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"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN RESEARCH LLC

December 5, 2015 – Welcome to December, one of the strongest months of the year on average. Will that hold? Don't go by Friday's 370-point Dow scoot higher because the week as a whole was dead flat.

We remain skeptical for these reasons:

- While big caps were up 2% Friday, small caps were up just over 1%.
- While big caps were flat on the week, small caps were actually quite a bit lower.
- Junk bonds hit a 52-week low
- Three-month T-bills jumped big for the second week in a row.
- LIBOR is up nearly 50% since October even though stocks rallied.
- The on-balance volume trend in major index ETFs is still to the downside since October.
- The percent of NYSE stocks above their 200-day moving average is 36% as the major indices are near their highs.
- The percent of S&P 500 stocks above their 200-day moving average is just over half as the index is within 2% of all-time highs.
- While the NYSE advance-decline line looks very much like the NYSE composite (normal), the NYSE advancing volume minus declining volume line is falling.
- Retail is still lagging badly.
- Transports may have broken down from a bear wedge even though oil is down.
- Even though gold is in lousy shape, the copper/gold ratio is still sinking suggesting the economy still stinks.

Many of these items will be charted below.

Now, with all of that said, and it was a mouthful, we'll look at some positive developments:

- Small tech is starting to look better as the PSE index turned its relative performance chart higher.
- Homebuilding and financials (the remaining four horsemen with tech and retail) are leading.
- The discretionary to staples ratio is still above its 50-day average suggesting aggressiveness contrary to several of the items in the above list.
- Gold could barely muster a gain Thursday as the dollar was crushed so the market is not worried about inflation in an era of central bank stimulus.

Quite a bit shorter list on the bull side.

Now let's talk about the week's highlights.

- A few troubled companies continued their issues as Volkswagen tumbled on earnings and Chipotle continued to poison its customers with E.coli.
- Fitbit made a nice recovery but GoPro continued to sink.
- Apple was the top performer on the Dow Friday – when was the last time we could say that?
- Semiconductors may have broken out.
- Yahoo may be for sale. The chart jumped and then closed the gap. Still not bad.
- Puerto Rico did some funny stuff to avoid actual default.
- Worst manufacturing report since 2009 with ISM below 50 yet the Fed is still poised to raise rates.
- The ECB disappointed the market with meager stimulus. Markets there were killed Thursday (more than 3%) and did not recover Friday.
- Friday's rally saw only 63% of NYSE stocks advance and 64% of volume advance. That is a far cry from a 90% upside day or even and 80% upside day.
- 198 NYSE 52-week lows Friday vs. 44 new highs – as the Dow was up 370!

Meanwhile, one very respected trader we follow continues to pound the table that this is a bull market. We do not see it and until the S&P 500 breaks out to new highs by breaking through a massive 2015 resistance level we will not be bullish. We'll still take opportunistic trades, as we have said.

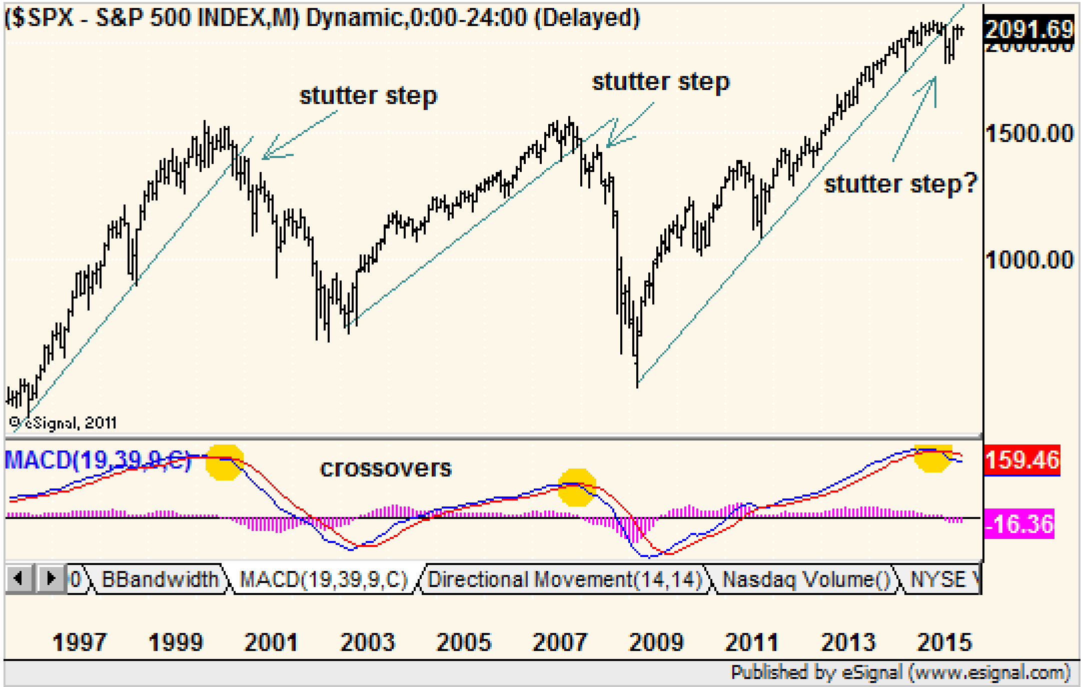
On the other side of the guru coin, the so-called Mr. Candlesticks said that this market continues to sport reversal patterns and that leaves him bearish.

Of course, you should not follow gurus and should even question what you read here. We've listed a lot of data points on both the bull and bear side and no matter what your bias may be you have to admit it is not really lined up to be a sustainable bull market. And if you were a Fed lover for the past few years believing it was the Fed and only the Fed that propped up stocks then you can worry that the punch bowl is now gone.

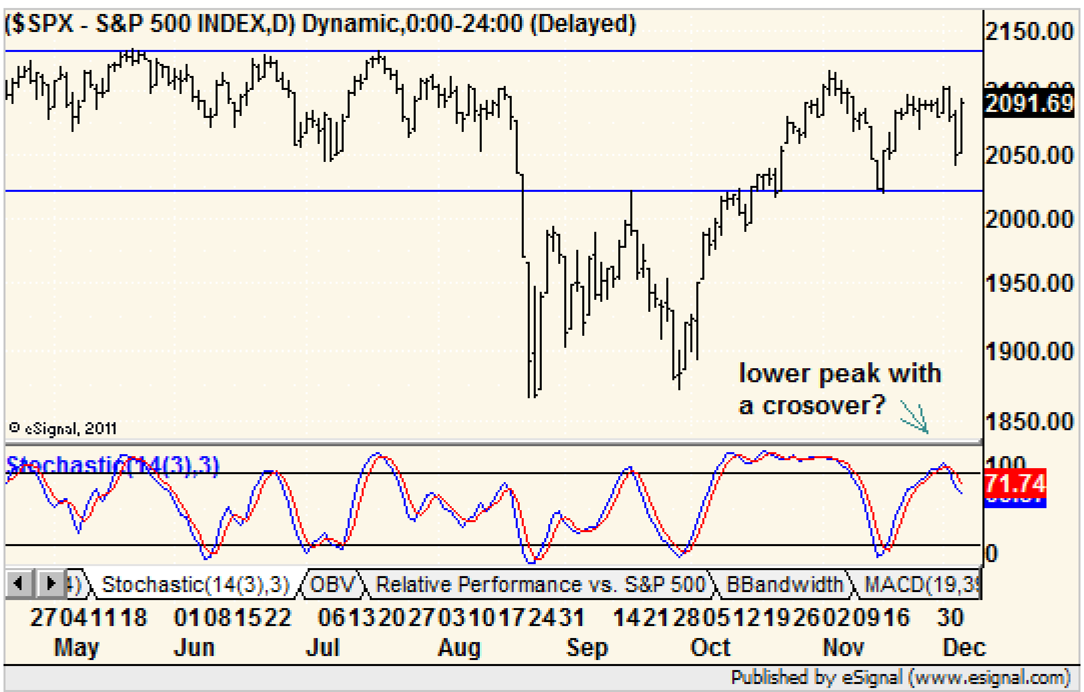
We may indeed see a marginal new high before this is over but it won't be on the Russell 2000, which is still 9% below its 2015 high water mark. It won't be on the NYSE composite, which is still down 8%. It won't be in Europe where the Stoxx-50 blue chip index is down 12%. And fuhgettabout China, down 32%.

