

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN  
RESEARCH LLC

**October 7, 2015** – The follow-through after Friday's reversal stalled yesterday with DuPont keeping the Dow in the green with a little help from Chevron. Indeed, all over energy there were rallies (**DD** was on corporate news) making it very hard to pick good entry points for what we think is a new short-term leg up in that sector.

And gold rallied nicely although the **GDX** ETF is now approaching big resistance (chart below).

On the other side, biotech, drugs and the rest of healthcare were clocked again (charts below). Airlines were the worst group of the day and we'll blame oil prices for that one.



On the hourly chart, a bearish RSI divergence now suggests the top line will indeed be formidable resistance.

The bearish argument is now under extreme duress as the market gains more this morning, again in what looks to be confirmation of Friday's reversal. We said "looks." The problem for the bulls is that it still has not broken out to the upside. Check out the daily charts below for more.

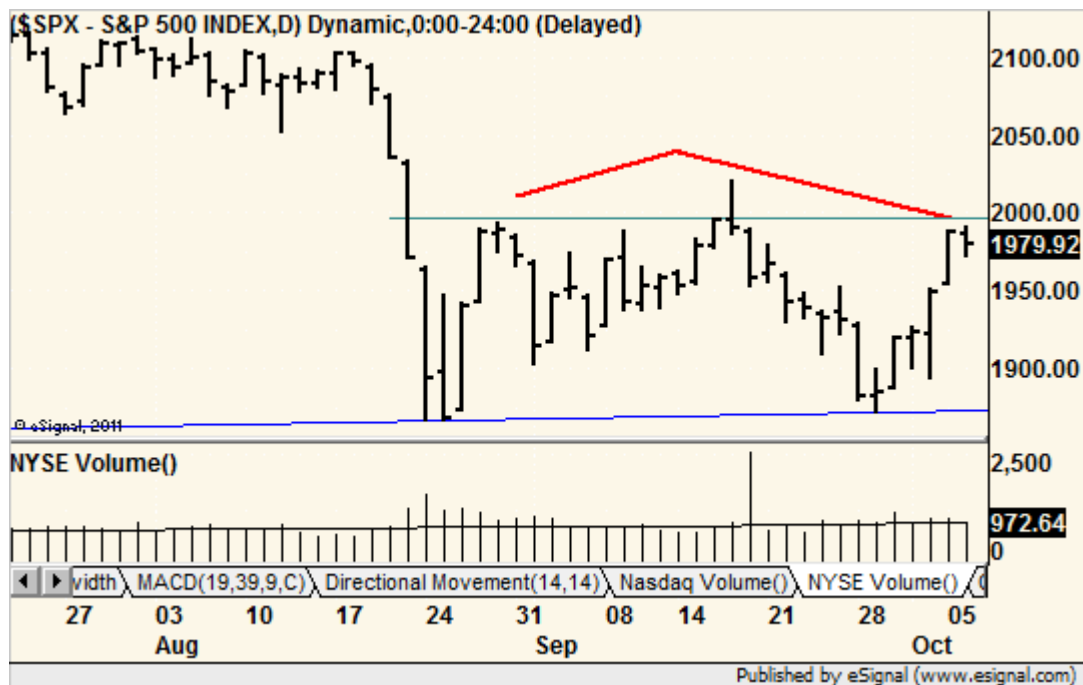
Also, all sector ETFs are below major averages and all, except consumer discretionary, have death crosses in place.

