

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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October 6, 2015 – All we can say is wow. The Dow is up 500 points in two days and up over 700 points from its Friday lows. Bulls can now argue that Monday was an O'Neil follow-through day (FTD) although NYSE volume was only hair above Friday's. We absolutely disagree with Nasdaq volume down, **SPY** volume down, **QQQ** volume down. You get the point.

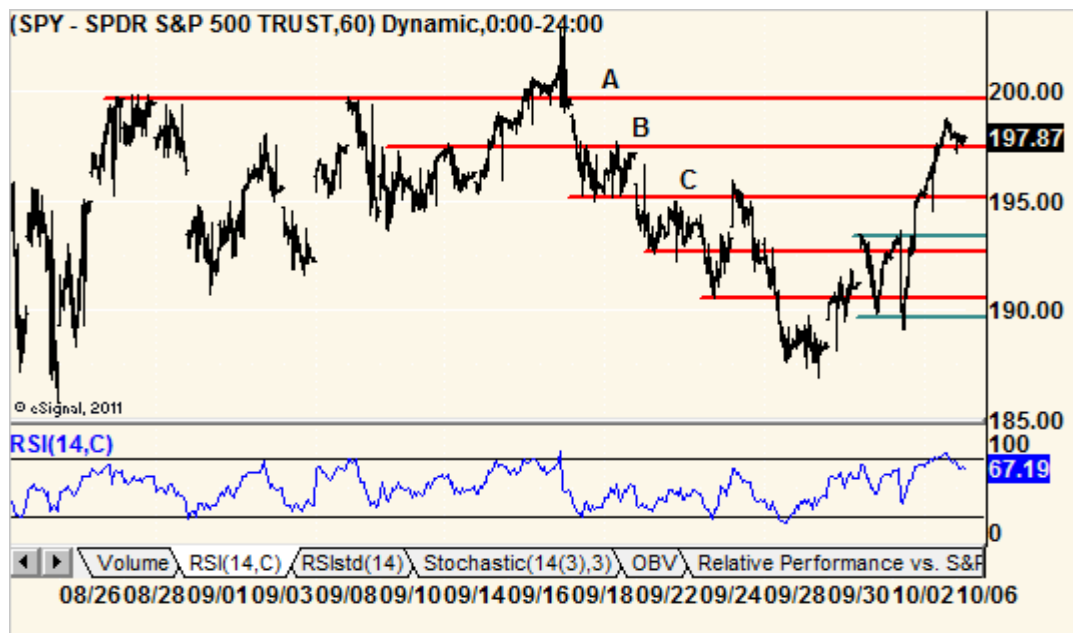
We think stocks bounced off support and are energized thinking the Fed will not move this year. Sooner or later the market will realize the Fed cannot rescue it and the economy matters. And what happens if the Fed does raise rates this year? After all, several Fed members are still talking about it.

Let's talk about the market's leaders and laggards. On top were basic materials and energy – which may be the early signs for an upside reversal since these groups led to the downside for many months. And curiously absent from the leader list was biotech, which was actually one of the worst sectors and closed lower.

We'll discount the industrial sector as being all **GE** in its gain. And surprisingly the financials were leaders although it was not really thanks to banks. **AXP** was up 3.9% on average volume in a credit card dominated rally.

