

# QUICK TAKES PRO

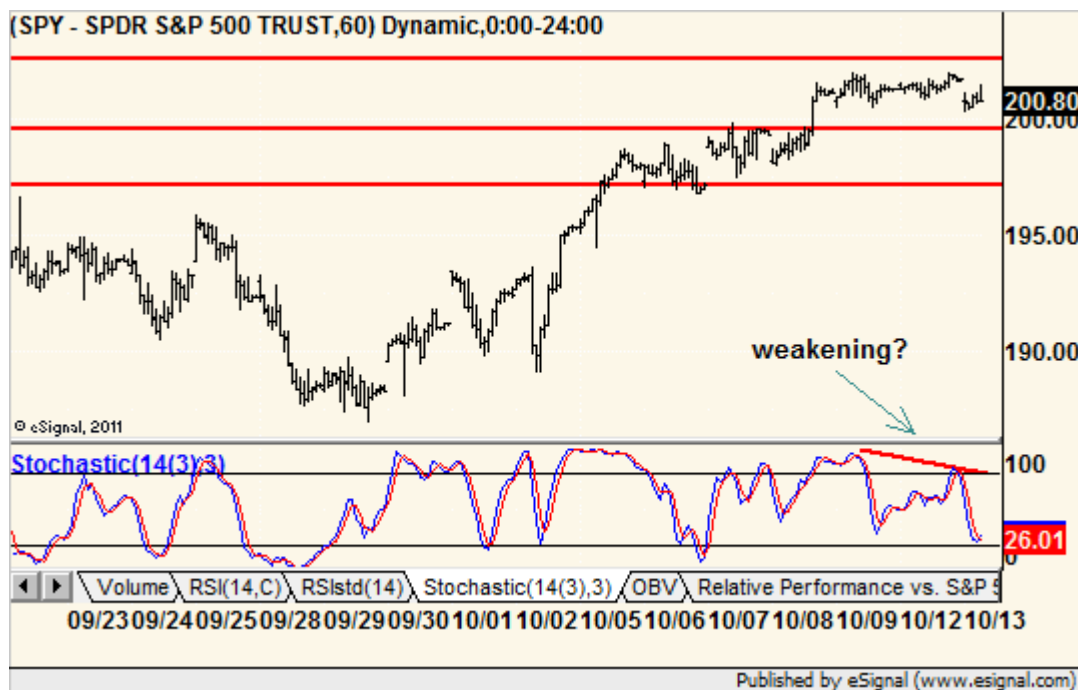
"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

**October 13, 2015** – It was a rather mild Columbus Day pseudo holiday with banks closed and volume quite light. But what even so, the market told us that our opinion is now at odds with reality. We thought gold stocks broke out and they did – and then failed in a big way. We are also logging lots of red in both longs and shorts and since we have a trend following style once breakouts trigger that is good, albeit painful, information. The bottom line is that the market is churning. That suggests backing away until a near-term trend is established and working on contingency strategies for the result.

We still see the major trend as being down but the market's resilience over the past week or so is on the bullish side. The Fed can be interpreted both ways – cheap money vs. lousy economy. Oil prices – demand from the economy, dead cat bounce or stability? Bond prices – strong junk, possible breakout in high grade corporates and rather steady Treasuries. Is that good for stocks or bad? Falling long-term interest rates are probably not good.

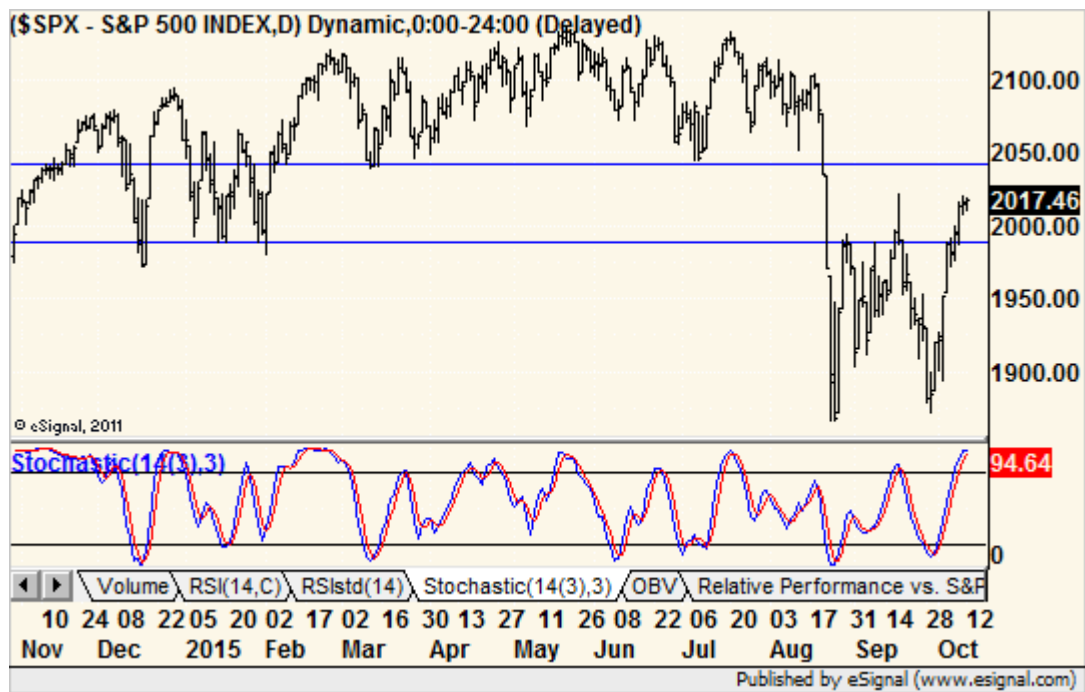
That was one choppy paragraph and it was born from a choppy market.



