

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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December 1, 2014 – Last week was bizarre to say the least. Oil did not fall but rather it was destroyed Friday. We thought Tuesday's decline was big but OMG does sum it up for the shortened day-after-the-holiday. Apparently, OPEC is kaput, power wise. They decided not to cut production and that left supply high and demand low and we know what economics 101 says about that. Prices must fall. We do not recall the textbook saying 10% was the right percentage.

Of course, energy stocks were beaten down hard with the **XOI** index down over 7% and the **OSX** down over 8%. Shale oil stocks were destroyed. Airline stocks naturally did the opposite with the DJ sector index up close to 7%.

All transports should be up big, right? Well, trucks were up 1% in a flat overall market and airfreight was up 2%. But railroads were down over 4% and marine transport was down over 6%. Don't forget, they carry oil and business is way down. That is why the DJ transportation index was also flat on the day.

Gold was also down big, as were gold stocks and many basic materials/resource sectors. This is bad news for our forecasts but we are not going to change too much on a half-day, end-of-month session. We'll have to see how it plays out today with the **GDX** ETF up a decent amount in the premarket.

Which sectors aside from airlines like it? Retail and recreational services were the biggest winners and you can figure out why. On a Peter Lynch note, I observed lines backing up the freeways in Los Angeles trying to get into packed shopping malls. Vive le Black Friday!

What does all of this do to the technicals? The NYSE scored 322 new 52-week highs but also 168 new lows. With the market notching new all-time highs, we can invoke the spirit of the Hindenburg Omen, although we cannot say that it fired. This signal points out instability in the market when a big chunk is hot and a big chunk is cold as ice. The problem is that the number of highs was more than twice the number of new lows and that keeps an actual signal from firing. There is too much strength for the weakness.

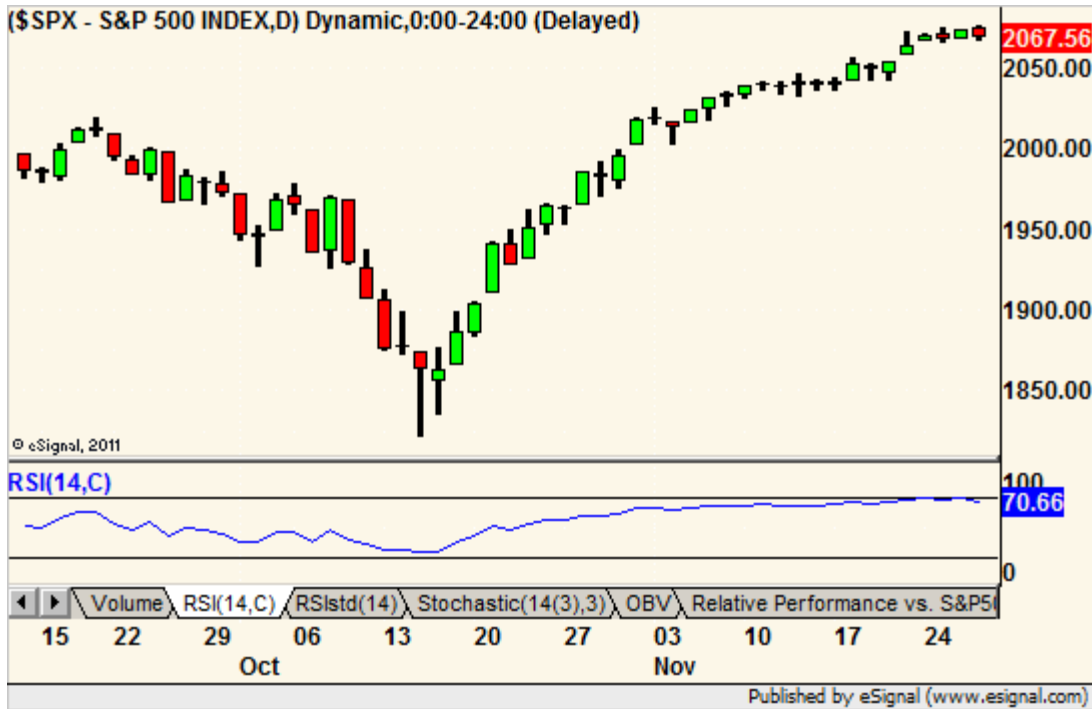
But think about what is going on. Two sectors are getting clocked - basic materials and energy. And on Friday, industrials, believe it or not, were also hammered as railroads, air freight and heavy machinery (think mining and drilling equipment) were down big. Industrials are closer to highs than to lows but Friday saw three of the nine major sectors go down big. This market is not a unit, that is for sure.

