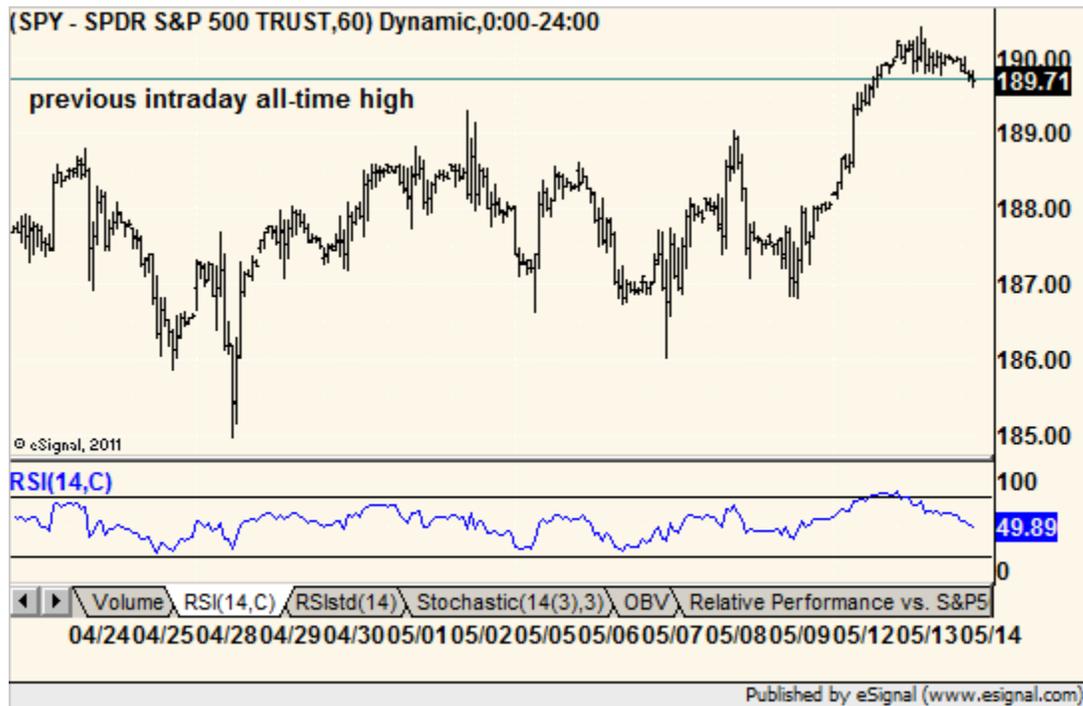


# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN  
RESEARCH LLC

**May 14, 2014** - Yesterday lived up to its new name - Turnaround Tuesday. The big stock indices ran up into new high ground with the S&P 500 finally making an uncontested breakout, that is, until it failed. The Nasdaq reversed at its falling trendline. The microcap index failed at its 200-day average. In other words, resistance across the board held firm, at least for now. And bonds woke up again.



