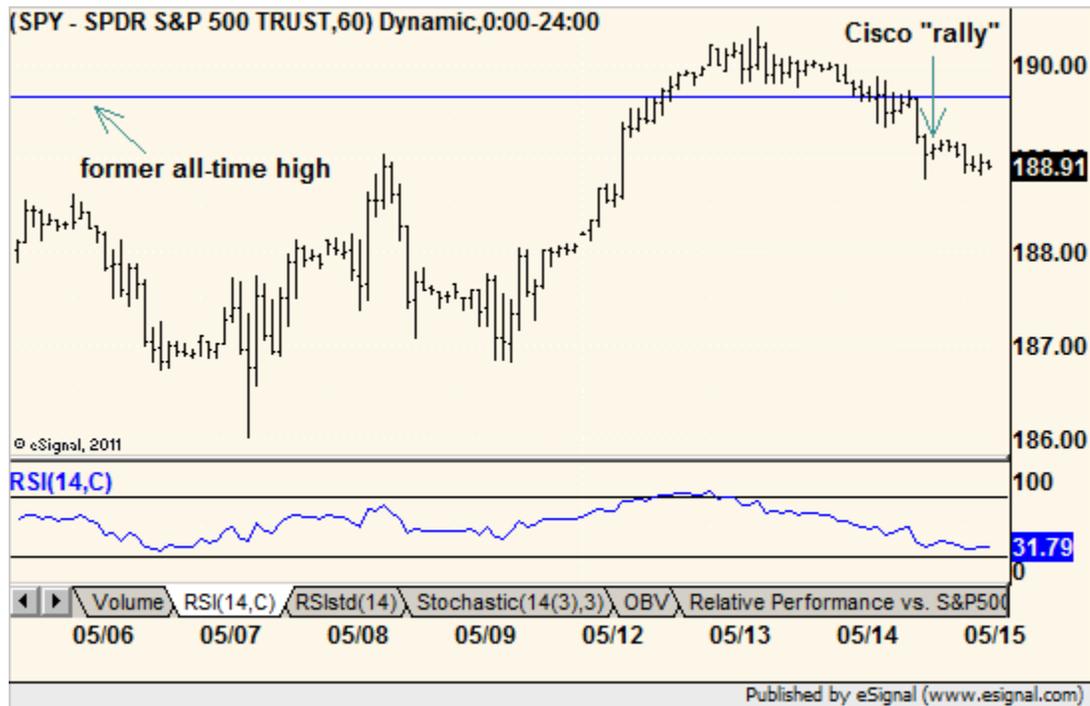


QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN
RESEARCH LLC

May 15, 2014 - While it is easy to say one down day on the Dow is not a bear market Wednesday sure felt like a change in tide. Not to mention the fact that both the Dow and S&P 500 left evening star candle patterns on their respective charts. Even **CSCO**'s after hours heroics (up 7%) served as a small relief to the wave of selling that seems to be upon us.

