

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

**December 17, 2014** – Yesterday morning the stock market was down nicely. Not huge in percentage terms but enough to make people very nervous. Nervous, that is, until the big reversal began. From down triple digits on the Dow to up trips before lunch, the reversal callers were very vocal. We cannot count how many tweets included the term "engulfing line" in them.

The thing about daily reversals like that is they are not reversals until the close. So much for the morning hours being that final flush to end the December correction.

We certainly would not be shocked to see lower lows or even another attempt at the big reversal today. After all, the Fed speaks later. What can they say? With oil so low there is zero inflation anywhere so they will not raise rates any sooner. Or will they? What if Janet Yellen says they will stick to some previously concocted plan? We are content with the shorts we have and are left with very few longs as the decline stopped them out.

Speaking of oil, it was down over a buck in the premarket yet again. What happened to our 75 target and then 60 target? When we have a market in freefall, supports are merely suggestions. But then again, it is so wildly oversold that anything goes. That includes being even one day early in bottom picking leading to disastrous results.

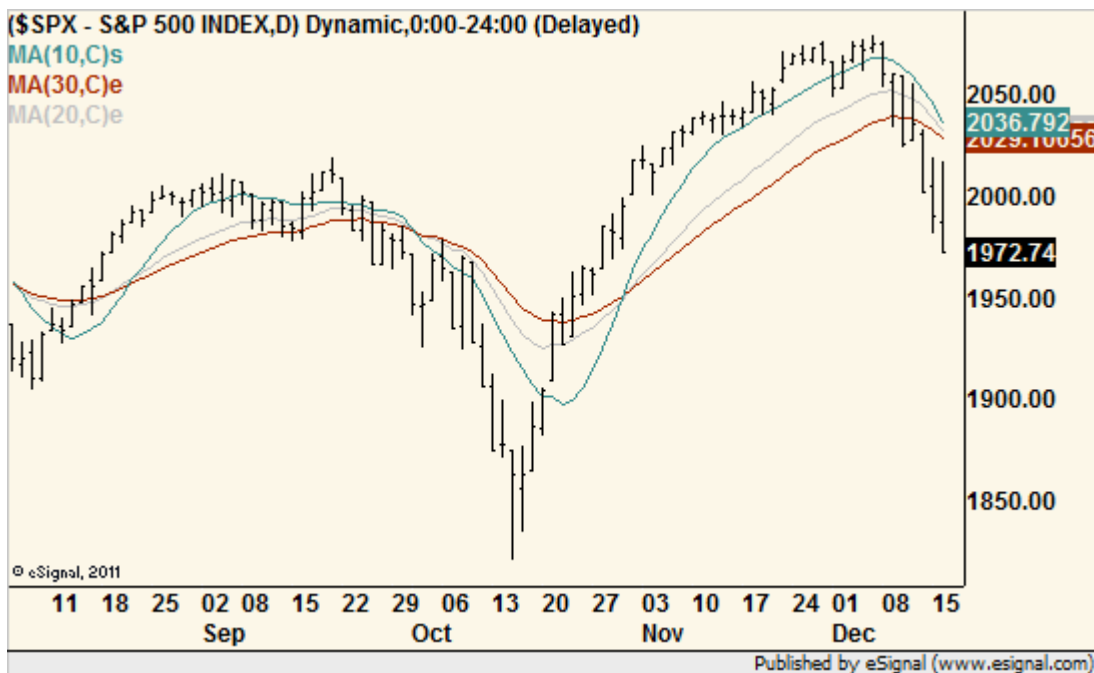
With that said, energy stocks really are starting to look promising. Long-term accounts will likely benefit with some purchases of the majors such as **XOM** and **BP**. Big dividends, big reserves, big economies of scale and plenty of other fundamental things we cannot really argue.

In the bond market, the **TLT** ETF took out its October intraday high as the flight to safety continued. It is backing down a touch this morning and junk bonds are edging a bit higher. The latter has been in free-fall lately.

