

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN  
RESEARCH LLC

**May 4, 2015** – Well, it's May and the pundits say it is time to sell. And check out the front page headlines on MarketWatch this morning – not edited:

- This big **bubble** is close to popping, killing our dreams
- Death of the American dream as a big **bubble** readies to pop
- Here's how a stock market sounds when the **bubble** bursts
- 3 smart moves for a **pricey stock market**
- 5 things about ETFs that scare investors
- Bullish argument for stocks turns out to be **wrong**: Hulbert

Do you see a theme? Get out of stocks? Hunker down? Cash is king!

This is scary stuff so maybe we should sell? We don't think so. The mood out there is far from a bubble despite the low **VIX** so we do not see any need for excessive fear. Healthy fear is always good but we are not getting out just because the calendar turned a page. Check out the Big Picture chart below where we simply highlight the month of May going back several years.

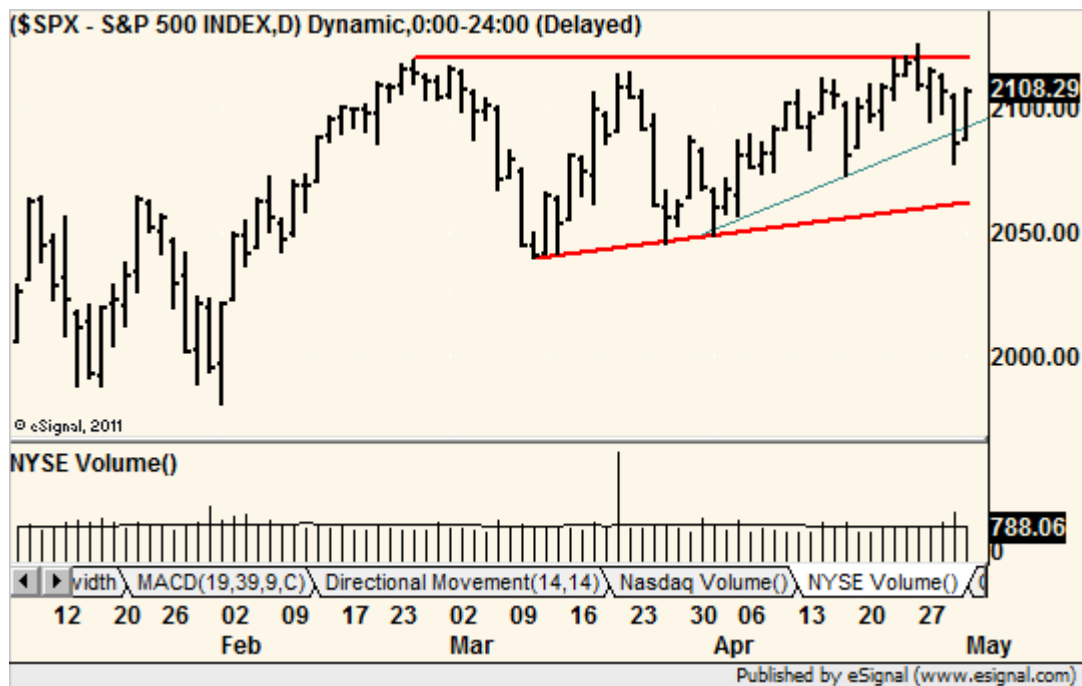


The hourly chart shows a nice recovery from the short-term breakdown. Looking at this chart in a vacuum and ignoring everything even we said over the past week it looks to be more bullish than bearish here. We think everyone jumps on board if and when this hits a new high.

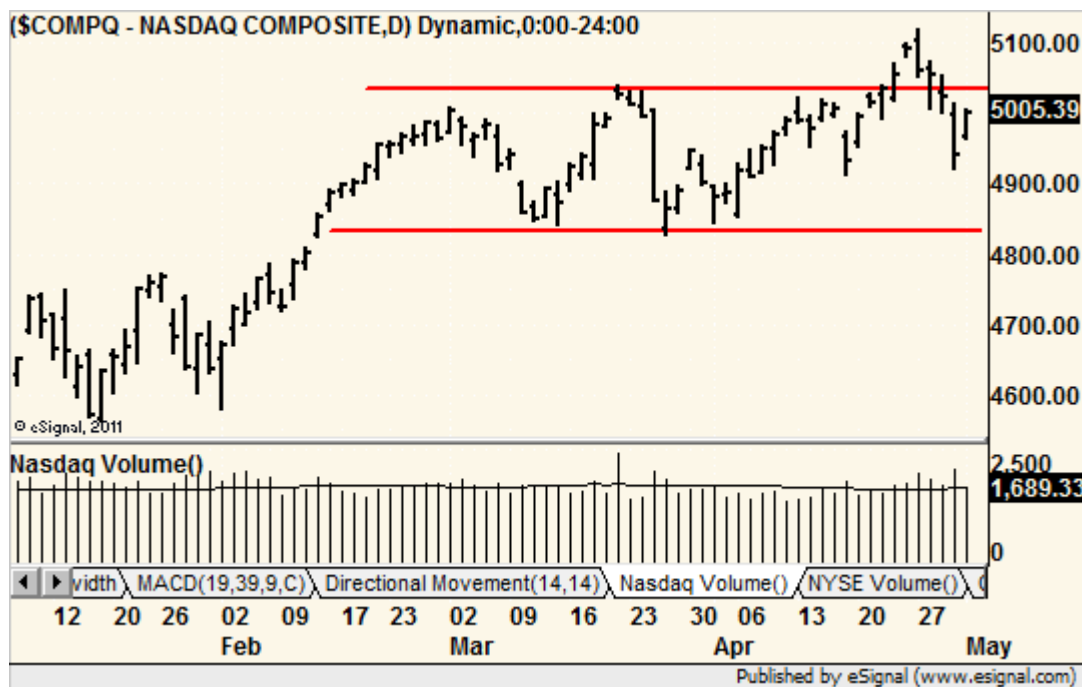
Elsewhere, bonds are on the edge of a cliff but have not tumbled over just yet. Oil looks nice. Gold looks sloppy but gold stocks look much better. So do industrial mining and metals stocks. Did you see **AA** on Friday?

