

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN
RESEARCH LLC

November 21, 2015 – It was quite a strong week as the market bounced off various 50-day averages and retracement levels. Volume, however, especially in index ETFs, did not keep pace. And resistance overhead is quite formidable.

We won't get into the lagging small caps, lagging technology ex- the big boys, falling junk bonds, tanking retail, soaring US dollar and risk ratios falling. All told, this is a very narrow move led by a handful of big name stocks.

So is the December rate hike baked into the cake? It sure looks that way. But then again buy the rumor sell the fact. Unlike October, we think the market will sell off on the rate hike news vs what it did before selling on the lack of rate hike.

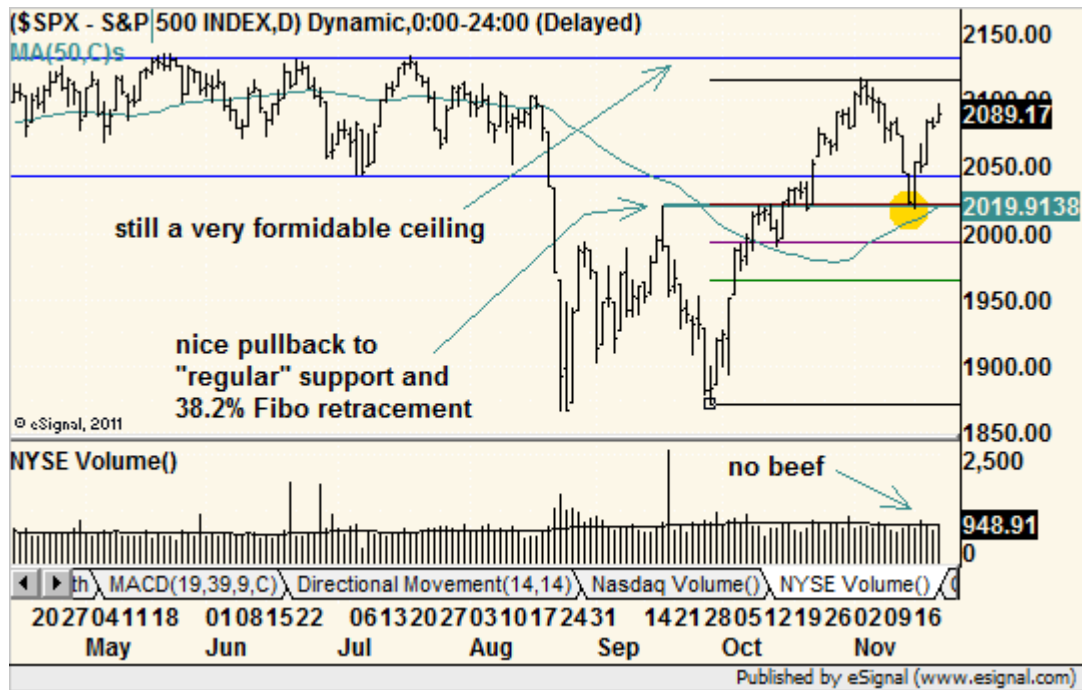
We're still feeling our way around the weekly version of this newsletter. Below find expanded numbers of index charts, sector charts and individual stocks of interest this past week. In the future, we'll look at overseas markets when warranted.

And for this section, when there is real technical news to report we'll have it. This last week was rather vanilla despite the rally.

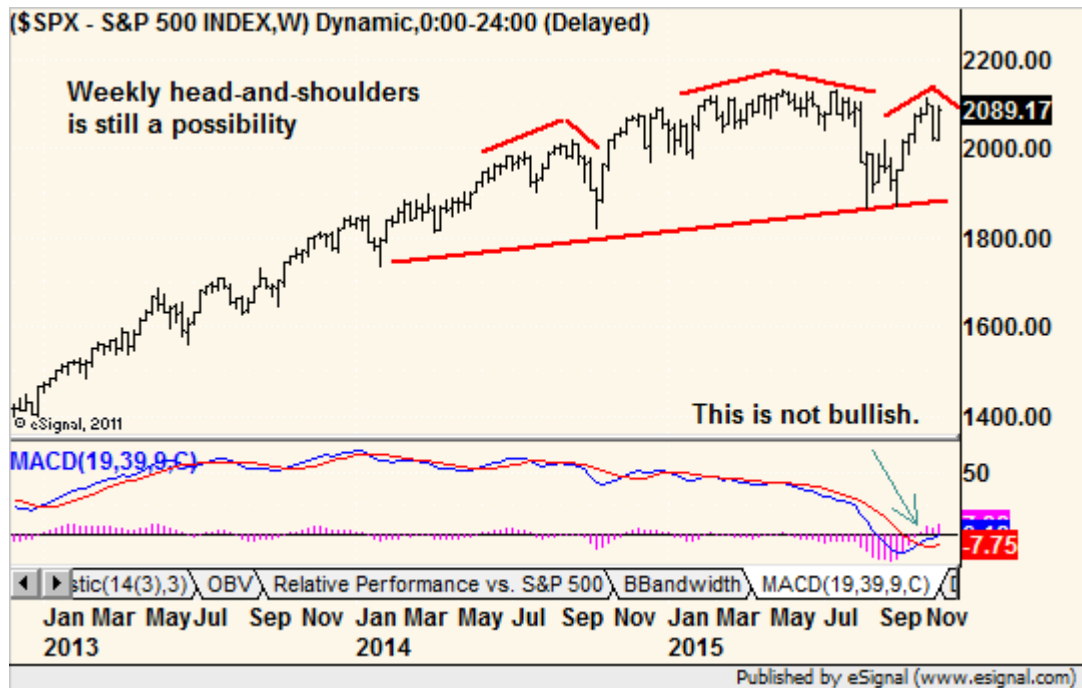
Let us know what you think. And don't forget to send in analysis requests.

Happy Thanksgiving everyone! We'll see you back here next week, likely in a turkey coma.

