

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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February 18, 2014 - I attended the Traders Expo in NYC yesterday - like I would ever have a break from the markets lol - and although the show is half what it used to be I learned a ton. What is clear, as a technician would say, is the trend in the industry. There were five or six dedicated education vendors and one pure trading software vendor. It used to be one teacher for every half dozen "tool seller" and that reflects where things are heading. Everyone portrays themselves as experts and tools are offered for free by brokers to get you to trade more.

As for the markets, there was not much over the long holiday weekend to report. Most stock markets are pausing after hot weeks with the exception of Japan, which is jumped over 2%. In context, however, it was just a bounce following a steep fall - yes, doing the opposite of the rest of the world. Why? We'll let the media debate that with the only technical relationship of note the rising yen. Japan seems to be very sensitive to movements in its currency.

As for the technicals of the domestic market, we are still struggling with the "was it or wasn't it" for the O'Neil follow through day (FTD). Recall it is a surge in price and volume four to seven days into a rally attempt and whether the S&P 500 had one last Tuesday or the Nasdaq had one Thursday is very debatable in terms of all components of price, volume and time. If you need a refresher on the FTD send us a note. There is no two-pager although it would make a good topic for one.

The **VIX**, as with other sentiment gauges, is back closer to complacency than fear. Interesting, as gold soared last week and gold stocks are bid a touch higher in the premarket today. Indeed, with Treasury bonds strong, albeit in a correction, and the dollar breaking a short-term support the traditional components of the risk on and risk off equation are completely at odds with each other.

Here's what we know from the chart of the S&P 500: Resistance is very close, volume stinks although this indicator has been nearly useless for the past few years, sentiment rebounded rather quickly and two of the four horsemen - financials and retail (along with the stronger housing and tech) are seriously lagging the market. Damn, more mixed signals.

But wait, there's more! Utilities are rising but junk bonds made a recovery. Defensive health care is leading but defensive consumer staples are badly lagging. Aggressive (offensive) Nasdaq is leading but aggressive small caps are well below their previous highs.

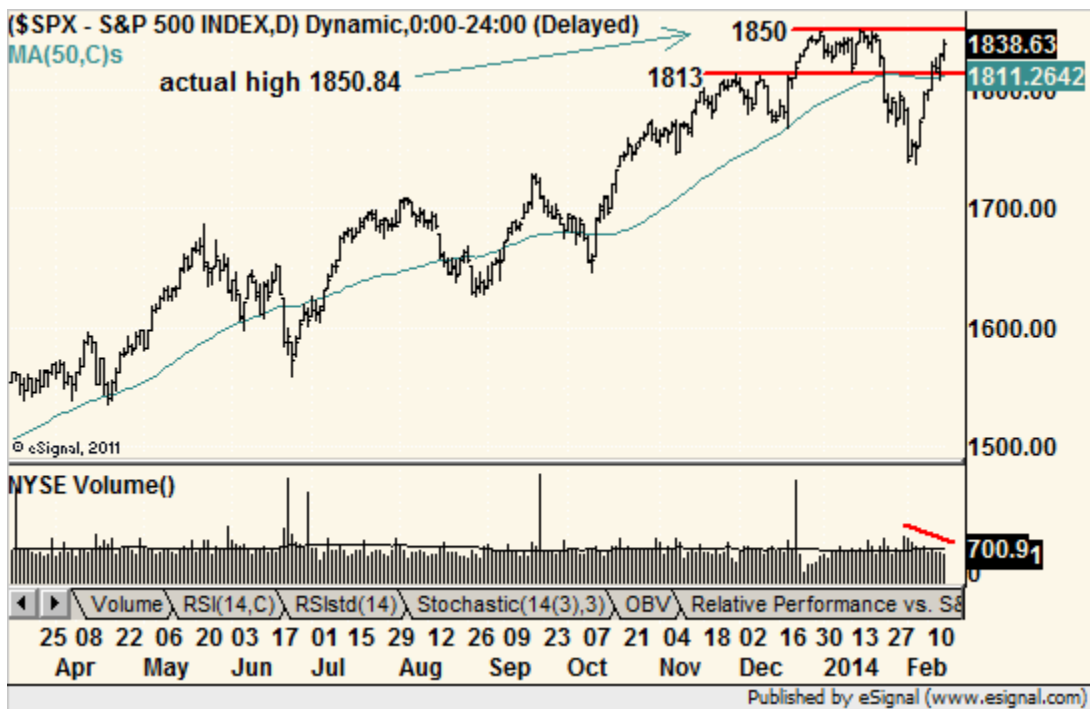
Quoting the Kinks; it's a mixed up, muddled up, shook up world (except for Lola).

