

# QUICK TAKES PRO

*"TECHNICAL ANALYSIS FOR EVERYONE"*

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**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 **XLFI** 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.

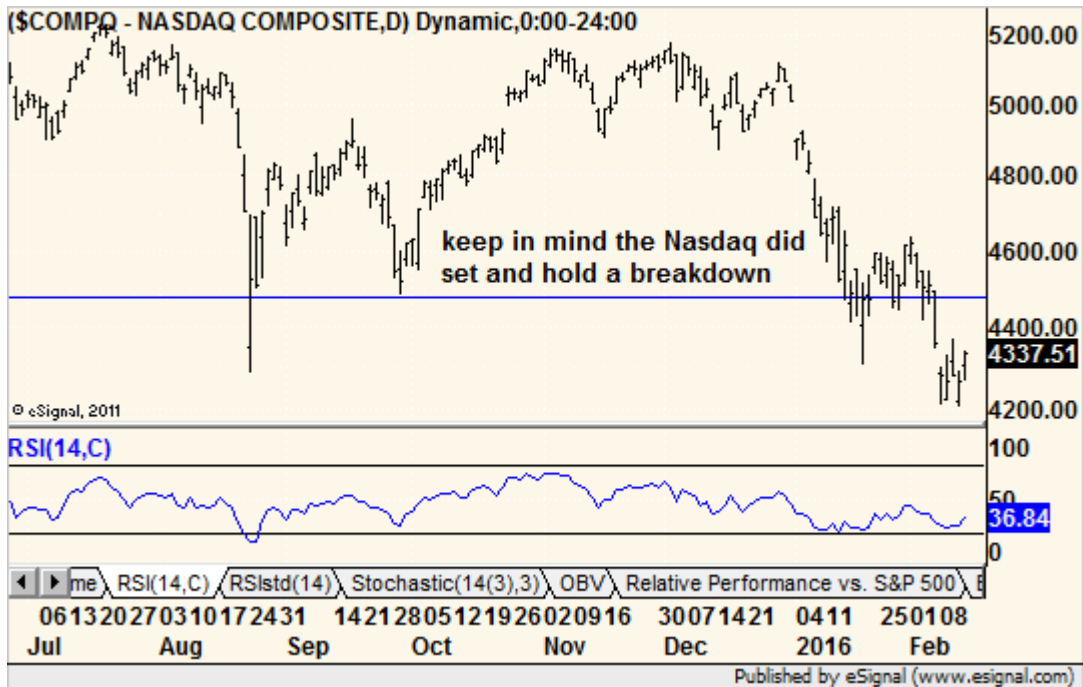
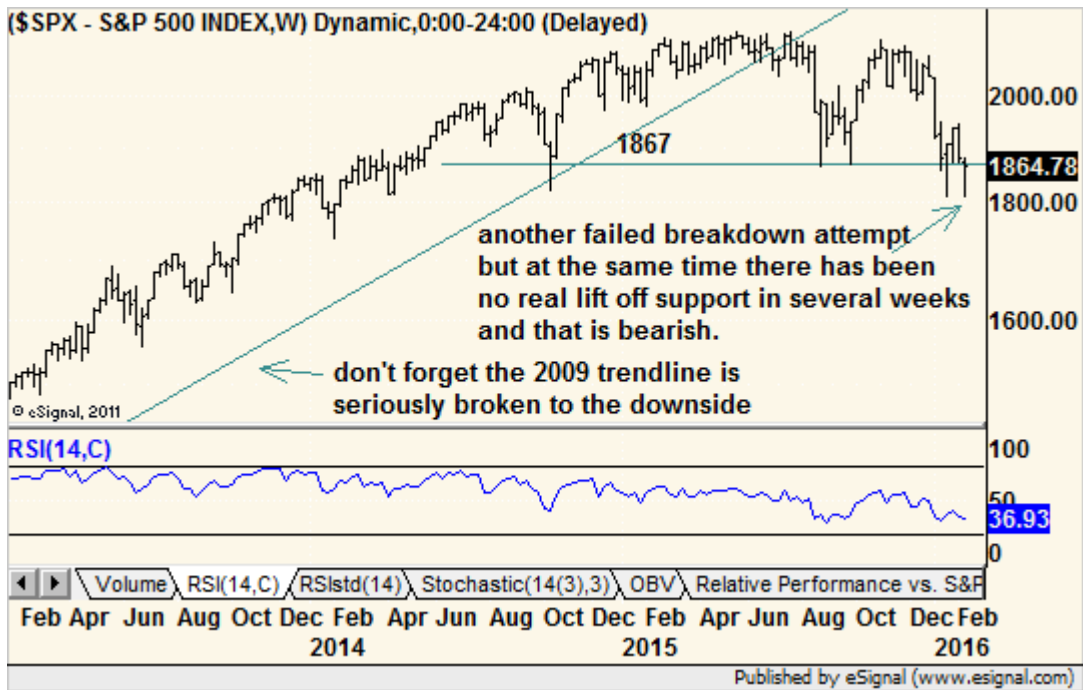
By the way, I put up a video about how the four horsemen (key sectors) are all still lagging the market. When your bull market leaders are all lagging, things are not so great. Bounce maybe but not bottom.

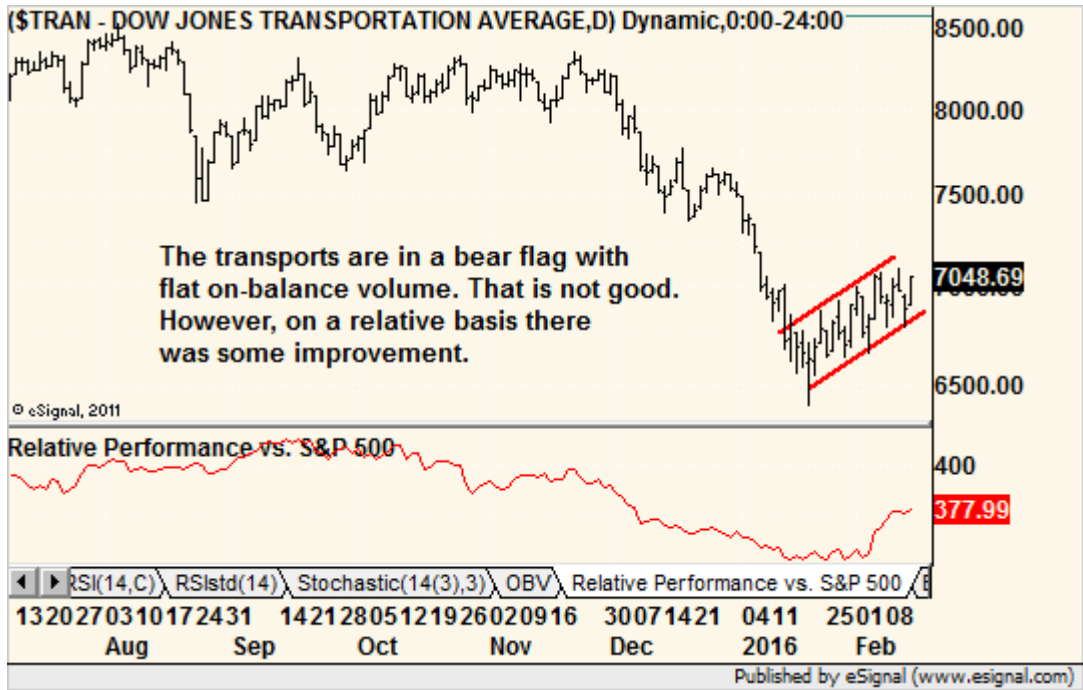
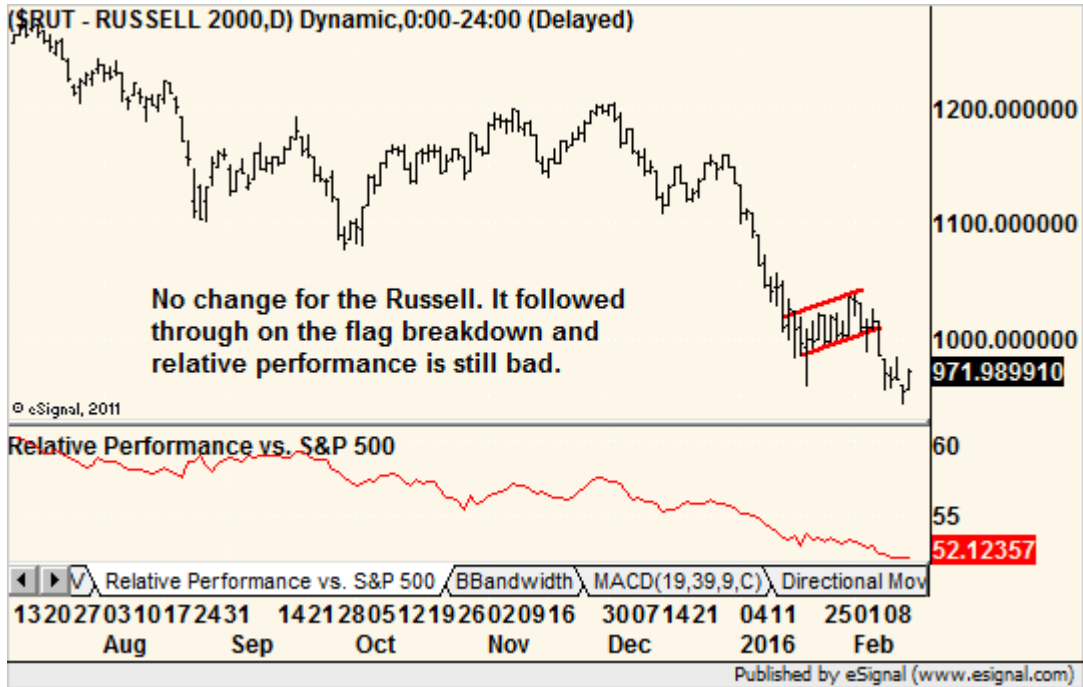
We had a reader question about what is propping up this market. Each time it looks like a major breakdown something happens to get the buyers back. We think this is normal in a bear market where sentiment gets a bit too bearish from time to time. People latch on to anything that could be perceived bullish,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