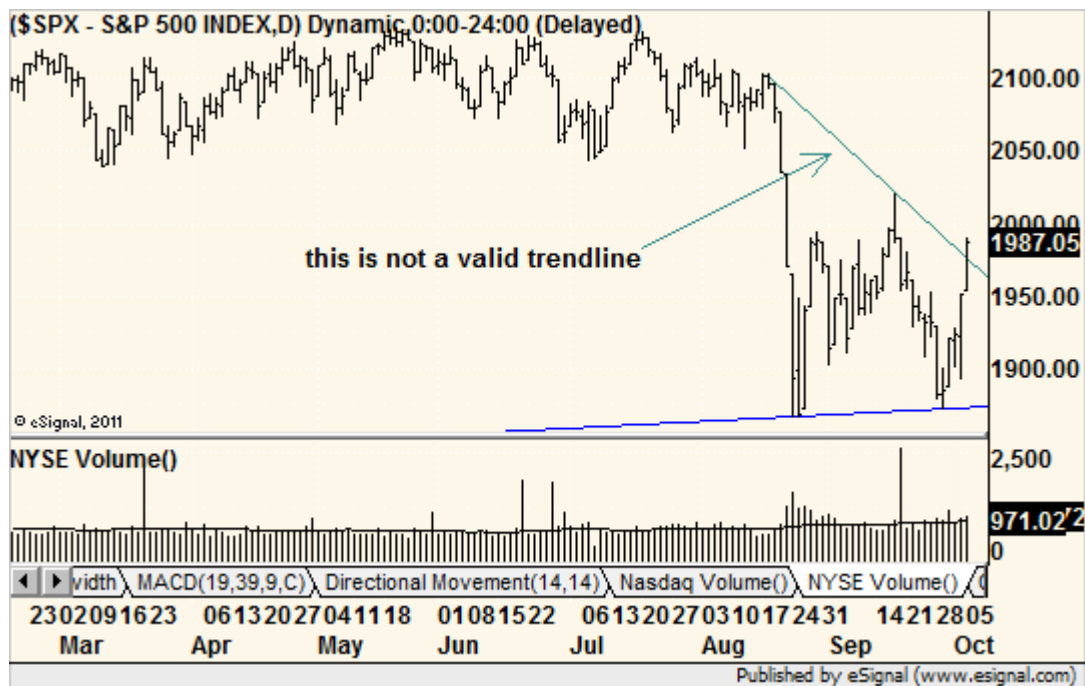
And while not among the percentage leaders, the energy sector spawned some big gains in coal, services, internationals and even shale. My column yesterday was on this sector and we think it has actually bottomed.

Think about this, if we are wrong and the market is going to rally on something other than more Fed stimulus then the economy must be better and energy will see more demand. And even if it does not, the charts in energy look washed out, climactic and based. Pick any of those descriptions for a bottom, the latter meaning the trend for some stocks stopped falling weeks ago. We'll look to set some buy triggers as early as tomorrow to let the two-day gain ease back a bit.

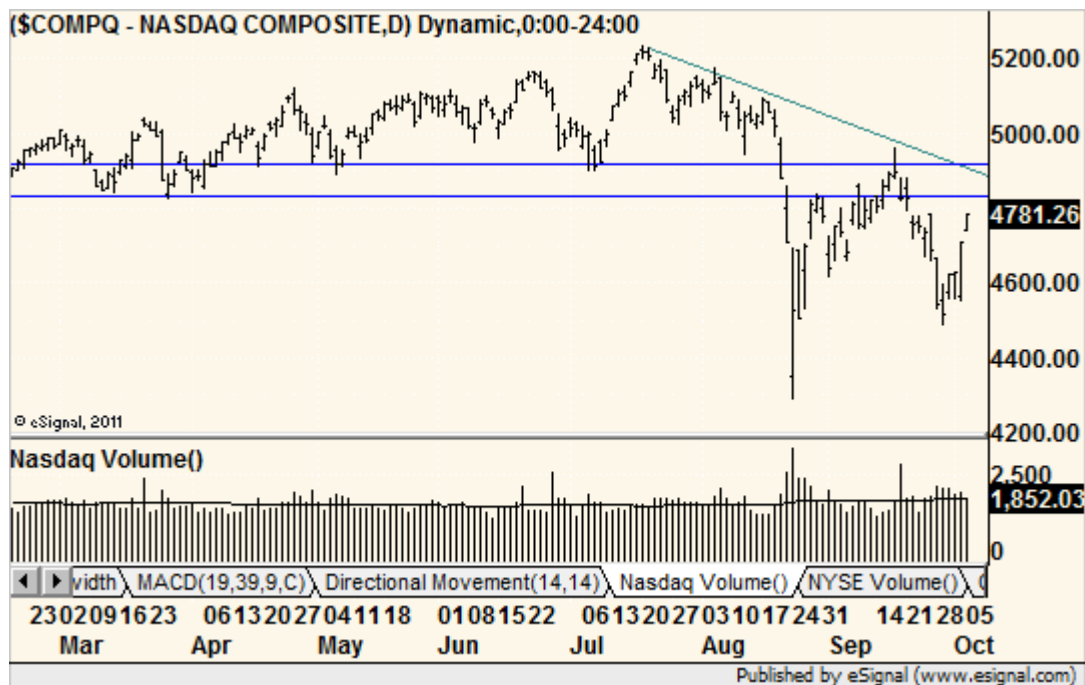


We did not expect the market to go through level B but it did. As we can see, level A is seriously stronger. So, a dip back under B or a trip to A would be our sell signal. We still think this is part of a sideways or larger triangle pattern that will eventually lead to a bigger breakdown.