Brass tacks time. What do we do about it?

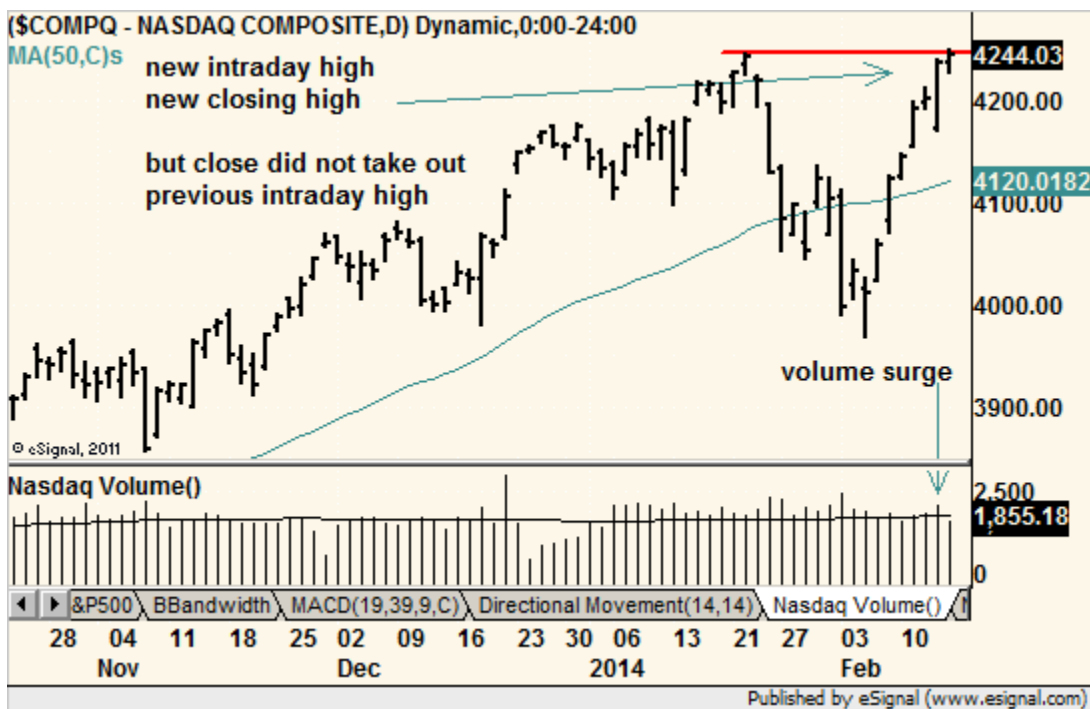
Well, the trend right now is up and trendlines in larger time frames held up last week. Plus, breadth is pretty good, too. That's bullish. But indicators from the disgraced volume to momentum are funky and the market passed its 5-year anniversary for this bull market. We can only conclude that we are in another "long hold" type of environment where we will stay with the bulls but not get aggressive about it, at least not until some other technicals fall into line. Most "buys" today are "on close" so we don't get burned by a correction after last week's rally.

We're skipping the hourly chart today because the daily charts in the next section tell the story.

Index Charts of the Day



Resistance from all-time highs last month is a ceiling. Volume is declining but is it meaningful?