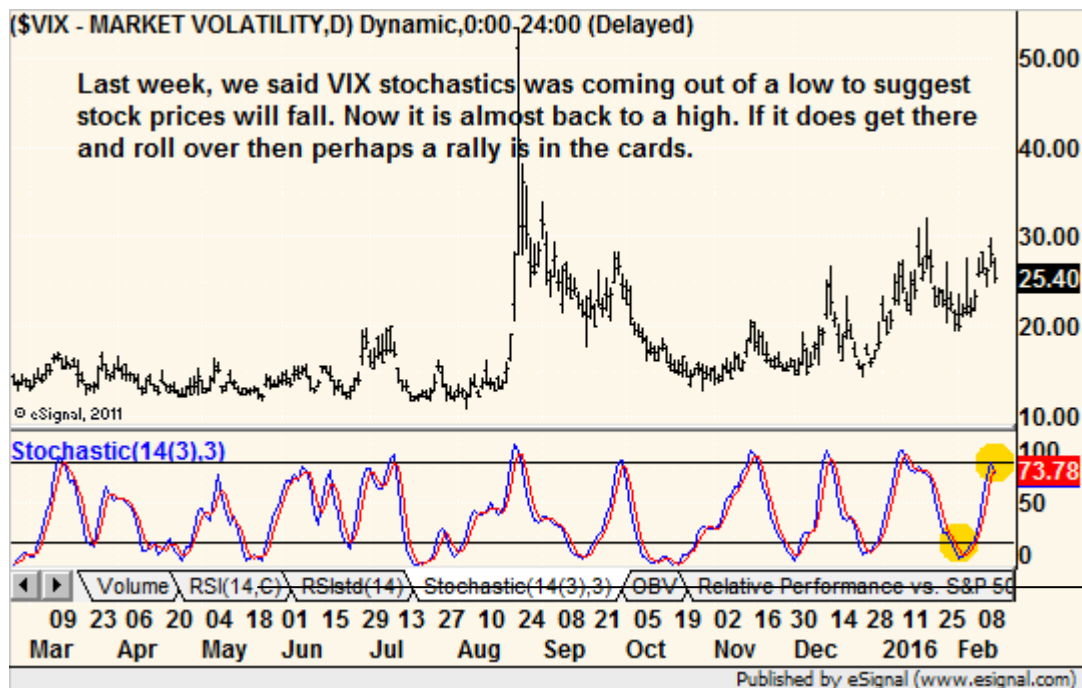
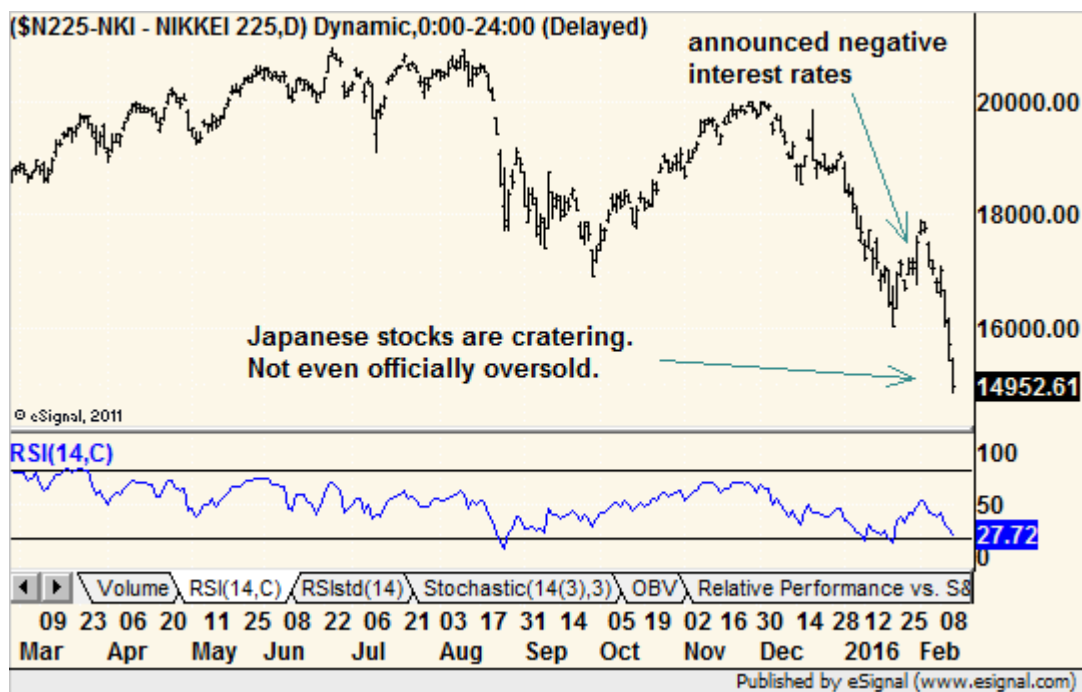
Bear markets produce big rallies. But they are still bear markets. Whether the coming week is strong or not. Whether the coming week produces a bottom in energy or tests one in gold. The bottom line is that we see unfinished business to the downside in the stock market as a whole. Next year should be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

