

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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October 5, 2011 - The employment report is in and it beat consensus. Stocks seemed to rally this week into the news so we wonder how much is left in the tank. But it is early and so far the major indices are trying to lift off their trendlines. Remember, the longer they failed to do that, the greater the odds they would break to the downside. This might have been the last day they had to get it done but so far so good. We'll have to see if the morning gains are kept into the close.

Oil was the big story yesterday as it gained back all of its Wednesday losses and then some. Technically, it was a nice influx of buying a cheap market at support and we were able to participate.

What was the reason? Technicals plus a breakdown in the dollar. We've been following a bear flag in the dollar index and although it lasted a little longer than we thought yesterday's breakdown was convincing.

Of course, gold and silver liked the falling dollar, too, and the former came within a few bucks of the 1800 level. Not bad for a market pundits had said was done and ready to drop big time this past summer.

Technically, there was positive movement across the market with banks, energy, retail and housing all lifting off respective trendlines. Tech is still lagging and "poor" Apple was actually down on the day. We cannot say this is a harbinger for bad things in tech because **AMZN** is having a huge week and **GOOG** is soaring into new high ground.

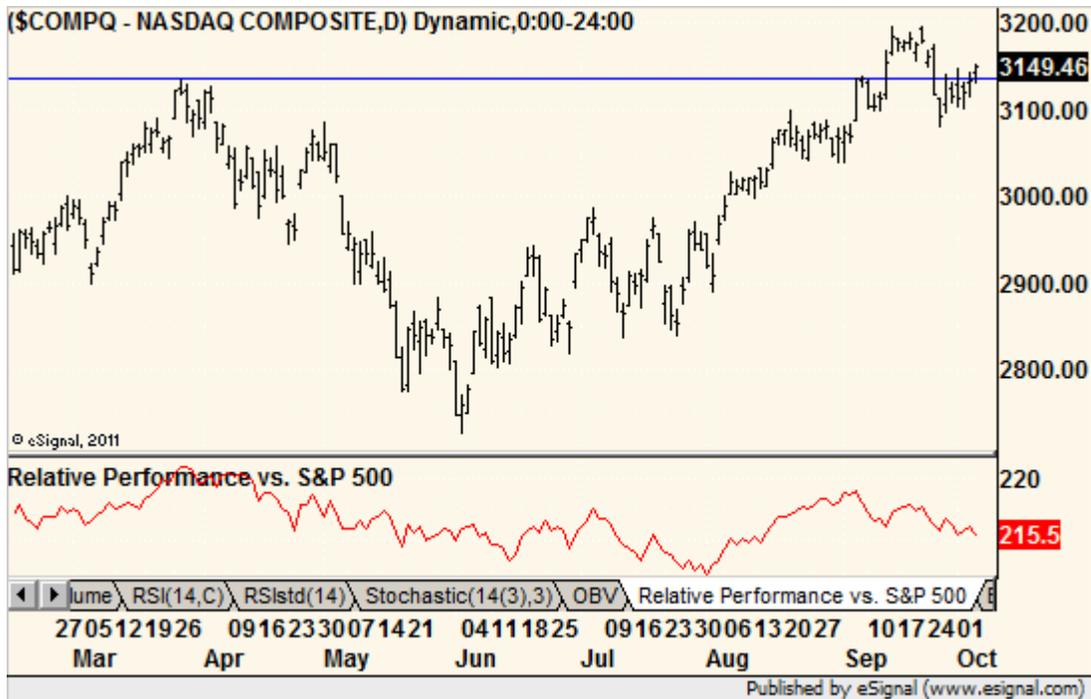
So basically, the bulls have awakened but are still groggy. The trend remains up but without the specter of new central bank intervention it is a very fragile trend at this time.

Overseas, Australia had a big day and is now above resistance set by the edge of the cliff it fell from in July 2011. Our **EWA** trade may trigger today.