And why was the **VIX** up so much on a flat day?

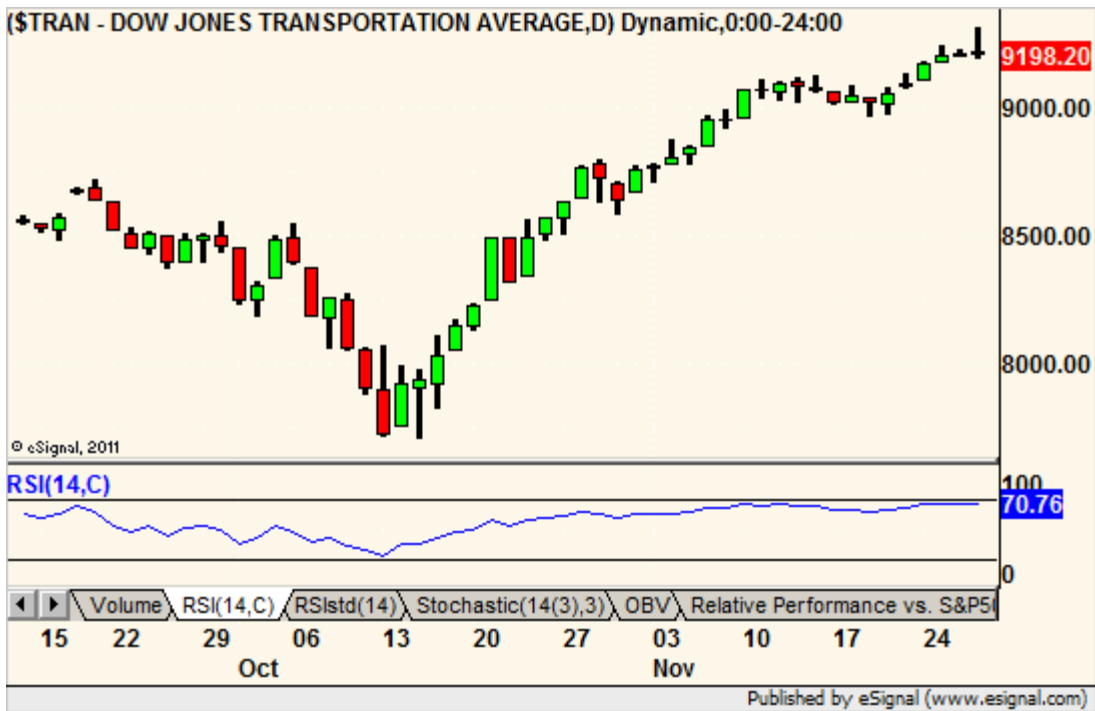
And why did junk bonds sell off huge while Treasuries rallied yet again?

You get the point. We think something wicked will this way come. The question, as always, is when although we have to let last week sort itself out a bit before deciding what action to take. Today does not seem to be the time to do much besides watch and prepare. It is certainly not a good day to panic.