Biotech seems to have found a bottom. Retail still seems to be hurting quite badly. And we are still waiting for banks to finally break out.

## Index Charts of the Day



It is time to put the symmetrical triangle (pennant) pattern to rest. The new pattern is an ascending triangle. Subtle difference but the upper border to watch is now flat. We still have that breakout failure and reversal last week but it may have already run its course. That is why there is a fainter triangle border drawn in there with a breakdown failure to offset the first failure.



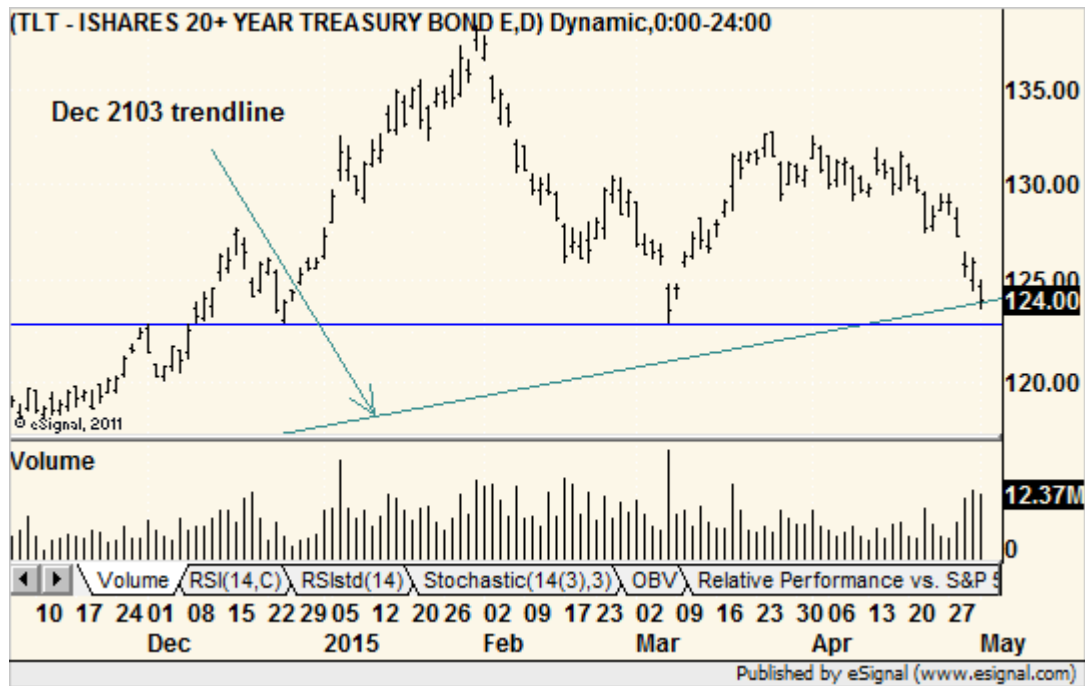
We usually say that patterns must pop off the chart at us to be valid. Here we can see support and resistance levels but neither failure nor other signals are clear. We have to stay with the overall rising trend but understand it looks to be the bumpiest of roads.

