

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN
RESEARCH LLC

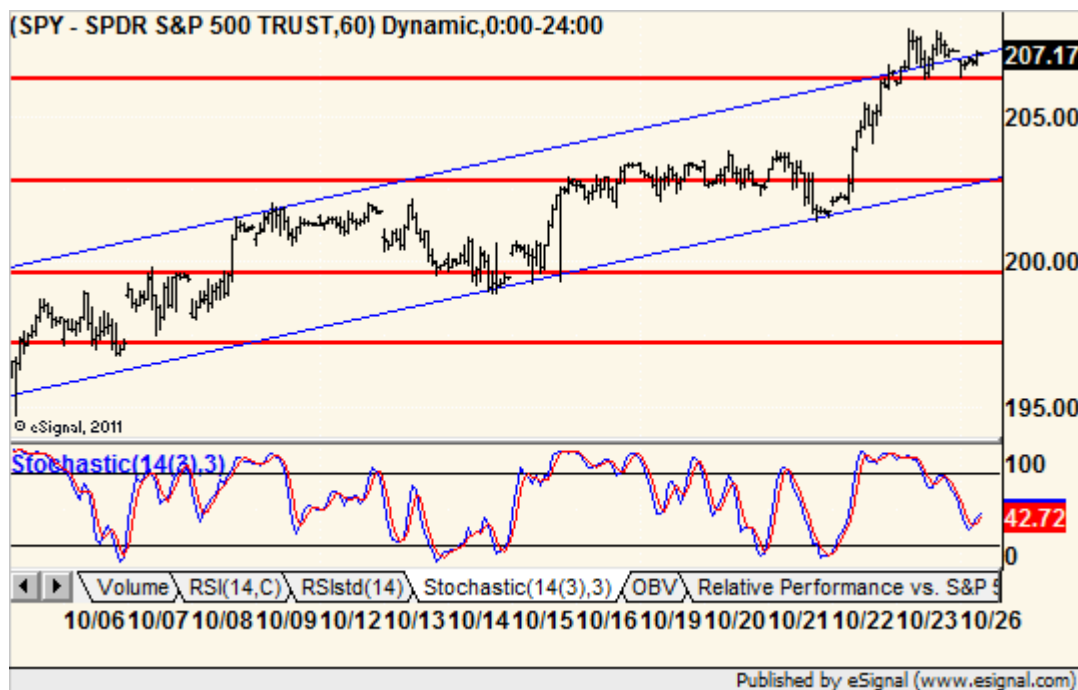
October 26, 2015 – Last week was pretty good for stocks, well at least if you were a big cap name and volume did not matter. Of course, volume is not what we use to judge success so that is not a deal breaker. Small cap absence could be so we'll be watching that group carefully.

"Everyone" says that tech is the leader and is super hot. We are not everyone. True, Amazon, Google (Alphabet) and Microsoft killed it last week but the broad based PSE index has still not taken out its September high (chart below). Its relative performance chart looks a lot like that of the Russell 2000 so the argument that small caps do not matter is bogus. We mention the reason below in the Russell chart.

We also see something similar in consumer discretionary as a few big names are keeping the sector in the lead while retail (big and small) is having some big issue. Chart below.

The problem we have is that there are so many stocks with positive patterns and market breadth is good. But at the same time the market itself is in a resistance zone and small stocks are lagging.

