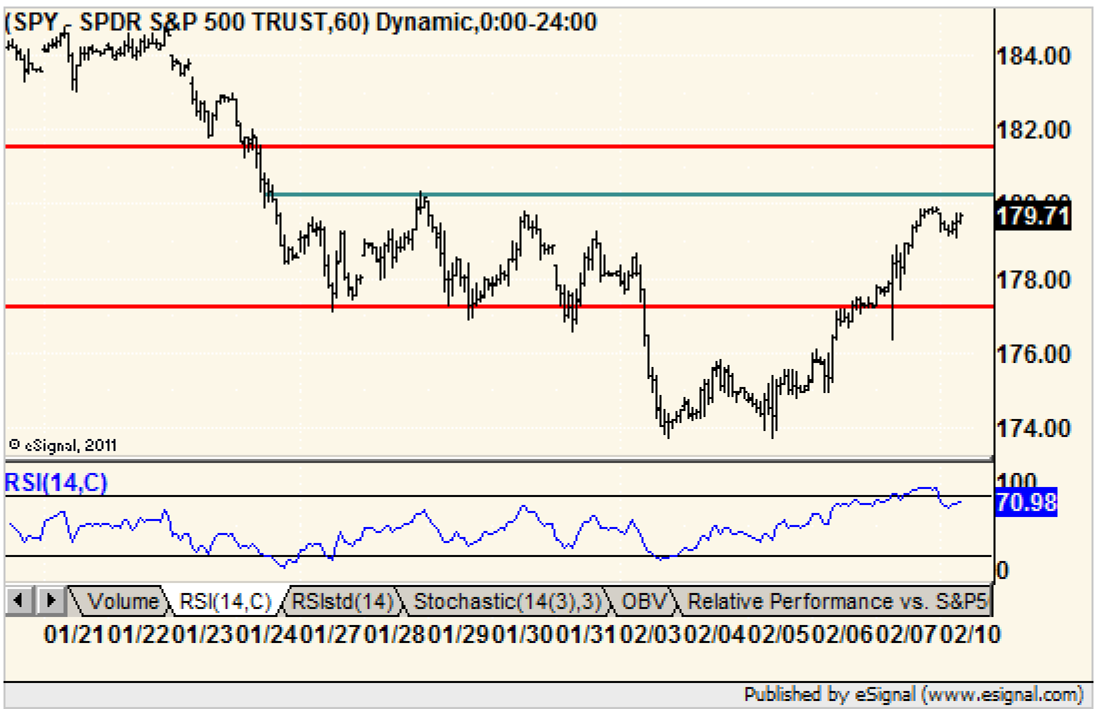
February 10, 2014 - The bull market is now approaching its 5th year anniversary and the big question is whether last week's rebound was one of the market's famous middle fingers hoisted at the bears. After all, the Dow and NYSE composite bounced off (close enough) to respective 200-day moving averages. But there are two important points so consider.

The first is that the rebound came on lower volume.

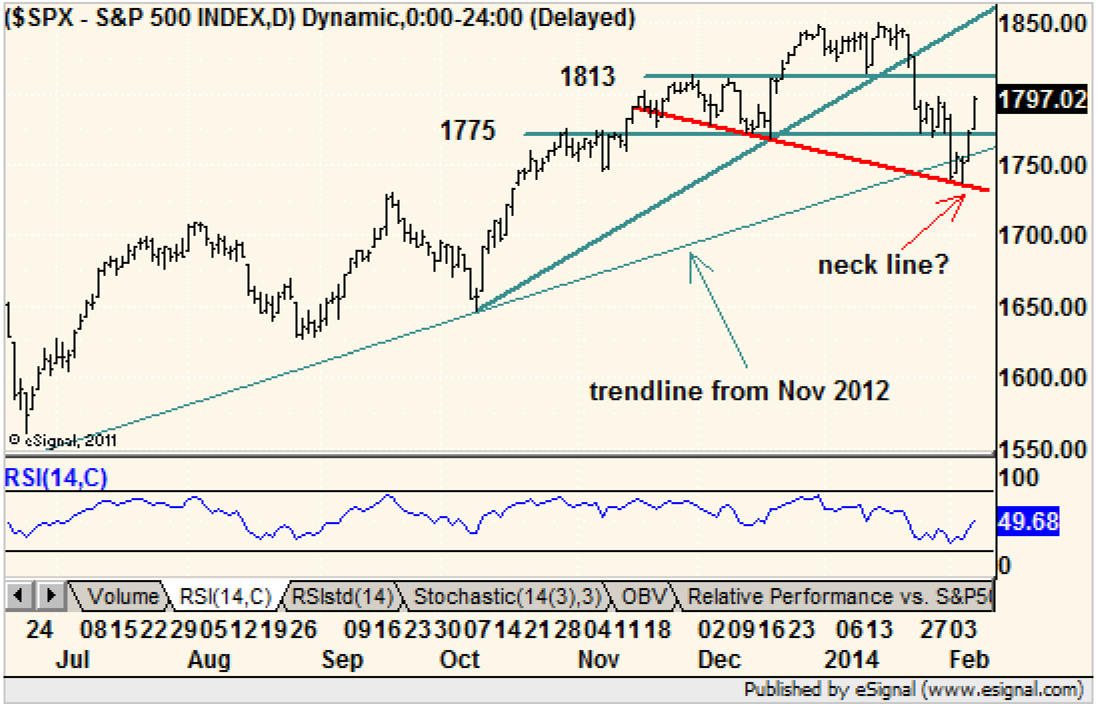
The second is that small caps, mid caps and big caps alike are still below 50-day averages. Only the Nasdaq composite and Nasdaq-100 are back above. And carrying that even further, most indices are still below 20-day exponential moving averages and as you may have guessed last week from a comment in the Subscriber Corner, we think moving through that average is the <u>minimum</u> event to reverse a position.



