

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN
RESEARCH LLC

February 25, 2014 – What started as a clear breakout day got very muddy into the close, which is odd since the Dow closed up 104 points. It had been a lot more and the S&P 500 was trading at all-time highs for several hours. Why is that not good? Because the latter closed back below its previous high, intraday patterns showed weak closes and breadth actually was cut in half. Let us explain.

The NYSE advance-decline line was up at 1596 at the noon hour but ended the day up 743. What's wrong with 743? It is still fairly positive. But it also tells us that 853 net stocks went from green to red in the afternoon. That is not confidence inspiring.

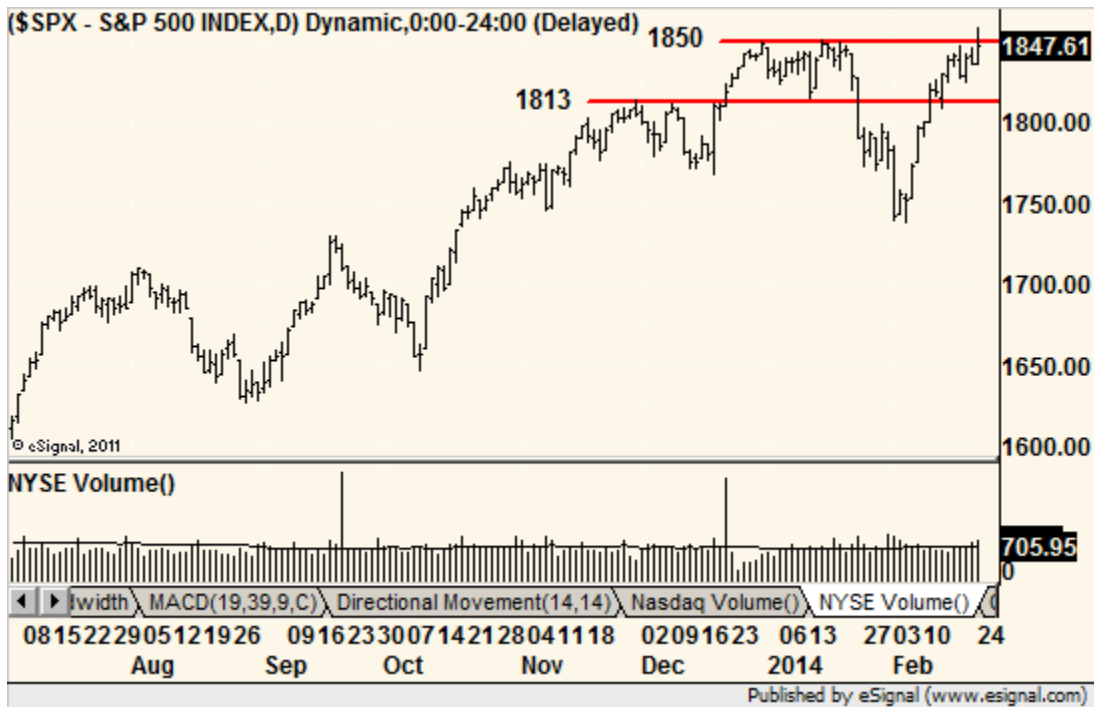
Still, if we move back out to the daily time frame we still see a broad based attack on new highs with just about every sector in a rising trend.



