Quick Takes Pro

"Technical Analysis for Everyone"

Michael Kahn Research LLC

February 13, 2016 – While the media touts Friday's nice rally in a futile attempt to get the stock market into the green for the week, we chartists see another weekly candle that theoretically puts the bears on notice. The Dow scored another hammer candle to go with the hammer two weeks prior. That first one was actually confirmed before it failed. Oops. But the two hammers together form a tweezer bottom (a double bottom for those who are not jargonistically inclined).

And since they took place at the August low (and Feb 2015 low) we have another argument for a reprieve. Too bad that over on the S&P 500 that index still closed below the key 1867 level. We'd go with the S&P 500 over the Dow, any day. Still, check the charts below. Bonds may be pulling back.

On a related note, gold enjoyed a rather strong week to cap off a parabolic move this year to date. And even with Friday's slight give-back, gold stocks still closed higher. It looks as if this market has indeed bottomed and we are a bit annoyed that we did not pick up on it sooner. Perhaps an earlier call for a drop to 900 kept us on the sidelines. That is clearly off the table although with this market being so overbought already we have to think we'll get a better chance to get it at slightly lower (than today's) prices.

Of course, we are looking at a long weekend and who knows what fun the geopolitical climate will throw at us. Talk about climate change! There, we punned it. But seriously, with the Japanese market getting destroyed this past week, dragging Korea down with it, who knows how China will react come Monday? Don't forget, China was closed all week for the New Year holiday.

The big news this week was the trend towards negative interest rates by several central banks and while none of that actually hit this past week, we can see the fallout from Japan's move made the week before. I wrote a column on the topic Wednesday and it showed how negative rates don't work, proving the Fed and others are ineffectual relics who do more harm than good. Well, I just added the color here but you get the point. The Fed is out of ammunition and what they are doing now is pathetic.

The other news for the week happened midday Thursday. With the Dow down 400 and oil getting mighty close to 26, suddenly OPEC chimed in with thoughts of production cuts. Gee, thanks fellas! Both stocks and oil reversed to the upside. Nice but the trends are still down.

Friday's JPMorgan's CEO decided to buy 26 million worth of his shares. Of course, that lit a fire under the already oversold financial sector. **JPM** was up 8.3%. The financial ETF **XLF** was up 4.2%. We'll chart JPM below with its interesting island-gap reversal pattern. Somehow, with the sector so, so weak we wonder if this is just bottom fishing. Perhaps we'll wait for a follow-through day signal, just to be safe.

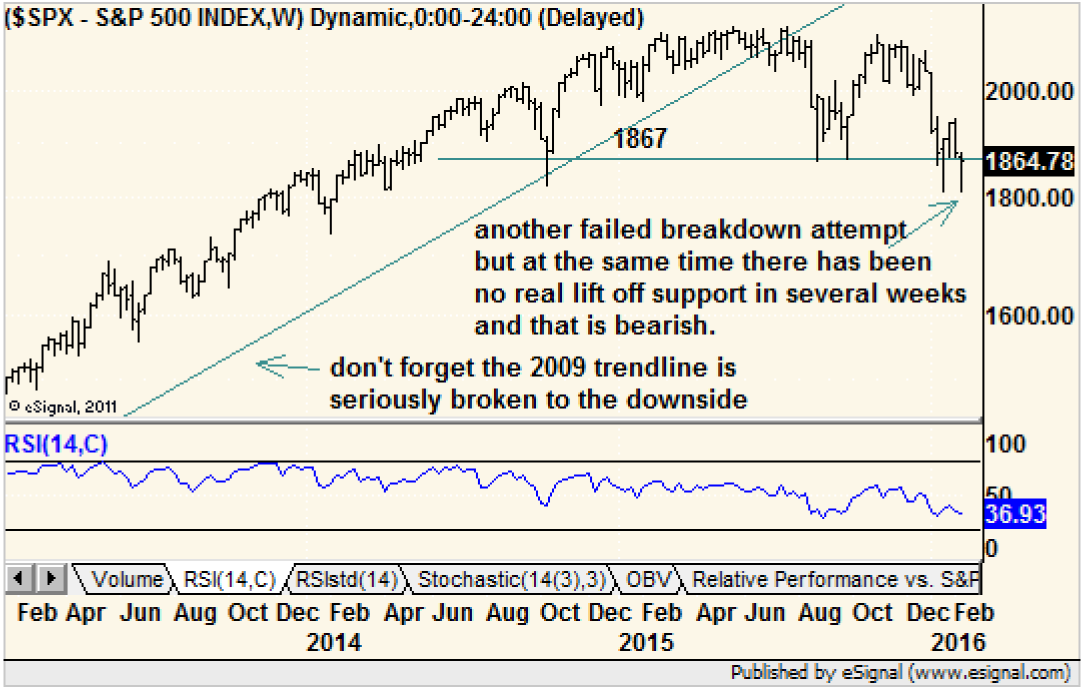
By the way, I put up a video about how the four horsemen (key sectors) are all still lagging the market. When your bull market leaders are all lagging, things are not so great. Bounce maybe but not bottom.

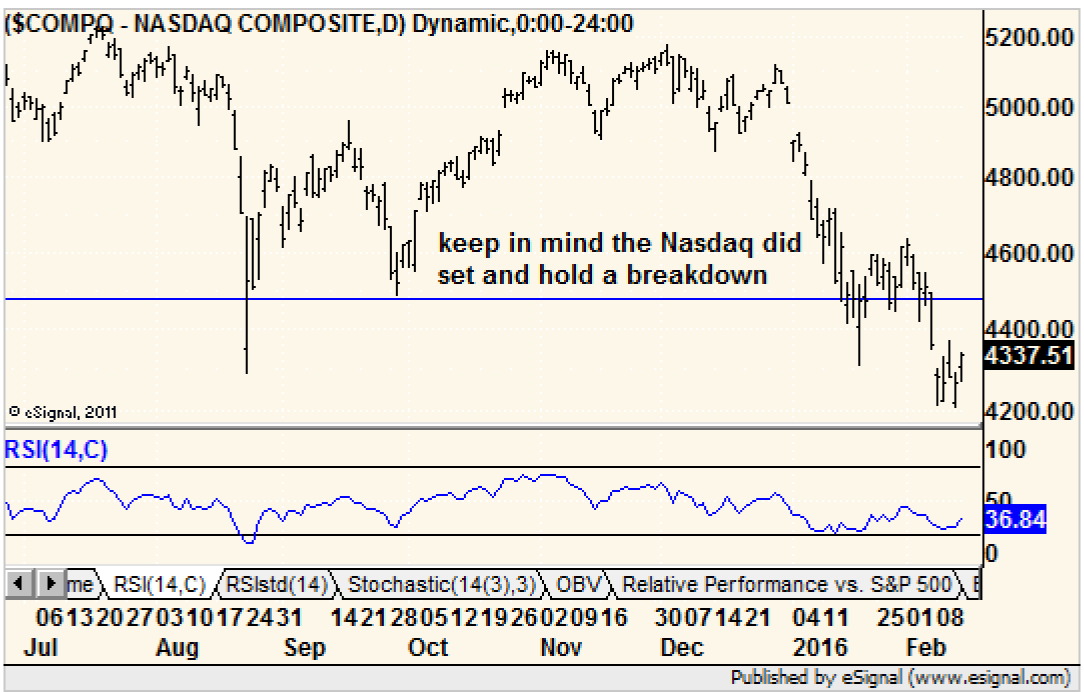
We had a reader question about what is propping up this market. Each time it looks like a major breakdown something happens to get the buyers back. We think this is normal in a bear market where sentiment gets a bit too bearish from time to time. People latch on to anything that could be perceived bullish, such as OPEC, or the Fed or JPMorgan buyback or an isolated economic report.

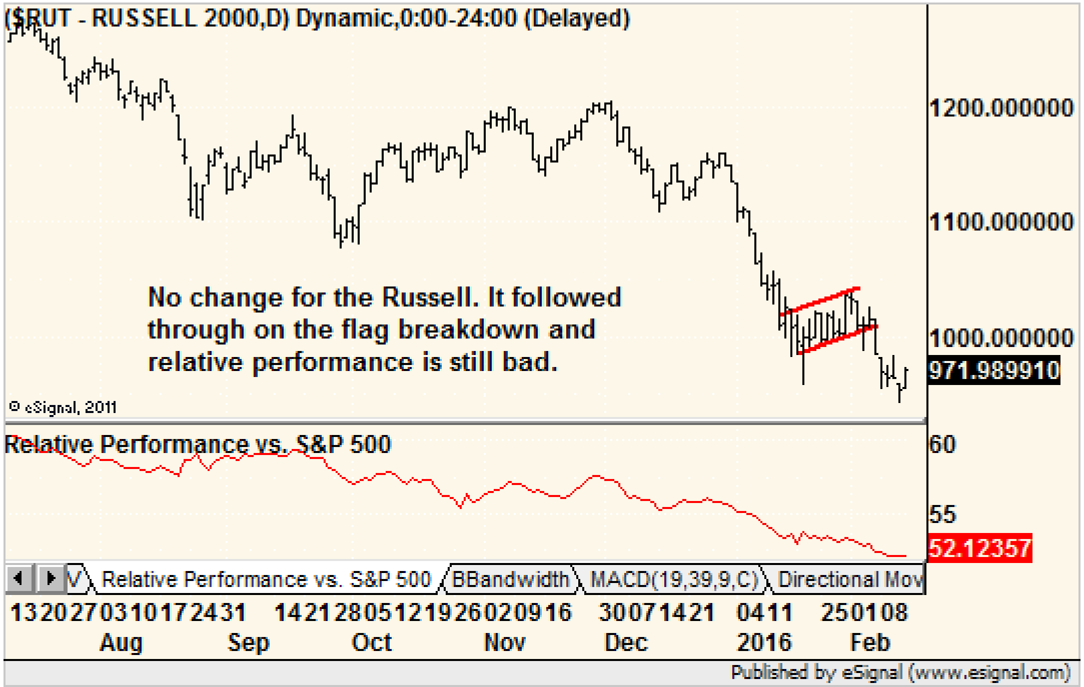
Don't go by the CNN fear/greed index. It is a nice thing on their site but we have seen no predictive power in it. Sure, when it gets to single digits we can see a bottom or sorts but so is everything else. The index is based partially on price action so right away we think that disqualifies it. It is predicting itself!

