

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

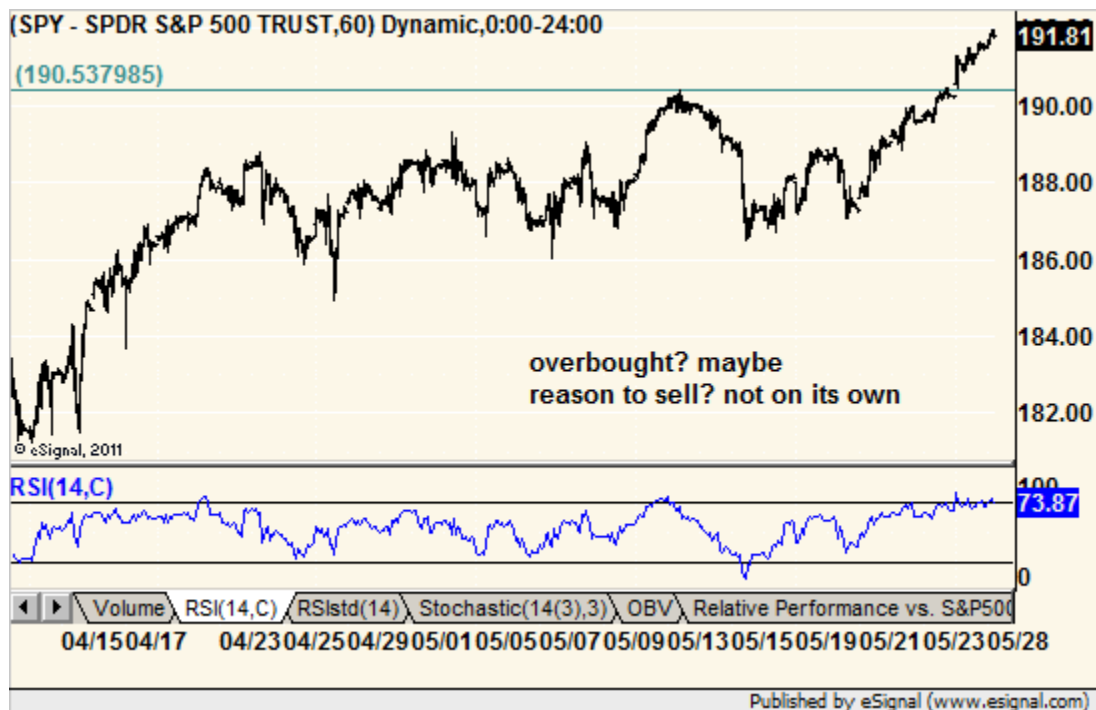
**May 28, 2014** - Tuesday was quite a funny day when we look past the new high in the S&P 500. Aside from many momo names coming back, Treasury bonds were up and utilities were up more than big-caps and medium-caps. And the **VIX** moved higher, not lower. It does indeed back up the idea that the market has some issues that the obvious breakouts in tech, biotech, banks and marine transportation mask.

Indeed, if we just look at various industry groups we will see mostly rising charts or upside breakouts. How do you argue with that?

Yesterday, I closed my Barron's Online column with:

"The question is whether it can last and the answer is yes, as long as nothing goes wrong outside the market. There does not seem to be any fortitude here to withstand a shock whether it is from Fed tapering or some post-election flare-up in Ukraine."

What that means is that the market can cruise higher if nothing challenges it. But if something does, whether it is war, bad economic news, the Fed or even something as benign as an earnings miss in a key stock, there is not enough power behind it to motor on. Think of a chair made from balsa wood. It can support the fat guy at the buffet as long as he does not start jumping around in his seat.



The hourly **SPY** chart is rather featureless at the moment as we would expect when it is in record-high ground. It could be overbought but as we know it can become even more overbought before reacting. In the words of [Lt. Frank Drebin](#), "nothing to see here."

Gold was a bigger story yesterday as it broke down hard below support. Everybody hates it now and the media is touting its reasons why the metal is dead. Put those two together and we have the recipe for the bottom. No, not now but the sentiment picture is quite bad, in our view. True, there are still gold bugs around so there was no

washout. Who does not see the chart's triangle break? At least the inverse head-and-shoulders has faded from the narrative. Gold bug ranks are diminishing and that is also part of the recipe.

Oil, on the other hand, is holding on to an upside breakout. The point is that the world is not lollipops and unicorns as the rising stock market and sinking gold market might suggest. True, food commodities are breaking lower but the drop in cotton, for example, suggests a slowdown in industries that use it. Lumber is sinking, too, so these industrial commodities are not telling a good story for the economy.

In other sectors, former leaders were laggards. Energy and consumer staples both went up but not by as much as tech and discretionary. And basic materials, which includes gold, was merely flat so we'd like to say that its other components steel, chemicals and ags did well. We'd like to say that but only ags really did well. The rest closed well off respective highs so the commodity-related theme holds true here, too.

And speaking of consumer staples with their nice dividends, they really did not do well yesterday. We mentioned here that the media was touting dividend stocks as the place where investors were going but that was not the case yesterday.

