

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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April 29, 2014 - Just when it looked like the bottom fishers were getting their wish the market went into the red. And then just when the bears were taking over, the market rallied back. Well, the Dow did anyway. The Nasdaq was down slightly and small caps still ended with a big loss. To quote the Bangles, it was just another manic Monday.

We saw on Twitter over the weekend that this week would give us a rip higher to screw the shorts and it looks like it screwed everyone yesterday. The overall trend remains sideways for the S&P 500 and down for the Nasdaq and small caps. Whatever rip higher that happens or continues will, in our opinion, be short lived.

Social media and the entire momentum gang look terrible. True, a good deal of the market scored hammer candles Monday to suggest a bounce is coming but they need confirmation with a solid day today. The premarket looks good but there are miles to go before I sleep (who would have thought I could quote poet Robert Frost in a stock market comment?)

There is no hourly chart today because it does not add much to the discussion. The daily charts below really say it all.

Let's talk about leadership yesterday and over the past two weeks. It is so clearly skewed to energy, utilities and defensive sectors that bulls should really not get too excited. The four horsemen (tech, finance, housing, retail) are all lagging. Growth sectors are lagging value (chart below). Consumer discretionary is lagging consumer staples (chart below). Treasury bonds continue to trend higher (although they dipped yesterday).

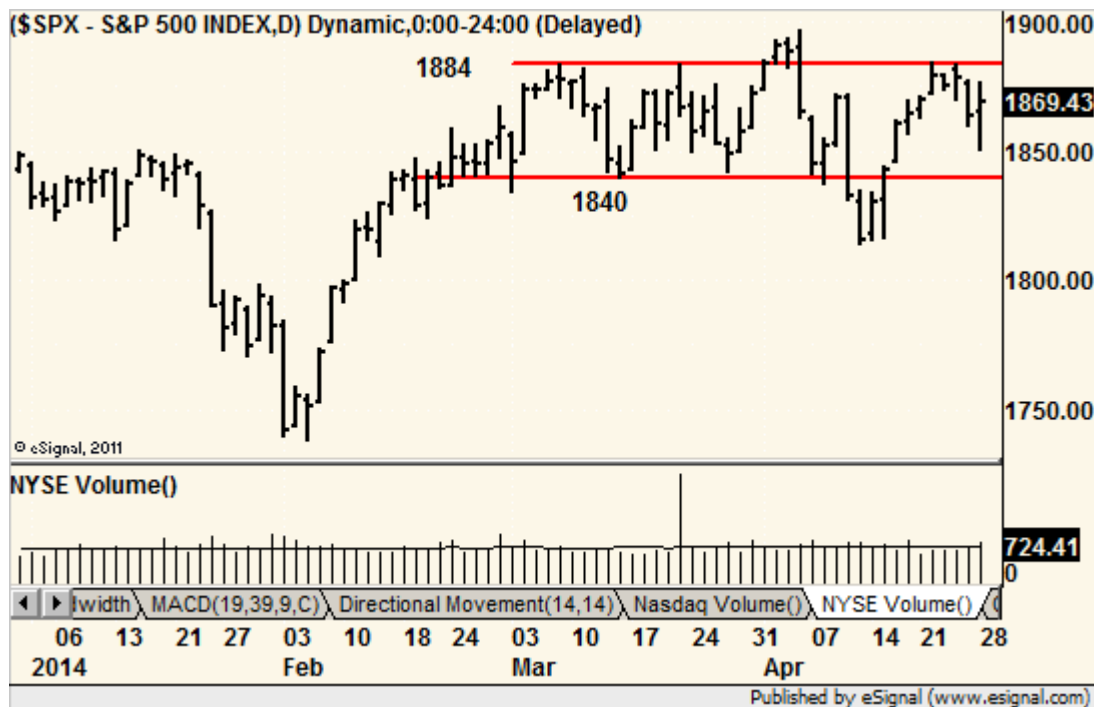
And, of course, the Nasdaq and Russell are lagging the S&P 500 badly. How much more proof do we need to say the party is over? But then again, nobody told Europe, Canada and India. Check out the chart of the Pan Europe blue chips below. And which market is leading Europe? France. Who'da thunk it?

