

# QUICK TAKES PRO

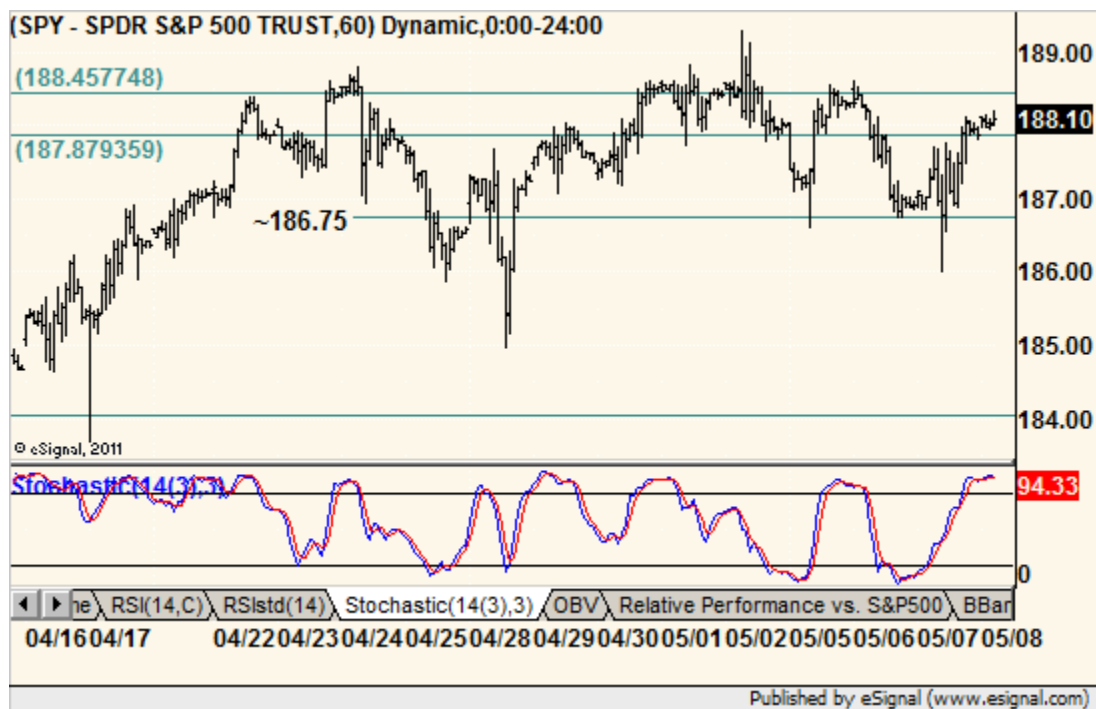
"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN  
RESEARCH LLC

**May 8, 2014** - What a split market! While the Dow rocketed higher, small stocks tanked in the morning. The Russell 2000, however, managed to climb back to the flat line and that left a hammer candle on the charts once again. The last time that happened was in February before a rather hefty run up to new highs. Will it happen again? Of course, we cannot know but unlike last time, yesterday's trading took place completely below the 200-day average. Still, if the index confirms the reversal then we'll have to eat some crow. But not much of that angry bird as the trends still down.

Don't forget, back in February banks, tech and housing were outperforming the market. They are not now. And many (not all) of the super momentum leaders such as **TSLA**, **FB** and **UA** were still leading. They are not now. Just ask **YELP** what's going on now and that is what you might do (yelp).

Gold took a hit yesterday after Janet Yellen's comments on the economy. She was rather upbeat. We think she is delusional but we'll follow the chart instead of passing judgment. That chart still keeps us on the sidelines until we get a better buying opportunity.

