

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN
RESEARCH LLC

May 5, 2014 - How many of you are Star Wars nerds and knew that yesterday was May the Fourth? Even worse, how many call today the Revenge of the Fifth? If you don't get the reference, you are OK.

Last week, the amateurs (said with love) were jumping up and down over the official Dow Theory buy signal when the industrials finally hit a record close. Of course, the next day it scored a bearish reversal bar but we won't tell. The important thing is that Dow Theory was never on a sell signal so this "signal" is just more of the same.

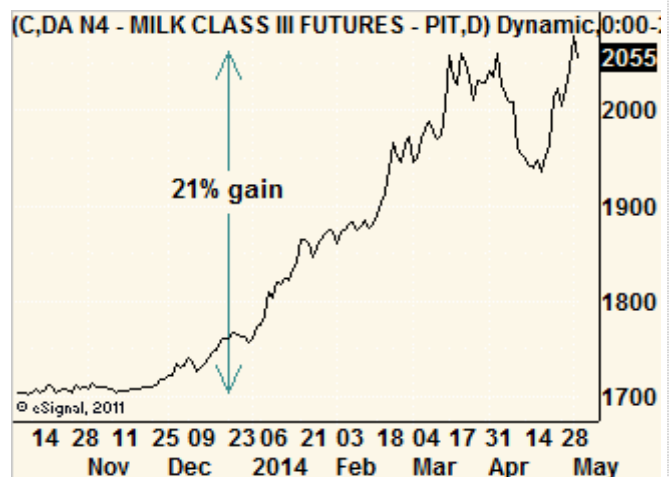
We see it as yet another attempt to break resistance and another failure to do so. And don't forget that bonds closed at a 10-month high. Indeed, if we look at a weekly chart of actual T-bonds (not the ETF) we will see a possible upside breakout from an inverted head-and-shoulders (chart below).



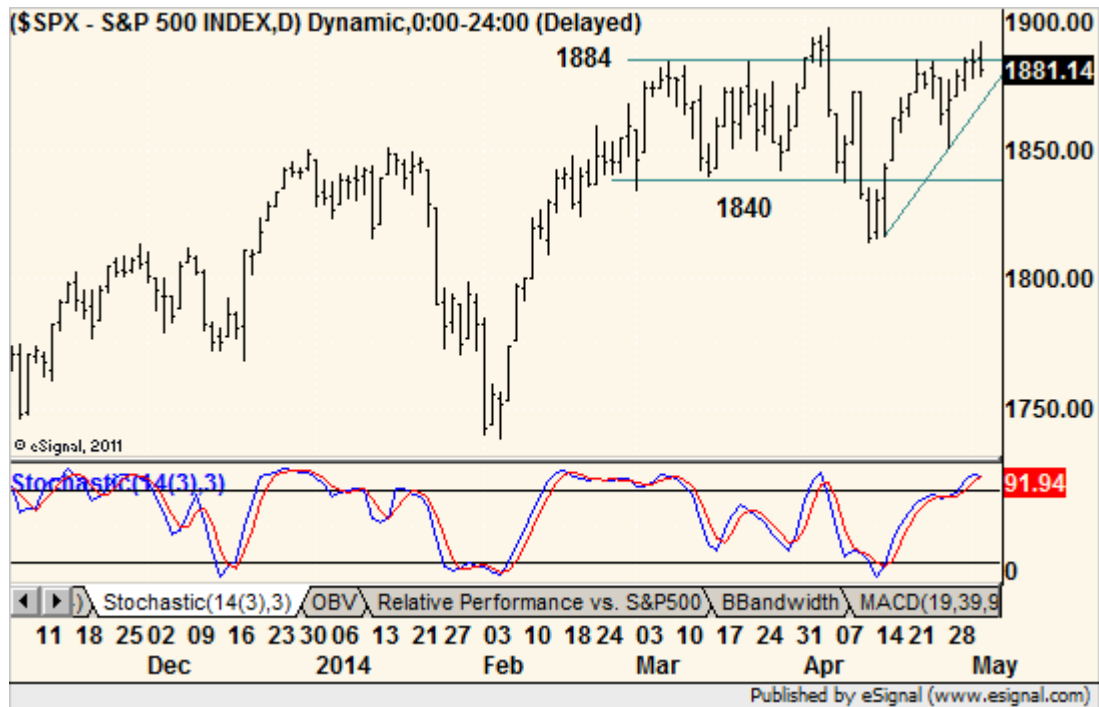
In the hourly **SPY** chart, shows prices backing down from resistance following the aforementioned breakout failure and bearish RSI divergence. We'll give it until the trendline drawn from mid-April for "China manufacturing jitters" (today's economic news) but below that we'll have to get short.

