

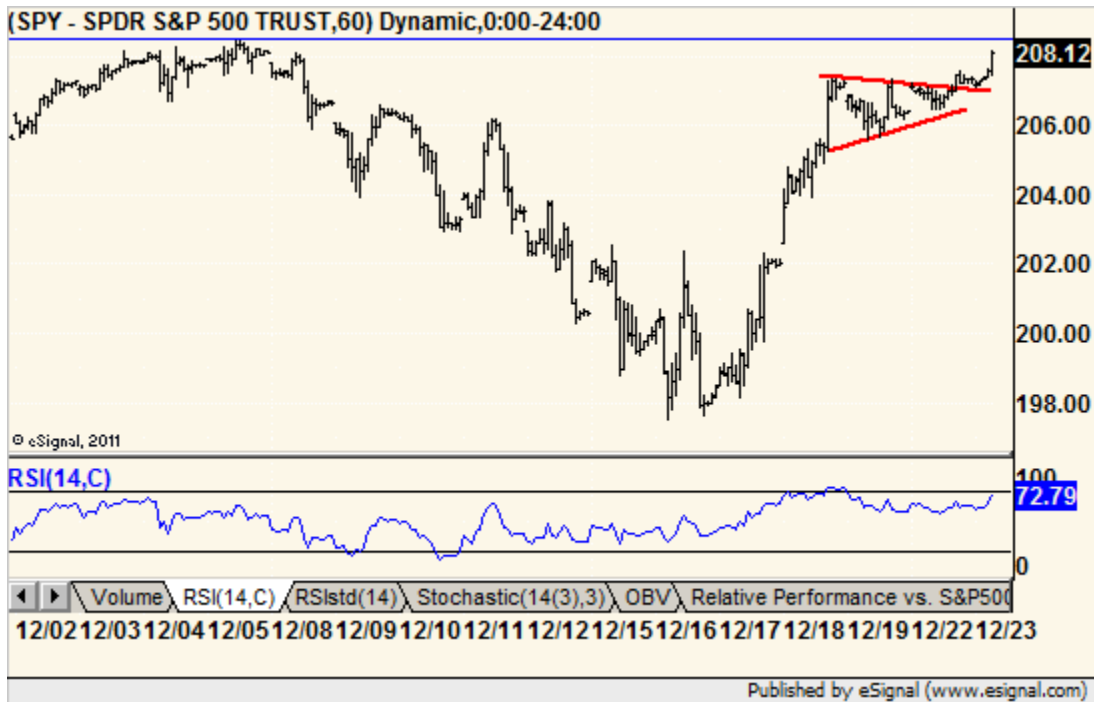
# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

**December 23, 2014** – Yesterday, we said if the market made a higher high we'd be happy to sell into it. Well, it did and resistance for the S&P 500 is not really broken. The gain yesterday was solid but only a marginal new high. And the SPDR ETF in the chart below has not even reached its resistance.

Can China be the model to follow? It scored a massive bearish reversal two weeks ago, shook it off and then clawed back to a new high. Overnight, the Shanghai composite was down over 3% so that is significant. We are not saying we'll see the same giant sell off here only that the direction may be inferred.



I will be writing about the O'Neil follow-through day (FTD) here and likely tomorrow in Barron's. We think this is a case study in progress to see if it first forms and what happens afterward. And if it does not form it still would be a teaching moment.

What is an FTD? A surge in price and volume 4-7 days into a rally attempt from the end of significant decline.