## The Radar Screen

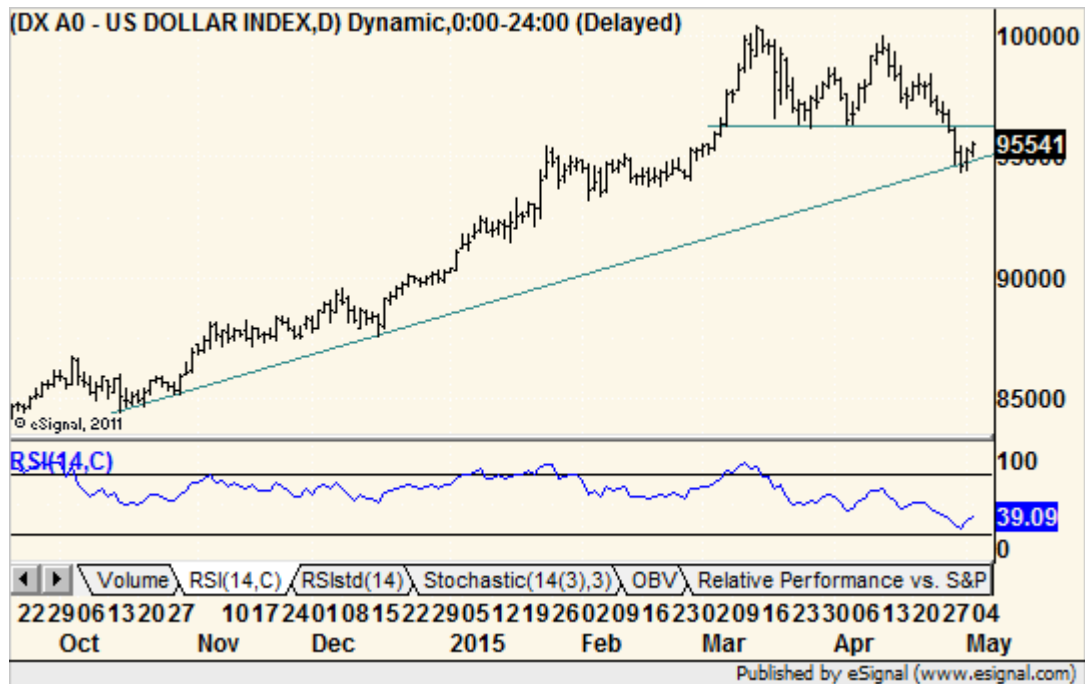
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>Matrix Services MTRX</b> – Heavy construction stock now in a bull flag right at 200-day average. Buy close over 22.50		4/7
<b>Oracle ORCL</b> – Tested trendline breakout on lower volume. Looks good.	<b>Triggered</b>	5/1
<b>E*Trade ETFC</b> – Broke out from the rectangle pattern and came back to test it. Looks good here.	<b>Triggered</b>	5/1
<b>Hewlett Packard HPQ</b> – Inverted head-and-shoulders breakout in advance of Carly Fiorina’s announcement? Looks good so we’ll go with it.	<b>New</b>	5/4
<b>Bearish Implications</b>		
<b>Keurig GMCR</b> – A stock on precipice. It has a moving average death cross in February. Now that it bounced we will sell under 111. <u>This one has been here a long time and it is starting to form a triangle.</u>		3/30
<b>Unknown Implications</b>		
<b>none</b> –		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Caterpillar CAT</b> – Breakout failure so far. Keep watching as strength now would catch everyone off guard and likely be a buy. Looks like we’ve missed it. We’ll keep it here for a few more days in case it dips.		4/24
<b>IBM</b> - Ditto		4/30
<b>FedEx FDX</b> – Breakdown failure last month and now squeezed between averages.		4/29
<b>Dollar General DG</b> – Here is a retailer awaiting a better sell signal. Already has a short-term support break and trendline break.	<b>New</b>	5/4
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Banks ETF KBE</b> - Still waiting for a real breakout despite same in <b>JPM</b> and <b>GS</b> . Getting very close.		4/21
<b>Industrial Metals stocks</b> – <b>FCX, SCCO, TS, CCJ</b> looking better		4/27
<b>Updates</b>		
<b>none</b> –		

