

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

February 6, 2016 – January is in the books and for those following the January Barometer indicator it does not bode well for the rest of the year. Of course, that is just the common wisdom as a down January really only offers a coin flip for the year. An up month suggests an up year but not so much for the opposite.

Still, when the market kicks off the year with a significant decline and lots of volatility things are not exactly lollipops and unicorns. Our view remains that the bounce from the mid-January low was a correction in a bear market. We suppose the good news is that we do not quite look for a repeat of the 2008 debacle as many others might believe.

It was quite a week, not so much that it contained some big moves and a down 200-Dow-point day that closed up about 200. Japan went to negative rates a week ago and rallied for about a day and a half. After a small Monday increase it was all downhill the rest of the week and in a big way. The Nikkei closed below where it was before the rate announcement.

Don't these central banks understand that this sort of stimulus just does not work? Oh sure, it worked for a few years but after a while the market gets numb. The gun is out of bullets – or they are just blanks. Better yet, drink enough sweet punch in the punchbowl and the market eventually gets diabetes. Nobody wants any more.

Now let's get to the real action – the great rotation from technology to commodities. Of course, I tweeted out during the week that I could not wait to read the first person claiming that were true. But industrial metals and industrial companies suddenly woke up midday Wednesday. Why? Sure oil got a pop but it faded into the week's close. It was because the dollar that saw its worst day since December. Dollar down, gold up, copper up and multi-national company stocks up.

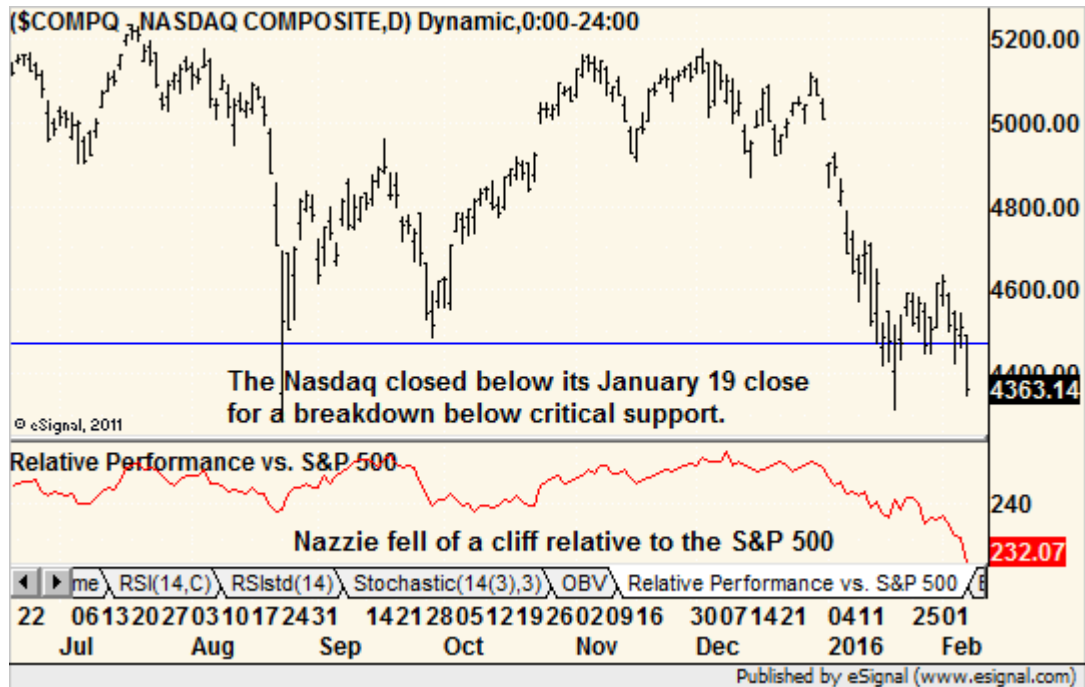
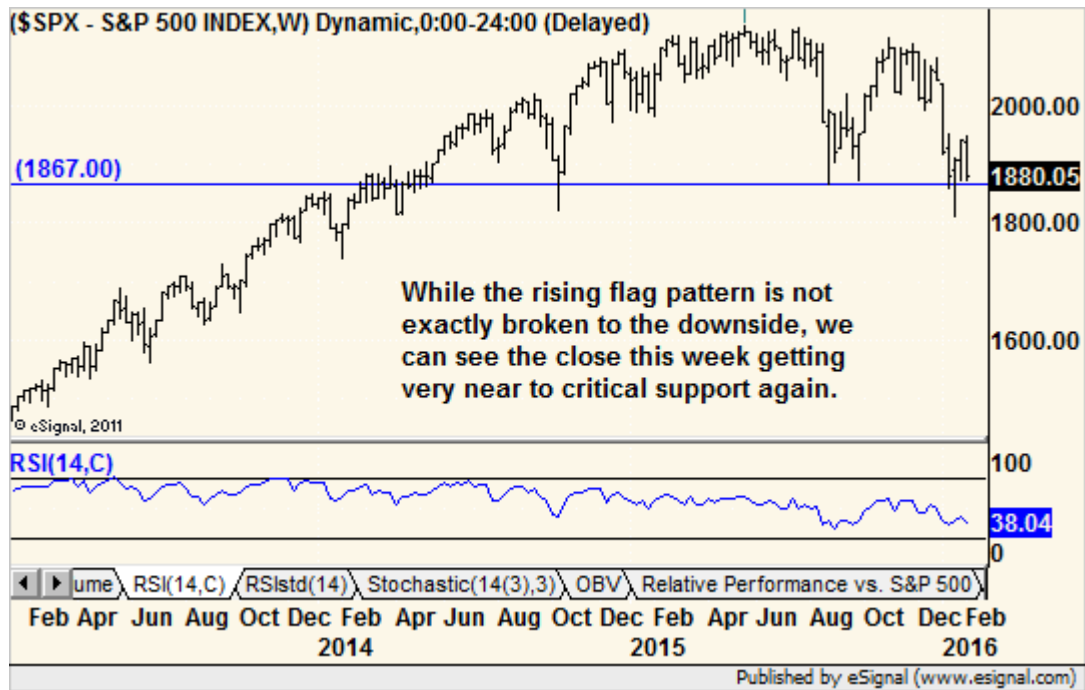
Are commodities related things back? We don't believe it. Even gold, which enjoyed what had to be a fear rally seems way overbought. Not to mention, we are not convinced the bull market in the greenback is over either. The global economy stinks. And the domestic economy, despite 4.9% unemployment and a gain in average worker wages, is still lousy. Just look at business related stocks such as Pitney Bowes, Staples, Robert Half and Steelcase. I put out a video on this group following LinkedIn's collapse Friday. In case you did not know about these videos, I do them for a free charting software company with which I am now affiliated. Here is the link: https://www.youtube.com/channel/UCriL_qdrT4MtKOLkimQ3zgw. Yeah, we are working to get a more elegant one.

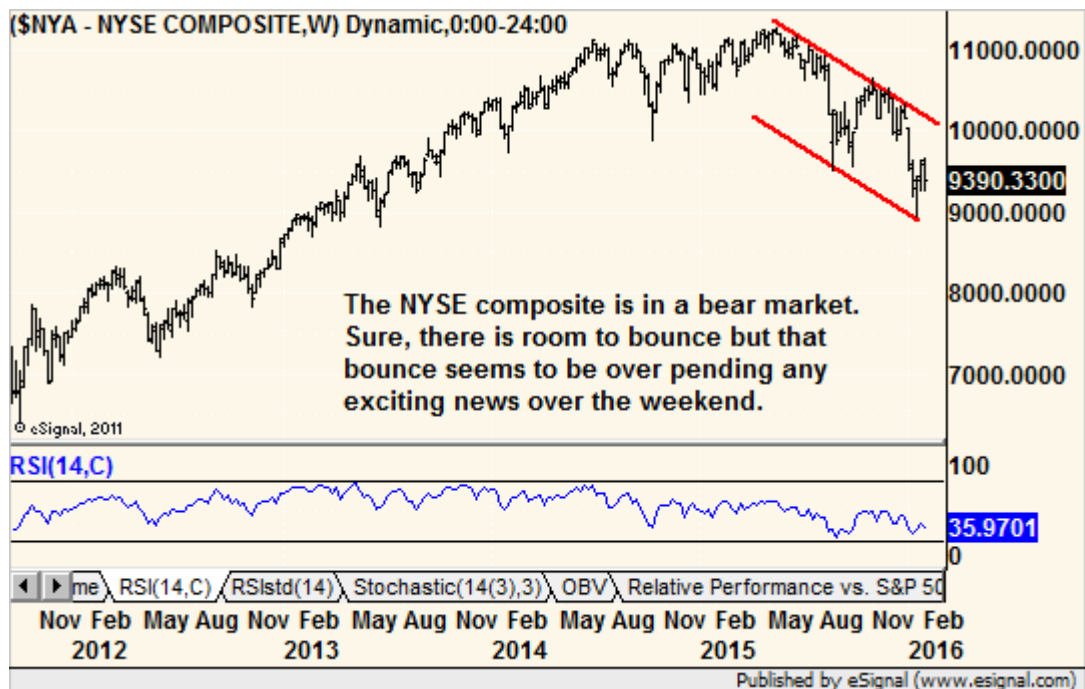
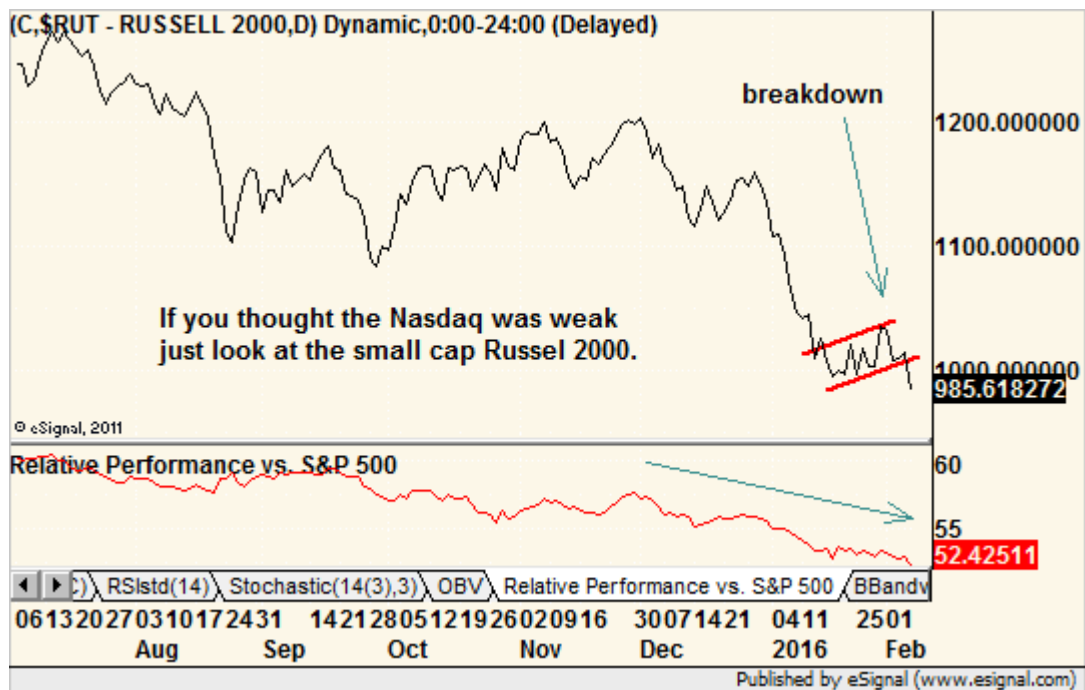
Finally, there is the Fed. Jobless claims were low and the January employment report was weak. Still, the Fed seemed to be clinging to the idea of at least one more rate increase. Hello, McFly! Every other bank is cutting and the economy stinks. Seriously, we think the Fed is bonkers and unless they say, "read my lips, no new rate hikes" the stock market is not going to be moving higher anytime soon.