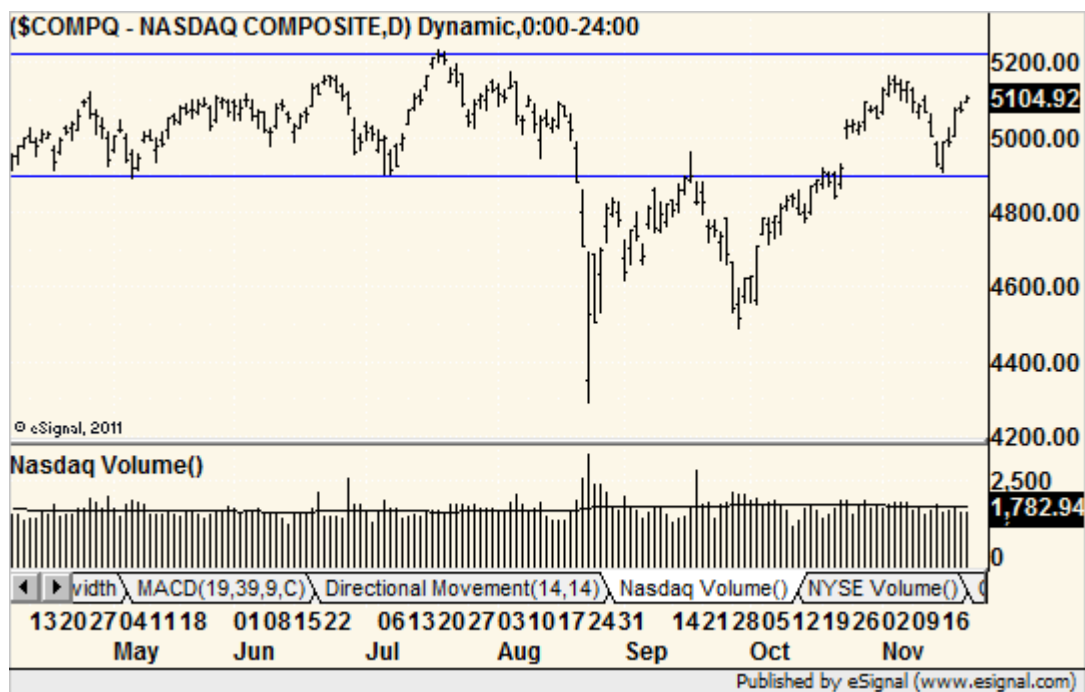
Index Charts of the Week



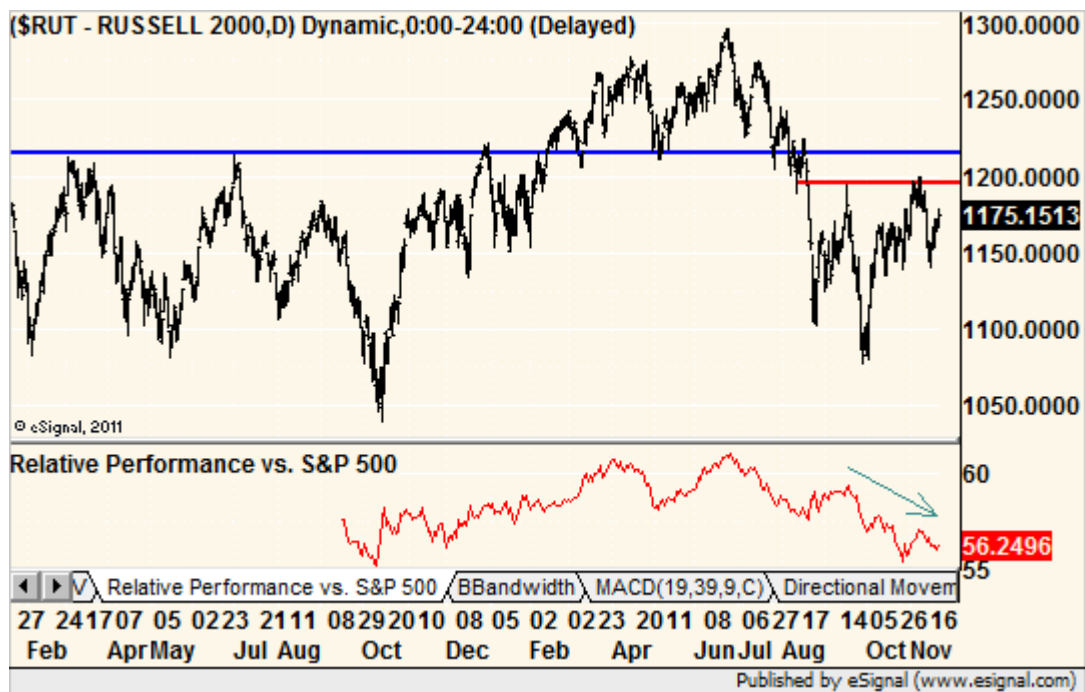
This chart makes it very difficult to believe that all is well, interest rate hikes are what the doctor ordered and it is still time to buy stocks.



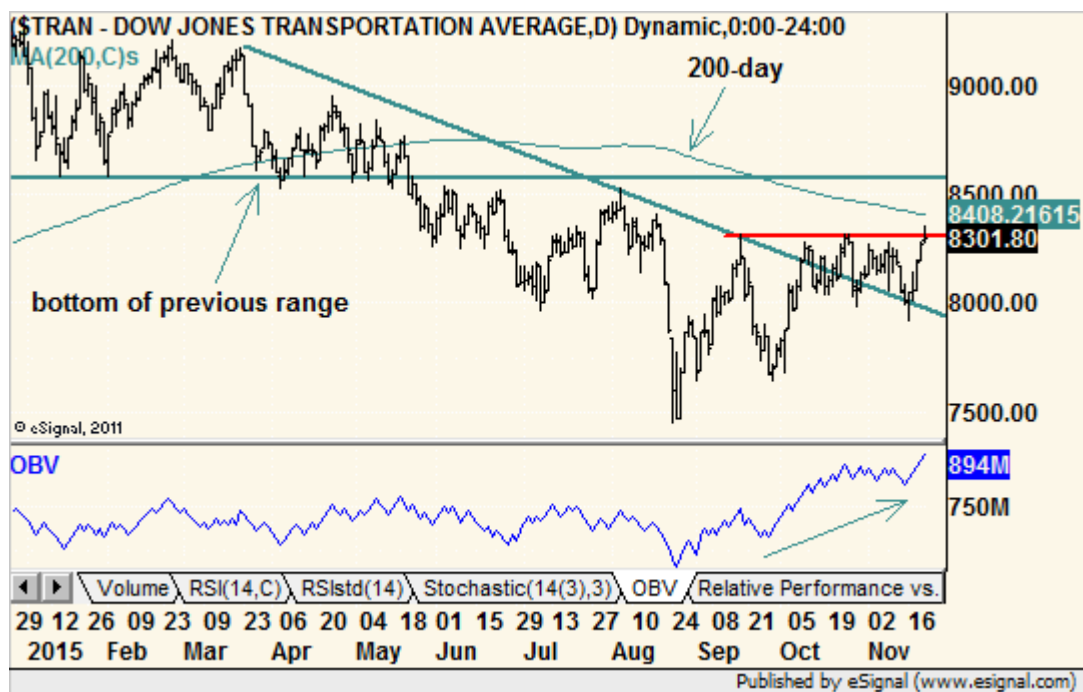
The long-term sell signal is still very far away so we have to operate in the short-term for now.



The Nasdaq still has big resistance overhead after a nice test of support this past week. Note volume here is also on the light side. Not exactly what we'd expect if the market has accepted a pending rate hike.

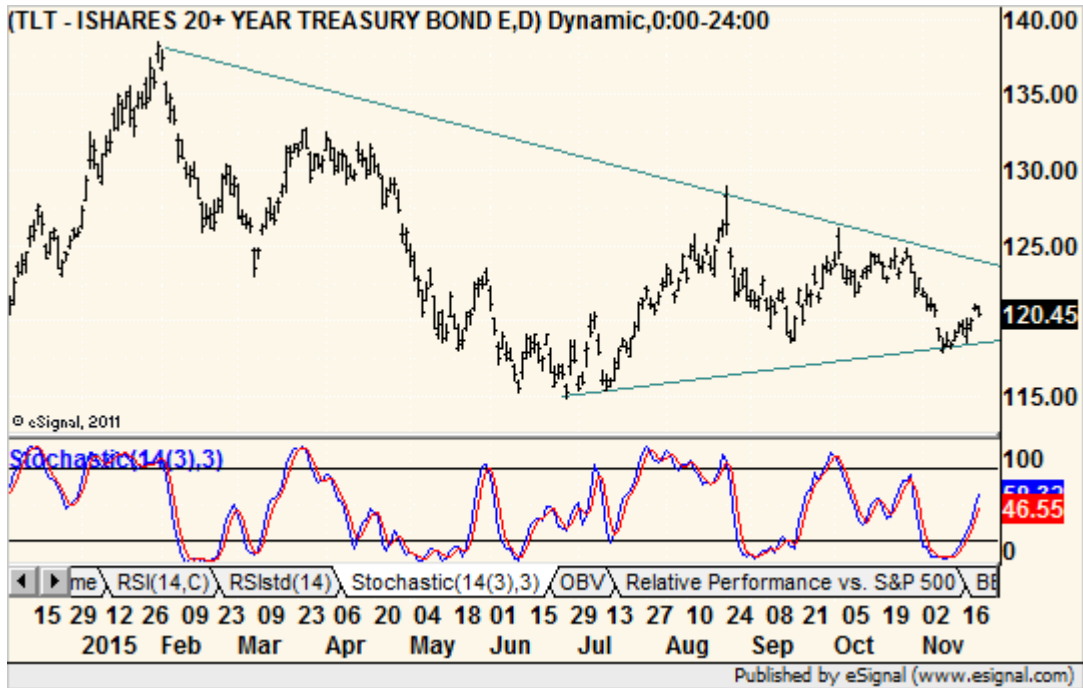


There is so much still wrong with the Russell 2000. It lags badly. It is still below its September high. And it is still below a rather stiff price resistance from last year's highs.

