

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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April 7, 2014 – It looks like earnings matter again, or so say the media when trying to explain Friday's selloff. Perhaps. But as we wrote last week, leadership by coal, gold, beer and utilities was not that confidence inspiring.

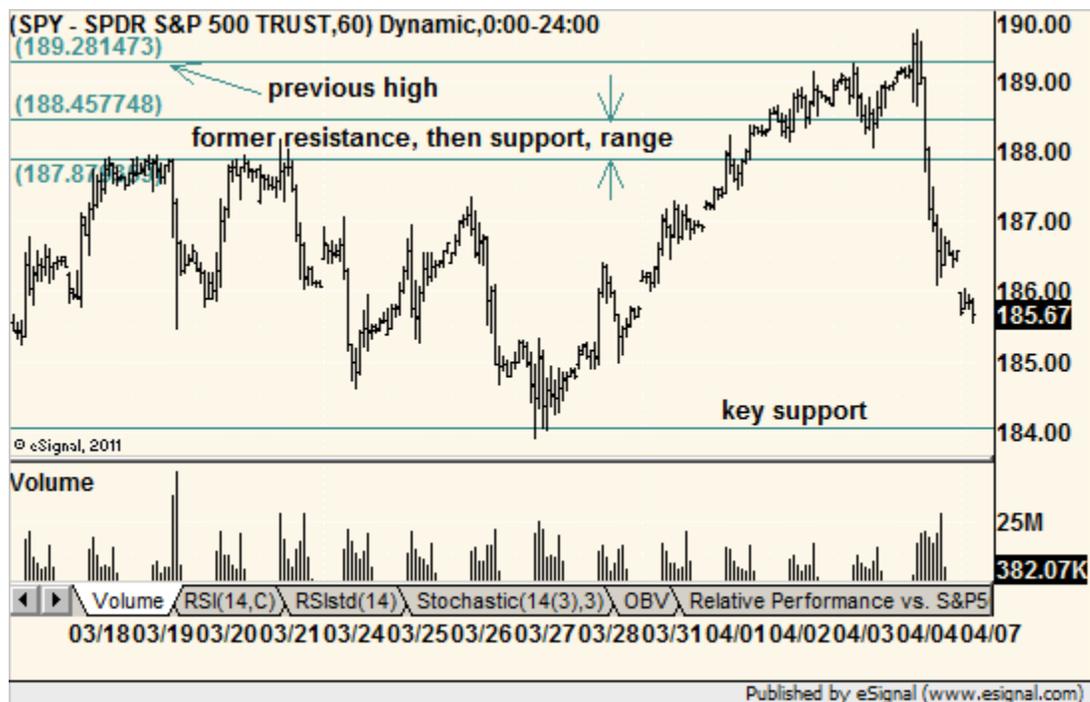
Banks failed to hold a breakout. And Dow Theory, or at least a small part of it, got everyone excited last week. After all, if the Industrials printed a new high then the (quote) primary trend would be (re)confirmed and up, up and away!

Sorry, Clark Kent, the new high in the Dow that printed Thursday and was exceeded Friday ended with an outside-day reversal to the downside. Don't argue that it never printed a new closing high, although that is what Dow Theory really uses. Players wanted the Dow Theory signal so badly that they ignored the rules and that tells us sentiment was too happy.

Remember all those sectors that started to look really good like defense, chemicals and toys? Not any more. Even the defensive consumer staples sector scored an outside-day reversal to the downside.

Remember the breakout in the S&P 500? It was shaky from the start as the index ran from support to and through resistance without a rest. That's momentum, not a breakout.