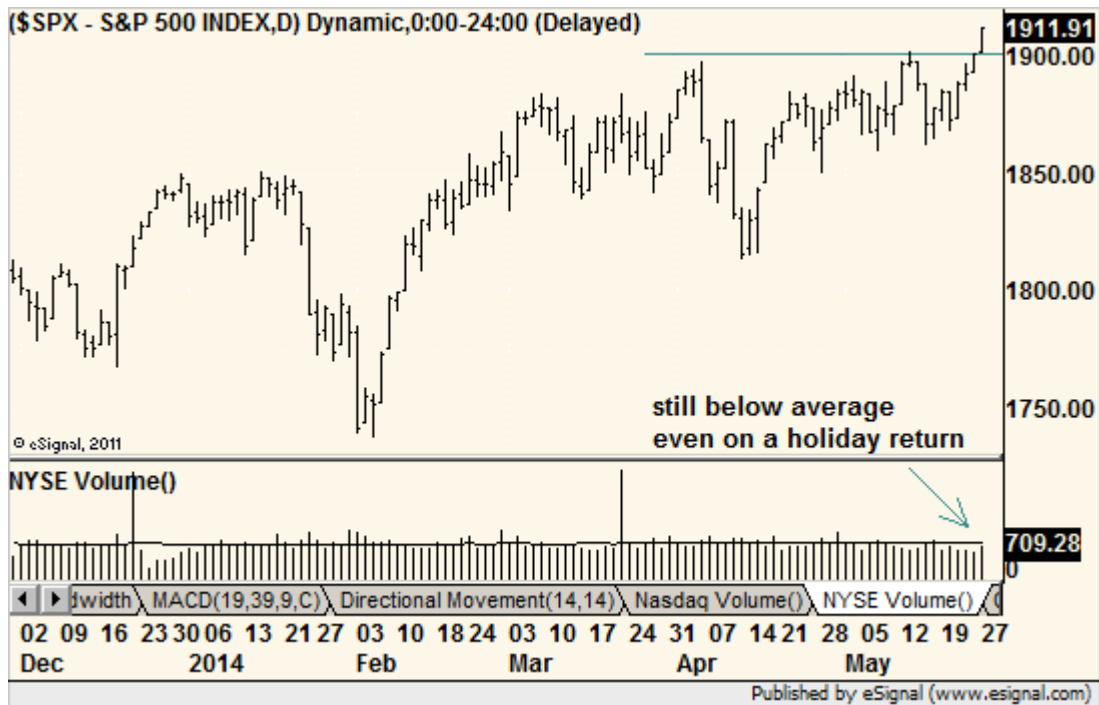
Again, bonds up, utilities up, consumer staples down?

Stocks up, VIX up?

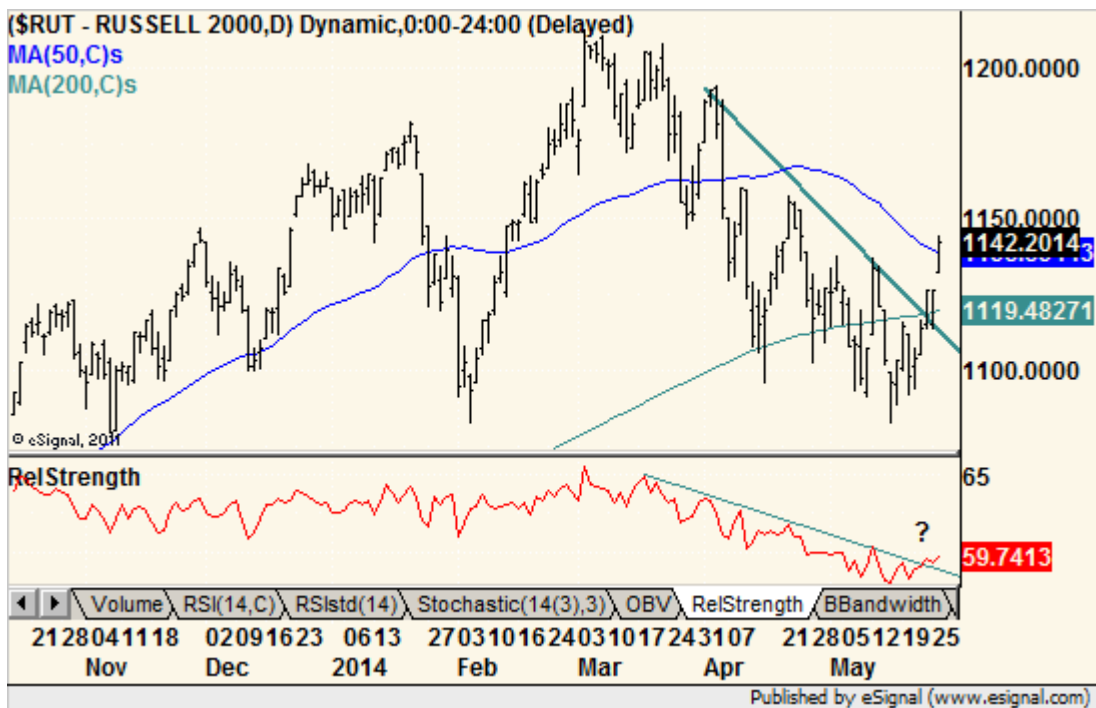
Last year's momentum stocks up huge? (**PCLN, GOOGL**).

As we said, something is fishy here. The trend is up but there is an odor rising.

