January 2, 2016 – Happy New Year everyone! For the first time in a long time I am actually quite optimistic about things, which seems crazy given what is going on in the world.

The old year, old month and old week ended together on Thursday and the stock market gave us a typical "messing with you" performance. It sold off, came back and then sold off again to cap the Dow's first annual loss since 2008. The Nasdaq ended higher and we can blame/credit the FANGs and other big cap names such as Starbucks for the gain. Your typical stock, however, was seriously in the red for the year.

This past week I wrote in Barron's Online that the coming year will not be just more the same. We saw stocks weakening, bonds looking for direction and commodities finally finding a floor. For the latter, that does not mean right away and it probably won't be for a few months.

And for bonds, the indecision call is rather important since so many people believe long rates will rise as short rates controlled by the Fed inch up. That suggests bonds are still not so sure rate hikes are a good idea. Falling long interest rates means the economy is or is about to start contracting. Let's not even think about the flattening yield curve that would create – you know, the kind that leads to recessions.

Perhaps a report on Yahoo finance Saturday is the first step in that direction.

> WASHINGTON (Reuters) **-** The number of Americans filing new claims for unemployment benefits rose sharply (and above expectations) last week, a potential signal the job market was losing steam although some of the increase might be attributed to temporary holiday factors.

So while I am optimistic for the year in general, it is not so much for the stock market.

How about this? Libor took out its 2011 high and now is at levels last seen in June 2009, three months after the stock market bottomed. This tells us fear is indeed coming back into the financial markets despite the Dow closing less than 3% off its all-time high. Let that sink in. The stock market major big cap averages have created an illusion of strength.

Then there is the argument that the U.S. is still the best place to invest as it continues to outperform the world. Yes, true, if we use the S&P 500 as the benchmark. For kicks, we looked at relative performance charts of the Stoxx-50 blue chip index (Europe) and the S&P 400 midcaps – both vs. the S&P 500. They look the same.

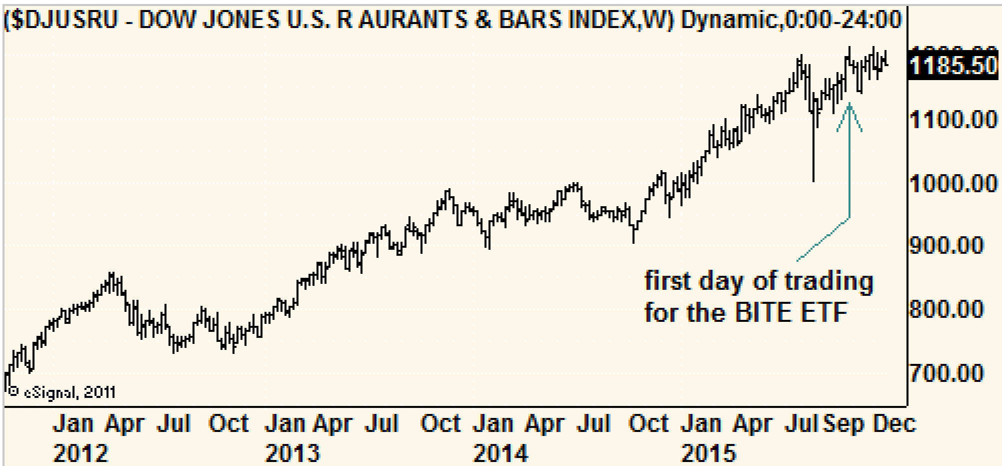
It is the U.S. big caps that are ruling the world, not the average American stock. The universe of winners is very small and I wrote this past week that the FANGs themselves are showing some cracks. Just for clarity, FANG stands for Facebook, Amazon, Netflix and Google.

In a related story, we saw a chart comparing the FANGs to the forced acronym CIMQs for Cisco, Intel, Microsoft and Qualcomm, names that you'll remember from the tech bubble in 2000. One analyst posted a chart overlaying the two groups and saying the FANGs are now at the 1998 equivalent of the CIMQs. Well, we can make a chart say anything and this we do not believe at all. Still, the point is that the high flyers live together and die together, first covering up the ills of the market and then punishing them.

As if that is not enough to worry about, how about this? "They" are now considering adding Amazon and Google (Alphabet) to the Dow Jones Industrial Average. Of course, two things would have to happen starting with two stocks getting kicked out. "They" talk of removing IBM and Cisco.

And that brings us the next thing. Stocks that leave the Dow tend to be laggards before they axe falls. We won't draw a connection to how most become leaders, at least temporarily, once they go. And stocks that get added already have done well leaving little room for a sustained performance pace.

Recall that many times a new sector ETF is created when sector is about to peak. It is the same reason why stocks tank when the Economist features the roaring bull market on its cover. The news is out. The public is already engaged. Who is left to get excited?



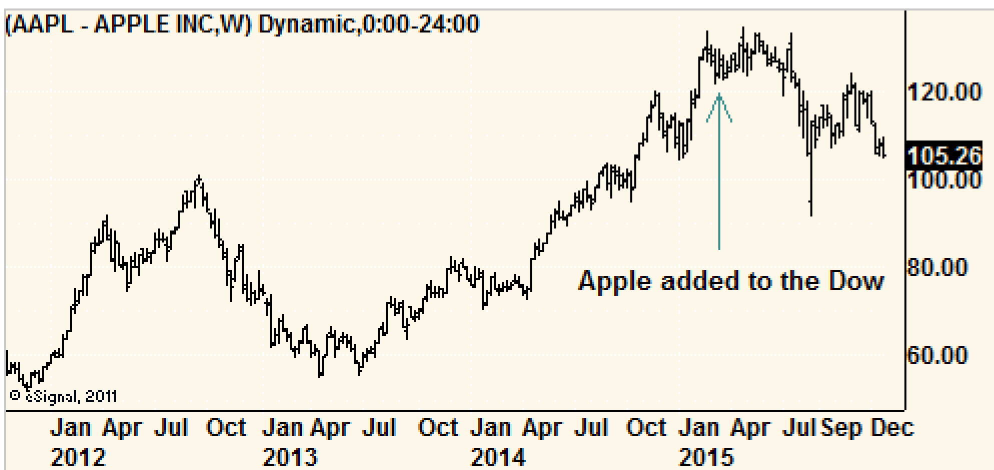
Check out when they introduced the restaurants ETF compared to how the Dow Jones restaurant group traded for the past few years.

No time like the present, er, the past.

The introduction of the steel ETF was even better, or shall we say worse?

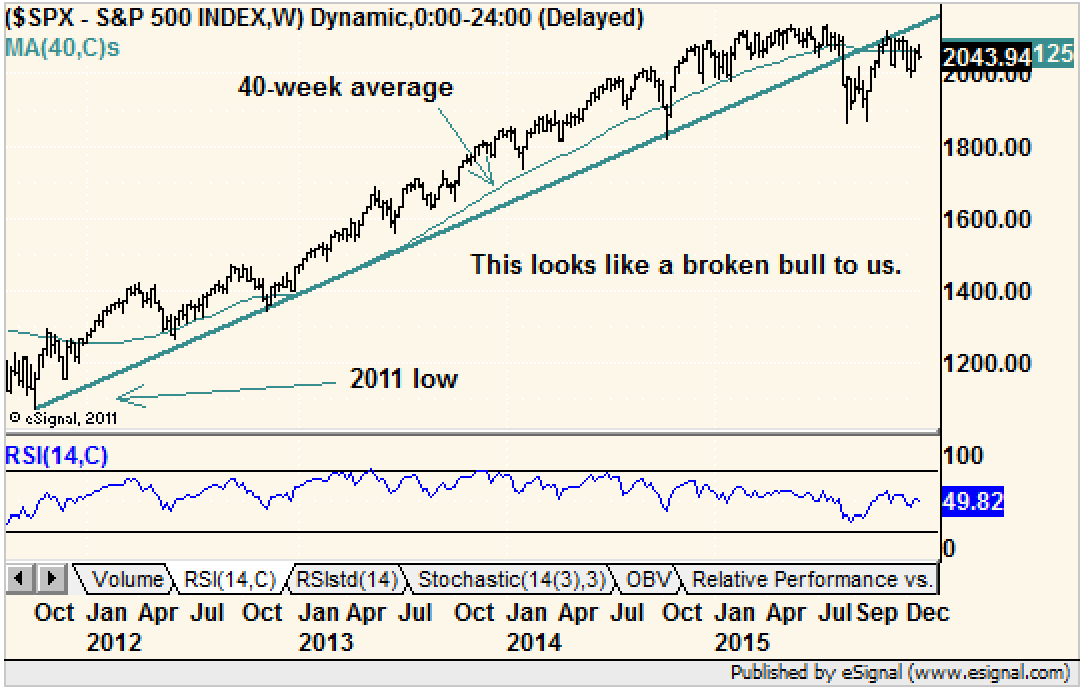
Amazon and Google are FANGs and, as mentioned, we already see the cracks.

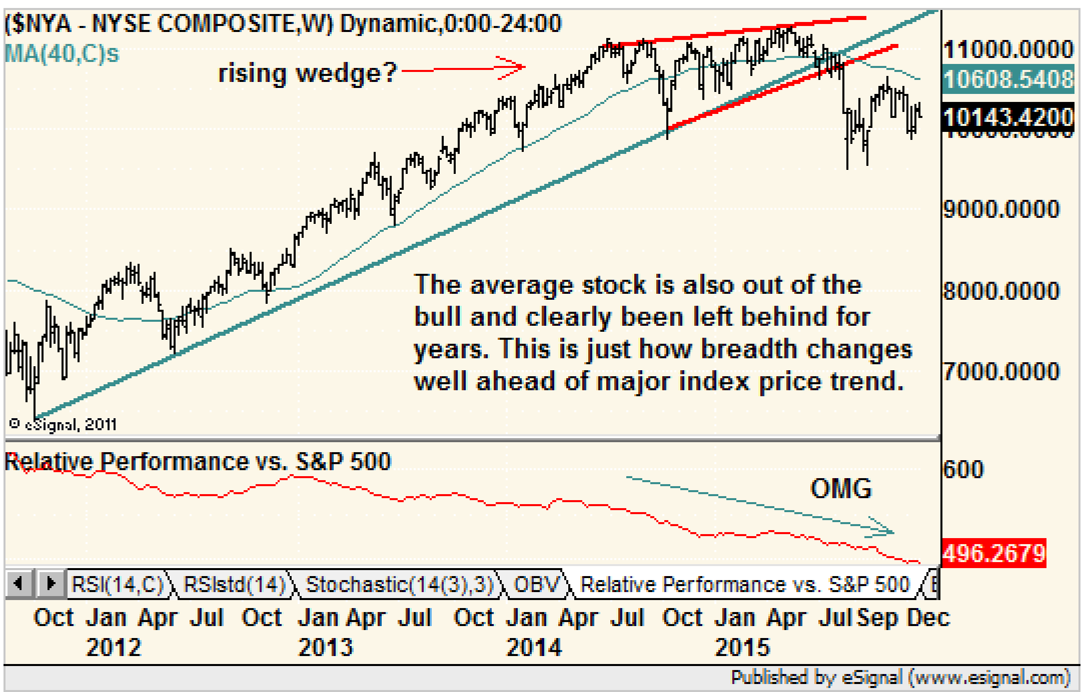
Did you see what happened when Apple was added? It was practically at Apple's high and it has been arguably a bear market for the stock since that time.

