

# QUICK TAKES PRO

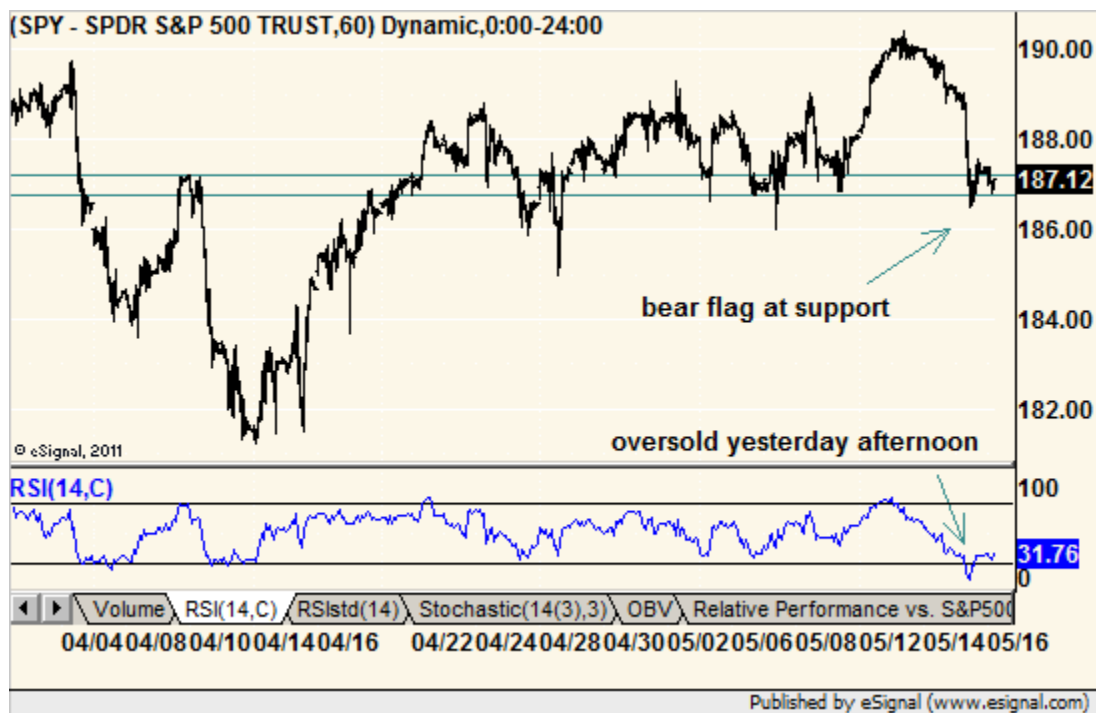
"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN  
RESEARCH LLC

**May 16, 2014** - OK, now it's two days down on the Dow and the headline this morning reads "Stock bull has sick feeling about the market." The headline the day before said "Stocks are telling you a bear market is coming." Remember, we are talking about front page, in your face large font when you wake up headlines on a reputable financial site.

Yesterday's weak homebuilding news sent that sector way down but half of it closed in the green leaving bullish hammer candles everywhere (I stand by the bearish article I wrote on **BZH** yesterday for [Profitable Trading](#) - chart below). The point is that sentiment turned panicky bearish very quickly and that makes us skeptical for the very short-term. We are very anxious to see what the sentiment surveys say over the next few days. Does this headline hysteria carry through?

We do, however, agree with the overall feeling that stocks are heading lower this summer.



