

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

**October 23, 2015** – Thank Super Mario Draghi for keeping European rates steady and hinting at more stimulus over there. (Late news – China is lowering rates) That lit a fire under the market and now big cap indices are now nearing 200-day averages although small cap indices are languishing. The Dow was up 1.87% while the Russell 2000 was up only 0.84%. That's less than half.

It must be because the dollar tanked making exports, which are dominated by big stocks, better. Well, no, that's not it because the dollar index soared huge. Maybe that just speaks to more stimulus boosting stocks but only the big liquid ones. Perhaps the market is too happy - the setup for the big fake out.

If you are a bear that is what you hope. Otherwise, it is hard to fight this. It was a strong range day on strong volume. Breadth was pretty good (although that does not take into account the small size of the gain in the small caps) as most stocks got at least a little piece of the rally.

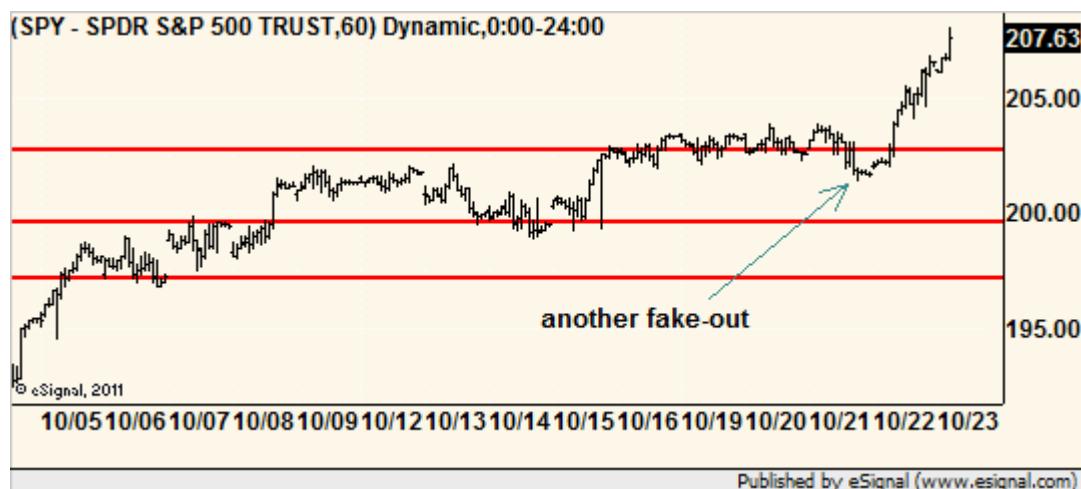
Hmmmm, so why did the junk bond ETF tick lower? We thought this was risk-on? Same for long-term Treasuries ticking higher? That's risk-off. And come to think of it, the rising dollar is risk-off, too.

And the real quandary – with the dollar up so much, why was gold near dead flat? And up this morning?

We hope you followed along with our journey through the looking glass. The bottom line remains from yesterday, follow the individual stock setups – which are bullish – but do not get caught up in the hoopla over the market. True, the headlines are correct saying the better half of the year is nigh. And true, Euro stimulus will spill over here, too. So why then is the market giving off such mixed signals?