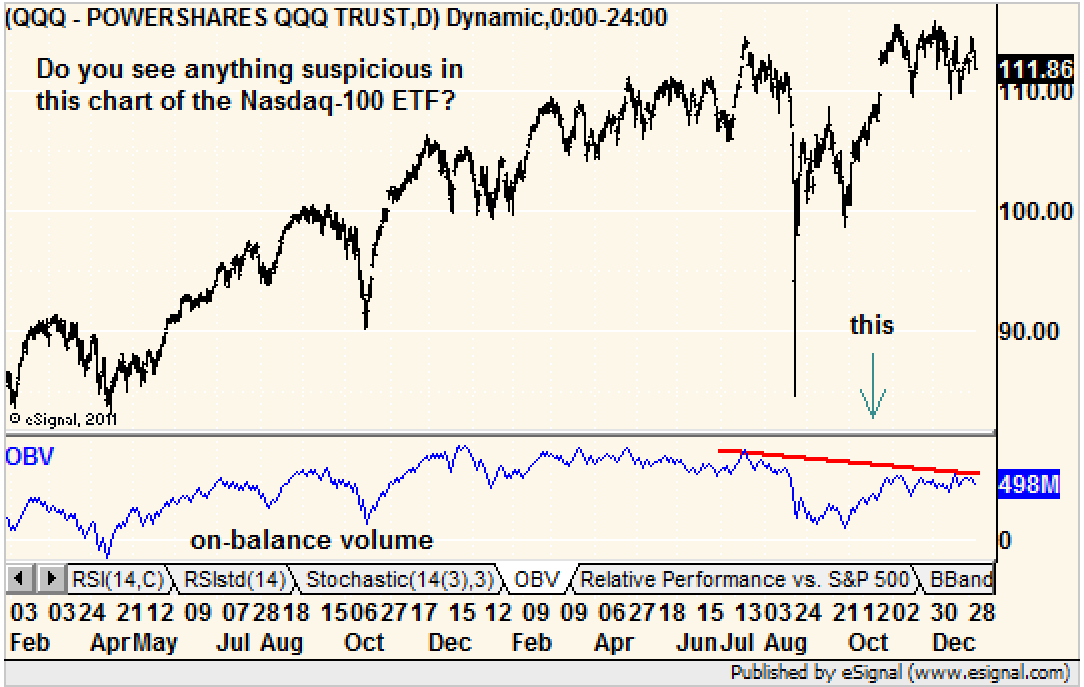


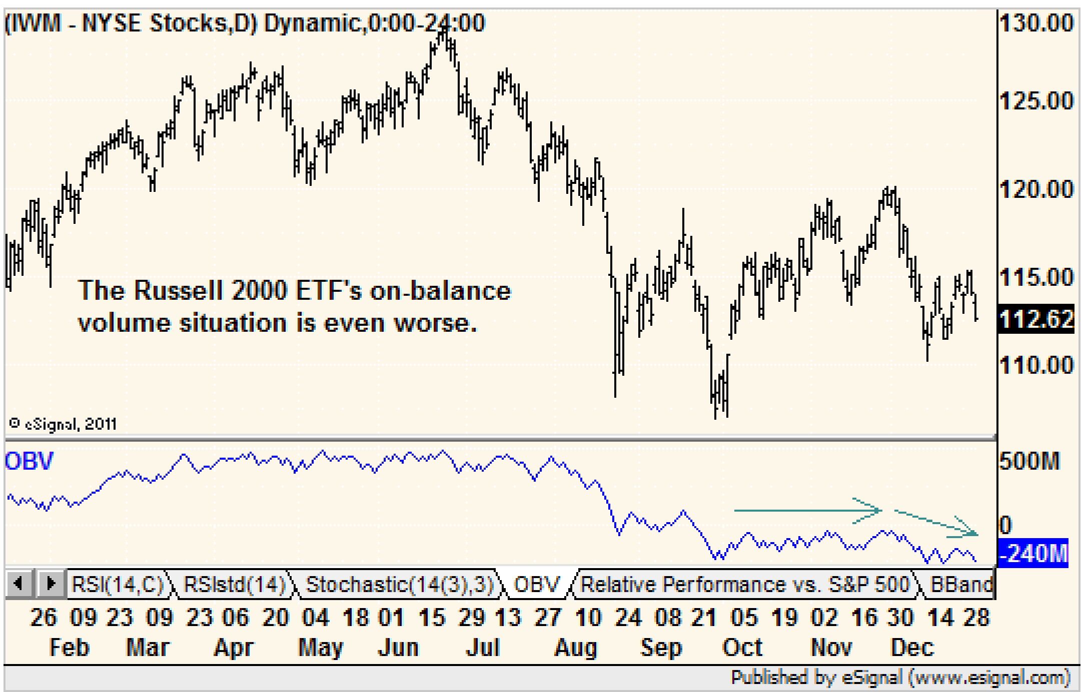
We'll run some long-term charts in the report below. As for specific stock picks, it is hard to judge what they are doing after two straight weeks of quasi and real holiday trading. Volumes have been quite low, too. And if we are right that the market is topping then correlation is going to skyrocket. In other words, "beating the market" will take on a different meaning.

