

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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January 16, 2014 – Another strong day sent the S&P 500, Nasdaq, Russell 2000 and Dow Transports back into the record books while the Dow Industrials (and S&P 100 mega caps) gained but not to new highs. The Dow theory guys are getting ready to crow because if the Industrials make a new high then the buy signal is back in force. Fine. We already are on a buy signal to 16,750. Don't let the editor's push of my second target 17,750 in yesterday's Barron's Online column goad you into making marginal buys. That is only a call to be made if and when 16,750 is reached.

Gold stocks bounced back a little and we are happy with our long in **GDX**. Keep in mind the dollar had a strong Wednesday so any gold strength is good news for bulls. All things equal, gold tends to fall when the dollar gains so we have to assume there was indeed some demand yesterday.

In the column, I also mentioned two key sectors - tech and banks - were back in the lead. Apple was right in there with a nice gain, semiconductors as a group surged and Microsoft had its second day of big gains - after stopping us out last week (@&%#).

And the **XLV** healthcare ETF negated Monday's bearish reversal as it also hit a new high. Basically, stocks look pretty strong all around, except for retail, of course. Did you see Best Buy (**BBY**) in the premarket today? Down 23%.

So why are we not backing up the (abused metaphor) truck? Check out this read on new NYSE common stocks only 52-week highs from DecisionPoint.com. →

This shows the NYSE composite, which did not reach a new high, but with just about every major index hitting a new high the divergence is a bit of a concern. We cannot call it a signal yet because we do not know at this time if the indicator will continue to climb and eventually get back to the old high.

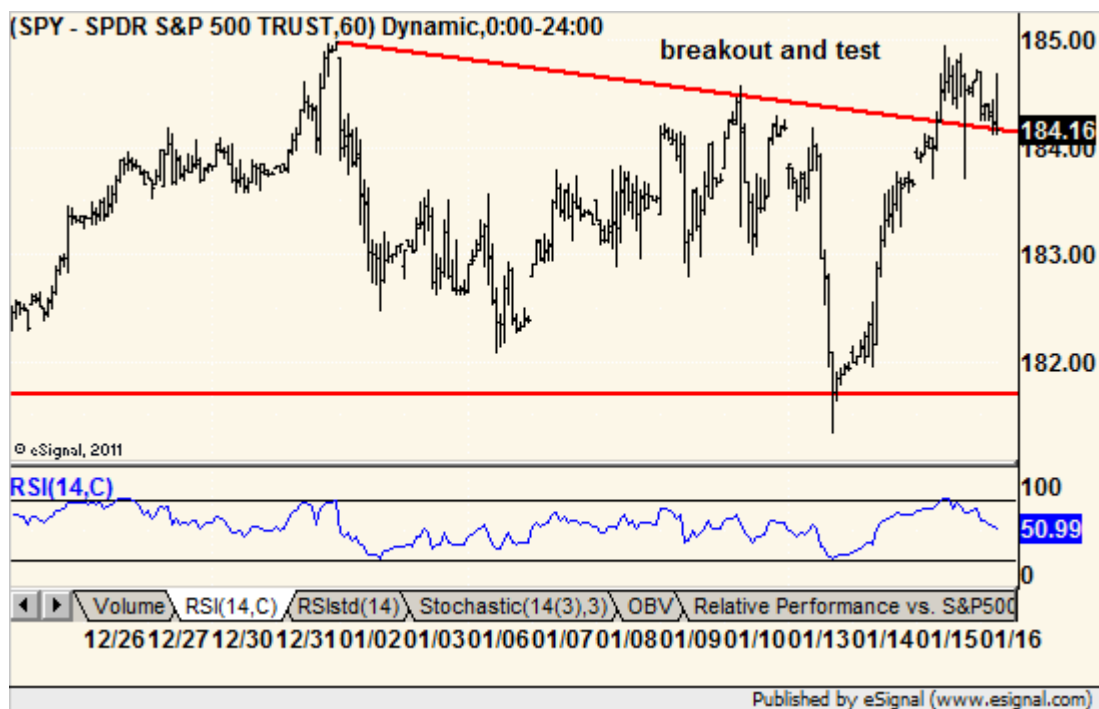
However, if the number of new highs starts to fade whether or not prices fade too, then we will have an official divergence in place. That will be a real warning signal that January strength is coming to an end.

There is another breadth thing to mention. While the advance-decline line is still in good standing and last month's potential divergence was erased, we are a bit concerned that the net A/D line for the NYSE was 1262 Tuesday and 912 yesterday. On days when the Dow gains triple digits, we'd expect a rout on the breadth front with advancers swamping decliners by 2000 or so.

