

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

February 20, 2016 – Aside for the series of big rallies since a week ago, the market actually offers some hope for the bulls. Most indices show positive bits of evidence in the form of support holds and room to simply test declining trendlines. However, market internals are still weak from quality spreads to economic gauges (technical, not fundamental). We have to respect the possibility that the coming week will see more gains but overall this is still a bear market.

Surprisingly, we see some strength in retail and hotels. These are discretionary areas that should not do well in the current market. We also see strength in many food stocks, which makes a lot more sense as staples stocks. But at the same time, stocks all over the map show falling or flat on-balance volume as they bounced. It was almost as if they bounced because they had to and not because investors were rushing in for bargains.

The week kicked off with a big rebound in Japan after the prior week's drubbing. The chart there still looks lousy. And China, which did not crash after being closed for an entire week was actually up a bit after more stimulus rumors surfaced over there. When will they ever learn? (Feel free to sing "where have all the flowers gone" as you read that.)

Negative interest rates are still everywhere and the Fed even said they would do what they can, implying they could undo their one rate hike and go negative. The market sees through them now and did not rally. It looked as if it rallied from a position of oversold prices and lousy sentiment. A bear market bounce.

Just look at what led the market higher. It was junk and stocks that fell the most. The relative strength winners, sans food, were not leaders and that tells us it was not a bottom. Again, perhaps another week of bounce to come but we still see lower prices before this is all over.

And don't forget how oil still leads stocks around by the nose. Word of an arrangement by Russia, the Saudis and others to freeze oil production failed to get a rally. And when it did get some buyers on rumors Iran would listen it also failed when the Saudis denied their participation. Did anyone really think they would all hold to anything? And poor member Venezuela is circling the drain and needs to sell oil at any price to stay alive.

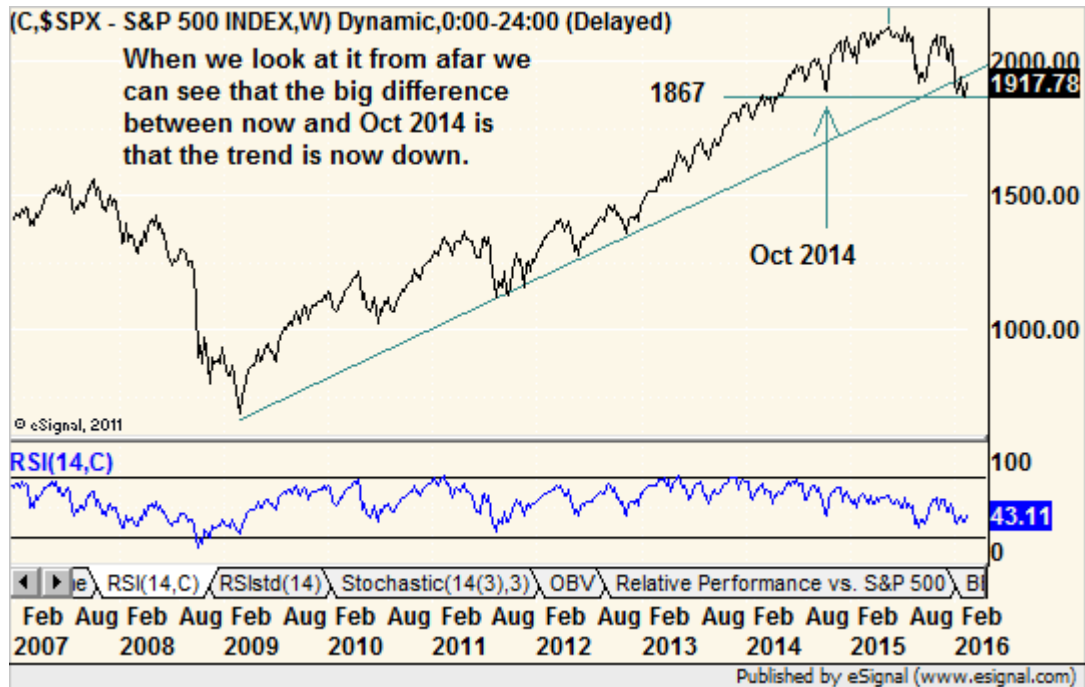
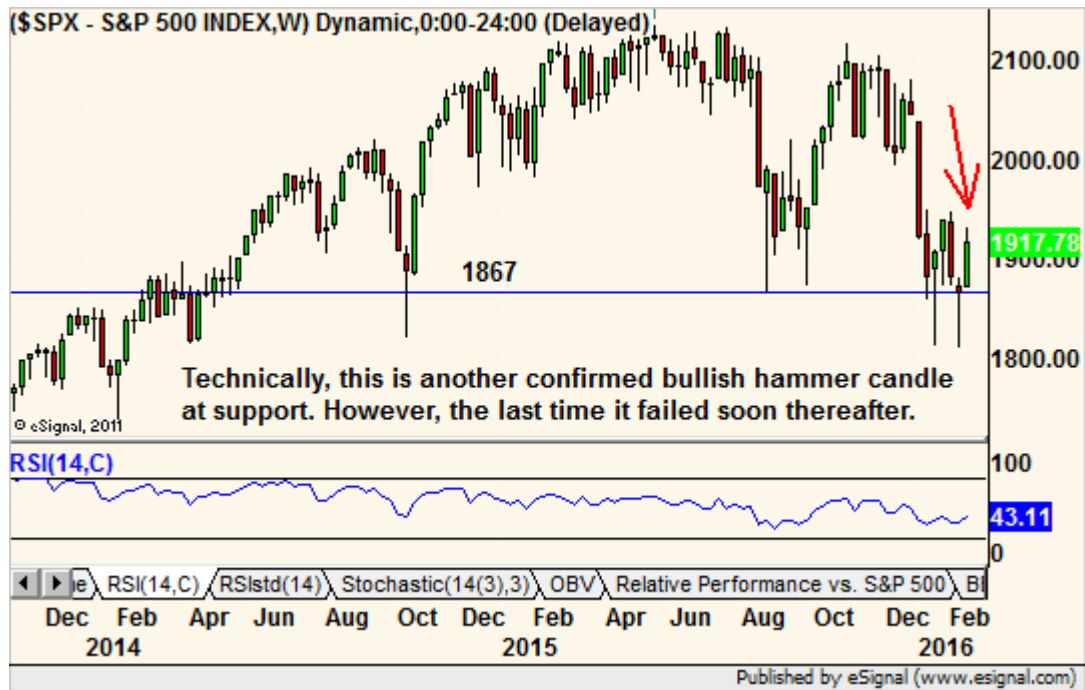
Here is a news tidbit you might have missed: Health-insurance costs climbed sharply, according to the latest inflation data released Friday by the Labor Department, health-insurance costs rose 4.8% in the 12 months ending in January, the fastest rise since April 2013 and much faster than the broader rate of inflation.

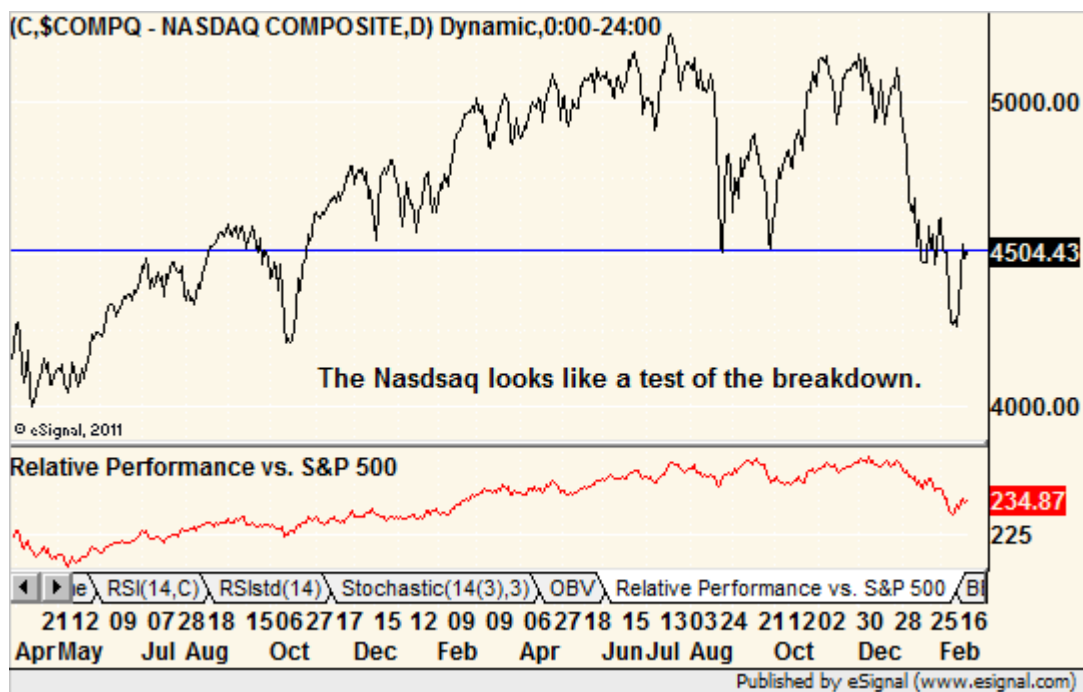
All told, we leave the door open for a little more bounce but we do not guarantee it. This is a bear market and corporate and market sins that might have been glossed over will get exposed. Surprises happen in the direction of the trend. The only thing we caution is having an open mind for stocks and groups that are actually bucking the trend. Do not get married to a forecast, especially when contrary evidence appears. Remember, the window for an O-Neil follow through day will still be open Monday and Tuesday.