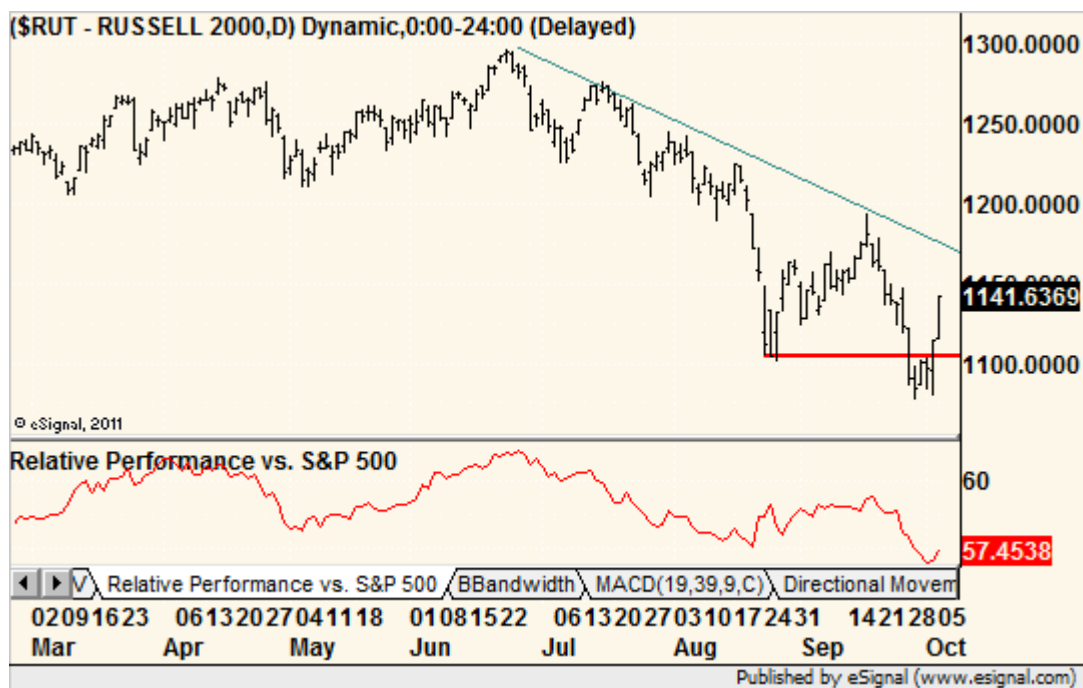
Index Charts of the Day



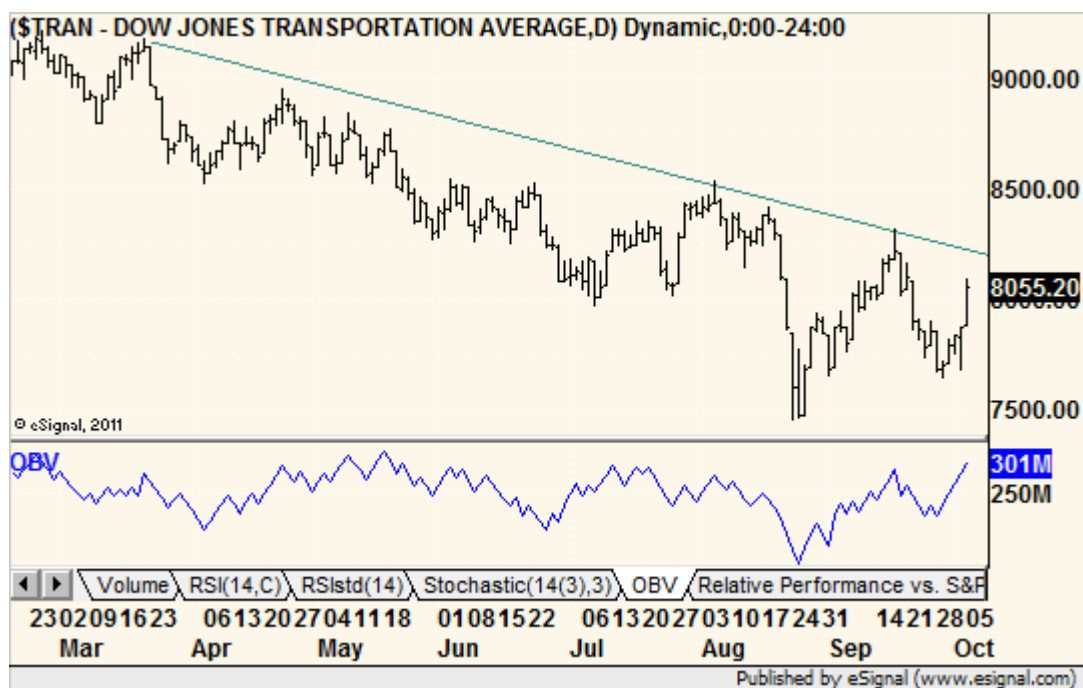
Again, it was tempting to call it an FTD signal but we won't. And the upper line is not a valid trendline. We think the action since August is a bigger triangle with a flatter top and bearish implications. The current leg up may or may not have peaked but we do not see it taking out the Sep high.