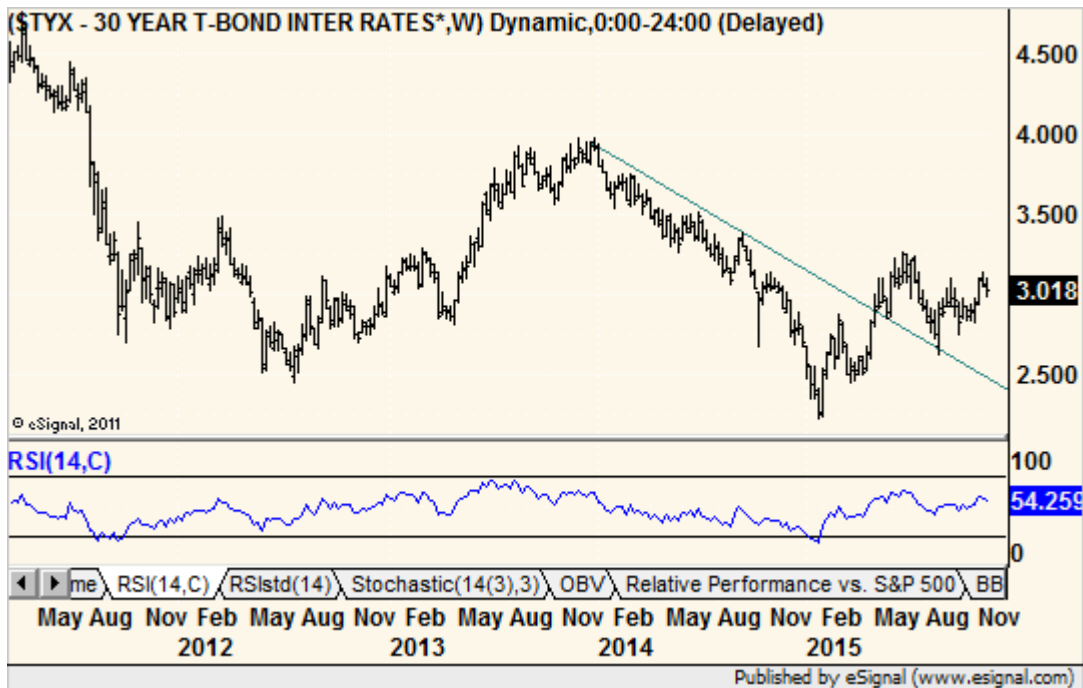


The transports finally lifted off the trendline – good. But this index is still below two major resistance levels and the 200-day average. The latter means not giving it the benefit of the doubt. However, rising on-balance volume is a positive. Is it enough to overcome resistance? We think it will help it reach resistance but we'll have to see when it gets there.

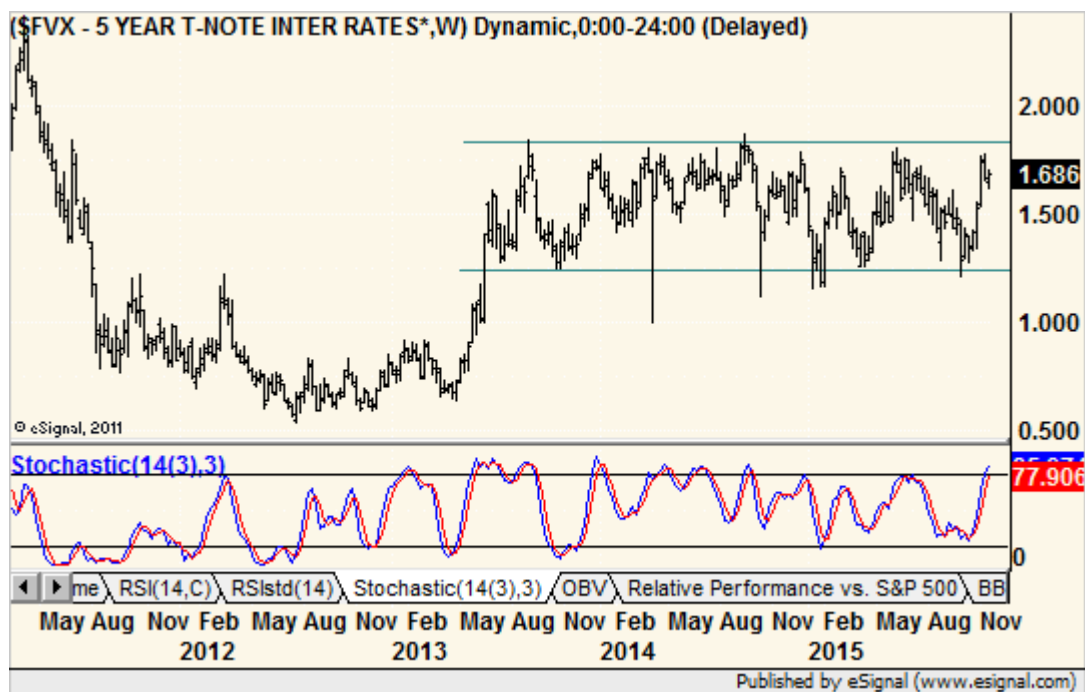
Other Markets



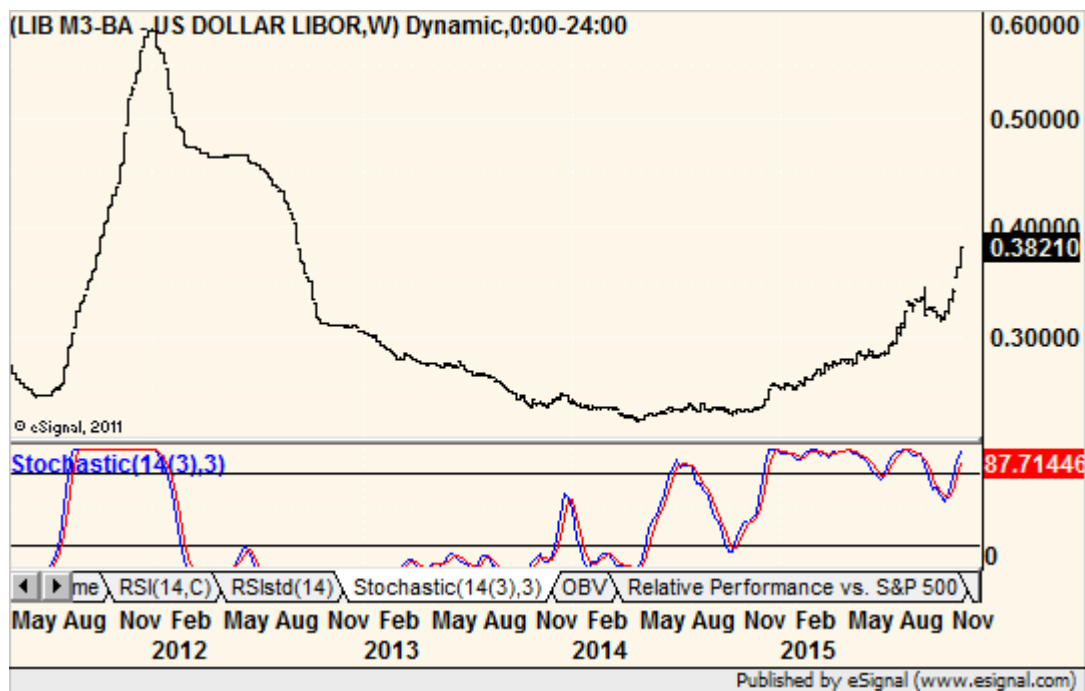
Long T-bond ETF – This still looks like a coil and no major trend has yet been established.



