

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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January 10, 2014 – Thursday's premarket **SPY** breakout was fleeting but they gave it another go in Friday's premarket. Then non-farm payrolls (NFP) came out - beyond awful - and SPY failed again. We were about to say the market was setting higher highs and higher lows intraday, then we weren't and then the comeback began. We still have to give the bulls the benefit of the doubt here.

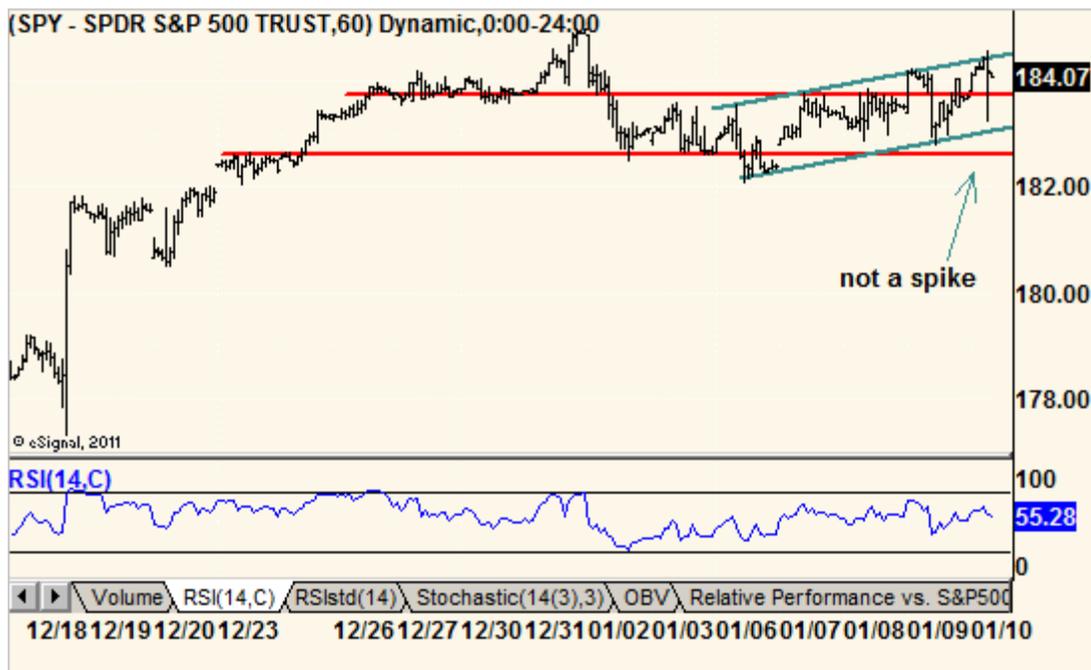
In case you missed it, NFP was 74K vs. analyst estimates of 193K. First, the estimate was at a pathetic level for this point in a recovery but come on high priced boys and girls; that was not even close to reality.

We'll cut them a little slack because quite honestly we do not believe a word coming out of the government. The unemployment rate fell to 6.7% from 7.0% despite the dearth of jobs created. We cannot wait to hear the spin on that one today. But let's retreat from politics. Both sides of the aisle are truly awful.

Yesterday, we saw some retail bombs - **SHLD**, **BBBY** and **LB**. Did **M**, **COST** and **WAG** counter them? We say no and offer the retail ETF chart below. This sector is not the place to be.

And then there's the fuel cell stocks. **PLUG** fell 27% yesterday but is still double where it was last week. That is why we do not touch them.

Let's go to the chart.

