

# QUICK TAKES PRO

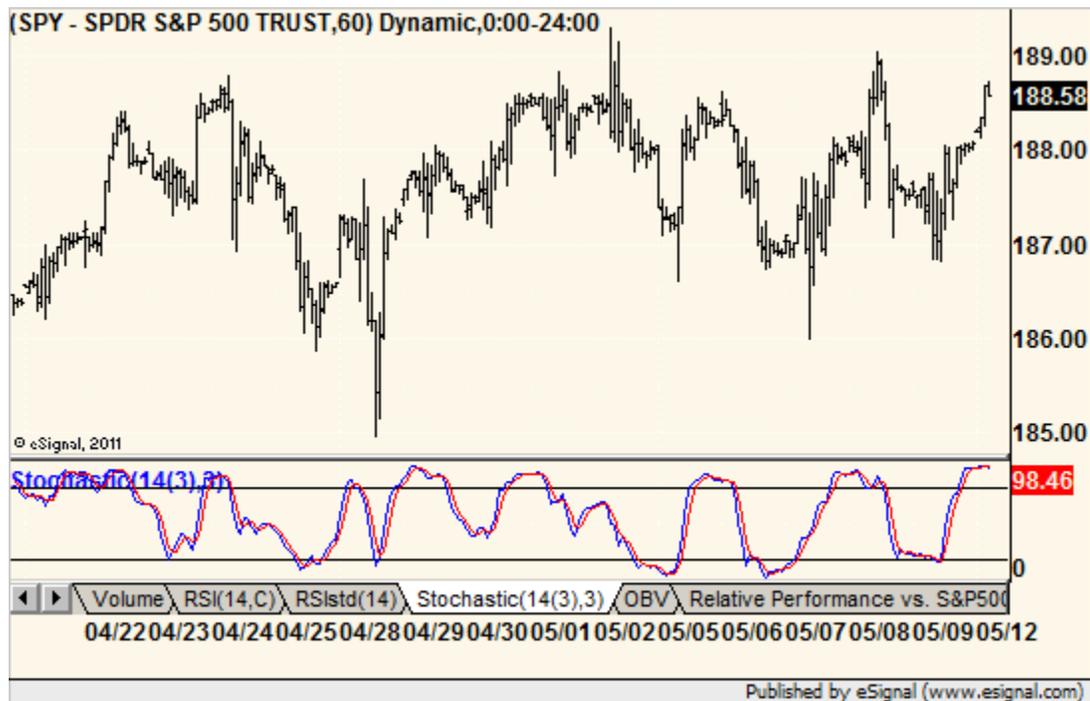
"TECHNICAL ANALYSIS FOR EVERYONE"

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**May 12, 2014** - The headline that closed the week talked about the new all-time closing high in the Dow as the Nasdaq had its worst week in a month. I replied on twitter that it was not a healthy market headline and as you may have guessed from recent snark it was a Hindenburg Omen-like condition. A split market at new highs is a bad sign.

True to form, the money managers piled onto financial media to call it a healthy correction and say that we should not worry about the normal Nasdaq pullback. Aside from the usual salacious commentators warning about the pending crash as they seem to do every week, rational warnings were scarce. Sentiment seems to be rather happy using this subjective yardstick.

The **VIX** is still in a 12-handle so maybe there is something to this froth. And the VIX of the VIX (symbol **VVIX** and needing an index prefix such as ^ or \$ depending on your data provider) just set a record closing low. "Nobody" expects volatility to rise, which suggests "nobody" expects the S&P 500 to go down. We find it interesting that the CNN fear and greed index is still in the fearful side because that does not mesh with our observations of the players.

