

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

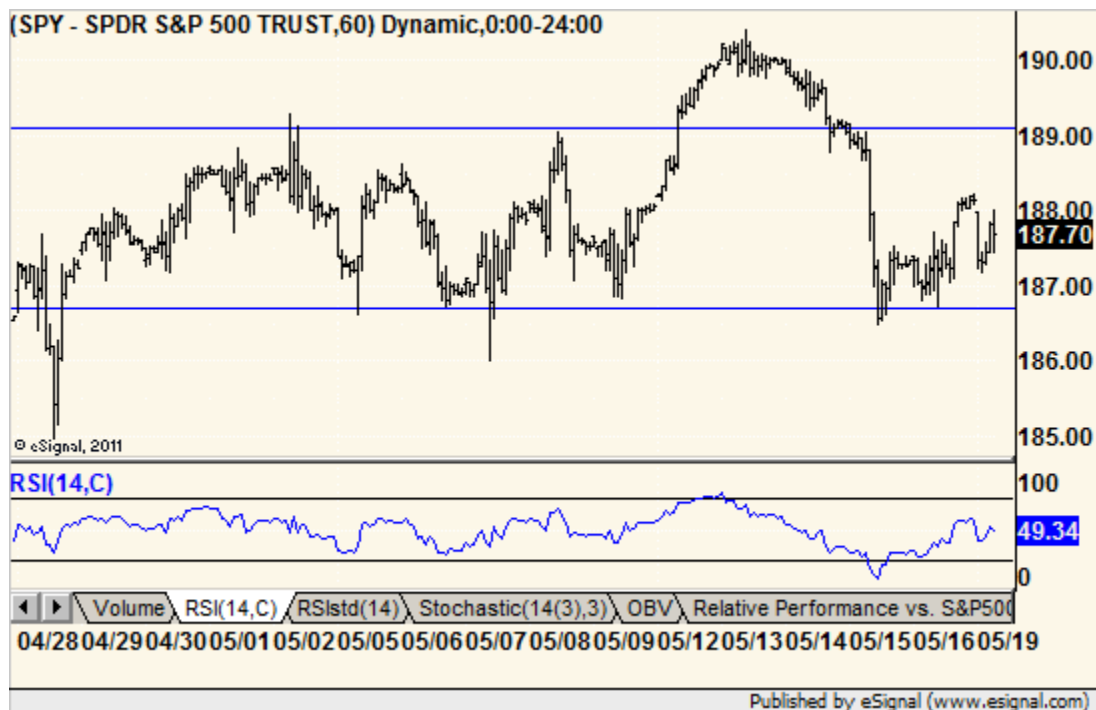
MICHAEL KAHN
RESEARCH LLC

May 19, 2014 - Friday saw a small rebound but the market's condition is getting clearer. The bears are moving in.

India was a bright spot after elections and there are several international elections to watch - from Afghanistan to Egypt and more. And the Russian recovery continues.

There is not a lot to add to what we already know. Small caps are in decline while big caps are holding on to a range. But there is also the Dow's breakout failure and the S&P 500 has an evening star pattern in place. Transports are holding up well (defense not too bad) and alcohol purveyors and smokes are hanging in, too.

