

QUICK TAKES PRO

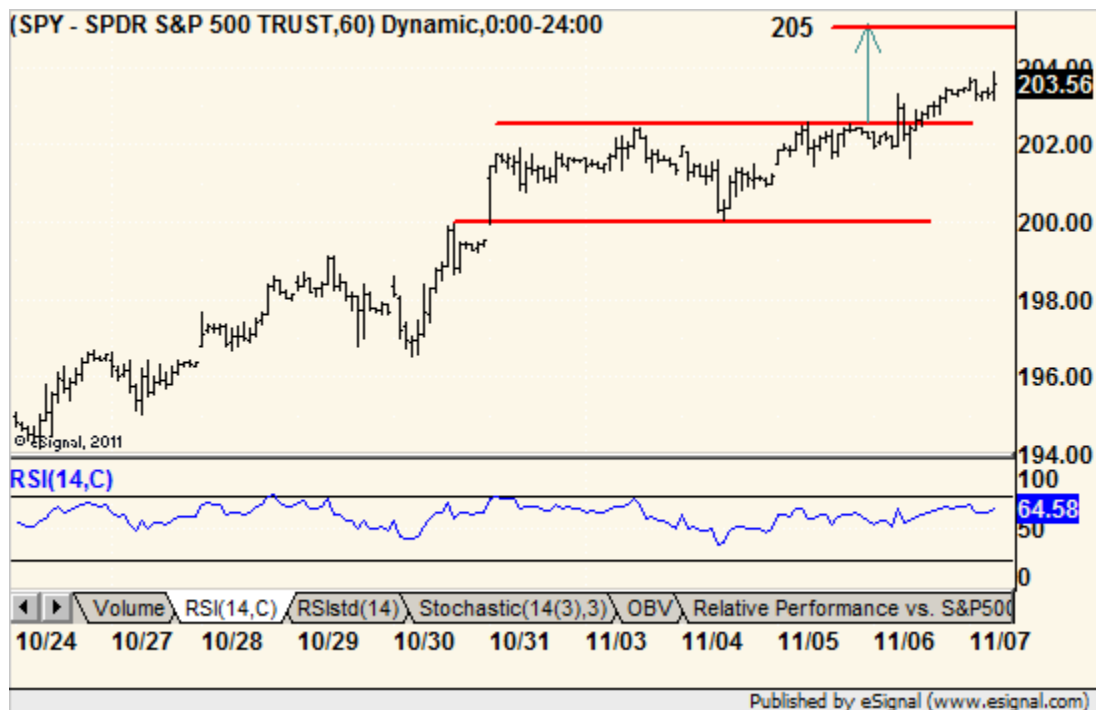
"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN
RESEARCH LLC

November 7, 2014 – Some credit jobless claims for Thursday's rally. Most of us credit more jawboning from Mario Draghi for another European stimulus. And this morning the jobs number was weaker than expected pushing stocks up another notch. Apparently, the thought is the weaker it remains the longer the Fed keeps interest rates low. We'll have to see how that plays out for the rest of today's session.

Away from the news, the technicals are still shaky. True, price is the only thing that really matters and it is at new highs but everything else is pointing the other way. Volume, as usual, is suspect. Stocks are overbought. Small caps are lagging again. And now sentiment is at an extreme with bearishness at a nine-year low, according to the AII survey.

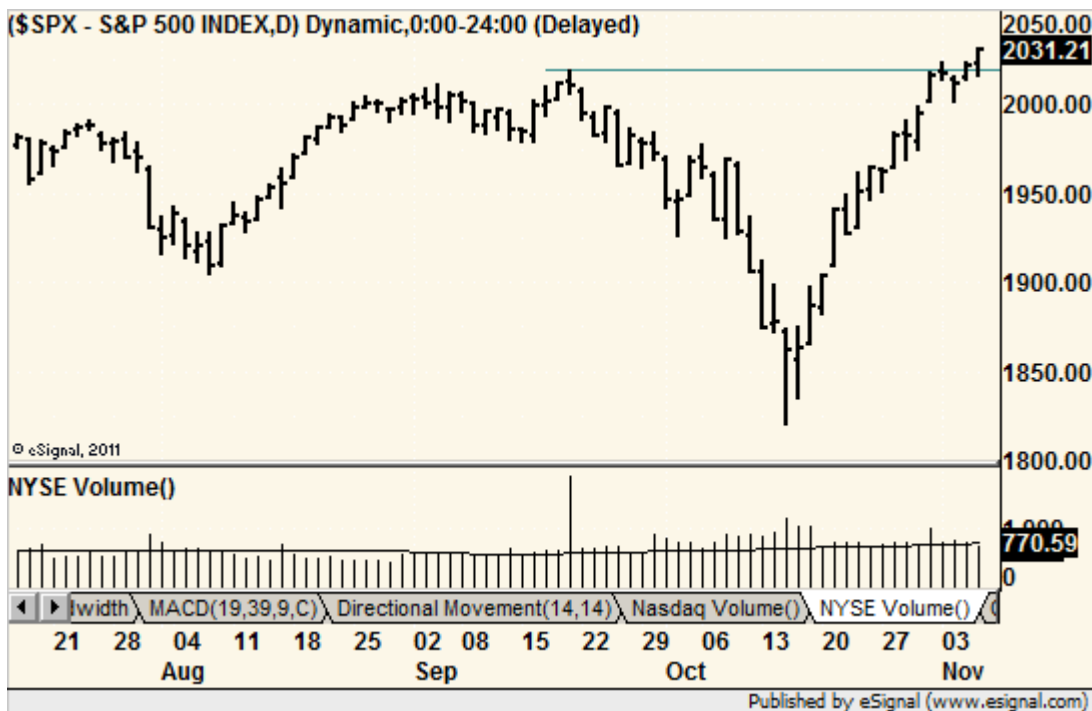
Seasonal and cyclical factors are positive so it is not all bad. However, we are not the only ones to notice that the **VIX** collapsed at an unusually fast rate after last month's spike. That could mean an immediate return to complacency with no lessons learned.