But wait, if we dig a little into the international leadership we will see that while European blue chips are hot, European emerging sectors are not. The **GUR** ETF is in a down trend. And the limited number of single country small cap ETFs, such as **EWGS** Germany are lagging. This parallels what is happening here and that makes the market rather narrow despite the advance/decline line.

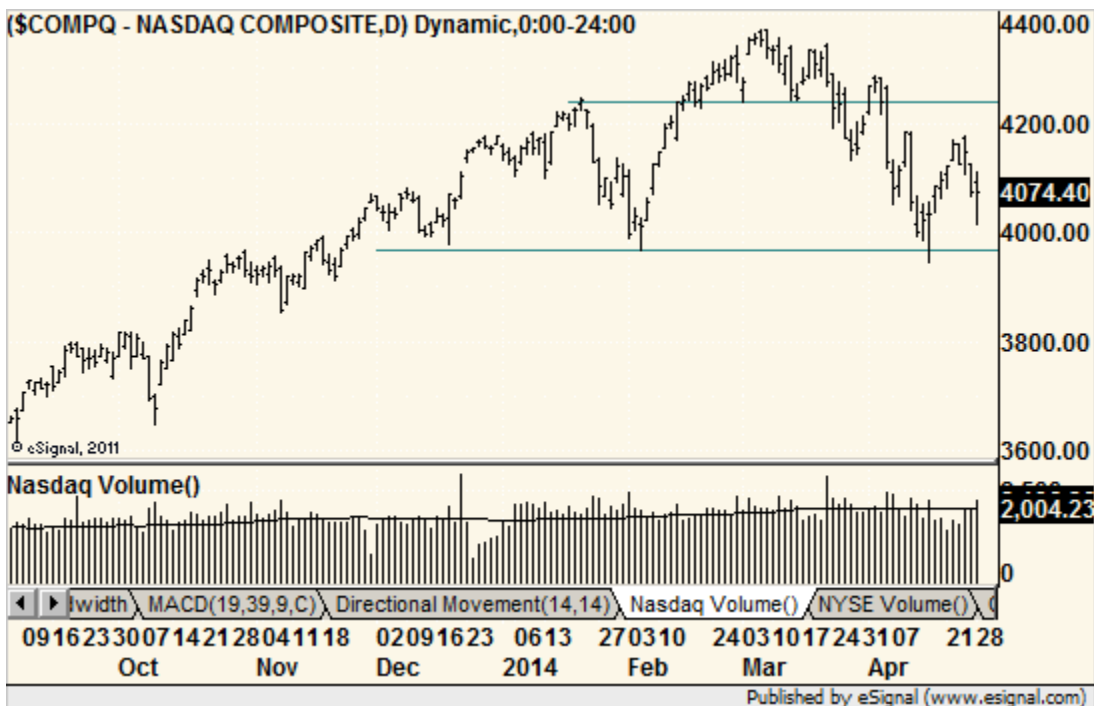
Back to what we can and should be doing. This week we may just have to sit on our hands. We do think the major rally is over and now it is a matter of timing for going short. There is just too much evidence on the side of the bear right now and unless the Fed does something stupid, like stop the taper, then we see lower prices ahead this summer. It's just that we need to let the hammers play out or fail now. There can only be so many mergers available to prop up prices.

We hope to have specific stock picks and pans later this week. We also believe that being long income and short "aggressive" sectors (tech, finance, industrial cyclical) will be the best plan.

Index Charts of the Day



This trading range is starting to feel irrelevant as drawn although **the trend is still sideways**. It has to take out 1884 at a minimum and probably set a new high before we can really say the bulls win.



The pattern here on the Nasdaq did not change yesterday but there was a volume increase. The trend is still down.