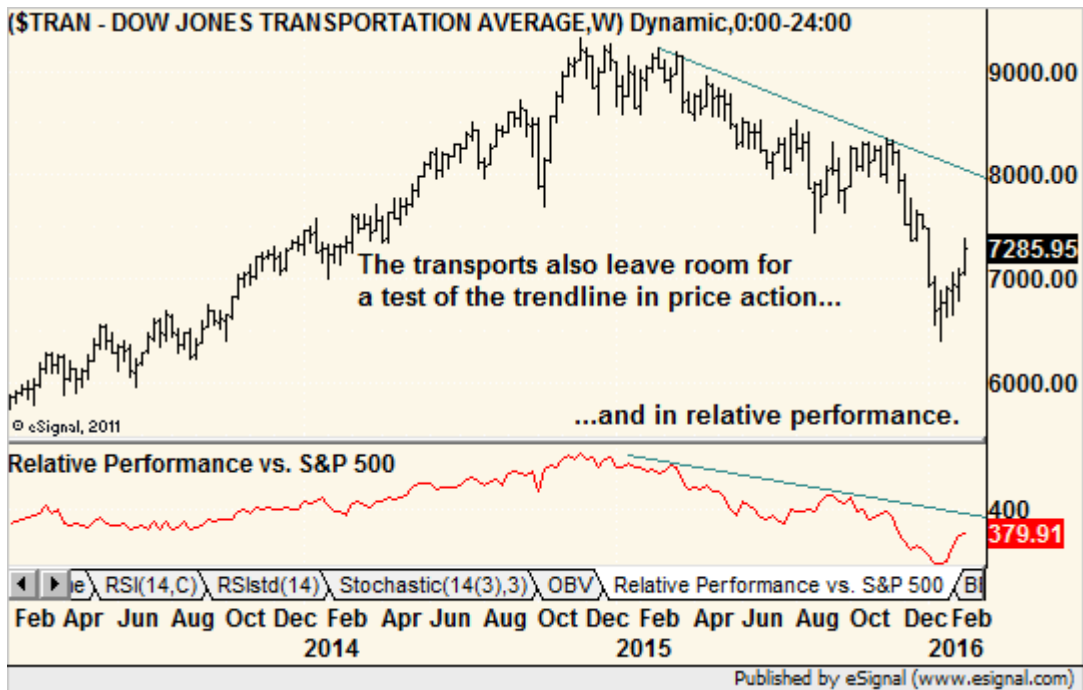
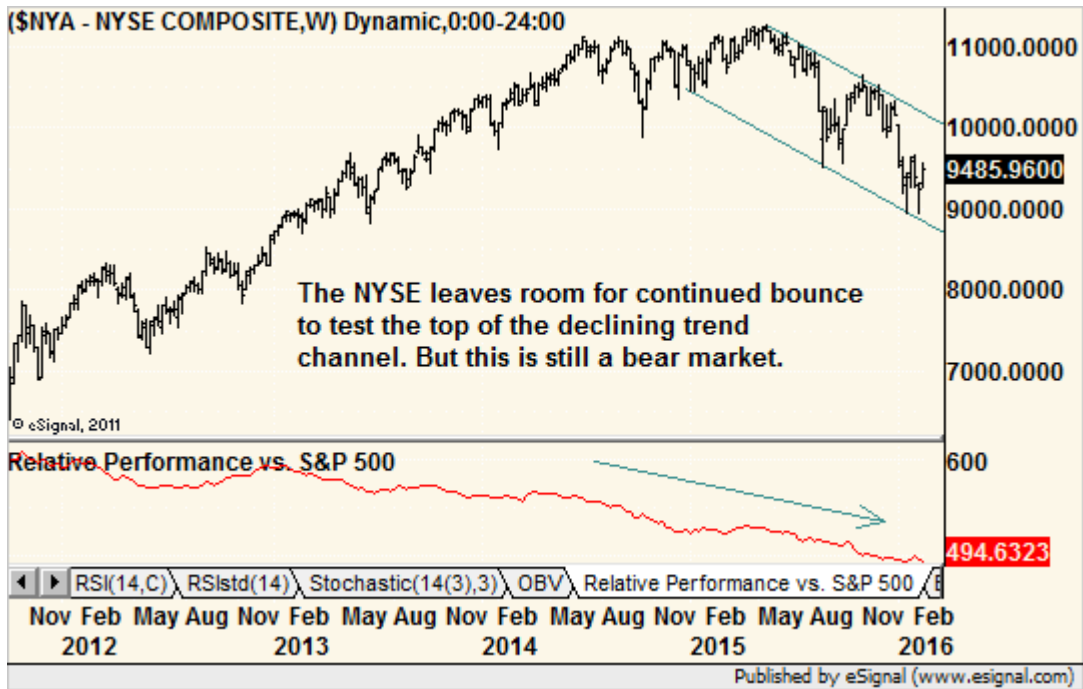
Subscriber Note – It turns out that continuing this weekly newsletter is taking far more time than I thought. Therefore, next week February 27 will be the final edition. Prorated refunds will be issued in March. It has been an honor to serve you all of these years. Some of you are only recent subscribers and others have been with us literally from the beginning in 2001 (yes, shortly after 9/11).

If anyone is still interested in an advisory relationship, let me know and we can figure something out. But for everyone, please keep in touch via social media. You can find me mostly on Twitter with info shared on StockTwits, LinkedIn and Facebook (links below at the bottom of this newsletter). Also, check out the video blog I do for ChartIQ using free technical analysis software (<http://youtube.com/technicianapp>). And of course, I will still write my column for Barron's Online.

