

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

February 27, 2016 – Welcome to the final edition of Quick Takes Pro. We started publishing the paid service in October 2001 and some of you have been with us from the beginning. That is validation that our approach to forecasting and education worked. Thank you. But while the formal newsletter will be gone I will still be out there on various media as I acknowledge that the delivery of market intelligence has evolved. The last page of this report, as always, will have contact information and places where my stuff may still reside. I will still write my column for Barron's Online and chat at my new home on [YouTube](#) for Technicianapp's free charting software. Once again, I thank you all.

Stocks were up again last week on some actual good economic news. Global markets did well, save for China, which broke down. The fundamental environment also includes geopolitical turmoil, "unusual" presidential election campaign and a possible "Brexit" with the UK deciding if it wants to leave the European Union (We hear that Scotland will try again to secede if that happens – oy!). The British pound tanked.

Digging a bit deeper in the data, existing home sales were good, which may explain why home furnishings and consumer durables looked a bit better. New home sales were not so good and homebuilders, while up, still lag.

More economic stuff lives in the charts as the spread between the yield on 10-year and 2-year Treasuries narrowed again. It closed the week at 0.969 – below long-term "support" and one step closer to a flat yield curve. Flat yield curves indicate pending recession.

Interestingly, retail stocks continued their perk-up and we've got plenty of charts that we normally would jump on long if the market were in better shape. They are offered with that caveat. Also, if we are wrong on the market then retail seems to be poised to lead a rally.

Food stocks are also leading but they are defensive. Indeed, the **XLP** consumer staples ETF broke out Thursday to new highs...before falling back Friday. So many cross currents. Food stocks strong while staples threaten a reversal? Retail stocks from the consumer discretionary group starting to rise? We understand weak banks and strong gold but not at the same time the **XLY** / **XLP** ratio is rallying.

Now let's talk oil. It still holds it lock on the direction of stock prices as Thursday's post supplies report rally took the Dow from negative to positive in a hurry. And when it falls whenever anyone says Saudi Arabia won't cut production so do stocks. Stocks and oil peaked at the same time intraday Friday.

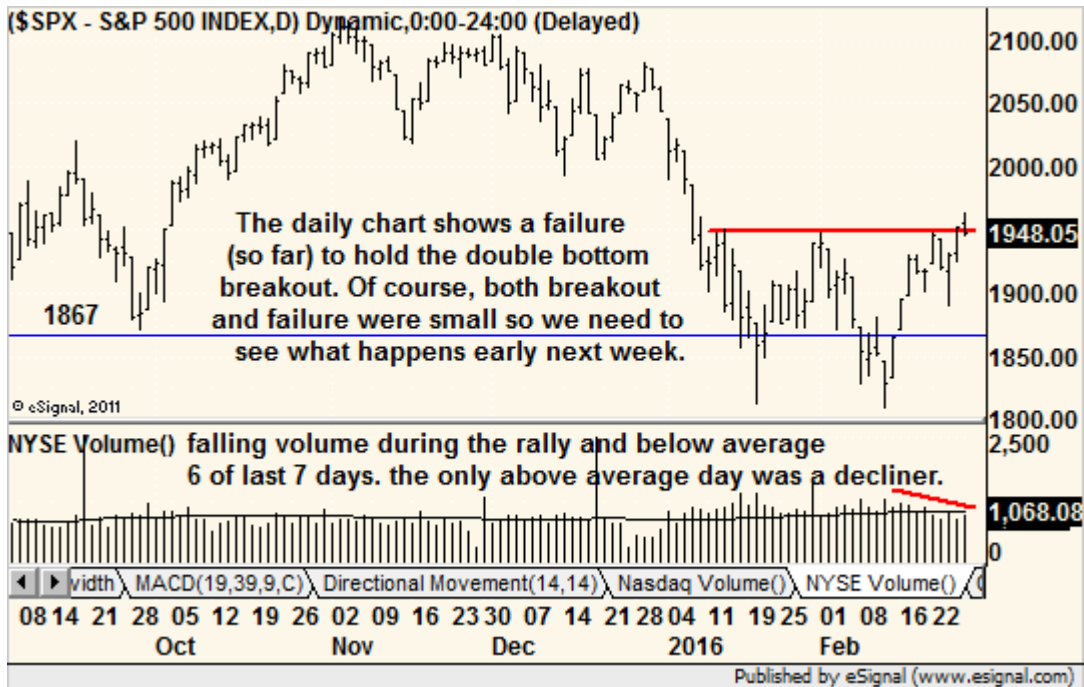
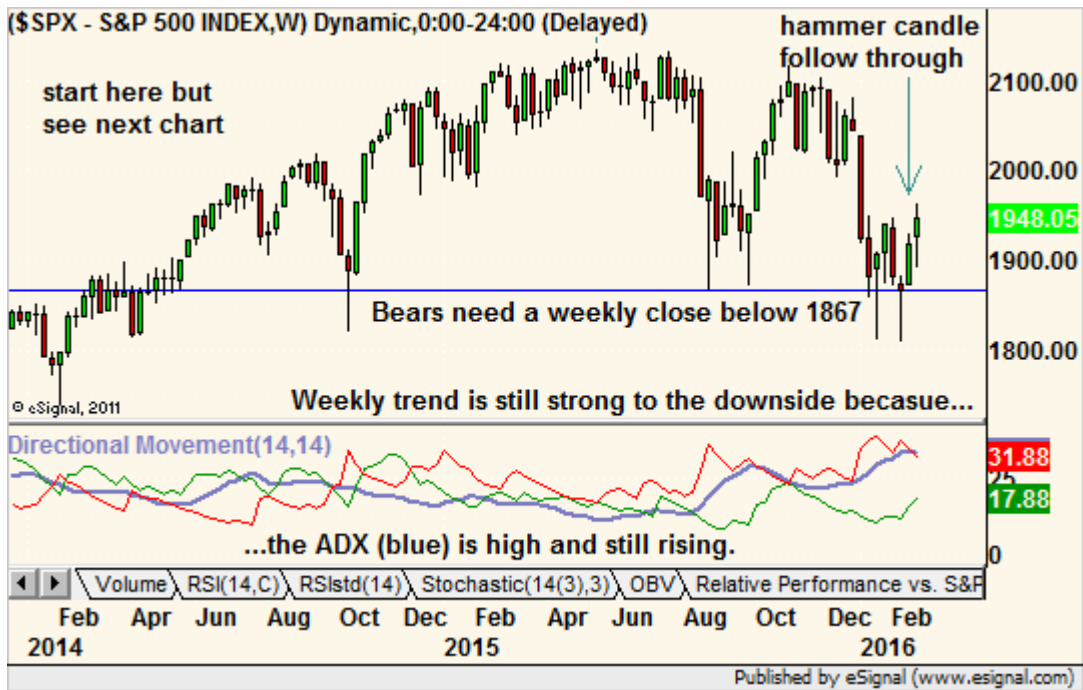
And back to the stock market, volume has been lousy during the current bounce. You can see it in the charts below but rising prices on falling volume is just not a good thing. It is characteristics of a bearish flag or wedge. While we can see it in the major indices, the index ETFs really show it better. So, we remain skeptical but keeping an open mind that the rally can continue, perhaps at a slower pace, until the S&P 500 meets its 200-day average. Perhaps at 1975-ish?

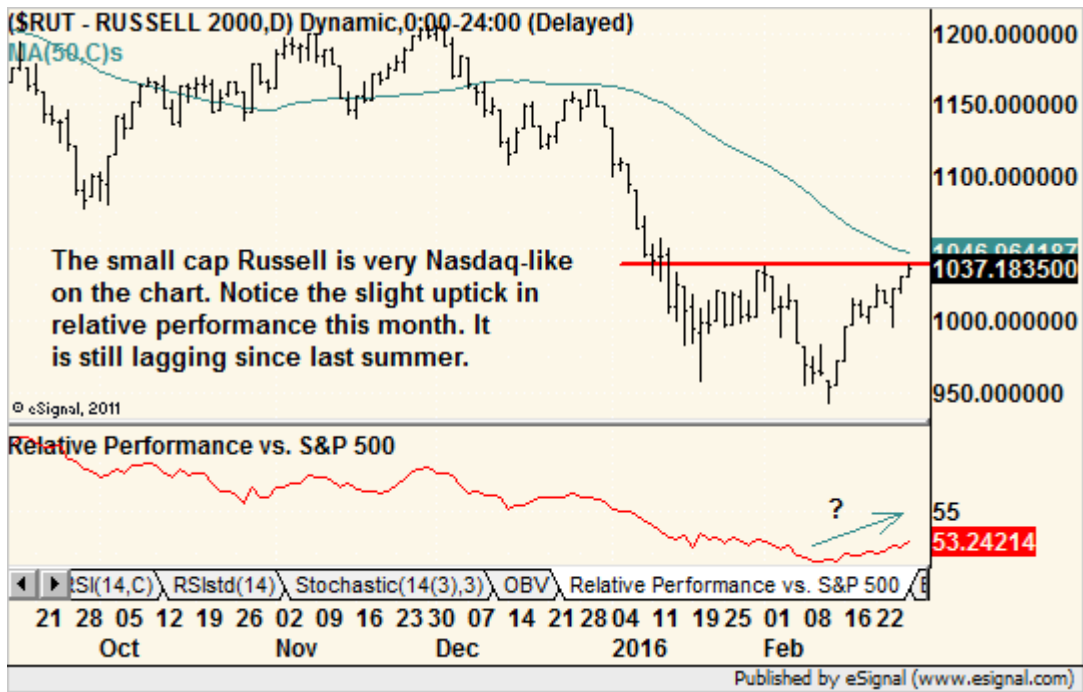
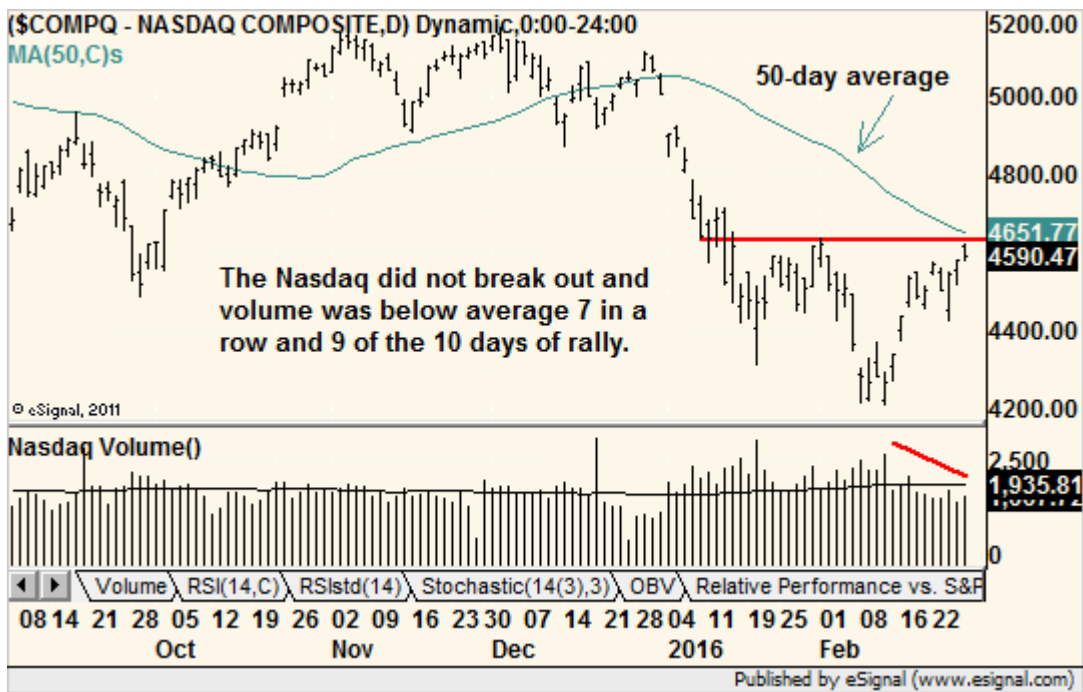
Basically, the bears win it all under 1867. The bulls take the ball above 1950 but will likely only have it for 25 points. If the 200-day average is breached, and remember we do not consider a moving average to be a specific trade trigger, then maybe we were wrong and a return to old highs is on the way. We'd go with the middle scenario unless the market falls away from 1950 quickly in the coming week.

