

# QUICK TAKES PRO

*"TECHNICAL ANALYSIS FOR EVERYONE"*

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**May 23, 2014** - The Fed minutes continuation rally fizzled for big stocks but the Nasdaq stoked a lot of bullish fires everywhere. That index is now clearly above its declining trendline so on the surface it looks as if the market dichotomy is going to resolve into the favor of the Dow. The fallen are going to recover rather than the leaders going to fall.

What everyone is missing is that the Nasdaq, despite its representation by smaller stocks, is still controlled by big stocks. It is capitalization weighted so Apple takes a big chunk of the credit even though there are over 3000 stocks in the index. Google, too, although 75% less than Apple.

So is the split in the market really healing? The Russell 2000 gained nearly 1% vs. the S&P 500's quarter of 1% but no trend break and no move back above its 200-day average. Bulls are a bit premature here.

We'll skip the hourly chart today since there is nothing special to see there and the daily charts below will show enough. We will admit to seeing the S&P 500 starting to add some upward slope to its range so that could be positive. Then again, rising wedges are terminal: they end rallies so we still cannot make any major judgments, especially as we head into the long Memorial Day weekend.

The **VIX** dipped below 12 yesterday so that is a bearish signal. The **VIXN** - the VIX of the Nasdaq - continued to tumble and it is back to 14. They started to diverge from each other in February as expected when the Nasdaq started to fall apart. But since April, the spread has narrowed. It is not quite back to its normal relationship but it certainly looks to be headed that way. Because the VIXN is moving lower we'd have to say another bullish leg is being kicked out from under the Nasdaq despite its rally.

In sectors, home construction rallied on fundamental news yesterday but the trend is still down. Biotech may have punched through resistance.

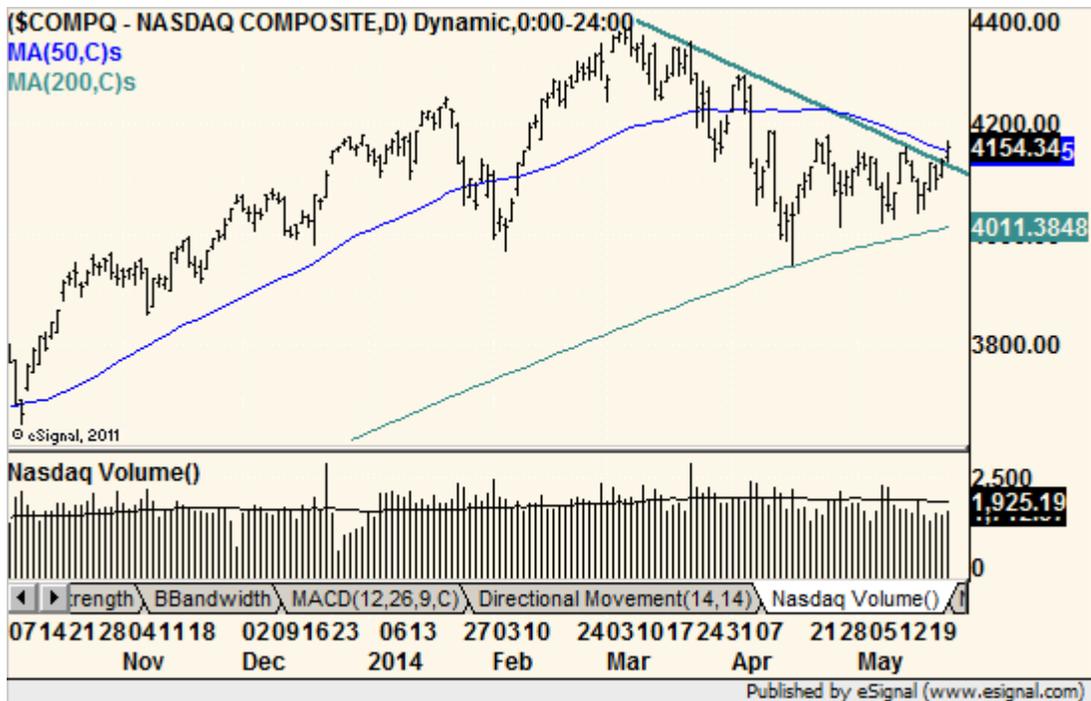
That's all for today. Expect volume to start to fade by mid-day as traders start to head out to start their holiday weekends.

Service note - The markets are closed Monday for Memorial Day and so are we. See you back here Tuesday and make it a safe weekend.