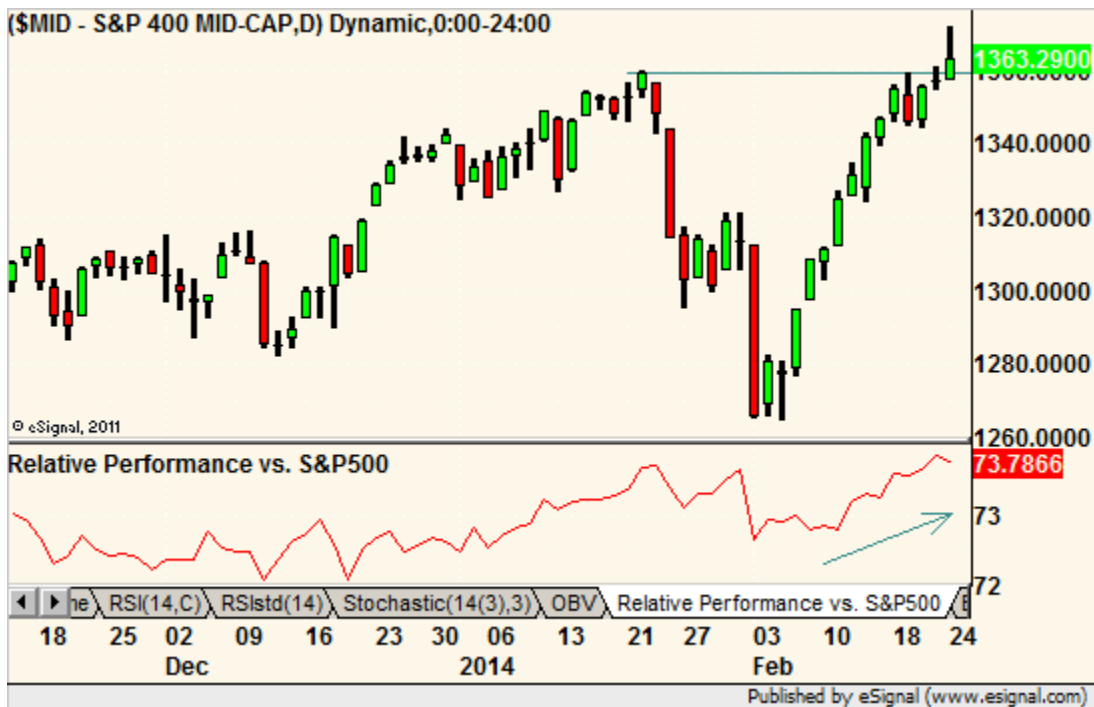
On the hourly chart, the question is whether the rally in the morning was part of a fan lines pattern in progress, a simple breakout failure or part of a rally at the slope of the middle line. Distilling that down, we still do not have enough evidence to make a solid call. The only thing we do know is that the trend itself is still intact and that means we have to lean bullish.

Oil now sports a possible intraday double top so it might be correction time there. Gold continues to perform and the weak dollar will keep it propped up during what might be a commodities correction day.

Index Charts of the Day



The day's rally was a breakout from the recent range although it gave up enough by the close to fail at breaking out above its previous highs. Of note, volume, which has been less useful lately, was indeed the highest it has been in weeks. Breadth was good but not great (see adv-dec in Market Highlights)



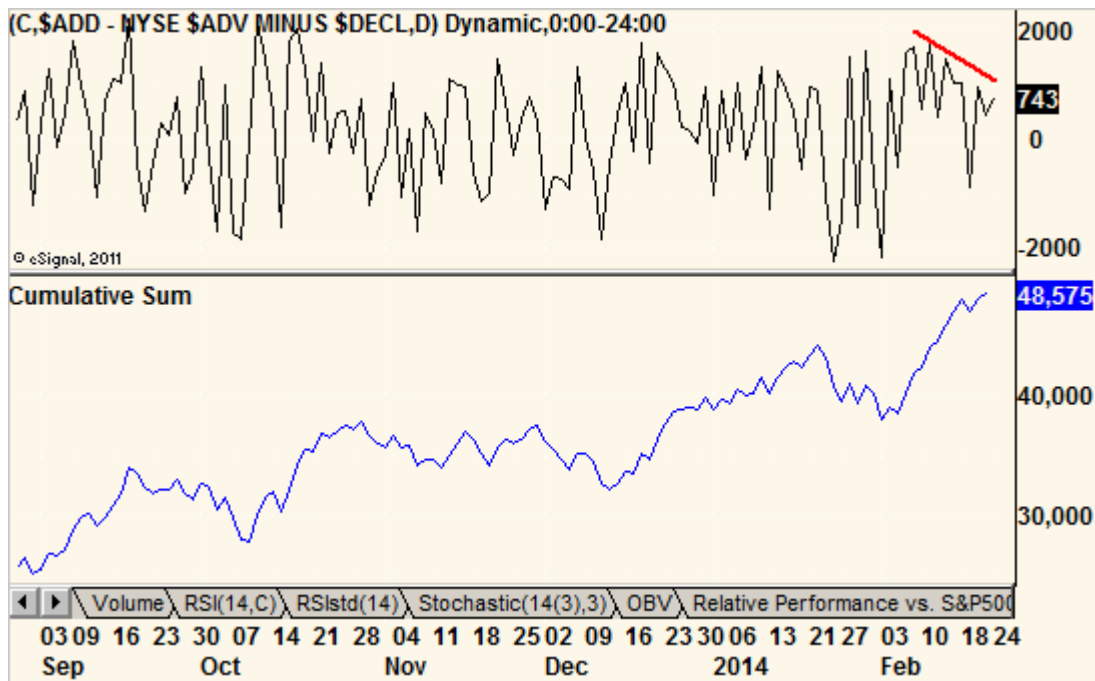
On one hand, we see outperformance and a breakout above resistance for the mid-caps. On the other hand, it was a weak close leaving an inverted hammer candle. We won't know until the close today or even tomorrow if resistance was truly broken.