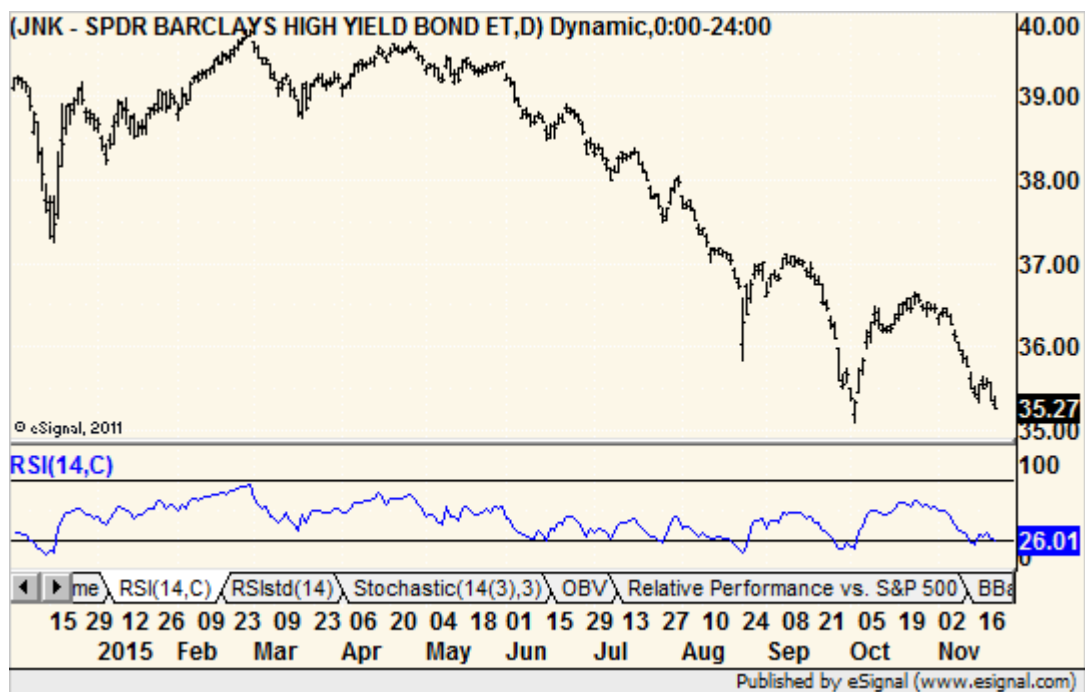
30-year yields – this weekly chart gives the edge to a rising interest rate trend and therefore a price breakdown in the chart above this one.



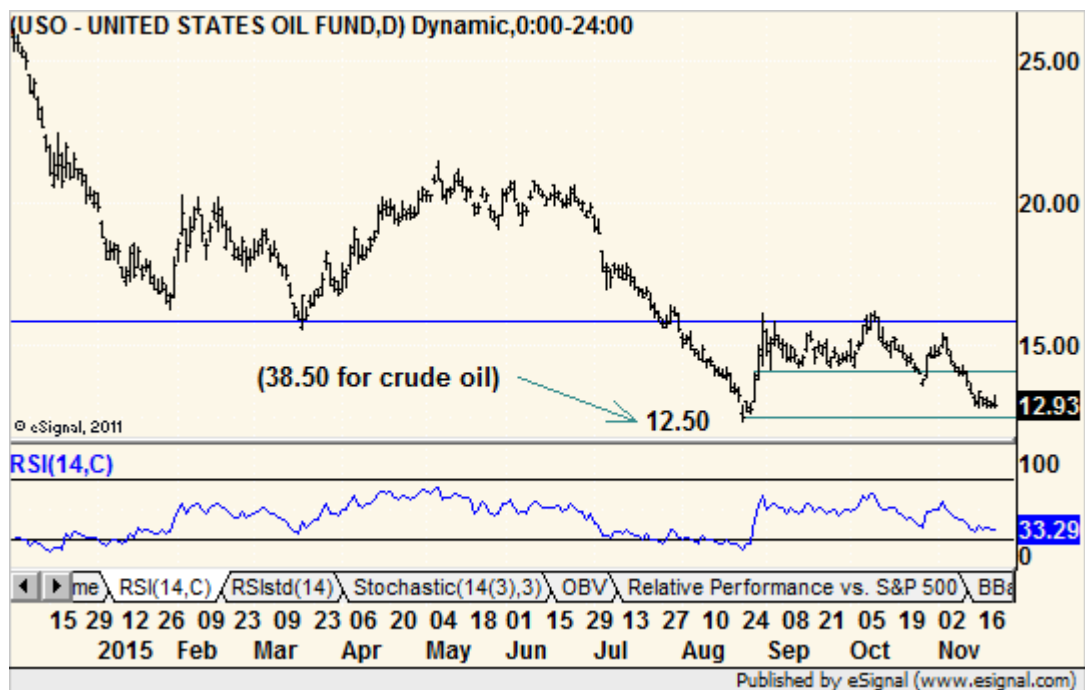
5-year yields – This relatively short rate has been sideways for two years but well off its lows. We’d watch for a breakout here to confirm – or lead – an upside breakout in the 30-year yield and price breakdown in the **TLT** ETF.



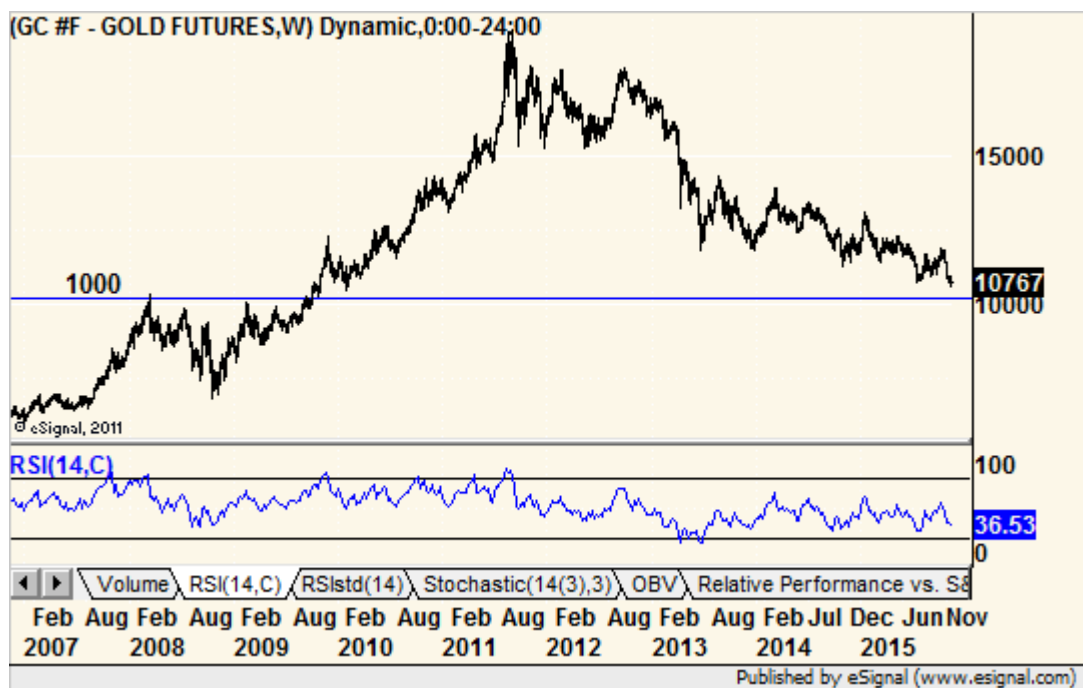
LIBOR – This is rising – period. Note it is now at its highest levels since 2011 when the stock market had a very similar price correction. In 2011, LIBOR kept rising until January 2012 so we cannot yet say this is different. The same holds true for the TED spread (LIBOR – 2-month Treasury yield). The bottom line is that we need to watch this.



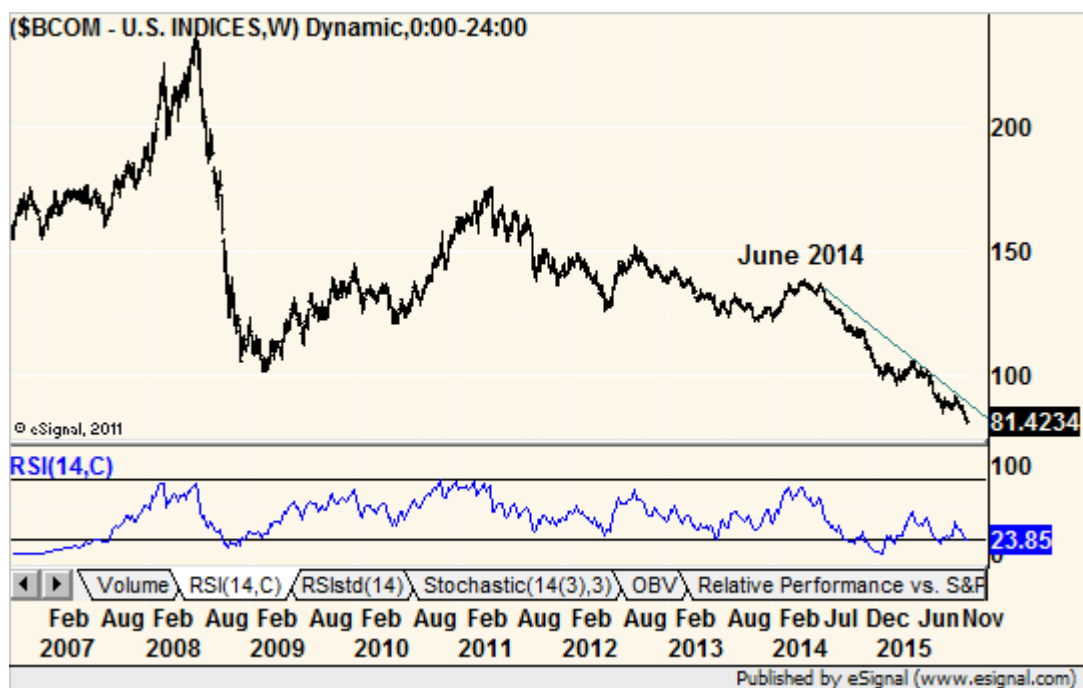
Junk bonds ETF – Speaking of things to watch, this is a bear market and even as stocks rebounded this month it kept falling. Risk aversion still rising.