## Index Charts of the Week

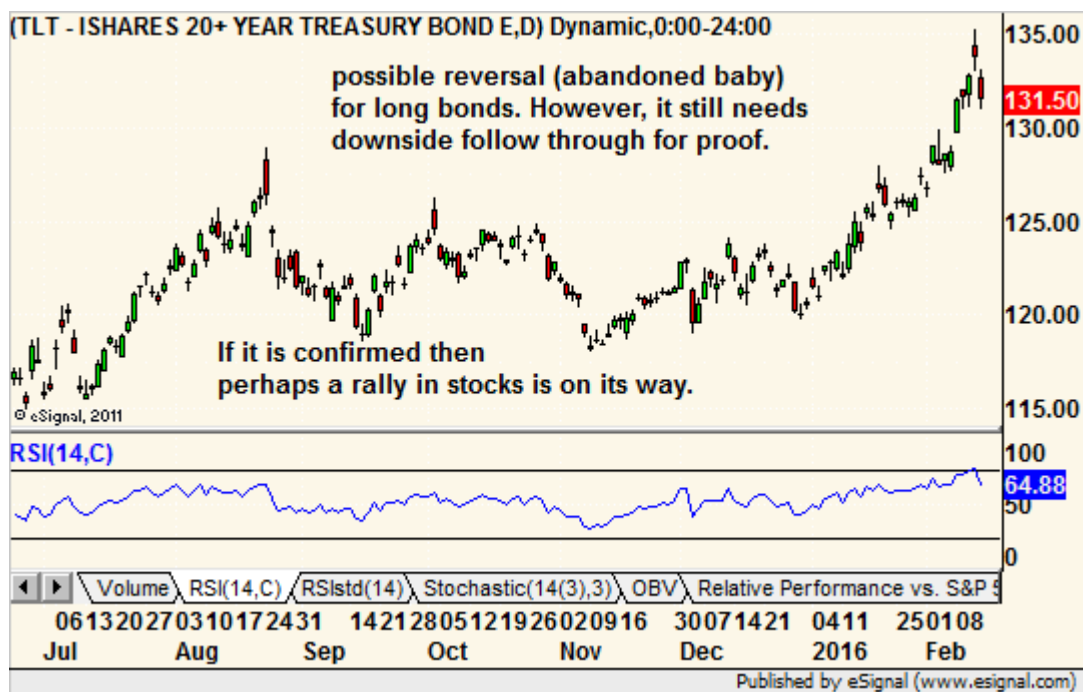




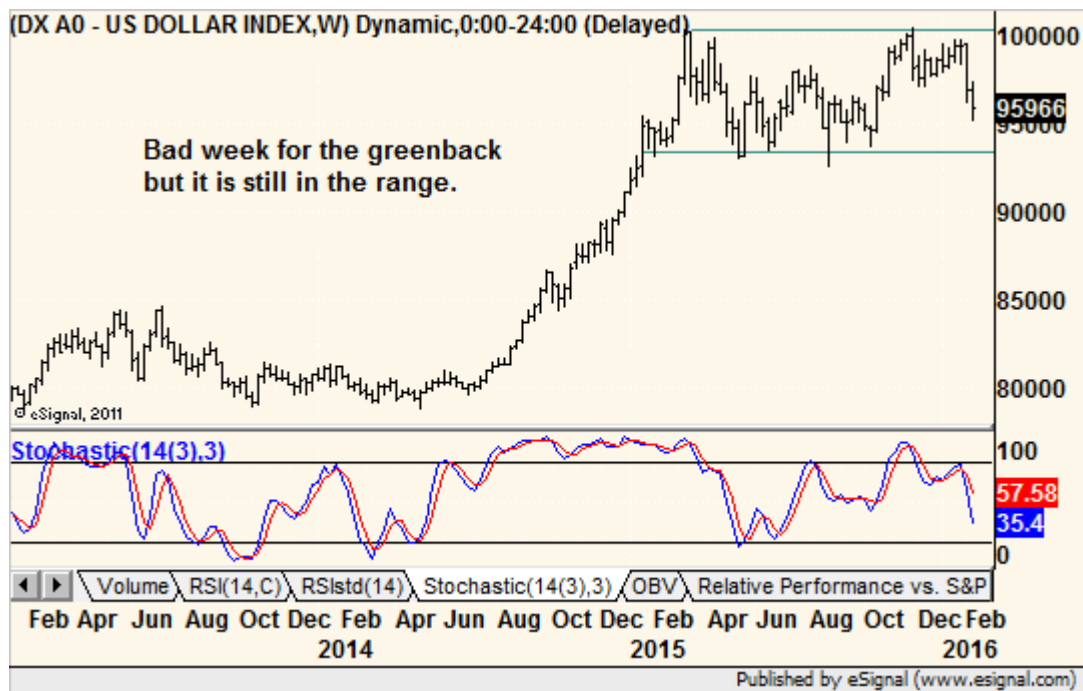
## Other Markets

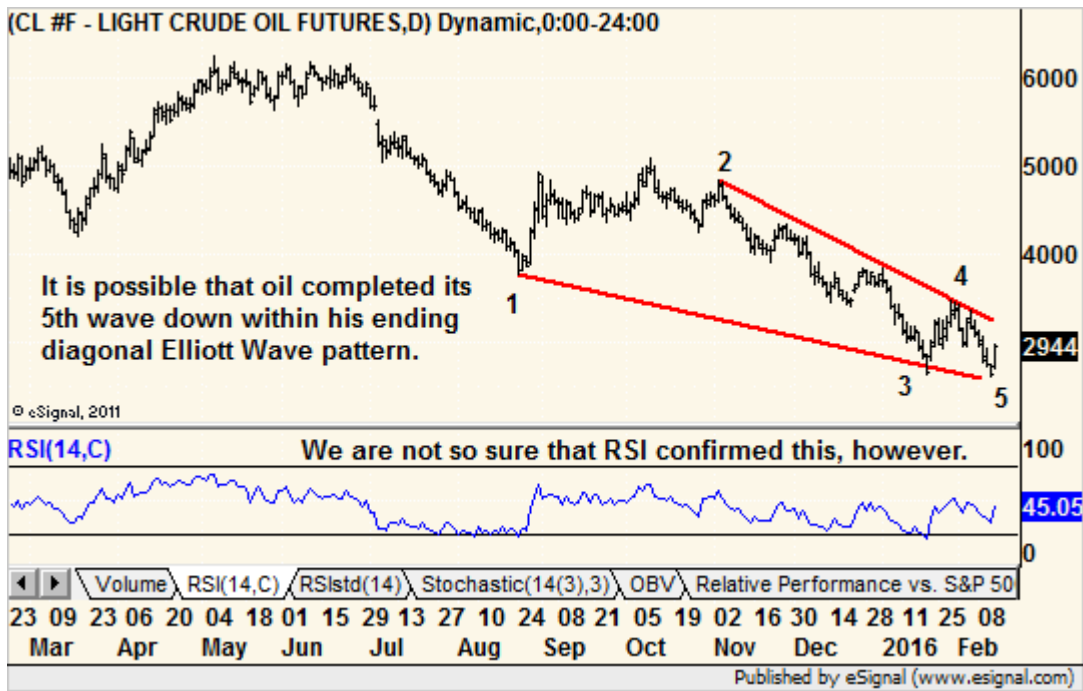
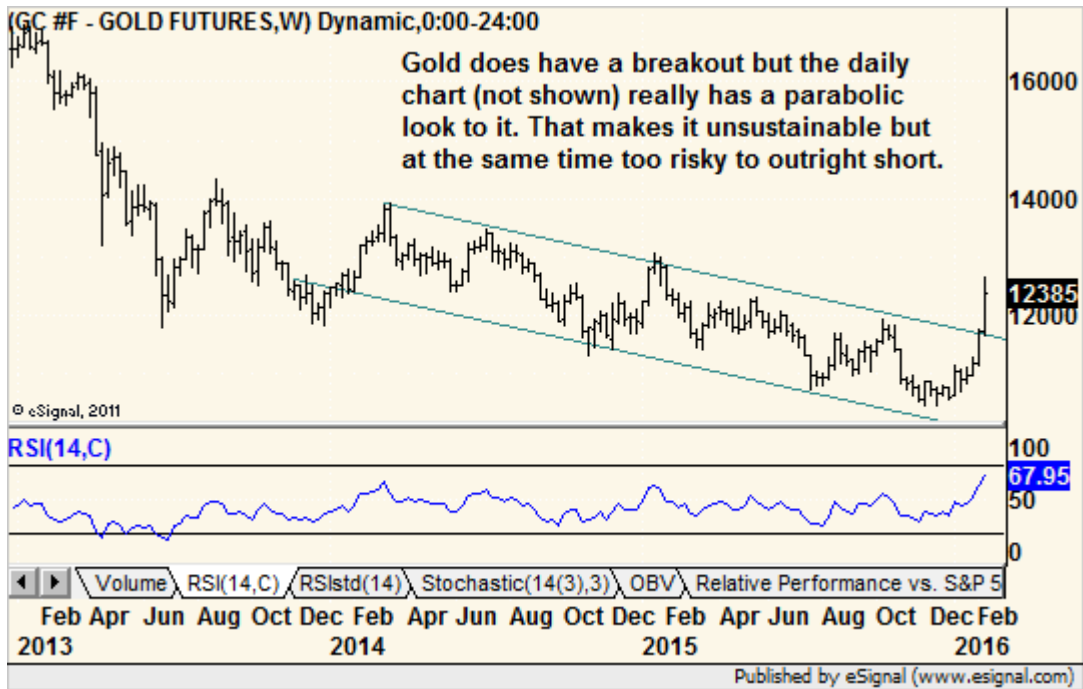


Happy reason for a rally #1

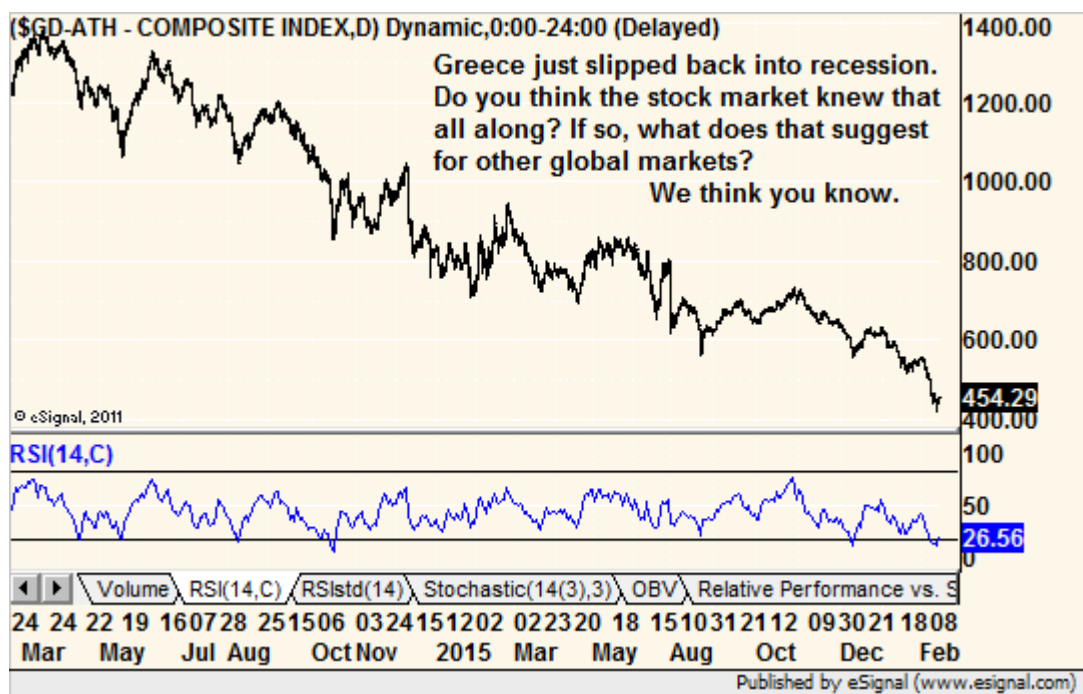
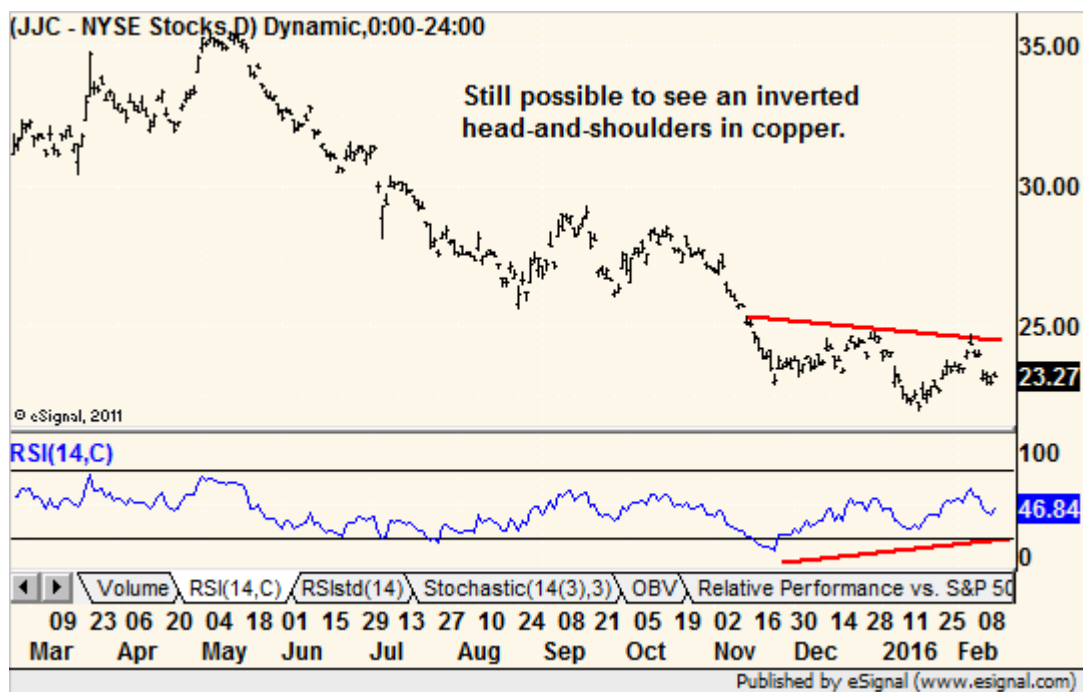