Index Charts of the Day



So far, so good for the bulls although it is nothing to jump up and down about. The problem is that it has to follow through on the morning jobs report gain because failure now would be demoralizing.



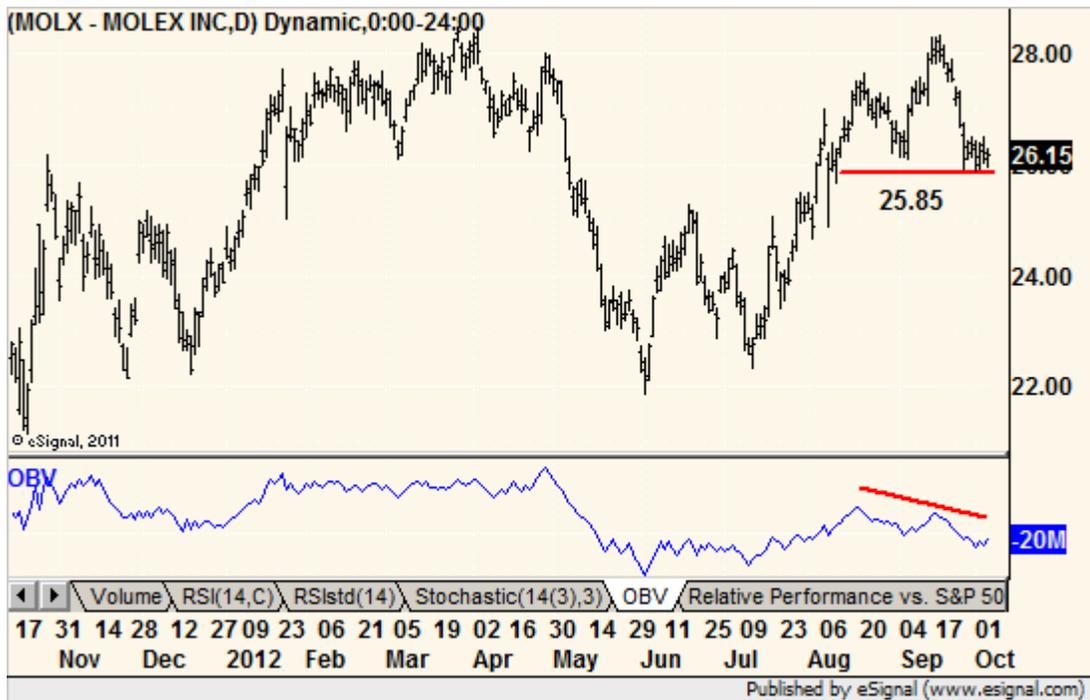
The Nasdaq is holding at a very important level but still lagging.