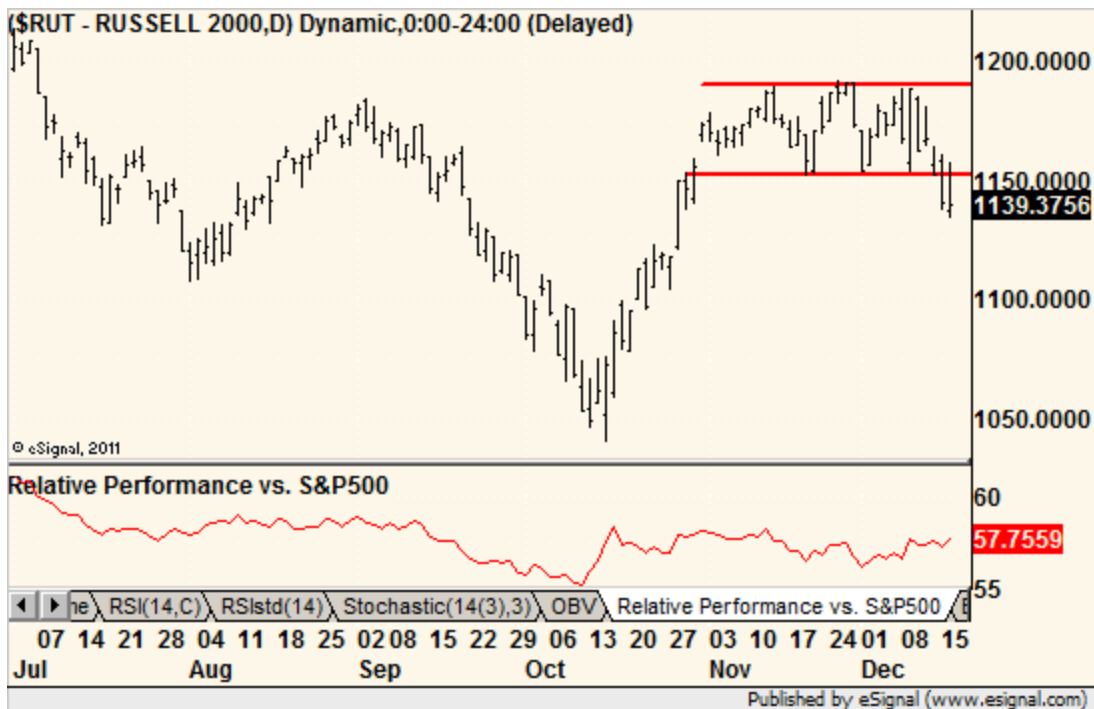


On the hourly chart, we can see the channel drawn yesterday broken but not reversed. **The more important point, in our view, is that prices did not set a lower low overnight** and that is a better signal that a bounce, dead-cat or otherwise, is near.

## Index Charts of the Day



This is the S&P 500 with the Landry bowtie moving averages (10 simple, 20 expo, 30 expo). When they cross at the same time we get a signal so officially there has not been a sell issued. We'd like to see a bounce off the Fed and then, perhaps later in the week, renewed selling to trigger the cross. It's not that we want a bear trend but rather we want a clear signal one way or the other.



