

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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**October 8, 2015** – Once again, the market is paralyzed by the Fed, this time as we wait for Fed Minutes to give clues on the timing of the dreaded interest rate increase. Yesterday saw the S&P 500 fail at resistance but once again it finished on a strong note after dipping into the red midday.

There has been a lot of that late recovery performance since the September low and that is bullish. However, it is also short-term and stopped at resistance. The long-term shows a major topping pattern and we still see the current phase from August to be forming a sideways pattern that will act as the right shoulder in our giant head-and-shoulders pattern.

Indeed, Louise Yamada even mentioned that on the tube yesterday. She made quite a case for a major top here with a momentum change, trend break and distribution. Here is the link as she makes our case to remain bearish. <http://www.bloomberg.com/news/videos/2015-10-07/current-rally-should-be-no-surprise-as-markets-tests-resistance>

Leadership came from the battered – energy, basic materials. Leadership lacked in the four horsemen (tech, financials, homebuilders, retail). And the generals – the major leaders during the last bull phase – were mixed but between flat and lagging. Generals do change over time and this group's time may have passed so it gets less weight in today's argument. But it certainly does not help the bullish case.

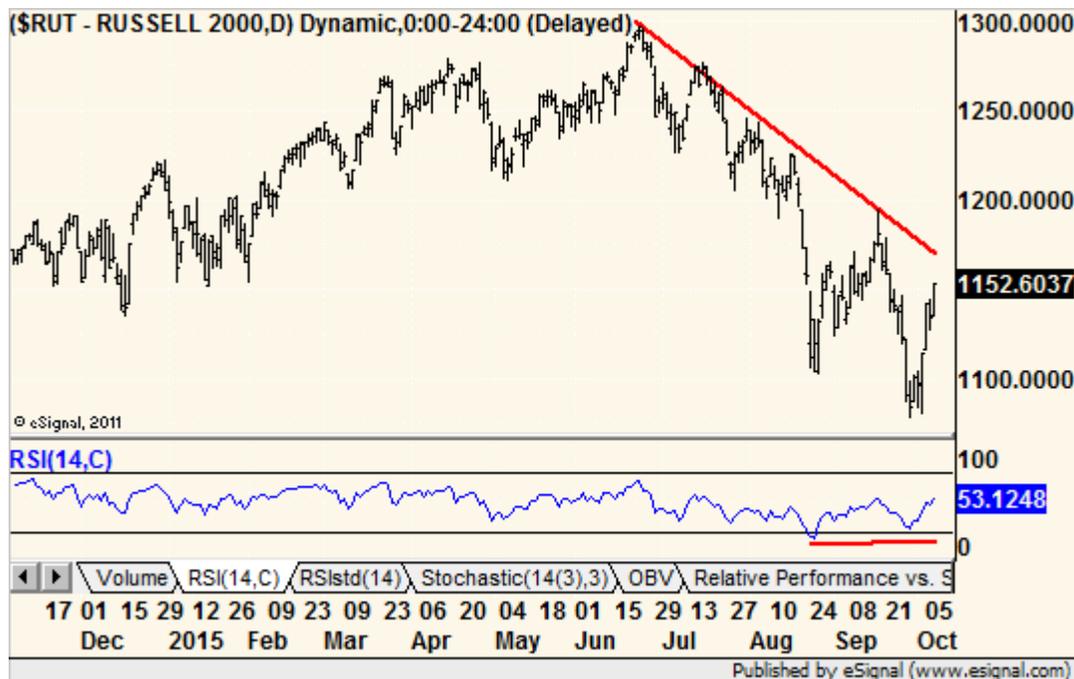


Here is the hourly chart with resistance drawn a few days ago. Not too shabby. Momentum in the rally is also gone so we wait for the break one way or the other. In context, the environment favors the downside but we still have to wait.

## Index Charts of the Day



The index is above its short-term averages but the averages themselves are still in bear trend alignment. The shortest average is below the middle and that is below the longest average. See the Big Picture section below for some really long moving averages.



So far the Russell is in a cycle up within a declining trend channel. We have to admit the bullish RSI divergence goes against our views.