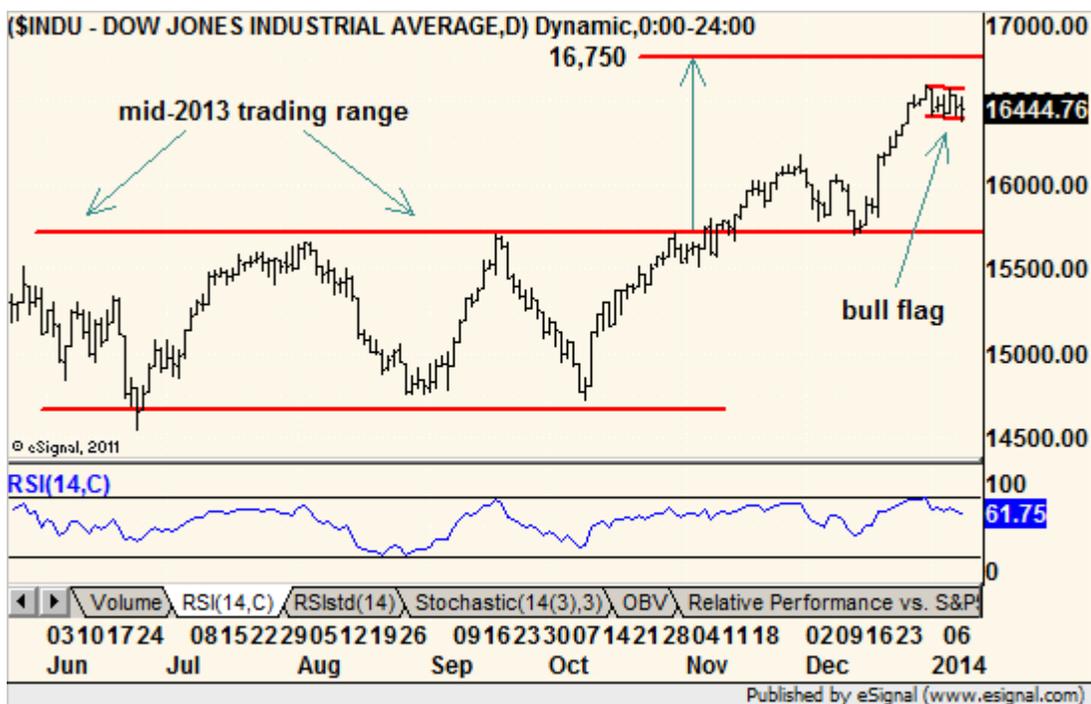


The SPY now shows a rising channel in green. Failures above the red resistance level now seem to be in the background. Of course, there is a lot of trading to go before we can declare a winner, post jobs report, but for now, we have to lean bullish.

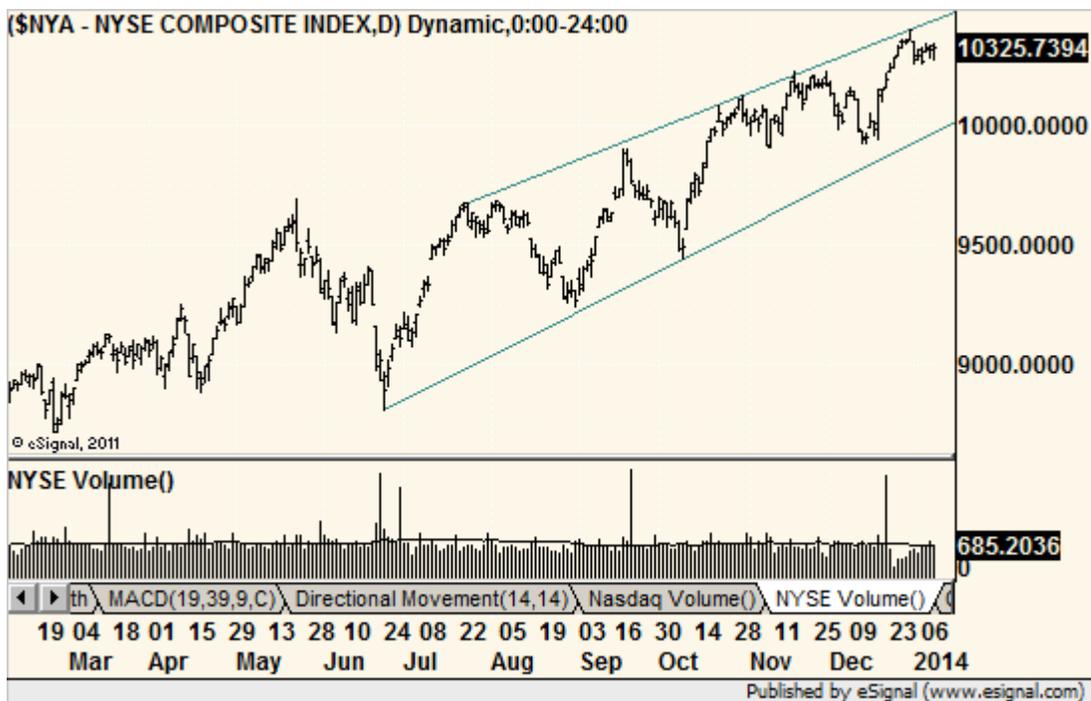
The dollar is another story. It fell hard - and gold rallied - on the news so it might be thinking more QE and less taper. Day to day noise.