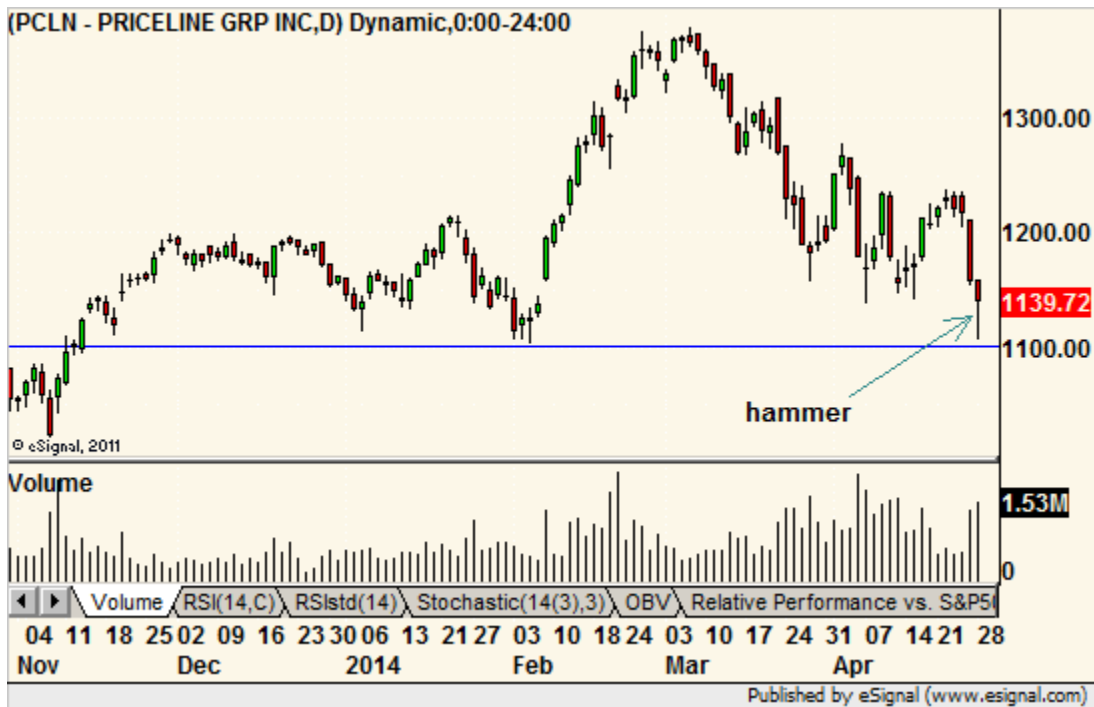
The Radar Screen

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.

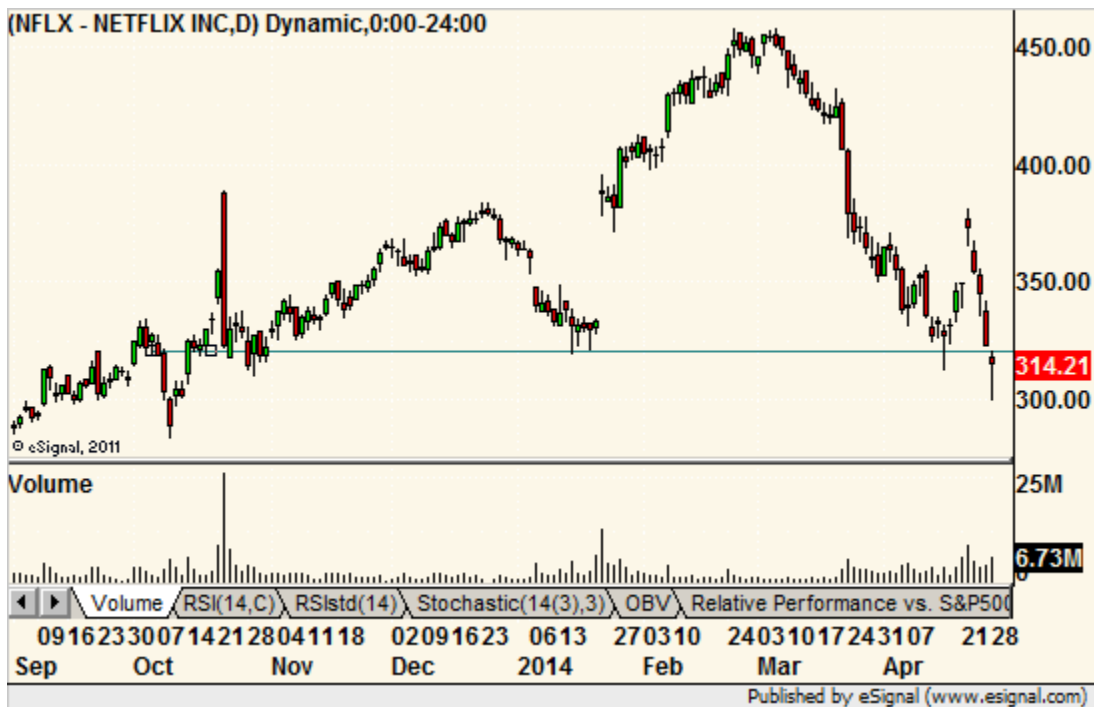
>> No new specific buys and sells right now.