Here's the summary: Stocks that deal in business and consumers are in rough shape. The yield curve is flattening in what may be a prelude to recession. Gold is making noise but does not yet look safe for investment and oil is starting to look like it wants to bottom. That is possible even with a weak global economy if its bear market is already in place.

If you are dealing with retail clients, you can share our view that in a year we think the next great secular bull market will finally begin. Be conservative now, investigate the most beaten up blue chips and look for some dividend yield in stocks that will not get hurt too much in a market downturn (utilities).


Index Charts of the Week





Other Markets

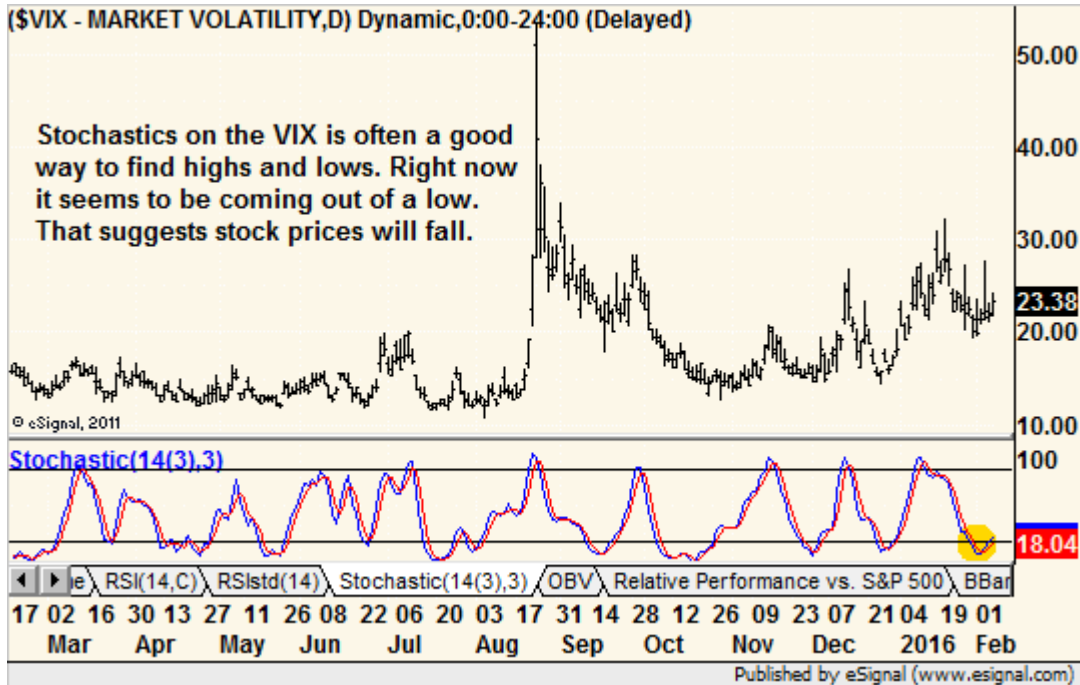
Global 2-Year Yields (%)			
Country (Highlight = All-Time Yield Low Today)	2-year Yield (Today)	US 2-Year Yield	Difference
SWITZERLAND	-0.93	0.77	-1.70
SWEDEN	-0.55	0.77	-1.33
GERMANY	-0.48	0.77	-1.26
NETHERLANDS	-0.45	0.77	-1.23
AUSTRIA	-0.44	0.77	-1.21
FINLAND	-0.42	0.77	-1.19
BELGIUM	-0.41	0.77	-1.19
FRANCE	-0.40	0.77	-1.18
IRELAND	-0.34	0.77	-1.12
DENMARK	-0.24	0.77	-1.01
JAPAN	-0.07	0.77	-0.85
ITALY	-0.02	0.77	-0.79
SPAIN	-0.01	0.77	-0.79
UNITED KINGDOM	0.34	0.77	-0.44
PORTUGAL	0.37	0.77	-0.41
CANADA	0.42	0.77	-0.36
UNITED STATES	0.77	0.77	0.00
HONG KONG	0.90	0.77	0.12
SINGAPORE	1.10	0.77	0.32
POLAND	1.54	0.77	0.76
SOUTH KOREA	1.56	0.77	0.79
AUSTRALIA	1.89	0.77	1.12
NEW ZEALAND	2.40	0.77	1.63
CHINA	2.63	0.77	1.86
PHILIPPINES	3.72	0.77	2.94
MEXICO	3.89	0.77	3.12
INDIA	7.27	0.77	6.49
INDONESIA	7.98	0.77	7.21
SOUTH AFRICA	8.06	0.77	7.29
RUSSIA	10.20	0.77	9.43
BRAZIL	15.14	0.77	14.37

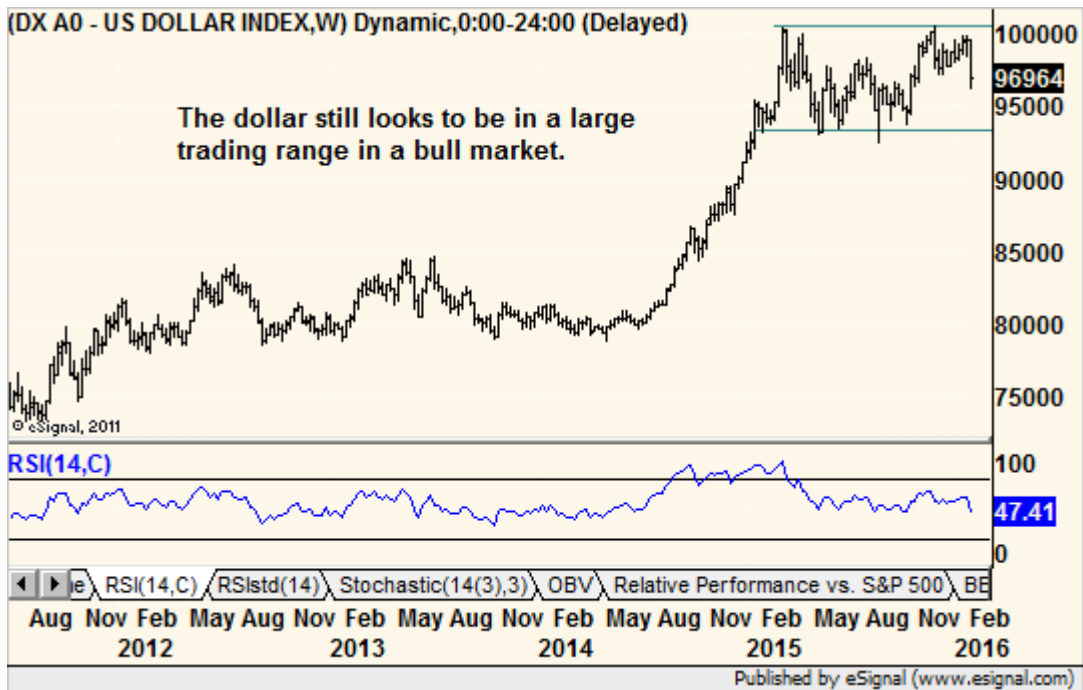
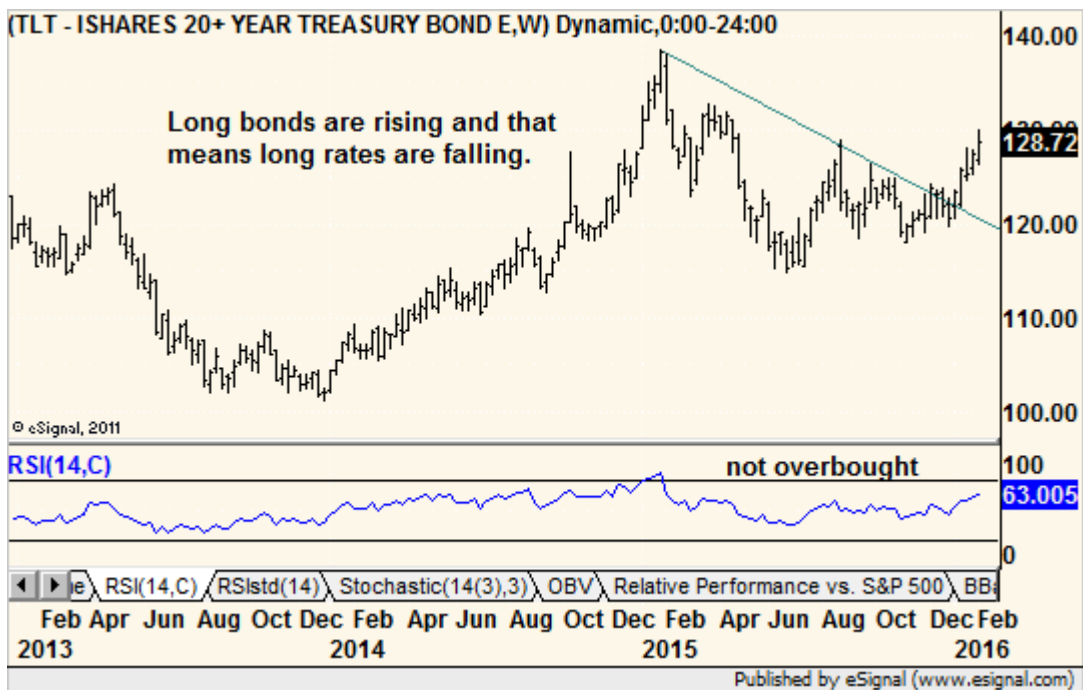