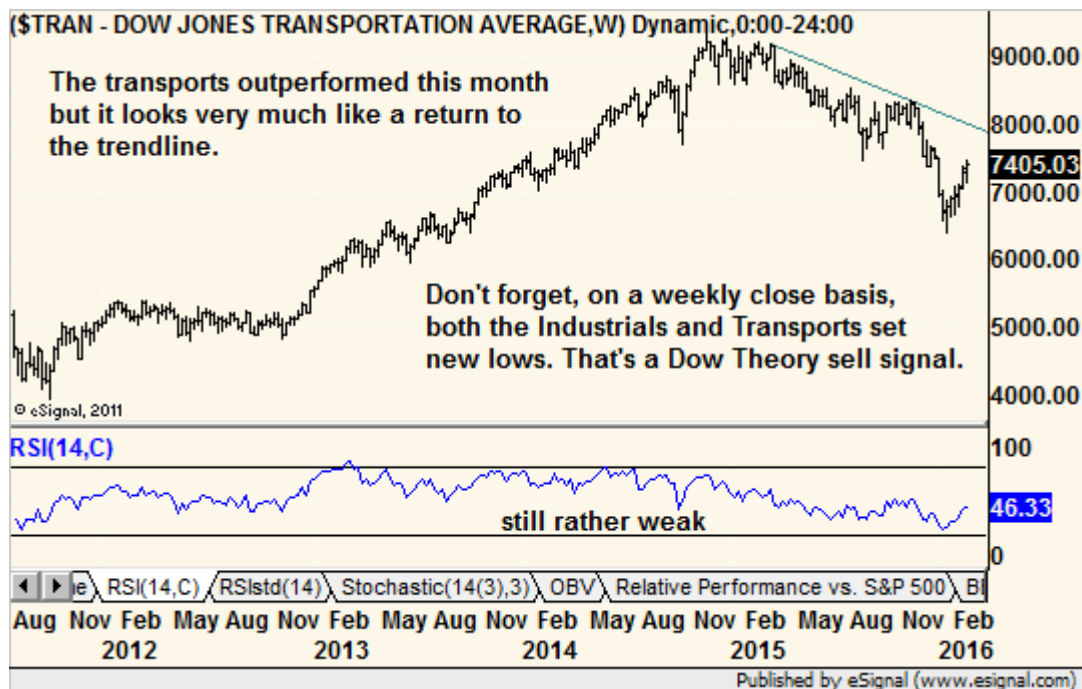
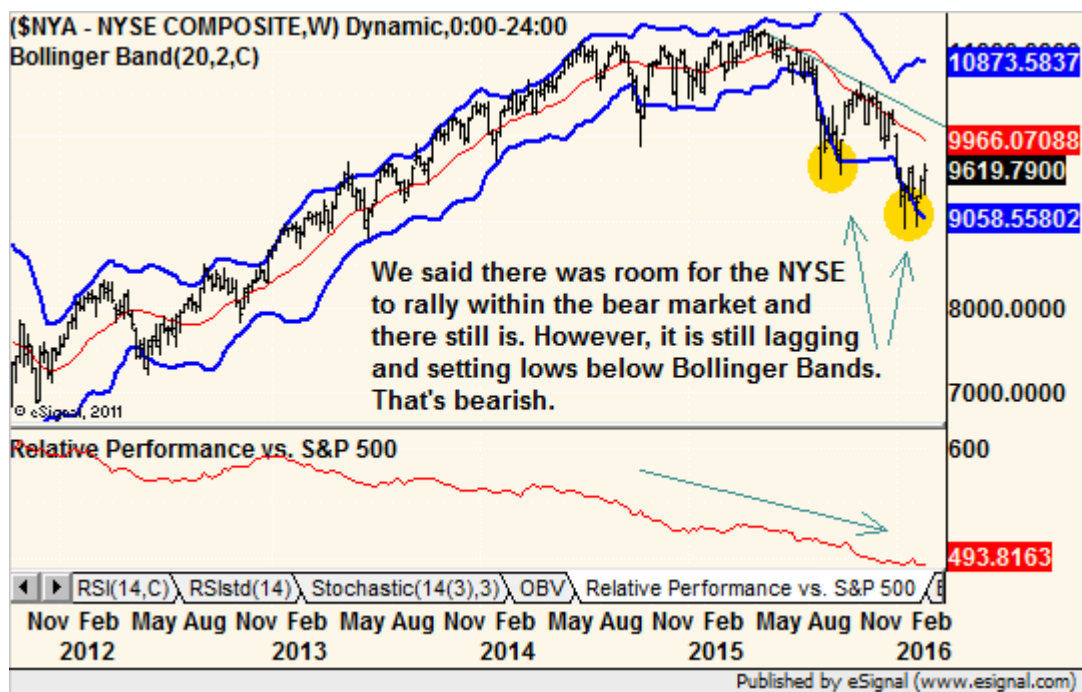
Summary: Stocks should see lower prices before any new bull market resumes and we think that (bull market) happens several months from now if not in 2017. Interest rates will stay low for the foreseeable future. Oil has bottomed but is not ready to rally. Gold has bottomed and looks ready to move somewhat higher.

In the words of Bugs Bunny, that's all folks for QTP. I'll see you out there somewhere and please stay in touch.

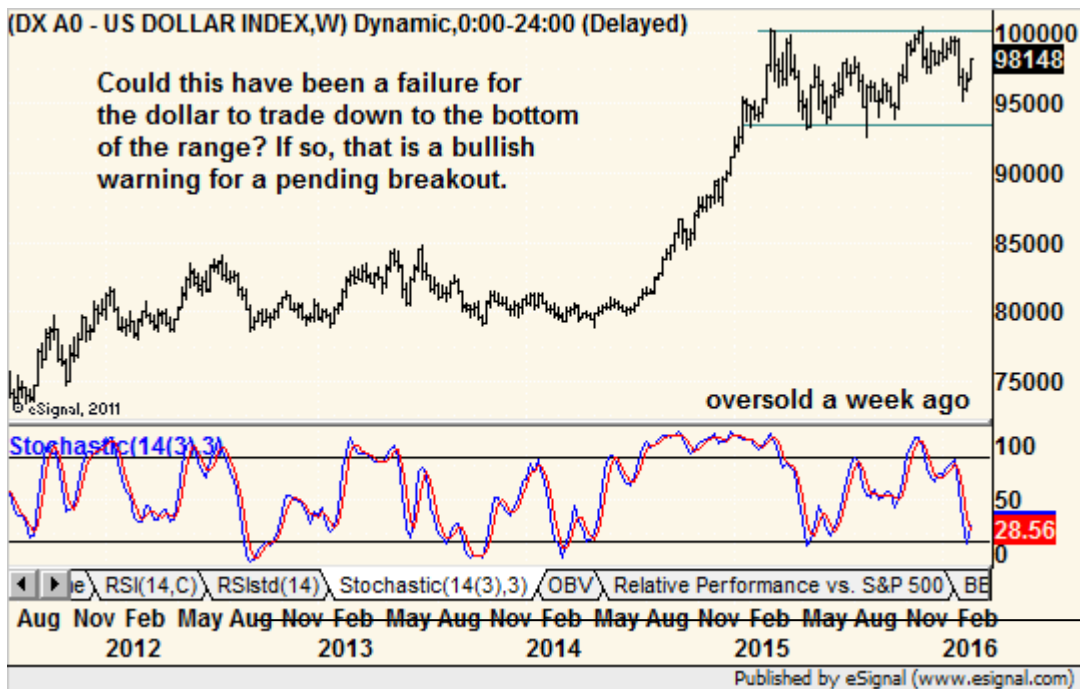
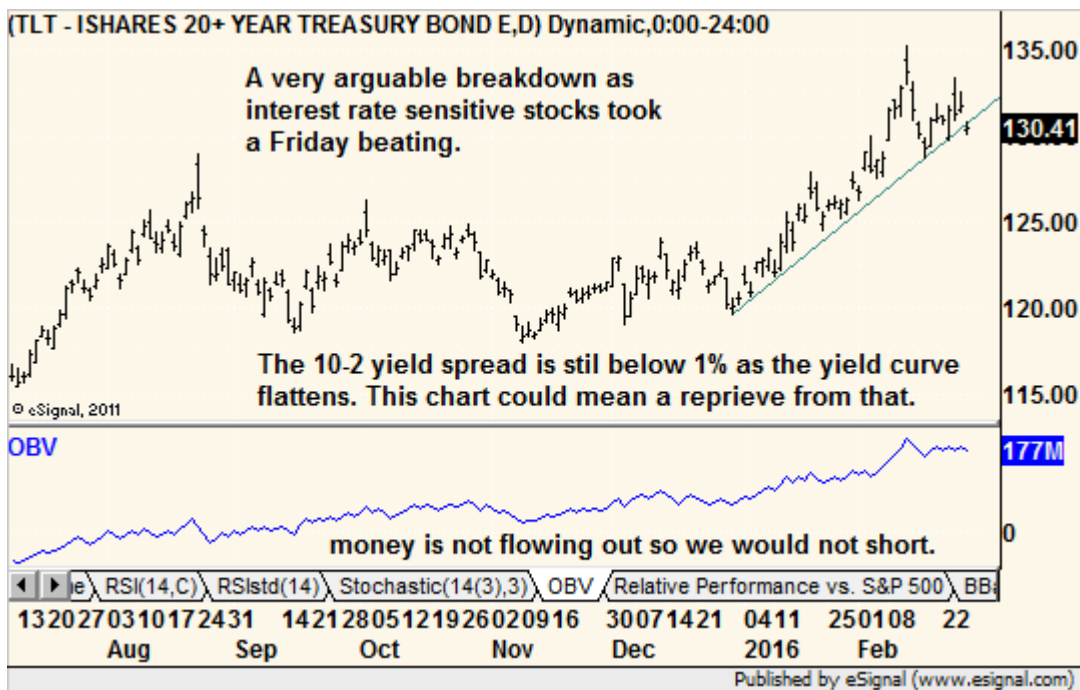
Index Charts of the Week