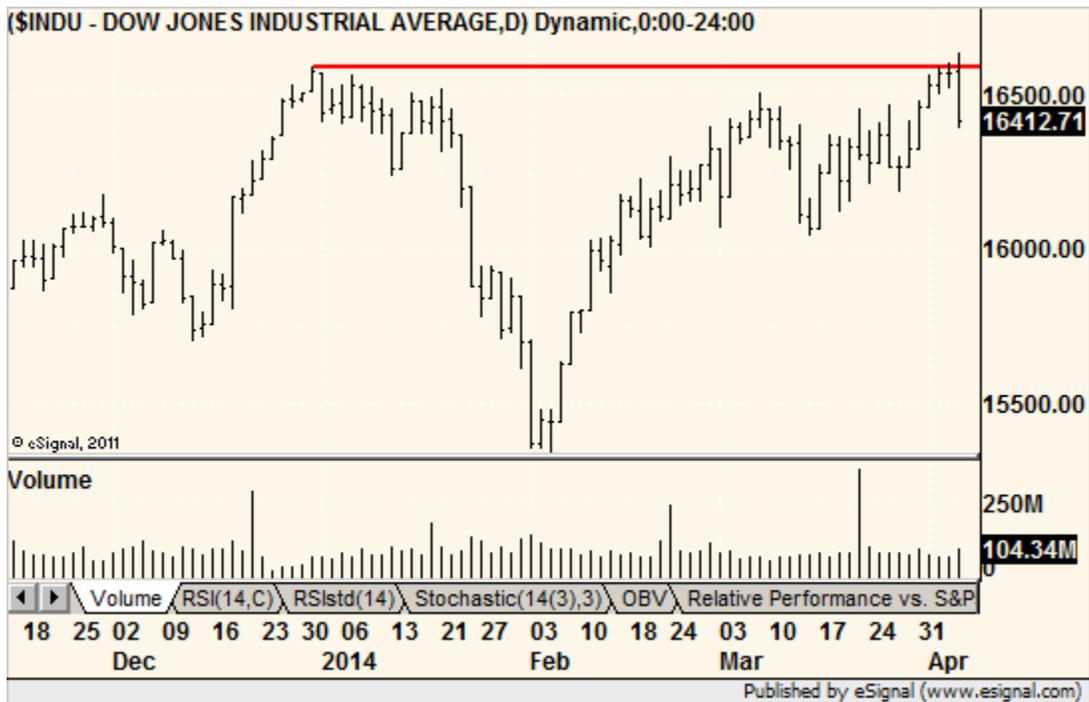
But one day does not make a bear market and bears need to keep the heat on to confirm the change. The Nasdaq is their chief ally. This index broke support, tested it and the collapsed to a second lower low following a pair of lower highs. In other words, this is a real down trend. Check out the chart below in Index Charts of the Day.



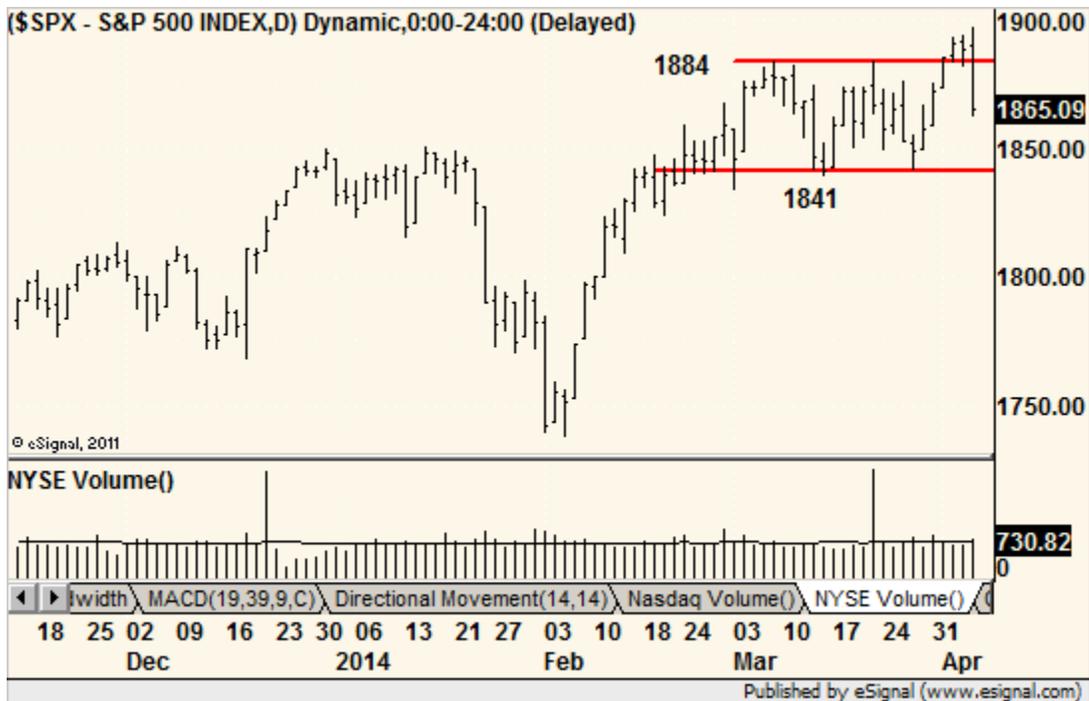
The hourly **SPY** looks ugly. Trading is in the middle of the old range where bounces happen but no promises there. The tone of the market has indeed changed and the market may have topped. We should get confirmation over the next few days but for now, bulls need to take their feet off the gas.