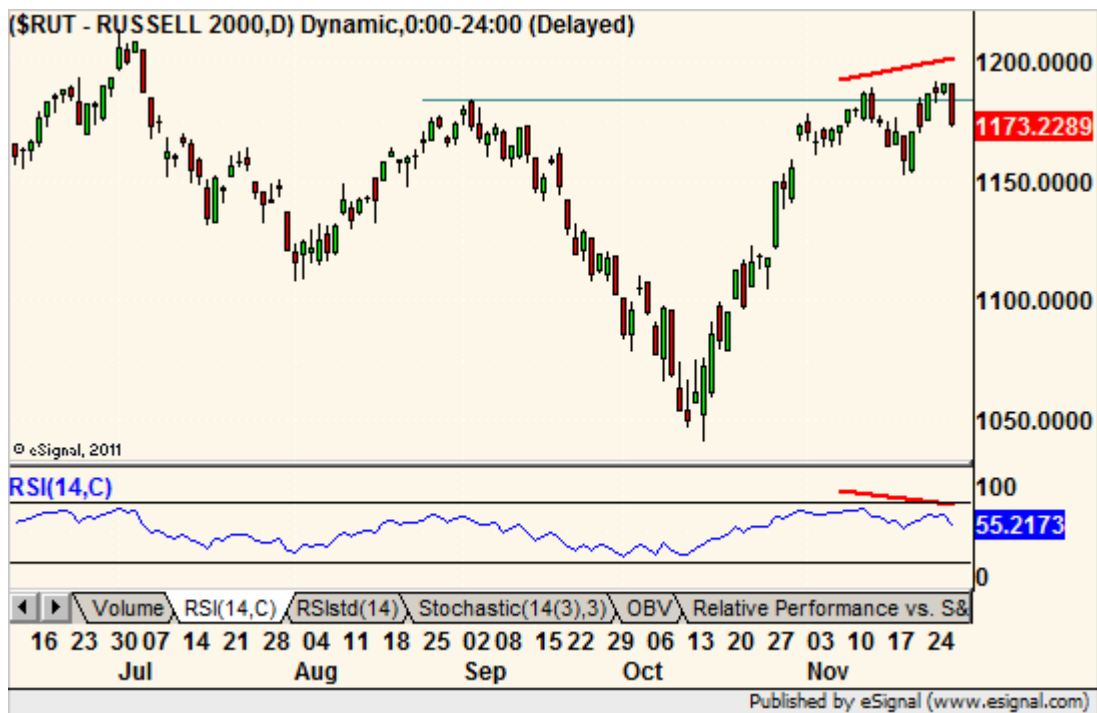
Index Charts of the Day



The S&P 500 chart - because we have to. Dojis and spinning tops tell us the market has no idea what it wants to do right now.



Remember the parabolic sell signal we got just over a week ago? Well, that failed but Friday left a rather tall upper shadow on the transports. Again, this sector is split with strong air and weak rails and marine.



The Russell shows a rather sizeable decline Friday. The RSI divergence is not official (did not start from overbought conditions) but it is not bullish, either.

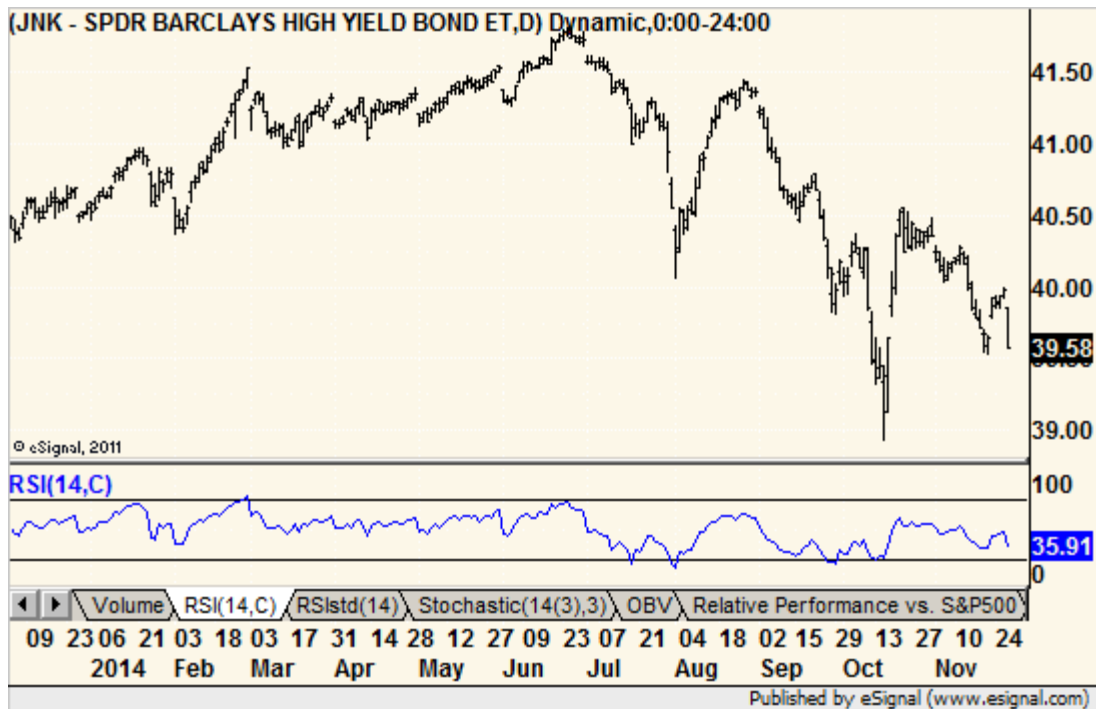
Let's emphasize - small cap stocks had a really bad Friday while the rest of the market - and the media - saw a flat day.