The January indicator folks are not happy as the first week of the year looks to end flat to down.

Index Charts of the Day



It looks as if the breakout from the two-week pause is at hand and it targets just below the major upside target suggested by the mid-2013 trading range.



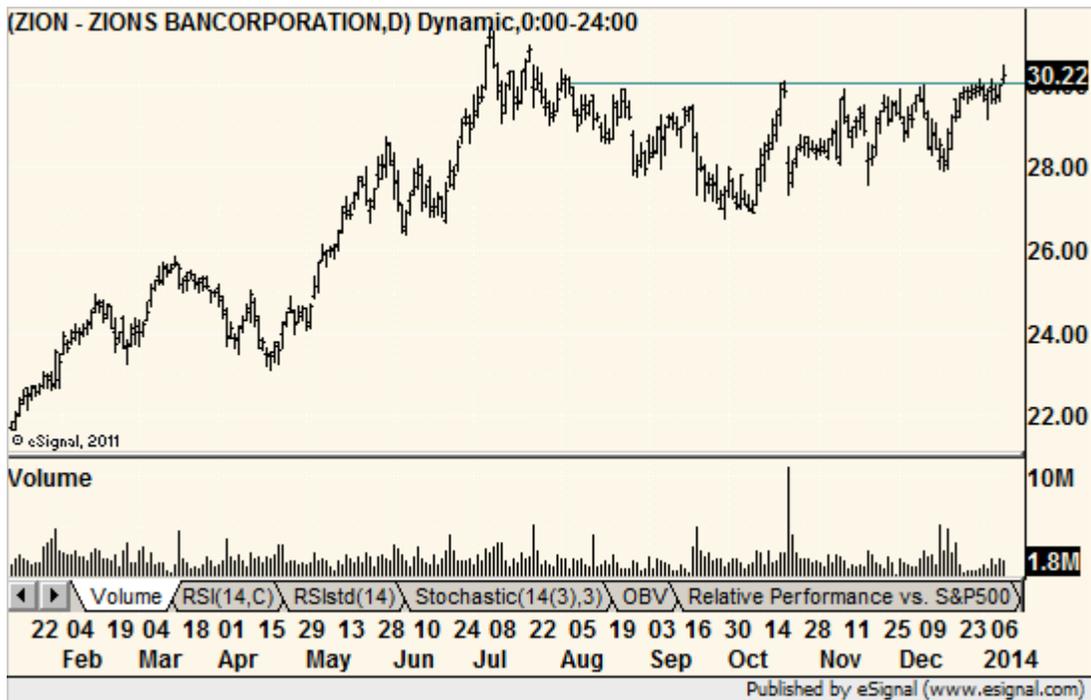
The NYSE Composite is in more of a wedge pattern but there is still a bit of upside room. We'll watch for volume because if it stays low we'll assume there is not enough fuel to power a significant rally.

