

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

**March 26, 2014** – After all the wiggling was over, the market remained in its range with the Nasdaq alone with a support breakdown.

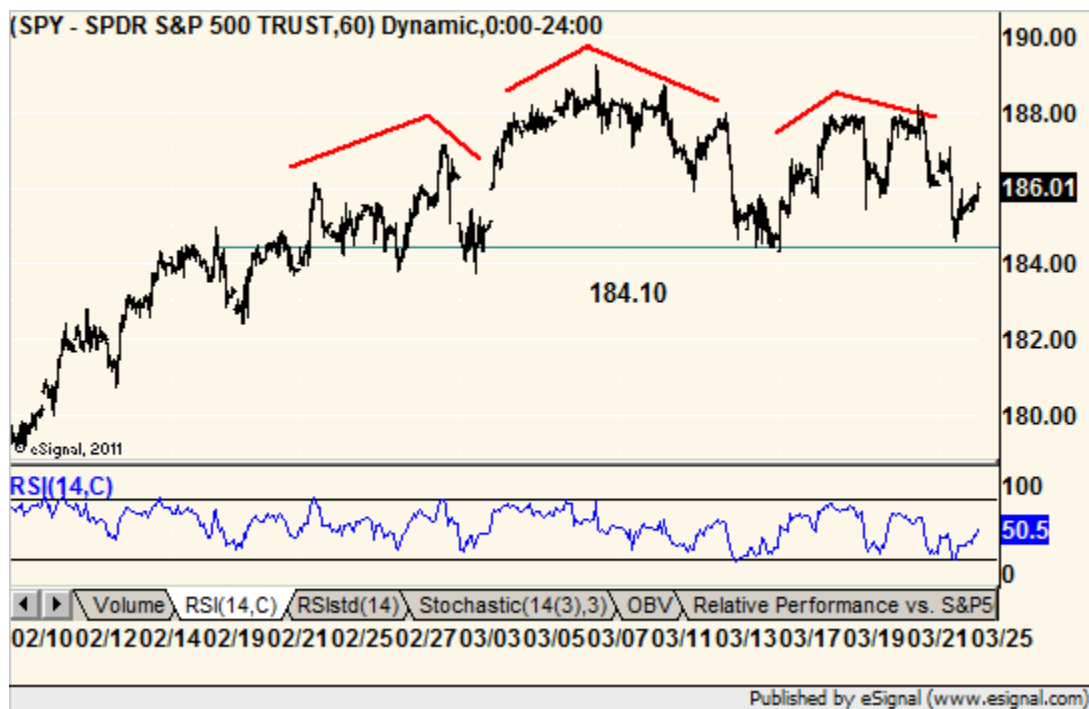
Health related sectors bounced back but one day after a trend is just a correction. Watch to see if there is any upside follow-through.

And banks did absolutely nothing yesterday, which is not good considering they are supposedly the new leader following a sector-wide upside breakout.

Retail took it on the chin and now has a support break (chart below). Here, too, we have a newly leading sector already stumbling and that is also not good.

Look above at that list - leading sectors stopped leading and we can include the pack of momentum stocks such as Netflix (chart below). Just what is driving the market higher these days?