**With the exception of energy, we just cannot be bullish here beyond a few days.**

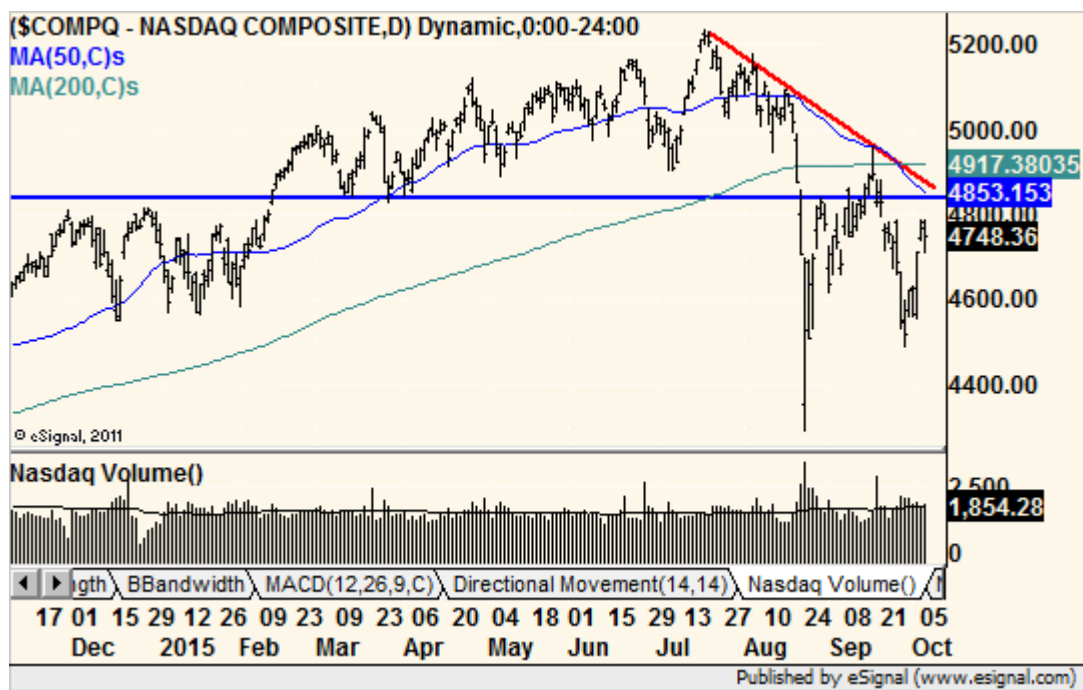
## Index Charts of the Day



Each part of this head-and-shoulders has been complex so why not the right shoulder? Bears win under the neck line. Bulls win above the Sep high although that would still not be the long-term green light. See next chart...



This is the same chart as the above but zoomed in to show the same resistance we had on the hourly chart. Volume does not seem to be so exciting for the bullish case.



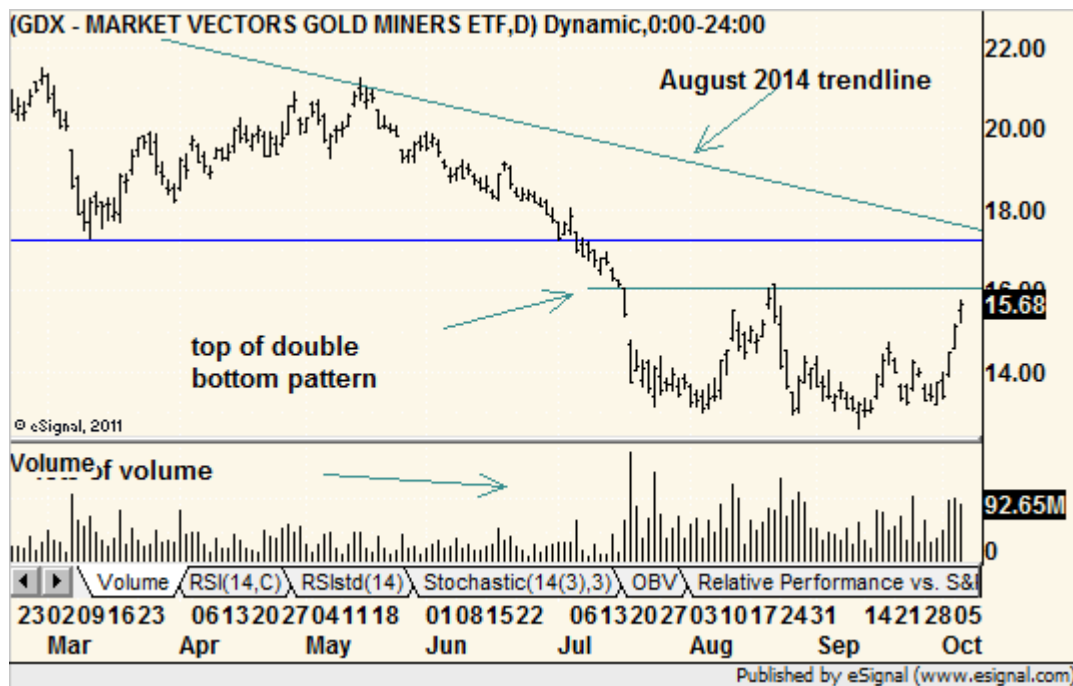
The Nasdaq still has to breach the horizontal line and trendline. And it still will be below its 200-day average.

