

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN
RESEARCH LLC

May 7, 2015 – The morning bounce evaporated in a hurry yesterday and in hindsight we should have done what we said we were going to do today – trim long positions. But even with a decent overnight decline on top of the daytime losses we cannot see panicking now. If the overnight lows are violated then we will have to be more aggressive with capital preservation.

And just to make it more confusing, we've got some stellar performances post-earnings from Tesla and Alibaba. The latter actually scored a major support break Tuesday and now that has failed in a big way. Failure in this case is bullish.

So what happened yesterday? First, we had another Fed chair wading into the stock market valuation debate as Alan Greenspan did 20 years ago. "They are too high" she said.

And then Mohammed El-Erian, the famed bond manager, said that bond market liquidity is drying up. Here is a chart supporting his argument →

This is a one-year chart of German bund yields and as we can see it backed up sharply over the past three weeks.

Keep in mind that we are talking about a half percentage point but relative to where it was the amount is sizeable. Still, we see no crisis here at 0.66%.



My column yesterday covered multiple markets and included several things we discussed here. The dollar has broken down, bonds have broken down (yields rally) and oil has broken out. The latter has plenty of critics saying the oil rally is nearing its end thanks to supply. But that was the argument that added to the rally recently – supply was greater than expected. We'll stick with the trend on the charts which is up.

Gold really got us this week as it fell even as the dollar tanked. We are super angry at being stopped out of our gold stock long but with the market falling, lagging stocks are still the first to take hits.

Let's move to the good and the bad. Transports stayed green yesterday to hold major support. In fact, that support is really the edge of a cliff so be on alert in case it fails.

Small caps also closed green but we already know the Russell broke down. It may have been a pause as other sectors bore the selling brunt.

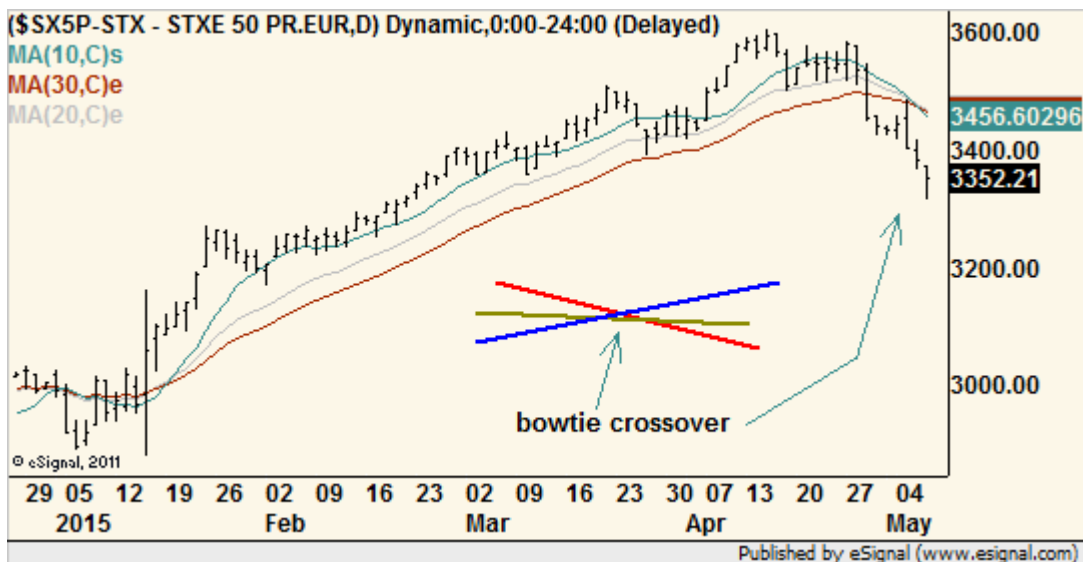
And finally, energy stocks followed through to the downside with Tuesday's bearish reversal. We don't quite get what is going on here but we are concerned that the themes we traded on last week have all changed. Again, let's let the index charts tell us more (below).

OK, on to the here and now with the hourly chart (next page).



It is now possible that there is a bullish RSI divergence here at support. The trendline is clearly busted and proves our point that something is very different in the market this week. It could be bonds. Janet Yellen's jawboning is not really a factor in chart analysis.