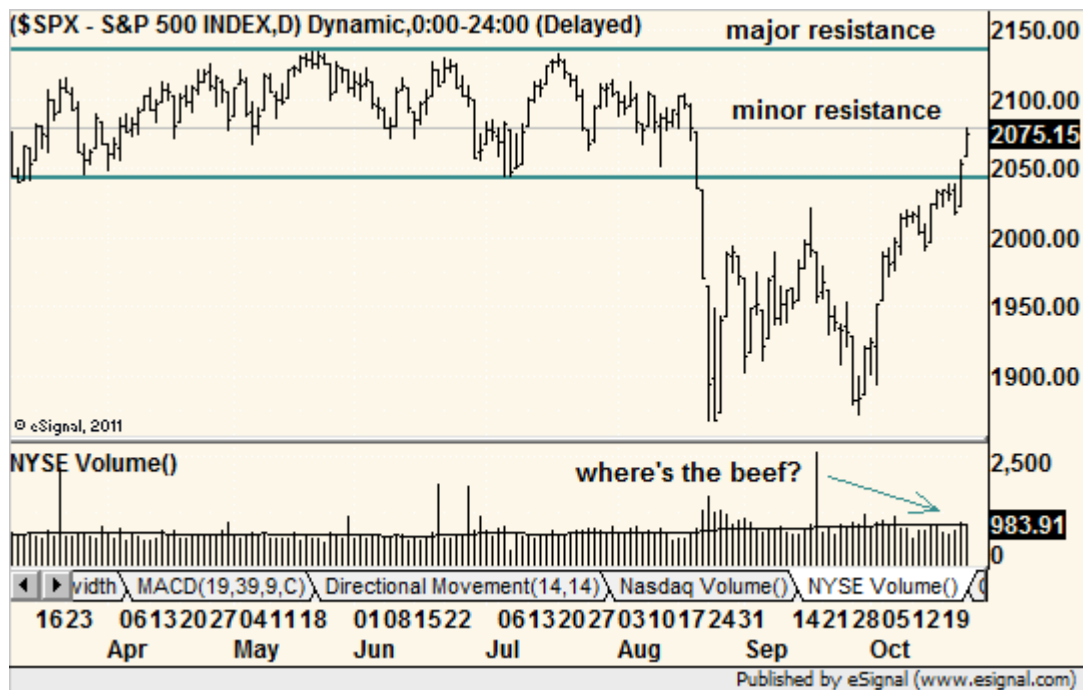
Seasonally, October is the home of volatility and the start of the better half of the year. Did the market already bottom – just a little early? Or is there one more challenge ahead? Or does it no longer matter when the market is so distorted by central bank intervention? After all, "sell in May" has been spotty at best over the past few years.



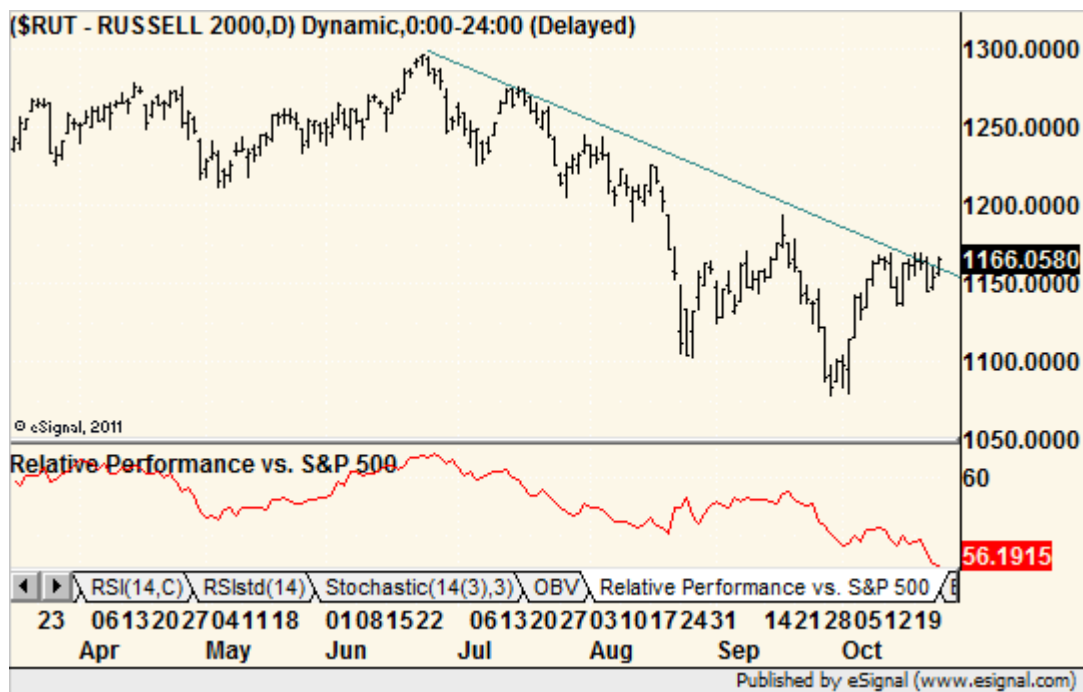
The hourly **SPY** chart is no longer very clear. There is a rising channel but it does not go back to the lows. And the horizontal lines are now suggested areas of support and resistance vs. good signals. We'll run an extended version of this chart below in Today's Lesson under the guise of "setting levels."

What we take from this chart is that this is a good place for a rest.

Index Charts of the Day



The S&P 500 hit a minor resistance Friday and while it looks overbought RSI (not shown) does not agree. Still, it sure does look like time for a rest. And what's with volume? Still below average. It's like the bears stayed home to allow the market to rise on good thoughts (vs. real reasons). But there is no denying the short-term trend until the market itself says otherwise.



Small caps still have not broken out and are lagging badly. Is that a problem? We read an argument that these stocks are not in the sweet spot of the business cycle so they would not lead anyway. We don't buy that argument. Small caps need to participate in order to keep things moving.

