

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

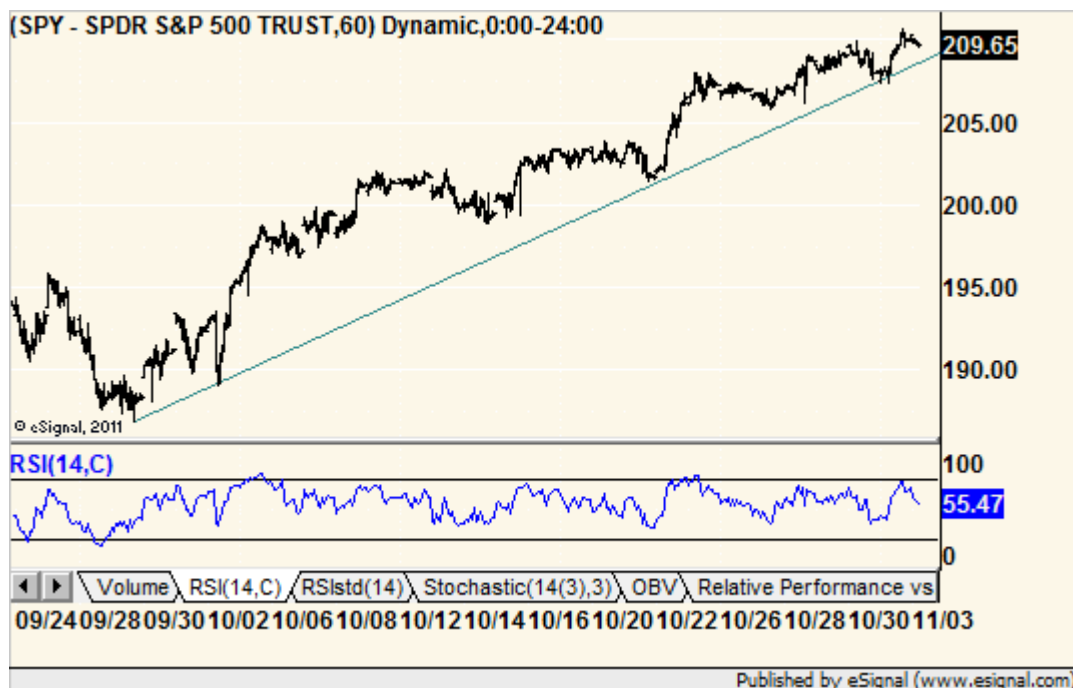
**November 3, 2015** – Today is Election Day in the States but all banks and exchanges are open as normal. Next Tuesday – Veterans Day – is an official bank holiday.

Stocks rallied despite weak manufacturing data as mergers and earnings were more to investor likings. Leading the way was health-care sector, thanks to biotech, and energy. Financials came back, too, right after we reported breakout failures in banks and especially in regionals. However, the regional bank we highlighted did not bounce back quite that much – a moot point that it may be.

It appears that bears will have to wait until the S&P 500 reaches the top of its old trading range and really strong resistance. Right now, in the middle of the range, it seems that bulls are not impressed with the roadblock. The problem for the bears is that if the S&P reaches the old highs it will knock the head-and-shoulders pattern out of contention. In other words, if the market is topping it will have to be for some other reason.