Remember on Monday when we said the Chinese market drop did not break any technical supports? Well, now it has as all three short-term averages we follow – 10-day, 20-day expo and 30-day expo – have been broken. Those three averages are part of the Landry bowtie system. While the system itself has not fired off a sell signal in China, it has in Europe. Check this out:

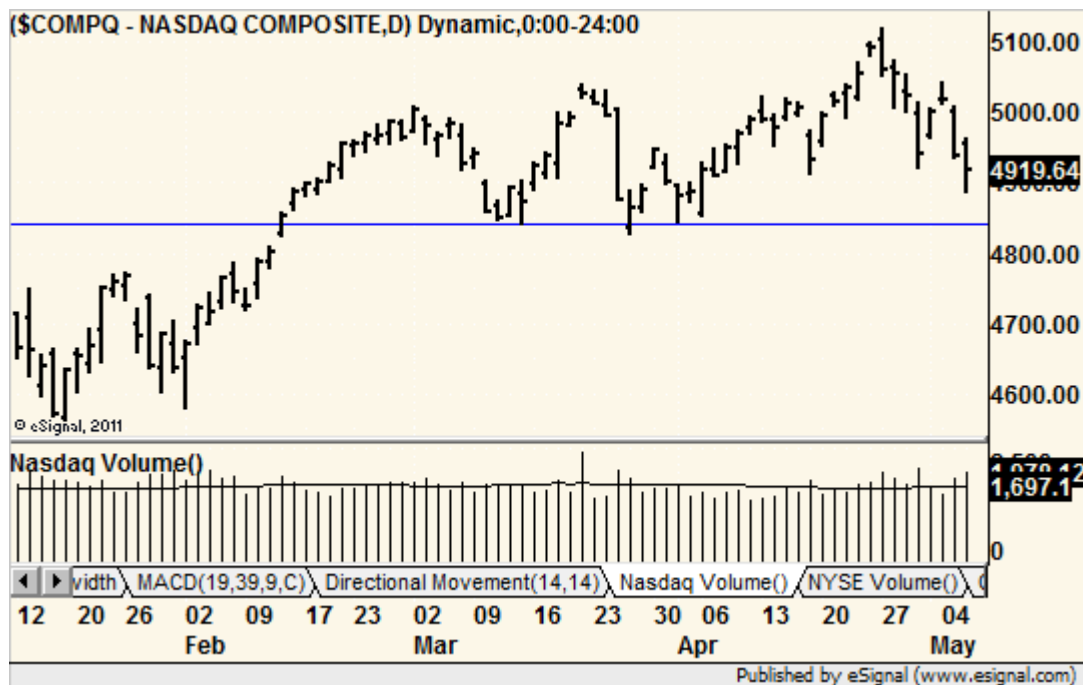


Lots of negative events happening all over the place. Still, until the S&P 500 really breaks we are not going to become raging bears. Scaredy cats, perhaps. At least we were already short **GMCR** going into yesterday's earnings debacle.