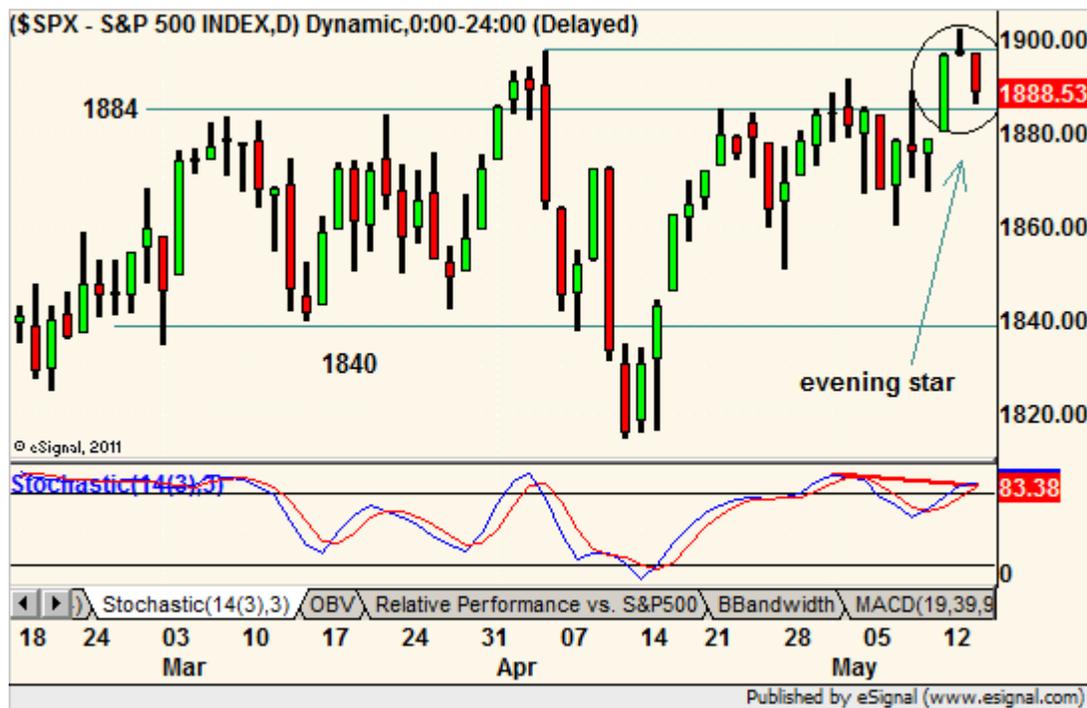


As we can see in the hourly chart, the **SPY** is back below its breakout level and by what looks to be a decent enough amount to think it failed. The Cisco rally is barely noticeable and we can say the say for the **DIA** Dow ETF and **QQQ** Nasdaq-100 ETF in which Cisco is a member. Oh, if only it were **IBM** or **V** that popped after hours with their much heavier weights in the Dow.

We are not going to get uber-bearish just yet because we still need confirmation of the evening star patterns. But when the small caps were down a full percentage point more than the Dow was during the regular session we don't have to be bullish, either. Same for the lack of gains made after the jobless claims report. We hear the fat lady warming up.

Finally, gold had a nice day yesterday and the week is not too bad, either. But it is down in the premarket and still not ripe. Copper is a different story and looks better. **FCX** should be on the watch list.

Index Charts of the Day



Here, we see a bearish evening star candle formation. It is also a failure to hold new highs but volume - there it is again - was low. If it did not matter on the way up should it matter on the way down? We say probably it should but there are other factors. First support at 1884 is still intact. Second the pattern has not been confirmed with further weakness.



The Nasdaq scored its pseudo-evening star at the trendline. We now see a triangle pattern emerging. And here, too, is low volume.

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		
Nat Gas Stock ETF FCG - Bull flag waiting for the breakout. Good on-balance volume and not overbought. Buy 22.70.		5/8
CPL Energia CPL - Brazilian utility with a bull flag and pending golden cross. Buy 17.65 and collect a fat 5% dividend yield.	New	5/15
Bearish Implications		
Raymond James Financial RJF - 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
US Bancorp USB - The next major bank to break? Watching the triangle and long-term trendline. Sell 39.75		5/7
Adobe Systems ADBE - 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. Trailing P/E of 114! Selling 57.30 on close. PCLN, CMG are similar		5/8
Goodyear Tire GT - A trend and support break. We'll sell the bounce to 25.00. Missed it by pennies . This may go without us.		5/12
Nasdaq OMX Group NDAQ - The exchanges are weak. This one has a false breakout and then a double top breakdown. Currently it a double top of sorts testing the breakdown. A low under last week's 36.20 (on close) would be a sell. CBOE sitting on 200-day average.		5/12
Western Digital WDC - Another tech stock with a bounce off support. Waiting for failure and a drop under 81. <u>Bounced a lot so we are moving on.</u>	Removed	5/9
Holding Tank - red shade leans bearish, green shade leans bullish		
Gold ETF GLD - The Fibonacci time target is passed so we are just marking time here until we see a real reason to get back in.		3/19
Procter & Gamble PG - Just watching a small double top with MACD divergence. Still above the trendline but close enough to worry it will break.	New	5/15
DuPont DD - Ascending triangle with rising on-balance volume. Keeping it on the back burner in case the market is not going to fall.	New	5/15
Freeport McMoran FCX - a copper and gold stock on the move to take advantage of the rally in copper and presumed future rally in gold.	New	5/15
Sector Watch (observations that may spark ideas)		
Energy - Looks like it is in need of a small correction.		3/31
Utilities - Marginal break of trendline. We need to see recovery before resuming bullish thinking here. For now, we are stepping aside with new money.		3/31
Financials - Still a weak sector but the representative stocks are going every which way		4/15
Defense - <u>One of the more resilient sectors.</u>		5/7
Broker Dealer Index XBD - We see a downward sloping head-and-shoulders in progress. If it completes, it will also break the 200-day average and that will not be good.		5/12
Soft Drinks - KO, PEP, DPS all doing well. Except SODA		5/14
Semiconductors - Watching a diamond formatiOon on the SOX index.		5/14

Market Highlights



Wal-Mart - Earnings miss this morning and a huge decline. Not a buying opportunity, in our view.