The Radar Screen

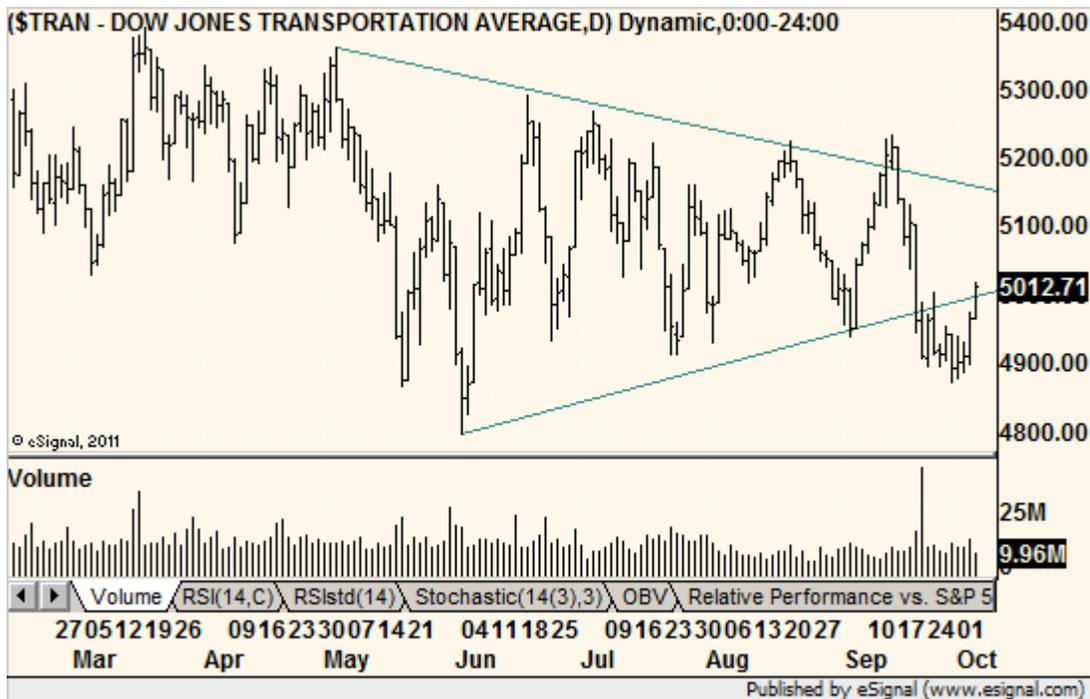
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances in the Radar Screen or the last major update. We do not take "buy on close" triggers if the stock moves more than 4-5%. See <http://quicktakespro.com/radar.html> for all Radar Screen rules and terms.

Bullish Implications		
Australia ETF EWA - This chart looks like a failed breakout with resistance now holding. However, the rate cut news and positive action overnight in the home market makes up look closer. A close over 24.25 (a re-breakout) would be the buy signal and resumption of the trend.		10/2
Oil ETF USO - This one did not hit its Fibo retracement but it did hit support from July. We like it enough to buy even though it is already bouncing in the premarket.	Triggered	10/4
Bearish Implications		
Semiconductors ETF SMH - A morning star candle pattern with a big volume up-candle yesterday makes us want to wait on this one. We had thought selling a bounce to broken support at 32.25 would be the way to go but this might overshoot. Of course, the premarket is weak today to complicate things but we'll put the sell trigger at 32.50 just below the major moving averages.		9/28
Molex MOLX - We have the entire electronics sector on bear alert. This one is now in a tight range with falling on-balance volume. Selling a close under 25.85.	New	10/5
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
JB Hunt Transportation JBHT - Seems too strong at this time so we are going to move on with no harm done.	Removed	10/1
Sector Watch (observations that may spark ideas)		
Utilities - Big rally Thursday makes the "sell the bounce" plan questionable. WTR still looks OK for that, however.	Changed	9/19
Semiconductors - Total breakdown. Another sell-the-bounce candidate.		9/21
Apartment REITs - some breakdown now and some should be soon (EQR, BRE)		9/24
Electronics - Super weak sector. ARW, MOLX (new short trigger above), EMR, TRMB		9/25
Updates		
Equity Residential EQR - Apartment REIT. We were waiting to sell a bounce as the sector is now weak. Yesterday, we removed it from the Radar Screen. It broke down from its range so we were right on the macro call but wrong on the trading aspect.		
Long T-Bond ETF TLT - Looked like a bull flag at resistance but it fell rather substantially Thursday. This is why we wait for actual breakouts. However, stay tuned as this develops.		