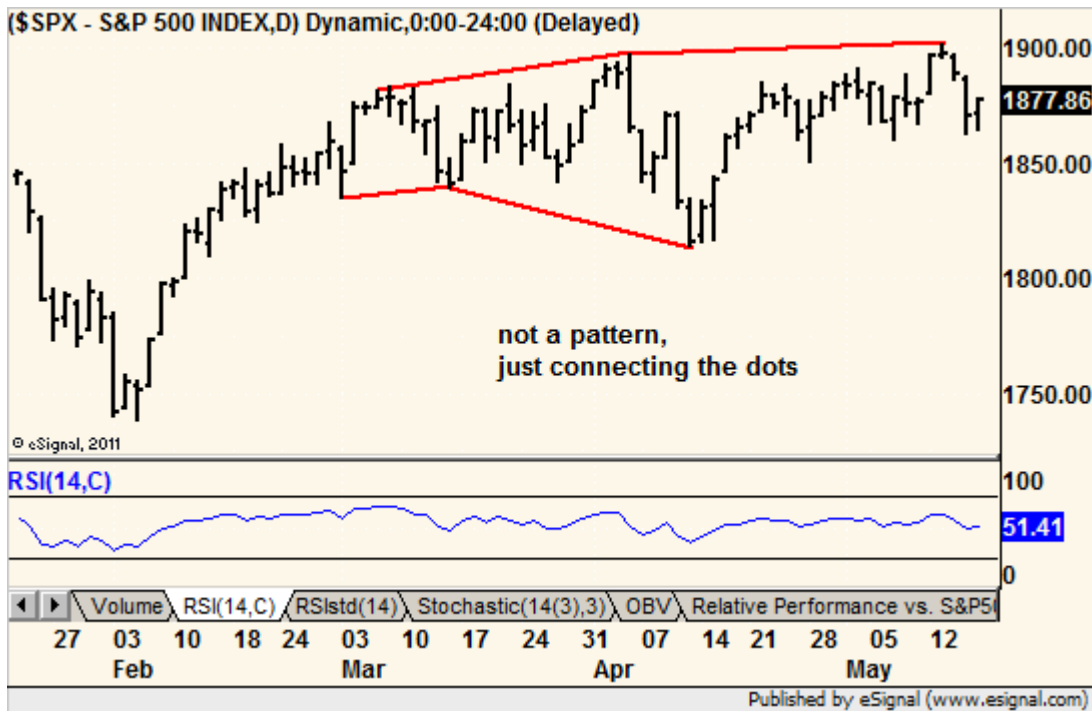
We get the sin sectors but transports? What is being transported when the economy is sputtering? Maybe it's all those extra bag fees at the airport. Or coal in light of the political pipeline? We do see coal stocks breathing a little life again.



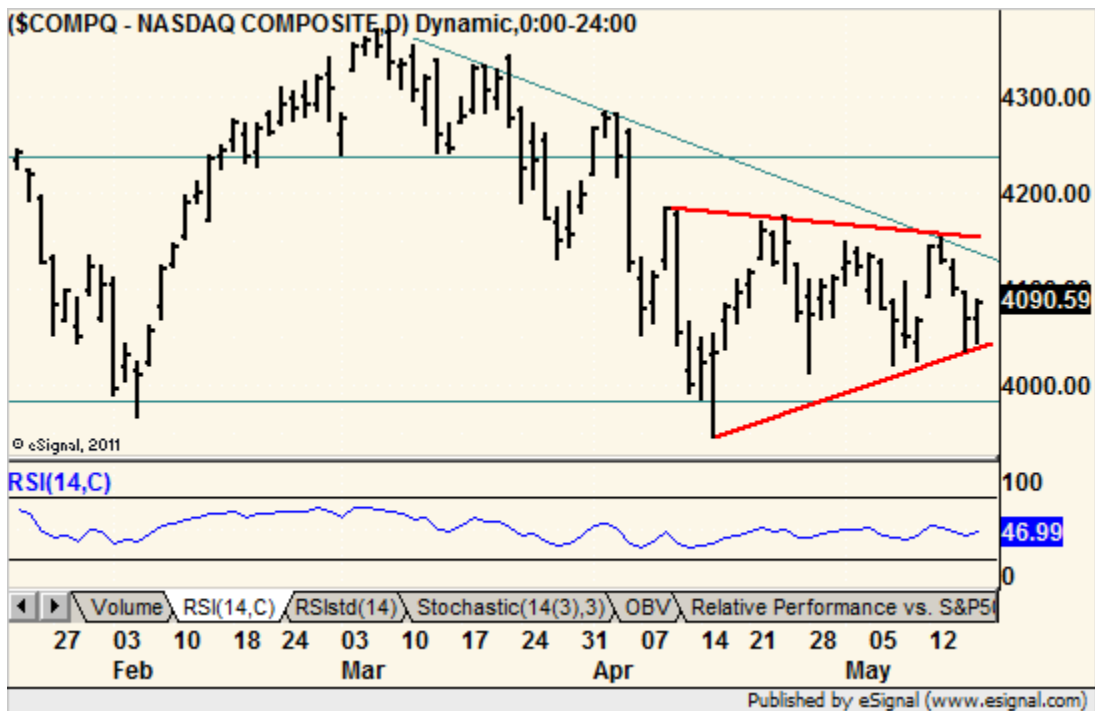
We slapped a pair of horizontal lines on the hourly chart above based on only what we see in this data set. Basically, a breakout failure with a correction off support following a very steep sell-off. The **SPY** is in no-man's land here so the risk goes both ways but this looks more bearish than bullish. We are wrong if resistance is taken out.