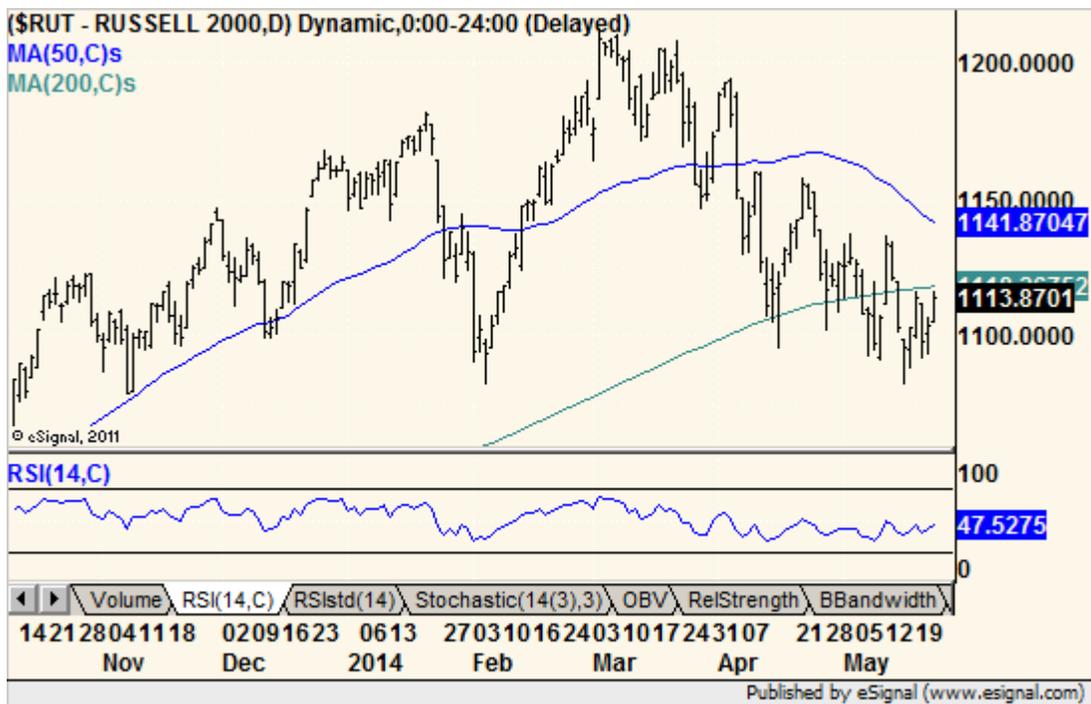
## Index Charts of the Day



The trading range is still in effect but now we can see a rising slope to it. Is it a wedge? If so, that's bearish. Is it a rising channel? If so, then that's bullish. At a minimum, the index has to set a new high for the latter.



Nasdaq back above the trendline and 50-day average. No volume, of course.



The Russell is not oversold and still below its 200-day average.



Just for kicks, here is the Wilshire 4500 - the Wilshire 5000 with the 500 largest stocks removed. The big cap / small cap battle is **not** resolving.

## 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>Conagra CAG</b> - This food stock is approaching a big resistance. A breakout should be buyable - close over 32.	<b>New</b>	5/23
<b>Bearish Implications</b>		
<b>Procter &amp; Gamble PG</b> - Just watching a small double top with MACD divergence. Marginal trendline break. Moving sell trigger up to 81		5/15
<b>Goodyear Tire GT</b> - After a short hiatus, we are going to reinstate the sell trigger at 25. This one has a support break and trend break.		5/12
<b>Consumer Discretionary ETF XLY</b> - Retail is a subset here. The <b>XLY</b> , however, has a killer pattern setup - nice and tight. A breakdown now would be a good sell signal. Sell close under 62.75		5/21
<b>Las Vegas Sands LVS</b> - Sitting on the edge of a cliff. Sell close under 71.50.		5/21
<b>Salesforce.com CRM</b> - Bear wedge running into pending death cross. Volume was up on the downside reversal Tuesday. <b>Selling now</b> as it closed below the wedge Wednesday.	<b>Triggered</b>	5/21
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<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>Starbucks SBUX</b> - This one is coiling rather tightly. On watch for a breakout one way or the other. We think lower but the stock has to prove that with an actual breakdown. <b>It broke to the upside</b>		5/22
<b>Harmon Int'l HAR</b> - This consumer electronics stock has a rounded top or even a diamond top in progress. Note on-balance volume has been falling throughout.		5/22
<b>Hershey HSY</b> - Another food stock with multiple supports and resistance levels. Just watching for now.	<b>New</b>	5/23
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Utilities</b> - Decline continues but <u>it rallied back to the 50-day average</u> .		3/31
<b>Financials</b> - Still a weak sector but the representative stocks are going every which way		4/15
<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 average and that will not be good. <b>ETFC, AMTD, SCHW, IBKR, GS, MS</b> . Sell any of the online brokers on support breaks.		5/12
<b>Semiconductors</b> - Diamond formation is devolving so we are removing it	<b>Removed</b>	5/14
<b>Nasdaq biotech ETF IBB</b> - looks like a bear wedge <u>but now with an arguable upside break through resistance</u> .		5/16
<b>Retail ETF XRT</b> - Still in a triangle but definitely lagging.		5/21
<b>Travel &amp; Leisure group</b> - Triangle pattern under a rolling-over 50-day average. Within - hotels and airlines strong, restaurants and gaming weak. The battle is on.		5/22
<b>Footwear group</b> - Another triangle squeezing the index. This is the same as <b>NKE's</b> chart. <b>DECK</b> is similar.		5/22
<b>Updates</b>		
<b>none -</b>		