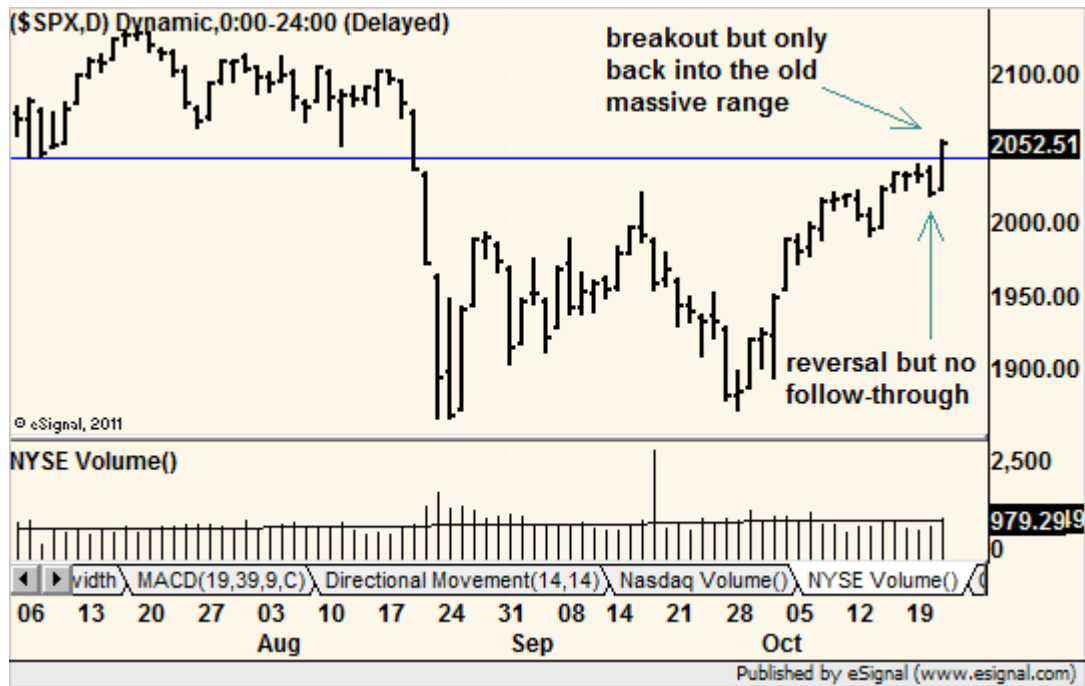
Again, we've been slowly shifting from short to long, sometimes as the market made us (stops) and sometimes as that was the only type of setup we've found. We refrained from selling stocks that reversed are resistance Wednesday (Facebook) and were super overbought (Nike). Therefore, although we clearly missed the broad market rally by not buying the S&P 500 and the like somehow we've survived.

Why are we happy about that? Because the S&P 500 is now in the midst of the resistance jungle. There is a lot of work ahead for the bulls (danger) so we'll let others lift the S&P while we play individual stocks.

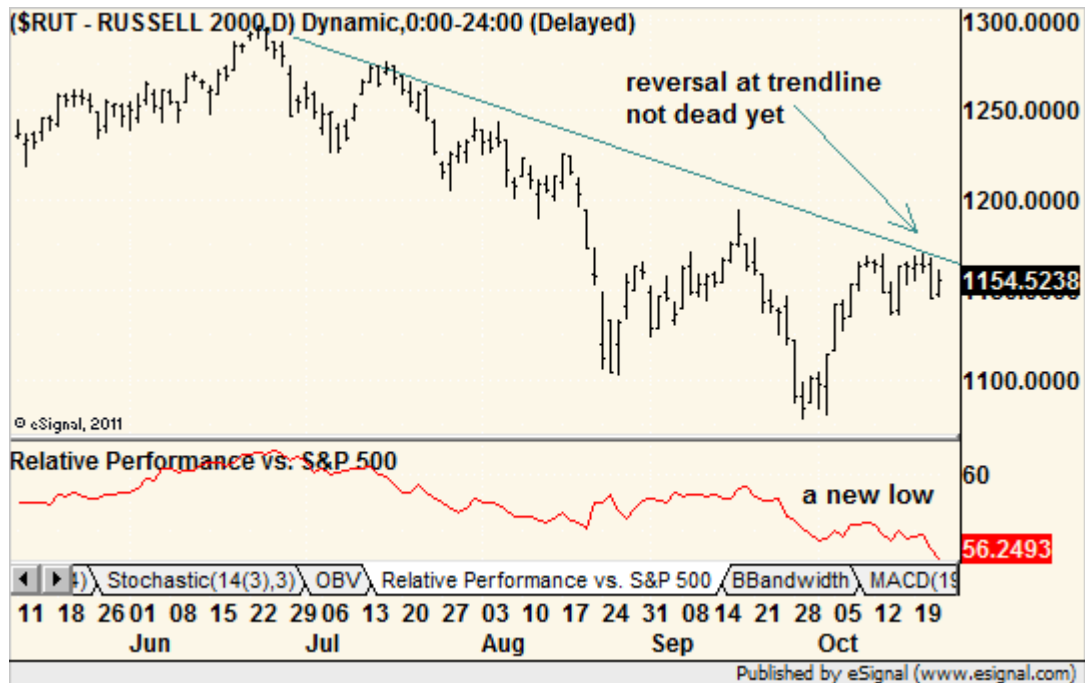


The hourly chart shows the false dip and subsequent breakout. It is only slightly overbought despite the steep slope of the gain.