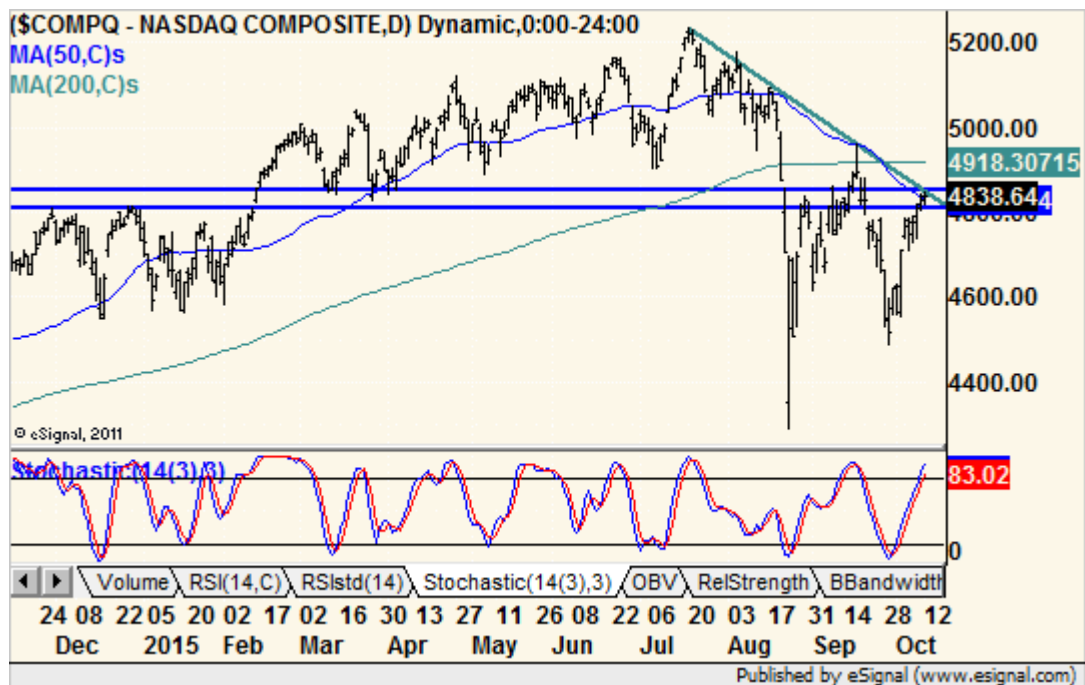
The hourly chart is still not much help as the trend is still up in this time frame but with some weakening technicals. The middle red line has to break at a minimum for the bears to get back in the game. Yet a new high does not enhance the bullish argument since the daily charts below have some serious overhead resistance.

October has been tough to figure out and that means stepping back until the market gives us a better idea of what it wants to do. We think it is still in the midst of a giant topping process but the comparisons to the 2011 bottom are really good (see the Big Picture section below). Let's cut to the chase. Nothing new for now as we move to "hold." It may change tomorrow but this is today.

## Index Charts of the Day



Stochastics is even more overbought now than it was the day before. And resistance is still looming very large above.