We are going to once again take a look at gold today as it had a very strong Friday and is up again this morning. Perhaps the mildly weak dollar has something to do with it but the greenback is trading were it was a month ago, two months ago and seven months ago.

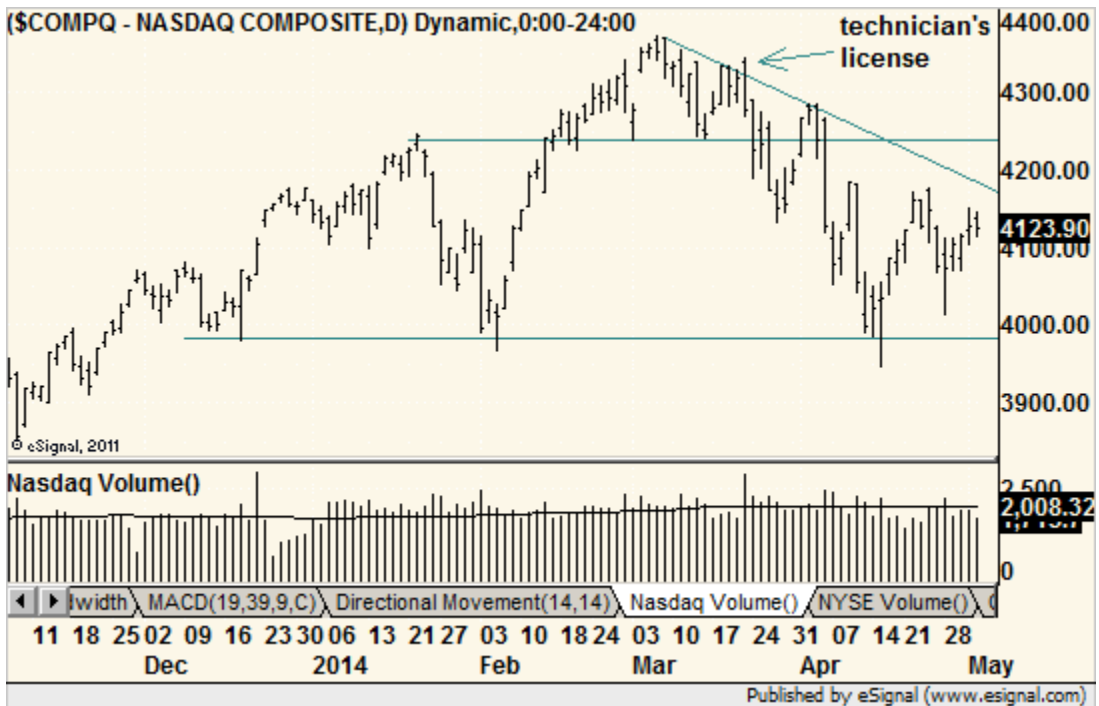
We'd be more likely to believe it is the specter of a sagging stock market coupled with a rising trend is the CRB (commodities) index. Core inflation is a joke of an indicator when food prices are soaring again. Check out a seven-month chart of milk futures →