## Index Charts of the Day



We saw the reversal Wednesday but with low volume. Since there was no follow through there was no actual signal – which, of course, was a good thing. However, now the index is back within its massive trading range.



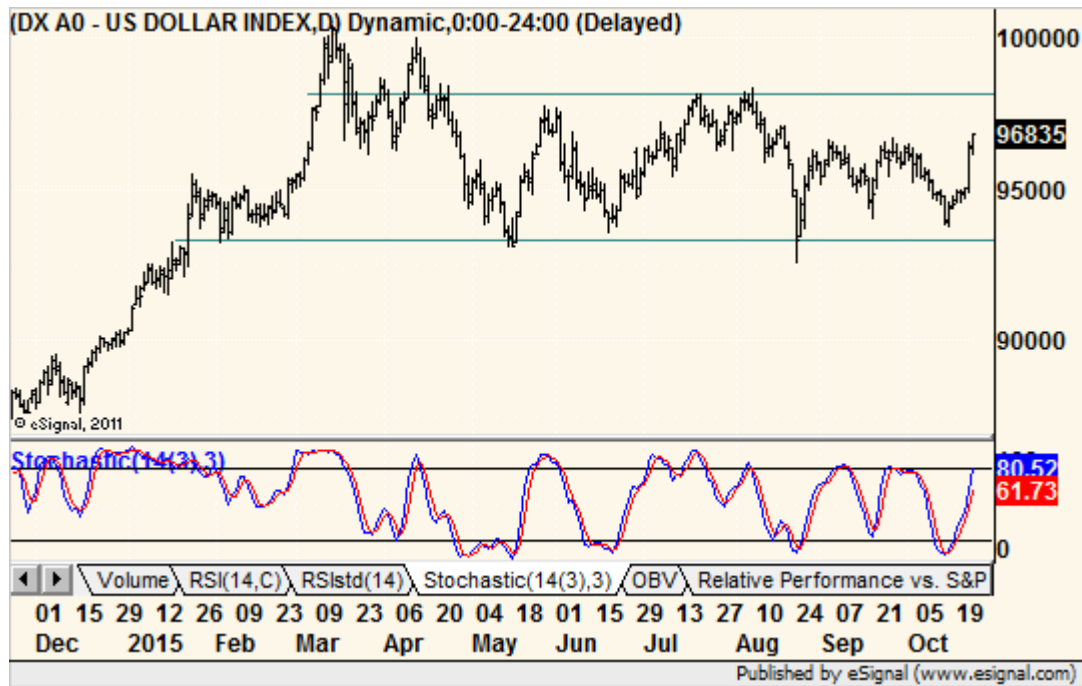
Small caps participated in the rally but not nearly as well. This is a big weight on the market's neck.