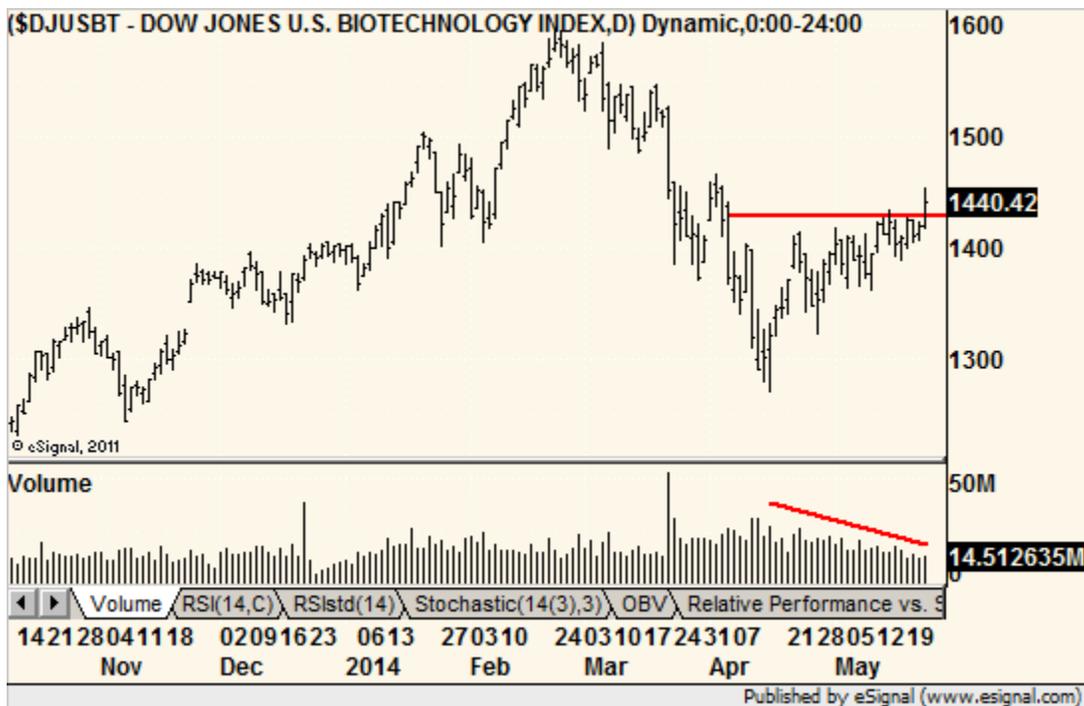
## Market Highlights



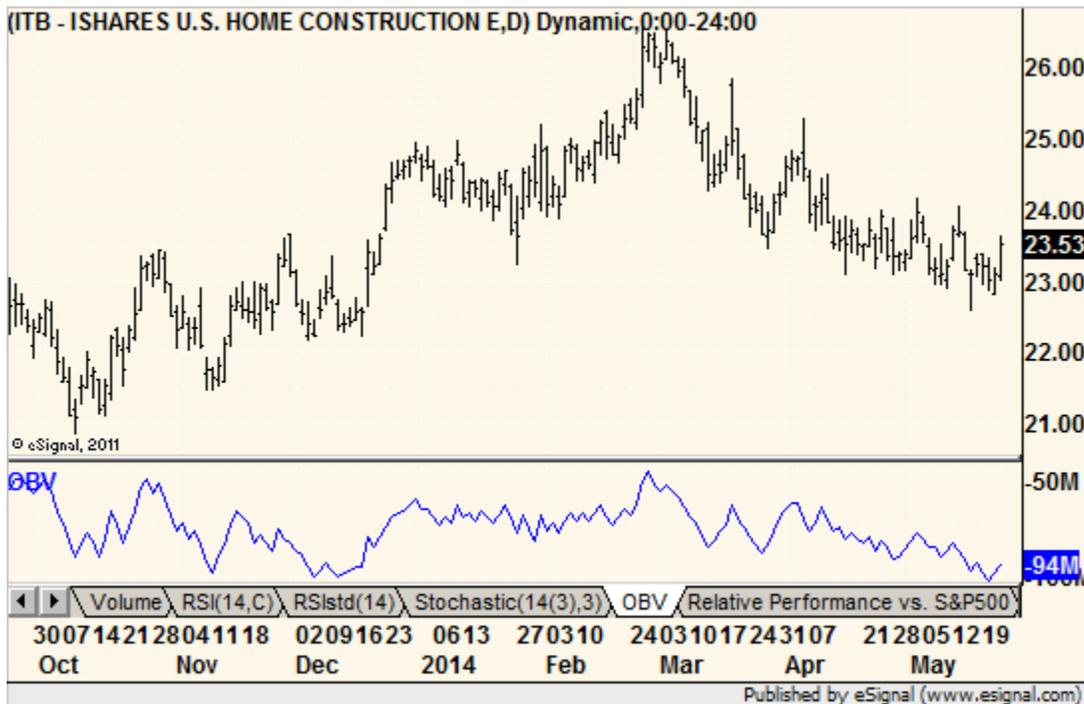
**Bonds ETF** - Still has a rising trendline but with a stumble - not reversal - in on-balance volume.



