

# QUICK TAKES PRO

*"TECHNICAL ANALYSIS FOR EVERYONE"*

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**January 9, 2016** – I really wanted to write a robust roadmap to the new year with sectors likely to outperform and stocks ready to shine. But after what we've just seen in the first week of trading, that is out the window. In bear markets, correlation tends to move towards unity. In other words, most everything gets caught in the down draft.

Your question now should be, "are you saying this is a bear market?" The answer is that most of the market has been in a bear for months already. And now the leaders are cracking and that will ding the rest of the market that was holding up. Note how we did not say the FANGs are in bear markets. They still look better than the average stock and will likely get some residual love from people who missed them before. But now is not the time to back up the truck for stocks.

True, the U.S. is still better than most of the rest (with the glaring exception of Ireland) but that just means you will lose less.

And what's up with interest rates? So much for rates going up now that the Fed has hiked short-term rates. Fear trumps ill-advised Fed action. Check out the yield spread chart below – which is now at risk for signaling recession. Yeah, we said it.

The year started in distressing fashion as China dove 7% Monday and then did it again Thursday in only a half hour of trading until circuit breakers closed things down. It is a very oversold market and we can even argue for a decent bounce based on Friday's harami cross candle pattern. But the trend here is down – period.

Commodities got squashed, too, in a typical "China is slowing down" panic. Crude hit a new low close to 32. Brent came down to parity and we take that a sign that Europe is really weak. That is, after all, where most of the Brent output goes.

And gold finally saw some buying and even broke out from a two-month base. The major trend, however, is still down so don't fire up your Rosland account. What's in your safe? Valium and Maalox.

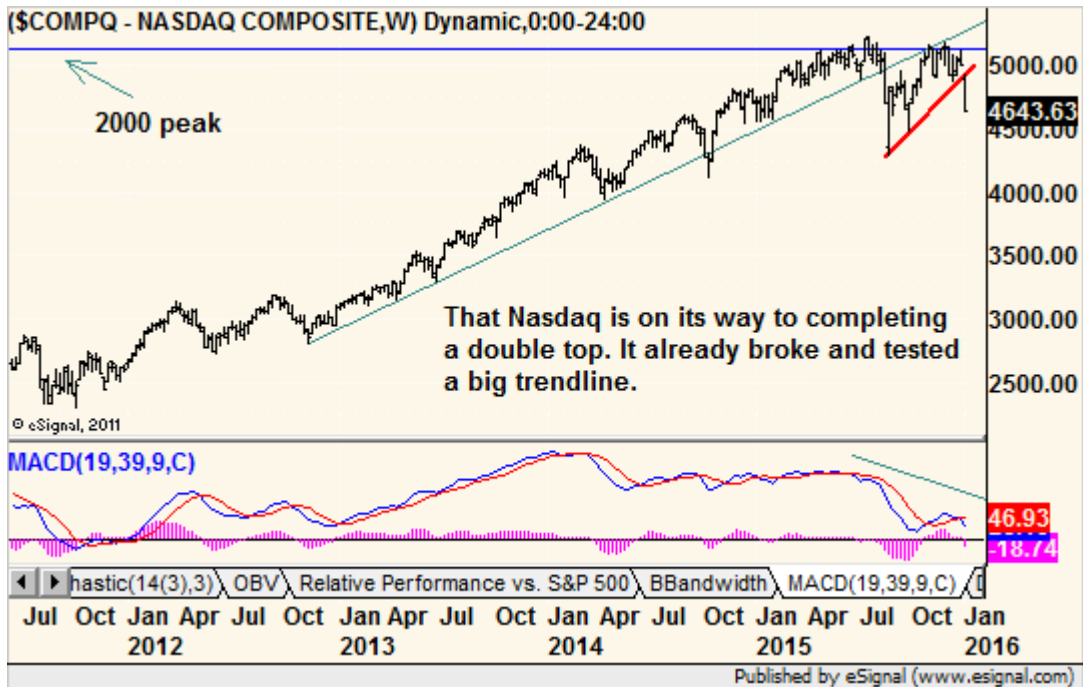
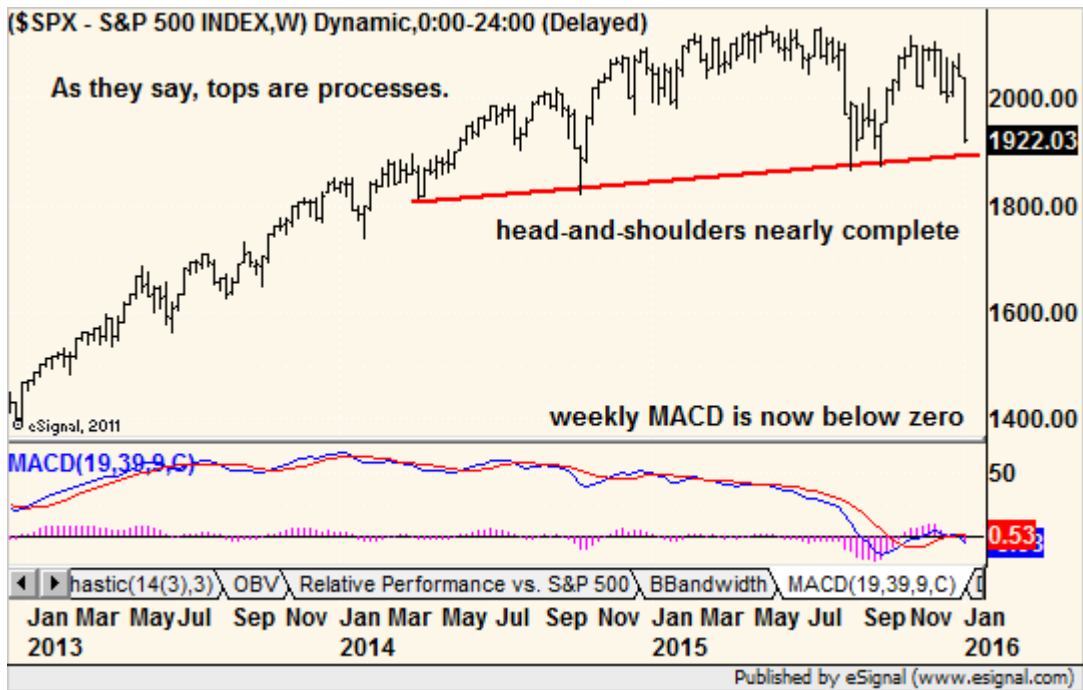
Tonight is the big Powerball drawing and as I write this the jackpot topped 900 million dollars. We all fantasize about what we would do with the cash and after taking care of personal needs (mortgage, college, medical) and some toys (car, house, sports team) the next step is investing the rest. Where? Not stocks. Not bonds, even though for now that is the safe haven. Not commodities, at least not yet. Not foreign markets. That pretty much leaves cash. Talk about a buzz kill.

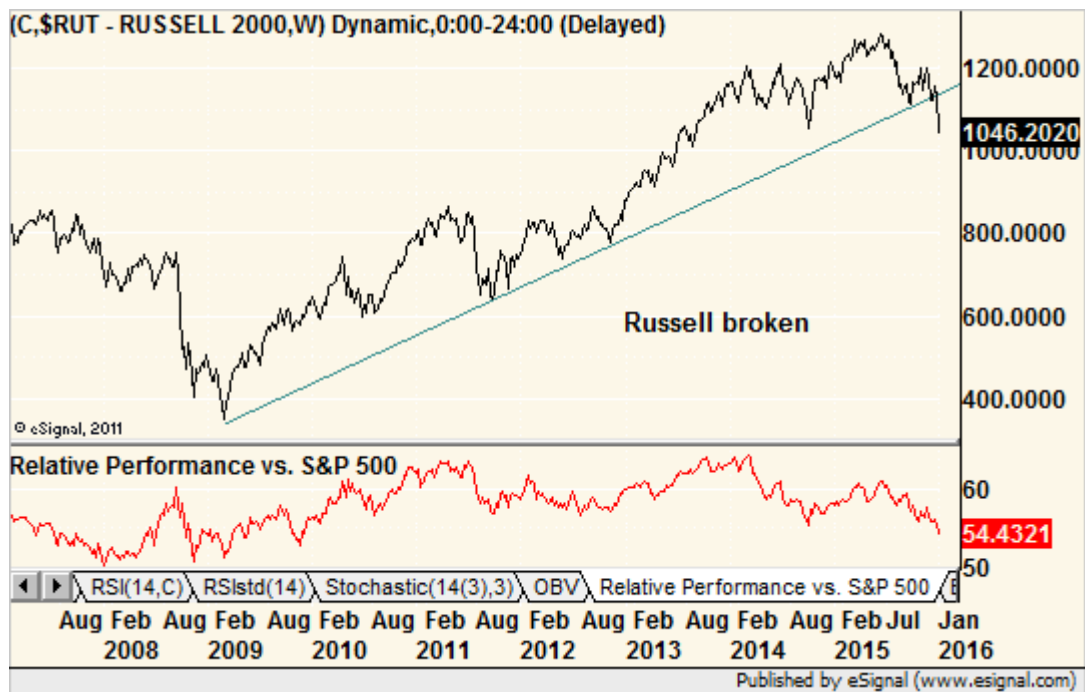
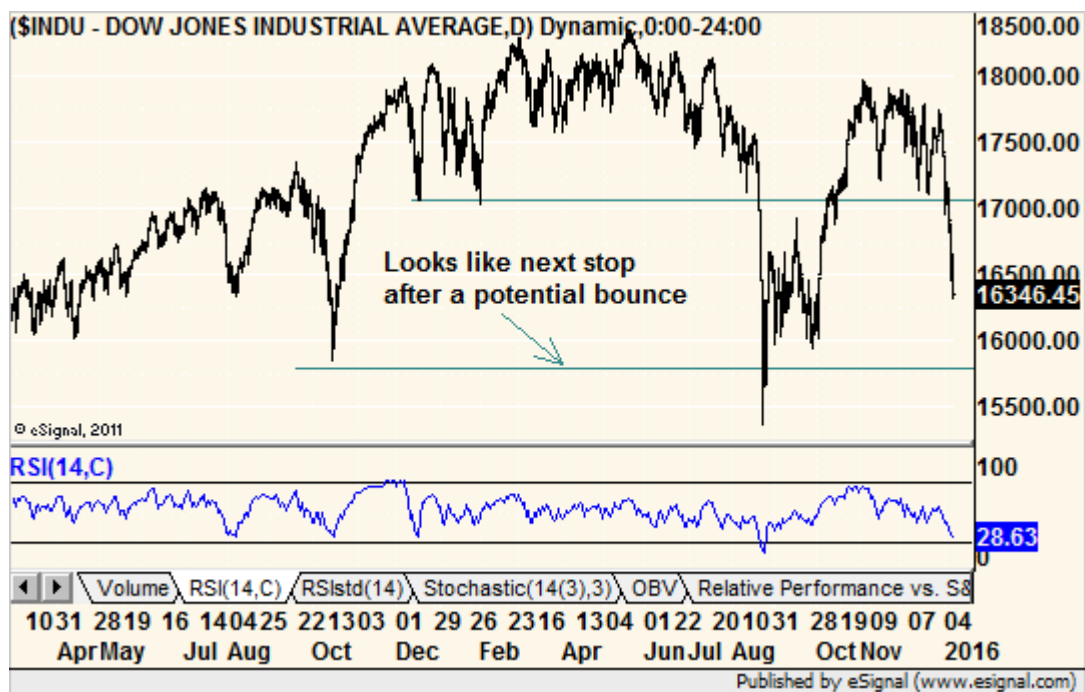
Unless you know about distressed real estate, fine art or can cure cancer, you are stuck. It is time to play defense.