The hourly **SPY** chart hit overbought just under a new resistance level from January before backing off in the premarket. The red line above the green is resistance that goes back farther and is clear on the daily chart.

Don't ask us why the market went up on lousy jobs. Perhaps there was a nugget of good news in there (participation rate ticked up). But bonds and gold both gained so they did not like the report and we tend to believe bonds over stocks.

Index Charts of the Day



The S&P has now hit it key trendline from Nov 2012 and that was the target we envisioned a month ago. Therefore, we have to say that the correction, at least the first part of it, is done. That does not agree with the evidence outlined in the comments section (lower volume, still below 50-day averages) so we are now on alert for an O'Neil follow through day (FTD).

An FTD is a surge in price and volume four to seven days into a rally attempt (following a big decline). Today is only day three so the window for the signal is still not open.

One more possibility to consider - a head-and-shoulders. One reason we like the idea is that the left shoulder is not textbook with its two, of not three humps. The neckline is sloping as well so the masses are likely to miss this formation in development. It also allows for the current rebound with its low volume and lack of FTD.

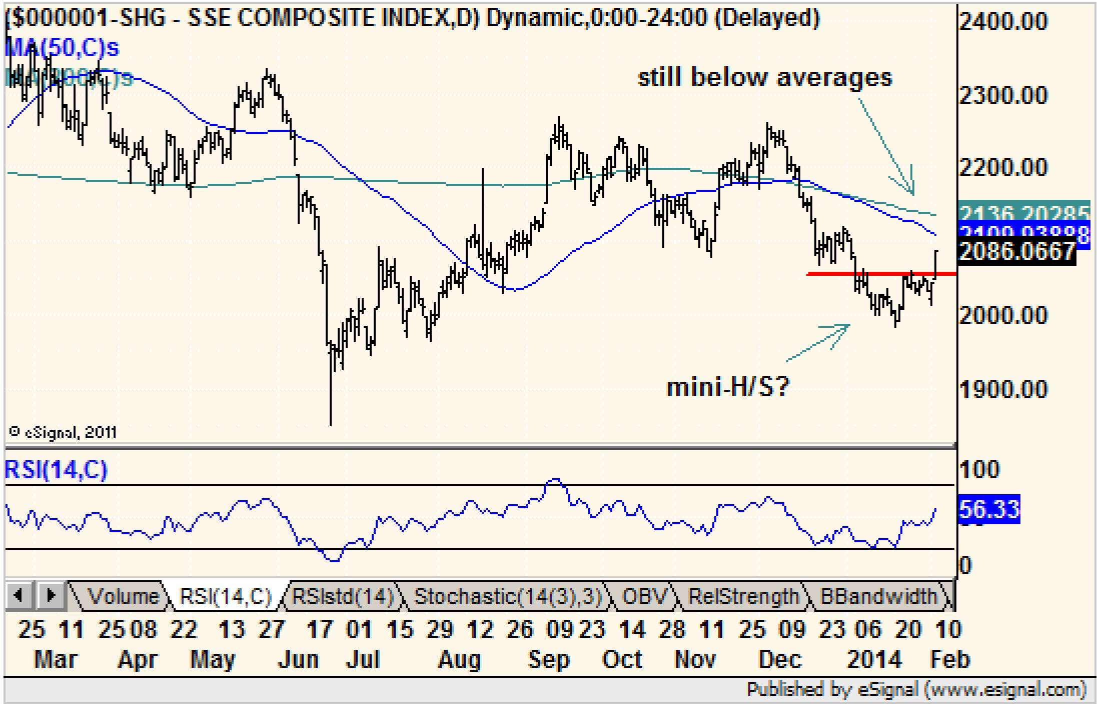
So, at this point an FTD confirms the correction is over. Without that signal, we are looking for lower high than we saw in January and the market rolling over from there for another leg down. We have not outlined the case for a flat market.