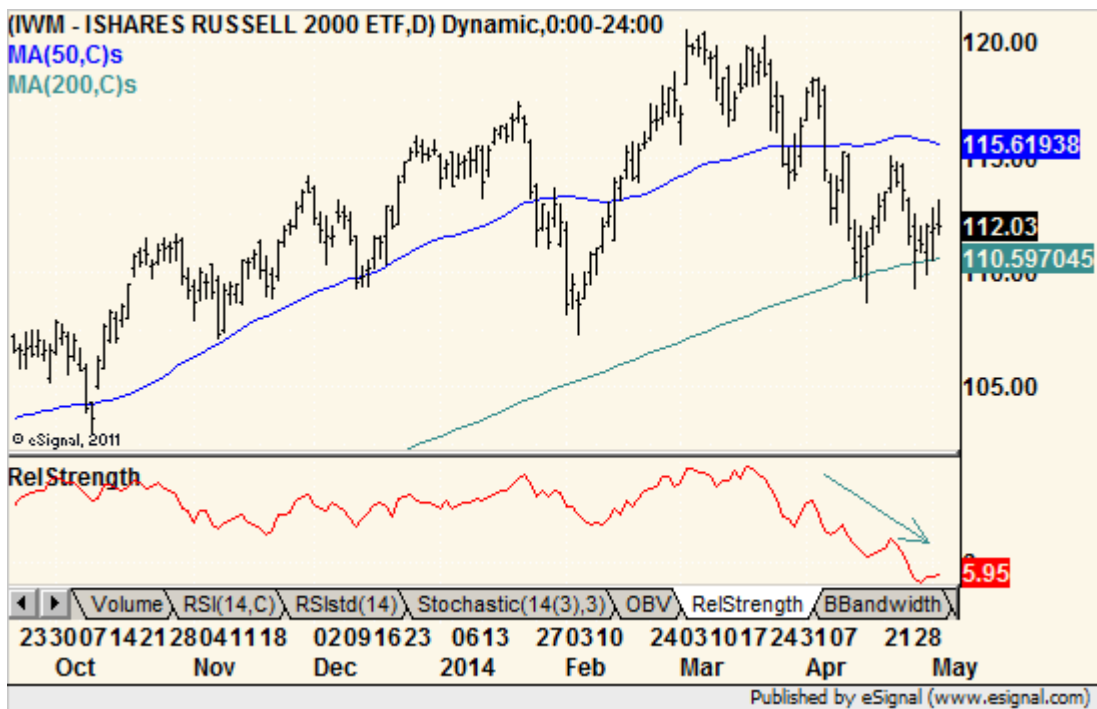
Index Charts of the Day



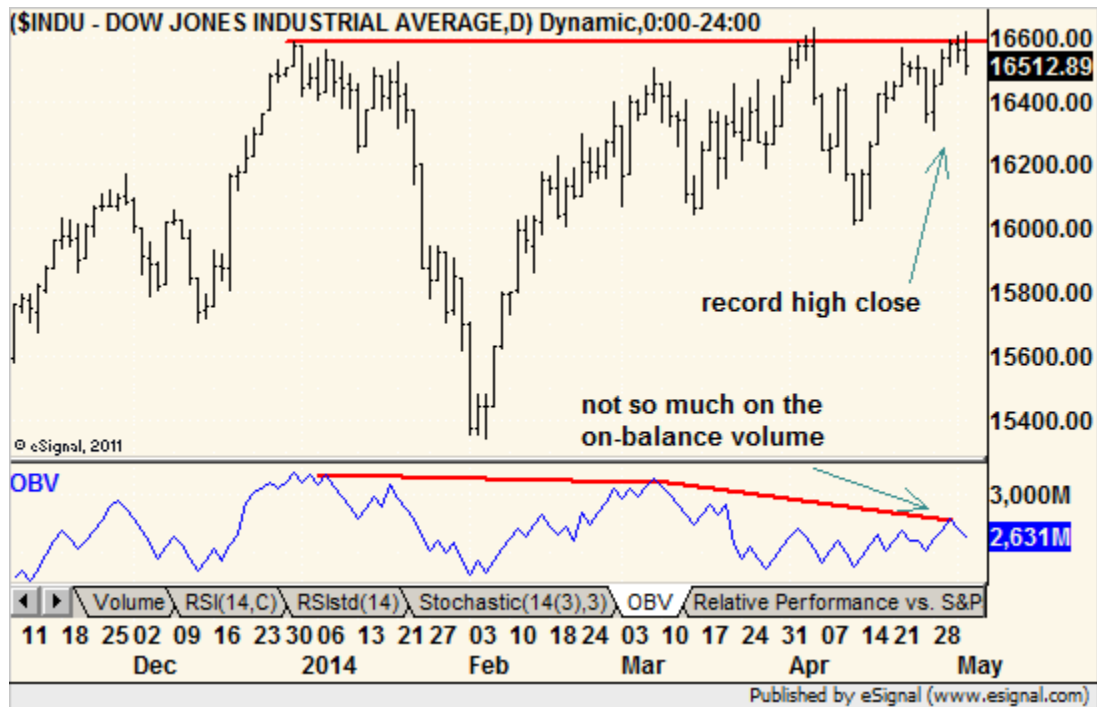
Friday's bear reversal sets the stage for a downside stochastic cross which sets the stage for a return to support at 1840.



Here's a rehash of a chart from last week. The trend is still down.



The Russell 2000 failed to lift off the 200-day average and now it seems to be just a matter of time until that support breaks.