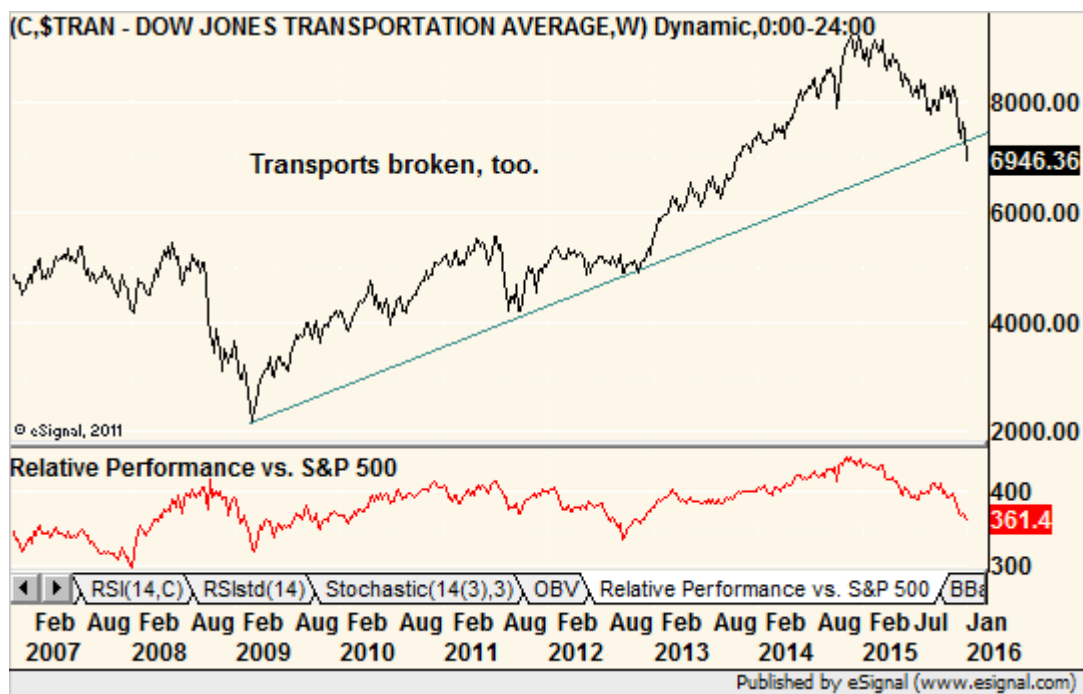
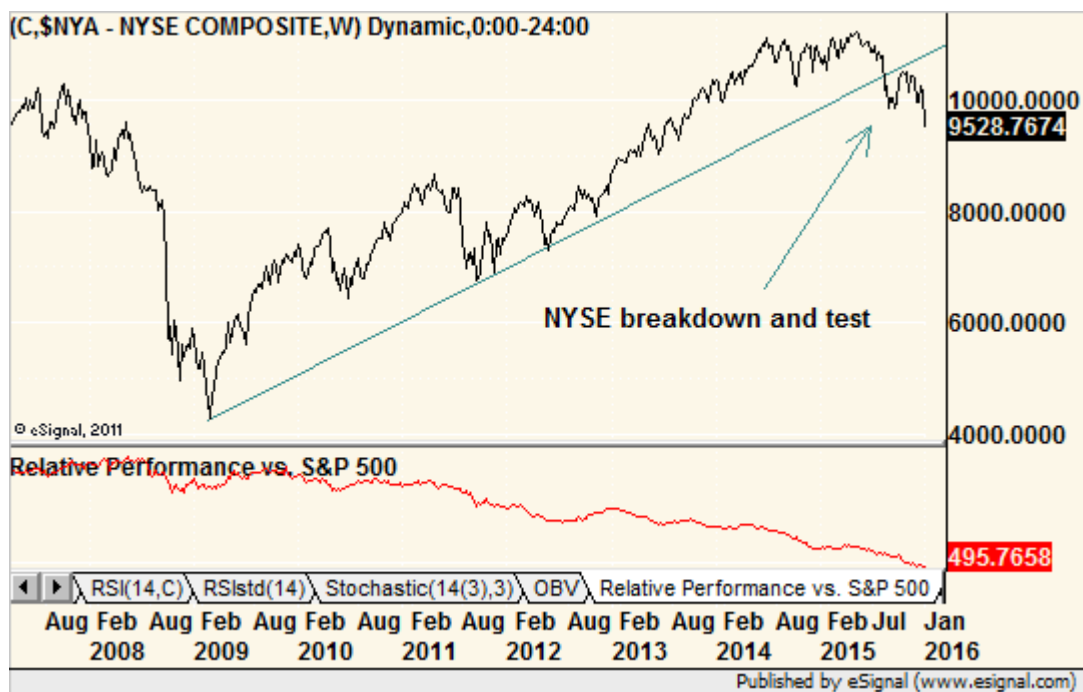
Some bullet points:

- Bonds safe haven but we would not lock up cash for that long
- Gold still in a bear and \$900 is not out of the question
- Oil may have already bottomed but that does not mean it is ripe for purchase. Soon.
- Commodities in general should bottom midyear.
- The dollar is still rising.

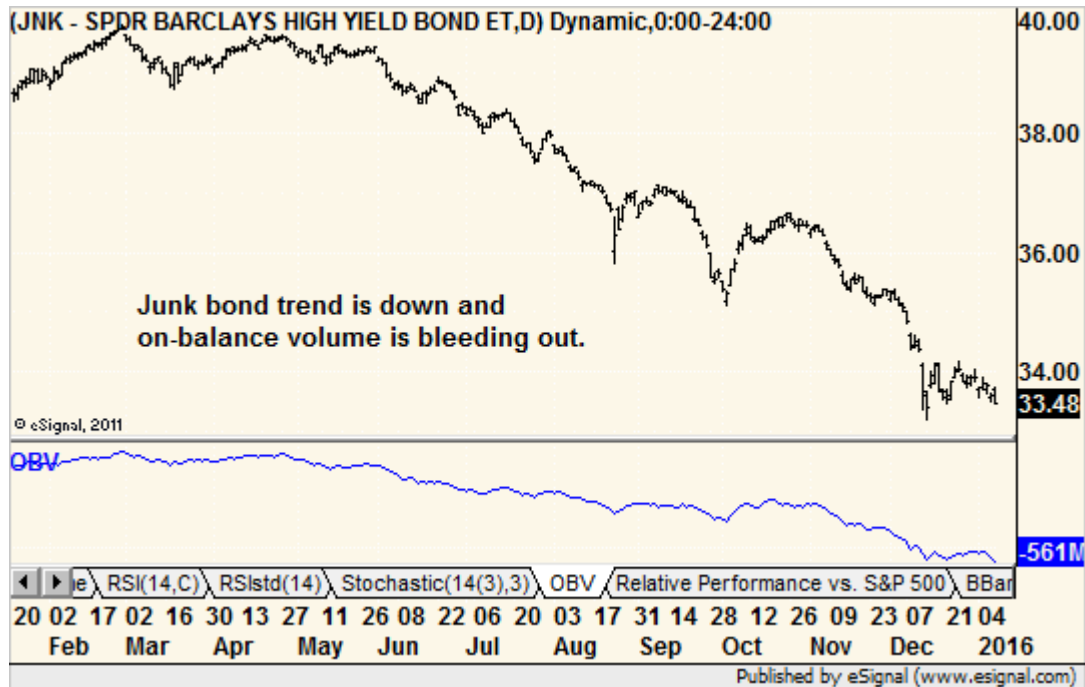
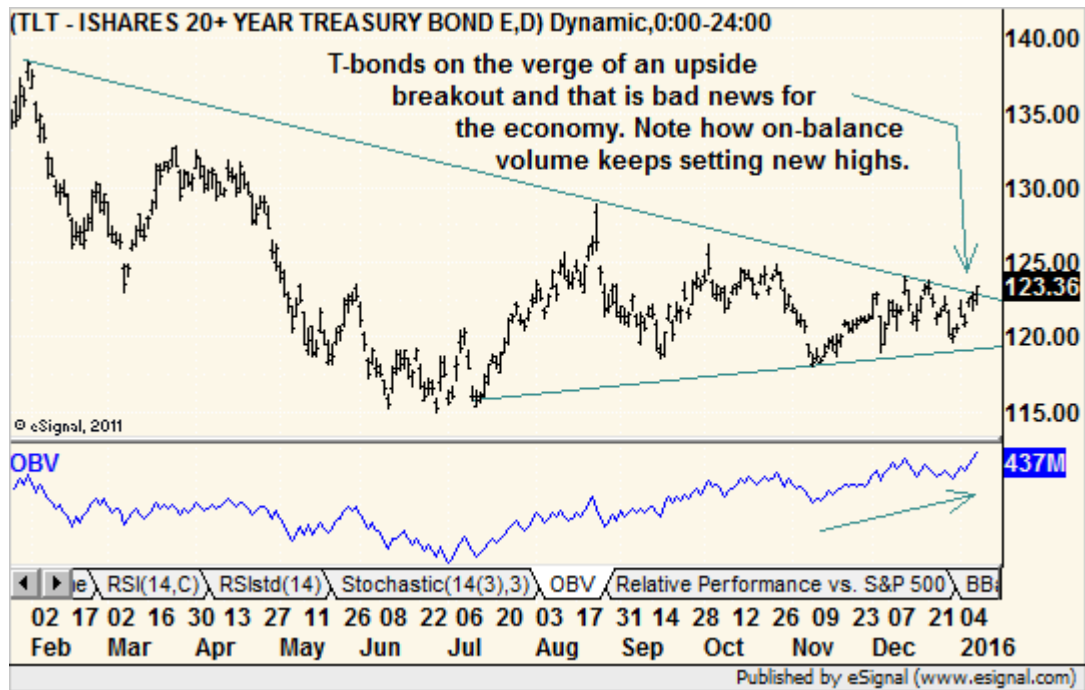
## Index Charts of the Week