Tread lightly folks. There are some stocks that are poised for gains but as a market, it is very narrow and the technical underpinnings are weak.

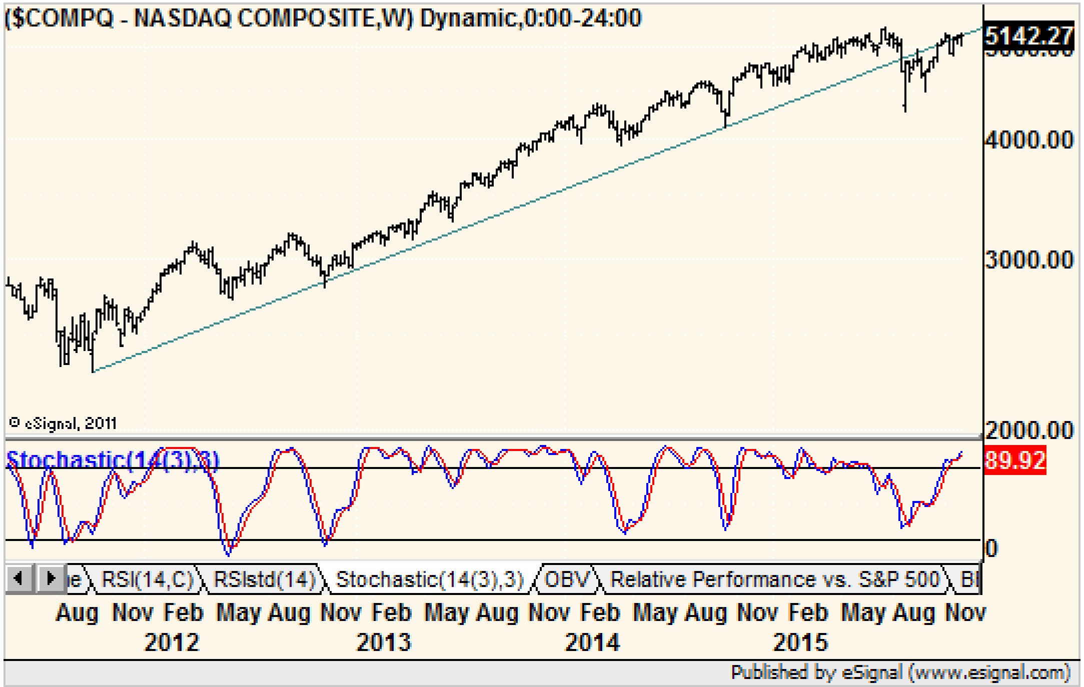
Index Charts of the Week



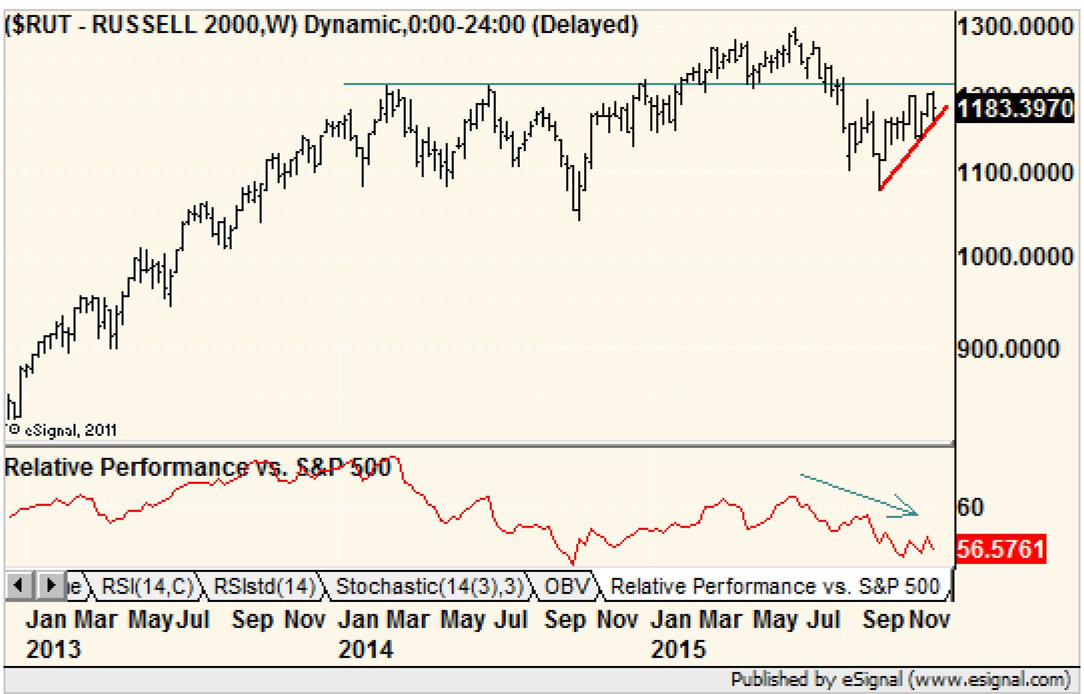
This is more less the chart I ran in last Monday's Barron's Online piece. The cyclical bull market peaks look quite similar.



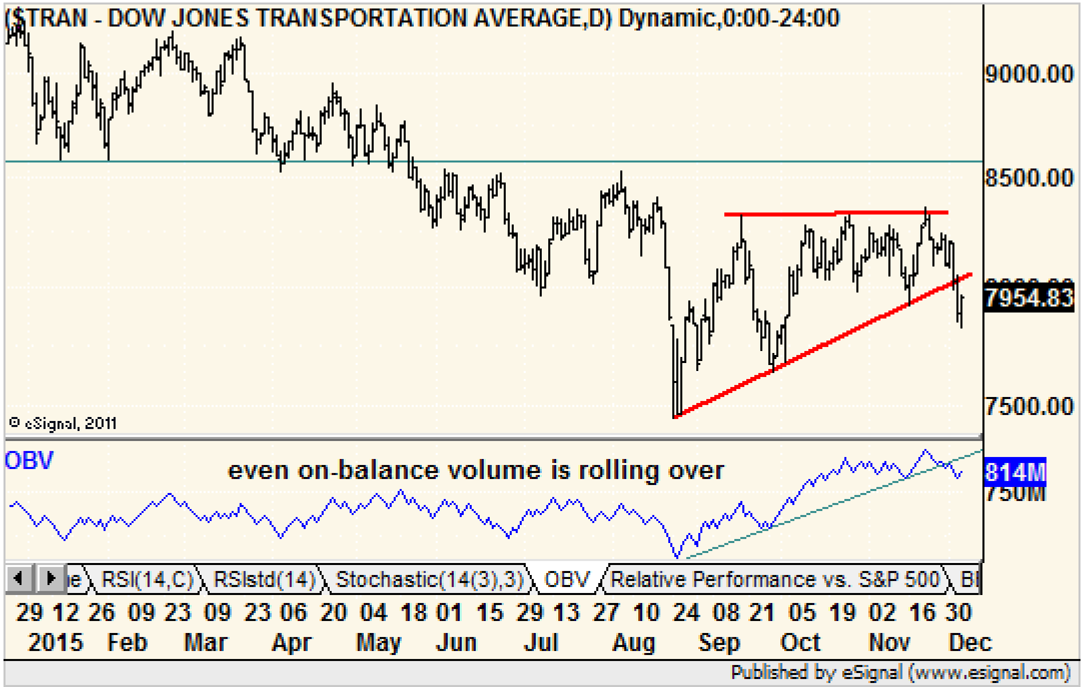
The short-term view is not much different that it was last week although the stochastics crossover is a bit more prominent.



Is the 2011 trendline broken? Still looks that way.