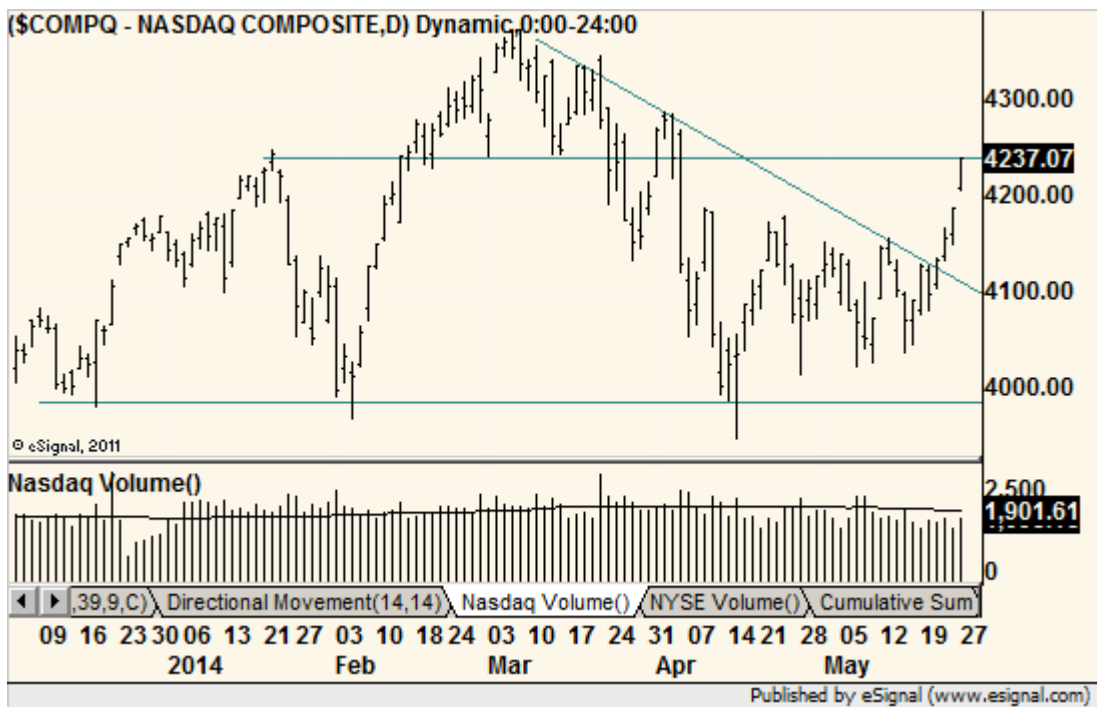
## Index Charts of the Day



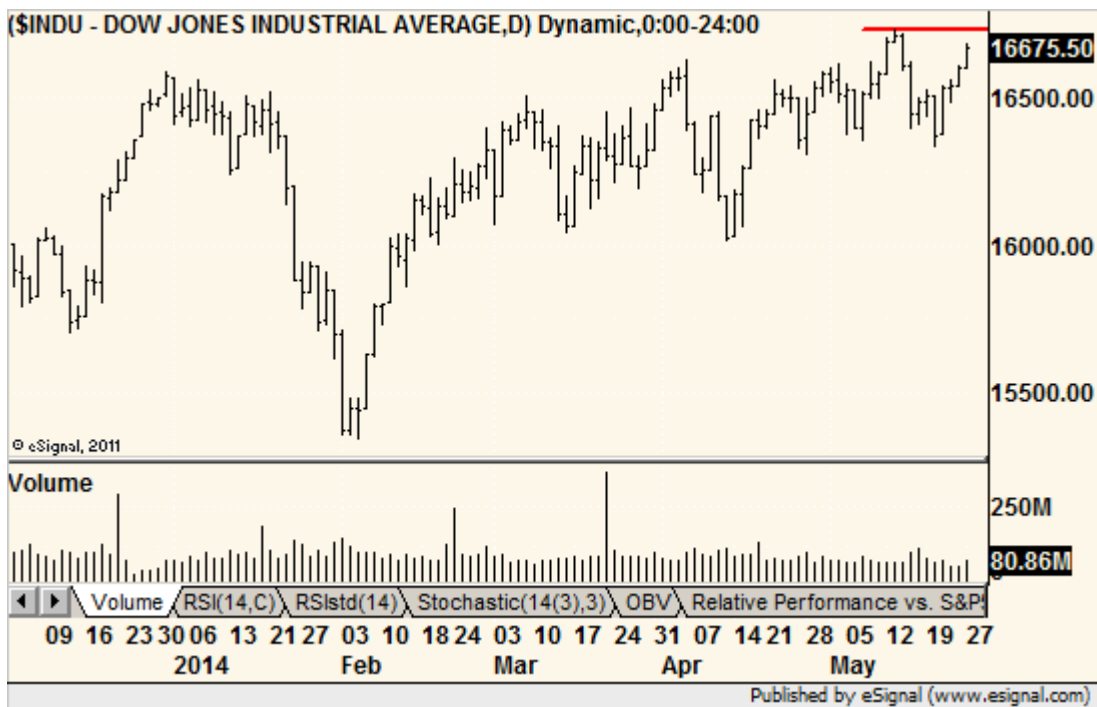
Cannot deny the new high but volume really is an issue. True, exchange volume has been problematic for years but even index ETF volume was below average.



The Russell is over its 50-day average (but the microcaps are not). Cannot deny the breakout here, too, and relative performance has changed for the better.



The Nasdaq is back to former support, now acting as resistance. Volume also was poor.