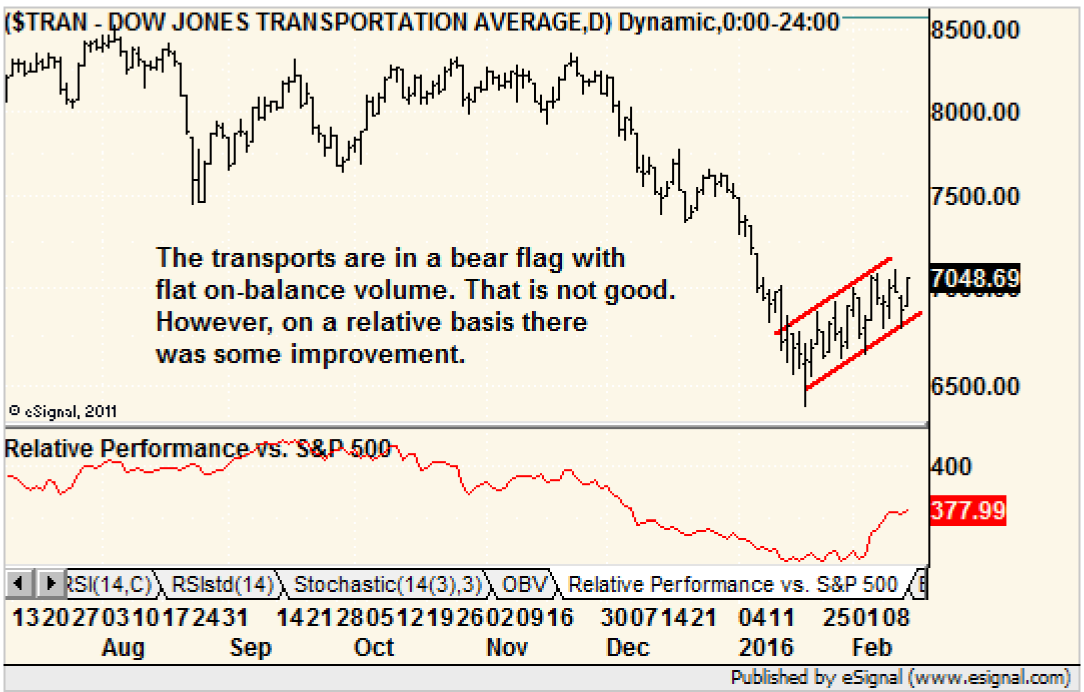
Bear markets produce big rallies. But they are still bear markets. Whether the coming week is strong or not. Whether the coming week produces a bottom in energy or tests one in gold. The bottom line is that we see unfinished business to the downside in the stock market as a whole. Next year should be much better.

Index Charts of the Week

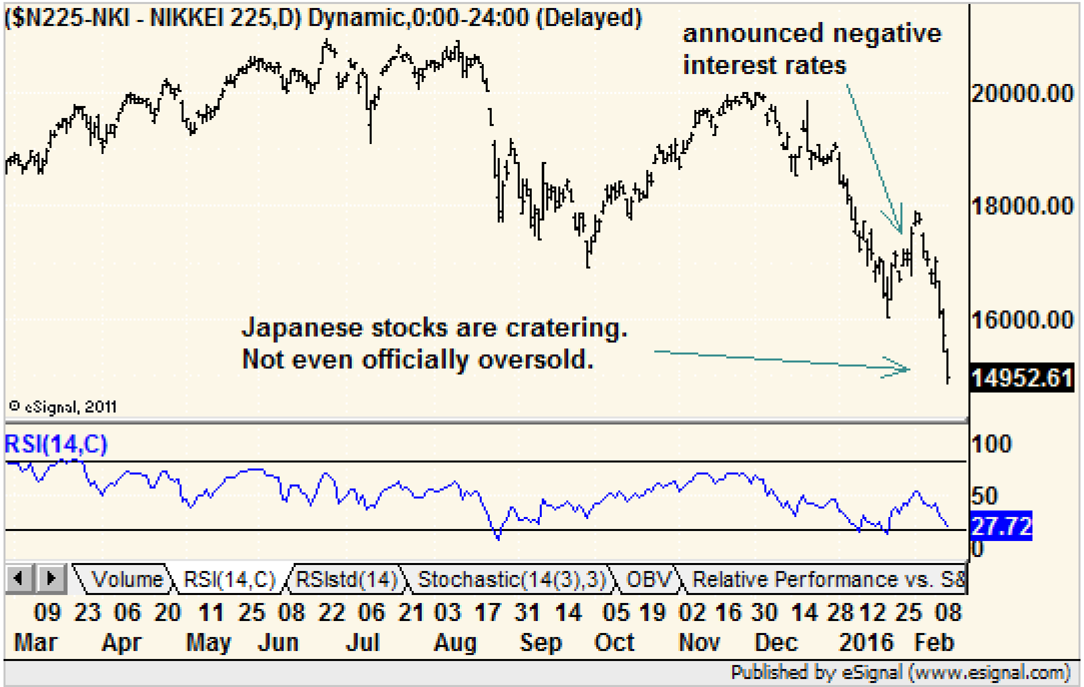


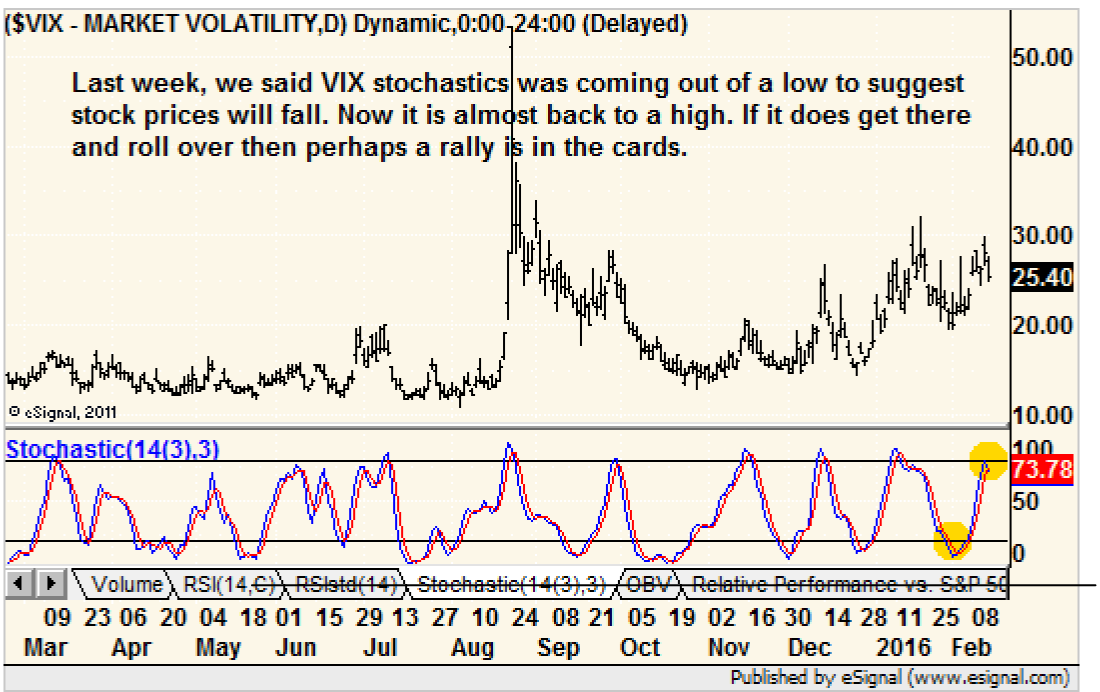



($RUT - RUSSELL 2000,D) Dynamic,0:00-24:00 (Delayed)
1200.000000
1100.000000
1000.000000
971.989910
No change for the Russell. It followed through on the flag breakdown and relative performance is still bad.
© eSignal, 2011
Relative Performance vs. S&P 500
60
55
52.12357
Relative Performance vs. S&P 500
BBandwidth
MACD(19,39,9,C)
Aug
Sep
Oct
Nov
Dec
2016
Feb
Published by eSignal (www.esignal.com)

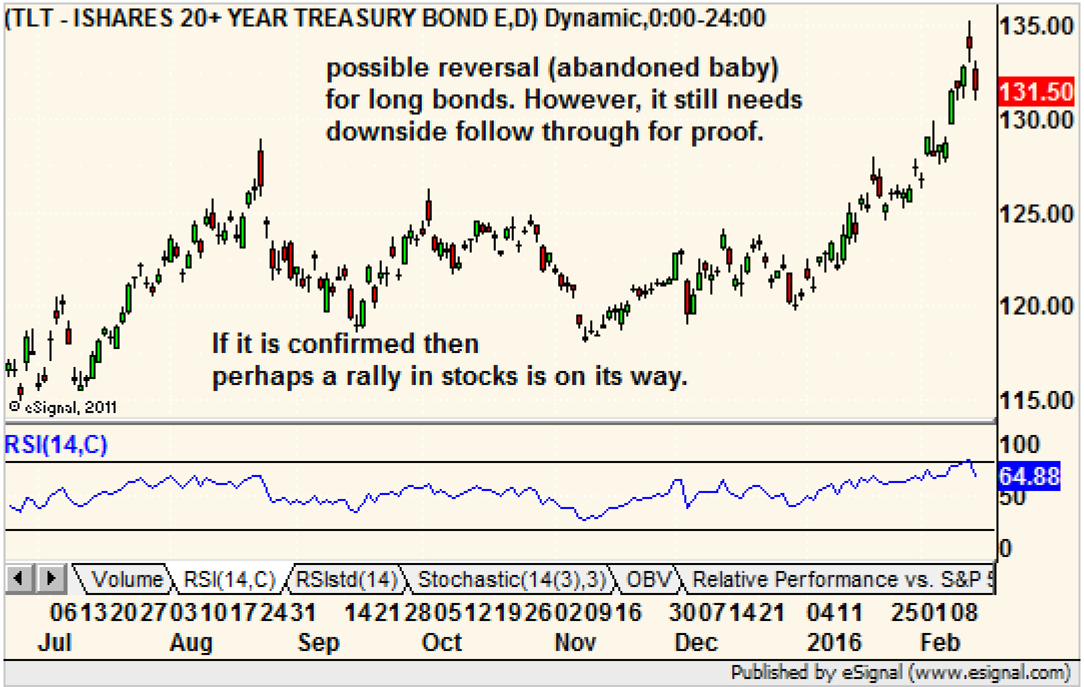

($TRAN - DOW JONES TRANSPORTATION AVERAGE,D) Dynamic,0:00-24:00
8500.00
8000.00
7500.00
7048.69
6500.00
The transports are in a bear flag with flat on-balance volume. That is not good. However, on a relative basis there was some improvement.
© eSignal, 2011
Relative Performance vs. S&P 500
400
377.99
RSIstd(14)
Stochastic(14(3),3)
OBV
Relative Performance vs. S&P 500
Aug
Sep
Oct
Nov
Dec
2016
Feb
Published by eSignal (www.esignal.com)