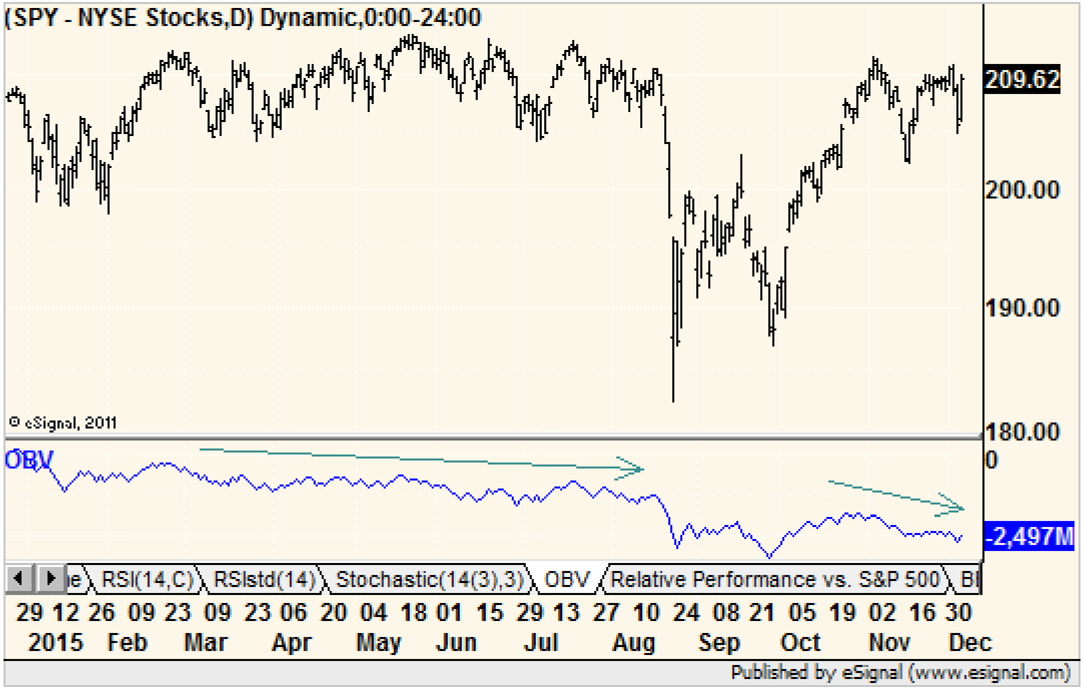


This is not what the Russell should look like if the market is in a solid bull. That looks more like a wedge at resistance on the right.

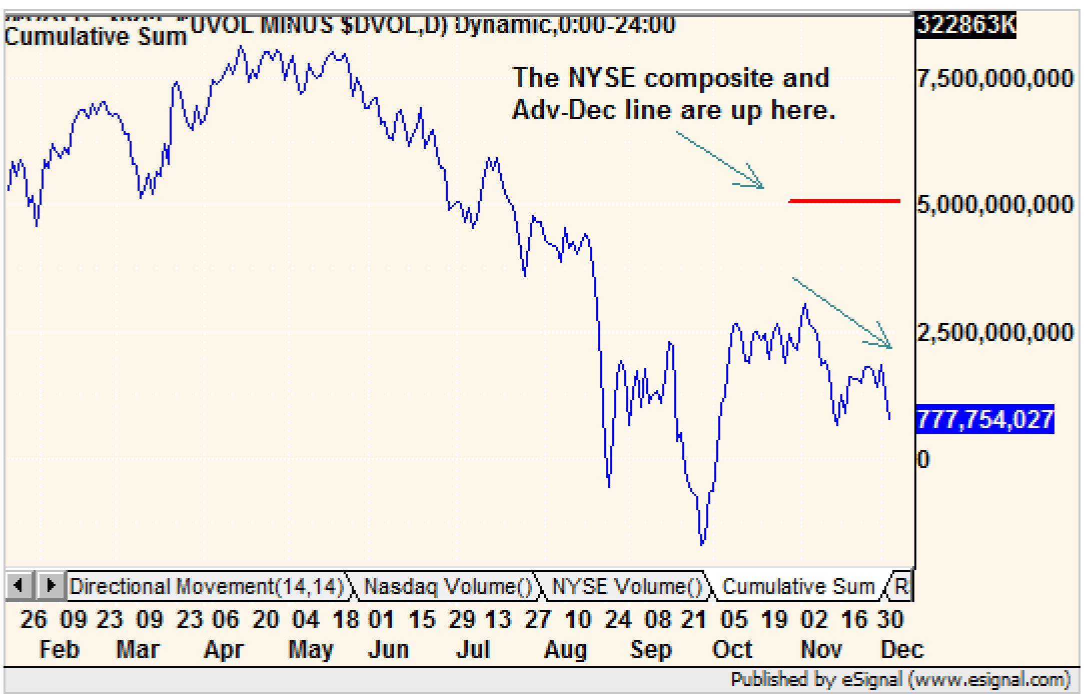


Transports look like a wedge breakdown.

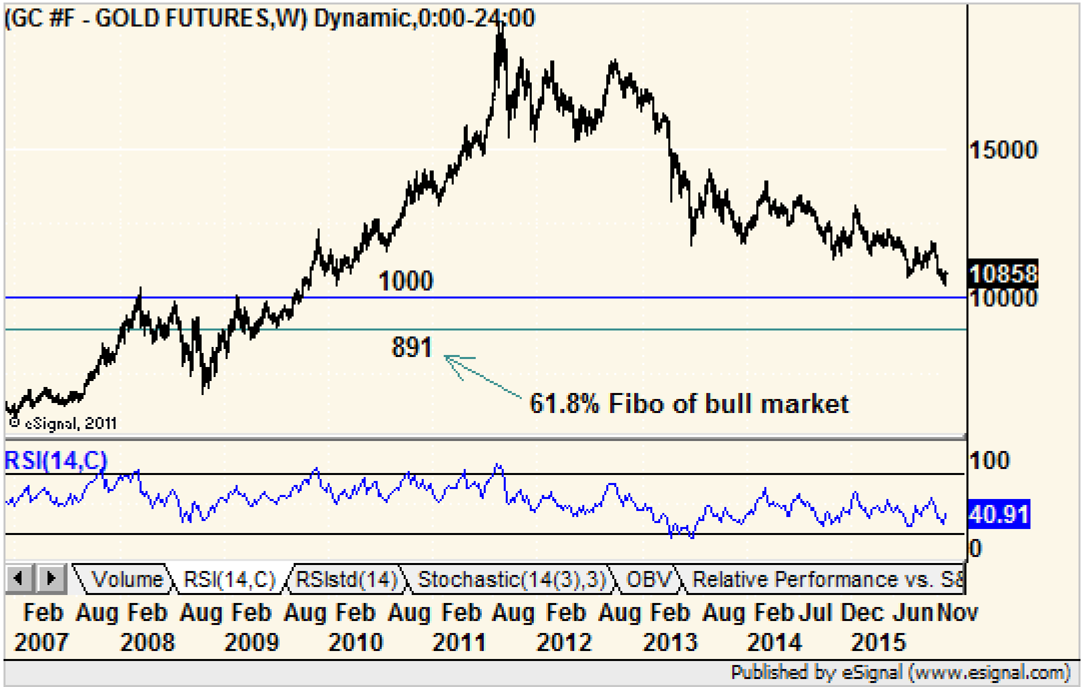
Other Markets



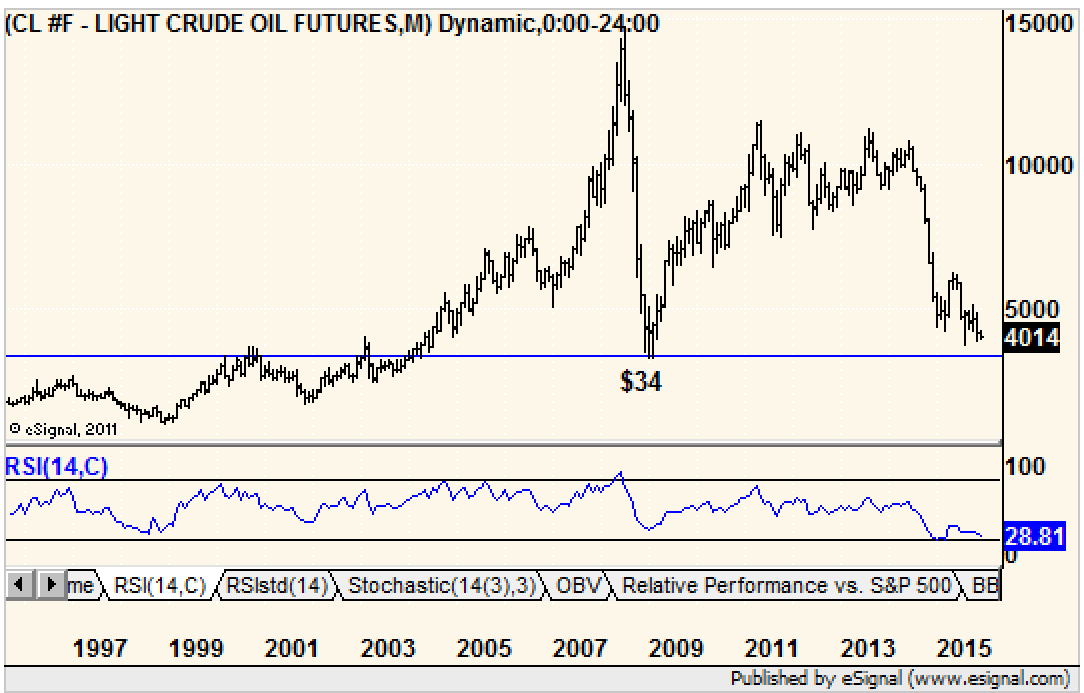
Spyder ETF – While the S&P 500 ETF is near its high, its on-balance volume is near its low. That is not good.



