



QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN
RESEARCH LLC

October 30, 2015 – Halloween references are all over the media today but what we find more interesting is that there are really big – and opposite – opinions on where the stock market is heading. MarketWatch leads with “Here comes the market’s biggest melt-up since 1998.” The call is based on extremes in bearish sentiment – at the bottom last month. What? Last month?

The funny thing is that in the very same article it calls the market the most overbought of the year. That was based on a close more than two standard deviations above the 50-day average. Basically, that is a Bollinger Band based on a longer average.

This is from the latest email from the AAII survey, “Optimism among individual investors rose to its highest level and pessimism fell to its lowest level since last February.” That’s actually somewhat extreme on the bullish side. And sentiment guru Mark Hulbert said that bullishness was not quite at the extreme we’d expect after such a strong October.

Then the NAAIM survey of investment managers remains at a bearish extreme. That should be bullish. As was an article a few days ago in the Wall Street Journal saying that managers are sitting on huge cash positions.

Then there are price-based technicals. We’ve beaten the S&P 500’s resistance zone to death already. Small caps, although they broke out Wednesday, are still lagging badly. The transports breakout failed. Banks also broke out but still lag badly.

And one oldie but goodie – the three peaks and a domed house pattern. We admit it is an overly complex pattern but the logic behind the formation seems to be sound. See it below in the Big Picture section.

But wait! There’s more! This is on CNBC.com, “Stocks with big buyback programs are struggling this year, and according to one technician, a similar lag has previously preceded two market crashes.”

Hmmm... maybe not crashes but according to their chart it happened at the start of the last two bear markets.

Hourly chart on next page.....



We've removed all the lines from the chart to let it talk to us fresh. And what popped out was the trendline. So did the waning peaks in RSI. That the market paused ahead of the Fed was a good thing but it seems now that a more substantial correction – within this time frame – is warranted.

Yes, we've missed most of this rally but that does not mean chasing it when things start to show signs of wear.

Index Charts of the Day



Resistance – ad nauseum.



The Russell gave back a big chunk yesterday but remains above the red line for a breakout. It better not fail today.

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		
none –		
Bearish Implications		
none –		
Unknown Implications		
none –		
Holding Tank – red shade leans bearish, green shade leans bullish		
Macys M – We want this stock at around 47. The fresh range breakdown and bear trend tells us not to jump so fast. We’ll let it sink even lower and require it give us a technical sign – oversold, climax, reversal.		9/30
Bed Bath & Beyond BBBY – Retailer looking good if it hits bottom of massive trading range at 54.60.		10/1
CVS Health CVS – Scored a death cross and is just under resistance. But if it punches through it would be a very good sign. Getting close		10/21
Verizon VZ – Bumping into multiple resistances. But if it punches through....		10/22
IBM – Now approaching major support with a big 3.7% dividend and 9.4 trailing P/E. Would love it at 132.		10/28
Sector Watch (observations that may spark ideas)		
Emerging Markets ETF EEM – If commodities are coming back we will keep an eye on the trendline from April here. Possible “handle”-like formation.		10/6
Healthcare – providers and medical supplies looking ugly.		10/23
Drug sector – trendline breakout. But still lagging.		10.27
Defense – Inverted head-and-shoulders for the DFI index. ERJ, COL and ITT		10/29
Updates		
none –		

Market Highlights



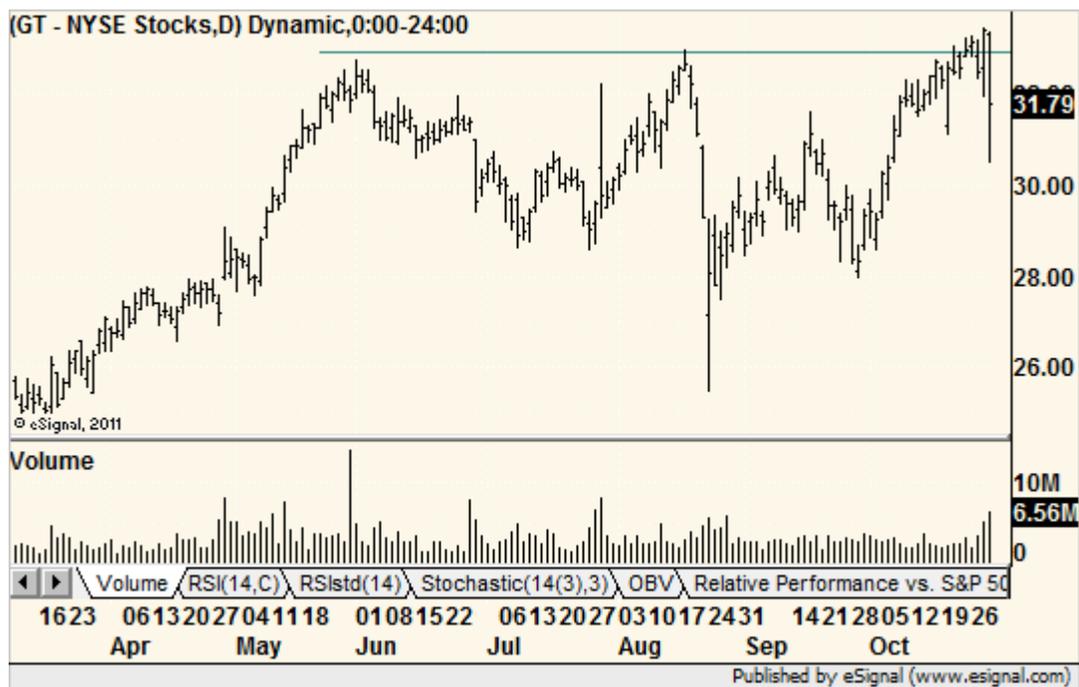
% Stocks above 200-day Average – We stole this chart right from Mark Newton on StockTwits. Only 37% of stocks are above their 200-day despite the S&P 500 within spitting distance of all-time highs.