| | | |
|---|--|------|
| Bullish Implications | | |
| none – | | |
| Bearish Implications | | |
| none – | | |
| Unknown Implications | | |
| none – | | |
| Holding Tank - red shade leans bearish, green shade leans bullish | | |
| Nike NKE - Weekly double top in progress. If the bounce stalled so we look for the setup for a big short on the support break. <u>Now waiting for a little pause here at support before setting trigger.</u> | | 4/9 |
| Gold ETF GLD - Back on the 200-day average and 50% retracement. Still not ripe at this time. Looking at May 5 at 121.85 - both .618 Fibonacci levels. | | 3/19 |
| Dunking Brands DNKN - Now pausing on support. <u>Broke down but with the market firmer we'll wait for a small bounce.</u> | | 4/25 |
| Wetseal WTSL - Waiting for the bowtie buy signal. Speculative. | | 4/28 |
| Sector Watch (observations that may spark ideas) | | |
| Energy - Resilient and leading | | 3/31 |
| Utilities - Still looking strong. | | 3/31 |
| Natural Gas stocks \$FUM - Leading. See Today's Lesson for trading strategy | | 4/4 |
| Financials - Some of our canaries rallied but overall financials still look weak. Still watching JPM, AXP, KBE . Looking to see if MTG and ETFC fail. <u>MTG did in fact fail.</u> | | 4/15 |
| Transports - Watching an expanding triangle (megaphone) on the DJTA | | 4/25 |
| Updates | | |
| Priceline PCLN - bounced off support and ended with a hammer. Chart below. | | |
| Facebook FB - bounced off support. No hammer and no breakdown. | | |
| Banks ETF KBE - closed under 200-day average although it looks to bounce today. | | |
| Ameritrade AMTD - Key outside-day reversal to the downside. This one may turn into a short depending on what happens today. | | |