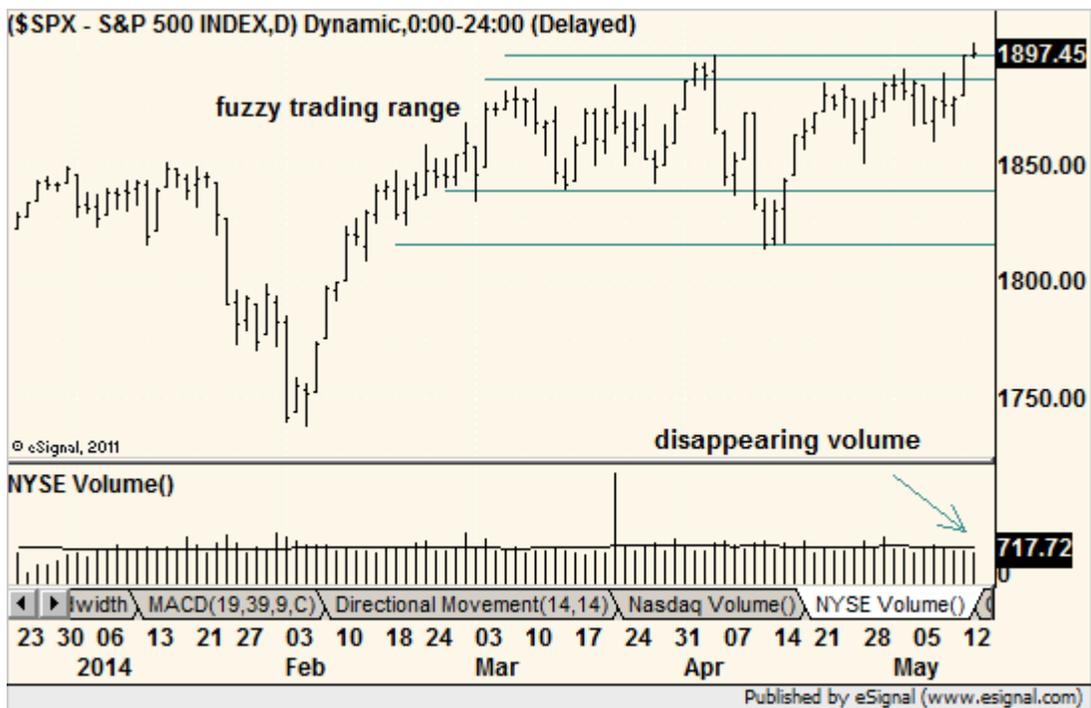
Officially, we can argue that the current slide from the high is merely a test of the breakout. After all, there was no pause ahead of the breakout attempt. Perhaps this is that pause. However, there is not much room to ease lower without negating the breakout completely so it is a critical time for the bulls.

Oil was the winner yesterday and energy stocks, big and small, fared best. And this morning, gold is up but still in the range from the past several weeks. We'd like to say we see reasons to finally get back into this market but on-balance volume in many time frames is just dead flat. No money is coming in yet.

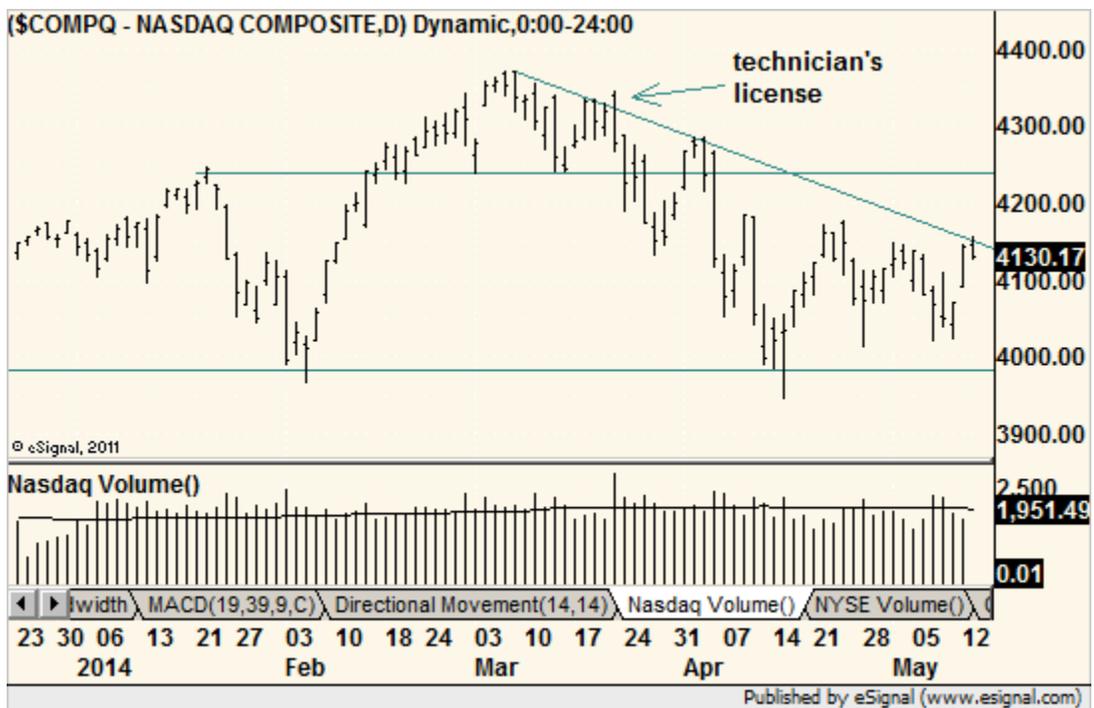
The key to the markets now, in our view, is two-fold. The first is whether the big stocks can hold their breakouts. The second is whether the benchmark 10-year bond price will break out. Chart below.