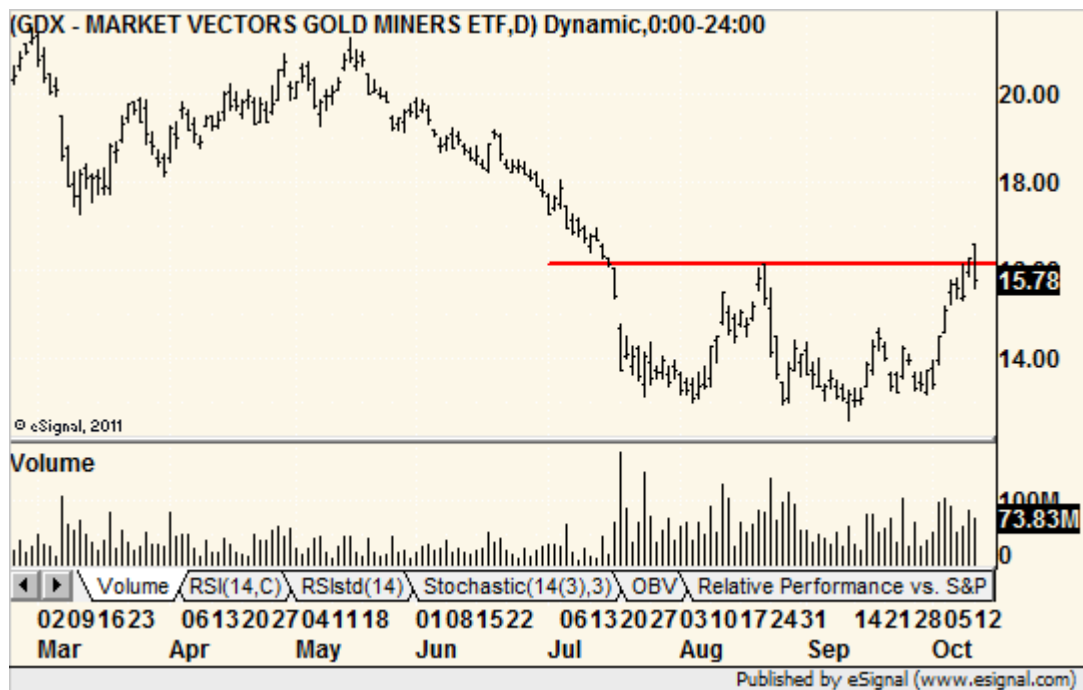
Just a reprise of yesterday's chart. This is a very big resistance area.

## The Radar Screen

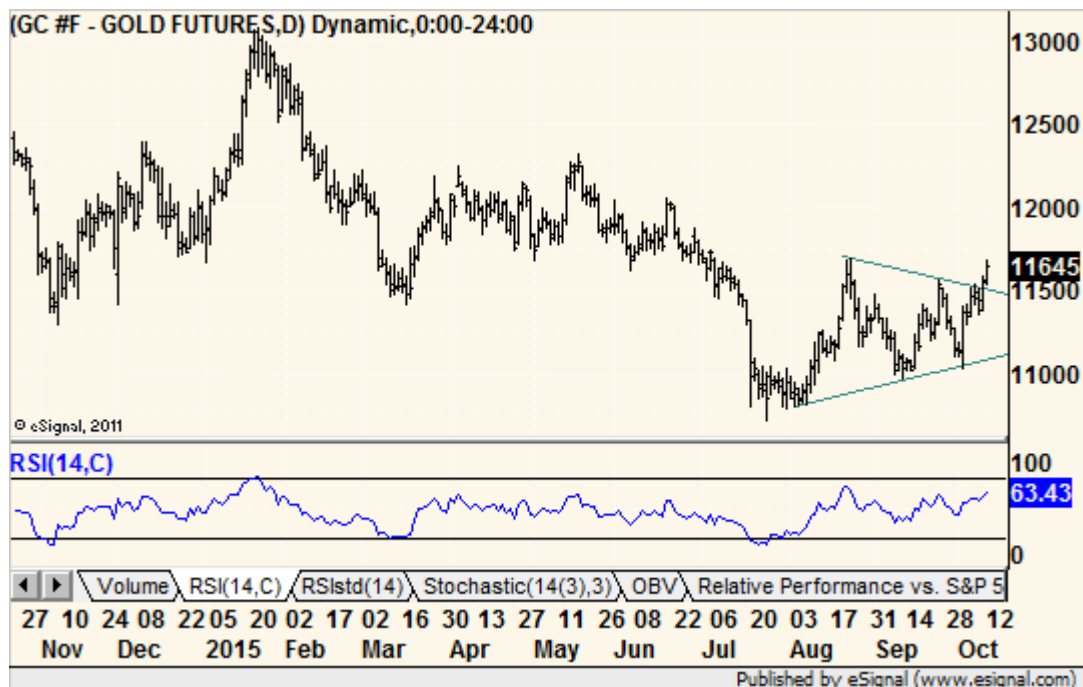
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>Gold Mining ETF GDX</b> – Ignored Thursday weakness to jump up. Was it enough for a breakout? Looks that way. We are giving it a nibble.	<b>Triggered</b>	10/12
<b>Bearish Implications</b>		
<b>none</b> –		
<b>Unknown Implications</b>		
<b>none</b> –		
<b>Holding Tank</b> – red shade leans bearish, green shade leans bullish		
<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 Warehouse 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>Triggered</b>	10/2
<b>3M MMM</b> – Double bottom breakout – or is it? Volume says otherwise. Waiting at least for a test.		10/8
<b>Fluor FLR</b> – A heavy construction cyclical to watch. Waiting for a test.		10/9
<b>Sonoco Products SON</b> – This is the packaging stock, not the oil refiner. A possible buy candidate if we are wrong on the market. Trend break. Good momentum. Looks better than many of its industrial peers.		10/9
<b>Corporate Bond ETF LQD</b> – This is a nice base forming and a breakout could be buyable. <u>No volume Monday.</u>		10/12
<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. Possible breakout		10/6
<b>Oil Services ETF OIH</b> – Arguable trendline breakout. Waiting for a dip. <u>A little more.</u>		10/6
<b>Energy ETF XLE</b> – Double bottom breakout but it did not pause first. Makes us a little nervous to chase. Waiting for a dip. <u>A little more.</u>		10/6
<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.		10/8
<b>REIT ETF IYR</b> – Watching March trendline.		10/9
<b>Updates</b>		
<b>none</b> -		