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		
Starbucks SBUX - A breakout from the current pause would be hot. Buy close over 74.50. The hammer candle was negated but we are moving the trigger down to follow the trendline from November.	Changed	2/18
First Solar FSLR - Solars are hot. This one attempted a secondary breakout yesterday and looks like it is going to go for it again today. Looks pretty good right here.	New	2/25
Lifetime Fitness LTM - This is a chain of upscale gyms and clubs and it is quite nice (I personally belong and it is quite pricey, too, but with a waitlist to get in). Aside from the fundies, this chart is a breakout and we like it right here.	New	2/25
Bearish Implications		
none -		
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Head-and-shoulders watch - Just consolidating the three stocks we had on watch for this pattern. MMM, M.		2/13
Rambus RMBS - This chip stock is in a nice pennant formation that has been in place long enough to flatten out its major moving averages. We'll watch this one for a breakout.		2/21
Boeing BA - This looks to be the real breakdown. We still have to wait for the current two-week consolidation to break one way or the other but this does look broken, especially compared to its sector - defense (indices DFX, DFI).		2/24
GM - While Tesla soars, GM looks to be in a bearish wedge pattern at its 200-day moving average. We may sell the breakdown if the market sours.	New	2/25
Sector Watch (observations that may spark ideas)		
Regional Bank ETF KRE - flag breakdown. May be negated		2/13
Homebuilder ETF ITB - Still in a rising trend and bucking bad news		2/14
Biotech - One of the strongest groups but with possible RSI divergence. Trend seems accelerated now and that makes it vulnerable.		2/21
Updates		
none -		