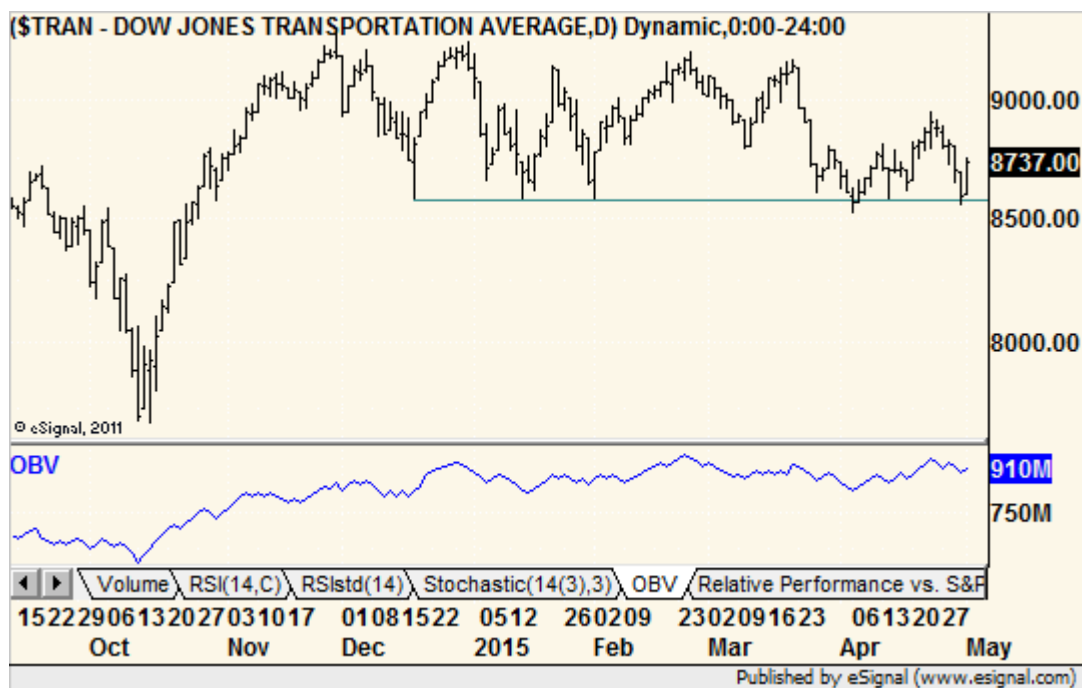
## Market Highlights



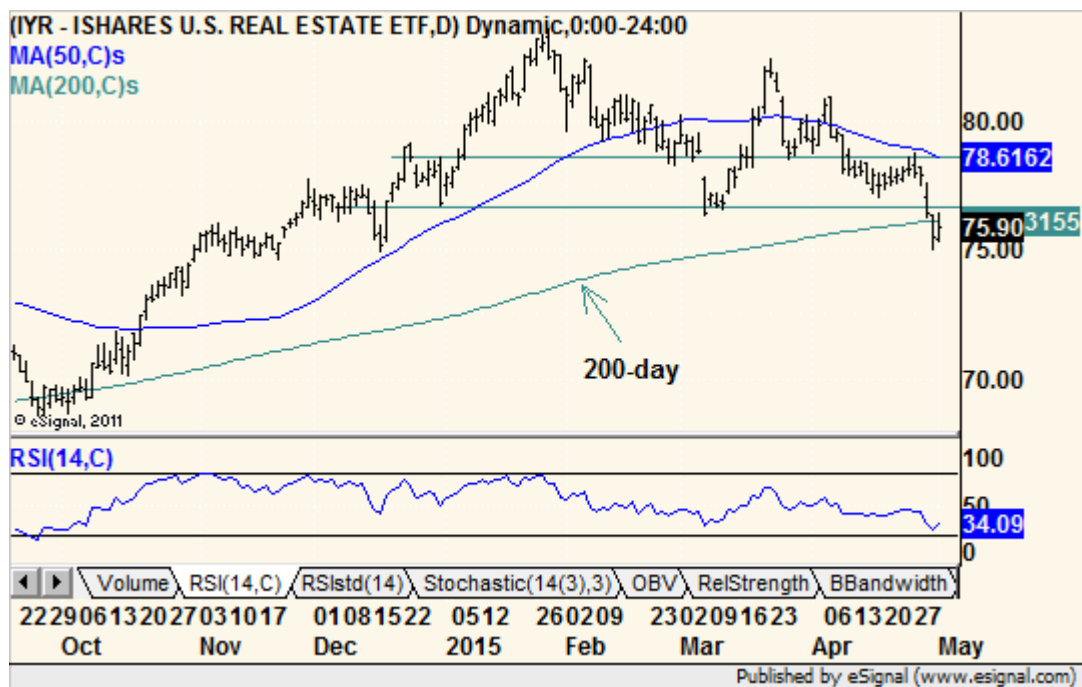
**Long T-bond ETF** – Did not confirm bullish reversal. Still has the trendline and support.



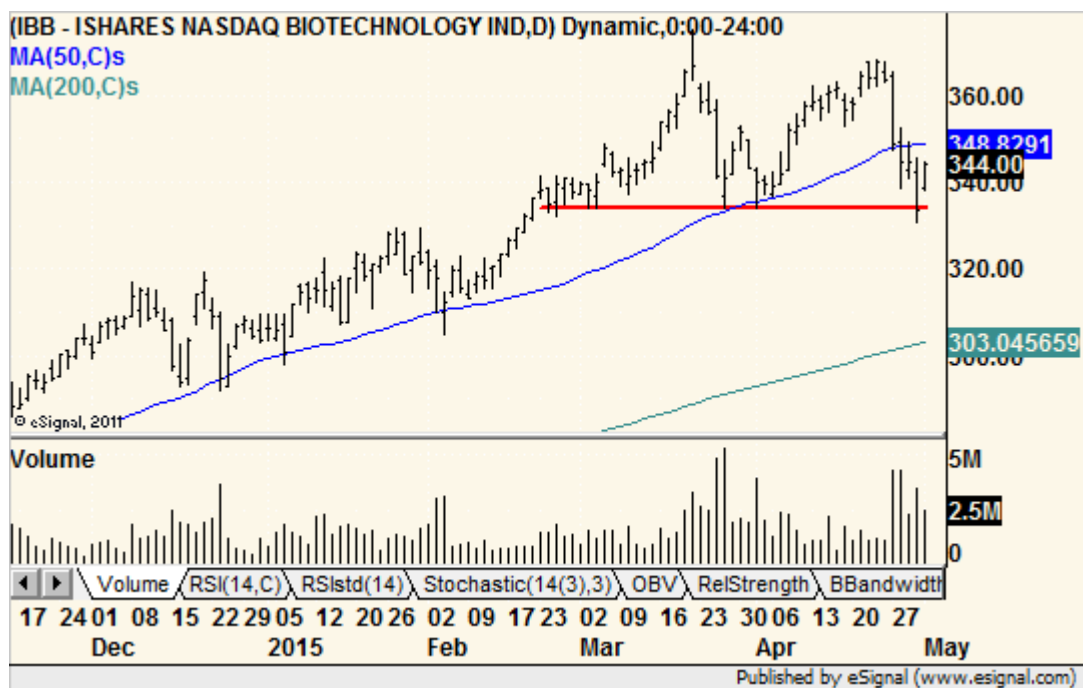
**US dollar index** – If we could write the script it would be a bounce to test the support break and then a trendline breakdown. But that is just us, not the market. For now, support is holding.