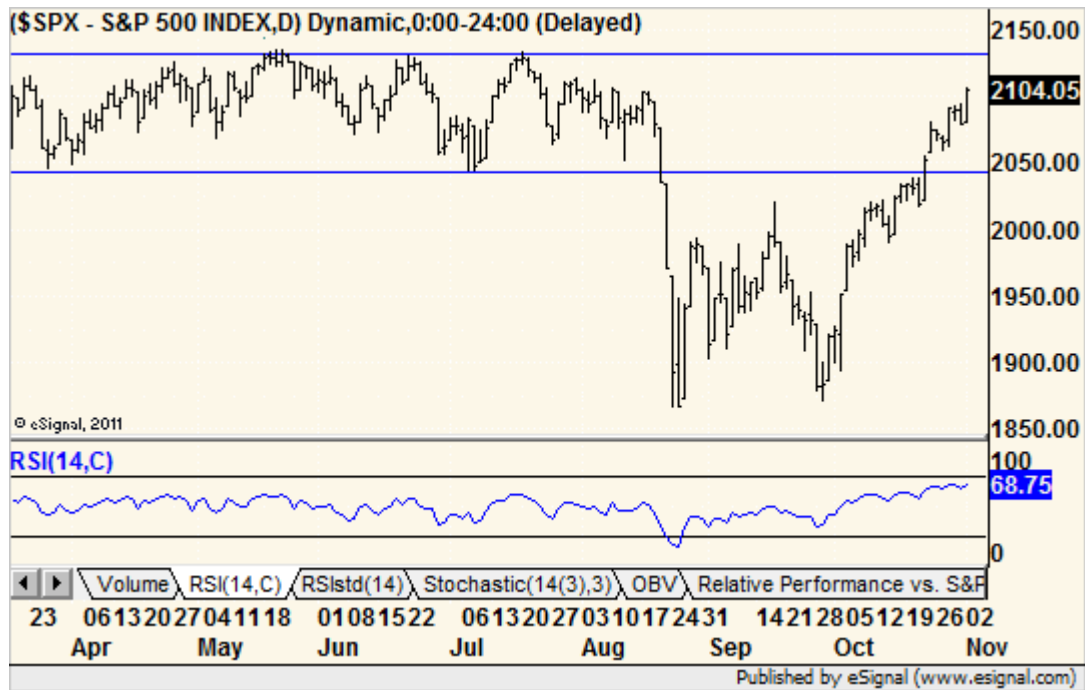
Before continuing, we want to stress that we are not trying to jawbone the market lower. The following is an observation made as we also observe a rising trend with failures coming as prices attempted to fall. To wit – all of our four horsemen sectors – tech, retail, homebuilding and financial – are lagging the market. The only fudge factor in there is that we are now looking at the broader based NYSE Arca tech index (the old PSE tech index). The **XLK** ETF thanks to its giant stock domination is beating the market. Joe average tech stock is not.

Our takeaway is that this rally is not going to last too much longer. It is fueled by overseas liquidity, the hope that the Fed will not hike soon and not an improving economy. We will play on the long side but not go crazy.