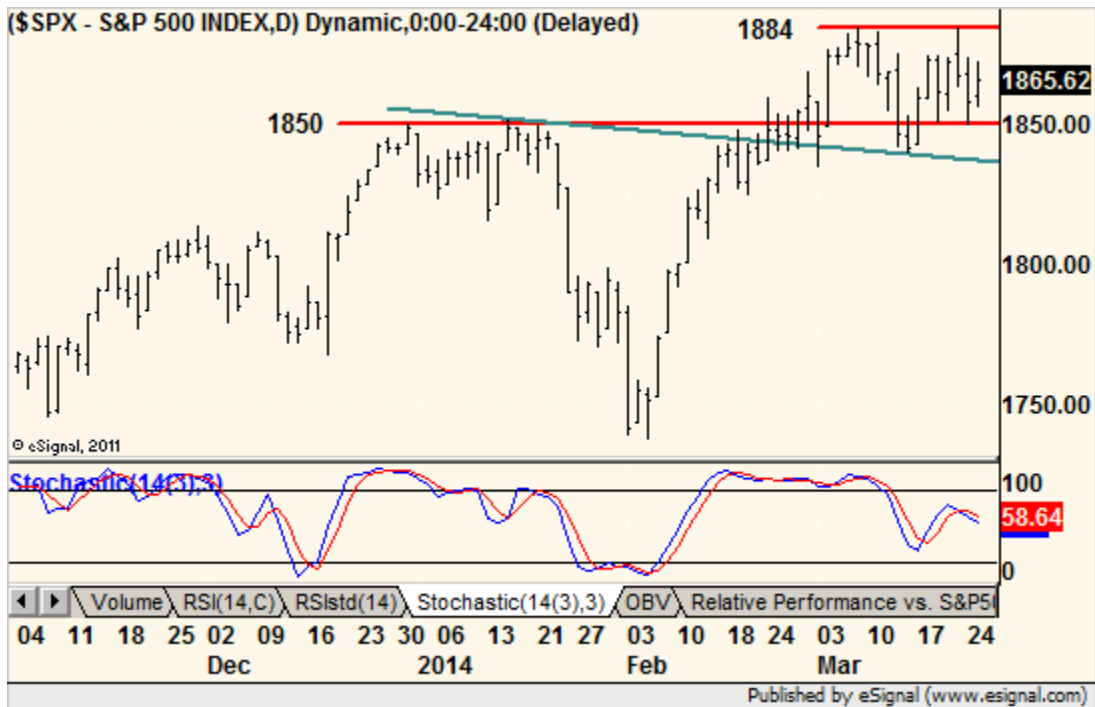
The answer is a bit odd - basic materials such as steel, paper and chemicals. Toss in commercial vehicles, too. Considering what happened to copper, this bottom of the economic food chain leadership does not make sense. Just for clarity, we call basic materials the bottom because the economy starts there and then industry makes things, businesses buy things and finally consumers buy things. It all starts with raw materials.



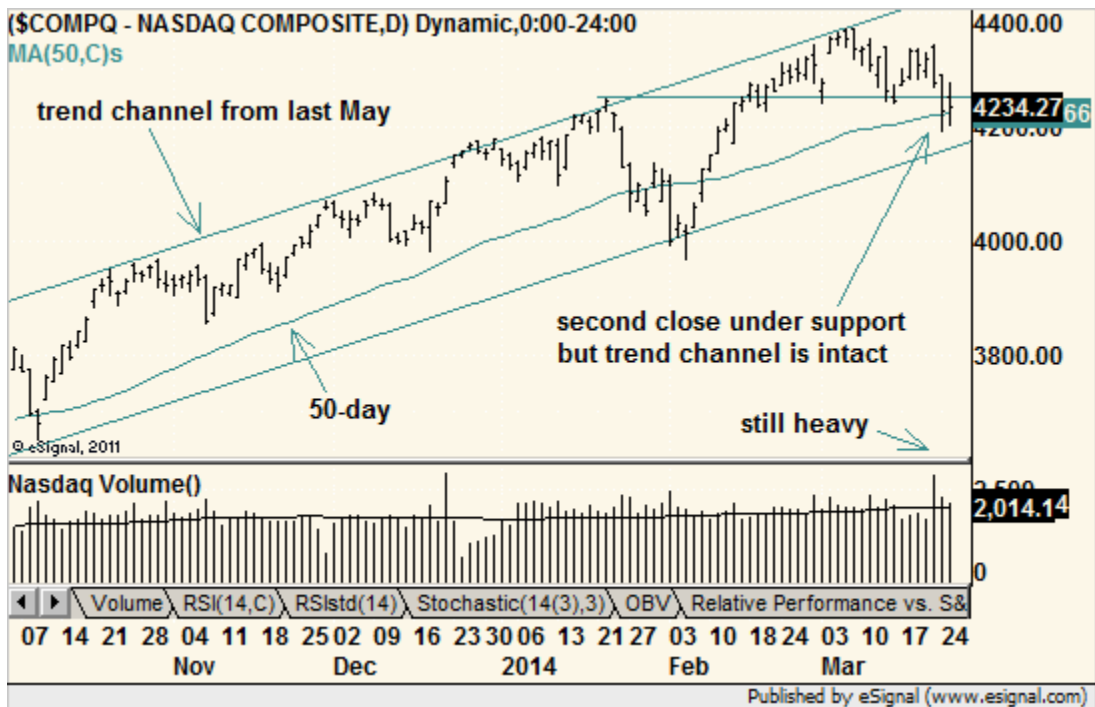
Anyway, that's too fundamental for us. Let's look at the market starting with the intraday chart. Here, we see the **SPY** still moving sideways and we can even accept a triple right shoulder in the pattern above. Perhaps that is a bit too fancy so let's just stick with a trading range that needs to break one way or the other.