Finally, the new picks and pans have been light recently. The market seems sloppy to us and churning is killing existing positions. However, our overall expectation is that lower prices are ahead this summer.

## Index Charts of the Day



The range has fuzzy borders but even so, it is hard to consider a breakout when volume is drying up. What kind of conviction is that for what is supposed to be a sea-change event of uncertainty changing into bullishness?



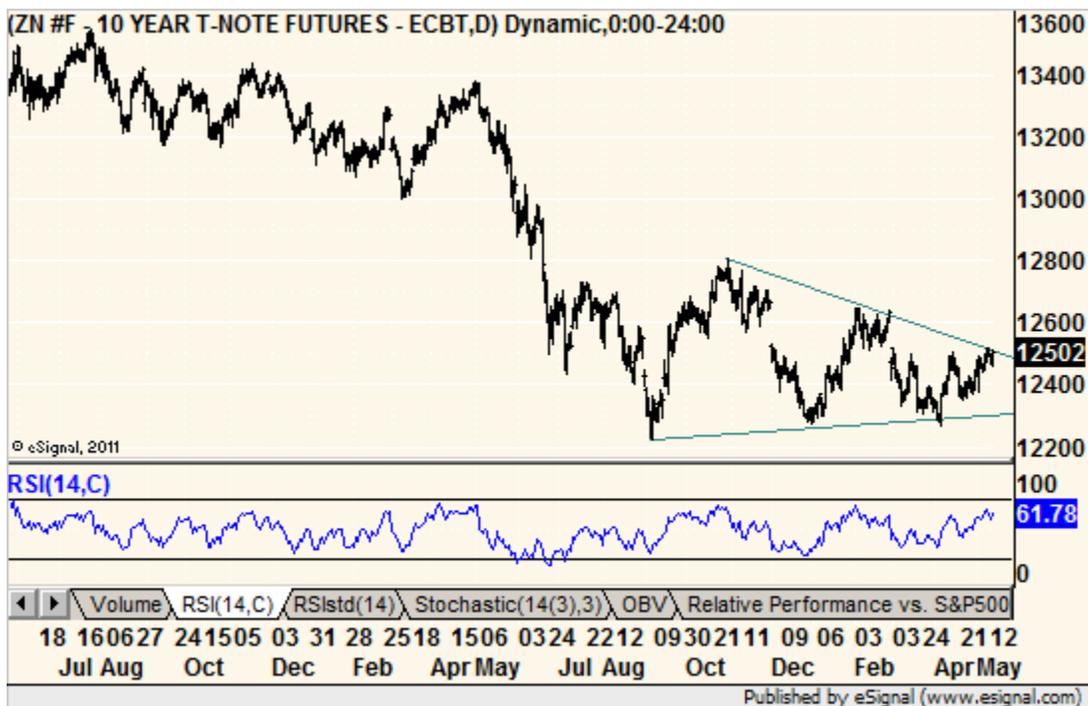
The Nasdaq failed at its trendline.