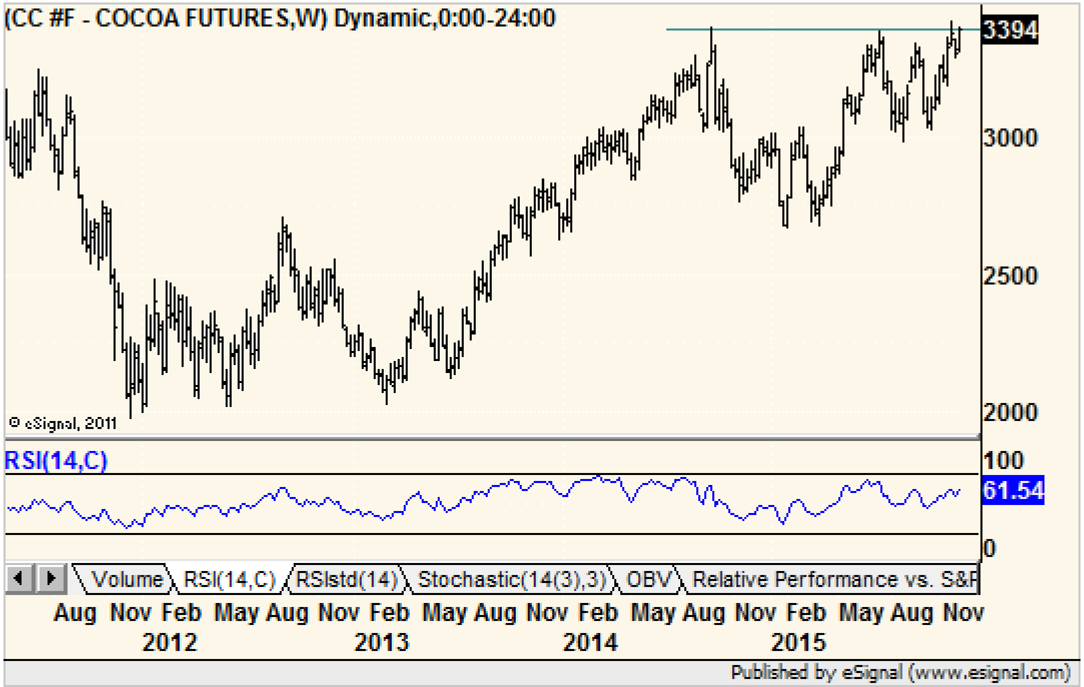
Up volume – down volume – While price and the advance-decline line area at about a 2/3 recovery, the volume version is at 1/3 and heading lower. In other words, advancing stocks are not getting their share of volume and that is not good.



Gold – This is also from Barron's this week. I look for 900 in round numbers as the 1000 level is too widely known as support and the bogus “psychological” level.

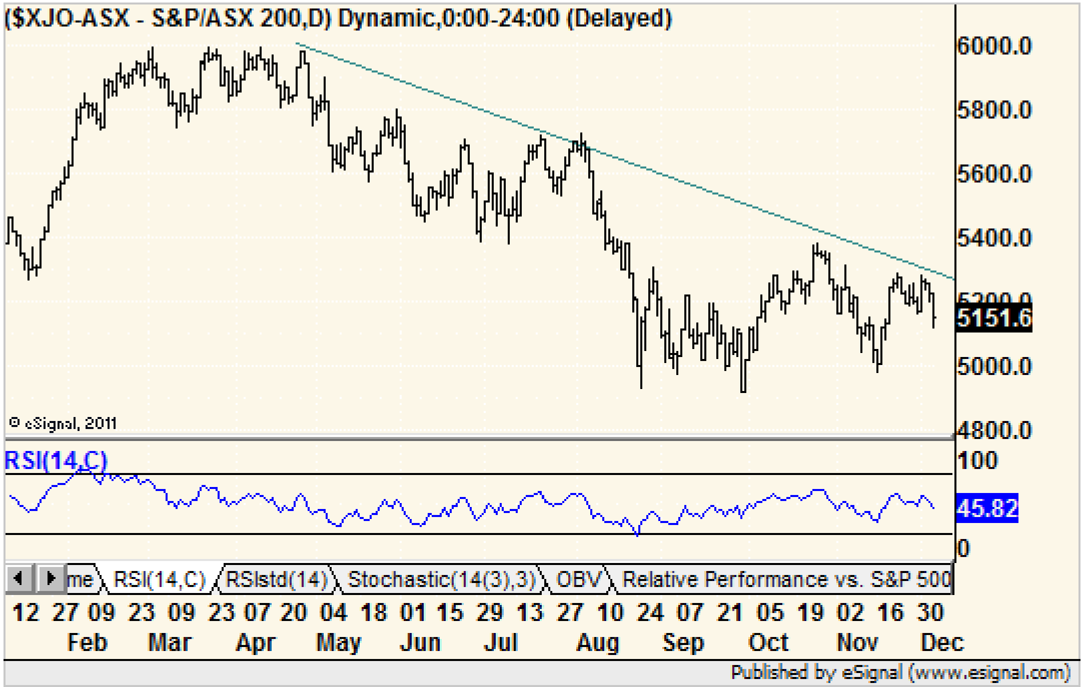


Crude Oil – Looking at $34 as support although an overshoot would not be a surprise.

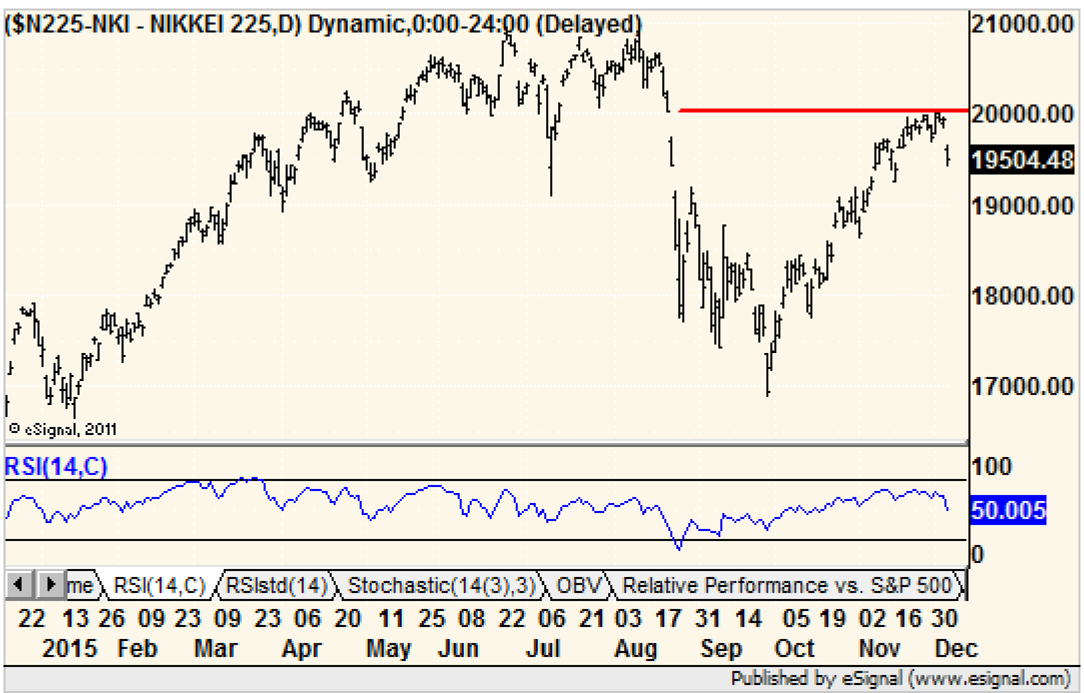


Cocoa – You want a commodity that looks good? It's this one with a cup-with-handle within a cup-with-handle.