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		
Procter & Gamble PG - Looking for a fresh breakout above 82.30. Clearly not ready for that but we'll keep it here for now.		12/30
Gold Miners ETF GDX - Bullish RSI divergence so we'll put a buy on close at 22.15 or higher.		12/30
AT&T T - Patience. This one sports a monster 5.4% dividend yield and has gone nowhere for two years. A great pickup for investors at support and the long-term trendline in the 33 area. The stop point would be very close if the market and stock break down but the upside is a fat dividend with possibility of upside gains.		1/9
Teva Pharma TEVA - This drug maker shook off a major gap down on huge volume and is now knocking on the door of a long-term breakout. It is bid up through that level in the premarket so we are going to bite.	New	1/10
Bearish Implications		
American Express AXP - Bear reversal last week and higher volume bear reversal Tuesday. Selling close under 88.75		1/3
Holding Tank - red shade leans bearish, green shade leans bullish		
Union Pacific UNP - Here is a rail stock with a new high but a bearish reversal bar. The RSI divergence is questionable. Needs trend line breakdown to sell.		1/3
United Healthcare UNH - This health insurer with a breakout. Watching to find a good entry.		1/3
Apple AAPL - Looks like a pause at support in a double top pattern. Bearish. Wait for the breakdown.		1/6
MasterCard MA - This stock is up huge and the trend is accelerating. Something just feels wrong here but we have to wait for a technical signal to sell it. Ditto V .		1/6
Macys M - Turned a potential double top into an upside break from a rectangle. Watch to see if this gap up is exhaustion of breakaway.	Changed	1/8
CVS Caremark CVS - Watching a serious RSI divergence. No breakdowns yet.		1/8
Costco COST - Broke down on volume and rebounded on bigger volume.	Changed	1/8
Sector Watch (observations that may spark ideas)		
Steel stocks index - May have just suffered a breakout failure. Weekly RSI divergence, too. Related stock AA may signal the breakdown for steel		12/30
Airlines index - Bull flag breakout.		12/30
Utilities - On the verge of a breakdown although it has not yet happened. On-balance volume here weak but OBV on the XLU ETF is bleeding out.		1/6
Computer hardware - Breakouts in IBM, STX, WDC even as AAPL struggles		1/8
Oil services ETF OIH - Sitting on critical support and the trendline from June 2012. On-balance volume plummeting.		1/8
S&P Insurance ETF KIE - Bearish RSI divergence and potential double top. Waiting for trendline to break.		1/9
Alternative energy - Fuel cells PLUG, BLDP and FCEL super volatile. Too risky for us but it does get us thinking of alternative energy again, including ethanol PEIX, GPPE, BIOF .		1/9
Updates		
Nasdaq biotech IBB – the whole sector is looking good now and the RSI divergence is gone.		