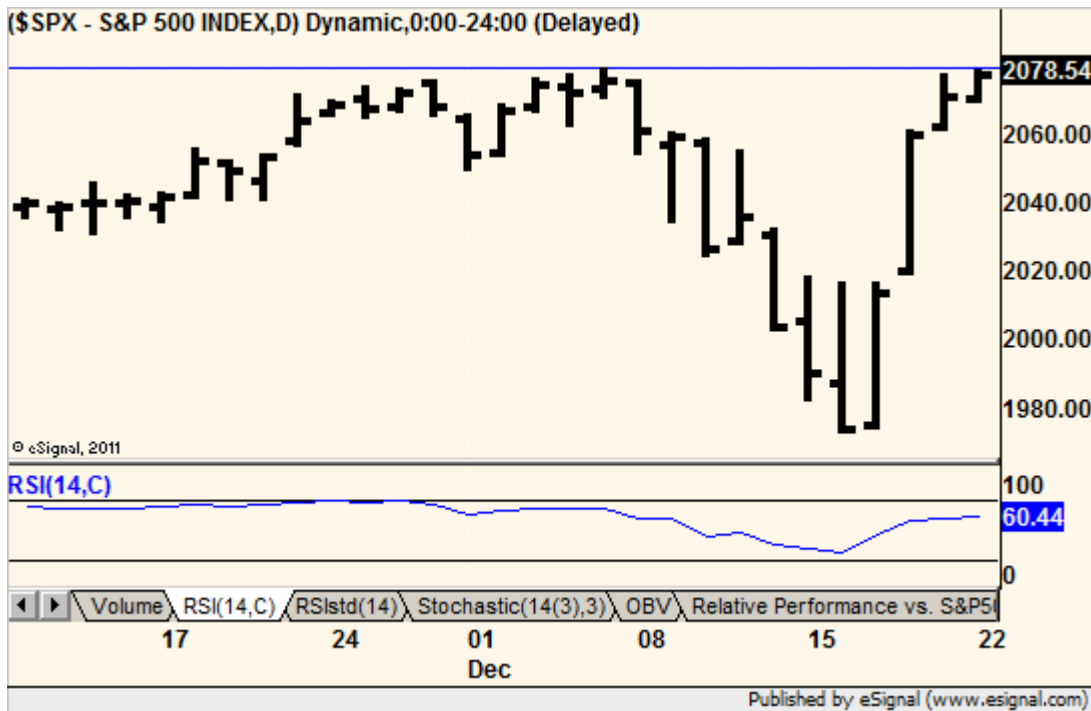
The point is that buying right away could just be bottom fishing. If it happens after the initial bottom then we surmise it is real buying coming back. So, we watch and wait.

In sectors, gold mining took a beating yesterday. Another case study in letting patterns develop before buying. But the worst sector was mortgage finance. Third was biotech mostly thanks to giant **GILD** getting clocked. And old reliable - coal - was right there in the losers list.

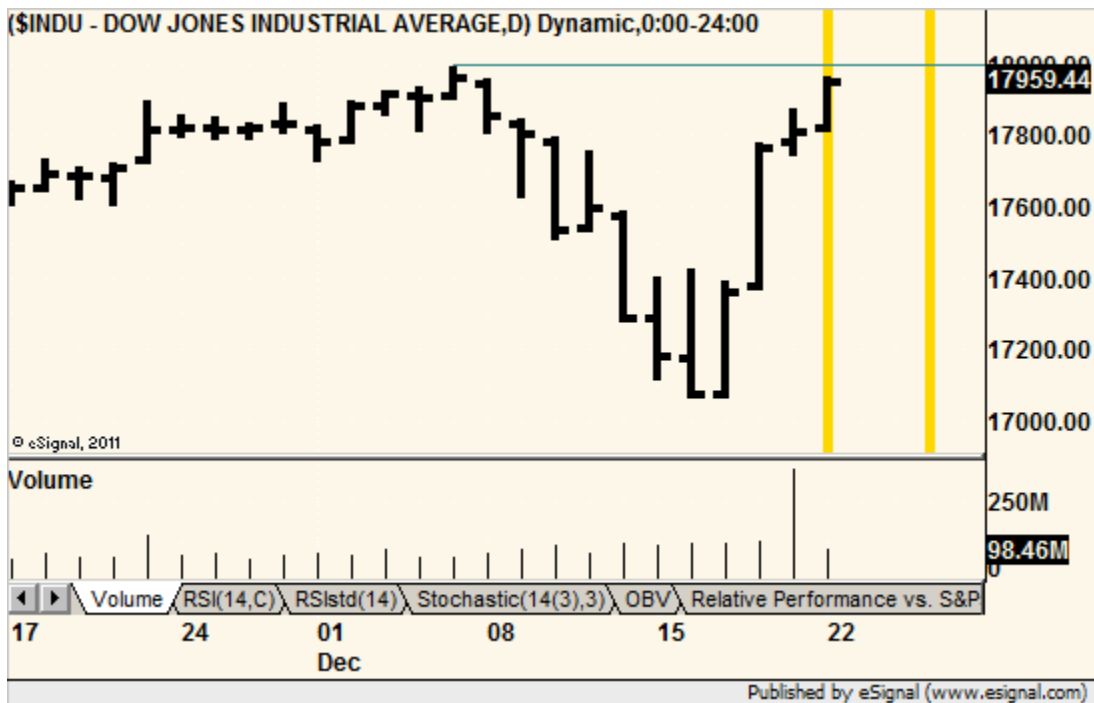
On the plus side, **PCLN** led the travel group into the top spot. Semis were next thanks to semiconductor equipment stocks **KLAC** and **ASML**. Retail was a leader, too, and that is what pushed the offense / defense index off support. These are **XLK** and **XLY** subgroups. And biotech's plunge sent **XLV** down. Simply doing the math tells us it was a very "offensive" day. Recall, this index is  $(XLY * XLK) / (XLV * XLP)$ .

