

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

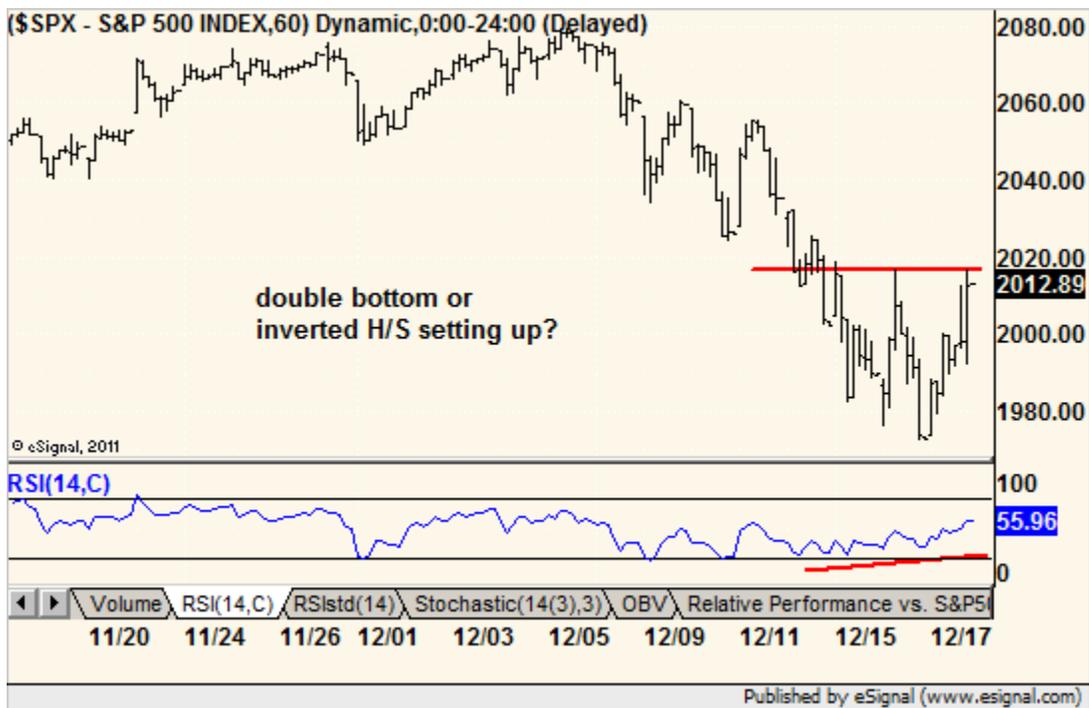
**December 17, 2014** – The market got rather excited after Ms. Yellen spoke and that feeling carried through overnight. The Dow is up trips again and we will not stop the chorus of dead-cat bounce. That's what it is so far. Now we have to be on the lookout for a follow-through day to indicate if the rally will continue.

Energy, followed by the consumer discretionary sector led the way, the latter of which is not a surprise given it outperformed on the way down. Energy was a worst to first deal. The most oversold bounces the sharpest.



We are not going to say that we called the Yellen rally but this hourly chart did show a failed attempt at a lower low within the channel. RSI was rising, too. Basically, the chart suggested it was a bad time to get aggressively bearish. More hourly analysis on next page.