The Radar Screen

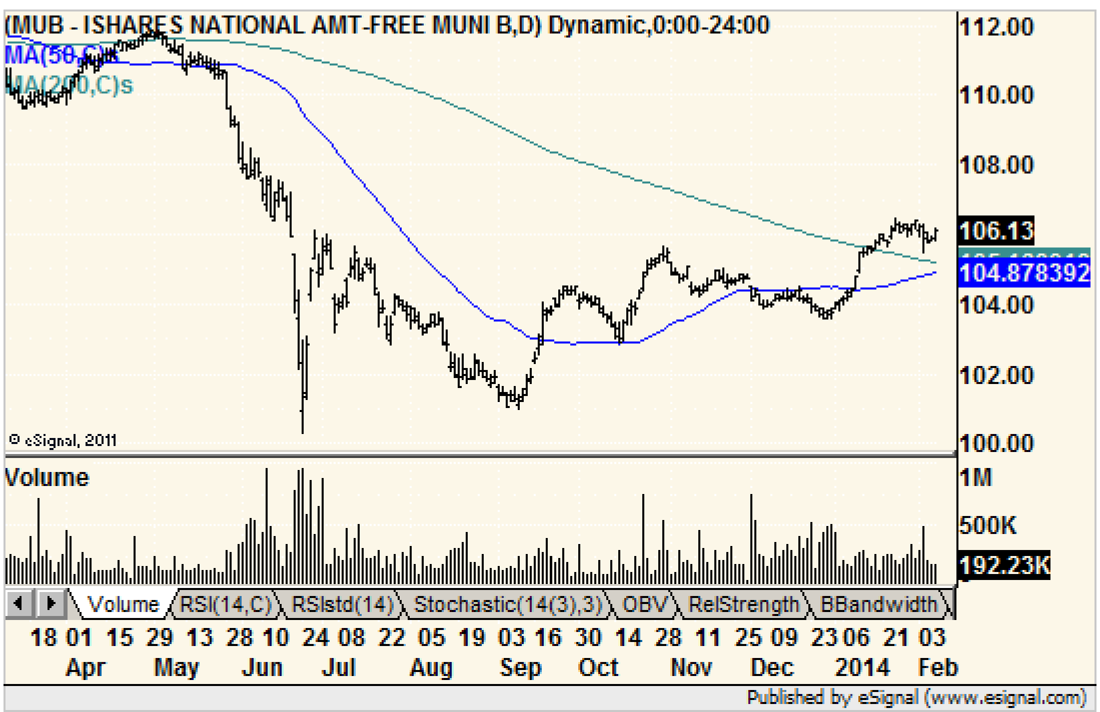
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
Lilly LLY - This chart is fudge-city. The overall look and feel is a descending triangle with a breakout and test. However, both of the border lines fail to meet any definition of line drawing. There is a bullish moving average crossover pending and on-balance volume was dead flat during the pullback so we do like it on a fresh breakout. Therefore, we are buying a close over Friday's high of 53.55.	**New**	2/10
Bearish Implications		
Comcast CMCSA - This was one of the new 52-week highs Monday that closed with a bearish key reversal bar. Volume was elevated, too. Looking to sell a break of the trendline and support at 51.90 even though the market seems buoyant. Still a chance for a variation rising three methods candle pattern albeit with four small candles instead of three.		2/6
Express Scripts ESRX - Here is another ready to sell on the breakdown. Trendline and support at 72.60.		2/6
Mylan Labs MYL - The hammer was confirmed so we are moving on. No harm done.	**Removed**	2/6
Healthcare ETF XLV - We've said this sector is still leading and it is but it shows some serious signs of wear and tear. We won't get into the Moody's downgrade of insurers. RSI divergence and preliminary 50-day average break. Bounced off key November 2012 trendline. Sell a break of 54.60		2/7
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Hess HES - An energy stock with another possible buy area. The trendline is two-years long and drawn on a log scale. Still need some sort of sign the trend is reversing because for now it is still down. Not convinced yet.		2/5
CF Industries CF - A fertilizer stock (basic materials) with a trend break. Will watch to see if it sets up a nice sell trigger.		2/5
Sector Watch (observations that may spark ideas)		
Homebuilding ETF ITB - Nice bounce last week so it is still holding on		1/29
Tech ETF XLK - Still leading		1/29
Healthcare ETF XLV - Still leading		1/29
Energy ETF XLE - Trendline breakdown with low volume rebound		1/29
Financial ETF - Lost its relative strength edge and now looks like S&P 500.		1/29
Consumer Discretionary ETF XLY - This one includes retail and it has a low volume bounce.		2/4
Materials ETF XLB - This includes copper, gold, chemicals, steel and paper and we can see a support break. Still above the 200-day average		2/4
Industrials ETF XLI - Unlike the Dow Industrials, which are really less industrial than blue chips, this ETF is still above its 200-day average and 2012 trendline. Hate the Dow, not the sector.		2/4
Consumer Staples ETF XLP - still above support from a trading range but with a low volume bounce		2/4
Updates		
none -		