## The Radar Screen

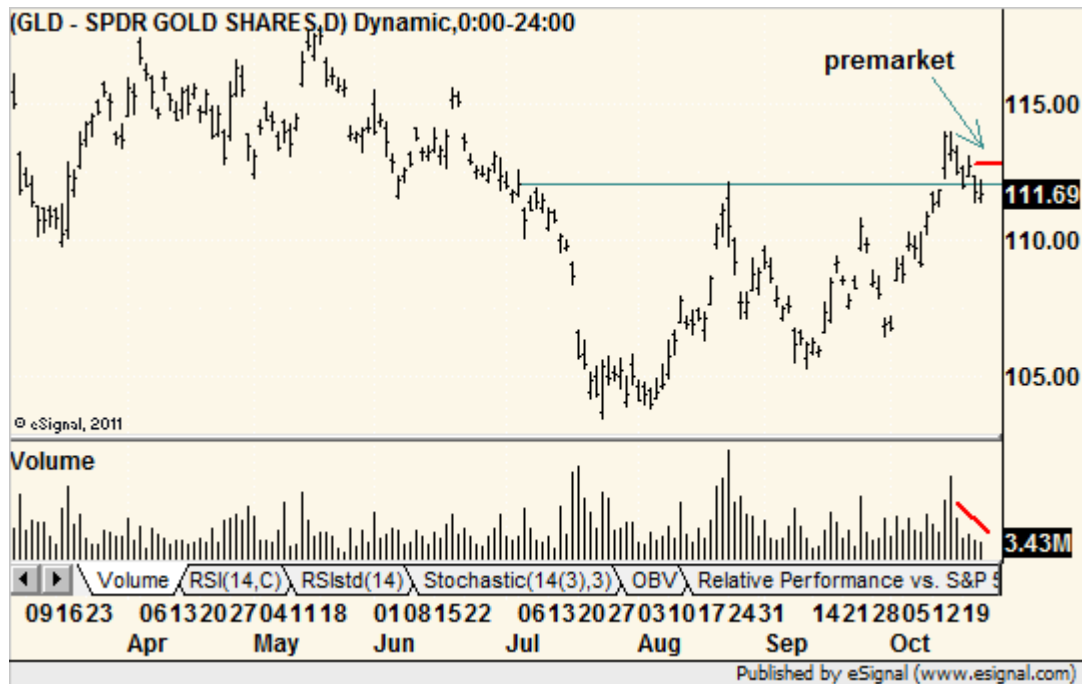
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>Oil Services ETF OIH</b> – Arguable trendline breakout. Bull flag buy trigger 31.00	<b>Triggered</b>	10/6
<b>Southwest Airlines LUV</b> – From Barron’s Online. Pick your pattern. In either case, a new high for the past week would be another breakout. By close over 41.50. <b>The stock closed up 7.4% which is too much for our “buy close” trigger.</b>	<b>Not triggered</b>	10/20
<b>CH Robinson Worldwide CHRW</b> – Trucker pausing at a trendline. Moving average golden cross in place. Looks good with a move above 72.60.	<b>Triggered</b>	10/21
<b>PepsiCo PEP</b> – Consumer sectors are leading and this one is challenging big resistance. If it moves through, then it has clear sailing. Buy close over 100.70.	<b>Triggered</b>	10/21
<b>Bearish Implications</b>		
<b>Teleflex TFX</b> – This medical supplies stock makes single use diagnostic devices. A break of support targets the next support at 109. Sell close under 126.00.	<b>Triggered</b>	10/14
<b>Hologic HOLX</b> – This medical supplies stock was my topic in this week’s Profitable trading website. Yesterday’s bounce allows subscribers to benefit from the price reset to lower risk. Sell support break under 36.75.	<b>Triggered</b>	10/16
<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>3M MMM</b> – Double bottom breakout? <u>We hesitated and it zoomed away from us.</u>	<b>Removed.</b>	10/8
<b>Conagra CAG</b> – Coiling pattern. <b>Looks like an upside breakout.</b>		10/21
<b>CVS Health CVS</b> – Scored a death cross and is just under resistance. But if it punches through it would be a very good sign		10/21
<b>Verizon VZ</b> – Bumping into multiple resistances. But if it punches through. <b>A good attempt so far.</b>		10/22
<b>Lilly LLY</b> – This drug stock broke down yesterday but is up this morning after earnings. If it fails again then it should be sold. And of it rallies sharply above the line then the breakdown failure can be bought. <b>Doji candle did not shed any light.</b>		10/22
<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>This has stalled and really makes the commodities recovery suspect.</b>		10/6
<b>REIT ETF IYR</b> – Breakout		10/9
<b>Trucking</b> – Index failed at trendline but rebounded. Have to be on breakout alert.		10/14
<b>Biotech</b> – <b>IBB</b> and <b>BBH</b> ETFs on bear flag breakdown watch		10/14
<b>Semiconductors</b> – Breakout.		10/15
<b>Transports</b> – Led by airlines, on the verge of a breakout. Marine transport lagging.		10/20
<b>Healthcare</b> – providers and medical supplies looking ugly.	<b>New</b>	10/23
<b>Updates</b>		
<b>Gold Miners ETF GDX</b> – Still holding on in a bull flag test of the breakout. We were stopped out but if you still have it – good.		

