
## Market Highlights



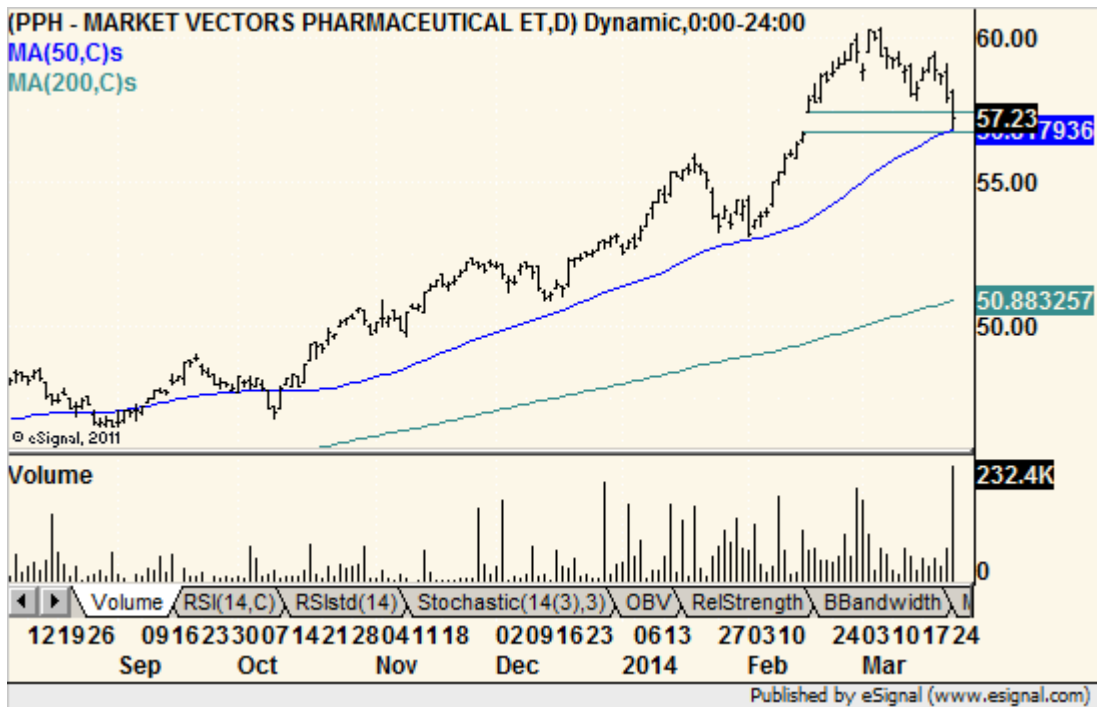
**Long T-bond ETF** - Still looks bullish to us. Waiting for the breakout.



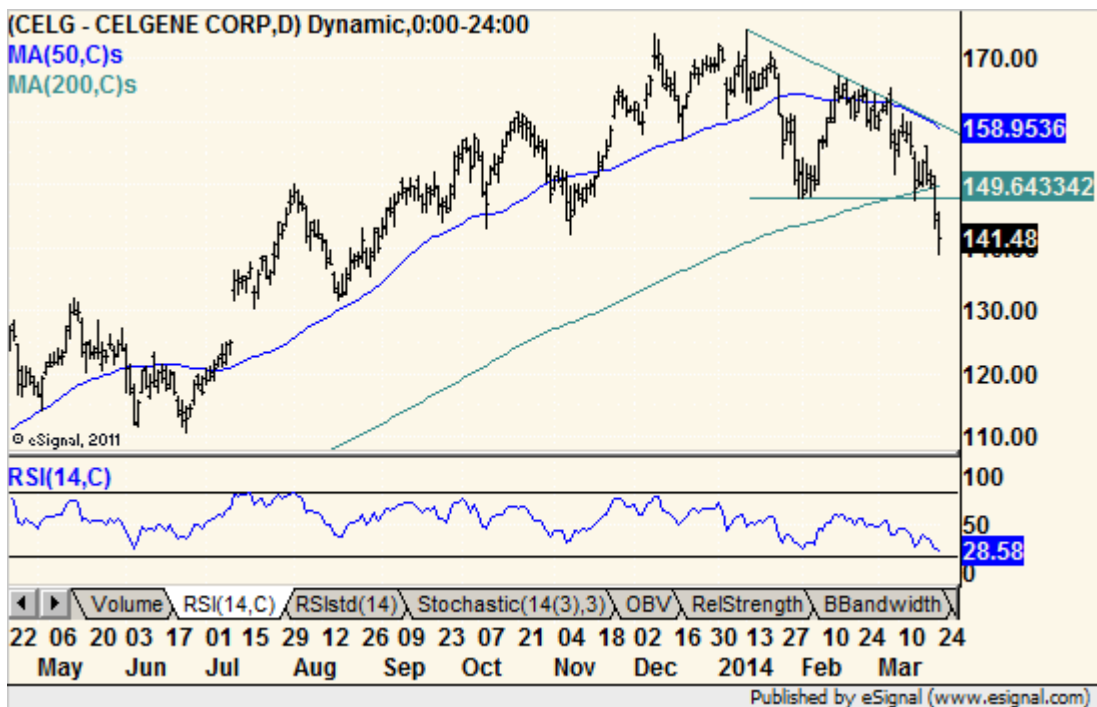
**Biotech index** - Everyone said the bubble burst but let's just say the rally is over. This index is now below its 50-day average again with plenty of room to the 200-day. The trend here is down although short-term it is oversold. See next chart. Also, see Today's Lesson.