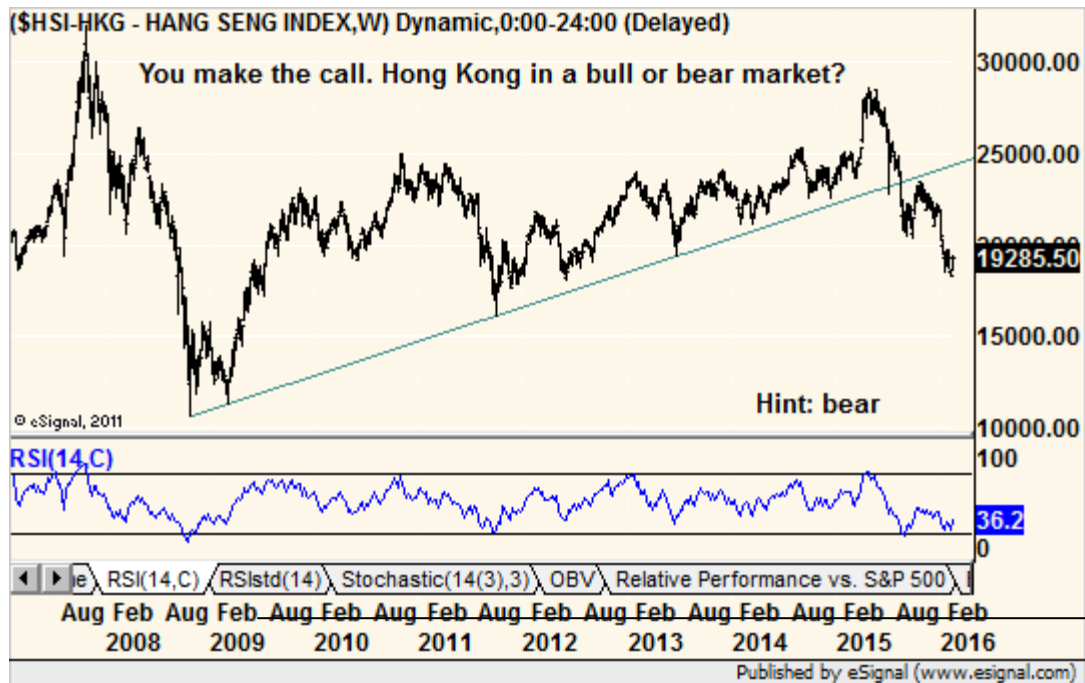
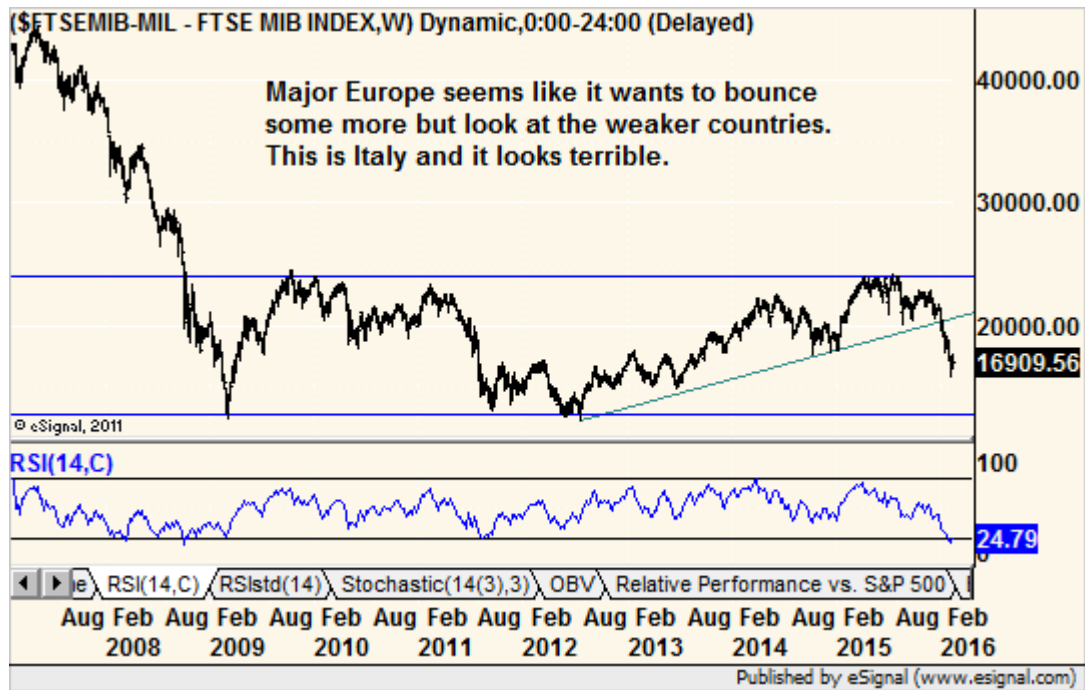
Index Charts of the Week

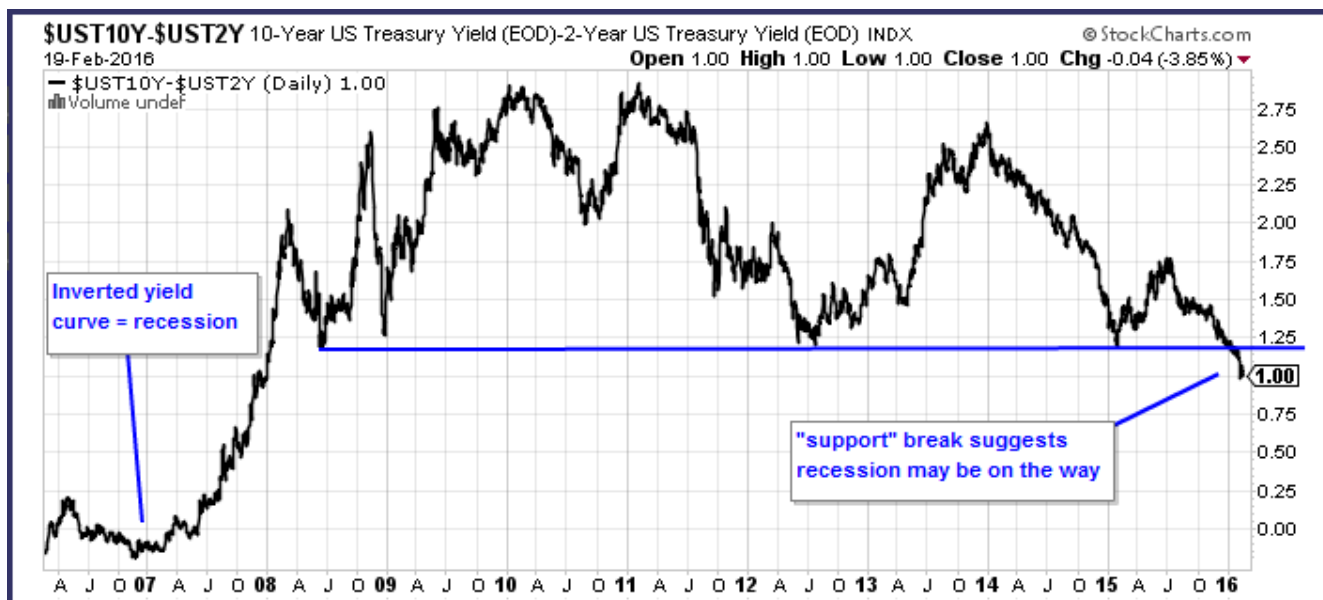
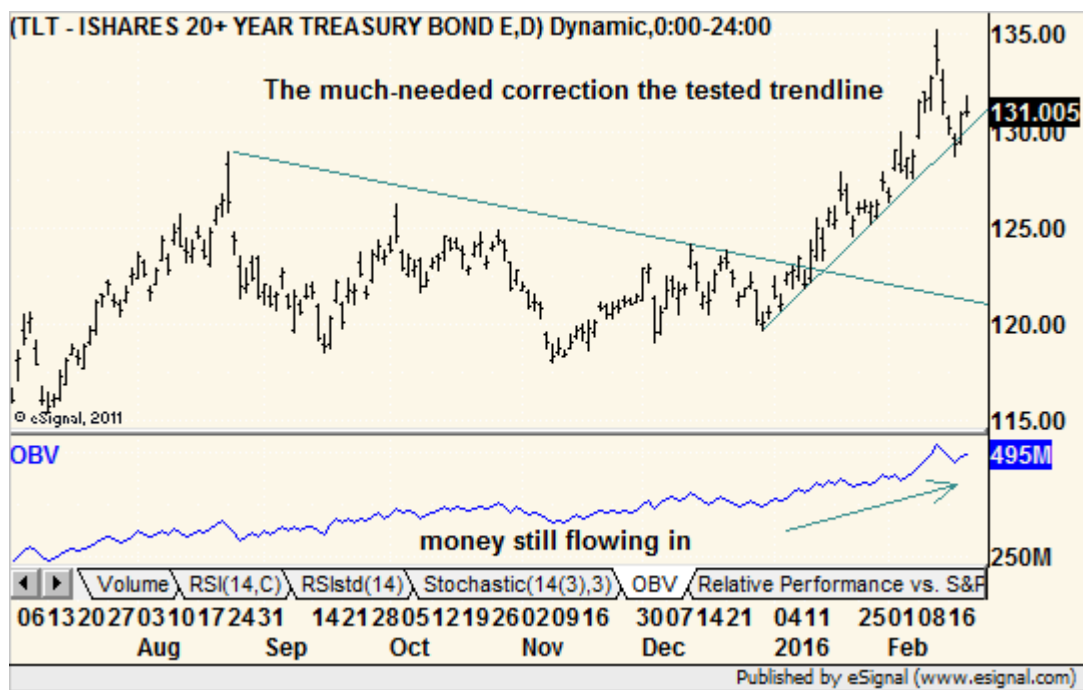