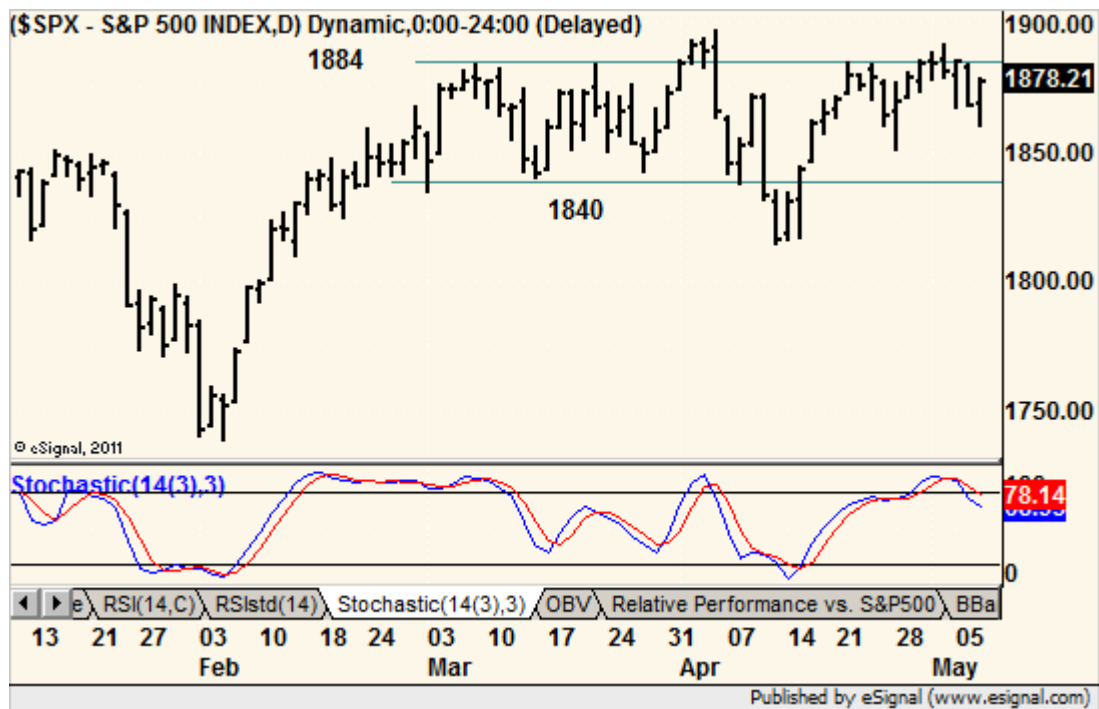


The hourly chart remains in its range although in the morning it looked as if it was breaking down. Note stochastics is already back in overbought territory and that suggests there will be no breakout today. No guarantees on that one, however. The waiting continues.

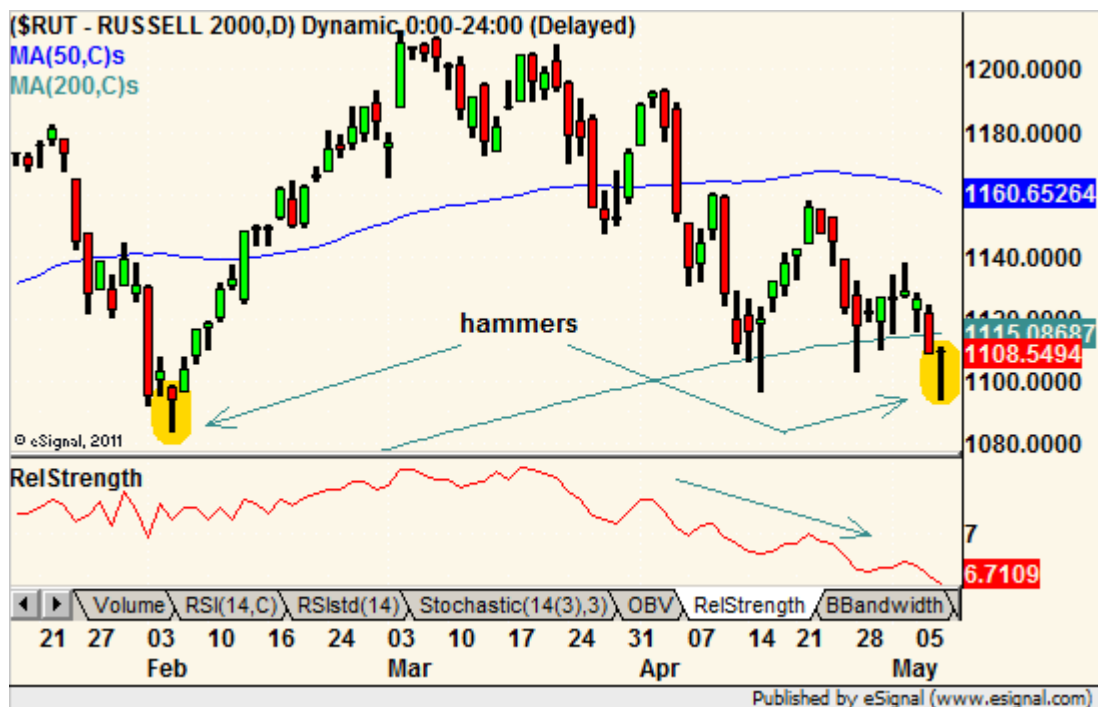
That's about it. This earnings season continues to produce punishment for transgressors such as **TSLA** even as it still rewards to righteous such as **GMCR**. More [bifurcation](#), in our view. When winners are not rewarded then we'll know the bear is here. Conversely, if losers are not destroyed then we'll know the bull is making a comeback.