Oil ETF – The October party was broken up by the cops and bulls taken to the pokey. The trend is down. Fundamentals are lousy. However, there is always the possibility of a bounce at support.



Gold – Back in 2009 I wrote a monster bullish column for Barron’s Online saying gold was going to 1300. Talk about understatement! But the point here is that the 1000 level, was a major breakout and not because it was a round number. This market is still in a bear and just took out short-term support. Watch for bearish sentiment to swell as this falls and then get ready to back up the truck. Not yet!

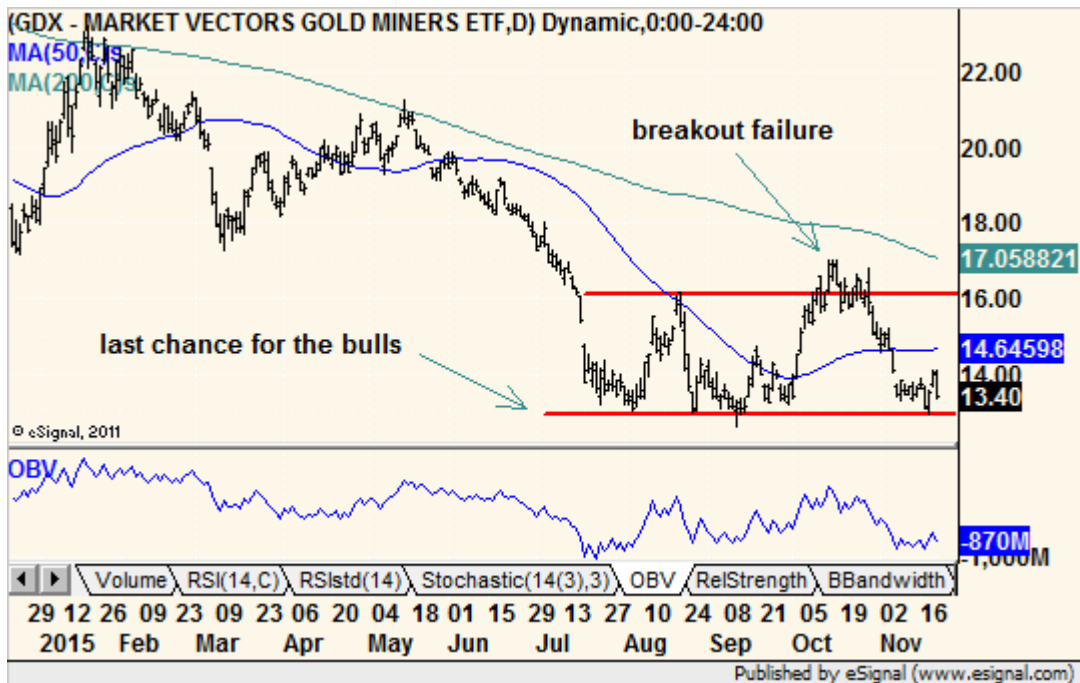


Bloomberg Commodities Index – Still a bear market here. In the short-term, we can argue that it is oversold and needs to trade back to the trendline but that will not change much. Industrial metals related stocks had a brief awakening but are back to new lows.

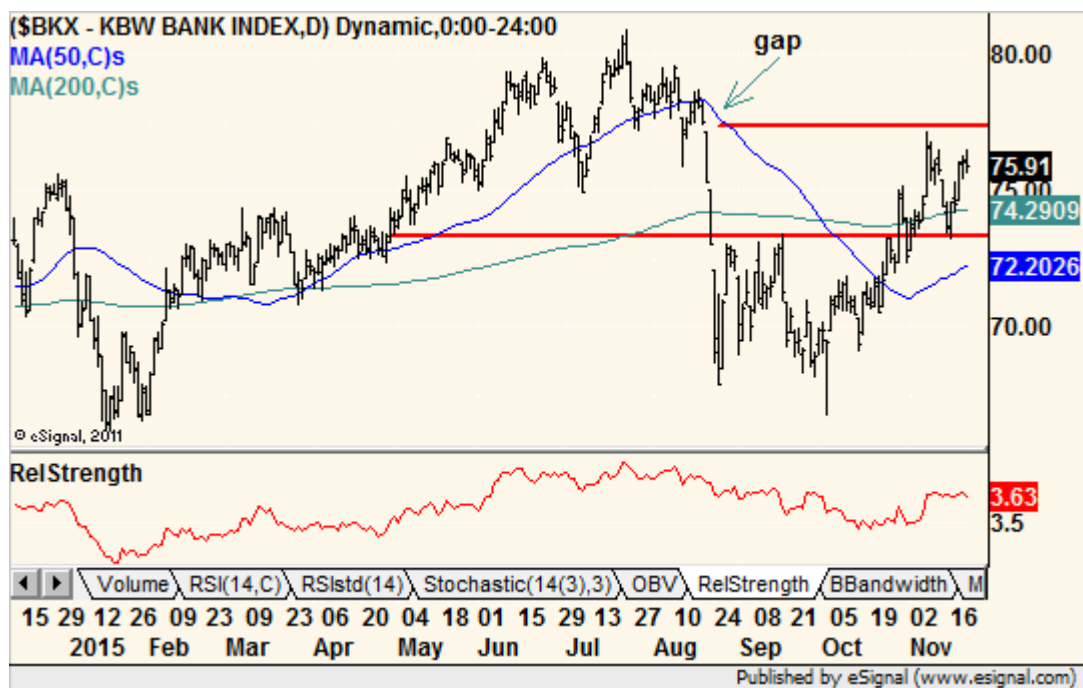
Sector Watch



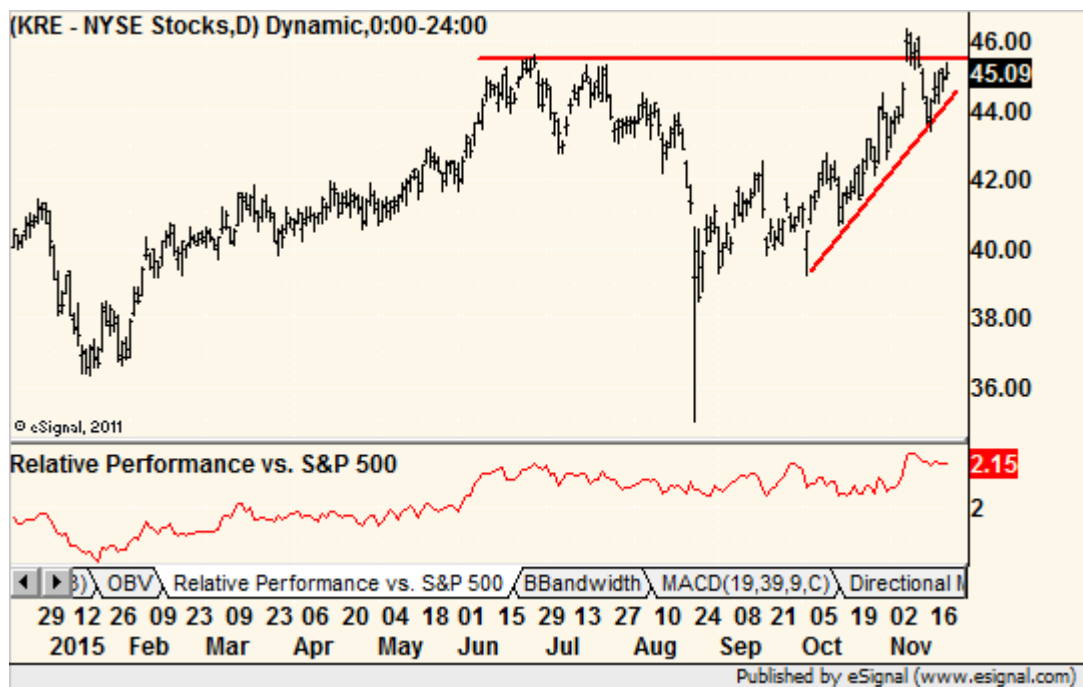
Energy ETF – A breakout failure a few weeks ago. There really is nothing to like here and that does not even include the weak oil market itself.