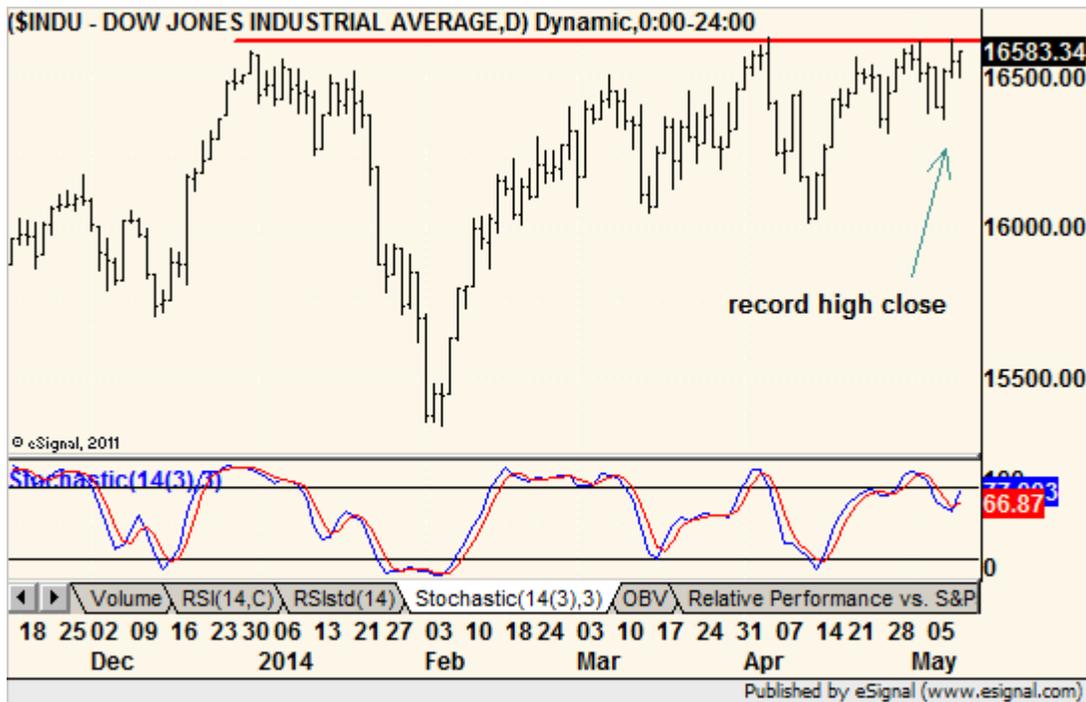


The hourly chart shows the ragged nature of the trading range. Although the current leg is to the upside, we can see stochastics already pinned at overbought. Once again, that suggests the range top, wherever it may lie, is going to hold again. What the bulls need is a pause in the 189 area and not an instant sell off to suggest things are developing into strength.

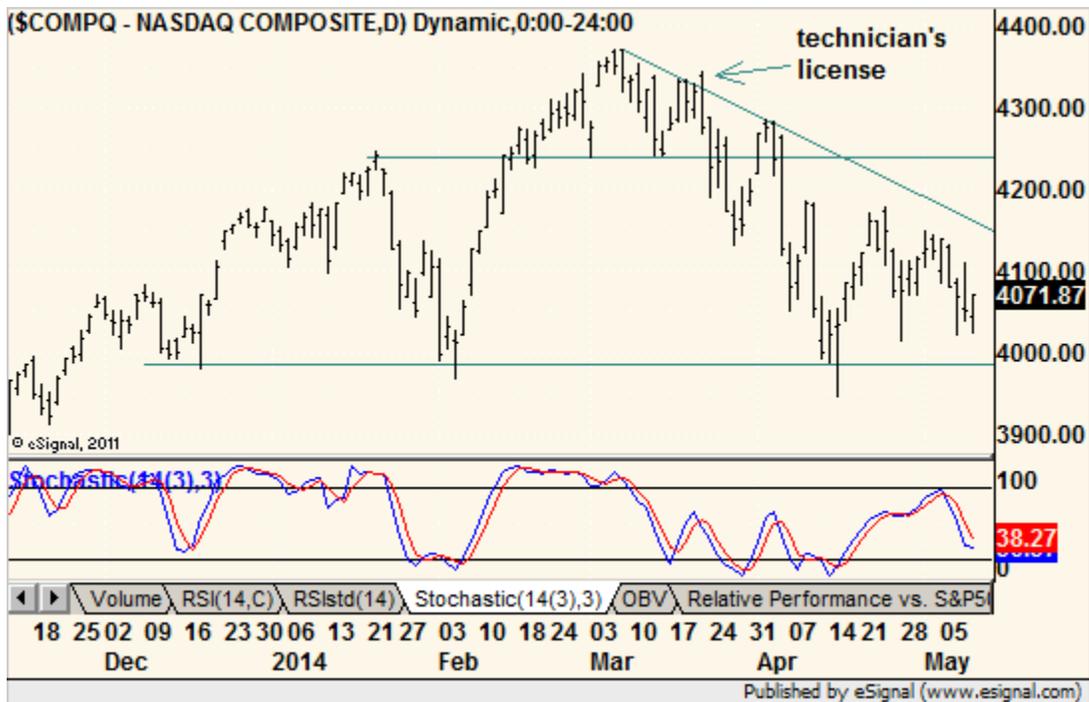
Not much new in gold and oil. Coffee finally had a technical breakdown. Livestock is starting to look dicey but no breakdown just yet.