Until then, we have a split market and that conjures thoughts of hydrogen filled dirigibles over New Jersey (no, not the governor).

## Index Charts of the Day



Intraday reversal but still a downside stochastic cross. We still see the range in effect.



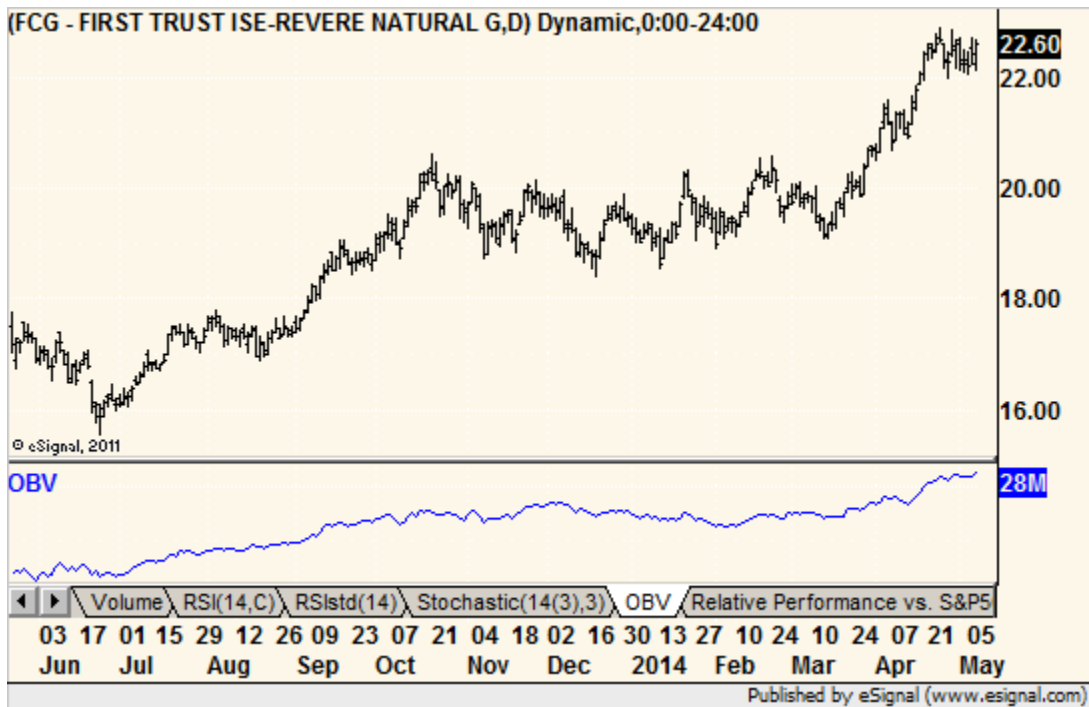
The Russell is still below the 200-day but scored a hammer candle. It did the same in February but that was then, this is now. Conditions are very different but even so we'll have to watch for upside follow through today.