NYSE Arca tech index – This is broad based index vs the **XLK** ETF which is cap weighted and distorted by the likes of Google. This presents an argument that main street tech is finally starting to feel its oats. However, it is far from leading and still below big resistance.

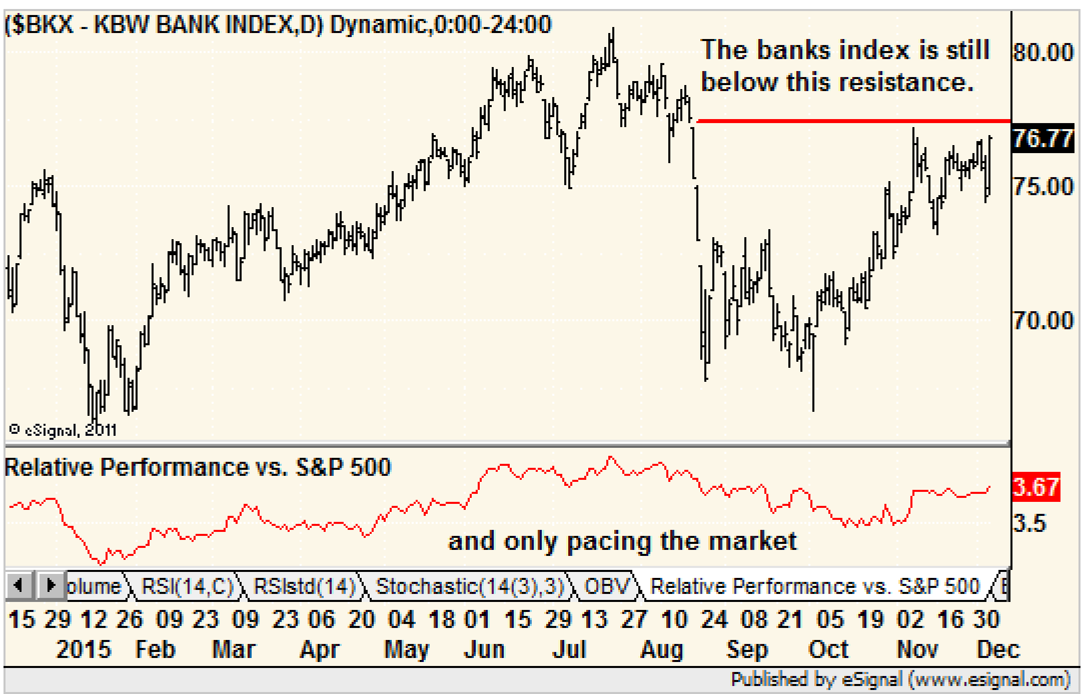


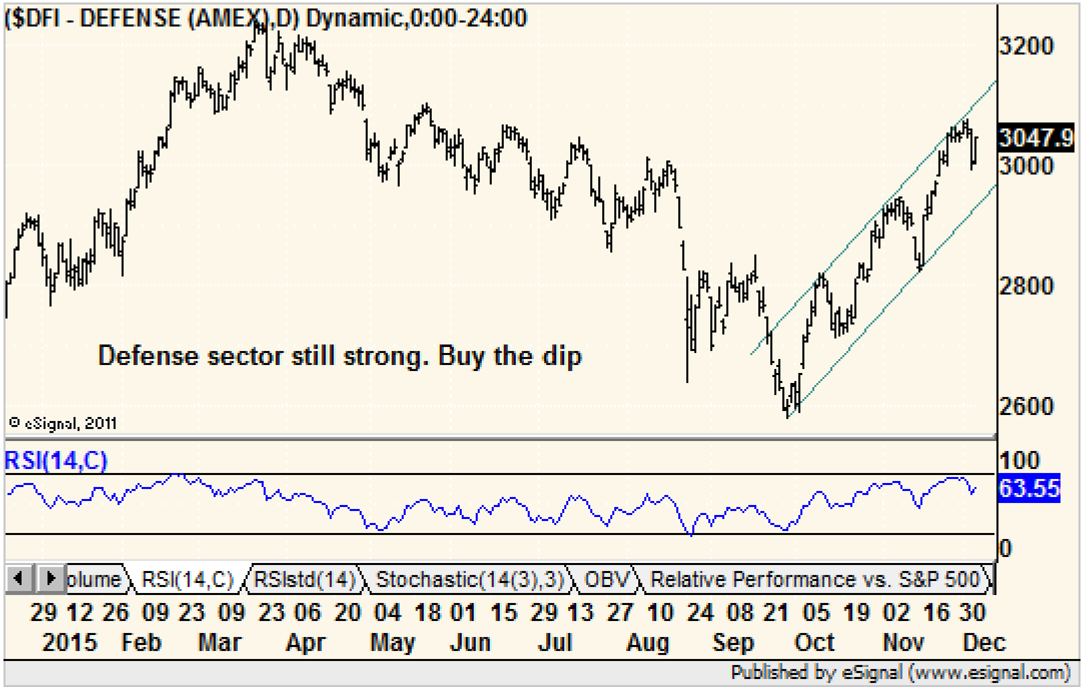
Australia – This market, Canada and the emerging markets all look similar. Commodities-based markets are in trouble.



Japan – Just a follow-up from last week. It stalled at resistance from the gap and the tanked on Friday. Bearish.