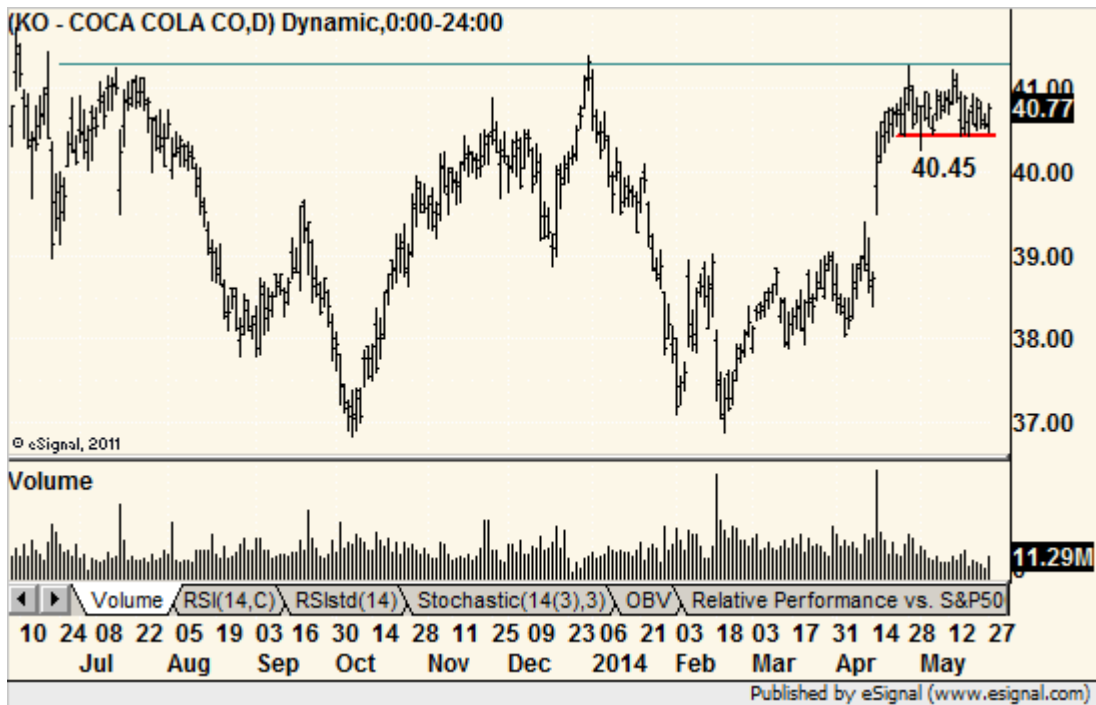
The Dow did not score a new high and volume was just a poor.

## The Radar Screen

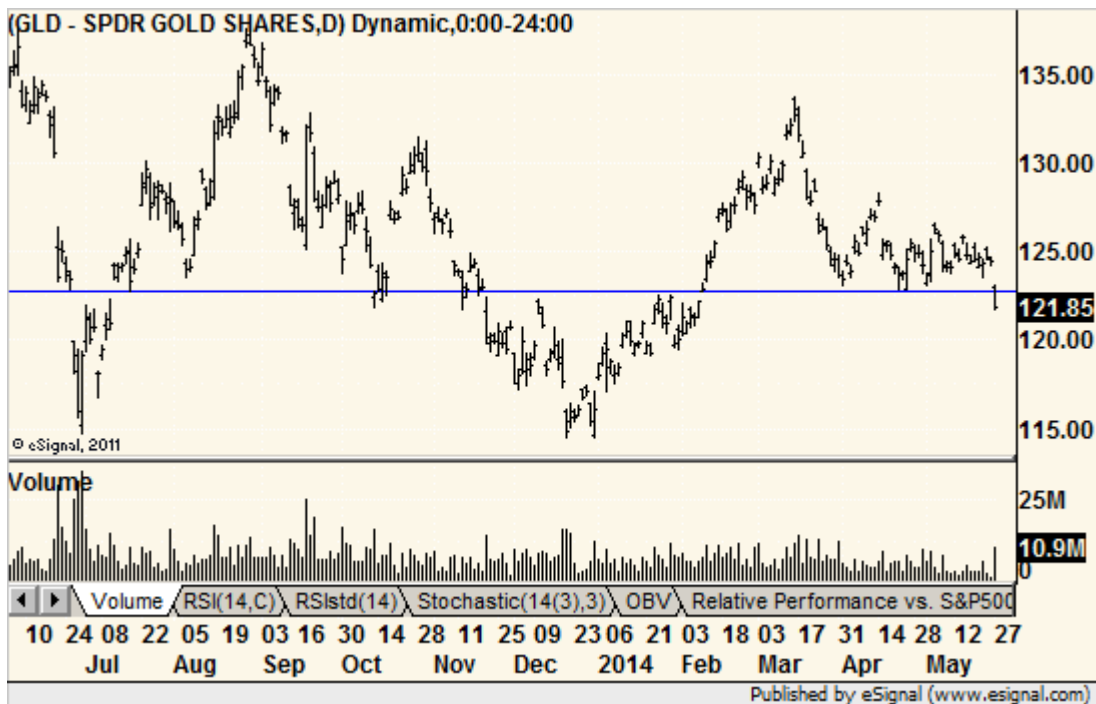
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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.		5/23
<b>Lear LEA</b> - Another resistance breakout. Buy below 88.50 limit. <u>Gapped up to 88.54</u> so no trade.		5/27
<b>DuPont DD</b> - Ascending triangle with rising on-balance volume. <u>Buy close over 68.75.</u>	<b>Moved</b>	5/15
<b>Hertz Global HTZ</b> - On bull watch. Note rising stochastics lows. Failed breakout Tuesday so it now has to set a new high to trigger the buy at 29.76,	<b>Moved</b>	5/27
<b>Wyndham Worldwide WYN</b> - Hotels are strong. This one may be ready to play catch up if it breaks the triangle. <b>Buy 73.50</b>	<b>Moved</b>	5/27
<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>Las Vegas Sands LVS</b> - Sitting on the edge of a cliff. Sell close under 71.50.	<b>Removed</b>	5/21
<b>Unknown Implications</b>		
<b>Hershey HSY</b> - Another food stock with multiple supports and resistance levels. Just watching for now. Buy 98, sell 95.25	<b>Moved</b>	5/23
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<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. It broke to the upside but something looks fishy. <b>Missed this one</b>	<b>Removed</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>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. The pattern is still there - <b>not any more</b>	<b>Removed</b>	5/21
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Utilities</b> - Best performance in a while. May be ready to recover	<b>Changed</b>	3/31
<b>Financials</b> - Upside breakouts across the board <b>KBE, XLF</b>		4/15
<b>Broker Dealer Index XBD</b> - Not impressed with performance Tuesday. <b>SCHW</b> scored a bear reversal.		5/12
<b>Nasdaq biotech ETF IBB</b> - <b>Upside breakout</b>	<b>Changed</b>	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>Updates</b>		
<b>Caterpillar CAT</b> - Bear reversal in a bear flag Tuesday		