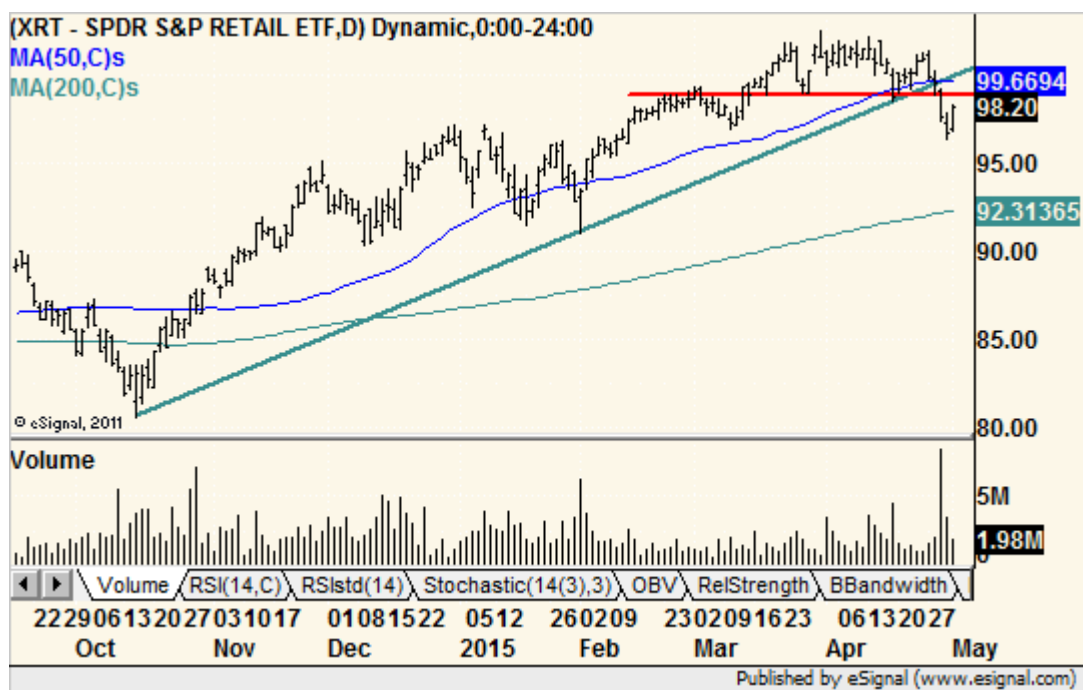
**Transports** – Did it again. Another save at support but the longer it hangs around here the higher the odds for a breakdown become.



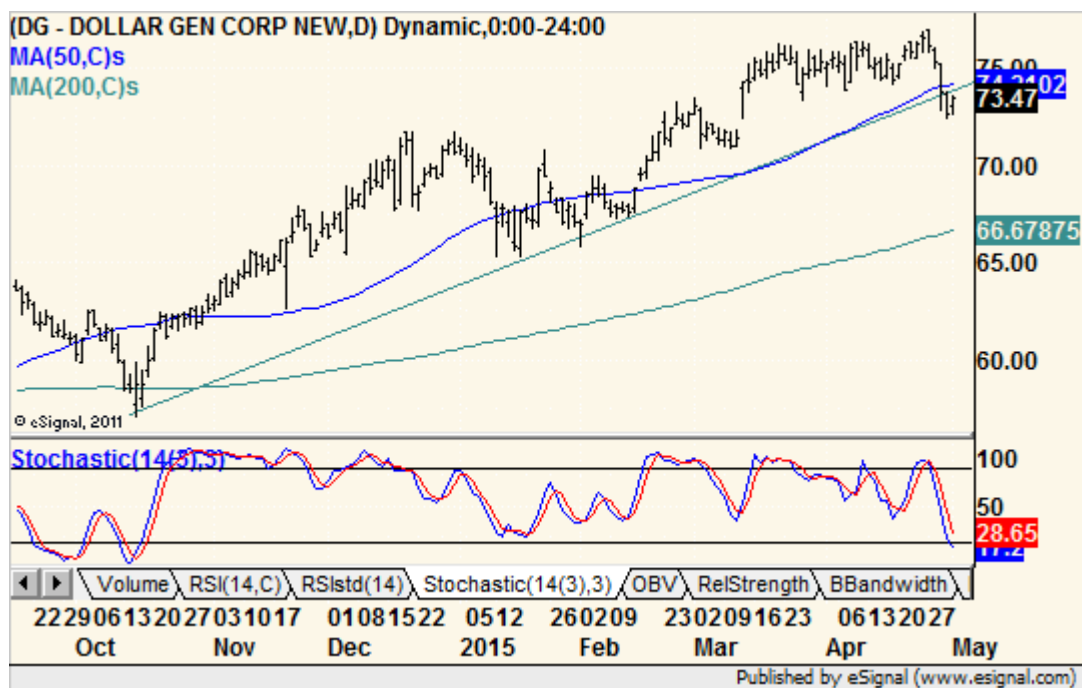
**REIT ETF** – This interest sensitive group is on the edge of a cliff.