Advancers did win this week but we are going to pay attention.

Let's move on to the hourly chart - on the next page...





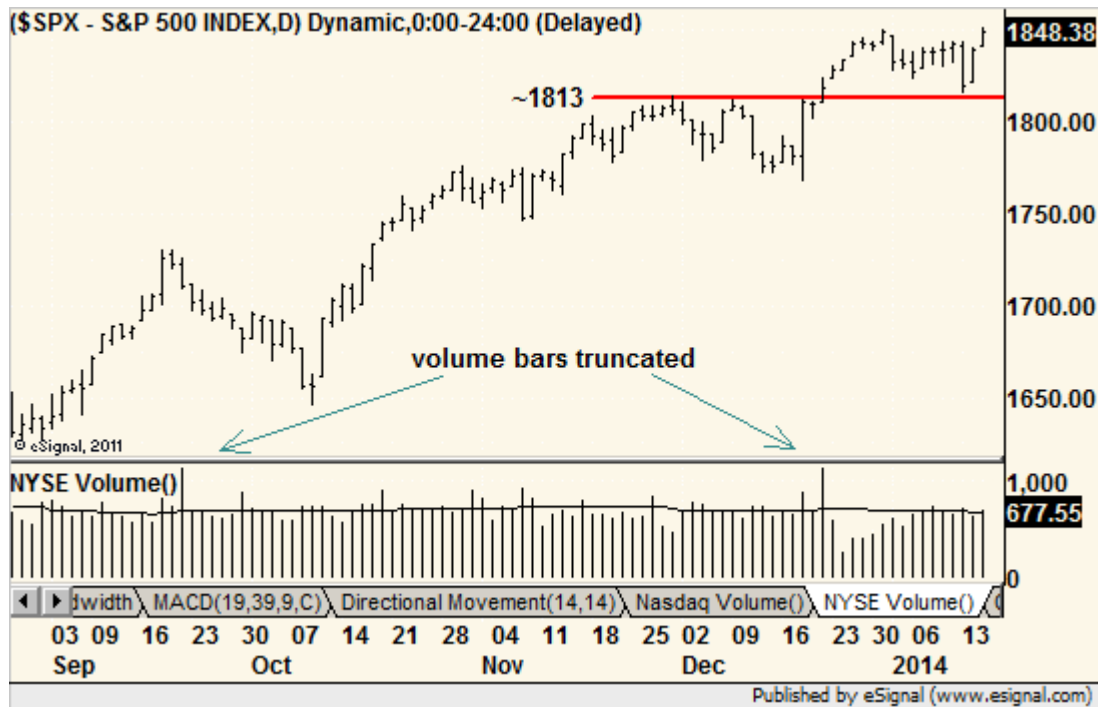
The **SPY** held support Monday and rallied through resistance yesterday. Overnight, it came back to test that breakout so we have to give the bulls the win. Did you notice that this ETF did not close at a new high as the S&P 500 index itself did?

Moving to the dollar, it was up nicely as mentioned above. The yen fell quite a bit and has now erased the two-day rally from earlier this week. Same for the Australian dollar.

Crude oil bounced off support with a nice Wednesday gain. Curiously, gasoline did nothing. We'll take that as a sign of further weakness and oil refiner **TSO** has broken down hard this week. We still like **HFC** and it is holding up better. Will this keep the transports moving, too? Airlines are certainly doing well.

That's it for today. We cannot see doing much of anything as the two-day rally gets some rest.

Index Charts of the Day



We've only got one index chart today as everything is rather homogeneous. A new high - barely - for the S&P 500 on average volume.

Is it a real breakout? Everyone thinks so but you know what happens when everyone thinks the same thing. That does not mean it is not real but we would not be surprised to see a few days of nothing before the rally really resumes.