Index Charts of the Week

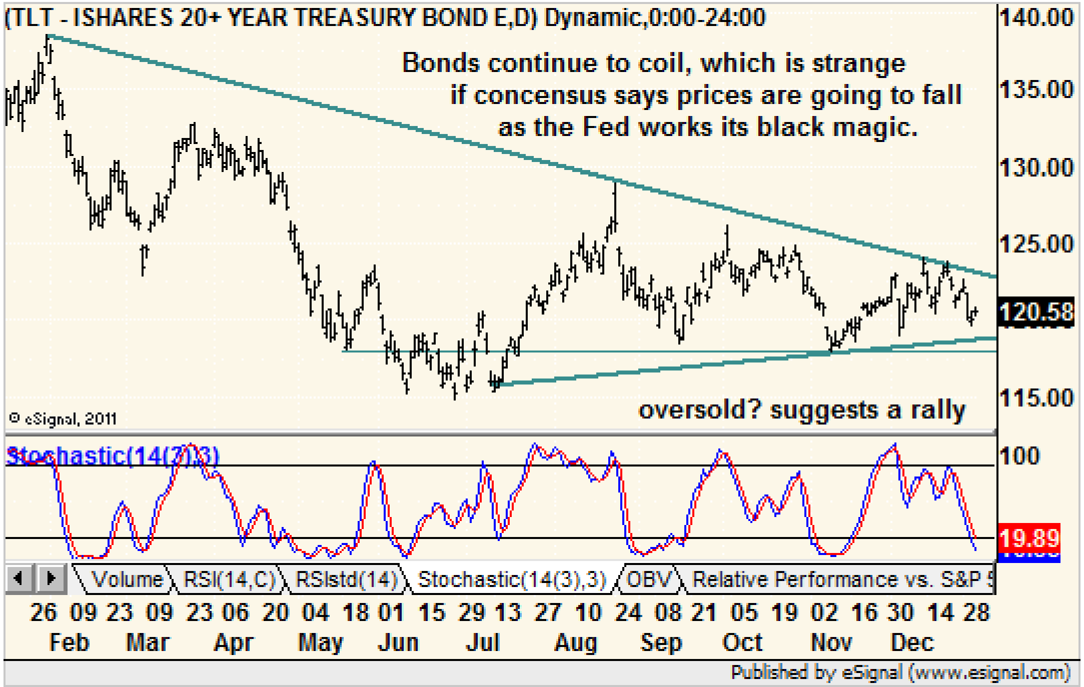


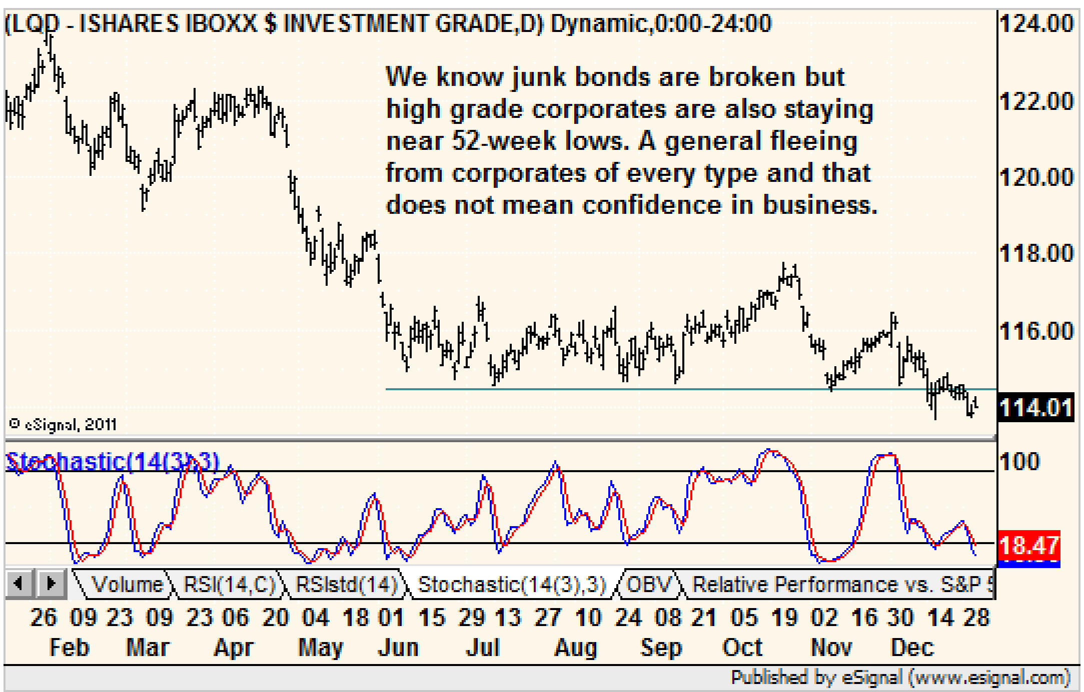


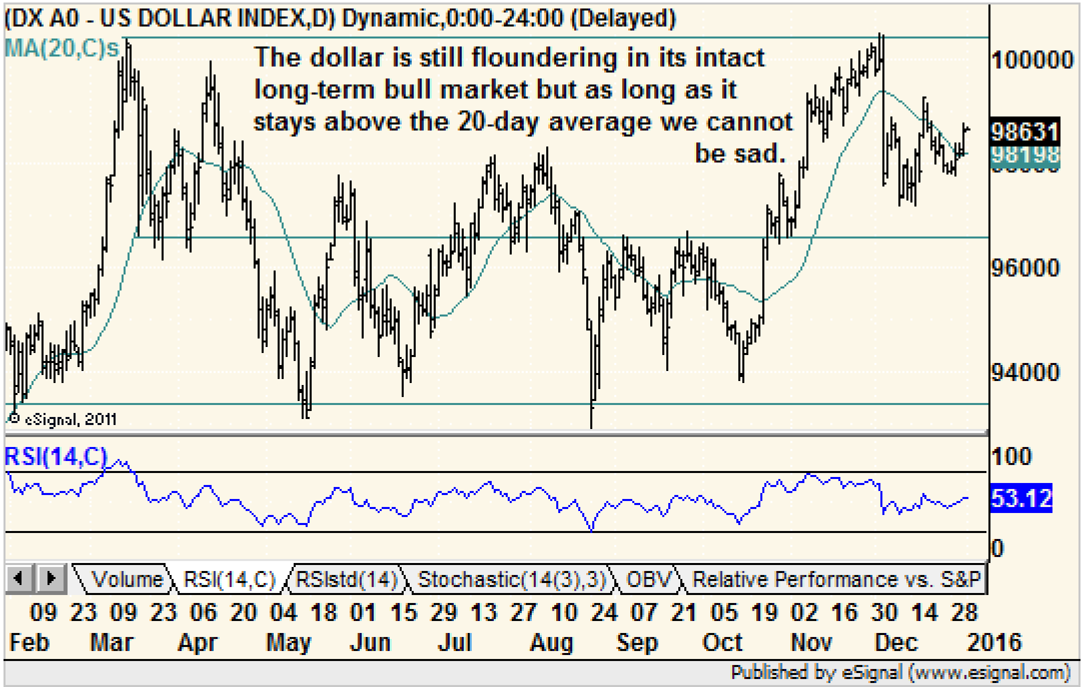

(QQQ - POWERSHARES QQQ TRUST,D) Dynamic,0:00-24:00
Do you see anything suspicious in
this chart of the Nasdaq-100 ETF?
this
111.86
110.00
100.00
90.00
© eSignal, 2011
OBV
on-balance volume
498M
0
RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV Relative Performance vs. S&P 500 BBand
03 03 24 21 12 09 07 28 18 15 06 27 17 15 12 09 09 06 27 18 15 13 03 24 21 12 02 30 28
Feb Apr May Jul Aug Oct Dec Feb Apr Jun Jul Aug Oct Dec
Published by eSignal (www.esignal.com)

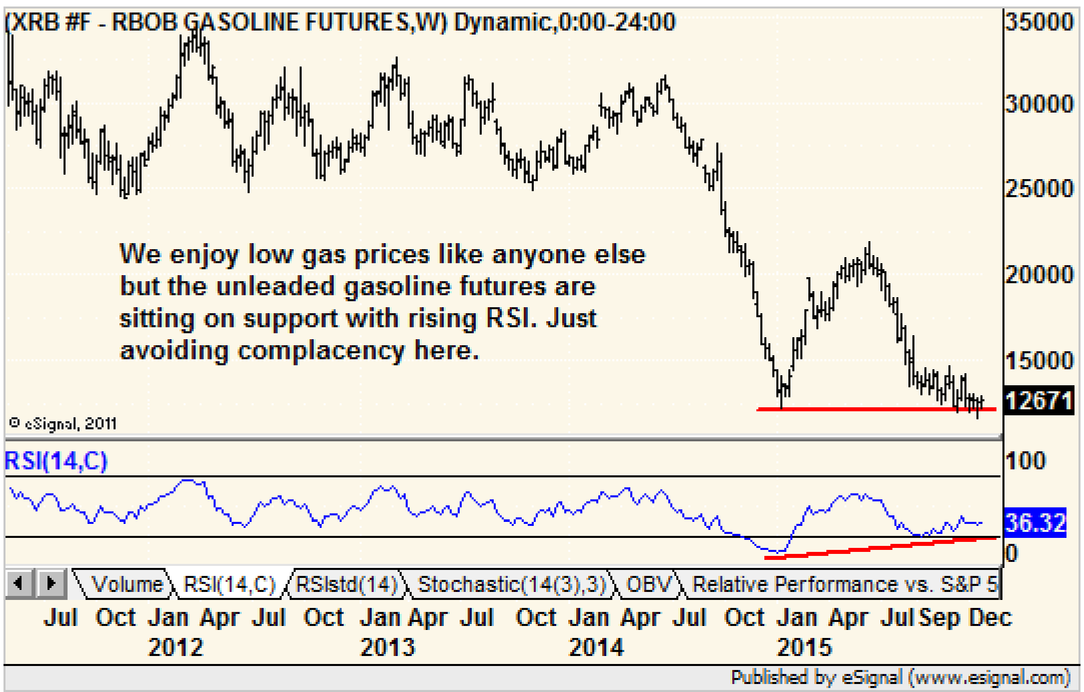

(IWM - NYSE Stocks,D) Dynamic,0:00-24:00
130.00
125.00
120.00
115.00
112.62
110.00
The Russell 2000 ETF's on-balance
volume situation is even worse.
© eSignal, 2011
OBV
500M
0
-240M
RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV Relative Performance vs. S&P 500 BBand
26 09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30 14 28
Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Published by eSignal (www.esignal.com)