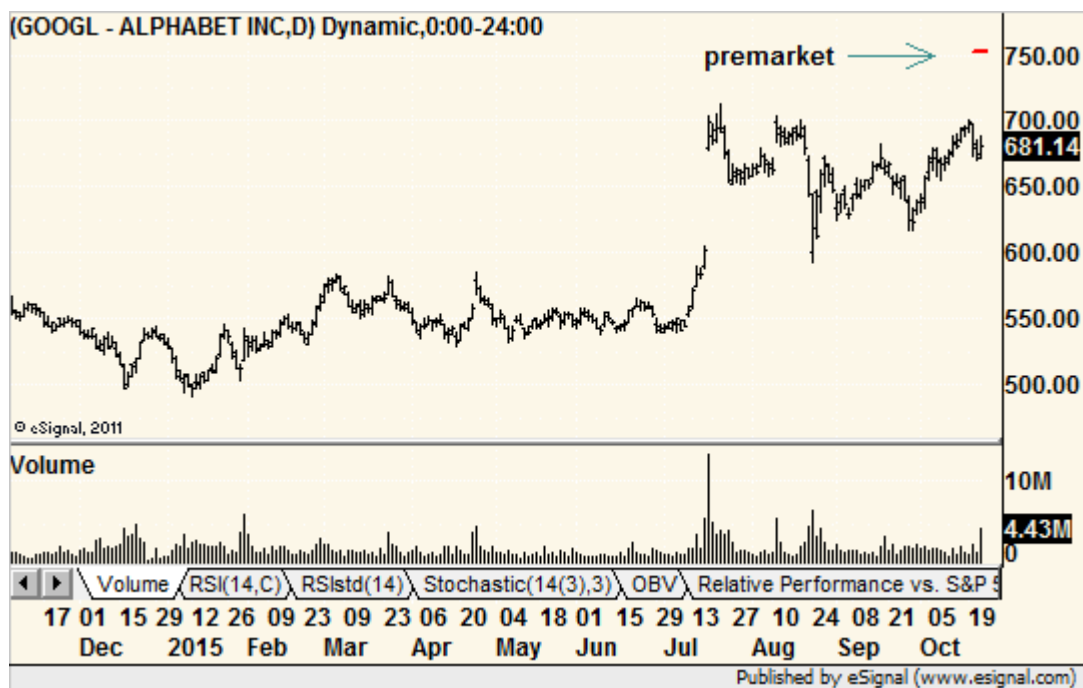
## Market Highlights



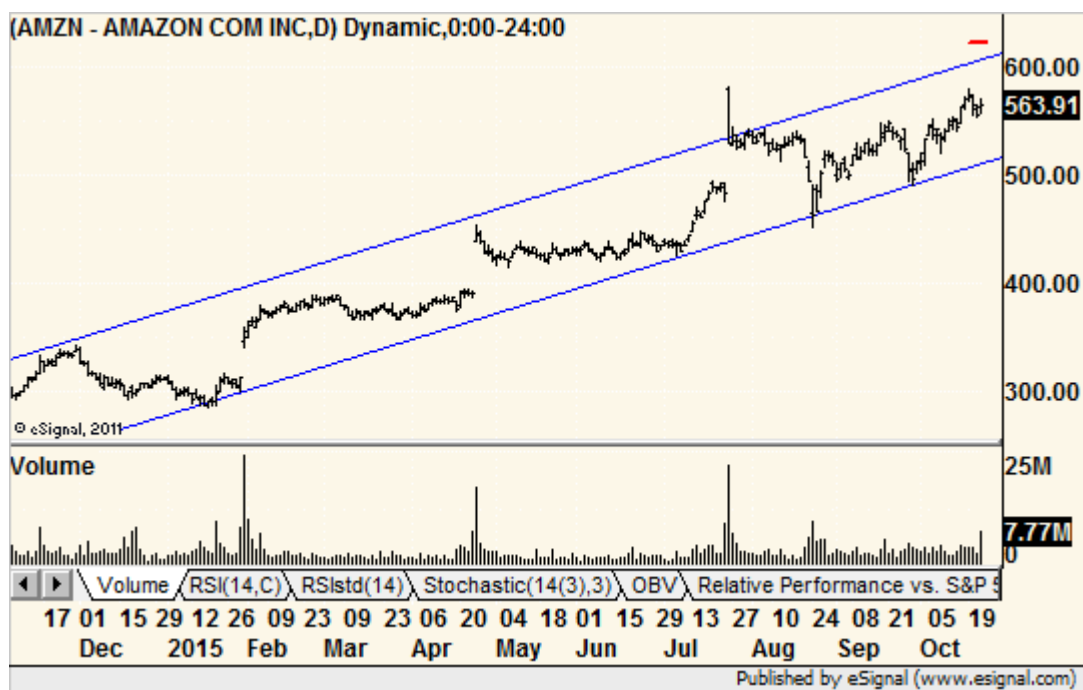
**US dollar index** – Super rally yesterday with more this morning.