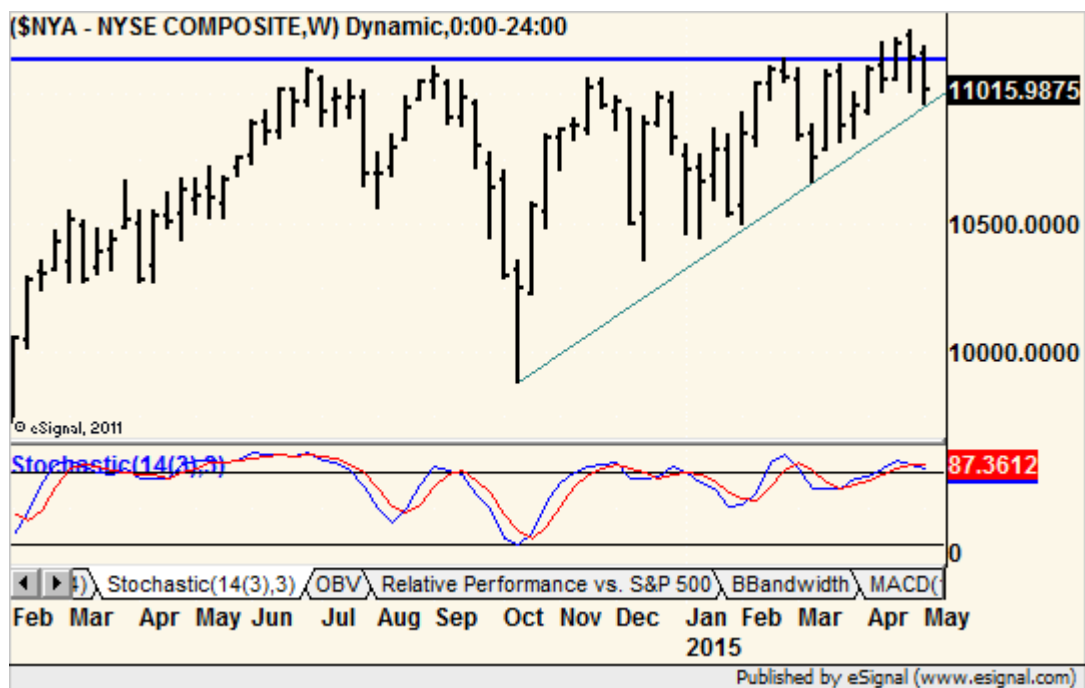
Index Charts of the Day



We don't want to get into the "but it was low volume" argument but it was low. How you spin it depends on which support line you like. The lowest line may be the correct one and if so then there is another week of pain ahead, with or without a bounce. But that at least leaves the door open for the bulls to come back after that.



Nasdaq volume was rather heavy but support is also nicely defined.



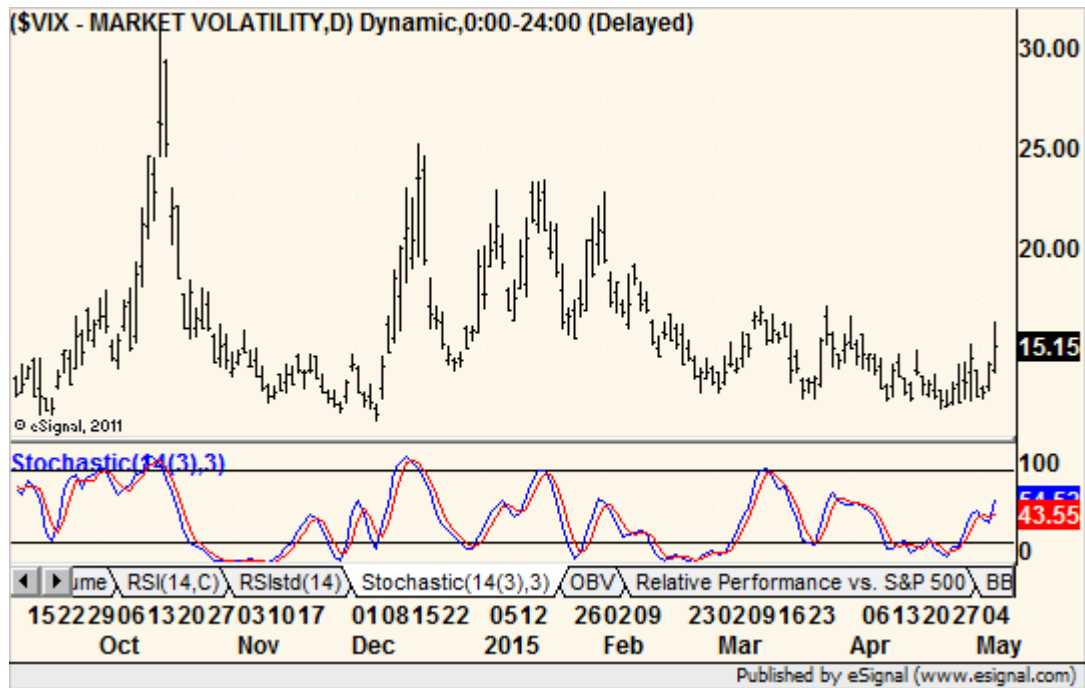
The NYSE composite was the subject of an argument over breakout vs. failure. In this weekly view, we can see a reversal bar and downside follow through. The real test is the trendline so it is now or never for a bounce. On the bullish side, stochastics remains high – no crossover.