## The Radar Screen

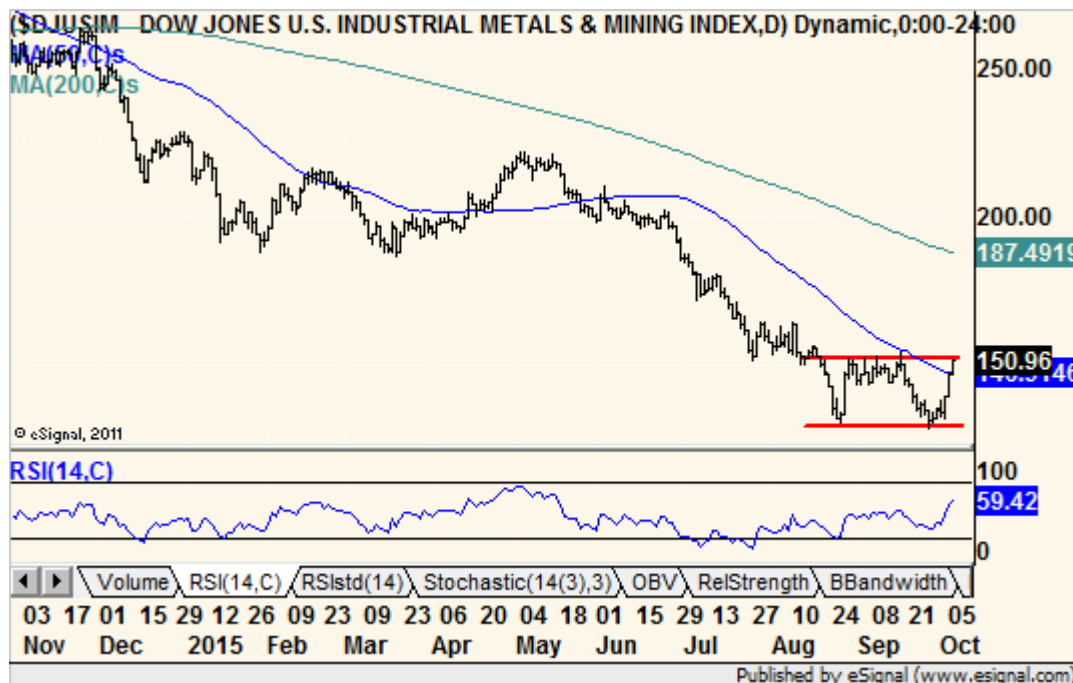
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>Macys M</b> – We want this stock at around 47.		9/30
<b>Bed Bath &amp; Beyond BBBY</b> – Retailer looking good if it hits bottom of massive trading range at 54.60.		10/1
<b>Men’s Wearhouse MW</b> – 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		10/2
<b>Bearish Implications</b>		
<b>Goldman Sachs GS</b> – On-balance volume is cratering. Sell close under support at 172.		10/2
<b>Apple AAPL</b> – On the brink. Already failed at 50-day average. Watching for trendline breakdown. Looking to sell the test of the breakdown at 112.30.	<b>Moved</b>	9/29
<b>Unknown Implications</b>		
<b>Stocks at resistance – GM, AMZN, SBUX</b>		10/6
<b>Holding Tank</b> – red shade leans bearish, green shade leans bullish		
<b>Ralph Lauren RL</b> – 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
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Emerging Markets ETF EEM</b> – If commodities are coming back we will keep an eye on the trendline from April here.		10/6
<b>Oil Services ETF OIH</b> – Arguable trendline breakout		10/6
<b>Energy ETF XLE</b> – Double bottom breakout but it did not pause first. Makes us a little nervous to chase.		10/6
<b>Updates</b>		
<b>Junk Bonds ETF JNK</b> – May be more than a dead-cat bounce here although we are not convinced yet it is a new rally phase.		
<b>Celgene CELG</b> – Failed at the trendline.		