Sector Watch




($DFI - DEFENSE (AMEX),D) Dynamic,0:00-24:00
3200
3047.9
3000
2800
2600
Defense sector still strong. Buy the dip
© eSignal, 2011
RSI(14,C)
100
63.55
0
olume RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV Relative Performance vs. S&P 500
29 12 26 09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30
2015 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
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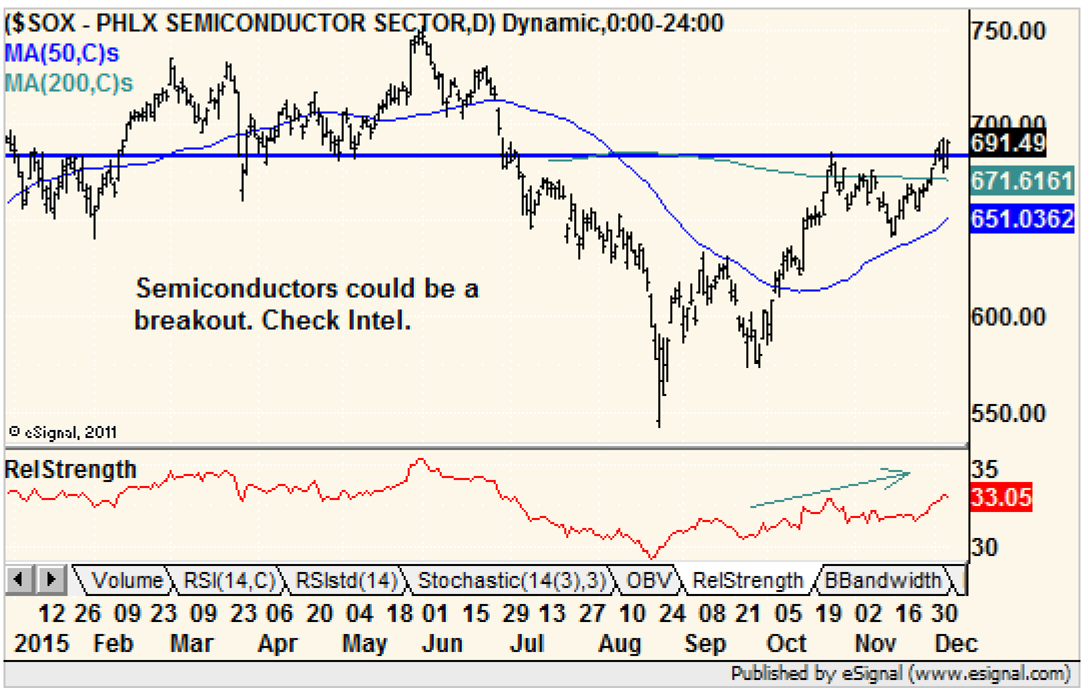
($SOX - PHLX SEMICONDUCTOR SECTOR,D) Dynamic,0:00-24:00
MA(50,C)s
MA(200,C)s
750.00
700.00
691.49
671.6161
651.0362
600.00
550.00
Semiconductors could be a
breakout. Check Intel.
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RelStrength
35
33.05
30
Volume RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV RelStrength BBandwidth
12 26 09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30
2015 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
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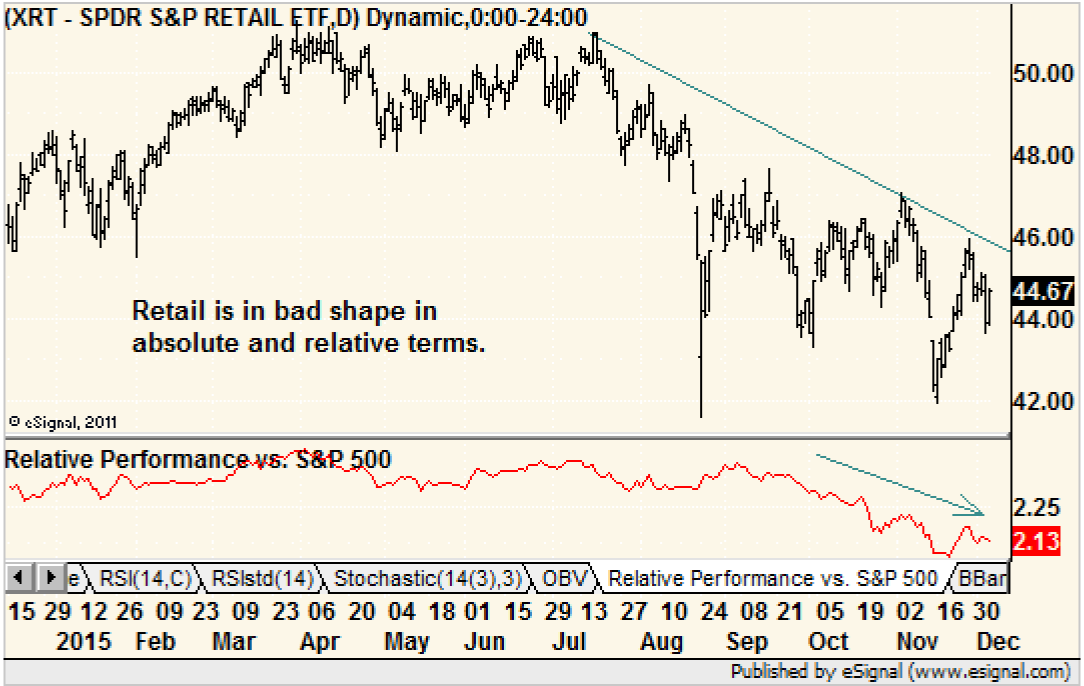
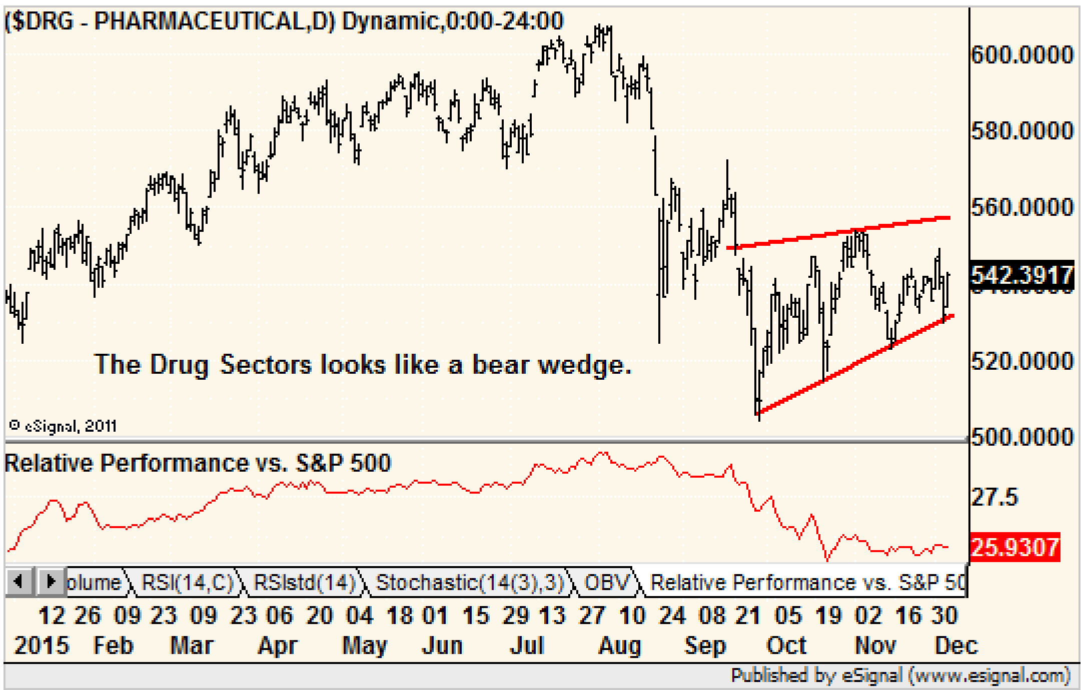


(XRT - SPDR S&P RETAIL ETF,D) Dynamic,0:00-24:00
Retail is in bad shape in
absolute and relative terms.
© eSignal, 2011
Relative Performance vs. S&P 500
50.00
48.00
46.00
44.67
44.00
42.00
2.25
2.13
e RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV Relative Performance vs. S&P 500 BBar
15 29 12 26 09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30
2015 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Published by eSignal (www.esignal.com)



($DRG - PHARMACEUTICAL,D) Dynamic,0:00-24:00
The Drug Sectors looks like a bear wedge.
© eSignal, 2011
Relative Performance vs. S&P 500
600.0000
580.0000
560.0000
542.3917
520.0000
500.0000
27.5
25.9307
olume RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV Relative Performance vs. S&P 50
12 26 09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30
2015 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
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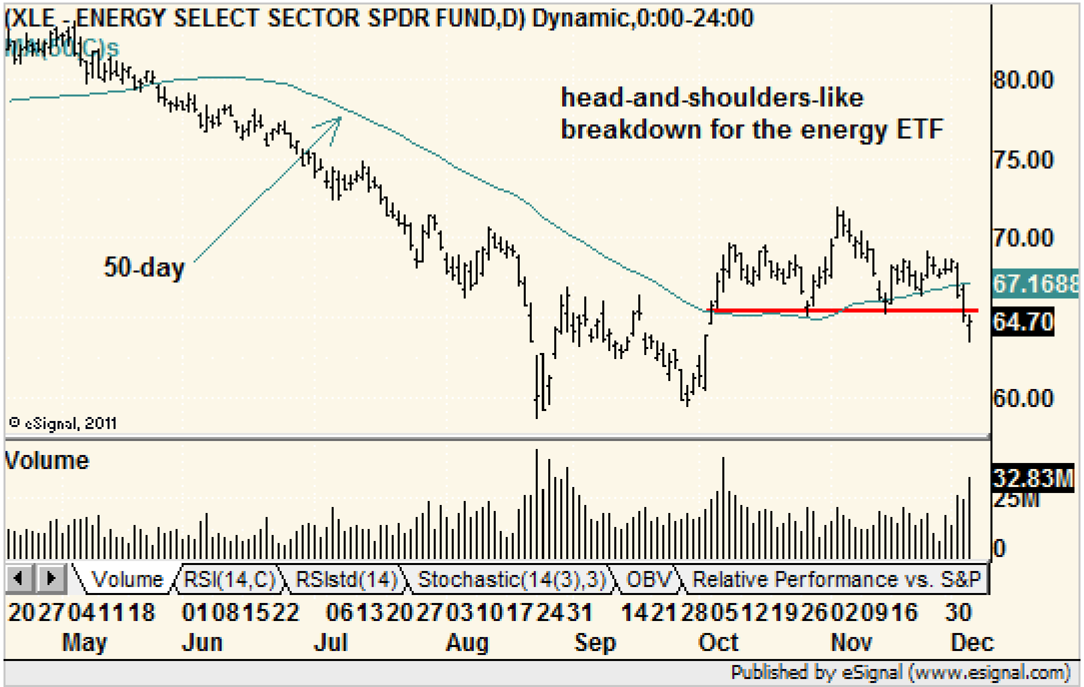