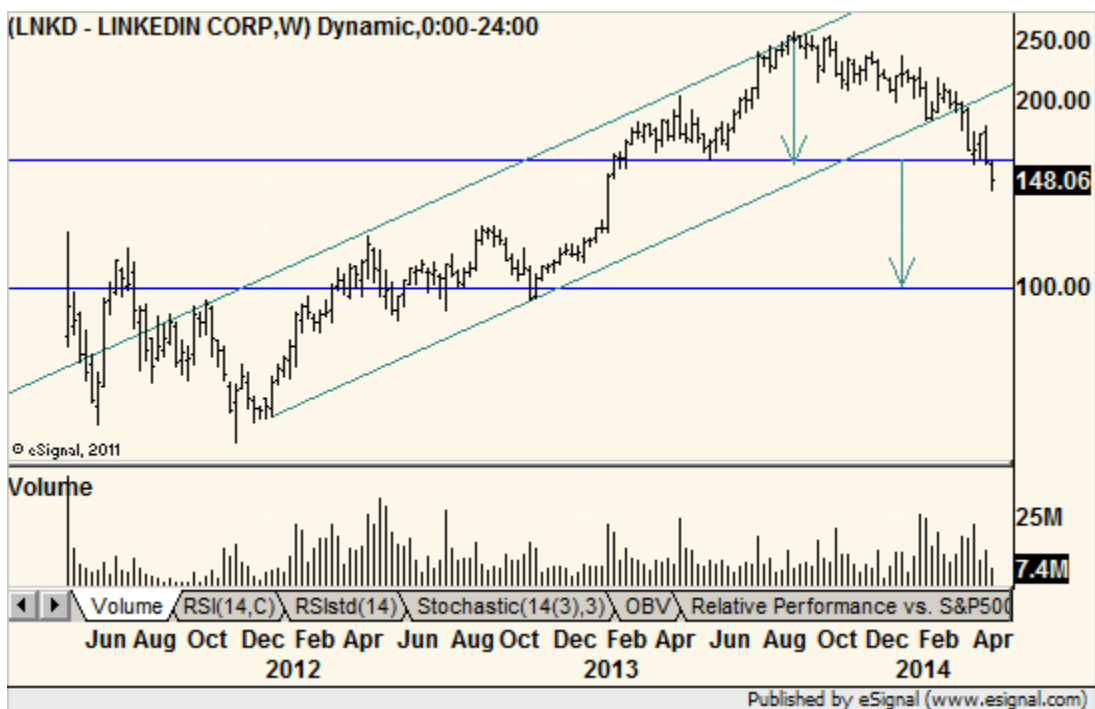
Market Highlights



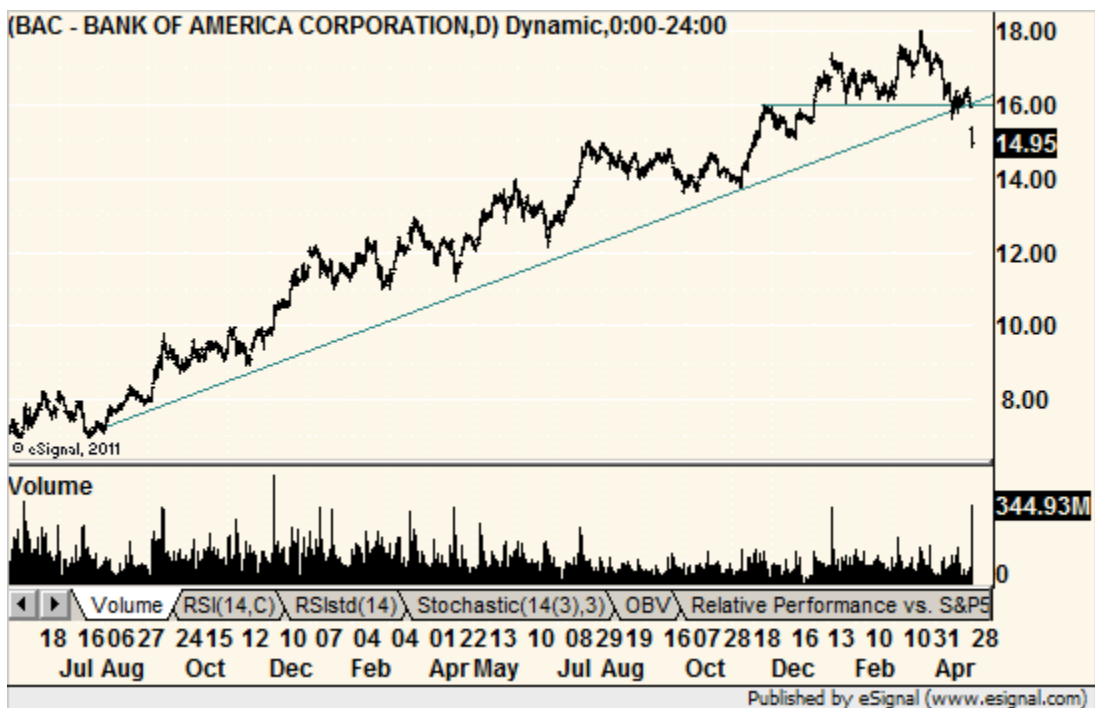
Priceline - This one failed at a falling trendline a few days ago and fell to support yesterday - where it bounced. However, it ended with a hammer candle and that suggest it might continue a bit higher from here for a little while.



Netflix - Same for this stock only it happened right after the breakdown. If it does not follow through to the upside then we can look bearish again. For now we have to see what happens. **GOOGL**, too.