Other Markets

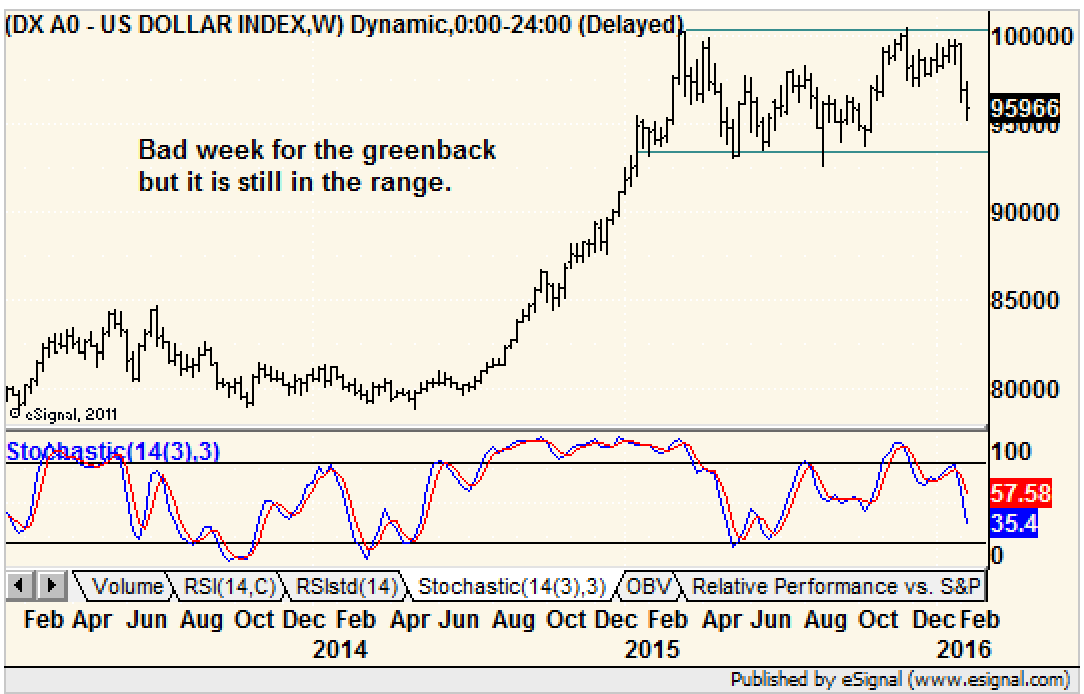


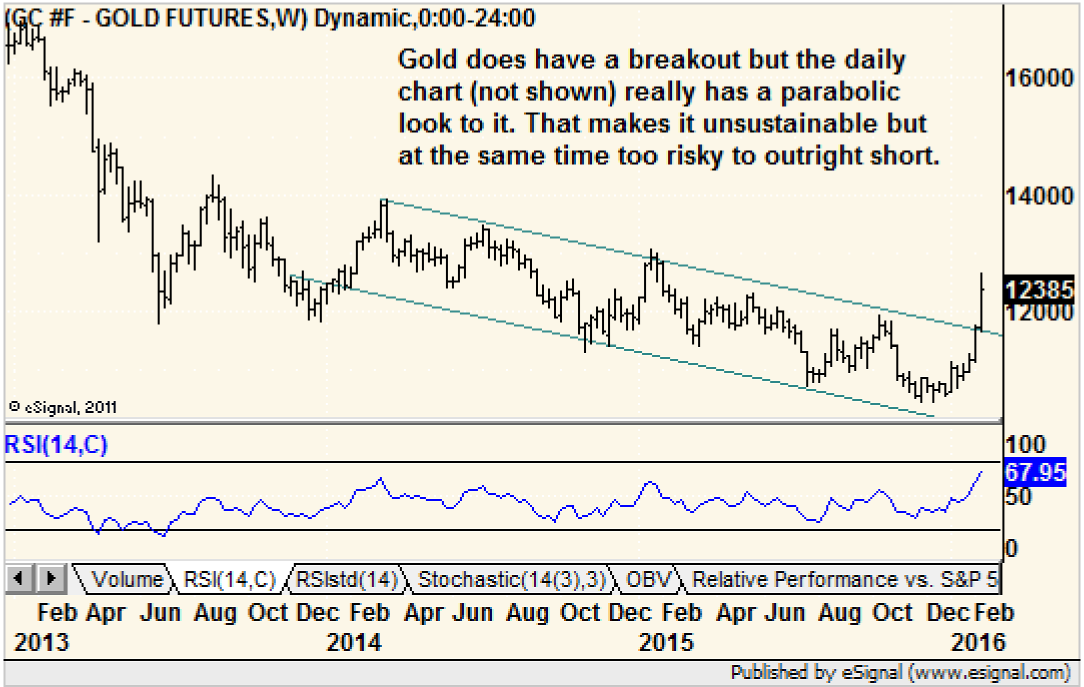


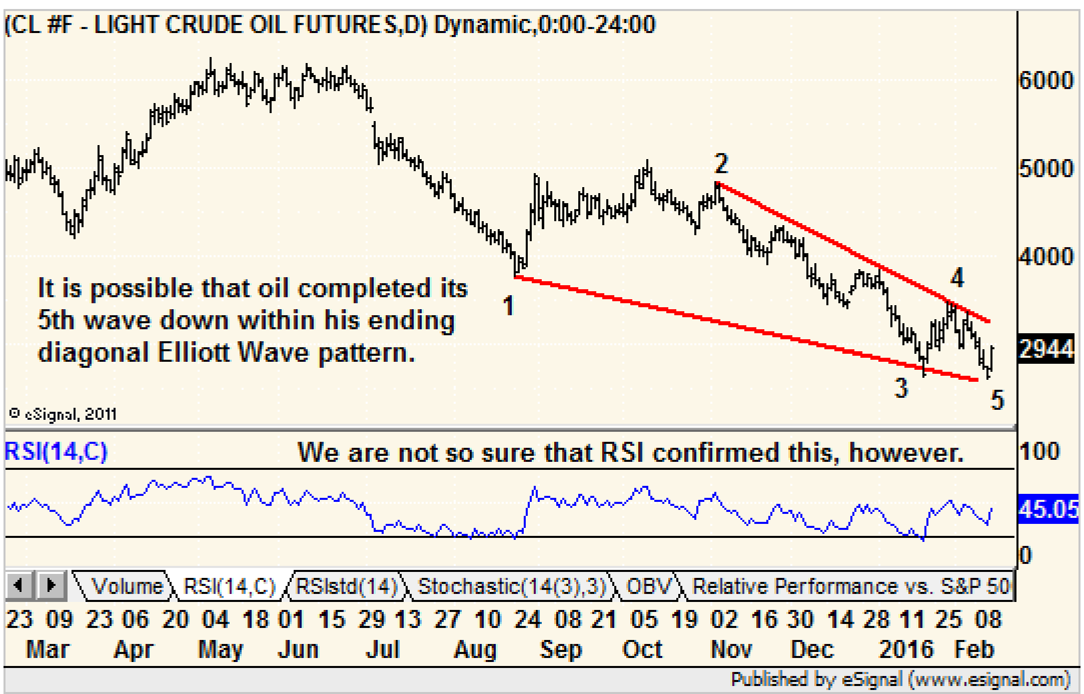
Happy reason for a rally #1



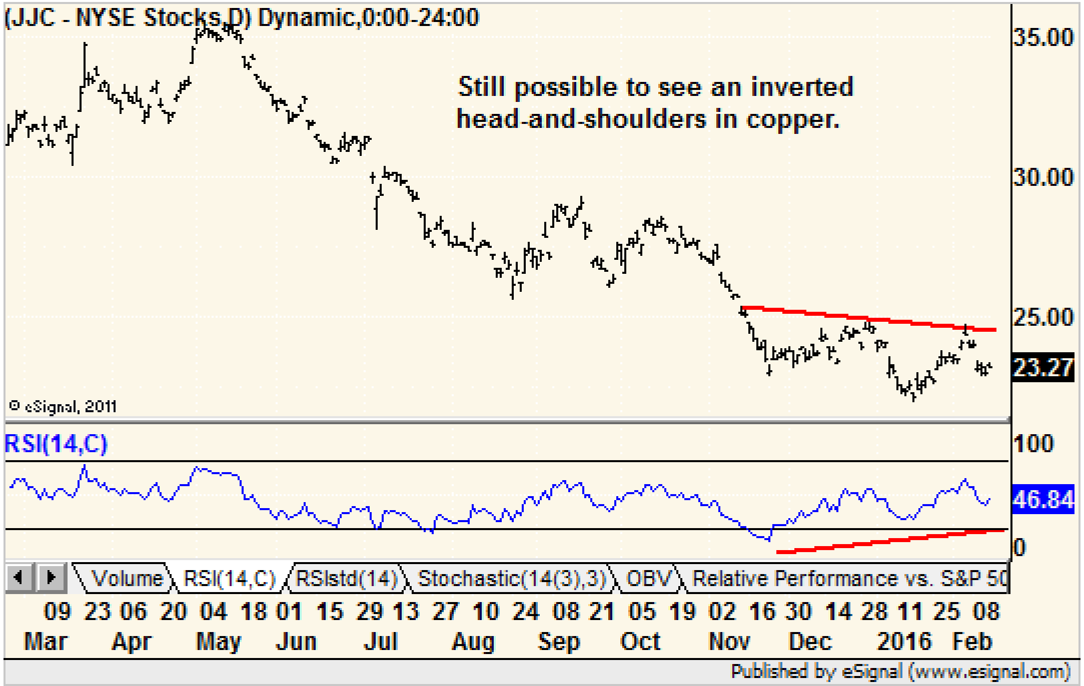
Rally reason #2

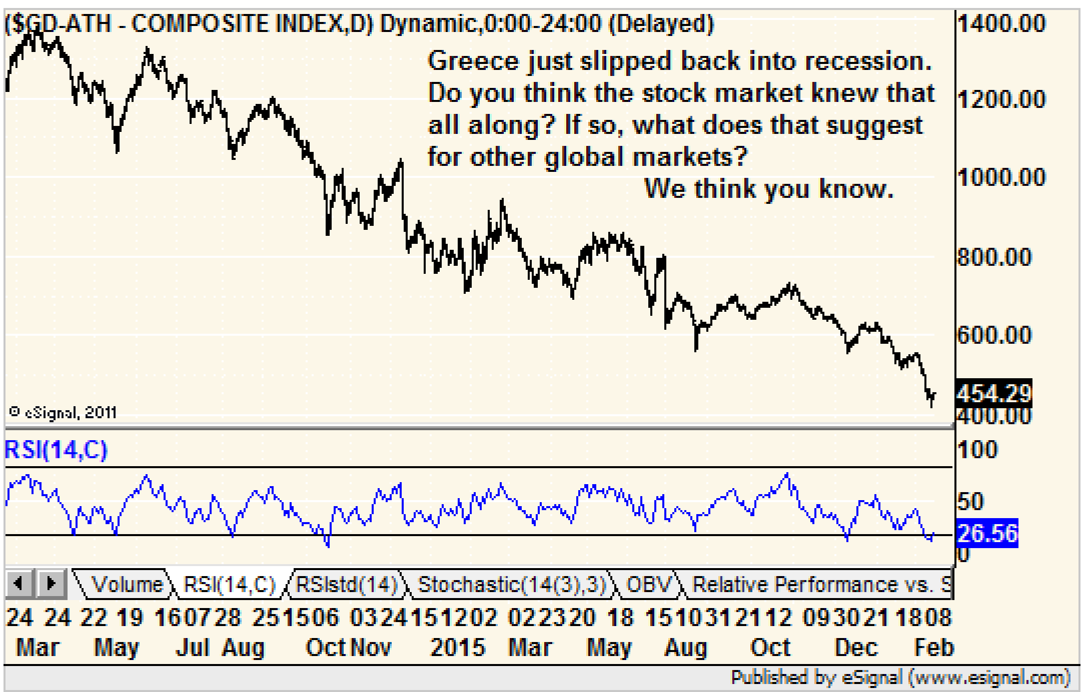




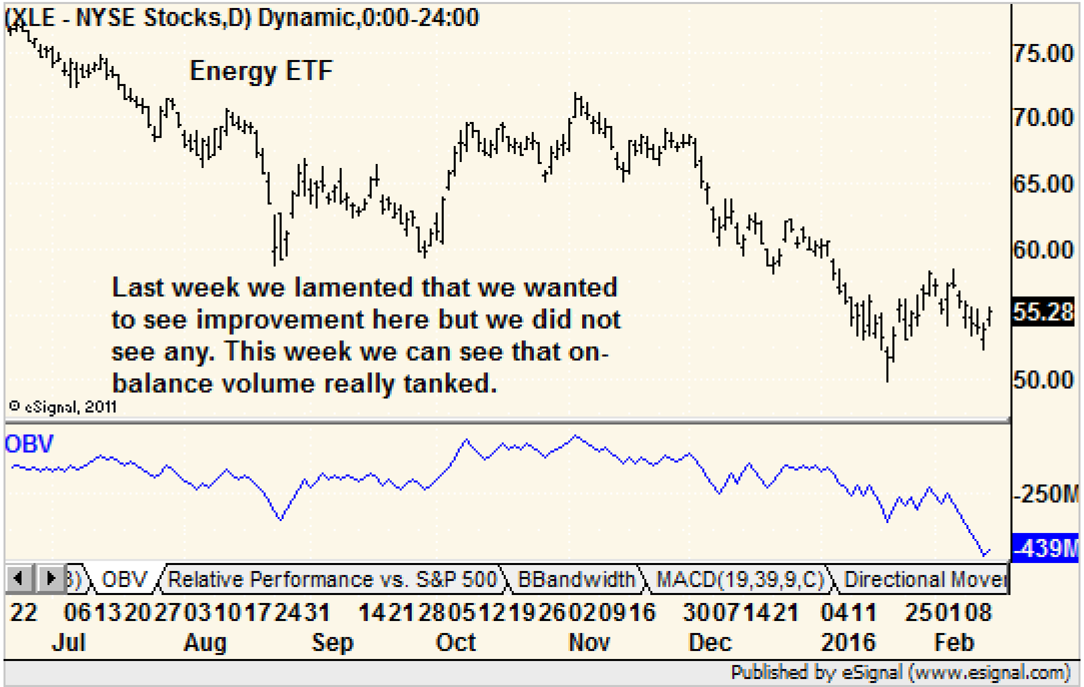


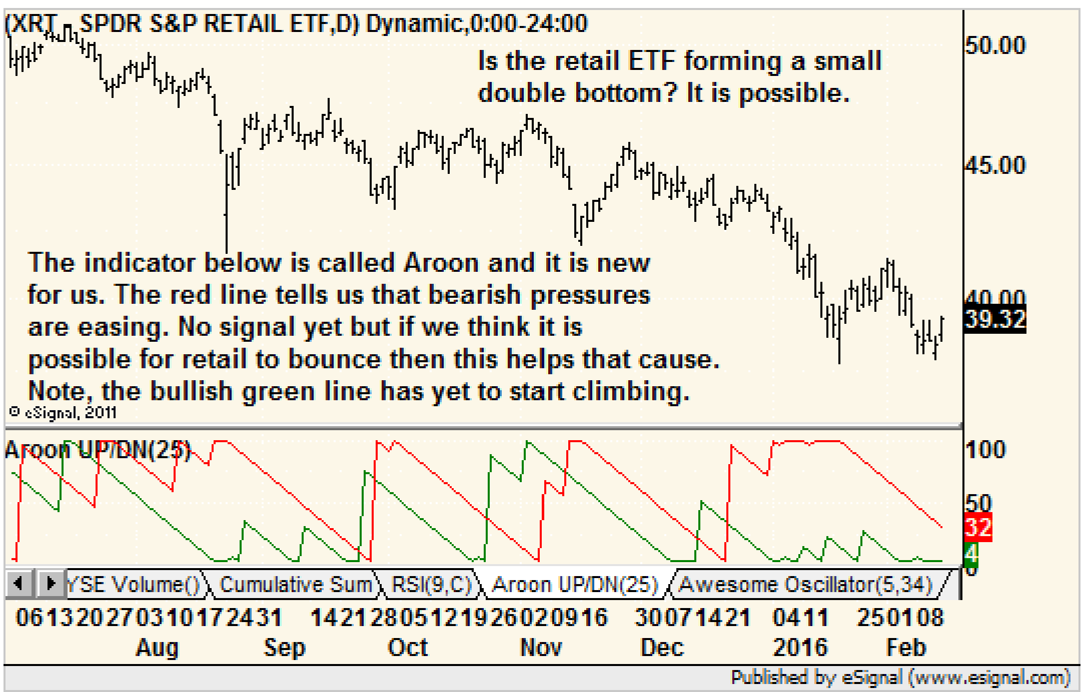
Happy reason #3

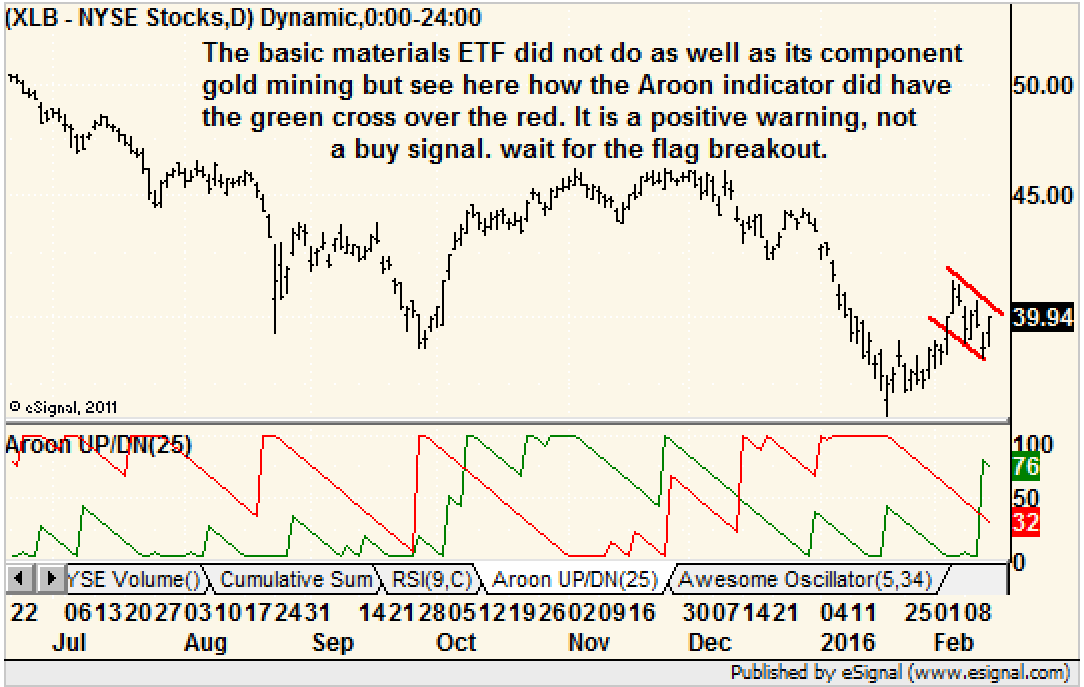

(JJC - NYSE Stocks,D) Dynamic,0:00-24:00
Still possible to see an inverted
head-and-shoulders in copper.
35.00
30.00
25.00
23.27
© eSignal, 2011
RSI(14,C)
100
46.84
0
Volume RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV Relative Performance vs. S&P 50
09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30 14 28 11 25 08
Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2016 Feb
Published by eSignal (www.esignal.com)


($GD-ATH - COMPOSITE INDEX,D) Dynamic,0:00-24:00 (Delayed)
Greece just slipped back into recession.
Do you think the stock market knew that
all along? If so, what does that suggest
for other global markets?
We think you know.
1400.00
1200.00
1000.00
800.00
600.00
454.29
400.00
© eSignal, 2011
RSI(14,C)
100
50
26.56
0
Volume RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV Relative Performance vs. S
24 24 22 19 16 07 28 25 15 06 03 24 15 12 02 02 23 20 18 15 10 31 21 12 09 30 21 18 08
Mar May Jul Aug Oct Nov 2015 Mar May Aug Oct Dec Feb
Published by eSignal (www.esignal.com)