Procter & Gamble - Just watching a small double top with MACD divergence. Still above the trendline but close enough to worry it will break.



DuPont - Ascending triangle with rising on-balance volume. Keeping it on the back burner in case the market is not going to fall.

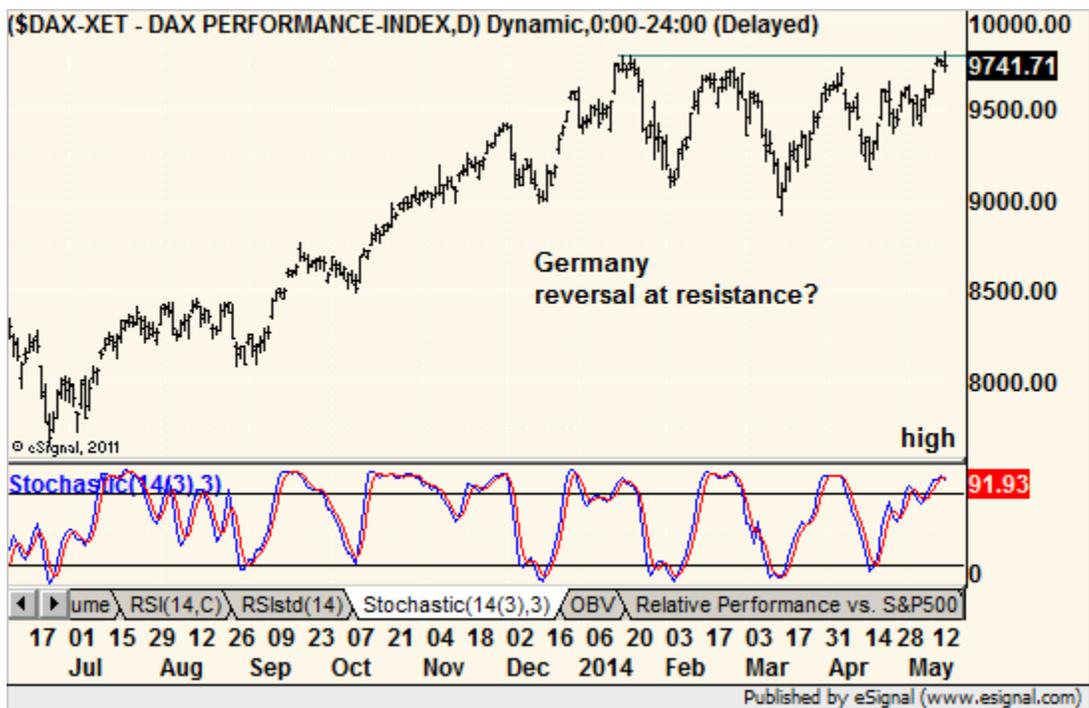


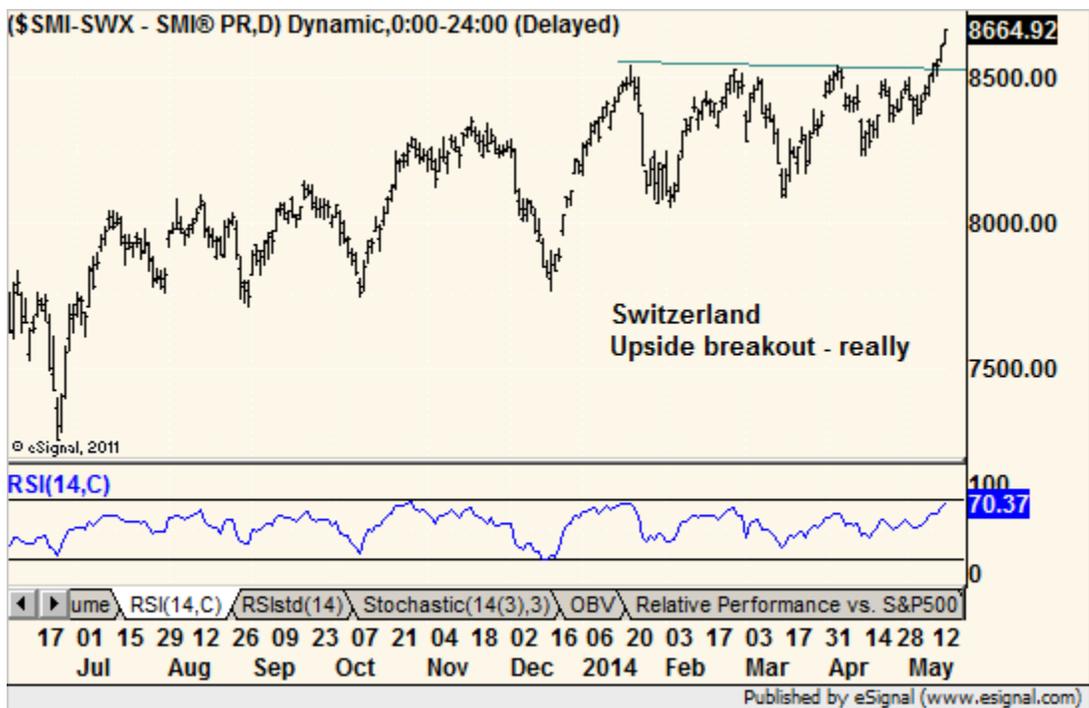
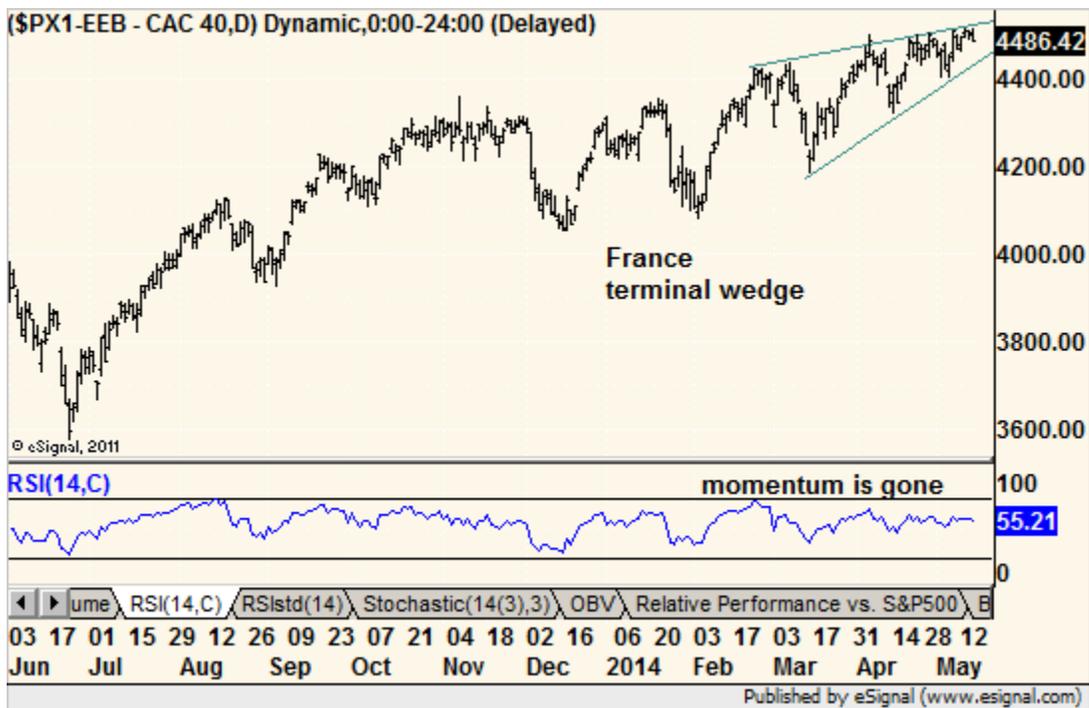
CPL Energia - Brazilian utility with a bull flag and pending golden cross. Buy 17.65 and collect a fat 5% dividend yield.