Today is shaping up as a day of rest as far as taking advantage of the sell-off is concerned.

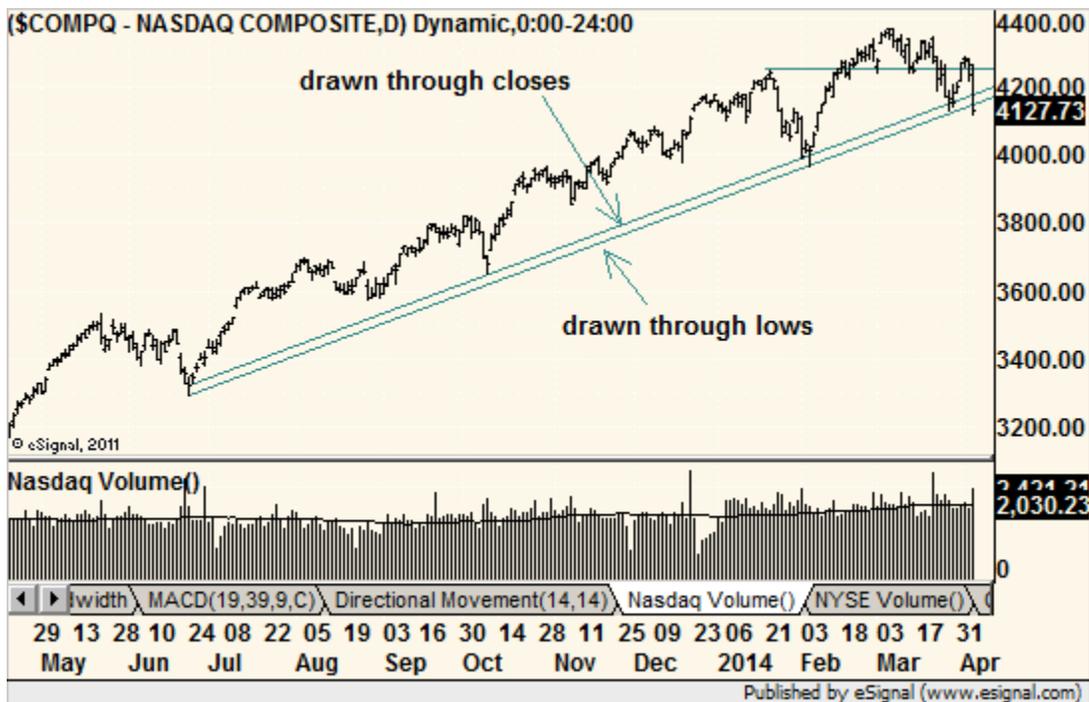
Index Charts of the Day



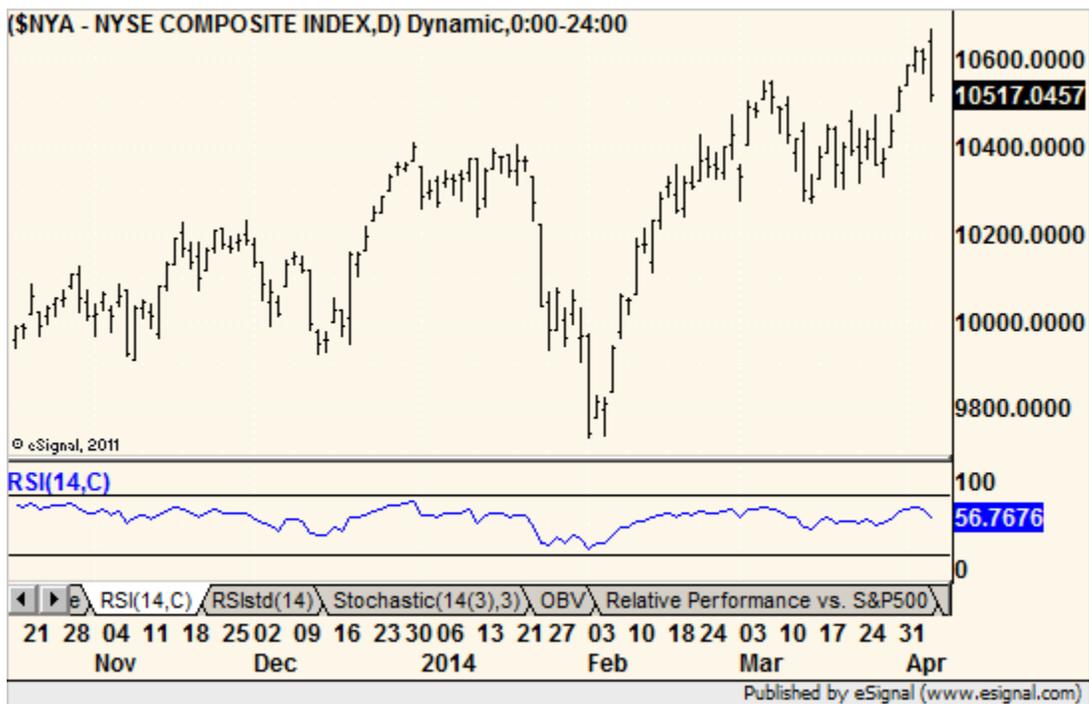
Sorry, Dow Theorists, this is a failure at resistance. Again, one day does not make a bear market but this one looks like it was a top.



Breakout failure.



Looks like a breakdown but even bears have to admit it is not really that significant - yet.



Key reversal for the NYSE composite.

The Radar Screen

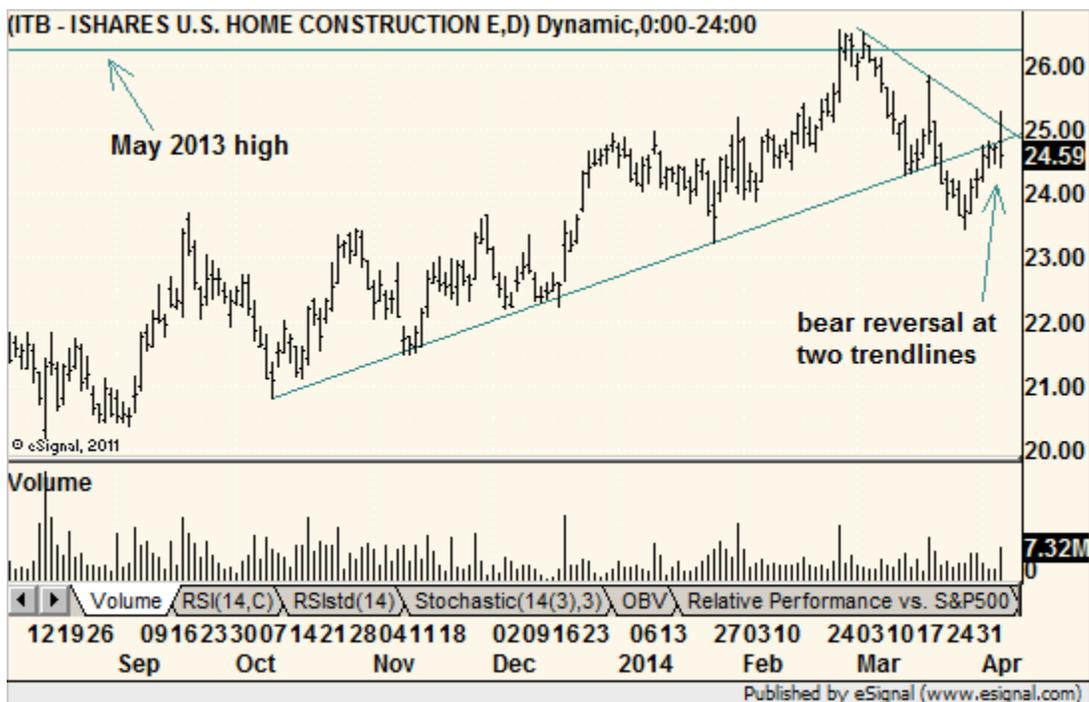
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
Gold ETF GLD - Fibonacci price and time suggests buy on April 9 at the 61.8% Fibo at 121.80. Possibly too aggressive a downside but we'll hold it for now		3/19
Healthcare Realty Trust HR - This REIT appears to be ready to complete a base. It is already above both major averages and sports rising on-balance volume during the current sideways range. Nice dividend, too. Buy 24.75.		4/2
Highwoods Properties HIW - This is an office and industrial REIT and it is testing resistance at 38.50. On-balance volume is rising during the pause. Buy close above resistance.		4/3
Coca Cola Enterprises CCE - This Coke bottler is in a nice rectangle pattern in a bull run. Buy the breakout above 48.00 on close. This one looks high but the range is a tight 1.75 points. Therefore, volatility is lower.		4/3
Bearish Implications		
CVS Caremark CVS - After a nice run following its ban on cigarettes, this retailer scored an abandoned baby (island gap reversal) and now has a bearish RSI divergence. Sell under <u>range</u> low at 73.85.		3/31
Holding Tank - red shade leans bearish, green shade leans bullish		