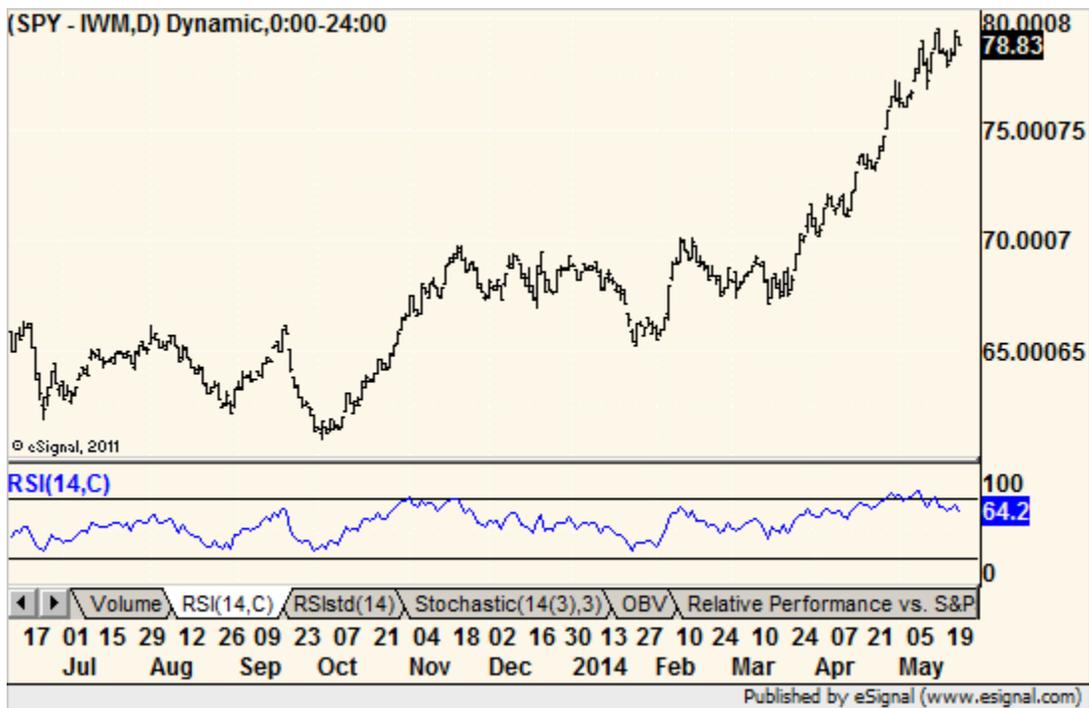
**US Dollar index** -It does indeed have a short-term rising trend in place. We've eyeballed a group of support and resistance levels giving the market a touch more rally room.