The Radar Screen

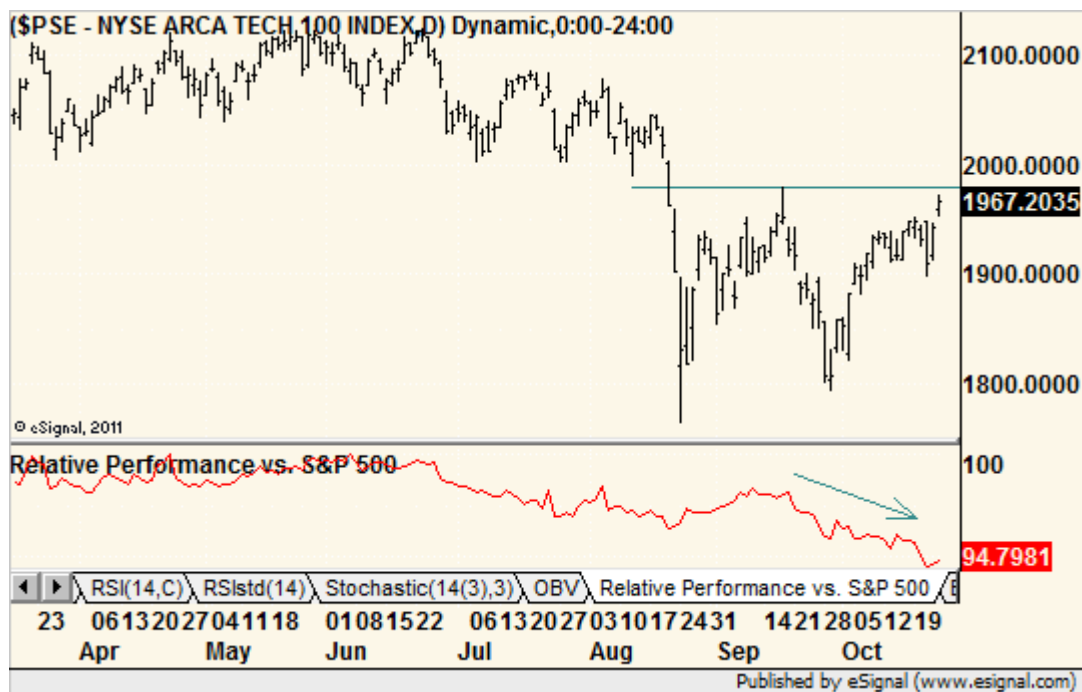
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
Applied Materials AMAT –This semiconductor equipment stock looks to be coming out of a double bottom after breaking a major trendline. Bullish weekly MACD crossover. Daily RSI rising nicely. Strong group. Looks good here.	New	10/26
Bearish Implications		
none –		
Unknown Implications		
none –		
Holding Tank – red shade leans bearish, green shade leans bullish		
Macys M – We want this stock at around 47. The fresh range breakdown and bear trend tells us not to jump so fast. We’ll let it sink even lower and require it give us a technical sign – oversold, climax, reversal.	Changed (please read)	9/30
Bed Bath & Beyond BBBY – Retailer looking good if it hits bottom of massive trading range at 54.60.		10/1
CVS Health CVS – Scored a death cross and is just under resistance. But if it punches through it would be a very good sign		10/21
Verizon VZ – Bumping into multiple resistances. But if it punches through....		10/22
Lilly LLY – 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.		10/22
Sector Watch (observations that may spark ideas)		
Emerging Markets ETF EEM – If commodities are coming back we will keep an eye on the trendline from April here. Possible “handle”-like formation.		10/6
REIT ETF IYR – Broke out two weeks ago but formed a key reversal Friday.		10/9
Trucking – Index failed at trendline but rebounded. Have to be on breakout alert.		10/14
Biotech – IBB and BBH ETFs on bear flag breakdown watch		10/14
Semiconductors – Breakout.		10/15
Transports – Led by airlines, on the verge of breakout. Marine transport lagging.		10/20
Healthcare – providers and medical supplies looking ugly.		10/23
Updates		
none –		