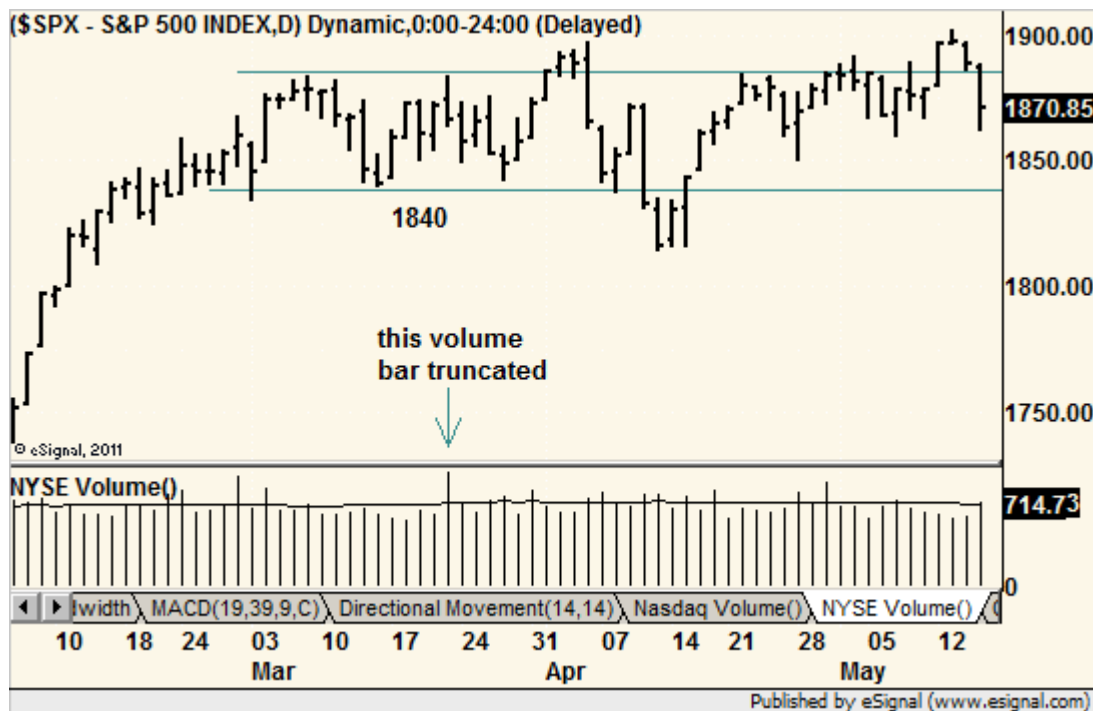
The hourly chart failed to hold its breakout and then fell apart. It is now sitting on support with a bear flag that may or may not have one more mini-leg higher (to perhaps 188). Whether or not that happens, a support break under 186.80 as drawn or yesterday's low 186.48 would quite bearish.

We said yesterday are not going to get uber-bearish just yet and we still need confirmation of the evening star patterns. We got that confirmation. We are bearish with the only question mark being whether or not to sell today or tomorrow.

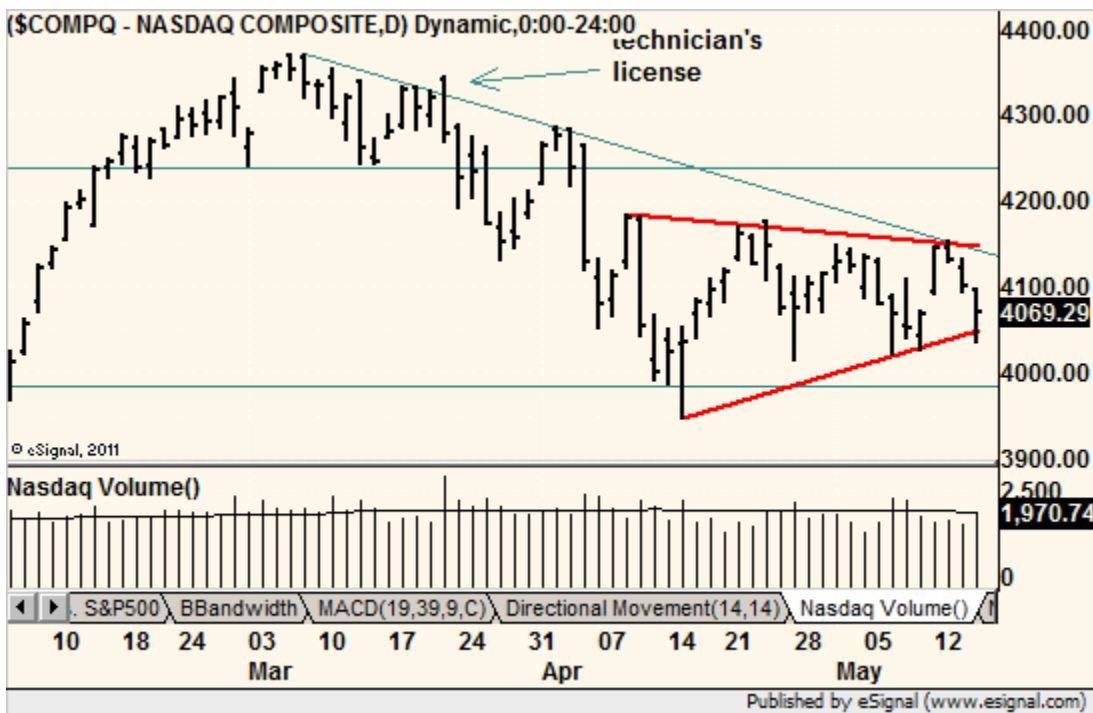
Predictably, bonds soared yesterday but gold went nowhere. Retail, banks, brokers and insurance got crushed. Small caps - crushed. Europe reversed to the downside. Japan down but India up. Mexico down big.