The Nasdaq has a better argument for a falling trendline but we think resistance, not trendline, is the important feature here.



The Russell also has a better argument for a trendline and that line is still well above current levels. That suggests the “breakout” in the S&P 500 is not really valid – at least not yet. Note the big failure to hold below the Aug low. We have to give that to the bulls but look at relative performance. This is not small cap leadership and therefore still possibly bargain hunting in blue chips.



The transports go against our narrative with rising on-balance volume. Could this be part of the theme that the most beaten down sectors (energy, etc.) are starting to firm up despite the market’s continuing woes?

The Radar Screen

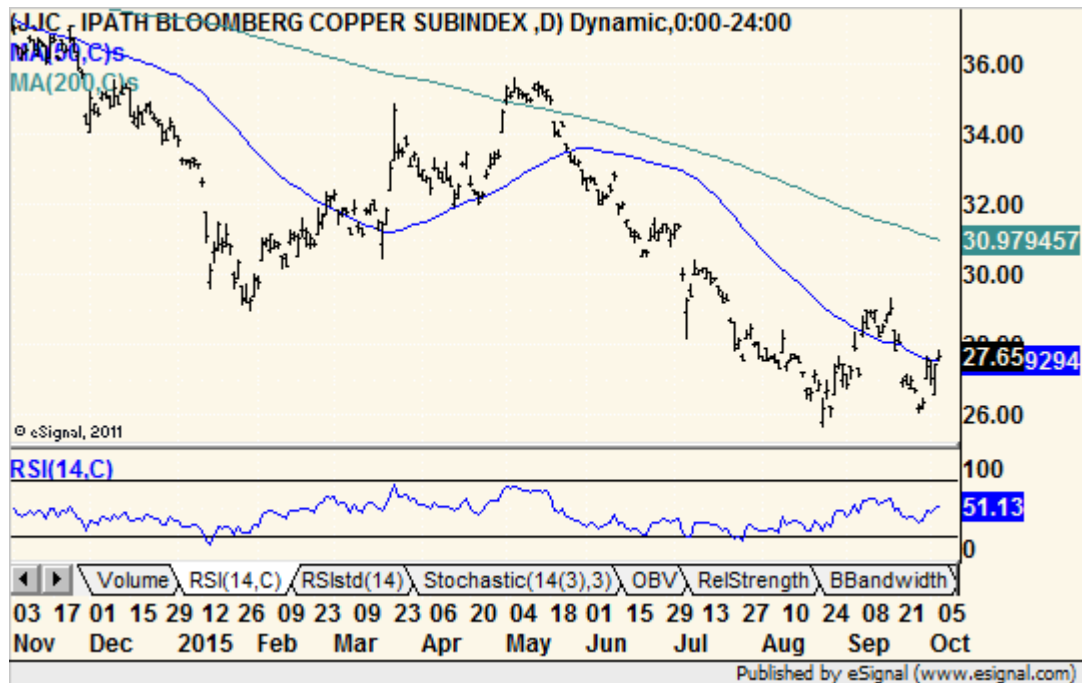
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
Macys M – We want this stock at around 47.		9/30
Bed Bath & Beyond BBBY – Retailer looking good if it hits bottom of massive trading range at 54.60.		10/1
Wal-Mart WMT – Now at support going back for years. Waiting for the daily triangle pattern to break to the upside. Buy close over 65.	Triggered	10/1
Gap GPS – Sure looks like a selling climax. Still need some sign the bulls are interested again. A close over 29 but with decent volume would do it.	Triggered	10/1
Men’s Wearhouse MW – This is another retailer that is so down and out that it looks cheap. Now at support and even farther below its 200-day average now than it was last year at the bottom. In other words, it is quite oversold. This might be a nice play for a rebound. Buy close over 43.75 (Thursday’s high with the morning spike excluded).		10/2
Bearish Implications		
Goldman Sachs GS – On-balance volume is cratering. Sell close under support at 172.		10/2
Unknown Implications		
none –		
Holding Tank – red shade leans bearish, green shade leans bullish		
Apple AAPL – On the brink. Already failed at 50-day average. Watching for trendline breakdown. Breakdown! Waiting for a test.		9/29
Micron Technology MU – It is rather clear we are market bears but this semiconductor stock looks pretty good. That is a nice bullish RSI divergence and its P/E is quite low. Ship sailed	Removed	9/30
Newell Rubbermaid NWL – Another sell the bounce candidate. Pattern now looks like a possible bottom. Too strong. Moving on.	Removed	9/30
Sandisk SNDK – The daily chart looks like MU’s (see above). The weekly chart has a bullish reversal, a dip and another possible reversal. Just another beaten down tech stock with potential. We may have missed this one, too.		10/1
Ralph Lauren RL – A new CEO got this one soaring. Far too risky to buy after such a move (from bottom to and through the top of a pattern) but in the big picture this is a potential long-term bullish reversal. We may buy a test of the breakout.		10/1
Sector Watch (observations that may spark ideas)		
none –		
Updates		
Junk Bonds ETF JNK – A rather hefty rally Monday leaves us wondering if it really has bottomed. However, so far is still can be attributed to a dead-cat bounce.		