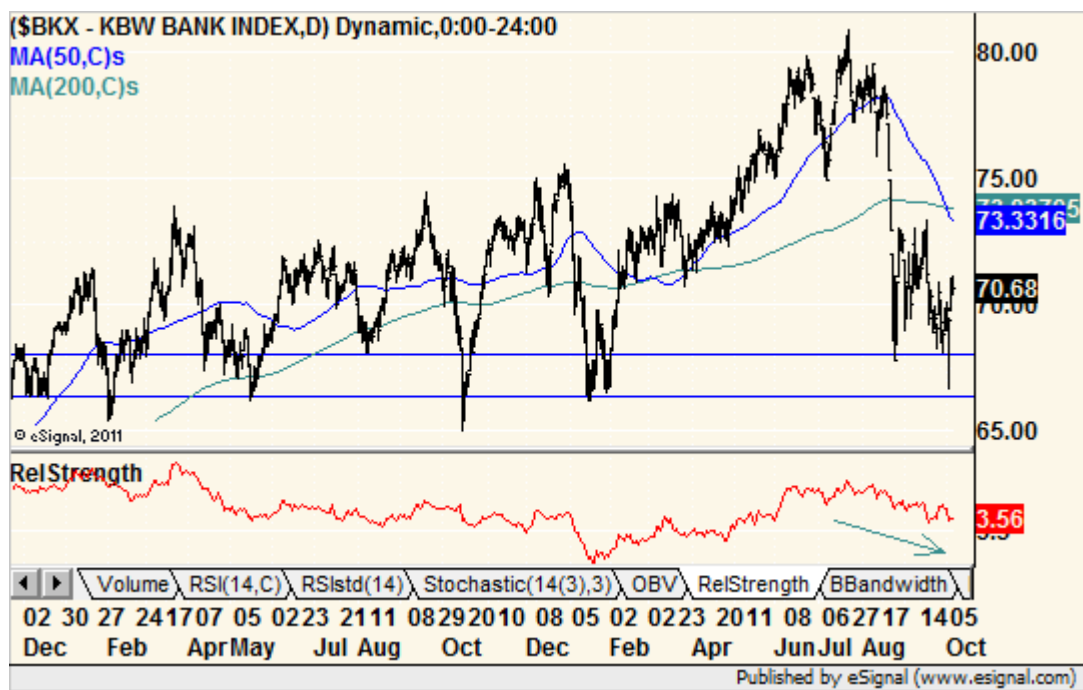
## Market Highlights



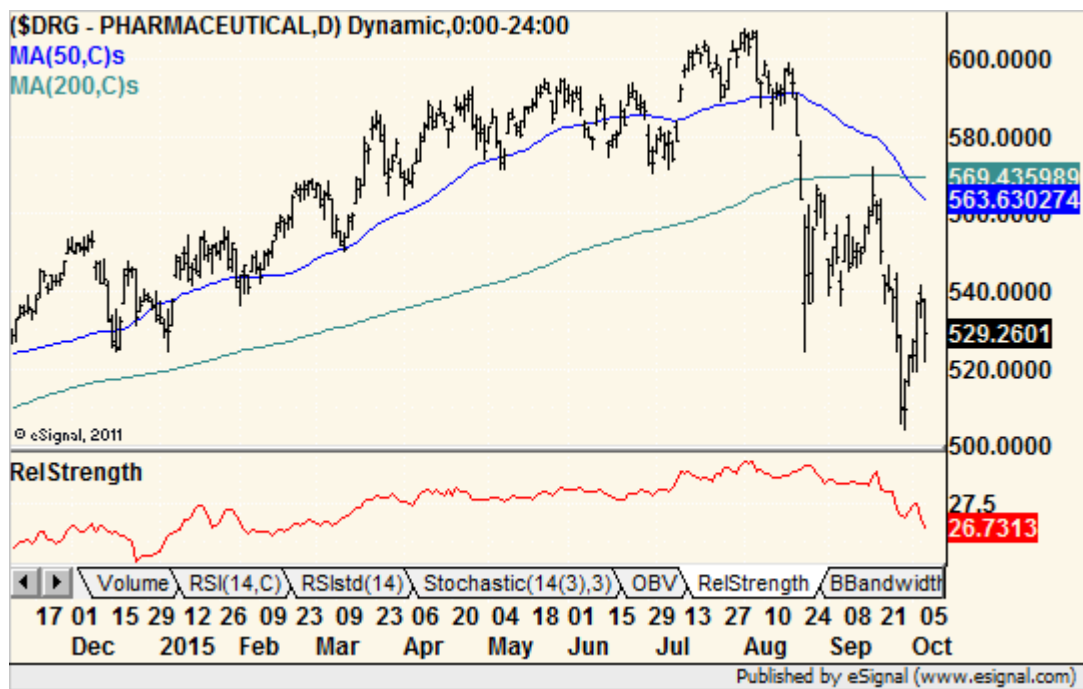
**Gold Miners ETF** – Still has not completed double bottom but even so will have to break resistance and trendline in the 17.25 area