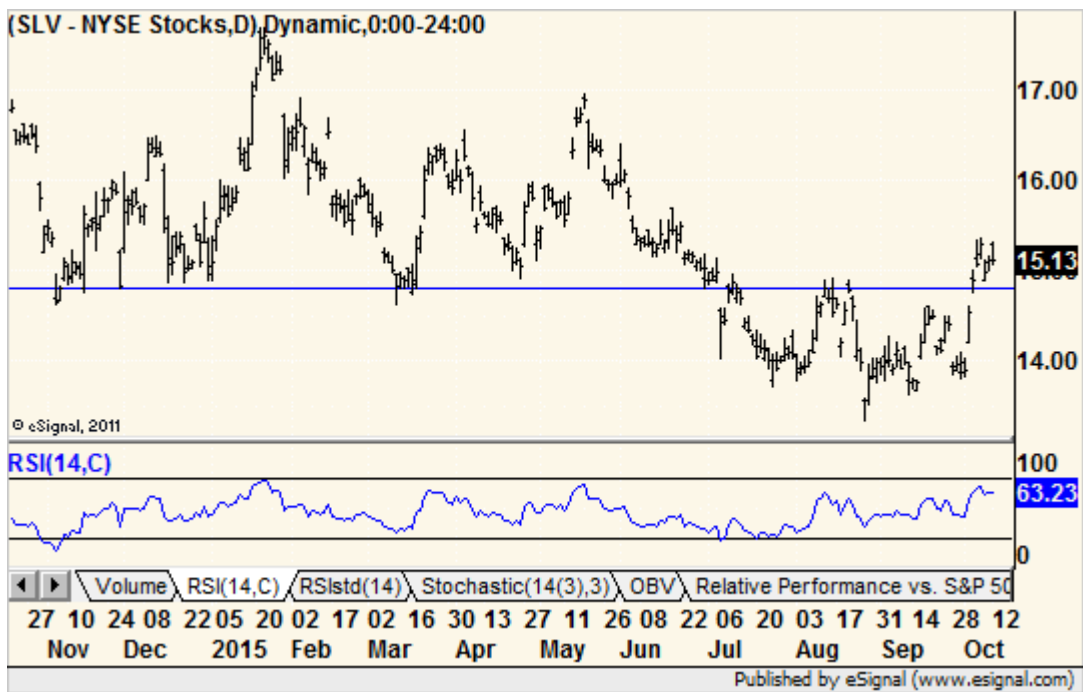
## Market Highlights



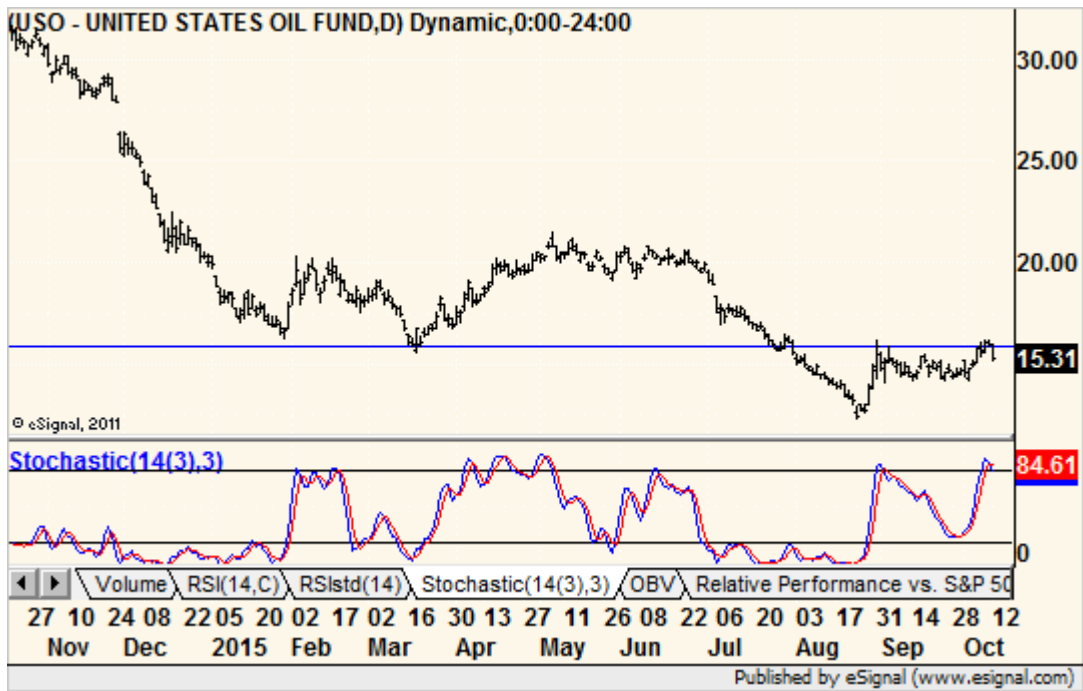
**Gold Mining ETF** – Looks like we bought the high as this reversed to the downside