We are still going to watch the key sectors (retail, tech, homebuilding, financial) and the leaders (defense, healthcare and momentums). Where they go, so goes the market.

## Index Charts of the Day



It's not exciting to keep repeating it but the S&P 500 is still in a range.



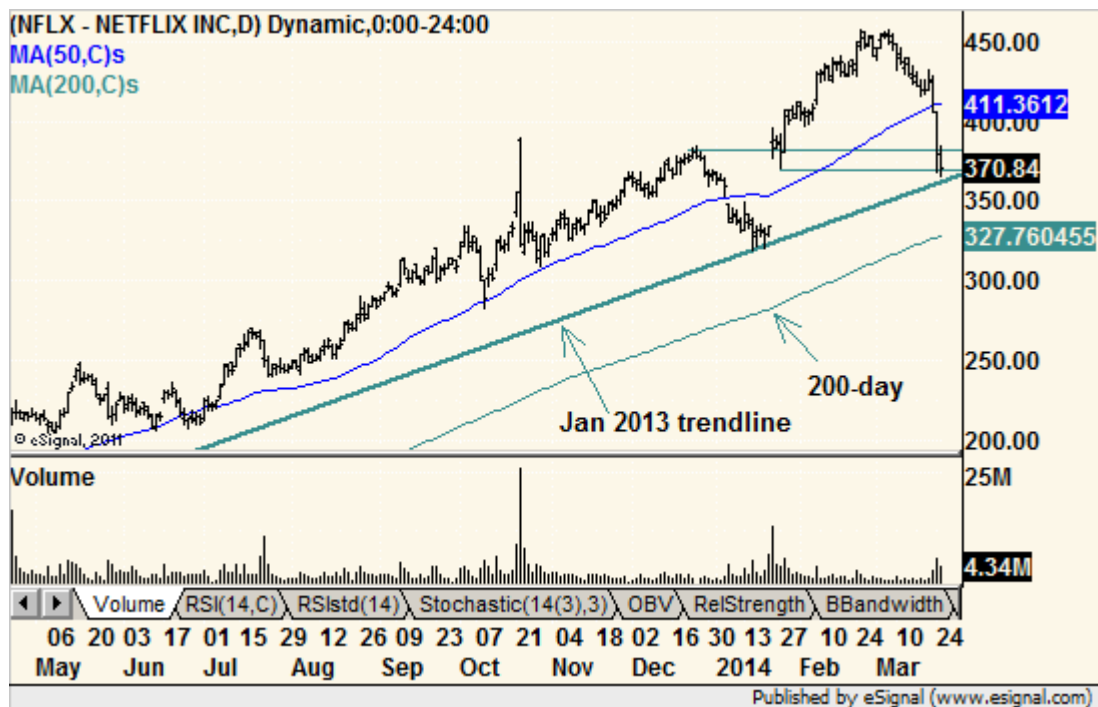
Trend channel support or support breakdown? With the second consecutive close under support and volume staying heavy this is slightly more bearish.

## The Radar Screen

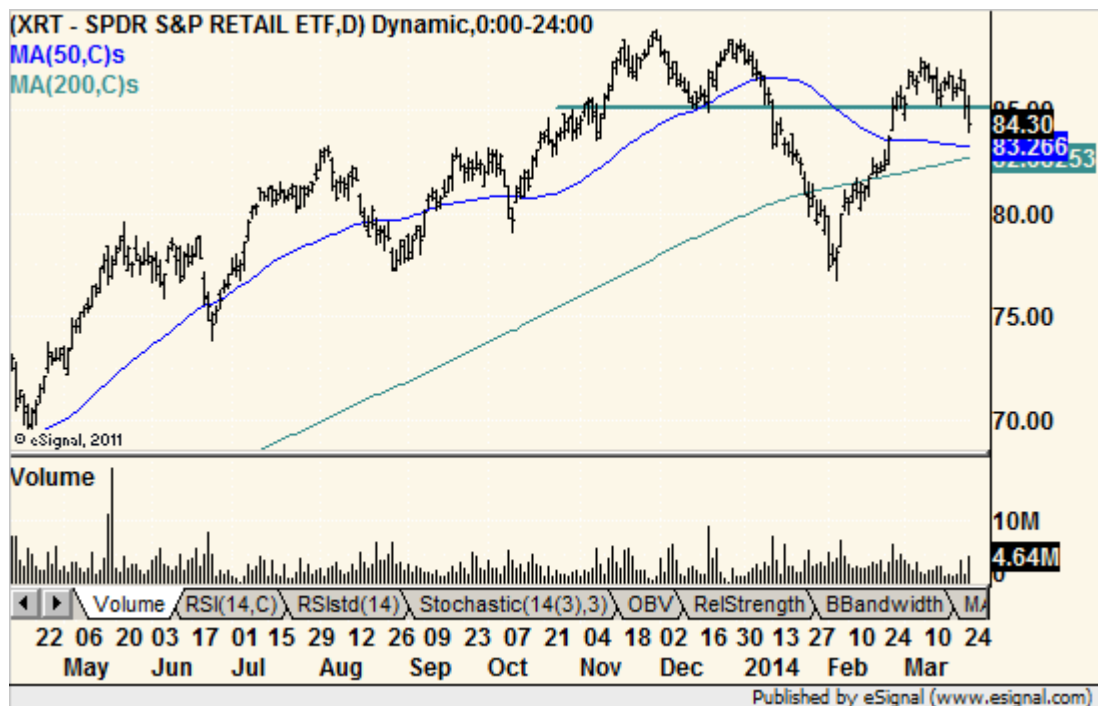
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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.