And in the momo group, things were mixed but Zillow (**Z**) and Trulia (**TRLA**), both real estate social sites, were up sharply.

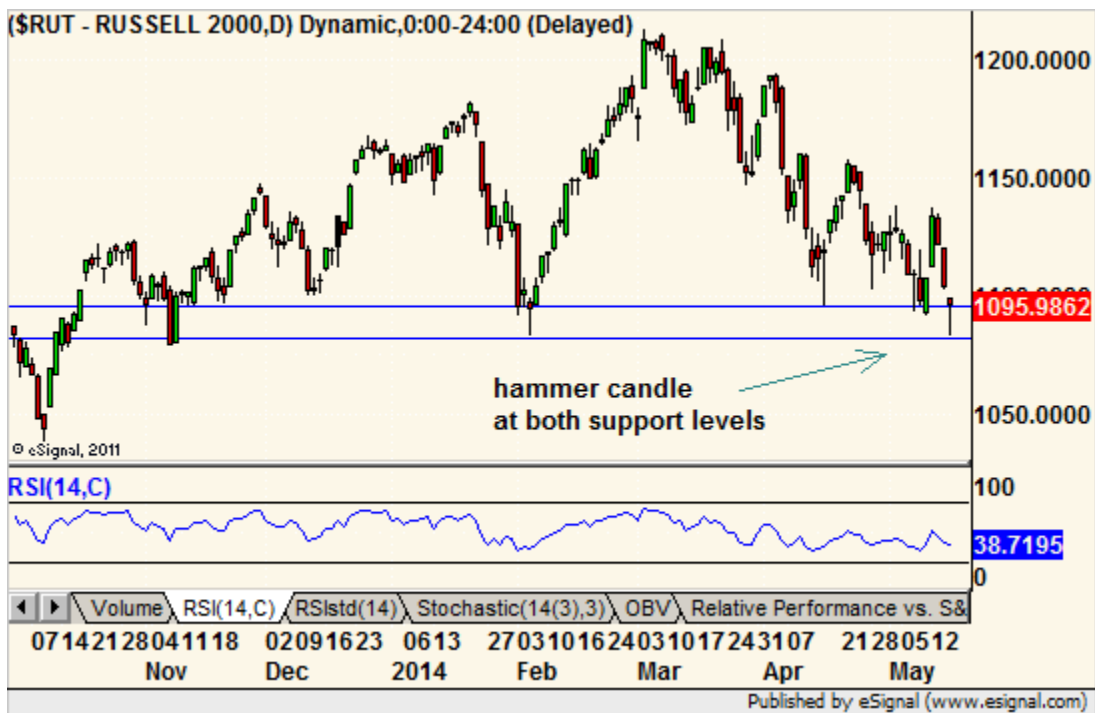
## Index Charts of the Day



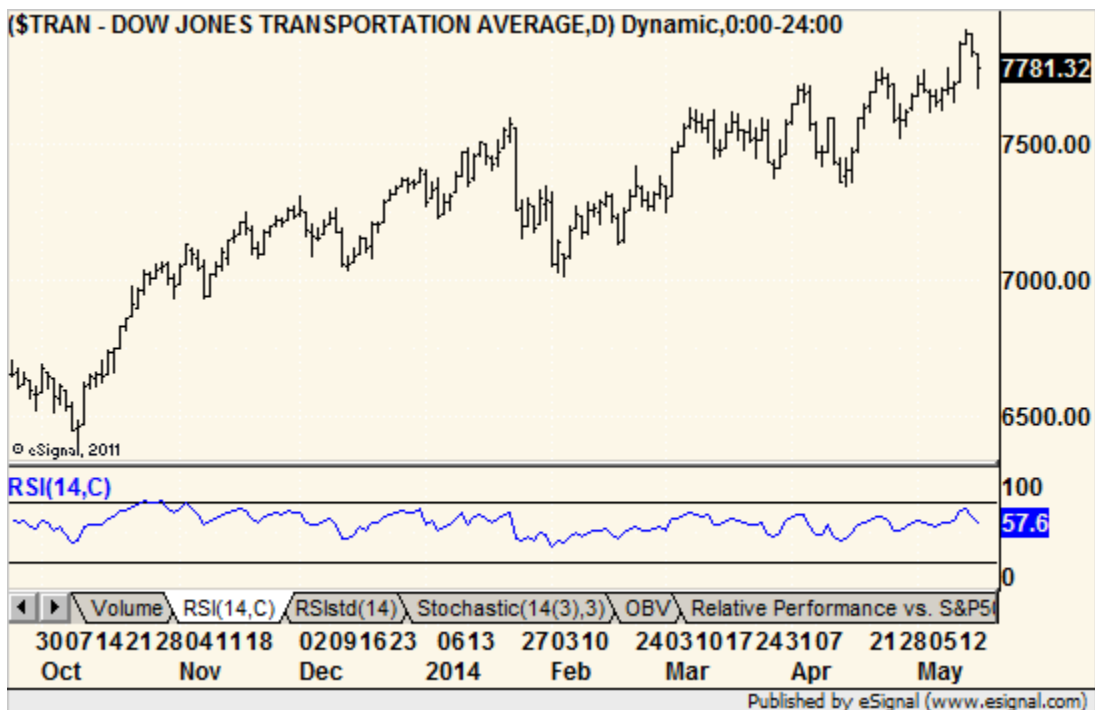
The evening star candle was confirmed and volume finally picked up a bit. It was still only average but index ETF volume (SPY, DIA, IWM, MDY, QQQ) was indeed very heavy.



Here is the same chart as yesterday (in bar format) showing the triangle pattern. The index kissed it yesterday on somewhat higher volume so the ideal bear setup would be a day of rest right here before the breakdown attempt.



The Russell 200 was way down but recovered to leave a bullish hammer candle. It needs confirmation in the form of an up-day now but we are not buying - at least not without a lot more evidence from the rest of the market.



Still no real damage on the transports.