## The Radar Screen

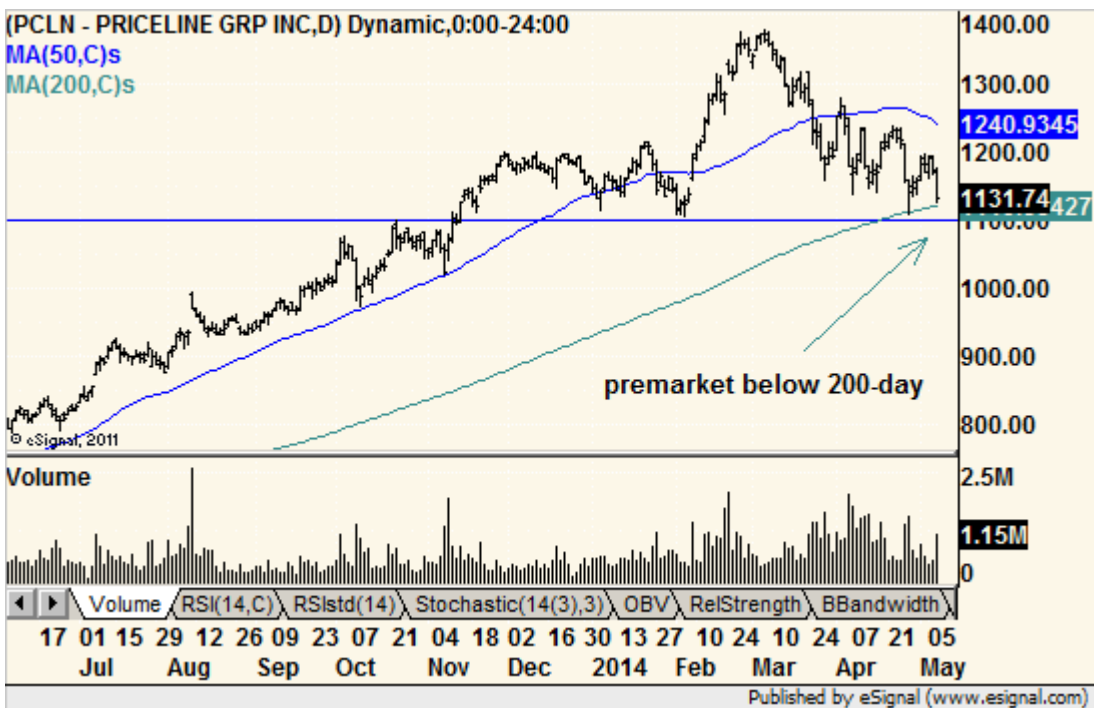
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>TransCanada TRP</b> - A pipelines stock poised to break out. Looking for a close over 47.20. Peer WMB broke out last week.   |                | 5/2  |
| <b>Nat Gas Stock ETF FCG</b> - Bull flag waiting for the breakout. Good on-balance volume and not overbought. Buy 22.70.  | <b>New</b>     | 5/8  |
| <b>Bearish Implications</b>   |                |      |
| <b>Nike NKE</b> - 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 <u>ZZZZzzz...</u>  |                | 4/9  |
| <b>Raymond James Financial RJF</b> - Another weak financial (broker). This one is challenging support at the line shown plus the 200-day average. Sell break under 48.25.   |                | 5/7  |
| <b>Unknown Implications</b>   |                |      |
| <b>none</b> -   |                |      |
| <b>Holding Tank</b> - red shade leans bearish, green shade leans bullish  |                |      |
| <b>Gold ETF GLD</b> - 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 |
| <b>Mexico ETF EWW</b> - While we remain skeptical in emerging markets, this one does sport a bull flag at the trendline and 200-day average. Must break out to actually become bullish so we watch. Breakout but will it hold? <b>Yes</b>   |                | 5/6  |
| <b>Merck MRK</b> - This one initially jumped yesterday on news it sold some divisions but ended much lower on the day. On-balance volume was already sagging (divergence) so this one is on watch for a trend break. <b>Broken</b>          |                | 5/7  |
| <b>US Bancorp USB</b> - The next major bank to break? Watching the triangle and long-term trendline.  |                | 5/7  |
| <b>Adobe Systems ADBE</b> - This software maker was not on the list of momo cult stocks last year but it looks like them. And now it has a bounce off support and the 200-day average. We'll watch to see if it holds. Trailing P/E of 110! | <b>New</b>     | 5/8  |
| <b>Sector Watch</b> (observations that may spark ideas)   |                |      |
| <b>Energy</b> - Resilient and leading.  |                | 3/31 |
| <b>Utilities</b> - Still looking strong but a bit concerned over a big decline on a day when bonds were way up. <u>Now watching a trendline in case it breaks.</u>  |                | 3/31 |
| <b>Natural Gas stocks \$FUM</b> - Leading. Bull flag? <b>chart below.</b>   |                | 4/4  |
| <b>Financials</b> - Our canaries in the coal mine are mostly dead now <b>JPM, AXP, KBE</b> . <b>ETFC</b> has a flag break   | <b>Changed</b> | 4/15 |
| <b>L3 Communications LLL</b> - Another defense stock sitting on support ( <b>RTN</b> , too).  | <b>New</b>     | 5/7  |
| <b>Updates</b>  |                |      |
| <b>none</b> -   |                |      |