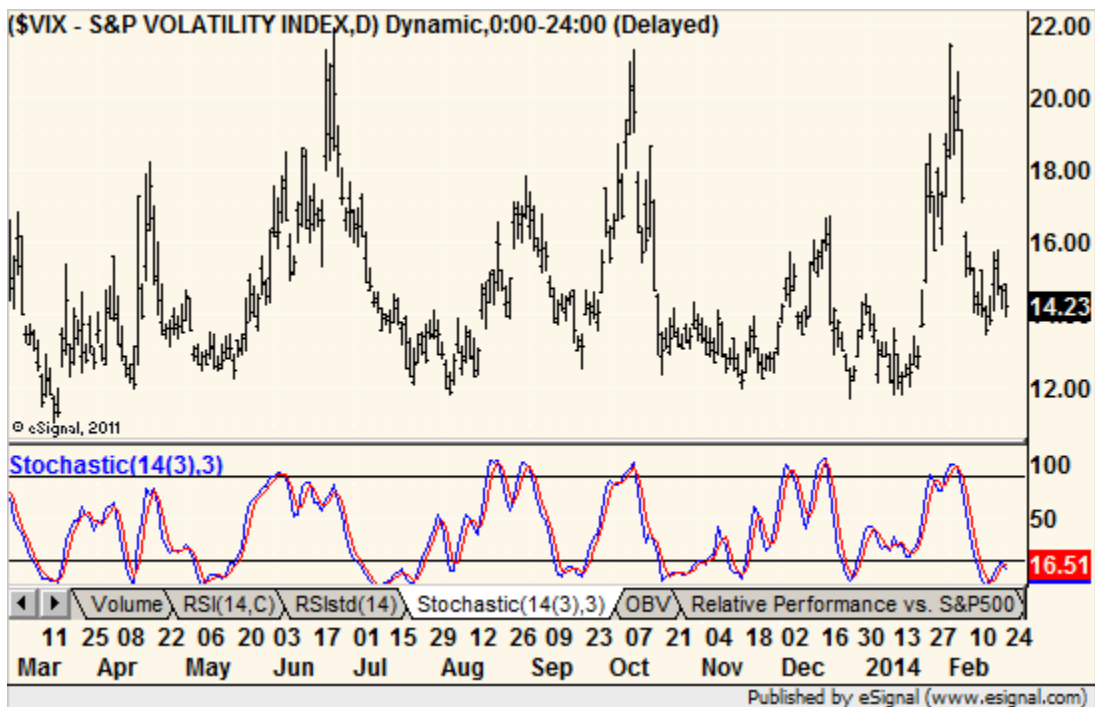
Market Highlights



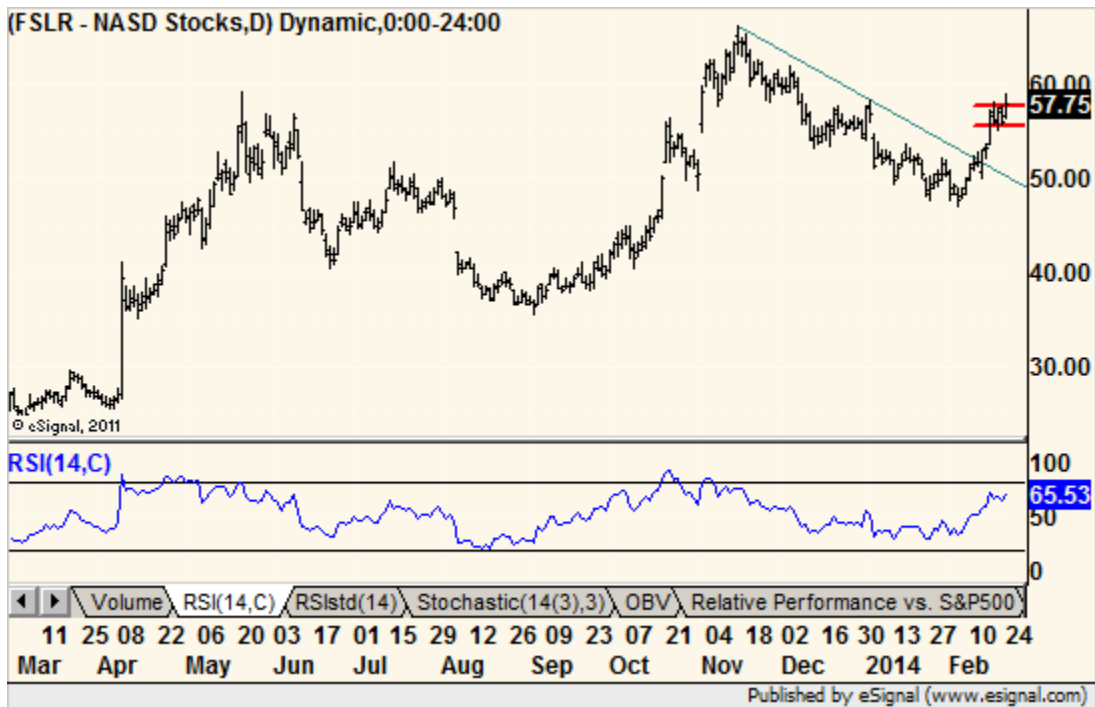
NYSE advance-decline line - This breadth indicator is in new high territory, which is bullish. However, Monday's level on a triple-digit Dow gain was merely good, not great at plus 743. We are also troubled by the trend of the advance-decline in February and the raw data in the top panel fell as prices rose. Conclusion - still better than a negative result so we have to lean bullish.