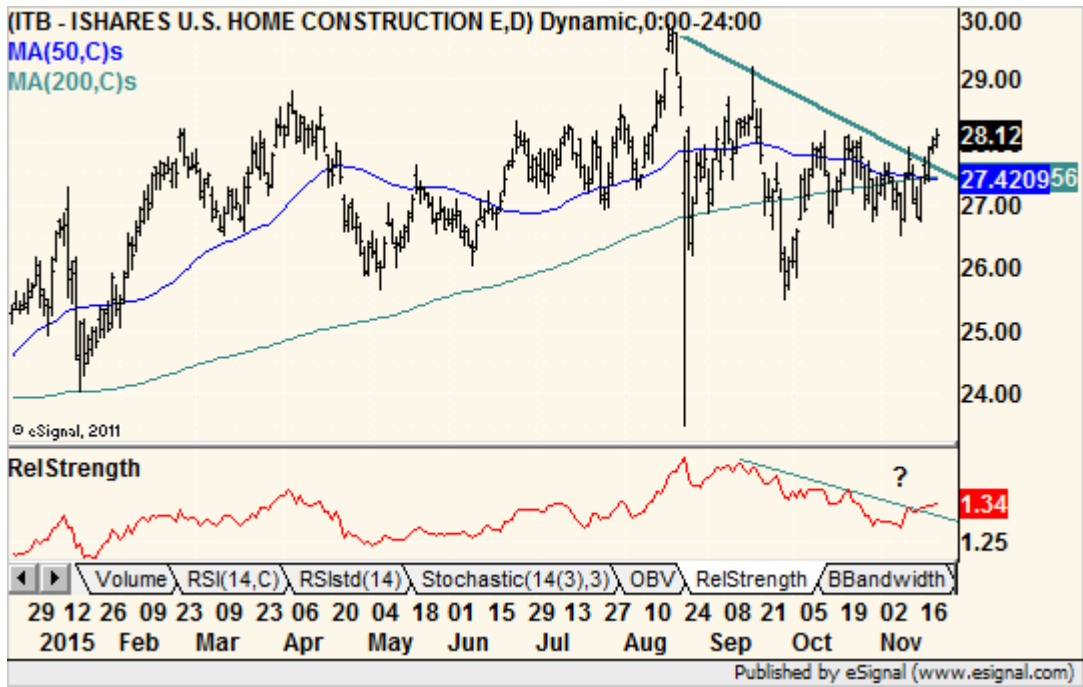
Gold Mining ETF – Perhaps we can have a beer and convince ourselves this is a low risk buy at support. But everything else looks pretty bad, including the metal itself.



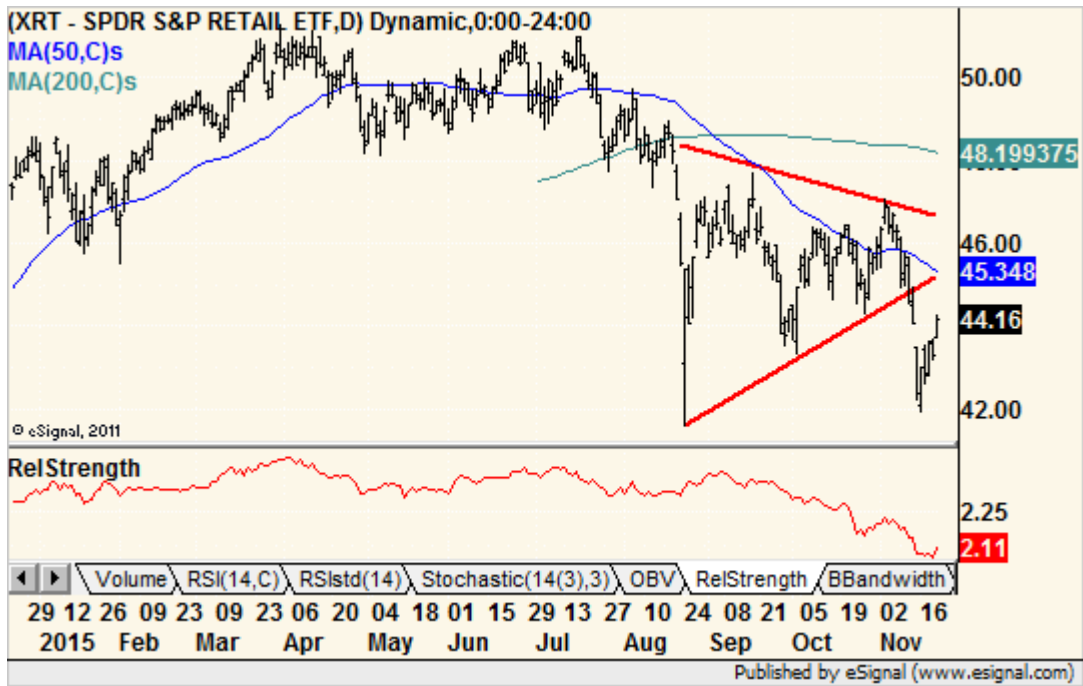
Banks Index – Theoretically, rising rates are good here but the chart is a weaker version of the S&P 500. A nice bounce off support but resistance above before even getting to old highs. And relative performance is still not so good.



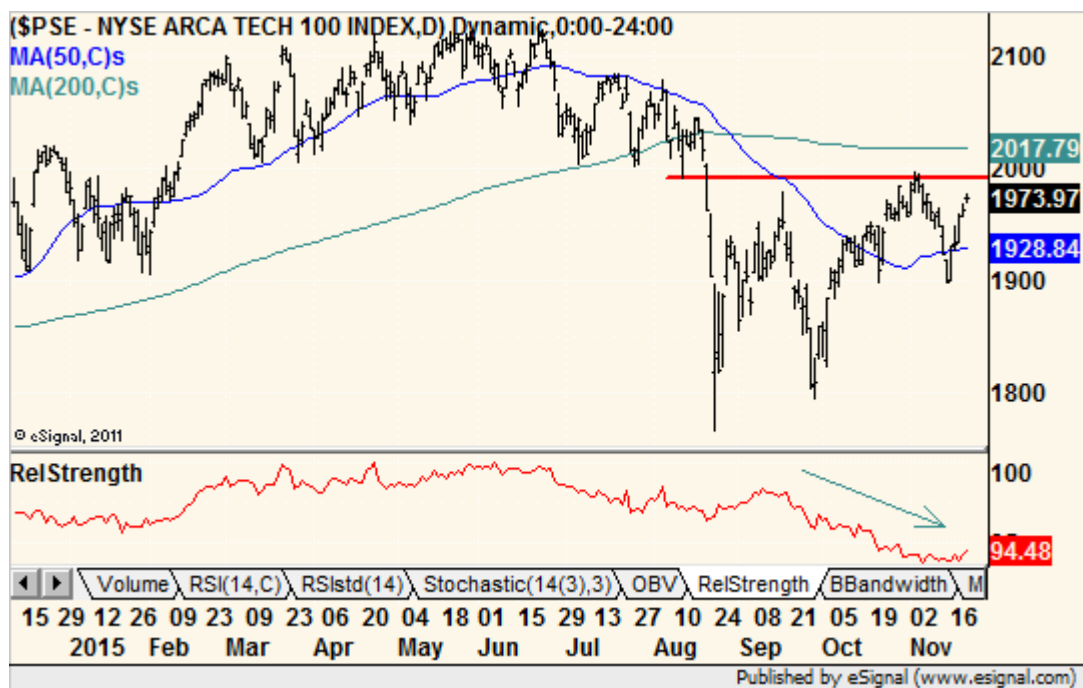
Regional Banks ETF – The breakout failure is still in effect. Needs to set a new high to erase all the bad stuff that happened.