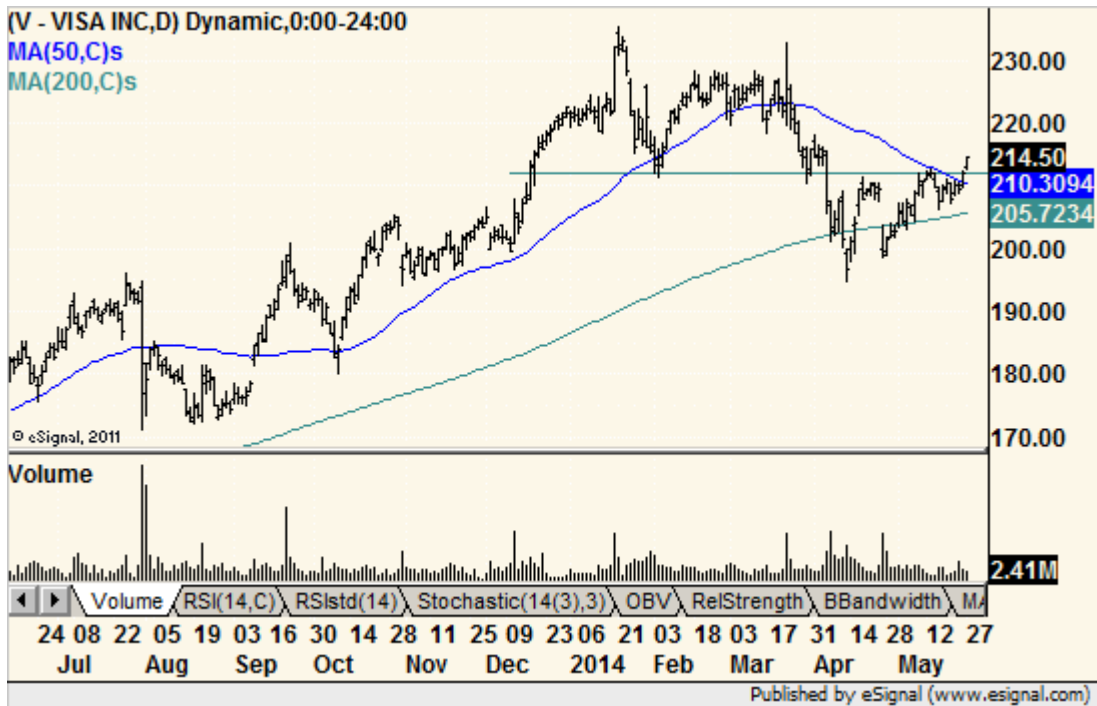
## Market Highlights



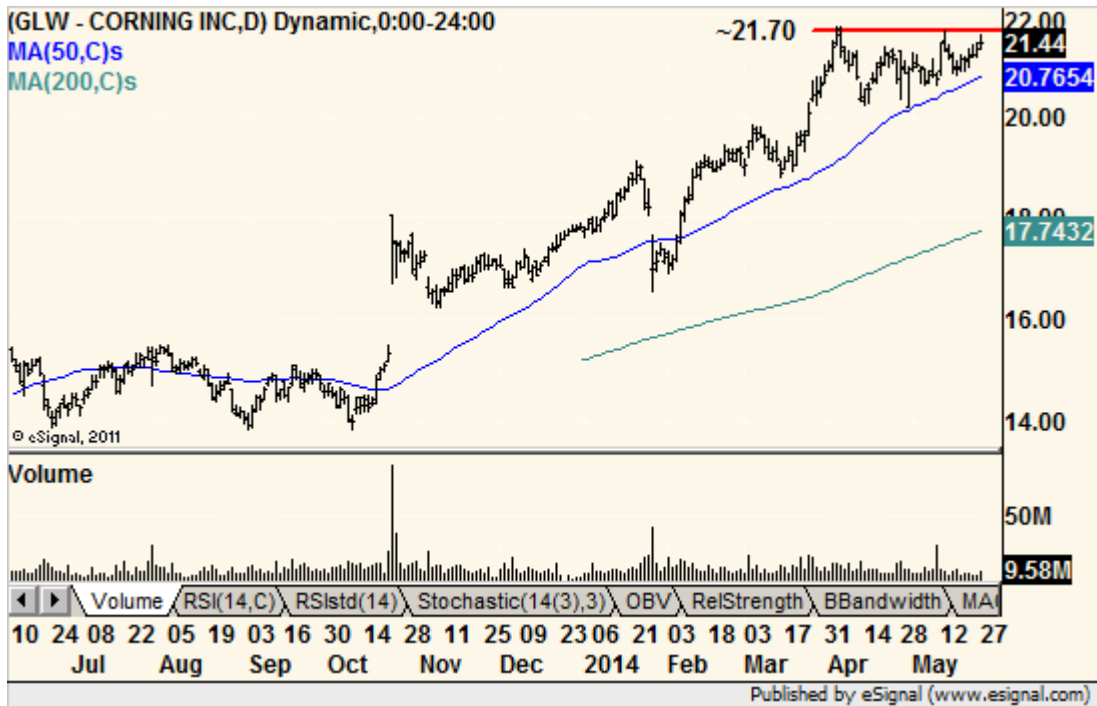
**Coca Cola** - Did not participate Tuesday and now in a tight range.