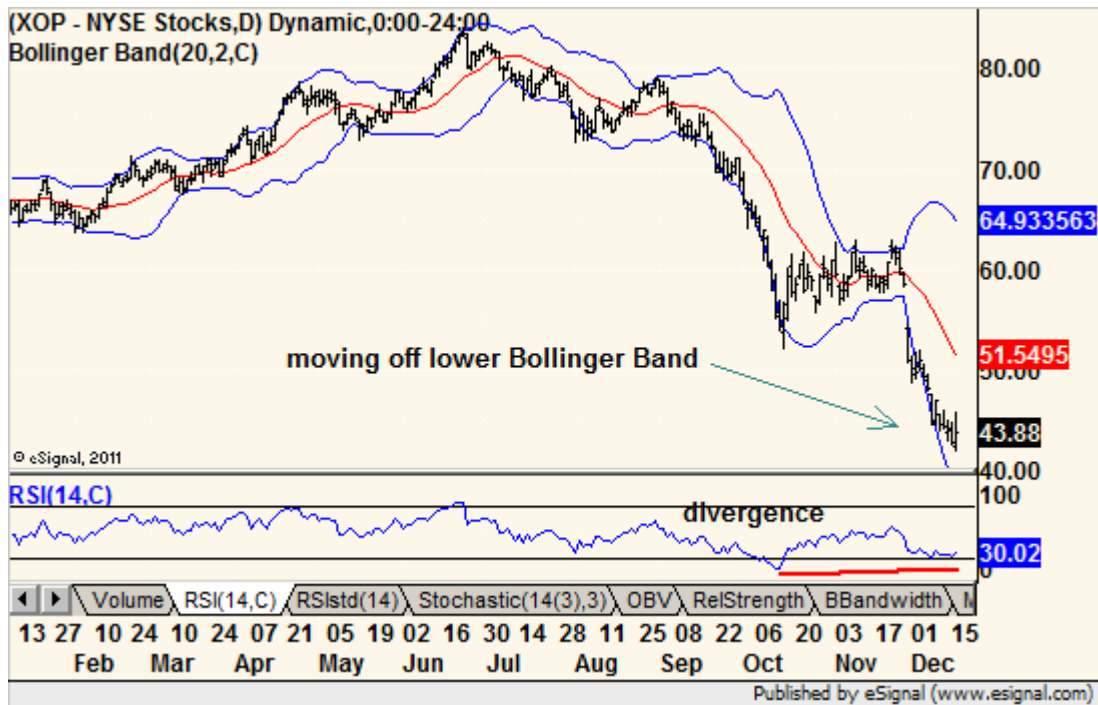
The Russell looked to be negating Monday's breakdown yesterday before the afternoon selling resumed. This is a real break that only a bullish Fed can reverse now.