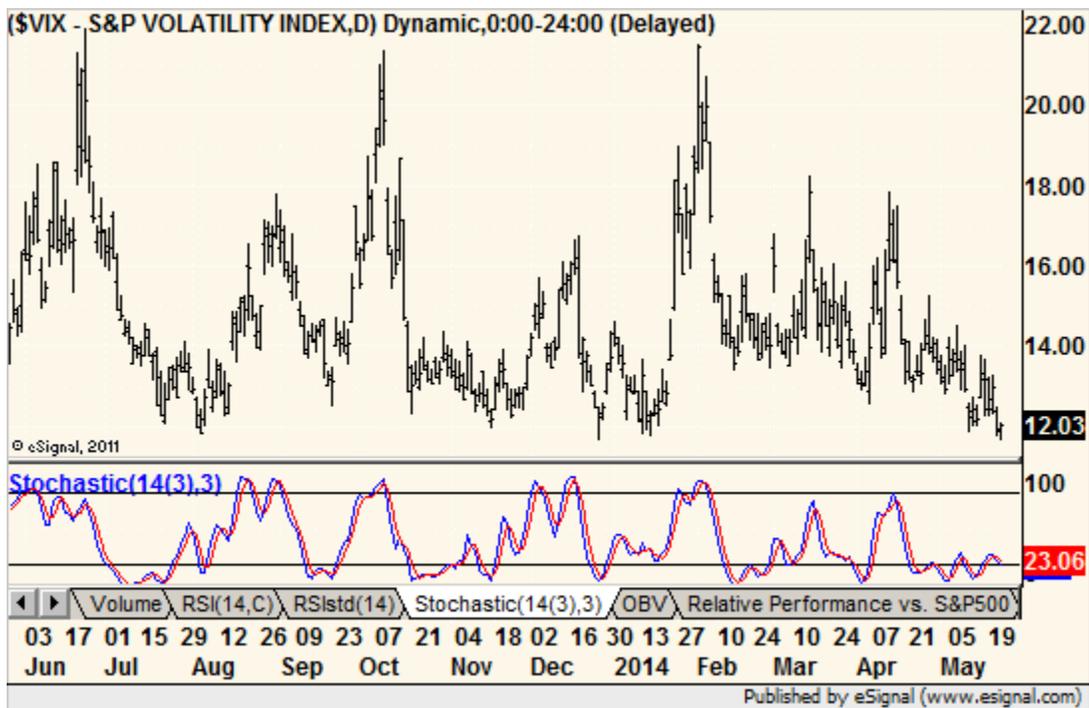
**Biotech** - This is the Dow Jones biotech index and it has an arguable breakout. Not so much for the **IBB** ETF. Volume in this chart still diverges so we are not jumping on it.



**Homebuilder ETF** - A big day but credit home improvement retailers in the index for some of it. On-balance volume still falling. More data due 10am NYT today.



**Big cap / small cap spread** - Just a thought. We think that either the big caps fall to meet the small or the small caps rally to meet the big. In either case, the spread should get narrower so selling **SPY** and buying **IWM** could work as a pairs trade.



**VIX** - As mentioned, the VIX is super low and that makes options cheap to buy. Buying your favorite stock along with a put option on it might work.



**Conagra** - This food stock is approaching a big resistance. A breakout should be buyable - close over 32.



**Hershey** - Another food stock with multiple supports and resistance levels. Just watching for now.

## 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>CPL</b>	CPFL ENERGIA S A	16.43	-2.6%	16.00	16.87	5/16	7
	<b>FCX</b>	FREEMPORT-MCMORAN COPPER GOLD	34.30	-2.2%	33.75	35.08	5/19	4
<u>Short</u>	<b>CA</b>	CA INC	28.99	5.1%	30.25	30.46	4/22	31
	<b>GS</b>	GOLDMAN SACHS GROUP INC	159.85	0.3%	162.00	160.26	4/22	31
	<b>BRCM</b>	BROADCOM CORP	30.15	1.5%	31.00	30.60	4/24	29
	<b>RJF</b>	RAYMOND JAMES FINANCIAL INC	48.55	-0.6%	51.00	48.25	5/15	8
	<b>NDAQ</b>	NASDAQ OMX GROUP INC	36.36	-1.7%	38.00	35.75	5/20	3

**Notes:** Tweaked stop in CA.

## 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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