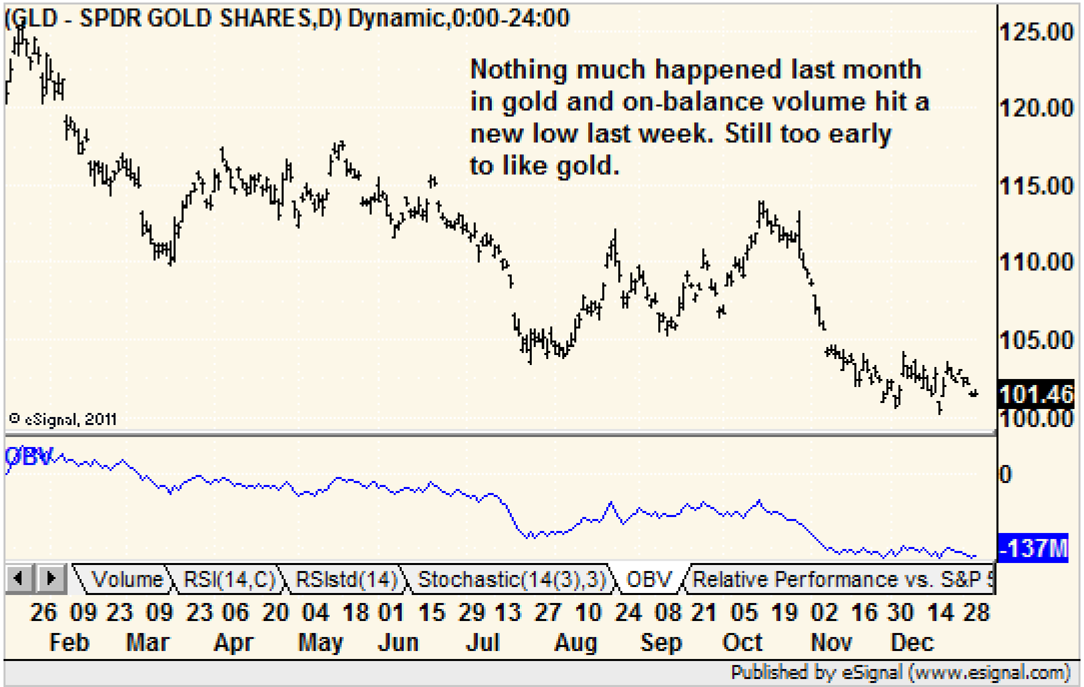
Other Markets



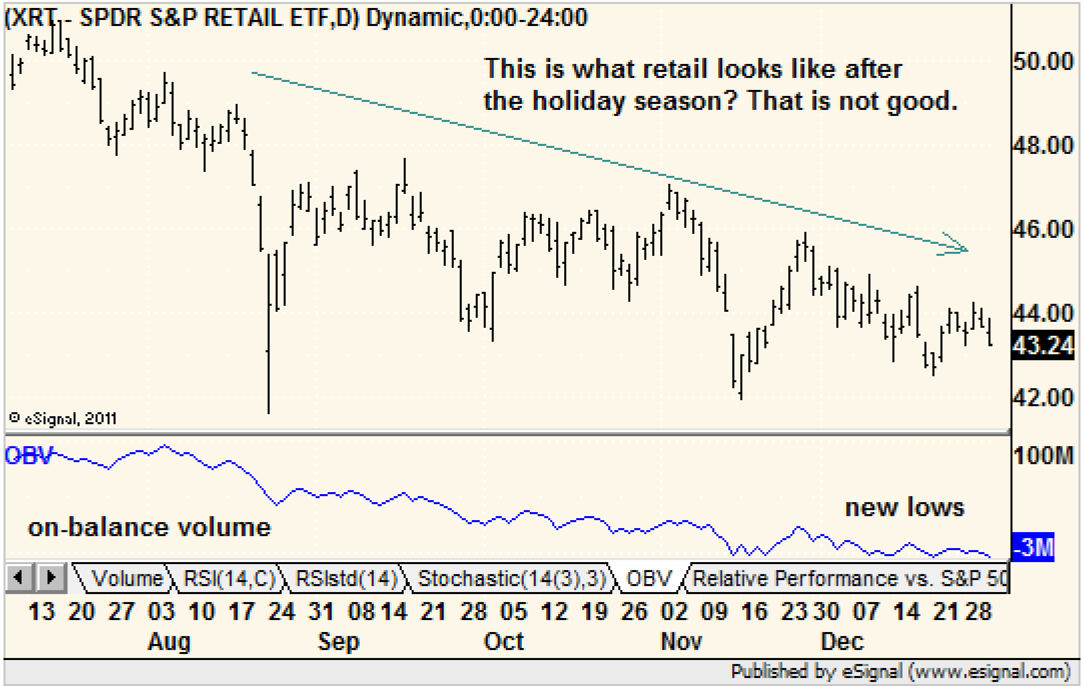


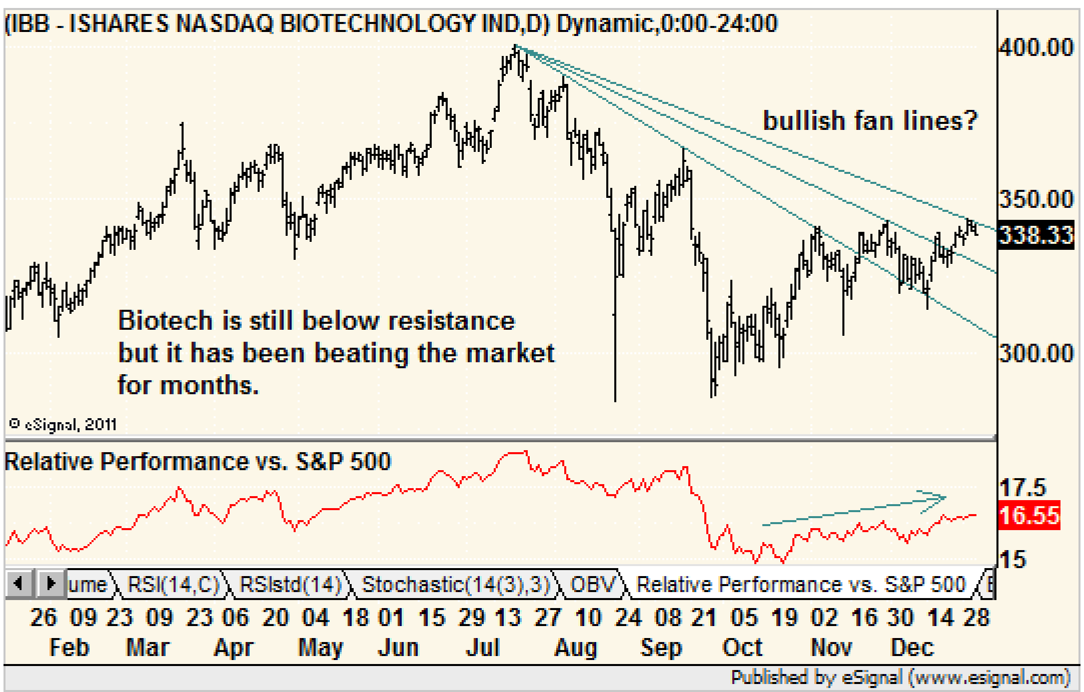

(DX A0 - US DOLLAR INDEX,D) Dynamic,0:00-24:00 (Delayed)
MA(20,C)s
The dollar is still floundering in its intact long-term bull market but as long as it stays above the 20-day average we cannot be sad.
100000
98631
98198
96000
94000
© eSignal, 2011
RSI(14,C)
100
53.12
0
Volume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
Relative Performance vs. S&P
09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 07 21 05 19 02 16 30 14 28
Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2016
Published by eSignal (www.esignal.com)

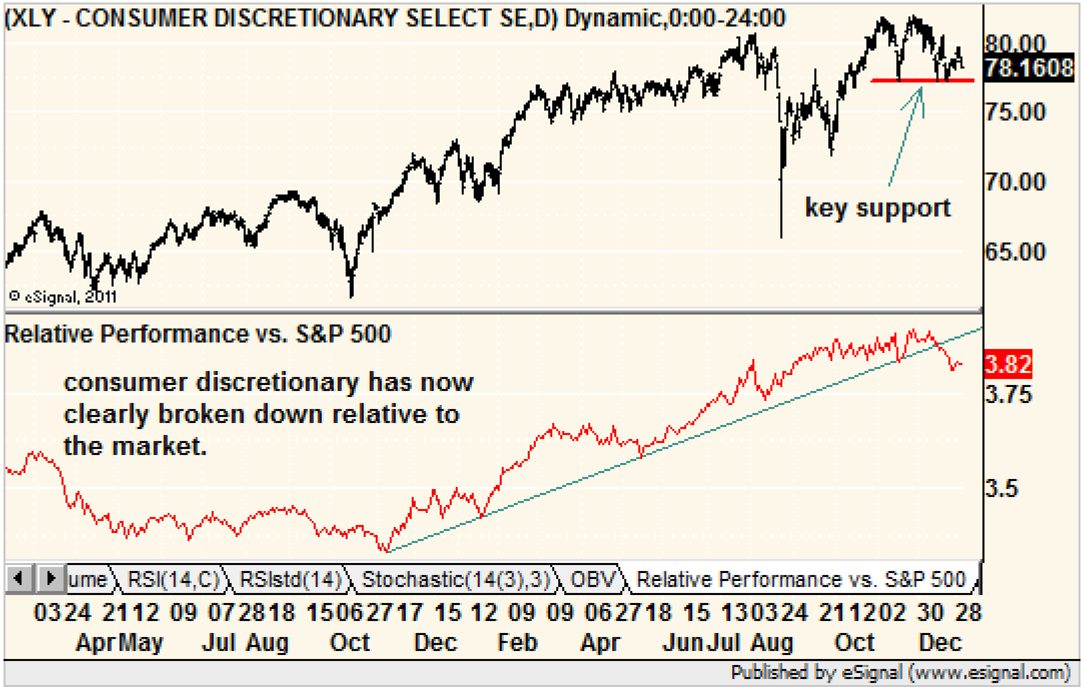

(XRB #F - RBOB GASOLINE FUTURES,W) Dynamic,0:00-24:00
35000
30000
25000
20000
15000
12671
We enjoy low gas prices like anyone else but the unleaded gasoline futures are sitting on support with rising RSI. Just avoiding complacency here.
© eSignal, 2011
RSI(14,C)
100
36.32
0
Volume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
Relative Performance vs. S&P 5
Jul Oct Jan Apr Jul Oct Jan Apr Jul Oct Jan Apr Jul Oct Jan Apr Jul Sep Dec
2012 2013 2014 2015
Published by eSignal (www.esignal.com)

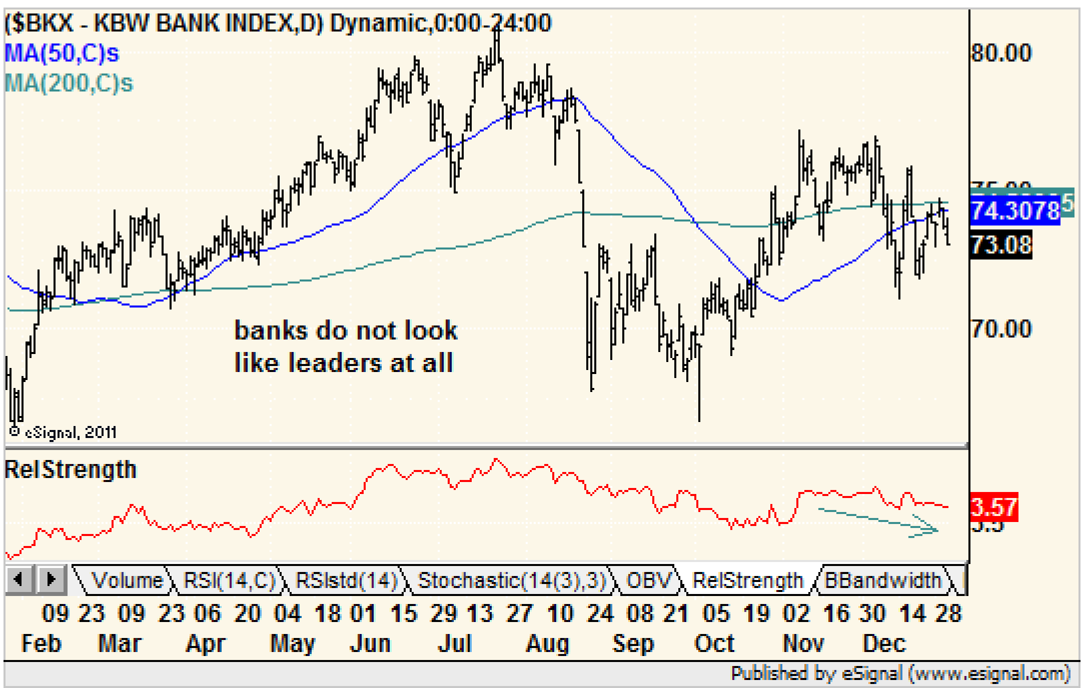

(GLD - SPDR GOLD SHARES,D) Dynamic,0:00-24:00
Nothing much happened last month in gold and on-balance volume hit a new low last week. Still too early to like gold.
125.00
120.00
115.00
110.00
105.00
101.46
100.00
© eSignal, 2011
OBV
0
-137M
Volume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
Relative Performance vs. S&P 5
26 09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30 14 28
Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Published by eSignal (www.esignal.com)