Market Highlights



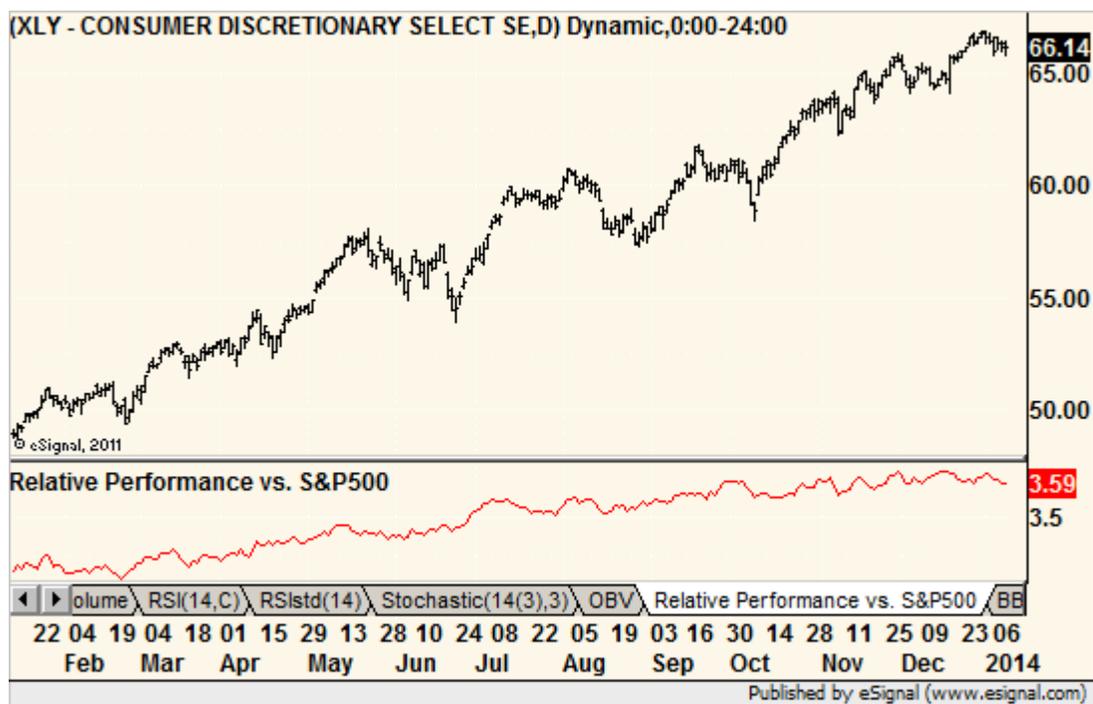
Zion Bancorp - A small breakout through a strong resistance. Looks good to its old high.



Citigroup - Despite its scat nickname, Citi has a serious upside breakout. We'd like it on a test at 53.70.



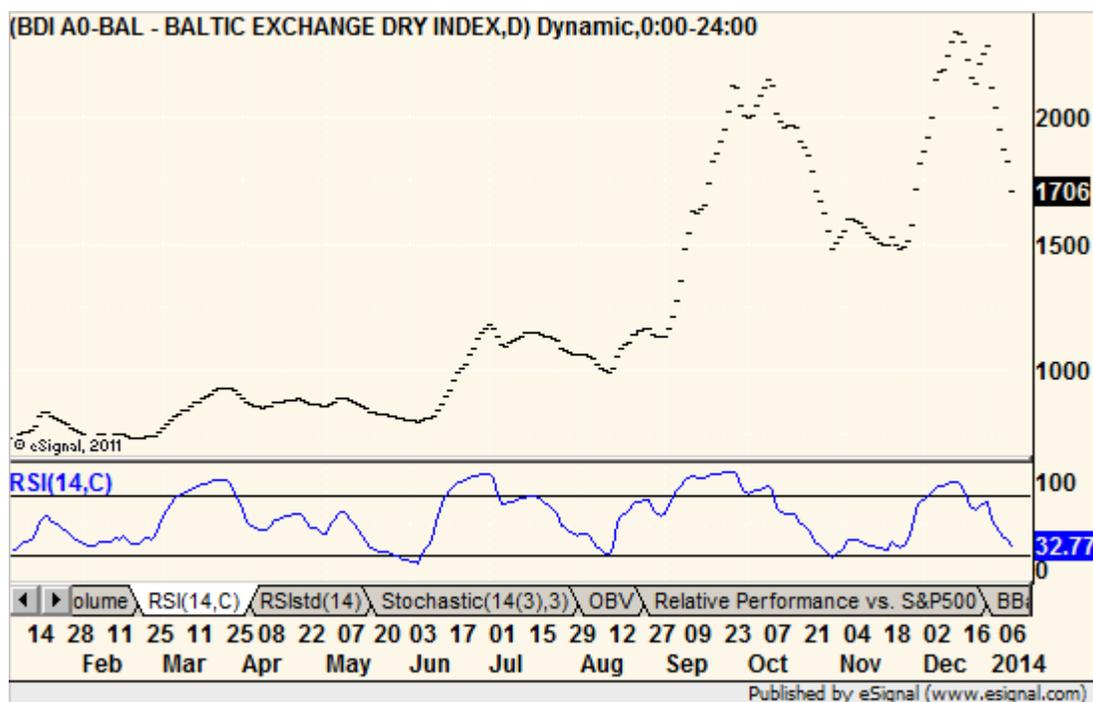
Retail ETF - Clearly lagging now but not quite broken on an absolute basis.