Rally reason #2

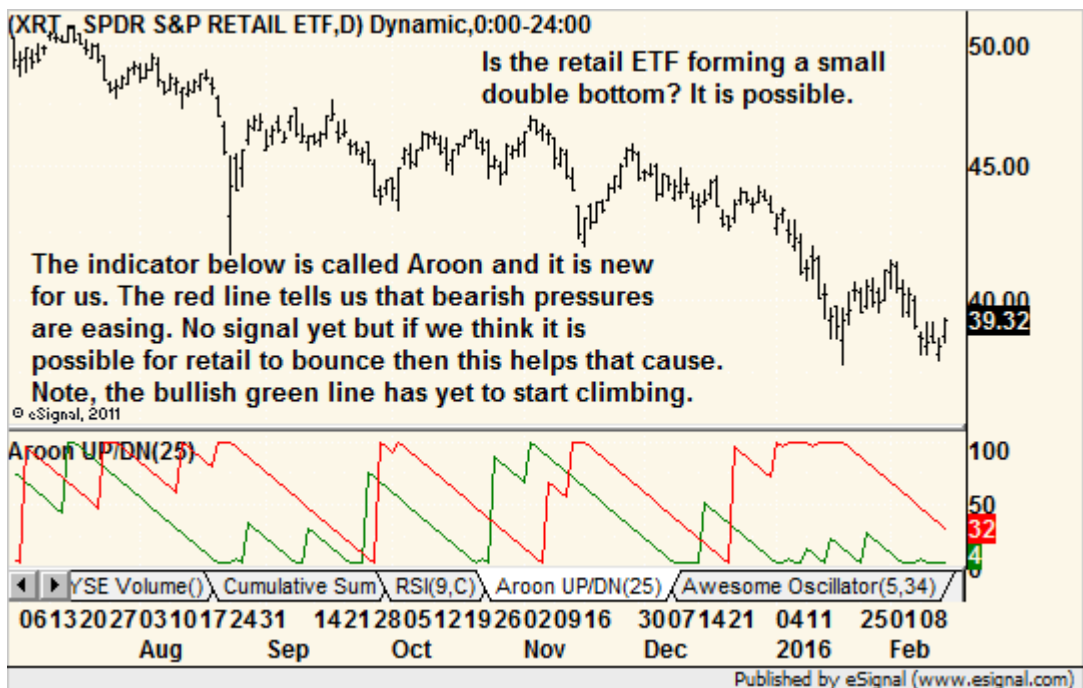
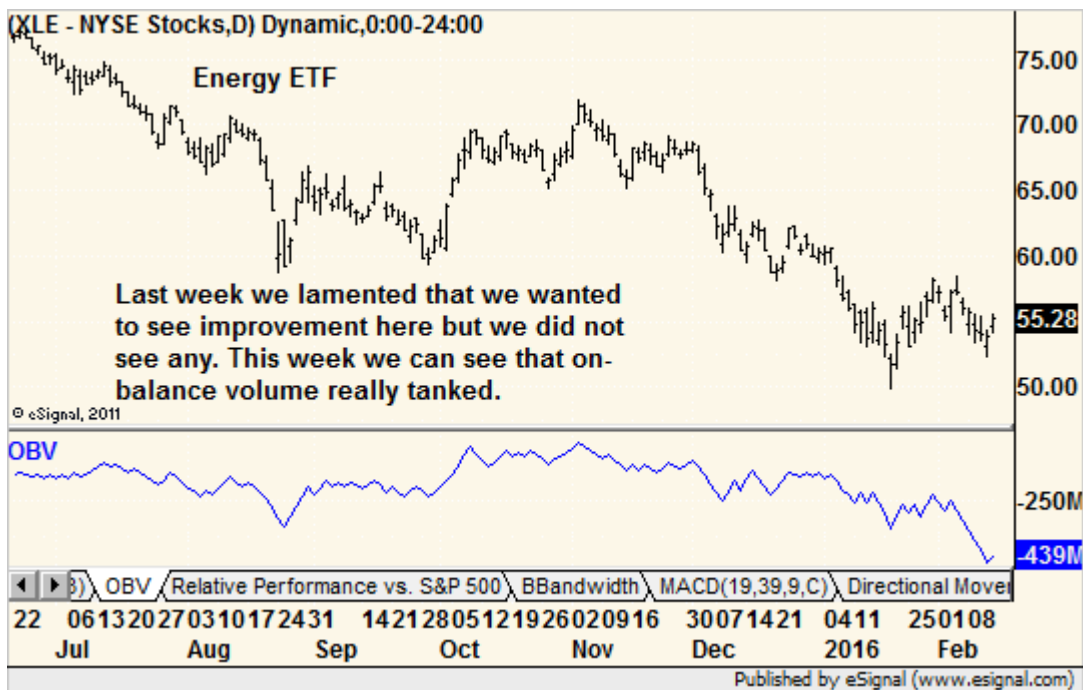




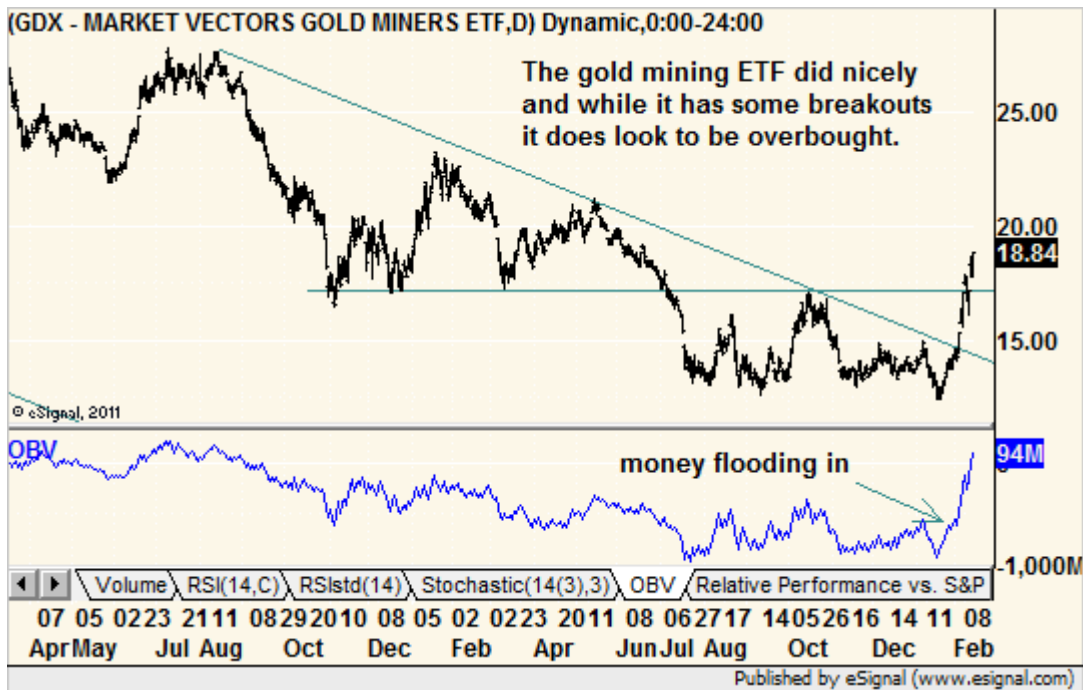
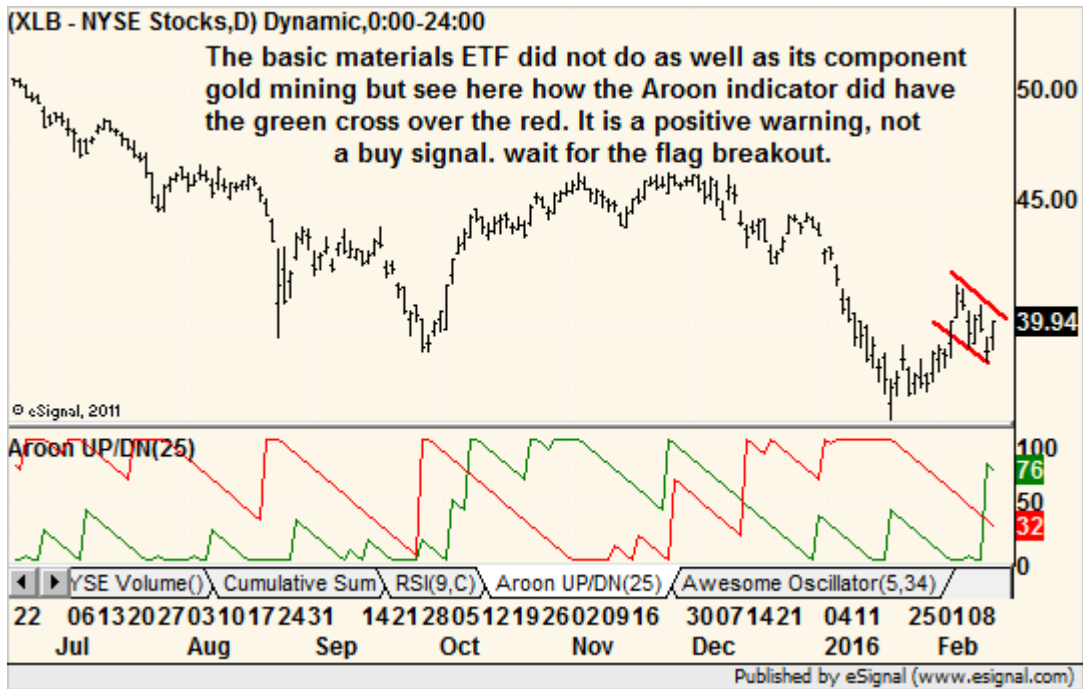
Happy reason #3