<b>Bullish Implications</b>		
<b>Hasbro HAS</b> - Here is the toy maker stock that we promised Friday. Nice pause at resistance with rising on-balance volume. Buy 55.60.		
<b>Bob Evans Farms BOBE</b> - This is a restaurant stocks and it survived a total thrashing March 5 on an earnings miss by rallying back immediately. It had another big volume gain Friday so we'll buy the breakout over 52.10.		3/24
<b>Bearish Implications</b>		
<b>Boeing BA</b> - We are finally going to set a sell trigger here as the defense sector, while still leading, is starting to weaken. Boeing is by far the weakest in the group. Selling 121.		3/21
<b>Salesforce.com CRM</b> - Broke its trendline. Selling bounce to 58.	<b>Triggered</b>	3/24
<b>Celgene CELG</b> - Here is a biotech with a typical breakdown pattern. It is oversold but a bounce back to test the support break, the 200-day average break and possibly the declining trendline/50-day average combination would be the strategy. Sell bounce to 149.		3/25
<b>Rockwell Collins COL</b> - We are waiting for defense, the other leader, to break, too. Here is a component stocks with a nice bearish trigger at a support and 50-day average break below 79.40. Yes, the average is below that price but it is rising daily and averages should not be precise triggers.		3/25
<b>Unknown Implications</b>		
<b>none</b> -		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Gold ETF GLD</b> - Fibonacci price and time suggests a buy on April 9 at a price of 126.34		3/19
<b>FirstEnergy FE</b> - An electric utility with a possible rounded bottom. We'd like to see it form a "handle" here before breaking out. Forgive the incorrect use of "handle" but a pause at resistance is harder to say.		3/24
<b>Electronic Arts EA</b> - Watching a bearish reversal taking place well above its 50-day average.		3/24
<b>MasterCard MA</b> - Bearish reversal at the 50-day average. <b>Very weak</b>		3/24
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Defense</b> - Watching this leader. Bearish RSI divergence now in place but the trend is still up.		
<b>Biotech</b> - Time to decide between exhaustion gap and bull flag. Breakdown		3/7
<b>Homebuilders</b> - Failed at resistance. Breakdown		3/11
<b>Banks</b> - Banks of all kinds just broke out through resistance. <b>Did not participate in rally Tuesday - bearish.</b>		3/13
<b>Toys</b> - Looking decent for the bulls.		3/14
<b>Semiconductors</b> - expanding triangle obliterated with a new high		3/17
<b>Updates</b>		
<b>none</b> -		