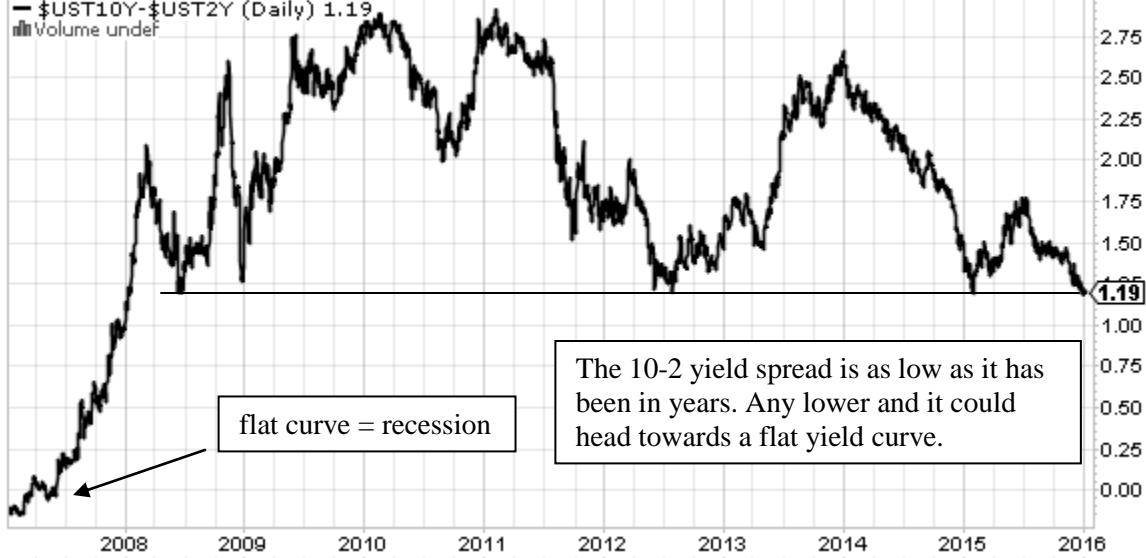


## Other Markets

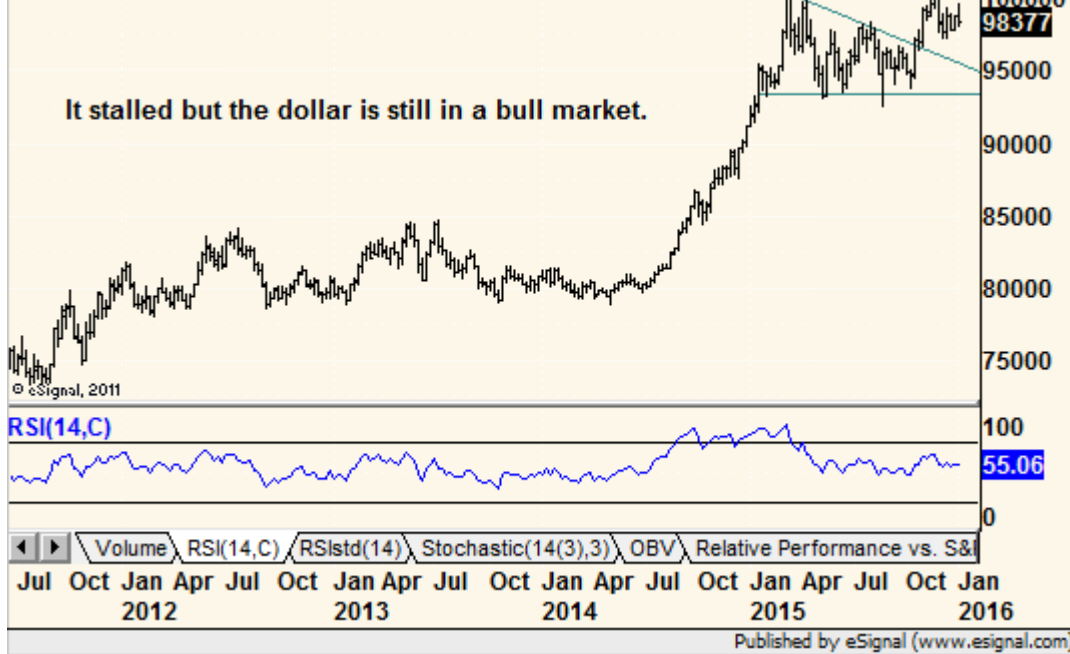


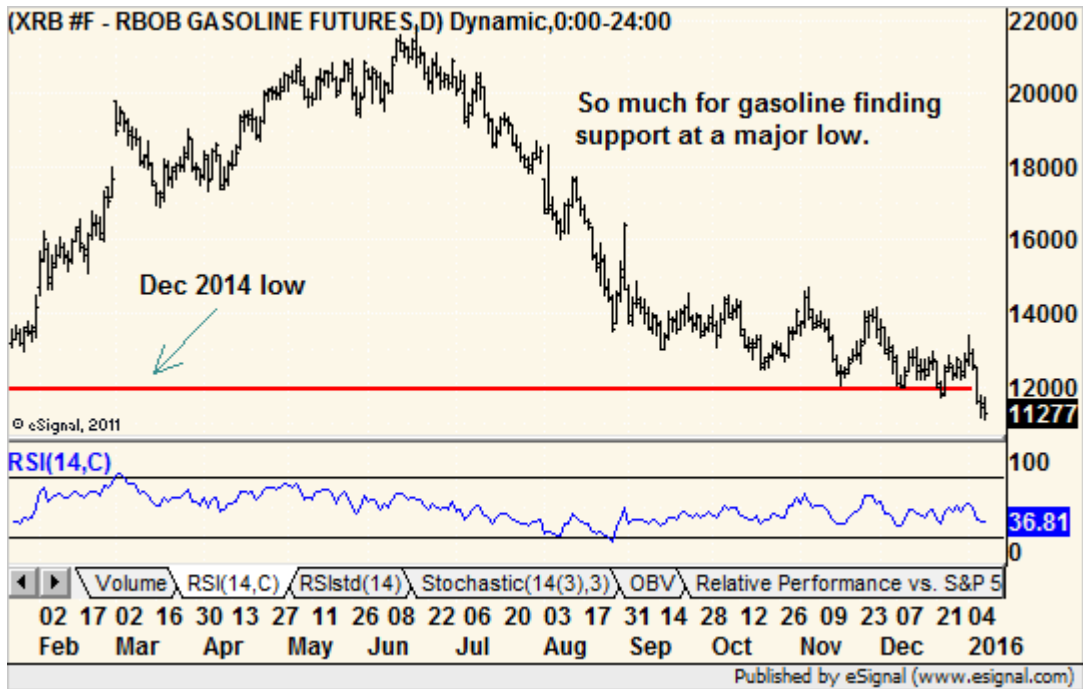
**\$UST10Y-\$UST2Y** 10-Yr Treas Yld (EOD)-2-Yr Treas Yld (EOD) INDX © StockCharts.com

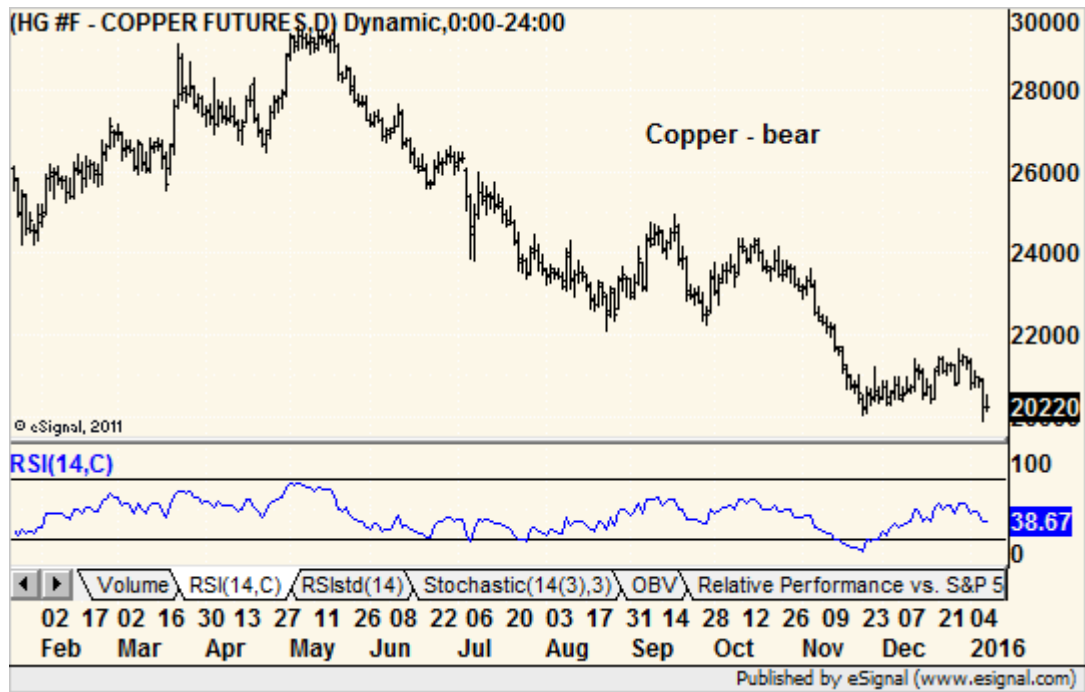
8-Jan-2016 **Open 1.19 High 1.19 Low 1.19 Close 1.19 Chg -0.01 (-0.83%)**