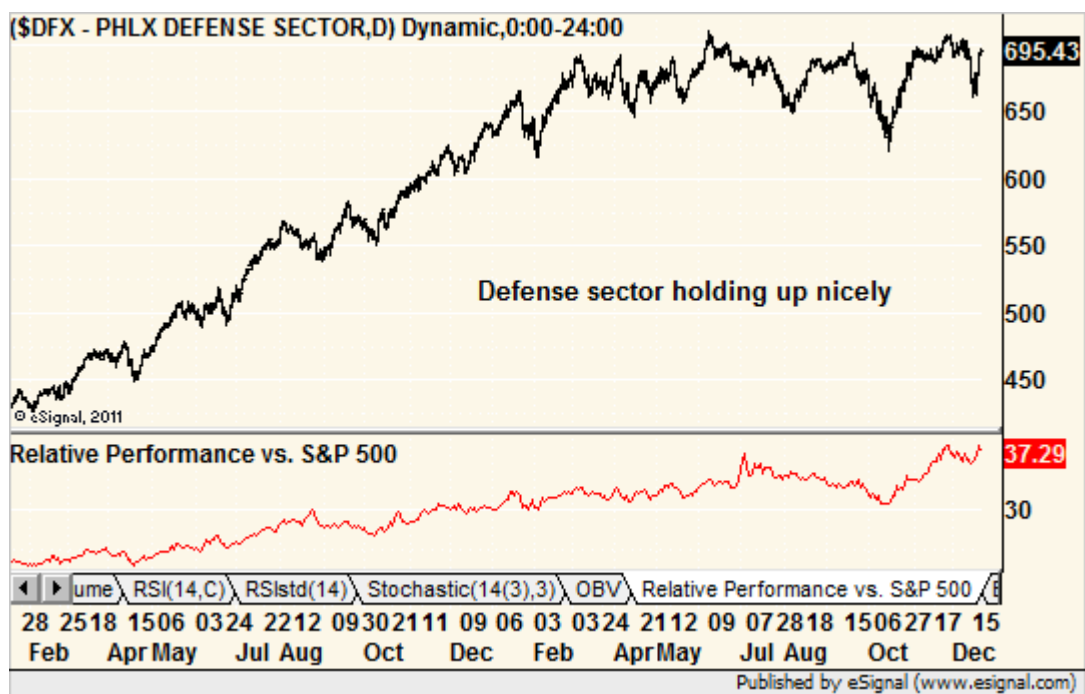
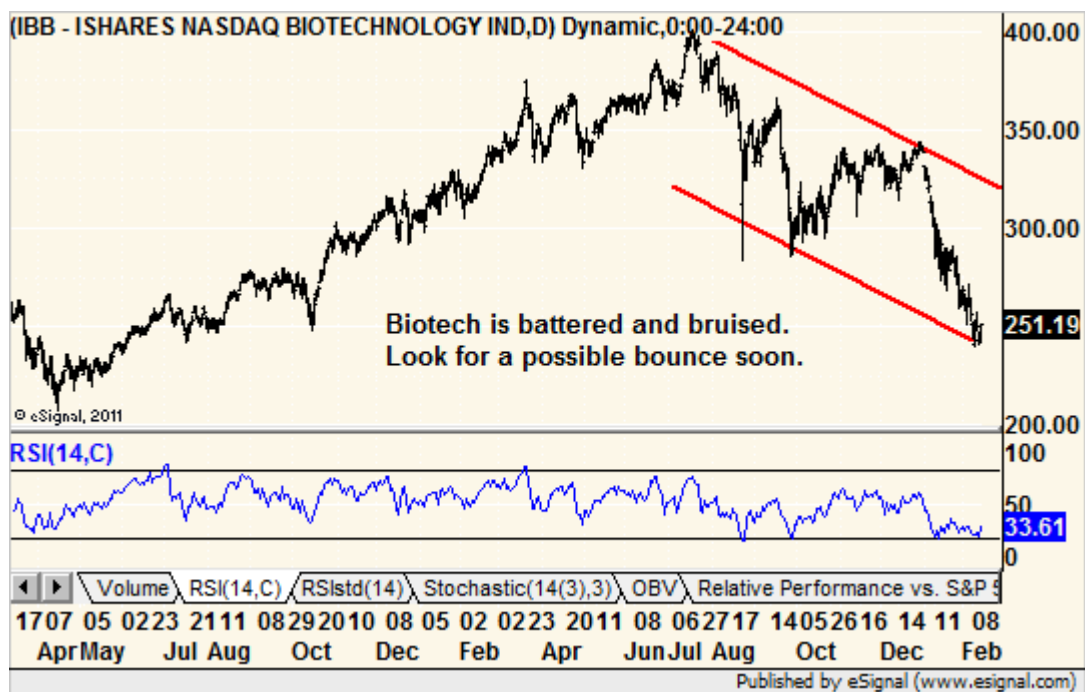


## Sector Watch

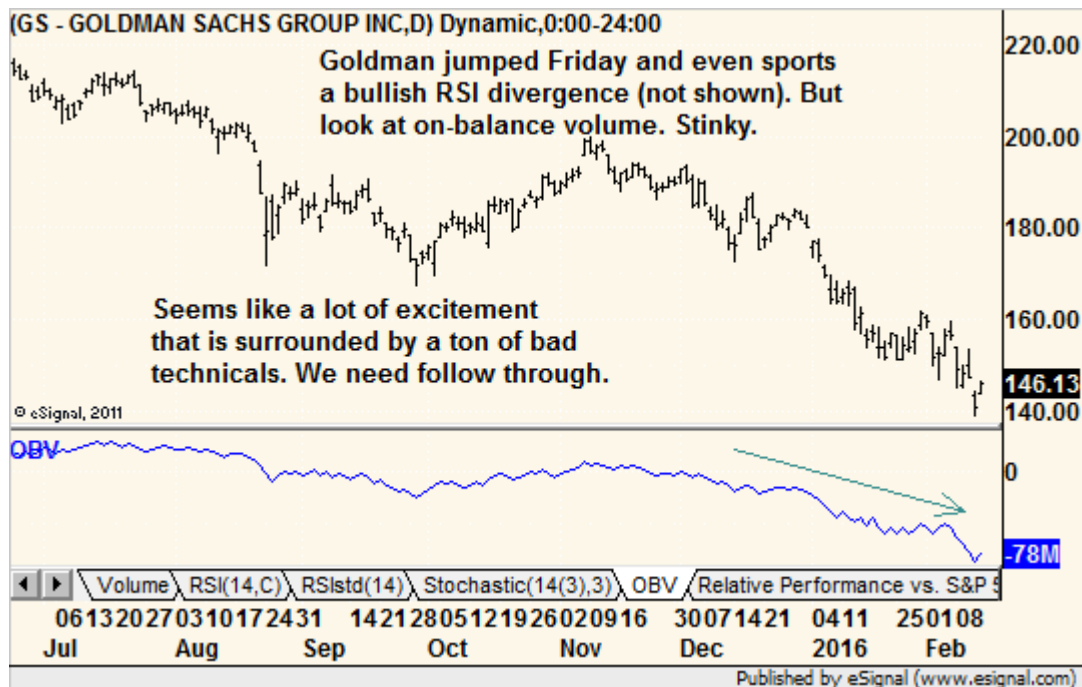
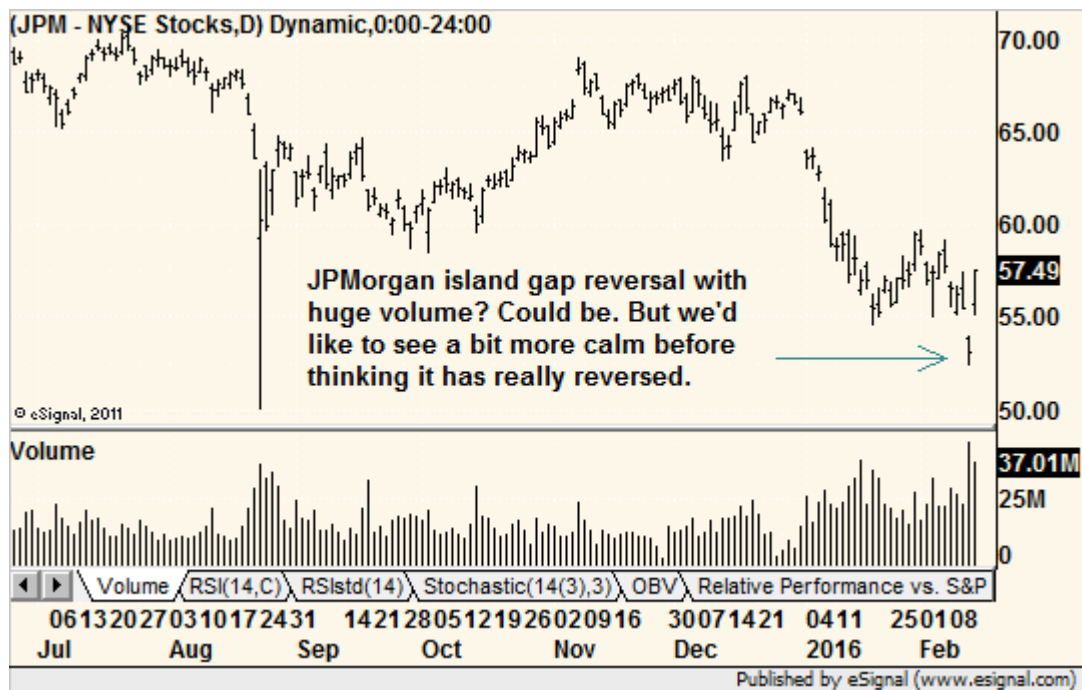