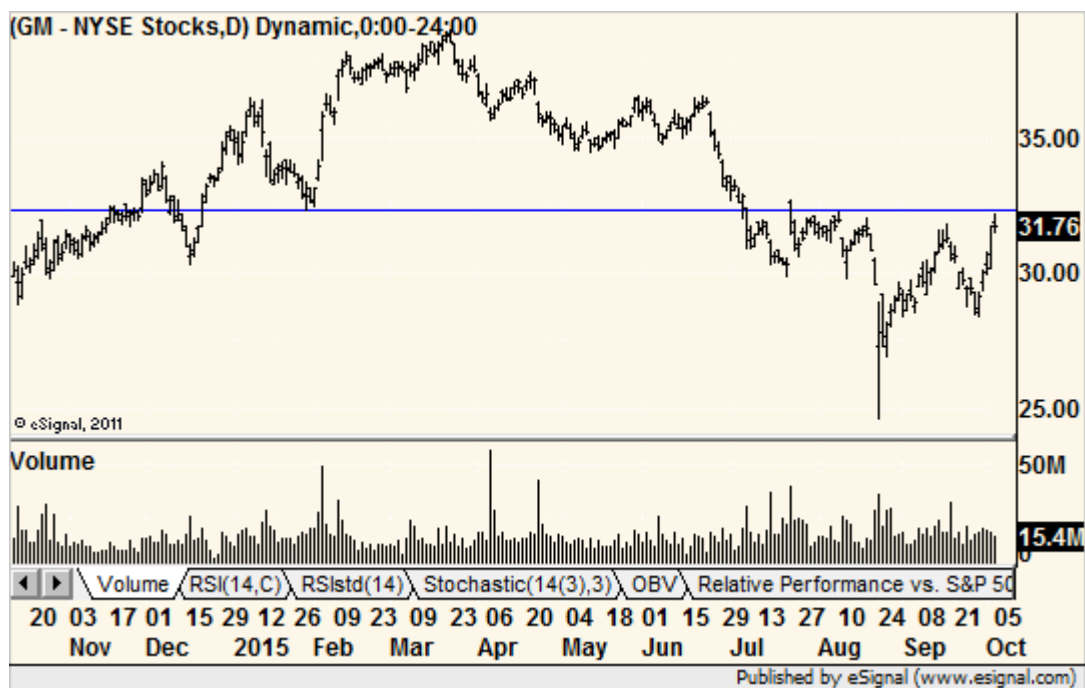
Market Highlights



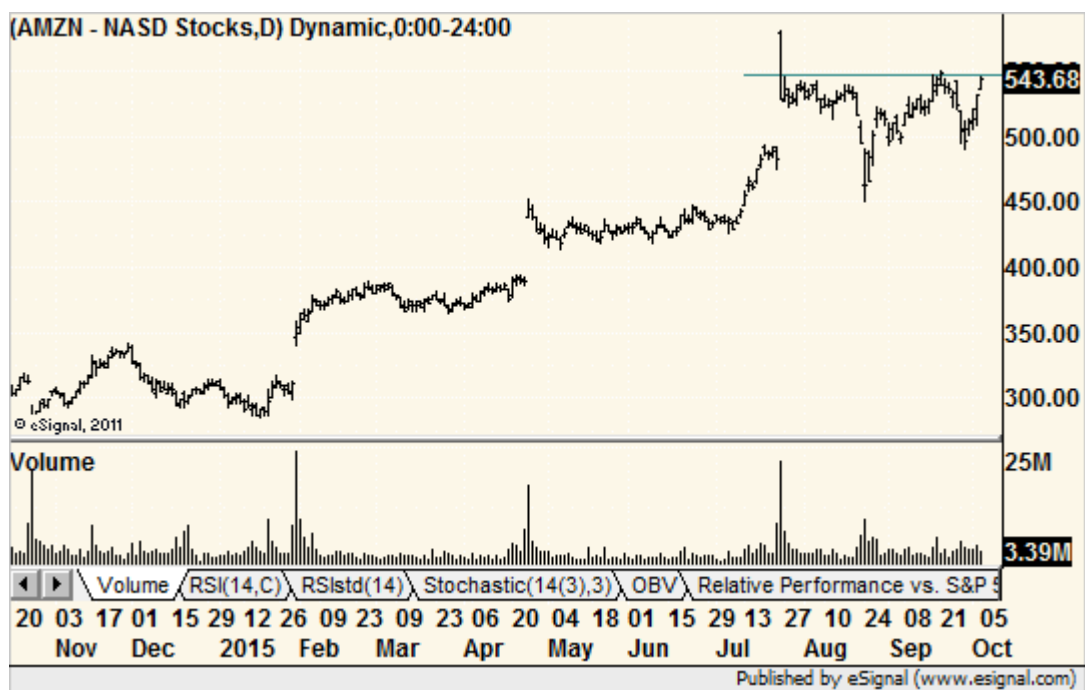
Emerging Markets ETF – If energy and maybe other