## Market Highlights



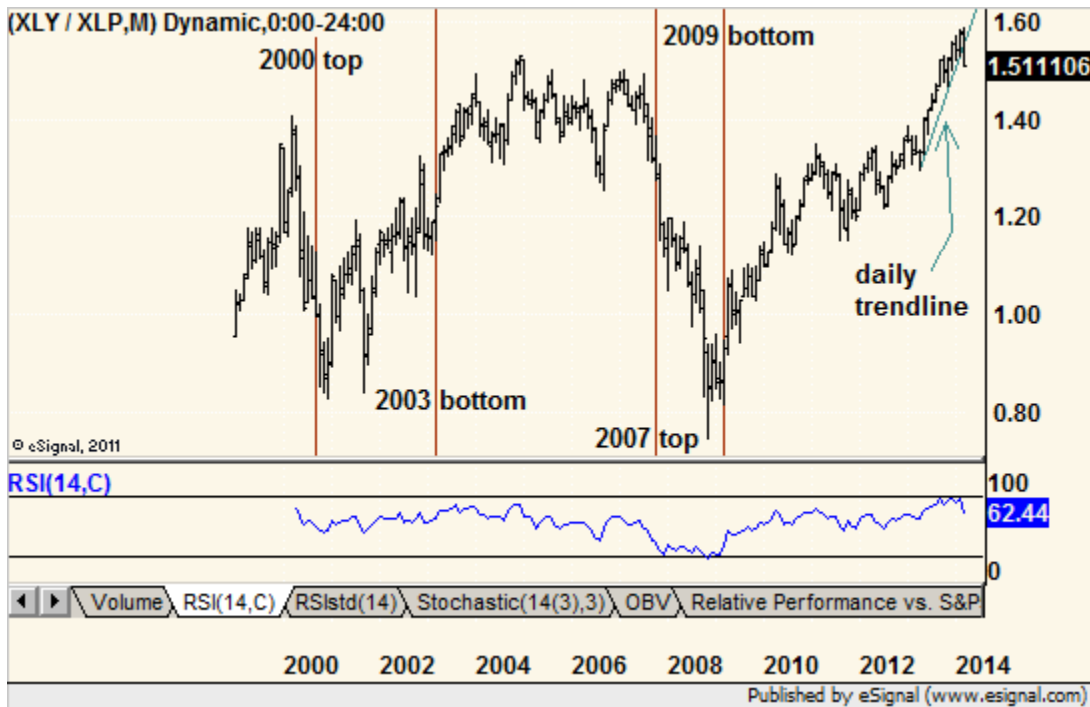
**Netflix** - The rat pack has fallen hard. Netflix is at support. Unlike the market, **GOOG, PCLN, FB** and **TSLA** did not bounce back post-Fed and that is a bearish sign.