The Radar Screen

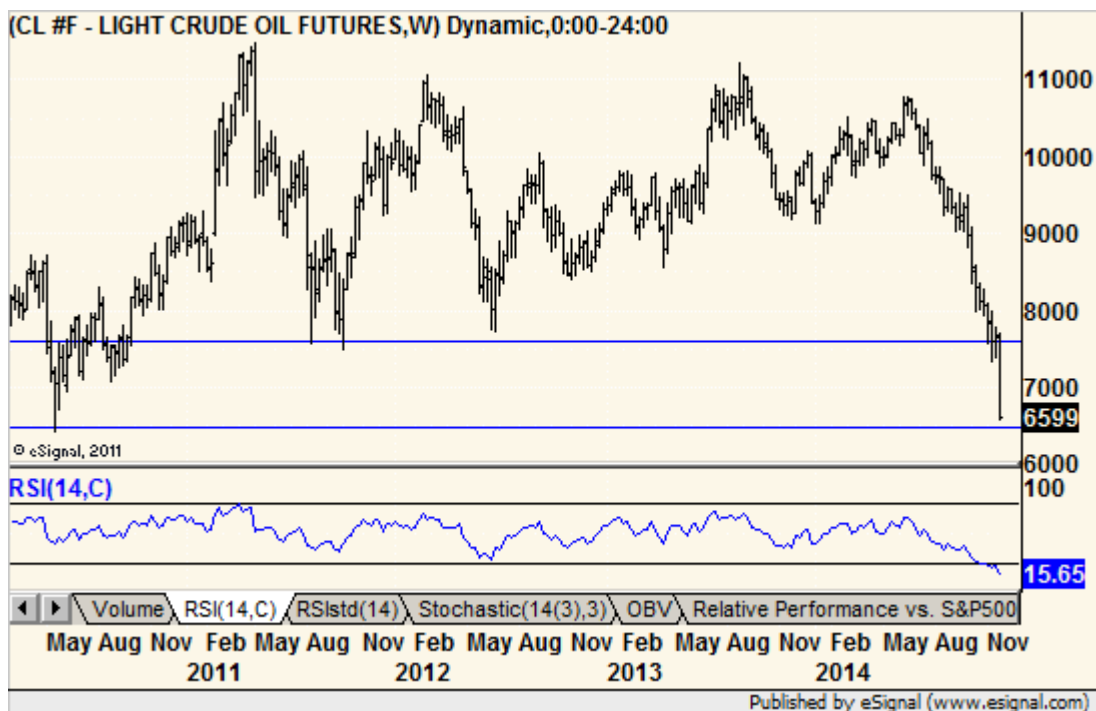
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
Vishay Intertechnology VSH - This electronic component maker is now bumping up against resistance. On-balance volume is already back to its 2014 high so we are on alert for a breakout. Buying close above 14.05.		11/17
Bearish Implications		
none -		
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Freeport McMoran FCX - Waiting on bowtie reversal pattern. Gapped up Friday on big volume but no bowtie just yet. <u>Crushed Friday but no damage done.</u>	Removed	11/19
Axiom ACXM - Inverted head-and-shoulders setup for this marketing database and intelligence company.		11/24
Sector Watch (observations that may spark ideas)		
Gold Miners - Crushed Friday but we are not giving up	Changed	11/3
Marine Transportation - Major breakdown and successful test of that break.		11/5
Airlines - Forget the correction. What is the opposite of crushed?	Changed	11/7
Retail - Liked the oil news	Changed	11/14
Brokers - On-balance volume divergence for GS . Same for MS , RJF and PJC		11/20
Energy ETF XLE - Crushed Friday	Changed	11/21
Updates		
EP Energy EPE - Why we respect reversals and stop outs		
China - Possible inverted hammer candle. If tomorrow is very weak then a pullback will seem likely.		