commodities are firming then we should see some recovery here. So far, not.



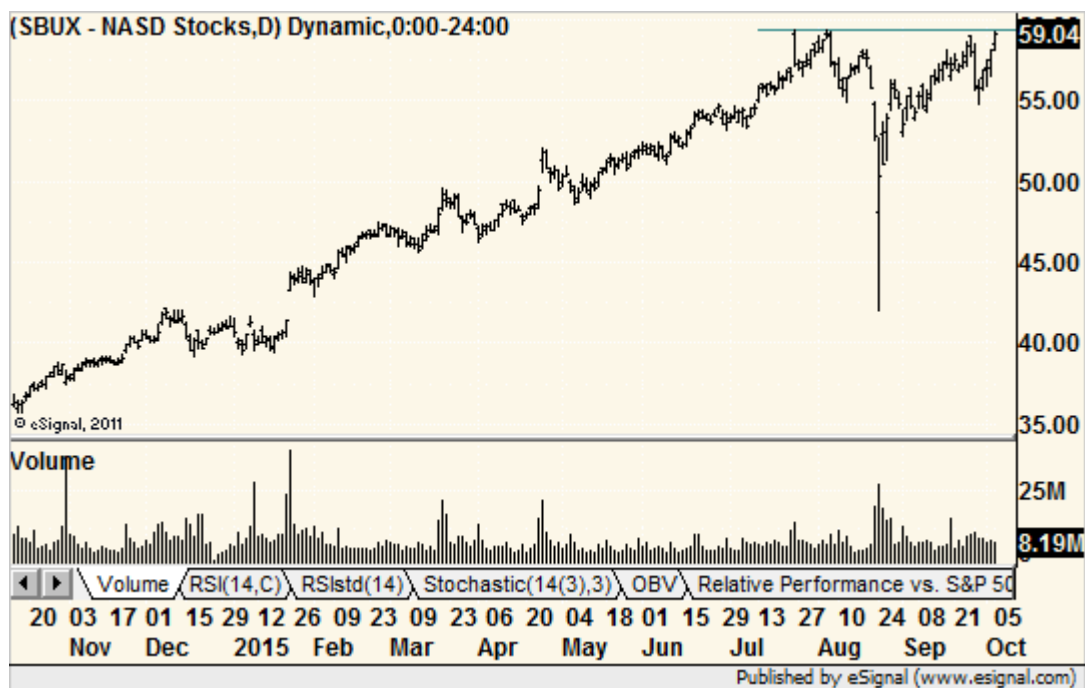
Copper ETN – Copper still looks crappy.