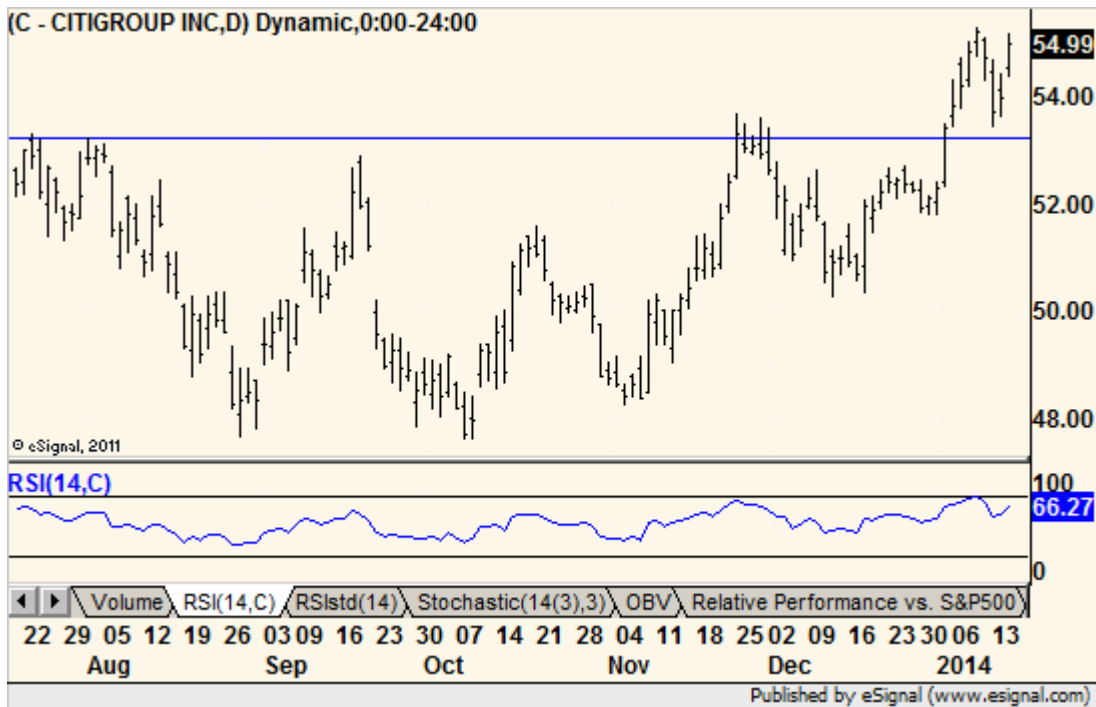
Grammar Police - Forgive the triple negative

The Radar Screen

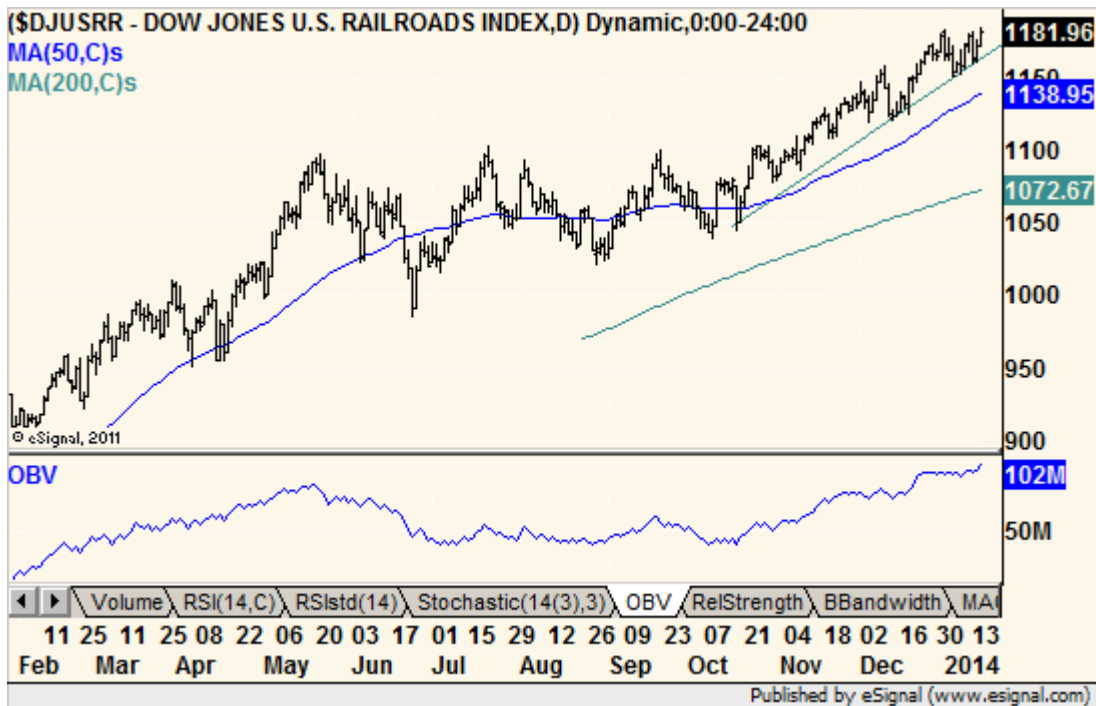
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances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