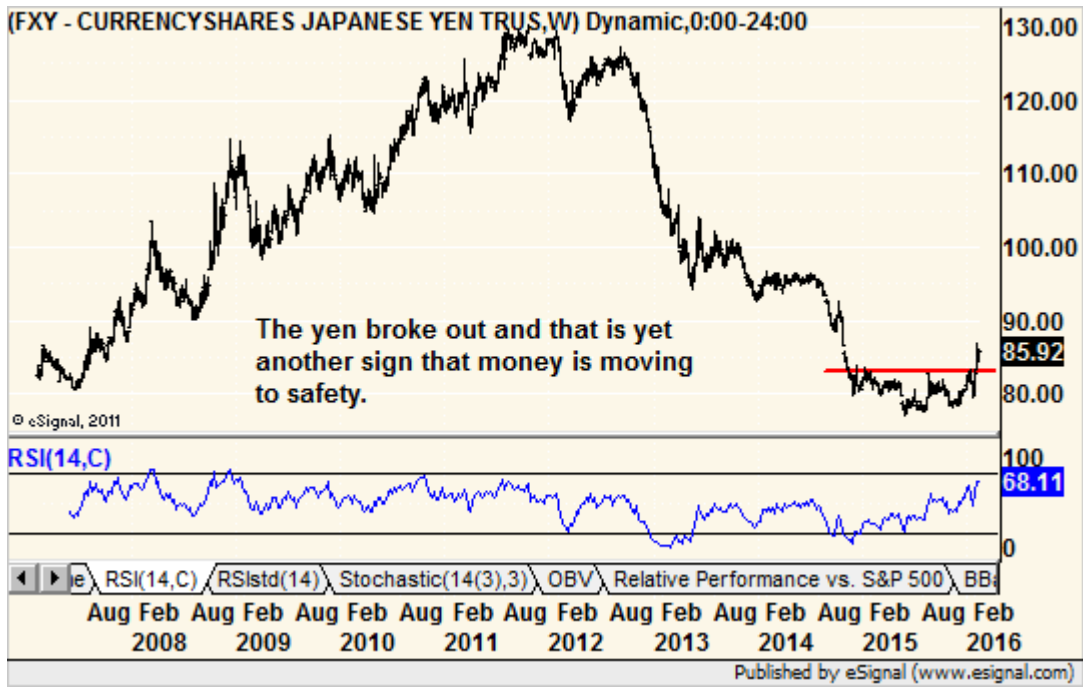


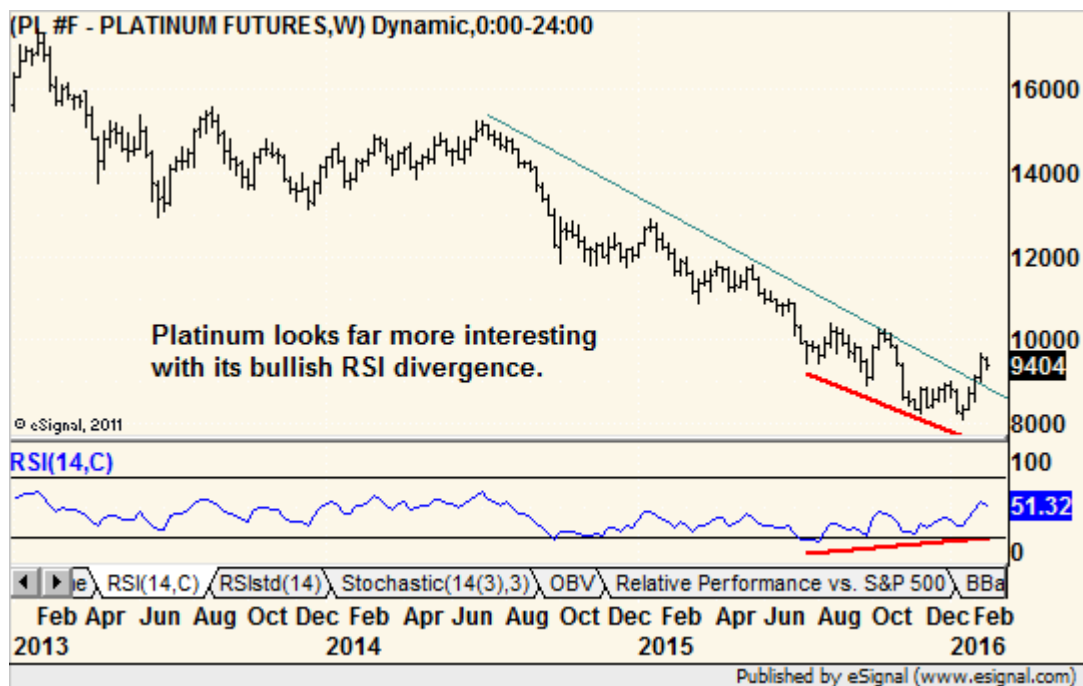
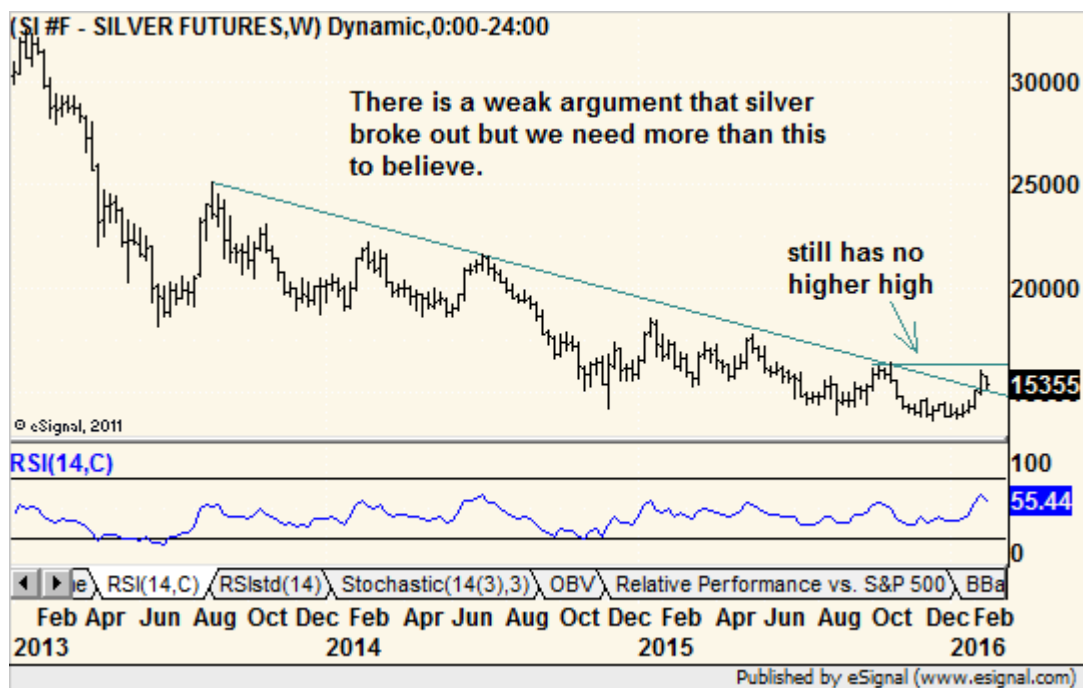
Other Markets