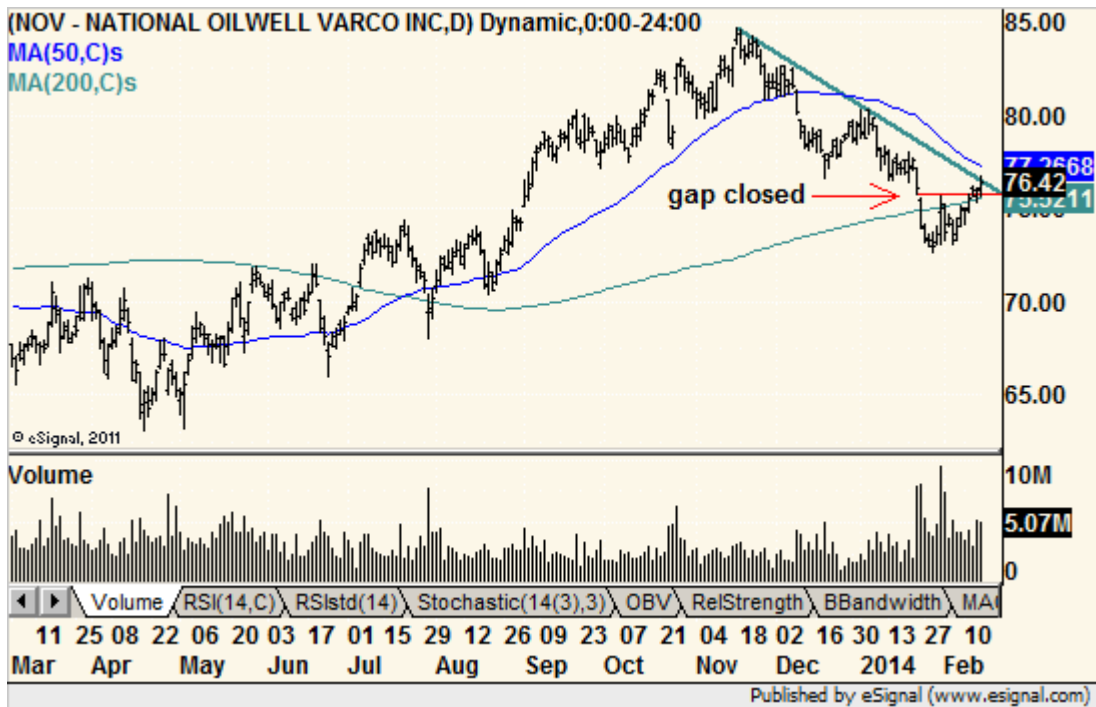
The Nasdaq may have scored an FTD or even a breadth thrust but it is not really clear of resistance.