## The Radar Screen

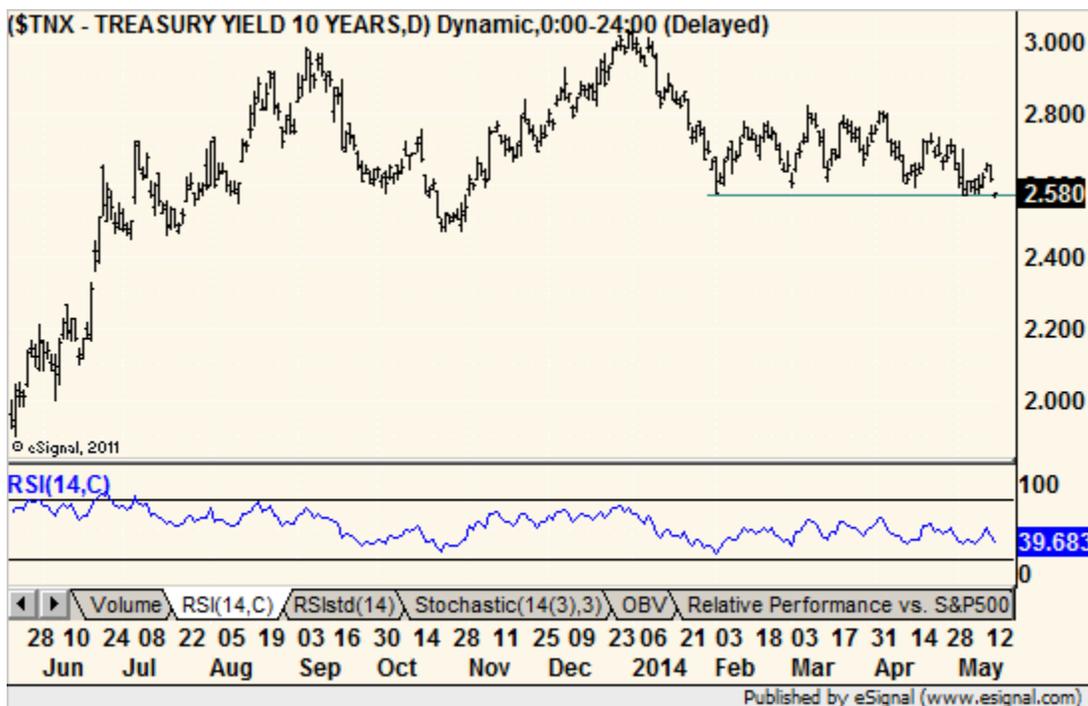
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>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>BHP Billiton BHP</b> - A breakout from a wedge pattern is bullish. We like this as a precursor to a mining sector breakout. Nice dividend, too. Buying here.	<b>Triggered</b>	5/13
<b>Bearish Implications</b>		
<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 114! Selling 57.30 on close. <b>PCLN, CMG</b> are similar		5/8
<b>Goodyear Tire GT</b> - A trend and support break. We'll sell the bounce to 25.00		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>CBOE</b> sitting on 200-day average.		5/12
<b>Western Digital WDC</b> - Another tech stock with a bounce off support. Waiting for failure and a drop under 81.	<b>Moved</b>	5/9
<b>Unknown Implications</b>		
<b>none</b> -		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Gold ETF GLD</b> - The Fibonacci time target is passed so we are just marking time here until we see a real reason to get back in.		3/19
<b>Microsoft MSFT</b> - Possible double top. Note trendline rising to meet support. <u>Pattern is gone so we are moving on.</u>	<b>Removed</b>	5/9
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Energy</b> - Looks like it is in need of a small correction.		3/31
<b>Utilities</b> - Marginal break of trendline. We need to see recovery before resuming bullish thinking here. For now, we are stepping aside with new money.		3/31
<b>Financials</b> - Still a weak sector but the representative stocks are going every which way		4/15
<b>Defense</b> - Divergent stocks with <b>LLL</b> and <b>RTN</b> sitting on support. <b>GD</b> broke out.		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 200-day average and that will not be good.		5/12
<b>Soft Drinks - KO, PEP, DPS</b> all doing well. Except <b>SODA</b>	<b>New</b>	5/14
<b>Updates</b>		
<b>Nuveen Muni Fund NEA</b> - Broke out from tight pattern Monday. <b>Failed Tuesday</b>		