Bullish Implications		
Monsanto MON - We like the pullback to the trendline and loose test of a loose long-term breakout. Big volume on the decline yet on-balance volume barely moved at all to say no money left the stock - bullish. Volume on Tuesday's gain was also higher than the previous day's as it fell. We like this above Tuesday's high at 113.00 (actual high was 112.92).	Triggered	1/15
Potash Corp POT - This is a buy right here as it has punched through two resistance level - each time of nicely elevated volume, although it is hard to see on the chart. Big 4% dividend yield. Target - closing the gap.	Triggered	1/15
Bearish Implications		
St Jude Medical STJ - This is a medical products company and it may have flamed out Monday. Overbought with an inverted hammer candle. Time to sell.	Triggered	1/14
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
CVS Caremark CVS - Watching a serious RSI divergence. Now waiting for a bounce to sell.		1/8
Orbital Sciences ORB - A rocket maker with a breakout. Looking to buy a test. It may not get down comfortably enough	Removed	1/10
Ace ACE - This property & casualty insurer broke down from a double top on big volume. We want to see it bounce to test that break and then sell.		1/13
AO Smith AOS - Ditto for this water heater maker.		1/13
Home Properties HME - This REIT is forming a double bottom and should run into its declining trendline soon. Note on-balance volume finally rising. A breakout should be bought but for now we watch.		1/15
Sector Watch (observations that may spark ideas)		
Utilities - Floundering now	Removed	1/6
S&P Insurance ETF KIE - Bearish RSI divergence and potential double top. Waiting for trendline to break. Broken		1/9
Retail ETF XRT - Lagging the market but still holding its rising trendline. Broken		1/10
Consumer Staples ETF XLP - Lagging the market but at support. May be time to pick up some higher dividend names.		1/10
Banks - Conflicting charts now.	Removed	1/13
Drugs - We're not trading this but rather want to point out that there is a faction within the drug sector that is zooming higher. Most are wildly overbought but this is something to investigate. BCRX, MRK, ALNY, JAZZ, CBST, SCMP		1/14
Updates		
none-		

Market Highlights



Citigroup - It looked like a breakout and test but earnings today sent it back down to the line seen above. So far, it is not a failure of the breakout. However, it needs to stabilize right here right away.



Railroads index - Taking a hit in the premarket on earnings but this chart still looks pretty good.

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.

	<u>Symbol</u>	<u>Name</u>	<u>Last</u>	<u>P/L</u>	<u>Stop</u>	<u>Price in</u>	<u>Date in</u>	<u>#Days</u>
<u>Long</u>	NLY	ANNALY CAP MGMT INC	10.14	2.5%	9.90	9.89	12/6	40
	MCD	MCDONALDS CORP	95.46	1.3%	93.00	94.19	12/13	33
	LO	LORILLARD INC	49.38	-1.8%	48.75	50.30	12/24	22
	CPE	CALLON PETE CO DEL	6.60	0.8%	6.30	6.55	1/7	8
	TEVA	TEVA PHARMACEUTICAL INDS LTD	44.01	5.5%	42.50	41.70	1/10	5
	GDX	MARKET VECTORS GOLD MINERS ETF	22.39	1.1%	21.25	22.15	1/13	2
	T	AT&T INC	33.79	1.4%	32.25	33.33	1/14	1
	MON	MONSANTO CO NEW	113.00	0.0%	109.00	113.00	1/15	0
	POT	POTASH CORP SASK INC	35.15	1.4%	33.25	34.66	1/15	0
<u>Short</u>	AXP	AMERICAN EXPRESS CO	88.25	0.3%	90.00	88.55	1/10	5
	SBUX	STARBUCKS CORP	76.19	-0.2%	79.00	76.00	1/13	2
	STJ	ST JUDE MED INC	65.90	1.4%	68.00	66.80	1/14	1

Notes: New longs in **MON** and **POT**, the latter on the open yesterday.

New short in **STJ** triggered Tuesday was not listed in the Advice Tracker yesterday.

MCD and **LO** are not performing and may be dropped tomorrow if they do not do something today.

Subscriber Corner

This section is dedicated to subscriber requests for stock, futures, index and foreign exchange analysis. Send requests to <mailto:mkahn@quicktakespro.com>.

Note to **Bill** - Stops are included in the Advice Tracker.

Other Information

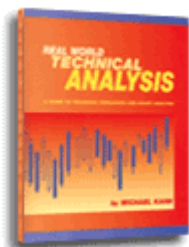
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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