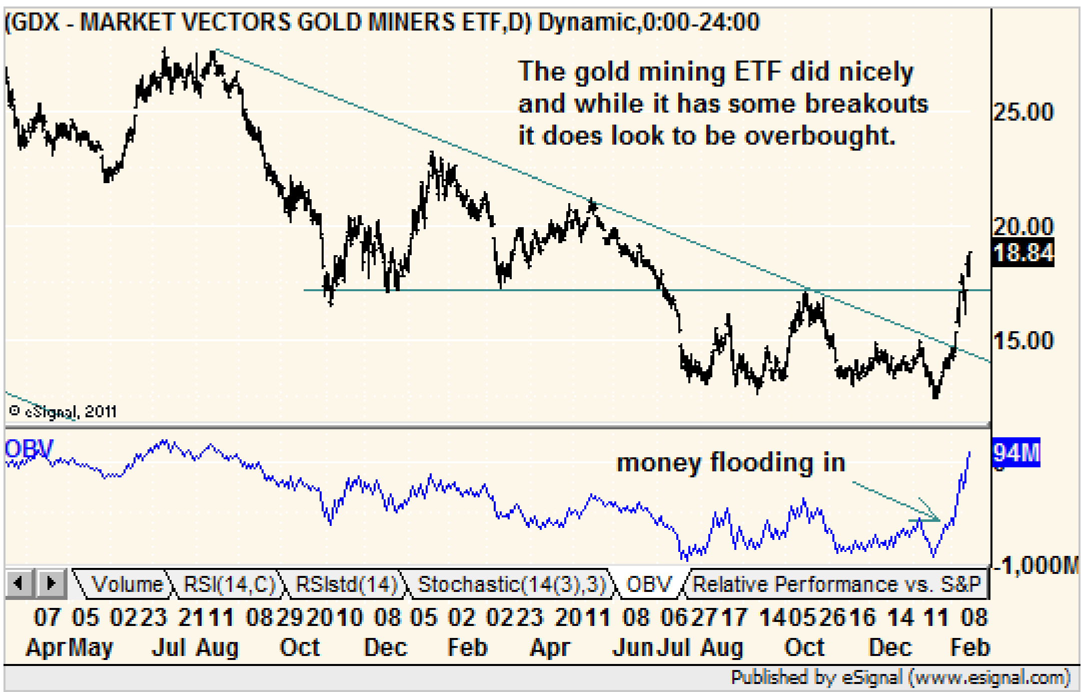
Sector Watch



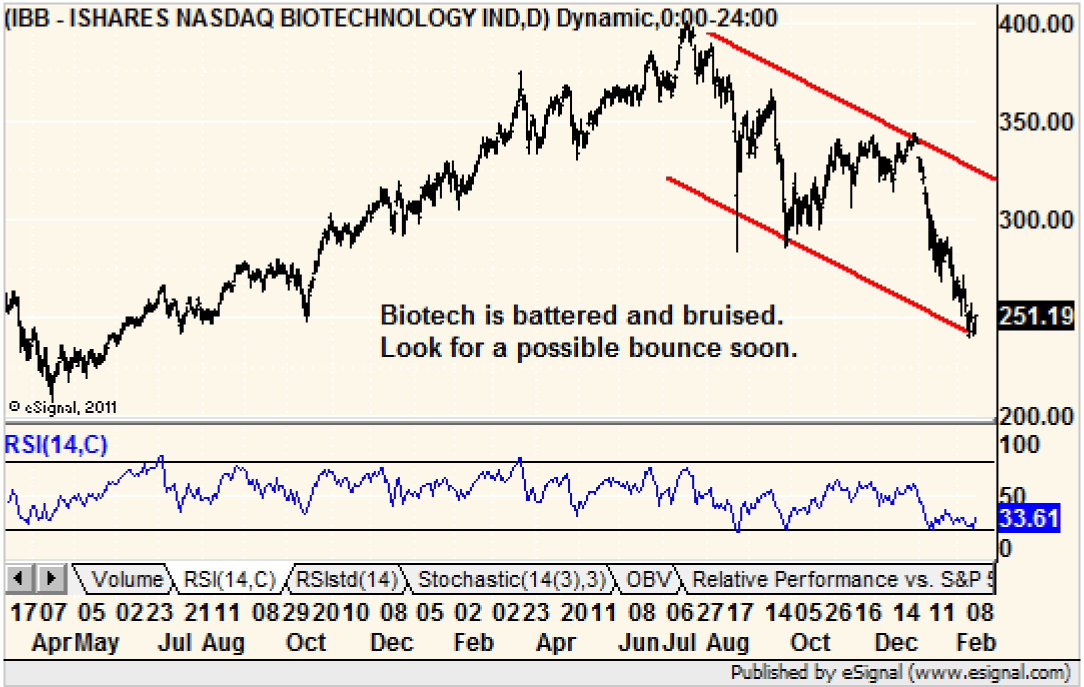


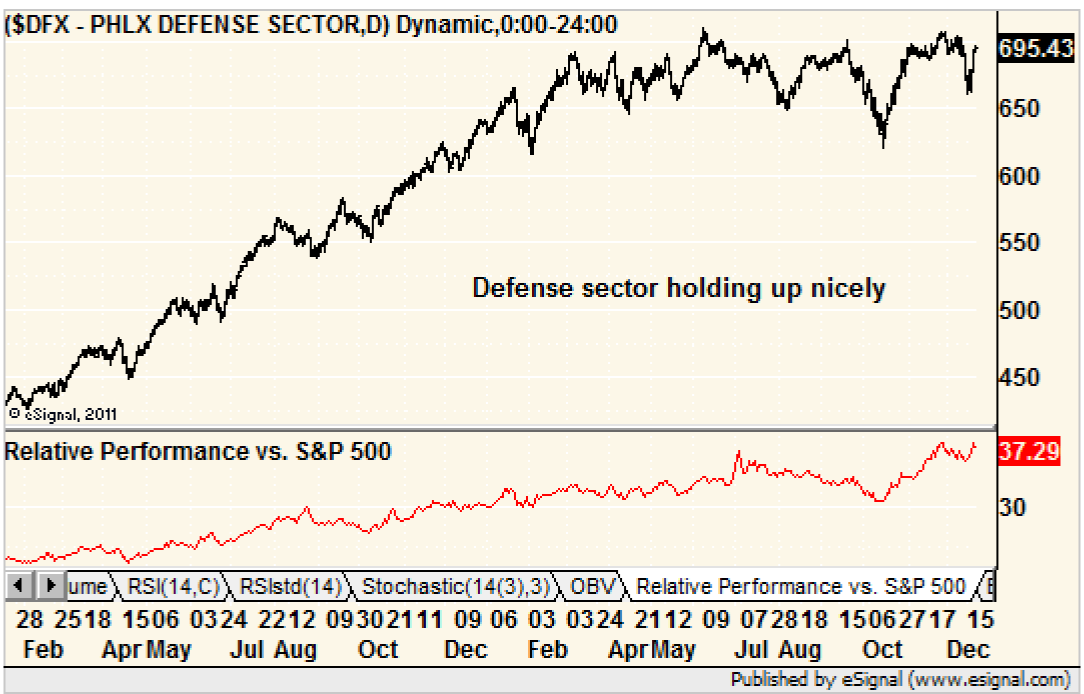


(XLB - NYSE Stocks,D) Dynamic,0:00-24:00
The basic materials ETF did not do as well as its component gold mining but see here how the Aroon indicator did have the green cross over the red. It is a positive warning, not a buy signal. wait for the flag breakout.
50.00
45.00
39.94
© eSignal, 2011
Aroon UP/DN(25)
100
76
50
32
0
YSE Volume()
Cumulative Sum
RSI(9,C)
Aroon UP/DN(25)
Awesome Oscillator(5,34)
22 06 13 20 27 03 10 17 24 31 14 21 28 05 12 19 26 02 09 16 30 07 14 21 04 11 25 01 08
Jul Aug Sep Oct Nov Dec 2016 Feb
Published by eSignal (www.esignal.com)

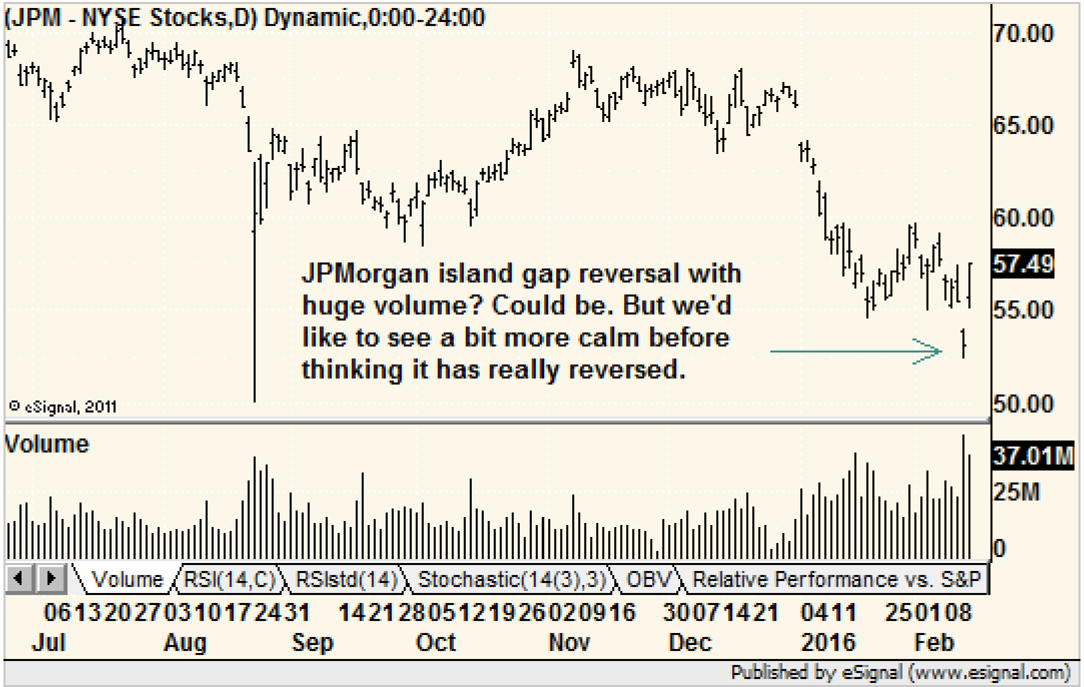


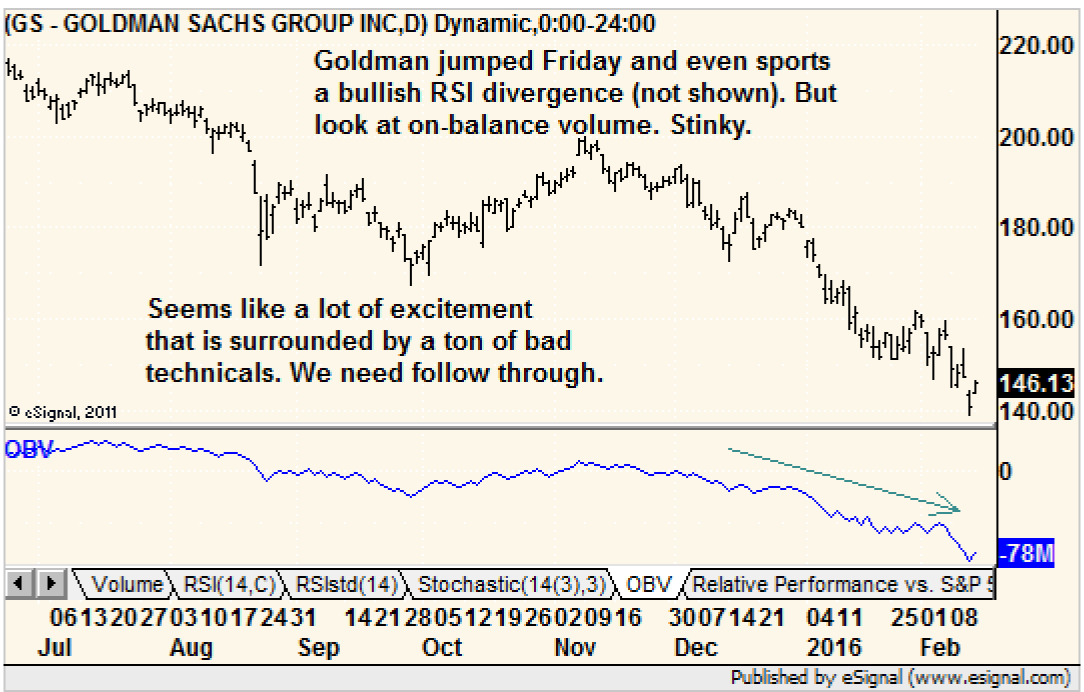
(GDX - MARKET VECTORS GOLD MINERS ETF,D) Dynamic,0:00-24:00
The gold mining ETF did nicely and while it has some breakouts it does look to be overbought.
25.00
20.00
18.84
15.00
© eSignal, 2011
OBV
money flooding in
94M
-1,000M
Volume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
Relative Performance vs. S&P
07 05 02 23 21 11 08 29 20 10 08 05 02 02 23 20 11 08 06 27 17 14 05 26 16 14 11 08
Apr May Jul Aug Oct Dec Feb Apr Jun Jul Aug Oct Dec Feb
Published by eSignal (www.esignal.com)