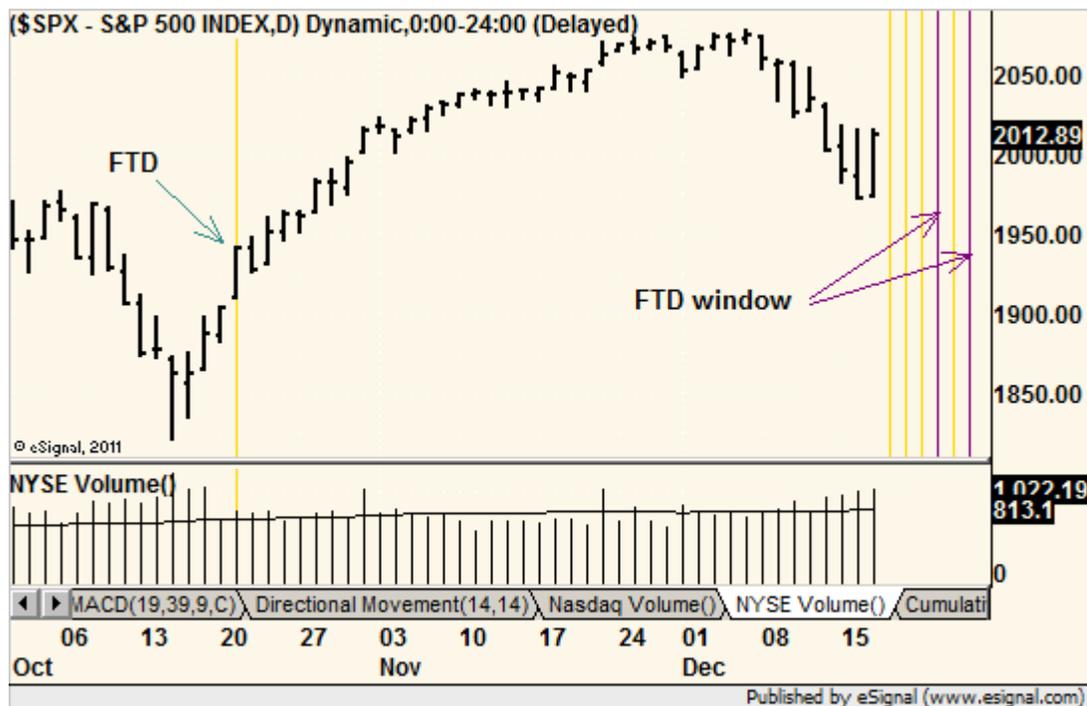
We've heard chatter on a 90% upside day signaling a new rally is coming. This is when 90% of the volume and points are made by winners. However, the biggest days like that often occur in bear markets. We need to see a 90% downside day first (tide rushes out) before the 90% upside day (tide rushes back in) suggests a bottom.



The hourly chart also shows a bottoming formation. There is no guarantee that it will complete but it is something to watch.

We'll also look for an O'Neil follow-through day (FTD) setup in the daily charts below in the Index Charts of the Day section.

## Index Charts of the Day



Now that the market surged off its low we look for the FTD setup. The window is highlighted in the chart above - four to seven days into the rally attempt. Yesterday was day one. The signal needs a price surge (1.5%) on heavy volume. Both of those parameters are subjective in our view.



The Russell ETF is clearly back in the range. This is a failed breakdown and we use volume to help make that determination. Look for a test of the top of the range. A move through the top of the range, would, of course, be bullish and target the old highs from earlier in the year.

## The Radar Screen

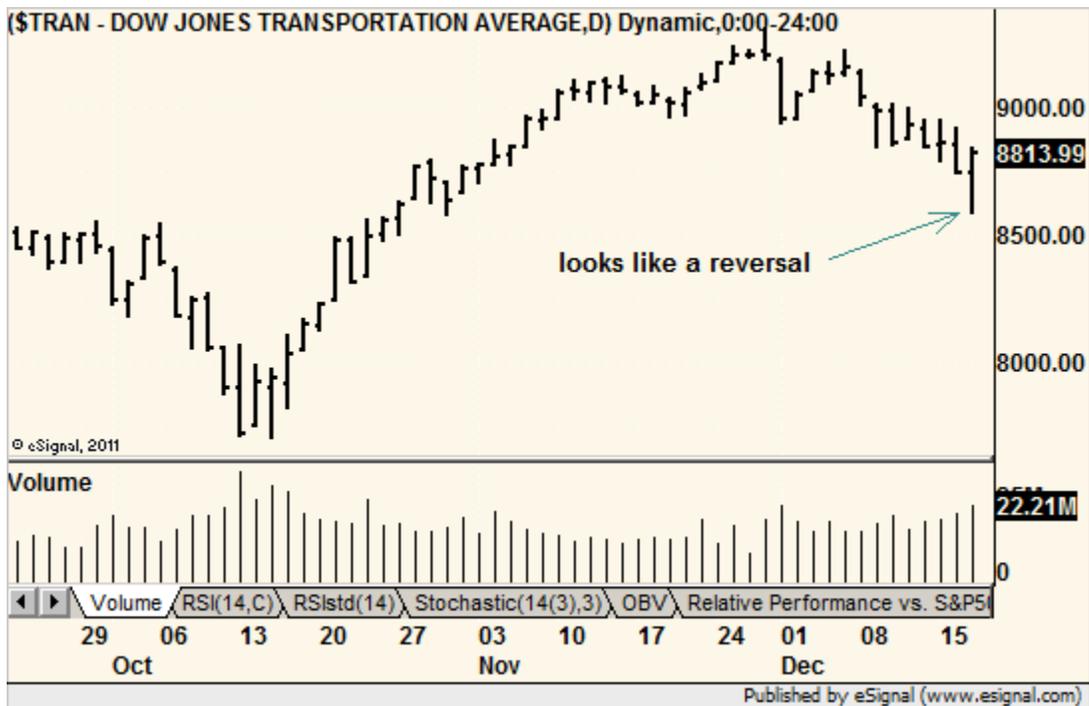
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>Invensense INVN</b> - This one makes motion detectors and gyroscopes for consumer electronics. After a disastrous fall, it seems to have stabilized with rising RSI (not shown) and a nice surge in price and volume after the low (follow-through day). Buy 15.50 on close.	<b>Triggered</b>	12/12
<b>Ciena CIEN</b> - A nice setup in a rising trend. Note rising on-balance volume. Looks good right here.	<b>New</b>	12/18
<b>Bearish Implications</b>		
<b>Google GOOGL</b> - Possible short-term selling climax (big daily volume on a huge decline yesterday) but in the context of a weekly triangle breakdown. Looking for a bounce and then a likely sell trigger. Sell 520.	<b>Moved</b>	12/17
<b>Unknown Implications</b>		
<b>none</b> -		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Costco COST</b> - This retailer scored a major reversal last week and followed through. We'll look to see if it bounces and probably set a sell trigger.		12/15
<b>Coach COH</b> - This high-end retailer was up nicely on both up and down market days. It looks to be in a nice basing pattern although it is too early for a buy, save for scalpers. Takeover rumors!		12/15
<b>Freeport McMoran FCX</b> - This one is on selling climax alert. Big volume as it falls off a cliff. Extremely wide Bollinger Bands and a big spread to the 200-day average		12/15
<b>GE</b> - This one did not make the cut in my Barron's Online article. GE is now in the support zone so we are looking for a technical signal that it is time to buy. <u>Big bullish hammer candle Wednesday.</u>		12/16
<b>Facebook FB</b> - Contradiction. A diamond top in progress but rising on-balance volume. Just watching.		12/17
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Aerospace/Defense Sector index</b> - breakdown		12/15
<b>Updates</b>		
<b>none</b> -		