**(DX A0 - US DOLLAR INDEX,W) Dynamic,0:00-24:00 (Delayed)**

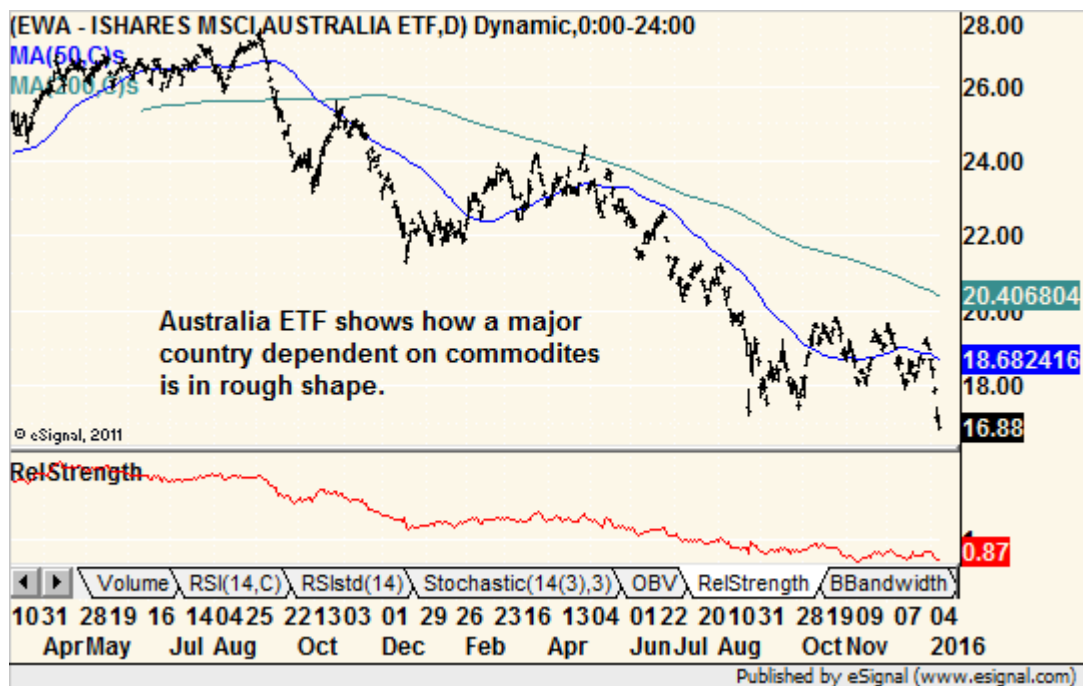




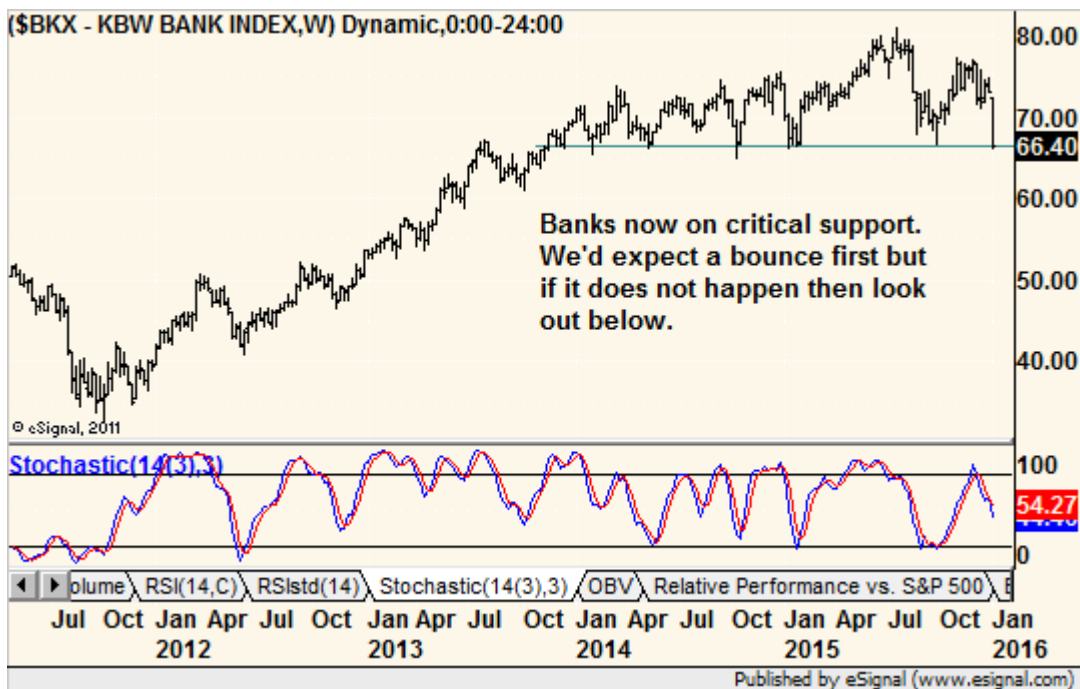


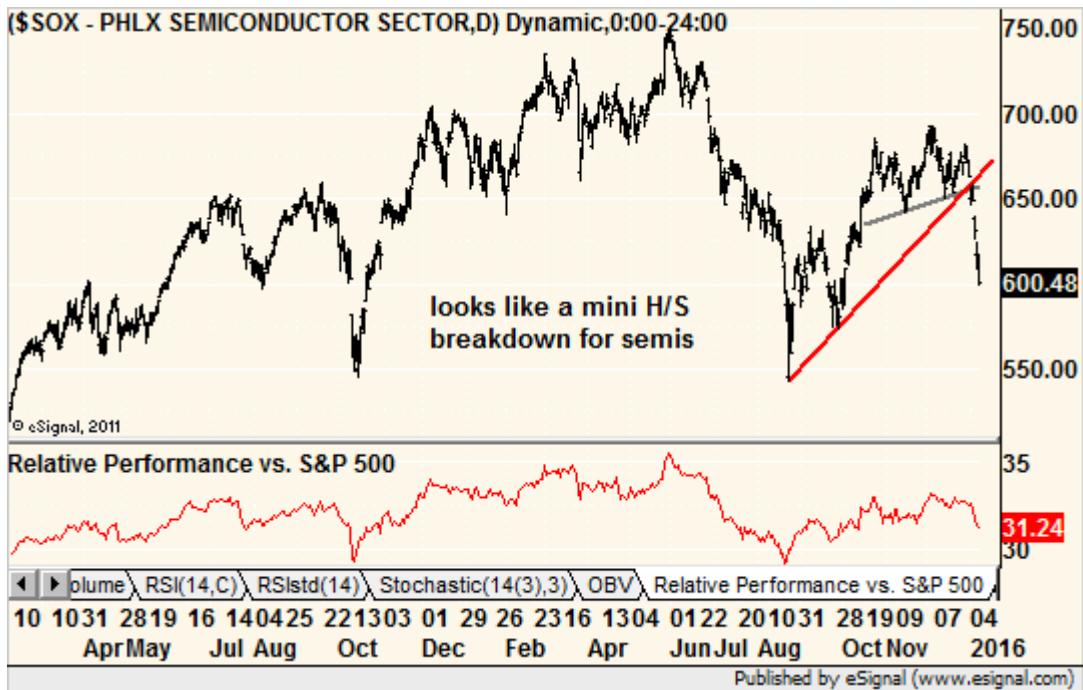
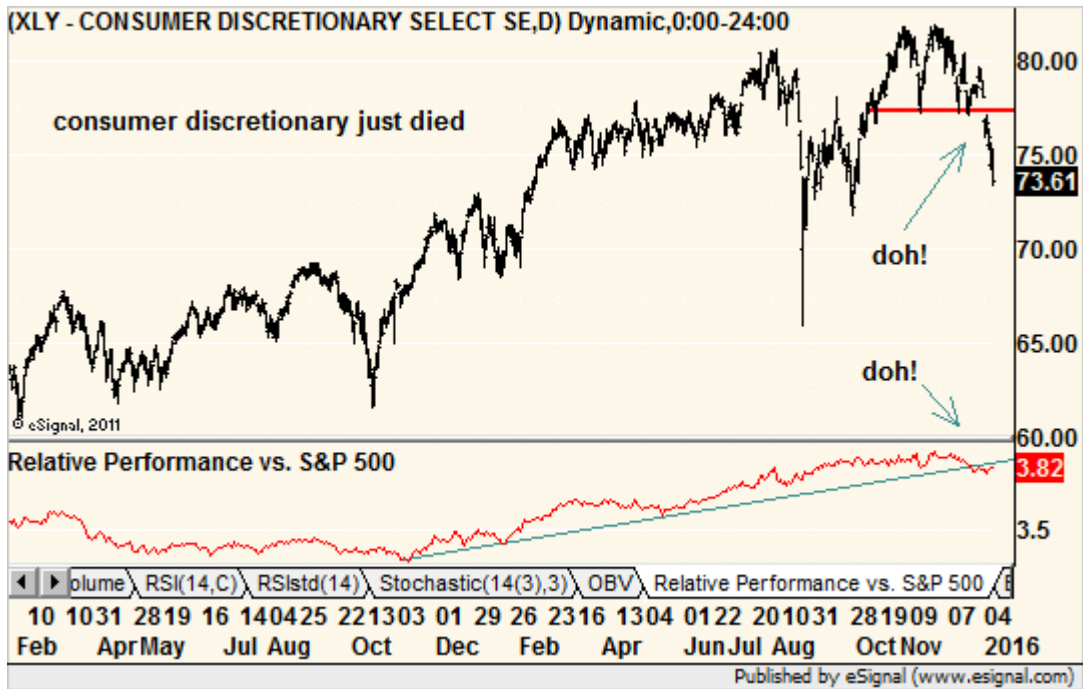




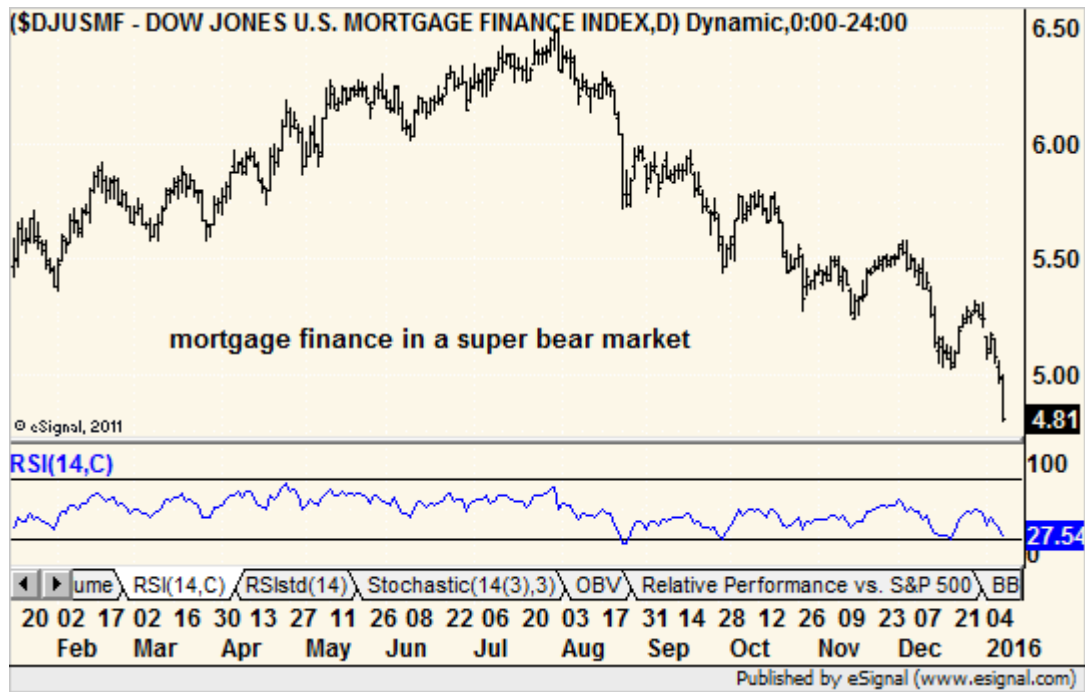
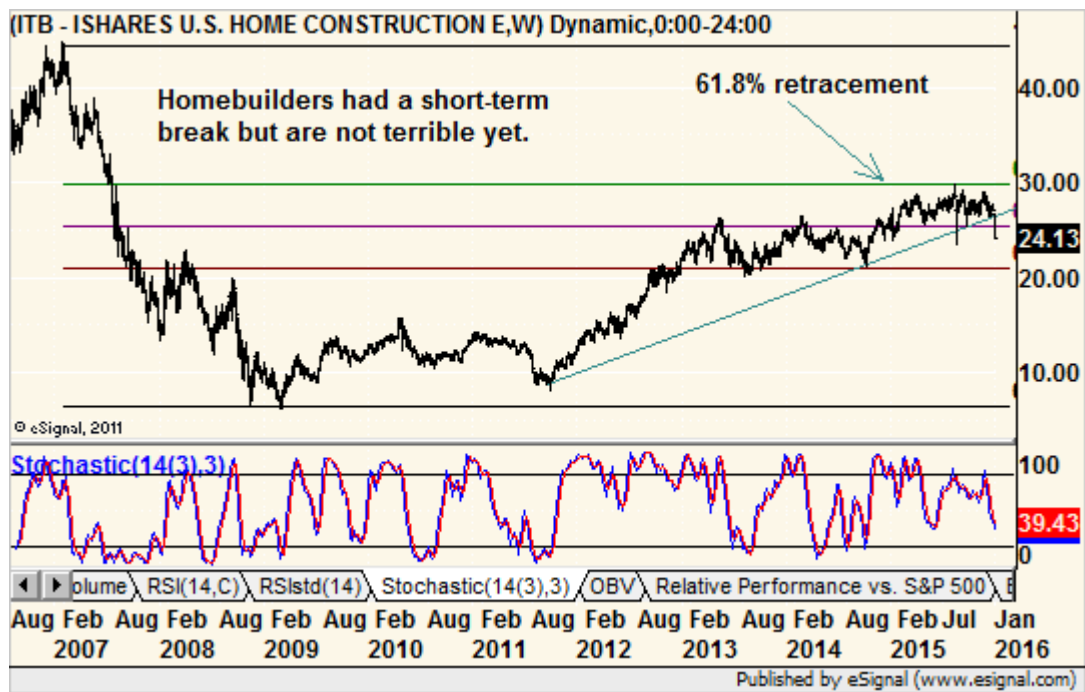