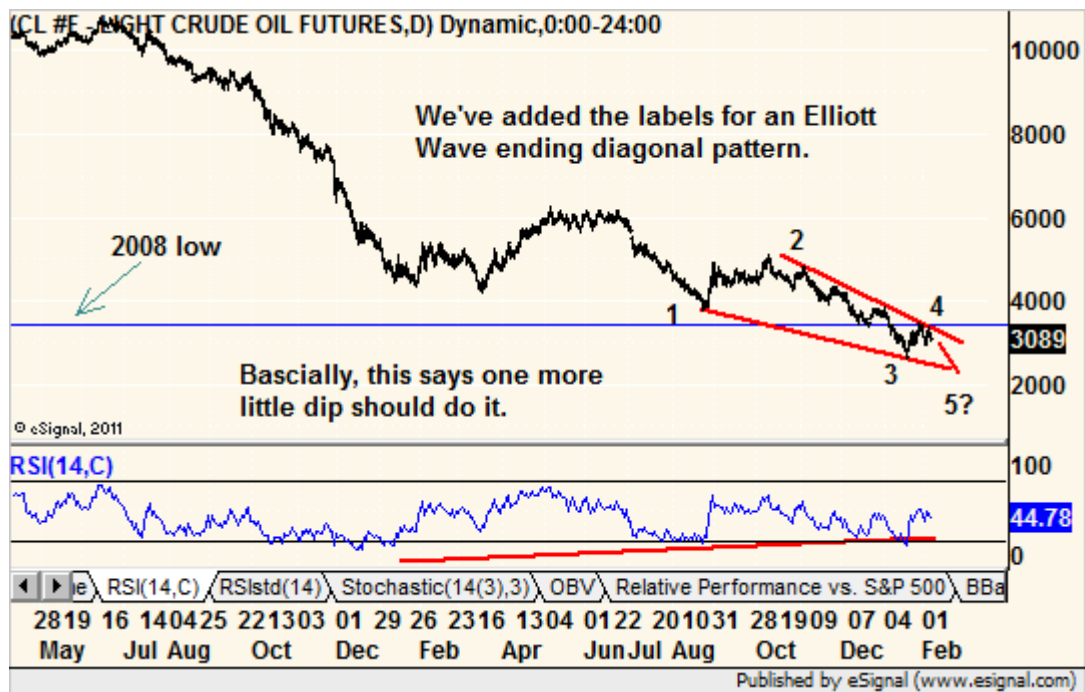
Pension Partners
THE ATAC ROTATION MANAGER

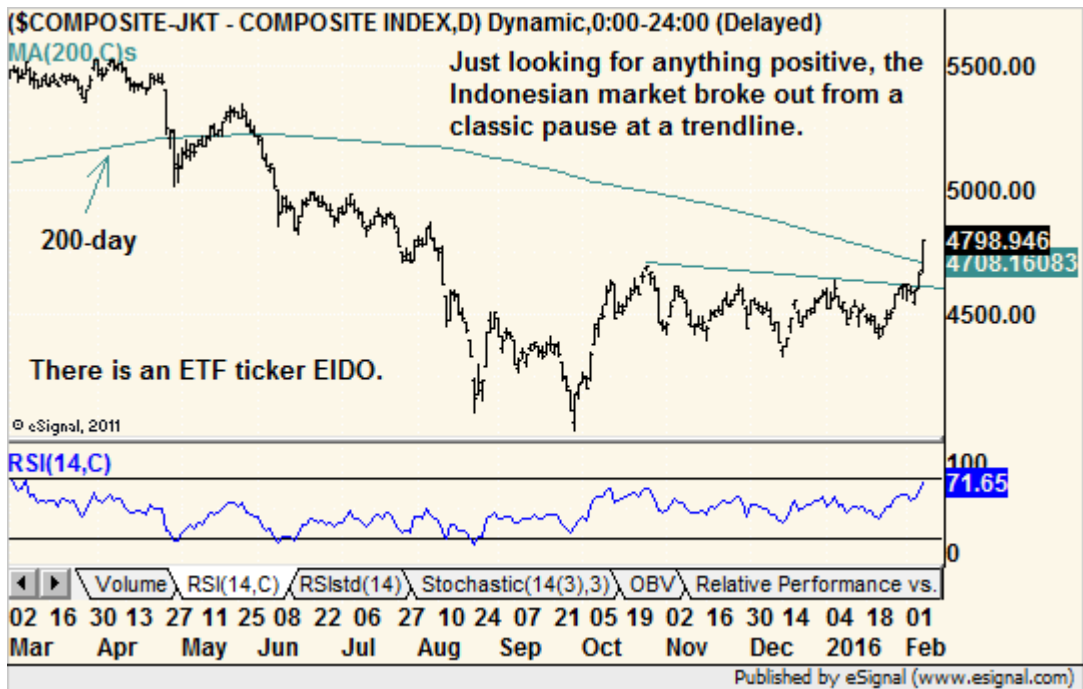
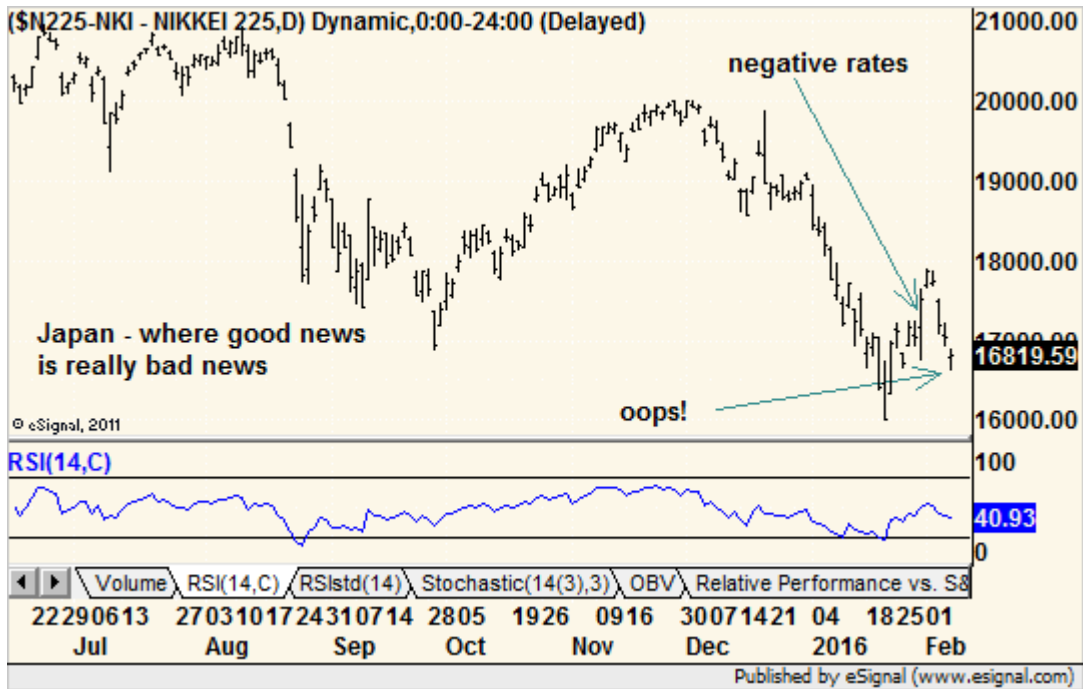
Global 2-year yields – This graphic is a Pension Partners chart presented by Mebane Faber of Cambria Investment Management. We thought it was earthshattering when Japan went to negative interest rates this past week but look how many countries are already there! On the other side, there are five countries listed here that seem to have excessively high short-term rates and that is also not good. Therefore, we look at Philippines and Mexico as the models of reasonable rates. OMG. This chart shows how messed up the global economy really is.

\$UST10Y-\$UST2Y 10-Year US Treasury Yield (EOD)-2-Year US Treasury Yield (EOD) INDX © StockCharts.com
 5-Feb-2016 **Open** 1.12 **High** 1.12 **Low** 1.12 **Close** 1.12 **Chg** -0.05 (-4.27%)