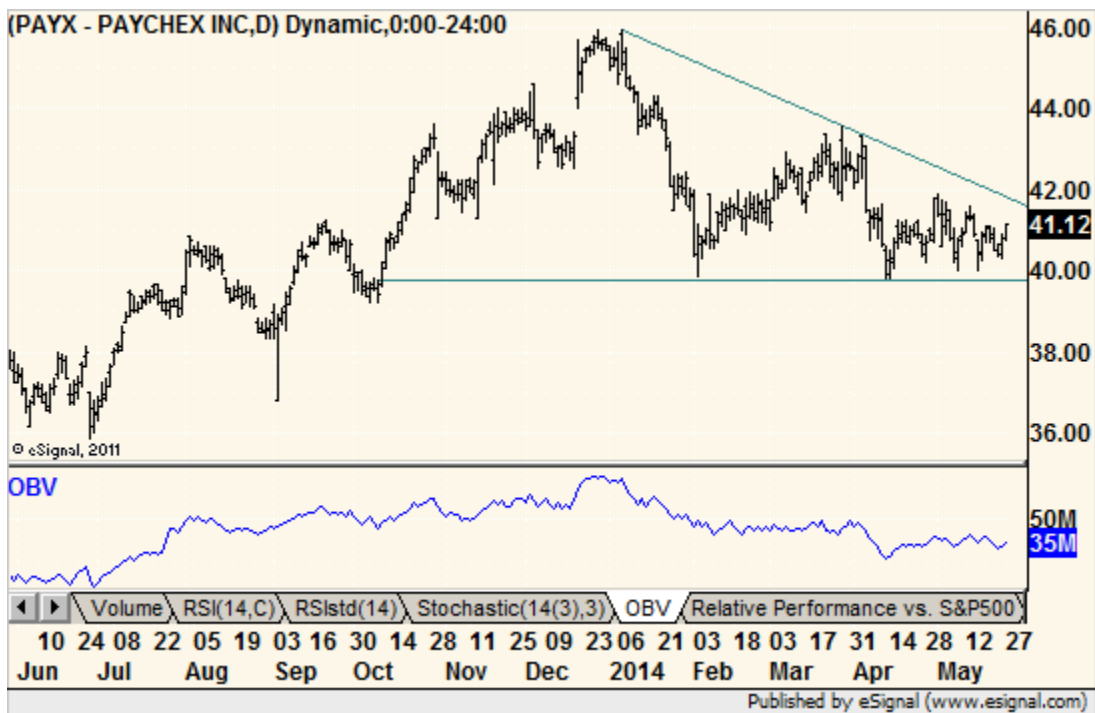
**Gold ETF** - Cannot deny the breakdown but then again everybody knows it. We think the setup to buy is a lot closer than people think. But it is not now.