Elsewhere, bonds remain strong and oil and gold are still figuring it out. The dollar broke out vs. the euro but the dollar index is still in decline. That means the rest of the currencies are stronger and the euro is weakest.

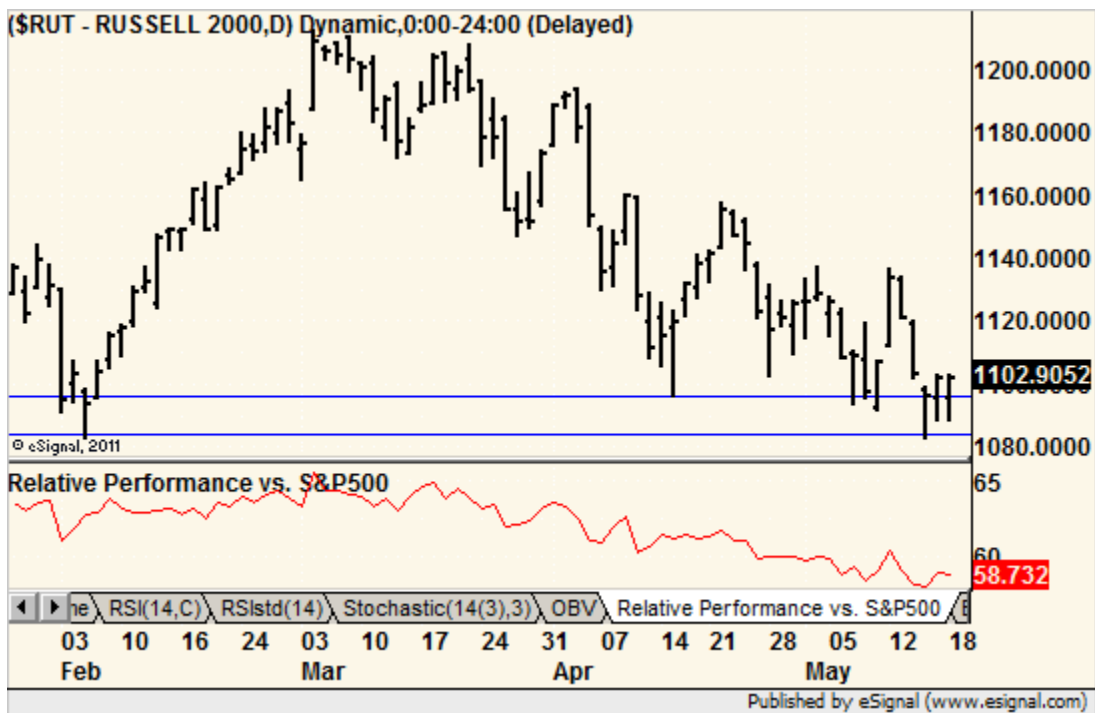
Index Charts of the Day



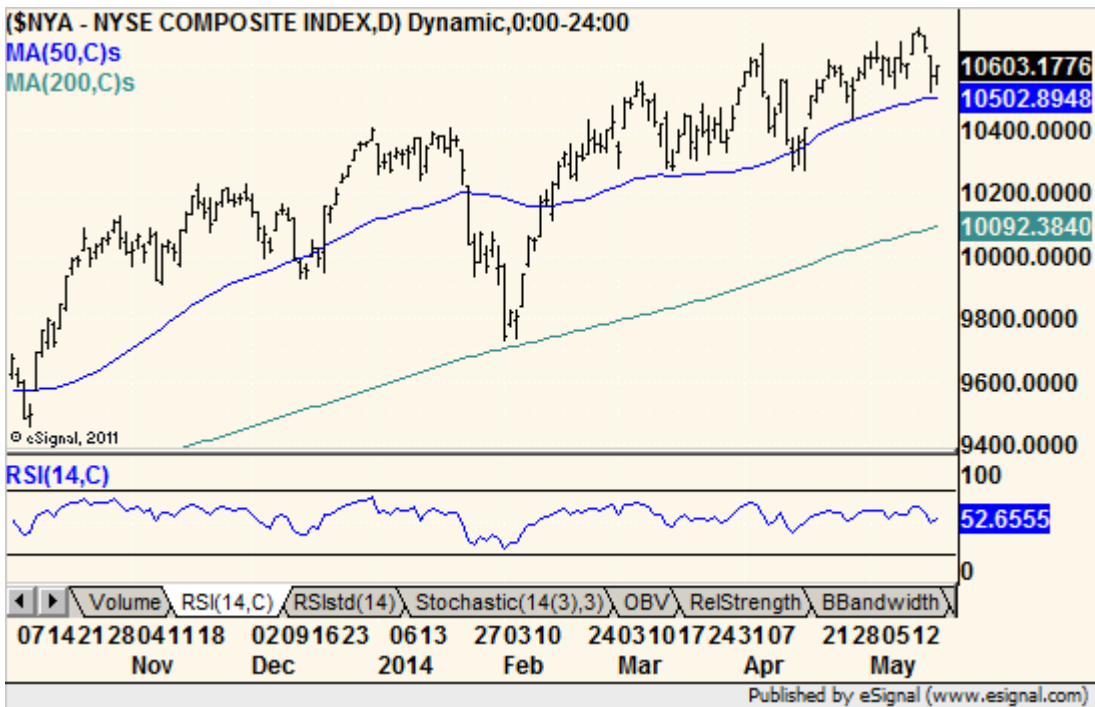
While we think the bears are getting stronger, this chart shows a sloppy sideways pattern.