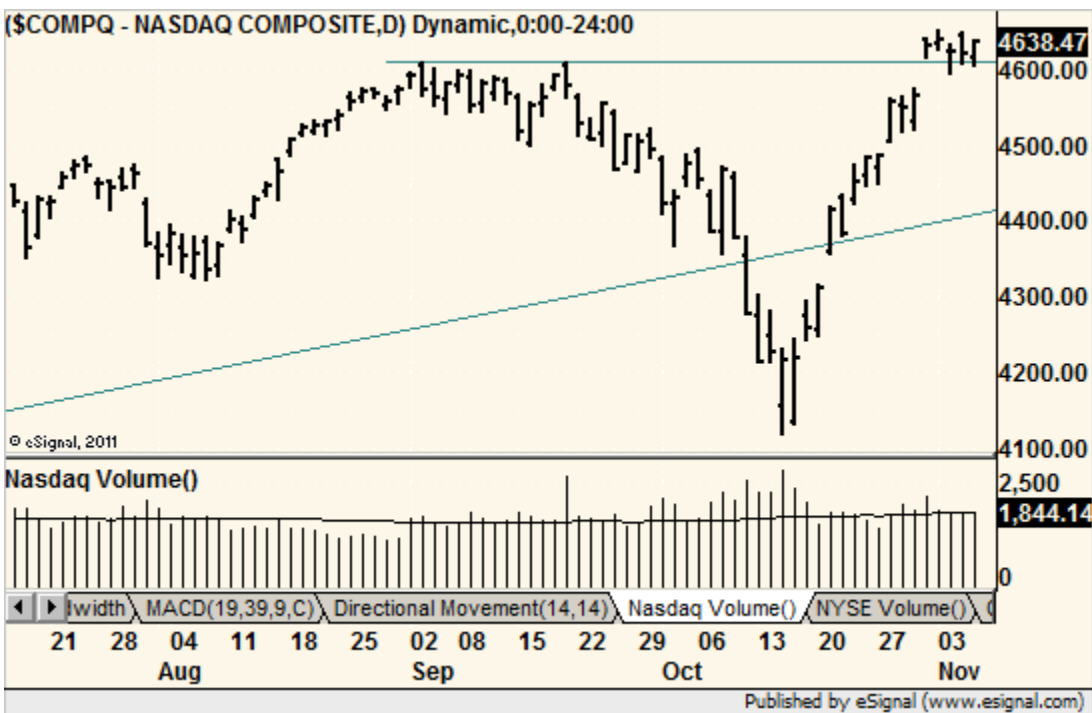
As we can see, the hourly chart broke out to the upside despite all the warnings. Let's assume it is valid and project the trading range height up from the breakout. That leaves a target near 205. Do we believe it? No. But we did not think it would break out, either.

For now, we have to go with what is happening and the Advice Tracker has plenty of longs. But short setups are starting to appear.