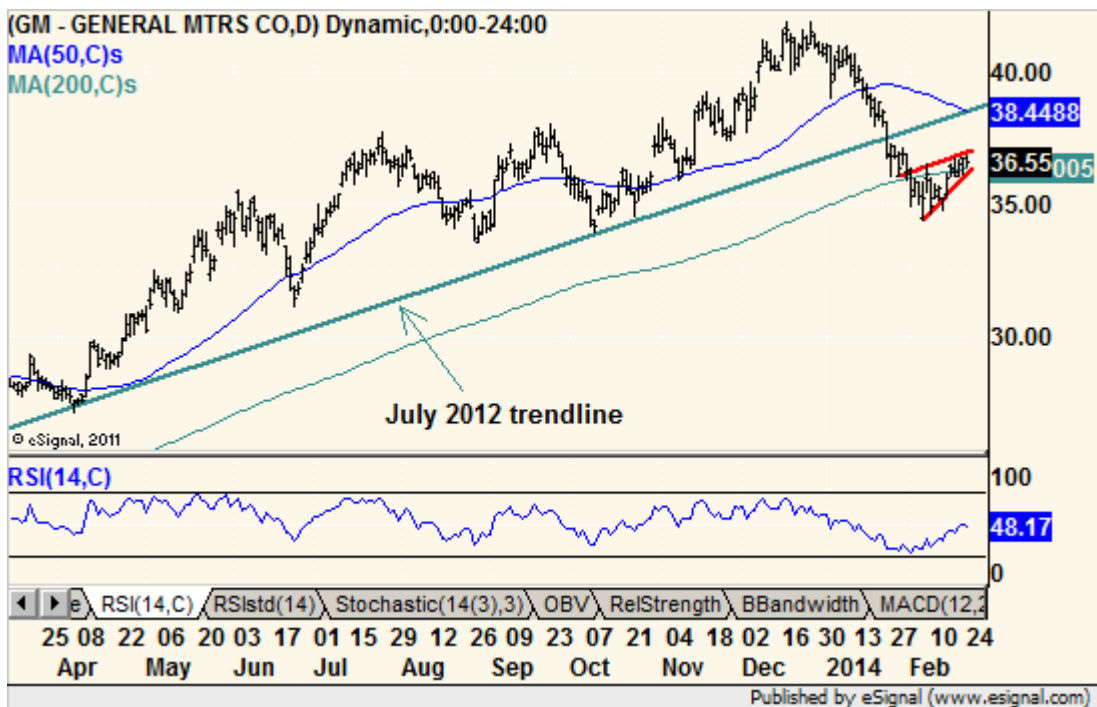
Financial ETF - In yesterday's Barron's Online column, I argued that six of the nine SPDR sector ETFs were at or near new highs. Two, including financials, were trying to get back to previous highs and this chart shows what we mean. Lagging - yes. Negating a breakdown - also yes. (Industrials the same).



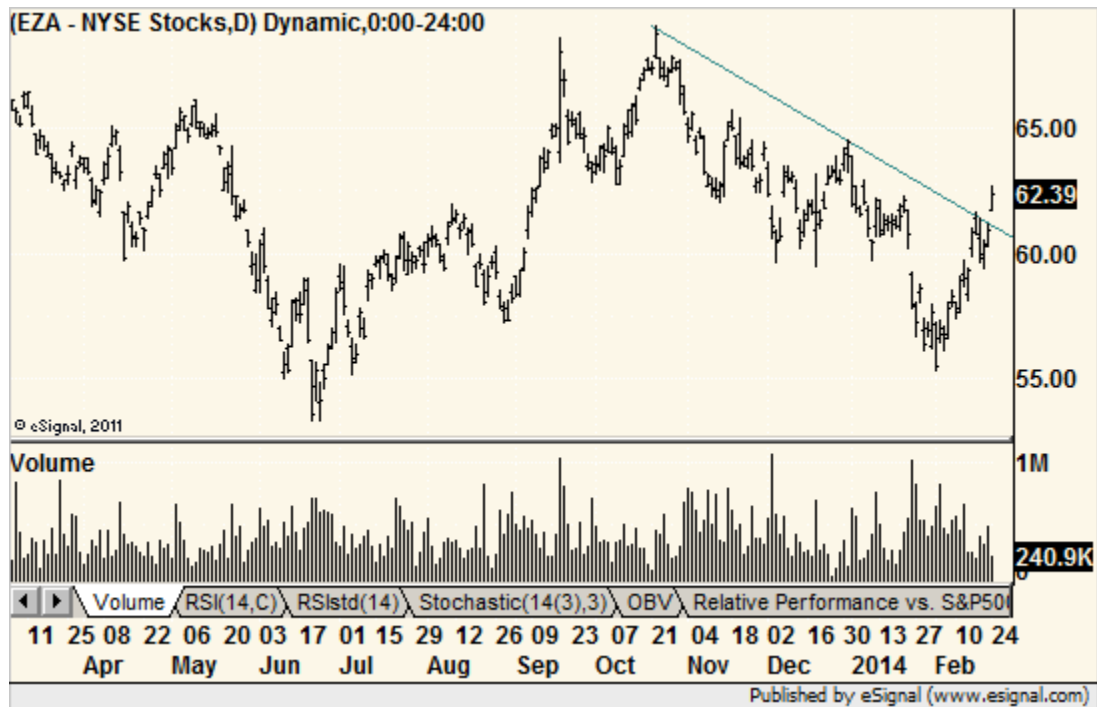
VIX - Back to happy levels but not quite low enough to suggest it is time to sell off. We view this as a very rapid return to "stocks are the place to be" thinking and that is a warning.