The bond market did not confirm as both Treasuries and junk were higher. Still, the market was happy.

## Index Charts of the Day



Yes, media, it was a new closing high for the S&P 500. Chart watchers, are you really going there?



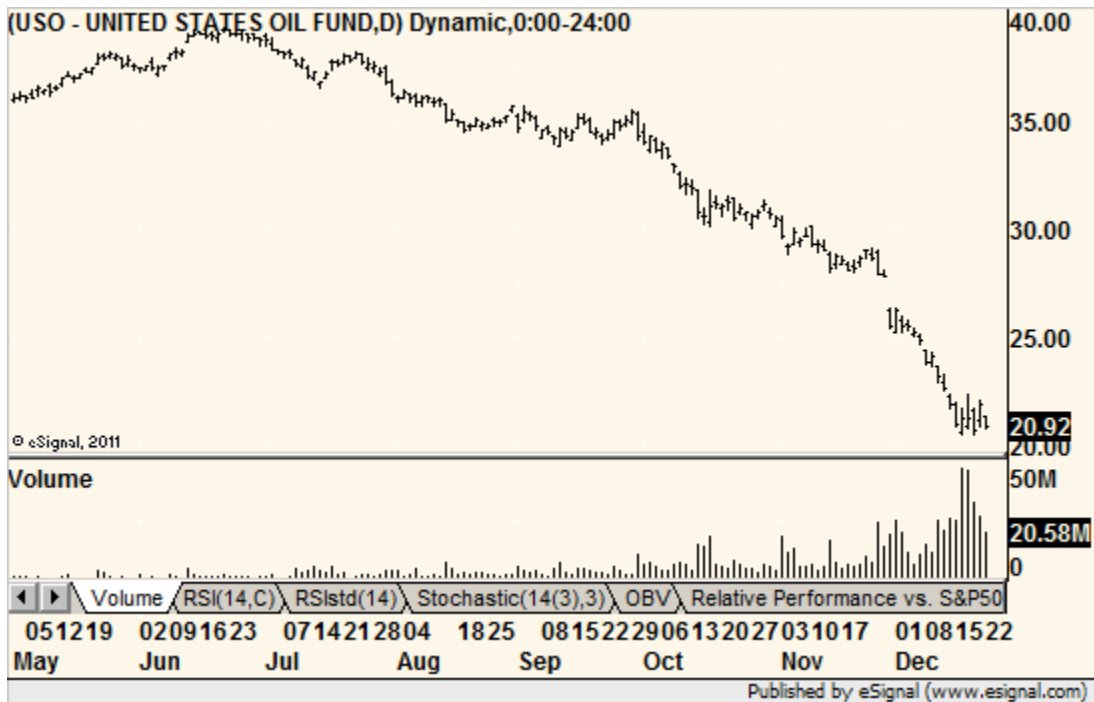
Yes the Dow eked out a new closing high but calling this a new high is really lame. Or biased bullish. The yellow line demarcate (or DeMark-ate??) the O-Neil follow-through day window. It's open now through and including next Monday, delayed due to the holiday. Seeing a volume surge during this time of the year would be unusual on its own but as part of a follow-through day it could be really hot for January.