Nazzie still in the triangle and still in decline since March.



The Russell 2000 had not exactly confirmed last Wednesday's hammer candle (bars shown here). But it is better than a new low so perhaps it was just a little bottom fishing.



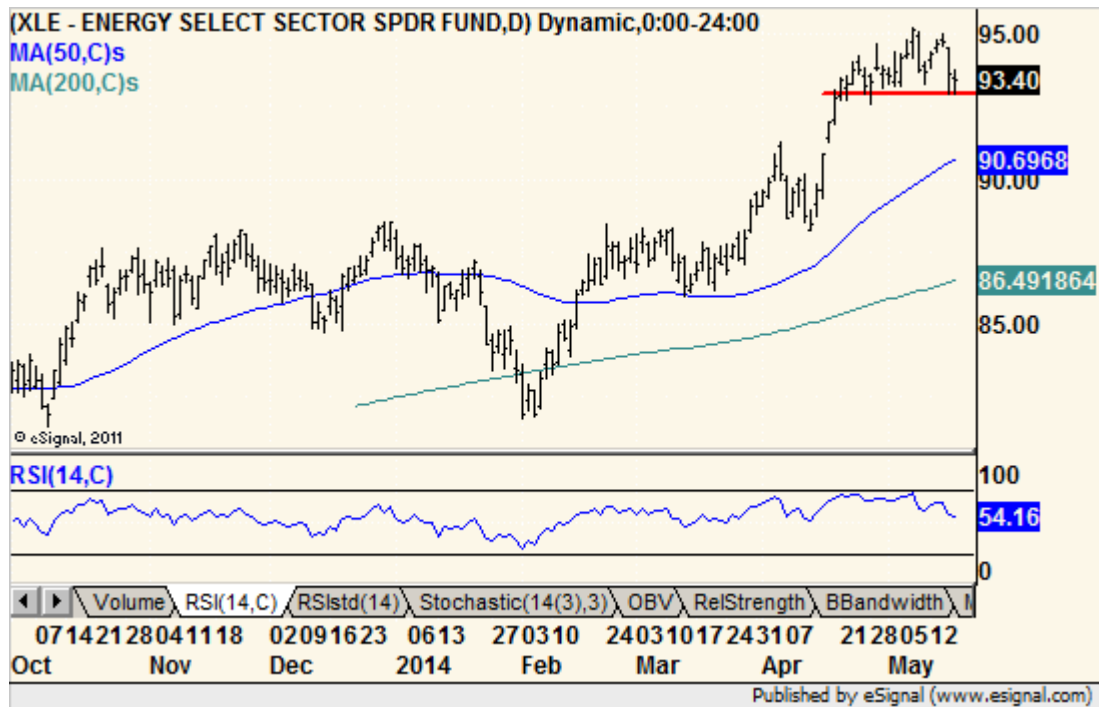
The NYSE composite is leading thanks to bond equivalent issues (non-operating companies) but it has no momentum at all. Watching the 50-day average.