before we can really get excited.



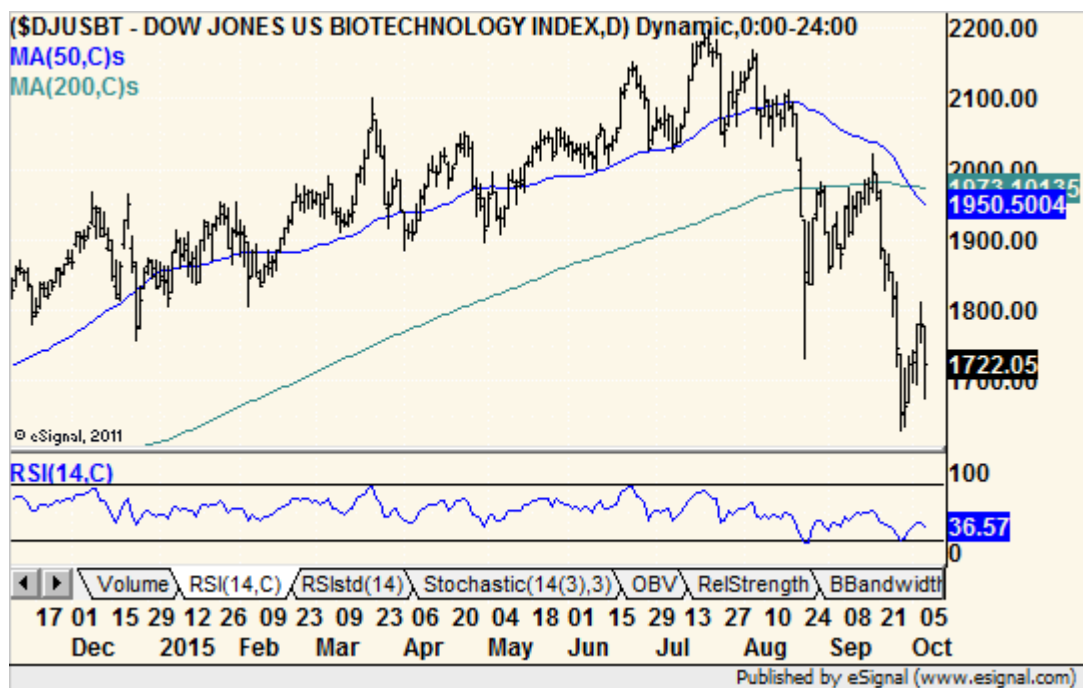
**Industrial metals group** – Still fighting in a smaller double bottom and major down trend. And a lot has to do with Alcoa's potential restructuring rally.