## The Radar Screen

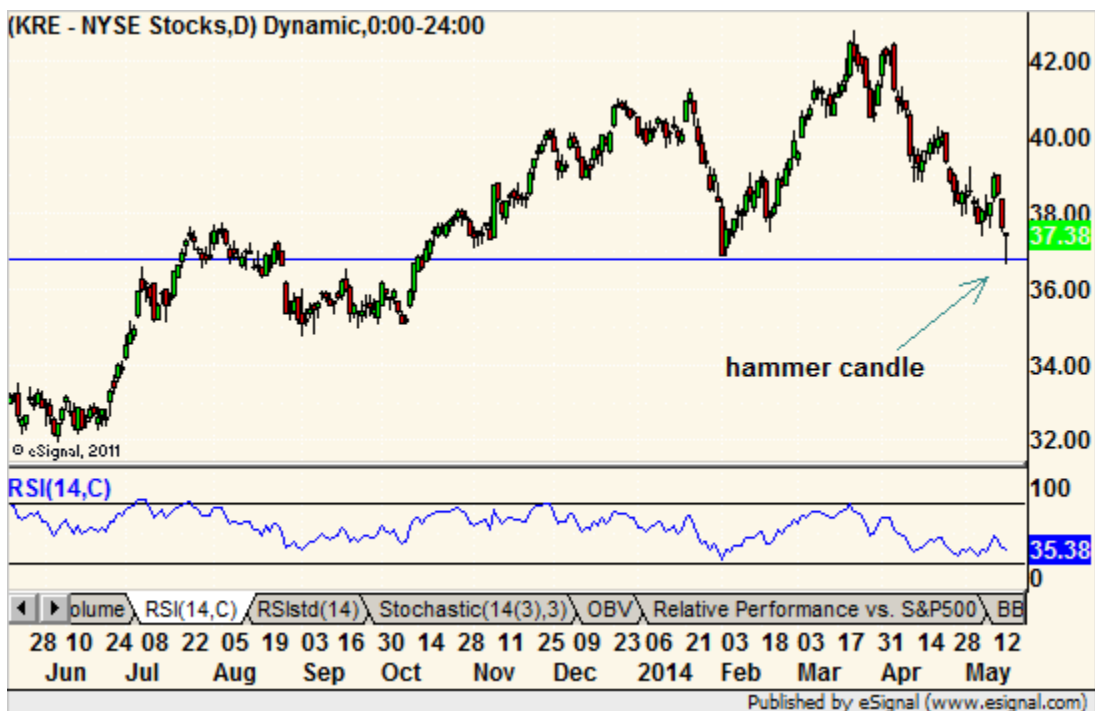
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>Nat Gas Stock ETF FCG</b> - Bull flag waiting for the breakout. Good on-balance volume and not overbought. Buy 22.70. <u>Big hammer candle yesterday and Nat Gas itself rallied. Could be a buy on confirmation of the hammer.</u>		5/8
<b>CPL Energia CPL</b> - Brazilian utility with a bull flag and pending golden cross. Collect a fat 5% dividend yield. <u>We think it went on sale yesterday so we are going to jump in now.</u>	<b>Changed</b>	5/15
<b>Bearish Implications</b>		
<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.	<b>Triggered</b>	5/7
<b>US Bancorp USB</b> - The next major bank to break? Watching the triangle and long-term trendline. Sell 39.75		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. Trailing P/E of 114! Selling 57.30 on close. <b>PCLN, CMG</b> are similar		5/8
<b>Goodyear Tire GT</b> - A trend and support break. We'll sell the bounce to 25.00. <u>But yesterday is scored a bull reversal on volume. Let's wait on this one.</u>	<b>Changed</b>	5/12
<b>Nasdaq OMX Group NDAQ</b> - 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. <b>CBOE</b> sitting on 200-day average - <u>we may sell tomorrow.</u>		5/12
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Gold ETF GLD</b> - 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
<b>Procter &amp; Gamble PG</b> - Just watching a small double top with MACD divergence. Still above the trendline but close enough to worry it will break.		5/15
<b>DuPont DD</b> - Ascending triangle with rising on-balance volume. Keeping it on the back burner in case the market is not going to fall.		5/15
<b>Freeport McMoran FCX</b> - a copper and gold stock on the move to take advantage of the rally in copper and presumed future rally in gold.		5/15
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Energy</b> - Looks like it is in need of a small correction.		3/31
<b>Utilities</b> - 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
<b>Financials</b> - Still a weak sector but the representative stocks are going every which way		4/15
<b>Defense</b> - <u>One of the more resilient sectors.</u>		5/7
<b>Broker Dealer Index XBD</b> - We see a downward sloping head-and-shoulders in progress. If it completes, it will also break the 200-day avg and that will not be good.		5/12
<b>Soft Drinks - KO, PEP, DPS</b> all doing well. Except <b>SODA</b> . <u>KO failed at resistance so this sector may be changing.</u>		5/14
<b>Semiconductors</b> - Watching a diamond formation on the <b>SOX</b> index. <u>Pattern complete</u> - waiting for breakdown.		5/14