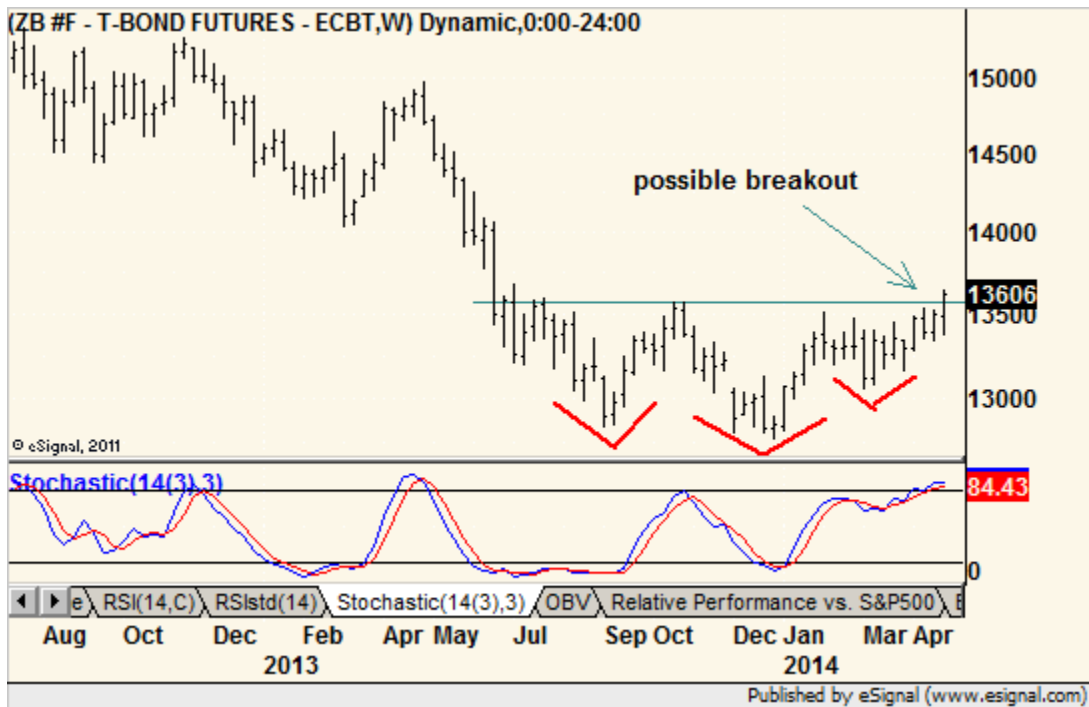
The Dow may have scored a record high close but does this look like a breakout? No way.