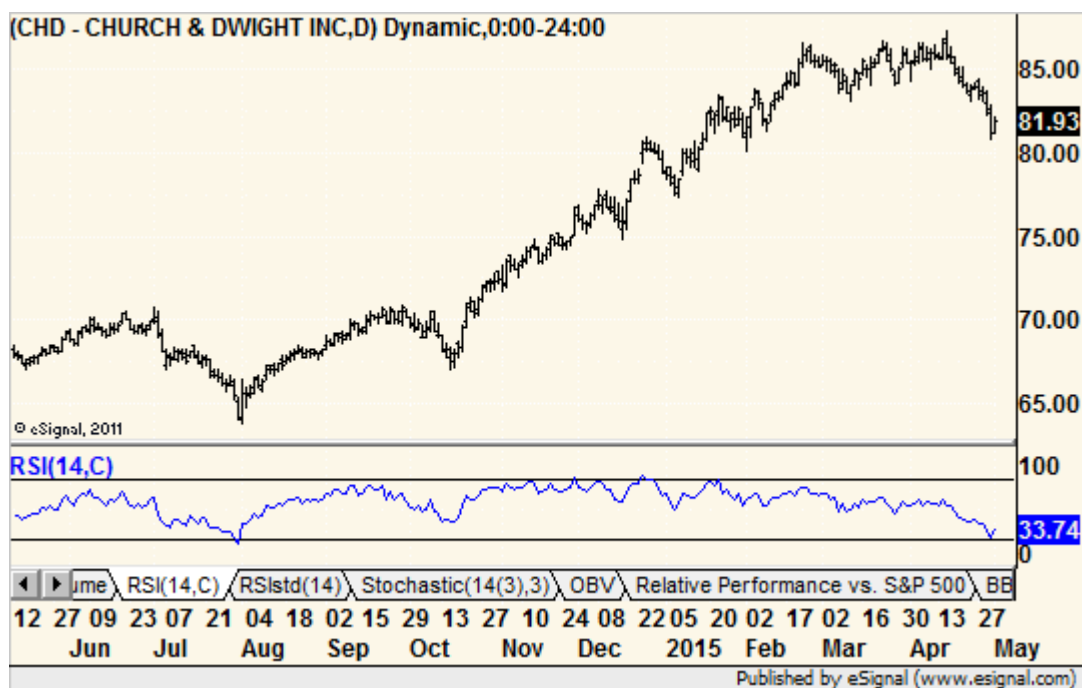
**Nasdaq Biotech ETF** – Breakdown saved? Other indices have breakdowns that will fail if they rally today.