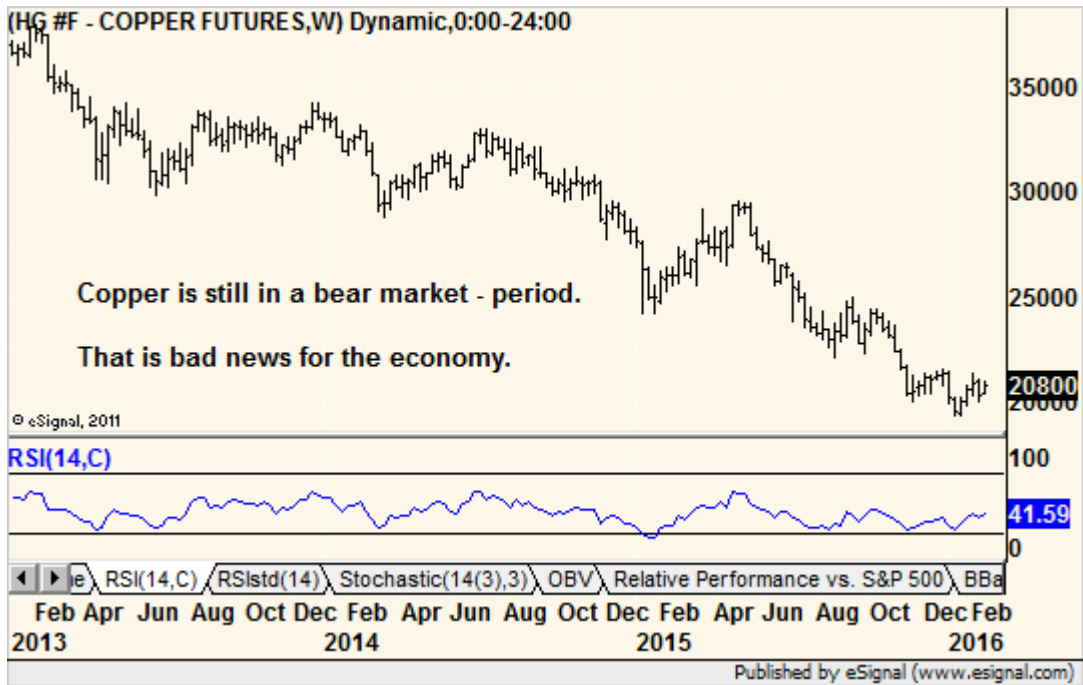




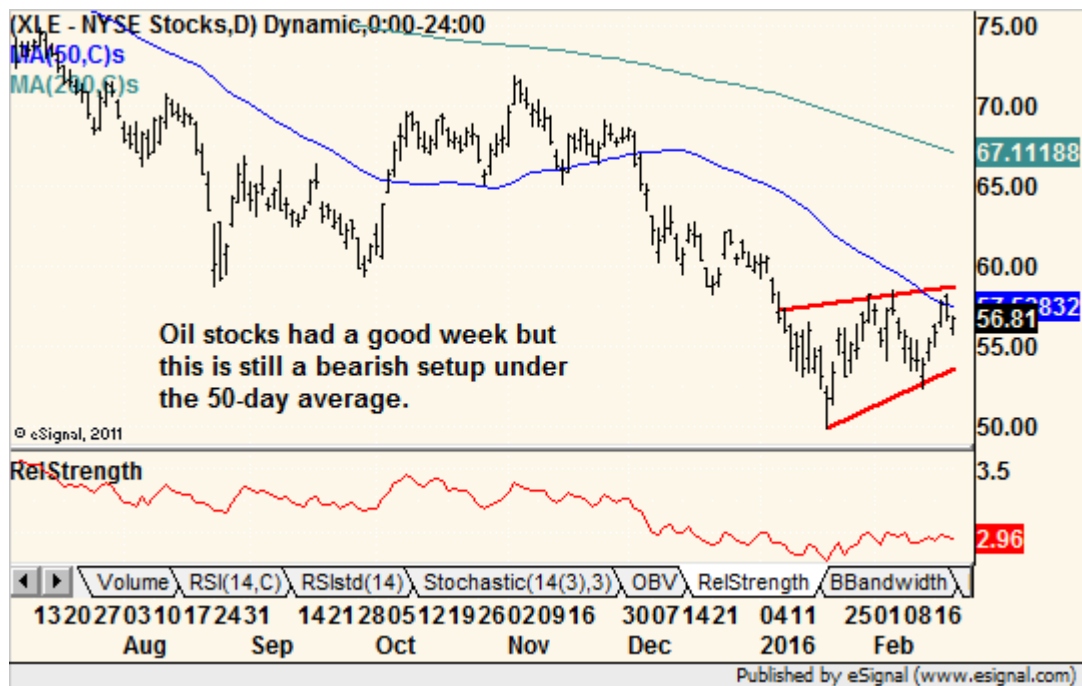
This is the 10- year Treasury yield spread.

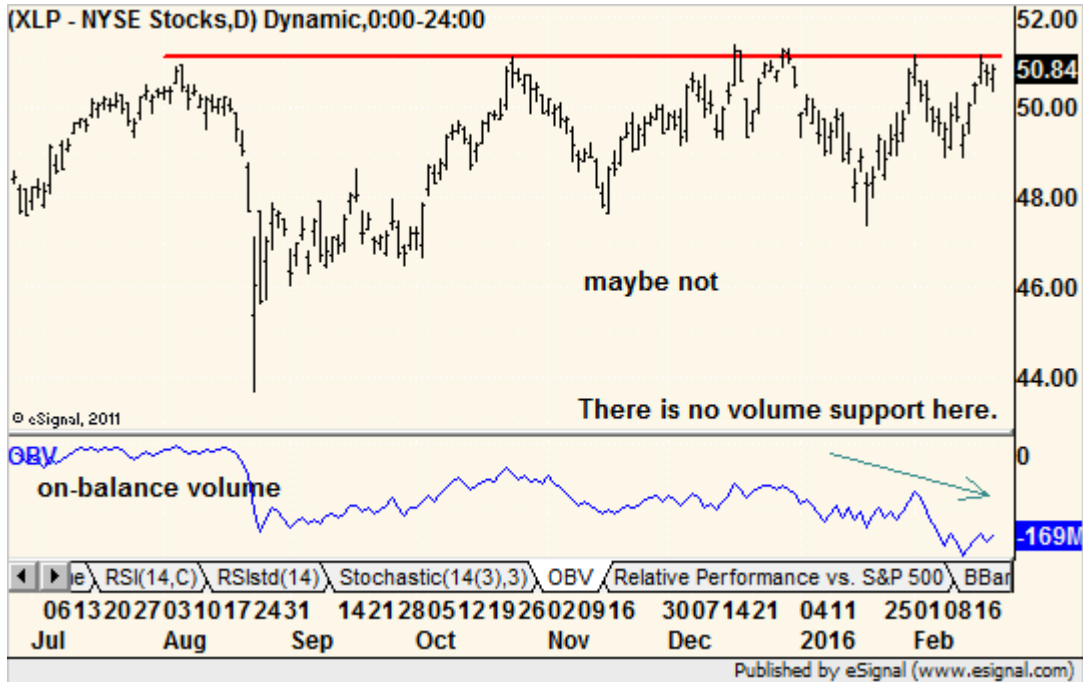
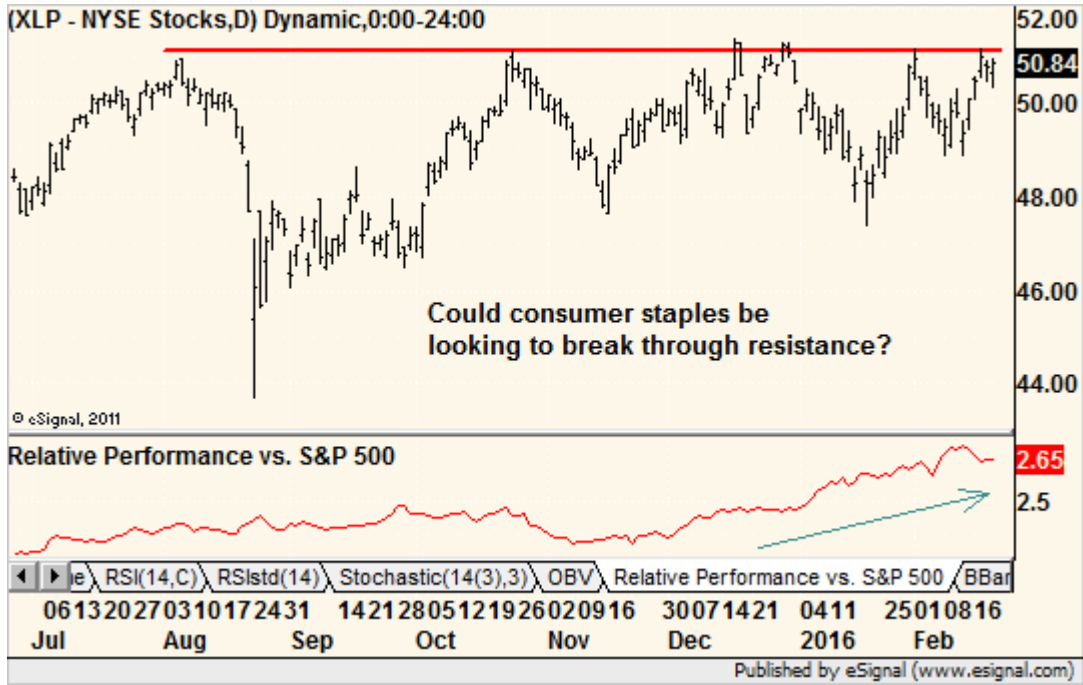