in a big way. We'll set the stop under Monday's low. See next chart...



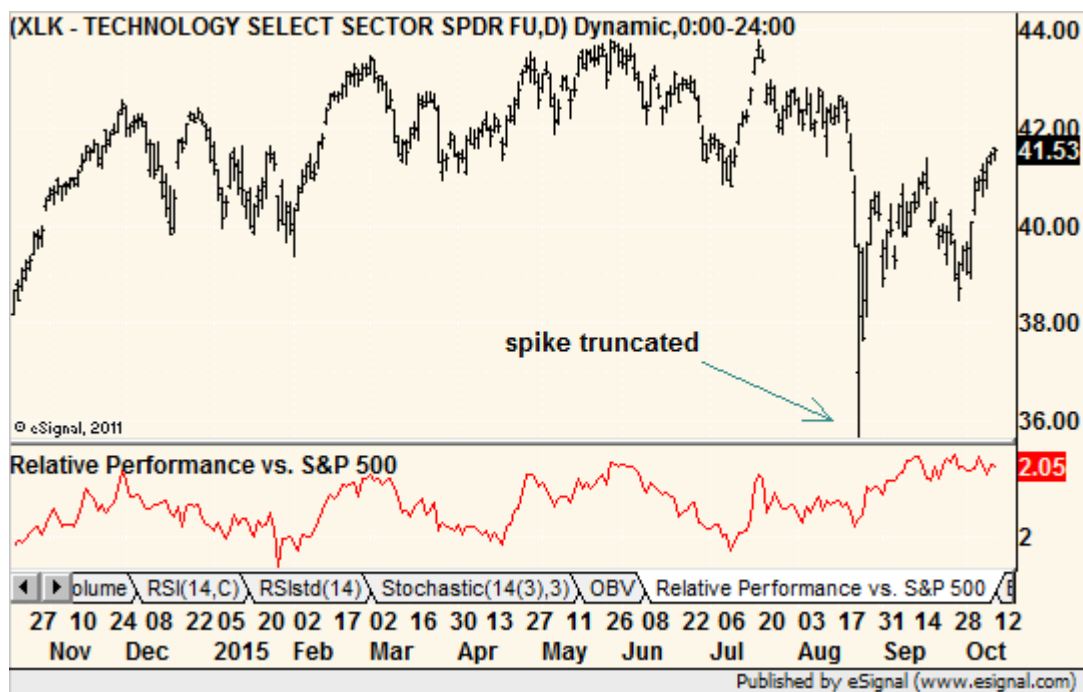
**Gold** – However, the metal is still holding this breakout. See next...