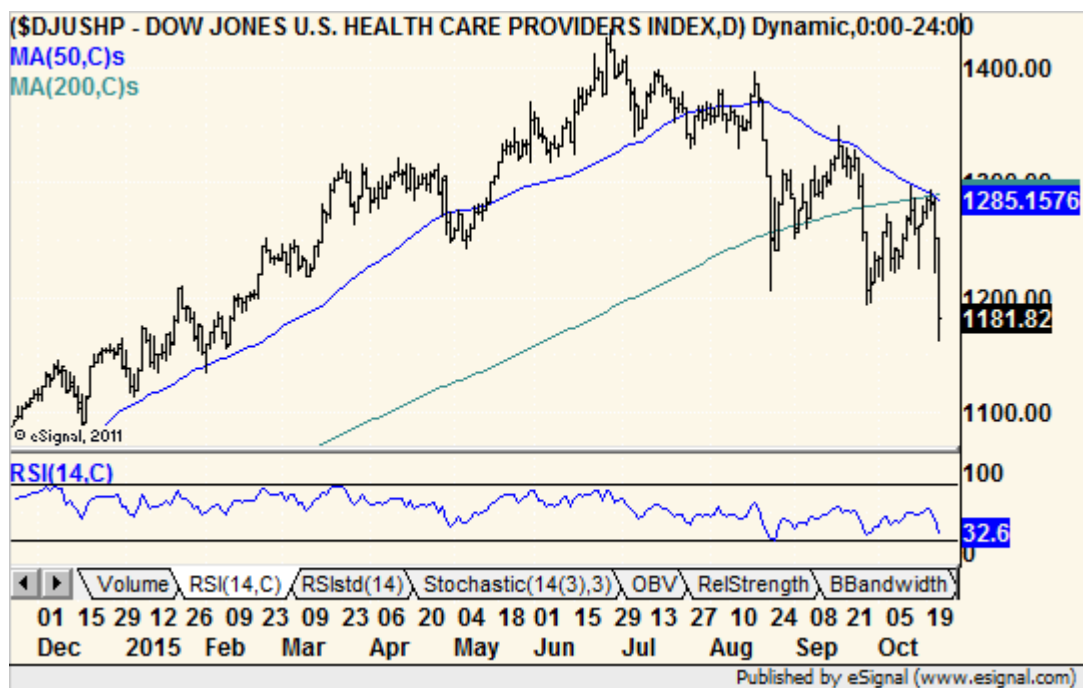
**Gold ETF** – Gold is up today even as the dollar rallies. Note falling volume on the pullback. This looks like a bull flag breakout.