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. <u>Hammer not confirmed so it is time to move on.</u>	Removed	5/8
CPL Energia CPL - Brazilian utility with a bull flag and pending golden cross. Collect a fat 5% dividend yield. <u>Bought Friday open.</u>	Triggered	5/15
Freeport McMoran FCX - a copper and gold stock on the move to take advantage of the rally in copper and presumed future rally in gold. <u>Buying.</u>	Moved	5/15
Bearish Implications		
US Bancorp USB - The next major bank to break? Watching the triangle and long-term trendline. Sell 39.75. <u>Heading the wrong way but we will keep it here.</u>		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 114! Selling 57.30 on close. PCLN, CMG are similar		5/8
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 - we may sell tomorrow (<u>Tuesday</u>).		5/12
Procter & Gamble PG - Just watching a small double top with MACD divergence. Marginal trendline break. <u>Sell the close it if manages a gain.</u>	Moved	5/15
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.		3/19
DuPont DD - Ascending triangle with rising on-balance volume. Keeping it on the back burner in case the market is not going to fall.		5/15
Goodyear Tire GT - A trend and support break. We'll sell the bounce to 25.00. But yesterday is scored a bull reversal on volume. Let's wait on this one.	Moved	5/12
Sector Watch (observations that may spark ideas)		
Energy - <u>Sitting on support</u>		3/31
Utilities - <u>Sitting on support</u>		3/31
Financials - Still a weak sector but the representative stocks are going every which way		4/15
Defense - <u>One of the more resilient sectors.</u>		5/7
Broker Dealer Index XBD - 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. ETFC, AMTD, SCHW, IBKR, GS, MS		5/12
Soft Drinks - KO, PEP, DPS all doing well. Except SODA .		5/14
Semiconductors - Watching a diamond formation on the SOX index. Pattern complete - waiting for breakdown.		5/14
Nasdaq biotech ETF IBB - looks like a bear wedge		5/16
Updates		
Verizon VZ - Looks like it is failing to hold Friday's breakout.		
Regional Banks ETF KRE - did not confirm Thursday's hammer candle		