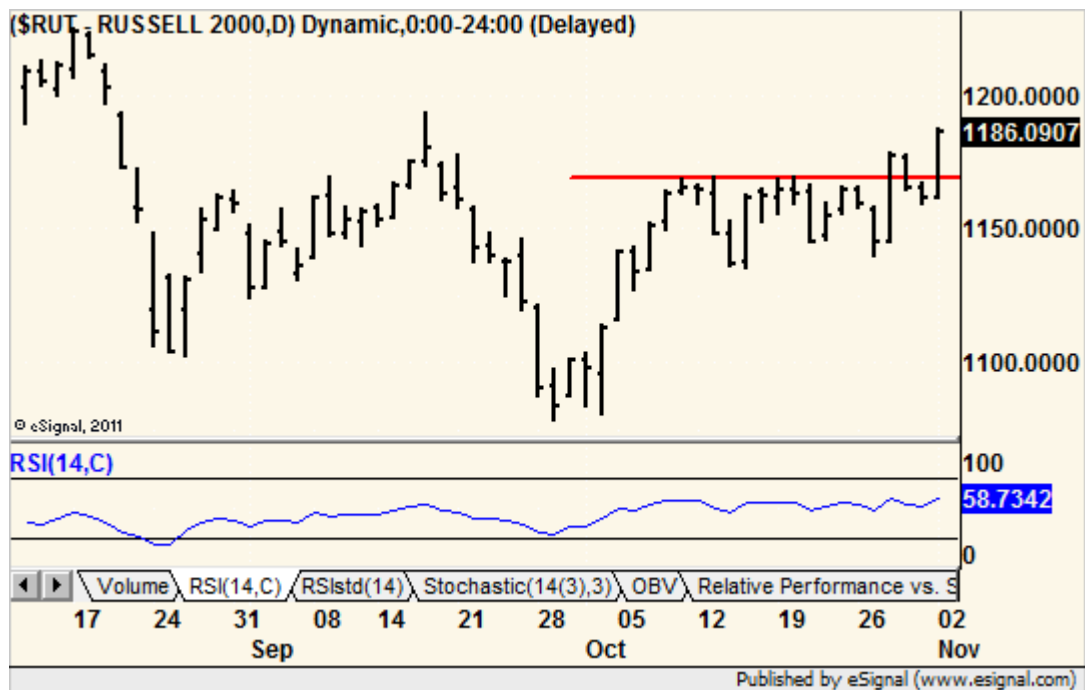


The hourly chart shook off the RSI divergence and never broke the trendline. We can see a fuzzy rising wedge pattern and after more than a month of non-stop rally it makes sense for it to want to take a breather. But the trendline remains unbroken and that is the final test.

## Index Charts of the Day



The S&P 500 is moving through the zone and not yet overbought according to RSI. We still give resistance at the old highs the big benefit of the doubt that it will hold.



Quote from yesterday: This should probably rally right away to avoid the breakout failure.”

And it did rally suggesting small caps are going to start catching up to the big caps. .

## The Radar Screen

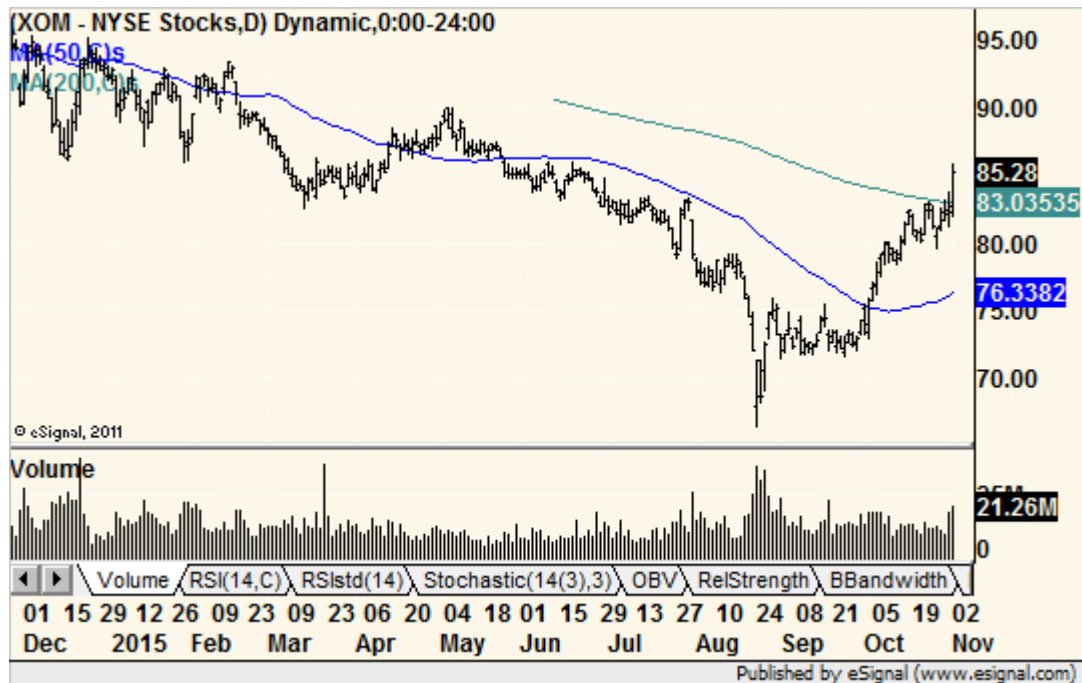
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>Verizon VZ</b> – Bumping into multiple resistances. But if it punches through.... Looks like it did Friday. We are going to buy.	<b>Triggered</b>	10/22
<b>Las Vegas Sands LVS</b> – Now at resistance. Volume actually looks bullish with a selling climax and rally/pullback with confirming levels. Must wait for a clear breakout. Buy 50.50 on close but must have decent volume.	<b>Triggered</b>	11/2
<b>Bearish Implications</b>		