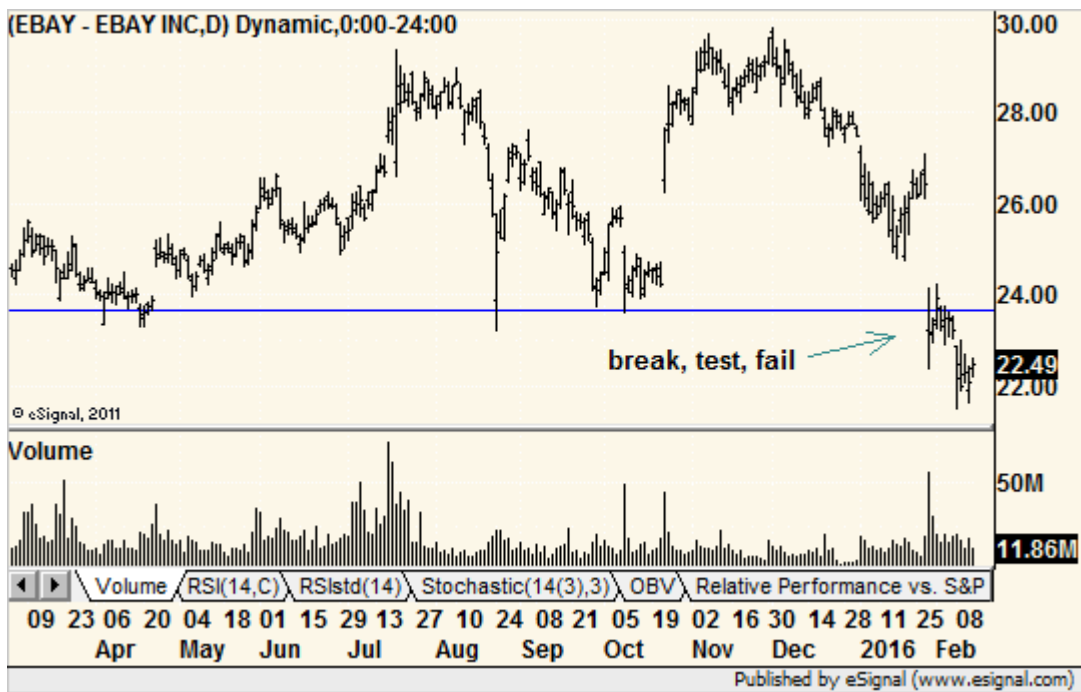




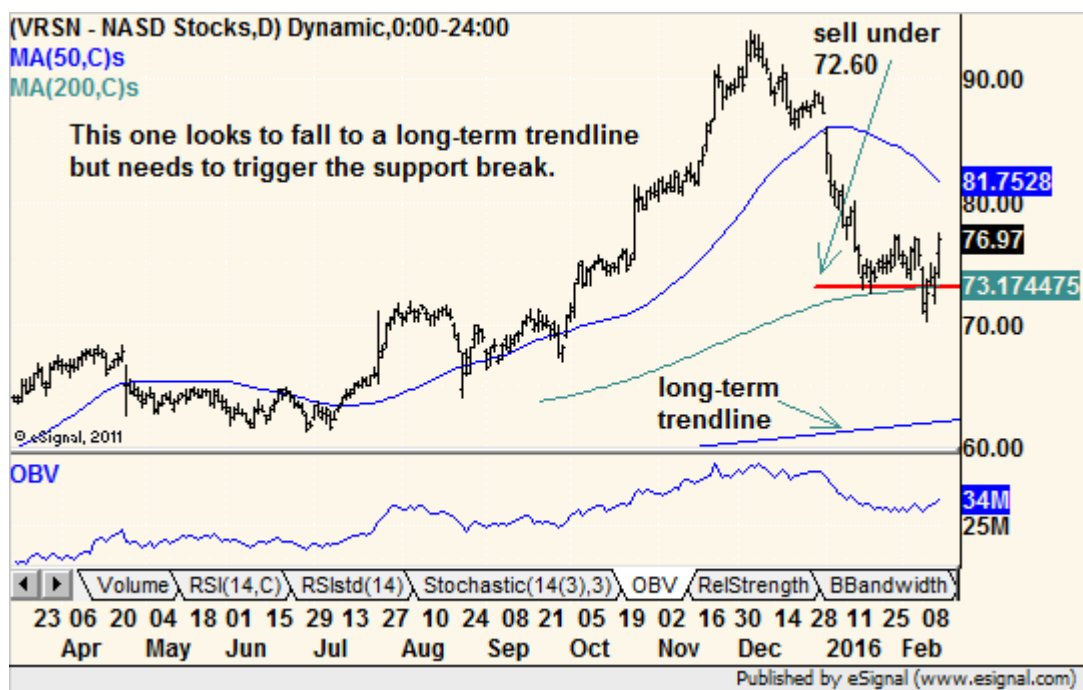
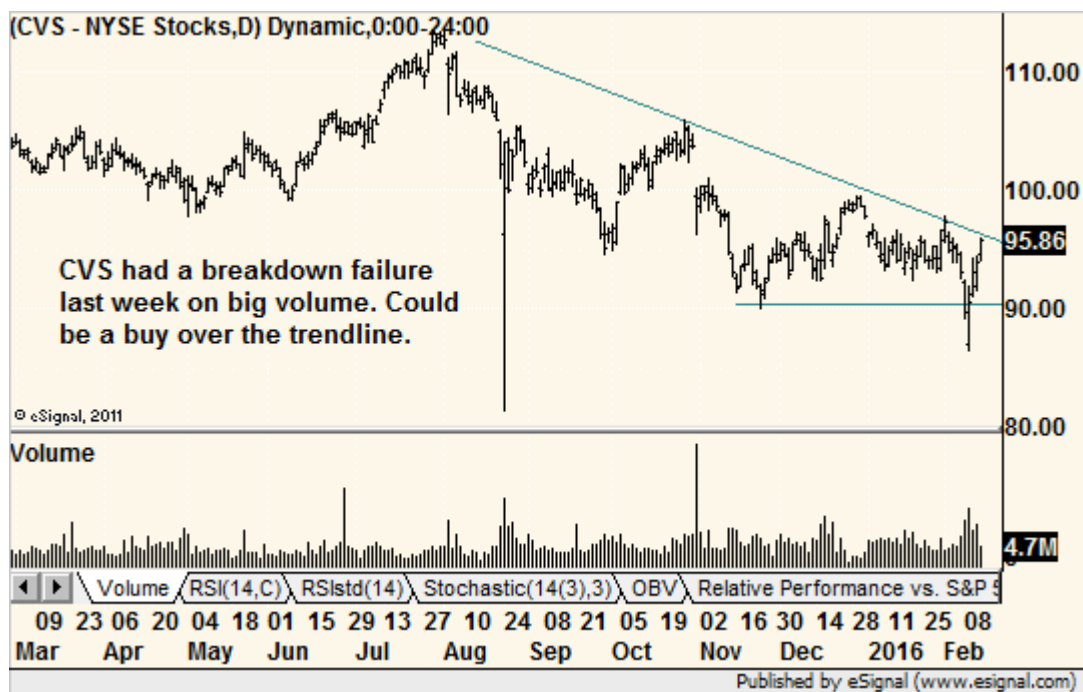