## The Radar Screen

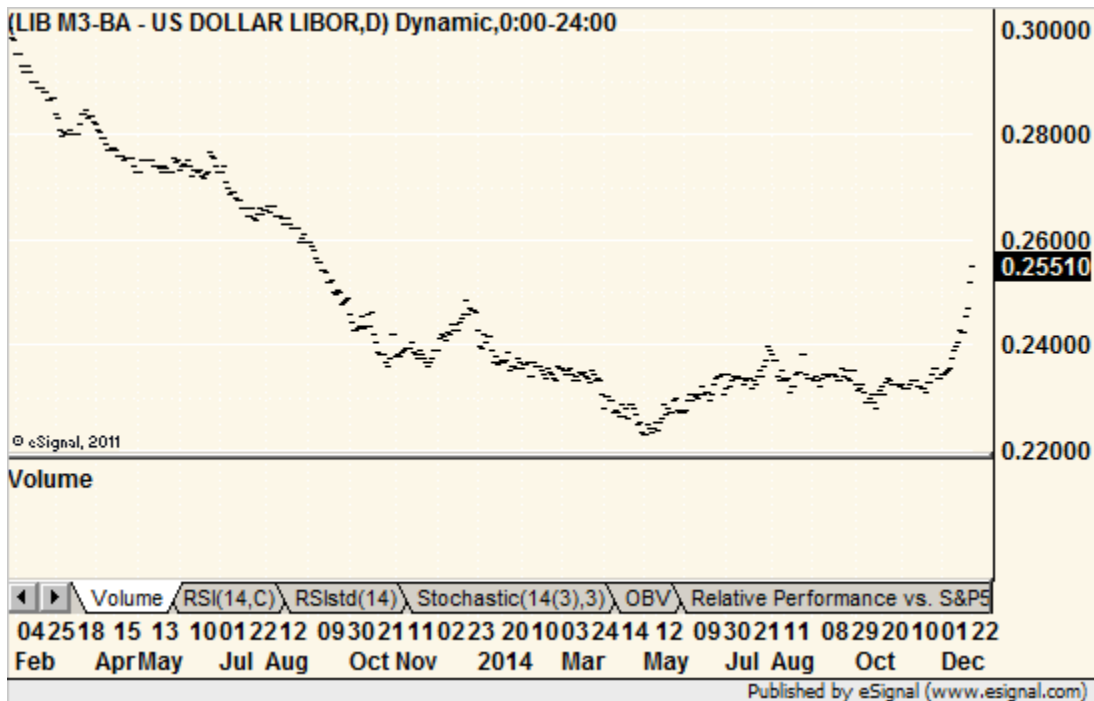
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>		
none -		
<b>Bearish Implications</b>		
none -		
<b>Unknown Implications</b>		
none -		
<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.	<b>Removed</b>	12/15
<b>Coach COH</b> - This high-end retailer was up nicely on both up and down market days. 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> - now in the support zone so we are looking for a technical signal that it is time to buy. Big bullish hammer candle Wednesday. <u>Talk about the train leaving the station!</u>	<b>Removed</b>	12/16
<b>Facebook FB</b> - Contradiction. A diamond top in progress but rising on-balance volume. Just watching. New high	<b>Removed</b>	12/17
<b>JDS Uniphase JDSU</b> - Networker with a breakout.		12/18
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Aerospace/Defense Sector index</b> – breakdown negated but this is still lagging.		12/15
<b>Networking Index</b> - A breakout and test. Looking good.		12/18
<b>Silver miners SIL</b> - still watching possible double bottom		12/19
<b>Gaming</b> - Still waiting for confirmation of the weekly hammer candle		12/22
<b>Canada EWC</b> - Still waiting for confirmation of the weekly reversal bar		12/22
<b>Updates</b>		
<b>Offense / defense index</b> - Big jump off support Monday.		