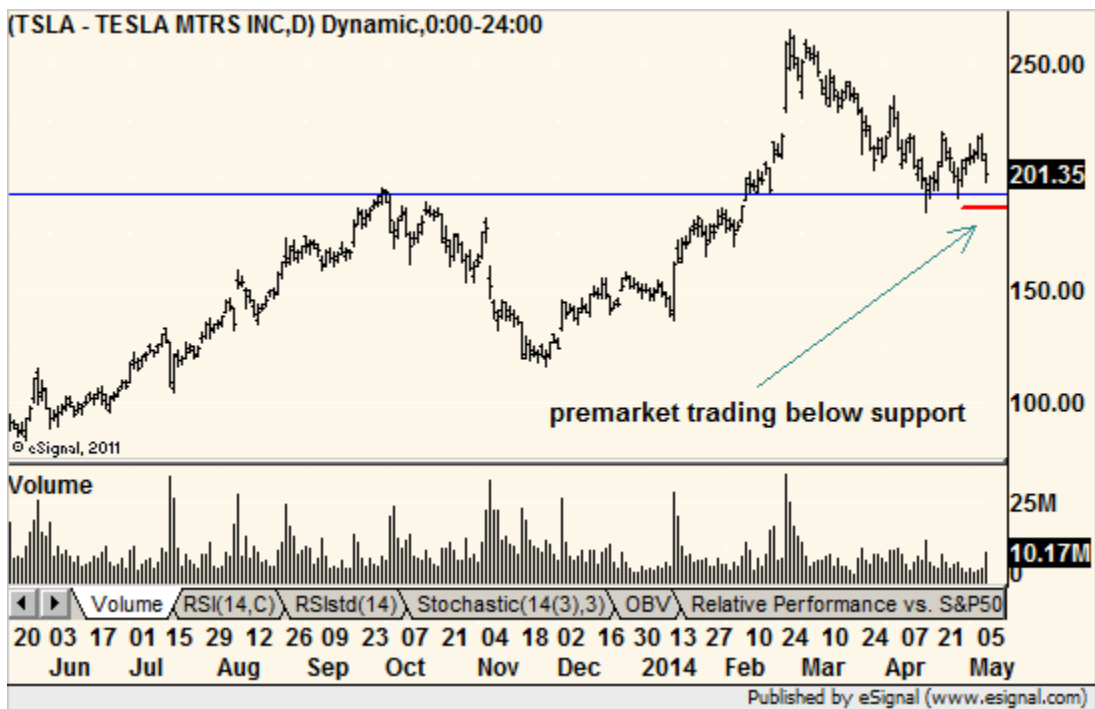
## Market Highlights



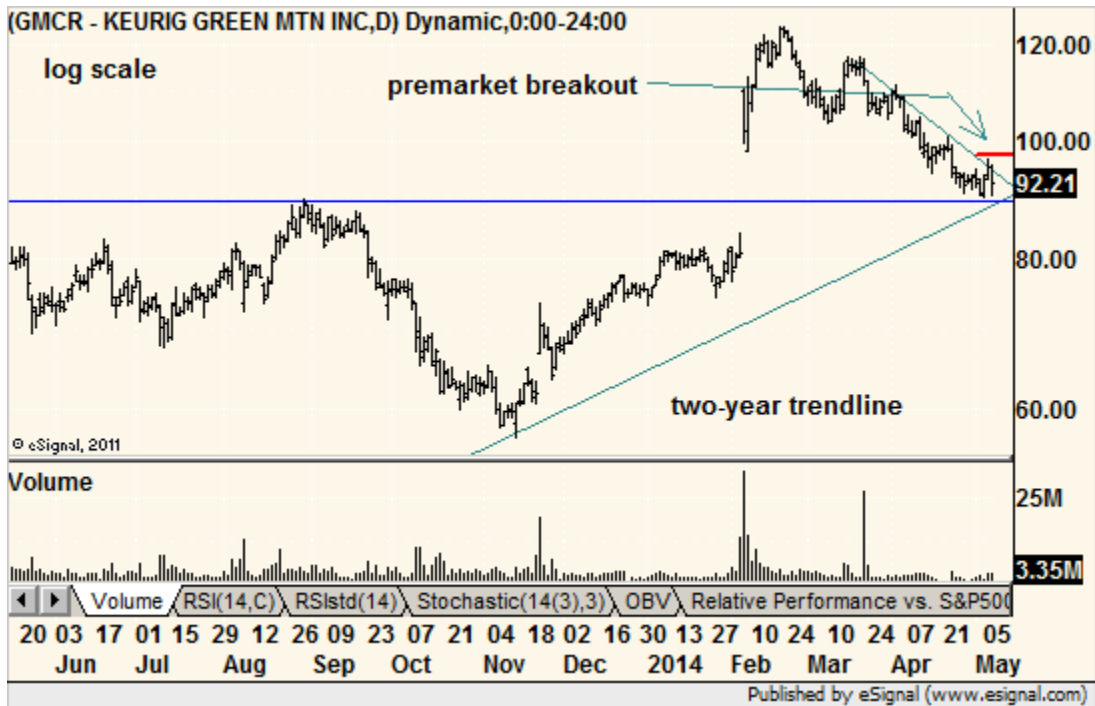
**Nat Gas Stock ETF** - Bull flag waiting for the breakout. Good on-balance volume and not overbought. Buy 22.70.