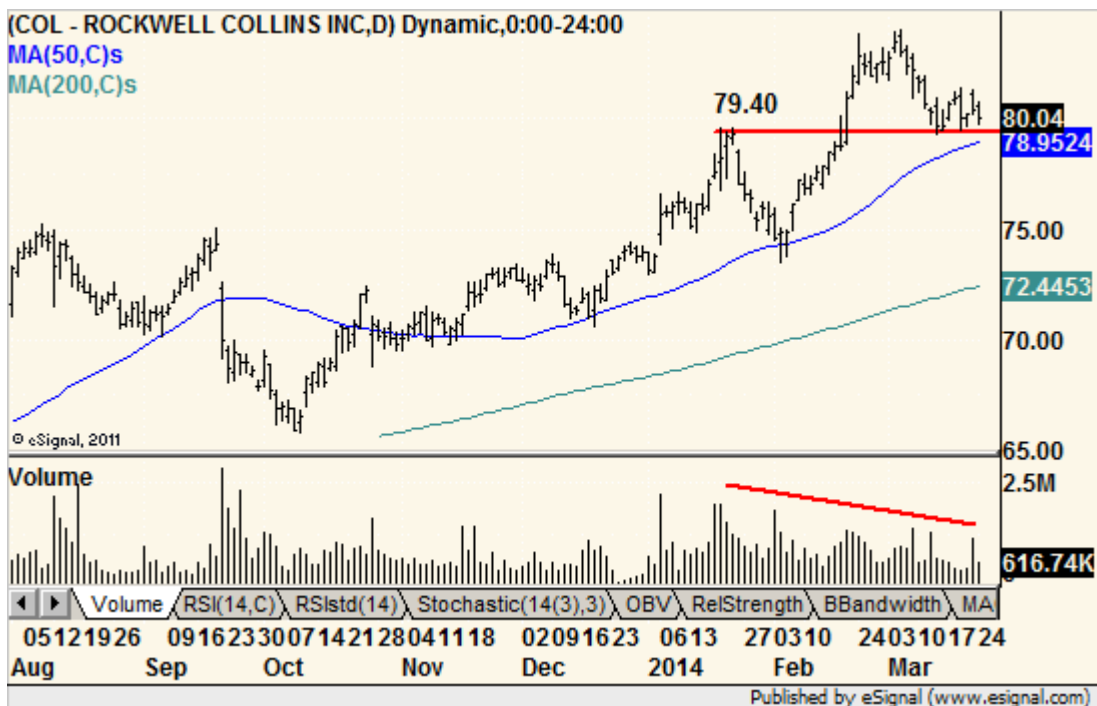
**Healthcare ETF** - A small head/shoulders is broken but so is the 50-day average and "support" in on-balance volume. This party is over although shorting is another story. See next...



**Drugs ETF** - Although it is falling, it has not broken any support. Indeed, it bounced off the bottom of the February gap but check out volume on the decline. This is not a very active ETF but they sure traded it yesterday on the decline. This one needs to make a decision on which way it wants to go.



**Celgene** - Here is a biotech with a typical breakdown pattern. It is oversold but a bounce back to test the support break, the 200-day average break and possibly the declining trendline/50-day average combination would be the strategy. Sell bounce to 149.



**Rockwell Collins** - We are waiting for defense, the other leader, to break, too. Here is a component stock with a nice bearish trigger at a support and 50-day average break below 79.40. Yes, the average is below that price but it is rising daily and averages should not be precise triggers.

## Today's Lesson

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

### Measuring Downside Targets



**Nasdaq Biotech ETF** - This sector has broken but the decline here was so steep that it already hit support from its Nov 2012 trend channel and January lows. If it cannot hold here, then we project the channel height down from the break and get a level just under 200 where there is support from November 2013.