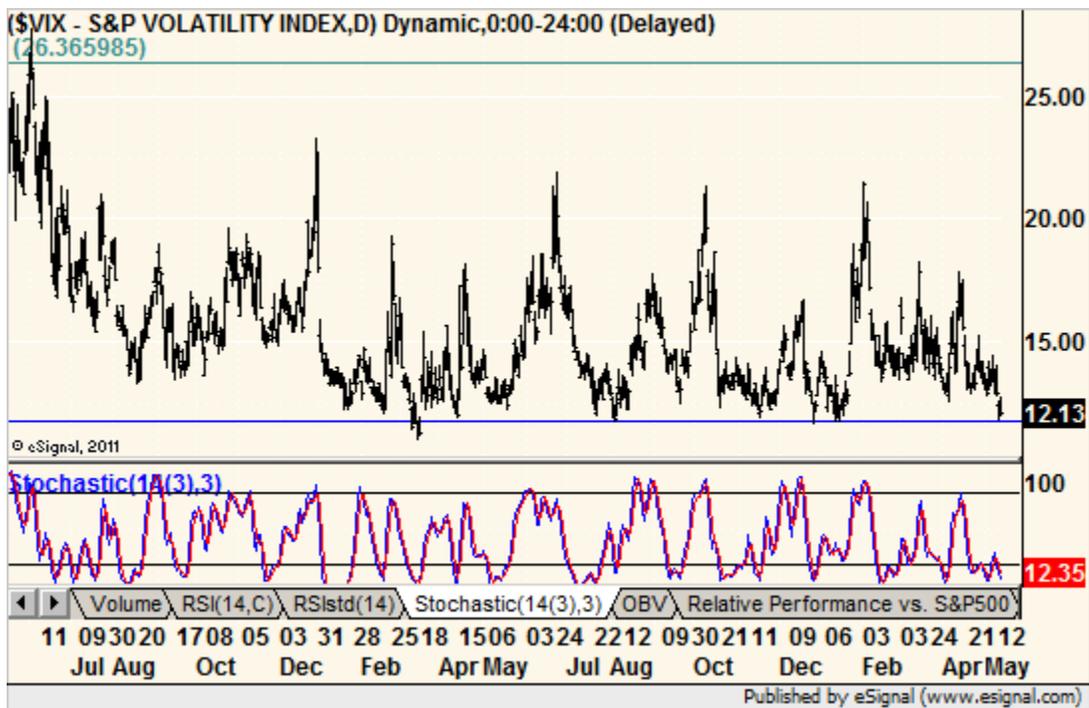
## Market Highlights



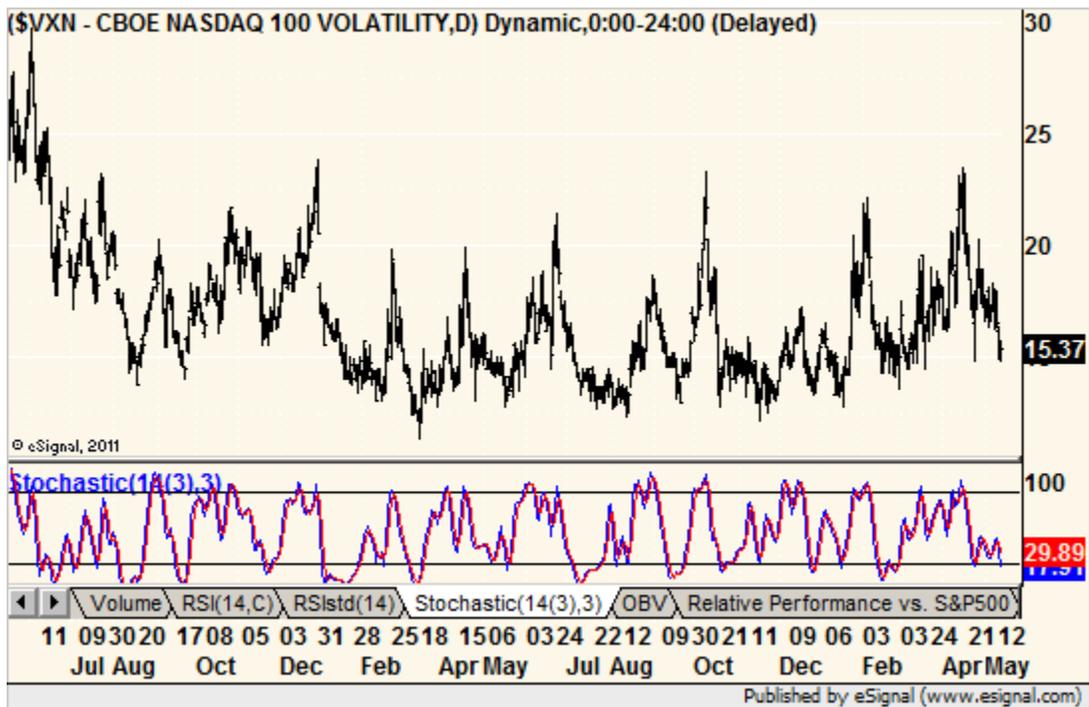
**10-year Treasury futures** - Watching the triangle. Currently in position for an upside breakout.