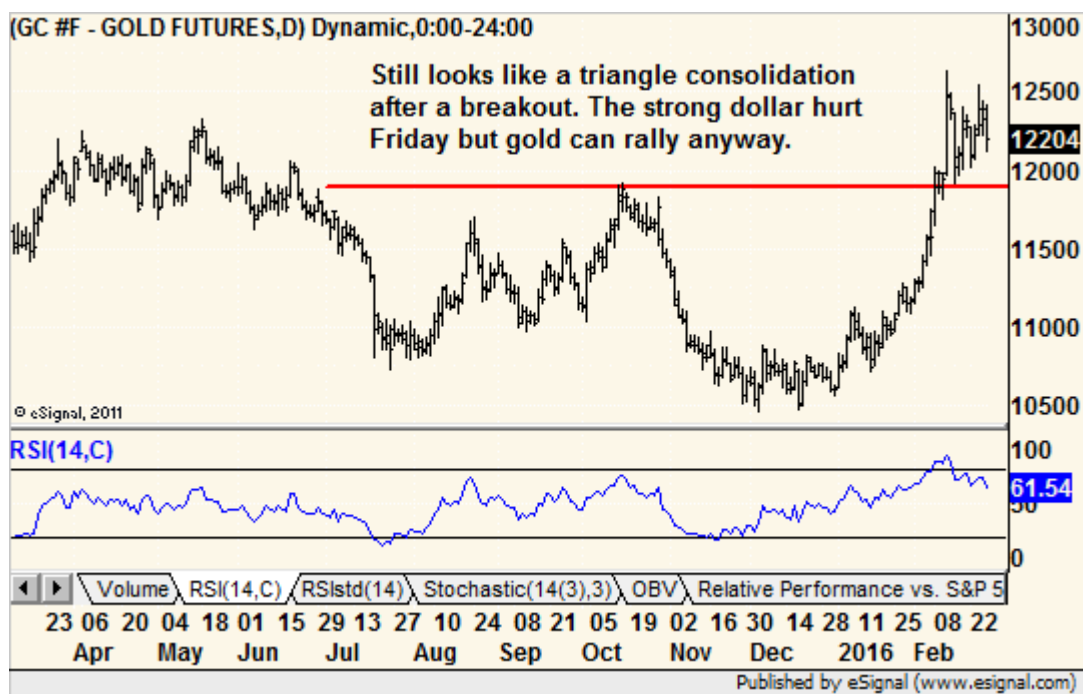
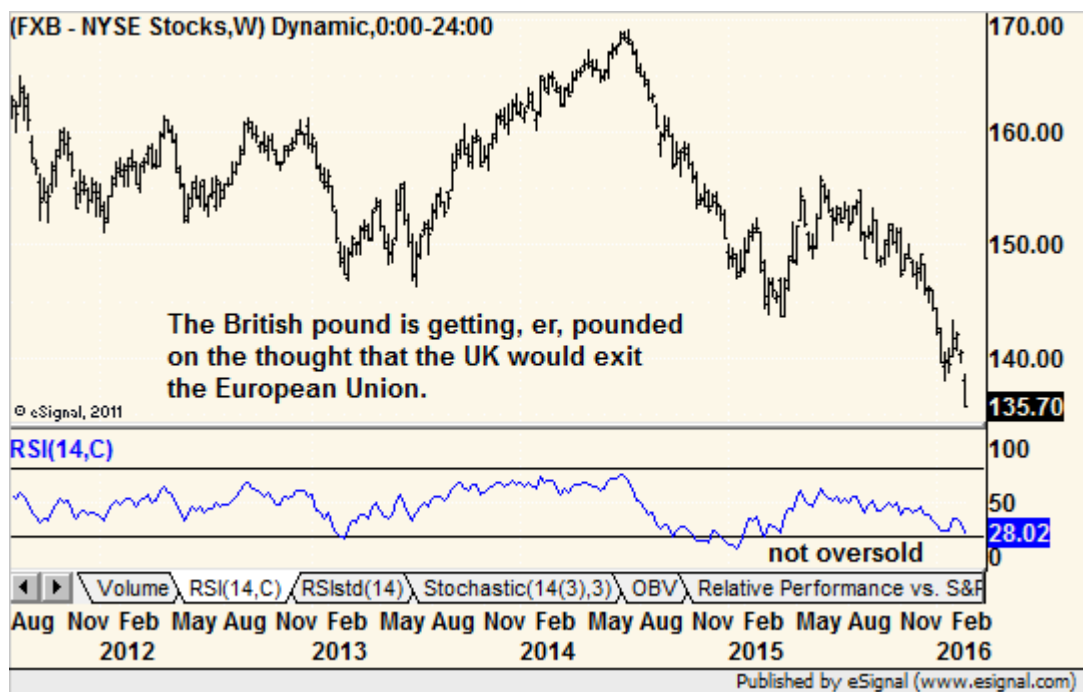


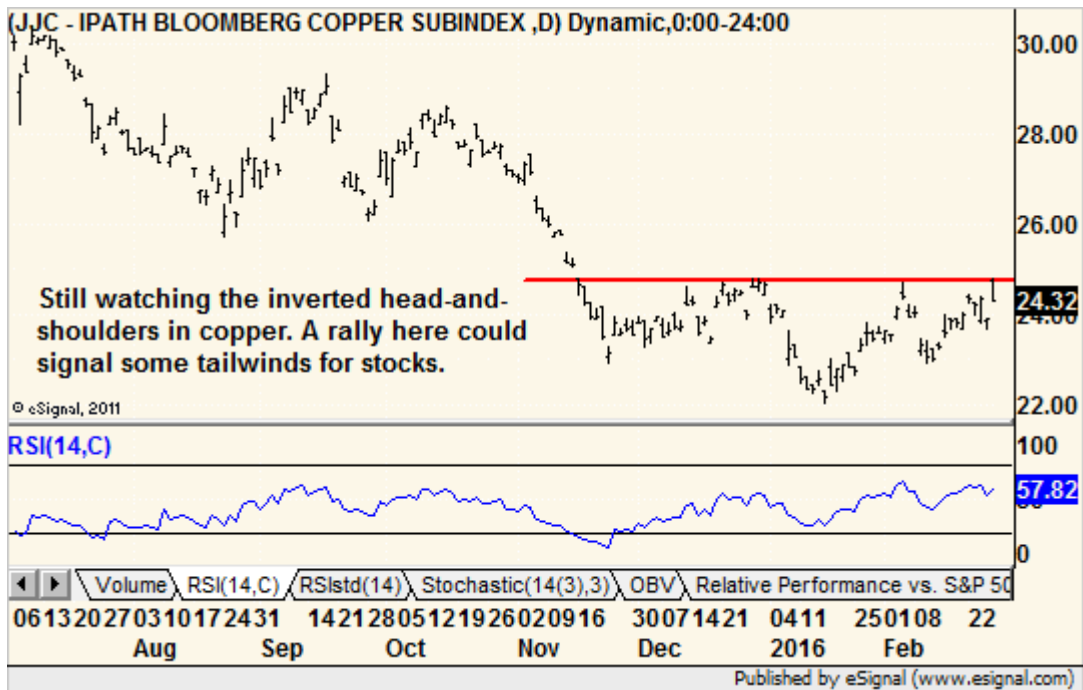


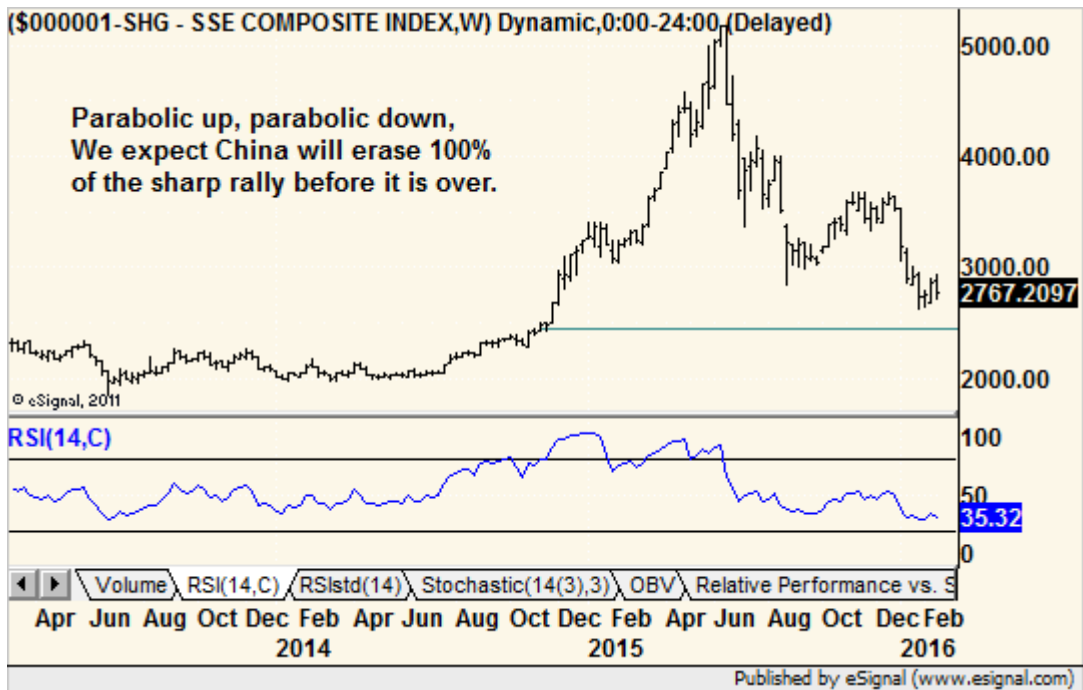
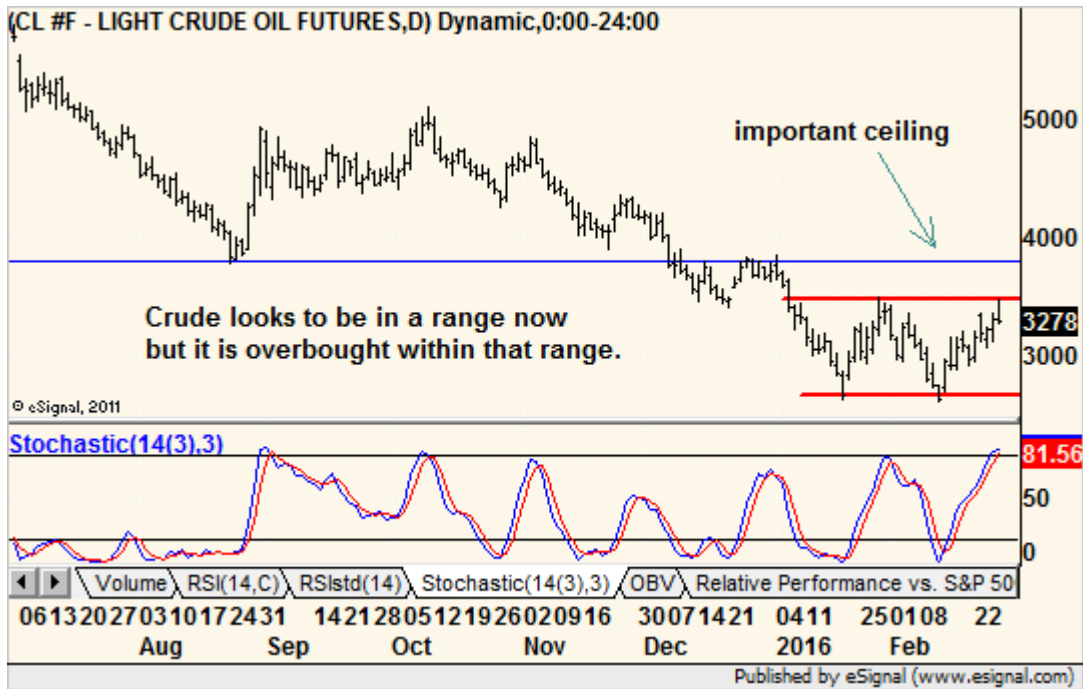