(XLE - ENERGY SELECT SECTOR SPDR FUND,D) Dynamic,0:00-24:00
head-and-shoulders-like
breakdown for the energy ETF
50-day
80.00
75.00
70.00
67.1688
64.70
60.00
© eSignal, 2011
Volume
32.83M
25M
0
Volume
RSI(14,C)
RSIstd(14)
Stochastic(14(3),3)
OBV
Relative Performance vs. S&P
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
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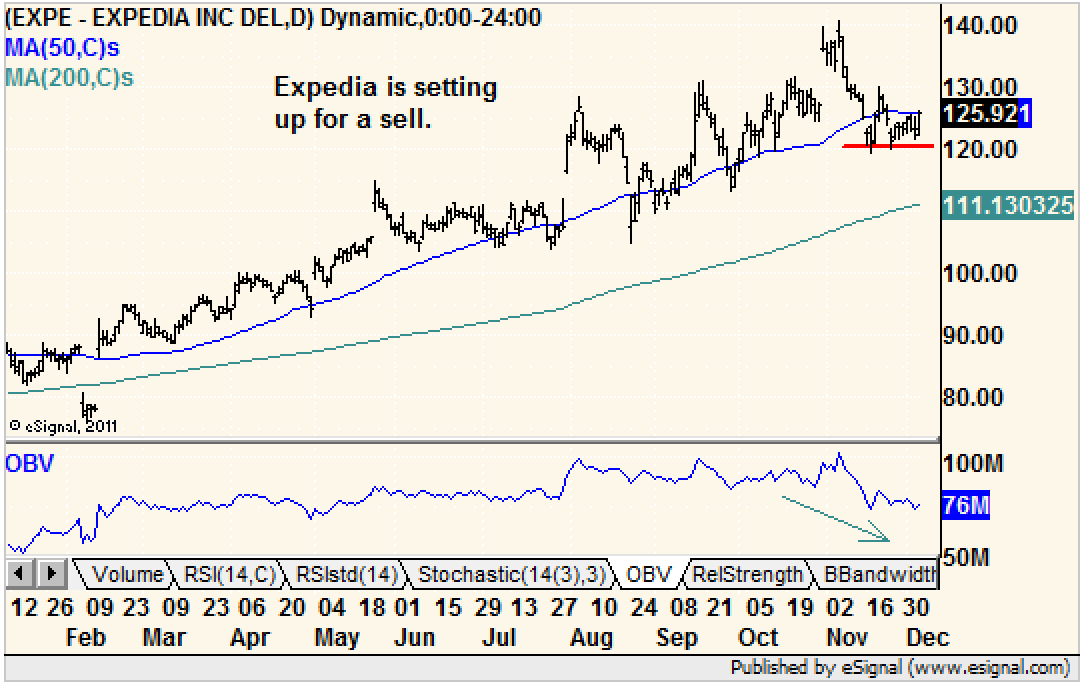
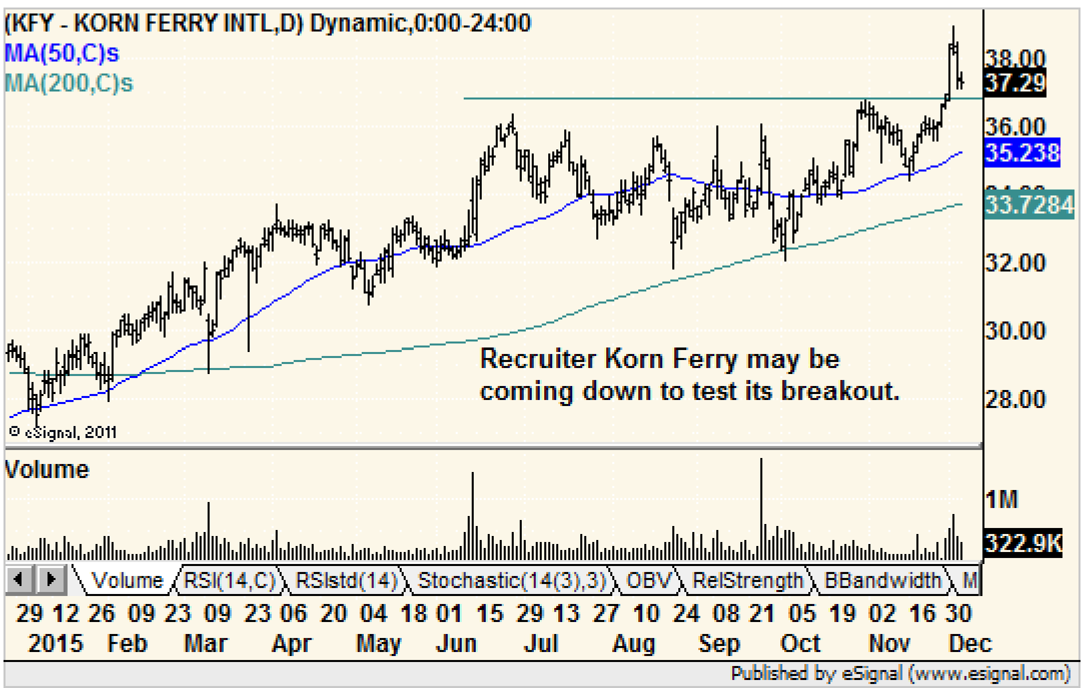
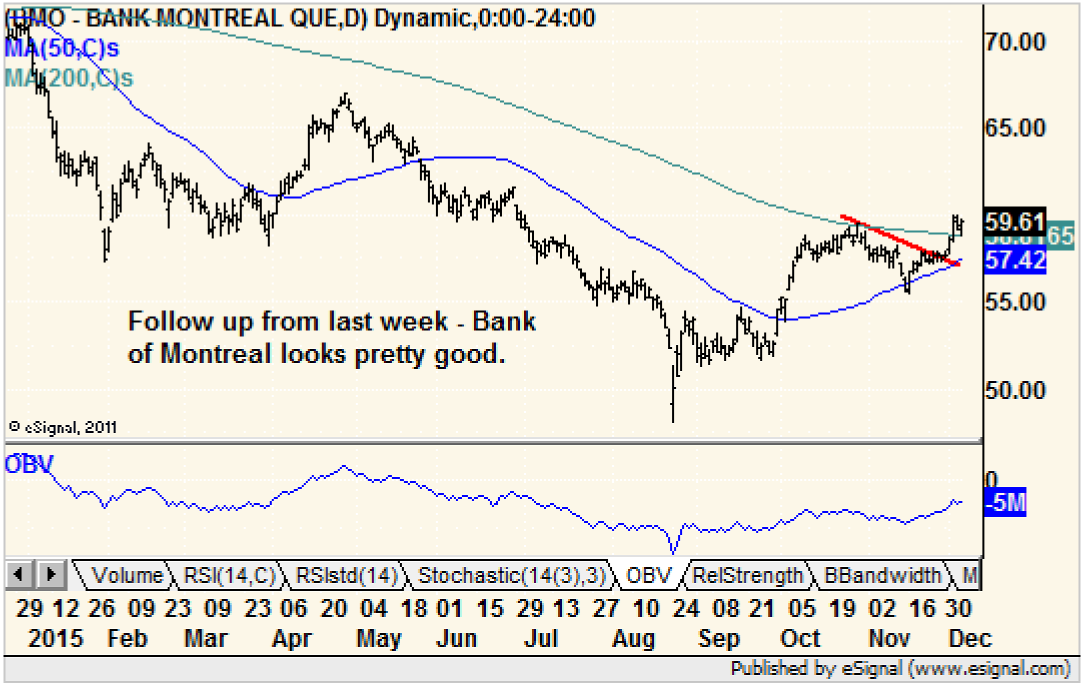
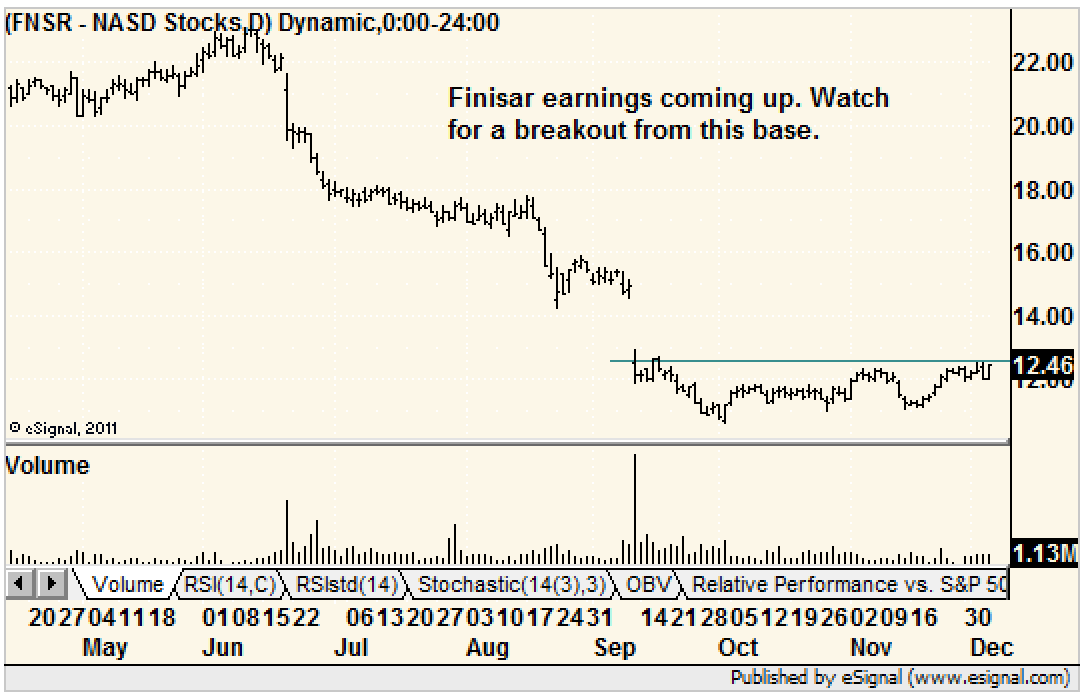
Stocks in the News