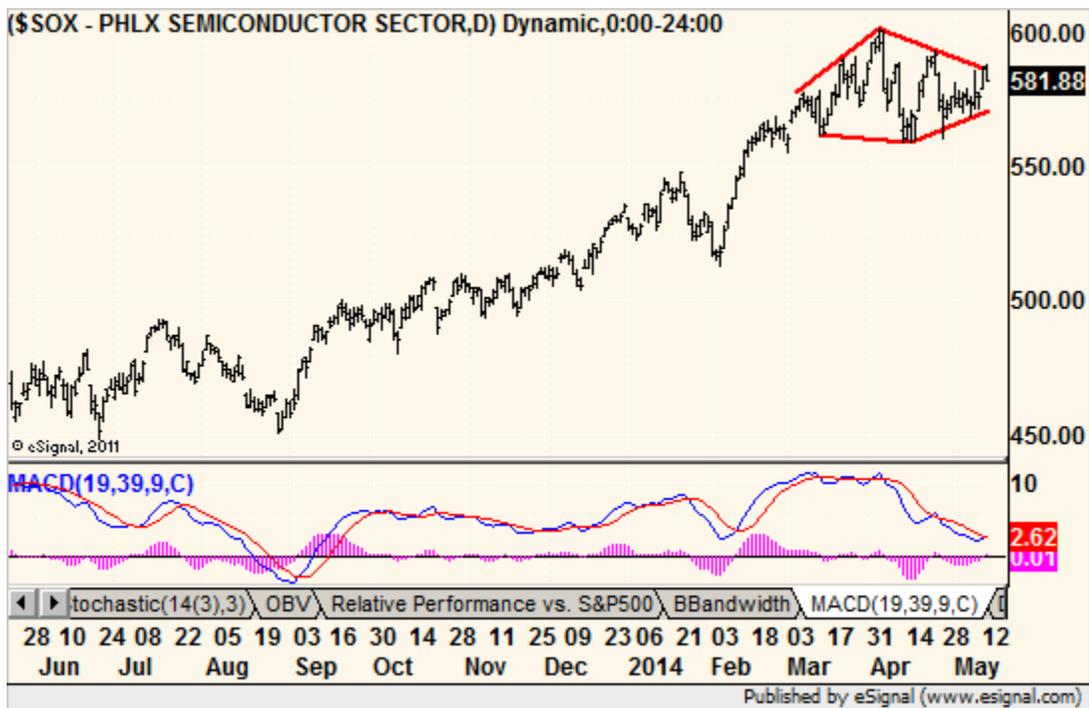
**10-year yields** - This looks like an attempt to break down. That would be a risk-off move.