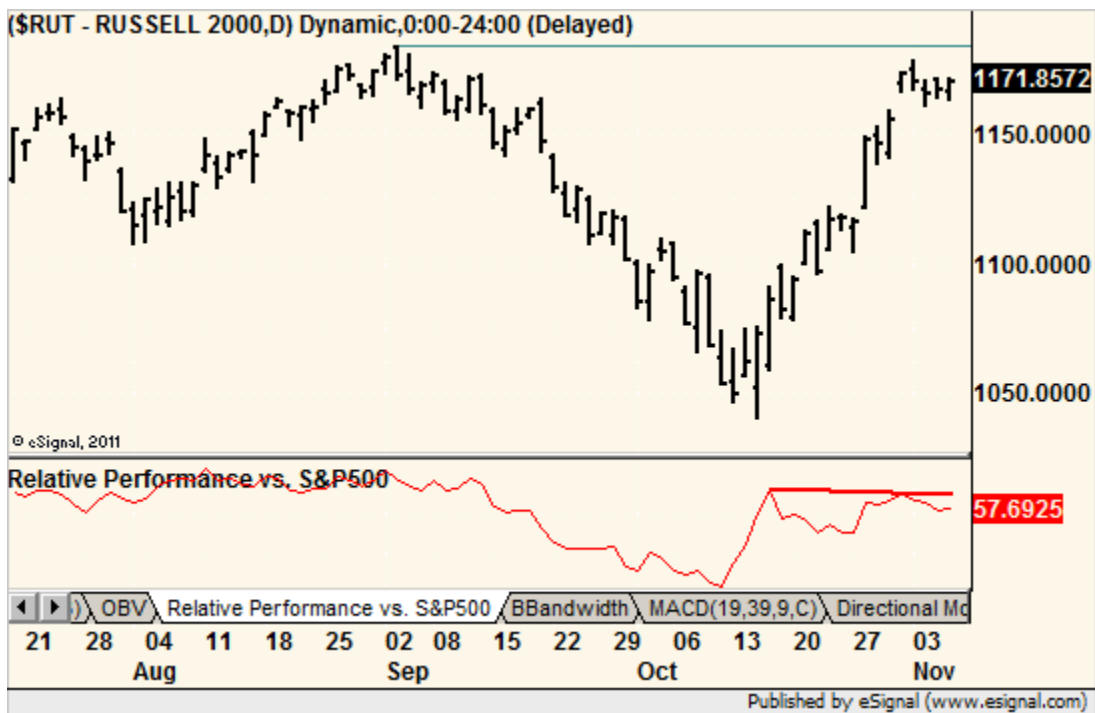
Index Charts of the Day



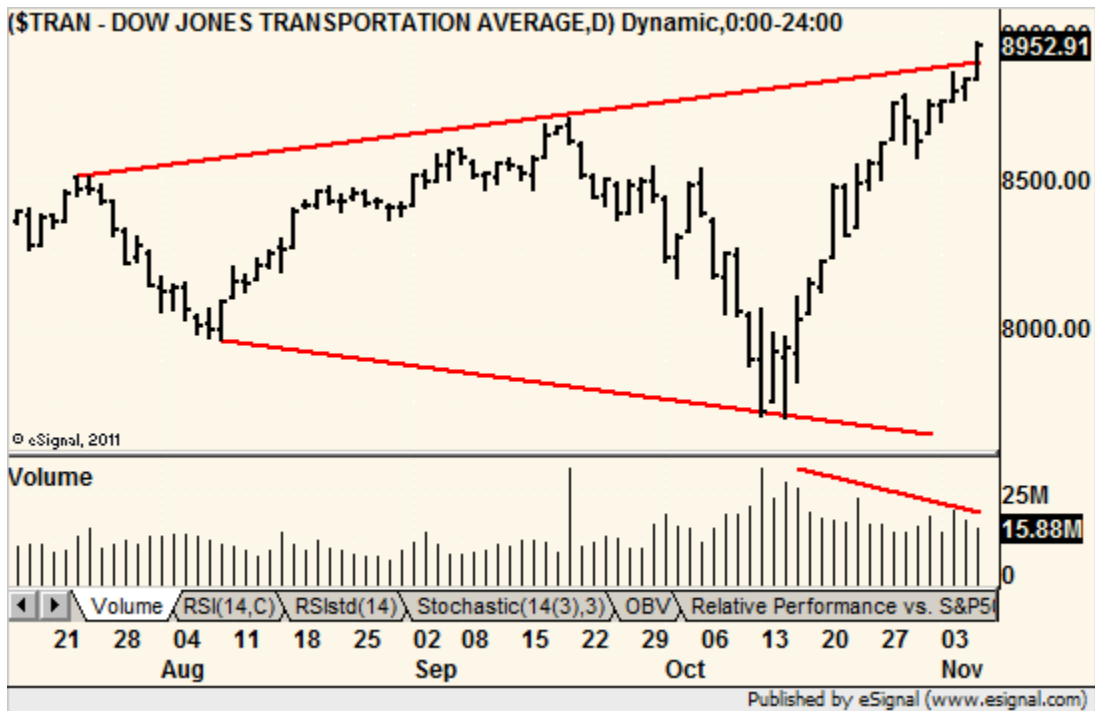
The S&P 500 is close to an undeniable breakout but it needs to spend a full day above resistance. Volume was the lowest in eight trading days.



The Nasdaq is still messing around at resistance. Yes, slightly above but still not free from it.



The Russell is stalled below resistance. Unlike the other indices, this resistance is well below its actual 2014 high set in March and July. Note lagging performance again.



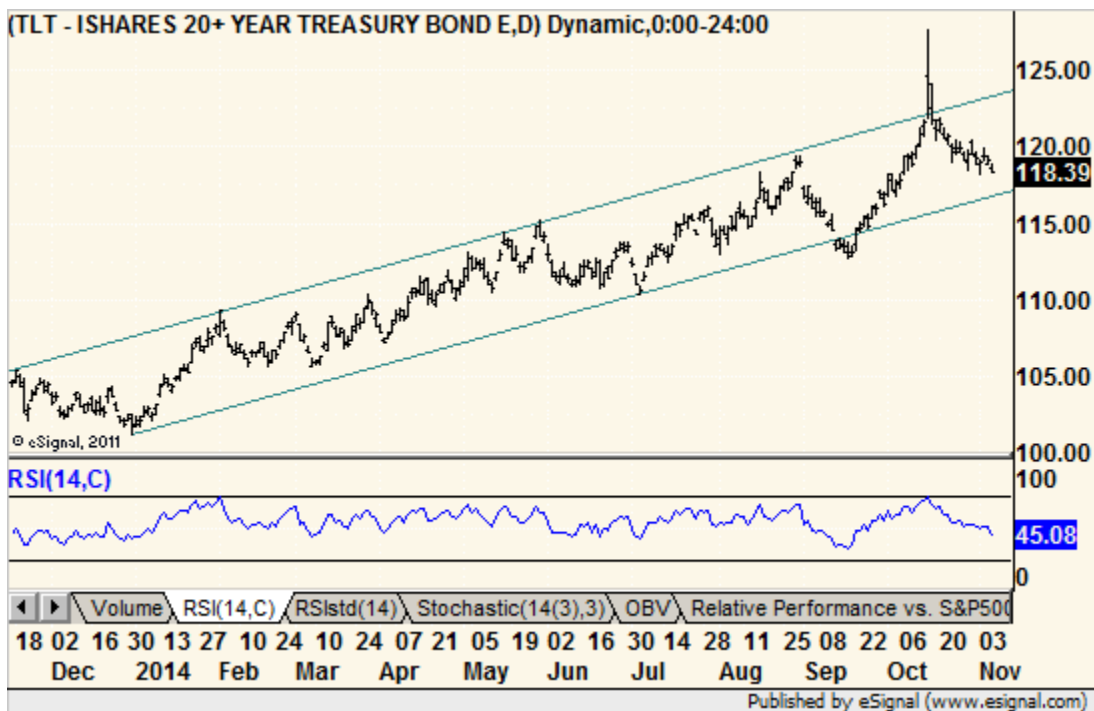
The transports are now above the expanding triangle but it is airlines with a little help from railroads driving (sorry) them. We are going to run charts of all the sub-groups below.