Newmont Mining NEM - This one never had the same shape as the rest of the gold sector. Now it looks as if it formed the trough of the right shoulder.		3/28
Target TGT - This one is well off investor radar now but it has a bull flag <u>breakout through</u> a major trendline. Already above the 50-day average.		4/1
McDonalds MCD - Lots of bad press now with Taco Bell competing in breakfast. But the stock, which failed to hold a breakout already, had two hot days. Note on-balance volume is still trending up. Watching.		4/1
DuPont DD - A nice flag pattern with rising on-balance volume. <u>Breakout failed with a bearish reversal. Moving on with no harm done.</u>	Removed	4/1
Old Dominion Freight ODFL - Trucker with an ascending triangle pattern. Fell big Friday but on low volume.		4/4
Sector Watch (observations that may spark ideas)		
Defense - <u>Failure</u>		3/1
Banks - <u>Big failure day Friday.</u>		3/13
Toys - <u>Possible failure</u>		3/14
Credit Cards - Perhaps MA, V will give us second chance to sell them. Watching AXP , too. Nope , the fell very hard Friday.		3/28
Energy - Upside breakout despite falling oil. Big reversal Friday but this still has the potential to be a test of last week's breakout	Changed	3/31
Utilities - Nice breakout last week in the DJUA		3/31
Natural Gas stocks \$FUM - Looks like a possible test of a resistance breakout	Changed	4/4
Semiconductors ETF SMH - Was in great shape Friday morning and then ended with a monster sell off of huge volume.	Changed	4/4
Healthcare ETF XLV - Lagging sector with bull flag but failed (sold off) on big volu		4/4
Updates		
US Dollar Index - sold off at resistance		
Long T-bond ETF TLT - Bounced off rising trendline		