**Retail ETF** - Quite a change this month. Still above its averages but the support break is ominous.



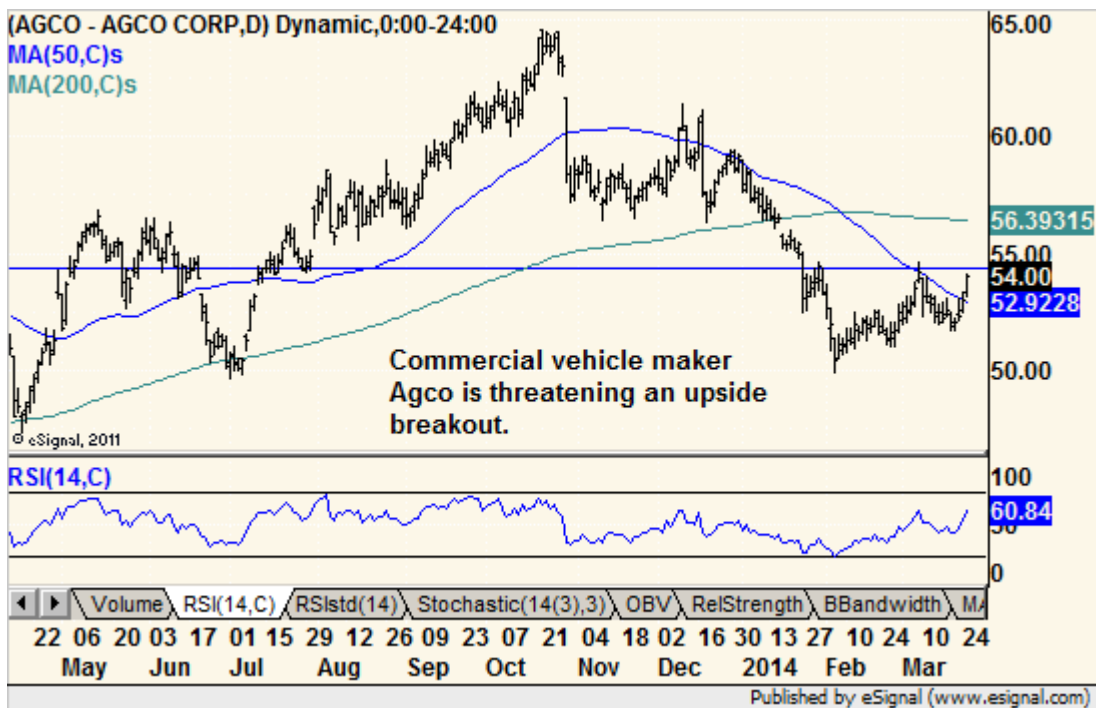
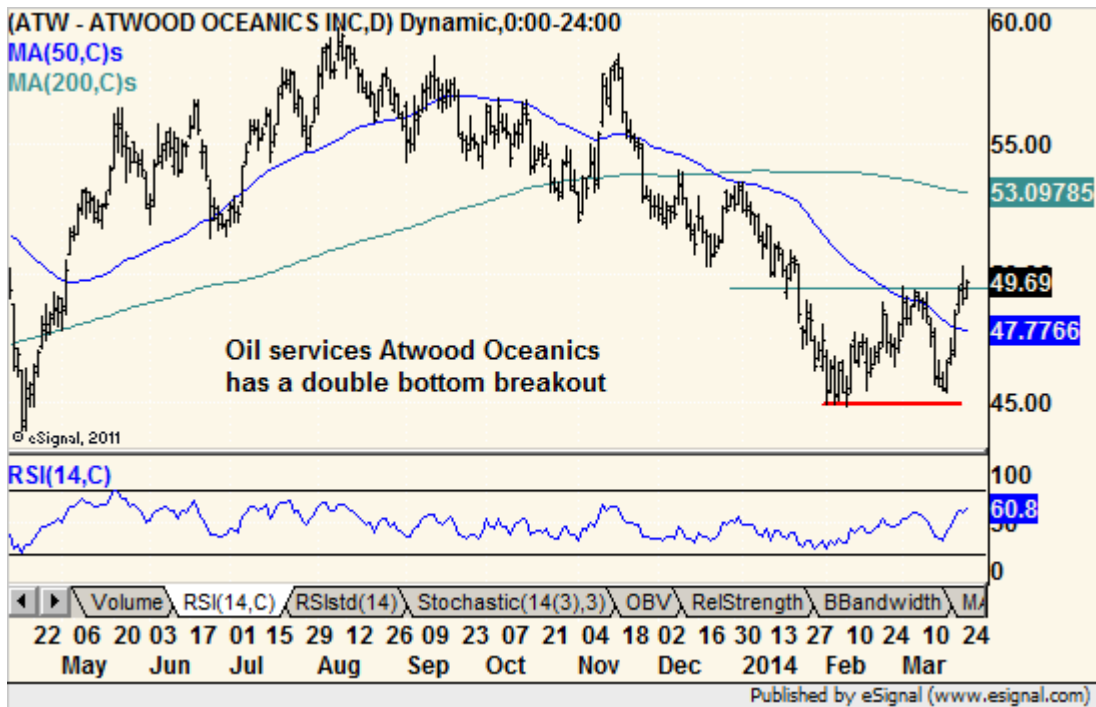
**Discretionary / Staples ratio** - We have seen comments that this is a bearish signal and it is in context. However, when we look at it in the big picture it is not. See next chart.