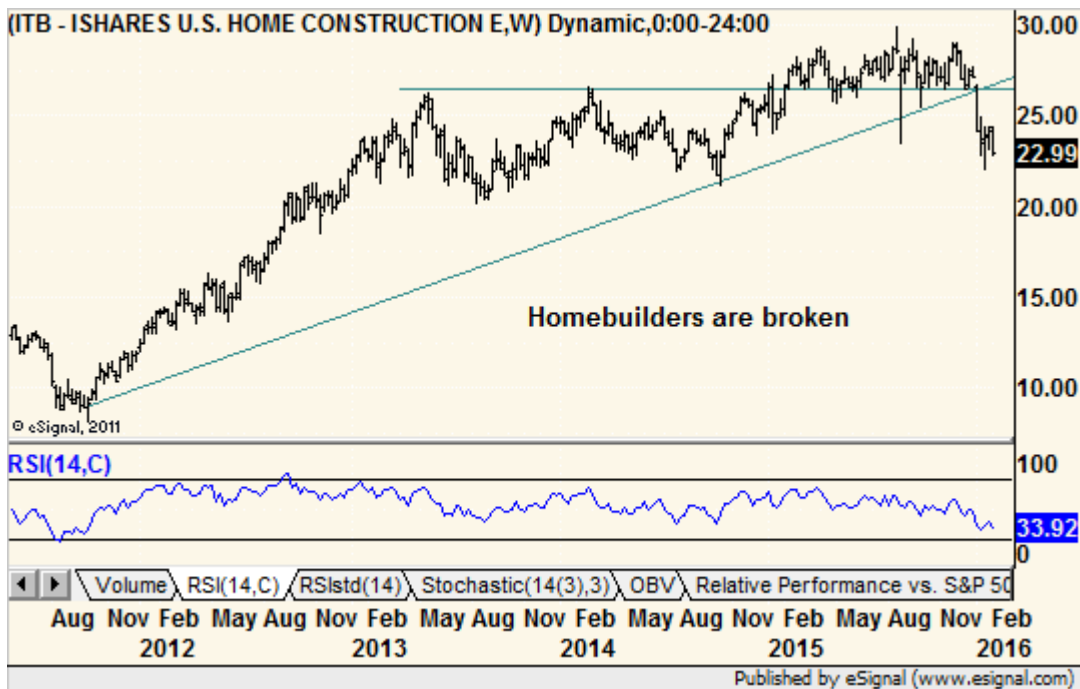
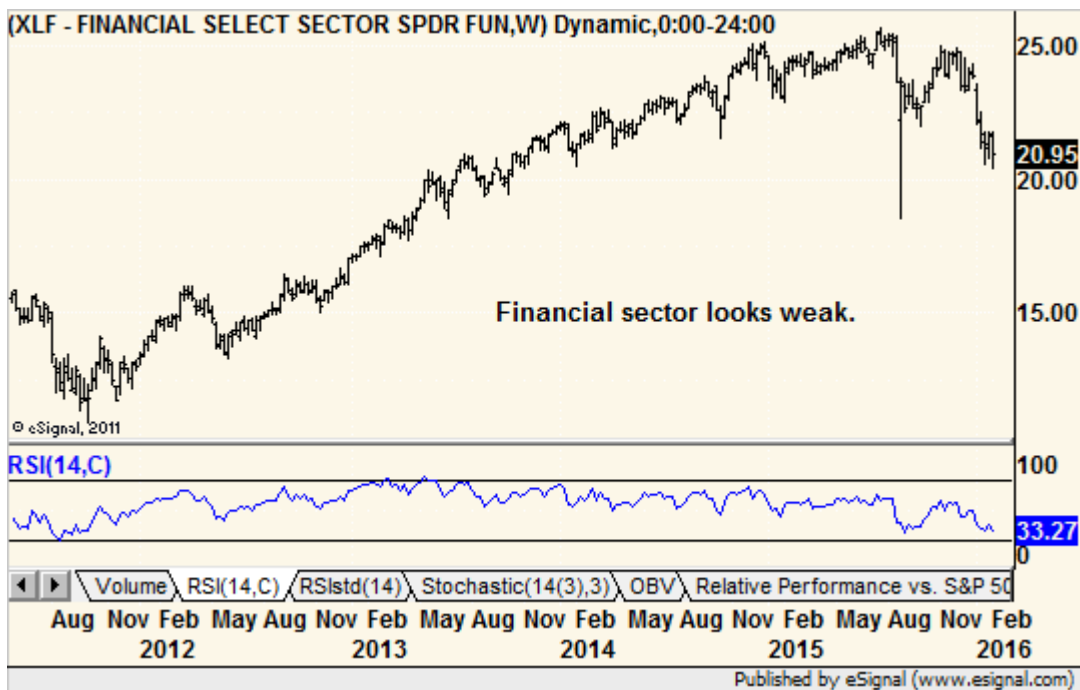


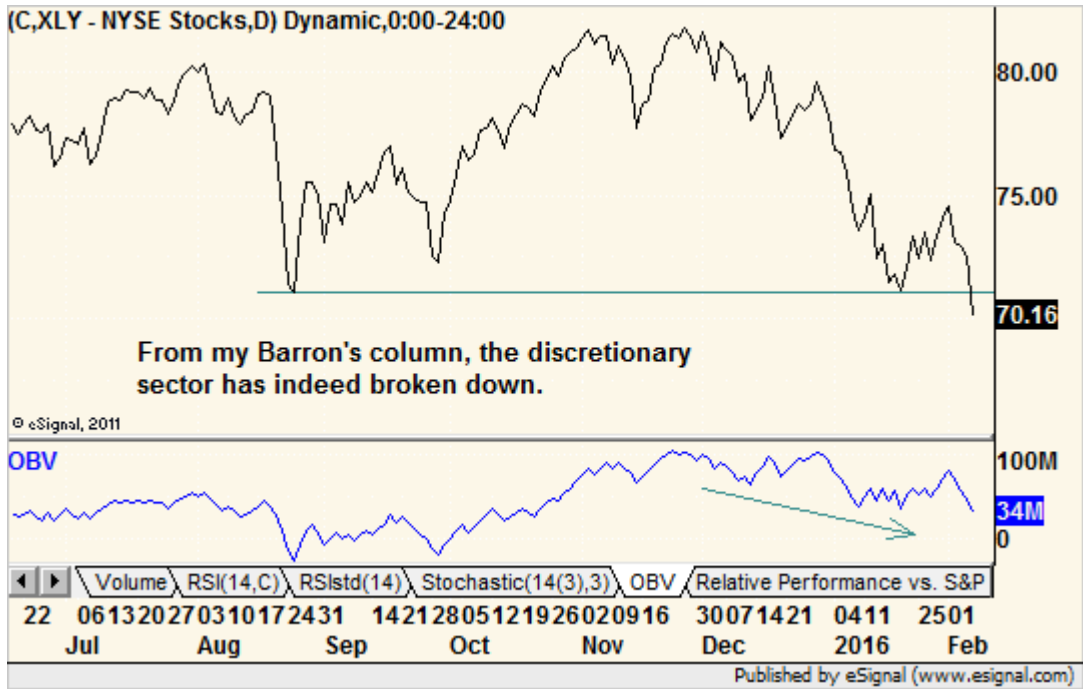
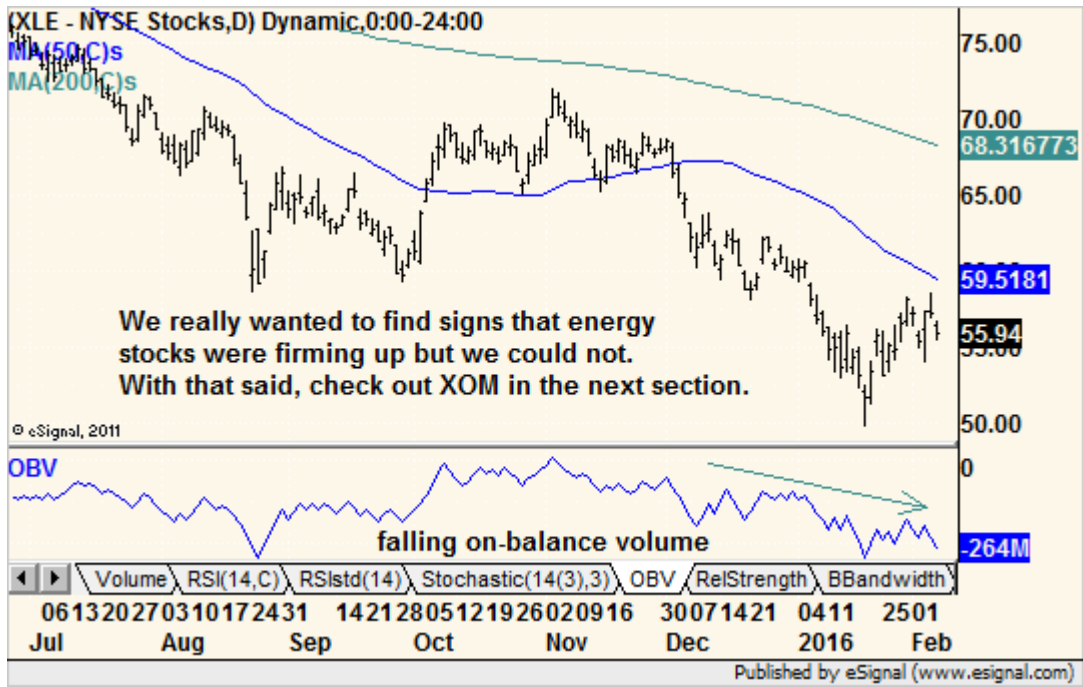