Other Markets

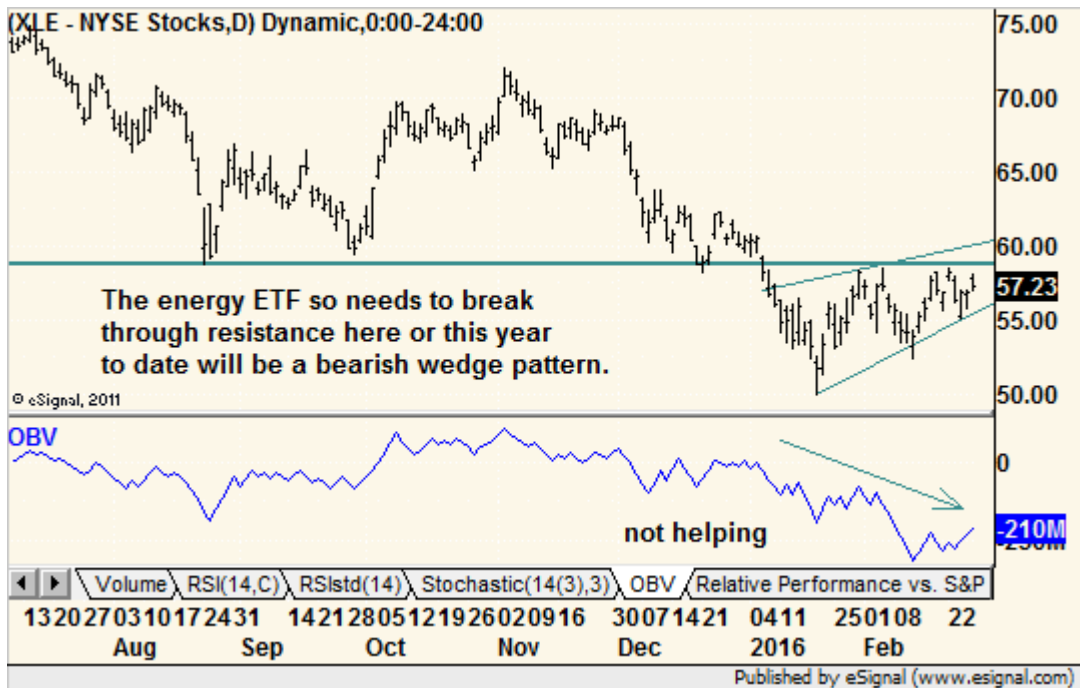
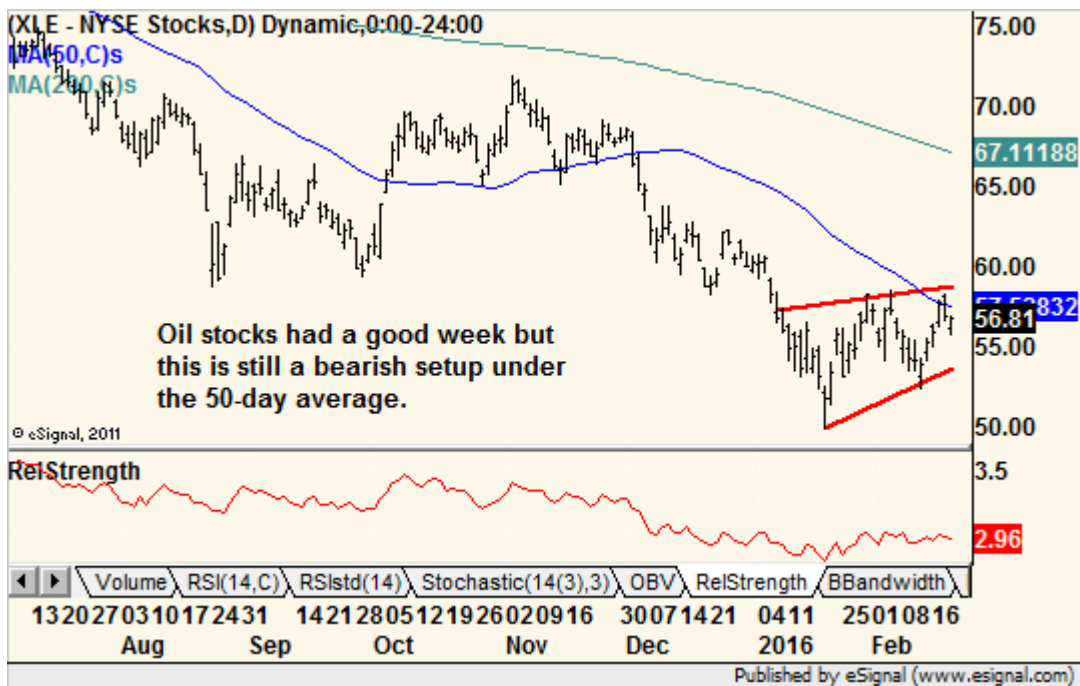


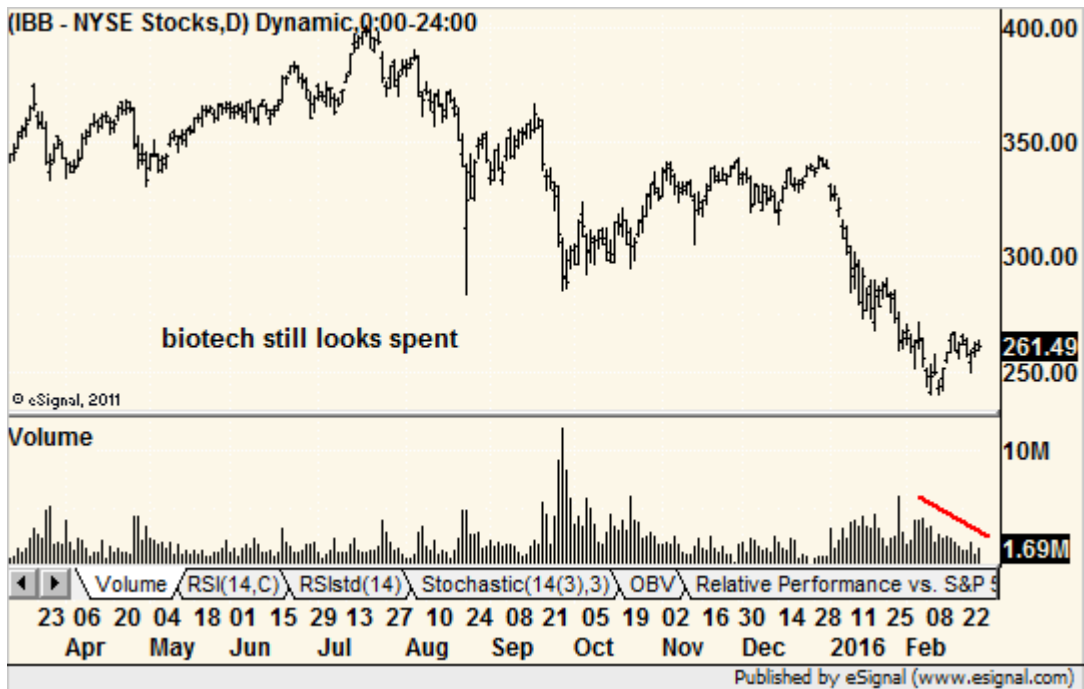
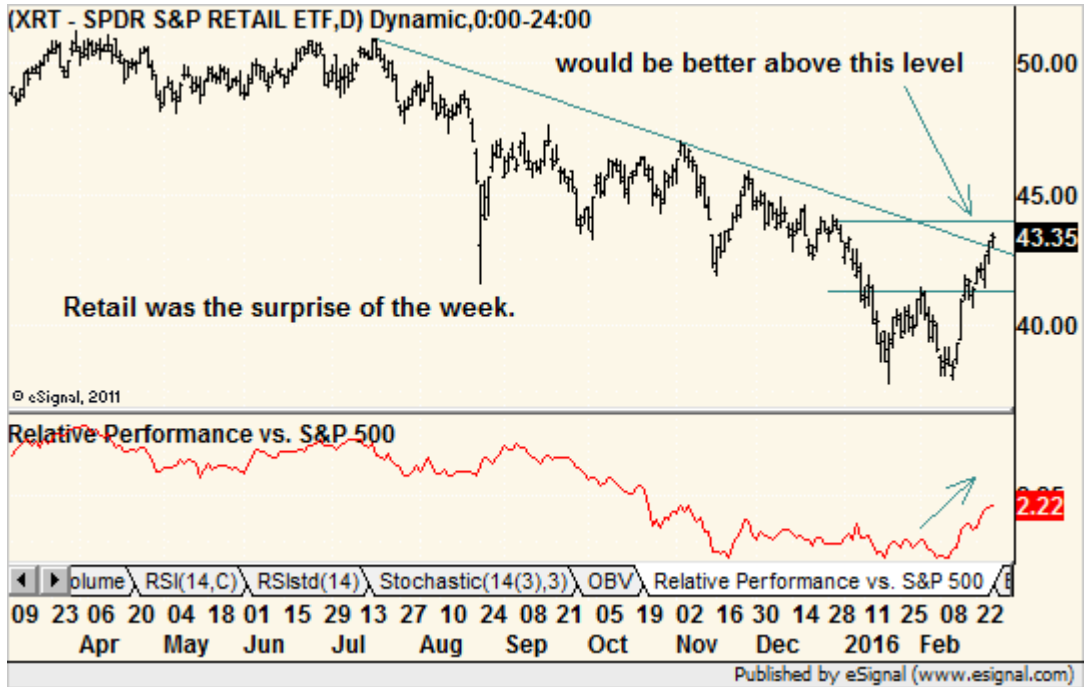