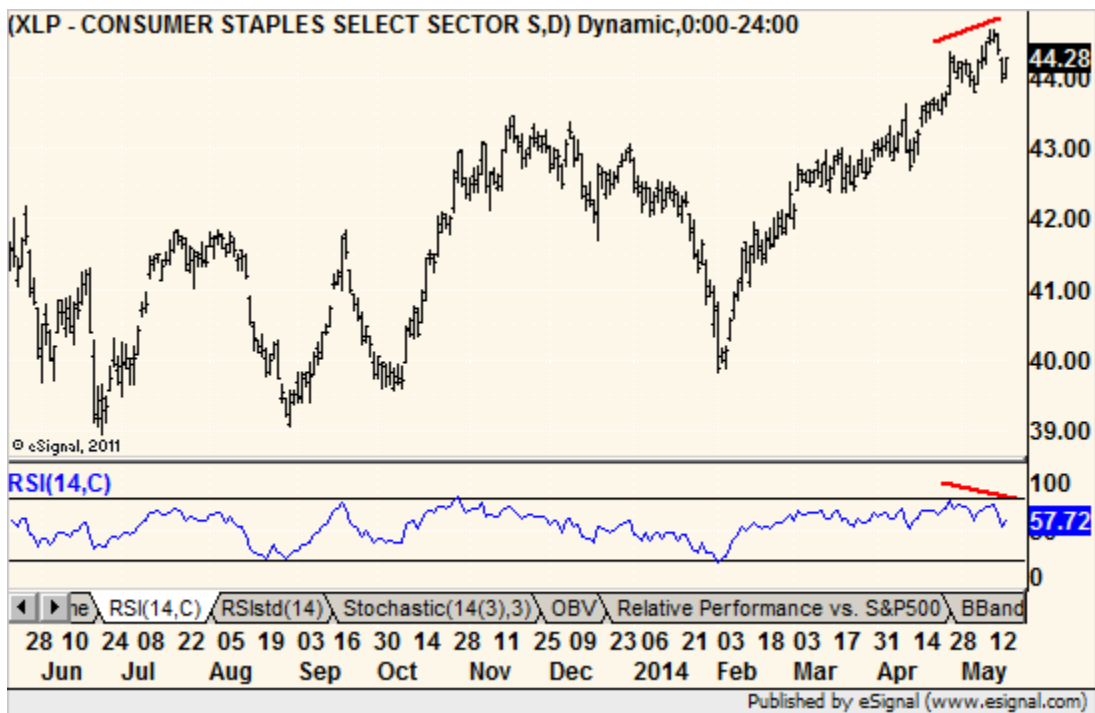
Market Highlights



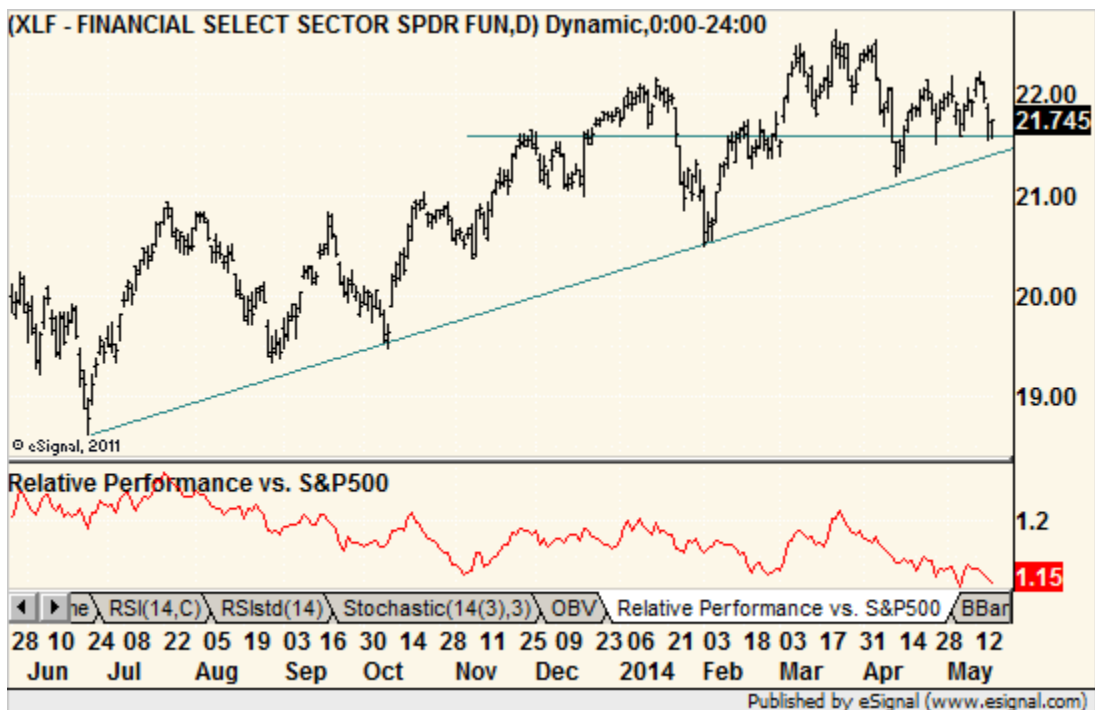
Energy ETF - Just watching support here. Still a leader but it still is rather far above its 50-day average.



Utilities ETF - A small breakdown but still above the 50-day average. Not very good behavior considering how bonds are rallying. Still like it but with caution.



