

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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May 13, 2014 - The enthusiasm for stocks did not wane yesterday but then again it did not gain once the opening pop was done. The Dow stayed up triple digits for just about the entire day as the **VIX** stayed in the low 12-handle. The latter is now back at the extreme lows as the **VVIX** (VIX of the VIX) scored a record low close. This suggests to us that the market is just too happy.

There is no denying that the Dow broke out as it has now closed above all previous intraday highs. But don't let the rallies in the small caps and Nasdaq at two to three times as large as the Dow's gain fool you into thinking it was the end of their respective underperformances. They were oversold and in need of bounces and relative performance charts for each have not changed (see below).

And then there's volume. Yes, we know volume is not the driver in the market and as I say in presentations we do not put volume in the bank. But after a long decline in most of the market, a rebound with a Dow breakout should have had a bit more participation.

We still think most of the market looks sloppy and that is not an endorsement.

On the bullish side, the bond market is now down for five of the past six days. And utilities dipped below the rising trendline from January so perhaps this is a little taste of risk-on.

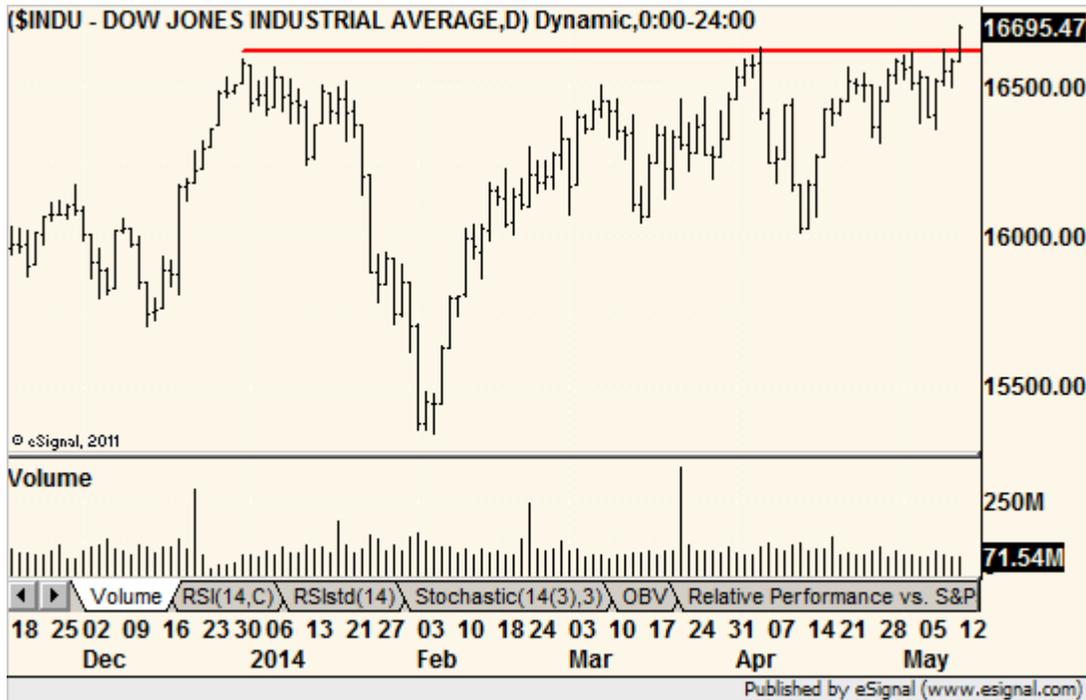
No need for the hourly chart today as it is in new high ground. The daily charts below tell the story.

Yesterday's Barron's Online column covered breakouts in the Dow as well as in several sectors represented by the SPDR ETFs (**XLK** and **XLV**, for example). Normally, this would be bullish but when most of the market is still in decline they are deceiving. Why? Because they cover the stocks of the S&P 500. I ran charts of the small-cap sector ETFs and they look just as weak as the Russell 2000 small cap index.