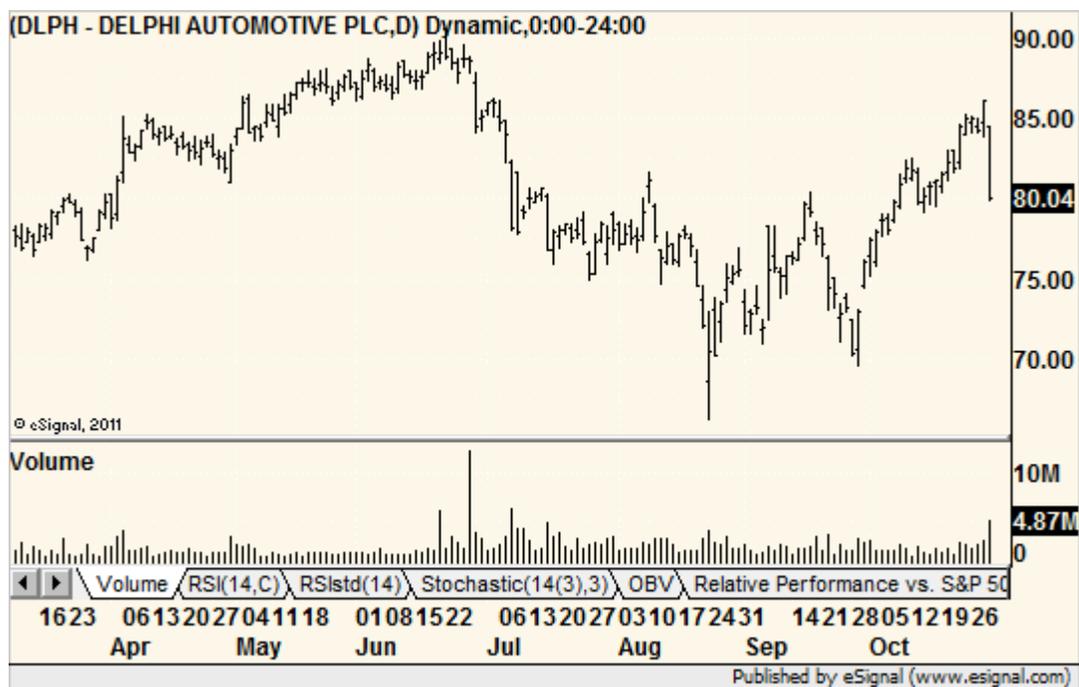
Dillard's – This chart is more to illustrate that smaller retailers look lousy despite the consumer discretionary sector doing well. Take **HD** and **COST** out of the picture and the retail sector would look even worse.