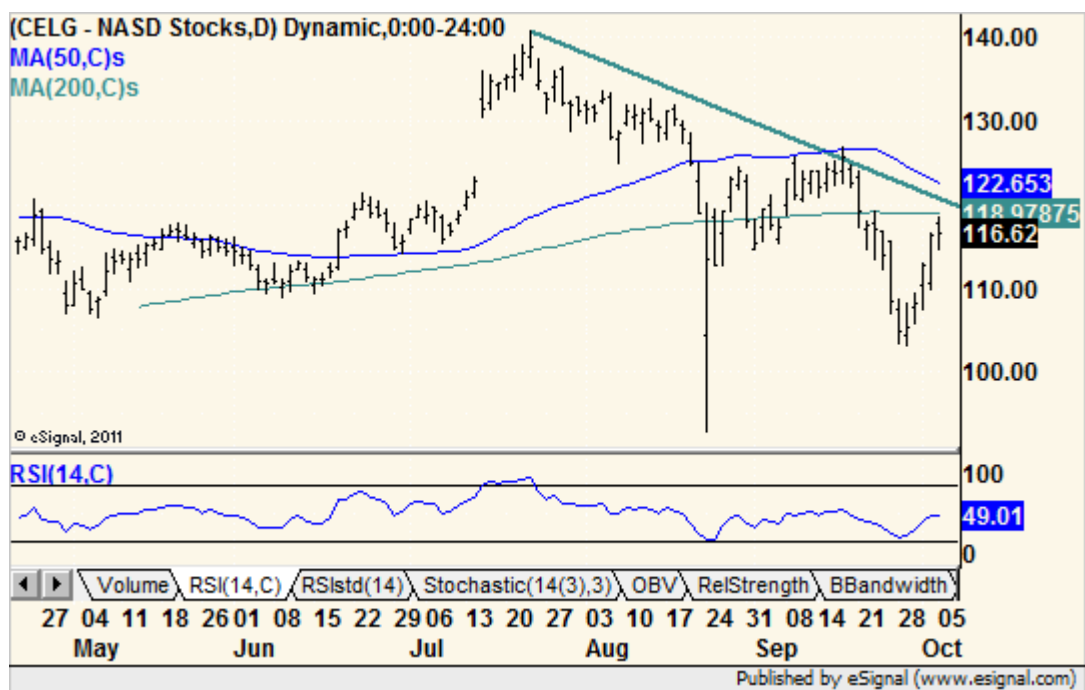
General Motors – Resistance.



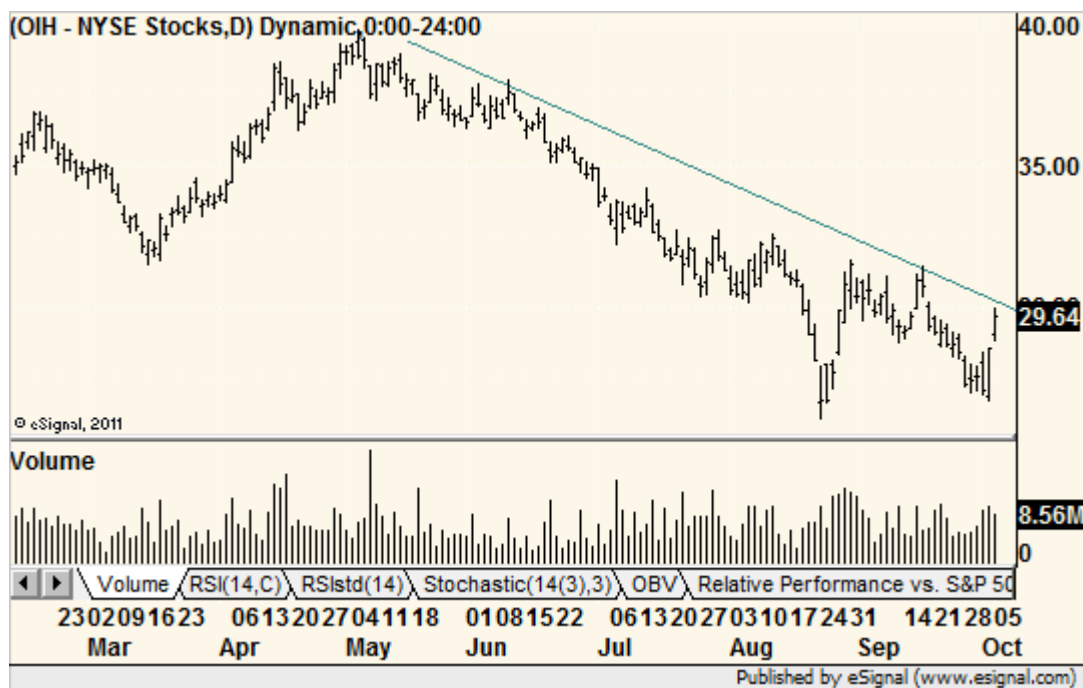
Amazon – Resistance.