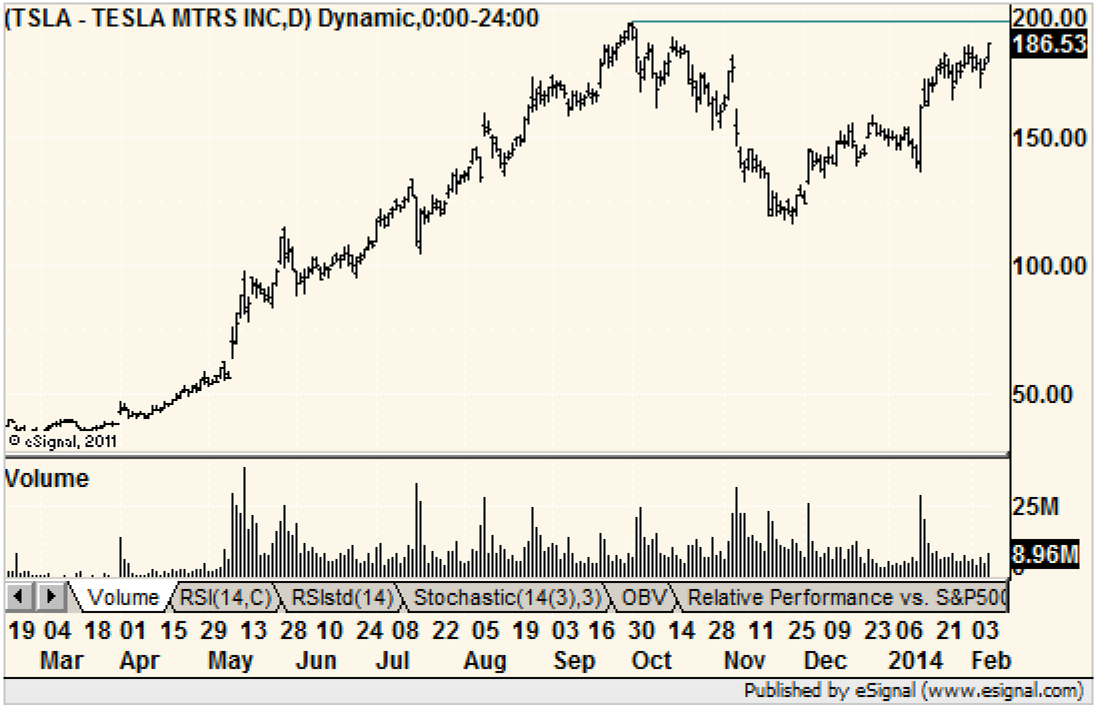
Market Highlights



China Shanghai Composite - A big gain overnight in China but it looks more like a little mean reversion rather than a reversal. Possible inverted head-and-shoulders pattern but consider its size vs. the trading range over the past two years.



Muni Bond ETF - Still in a rising trend despite Puerto Rico problems. Close to a moving average golden cross.



Tesla - A lot of buzz on this one today and it is up a bit in the premarket. However, resistance from last year's high 195.54 still looms large overhead.