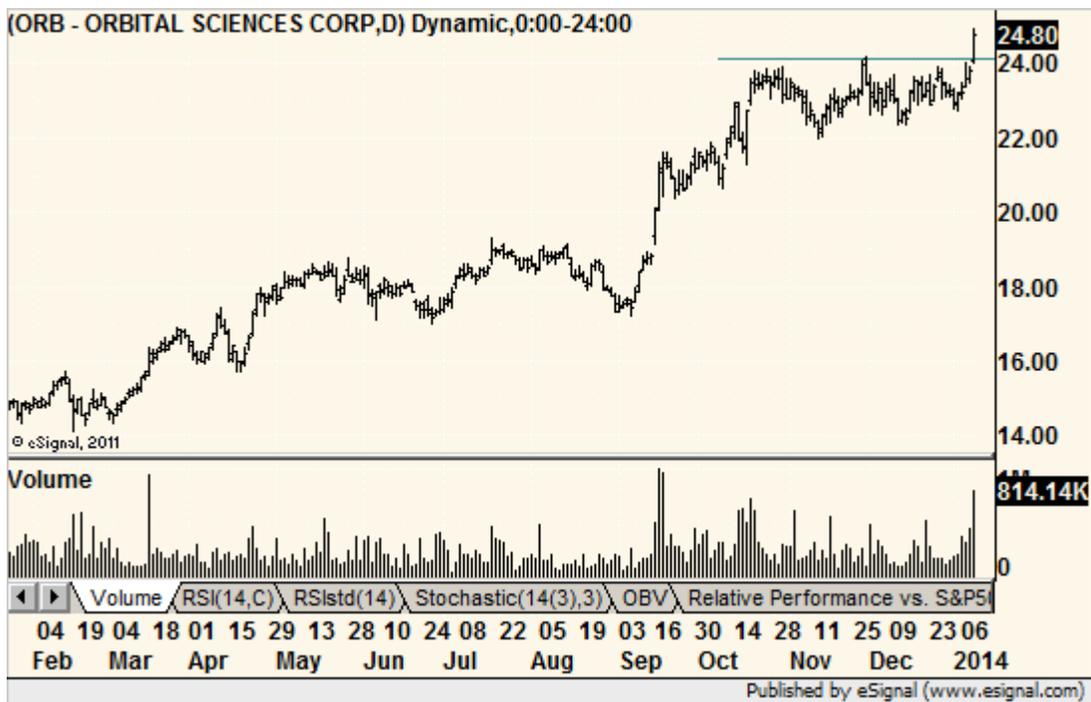
Discretionary ETF - Retail is part of this group but overall the consumer is still buying. This ETF is now pacing the market, not lagging as its component retail group is.