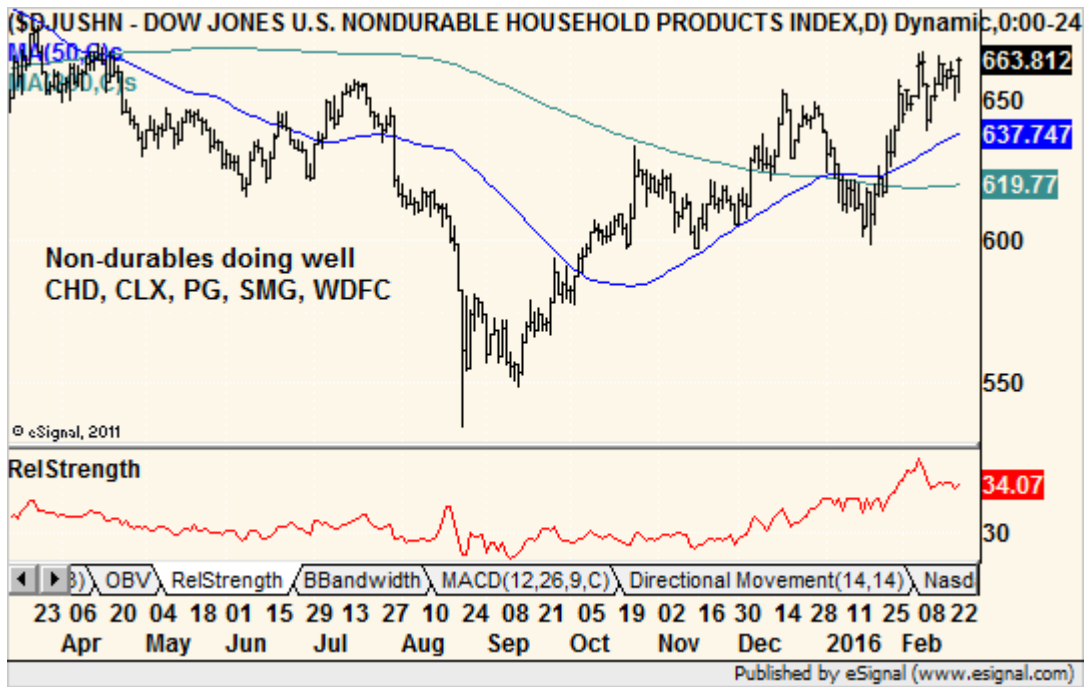
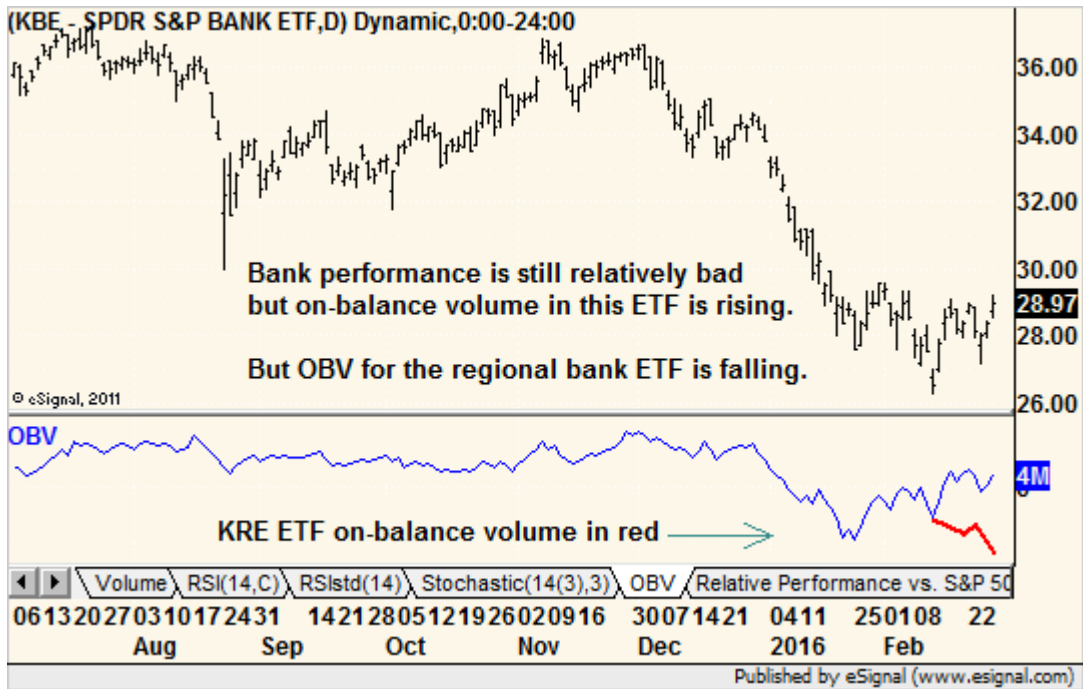




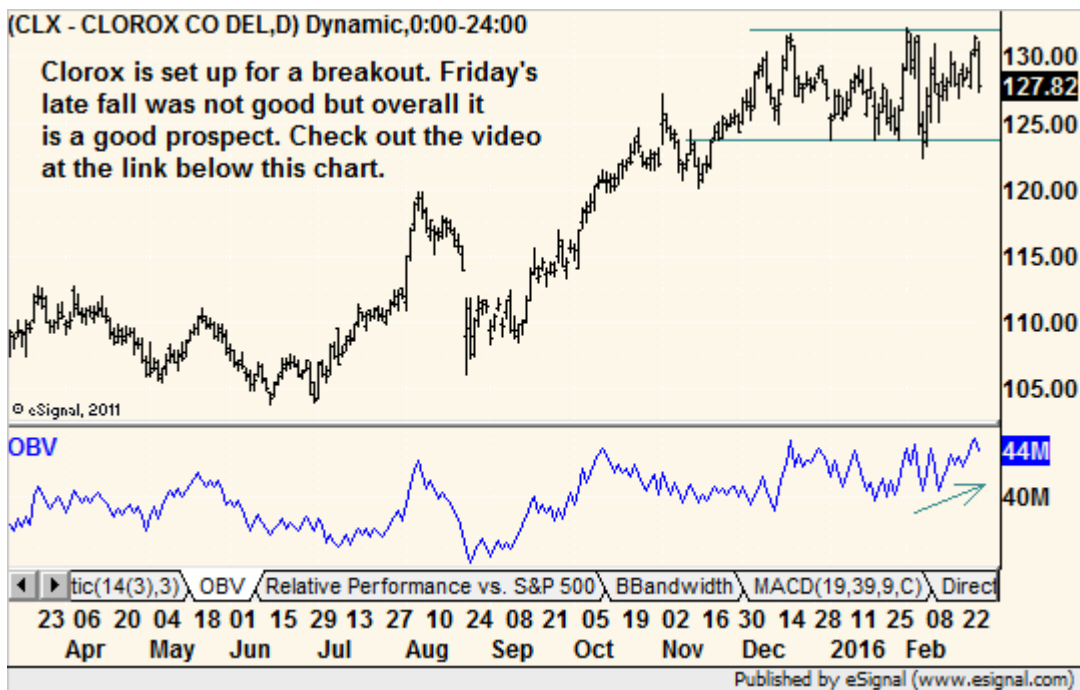
Sector Watch



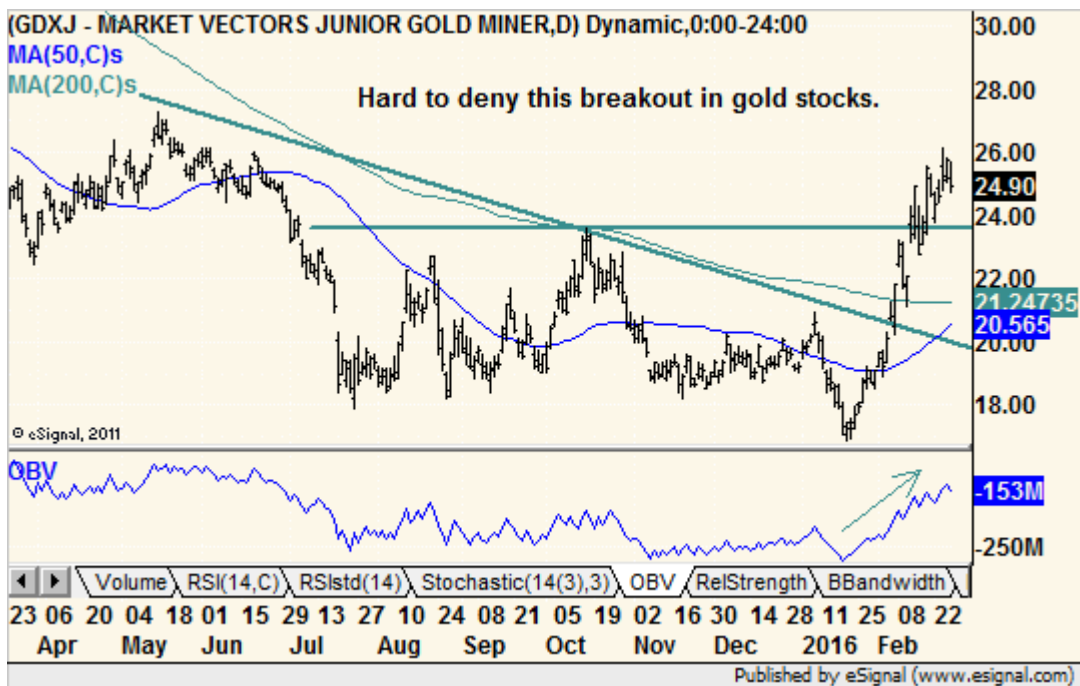


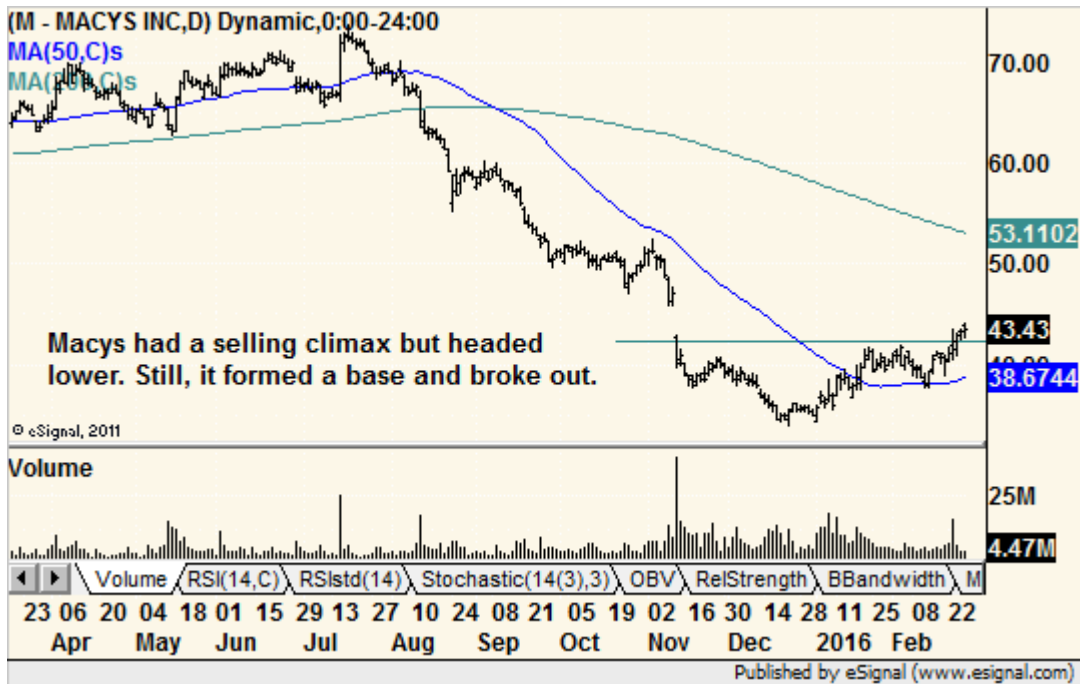
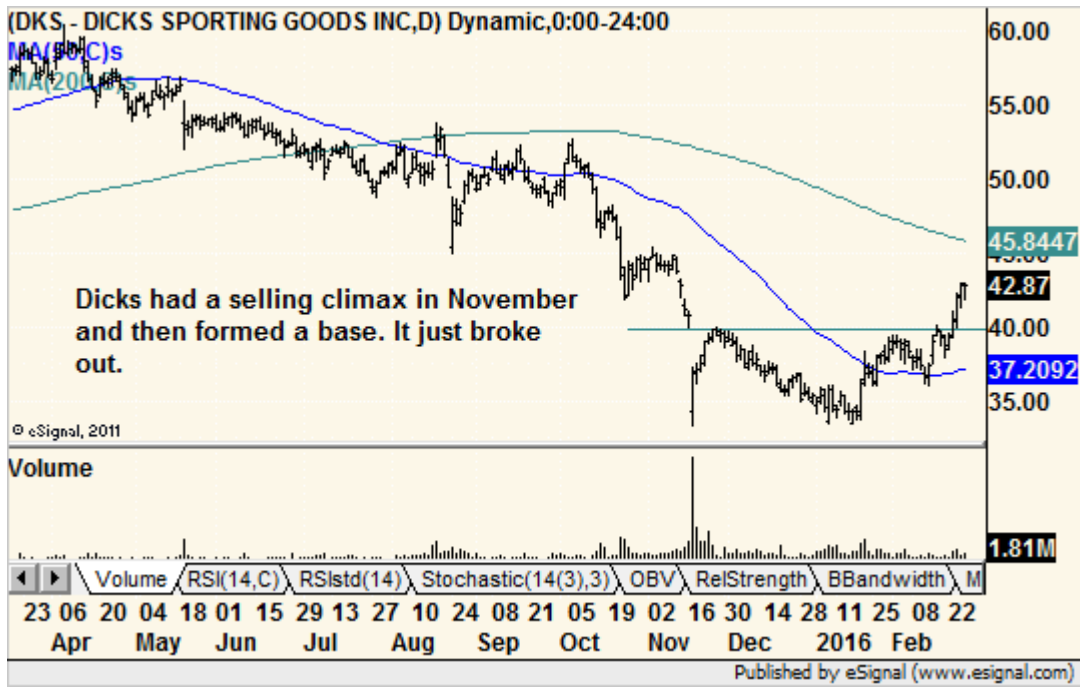