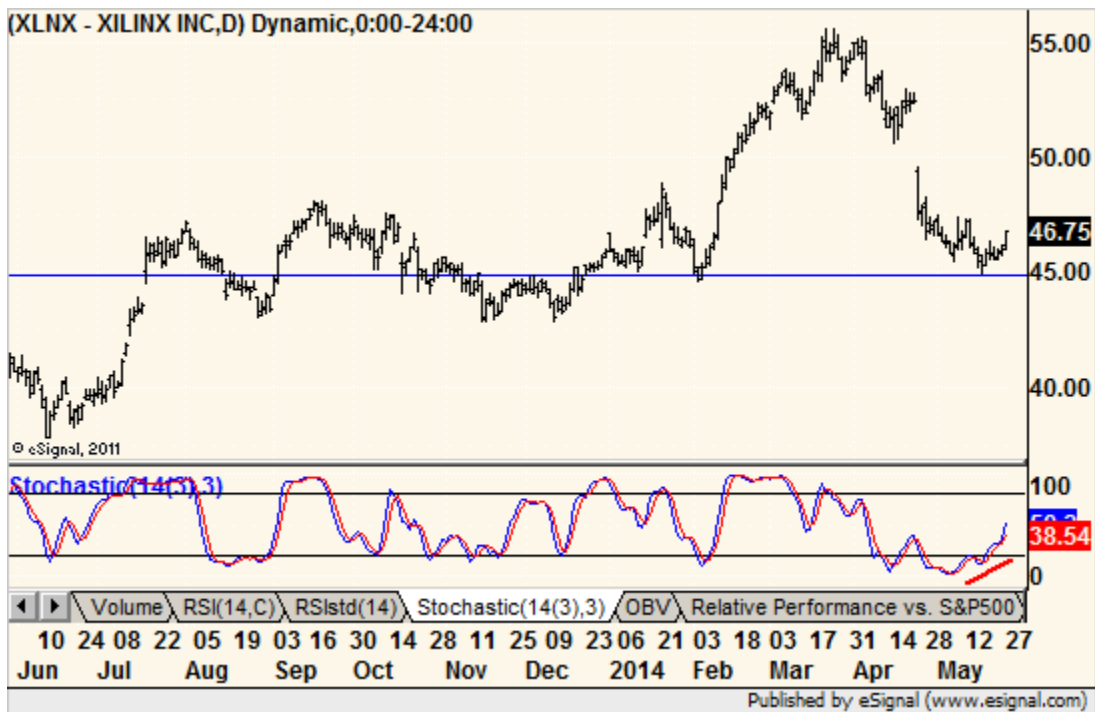
Visa - breakout



Corning - Ascending triangle

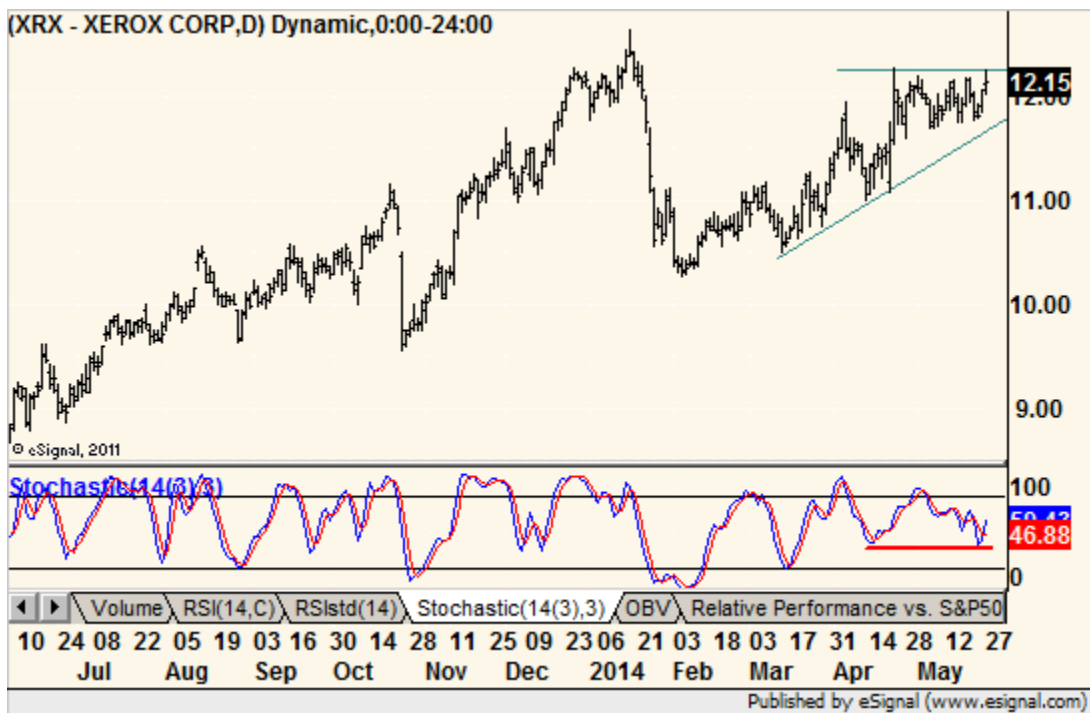


**Paychex** - The squeeze is on.

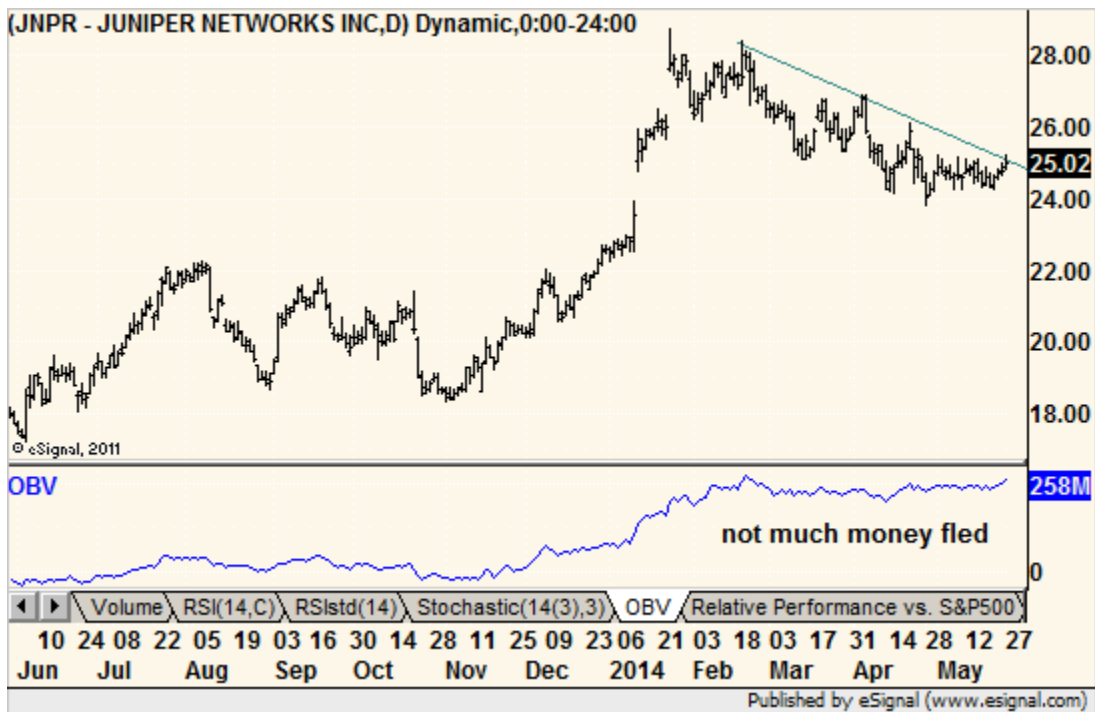


**Xilinx** - Bullish stochastics divergence at support. Nice dividend. Worth a shot although the market seems to be softening this morning.