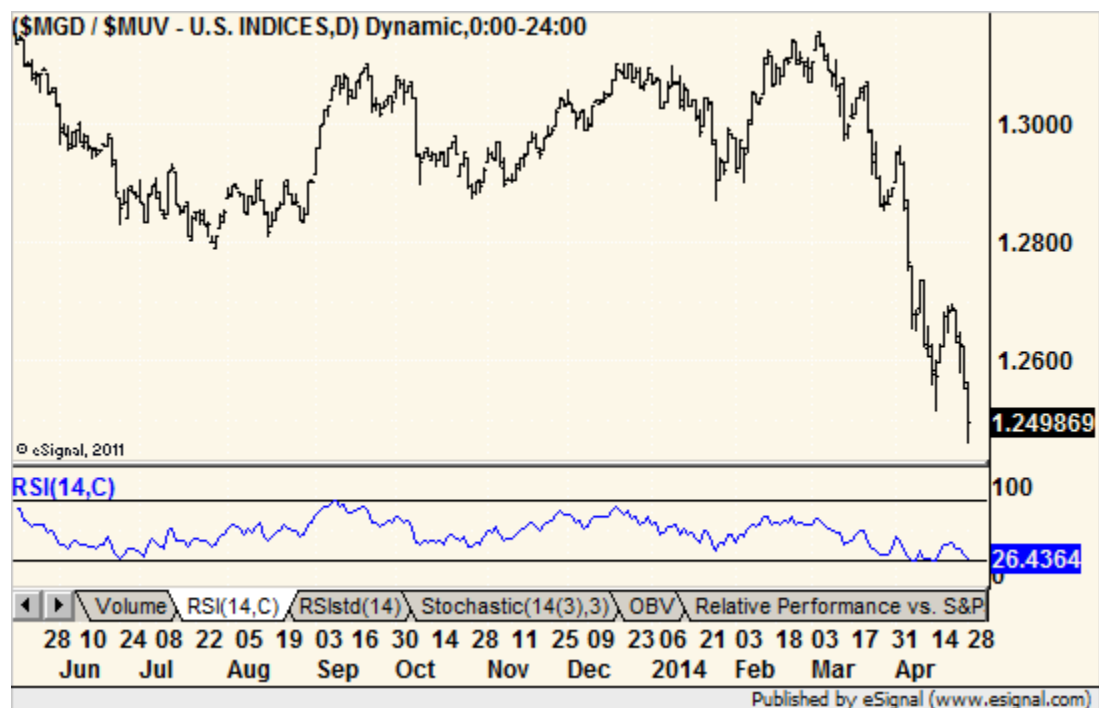
LinkedIn - We tweeted that social media and the **SOCL** ETF looked terrible. Here we see **LNKD** with a breakdown and no recovery (or hammer). The downside target based on log scaling is about 100, which is the height of the 2013-2104 range (some say H/S) projected down from the break. Also, if we measure the height of the trend channel, we get something just under 100. Projecting down using a linear chart gives a target of 60 and that seems way too aggressive.