The Radar Screen

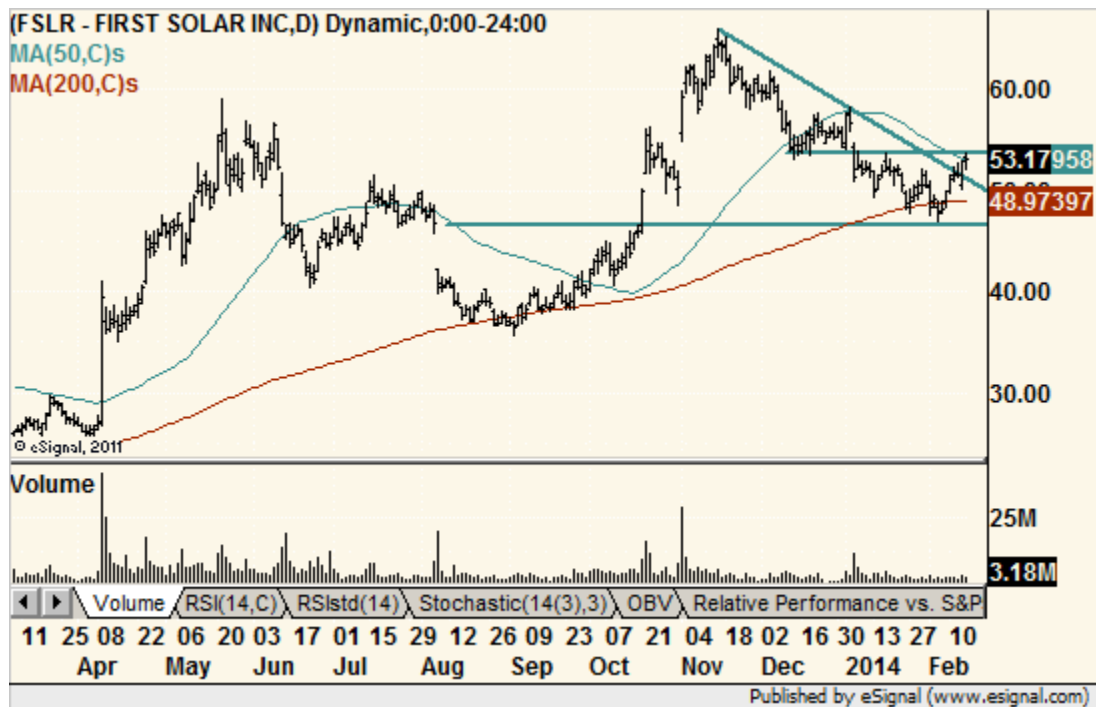
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
Anglogold Ashanti AU - A weekly view has a bullish RSI divergence, double bottom breakout and 40-week (200-day) average breakout. Buy dip to 16.00 .	Changed	2/12
National Oilwell Varco NOV - This oil services has an arguable breakout as of Friday and is big higher this morning. Note the heavy volume surrounding the bottom and last month's breakdown. That breakdown was rejected as the gap was filled. We are buyers today.	New	2/18
First Solar FSLR - Other solar stocks are in uptrends but this one - the big daddy - seems to be ready to play catch-up. Already bounced off support ant the 200-day average. Now at new resistance and the 50-day and bid above them in the premarket. We'll buy a close over Friday's high at 53.66.	New	2/18
Starbucks SBUX - A breakout from the current pause would be hot. Buy close over 75.24.	New	2/18
Bearish Implications		
none -		
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Tenneco TEN - This auto parts maker survived a huge smash last month and is now back at resistance. Note on-balance volume not only continues to rise but it accelerated. Broke out.		2/12
L-Brands LB - The former Limited Brands retailer is in a short-term down trend and challenging a long-term rising trendline. This could be a huge decline if the long-term line breaks. Watching.		2/13
3M MMM - The failed breakdown below the major trendline should have been bullish but the rebound took place on serous falling volume. Already below the 50-day average. This looks like the H/S pattern the S&P 500 was working on a few days ago.		2/13
Macy's M - Another individual stock with the head-and-shoulders pattern that "should" have formed in the S&P 500. This makes us think the index - which is just math - still has the spirit of the pattern and that is bearish.		2/13
Sector Watch (observations that may spark ideas)		
Regional Bank ETF KRE - A reversal after a bounce off the trendline and near the 200-day. Looks like a bounce, not upside reversal but it is now ending.		2/13
Homebuilder ETF ITB - It's a sloppy pattern but it looks like a pause before the next upside breakout. Similar for TOL and SPF . Bull flag possible for KBH .		2/14
Updates		
none -		