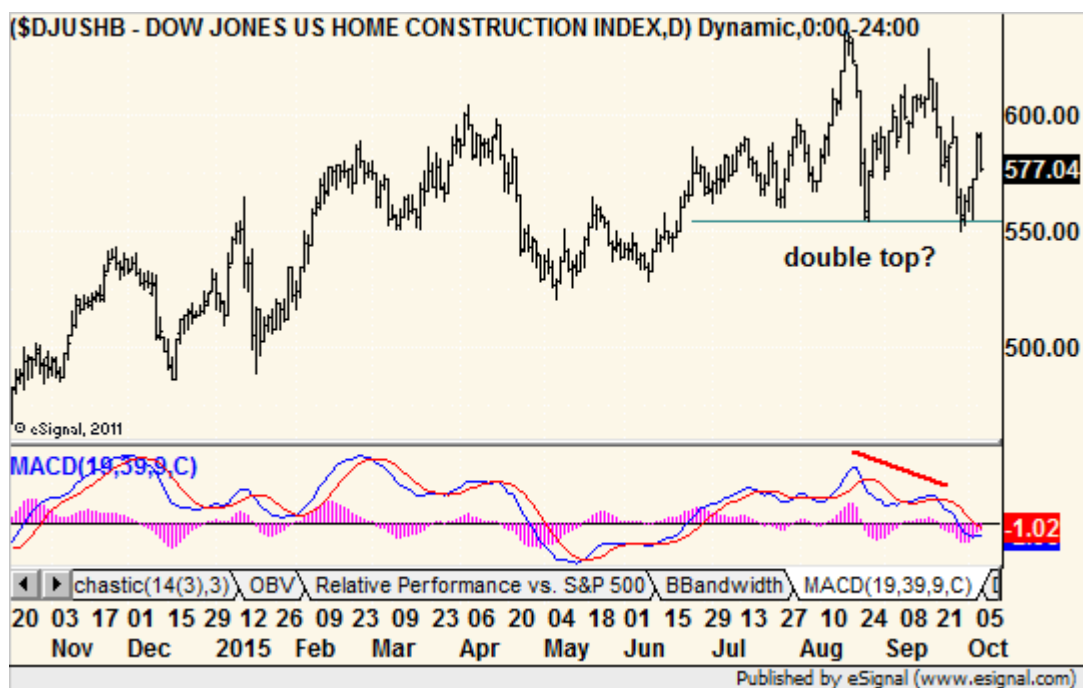
**Banks index** – A nice bullish hammer candle Friday (not shown) with bounces off supports. However, there was a death cross last week and this is still underperforming the market. Our conclusion is that this is still a down trend.



**Drugs Index** – Death cross.



**Biotech group** – Death cross and not even oversold.



**Home Builder group** – It's not pretty but that looks a bit like a double top in progress. Considering this is supposed to be one of the sectors supporting the economy it would be very bad to see a breakdown.

>>> Obviously, we did not offer any specific stock trades again today. We are not convinced the market is in a bull phase and also not convinced the bounce is over.

## 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>	<b>WMT</b>	WAL-MART STORES INC	65.68	-0.3%	63.00	65.87	10/5	1
	<b>GPS</b>	GAP INC DEL	28.44	-2.2%	27.75	29.08	10/5	1
<u>Short</u>	<b>ESRX</b>	EXPRESS SCRIPTS HLDG CO	81.30	4.6%	84.00	85.00	9/9	27
	<b>TMK</b>	TORCHMARK CORP	57.05	-1.2%	59.00	56.35	9/28	8

**Notes:** Clearly not happy about the performance of the new longs in retail but today is another day.

Our shorts have been drained leaving us with a healthcare and finance stock – at least they are the right groups.



## 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>



<http://www.talkmarkets.com/contributor/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, 2015