The Radar Screen

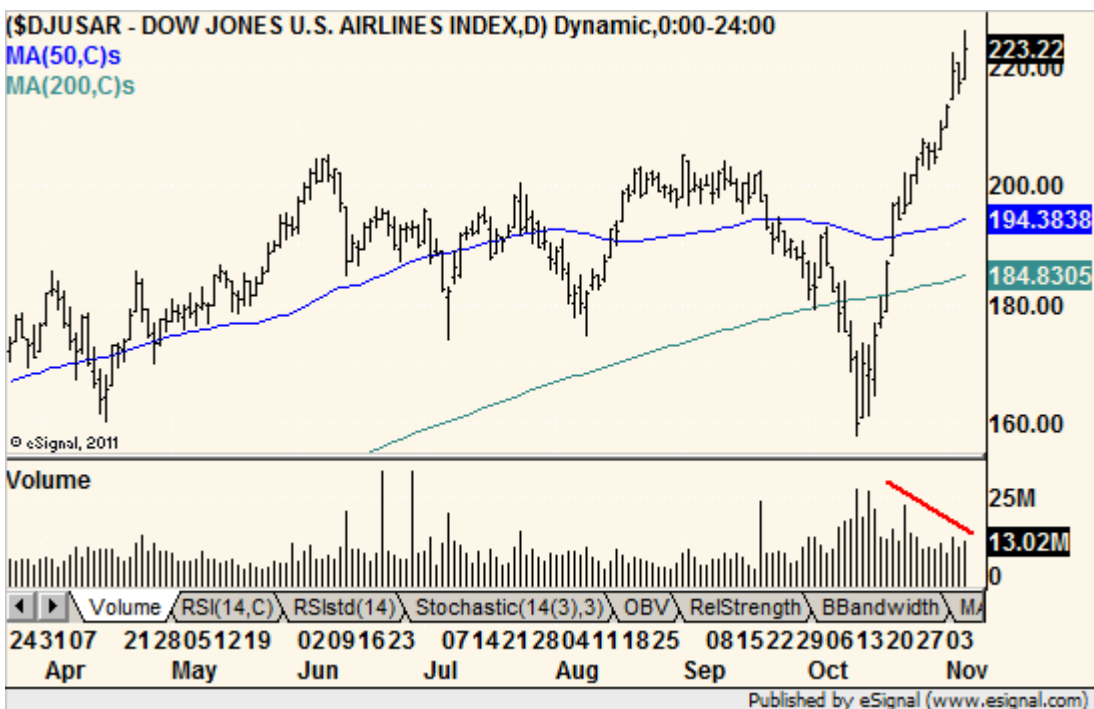
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
Kellogg - Food stocks also look good. This cereal maker has a trend and 50-day breakout and pause. <u>Buy the secondary breakout above 64.50 on close.</u>	Triggered	11/6
Tile Shop TTS - Selling climax. A move above resistance at 9.13 would be a good entry.	New	11/7
Bearish Implications		
Tivo TIVO - A bearish intraday reversal at the 50-day average although it closed with a tiny net gain. Considering the strength in the market that day, this is not a good sign. Big P/E, too. <u>We will sell a down close today as that breaks a trendline</u>	Moved	11/3
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Marriott MAR - Several hotels failed Friday afternoon after big morning gains. This one is overbought but we need confirmation and a weaker market before selling. Tentative breakdown		11/3
Choice Hotels CHH - Here, we see a reversal at resistance. Some will argue that this is a cup-with-handle pattern although the shape and volume are wrong. Still, we have a range at resistance where a break in either direction will tell us the next move. Possible downside break		11/3
Hyatt Hotels H - A rather weak stock for such a strong week in the market. Big decline Tuesday.		11/3
Noodles NDLS Inverted head-and-shoulders, rising on-balance volume, good momentum, and above the 50-day average. Neckline breaks at 23.40. Not triggered as it gapped up over 8%. We'll watch this for a little while as it is down sharply in the premarket today.	Moved	11/6
Sector Watch (observations that may spark ideas)		
Gold Miners - Extreme bearish sentiment and nearing its 2008 lows.		11/3
Hotels - Some, not all, have weakened considerably.		11/3
Marine Transportation - Major breakdown and successful test of that break.		11/5
Energy - A few pattern breakdowns Tuesday. Still avoiding.		11/5
Updates		
Barrick Gold ABX - Goldman just took it off the buy list. We've just <u>added</u> it ours (Holding Tank)		