## The Radar Screen

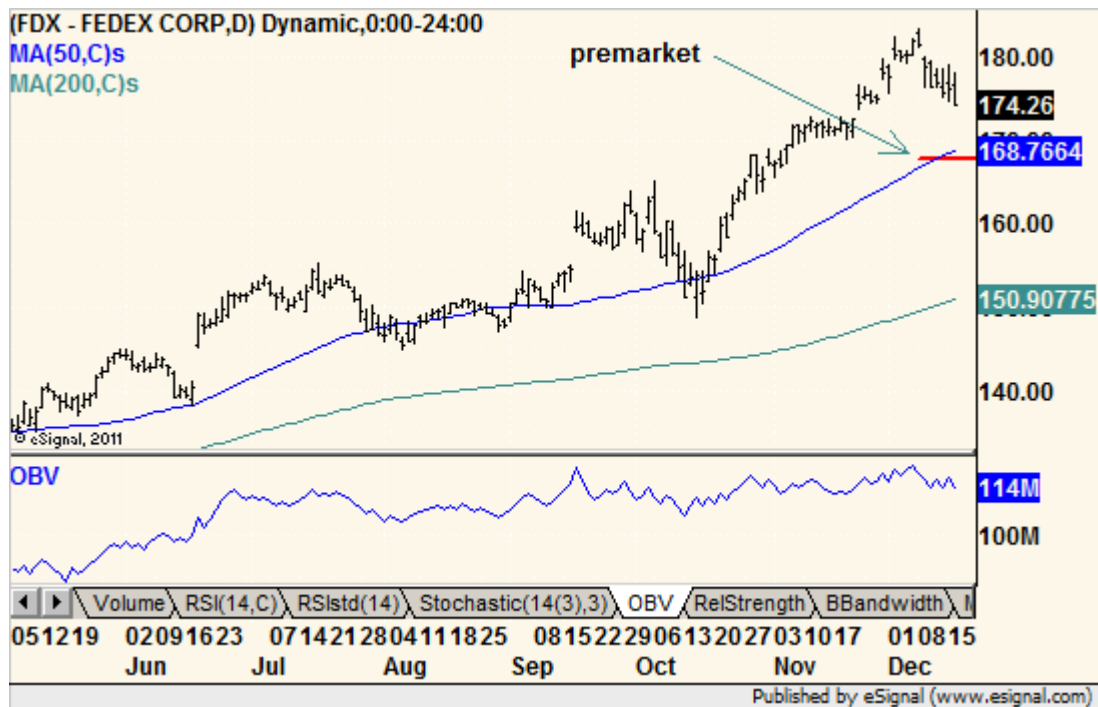
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>Hovnanian HOV</b> - This homebuilder has a trend break and a test of the 50-day average. A move above the recent range and 200-day average would be a new breakout. Trailing P/E 2.1! Buy close over 4.35. <u>Going the wrong way.</u>	<b>Removed</b>	12/15
<b>Invensense INVN</b> - This one makes motion detectors and gyroscopes for consumer electronics. After a disastrous fall, it seems to have stabilized with rising RSI (not shown) and a nice surge in price and volume after the low (follow-through day). <u>Buy 15.50 on close.</u>	<b>Moved</b>	12/12
<b>Bearish Implications</b>		
<b>none</b> -		
<b>Unknown Implications</b>		
<b>none</b> -		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Costco COST</b> - This retailer scored a major reversal last week and followed through. We'll look to see if it bounces and probably set a sell trigger.		12/15
<b>Coach COH</b> - This high-end retailer was up nicely on a down market day. It looks to be in a nice basing pattern although it is too early for a buy, save for scalpers. Takeover rumors!		12/15
<b>Freeport McMoran FCX</b> - This one is on selling climax alert. Big volume as it falls off a cliff. Extremely wide Bollinger Bands and a big spread to the 200-day average		12/15
<b>GE</b> - This one did not make the cut in my Barron's Online article. GE is now in the support zone so we are looking for a technical signal that it is time to buy.		12/16
<b>Facebook FB</b> - Contradiction. A diamond top in progress but rising on-balance volume. Just watching.	<b>New</b>	12/17
<b>Google GOOGL</b> - Possible short-term selling climax (big daily volume on a huge decline yesterday) but in the context of a weekly triangle breakdown. Looking for a bounce and then a likely sell trigger.	<b>New</b>	12/17
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Aerospace/Defense Sector index</b> - breakdown		12/15
<b>Updates</b>		
<b>none</b> -		