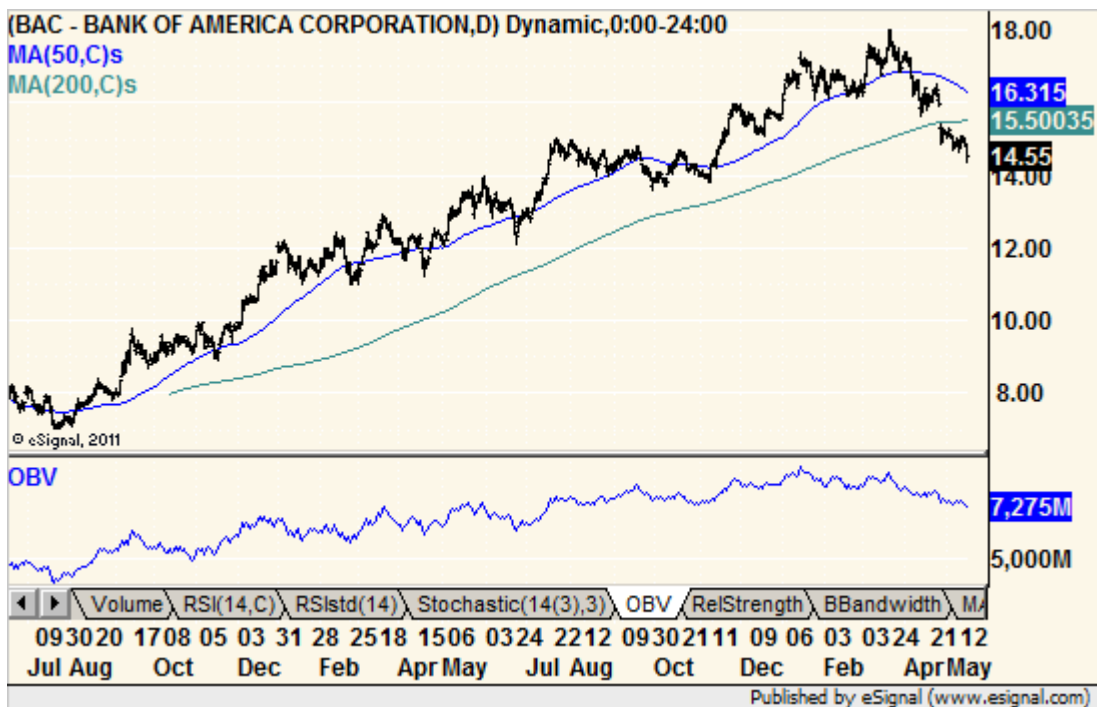
## Market Highlights



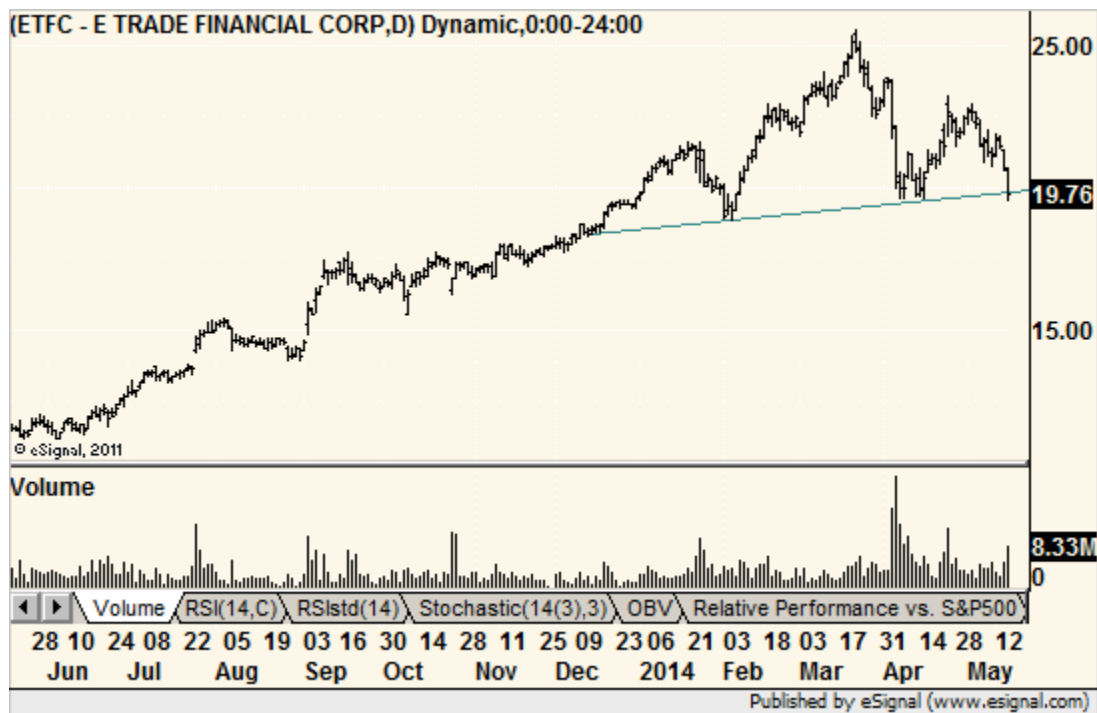
**Verizon** - Jumped after the bell and now trading just above resistance. Let's see if it holds.