The Radar Screen

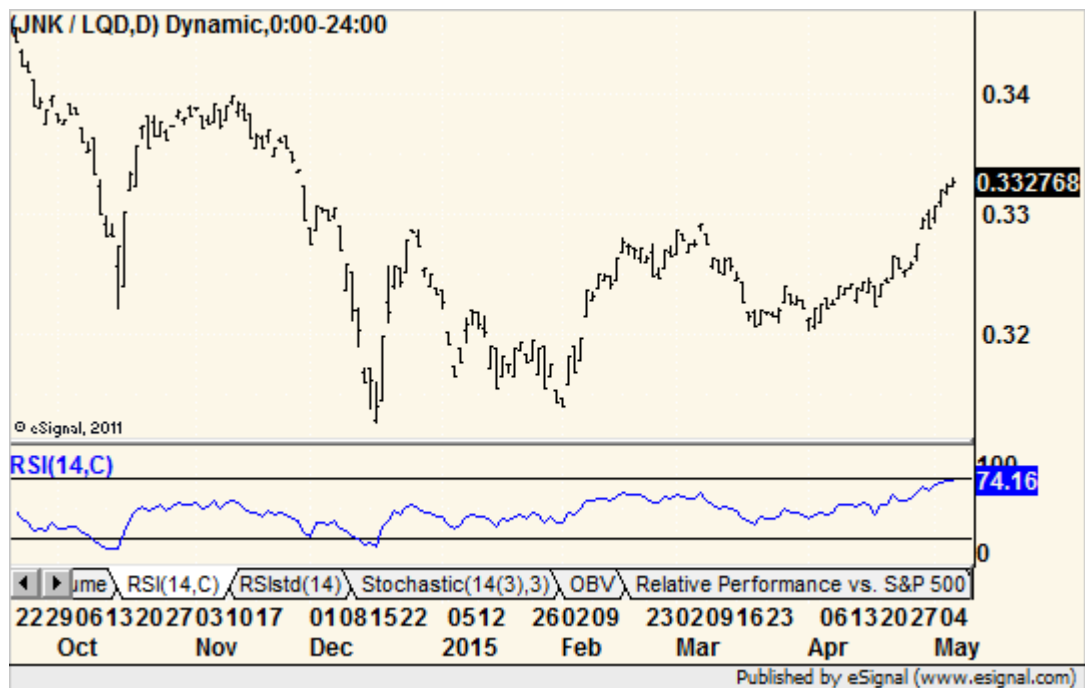
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
Matrix Services MTRX – Heavy construction stock now in a bull flag right at 200-day average. Buy close over 22.50		4/7
Keycorp KEY – Here is a bank poised to lead if and when the sector breaks out. Failed attempt Tuesday to breach resistance. Buy 14.75.		5/5
Capital One COF – Another bank poised to break out; this one from a falling trendline. Check out strong on-balance volume. Buy 82.80.	Triggered	5/5
Banks ETF KBE - Still waiting for a real breakout despite same in JPM and GS . Green Wednesday. Buy close over Tuesday high 34.43.	Moved	4/21
Bearish Implications		
Dollar General DG – Here is a retailer awaiting a better sell signal. Already has a short-term support break and trendline break. Sell bounce to 74.40. <u>This one is not likely to trigger but it is still a bearish chart. Let's see what happens today to rest.</u>		5/4
Nasdaq Biotech ETF IBB – This is more or less a stop-and-reverse play. It bounced off support but then failed at the 50-day average. If it breaks support now it will be game over. Sell close below 333.60		5/5
SPDR Retail ETF XRT - Also a bounce off support and failure at previous range bottom. Sell below support 97.60 on close. <u>We meant 96.70 but we are going to add this to the Advice Tracker.</u>	Triggered	5/5
Unknown Implications		
Nike NKE – Big squeeze in this stock. Bollinger Band width is very narrow suggesting a big move one way or the other. Buy 108.50, sell 98.60.	New	5/7
Holding Tank - red shade leans bearish, green shade leans bullish		
Caterpillar CAT - Looks like we've missed the initial buy. We'll keep it here for a few more days in case it dips.		4/24
IBM – Ditto. Warning – potential inverted hammer. <u>Come down to papa.</u>		4/30
FedEx FDX – Breakdown failure last month and now squeezed between averages.		4/29
Verifone PAY – Another stock to watch for a breakout. Note rising on-balance volume. Had a false attempt to break out over 36.50 so we will watch to see if it was a stumble or a failure.		5/4
Sector Watch (observations that may spark ideas)		
Industrial Metals stocks – FCX, SCCO, TS, CCJ looking better		4/27
REIT ETF IYR – This interest sensitive group is on the edge of a cliff. Boom!		5/4
Consumer Products - These staples stocks (CHD, PG, CL) look terrible and worse than the XLP ETF.		5/4
Oil services – Still holding a base breakout		5/6
Restaurants – Many look very weak		5/6
Airlines – sitting on important support		5/6
Updates		
none –		