And the dollar is coming off a good week where the euro dropped. But Canada and Australia still look strong vs. the greenback.

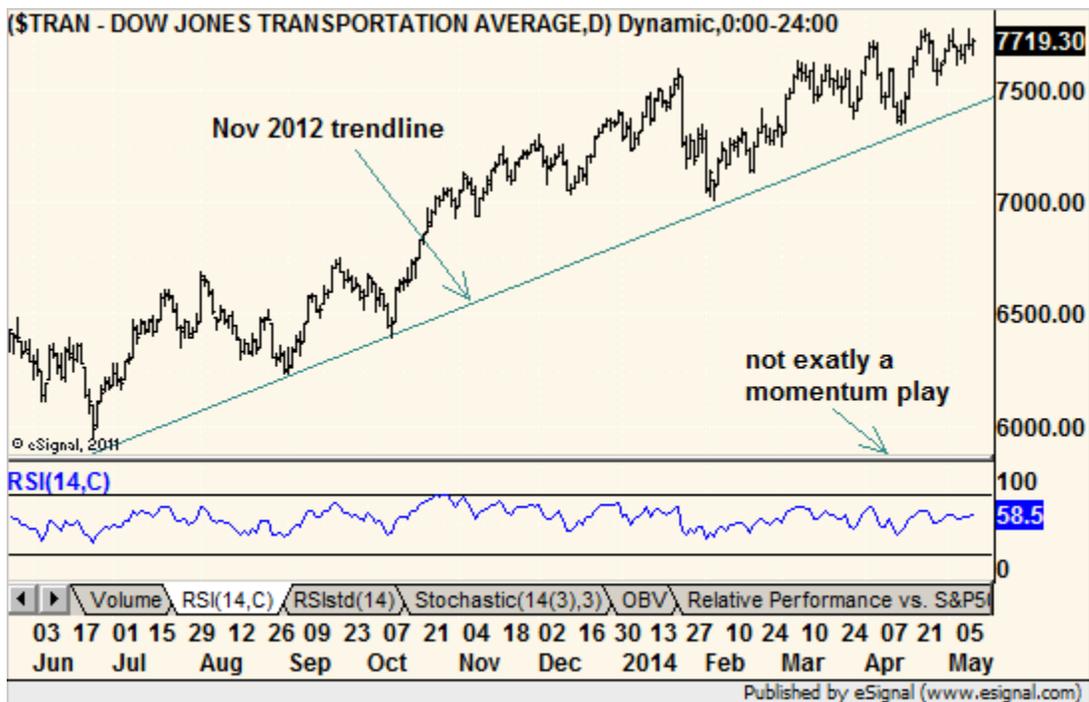
## Index Charts of the Day



Another record high close but we wonder if that is just hype. This chart shows no breakout at all.



The Nasdaq trend is down and there is no way to sugar coat it. The positive here is support, which is not broken.



The transports have not done anything for weeks despite the rising trendline. Momentum is barely positive.



Is that a mini-head-and-shoulders for the utilities? If so, we can argue that the trendline is the downside target. However, this trend is still rising.