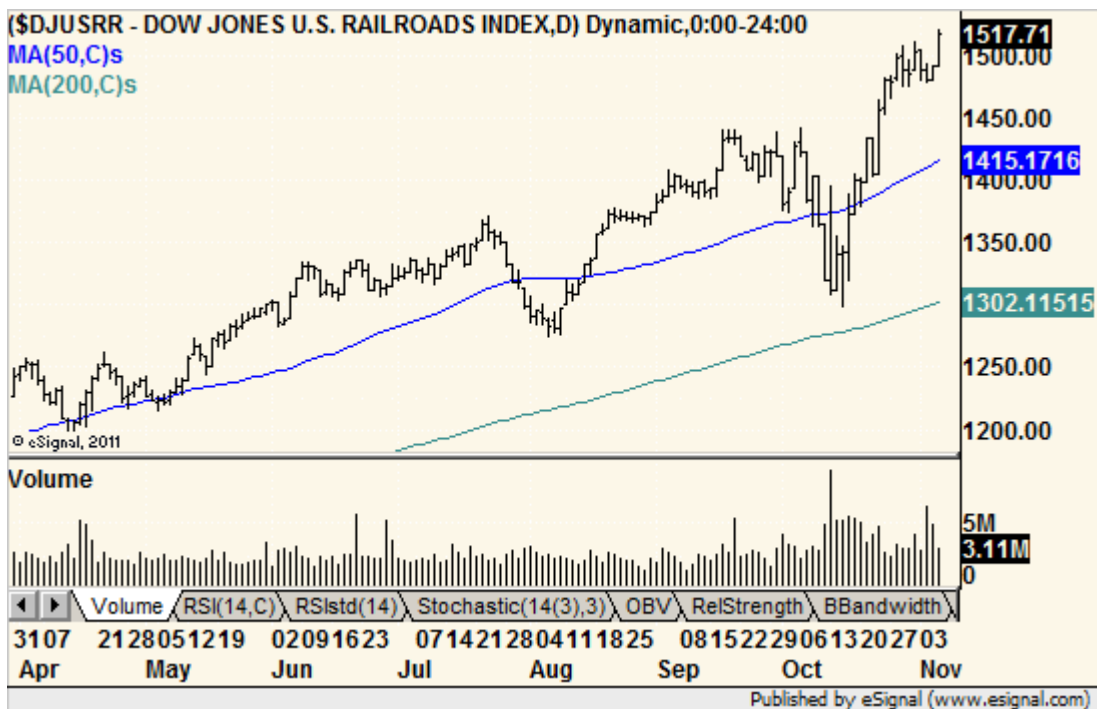
Market Highlights



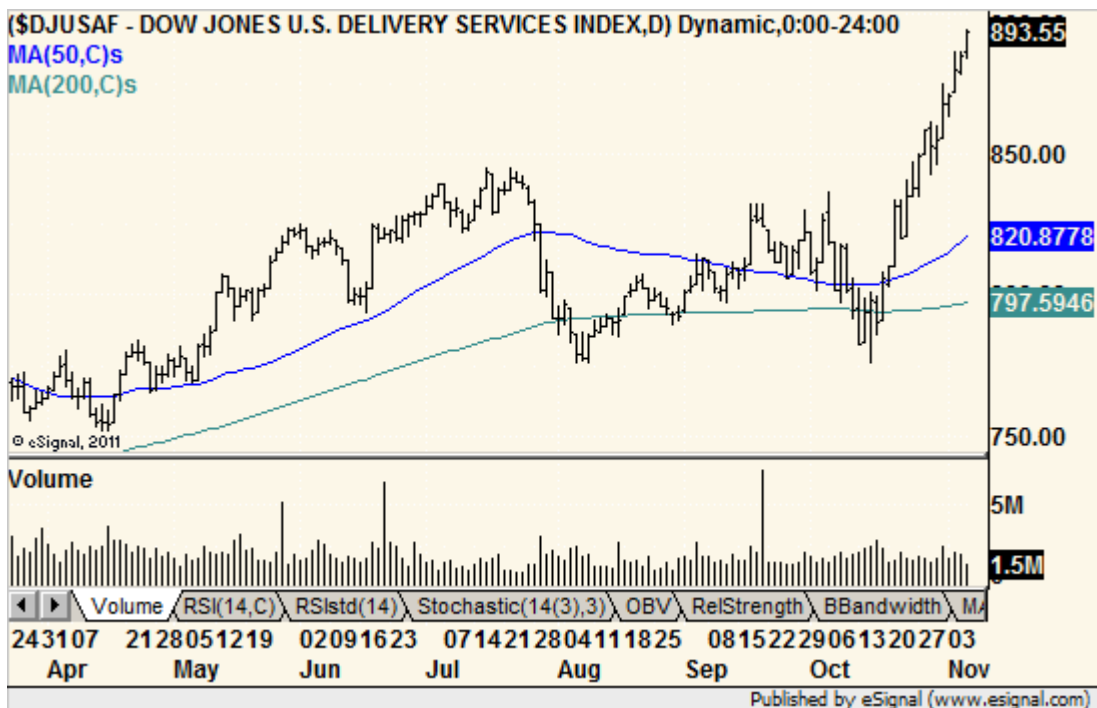
Long T-bond ETF - Still making its way down to the channel bottom.