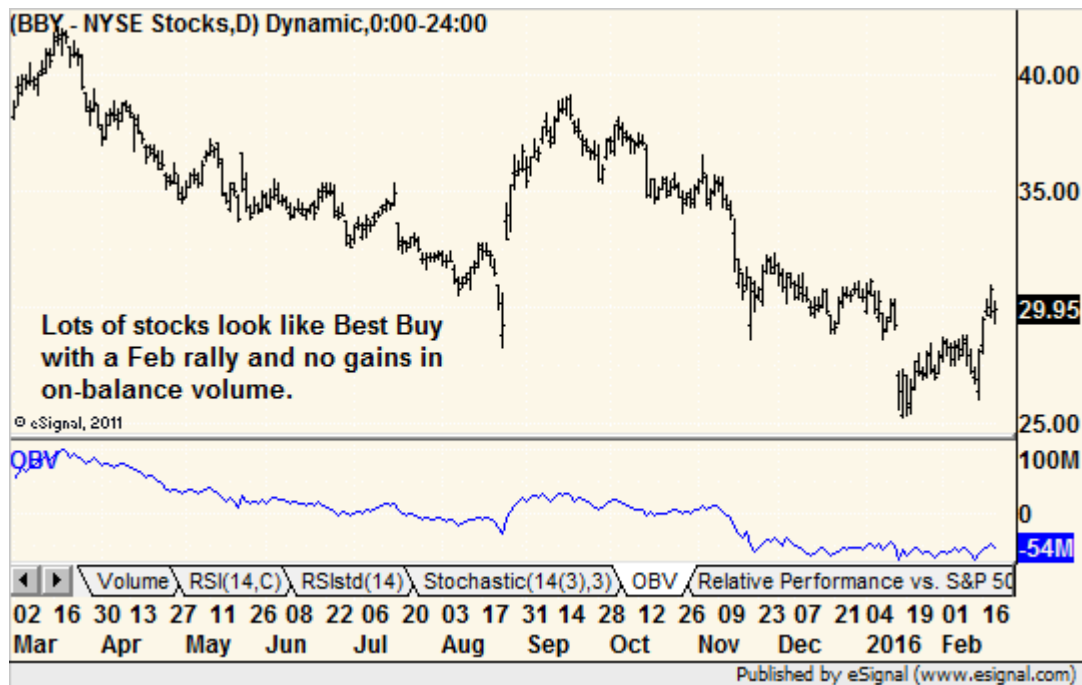
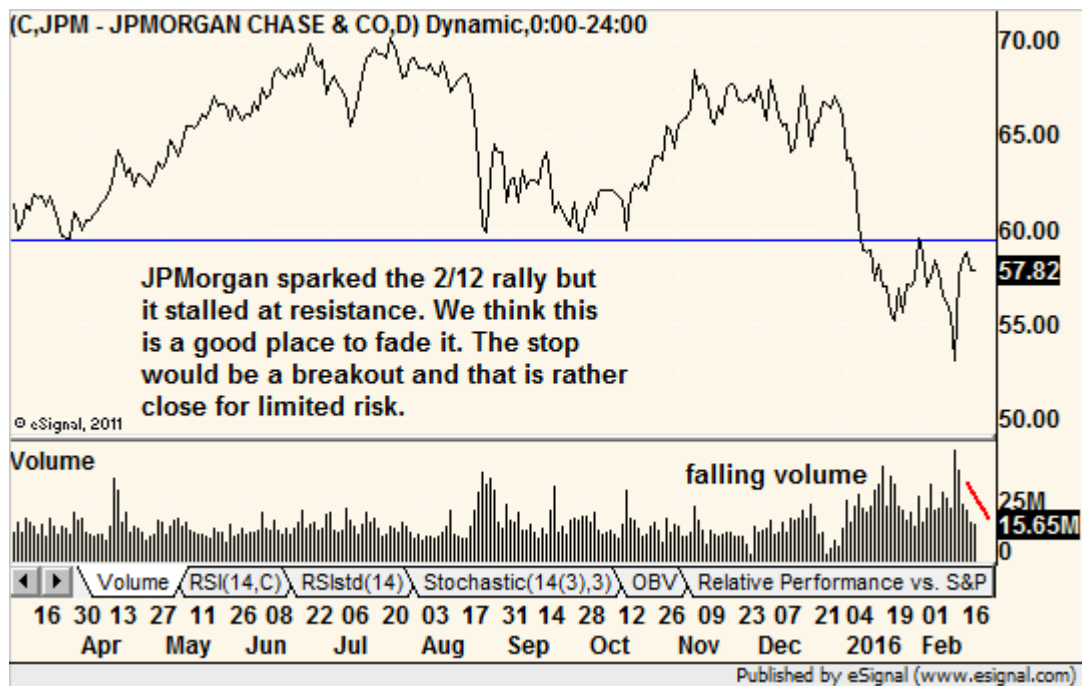


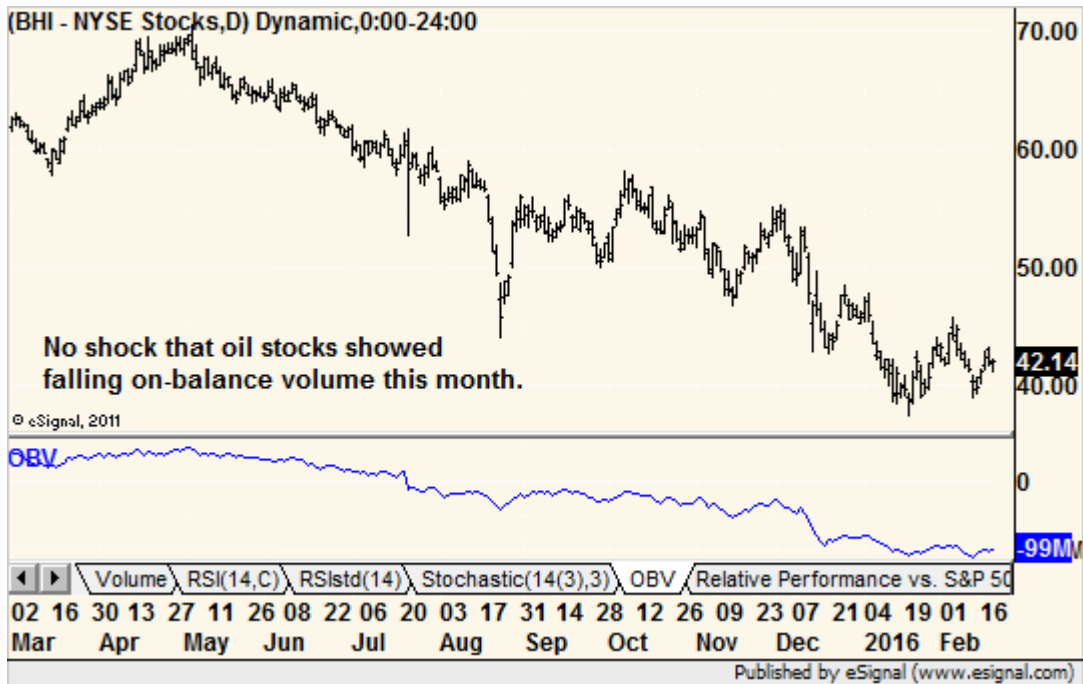
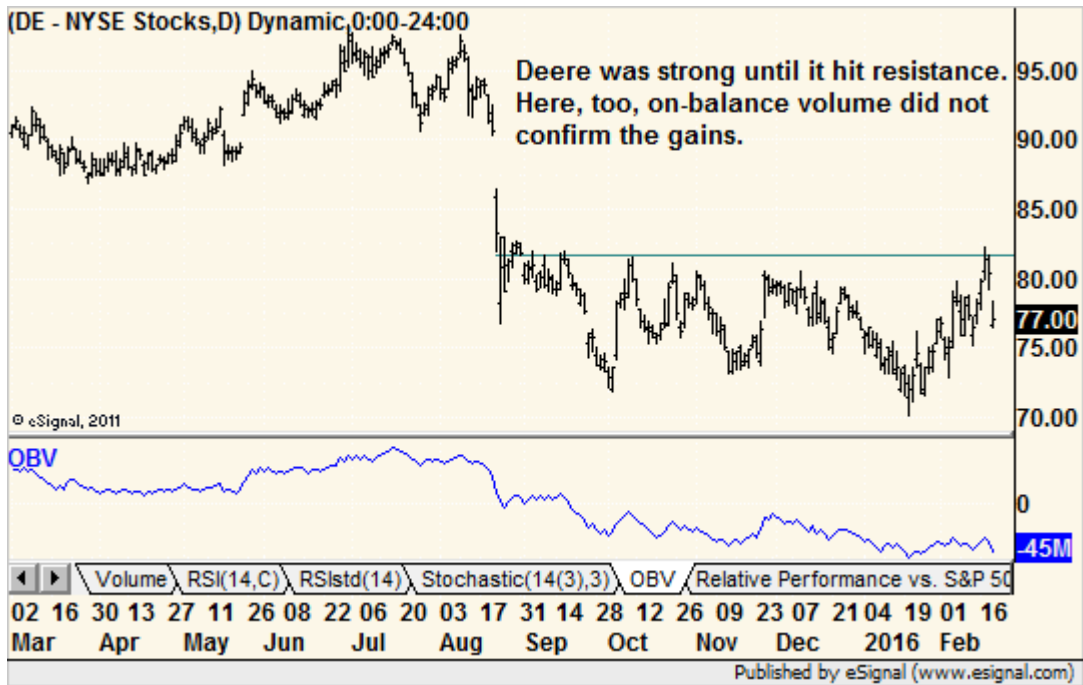
Sector Watch