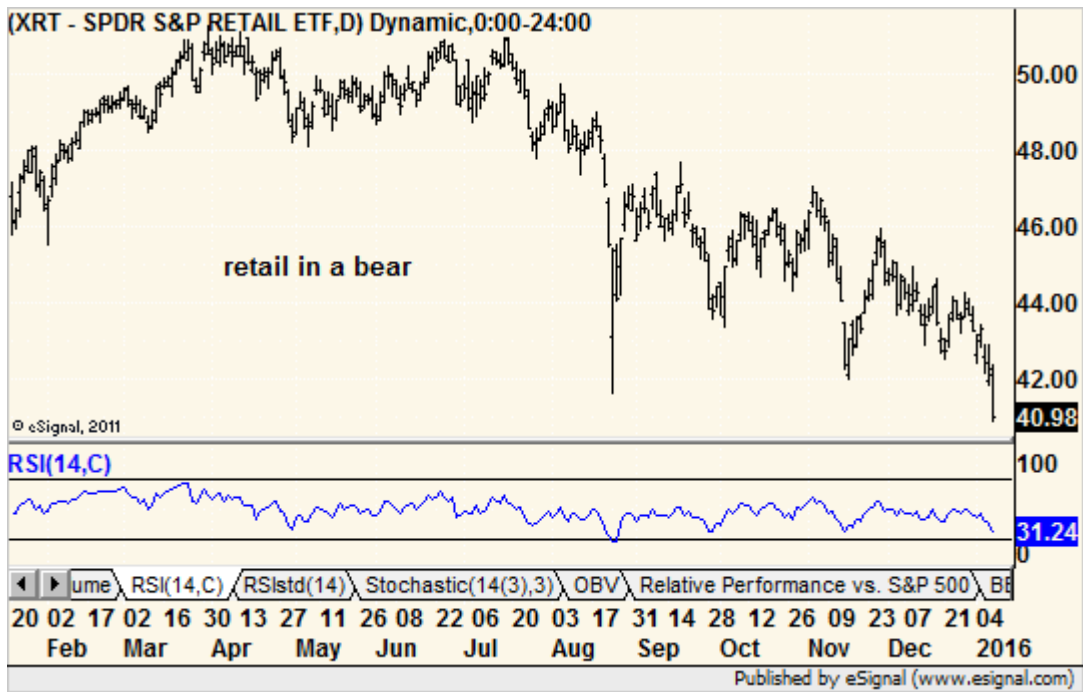
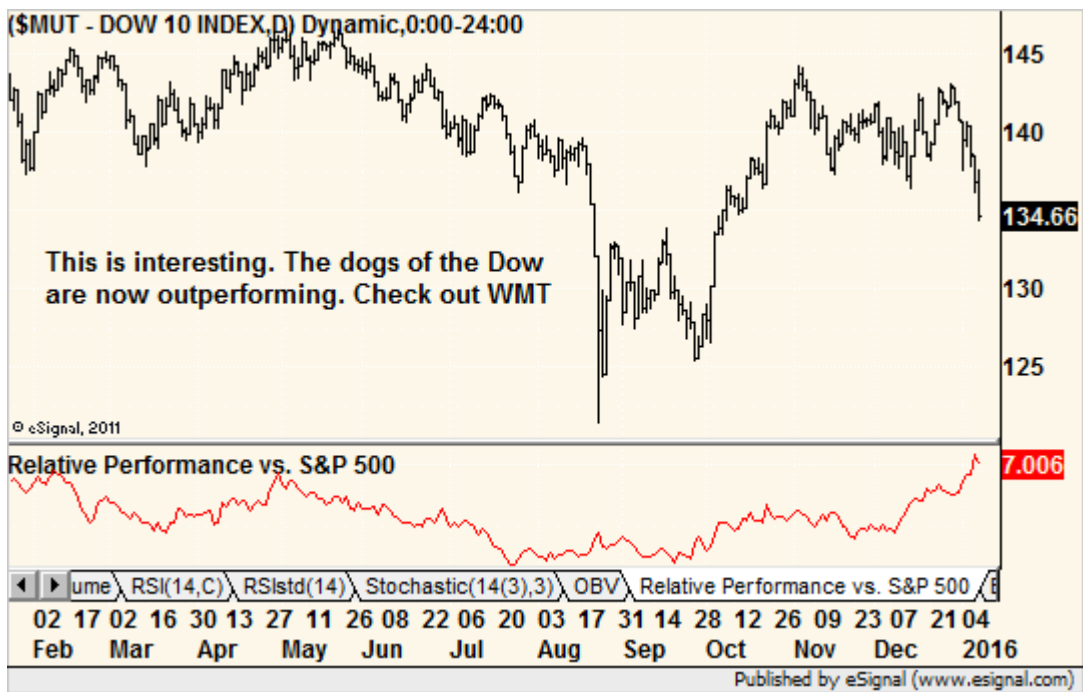
## Sector Watch

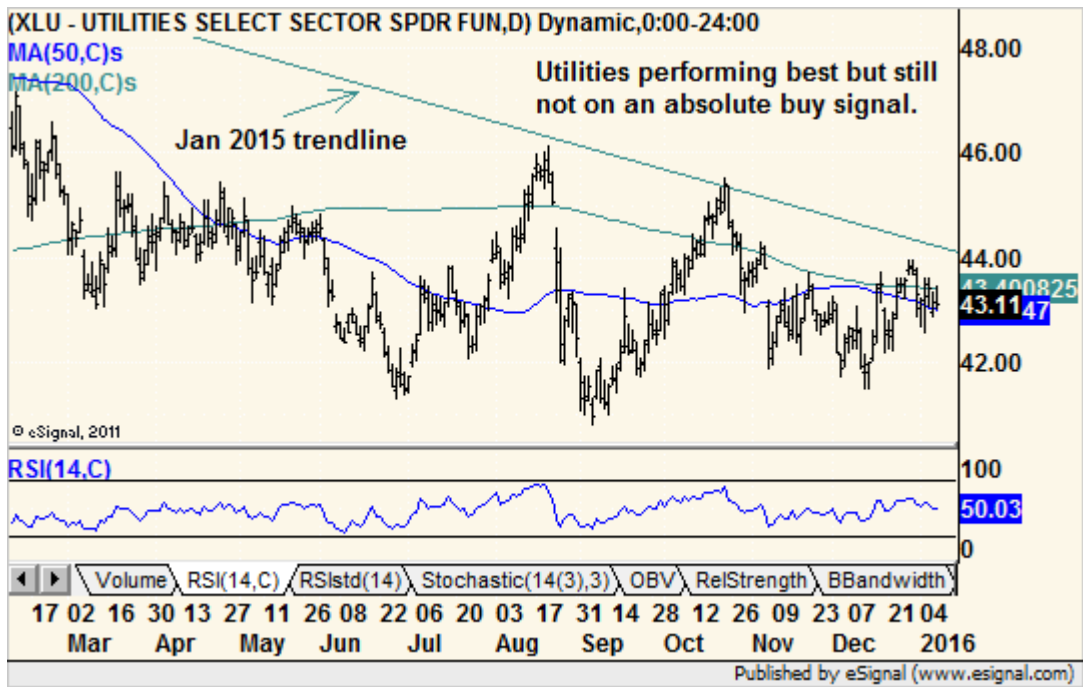
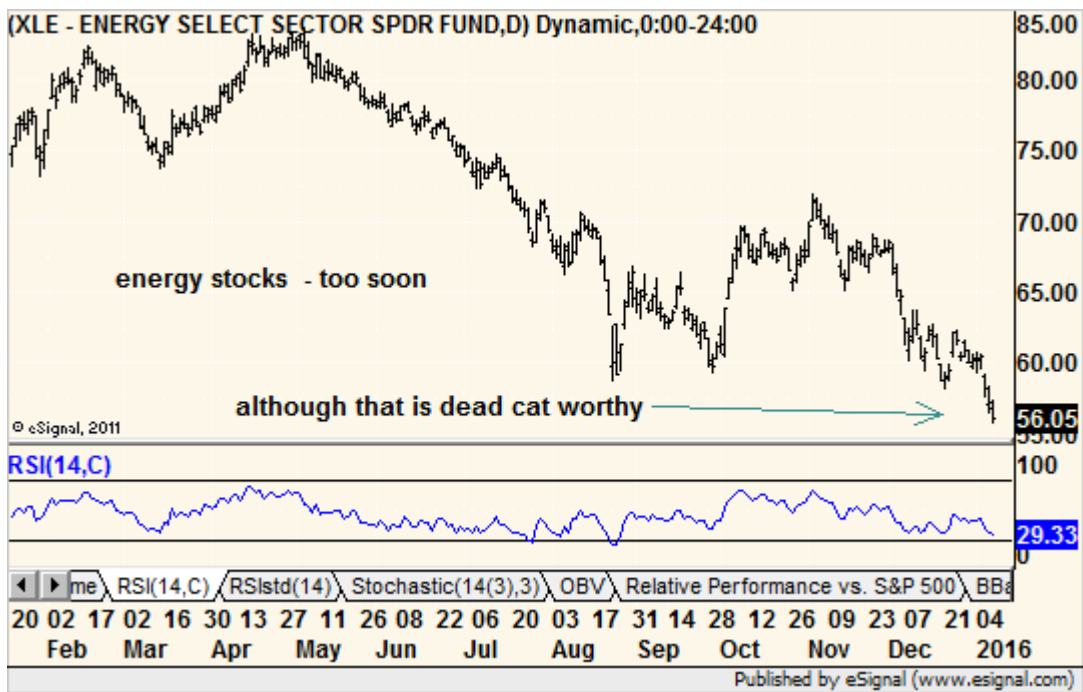