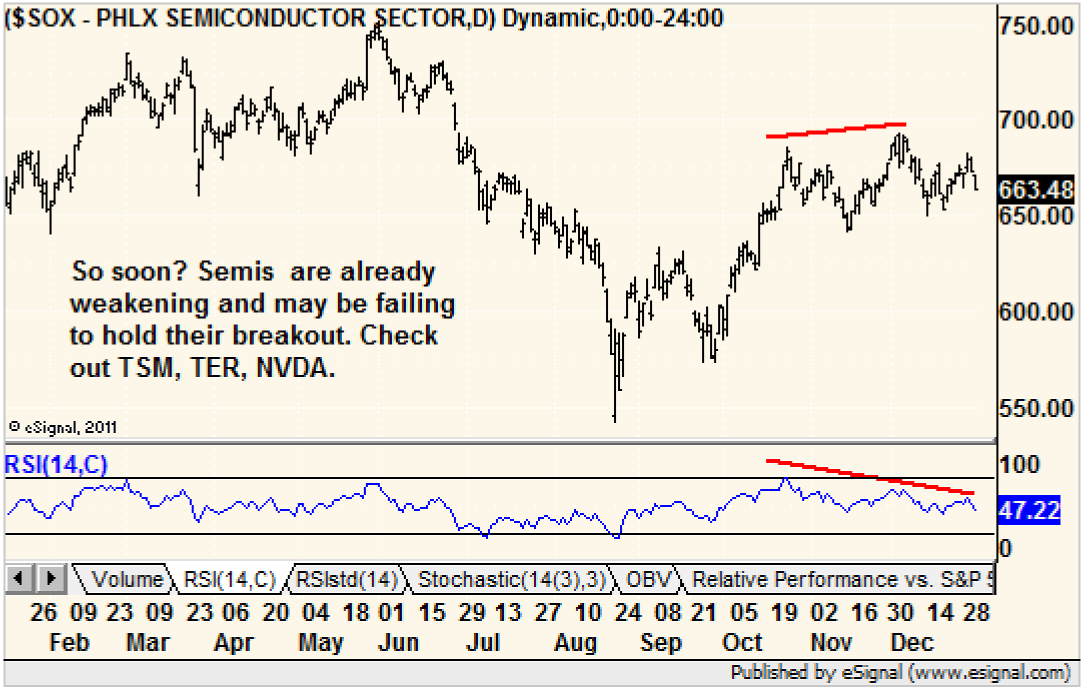
Sector Watch



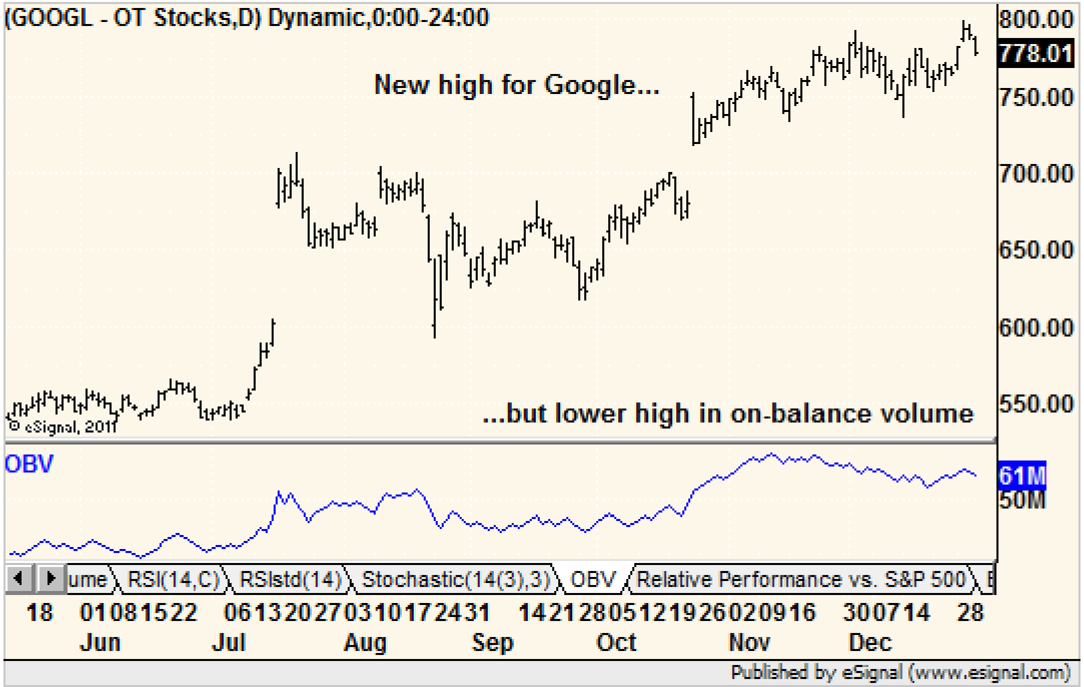


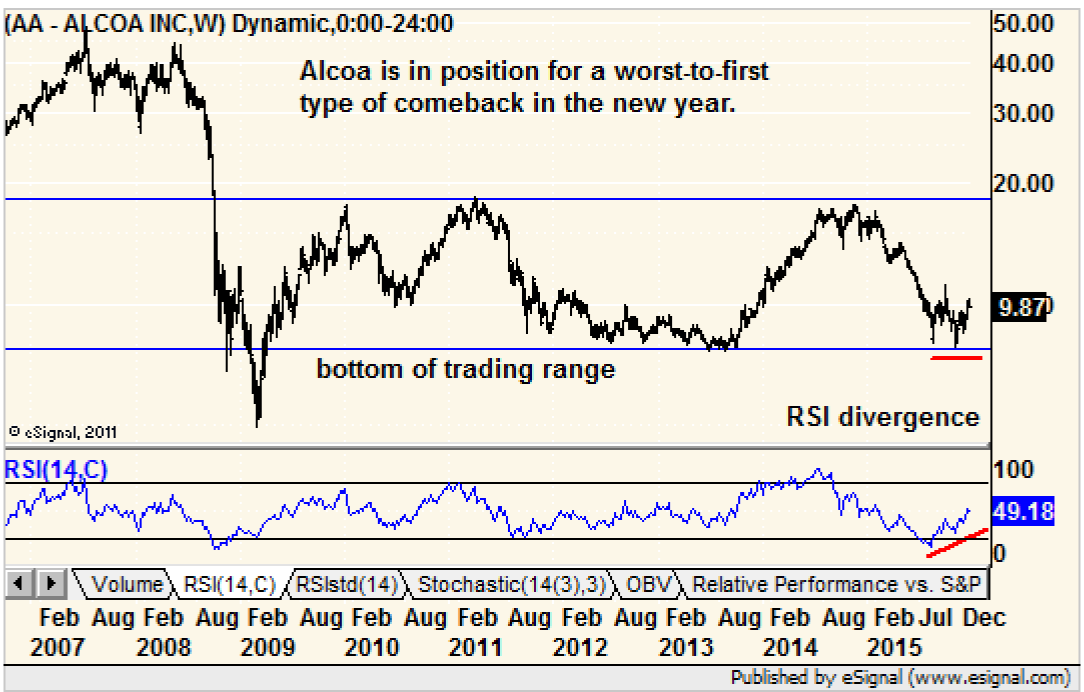

(XLY - CONSUMER DISCRETIONARY SELECT SE,D) Dynamic,0:00-24:00
80.00
78.1608
75.00
70.00
65.00
key support
© eSignal, 2011
Relative Performance vs. S&P 500
consumer discretionary has now clearly broken down relative to the market.
3.82
3.75
3.5
Volume RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV Relative Performance vs. S&P 500
Apr May Jul Aug Oct Dec Feb Apr Jun Jul Aug Oct Dec
Published by eSignal (www.esignal.com)

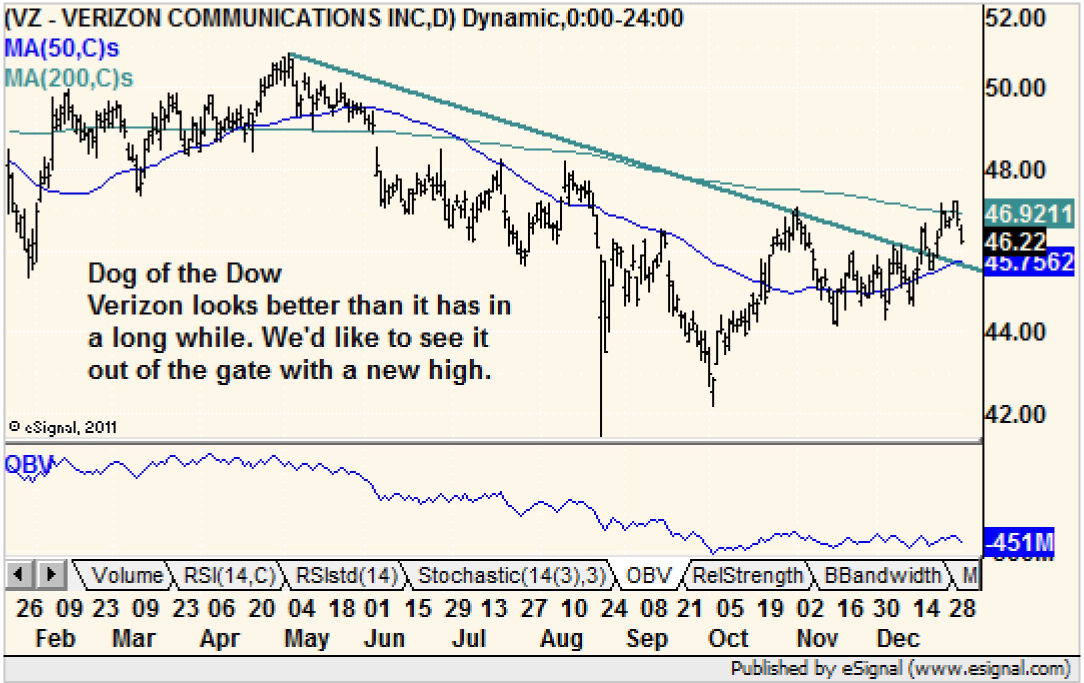

($BKX - KBW BANK INDEX,D) Dynamic,0:00-24:00
MA(50,C)s
MA(200,C)s
80.00
74.3078
73.08
70.00
banks do not look like leaders at all
© eSignal, 2011
RelStrength
3.57
Volume RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV RelStrength BBandwidth
09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30 14 28
Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Published by eSignal (www.esignal.com)