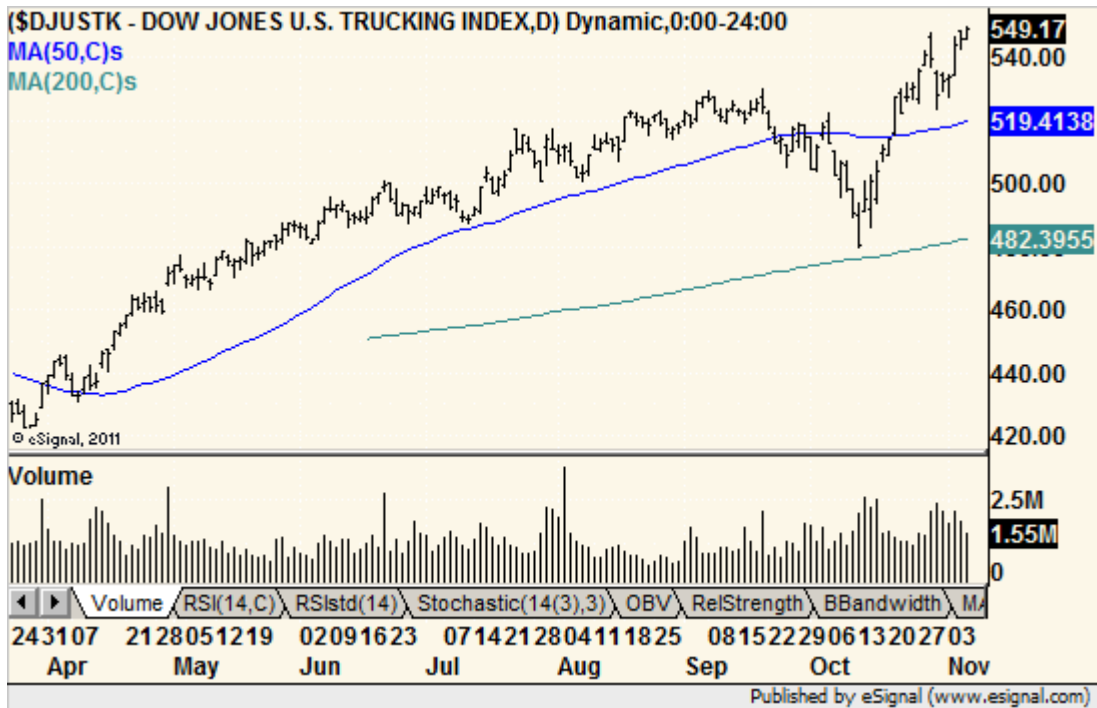
Airlines - Super performance but volume is still falling. Very strange. Also now quite far above its averages like a rubber band stretched too tight. Time to snap back?



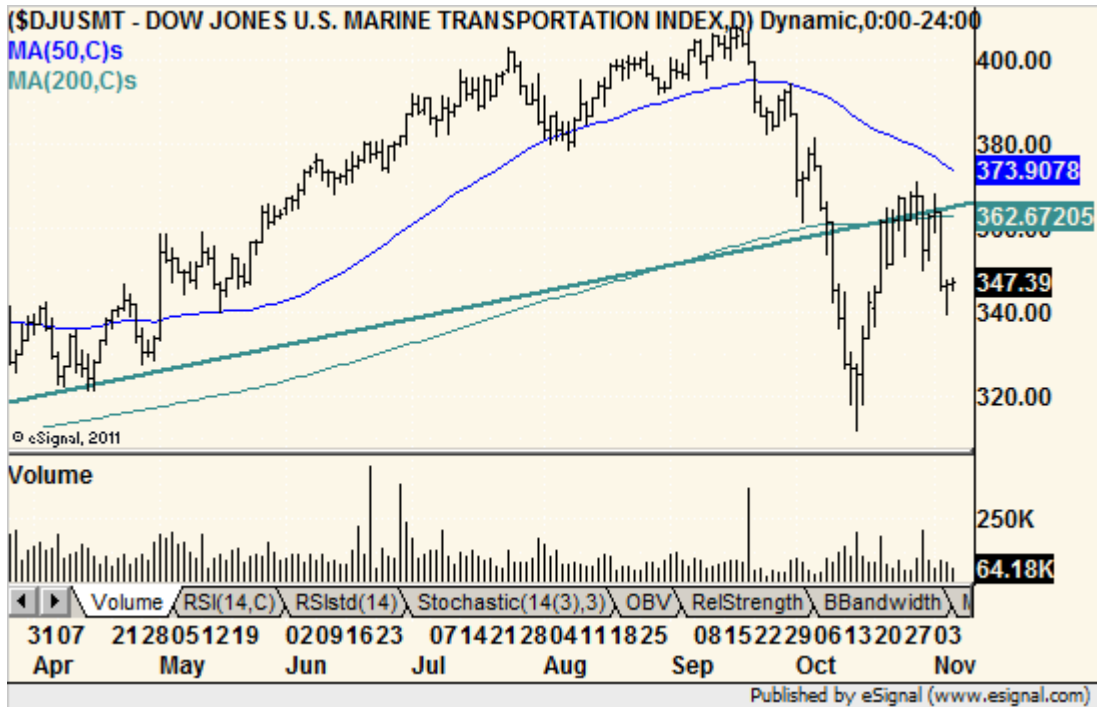
Railroads - This chart shows at least some consolidation before yesterday's breakout. Volume is even stranger with falling volume on the rallies and high volume on the pullback. We are short **CNI** in the Advice Tracker and stand by it.