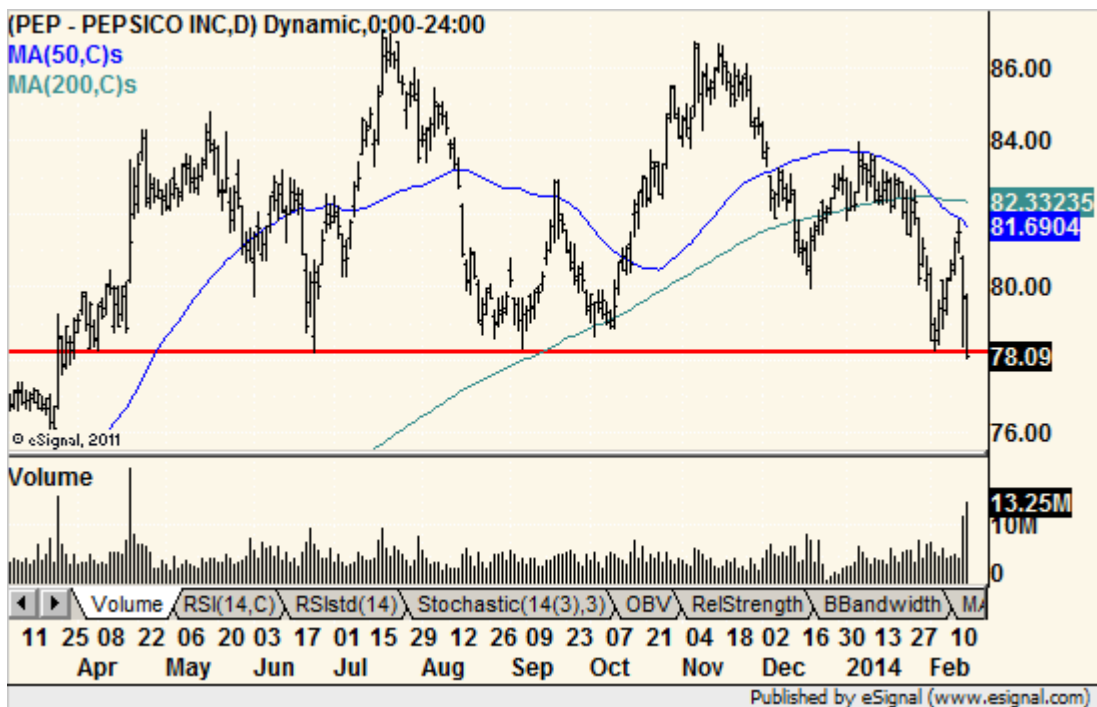
Market Highlights



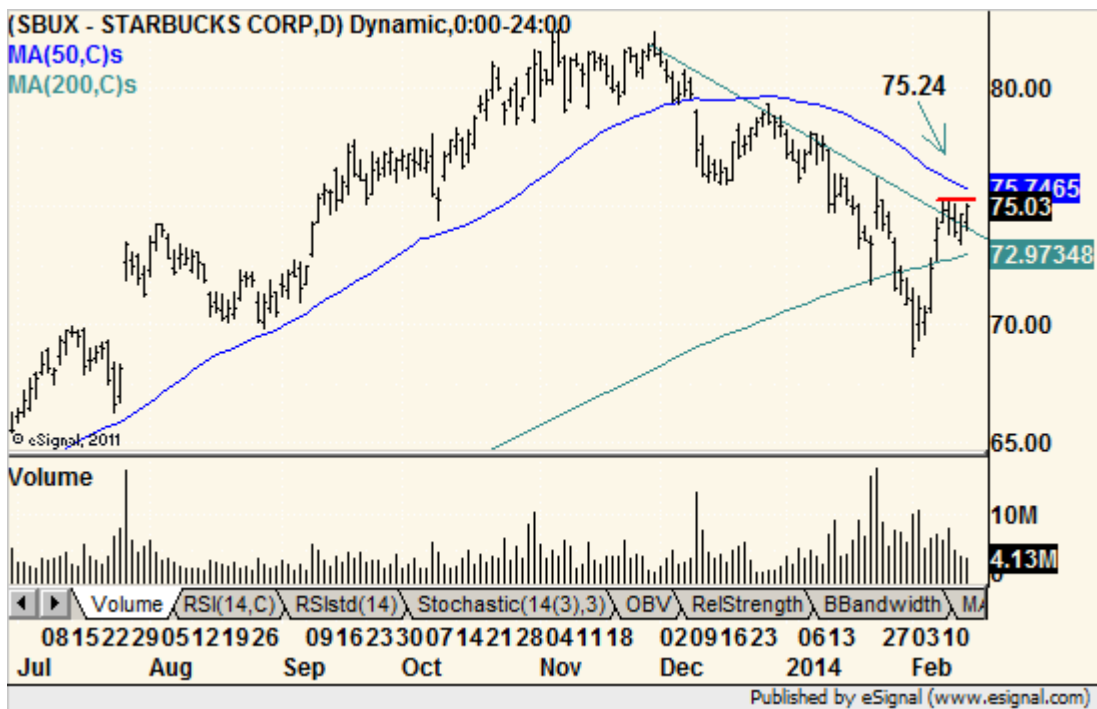
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Pepsico - Do or die for the soda and snacks maker.



Starbucks - A breakout from the current pause would be hot. Buy close over 75.24.