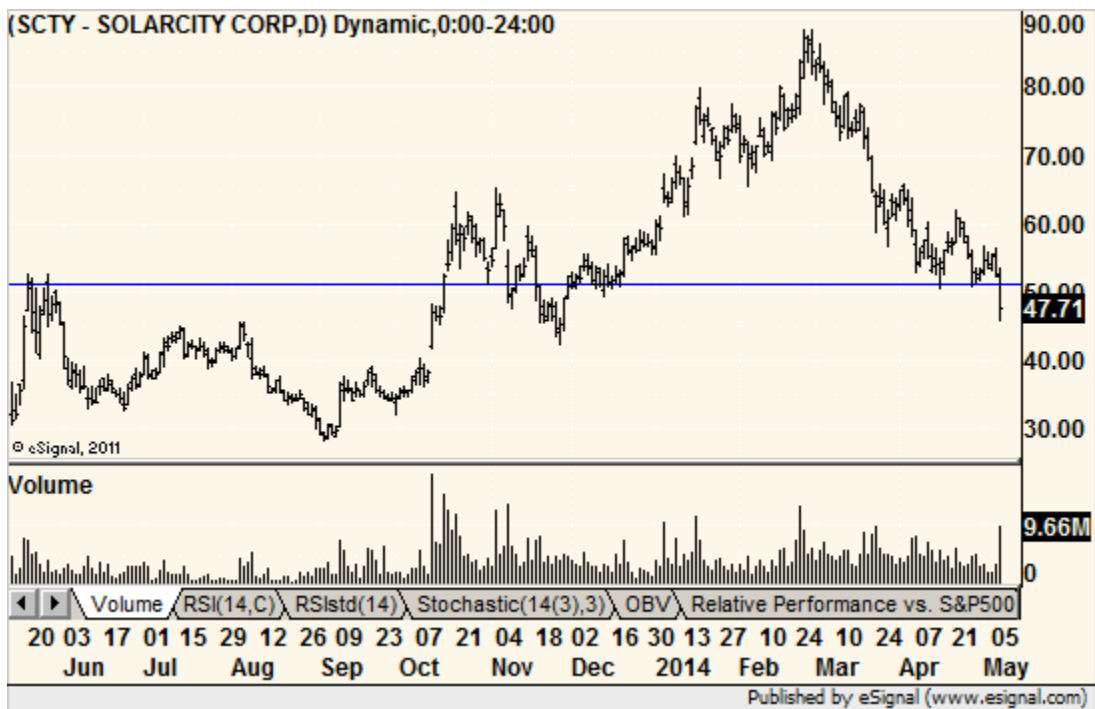
**Priceline** - Tumbled after earnings to support. But now below the 200-day.