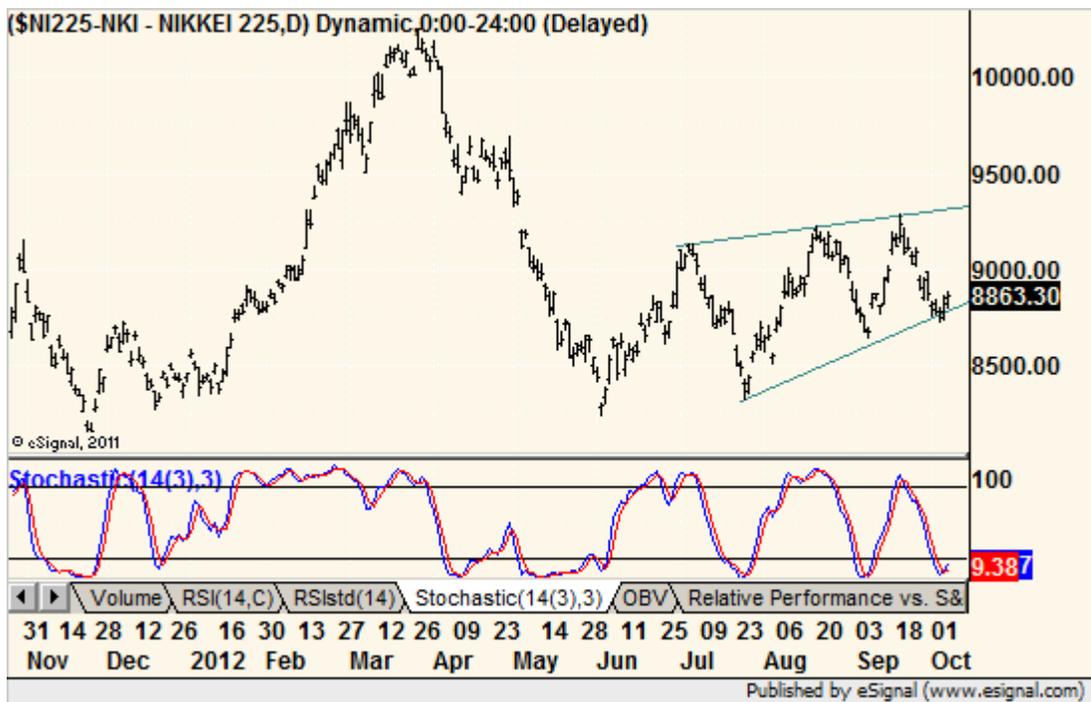
Market Highlights



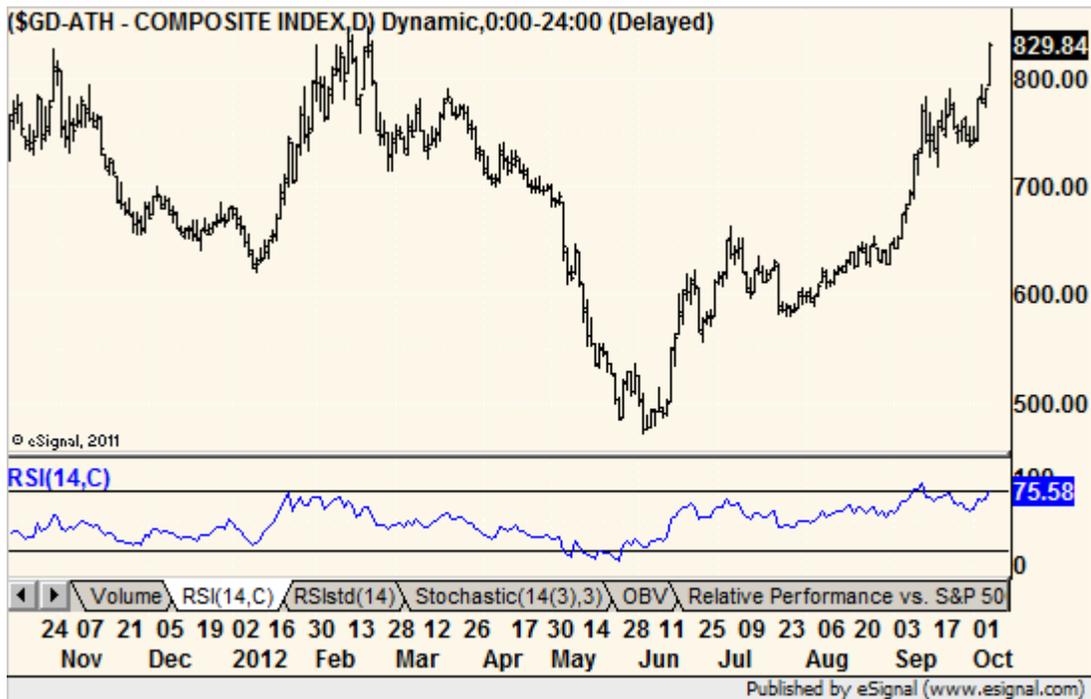
Molex - We have the entire electronics sector on bear alert. This one is now in a tight range with falling on-balance volume. Selling a close under 25.85.