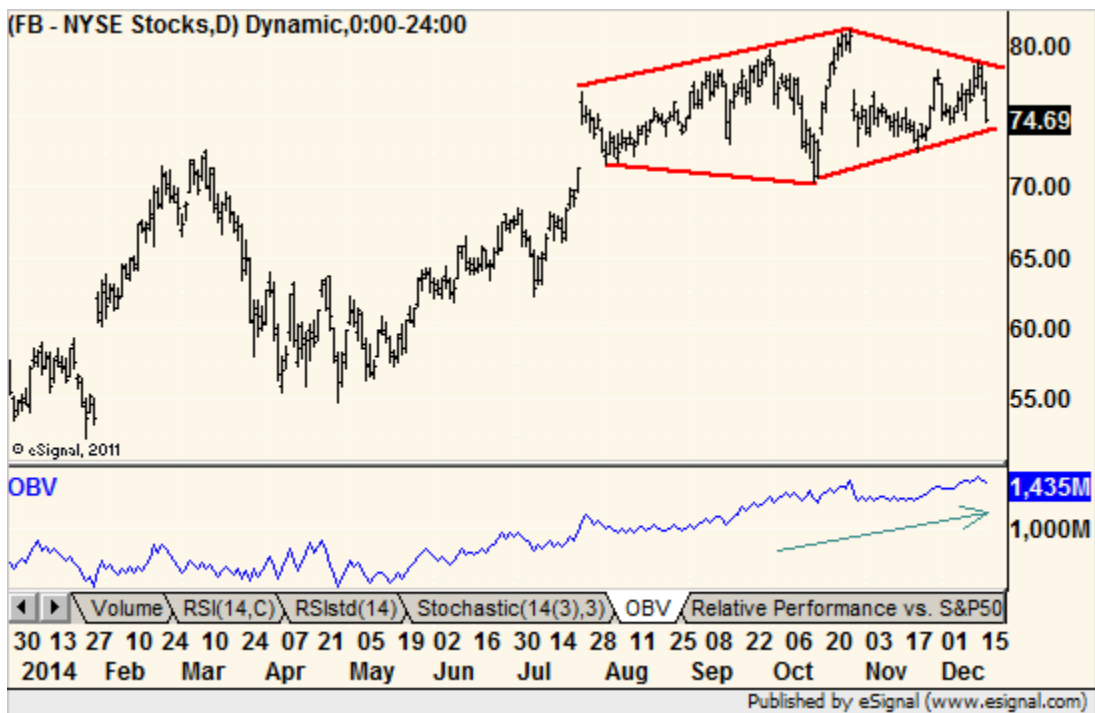
## Market Highlights



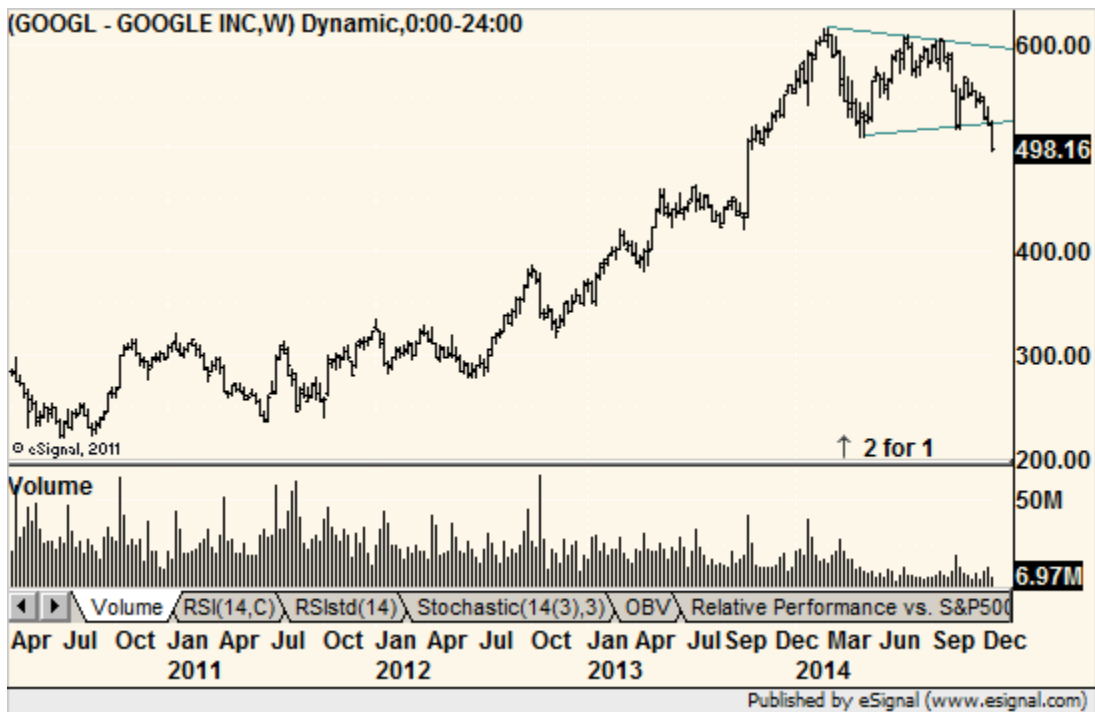
**Oil and Gas Exploration ETF** - This is one other reason to look at energy stocks. It may not be ripe yet but it is encouraging. If you have a solid fundamental reason for one of these stocks, the technicals may not argue against it anymore.