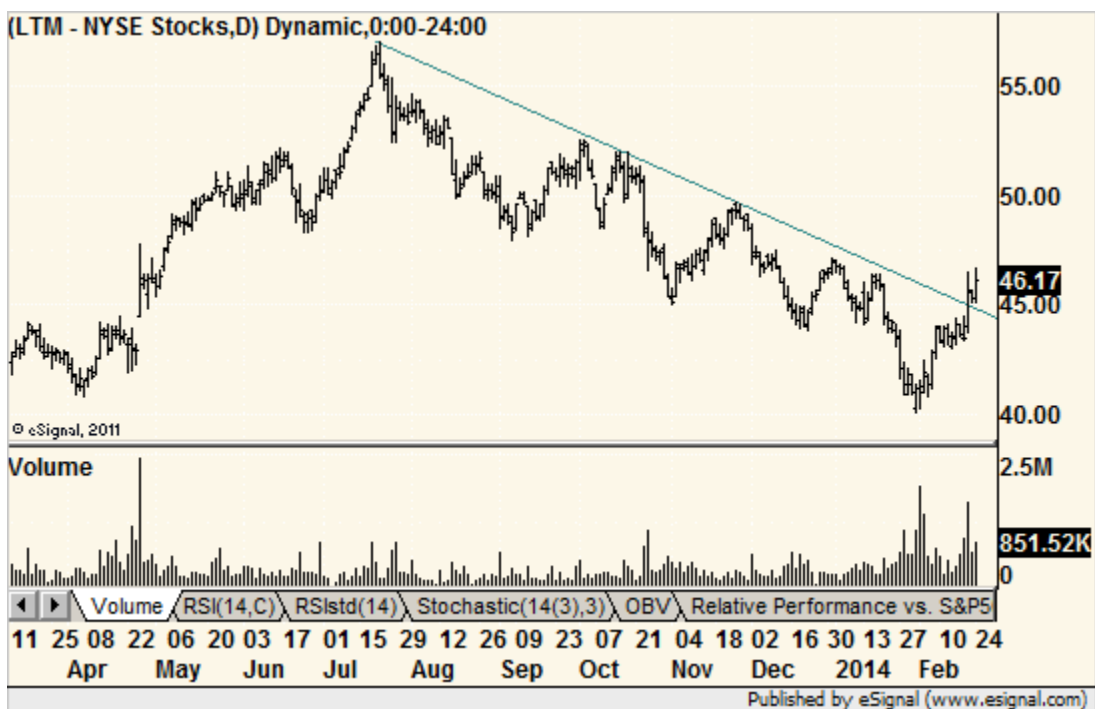
First Solar - Solar is hot. This one attempted a secondary breakout yesterday and looks like it is going to go for it again today. Looks pretty good right here.