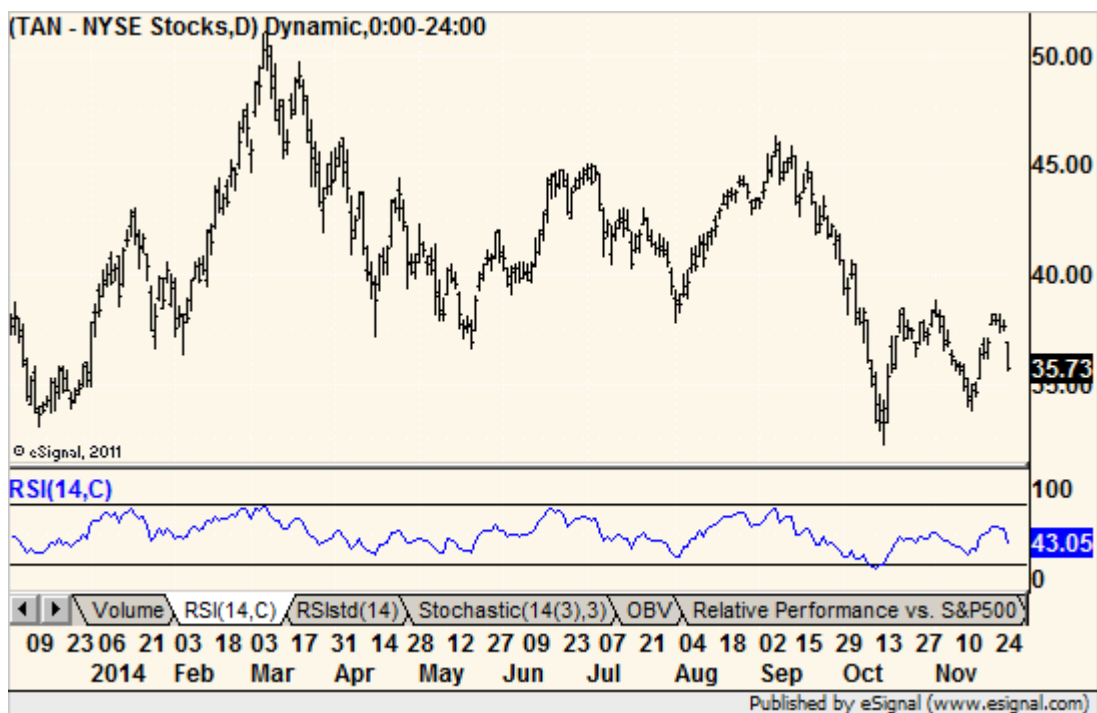
Market Highlights



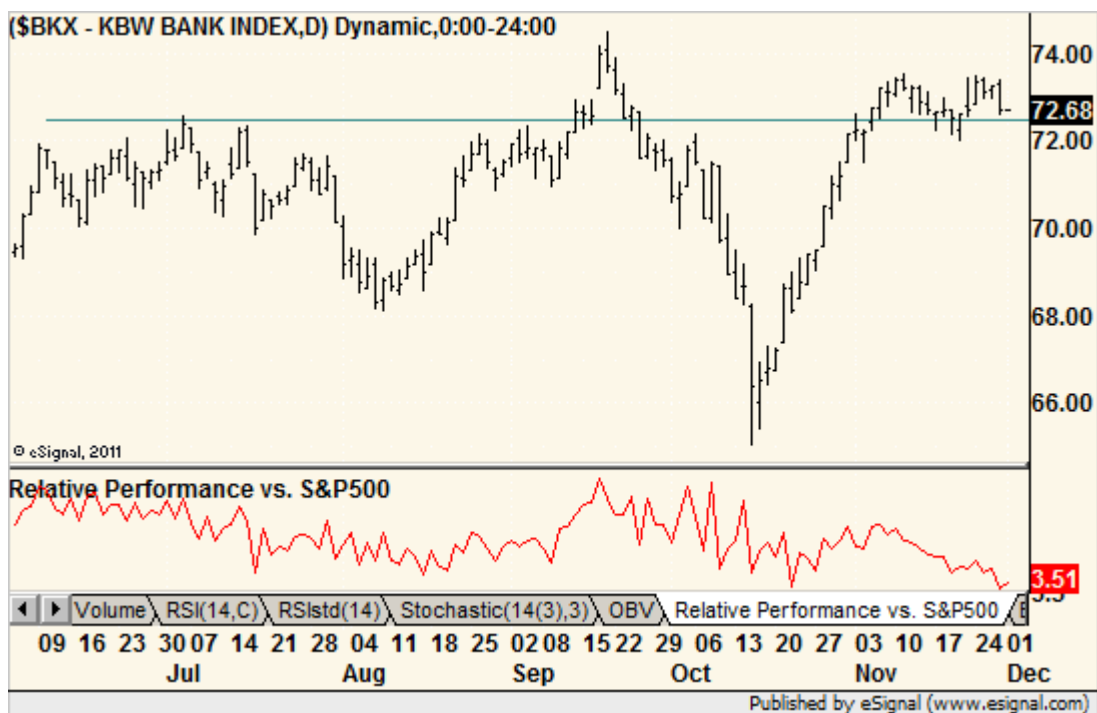
Junk bond ETF - Huge decline Friday. This is risk-off.



Crude Oil - Sliced through the 75-support but now at the 2010 support. When have we ever seen monthly charts this oversold? Not even in 2008 (not shown). Unless the world has moved on to another energy source and is forgetting oil completely, this looks way overextended. See next chart.



Solar Energy ETF - This chart tells us that the world is NOT moving away from oil. It just has no demand for energy. Fuel cell stocks look weak, too.



Banks index - We don't know where this "rotation into financials" thing is coming from. Certainly not from this chart.

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.

	Symbol	Name	Last	P/L	Stop	Price in	Date in	#Days
<u>Long</u>	ALL	ALLSTATE CORP	68.15	8.7%	66.00	62.71	10/27	34
	KKD	KRISPY KREME DOUGHNUTS INC	20.36	11.6%	sell	18.25	10/28	33
	K	KELLOGG CO	66.25	2.7%	64.50	64.53	11/6	24
	YUM	YUM BRANDS INC	77.25	5.1%	75.00	73.50	11/10	20
	DKS	DICKS SPORTING GOODS INC	50.61	6.0%	48.75	47.75	11/14	16