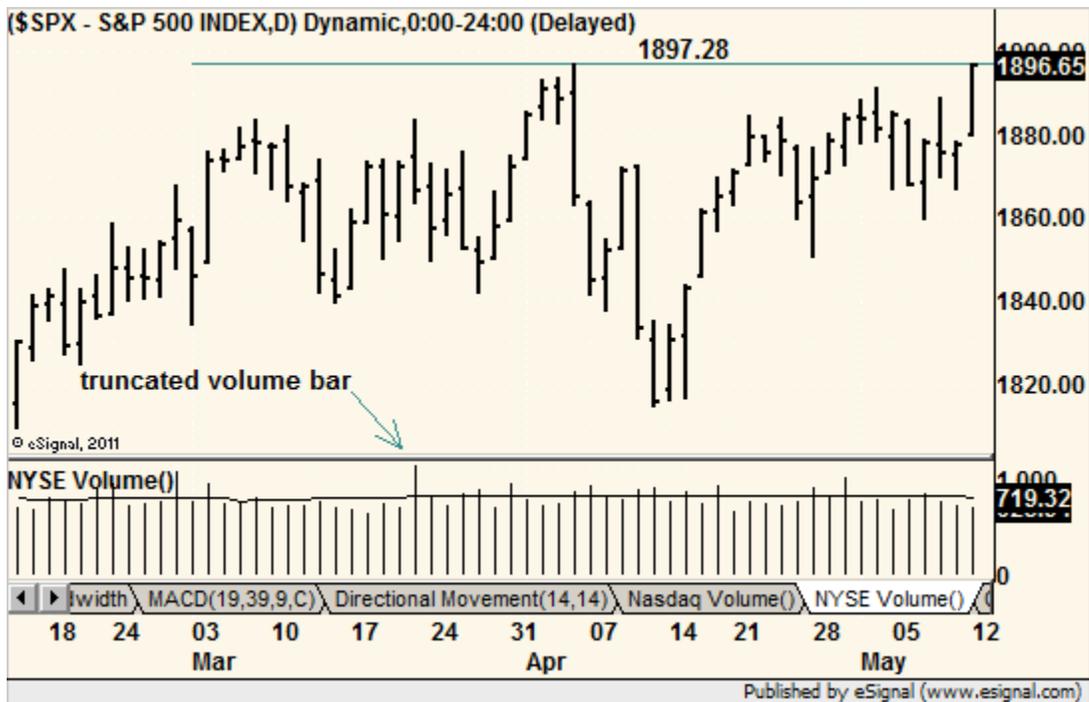
My conclusion was that size considerations trump sector moves. If you are trading just big caps then go with the breakouts. But if you are trying to get a handle on the market as a whole, the chasm between big and small is just as wide as it has been.

What will change that? Continued leadership by the laggards over the next few days. That would prove it is a turnaround and not just a correction from oversold conditions.

Index Charts of the Day



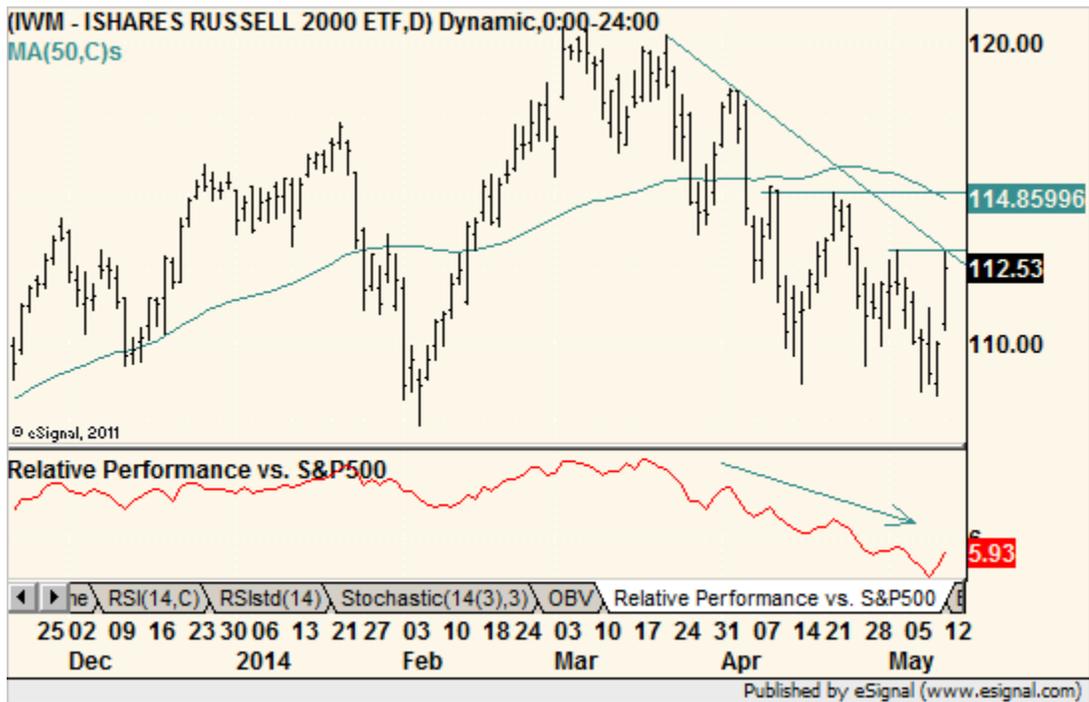
There's the official breakout.



Being precise, the close and high Monday were still below the high set last month. Are we splitting hairs? Maybe not when volume has been falling for the past few days as prices mounted their upside assault.