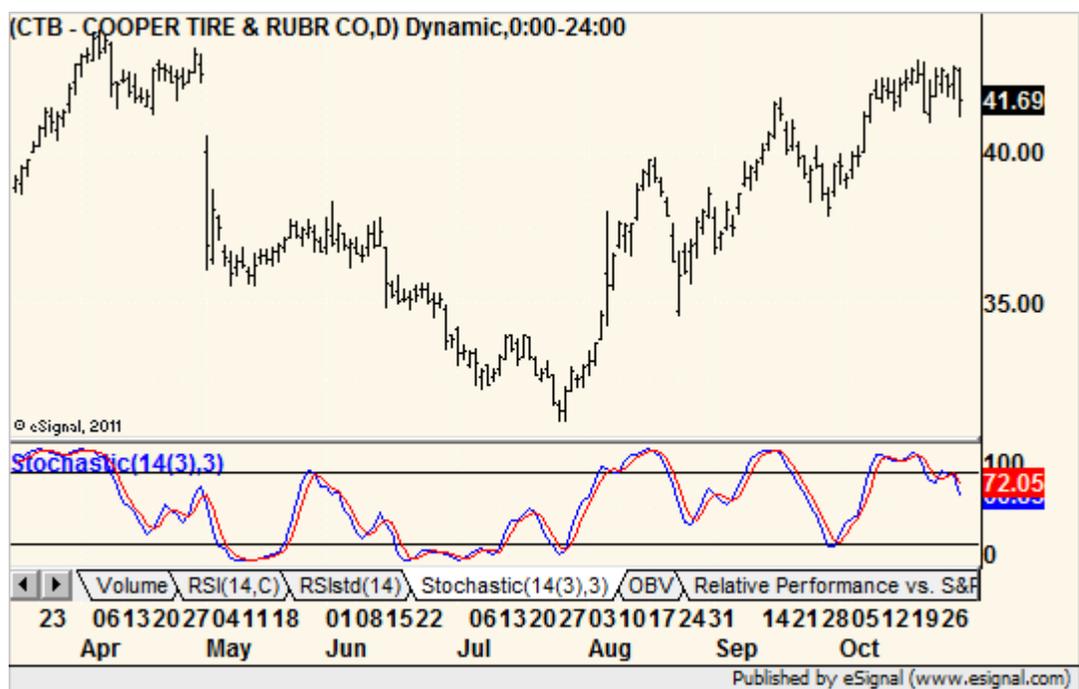
Copper ETN – It seems that if the market were about to “melt up” we’d see a little more strength in copper. That would signal a better economy.



Goodyear Tire – Looks like a failure at resistance.



Delphi Automotive – This Auto Parts maker also had a massive breakdown.



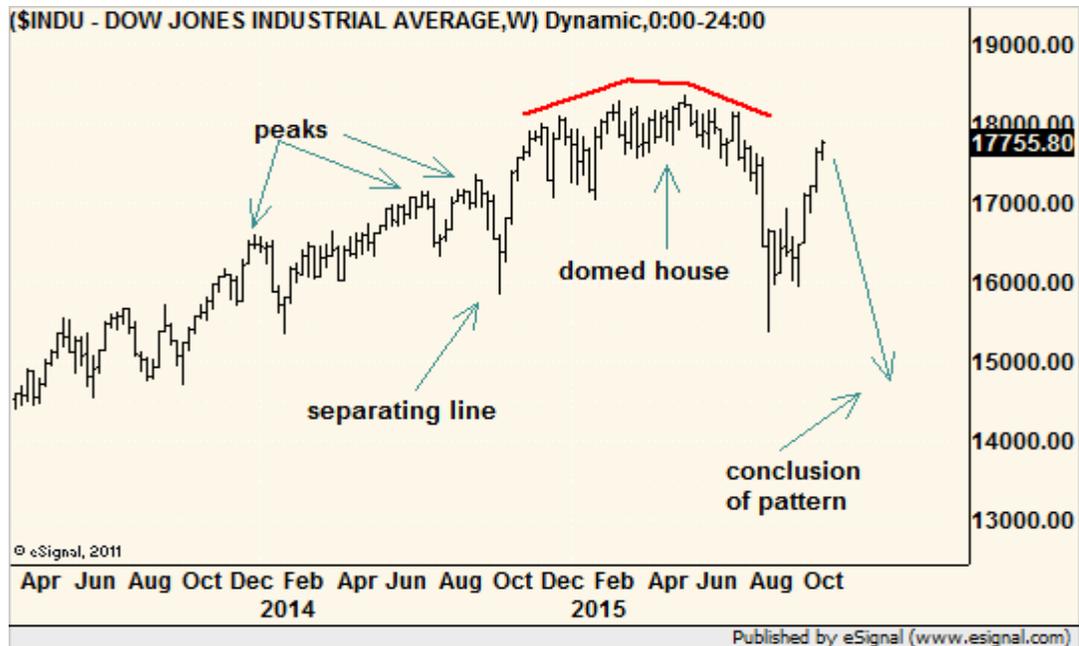
Cooper Tire – This one has a stochastics divergence at resistance from the April gap. Looks bearish.

Seeing the Autos theme?