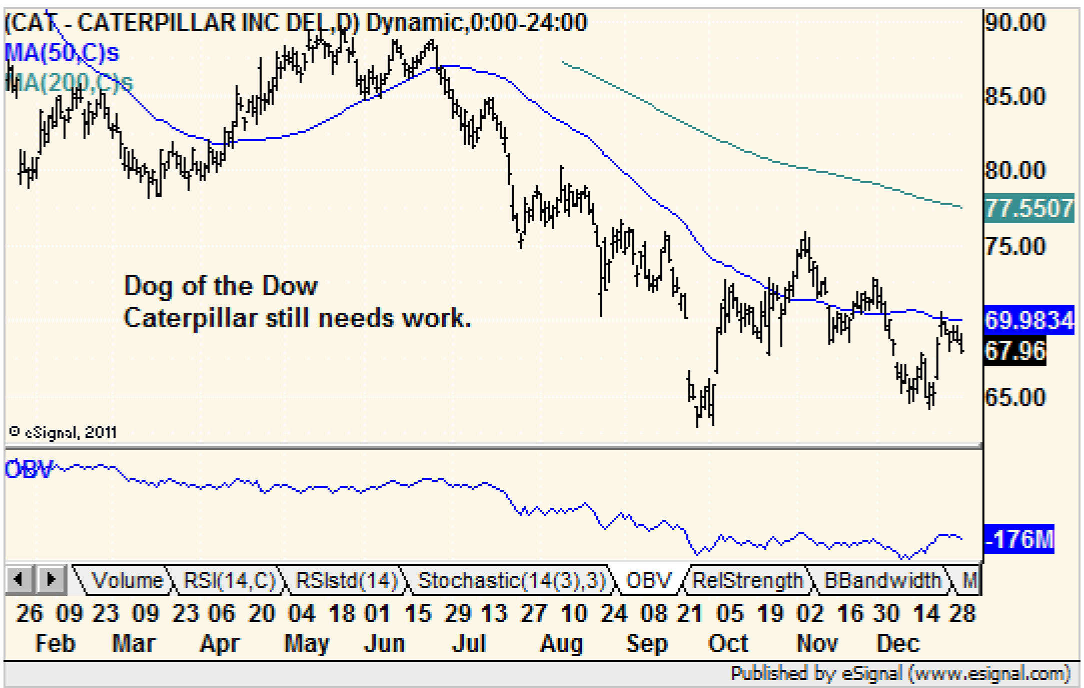

($SOX - PHLX SEMICONDUCTOR SECTOR,D) Dynamic,0:00-24:00
So soon? Semis are already weakening and may be failing to hold their breakout. Check out TSM, TER, NVDA.
© eSignal, 2011
750.00
700.00
663.48
650.00
600.00
550.00
RSI(14,C)
100
47.22
0
Volume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
Relative Performance vs. S&P 5
26 09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30 14 28
Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Published by eSignal (www.esignal.com)

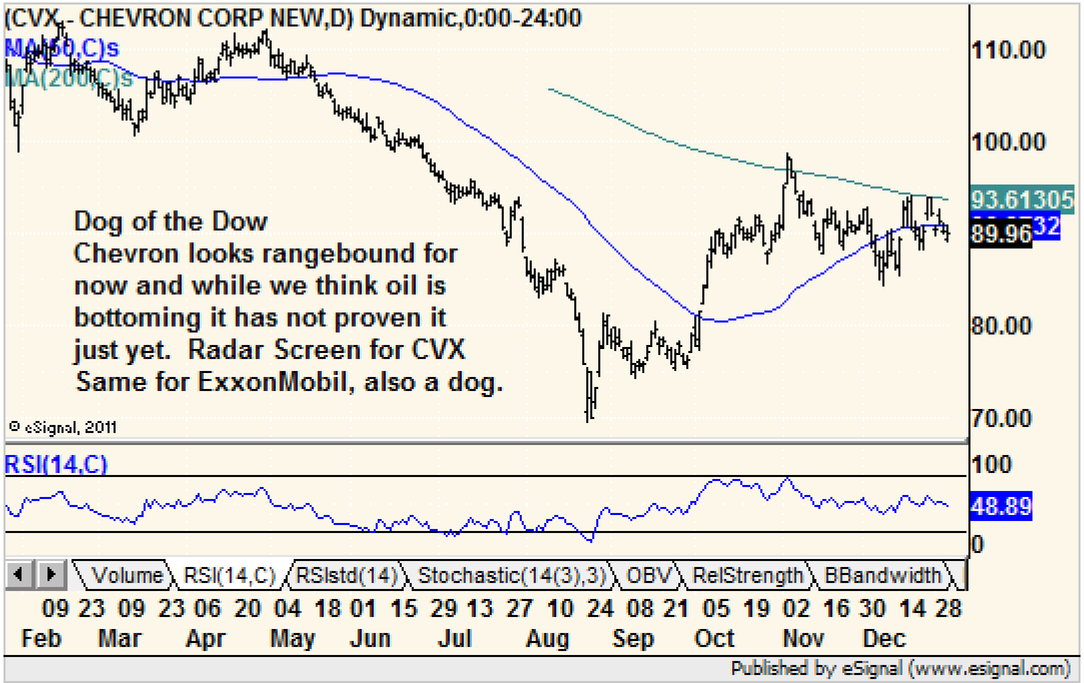
Stocks in the News

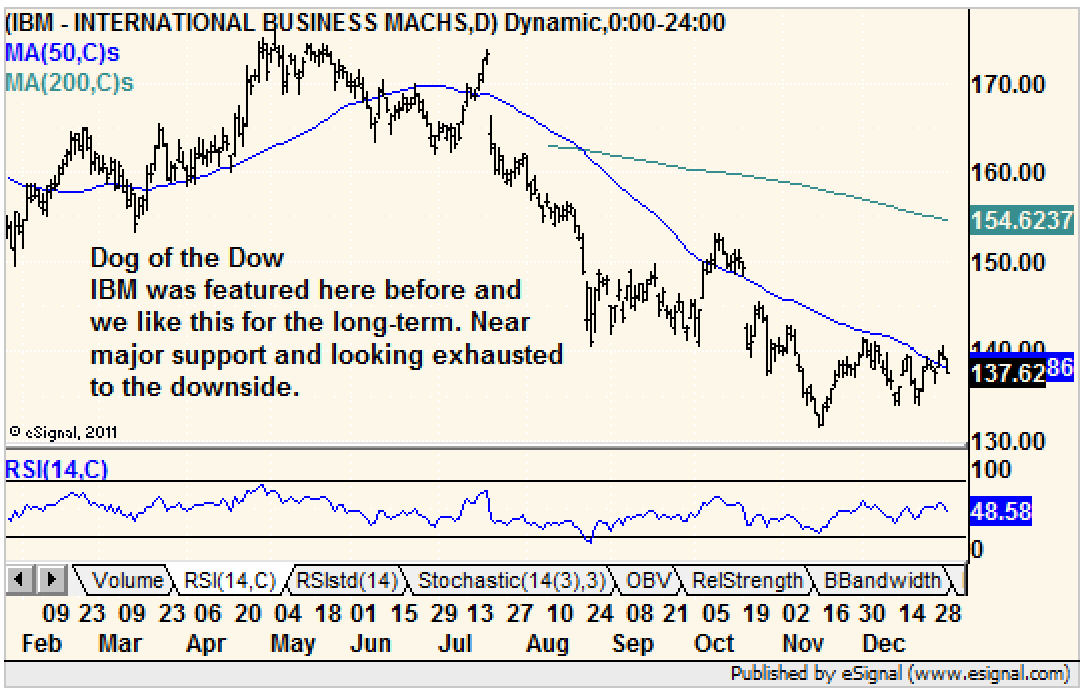


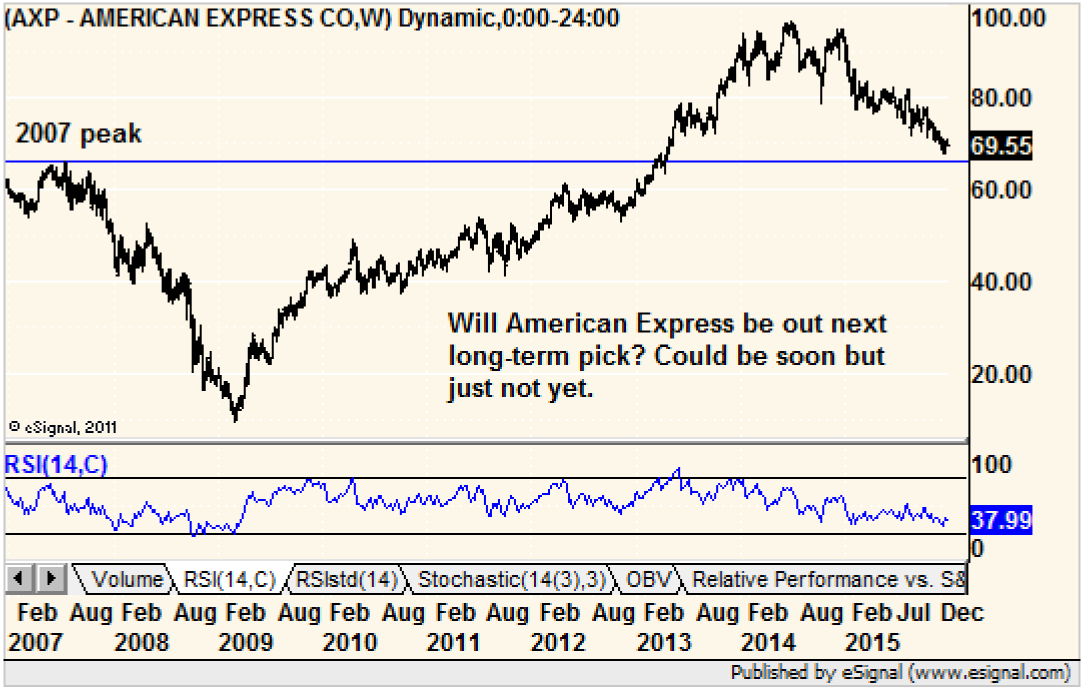


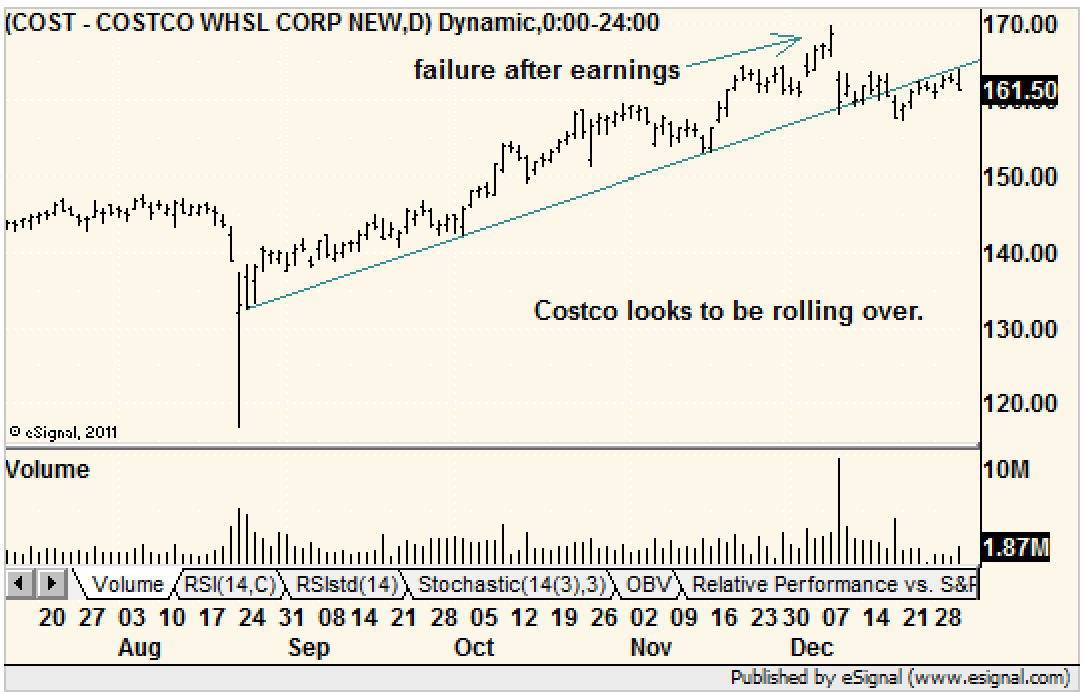

(VZ - VERIZON COMMUNICATIONS INC,D) Dynamic,0:00-24:00
MA(50,C)s
MA(200,C)s
Dog of the Dow
Verizon looks better than it has in a long while. We'd like to see it out of the gate with a new high.
© eSignal, 2011
52.00
50.00
48.00
46.9211
46.22
45.7562
44.00
42.00
OBV
-451M
Volume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
RelStrength
BBandwidth
26 09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30 14 28
Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Published by eSignal (www.esignal.com)