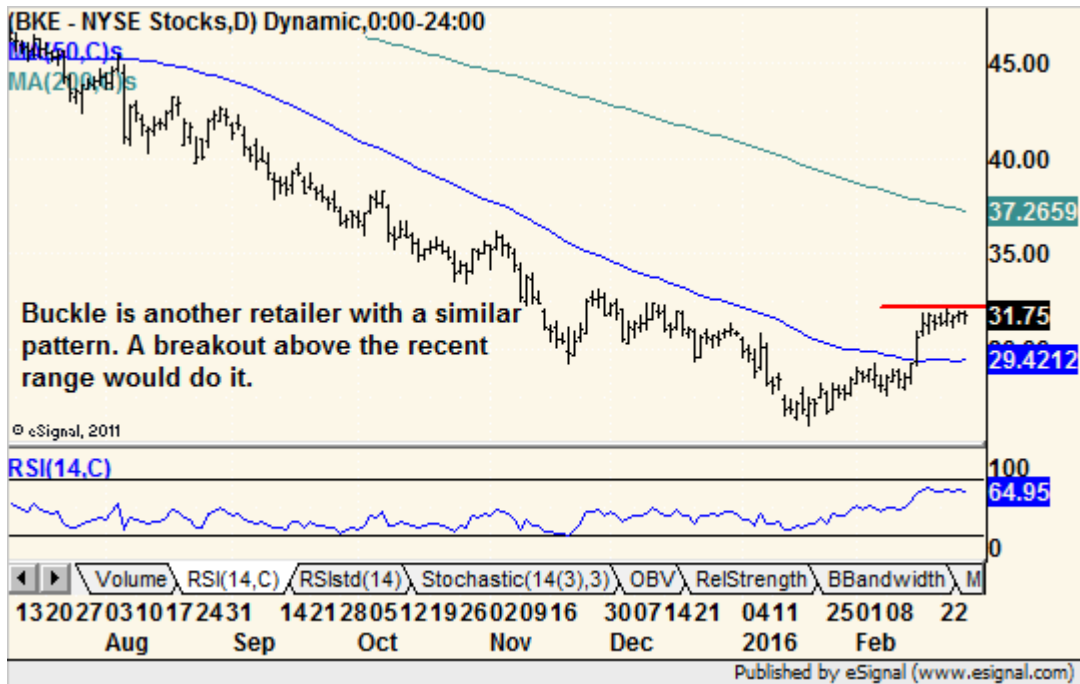
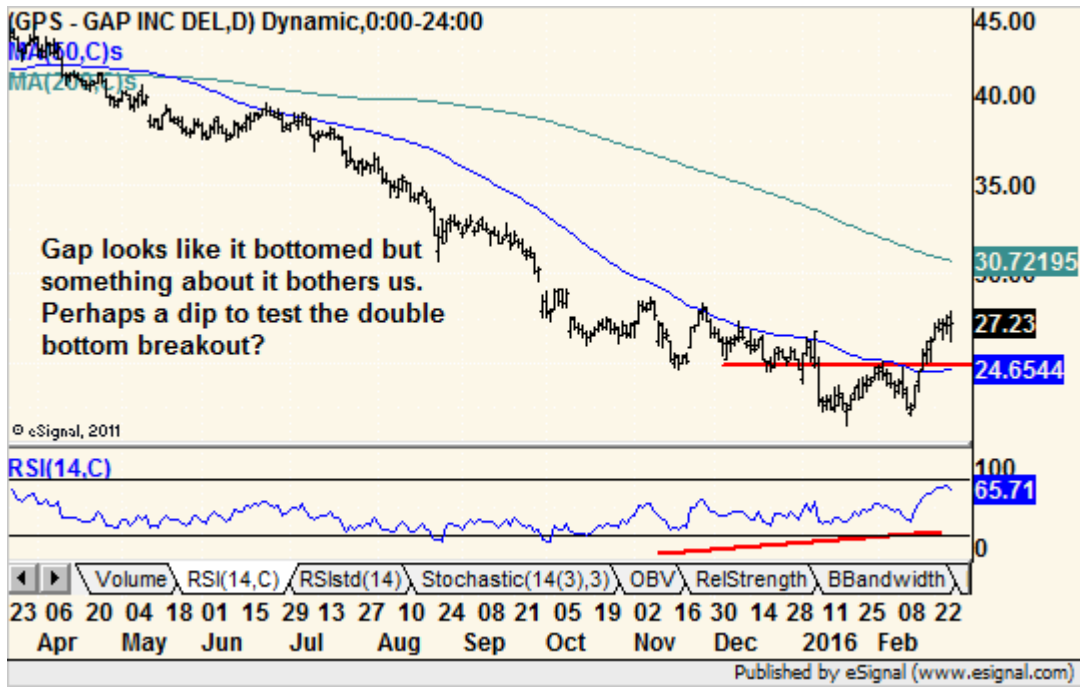
Stocks in the News