**Retail ETF** – This is a breakdown. “Will it stick?” is the question.

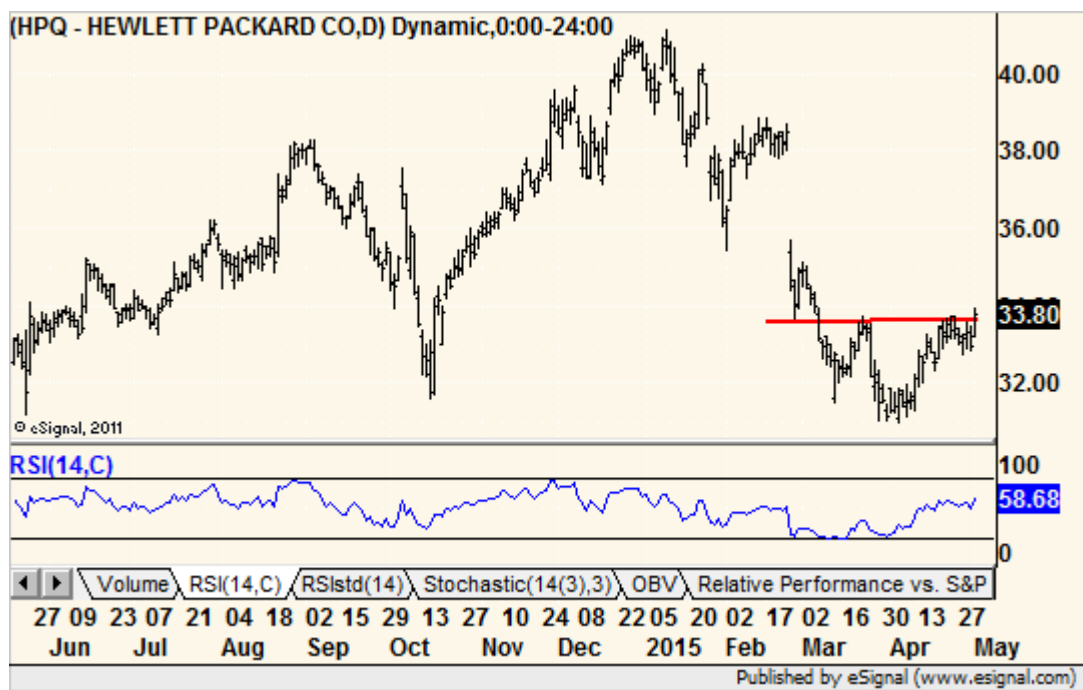


**Dollar General** – Here is a retailer awaiting a better sell signal.

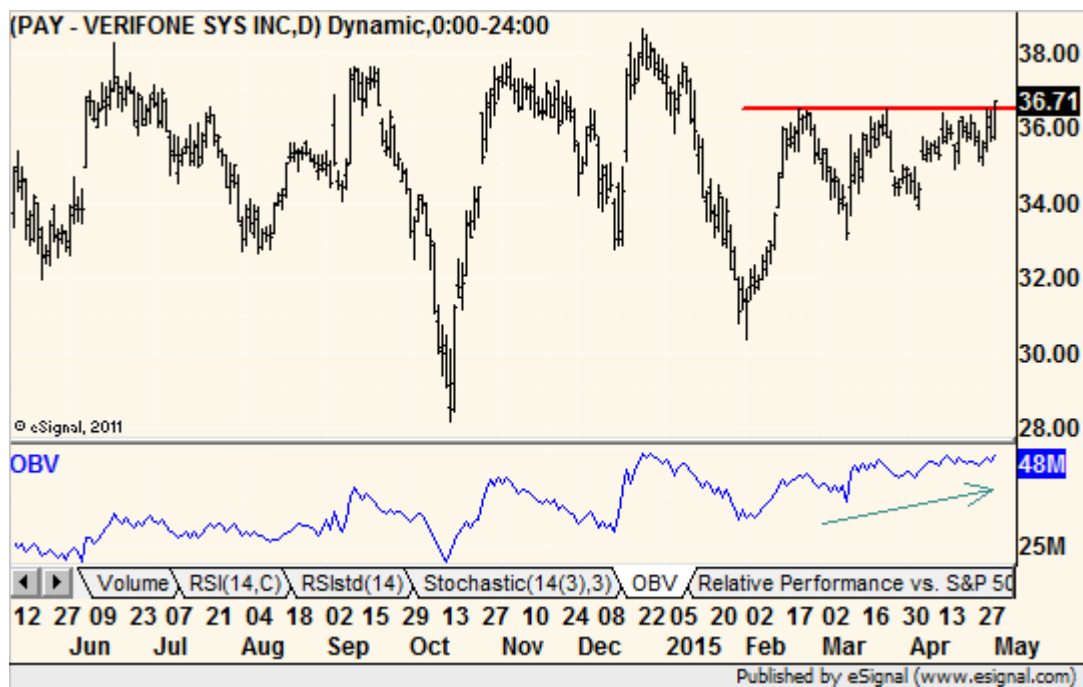


**Church & Dwight** – No trade here but rather a look into consumer products. These staples stocks (PG, CL) look terrible and worse than the XLP ETF.





**Hewlett Packard** – Inverted head-and-shoulders breakout in advance of Carly Fiorina’s announcement? Looks good so we’ll go with it.

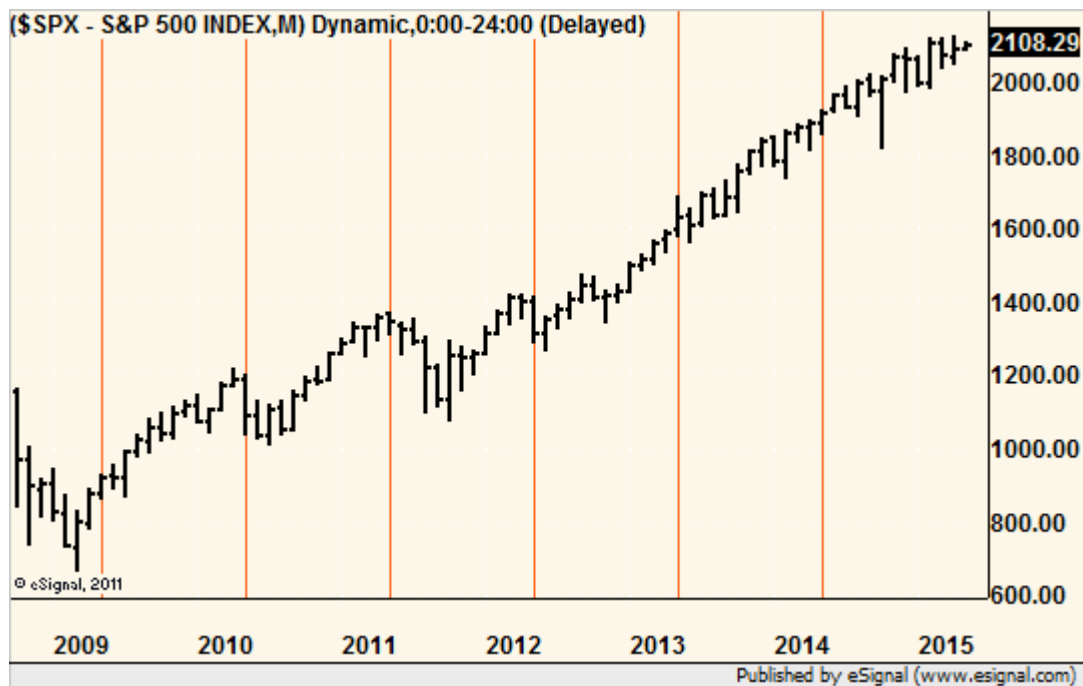


**Verifone** – Another stock to watch for a breakout. Note rising on-balance volume.



## The Big Picture

In this section, we take a macro look at things.