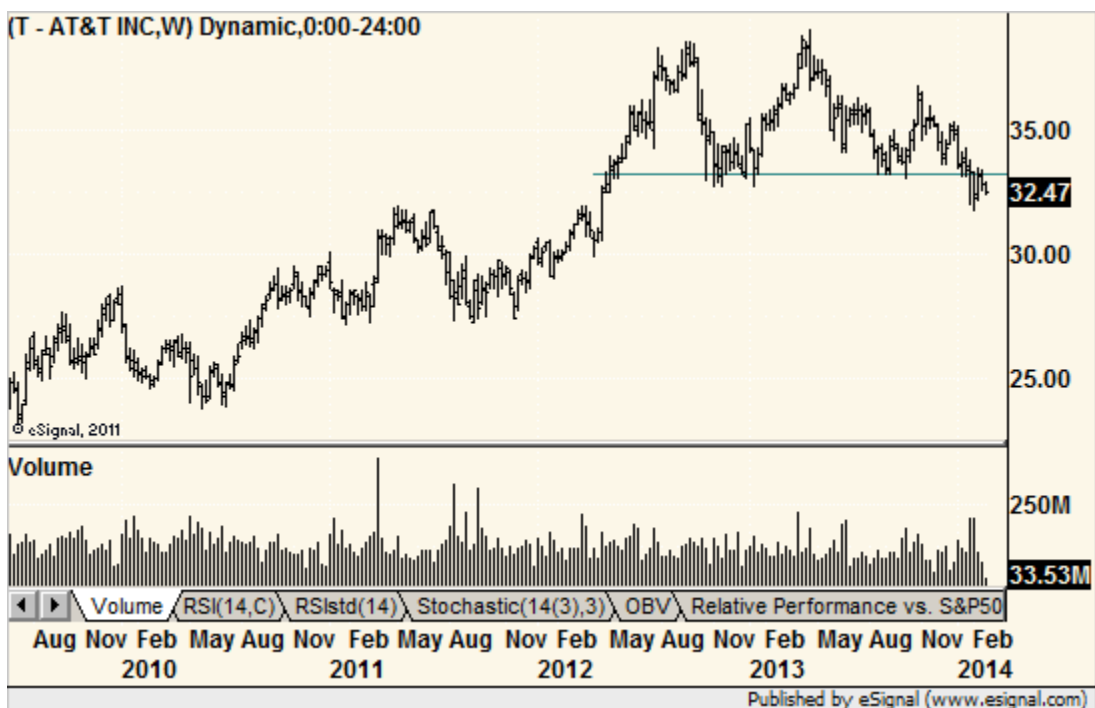
GM - While Tesla soars, **GM** looks to be in a bearish wedge pattern at its 200-day moving average. We may sell the breakdown if the market sours.



South Africa ETF - Why show this if we are not going to trade it? Because it debunks the emerging markets theme of weakness. Same pattern in the **GAF** emerging Middle East ETF. Keep an eye on this sector because a simple mean reversion can mean a nice move higher.



Lifetime Fitness - This is a chain of upscale gyms and clubs and it is quite nice (I personally belong and it is quite pricey, too, but with a waitlist to get in). Aside from the fundies, this chart is a breakout and we like it right here.