(BMO - BANK MONTREAL QUE,D) Dynamic,0:00-24:00
MA(50,C)s
MA(200,C)s
Follow up from last week - Bank of Montreal looks pretty good.
© eSignal, 2011
70.00
65.00
59.61
57.42
55.00
50.00
OBV
0
-5M
Volume RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV RelStrength BBandwidth
29 12 26 09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30
2015 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
Published by eSignal (www.esignal.com)


(FNSR - NASD Stocks,D) Dynamic,0:00-24:00
Finisar earnings coming up. Watch for a breakout from this base.
© eSignal, 2011
22.00
20.00
18.00
16.00
14.00
12.46
Volume
1.13M
Volume RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV Relative Performance vs. S&P 50
May Jun Jul Aug Sep Oct Nov Dec
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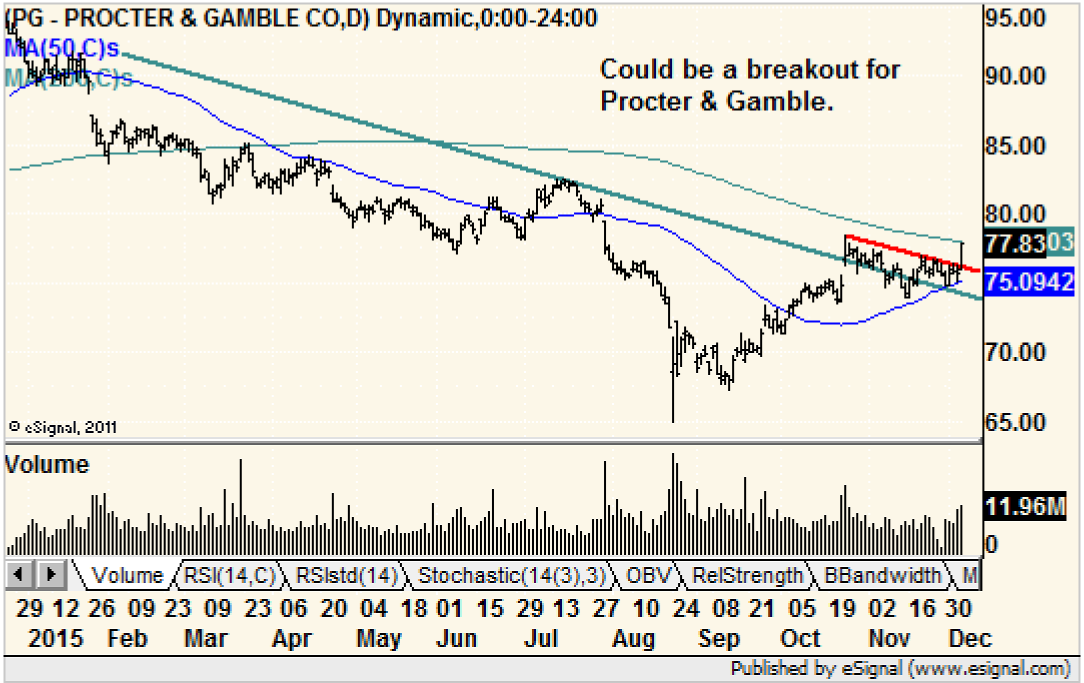

(PG - PROCTER & GAMBLE CO,D) Dynamic,0:00-24:00
MA(50,C)s
MA(200,C)s
Could be a breakout for Procter & Gamble.
95.00
90.00
85.00
80.00
77.8303
75.0942
70.00
65.00
© eSignal, 2011
Volume
11.96M
0
Volume RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV RelStrength BBandwidth M
29 12 26 09 23 09 23 06 20 04 18 01 15 29 13 27 10 24 08 21 05 19 02 16 30
2015 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec
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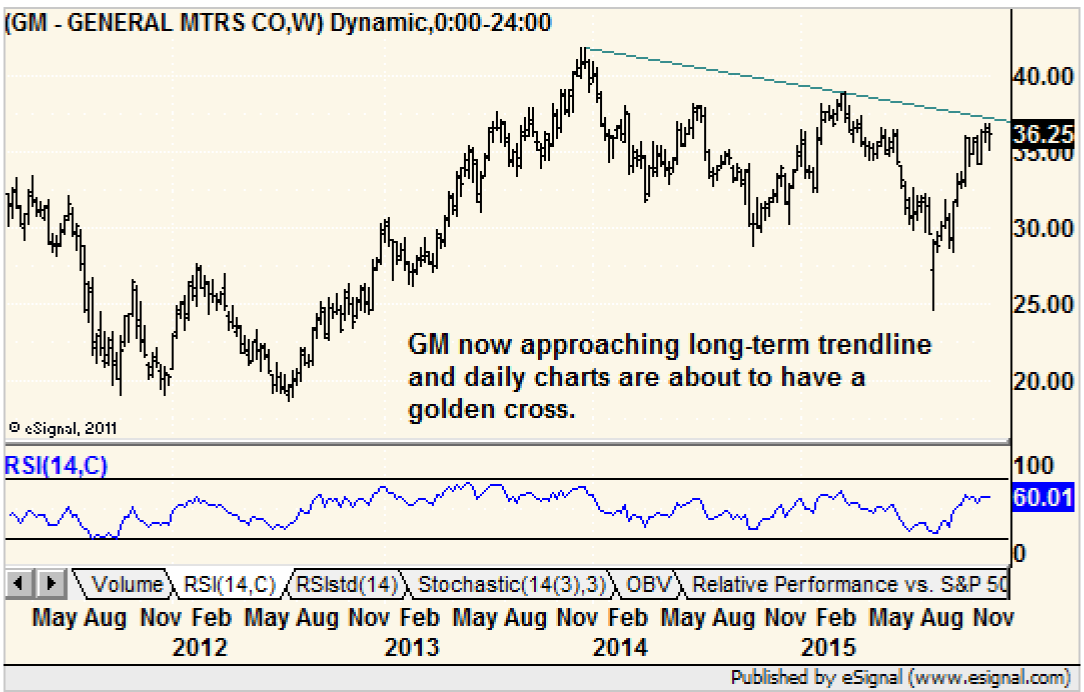

(GM - GENERAL MTRS CO,W) Dynamic,0:00-24:00
40.00
36.25
30.00
25.00
20.00
GM now approaching long-term trendline and daily charts are about to have a golden cross.
© eSignal, 2011
RSI(14,C)
100
60.01
0
Volume RSI(14,C) RSIstd(14) Stochastic(14(3),3) OBV Relative Performance vs. S&P 50
May Aug Nov Feb May Aug Nov Feb May Aug Nov Feb May Aug Nov Feb May Aug Nov
2012 2013 2014 2015
Published by eSignal (www.esignal.com)

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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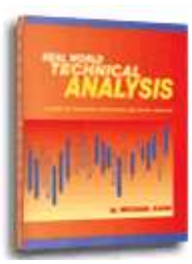

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http://www.talkmarkets.com/contributor/mnkahn

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