Market Highlights



Drugs index - No breakdown but this does not look bullish. Room to fall to the October trendline.



Homebuilders - Bearish reversal at the former trendline from October and the new falling line from February.



Emerging Markets ETF - Bear reversal at the three-year trendline I drew in my Barron's Online column one week ago. Short-term rally, meet long-term bear market.



Nasdaq Biotech ETF - Set a new low so we'd look for shorts in the sector this week on the bounce.

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>	JTP	NUVEEN QUALITY PFD INCOME FD	8.17	4.3%	8.00	7.83	1/23	72
	CORN	TEUCRIUM CORN FUND	34.92	10.6%	34.00	31.57	2/6	58
	SYMC	SYMANTEC CORP	20.25	8.2%	19.70	18.71	3/21	15
	HAS	HASBRO INC	55.00	-1.1%		55.60	3/28	8
	AGCO	AGCO CORP	55.51	1.8%	53.00	54.55	3/31	5
	DO	DIAMOND OFFSHORE DRILLING INC	48.38	-1.1%	46.75	48.90	4/1	4
	PMCS	PMC-SIERRA INC	7.39	-5.5%	7.30	7.82	4/3	2
<u>Short</u>	JNPR	JUNIPER NETWORKS INC	25.90	-2.0%	27.00	25.39	3/11	25
	ACHC	ACADIA HEALTHCARE COMPANY INC	44.63	3.3%	47.00	46.09	3/11	25
	UPS	UNITED PARCEL SERVICE INC	98.10	-2.1%	100.00	96.00	3/21	15

Notes: **PMCS** did not stop out but it is close with a Friday thrashing. Either it stops out immediately or bounces to let us get out with less damage. Look to sell the bounce to get out. We cannot quantify that for you in a daily newsletter so we'll sell the close unless it gains more than 2%.

Stopped out of **HAS** as the toy sector failed. Small damage.

Trailed stop in **ACHC**.

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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