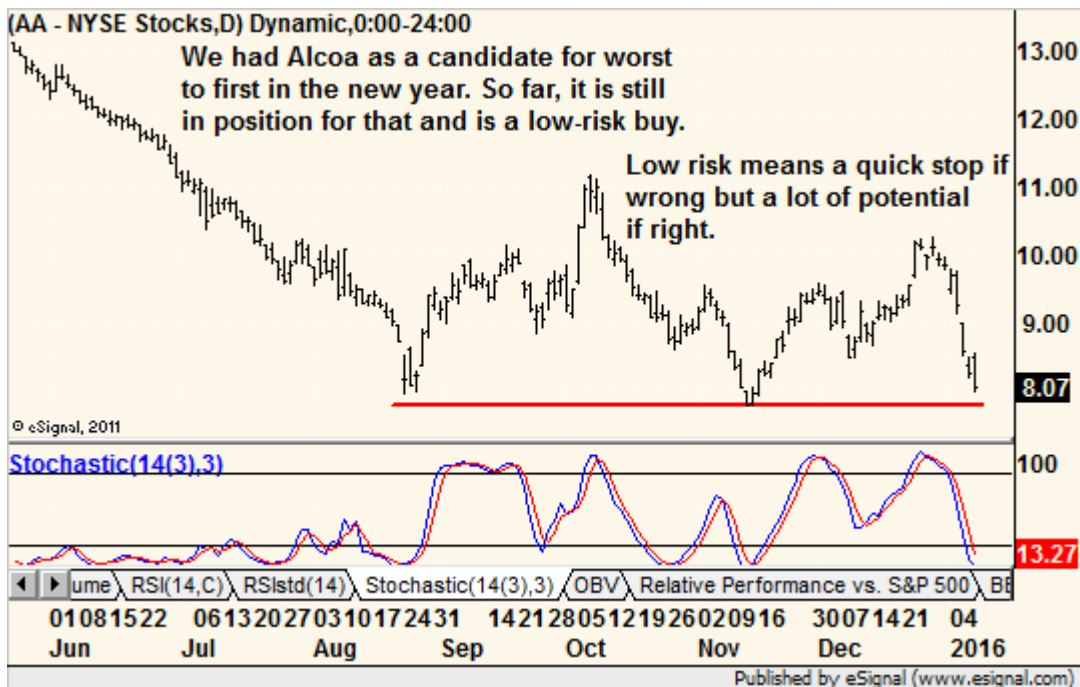
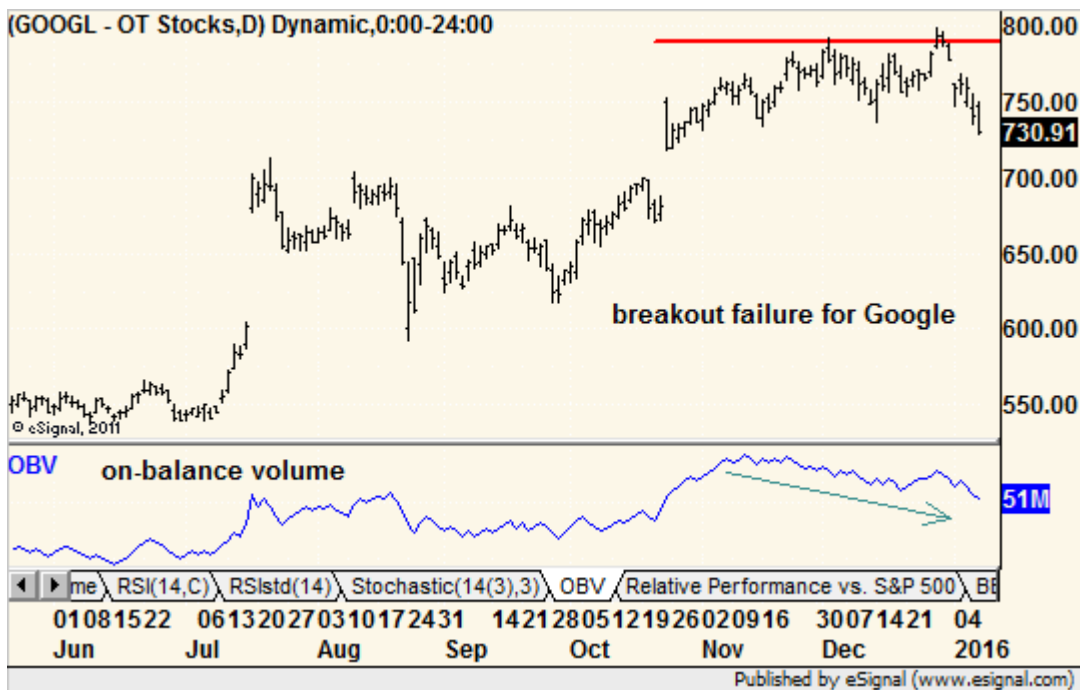




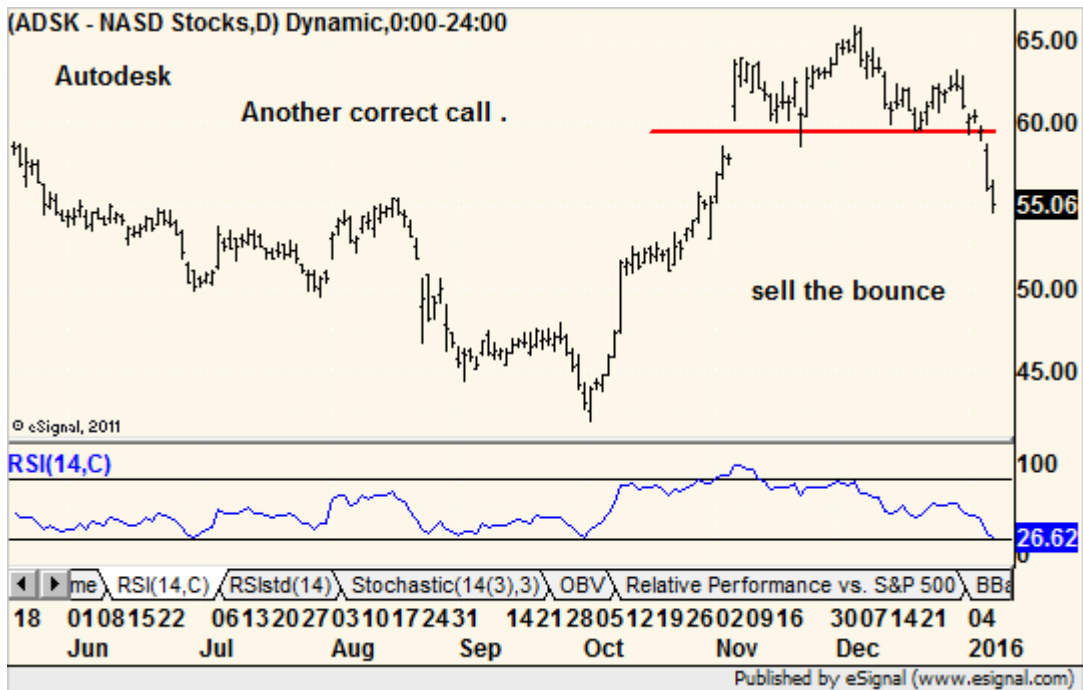
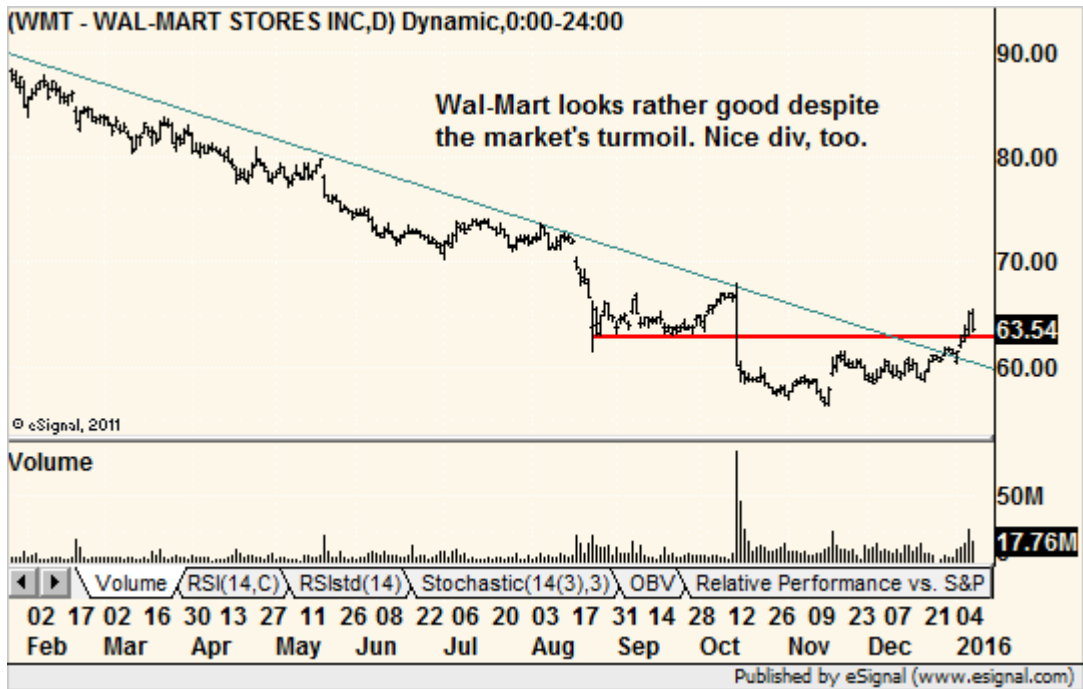