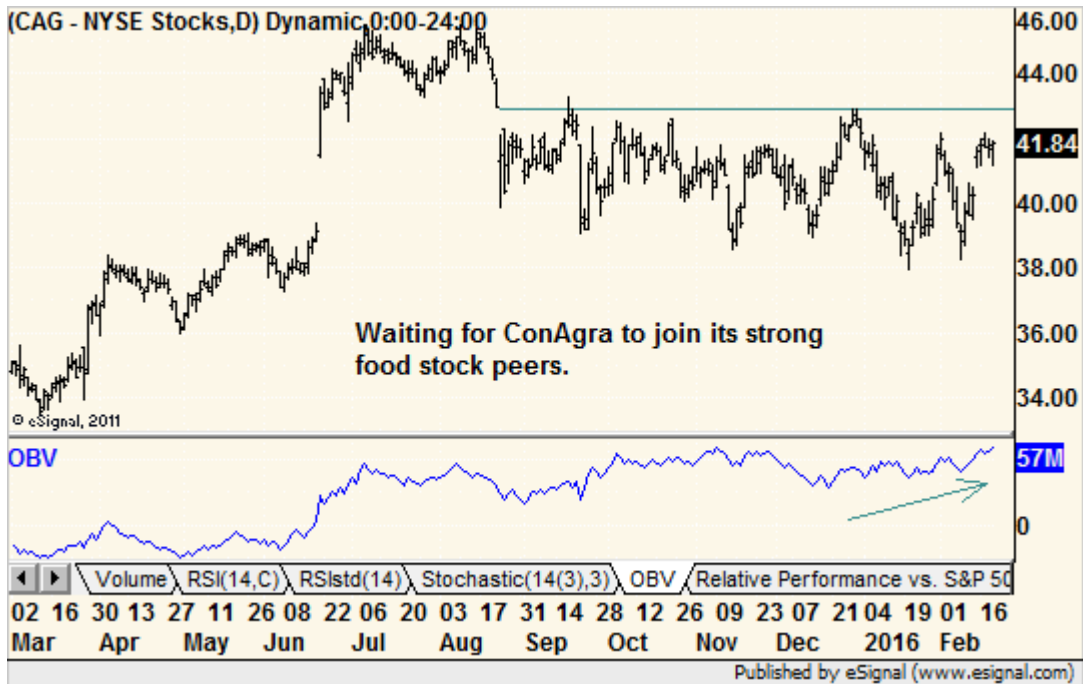
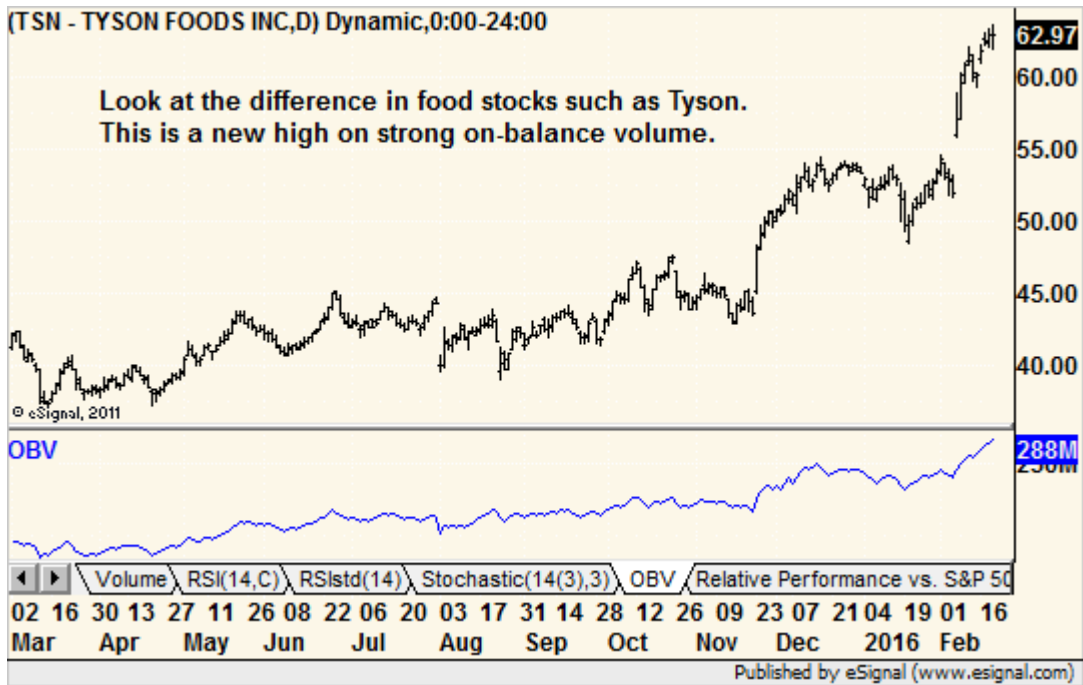