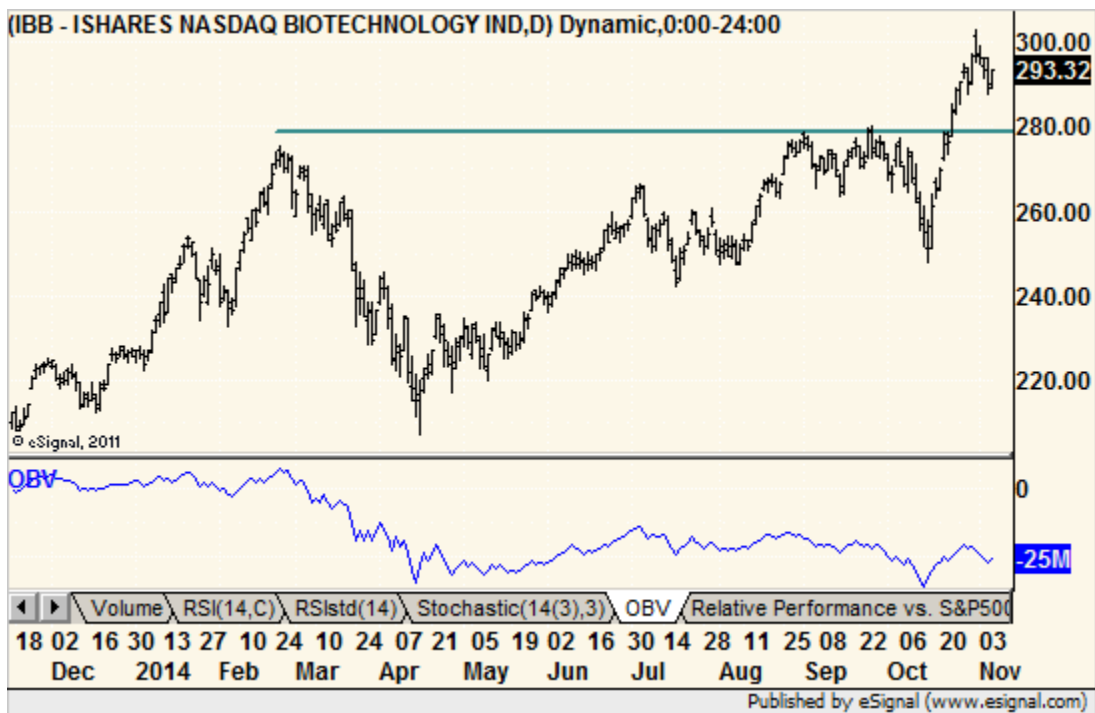
Air Freight - Looks strong like airlines but this sector is lagging airlines quite a bit. Overbought RSI (not shown).



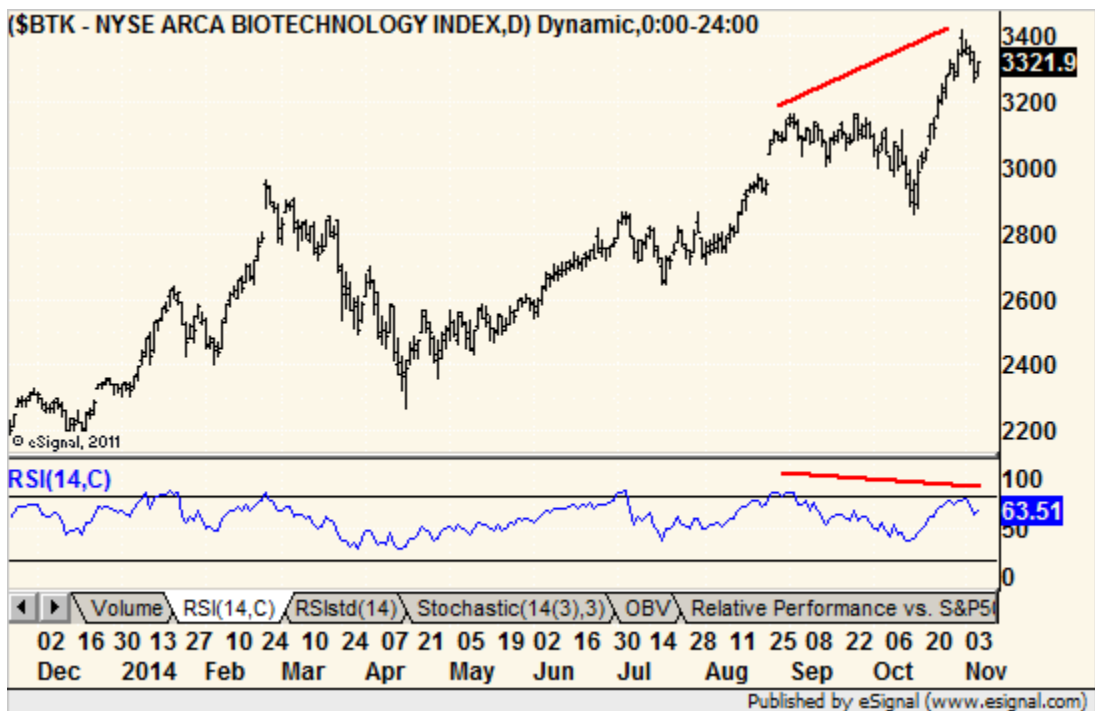
Truckers - Just negated a bearish reversal. I wrote up two of them (**CHRW** and **CNW**) as shorts for a magazine and still stand by them.