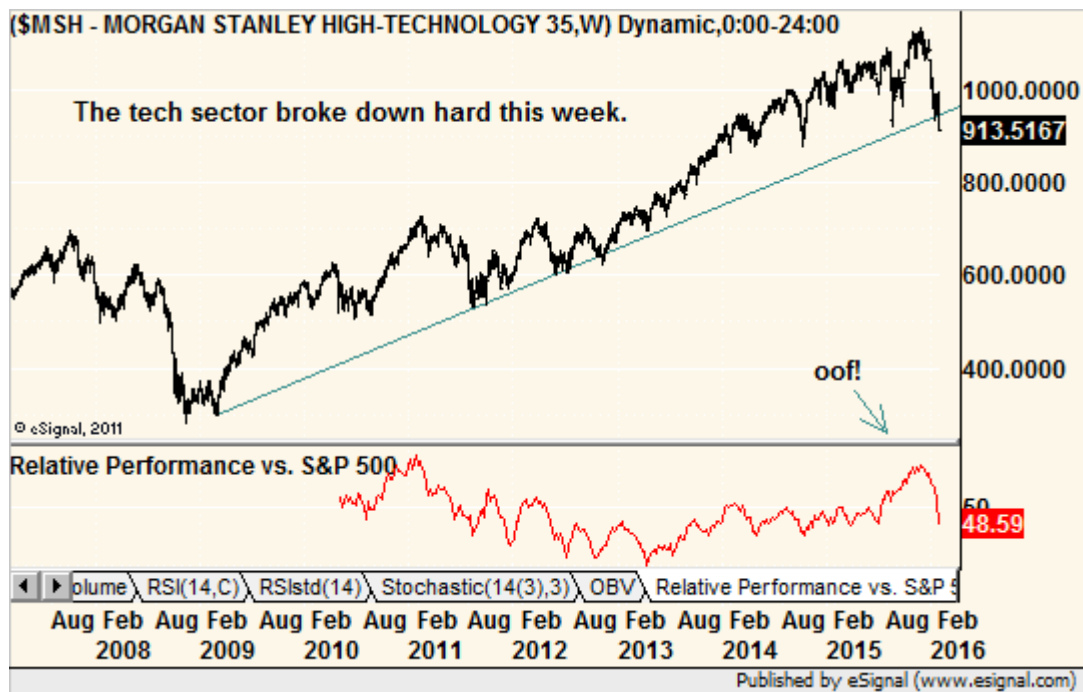
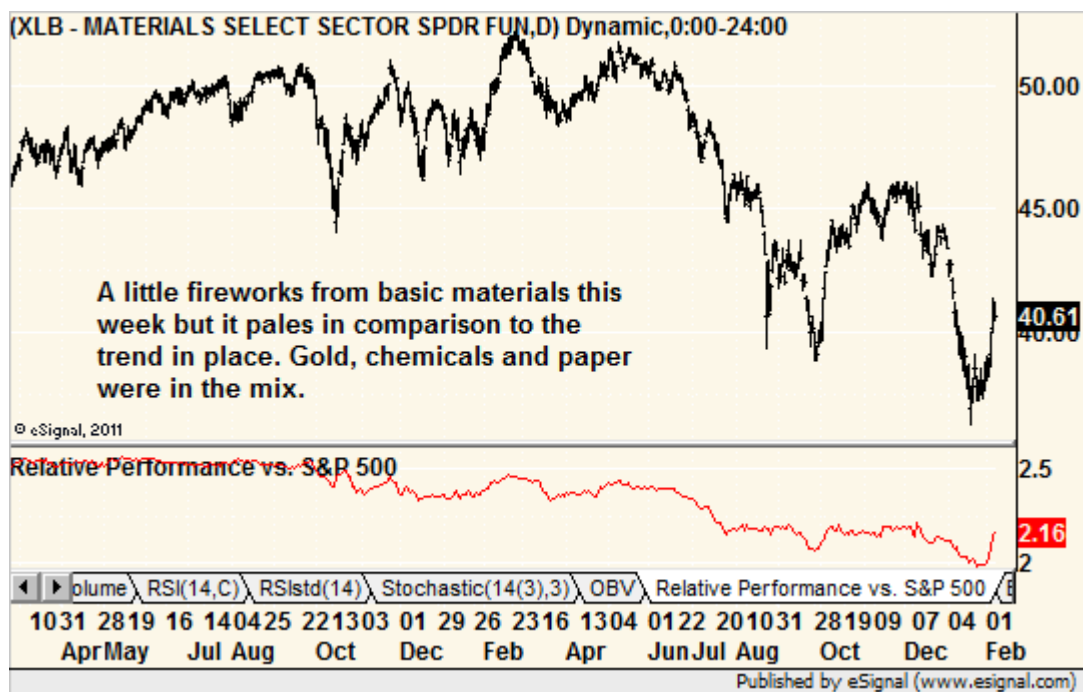




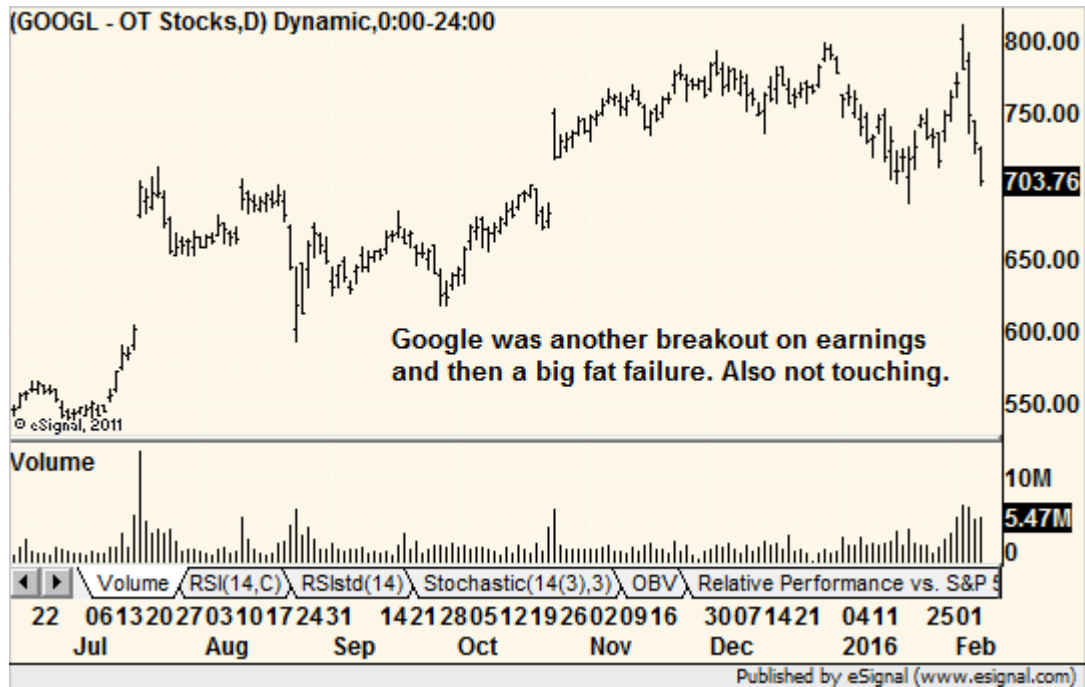
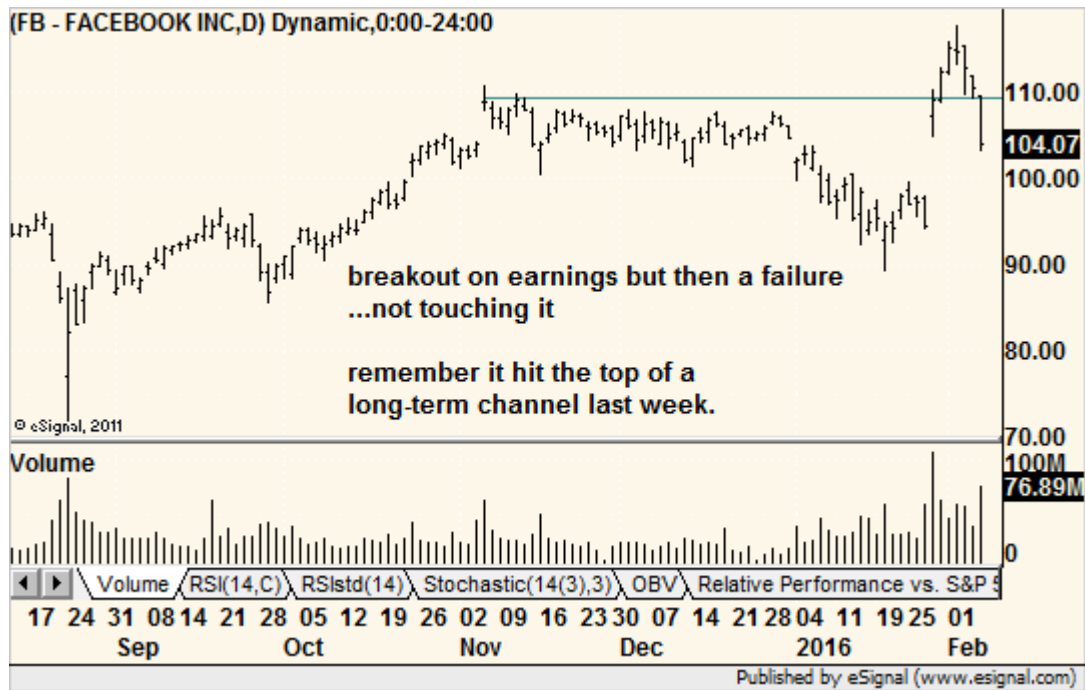
Sector Watch

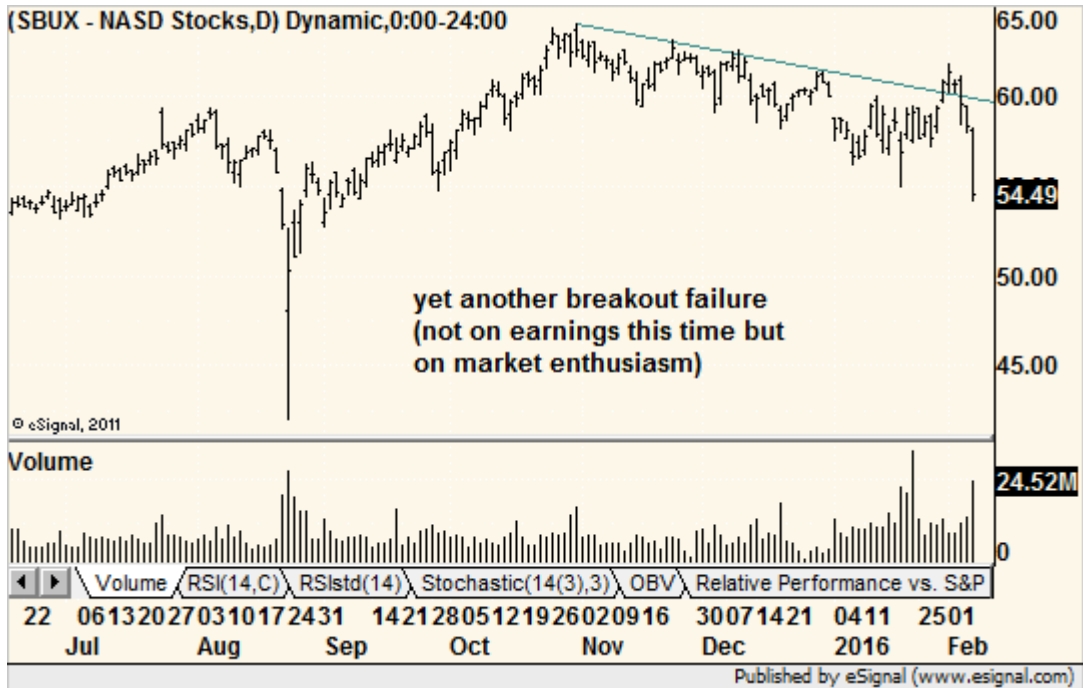
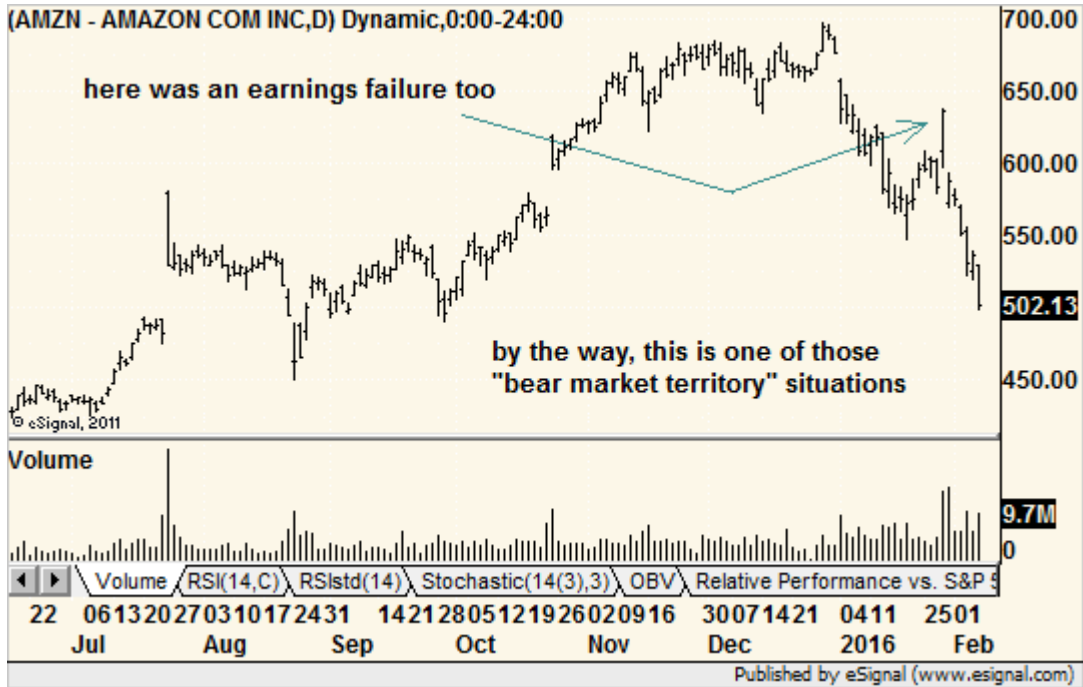