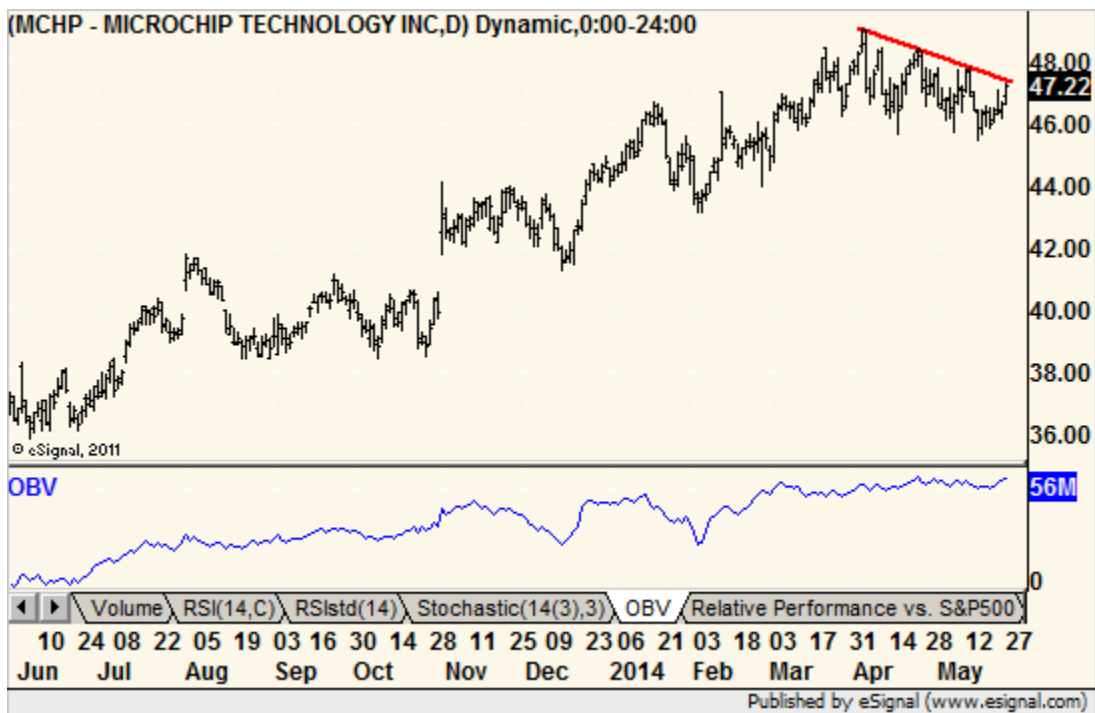




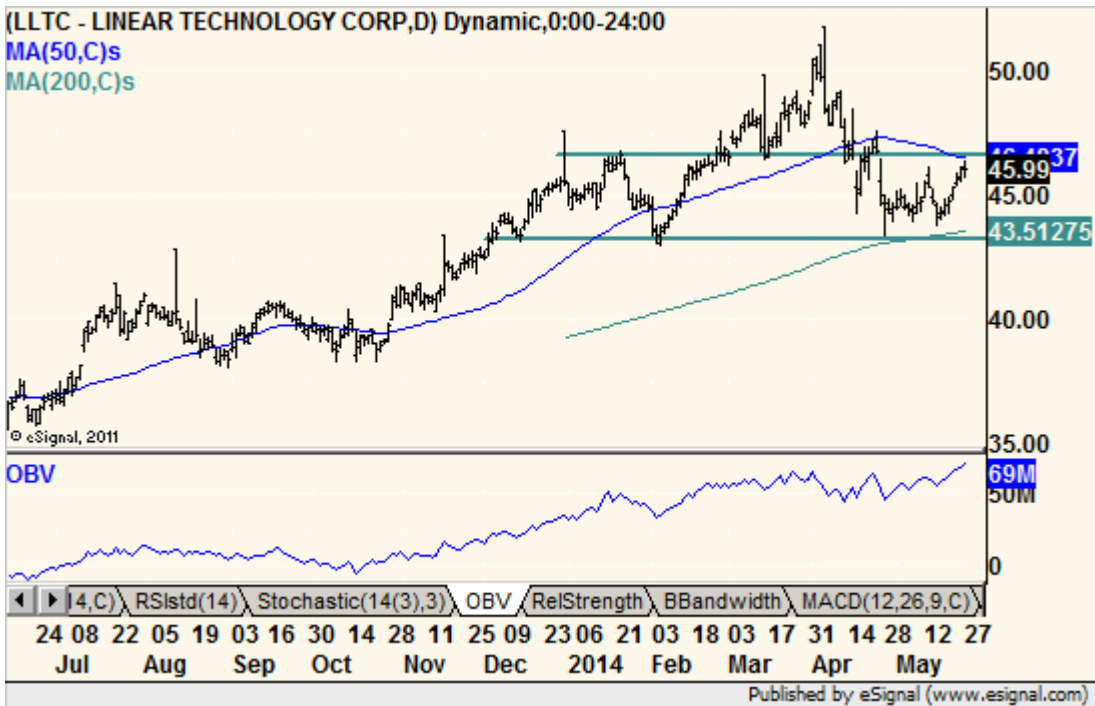
**Xerox** - another squeeze in progress. Note stochastics bottomed at mid-range - bullish.



**Juniper Networks** - Peer CSCO is doing well and this one is challenging a trendline. On-balance volume is flat to rising!



**Microchip Tech - bull flag**



**Linear Tech - In a range between support and resistance and both averages.**

## 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	16.00	-5.2%		16.87	5/16	10
	<b>FCX</b>	FREEMPORT-MCMORAN COPPER & GOLD	33.96	-3.2%	33.75	35.08	5/19	7
<u>Short</u>	<b>CA</b>	CA INC	29.35	3.8%	30.25	30.46	4/22	34
	<b>GS</b>	GOLDMAN SACHS GROUP INC	162.00	-1.1%		160.26	4/22	34
	<b>BRCM</b>	BROADCOM CORP	30.95	-1.1%	31.00	30.60	4/24	32
	<b>RJF</b>	RAYMOND JAMES FINANCIAL INC	49.10	-1.7%	51.00	48.25	5/15	11
	<b>NDAQ</b>	NASDAQ OMX GROUP INC	36.92	-3.2%	38.00	35.75	5/20	6
	<b>CRM</b>	SALESFORCE COM INC	54.36	-7.5%	55.00	50.29	5/22	4
	<b>GT</b>	GOODYEAR TIRE & RUBR CO	26.30	-4.9%	26.50	25.00	5/23	3

**Notes:** It could not have gotten any worse for us as we were positioned is exactly the wrong way. Unless the market softens today we will have to cut and run on all short positions.

Stopped out of **CPL**. Loss in **CRM** is getting huge but the stop is now very close. It is also now bumping both major moving averages.

## 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

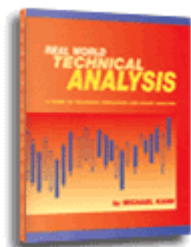
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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



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