Marine Transports - We showed this one a few days ago. Looks like a major breakdown and successful test of that breakdown.



Nasdaq Biotech ETF - Falling on-balance volume is scary although price action can still end up being a bull flag. See next chart...

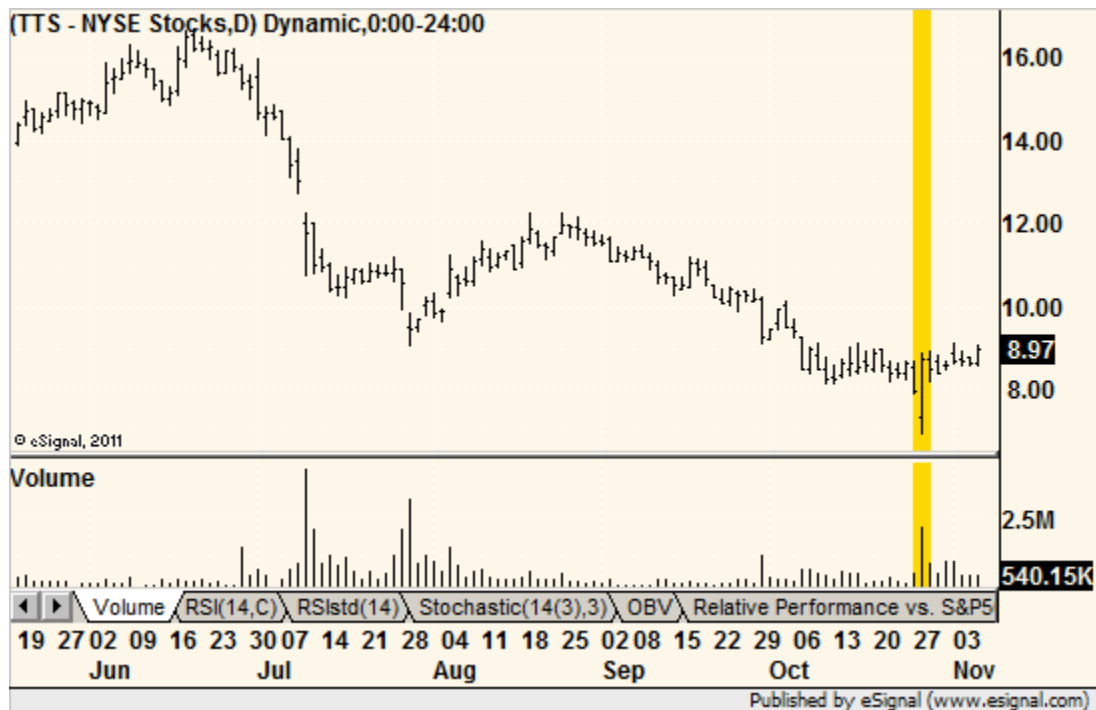


NYSE Biotech Index - Bearish RSI divergence.

Today's Lesson

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

Selling Climax



Tile Shop - A selling climax occurs after a long decline. It is marked by a large price range on the day with very heavy volume. The stock can close either near its lows or near its highs. We are a little less confident if it closes in the middle of that day's range.

The idea is that the last bulls sell en masse as they give up (capitulate). The stock is washed out as all supply is exhausted. That does not mean it will go back up right away but without supply any uptick in demand will get it moving.

For this stock, a move above resistance at 9.13 would be a good entry.

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. **Green** means we closed them. 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>	ALL	ALLSTATE CORP	66.13	5.5%	64.00	62.71	10/27	10
	KKD	KRISPY KREME DOUGHNUTS INC	19.38	6.2%	18.50	18.25	10/28	9
	K	KELLOGG CO	64.53	0.0%	62.75	64.53	11/6	0
<u>Short</u>	SBAC	SBA COMMUNICATIONS CORP	111.65	-0.9%	116.00	110.69	11/4	2
	LEN	LENNAR CORP	43.92	-2.8%	45.00	42.70	11/4	2
	CNI	CANADIAN NATL RY CO	69.27	-0.7%	72.00	68.78	11/4	2

Notes: New long in K at the close.

Raised stop in **ALL** quite a bit as the rally is getting very steep.

Subscriber Corner

This section is dedicated to subscriber requests for stock, futures, index and foreign exchange analysis. Send requests to <mailto:mkahn@quicktakespro.com>.

Other Information

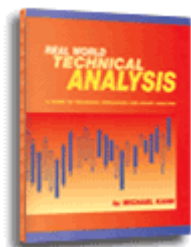
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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