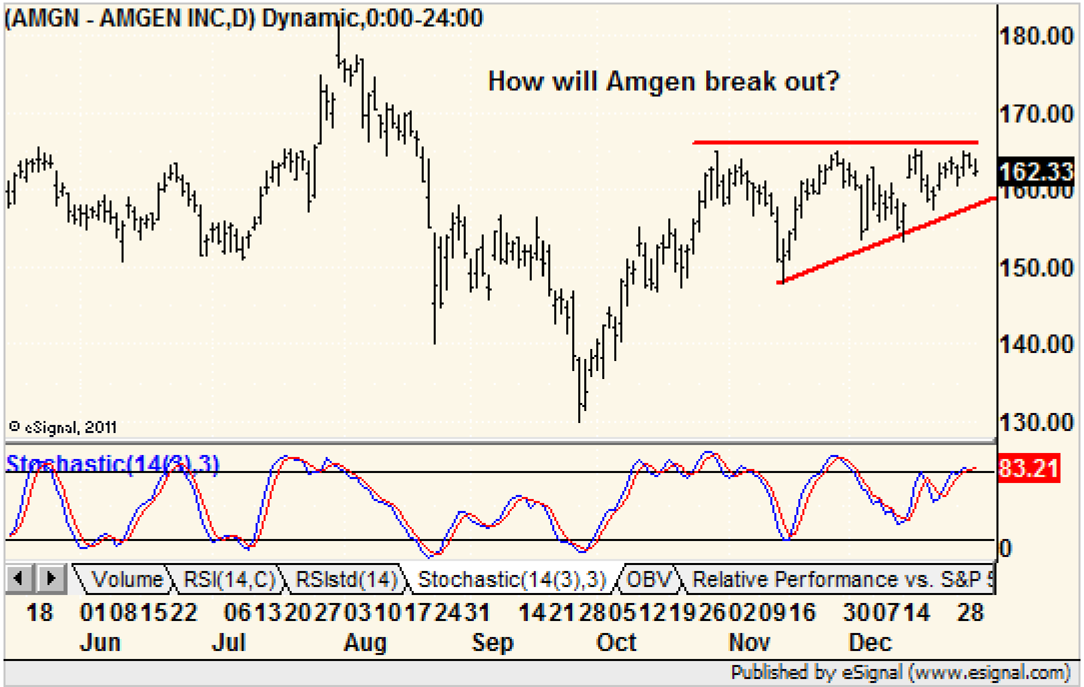

(CAT - CATERPILLAR INC DEL,D) Dynamic,0:00-24:00
MA(50,C)s
MA(200,C)s
Dog of the Dow
Caterpillar still needs work.
© eSignal, 2011
90.00
85.00
80.00
77.5507
75.00
69.9834
67.96
65.00
OBV
-176M
Volume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
RelStrength
BBandwidth
26 09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30 14 28
Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Published by eSignal (www.esignal.com)

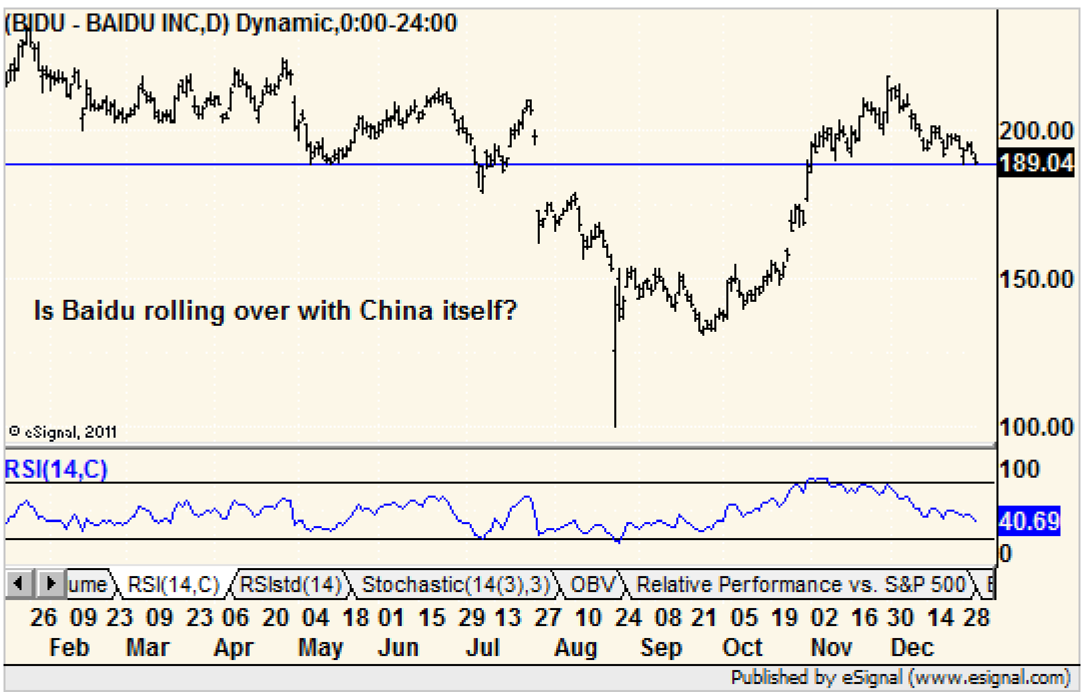

(CVX - CHEVRON CORP NEW,D) Dynamic,0:00-24:00
MA(50,C)s
MA(200,C)s
Dog of the Dow
Chevron looks rangebound for
now and while we think oil is
bottoming it has not proven it
just yet. Radar Screen for CVX
Same for ExxonMobil, also a dog.
© eSignal, 2011
110.00
100.00
93.61305
89.96
80.00
70.00
RSI(14,C)
100
48.89
0
Volume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
RelStrength
BBandwidth
09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30 14 28
Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Published by eSignal (www.esignal.com)

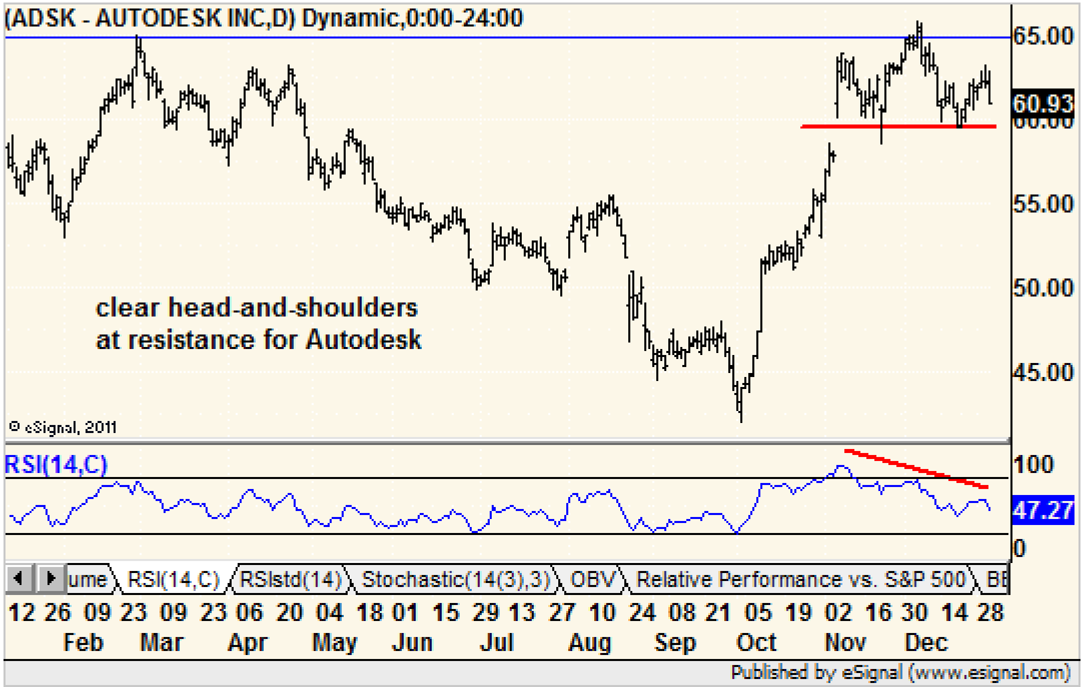

(IBM - INTERNATIONAL BUSINESS MACHS,D) Dynamic,0:00-24:00
MA(50,C)s
MA(200,C)s
Dog of the Dow
IBM was featured here before and
we like this for the long-term. Near
major support and looking exhausted
to the downside.
© eSignal, 2011
170.00
160.00
154.6237
150.00
137.62
130.00
RSI(14,C)
100
48.58
0
Volume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
RelStrength
BBandwidth
09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30 14 28
Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Published by eSignal (www.esignal.com)