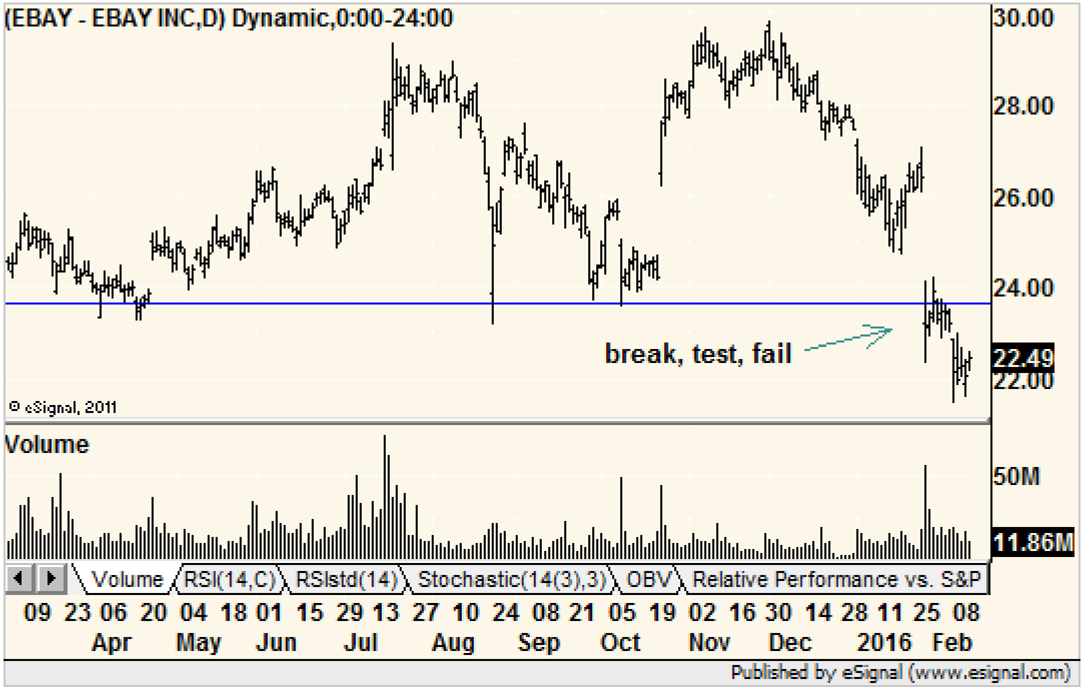

(IBB - ISHARES NASDAQ BIOTECHNOLOGY IND,D) Dynamic,0:00-24:00
400.00
350.00
300.00
251.19
200.00
Biotech is battered and bruised.
Look for a possible bounce soon.
© eSignal, 2011
RSI(14,C)
100
50
33.61
0
Volume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
Relative Performance vs. S&P 5
17 07 05 02 23 21 11 08 29 20 10 08 05 02 02 23 20 11 08 06 27 17 14 05 26 16 14 11 08
Apr May Jul Aug Oct Dec Feb Apr Jun Jul Aug Oct Dec Feb
Published by eSignal (www.esignal.com)


($DFX - PHLX DEFENSE SECTOR,D) Dynamic,0:00-24:00
695.43
650
600
550
500
450
Defense sector holding up nicely
© eSignal, 2011
Relative Performance vs. S&P 500
37.29
30
ume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
Relative Performance vs. S&P 500
28 25 18 15 06 03 24 22 12 09 30 21 11 09 06 03 03 24 21 12 09 07 28 18 15 06 27 17 15
Feb Apr May Jul Aug Oct Dec Feb Apr May Jul Aug Oct Dec
Published by eSignal (www.esignal.com)