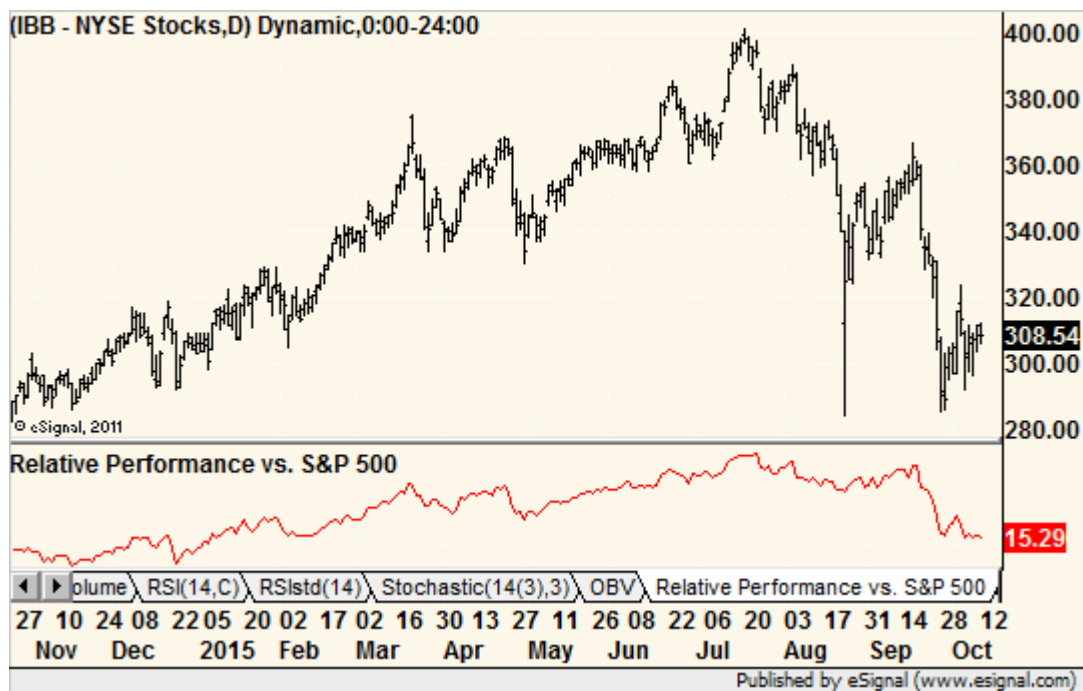
**Silver ETF** – Still holding its breakout, too.



**Oil ETF** – Turned back at resistance and overbought stochastics. However, the trend is still up in the short-term.



**Tech ETF** – Of the four horsemen, tech is pacing the market while homebuilding, retail and financials are all lagging. But that is misleading. The tech ETF shown here has big Internet stocks dominating while the broad based PSE index is lagging badly. That is not bullish.