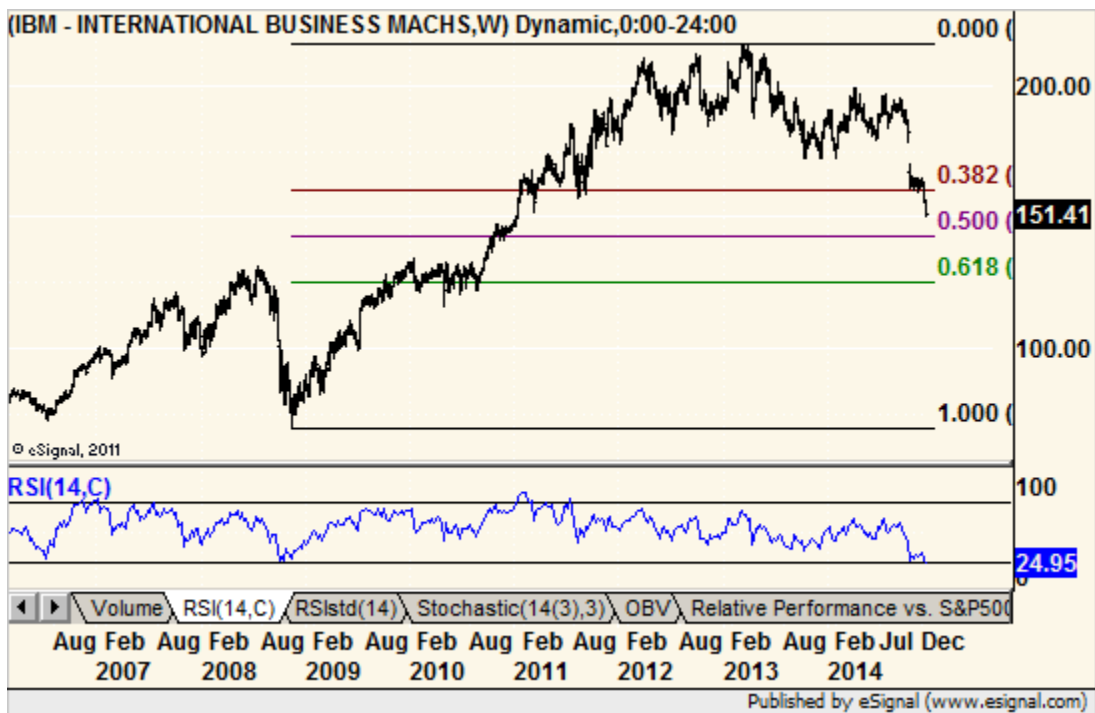
**FedEx** - Crushed on earnings. Now sitting on 50-day average so this may have just been a reversion to the mean.