Market Highlights



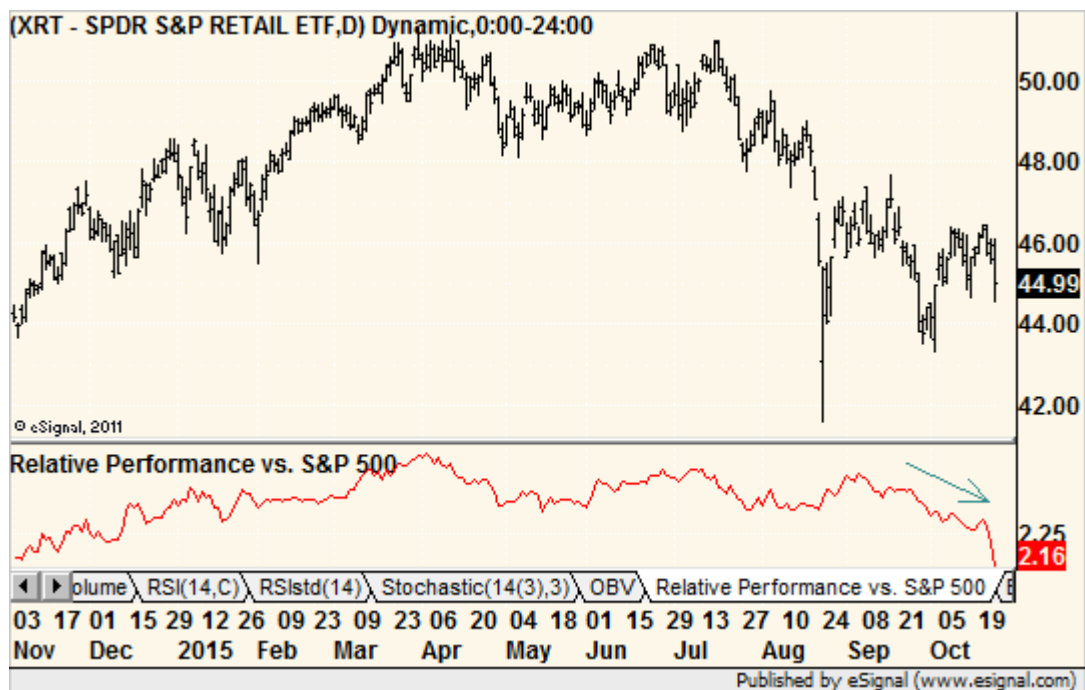
Applied Materials – We like to buy lagging stocks just starting to prove themselves if they are in strong groups. This semiconductor equipment stock looks to be coming out of a double bottom after breaking a major trendline. Bullish weekly MACD crossover (not shown). Daily RSI rising nicely. Looks good here.



NYSE Arca Tech – With AMAT above excluded, here is the broad based PSE index (that is its old name) showing no breakout. The big names (Amazon, et al) are in the news but the average tech name is not so great.



DJ Small Cap Value vs. Growth – Maybe this has something to do with the small caps lagging. Value recently broke out vs. growth.



Retail ETF – Ouch! Bad Fridays for **TGT, TJX, GCO, LB** and **BIG**. Yet its umbrella group – consumer discretionary – is a leader! We can thank **AMZN, NKE, MCD, HD** and even **F** for that. As with tech, some giants are making the entire sector look good.

Today's Lesson

In this section, we take a look at a topic in technical analysis in real-time, not textbook time.

Setting Levels



This is a 2-hour bar chart to squeeze all the data in. It shows how we got the levels and lines used in the chart drawn in the comments section.

1. There is room to go before heavy resistance
2. Currently, it is at the top of the channel and still arguably at resistance from the bottom of the early August range. That is where the market first fell off the cliff.
3. Bears still need the middle red line to break before they can exhale

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>	LQD	ISHARES INVESTMENT GRADE	117.16	0.1%	115.00	117.00	10/14	11
	XLE	ENERGY SELECT SECTOR SPDR	68.26	1.0%	66.00	67.61	10/15	10
	OII	OCEANEERING INTL INC	46.31	-2.6%	44.50	47.55	10/16	9
	SON	SONOCO PRODS CO	41.36	-1.4%	40.00	41.95	10/20	5
	OIH	MARKET OIL SERVICES ETF	30.97	-0.1%	29.50	31.00	10/22	3
	CHRW	C H ROBINSON WORLDWIDE INC	72.79	0.3%	70.00	72.60	10/22	3
	PEP	PEPSICO INC	102.43	-0.6%	98.00	103.08	10/22	3
<u>Short</u>	TMK	TORCHMARK CORP	59.00	-4.5%		56.35	9/28	26
	TFX	TELEFLEX INC	126.19	-1.2%	129.00	124.71	10/22	3
	HOLX	HOLOGIC INC	36.96	-0.6%	38.50	36.75	10/22	3

Notes: Our long side was mostly lower Friday even as the Dow was up nicely. That's pretty bad until we look at the actual charts of each stock. And they still look pretty good. Clearly, the energy/basic materials theme took a back seat to tech last week but we'll hang on.

On the short side, the last remnant of our previously short portfolio was stopped leaving us short two biotechs.

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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