<b>Wellcare Health Plans WCG</b> – We think health care providers are weak and this HMO seems to have topped in its developing trading range. On-balance volume remains weak. Selling now.	<b>Triggered</b>	11/2
<b>Goodyear Tire GT</b> – Looks like a failure at resistance. Low risk sell here because stop would be close at new highs. Peer <b>CTB</b> is similar.	<b>Triggered</b>	11/2
<b>Unknown Implications</b>		
<b>none</b> –		
<b>Holding Tank</b> – red shade leans bearish, green shade leans bullish		
<b>Waiting for dips - Macys M 47, Bed Bath &amp; Beyond BBBY54.60, IBM 132</b>		9/30
<b>Colgate Palmolive CL</b> – First casualty of a strong dollar? (personal products stock). Failed at resistance.		11/2
<b>Electronic Arts EA</b> – Friday the company beat its numbers and raised its outlook. The stock was not so happy and this is quite bearish. Failed to hold rebound Monday		11/2
<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. Possible “handle”-like formation.		10/6
<b>Healthcare</b> – Looks like a rebound but providers and medical supplies looking ugly.		10/23
<b>Drug sector</b> –trendline breakout. But still lagging.		10.27
<b>Defense</b> – Inverted head-and-shoulders for the DFI index. <b>ERJ, COL and ITT</b>		10/29
<b>Banks</b> – This may not be a failure after all. Still watching.	<b>Changed</b>	11/2
<b>Updates</b>		
<b>Expedia EXPE</b> – Watching for one more day to see if exhaustion gap is confirmed.		