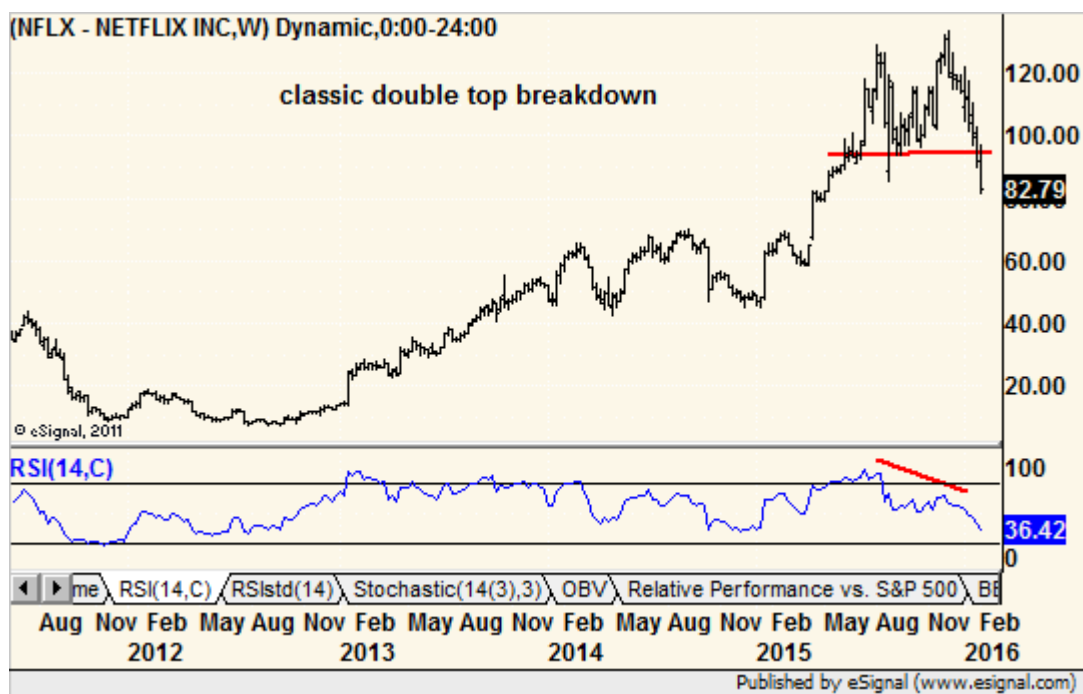
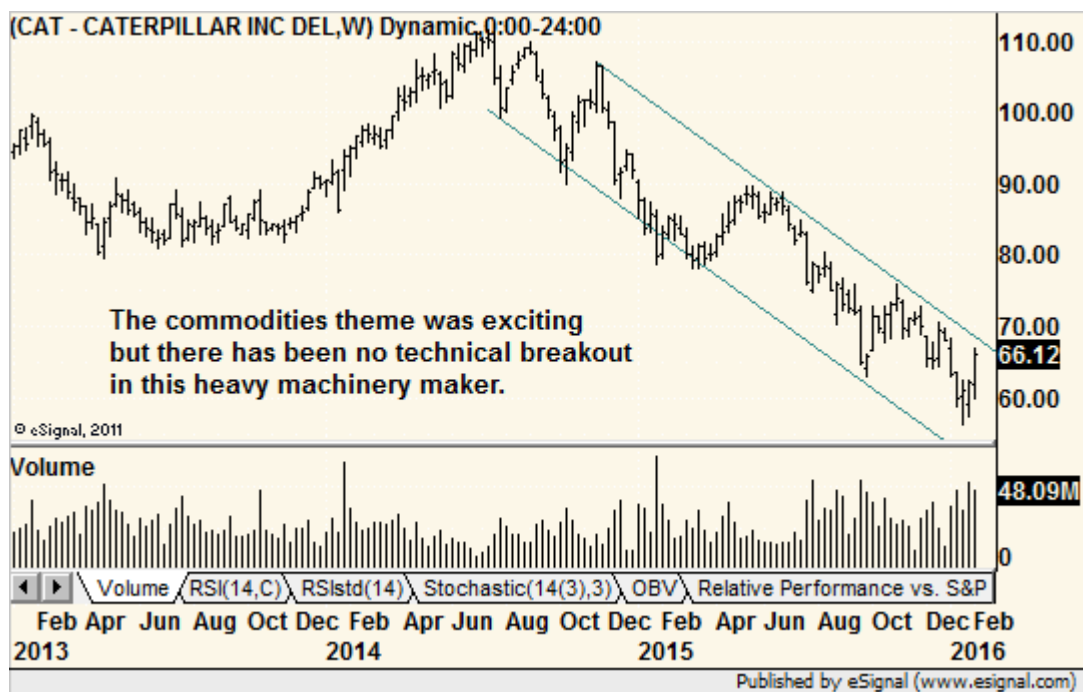


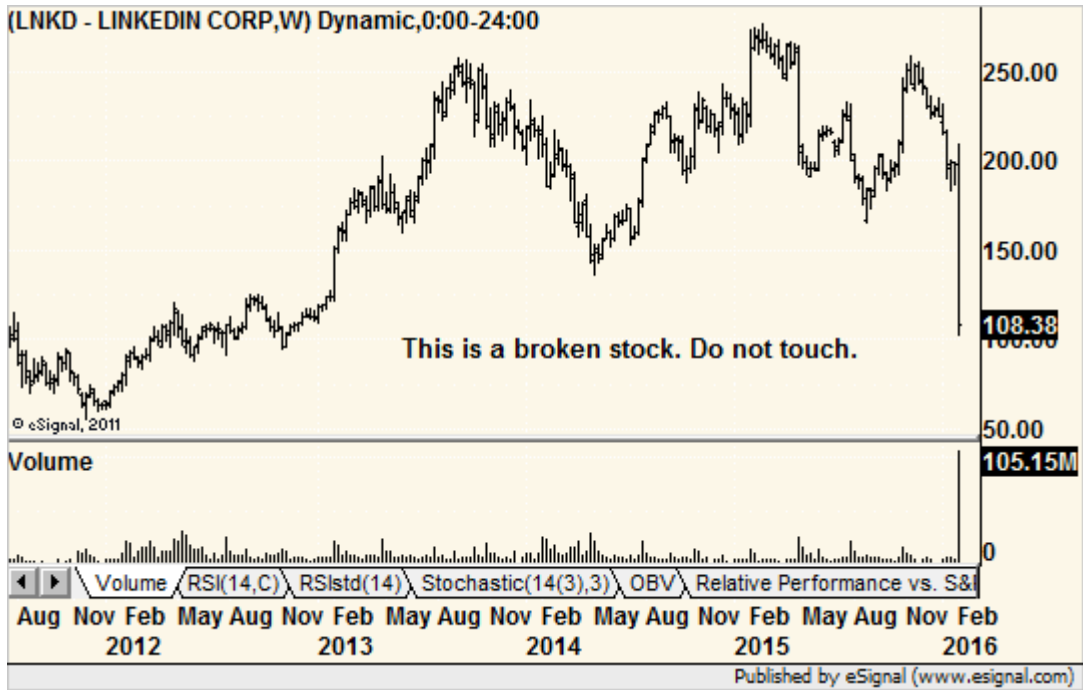
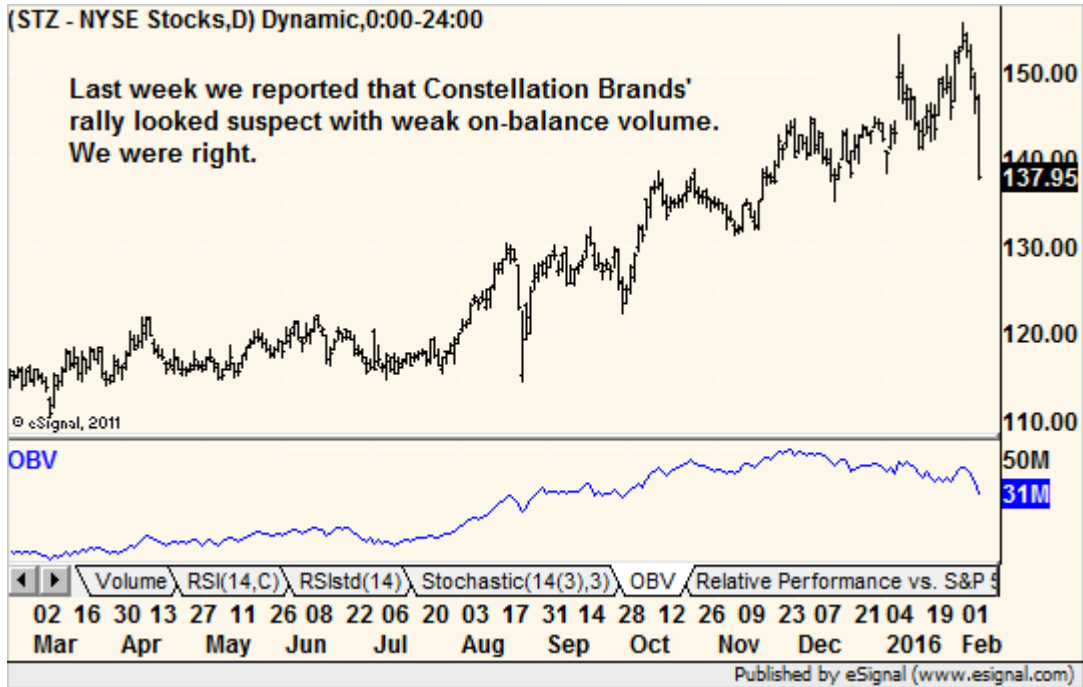