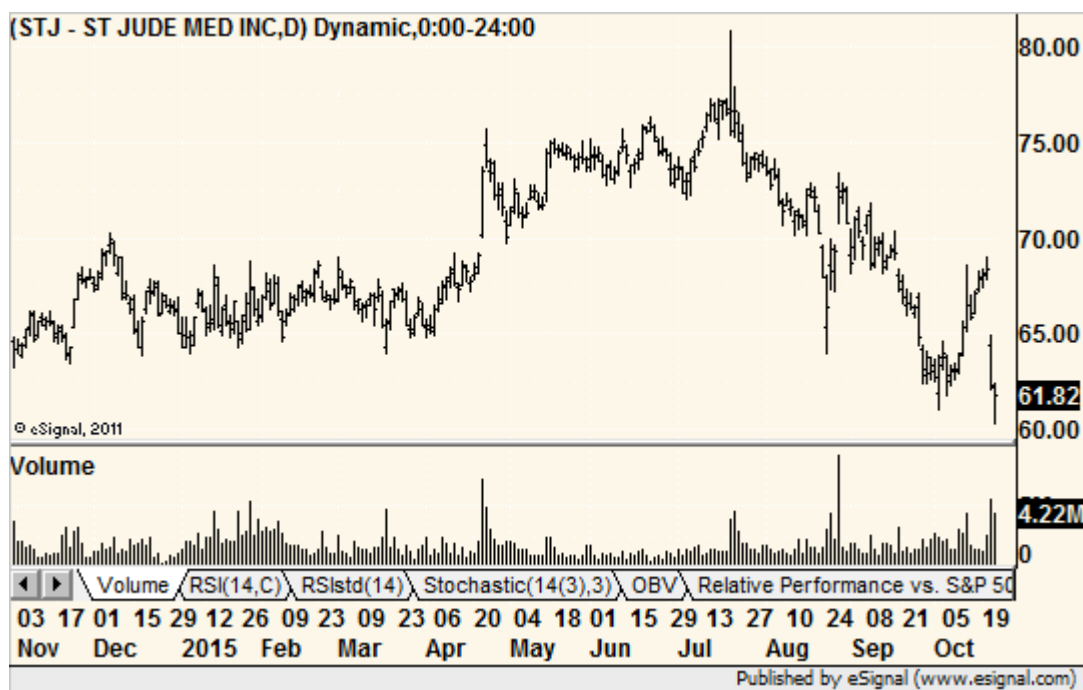
**Alphabet (Google)** – We have no idea what to do with this. Our first thought is to cash out if we had it.



**Amazon** – This one is a little more orderly and it is above the channel suggesting overbought.



**Healthcare providers** – Ugly. This includes HMOs, labs and hospitals. And the mighty **UNH** has fallen, too.



**St Jude Medical** – The medical equipment group is a little more mixed but there are bombs such as this one.

## 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>LQD</b>	ISHARES INVESTMENT GRADE	117.59	0.5%	115.00	117.00	10/14	8
	<b>XLE</b>	ENERGY SELECT SECTOR SPDR	68.42	1.2%	66.00	67.61	10/15	7
	<b>OII</b>	OCEANEERING INTL INC	46.74	-1.7%	44.50	47.55	10/16	6
	<b>SON</b>	SONOCO PRODS CO	42.20	0.6%	40.00	41.95	10/20	2
	<b>OIH</b>	MARKET OIL SERV ETF	31.09	0.3%	29.50	31.00	10/22	0
	<b>CHRW</b>	C H ROBINSON WORLDWIDE	72.72	0.2%	70.00	72.60	10/22	0
	<b>PEP</b>	PEPSICO INC	103.08	0.0%	98.00	103.08	10/22	0
<u>Short</u>	<b>TMK</b>	TORCHMARK CORP	58.39	-3.5%	59.00	56.35	9/28	24
	<b>TFX</b>	TELEFLEX INC	124.71	0.0%	129.00	124.71	10/22	0
	<b>HOLX</b>	HOLOGIC INC	36.57	0.5%	39.00	36.75	10/22	0

**Notes:** New longs in **OIH** and **CHRW** intraday on breakouts. **PEP** long was at the close.

Did not trigger a new long in **LUV** because we had it “on close” and it rallied over 7%. Too bad it was not an intraday trigger.

New shorts in biotechs – **TFX** and **HOLX**.

## 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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