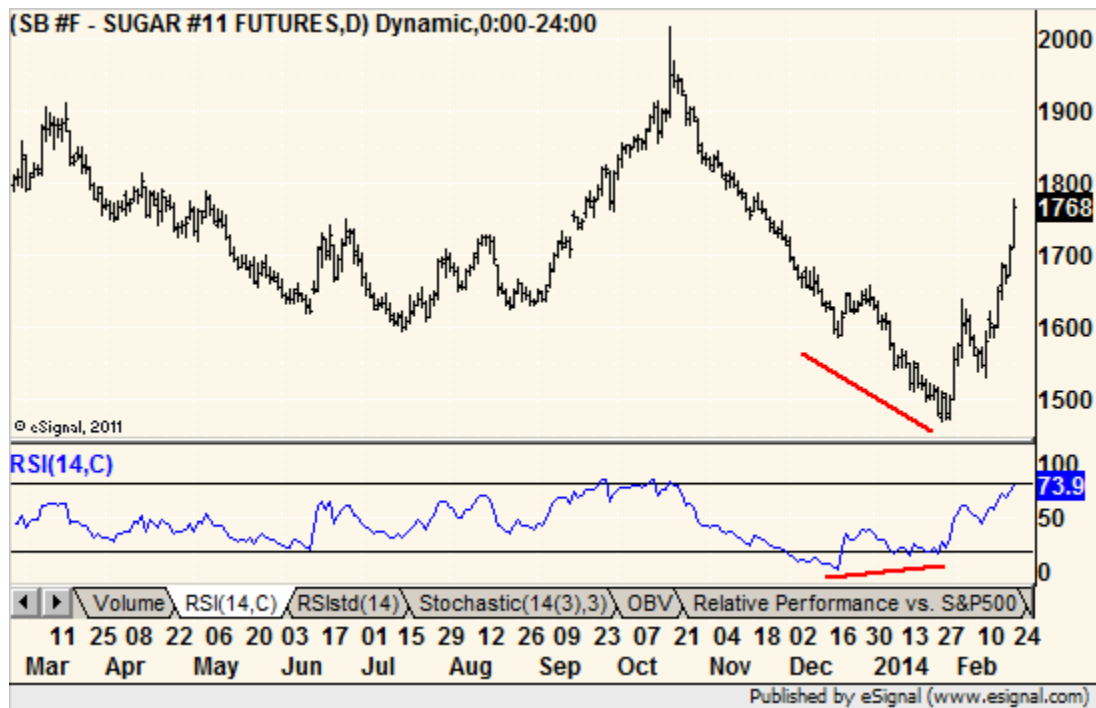


AT&T - The trend here is down and we lost on an attempt to buy this at the support line shown above. However, this reminds us of gold's chart last year. The story is compelling with a 5.7% dividend yield and a P/E of 9.6 but as mentioned the trend is down. This will become quite compelling soon so we will keep an eye on it. Perhaps the 50% retrace of the entire bull market near 30.25 will be the level.

Today's Lesson

In this section, we take a look at a topic in technical analysis in real-time, not textbook time.

Divergence



Sugar - Gets the commodities rally memo. This is a short and sweet example of a bullish RSI divergence and what usually happens, albeit not quite so sharply.

Two-pager on divergence, [click here](#). New subscribers, it's part of the service.

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	10.78	9.0%	10.50	9.89	12/6	80
	GDX	MARKET VECTORS GOLD MINERS ETF	26.70	20.5%	25.25	22.15	1/13	42
	JTP	NUVEEN QUALITY PFD INCOME FD	7.98	1.9%	7.70	7.83	1/23	32
	CORN	TEUCRIUM CORN FUND	31.91	1.1%	31.00	31.57	2/6	18
	FCX	FREEPORT-MCMORAN COPPER GOLD	33.21	5.9%	32.00	31.36	2/6	18
	LXP	LEXINGTON REALTY TRUST	11.03	1.4%	10.50	10.88	2/12	12
	SLV	ISHARES SILVER TRUST	21.18	7.3%	20.00	19.74	2/13	11
	NOV	NATIONAL OILWELL VARCO INC	75.94	-0.8%	73.50	76.52	2/18	6
	SDRL	SEADRILL LIMITED	37.68	3.3%	35.50	36.49	2/20	4
<u>Short</u>	XLP	CONSUMER STAPLES SELECT SECTOR S	41.75	-1.4%	42.50	41.15	2/11	13

Notes: Nice comeback in **NOV**.

Raising stop in **SDRL**.

Subscriber Corner

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

Other Information

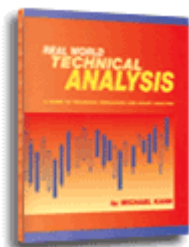
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



24/7 Website archive – <http://www.quicktakespro.com/archive> (password needed)

Customer Support - <http://www.quicktakespro.com/support.html>

Recommended reading - <http://www.quicktakespro.com/education.html>



What is a two-pager? These are short write-ups on various technical topics that are made available when further explanation of a topic is needed. There is no extra charge to subscribers. For those looking for a more complete reference and a bound version of these two-pagers, we offer the book *Real World Technical Analysis* at <http://www.quicktakespro.com/rwta.html>.

Refer a colleague to Quick Takes Pro and get a free month of service for each new paying subscriber. Just send an email (<mailto:mkahn@quicktakespro.com>) with names and email addresses and we'll track them and credit your account.

Connect with us:



<http://www.facebook.com/QuickTakesPro.biz>



<http://twitter.com/mnkahn>



<http://www.linkedin.com/in/QuickTakesPro>



<http://www.quicktakespro.com/blog>



<http://pinterest.com/mnkahn/>



<http://youtube.com/quicktakespro>



<http://stocktwits.com/mnkahn>

The information contained in this report is opinion, based on information that we deem to be reliable at the time of publication, but is not guaranteed in any form. This report does not constitute a recommendation to purchase or sell any security and the analysts are not registered investment advisors. Further analysis is recommended before undertaking any position in any security. Any risks are solely the responsibility of the buyer/seller. The authors, publishers and distributors of Quick Takes Pro and any associates thereof accept no liability for the content or actions taken by anyone or institution utilizing this report. The authors, publishers and distributors of Quick Takes Pro may have positions in securities mentioned in this report. All charts prepared with [eSignal](#) data and software unless otherwise indicated.

All contents © Michael Kahn Research LLC, 2014