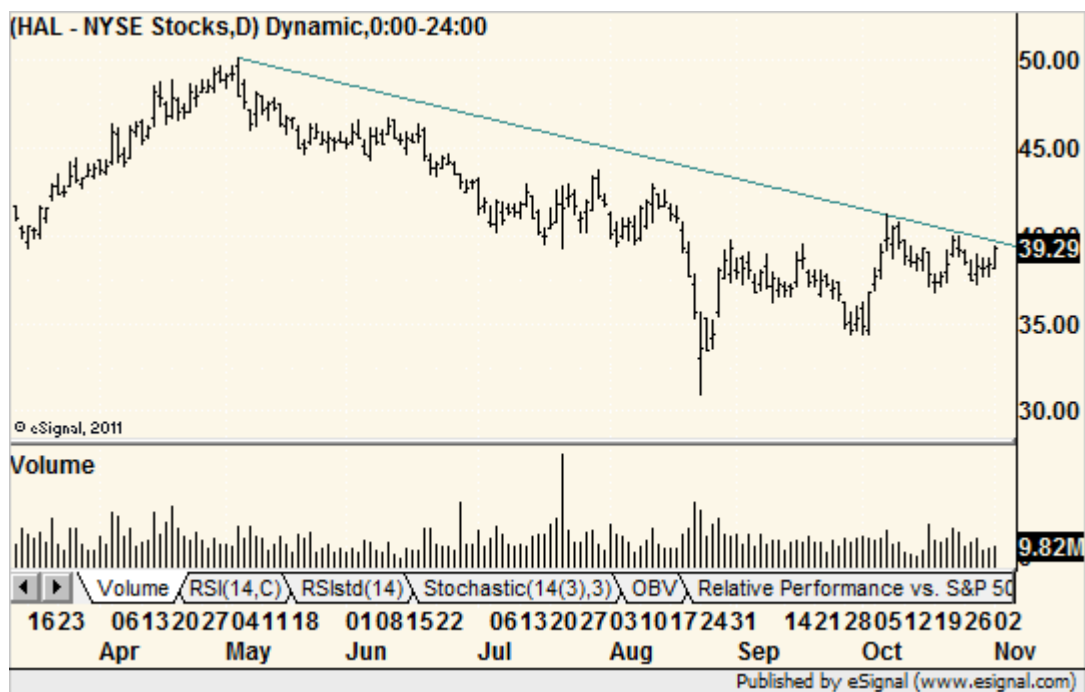
## Market Highlights



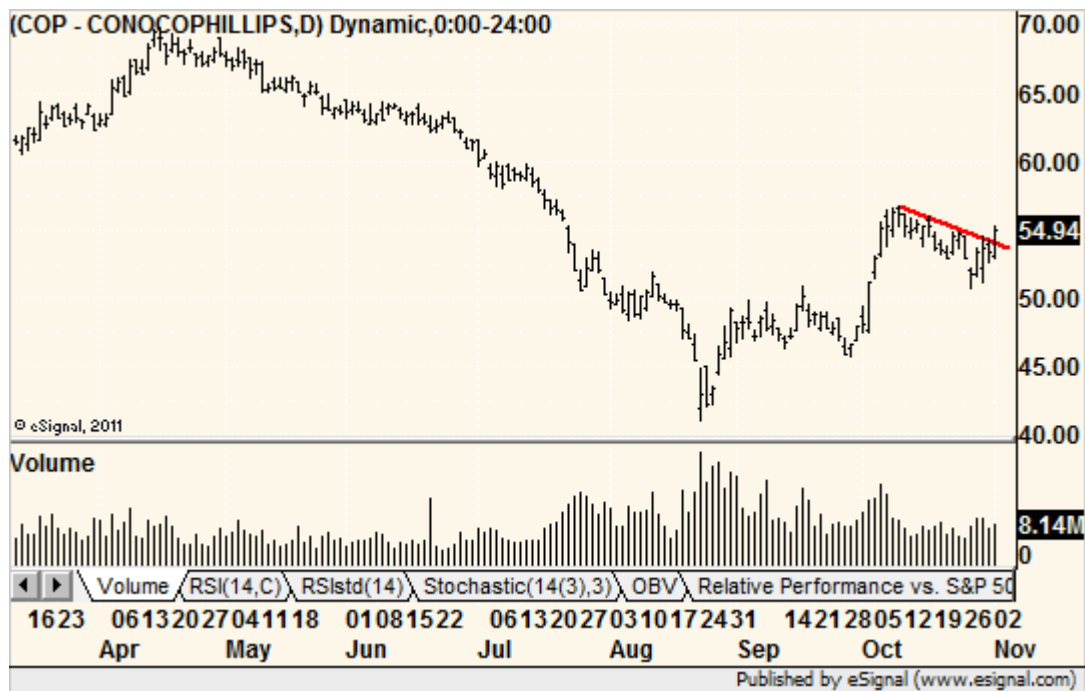
**Energy ETF** – We are still angry about getting stopped out last week. This looks to be heading to the 200-day average next.