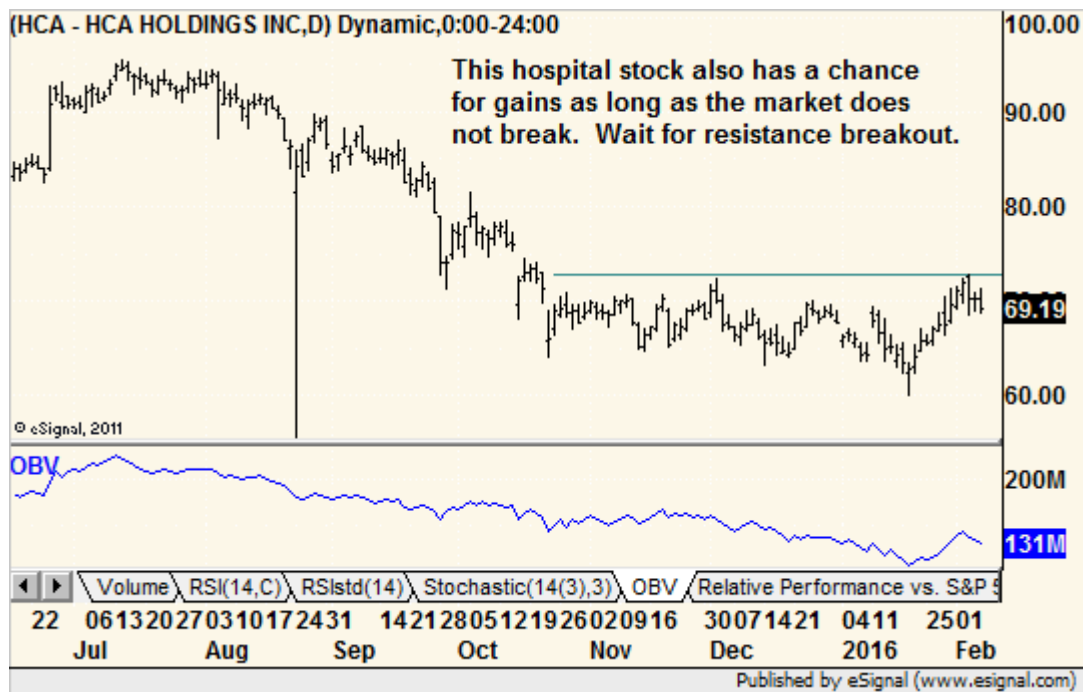
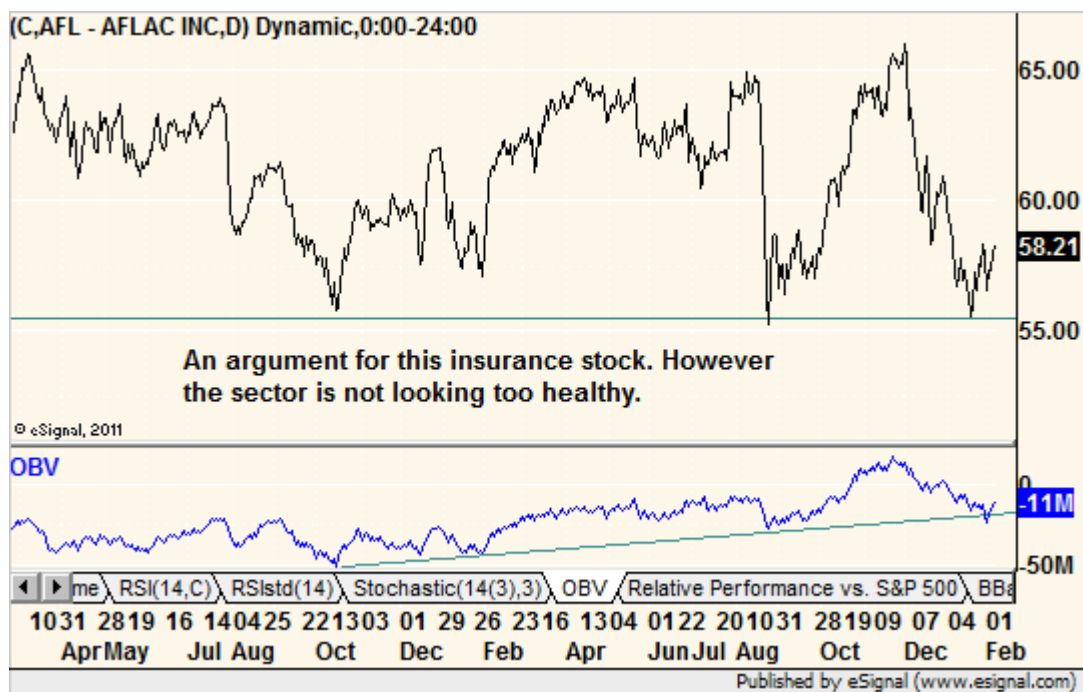
Stocks in the News

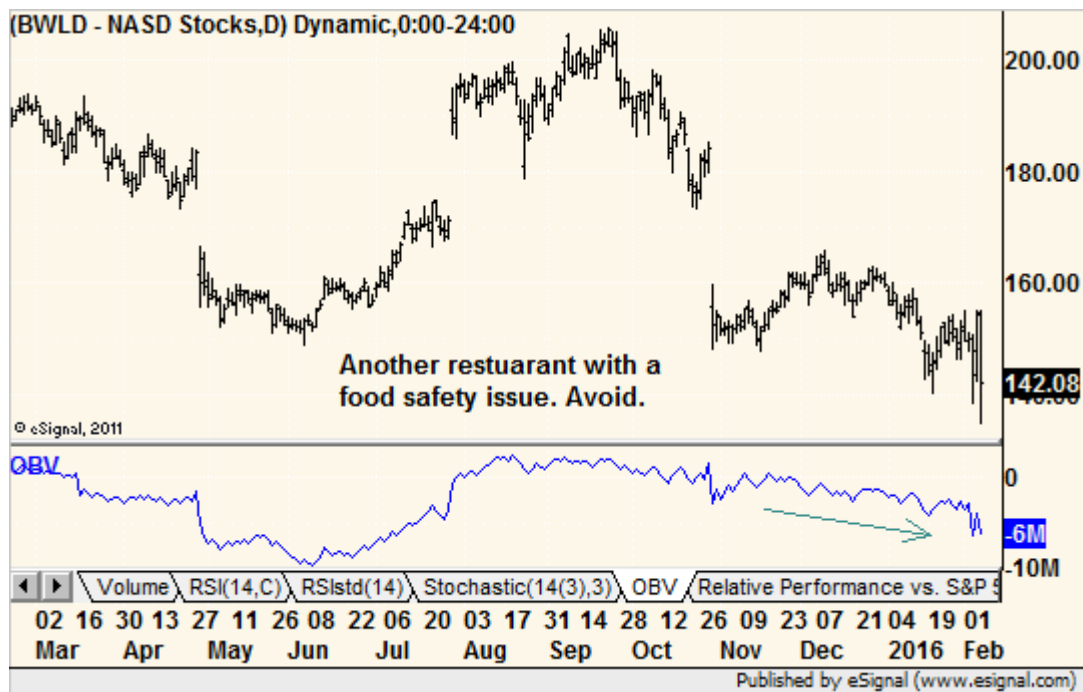
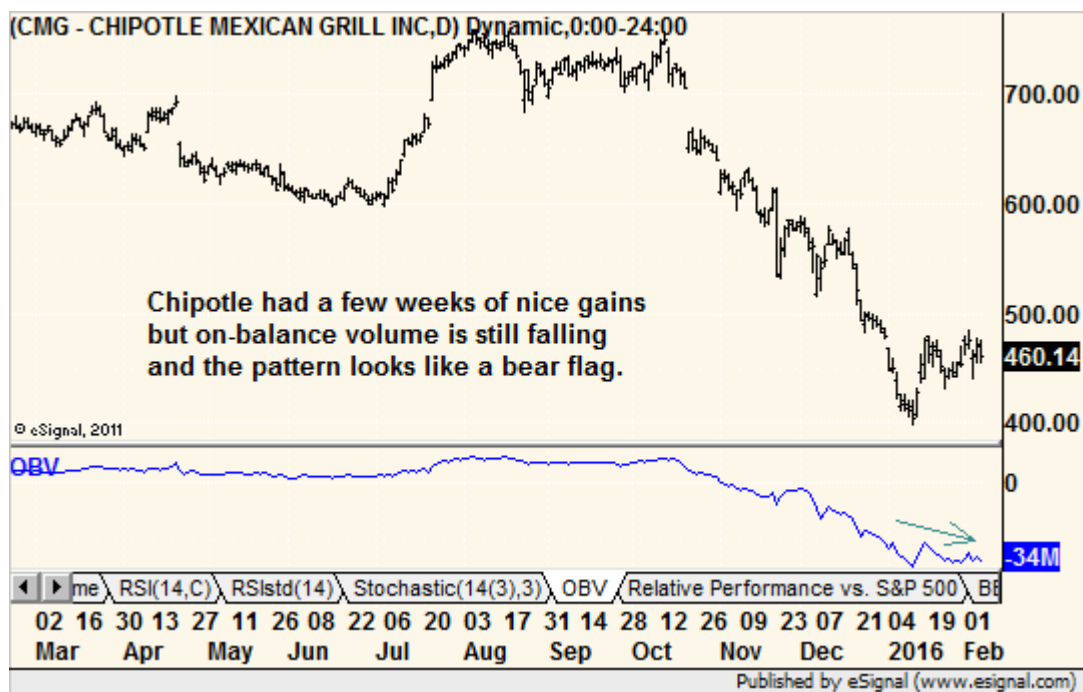