Advice Tracker

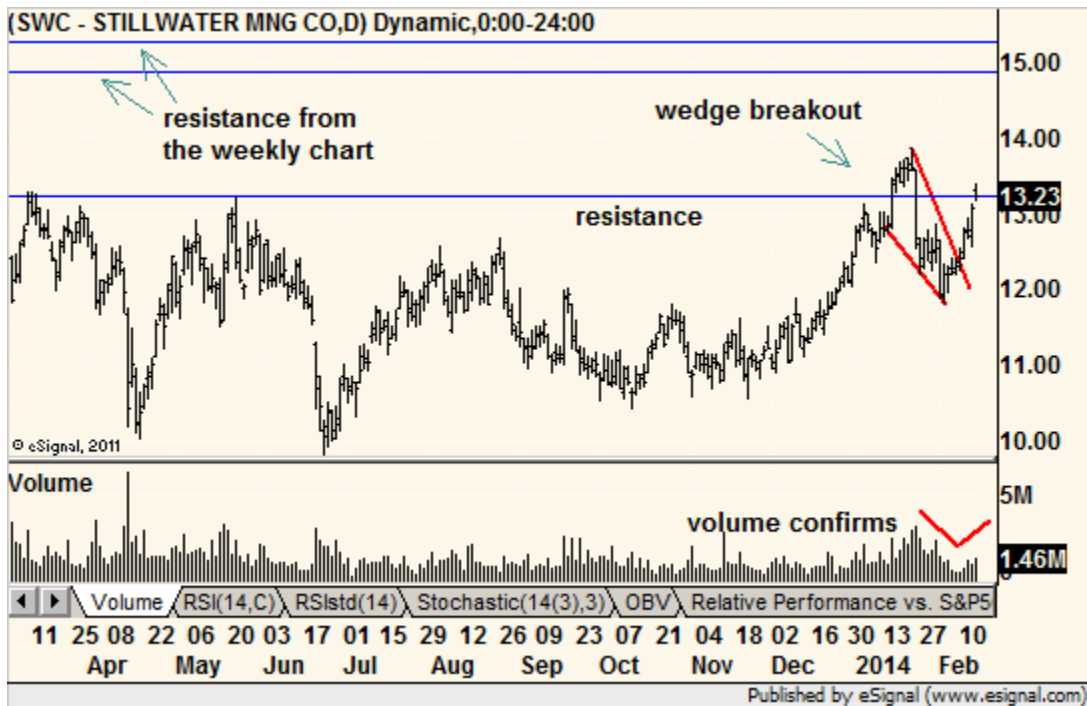
This is a list of stocks that have triggered buys or sells and not a recommended portfolio. We will track them with suggested strategies but specific stops and position closes are up to the subscriber. Symbols in **red** mean that the position was stopped out. Stops in **red** were changed. Any position 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	10.80	9.2%	10.40	9.89	12/6	73
	GDX	MARKET VECTORS GOLD MINERS ETF	26.35	19.0%	24.75	22.15	1/13	35
	JTP	NUVEEN QUALITY PFD INCOME FD	7.91	1.0%	7.70	7.83	1/23	25
	CORN	TEUCRIUM CORN FUND	31.49	-0.3%	30.00	31.57	2/6	11
	FCX	FREEMPORT-MCMORAN COPPER GOLD	33.75	7.6%	32.00	31.36	2/6	11
	LLY	LILLY ELI & CO	54.20	0.4%	52.00	53.97	2/10	7
	LXP	LEXINGTON REALTY TRUST	10.92	0.4%	10.35	10.88	2/12	5
	SLV	ISHARES SILVER TRUST	20.65	4.6%	19.50	19.74	2/13	4
<u>Short</u>	CF	CF INDS HLDGS INC	231.65	0.4%	240.00	232.61	2/11	6
	XLP	CONSUMER STAPLES ETF	41.84	-1.6%	42.50	41.15	2/11	6

Notes: Raising stops on several long positions.

Subscriber Corner

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



Stillwater Mining - This stock is in the right sector right now and sports a breakout from the wedge we highlighted in the free Chart of the Day email. It is now at a spot where we would expect a speed bump, thanks to resistance from last year. Note volume conforms to the textbook pattern supporting the bullish move.

The subscriber asked about targets and how to exit the trade. Of course, last month's high at 13.88 is clear - perhaps too clear. We see long-term resistance above in the 15-area, as does the subscriber. Given the sector and the underlying commodities, we'd be inclined to let it run without thinking of cashing it in.

Of course, stops are critical and we would indeed trail the stop higher with the rally. Exactly where to set stops depends on your trader profile but the 20-day exponential average is always a good guide. It is currently at 12.66.

And what happens if and when it hits 15? Re-evaluate. Perhaps take 1/3 of the position off the table.

Other Information

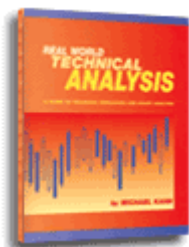
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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