Transports - Two big rally days took it back into its old triangle pattern. So far, still within the realm of a test of the breakdown but it cannot go much higher without negating the breakdown.



Japan Nikkei 225 - Just a look at a market at the bottom of a range with the odds favoring a move to the top of the range. Overall, however, Japan is far from the strongest market out there.



Greece Athens Composite - Chart presented without prediction or trade recommendation. Clearly, somebody thinks this is a good investment (we do not).

Reminder - China was closed all week.

Advice Tracker

This is a list of stocks that have triggered buys or sells and not a recommended portfolio. We will track them with suggested strategies but specific stops and position closes are up to the subscriber. Symbols in **red** mean that the position was stopped out. Stops in **red** were changed. Any position that moves in the desired direction and then reverses by 5% from the extreme that day is an automatic stop out. This is to compensate for the inability of this once per day newsletter to alert subscribers to the reversal.

	Symbol	Name	Last	P/L	Stop	Price in	Date in	#Days
<u>Long</u>	GLD	SPDR GOLD SHARES	173.61	11.7%	165.00	155.41	6/1	125
	CPB	CAMPBELL SOUP CO	35.12	1.8%	34.00	34.51	8/14	51
	CVX	CHEVRON CORP NEW	117.15	-1.2%	113.00	118.53	9/21	13
	PAAS	PAN AMERICAN SILVER CORP	22.19	9.6%	21.00	20.25	9/26	8
	XLE	ENERGY SELECT SECTOR SPDR FUND	73.76	1.0%	72.00	73.00	9/26	8
	AAV	ADVANTAGE OIL & GAS LTD	4.04	2.3%	3.80	3.95	10/2	2
	USO	UNITED STATES OIL FUND	33.94	2.9%	32.50	32.99	10/4	0
<u>Short</u>	LRCX	LAM RESEARCH CORP	31.78	10.1%	33.00	35.00	7/18	78
	DNKN	DUNKIN BRANDS GROUP INC	29.81	0.6%	30.25	30.00	9/11	23
	MCK	MCKESSON CORP	89.00	-4.5%		85.03	9/20	14
	JWN	NORDSTROM INC	56.05	-1.0%	57.50	55.50	9/24	10
	TRMB	TRIMBLE NAVIGATION LTD	48.64	-2.0%	50.00	47.69	10/2	2

Notes: New long in **USO** at the open. Even the little gap up did not spoil what turned out to be a very positive day.

Finally stopped out of **MCK** short as the stock rallied very sharply. Looking back on the trade, we would not have done anything different at the beginning. The setup was fine and even the bullish reversal the day after the sale showed no follow through. Unfortunately, this was one of those charts that just did not work.

Raised the stop on the **PAAS** long. The bearish RSI divergence in gold and silver is one step closer to being negated.

As for non-performing shorts, **DNKN** still has a bearish death cross so we'll let it ride. **TRMB** went against us but it is in the weak electronics group and volume on the rally was low.

And the winning short **LRCX**, we were very tempted to cash in the profit but the chart still looks weak. If you can take a **partial profit**, that would work, too.

Subscriber Corner

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Other Information

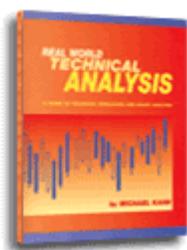
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently on financial television including PBS’ Nightly Business Report where he still blogs today.



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