The Radar Screen

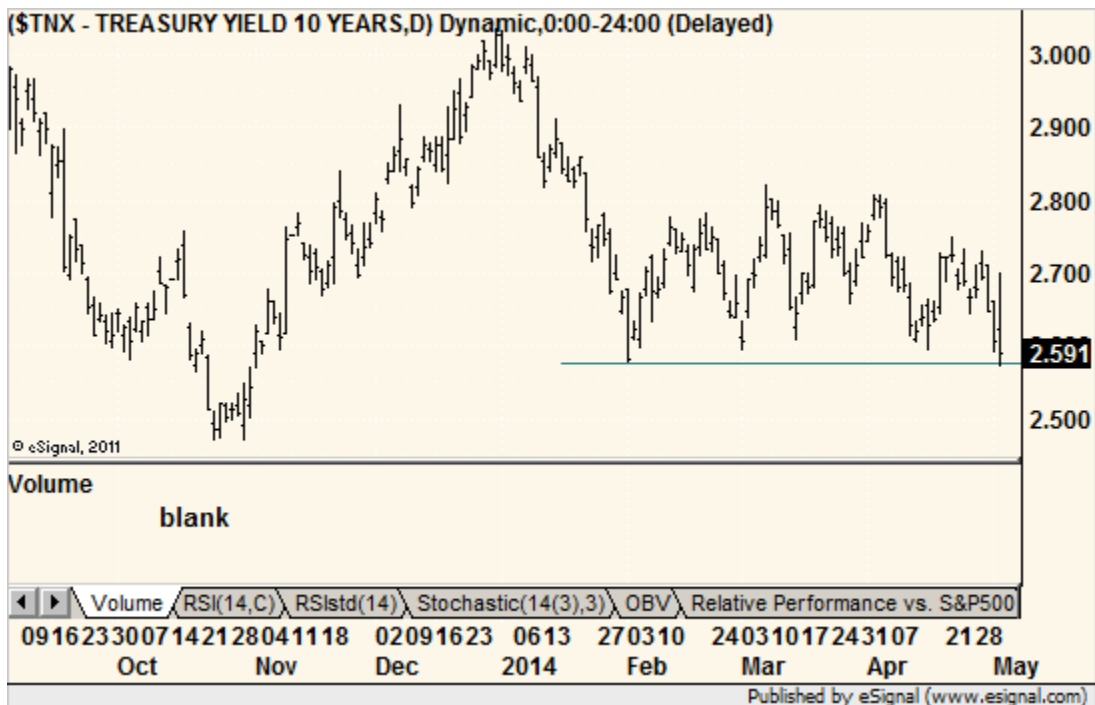
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
Delek DK - Even though major oil stocks look a bit overbought, this energy producer looks pretty good and is just waiting for the breakout. Buy close above 32.60.	Triggered	4/30
TransCanada TRP - A pipelines stock poised to break out. Looking for a close over 47.20. Peer WMB broke out yesterday.		5/2
Target TGT - This morning's CEO news caused a little blip lower but that will make a breakout that much sweeter should it happen. Buy close over 63.00 to give it a little room and let 200-day average fall.	New	5/5
Bearish Implications		
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. Sell under 70.25		4/9
UnitedHealth Group UNH - This HMO looks terrible. Support break, plunging on-balance volume. Selling it here.	Triggered	5/2
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
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. Broke down but with the market firmer we'll wait for a small bounce.		4/25
Wetseal WTSL - Waiting for the bowtie buy signal. Speculative.		4/28
India - watching three drives to a top		5/2
Sector Watch (observations that may spark ideas)		
Energy - Resilient and leading.		3/31
Utilities - Still looking strong <u>but a bit concerned over a big decline on a day when bonds were way up.</u>		3/31
Natural Gas stocks \$FUM - Leading.		4/4
Financials - Some of our canaries rallied but overall financials still look weak. Still watching JPM, AXP, KBE .		4/15
Updates		
none -		

Market Highlights



T-bonds - This weekly chart shows a possible breakout from an inverted head-and-shoulders.



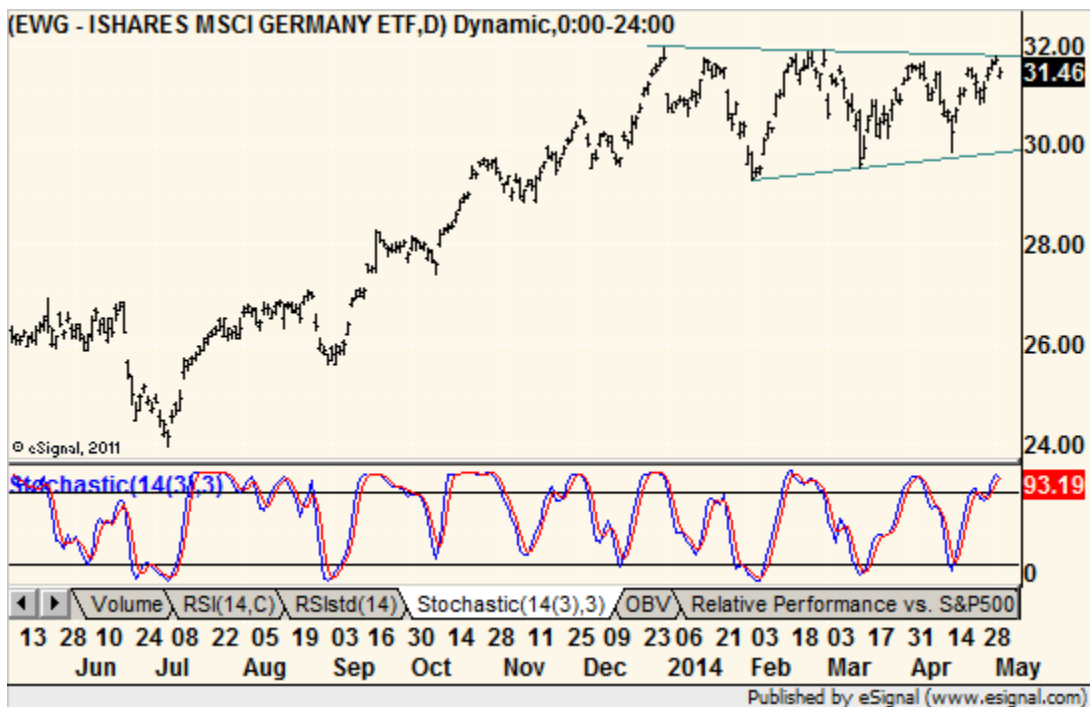
10-year yield - This should finally break down today to join the 30-year yield in decline.