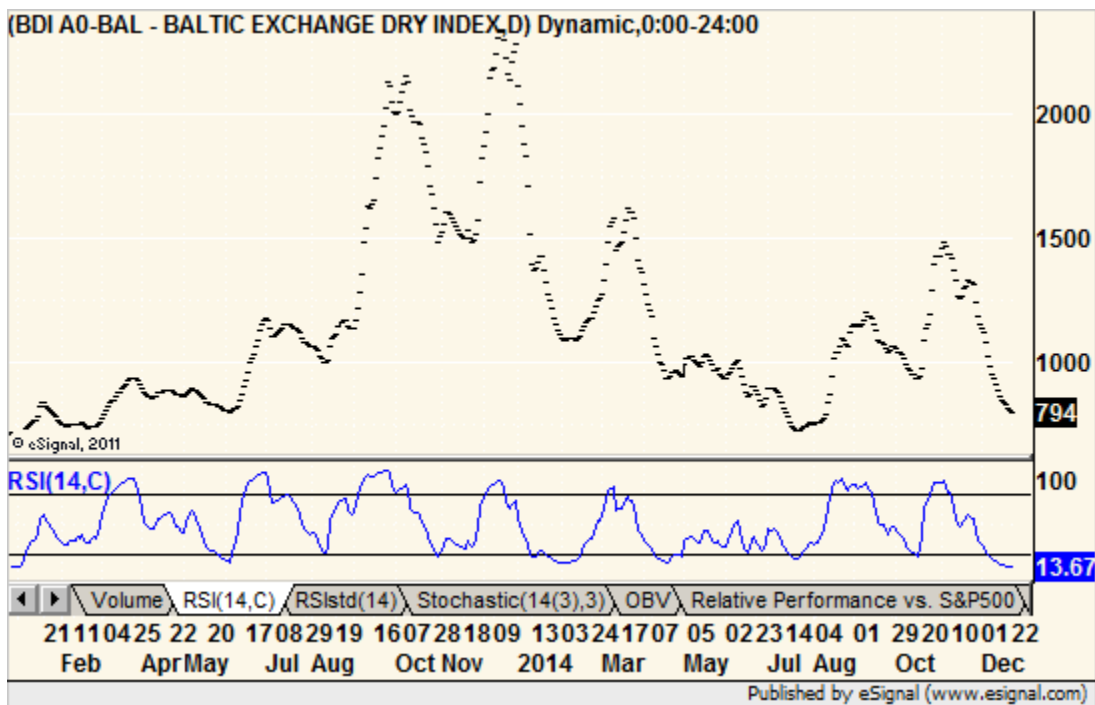
## Market Highlights



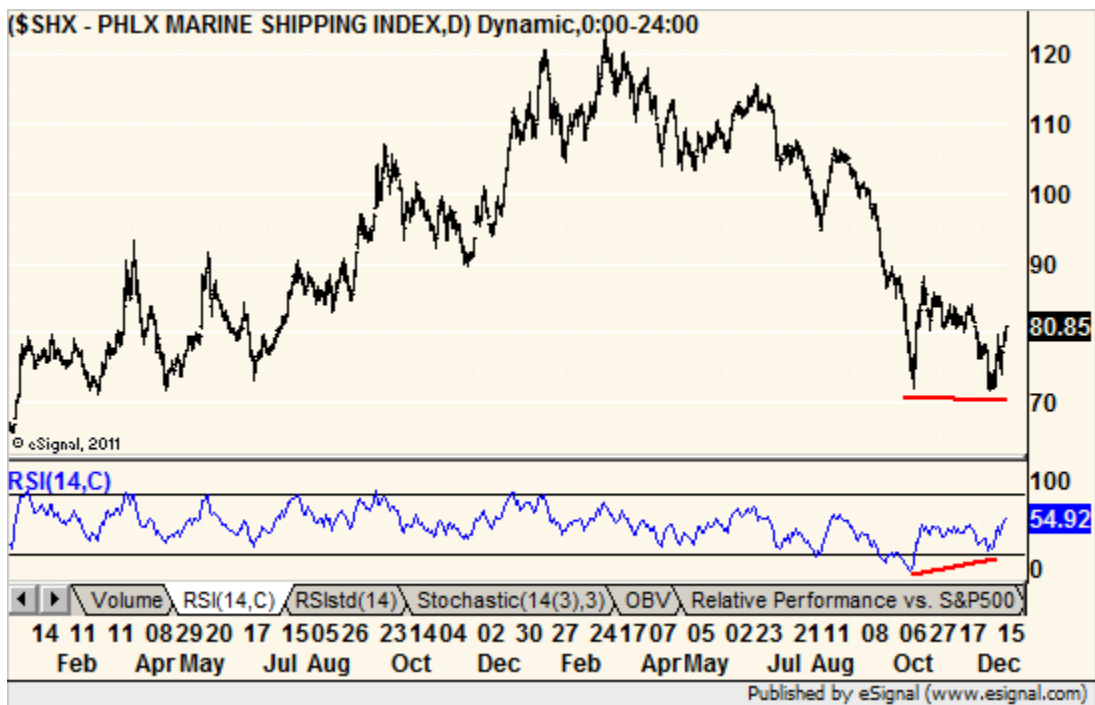
**Oil ETF** - Jumped in the premarket on the GDP news. Still within the tight range seen here but it does look to be forming a bottom.



**LIBOR** - Quite a dramatic rally over the past two weeks. Also a rally in the 3-month T-bill so short-term rates of all kinds may be backing up. Good news or a flattening yield curve?