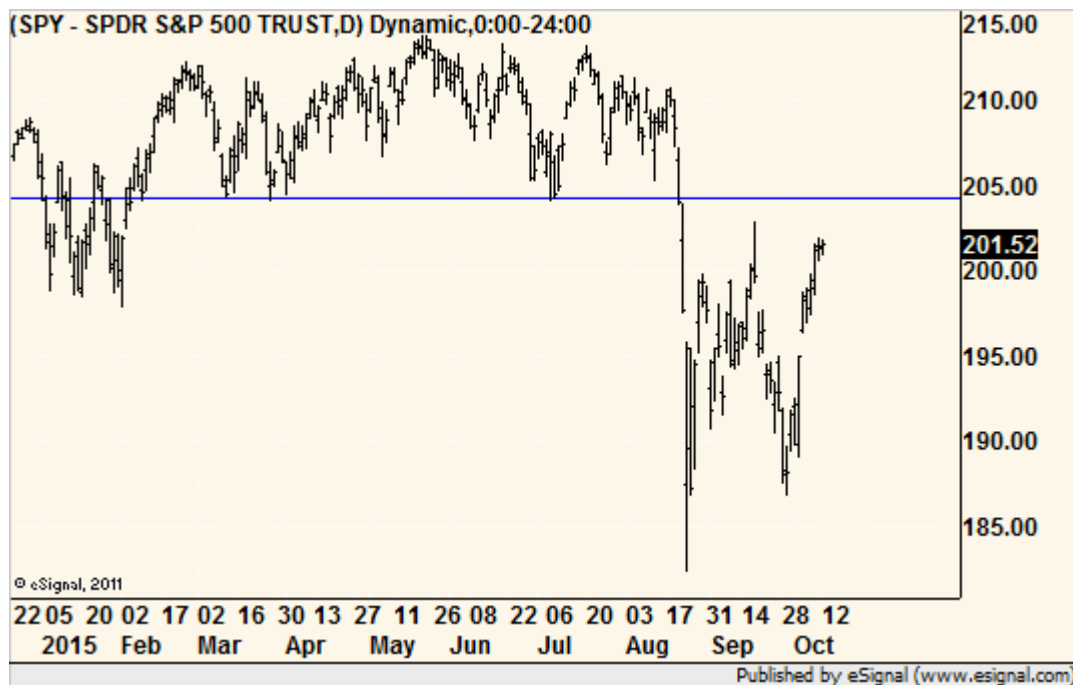
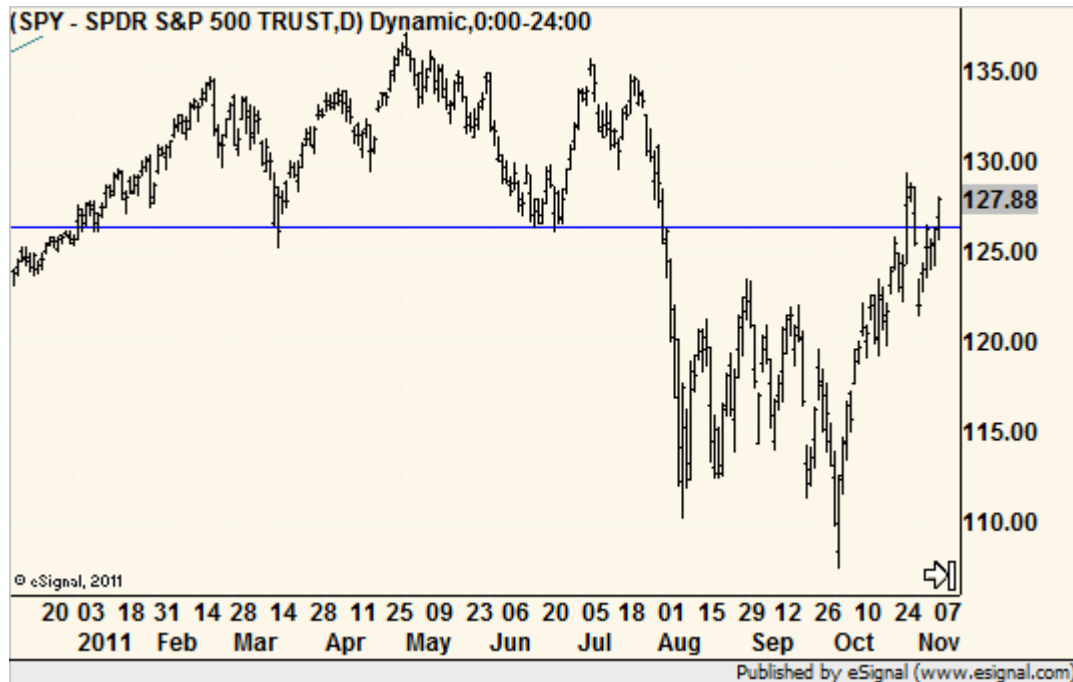