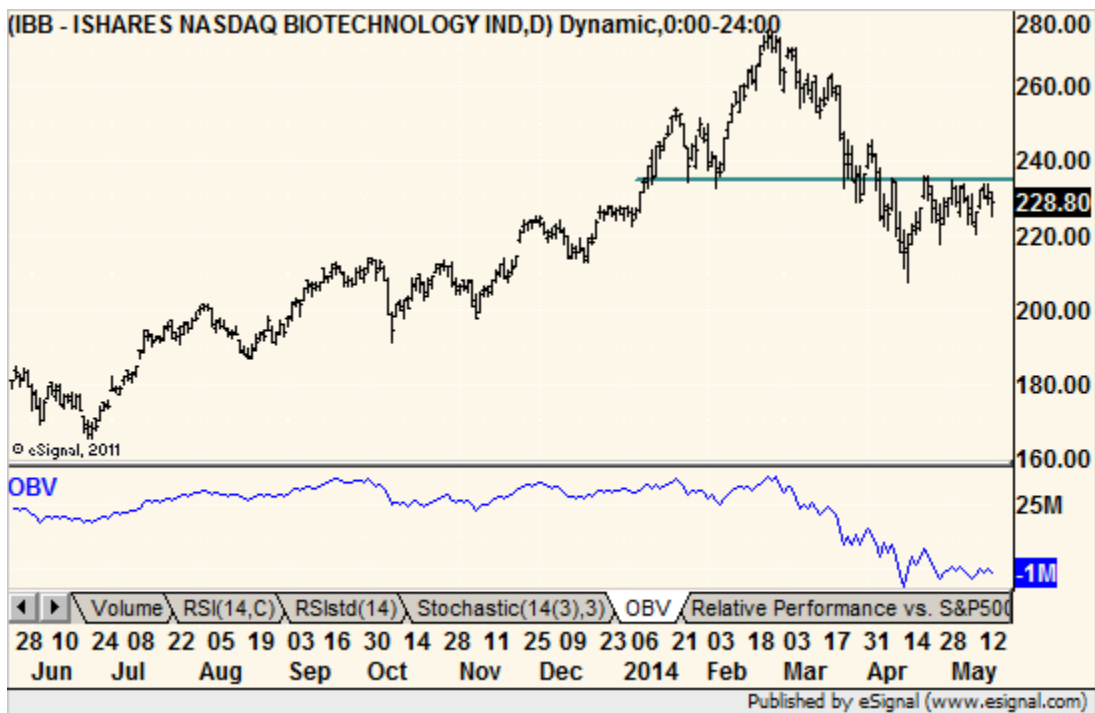
**Regional Banks ETF** - Hammer candle at support but this is not yet confirmed with a rally. We think it is more of a sentiment thing where it got too bearish. Dead cat bounce?



**Bank of America** - Awful looking chart.



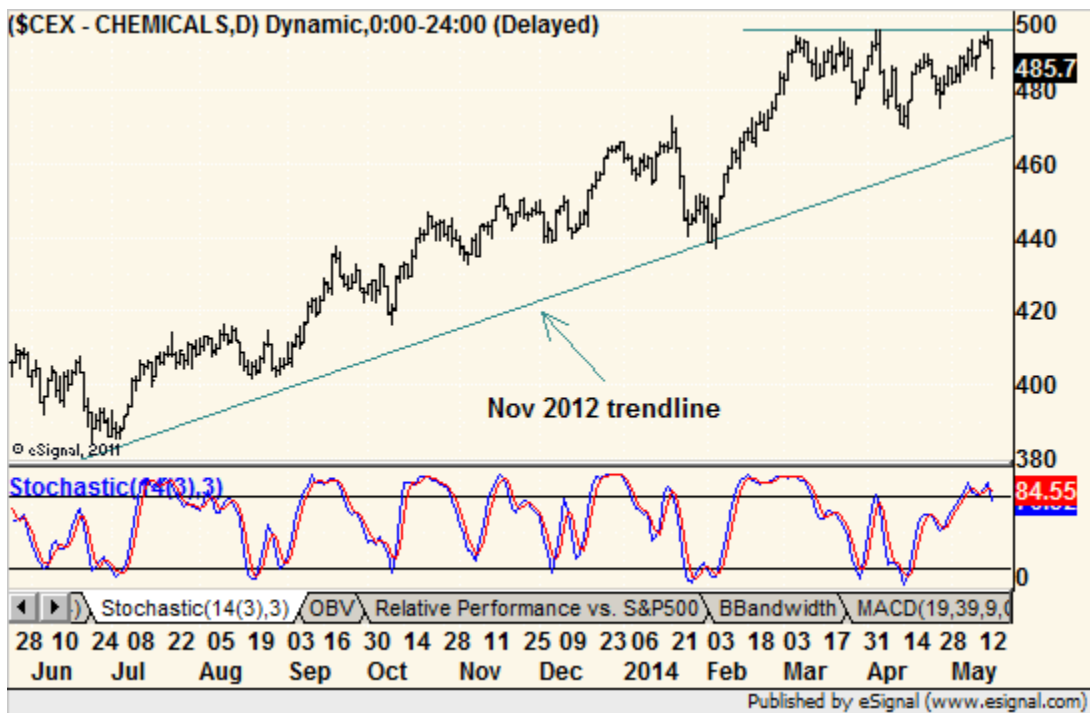
**E-Trade Financial** - One paused day away from a pattern breakdown. In other words, we'd like to see a day or two of pause before the breakdown attempt. Same for **AMTD**.