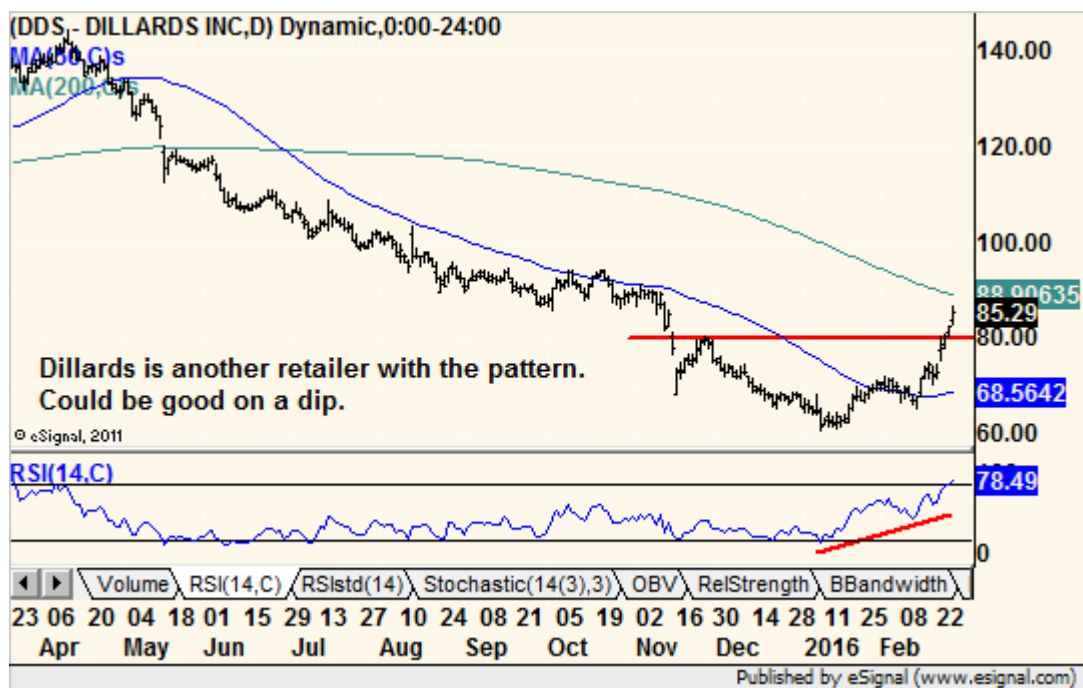


Video link - https://www.youtube.com/watch?v=jhwF_3sHEmk

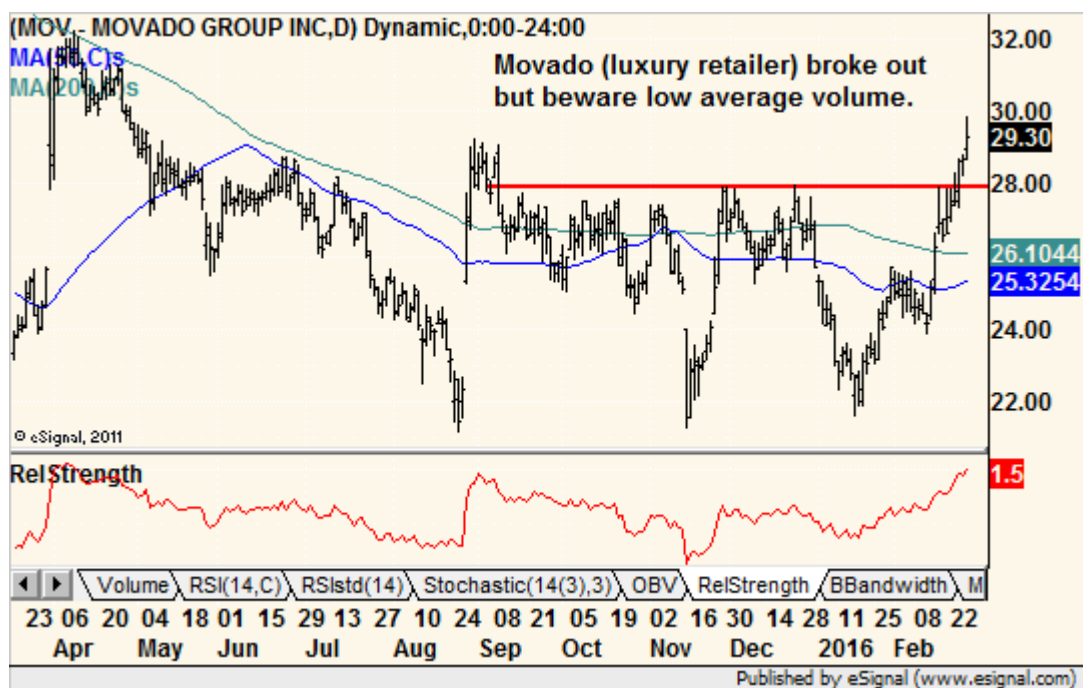


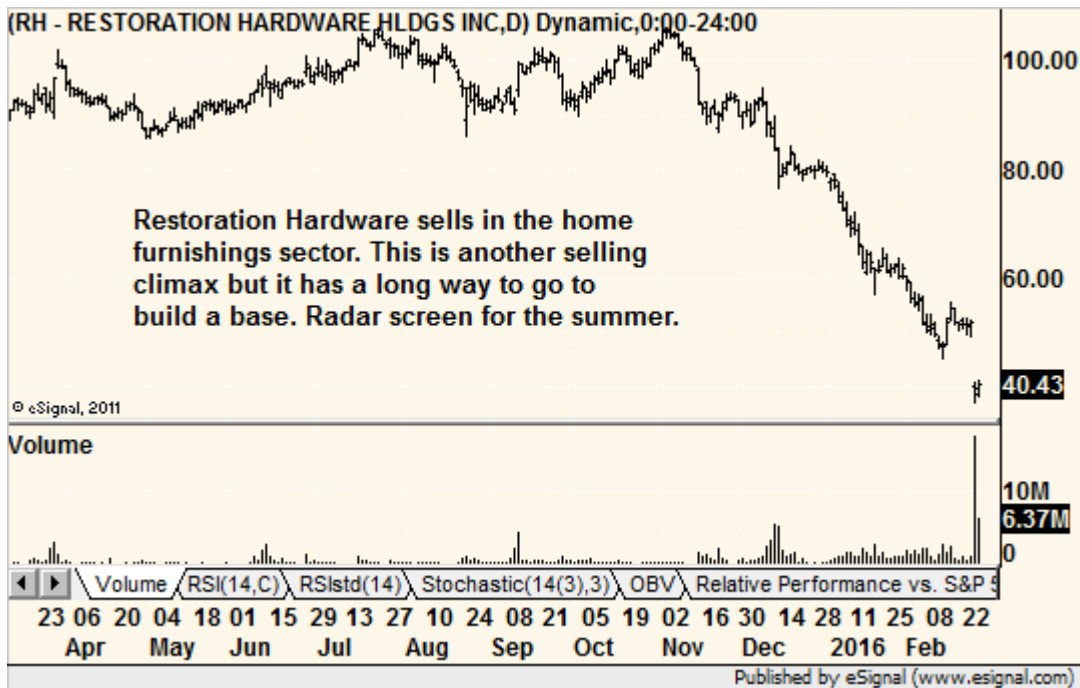
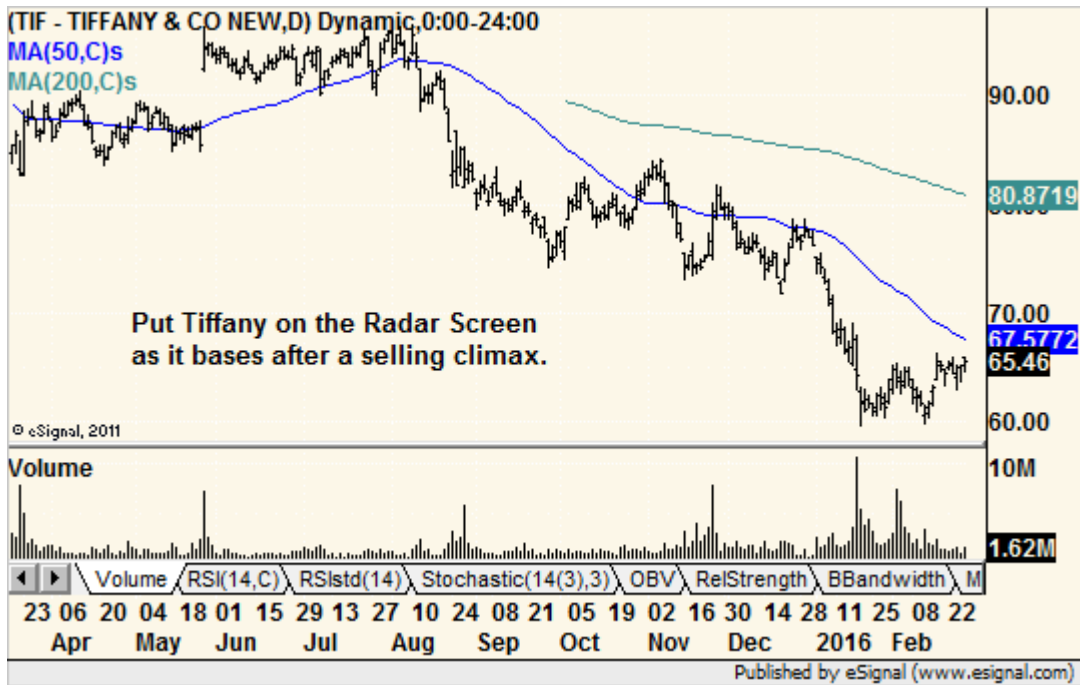


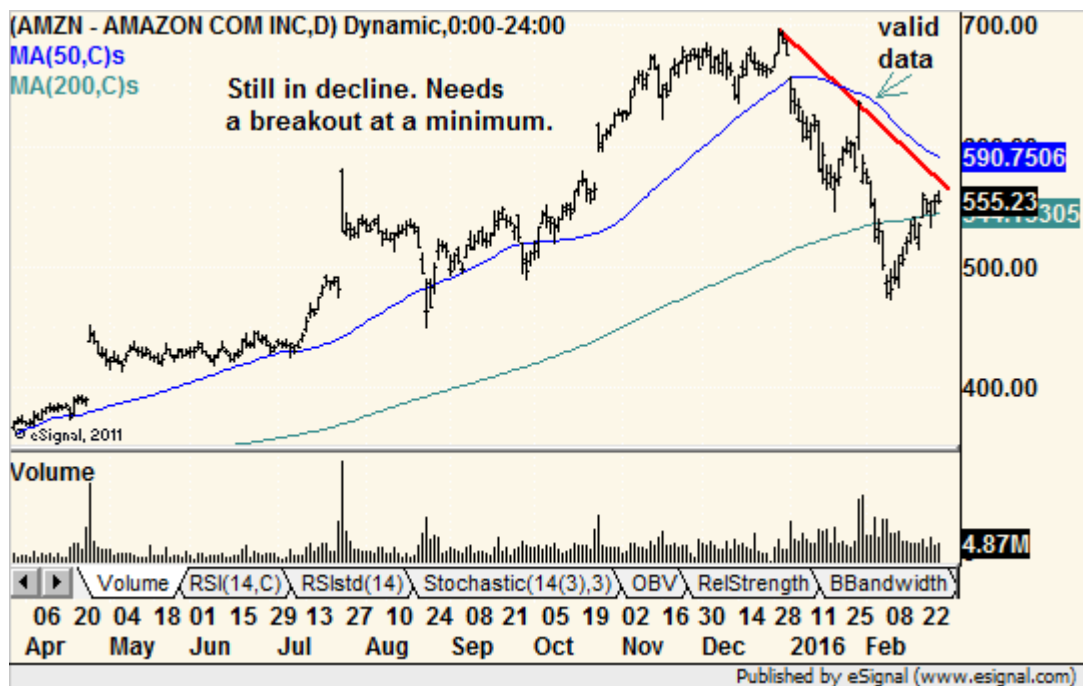
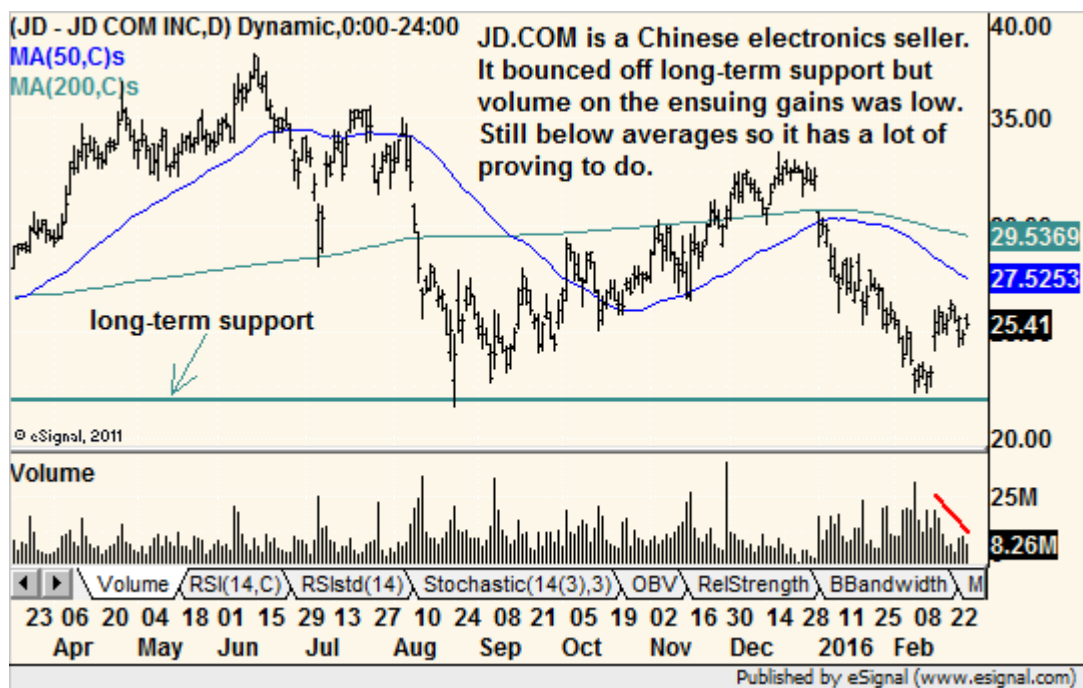