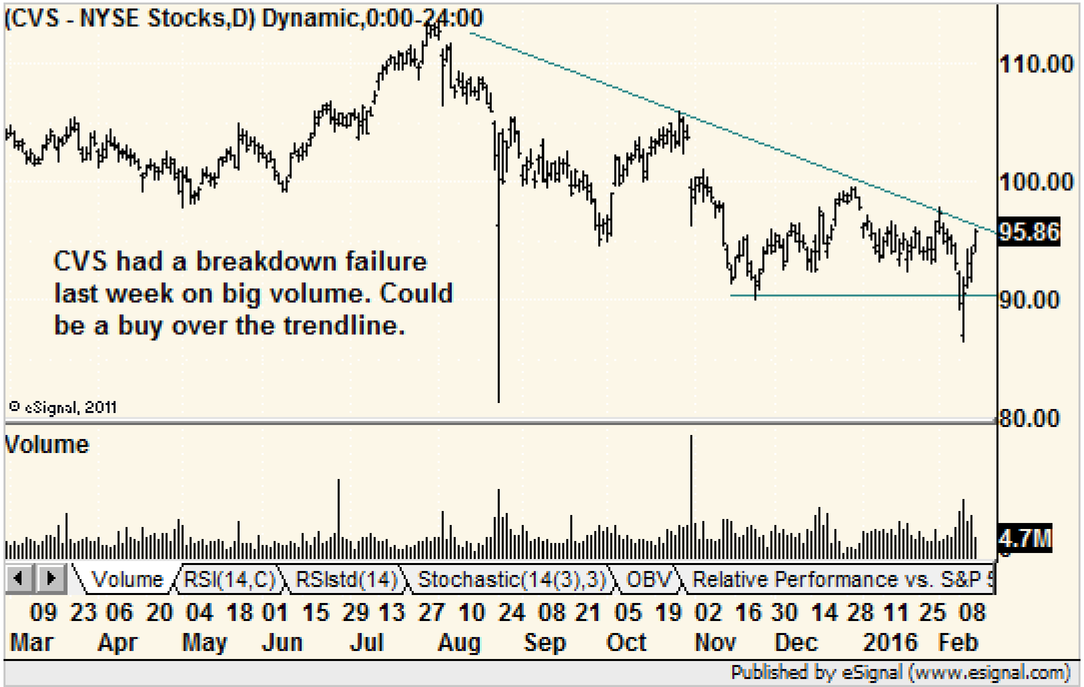
Stocks in the News

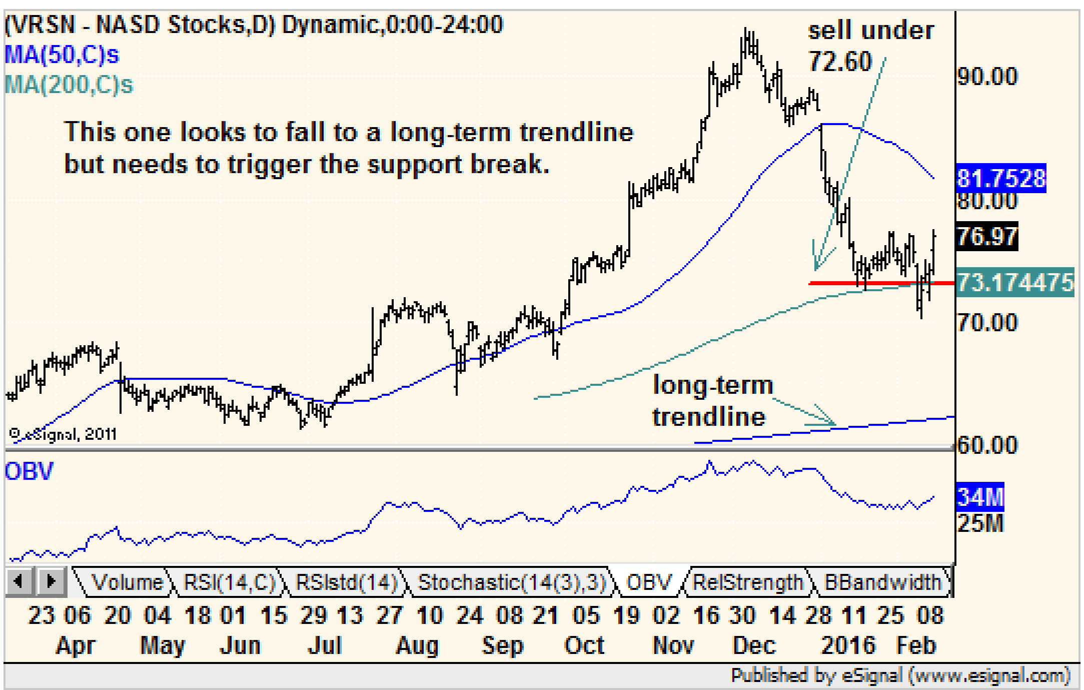


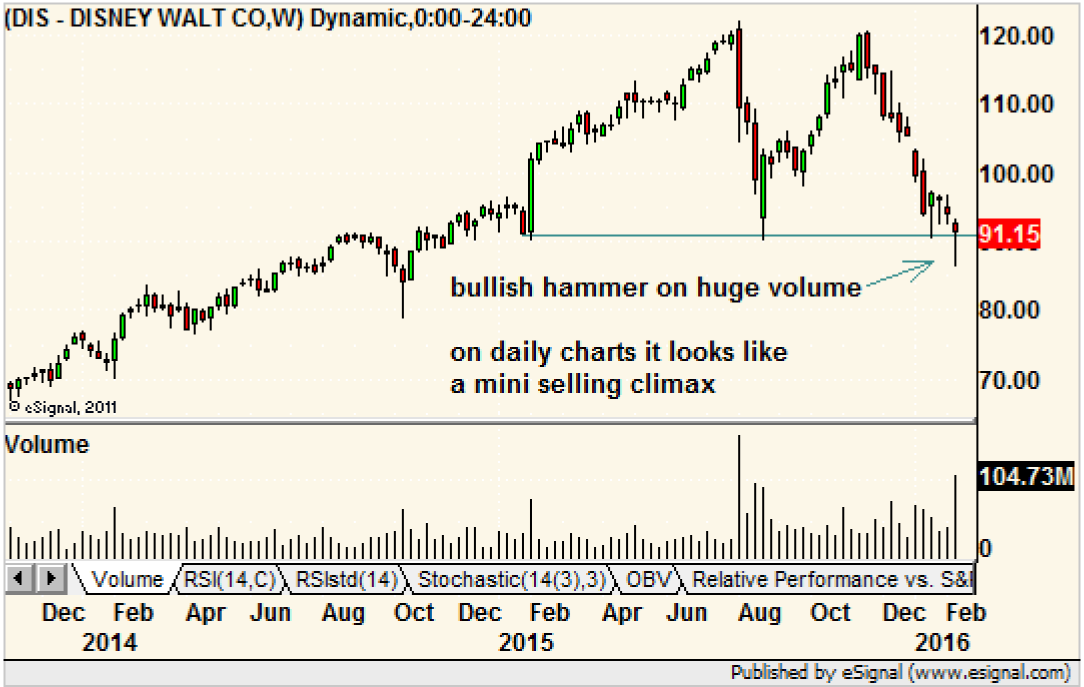




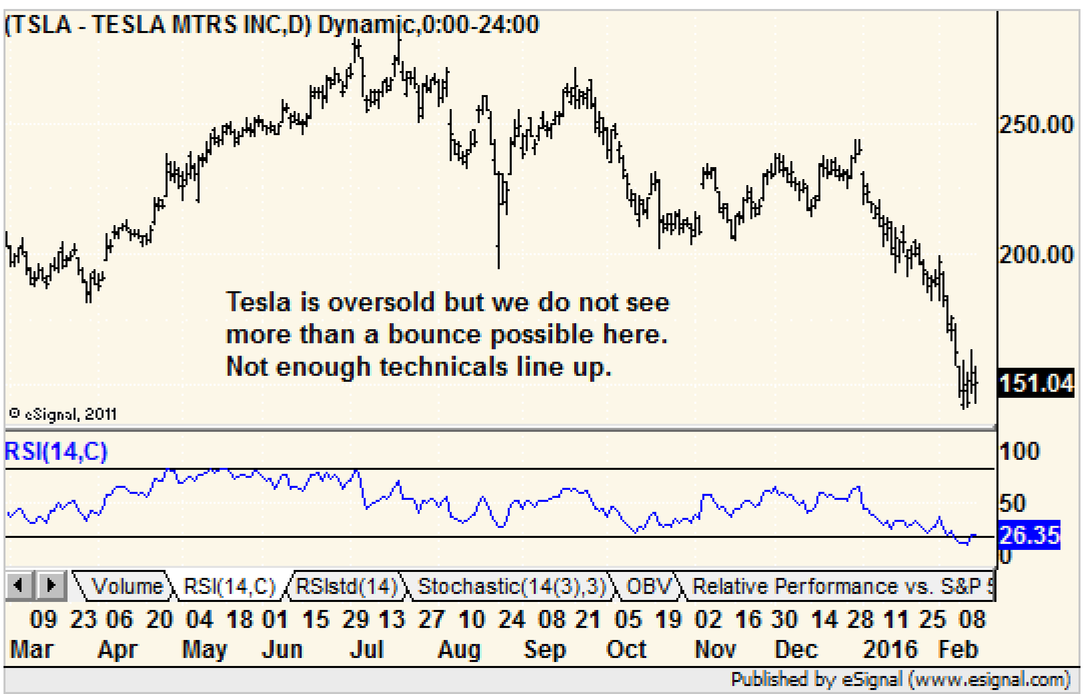
Spun off from eBay last year

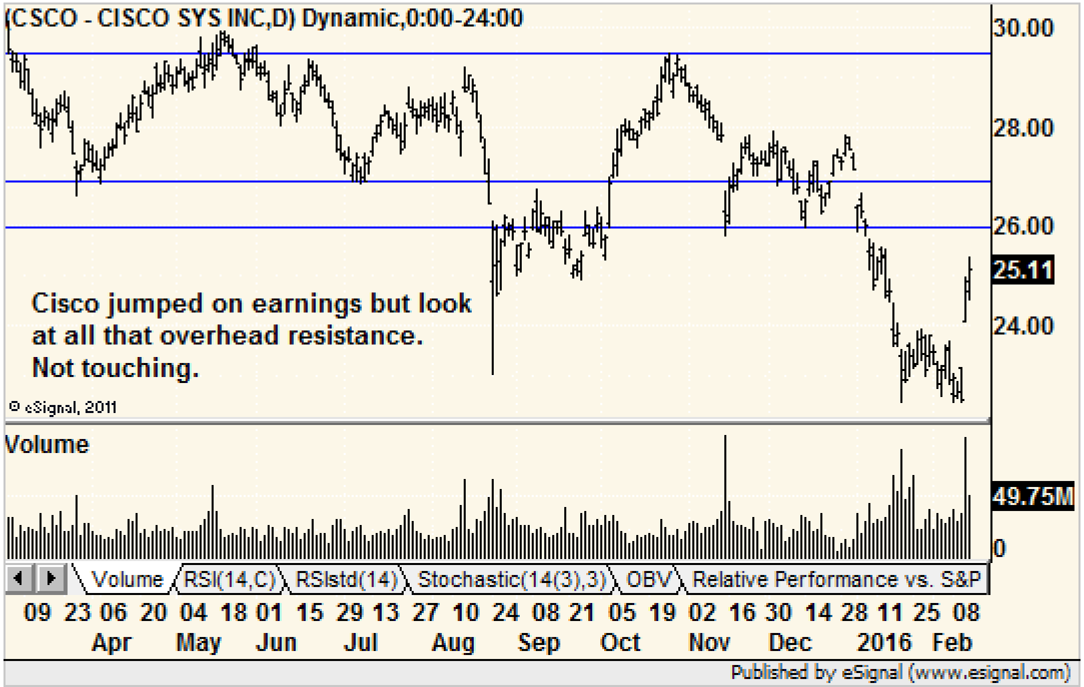

(CVS - NYSE Stocks,D) Dynamic,0:00-24:00
CVS had a breakdown failure
last week on big volume. Could
be a buy over the trendline.
© eSignal, 2011
110.00
100.00
95.86
90.00
80.00
Volume
4.7M
Volume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
Relative Performance vs. S&P 5
09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30 14 28 11 25 08
Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2016 Feb
Published by eSignal (www.esignal.com)

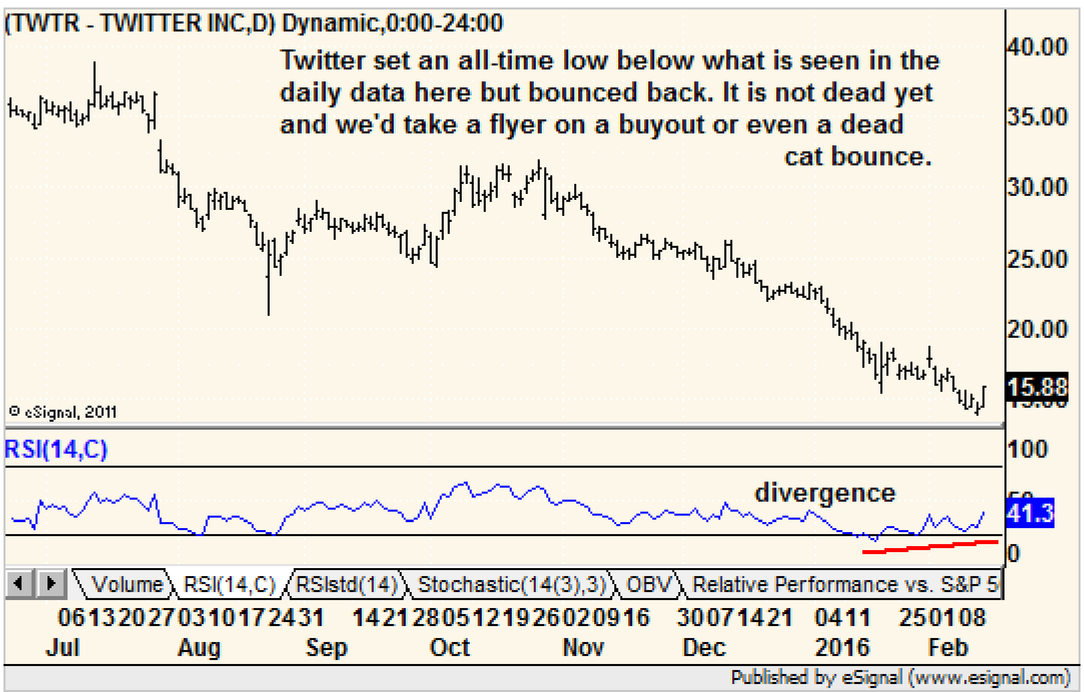

(VRSN - NASD Stocks,D) Dynamic,0:00-24:00
MA(50,C)s
MA(200,C)s
This one looks to fall to a long-term trendline
but needs to trigger the support break.
sell under
72.60
long-term
trendline
© eSignal, 2011
90.00
81.7528
80.00
76.97
73.174475
70.00
60.00
OBV
34M
25M
Volume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
RelStrength
BBandwidth
23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30 14 28 11 25 08
Apr May Jun Jul Aug Sep Oct Nov Dec 2016 Feb
Published by eSignal (www.esignal.com)



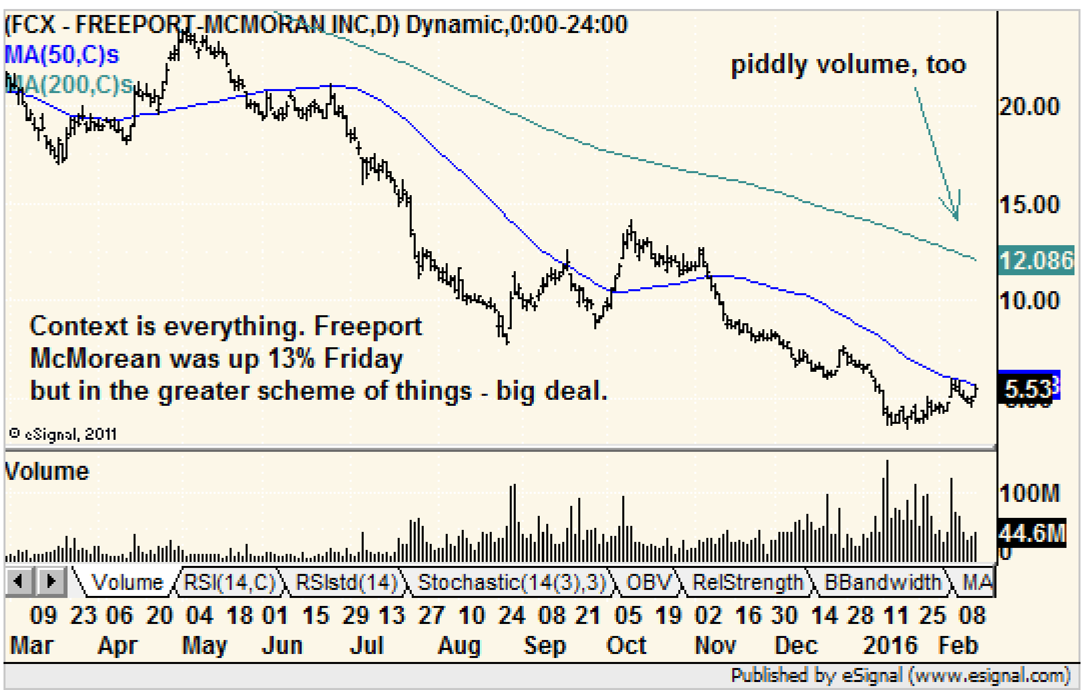
Huge earnings with initial drop and recovery.