Here is the tricky part. The trend channel is based on a log scale. Projecting down on a log scaled chart, in our view, is best done with a ruler, not a calculator. We measure the trend channel height but in inches or cm, not price. Project that physical value down.

If we use actual dollars then the projection would be much lower and in extreme cases give us a negative number.

## 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>JTP</b>	NUVEEN QUALITY PFD INCOME FD	8.03	2.6%	7.80	7.83	1/23	60
	<b>CORN</b>	TEUCRIUM CORN FUND	33.68	6.7%	32.50	31.57	2/6	46
	<b>DBC</b>	POWERSHARES DB COMMODITY ETF	25.75	-2.9%	25.50	26.53	3/3	21
	<b>SYMC</b>	SYMANTEC CORP	19.09	2.0%	18.00	18.71	3/21	3
<u>Short</u>	<b>JNPR</b>	JUNIPER NETWORKS INC	25.83	-1.7%	27.00	25.39	3/11	13
	<b>ACHC</b>	ACADIA HEALTHCARE COMPANY INC	46.24	-0.3%	49.00	46.09	3/11	13
	<b>UPS</b>	UNITED PARCEL SERVICE INC	97.34	-1.4%	101.00	96.00	3/21	3
	<b>INCY</b>	INCYTE CORP	55.70	8.3%	59.00	60.35	3/21	3

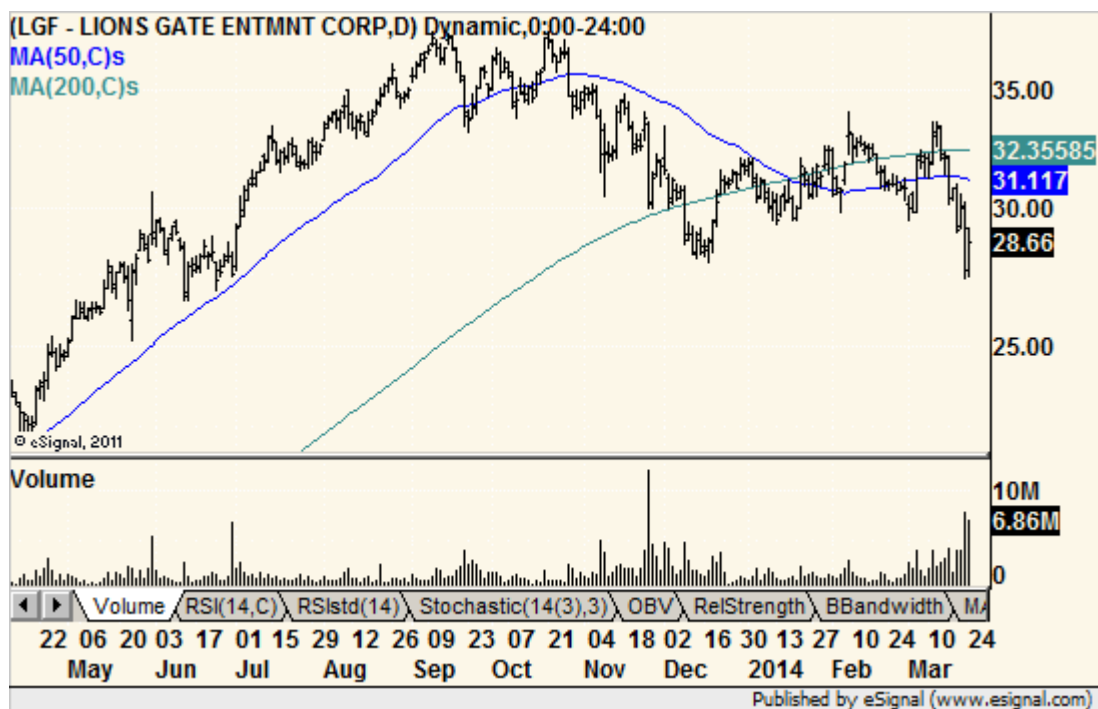
**Notes:** We were triggered short in **INCY** Friday and failed to add it here yesterday. Our apologies.

Raised stop in long trade in **SYMC**.



## Subscriber Corner

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



**Lions Gate Entertainment LGF** - Potential intraday double bottom but the daily chart is broken below support and moving averages. Premarket strength this morning may be part of a test of the breakdown. Probably set a sell trigger if the bounce proves to be weak.

## Other Information

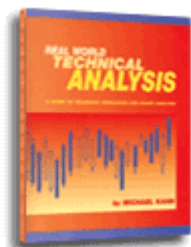
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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



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