Homebuilder ETF – We can argue a bounce off the major moving averages and possibly even for trendline breaks in price and relative performance. But overall this is still a sideways market and we’d avoid it.



Retail ETF – Looks like a dead cat bounce in a very ugly sector.



NYSE Arca Tech index – While the **XLK** ETF flirts with new highs thanks to the FANGs (**FB**, **AMZN**, **NFLX** and **GOOGL**) the broad based tech sector is still badly lagging. This index is still under major resistance.



Industrials ETF – Normally we blame or credit **GE** for movement here but the breakout was thanks to the railroad stocks it contains. But look how it is not beating the market. We are only lukewarm here.

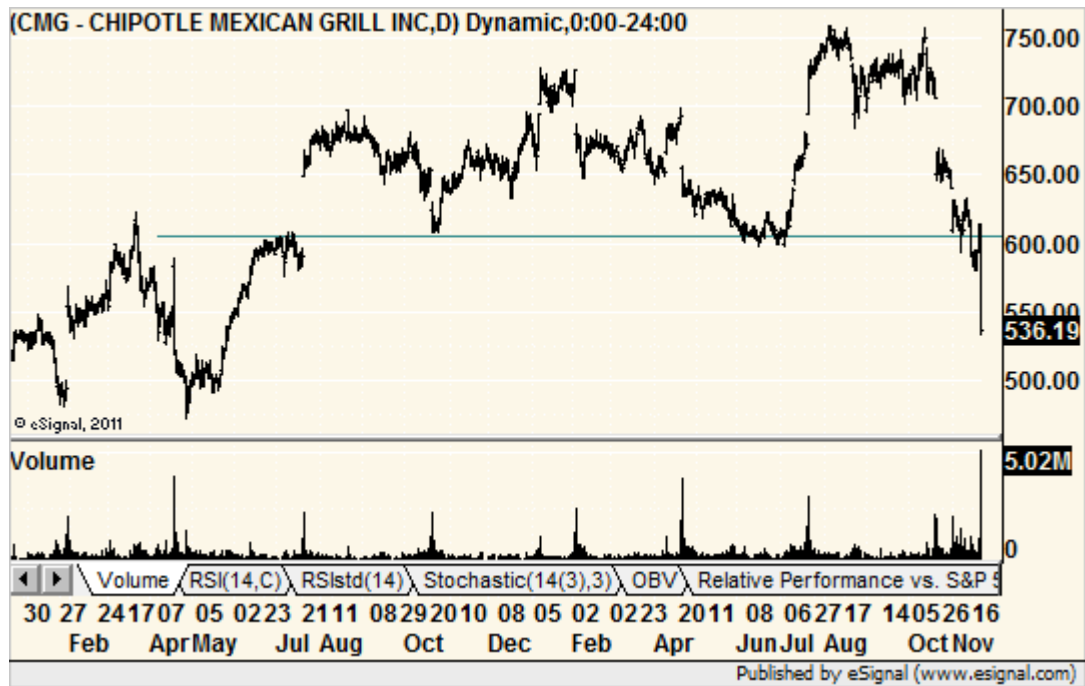


Big Cap discretionary vs staples – This is a breakout and “should” be bullish for the market. But check the next chart...

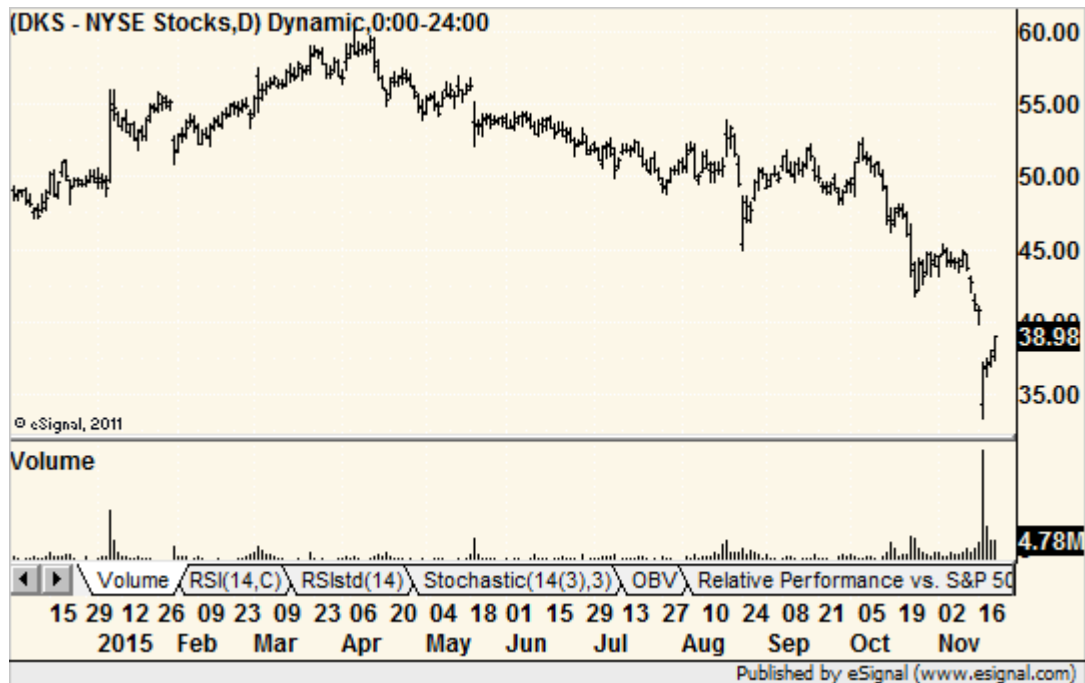


Mid cap discretionary vs staples – Not exactly the same look as for the big caps. We take this as a sign of risk aversion for the majority of the market leaving aggressiveness to the big caps like FANGs.