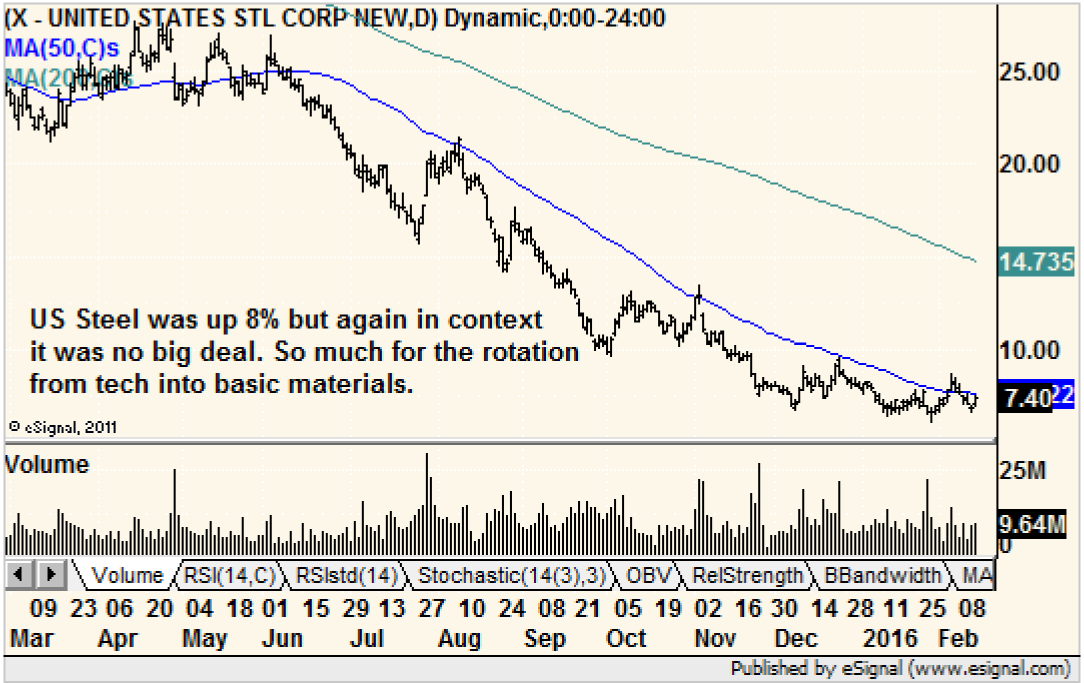



(CSCO - CISCO SYS INC,D) Dynamic,0:00-24:00
Cisco jumped on earnings but look at all that overhead resistance. Not touching.
© eSignal, 2011
Volume
30.00
28.00
26.00
25.11
24.00
49.75M
0
Volume RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV Relative Performance vs. S&P
09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30 14 28 11 25 08
Apr May Jun Jul Aug Sep Oct Nov Dec 2016 Feb
Published by eSignal (www.esignal.com)


(TWTR - TWITTER INC,D) Dynamic,0:00-24:00
Twitter set an all-time low below what is seen in the daily data here but bounced back. It is not dead yet and we'd take a flyer on a buyout or even a dead cat bounce.
© eSignal, 2011
40.00
35.00
30.00
25.00
20.00
15.88
RSI(14,C)
100
divergence
41.3
0
Volume RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV Relative Performance vs. S&P 5
Jul Aug Sep Oct Nov Dec 2016 Feb
Published by eSignal (www.esignal.com)

This is a weekly chart.




(X - UNITED STATES STL CORP NEW,D) Dynamic,0:00-24:00
MA(50,C)s
US Steel was up 8% but again in context it was no big deal. So much for the rotation from tech into basic materials.
© eSignal, 2011
Volume
Published by eSignal (www.esignal.com)


(DECK - NASD Stocks,D) Dynamic,0:00-24:00
Deckers bucked the market trend and even its own earnings report to break out from a bull flag. Still worth a look.
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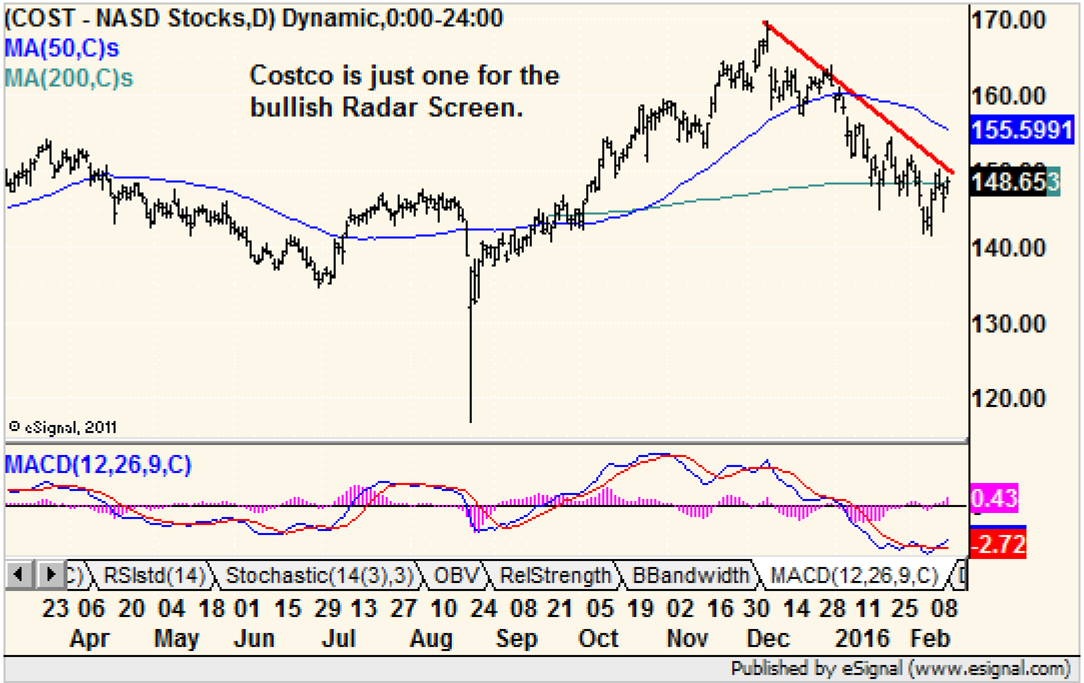
RSI(14,C)
Published by eSignal (www.esignal.com)



<u>Notes from last week:</u>
FB bear flag
AMZN bear flag
HON still hanging tight under resistance
GM did indeed break down
CMG still looks like a bear flag
HCA still waiting for a resistance breakout. However, any lower and the setup goes away.
AFL failed.
STZ bounced in what looks to be a bear flag. Still shortable on the next breakdown.
CAT did not break out from its weekly channel. The commodities story is still not good.

Subscriber Corner

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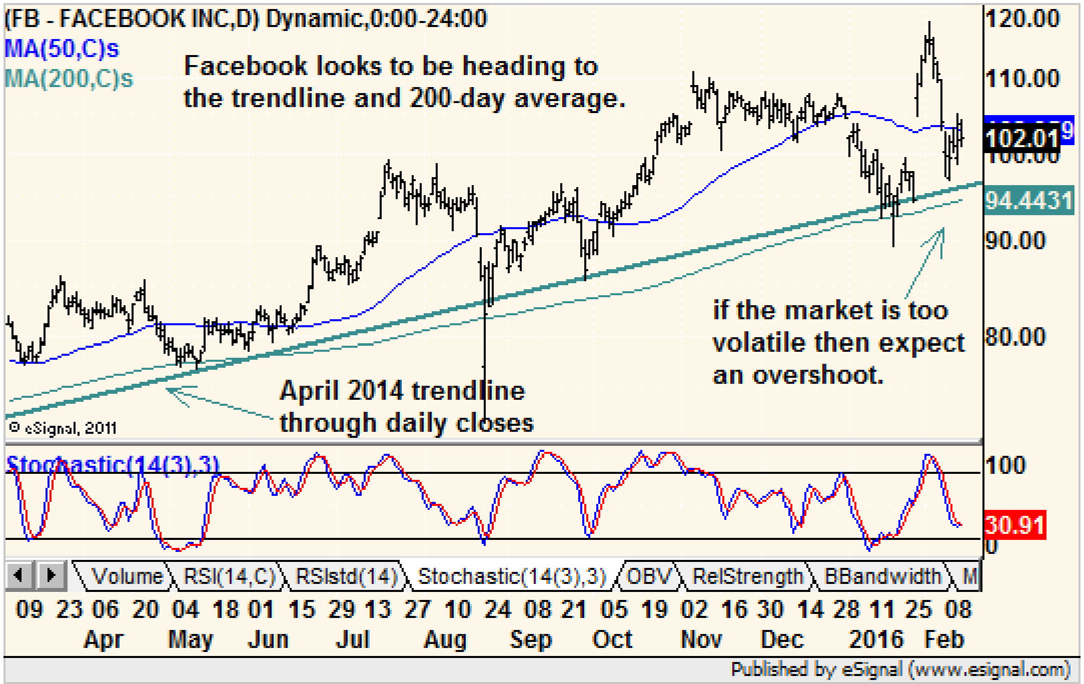

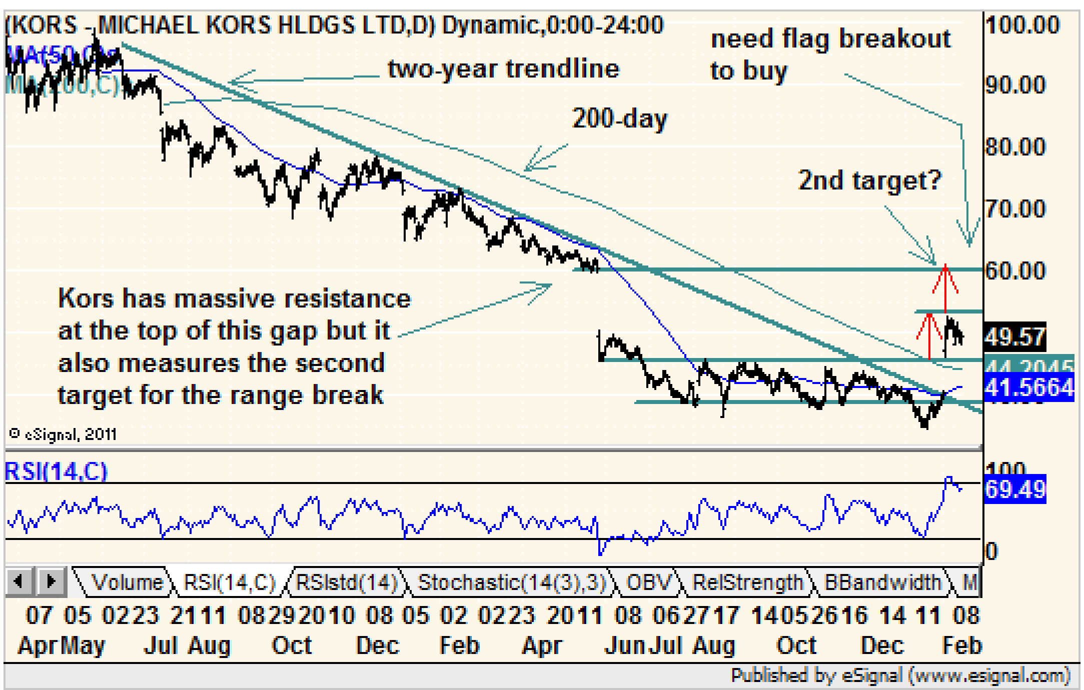

Other Information

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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http://youtube.com/quicktakespro

http://stocktwits.com/mnkahn

http://www.talkmarkets.com/contributor/mnkahn