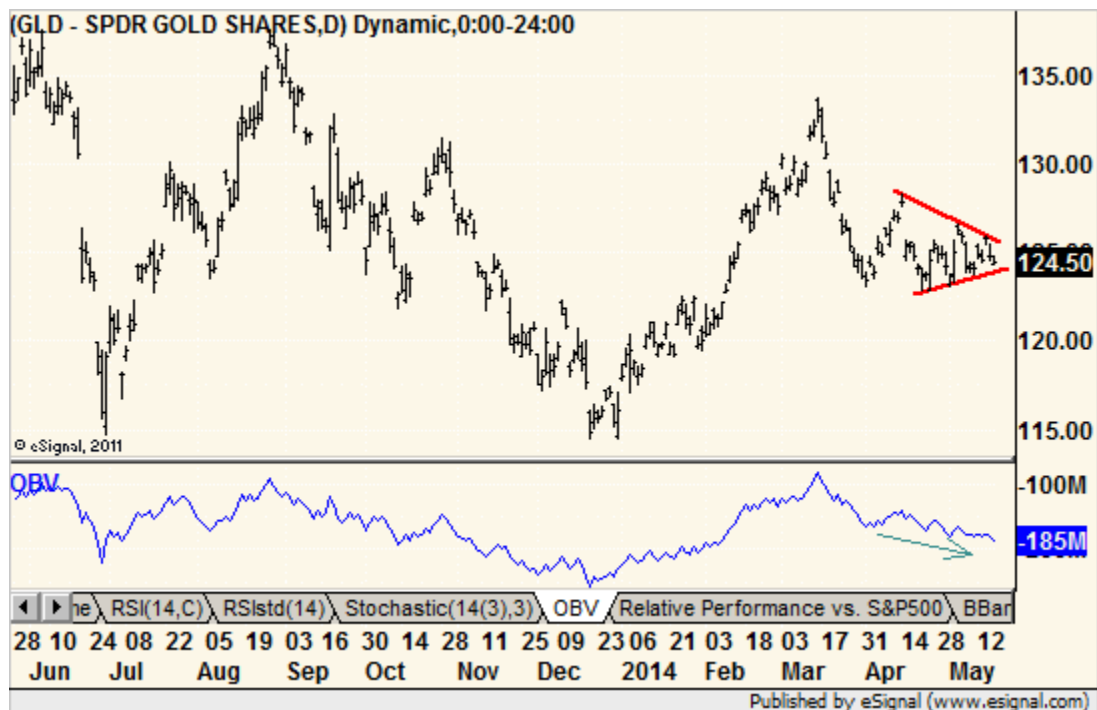
Consumer Staples - Still leading but now sporting a little RSI divergence. This is the place to be if you need to have money invested but even positive relative performance can turn into negative absolute performance. Just something to consider.



Financials ETF - Hanging on a thread thanks to insurance. Banks already in a bear trend. Brokers on the edge of a cliff.



Healthcare ETF - A mixed bag. Pick the trendline you like better but the 50-day average is broken and rolling over. On-balance volume is good. Health care products are strong. Drugs are mixed. The conclusion is not to look at the **XLV** at this time until there is more homogeneity.



Gold ETF - Still in the red triangle pattern with a mildly weak on-balance volume. The **IAU** ETF is ever so slightly better but neither is a buy right now.

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	25.15	1.0%	24.00	24.91	4/15	33
	BHP	BHP BILLITON LTD	70.80	-0.5%	69.00	71.17	5/13	5
	CPL	CPFL ENERGIA S A	16.79	-0.5%	16.00	16.87	5/16	2
<u>Short</u>	CA	CA INC	28.99	5.1%	31.25	30.46	4/22	26
	GS	GOLDMAN SACHS GROUP INC	156.43	2.4%	162.00	160.26	4/22	26
	BRCM	BROADCOM CORP	29.70	3.0%	31.00	30.60	4/24	24
	RJF	RAYMOND JAMES FINANCIAL INC	48.52	-0.6%	51.00	48.25	5/15	3

Notes: New long in **CPL** at the open Friday.

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

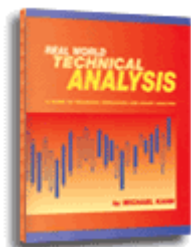
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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