Quick Takes - Foreign Markets

In this section, we take a fast look at charts with just captions.

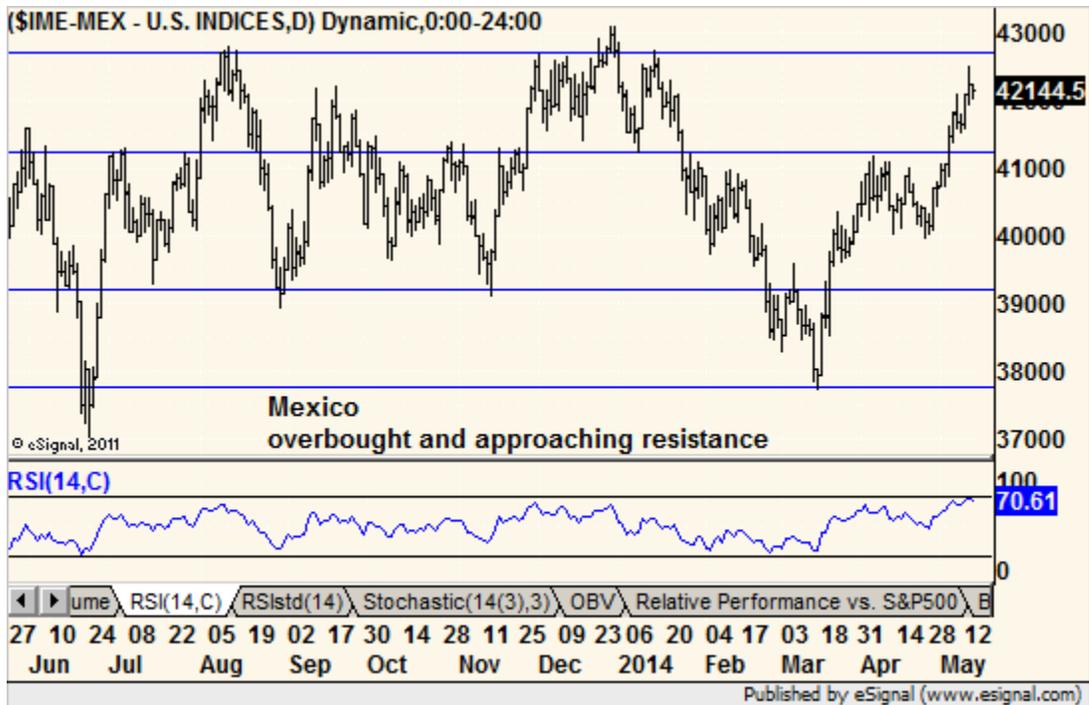












Today's Lesson

In this section, we take a look at a topic in technical analysis in real-time, not textbook time.

Bollinger Bands Divergence



3M - This Dow stock is one of the more heavily weighted and therefore one of the more important members. I and when it cracks it would be bad news for the Dow.

What we see here is a rally poking its head above the upper Bollinger Band on each swing higher - until this week. A higher high back within the bands is a sign of waning momentum and given the drop in volume on the current leg up we'd say it is confirmed.

This does not establish the price at which to go short but it does point us in that direction. At a minimum, lightening up a long position is warranted right here.

Two-pager on Bollinger Bands (does not cover divergence), [click here](#). New subscribers, it is part of the service.

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	24.51	-1.6%	24.00	24.91	4/15	29
	BHP	BHP BILLITON LTD	71.97	1.1%	69.00	71.17	5/13	27
<u>Short</u>	CA	CA INC	30.07	1.3%	31.25	30.46	4/22	22
	GS	GOLDMAN SACHS GROUP INC	159.45	0.5%	162.00	160.26	4/22	22
	BRCM	BROADCOM CORP	29.83	2.6%	31.50	30.60	4/24	20

Notes: None

Subscriber Corner

This section is dedicated to subscriber requests for stock, futures, index and foreign exchange analysis. Send requests to <mailto:mkahn@quicktakespro.com>.

Correction - we said muni fund **NEA** failed Monday but it went ex-div on its hefty dividend that day. No failure.

Other Information

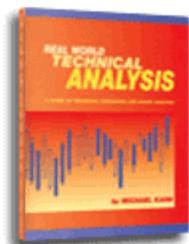
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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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>.

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