## The Radar Screen

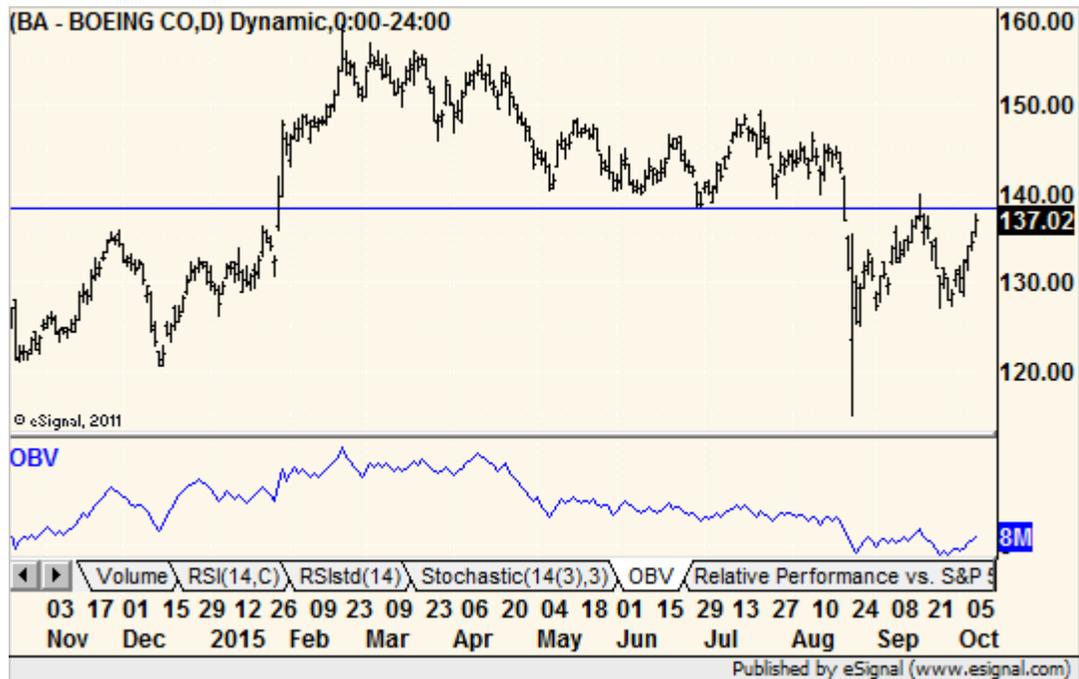
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>Apple AAPL</b> –		
<b>Bearish Implications</b>		
<b>Goldman Sachs GS</b> – On-balance volume is cratering. Sell close under <b>hourly</b> support at <b>180</b> . This is changed to selling the break after the bounce that has happened.	<b>Changed</b>	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. <u>Missed it by nickels.</u> <u>Will likely just sell market tomorrow.</u>	<b>Changed</b>	9/29
<b>United Continental UAL</b> – This is from my article on the Profitable Trader site today. The gist was to sell at market and look for a 14% gain on the decline.	<b>New</b>	10/8
<b>Unknown Implications</b>		
<b>Stocks at resistance</b> – GM, AMZN, SBUX, UPS, BA		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>Macys M</b> – We want this stock at around 47.	<b>Moved</b>	9/30
<b>Bed Bath &amp; Beyond BBBY</b> – Retailer looking good if it hits bottom of massive trading range at 54.60.	<b>Moved</b>	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	<b>Moved</b>	10/2
<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. <b>Possible</b>		10/6
<b>Oil Services ETF OIH</b> – Arguable trendline breakout. <u>Waiting for a dip</u>		10/6
<b>Energy ETF XLE</b> – Double bottom breakout but it did not pause first. Makes us a little nervous to chase. <u>Waiting for a dip</u>		10/6
<b>Updates</b>		
<b>Industrial Metals Group</b> – Moved above resistance for an arguable double bottom breakout. We say arguable because it did not pause at resistance first. That makes it prone to failure or at least to a pullback to test the breakout.		