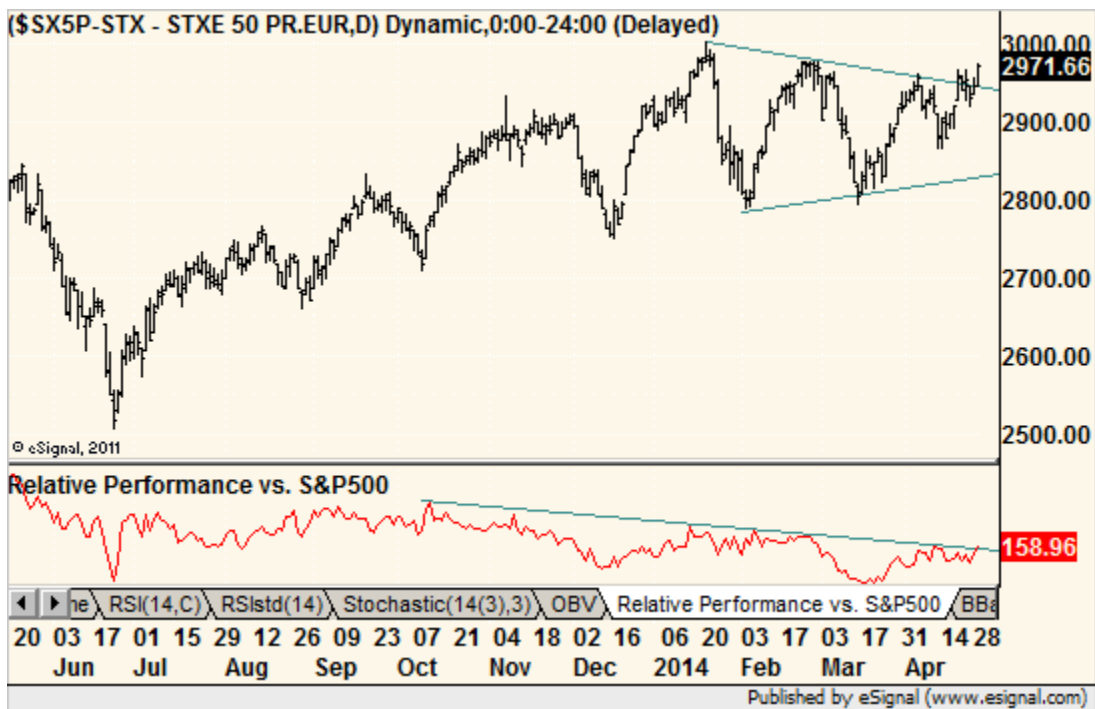
Bank of America - That, ladies and gentlemen, is a breakdown.



Discretionary / Staples ratio - Just a little reminder of what sector led yesterday's rally - the defensive consumer staples sector. The ratio of "feel good" sector to "I'm scared" sector plummeted. **XLY** was down 0.25% while **XLP** was up 1.14% to all-time highs.



Growth / Value ratio - This is the Barra mid-cap growth ETF vs. the value ETF and it is also plummeting. Another run towards safety.



Stoxx 50 - The Pan-Europe blue chip index is breaking out and may soon break out relative to the S&P 500. Is this a good sign for all stocks? It is good for big European stocks but it may be telling us the market is getting narrow - big vs. everything else.

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> | HR | HEALTHCARE RLTY TR | 25.20 | 1.2% | 24.00 | 24.91 | 4/15 | 13 |
| | ED | CONSOLIDATED EDISON INC | 58.26 | 4.2% | 55.50 | 55.89 | 4/15 | 13 |
| | FE | FIRSTENERGY CORP | 34.33 | -0.5% | 33.25 | 34.50 | 4/25 | 3 |
| | | | | | | | | |
| <u>Short</u> | ACHC | ACADIA HEALTHCARE COMPANY INC | 42.50 | 8.4% | | 46.09 | 3/11 | 48 |
| | UPS | UNITED PARCEL SERVICE INC | 98.26 | -2.3% | 100.00 | 96.00 | 3/21 | 38 |
| | CVS | CVS CAREMARK CORPORATION | 73.61 | 0.3% | 76.00 | 73.85 | 4/7 | 21 |
| | CA | CA INC | 29.76 | 2.4% | 31.25 | 30.46 | 4/22 | 6 |
| | GS | GOLDMAN SACHS GROUP INC | 156.54 | 2.4% | 162.00 | 160.26 | 4/22 | 6 |
| | BRCM | BROADCOM CORP | 30.40 | 0.7% | 31.50 | 30.60 | 4/24 | 4 |

Notes: Stopped out of short in **ACHC**. A bit disappointed as we had more than 11% profit the day before. But, we'll take the green.

Tweaking stop on short in **GS**.

Subscriber Corner

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New subscribers (and any subscriber, really) - Request the two-pager on building your technical toolbox. It lists the types of tools you should be using. [Click here](#).

Better yet, look below for the book "Real World Technical Analysis" to get all the two-pager and strategies in a neatly bound reference book. Here is the link to the description on our website. <http://www.quicktakespro.com/rwta.html>.

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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