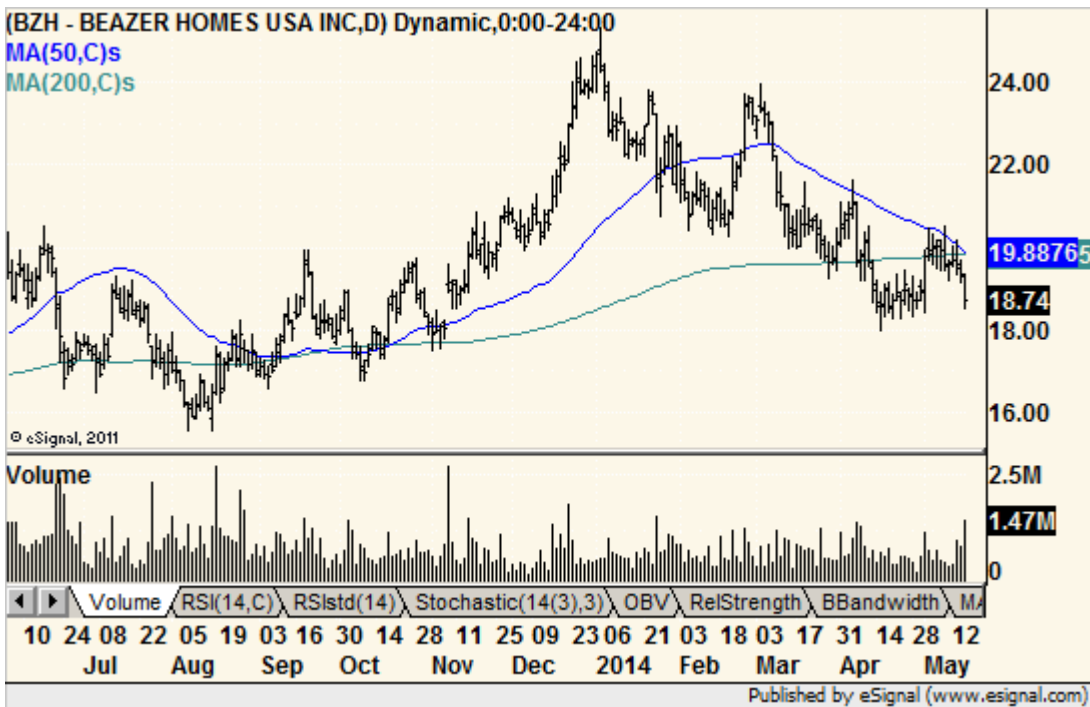
**Nasdaq biotech ETF** - Still cannot get through resistance.



**Five-year yield** - This middle maturity Treasury yield has also broken down.



**Chemicals index** - The basic materials sector was the big loser in SPDR ETFs yesterday thanks to chemicals and to a lesser degree steel. Chemicals are still one of the better groups so watch to see if it rolls over, too.



**Beazer Homes** - As mentioned, this home builder is still weak. Sell any bounce.



## 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	24.69	-0.9%	24.00	24.91	4/15	30
	<b>BHP</b>	BHP BILLITON LTD	71.53	0.5%	69.00	71.17	5/13	27
<u>Short</u>	<b>CA</b>	CA INC	29.05	4.9%	31.25	30.46	4/22	23
	<b>GS</b>	GOLDMAN SACHS GROUP INC	156.64	2.3%	162.00	160.26	4/22	23
	<b>BRCM</b>	BROADCOM CORP	29.50	3.7%	31.00	30.60	4/24	21
	<b>RJF</b>	RAYMOND JAMES FINANCIAL INC	48.29	-0.1%	51.00	48.25	5/15	0

**Notes:** New short in **RJF** triggered intraday. Trailed stop in **BRCM**.

## Subscriber Corner

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

Really? Nothing? This section is for you!

## 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