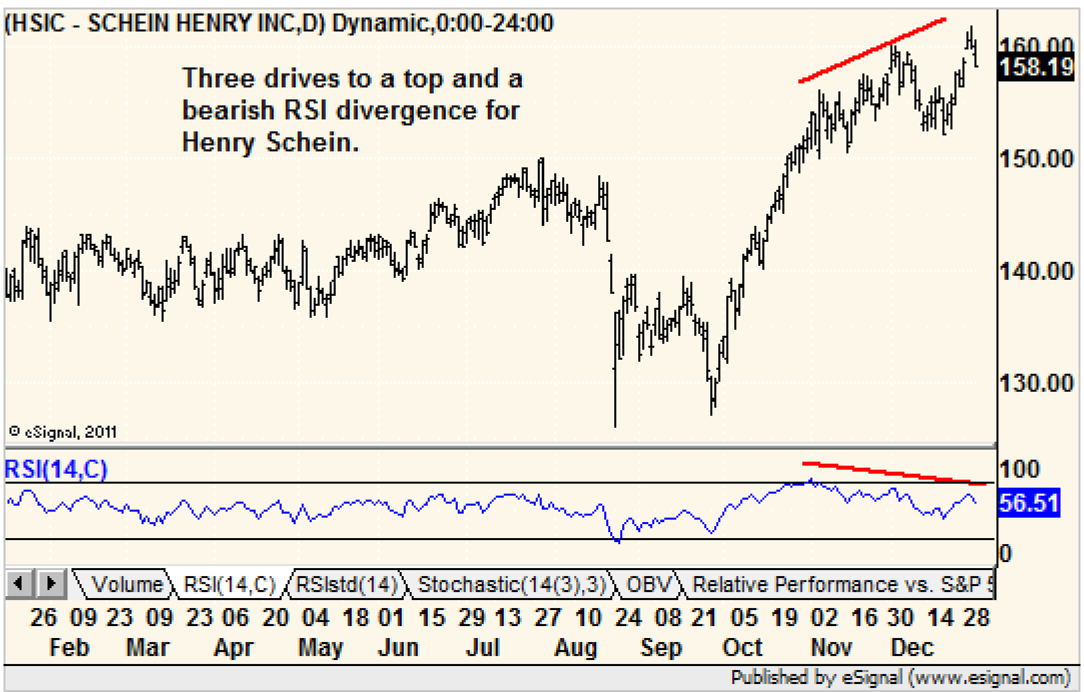

(AXP - AMERICAN EXPRESS CO,W) Dynamic,0:00-24:00
2007 peak
Will American Express be out next long-term pick? Could be soon but just not yet.
© eSignal, 2011
100.00
80.00
69.55
60.00
40.00
20.00
RSI(14,C)
100
37.99
0
Volume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
Relative Performance vs. S&
Feb Aug Feb Aug Feb Aug Feb Aug Feb Aug Feb Aug Feb Aug Feb Aug Feb Jul Dec
2007 2008 2009 2010 2011 2012 2013 2014 2015
Published by eSignal (www.esignal.com)

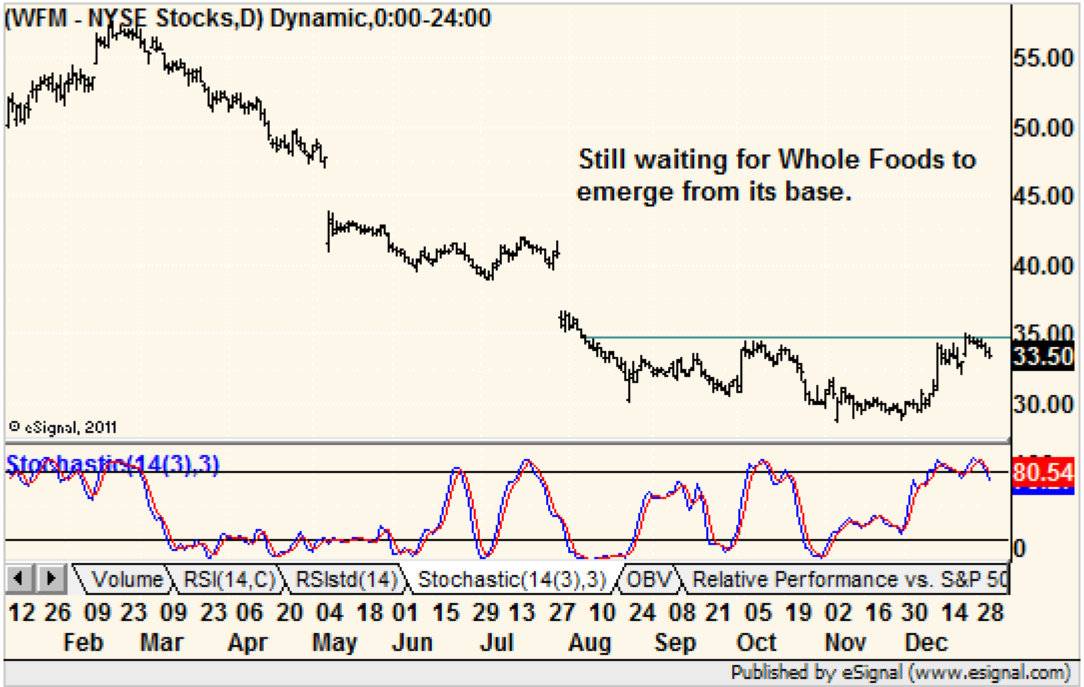

(COST - COSTCO WHSL CORP NEW,D) Dynamic,0:00-24:00
failure after earnings
Costco looks to be rolling over.
© eSignal, 2011
170.00
161.50
150.00
140.00
130.00
120.00
Volume
10M
1.87M
Volume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
Relative Performance vs. S&F
20 27 03 10 17 24 31 08 14 21 28 05 12 19 26 02 09 16 23 30 07 14 21 28
Aug Sep Oct Nov Dec
Published by eSignal (www.esignal.com)

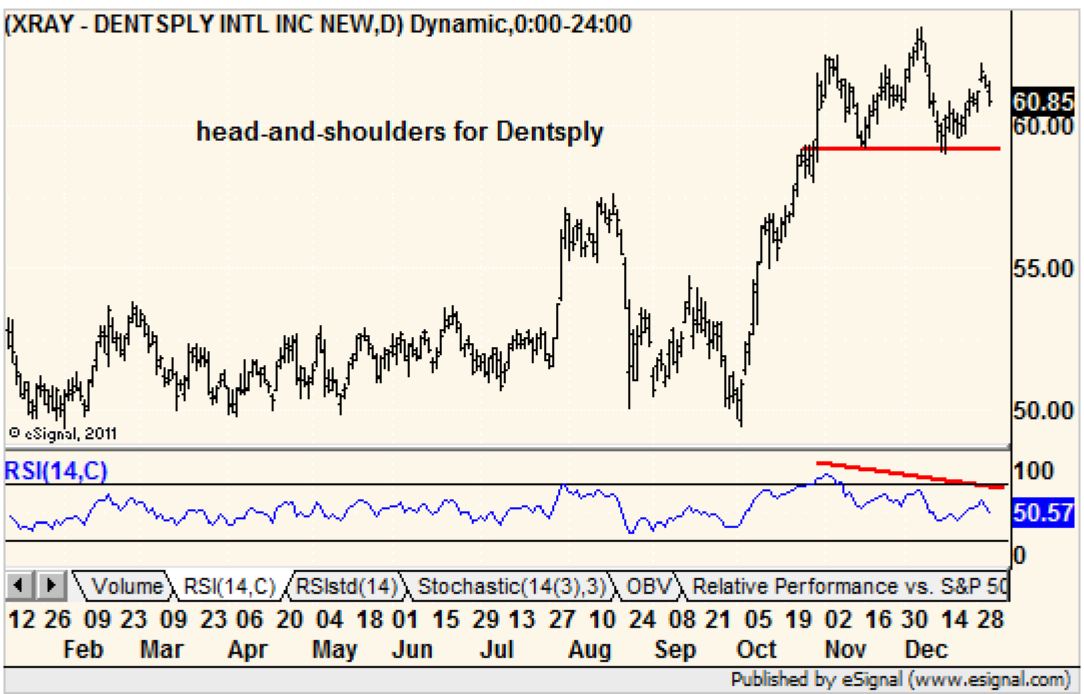

(AMGN - AMGEN INC,D) Dynamic,0:00-24:00
How will Amgen break out?
180.00
170.00
162.33
150.00
140.00
130.00
© eSignal, 2011
Stochastic(14(3),3)
83.21
0
Volume RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV Relative Performance vs. S&P 5
18 01 08 15 22 06 13 20 27 03 10 17 24 31 14 21 28 05 12 19 26 02 09 16 30 07 14 28
Jun Jul Aug Sep Oct Nov Dec
Published by eSignal (www.esignal.com)


(BIDU - BAIDU INC,D) Dynamic,0:00-24:00
200.00
189.04
150.00
Is Baidu rolling over with China itself?
100.00
© eSignal, 2011
RSI(14,C)
100
40.69
0
ume RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV Relative Performance vs. S&P 500
26 09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30 14 28
Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Published by eSignal (www.esignal.com)


(ADSK - AUTODESK INC,D) Dynamic,0:00-24:00
clear head-and-shoulders
at resistance for Autodesk
© eSignal, 2011
RSI(14,C)
65.00
60.93
55.00
50.00
45.00
100
47.27
0
12 26 09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30 14 28
Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Published by eSignal (www.esignal.com)


(HSIC - SCHEIN HENRY INC,D) Dynamic,0:00-24:00
Three drives to a top and a
bearish RSI divergence for
Henry Schein.
© eSignal, 2011
RSI(14,C)
158.19
150.00
140.00
130.00
100
56.51
0
26 09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30 14 28
Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Published by eSignal (www.esignal.com)


(WFM - NYSE Stocks,D) Dynamic,0:00-24:00
Still waiting for Whole Foods to emerge from its base.
55.00
50.00
45.00
40.00
35.00
33.50
30.00
© eSignal, 2011
Stochastic(14(3),3)
80.54
0
Volume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
Relative Performance vs. S&P 50
12 26 09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30 14 28
Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Published by eSignal (www.esignal.com)


(XRAY - DENTSPLY INTL INC NEW,D) Dynamic,0:00-24:00
head-and-shoulders for Dentsply
60.85
60.00
55.00
50.00
© eSignal, 2011
RSI(14,C)
100
50.57
0
Volume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
Relative Performance vs. S&P 50
12 26 09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30 14 28
Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Published by eSignal (www.esignal.com)

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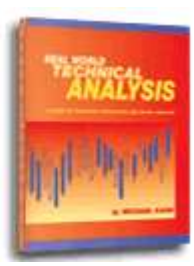

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