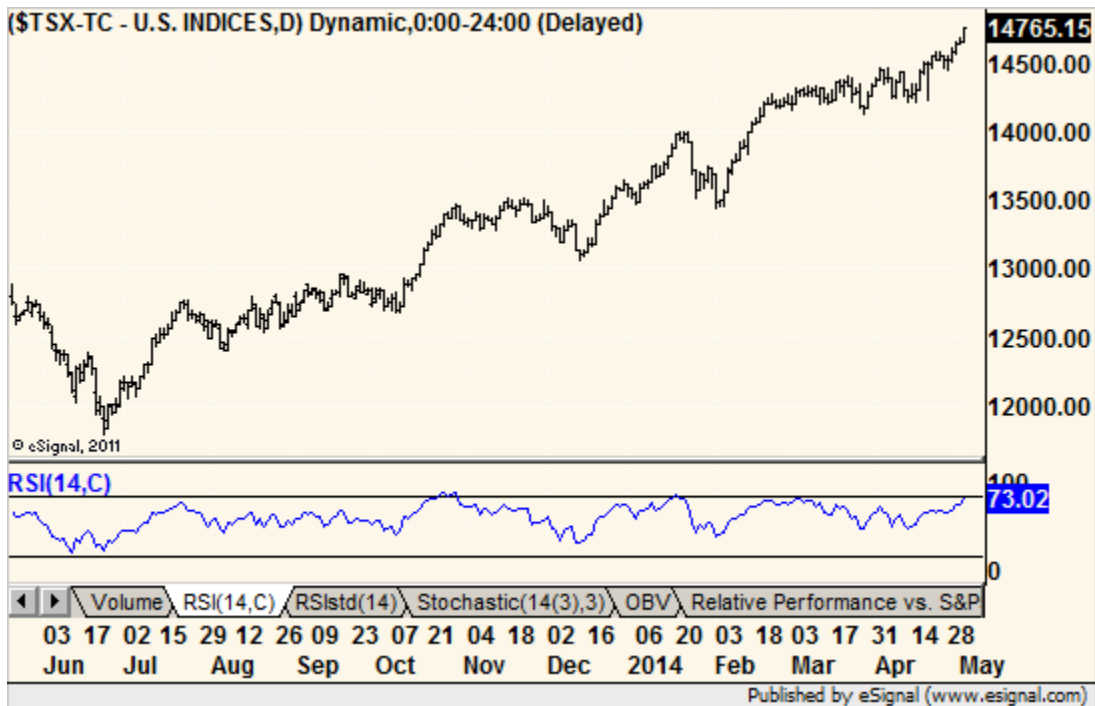
Gold ETF - Gold is up again this morning and trading at the 38.2% Fibbo level seen above. We want to be long gold but on-balance volume is still falling and we do not see any momentum divergences (not shown). Price is also still below the 50-day average. However, price rules and a move above the April high may force the issue. See next chart.