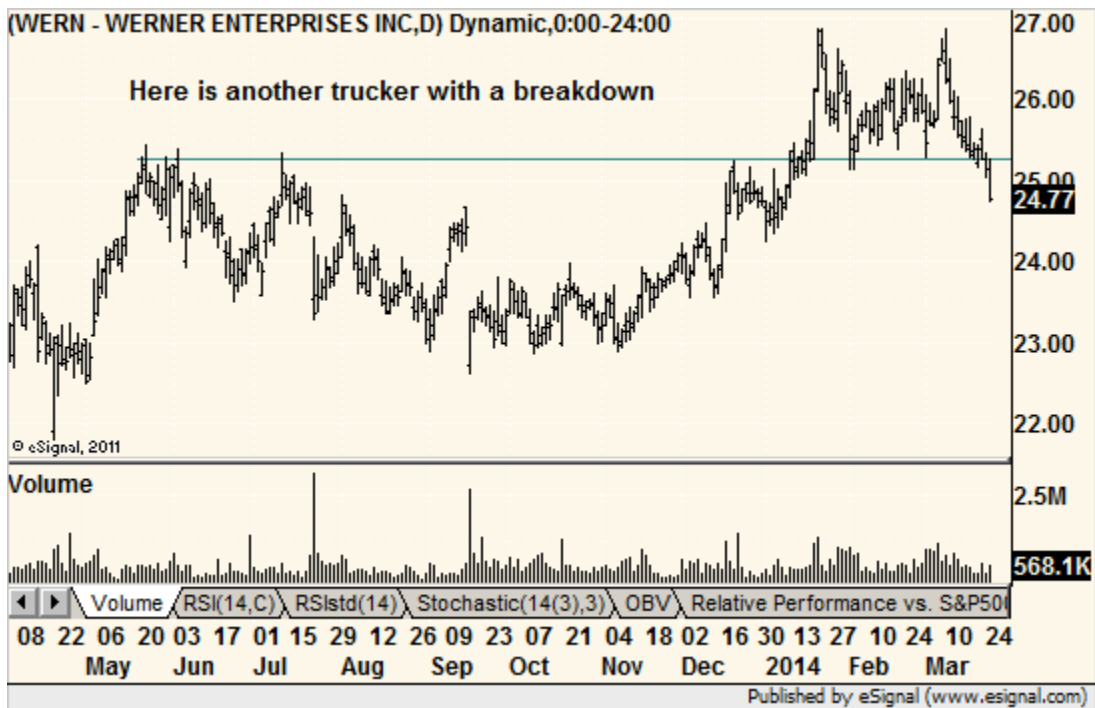
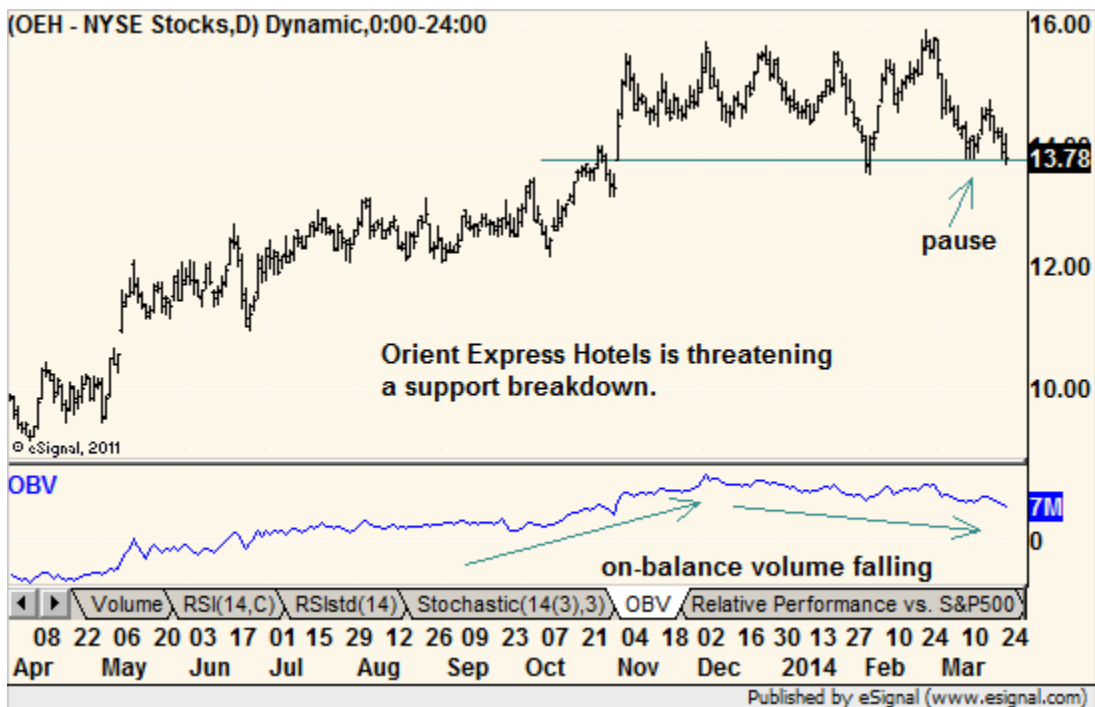


Here is the same ratio on a monthly chart. We've left the daily trendline intact. The bottom line here is that the ratio makes a ton of sense but over the past 15 years it really was meaningless. Sometimes the shift occurs at the turning point and sometimes right in the middle of the trend.

## Quick Takes

In this section, we take a fast look at charts with just captions.