## Market Highlights



Long T-bond ETF - just a little warning.



Transports - Reversal on volume.



**Networking Index** - A breakout and test. Looking good.



**Ciena** - A nice setup in a rising trend for this network equipment maker. Note rising on-balance volume. Looks good right here.



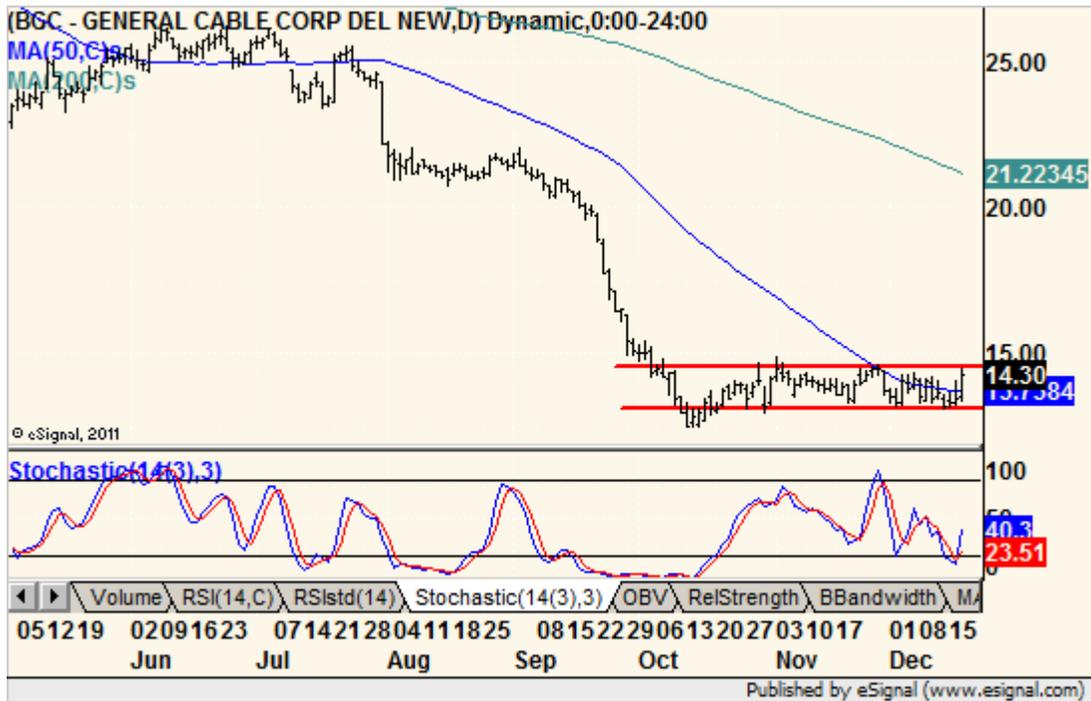
**JDS Uniphase** - another networker with a good setup.