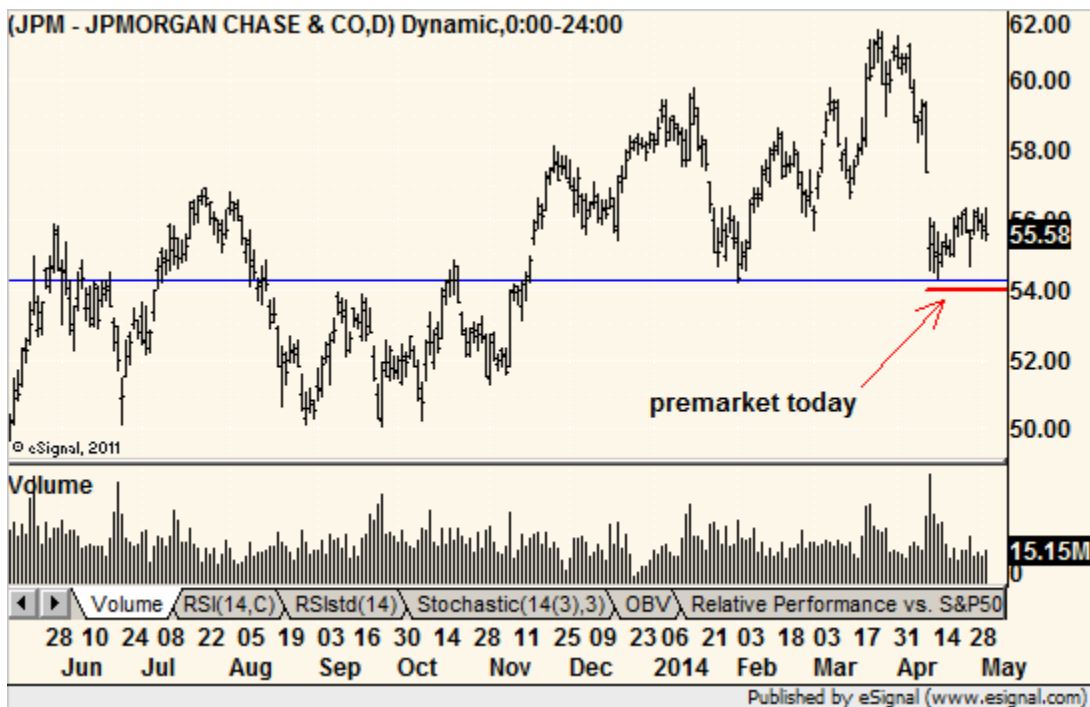
Silver ETF - Still below both averages and volume shows more urgency to sell than buy over the past few days. The positive is that support seems to be holding.



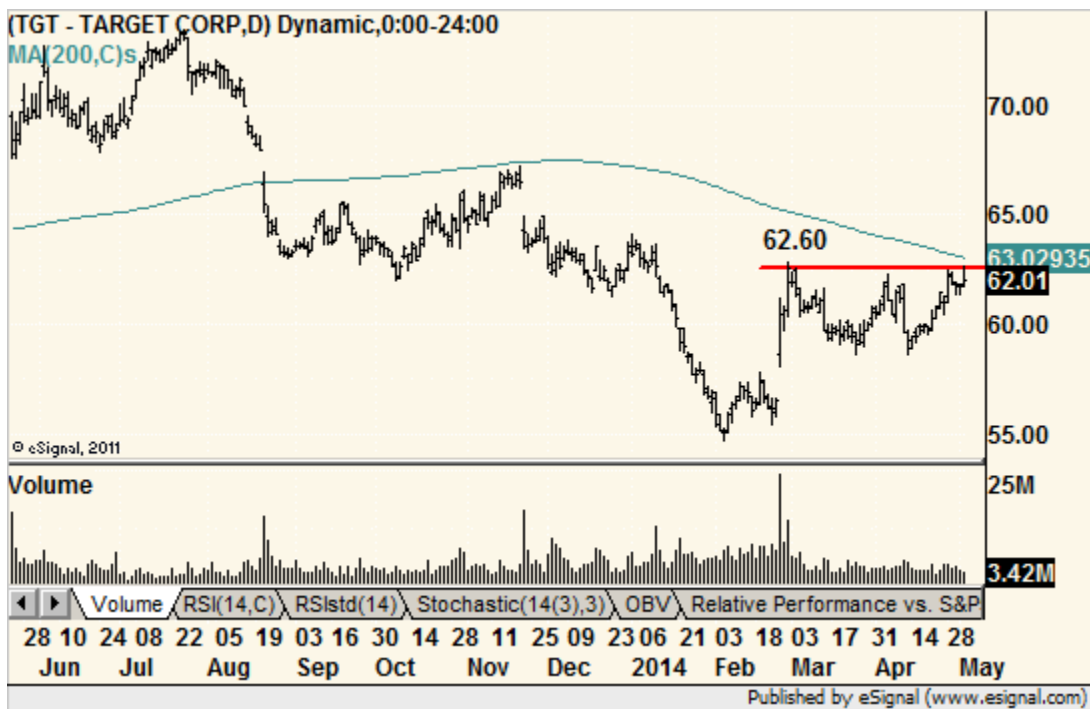
Germany ETF - No breakout today, ladies and gents. Trading lower in the premarket and stochastics looks to cross over to the downside. If this falls to support we'd expect a breakdown. If it fails to fall to support then we'd expect an upside breakout. The pattern will be our guide.