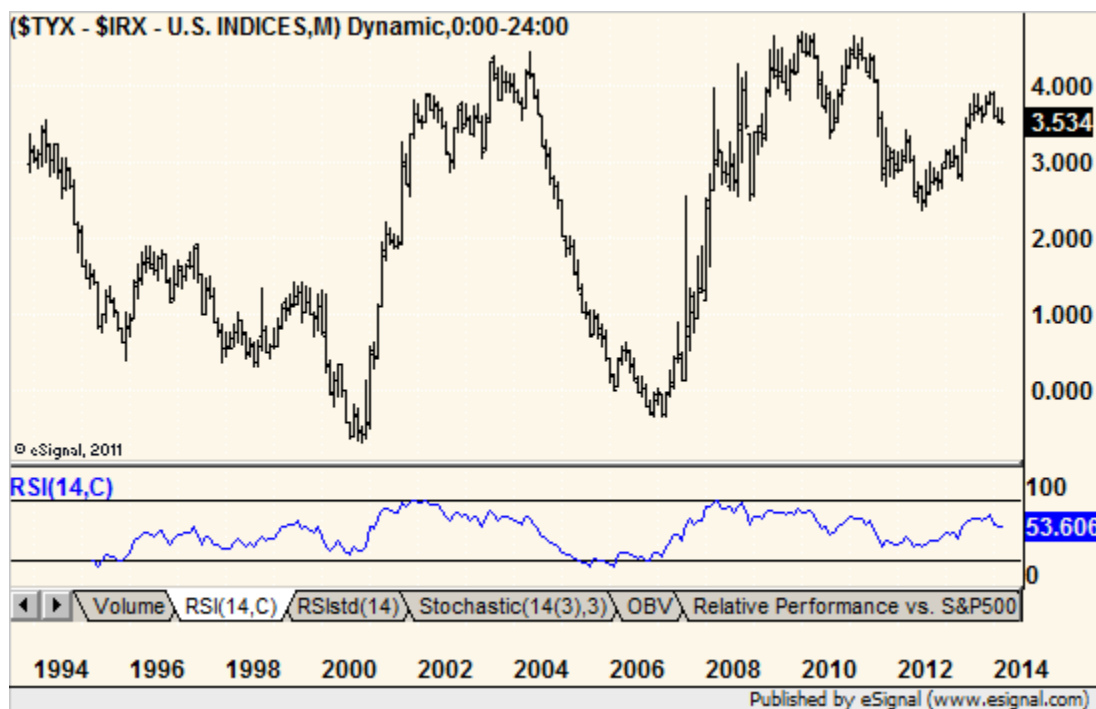




## Today's Lesson

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

### Yield Curve



We've heard chatter on a flattening yield curve and this morning's headline on MarketWatch got us to write up our own analysis here. This chart is the spread between the 30-year and 3-month Treasuries and it is only a proxy for the real curve. By omitting the middle maturities we cannot see if the curve is distorted but it will be good enough for this lesson.

So is it flat? Is the spread very narrow? Look where it was at the last two stock market peaks in 2000 and 2007 - negative! Therefore, the curve is not flat at all. Say that again, it is not flat at all.

So that means stocks will keep going? Not exactly. The short end of the curve is being pinned near zero thanks to the Fed, not the market. We've never had this before and therefore cannot draw conclusions.

The bottom line is that unless the long end tanks (prices rally, yields fall) the yield curve will not have much information for us.



## 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>	<b>JTP</b>	NUVEEN QUALITY PFD INCOME FD	8.09	3.3%	7.80	7.83	1/23	61
	<b>CORN</b>	TEUCRIUM CORN FUND	33.60	6.4%	32.50	31.57	2/6	47
	<b>DBC</b>	POWERSHARES DB COMMODITY ETF	25.92	-2.3%	25.50	26.53	3/3	22
	<b>SYMC</b>	SYMANTEC CORP	19.06	1.9%	18.00	18.71	3/21	4
<u>Short</u>	<b>JNPR</b>	JUNIPER NETWORKS INC	26.20	-3.1%	27.00	25.39	3/11	14
	<b>ACHC</b>	ACADIA HEALTHCARE COMPANY INC	45.62	1.0%	49.00	46.09	3/11	14
	<b>UPS</b>	UNITED PARCEL SERVICE INC	97.65	-1.7%	101.00	96.00	3/21	3
	<b>INCY</b>	INCYTE CORP	53.57	12.7%	58.00	60.35	3/21	3
	<b>CRM</b>	SALESFORCE COM INC	56.65	2.4%	60.00	58.00	3/25	0

**Notes:** New short in **CRM** triggered on the bounce.

Trailed stop in short **INCY** lower

## 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.



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