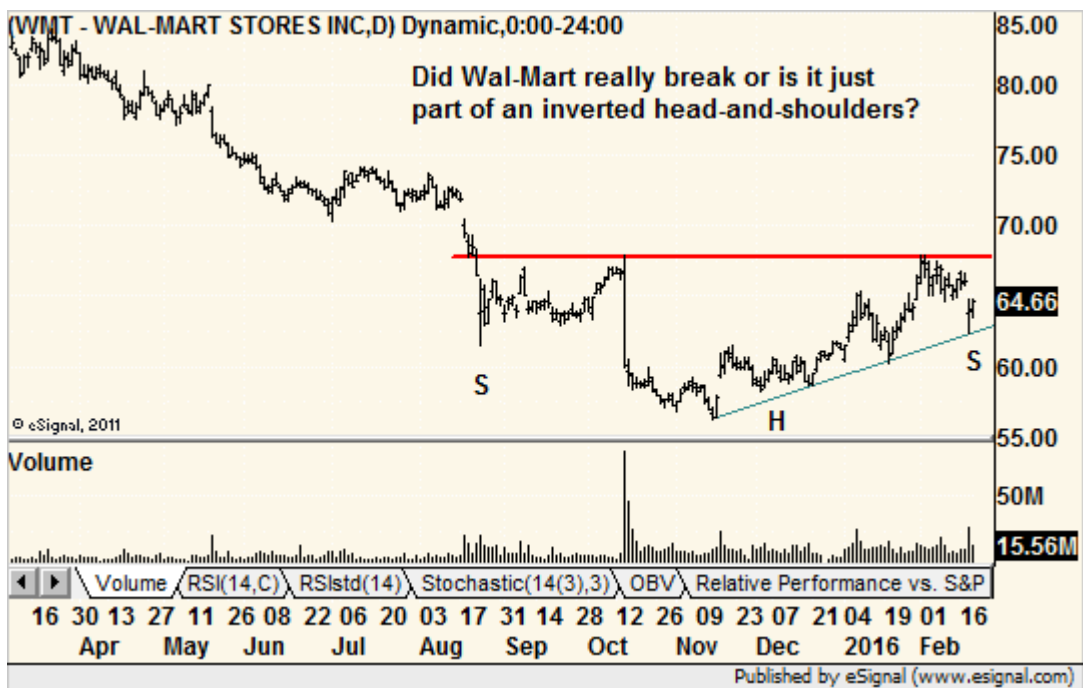
Stocks in the News



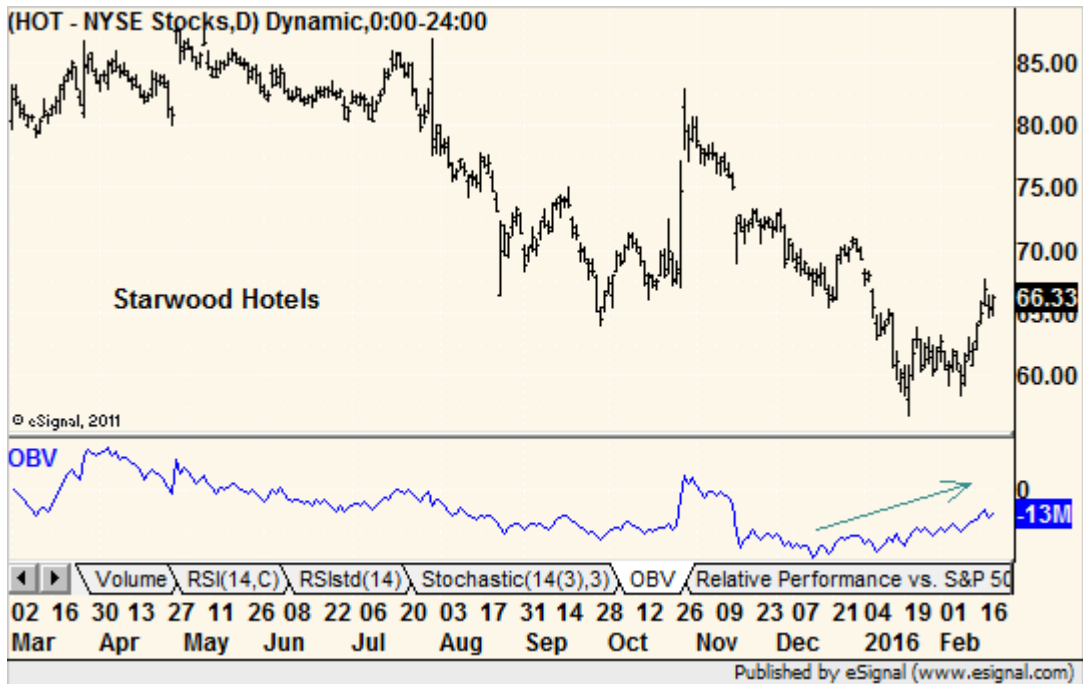
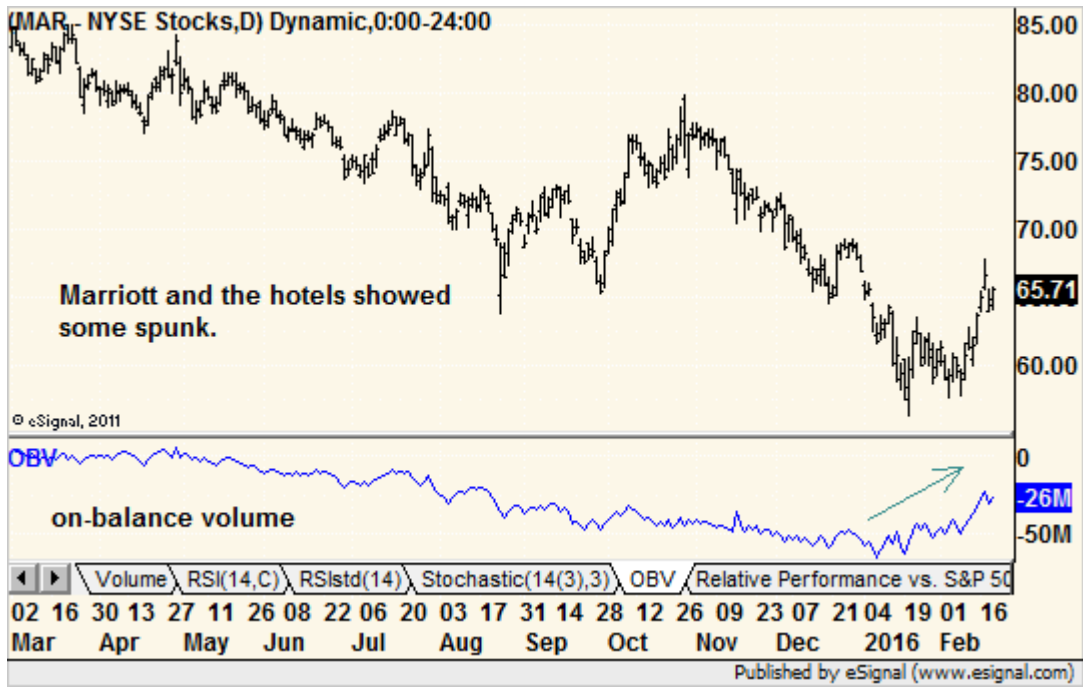




Check out Tootsie Roll (TR) and its breakout from a similar setup.

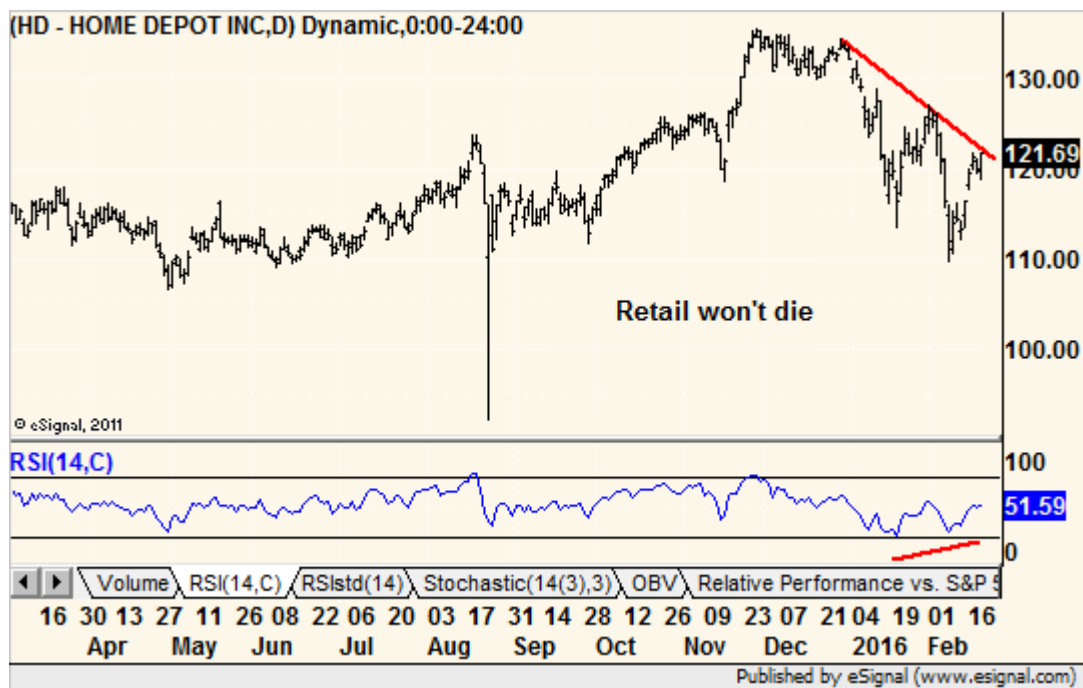


Hint – the latter.

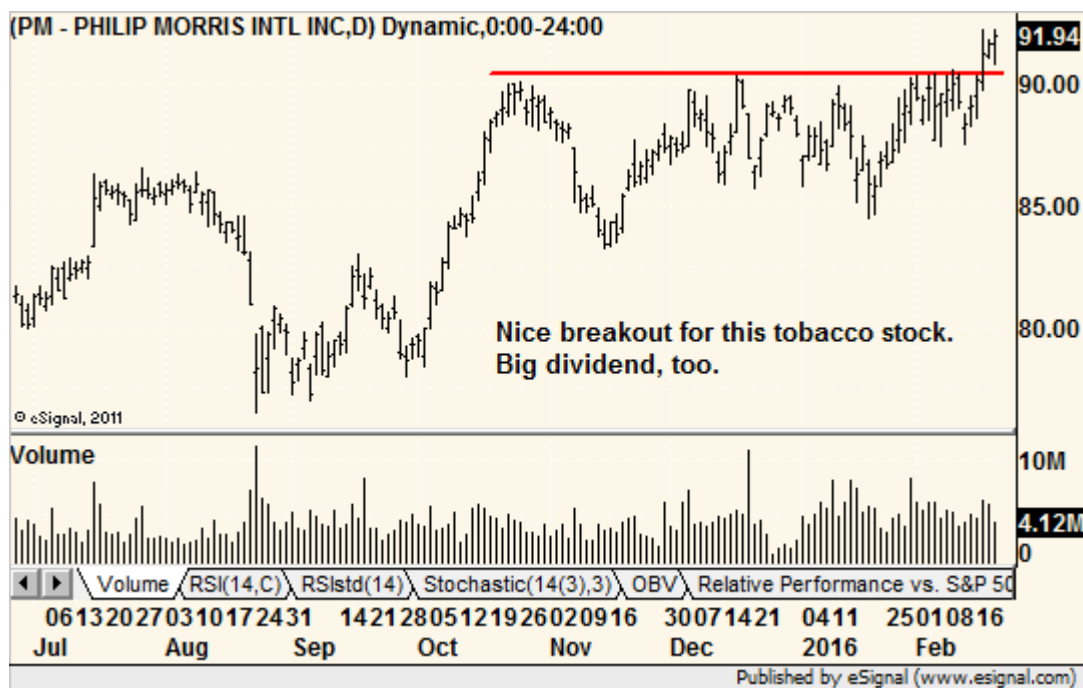




Integrated oils look better than the other types.



Let's see what happens when it reports earnings this week.



Notes from last week:

KORS looks like it broke through first resistance and is heading to second target

GS no follow through on a bullish divergence. Looking done.

EBAY heading to resistance at the gap.

CVS arguable trendline breakout. Need a little more confirmation.

DIS looks like it could not follow through on bullish hammer. Not dead yet but also still possible to fall.

CSCO now in resistance zone

TWTR still shows positive technicals despite the killer bear trend. Spec trade possibility.

GRPN we shows a bull weekly reversal and RSI divergence but never thought it would soar as it did last week.

DECK actually broke out again. If the market firms up there is more to go here.

COST still waiting for the trendline breakout

FB bear flag (still)

AMZN bear flag (still)

CMG changed from bear flag to breakout.

STZ bounced in what looks to be a bear flag (still)

Other Information

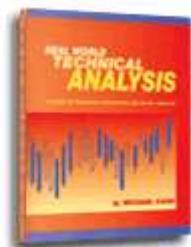
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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