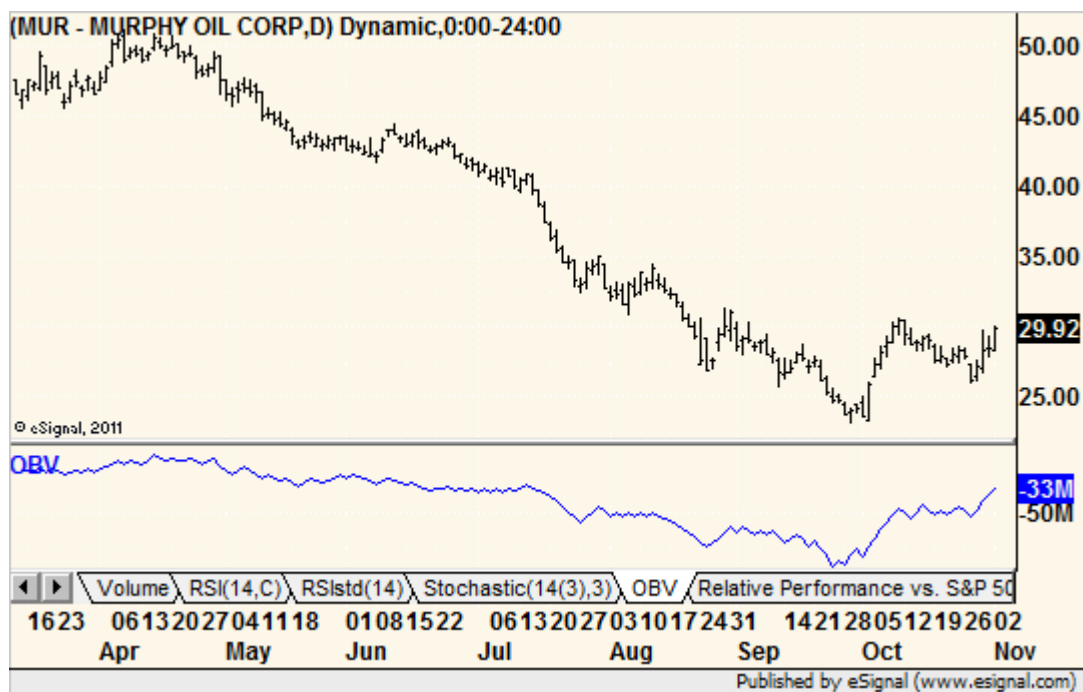
**Exxon Mobil** – This one is already through its 200-day and looking strong.



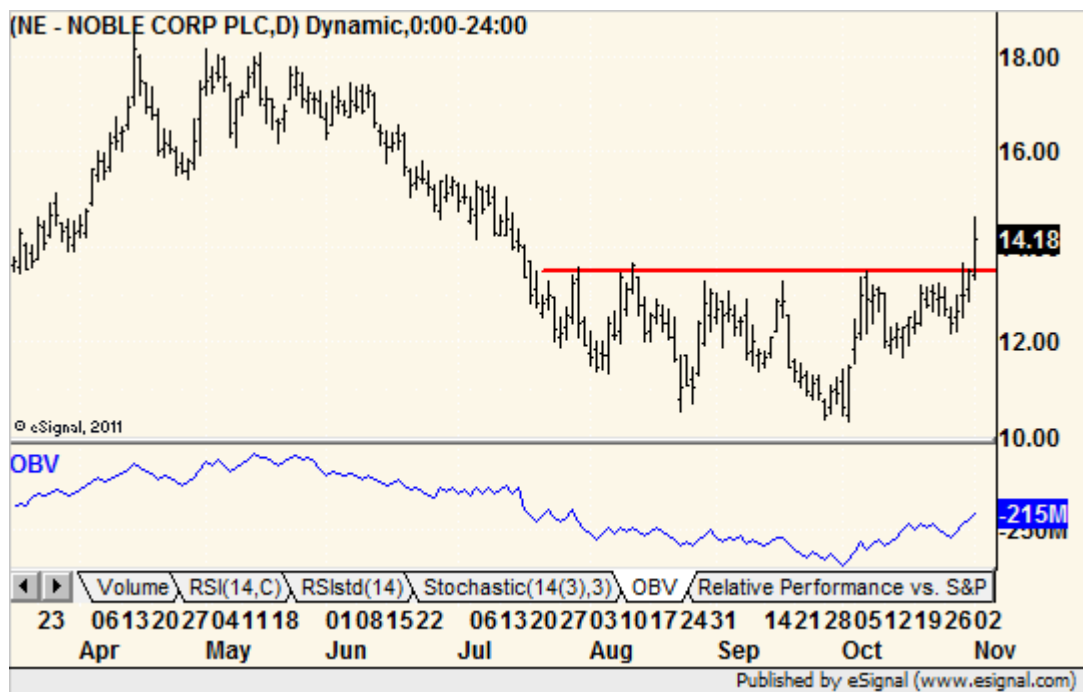
**Halliburton** – Waiting for the trendline break.