The Nasdaq had a nice day but it is still in a month-long congestion zone and below its trendline and 50-day average.



The Russell (ETF shown) had a huge day and built on early gains but it remains below several resistance features.

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		
Nat Gas Stock ETF FCG - Bull flag waiting for the breakout. Good on-balance volume and not overbought. Buy 22.70.		5/8
BHP Billiton BHP - A breakout from a wedge pattern is bullish. We like this as a precursor to a mining sector breakout. Nice dividend, too. Buying here.	New	5/13
Bearish Implications		
Nike NKE - Still may be a weekly double top but it is far from its trigger now.	Removed	4/9
Raymond James Financial RJF - Another weak financial (broker). This one is challenging support at the line shown plus the 200-day average. Sell break under 48.25. <u>One more day here unless it starts to fall again.</u>		5/7
US Bancorp USB - The next major bank to break? Watching the triangle and long-term trendline. Sell 39.75		5/7
Adobe Systems ADBE - 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. PCLN is similar		5/8
Goodyear Tire GT - A trend and support break. We'll sell the bounce to 25.00		5/12
Nasdaq OMX Group NDAQ - 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. CBOE sitting on 200-day average.		5/12
Holding Tank - red shade leans bearish, green shade leans bullish		
Gold ETF GLD - The Fibonacci time target is passed so we are just marking time here until we see a real reason to get back in.	Changed	3/19
Microsoft MSFT - Possible double top. Note trendline rising to meet support. Watching for now		5/9
Western Digital WDC - Another tech stock with a bounce off support. Waiting for a breakdown.		5/9
Sector Watch (observations that may spark ideas)		
Energy - Looks like it is in need of a small correction.		3/31
Utilities - Marginal break of trendline. We need to see recovery before resuming bullish thinking here. For now, we are stepping aside with new money.	Changed	3/31
Financials - Still a weak sector but the representative stocks are going every which way		4/15
Defense - Divergent stocks with LLL and RTN sitting on support. GD broke out.		5/7
Broker Dealer Index XBD - 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.		5/12
Updates		
Nuveen Muni Fund NEA - Broke out from tight pattern Monday.		
Pepsi PEP - Small reversal but not enough to sell it.		
Stratasys SSYS - Did not gap up so the island gap reversal pattern did not complete.		
Tesla TSLA - All the momentum leaders of last year had good days but we still think they were oversold bounces, if not dead cats.		

Market Highlights



T-bonds ETF - Still a little more room to dip to the still intact rising trendline.



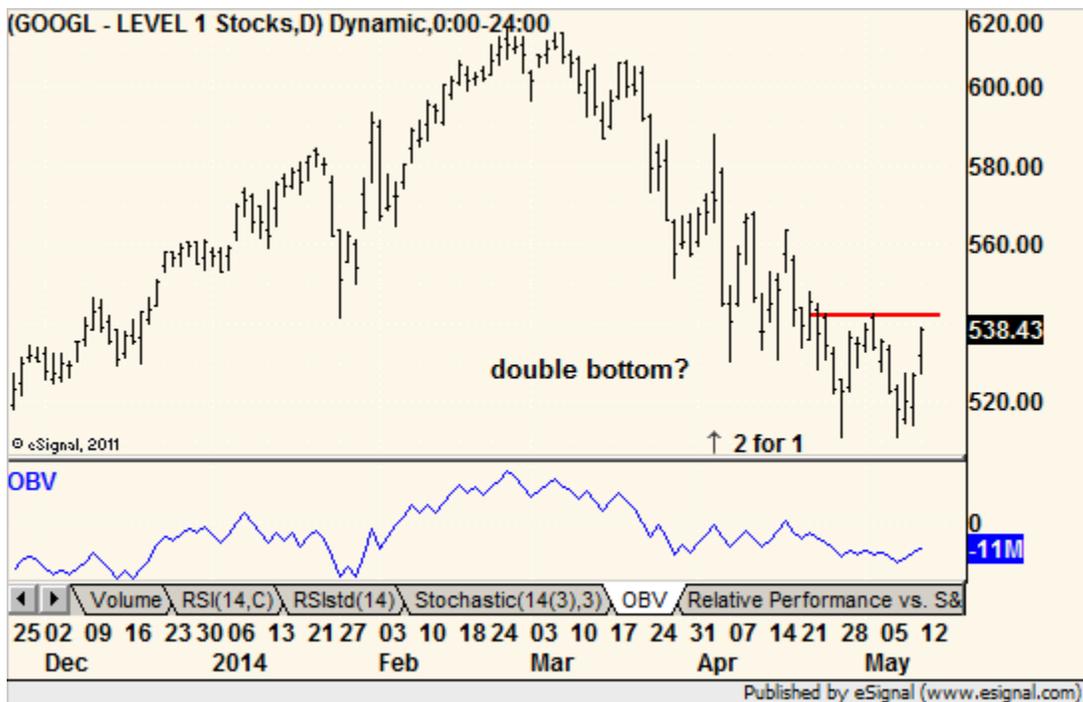
Chipotle - This restaurant exhibits the same pattern and many other fallen angels with a bounce off support that looks rather flag-line in composition. In other words, we are not convinced that this is the end of the slide although we cannot sell until support breaks. See **ADBE**, **PCLN**, too.