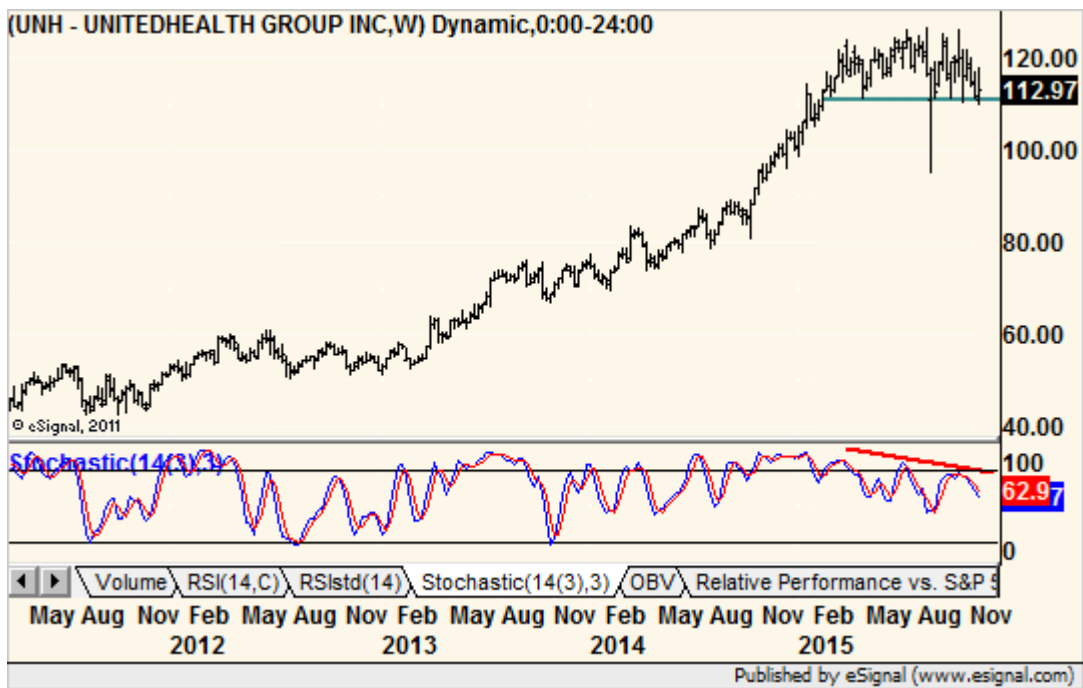
Stocks in the News



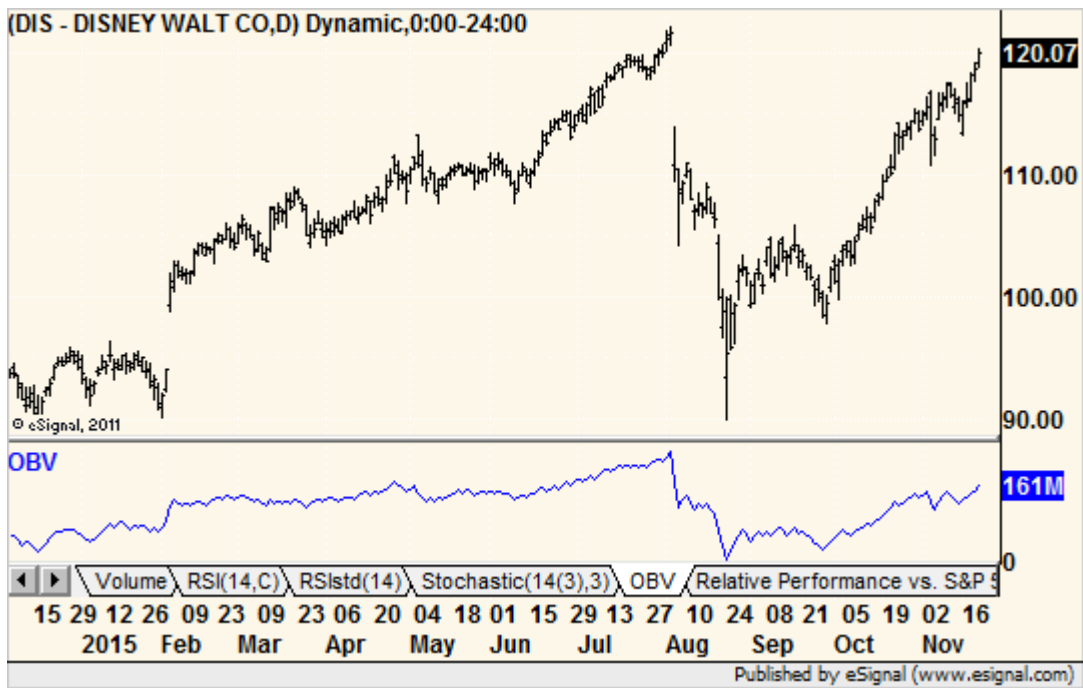
Chipotle Mexican Grill – Or is it Coli Mexican? Another E.coli issue sent this plunging. Was that a selling climax or serious damage to the stock? We'll go with serious damage and that means it needs a lot of time to heal.



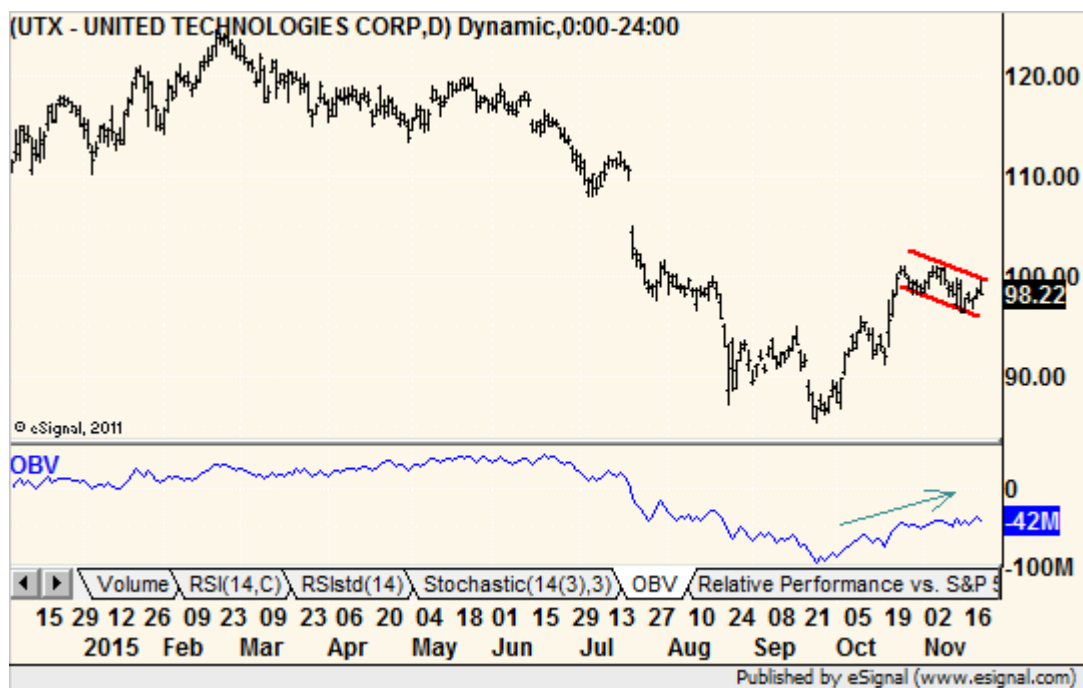
Dicks Sporting Goods – In the accent of Crocodile Dundee, “now that’s a selling climax.” Buy the dip.



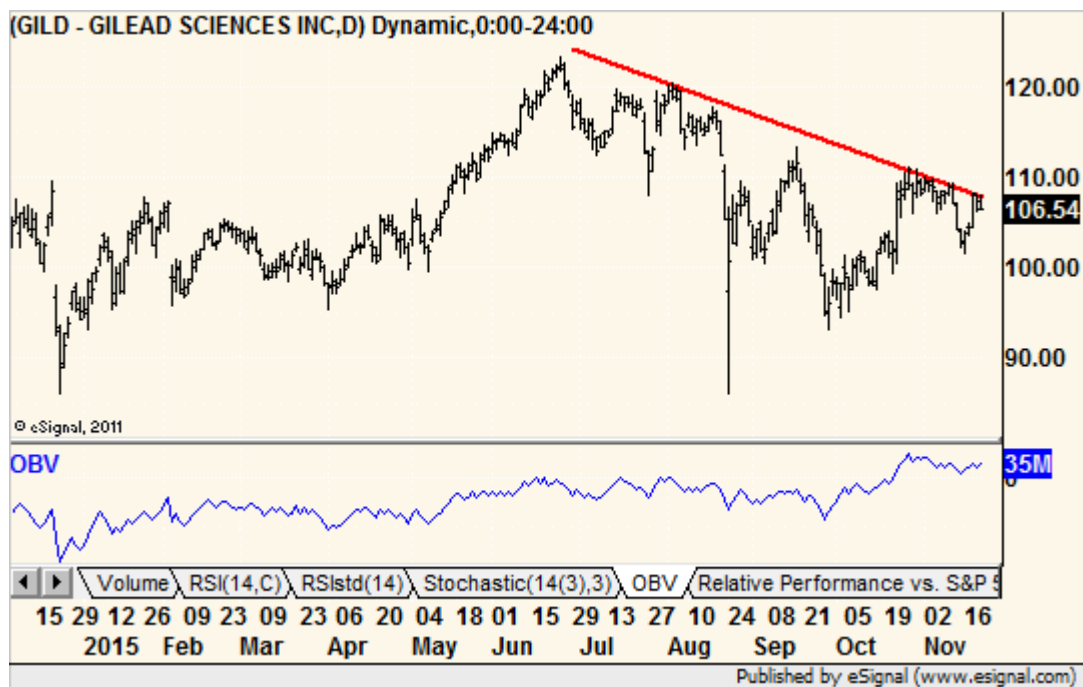
UnitedHealth – Warned it may pull out of ObamaCare and took a beating Thursday. This could be a major topping pattern in progress.



Disney –Star Wars fever may be over as this one approaches its old high and gap. On-balance volume is nowhere near its old high and this might be a sell on the first sign of reversal.



United Technologies – We left the daily version of this report liking defense stocks and they are doing well. Check out the long we left in **COL**! **UTX** is in a bull flag and may be ready to catch up.



Gilead Sciences – Still waiting for the elusive breakout here to confirm the breakouts in biotech ETFs **IBB** and **XBI**.

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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