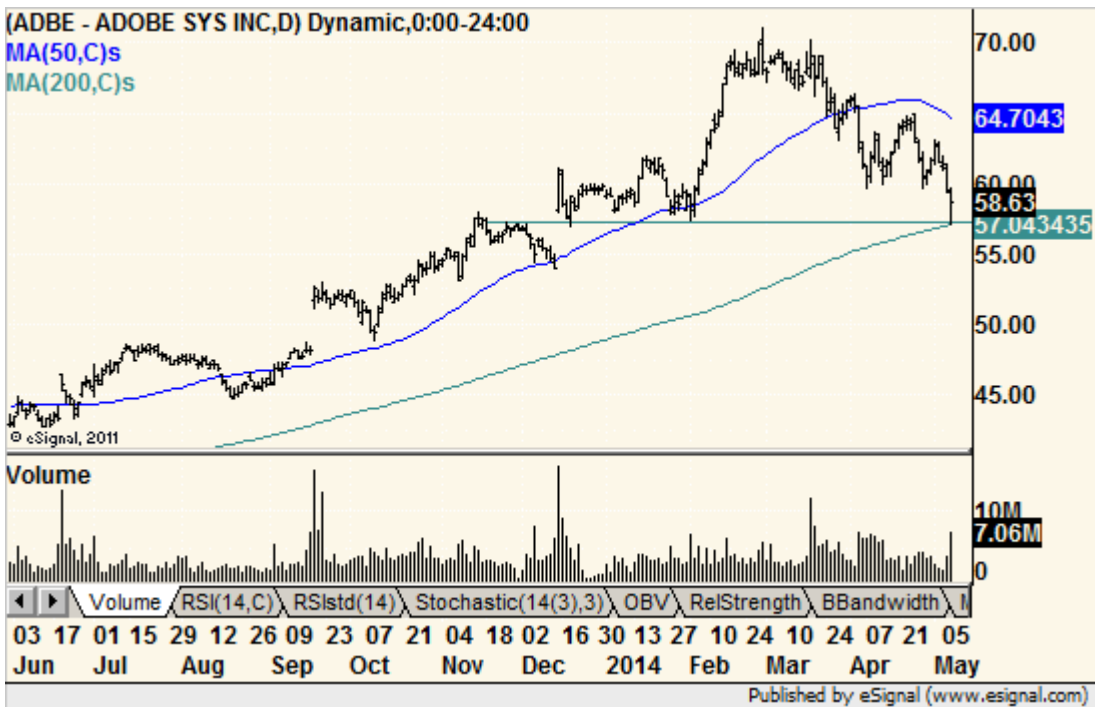
Tesla - Ouch.



Keurig Green Mountain - Nice pop on earnings.



**Solar City** - Overnight jump back to broken support. So far, the test of the breakdown is holding. In other words, the breakdown is still in effect.



**Adobe Systems** - This software maker was not on the list of momo cult stocks last year but it looks like them. And now it has a bounce off support and the 200-day average. We'll watch to see if it holds. Trailing P/E of 110!

## 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>HR</b>     | HEALTHCARE RLTY TR        | 25.22       | 1.2%       | 24.00       | 24.91           | 4/15           | 22           |
|              | <b>ED</b>     | CONSOLIDATED EDISON INC   | 57.80       | 3.4%       | 55.50       | 55.89           | 4/15           | 22           |
|              | <b>DK</b>     | DELEK US HLDGS INC        | 32.27       | -6.5%      | 31.50       | 34.50           | 5/2            | 5            |
|              |               |                           |             |            |             |                 |                |              |
| <u>Short</u> | <b>UPS</b>    | UNITED PARCEL SERVICE INC | 98.83       | -2.9%      | 100.00      | 96.00           | 3/21           | 47           |
|              | <b>CVS</b>    | CVS CAREMARK CORPORATION  | 75.90       | -2.7%      | 76.00       | 73.85           | 4/7            | 30           |
|              | <b>CA</b>     | CA INC                    | 29.46       | 3.4%       | 31.25       | 30.46           | 4/22           | 15           |
|              | <b>GS</b>     | GOLDMAN SACHS GROUP INC   | 155.52      | 3.0%       | 162.00      | 160.26          | 4/22           | 15           |
|              | <b>BRCM</b>   | BROADCOM CORP             | 29.86       | 2.5%       | 31.50       | 30.60           | 4/24           | 13           |
|              | <b>UNH</b>    | UNITEDHEALTH GROUP INC    | 77.91       | -4.1%      | 78.00       | 74.68           | 5/2            | 5            |

**Notes:** We were stopped out of **FE** Tuesday and it made quite a comeback Wednesday. That's the breaks. If you still have it, keep it.

Otherwise, no changes.

## 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

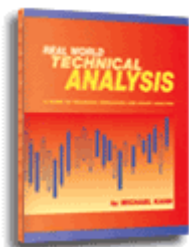
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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



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