## 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>TransCanada TRP</b> - A pipelines stock poised to break out. Looking for a close over 47.20. <u>Nope. No harm done.</u>	<b>Removed</b>	5/2
<b>Nat Gas Stock ETF FCG</b> - Bull flag waiting for the breakout. Good on-balance volume and not overbought. Buy 22.70.		5/8
<b>Bearish Implications</b>		
<b>Nike NKE</b> - Weekly double top in progress. If the bounce stalled so we look for the setup for a big short on the support break. Sell under 71 - changed to a triangle pattern		4/9
<b>Raymond James Financial RJF</b> - Another weak financial (broker). This one is challenging support at the line shown plus the 200-day average. Sell break under 48.25.		5/7
<b>US Bancorp USB</b> - The next major bank to break? Watching the triangle and long-term trendline. Sell 39.75		5/7
<b>Adobe Systems ADBE</b> - This software maker was not on the list of momo cult stocks last year but it looks like them. And now it has a bounce off support and the 200-day average. Trailing P/E of 110! Selling 57.30 on close. <b>PCLN</b> is similar		5/8
<b>Goodyear Tire GT</b> - A trend and support break. We'll sell the bounce to 25.00	<b>New</b>	5/12
<b>Nasdaq OMX Group NDAQ</b> - The exchanges are weak. This one has a false breakout and then a double top breakdown. Currently it a double top of sorts testing the breakdown. A low under last week's 36.20 (on close) would be a sell.	<b>New</b>	5/12
<b>Unknown Implications</b>		
<b>none</b> -		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Gold ETF GLD</b> - Back on the 200-day average and 50% retracement. Still not ripe at this time. Looking at May 5 at 121.85 - both .618 Fibonacci levels.		3/19
<b>Microsoft MSFT</b> - Possible double top. Note trendline rising to meet support. Watching for now	<b>New</b>	5/9
<b>Western Digital WDC</b> - Another tech stock with a bounce off support. Waiting for a breakdown. <u>We may have gotten more than we hoped and missed it.</u>		5/9
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Energy</b> - Looks like it is in need of a small correction.	<b>Changed</b>	3/31
<b>Utilities</b> - Still looking strong but a bit concerned over a big decline on a day when bonds were way up. <u>Now sitting on a trendline. It must hold</u>		3/31
<b>Financials</b> - Still a weak sector but the representative stocks are going every which way	<b>Changed</b>	4/15
<b>L3 Communications LLL</b> - Another defense stock sitting on support ( <b>RTN</b> , too).		5/7
<b>Broker Dealer Index XBD</b> - This is not the same as the broker index we knew 10 years ago but it still reflects the industry. We see a downward sloping head-and-shoulders in progress. If it completes, it will also break the 00-day average and that will not be good.	<b>New</b>	5/12
<b>Updates</b>		
<b>none</b> -		