This is a monthly chart of the S&P 500 with each month of May highlighted. Let's go over it with regard to "sell in May and go away."

2009 – A total bust. It was the start of a bull market

2010 – Stepping aside during the summer months did improve returns if you violated the rules and bought back early. Otherwise, no change from holding long.

2011 - That time it worked.

2012 – You felt good for one month and then watched prices climb without you

2013 – Another total bust

2014 – Yet another total bust

That's one win in six tries – not exactly a good strategy.

What was happening here? This is the age of Quantitative Easing and zero interest rates. It is not a time of free market so until the Fed is really out of the way we cannot rely on these old chestnuts.

## 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>PM</b>	PHILIP MORRIS INTL INC	83.39	6.8%	82.00	78.11	4/14	19
	<b>ABB</b>	ABB LTD	21.94	0.6%	21.25	21.80	4/14	19
	<b>GILD</b>	GILEAD SCIENCES INC	105.01	2.6%	100.00	102.34	4/14	19
	<b>XOM</b>	EXXON MOBIL CORP	88.85	2.6%	85.00	86.63	4/14	19
	<b>VIAB</b>	VIACOM INC NEW	69.00	-2.1%		70.45	4/14	18
	<b>FLR</b>	FLUOR CORP NEW	58.70	-2.1%	58.00	59.93	4/21	12
	<b>KOP</b>	KOPPERS HOLDINGS INC	22.59	-0.2%	22.00	22.64	4/22	11
	<b>PSX</b>	PHILLIPS 66	81.61	0.3%	77.25	81.38	4/24	9
	<b>VZ</b>	VERIZON COMMUNICATIONS INC	50.41	0.8%	48.00	50.00	4/27	6
	<b>ABX</b>	BARRICK GOLD CORP	13.07	-2.2%	12.75	13.36	4/29	4
	<b>XLE</b>	ENERGY SELECT SECTOR SPDR	82.87	-0.5%	80.00	83.25	4/29	4
	<b>ORCL</b>	ORACLE CORP	44.37	2.1%	42.00	43.44	5/1	2
	<b>ETFC</b>	E TRADE FINANCIAL CORP	29.10	0.2%	27.50	29.03	5/1	2
<u>Short</u>	<b>WSM</b>	WILLIAMS SONOMA INC	75.01	2.0%	79.00	76.51	4/17	16

**Notes:** Stopped out of **VIAB**. Scored a massive bear reversal last week and followed through a bit afterward. These breakout and reversal incidents are happened more frequently.

New longs in **ORCL** and **ETFC** at the open.

## 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

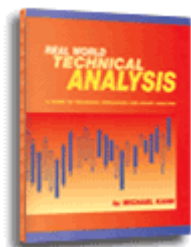
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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



**24/7 Website archive** – <http://www.quicktakespro.com/archive> (password needed)

**Customer Support** - <http://www.quicktakespro.com/support.html>

**Recommended reading** - <http://www.quicktakespro.com/education.html>



What is a **two-pager**? These are short write-ups on various technical topics that are made available when further explanation of a topic is needed. There is no extra charge to subscribers. For those looking for a more complete reference and a bound version of these two-pagers, we offer the book *Real World Technical Analysis* at <http://www.quicktakespro.com/rwta.html>.

**Refer** a colleague to Quick Takes Pro and get a free month of service for each new paying subscriber. Just send an email (<mailto:mkahn@quicktakespro.com>) with names and email addresses and we'll track them and credit your account.

Connect with us:



<http://www.facebook.com/QuickTakesPro.biz>



<http://twitter.com/mnkahn>



<http://www.linkedin.com/in/QuickTakesPro>



<http://www.quicktakespro.com/blog>



<http://pinterest.com/mnkahn/>



<http://youtube.com/quicktakespro>



<http://stocktwits.com/mnkahn>



<http://www.talkmarkets.com/contributor/mnkahn>

The information contained in this report is opinion, based on information that we deem to be reliable at the time of publication, but is not guaranteed in any form. This report does not constitute a recommendation to purchase or sell any security and the analysts are not registered investment advisors. Further analysis is recommended before undertaking any position in any security. Any risks are solely the responsibility of the buyer/seller. The authors, publishers and distributors of Quick Takes Pro and any associates thereof accept no liability for the content or actions taken by anyone or institution utilizing this report. The authors, publishers and distributors of Quick Takes Pro may have positions in securities mentioned in this report. All charts prepared with [eSignal](#) data and software unless otherwise indicated.

All contents © Michael Kahn Research LLC, 2015