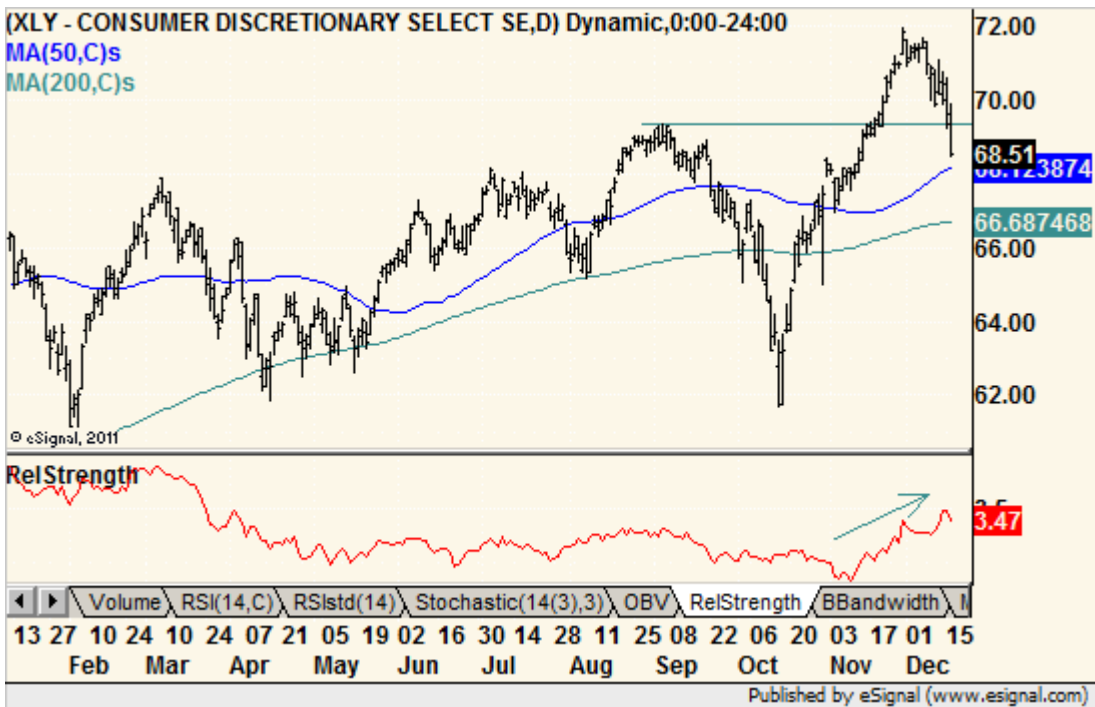
**Facebook** - Contradiction. A diamond top in progress but rising on-balance volume. Just watching.



**Google** - Possible short-term selling climax (big daily volume on a huge decline yesterday) but in the context of a weekly triangle breakdown. Looking for a bounce and then a likely sell trigger.



**IBM** - Check out this long-term view. The trend is still clearly down but Fibonacci levels below look to be good places to hunt for reversal clues. Trailing P/E 9.5 seems cheap but that is not our area.



**Discretionary ETF** - Again, this is our favorite area for when (and if) the market rebounds. See **BBBY** chart from the free email yesterday. <https://www.pinterest.com/pin/8655424260183336/>

## 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>	<b>NDLS</b>	NOODLES & CO	25.01	8.7%	24.50	23.00	11/21	25
	<b>WYNN</b>	WYNN RESORTS LTD	143.75	-2.8%		147.90	12/11	5
<u>Short</u>	<b>TIVO</b>	TIVO INC	11.72	10.1%	12.30	12.90	11/10	36
	<b>YHOO</b>	YAHOO INC	48.85	3.6%	51.00	50.60	11/20	26
	<b>TSLA</b>	TESLA MTRS INC	197.81	14.4%	205.00	226.25	12/2	14
	<b>BBT</b>	BB&T CORP	36.70	1.9%	38.00	37.39	12/2	14
	<b>OC</b>	OWENS CORNING NEW	33.08	4.3%	34.50	34.50	12/10	6

**Notes:** Stopped out of **WYNN**. It looked to be a selling climax but the market had other plans. Small loss.

Lowered stops in all shorts. Patience in **BBT** is starting to pay off. Maybe it will for **YHOO**, even though we have a bigger paper gain there.

## 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

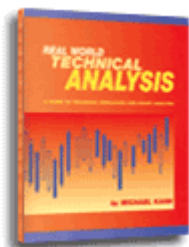
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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



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