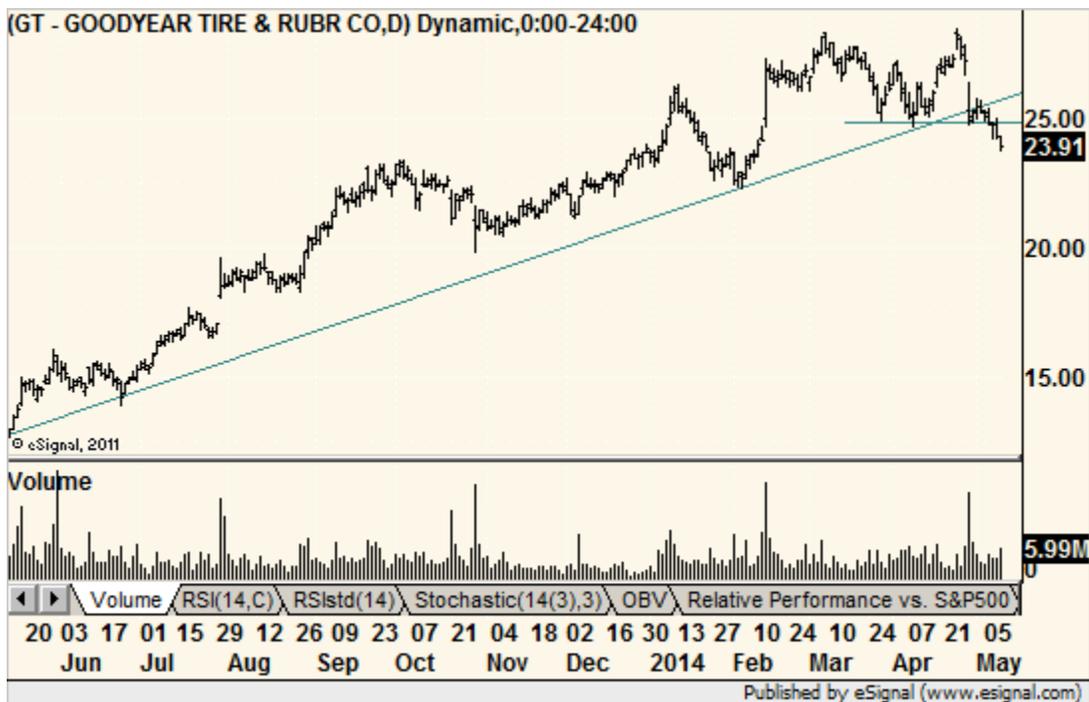
## Market Highlights



**T-bonds ETF** - A little room to dip to the still intact rising trendline.



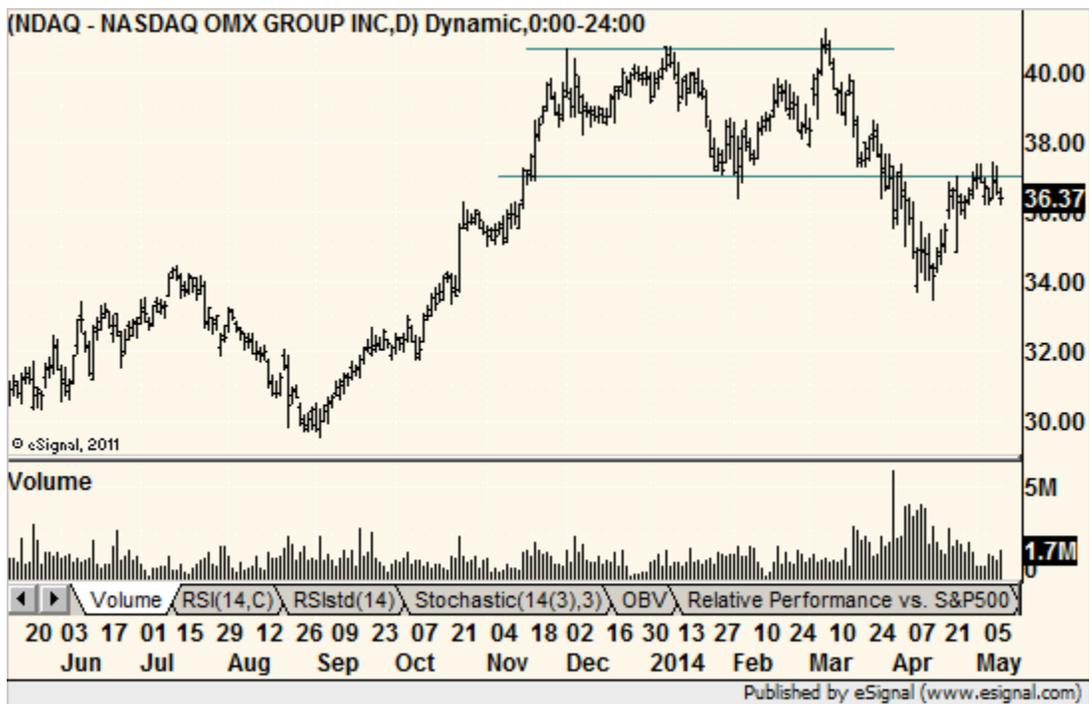
**Nuveen Muni Bond fund** - In case you are starting to doubt the bond market rally, this is a rather bullish looking chart in the municipal, bond area. It just paid its quarterly div so we are not going to buy but the point is to show that bonds are still the place to be.



**Goodyear Tire** - A trend and support break. We'll sell the bounce to 25.00



**Broker Dealer Index** - This is not the same as the broker index we knew 10 years ago but it still reflects the industry. We see a downward sloping head-and-shoulders in progress. If it completes, it will also break the 200-day average and that will not be good.