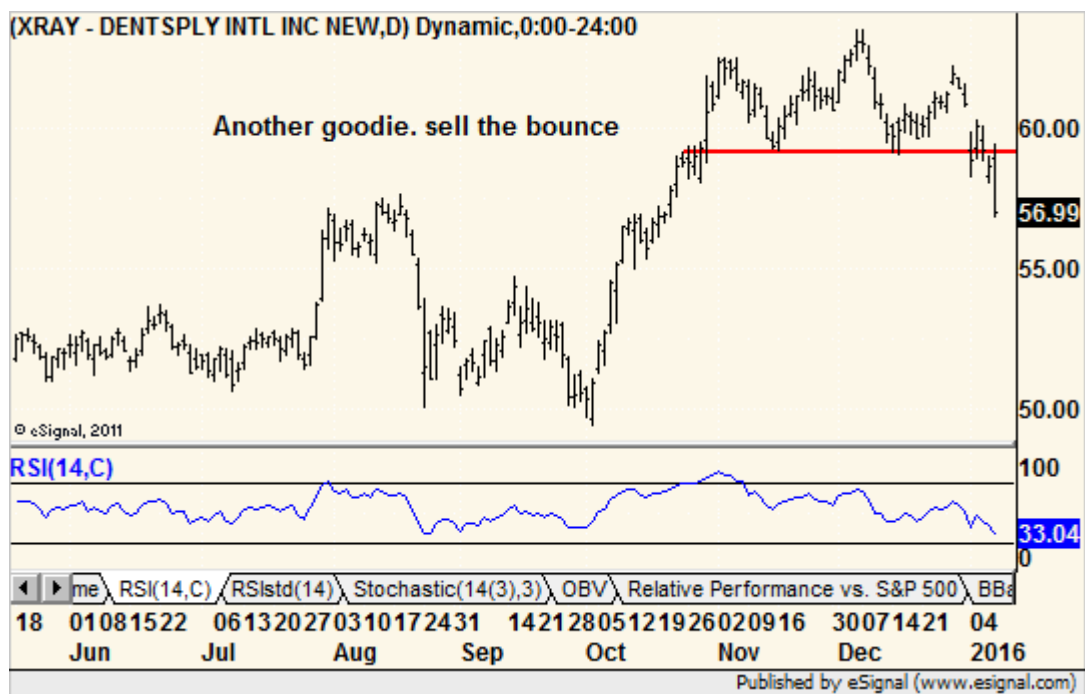
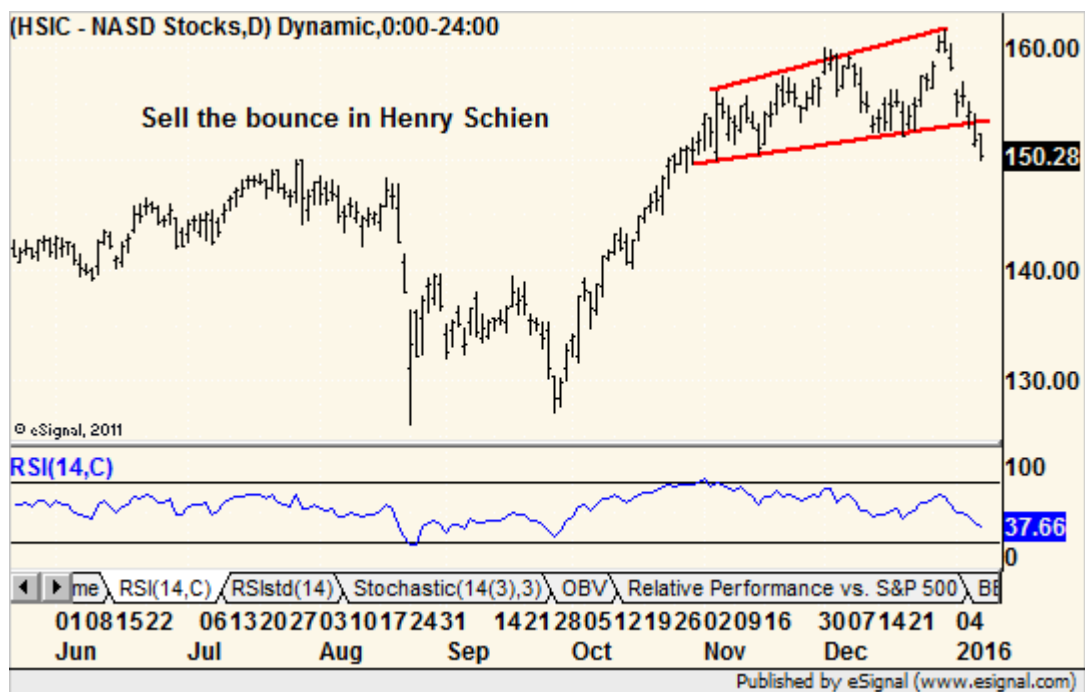


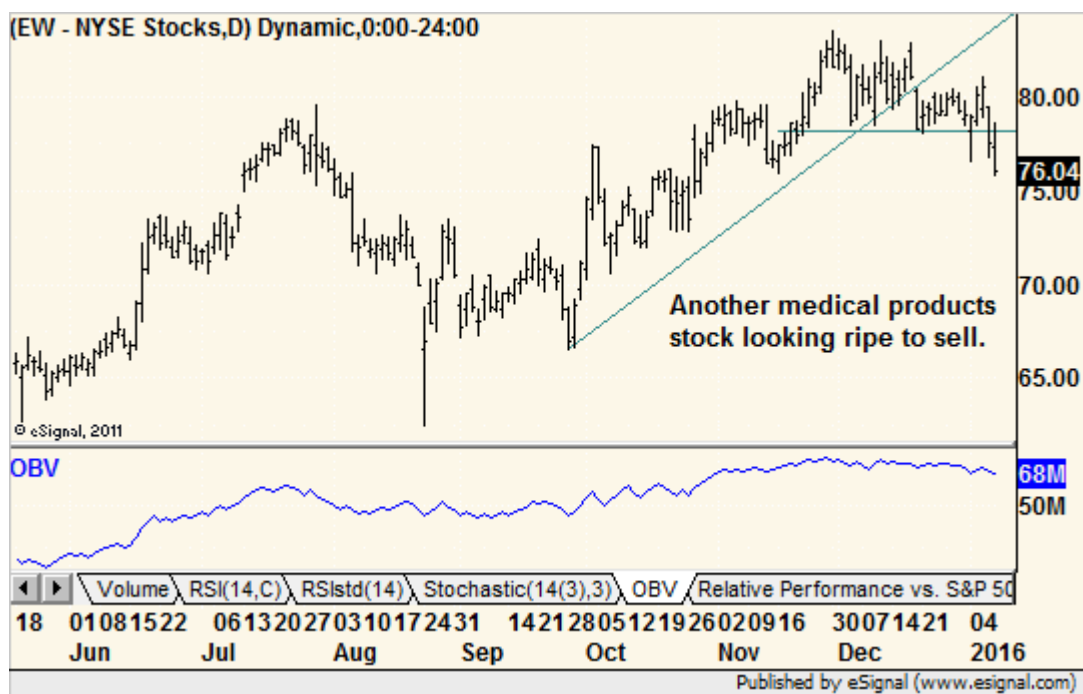
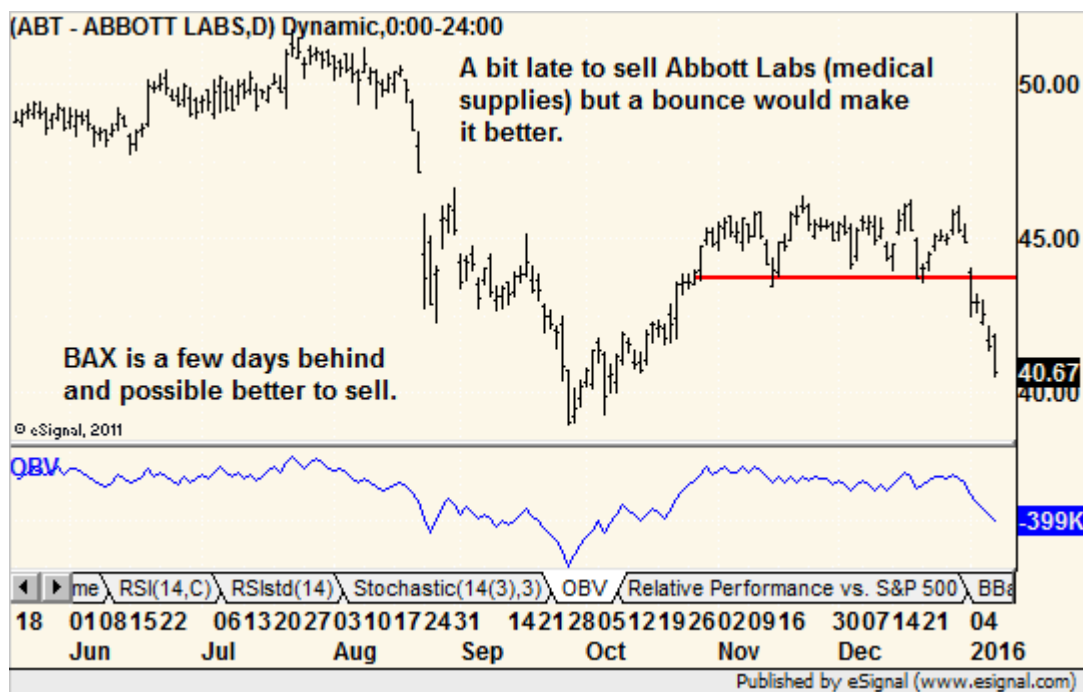
## Stocks in the News