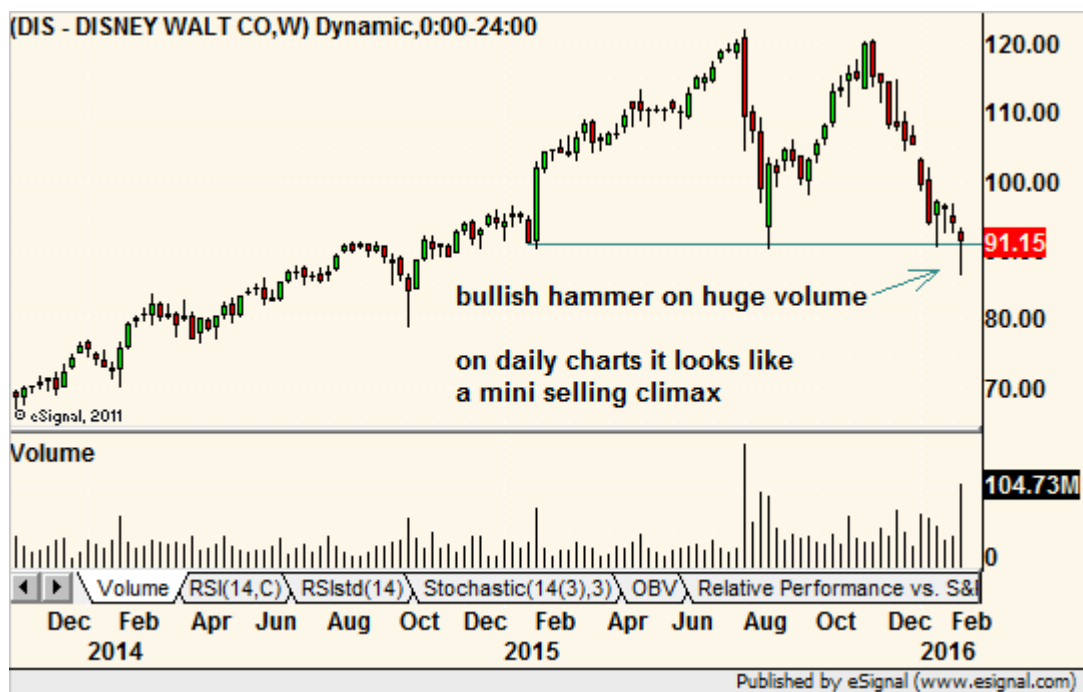
## Stocks in the News



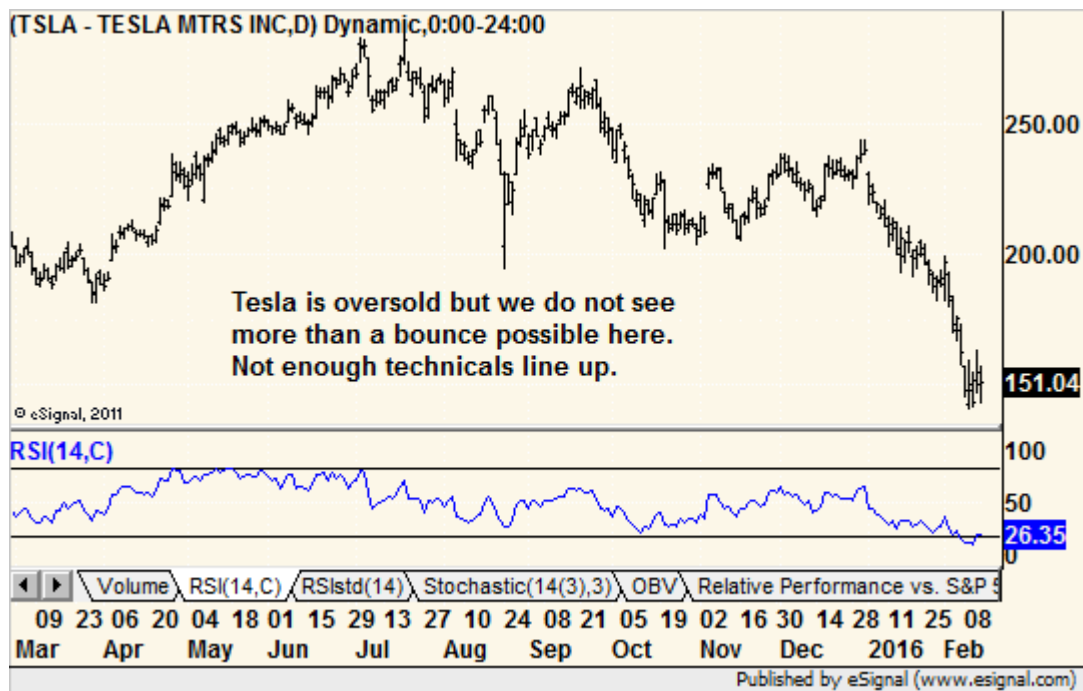


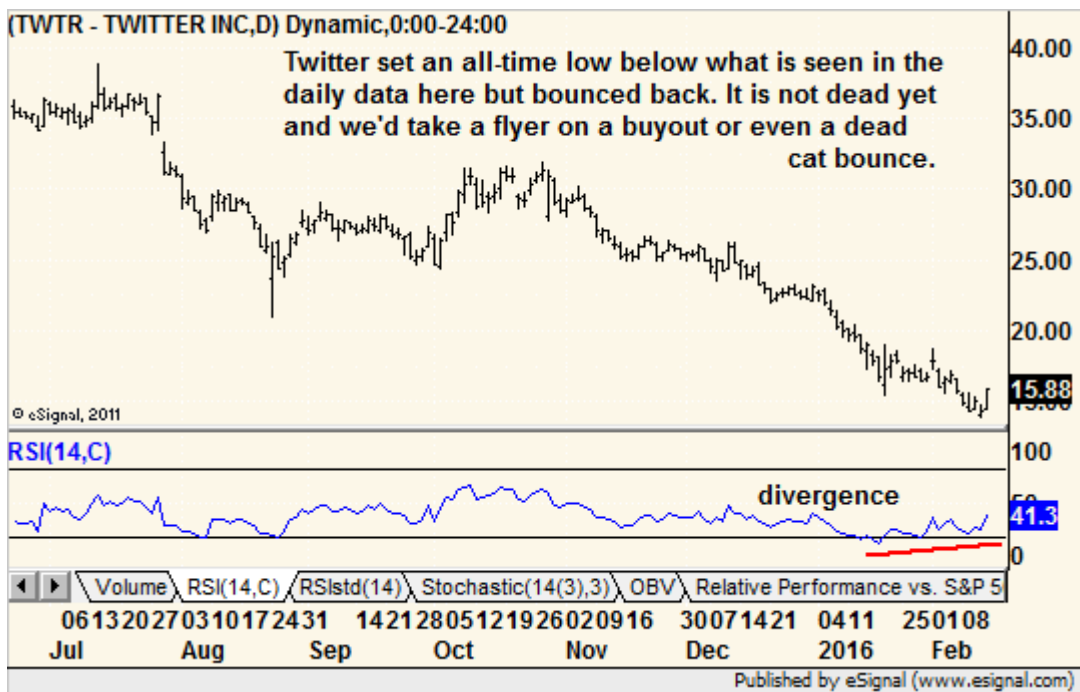
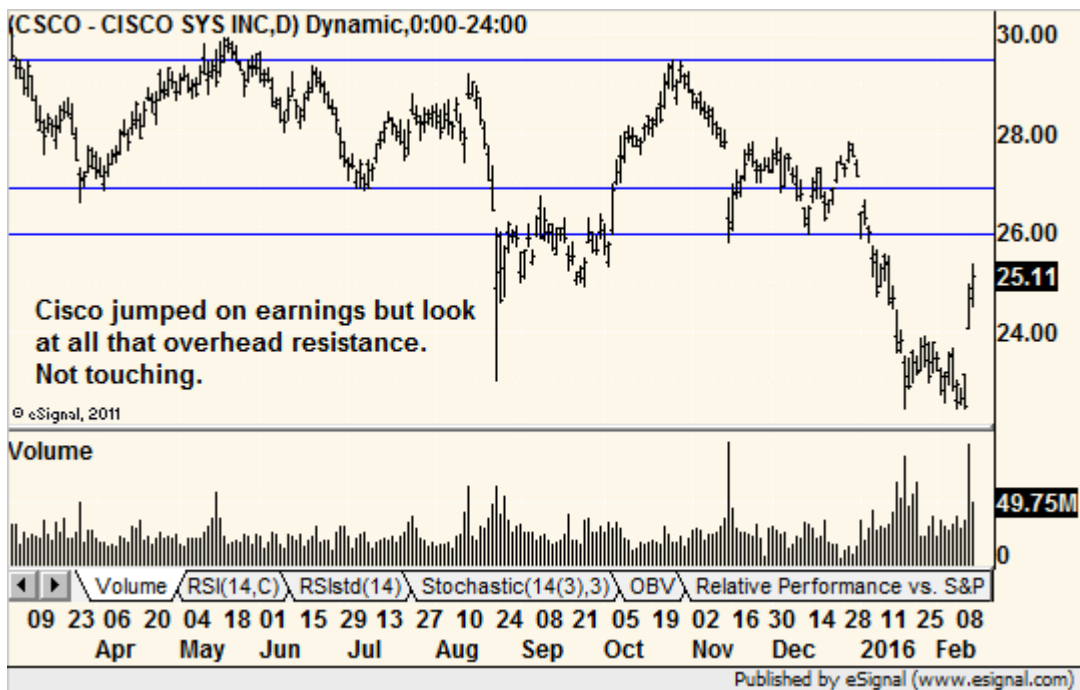
Spun off from eBay last year





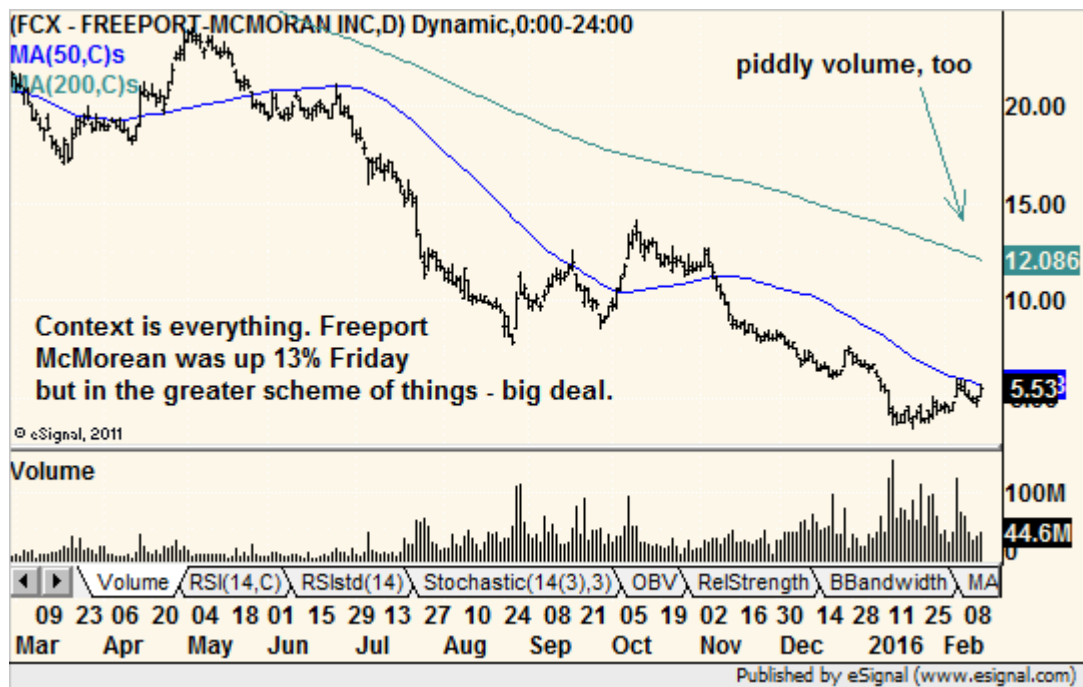
Huge earnings with initial drop and recovery.