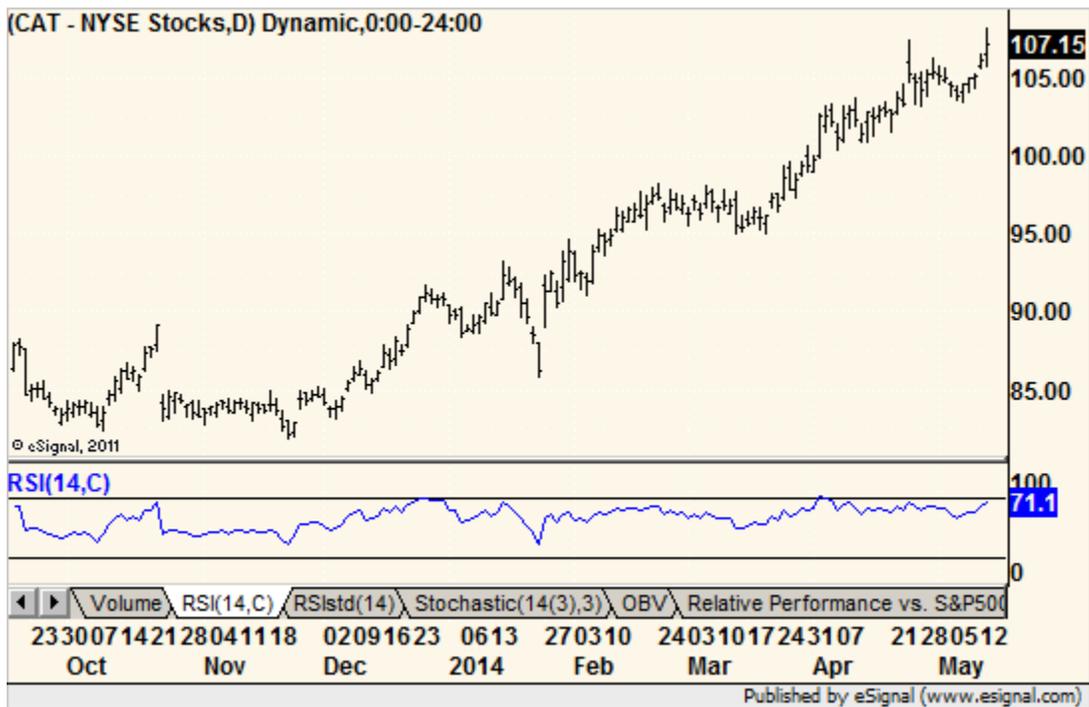
**VIX** - Back down at a level that typically is a low and that translates into a high in price for the S&P 500.



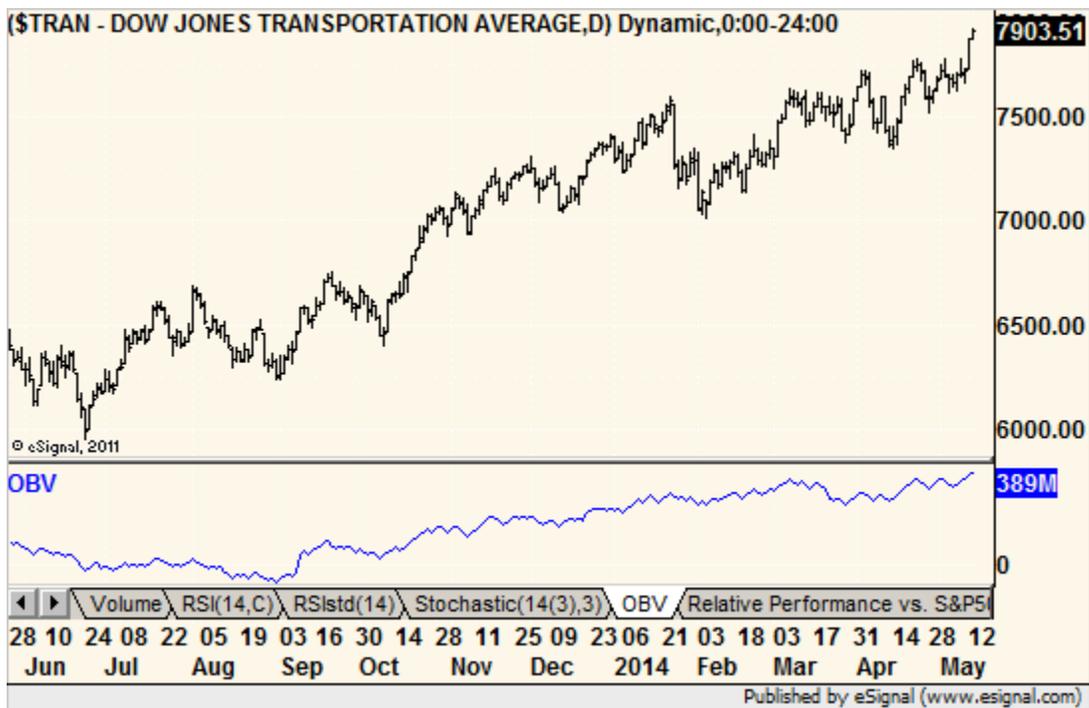
**Nasdaq VIX** - This indicator is higher than the **VIX** as we'd expect when the Nasdaq is falling. But it is nowhere near high levels of fear associated with bottoms. Same for the Russell 2000 VIX (**RVX**).