**Alibaba** - breaks out from channel after testing 50-day average.



**Apple** - Waiting for Apple to do the same as Alibaba above.

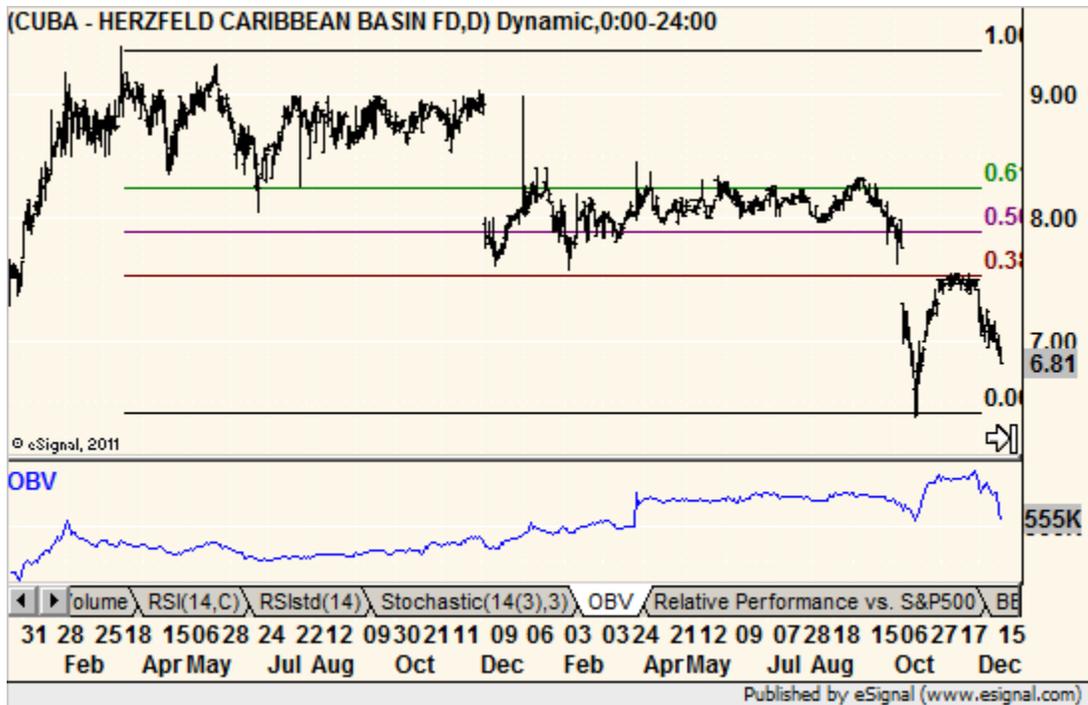


**General Cable** - Waiting for the range to break one way or the other. Indicators are of no help guessing direction.

## Today's Lesson

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

### Can Technicals "front run" the news?



**Caribbean Basin Fund** - This was the play on the Cuba news yesterday. The question was could we have known to buy this before the news based on the technicals and sadly we do not see anything even in hindsight that would have tipped us off.

In response to the heading for this chart, technicals often do front run the news. They cannot tell us what the news may be but they can point us to something that looks to be changing soon. For example, money leaving a stock before bad news. Or a breakout before good. People in the know act and we read their footprints.

For the **CUBA** fund, we see nothing that suggested a major rally. The **XOP** chart we presented yesterday had a bullish warning in Bollinger Bands ahead of the 8.1% post-Fed rally. It did not predict the Fed, only that the market was viewing it as having its worst days behind it.

## 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. **Green** means we closed them. 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>NDLS</b>	NOODLES & CO	25.86	12.4%	24.75	23.00	11/21	26
<u>Short</u>	<b>TIVO</b>	TIVO INC	11.72	10.1%	12.30	12.90	11/10	37
	<b>YHOO</b>	YAHOO INC	50.12	1.0%	51.00	50.60	11/20	27
	<b>TSLA</b>	TESLA MTRS INC	205.00	10.4%		226.25	12/2	15
	<b>BBT</b>	BB&T CORP	37.52	0.3%	38.00	37.39	12/2	15
	<b>OC</b>	OWENS CORNING NEW	33.80	2.1%	34.50	34.50	12/10	7

**Notes:** Stopped out of the **TSLA** short for a nice profit.

Tweaked stop ion **NDLS**.

## 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

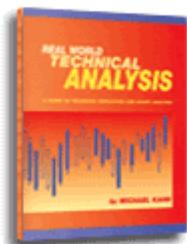
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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



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