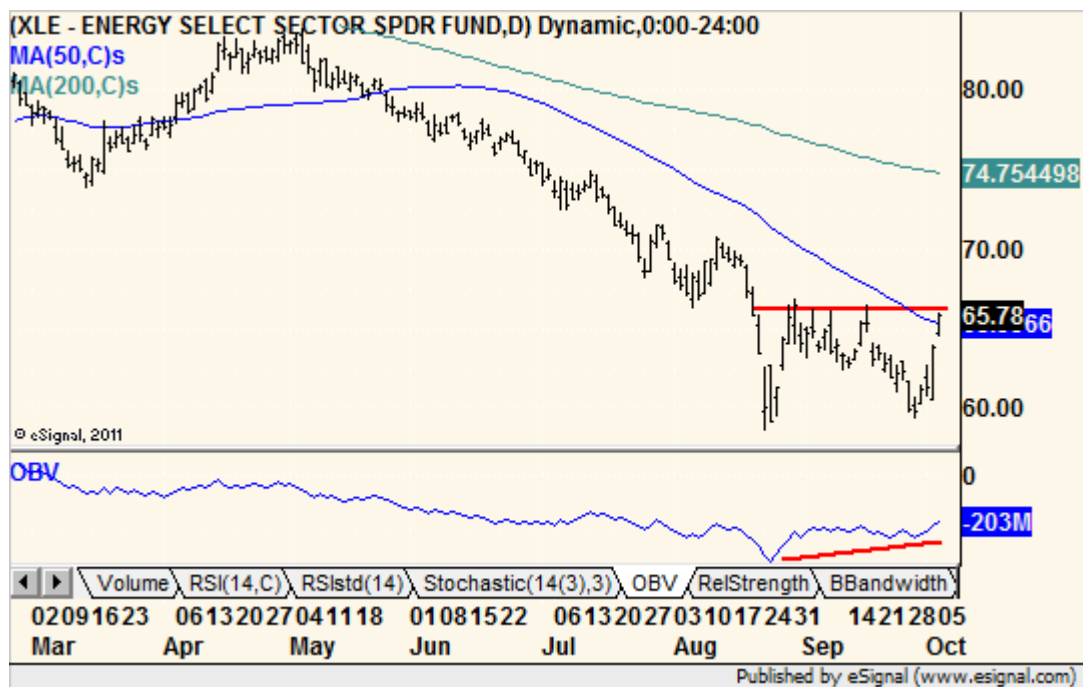
Starbucks – Resistance.



Celgene – Different resistance.



Oil Services ETF – We looked here yesterday as a possible reversal and prices did rally nicely. However, volume was down and the trendline is intact. We will circle back here soon with likely buy candidates rather than jumping the gun on the trendline.



Energy ETF – A lot to like here although we think it needs a little rest. The 61 level is a big long-term support.

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. Symbols in **green** were closed by us. 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>	WMT	WAL-MART STORES INC	65.87	0.0%	63.00	65.87	10/5	0
	GPS	GAP INC DEL	29.08	0.0%	27.75	29.08	10/5	0
<u>Short</u>	FDX	FEDEX	149.00	9.7%		163.50	8/20	46
	ESRX	EXPRESS SCRIPTS HLDG CO	82.08	3.6%	84.00	85.00	9/9	26
	CSCO	CISCO SYS INC	26.50	-3.6%		25.54	9/18	17
	CVS	CVS HEALTH CORP	100.00	-0.8%		99.15	9/18	17
	TMK	TORCHMARK CORP	57.28	-1.6%	59.00	56.35	9/28	7

Notes: Either our stops were too tight or this market has bottomed. We think the former although we do now have two longs in retail-land.

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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