	LULU	LULULEMON ATHLETICA INC	48.19	4.8%	46.00	46.00	11/20	10
	REXX	REX ENERGY CORPORATION	7.99	-1.4%		8.10	11/20	10
	NDLS	NOODLES & CO	24.48	6.4%	23.25	23.00	11/21	9
	GDXJ	MARKET VECTORS JUNIOR GOLD MINER	27.07	-8.6%		29.61	11/21	9
<u>Short</u>	TIVO	TIVO INC	12.18	5.9%	12.75	12.90	11/10	20
	JPM	JPMORGAN CHASE & CO	60.16	-0.3%	62.75	60.00	11/20	10
	YHOO	YAHOO INC	51.74	-2.2%	53.00	50.60	11/20	10

Notes: As expected, we were stopped out of our energy and gold stock positions. Unfortunately, the damage was greater than our stops as both gapped down huge at the open.

Elsewhere, we are selling the long in **KKD** as it scored a bearish reversal Friday. We've been looking to take the profit for a while so this is a good time to do it.

Raised stops on a few longs.

Lowered the stop on **TIVO**. It was crushed Wednesday although it rebounded Friday.

Subscriber Corner

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Other Information

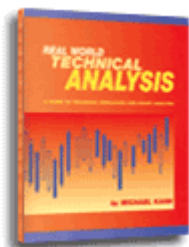
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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