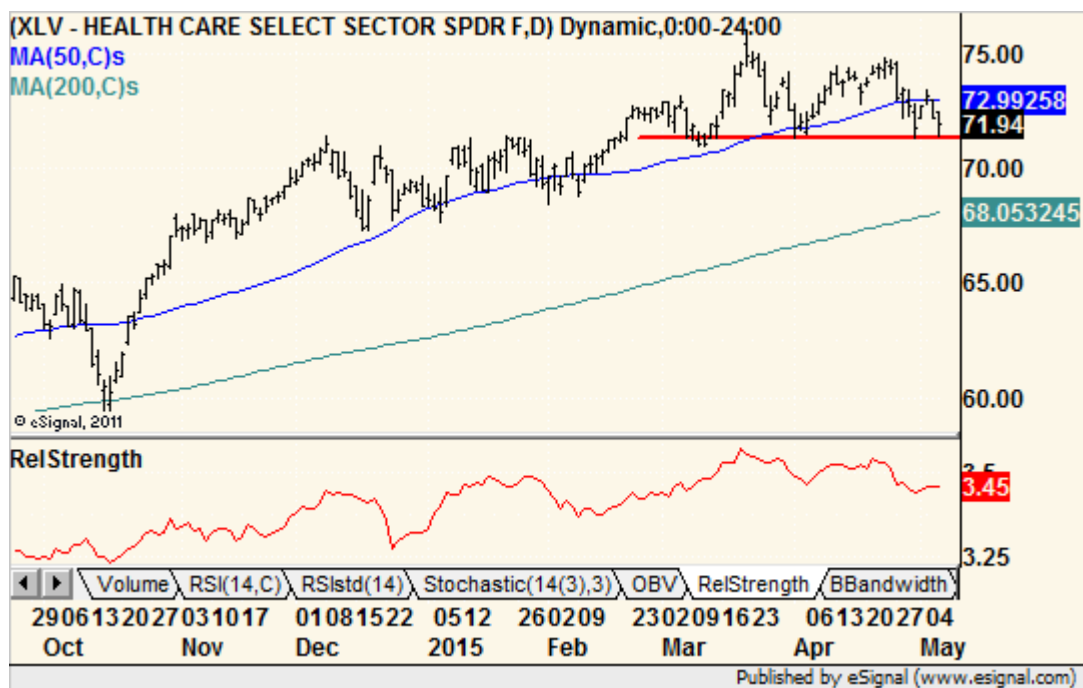
Market Highlights



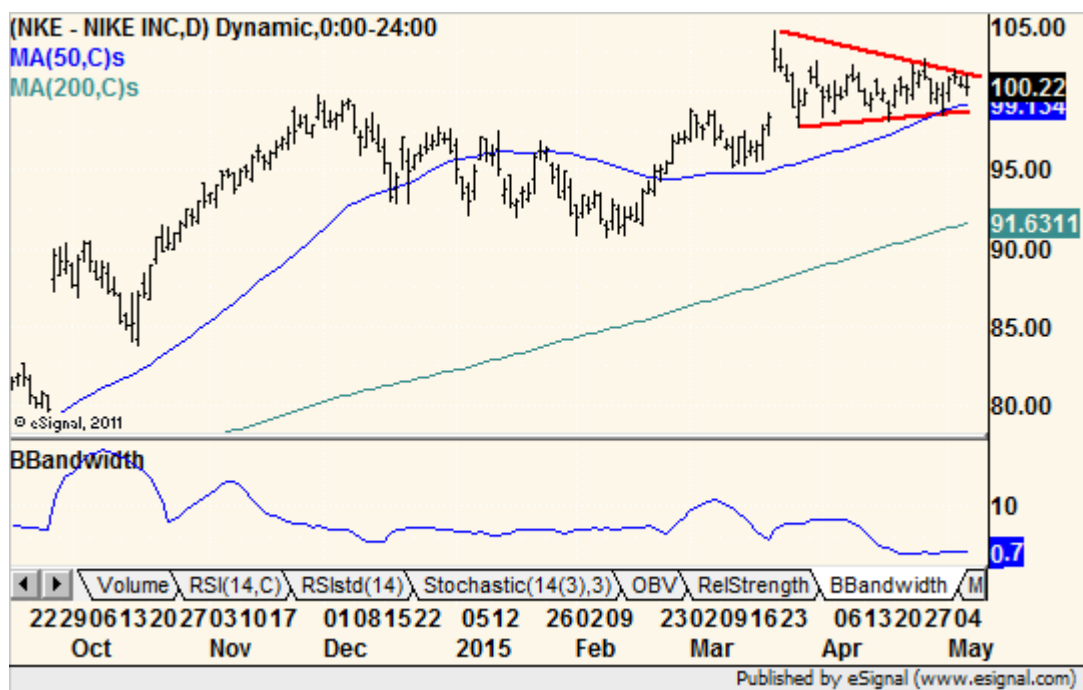
Volatility Index – Starting to rise.



Junk/High Grade corporate bond ratio – This chart is bullish for stocks suggesting risk is still on. Go figure.



Healthcare ETF – After leading for months, this one is ready to break both relative and absolute.



Nike – Big squeeze in this stock. Bollinger Band width (lower indicator) is very narrow suggesting a big move one way or the other. Buy 108.50, sell 98.60.

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>	PM	PHILIP MORRIS INTL INC	83.87	7.4%	82.00	78.11	4/14	22
	ABB	ABB LTD	21.47	-1.5%	21.25	21.80	4/14	22
	GILD	GILEAD SCIENCES INC	102.27	-0.1%	100.00	102.34	4/14	22
	XOM	EXXON MOBIL CORP	88.19	1.8%	85.00	86.63	4/14	22
	FLR	FLUOR CORP NEW	58.90	-1.7%	58.00	59.93	4/21	15
	KOP	KOPPERS HOLDINGS INC	23.03	1.7%	22.50	22.64	4/22	14
	PSX	PHILLIPS 66	79.82	-1.9%	77.25	81.38	4/24	12
	VZ	VERIZON COMMUNICATIONS INC	49.64	-0.7%	48.00	50.00	4/27	9