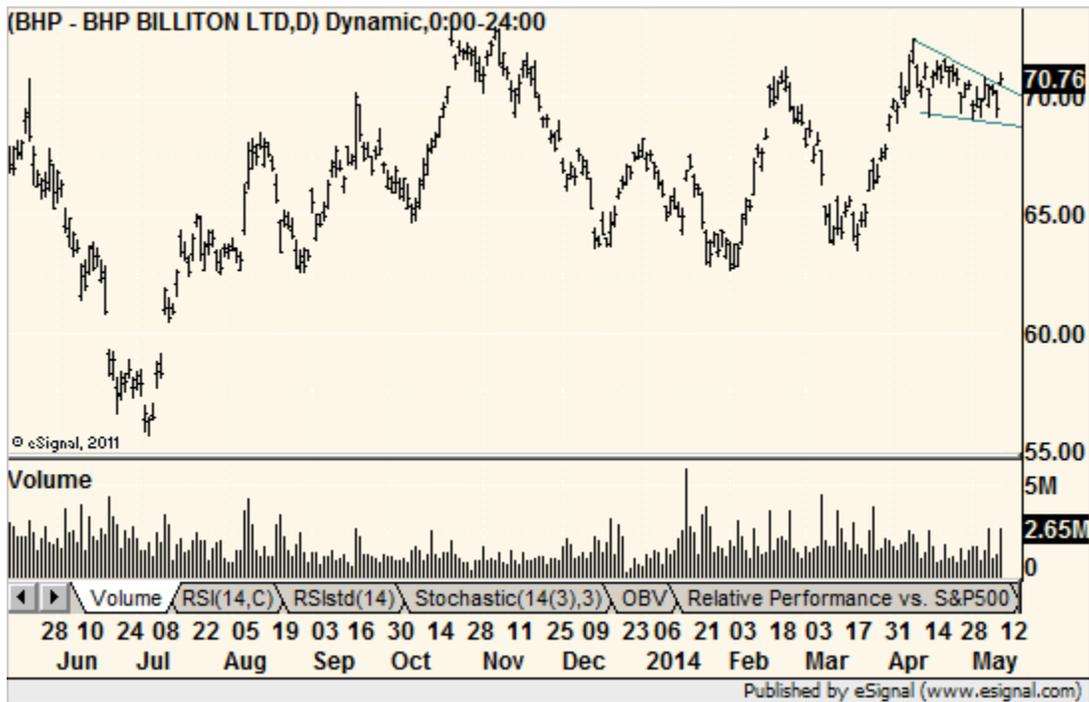
Facebook - Analyst upgrade. Do we care? Not between the red lines.



Taser - One of the bigger bouncers yesterday but it was so oversold that we'll call it a dead cat bounce.



Google - Is this a double bottom? Not until the center resistance breaks plus there are no indicator supports. On-balance volume is falling. RSI (not shown) is flat.



BHP Billiton - A breakout from a wedge pattern is bullish. We like this as a precursor to a mining sector breakout. Nice dividend, too. Buying here.

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>	HR	HEALTHCARE RLTY TR	25.03	0.5%	24.00	24.91	4/15	27
	ED	CONSOLIDATED EDISON INC	55.50	-0.7%		55.89	4/15	27
<u>Short</u>	UPS	UNITED PARCEL SERVICE INC	100.00	-4.0%		96.00	3/21	52
	CA	CA INC	30.17	1.0%	31.25	30.46	4/22	20
	GS	GOLDMAN SACHS GROUP INC	159.55	0.4%	162.00	160.26	4/22	20
	BRCM	BROADCOM CORP	29.94	2.2%	31.50	30.60	4/24	18
	UNH	UNITEDHEALTH GROUP INC	77.74	-3.9%	78.00	74.68	5/2	10

Notes: Stopped out of **ED** as utilities fell again. This was a rather dramatic fall and a bit of a surprise in magnitude. Minor loss.

Also stopped out of short in **UPS**, which was doomed a few weeks ago. We probably should have bailed out a few days earlier but again the loss was manageable.

As you can see, both sides of the list are shrinking as we have not added many positions in a while. The market is sloppy and that means cutting exposure.

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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