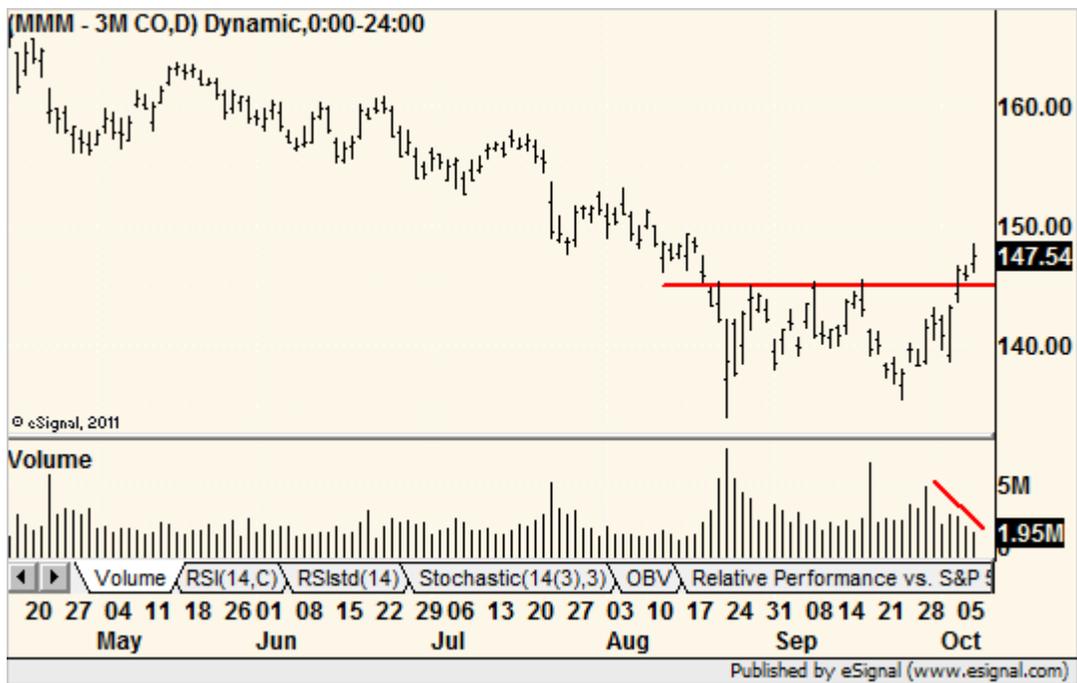
## Market Highlights



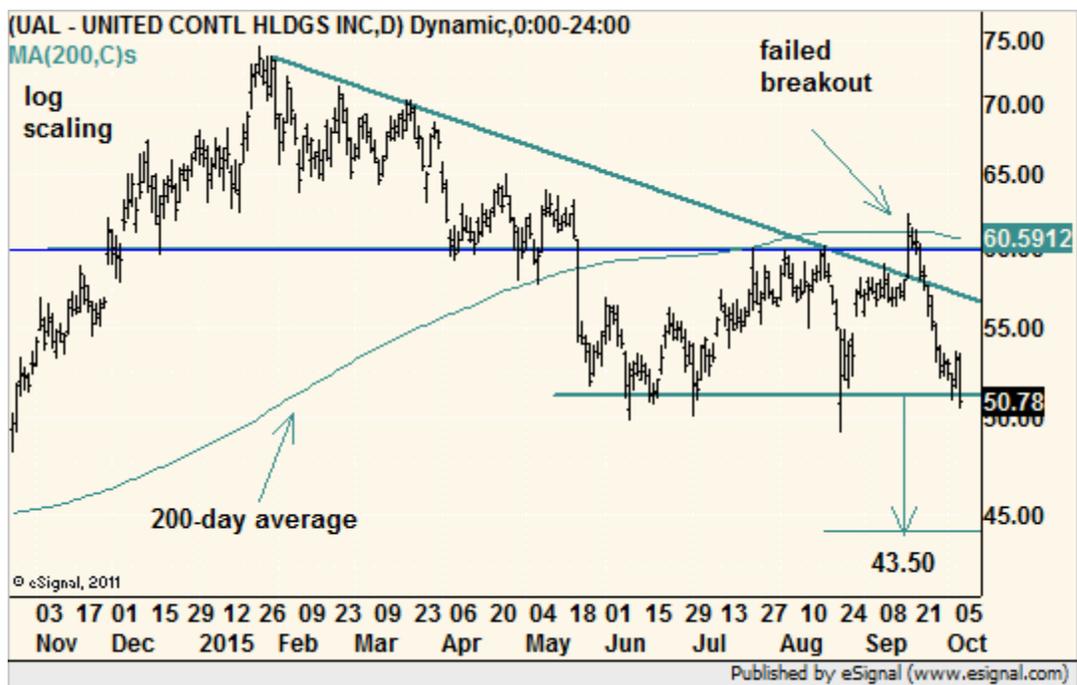
**United Parcel Service** – At resistance.



**Boeing** – At resistance.



3M – Double bottom breakout – or is it? Volume says otherwise. Waiting at least for a test.



**United Continental** – This is from my article on the Profitable Trader site today. The gist was to sell at market and look for a 14% gain on the decline. <http://www.profitabletrading.com/stocks-etfs/sell/sell-united-continental-holdings-ual>

Note the breakout failure and 200-day average failure followed by a trip to support where it is pausing. Bearish.

## The Big Picture

In this section, we take a macro look at things.

### Momentum Crossover



**NYSE Composite** - This is the chart in Louise Yamada's Bloomberg talk showing what she called a monthly death cross of the 10-month crossing below the 20-month average. It has not happened in the S&P 500 yet but unless there is a big rally now the math makes it imminent.

Note, these are exponential averages. She did not specify in here talk but simple averages had a whipsaw in 2011.

Note also how there were MACD crosses just ahead of the death crosses.

## 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	66.36	0.7%	63.00	65.87	10/5	2
	<b>GPS</b>	GAP INC DEL	28.39	-2.4%	27.75	29.08	10/5	2
<u>Short</u>	<b>ESRX</b>	EXPRESS SCRIPTS HLDG CO	82.57	2.9%	84.00	85.00	9/9	28
	<b>TMK</b>	TORCHMARK CORP	57.64	-2.2%	59.00	56.35	9/28	9

**Notes:** Our lack of positions indicates uncertainty as we wait for the market to break resistance or fail.

## Other Information

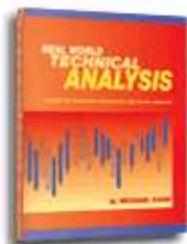
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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



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