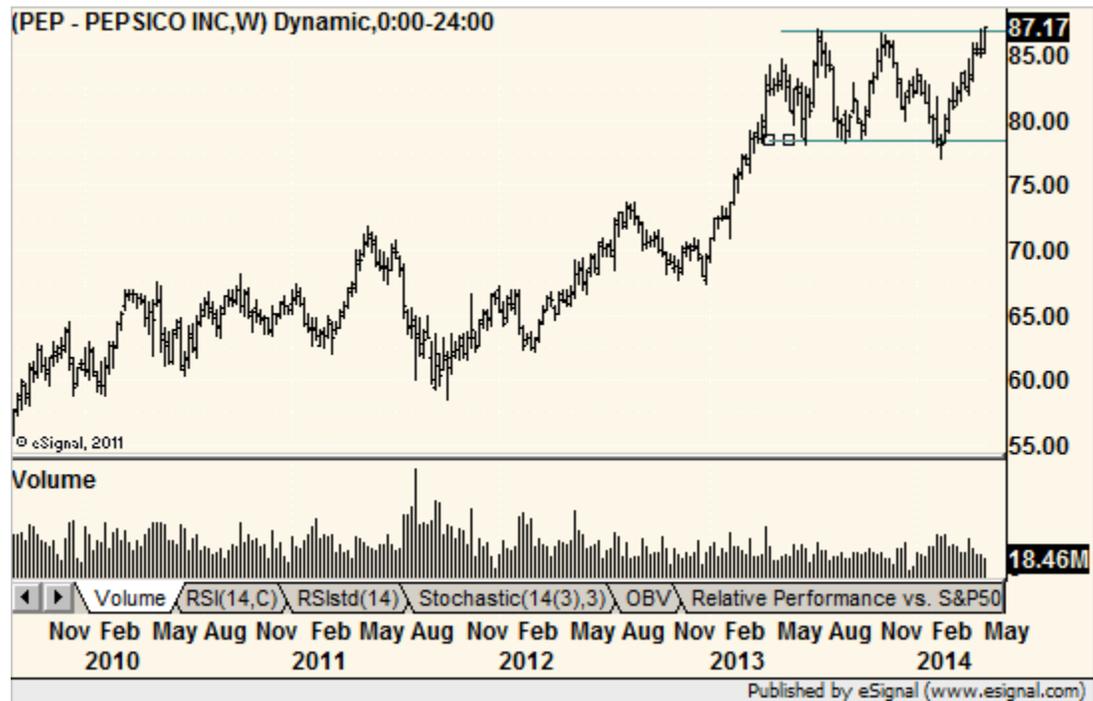
**Nasdaq OMX Group** - The exchanges are weak. This one has a false breakout and then a double top breakdown. Currently it's a double top of sorts testing the breakdown. A low under last week's 36.20 would be a sell.



**CBOE Holdings** - The CBOE looks pretty weak, too, and is sitting on its 200-day average.



**Exxon Mobil** - Weakening but not enough to short it. Note how it is pulling back from the upper Bollinger Band. That is a bearish divergence after a high is made above the bands.



**Pepsi** - A weekly view showing a big range and a false breakdown last year. This is in the staples group and offers a decent dividend. If it were not for the shaky market, we'd like this right here.

## Today's Lesson

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

### Reversal pattern



**Stratasys** - This one is a candidate for a reversal. Friday was a hammer candle and this morning it is indicating a small gap up. If that happens and the stock stays up then it will form an abandoned baby (island gap reversal) bottom.

Keep in mind that it has not yet happened so no front running unless you are either very risk loving or you know something about the company.

## 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>HR</b>	HEALTHCARE RLTY TR	25.23	1.3%	24.00	24.91	4/15	25
	<b>ED</b>	CONSOLIDATED EDISON INC	56.20	0.6%	55.50	55.89	4/15	25
<u>Short</u>	<b>UPS</b>	UNITED PARCEL SERVICE INC	99.76	-3.8%	100.00	96.00	3/21	50
	<b>CVS</b>	CVS CAREMARK CORPORATION	76.00	-2.8%		73.85	4/7	33
	<b>CA</b>	CA INC	29.41	3.6%	31.25	30.46	4/22	18
	<b>GS</b>	GOLDMAN SACHS GROUP INC	157.20	1.9%	162.00	160.26	4/22	18
	<b>BRCM</b>	BROADCOM CORP	29.74	2.9%	31.50	30.60	4/24	16
	<b>UNH</b>	UNITEDHEALTH GROUP INC	76.95	-2.9%	78.00	74.68	5/2	8

**Notes:** Short in **CVS** was stopped. It was heading the wrong direction for several days so the downside trendline breakdown failed. Loss was minimal, fortunately.

ED dropped sharply Friday in a weak utilities sector. It was a huge drop for ED and now we have to worry that the upside breakout will fail.

## Subscriber Corner

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



**Tesla** - The first thing we have to say is that momo is dead. Almost all the super momentum leaders of last year are hurting and are the old theme now. The new theme is big cap dividend payers although we do not know how long that will last.

Here, we see Tesla at the 200-day average but it already broke a good support (on high volume, not shown). It is far from oversold according to daily RSI so we would only sell this on a bounce. Buying is not a consideration.

## Other Information

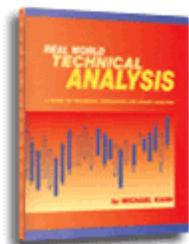
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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



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