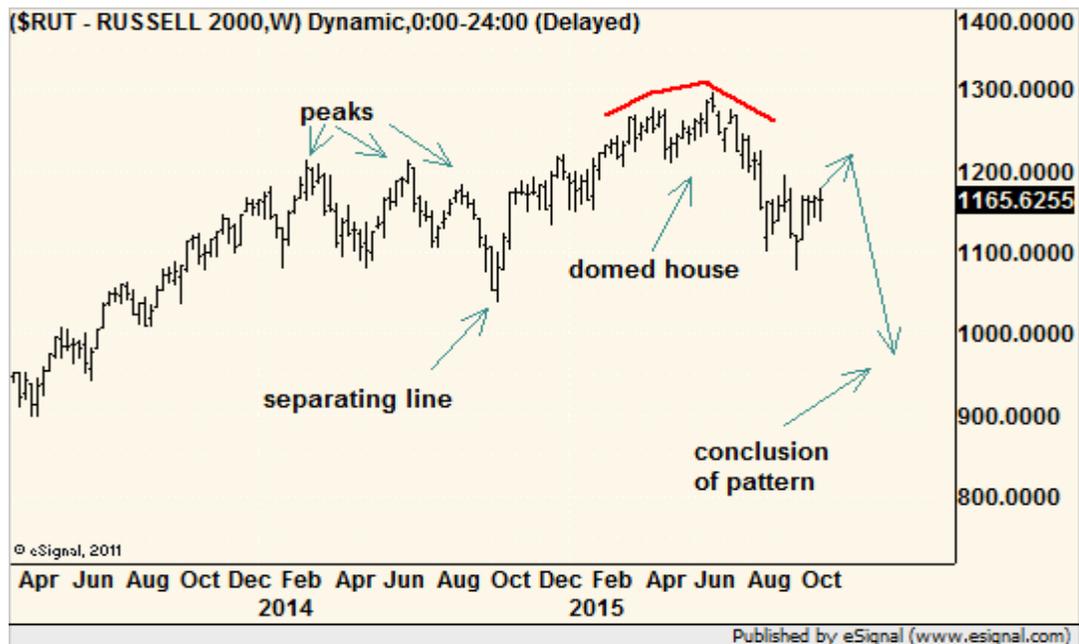
The Big Picture

In this section, we take a macro look at things.

Three Peaks and a Domed House



The pattern was first observed on the Dow. Admittedly, the three peaks are not ideal as they are far from similar in price. Also, other indices, especially small caps, made lower lows in September to mess up the final sequence.



As you can see, the three peaks are better. Also, the current rally began in September giving it some more room to rally now. But everything still suggests one more sell off ahead. Exactly how low it will get is not indicated.

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. Symbols in **green** were closed by us. 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>	LQD	ISHARES INVESTMENT GRADE	116.12	-0.8%	115.00	117.00	10/14	15
	SON	SONOCO PRODS CO	42.60	1.5%	40.00	41.95	10/20	9
	PEP	PEPSICO INC	102.80	-0.3%	98.00	103.08	10/22	7
	AMAT	APPLIED MATLS INC	16.74	0.5%	15.50	16.65	10/26	3
<u>Short</u>	none							

Notes: There is really nothing here although the stocks we have left still look OK. The bond position really disappointed so we'll just hang on to collect the dividend on the first of the month.

Other Information

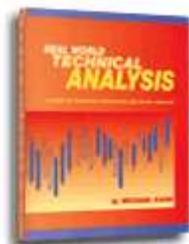
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



24/7 Website archive – <http://www.quicktakespro.com/archive> (password needed)

Customer Support - <http://www.quicktakespro.com/support.html>

Recommended reading - <http://www.quicktakespro.com/education.html>



What is a **two-pager**? These are short write-ups on various technical topics that are made available when further explanation of a topic is needed. There is no extra charge to subscribers. For those looking for a more complete reference and a bound version of these two-pagers, we offer the book *Real World Technical Analysis* at <http://www.quicktakespro.com/rwta.html>.

Refer a colleague to Quick Takes Pro and get a free month of service for each new paying subscriber. Just send an email (<mailto:mkahn@quicktakespro.com>) with names and email addresses and we’ll track them and credit your account.

Connect with us:



<http://www.facebook.com/QuickTakesPro.biz>



<http://twitter.com/mnkahn>



<http://www.linkedin.com/in/QuickTakesPro>



<http://www.quicktakespro.com/blog>



<http://pinterest.com/mnkahn/>



<http://youtube.com/quicktakespro>



<http://stocktwits.com/mnkahn>



<http://www.talkmarkets.com/contributor/mnkahn>

The information contained in this report is opinion, based on information that we deem to be reliable at the time of publication, but is not guaranteed in any form. This report does not constitute a recommendation to purchase or sell any security and the analysts are not registered investment advisors. Further analysis is recommended before undertaking any position in any security. Any risks are solely the responsibility of the buyer/seller. The authors, publishers and distributors of Quick Takes Pro and any associates thereof accept no liability for the content or actions taken by anyone or institution utilizing this report. The authors, publishers and distributors of Quick Takes Pro may have positions in securities mentioned in this report. All charts prepared with [eSignal](#) data and software unless otherwise indicated.

All contents © Michael Kahn Research LLC, 2015