**Baltic Dry rate** - Shipping still sucking wind and that is not good for economies. See next...



**Shipping index** - This is influenced by oil tankers and it sports a bullish RSI divergence.

**We do like oil and energy in 2015.**

## Advice Tracker

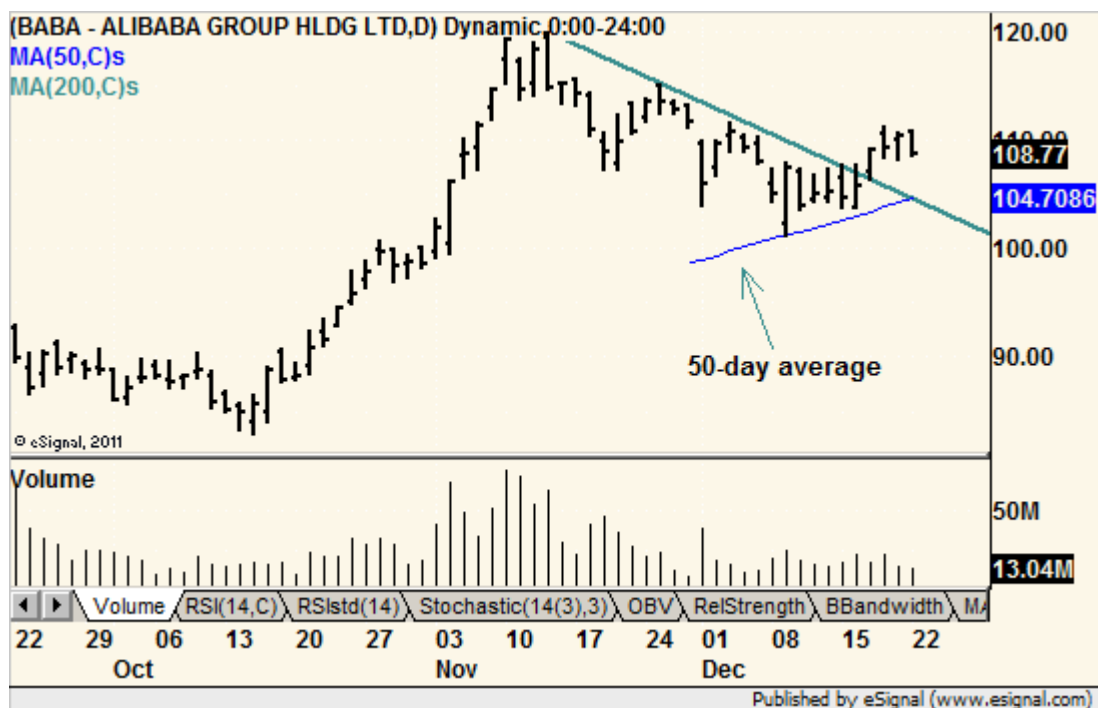
This is a list of stocks that have triggered buys or sells and not a recommended portfolio. We will track them with suggested strategies but specific stops and position closes are up to the subscriber. Symbols in **red** mean that the position was stopped out. **Green** means we closed them. Stops in **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	25.62	11.4%	25.00	23.00	11/21	31
	<b>CIEN</b>	CIENA CORP	19.48	2.9%	18.50	18.94	11/18	34
<u>Short</u>	<b>TIVO</b>	TIVO INC	11.85	8.9%	12.30	12.90	11/10	42
	<b>YHOO</b>	YAHOO INC	51.00	-0.8%		50.60	11/20	32
	<b>OC</b>	OWENS CORNING NEW	34.32	0.5%	34.50	34.50	12/10	12
	<b>GOOGL</b>	GOOGLE INC	532.30	-2.3%	540.00	520.00	12/19	3

**Notes:** **YHOO** finally stopped out for minimal loss. It hung in there for a long time but never really got going. Time to move on.

## Subscriber Corner

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



**Alibaba** - Wow, this one faded from the news in a hurry. The breakout does seem suspicious but it is not dead yet. Volume is not that bad considering the price action. And it is holding in the premarket despite China's 3% decline overnight. We'd give it a little more rope and follow the intraday trading range now in place.

## Other Information

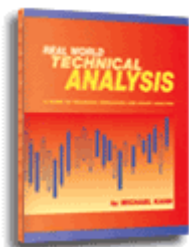
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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



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