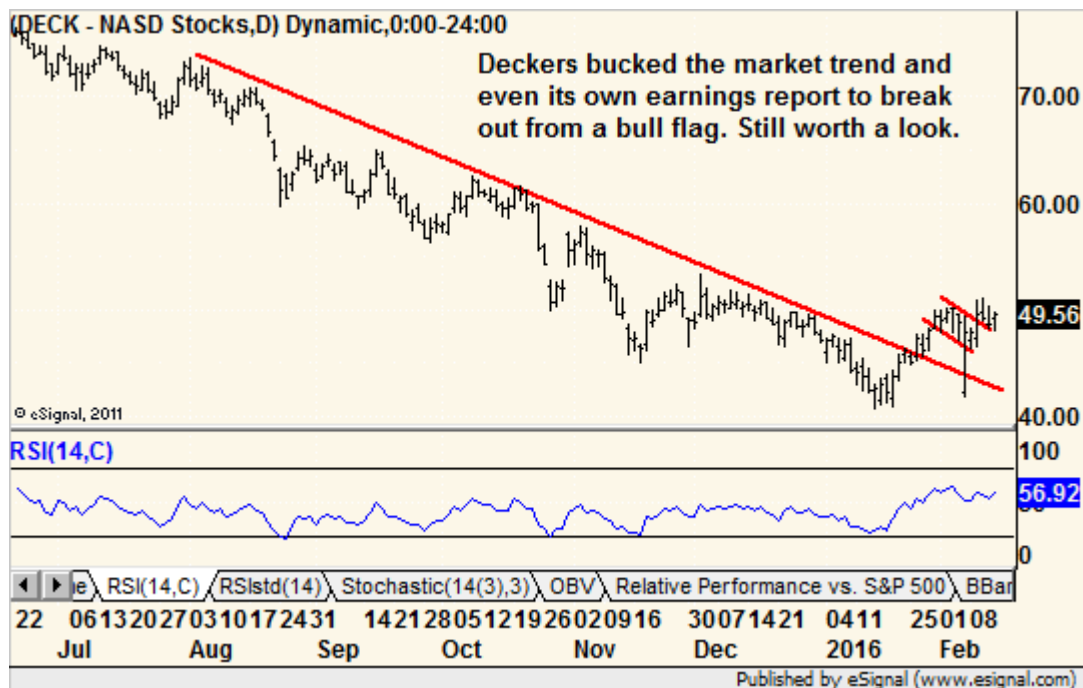
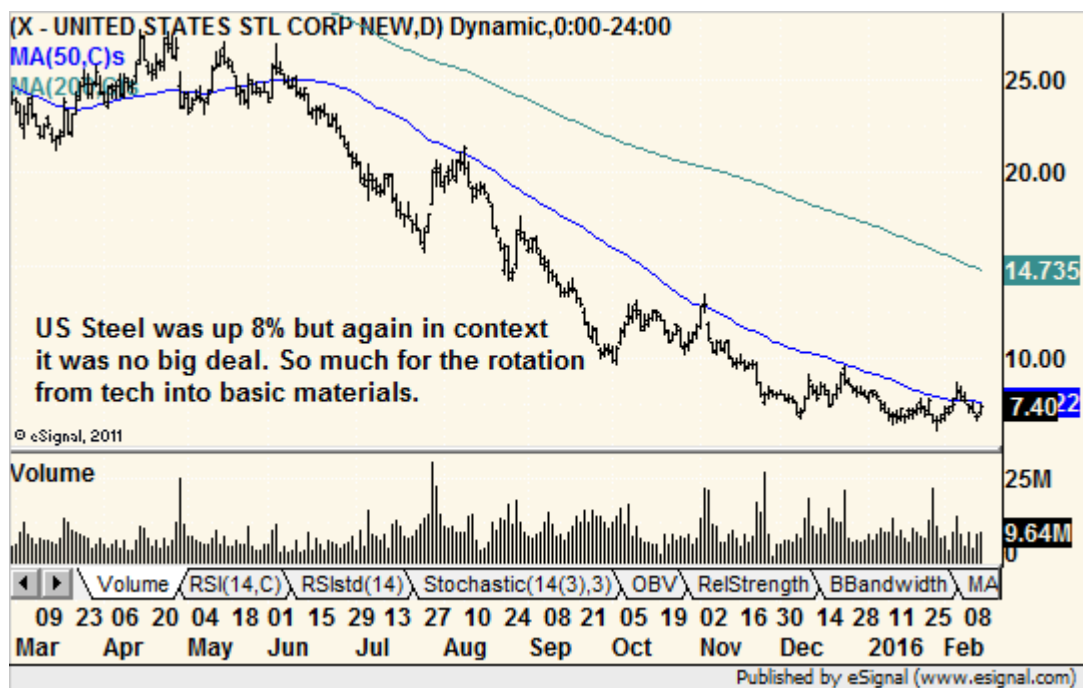


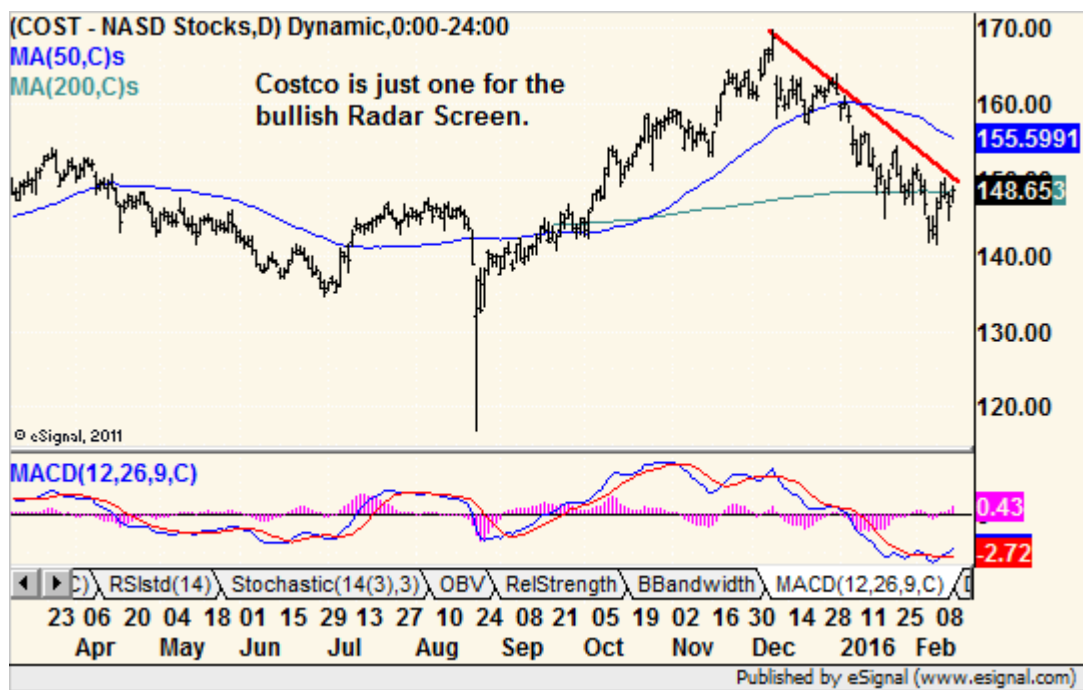


This is a weekly chart.









Notes from last week:

**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.

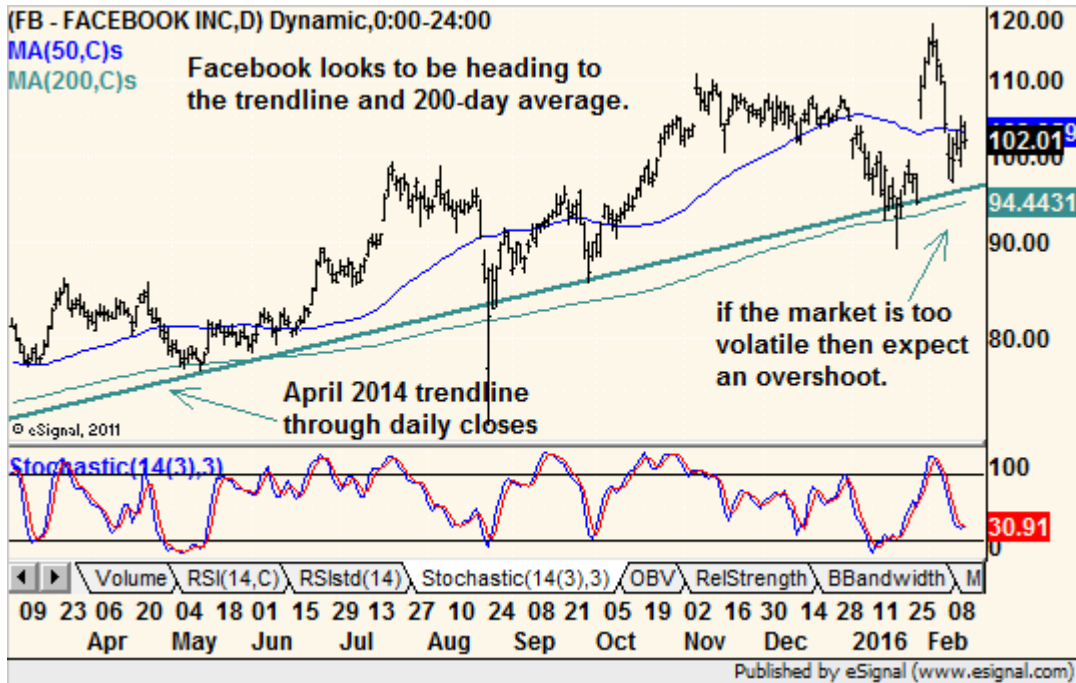
**AFL** failed.

**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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