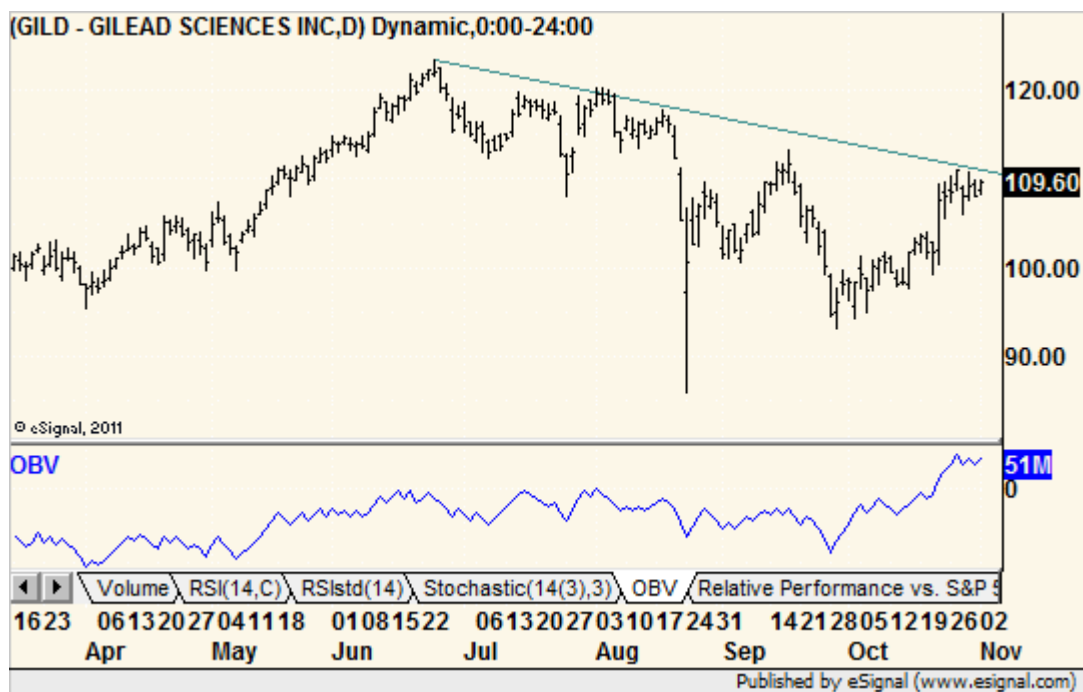
**Conoco Phillips** – Another look in energy – a bull flag breakout



**Murphy Oil** – Big change in on-balance volume makes this look good to catch up. Nice div but negative earnings.



**Noble** – Another energy coming out of a base. May be better to let this one dip first.



**Gilead Sciences** – Pausing at the trendline with nice on-balance volume.



**United Continental** – An airline basing and possibly preparing to catch up to peers.

## 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	115.59	-1.2%	sell	117.00	10/14	19
	<b>SON</b>	SONOCO PRODS CO	43.22	3.0%	41.00	41.95	10/20	13
	<b>PEP</b>	PEPSICO INC	101.40	-1.6%	98.00	103.08	10/22	11
	<b>AMAT</b>	APPLIED MATLS INC	16.89	1.4%	16.00	16.65	10/26	7
	<b>VZ</b>	VERIZON COMMUNICATIONS INC	46.78	-0.5%	44.50	47.02	11/2	0
	<b>LVS</b>	LAS VEGAS SANDS CORP	50.61	0.0%	48.00	50.61	11/2	0
<u>Short</u>	<b>WCG</b>	WELLCARE HEALTH PLANS INC	90.42	-2.0%	94.00	88.62	11/2	0
	<b>GT</b>	GOODYEAR TIRE & RUBR CO	33.49	-1.9%	34.50	32.84	11/2	0

**Notes:** We are going to sell the corp bond ETF as it is down and we have already captured the Nov 1 dividend. This seems to be a risk-on market so bonds are out.

Two new longs and two new shorts. **VZ** is also a dividend play and may have suffered with bonds.

The short in **GT** was supposed to be low risk due to a stop at new highs (above resistance). Let's give it a little rope but not too much.



## 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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