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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
Long	**NLY**	ANNALY CAP MGMT INC	10.90	10.2%	10.40	9.89	12/6	64
	GDX	MARKET VECTORS GOLD MINERS ETF	23.91	7.9%	22.75	22.15	1/13	26
	JTP	NUVEEN QUALITY PFD INCOME FD	7.86	0.4%	7.70	7.83	1/23	16
	CORN	TEUCRIUM CORN FUND	31.61	0.1%	30.00	31.57	2/6	2
	FCX	FREEPORT-MCMORAN COPPER GOLD	32.35	3.2%	30.50	31.36	2/6	2
Short	**AOS**	SMITH A O	46.76	7.3%	48.00	50.19	1/23	16
	PPG	PPG INDS INC	182.54	-1.0%	184.00	180.70	2/3	5
	X	UNITED STATES STL CORP NEW	25.59	-2.1%	26.50	25.06	2/3	5

Notes: Nice volume on **GDX** gain Friday.

CORN looks very "handle-like" - the pause before the breakout.

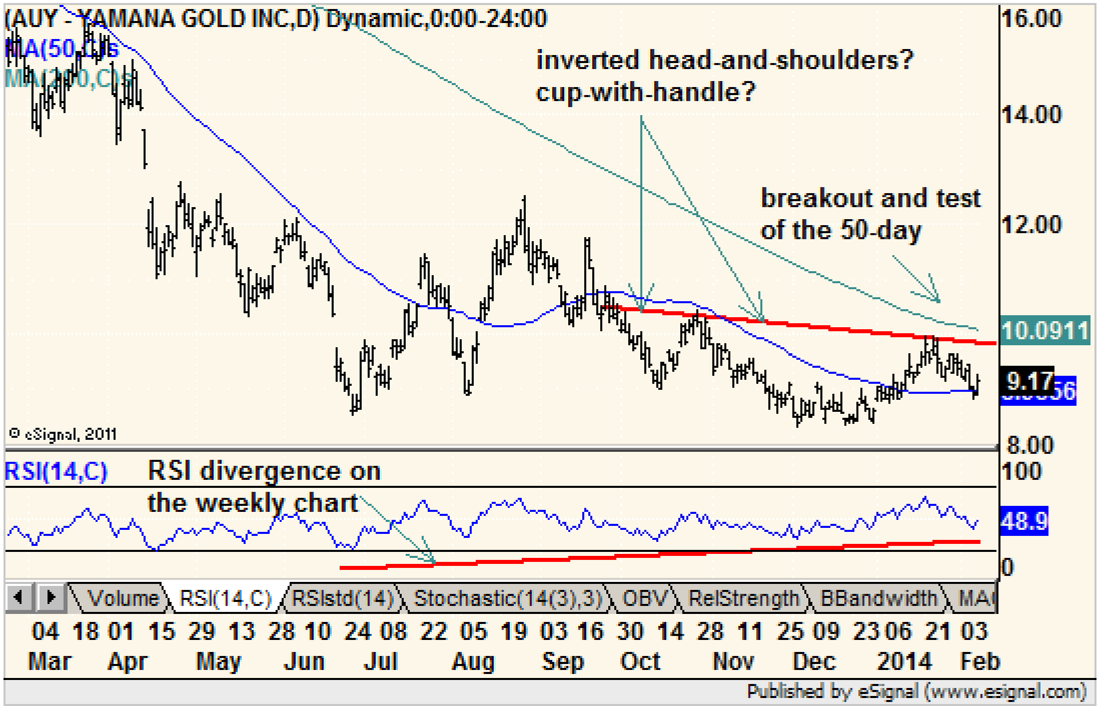
Tweaked **FCX** stop. We can see doing this again for tomorrow if it gains more today.

AOS still sports bearish volume but our stop is tight.

X closed poorly (good for us).

Subscriber Corner

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



Yamana Gold - Lots of stuff on this chart. The pattern is "neither nor" using strict definitions yet the spirit of what is going on is one of bottoming. No information in on-balance volume (not shown) but the subscriber reported big call volume Friday.

The sector is perking up. The commodity is perking up. Sentiment on both is still pretty lousy. We like them!

The most conservative play is to wait for the "neck" to break. More aggressive is the wait for the "handle" (the Jan-Feb decline) to break.

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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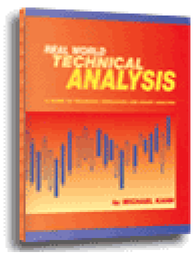

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