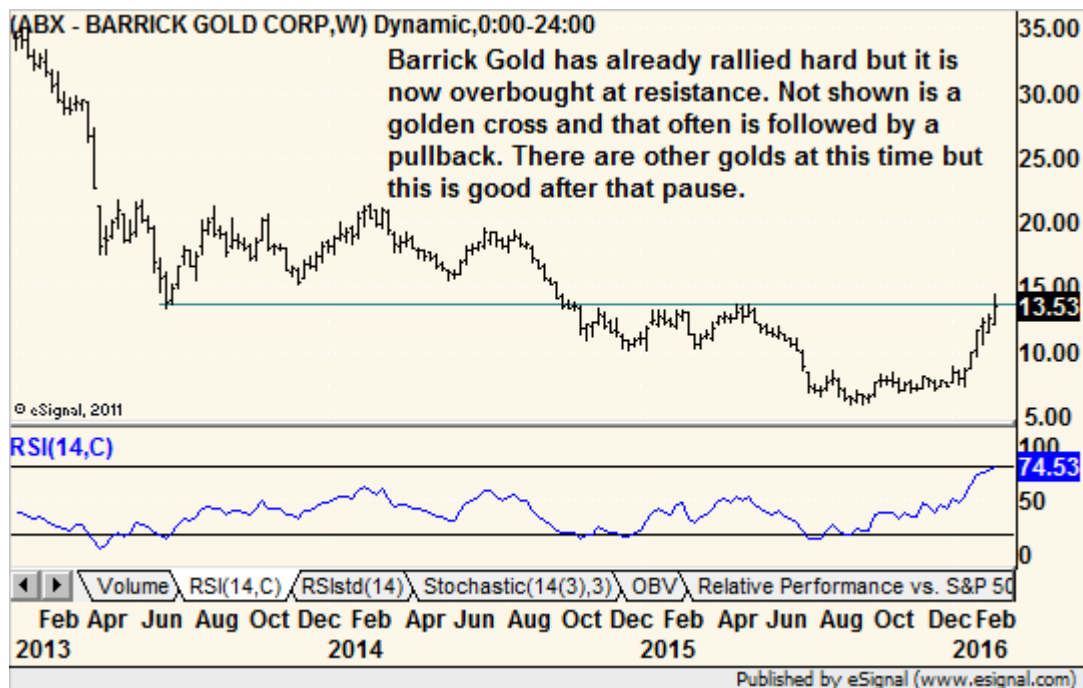
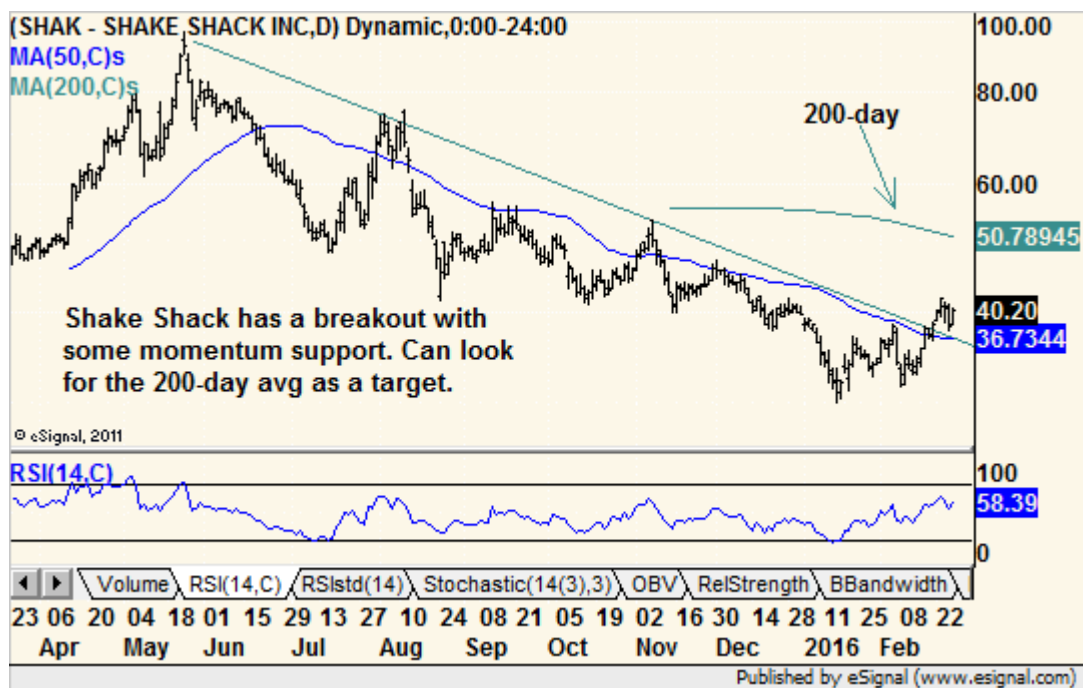


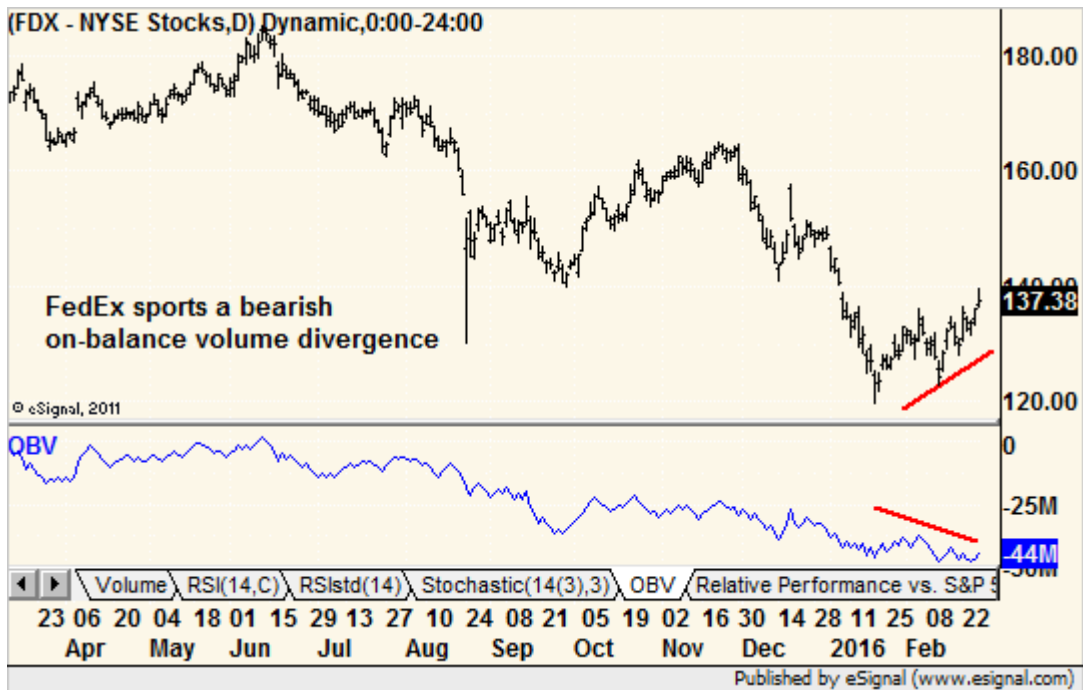
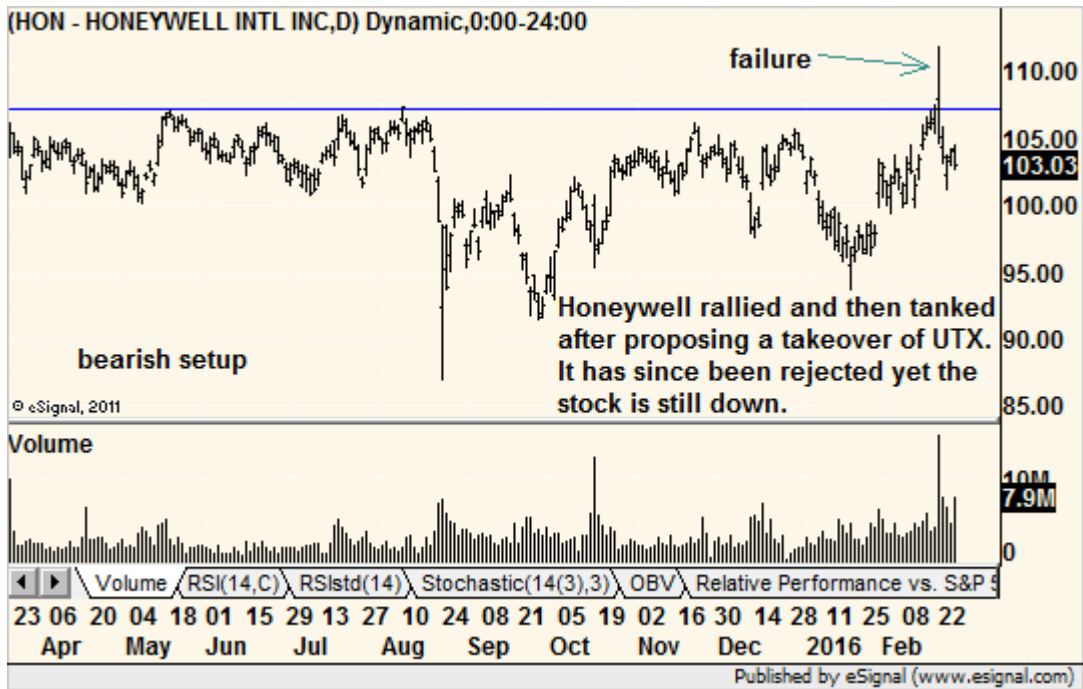
Check out **BBBY** for the same.

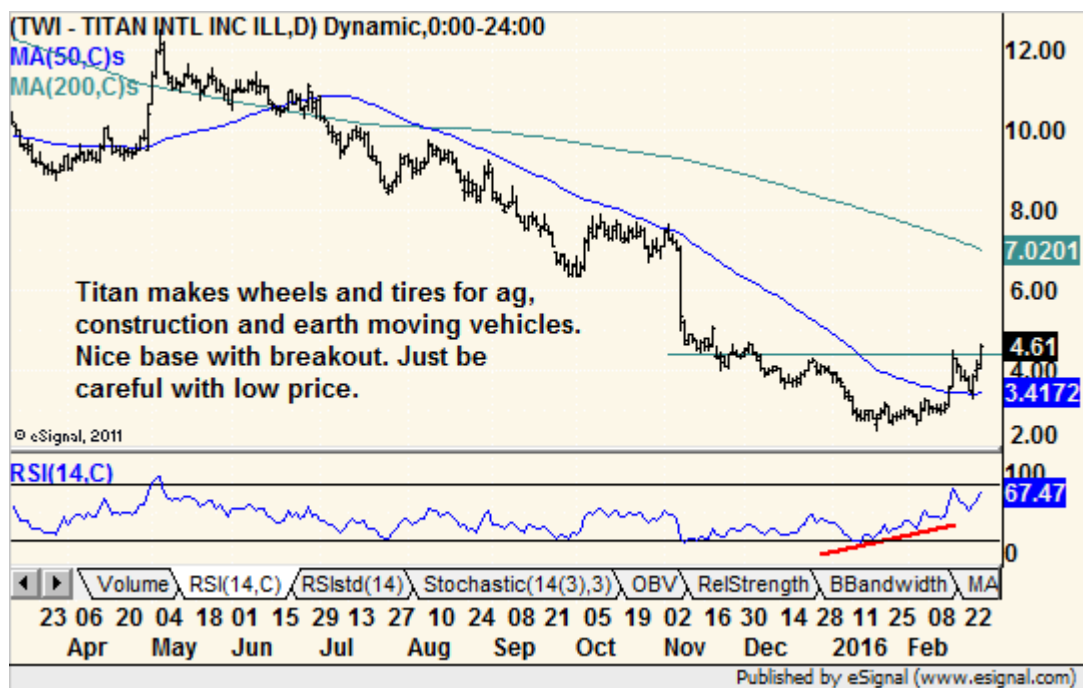












Finally, these blue chips may be ripe for LONG-TERM holding:

HD, XOM, MSFT, VZ, WMT, AXP

Notes from last week:

- BBY** – On-balance volume turned higher to support the rally
- DE** – Still struggling under resistance but if it breaks out then all is forgiven.
- TSN** – Still a powerful leader but now overbought. Wait for a dip (food)
- CAG** – Almost broke out Friday. Still waiting. On-balance volume is good. (food)
- K** – Now pulling back to 50-day average. A strong stock as long as 72 holds. (food)
- WMT** – broke through 200-day average. Any rally in the coming week also breaks inverted H/S pattern.
- MAR** – and peers continue to lead with **HOT**, too (hotels)
- CHV** – failed to break out and may now. Keep it on the radar screen. (energy)
- HD** – Broke through a trendline and ST resistance but is now overbought. (retail)
- PM** – Held breakout. Buy on next new high as a continuation move. (tobacco)
- FB** – can no longer call it a bear flag. No opinion at this time
- STZ** – now testing 50-day average with falling on-balance volume. Looks bearish.

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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