	ABX	BARRICK GOLD CORP	12.75	-4.6%		13.36	4/29	7
	XLE	ENERGY SELECT SECTOR SPDR	81.32	-2.3%	80.00	83.25	4/29	7
	ORCL	ORACLE CORP	43.26	-0.4%	42.25	43.44	5/1	5
	ETFC	E TRADE FINANCIAL CORP	28.46	-2.0%	27.75	29.03	5/1	5
	HPQ	HEWLETT PACKARD CO	32.50	-3.8%	32.00	33.80	5/4	2
	COF	CAPITAL ONE FINL CORP	82.64	-0.2%	79.50	82.80	5/6	0
<u>Short</u>	WSM	WILLIAMS SONOMA INC	75.56	1.3%	79.00	76.51	4/17	19
	GMCR	KEURIG GREEN MTN INC	108.08	2.7%	117.00	111.00	5/5	1
	XRT	SPDR S&P RETAIL ETF	97.23	0.0%	100.00	97.23	5/6	0

Notes: Stopped out of **ABX** as once again we were early on gold stocks. This time, the dollar was weak so we still have to figure out what went wrong here.

New long in **COF** as it rallied to our trigger intraday.

New short in **XRT** on a typo. We wanted to sell it but after it crossed a lower level. Still, it is not bad.

As you can see, there is lots of red here. We'll let the stops do their jobs as we hate selling a bottom more than anything.

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