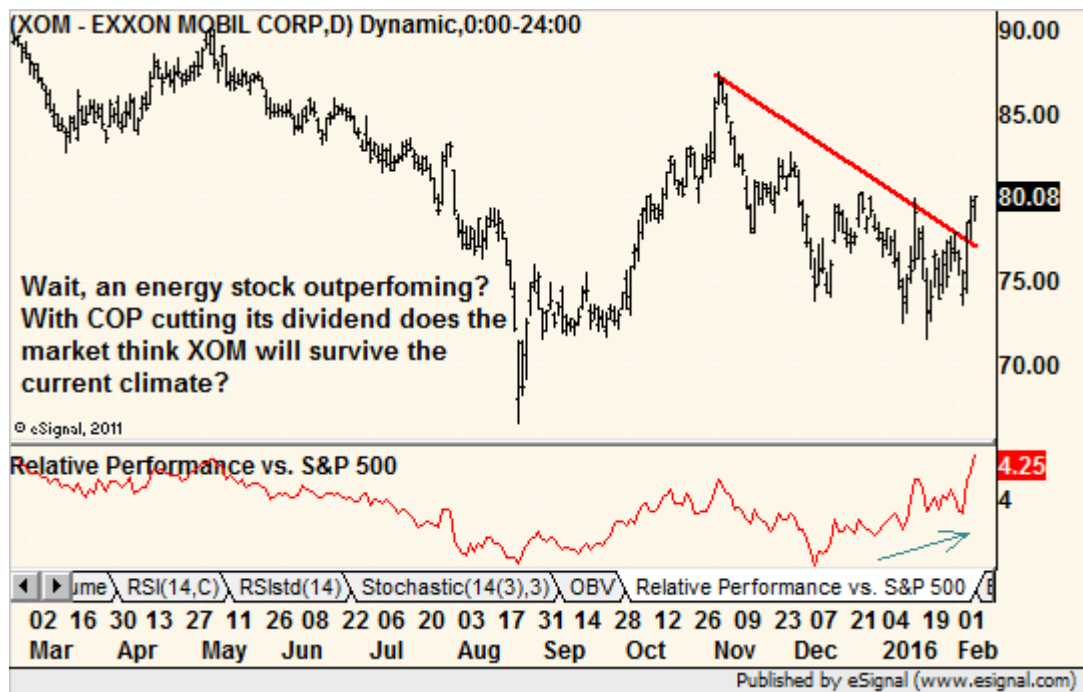
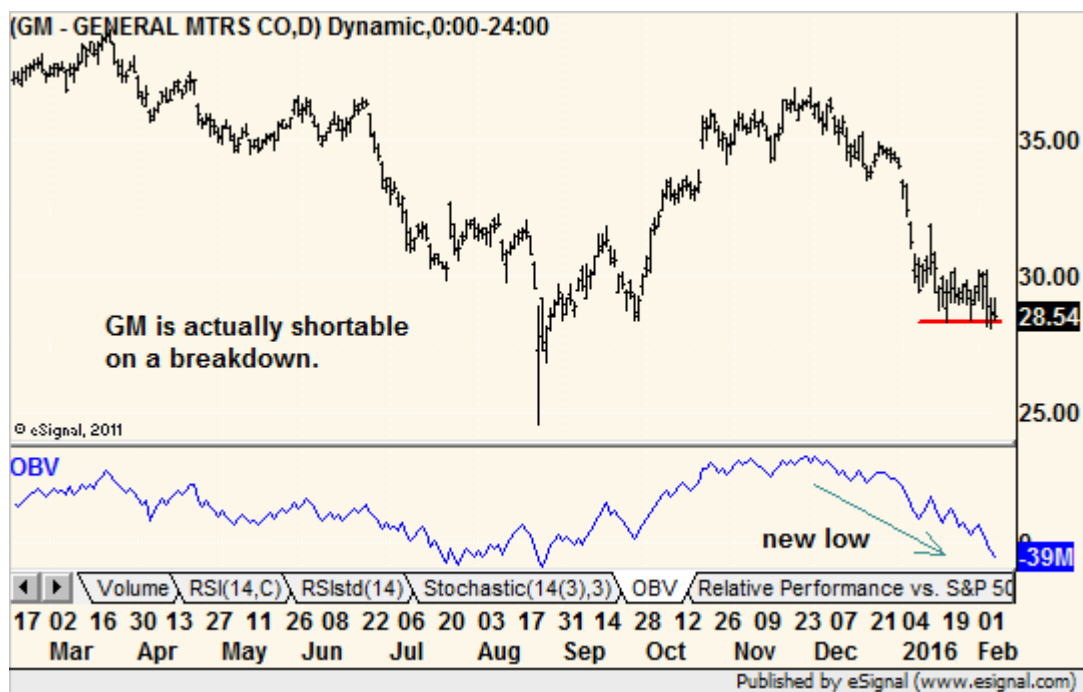




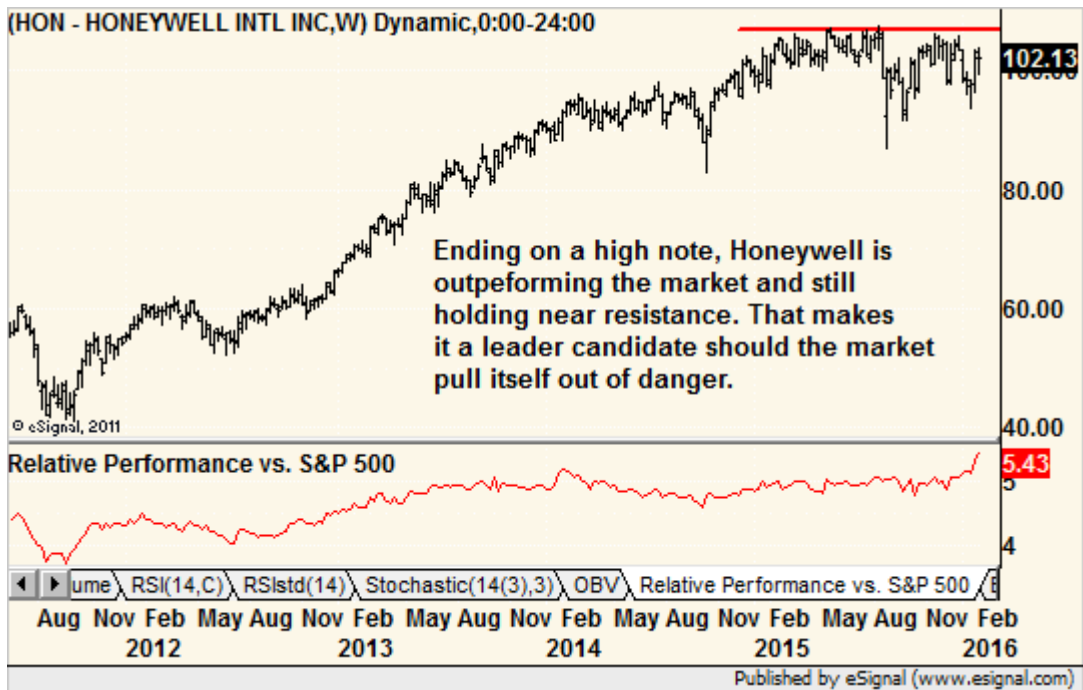
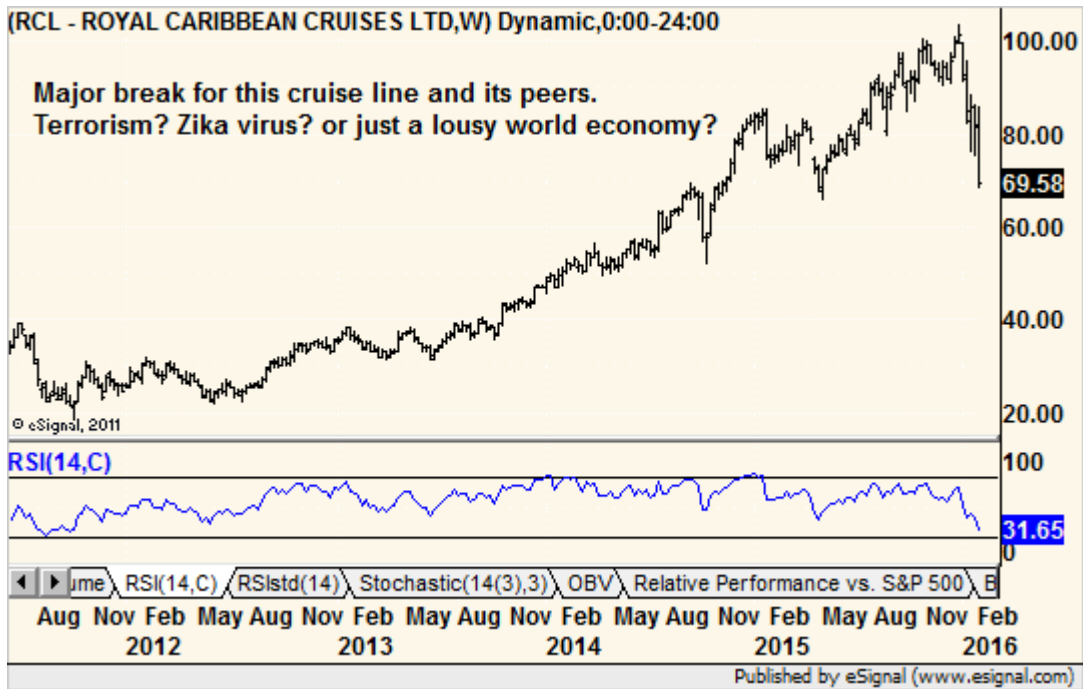








This is one of those blue chips we've been talking about for the long haul.



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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