**Nasdaq Biotech ETF** – Still looks bad.

## The Big Picture

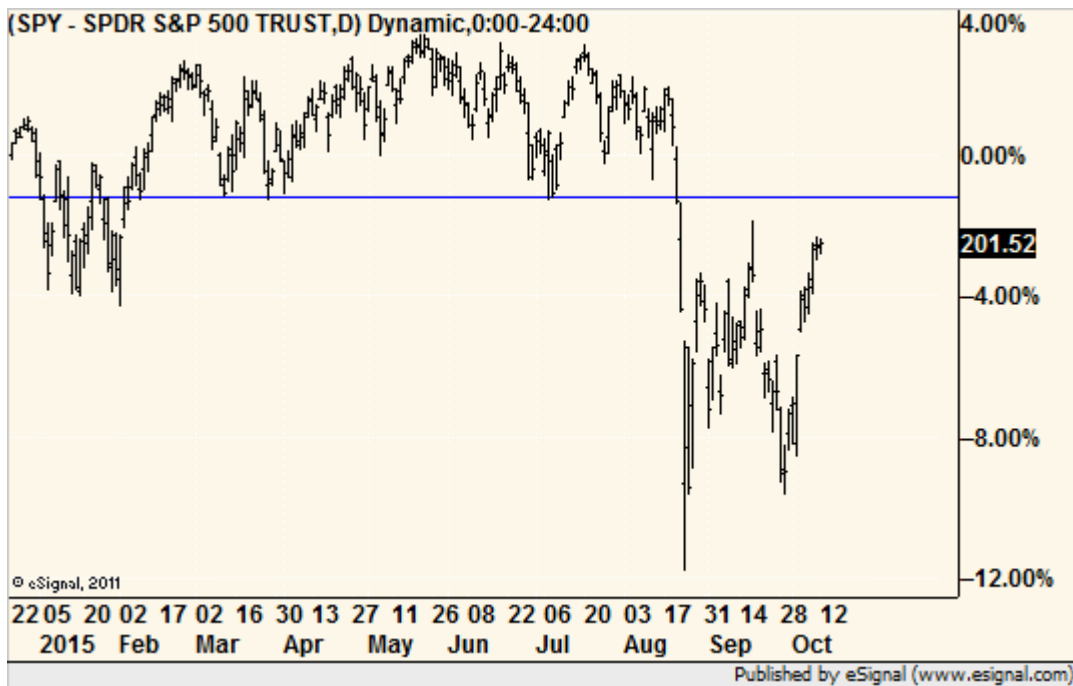
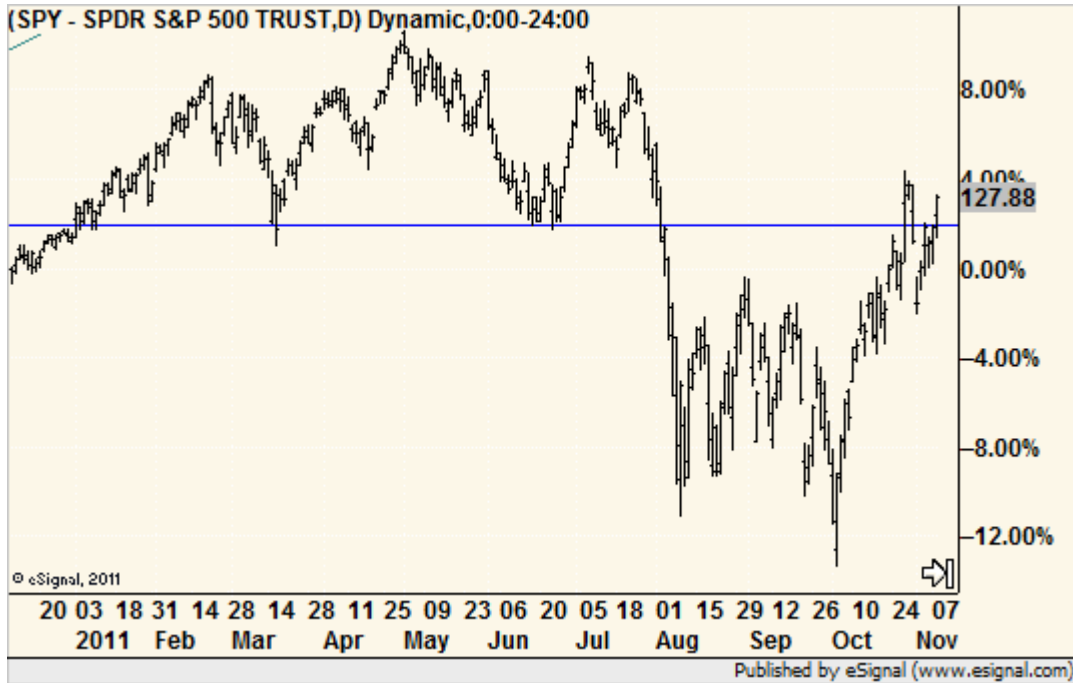
In this section, we take a macro look at things.

### The comparison to 2011



The two time periods line up rather well. Note the fall from a long trading range. The only difference seems to be in 2011 the second dip was lower. In 2015, the first was lower.

But now let's look at it in a different light – in percentage change terms – on next page...



Don't let the fact that both charts bottom out at -12% fool you. That is a function of the start price. However, take note of the total percentage change from top to bottom. In 2011, it was roughly 22%. In 2015, it was roughly 16%.

In other words, it was worse in 2011. That does not mean the market will or will not follow the same path now. However, in 2011, the Fed was in the middle of quantitative easing and announced "operation twist" in September 2011, sparking the second bottom and upside reversal.

The Fed is not doing any more of that 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. 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	66.93	1.6%	63.00	65.87	10/5	7
	<b>GDX</b>	MARKET VECT GOLD MINERS ETF	15.78	-5.0%	15.60	16.61	10/12	0
	<b>MW</b>	MENS WEARHOUSE INC	44.53	0.0%	42.50	44.51	10/12	0
<u>Short</u>	<b>ESRX</b>	EXPRESS SCRIPTS HLDG CO	83.51	1.8%	84.00	85.00	9/9	33
	<b>TMK</b>	TORCHMARK CORP	58.05	-2.9%	59.00	56.35	9/28	14
	<b>GS</b>	GOLDMAN SACHS GROUP INC	180.23	-0.6%	187.00	179.19	10/9	2
	<b>AAPL</b>	APPLE INC	111.60	-1.4%	117.00	110.00	10/9	2

**Notes:** We nibbled on **GDX** on the resistance breakout only to watch it set its high at the open and drop big thereafter. Gold is still OK so we will set the stop under Monday's low to give it a shot.

New long in **MW** at the close.

## 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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