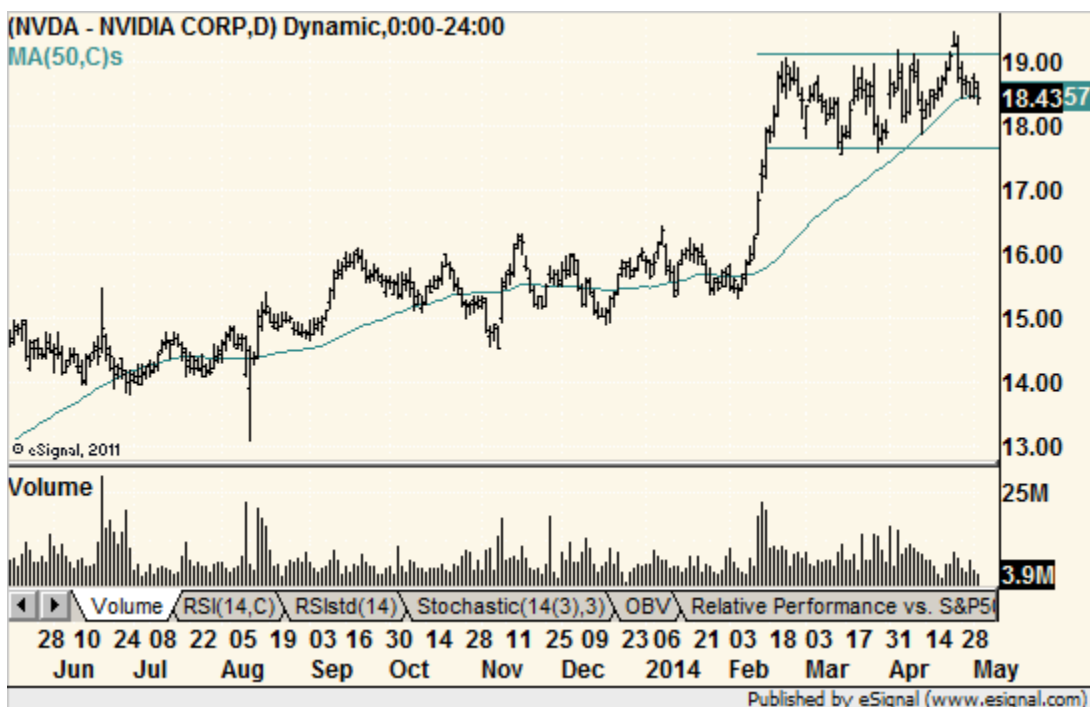
Canada TSX index - Check out a new high Friday for Canada.



JP Morgan Chase - This is not good. Also, one of our financial canaries.



Target - This morning's CEO news caused a little blip lower but that will make a breakout that much sweeter should it happen. Buy close over 63.00 to give it a little room and let 200-day average fall.



Nvidia - This is more of an academic exercise than a trade (mini-Today's Lesson). We see a breakout failure and now a dip back below the 50-day average. Should be a sell today but support looms below.



Travelers - Shooting star candle at resistance with overbought RSI leans bearish for this insurer.

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	24.97	0.2%	24.00	24.91	4/15	18
	ED	CONSOLIDATED EDISON INC	56.82	1.7%	55.50	55.89	4/15	18
	FE	FIRSTENERGY CORP	33.34	-3.4%	33.25	34.50	4/25	8
	DK	DELEK US HLDGS INC	33.61	-2.6%	31.50	34.50	5/2	1
<u>Short</u>	UPS	UNITED PARCEL SERVICE INC	98.56	-2.6%	100.00	96.00	3/21	43
	CVS	CVS CAREMARK CORPORATION	73.86	0.0%	76.00	73.85	4/7	26
	CA	CA INC	29.91	1.8%	31.25	30.46	4/22	11
	GS	GOLDMAN SACHS GROUP INC	158.88	0.9%	162.00	160.26	4/22	11
	BRCM	BROADCOM CORP	30.66	-0.2%	31.50	30.60	4/24	9
	UNH	UNITEDHEALTH GROUP INC	75.03	-0.5%	78.00	74.68	5/2	1

Notes: New long in **DK** triggered at the close. We were a few pennies away from being triggered Thursday at nearly a point lower so we were screwed on the gap up.

New short in **UNH** taken at the Friday 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

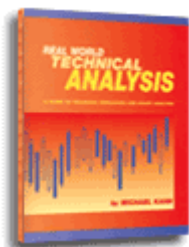
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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

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, 2014