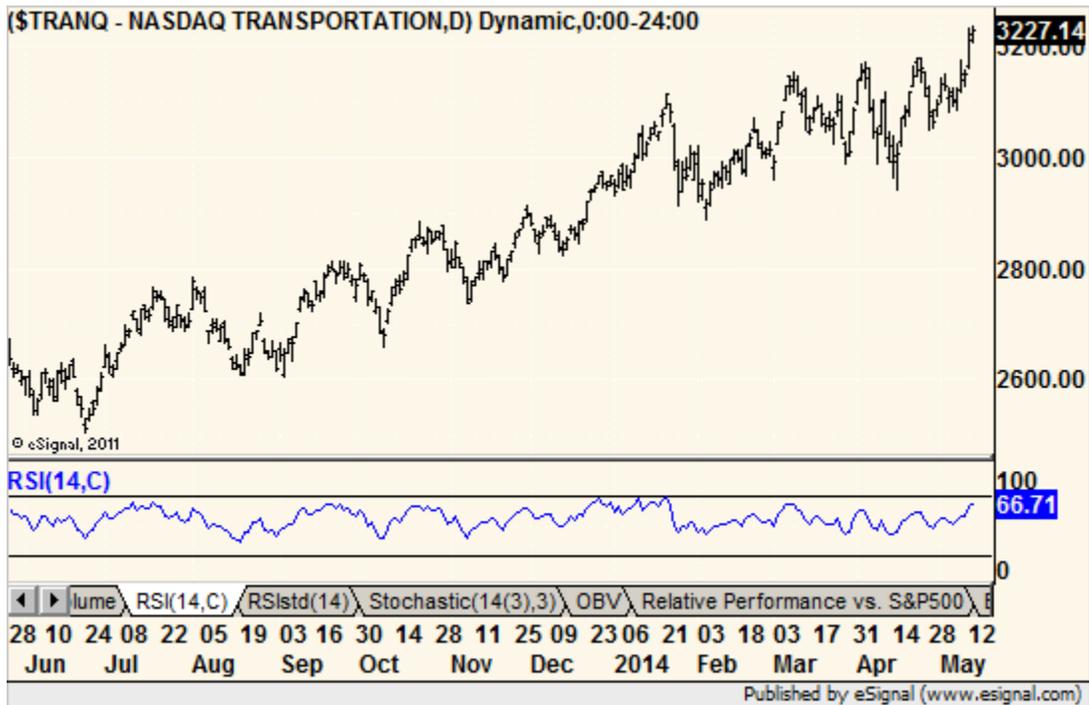
**Semiconductor Index** - Just watching a possible diamond top formation.



**Caterpillar** - No trade but we are watching this leader. Peer **DE** is not faring well in the premarket.



**DJ Transports** - It is hard to argue with success.



**Nasdaq Transports** - This is the one sector that seems to be in good shape in both big cap and smaller cap.

## 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	24.89	-0.1%	24.00	24.91	4/15	28
	<b>BHP</b>	BHP BILLITON LTD	71.43	0.4%	69.00	71.17	5/13	27
<u>Short</u>	<b>CA</b>	CA INC	29.91	1.9%	31.25	30.46	4/22	21
	<b>GS</b>	GOLDMAN SACHS GROUP INC	160.28	0.0%	162.00	160.26	4/22	21
	<b>BRCM</b>	BROADCOM CORP	29.90	2.3%	31.50	30.60	4/24	19
	<b>UNH</b>	UNITEDHEALTH GROUP INC	78.00	-4.3%		74.68	5/2	11

**Notes:** Stopped out of short in **UNH**. We sold a bounce to resistance but perhaps it was too aggressive.

New long in **BHP** on a wedge breakout. This one has a nice dividend and a good long-term pattern.

## Subscriber Corner

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

This section is for you. Ask us anything about analysis or specific stocks.

## Other Information

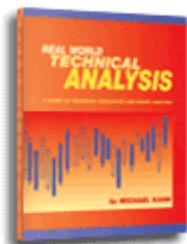
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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



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