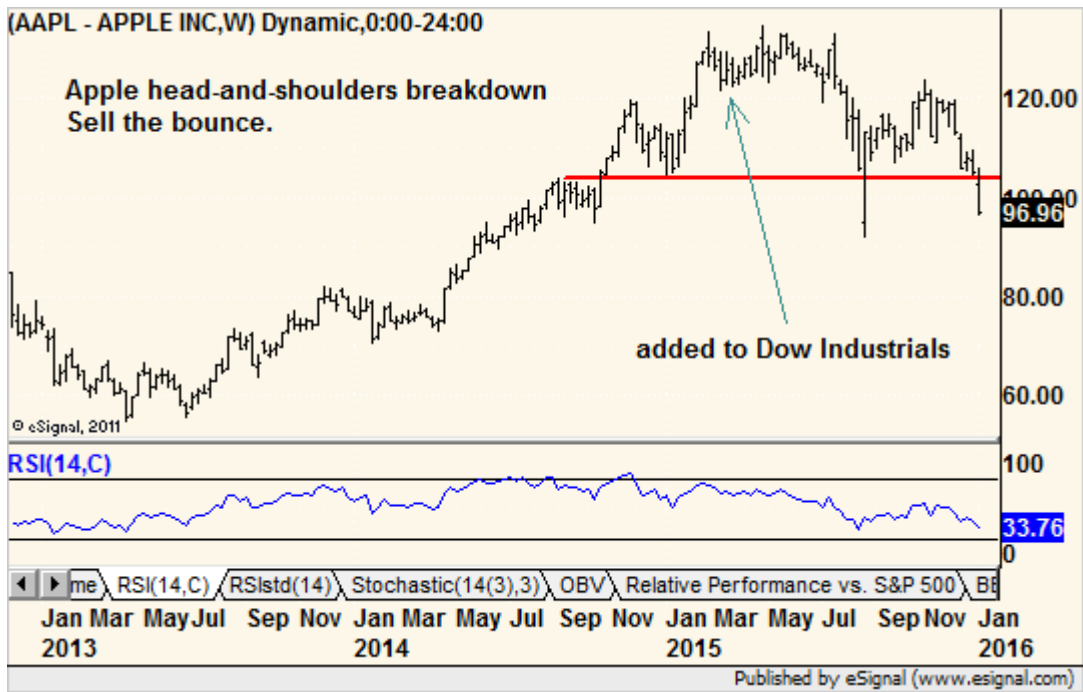
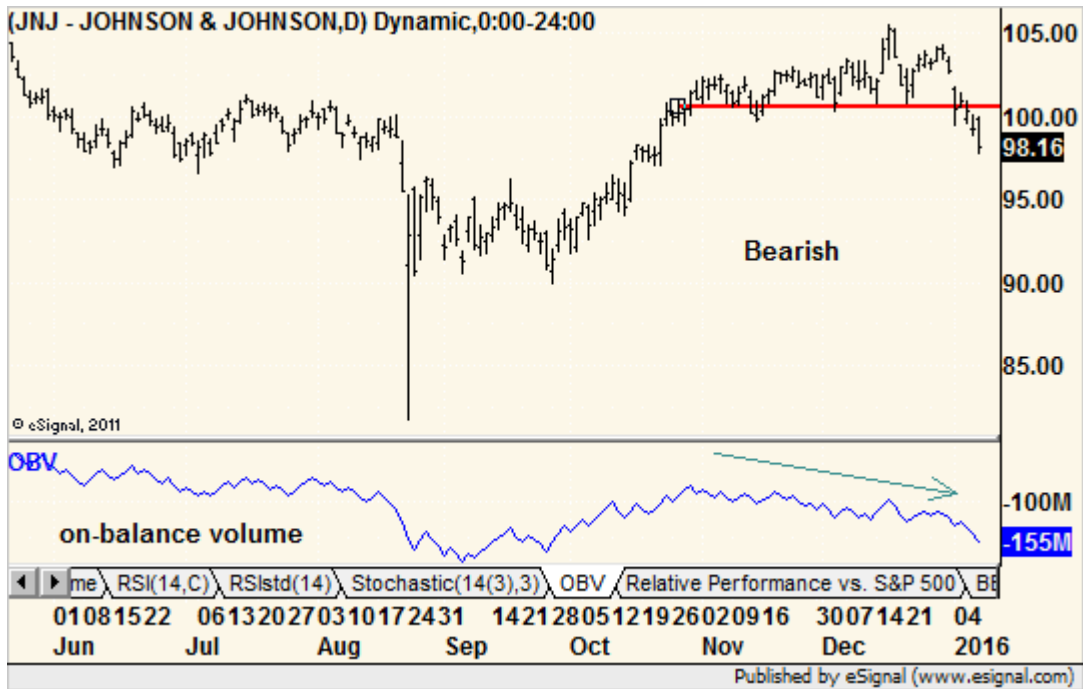


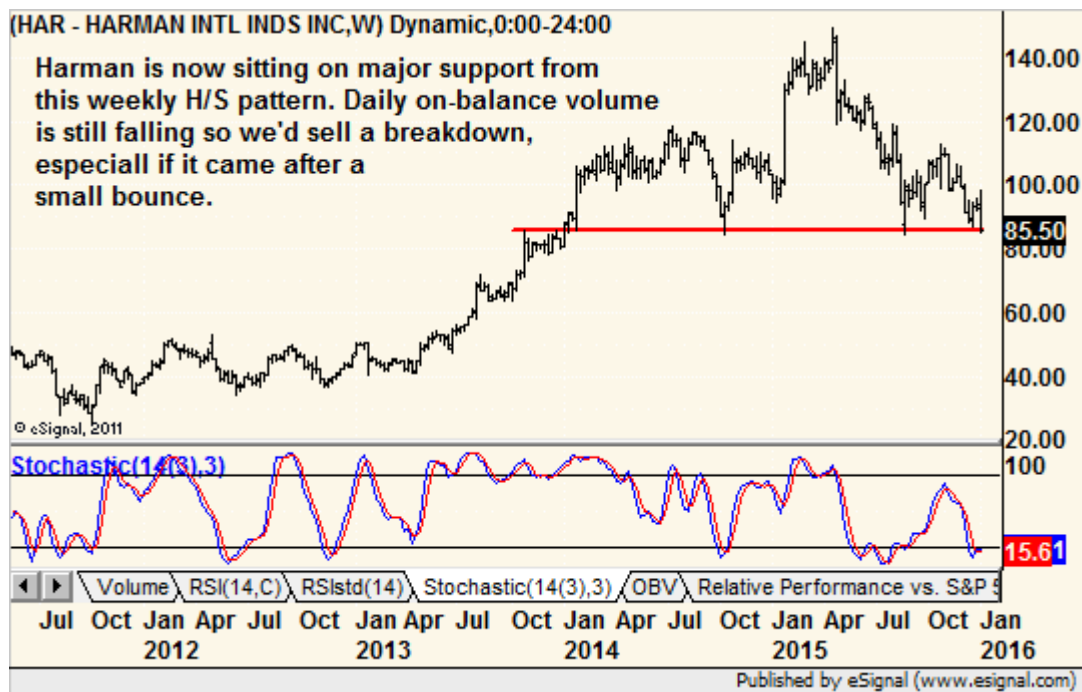
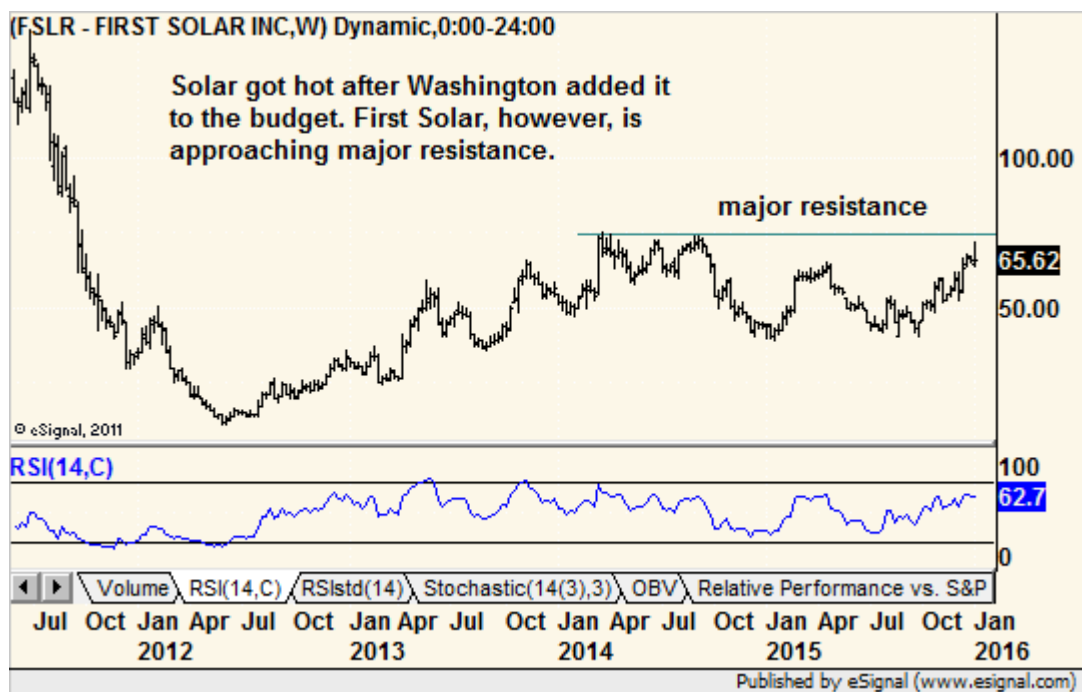


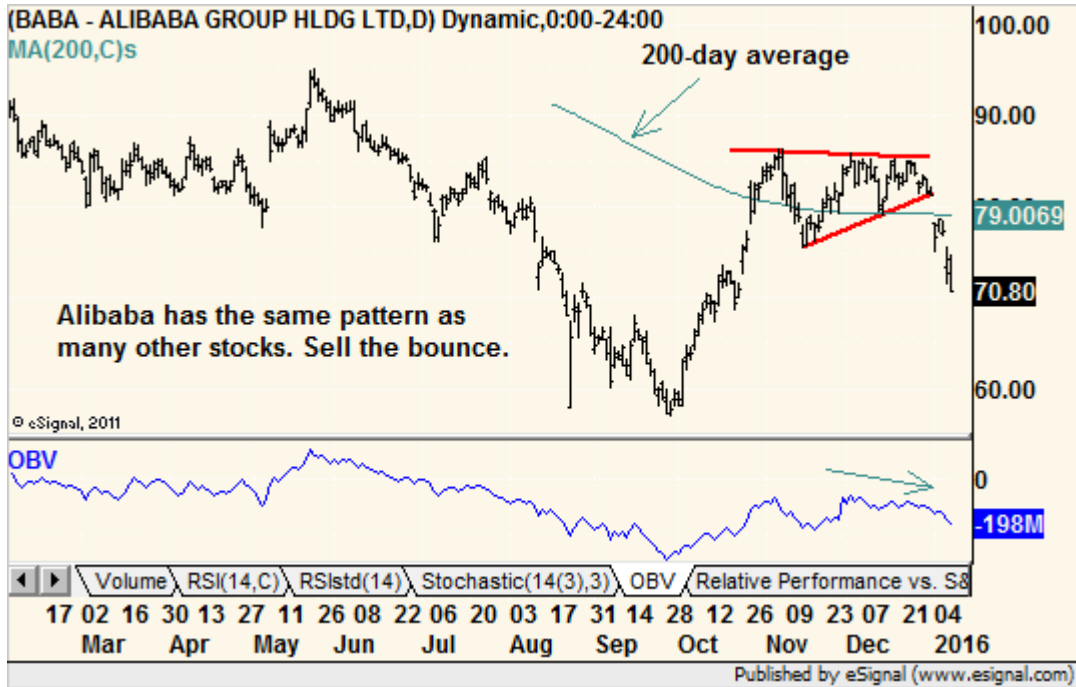














## Other Information

**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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