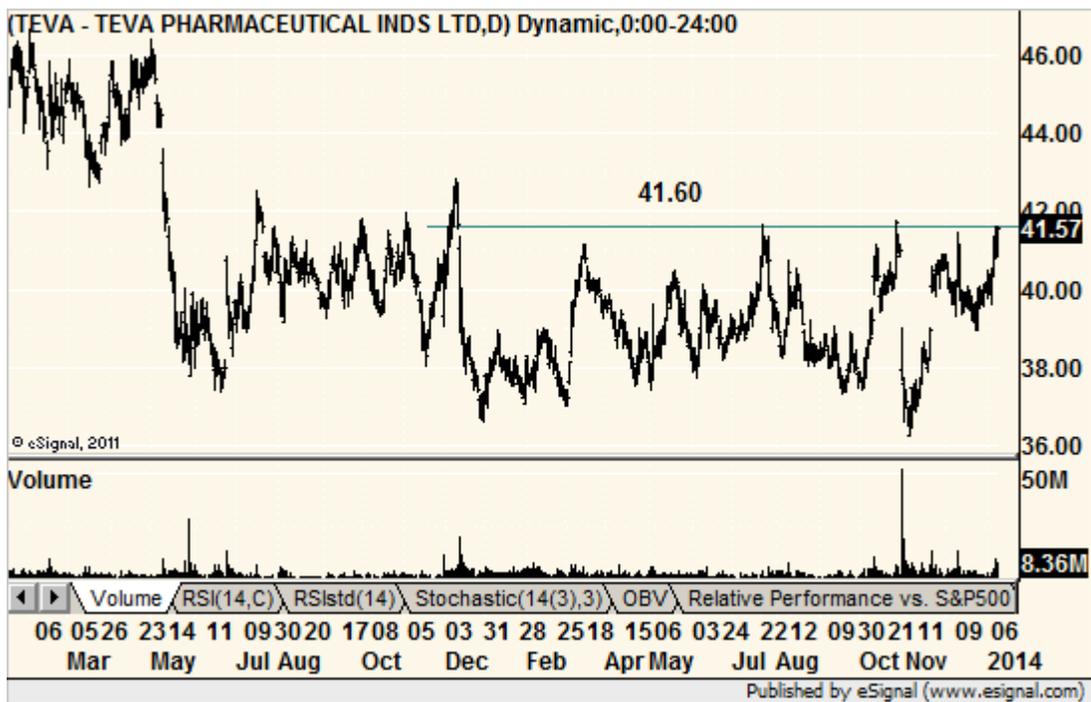
Staples ETF - As long as we are talking consumer, here is the staples ETF and it is really lagging. Still above support so no breakdown just yet. We are not sure if this is an opportunity to pick up some nice dividend paying stocks but until it breaks we have to think it is.



Baltic Dry Index - We have no idea what this means for our trading but the sharp drop is getting a lot of press. The SHX shipping index did score a bearish reversal on the day.



Orbital Sciences - A nice breakout with volume. This company makes rockets.



Teva Pharma - This drug maker shook off a major gap down on huge volume and is now knocking on the door of a long-term breakout. It is bid up through that level in the premarket so we are going to bite.

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>	NLY	ANNALY CAP MGMT INC	10.08	1.9%	9.70	9.89	12/6	34
	MCD	MCDONALDS CORP	95.46	1.3%	93.00	94.19	12/13	27
	LO	LORILLARD INC	49.16	-2.3%	48.75	50.30	12/24	16
	CPE	CALLON PETE CO DEL	6.71	2.4%	6.30	6.55	1/7	2
<u>Short</u>	LNKD	LINKEDIN CORP	215.00	-3.0%		208.60	1/2	7
	TSLA	TESLA MTRS INC	147.53	0.3%	157.00	148.00	1/2	7

Notes: **LNKD** reversed course the day we bought it to negate the breakdown. Looks like **TSLA** will offset it.

Subscriber Corner

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

Note to Bill - Volume on the Thursday decline in **CSCO** was lower than the previous days so we continue to like the stock long.



Lilly - This drug stock is also considered a medical device stock and both sectors are doing well. We like lagging stocks in strong sectors just starting to break out. They are finally ready to play catch up and not just stocks not participating with the group.

Here, we see a pickup in volume in the new year, which is good. The trend break failed and then the failure failed so it is one more reason to like it.

As for the August spike reversal, we can ignore it for the trendline. First, you can draw a nice line on a daily close-only line chart. Next, we call this technician's license. Ignoring data points that are well beyond "normal" for the pattern is OK as long as the rest make a good case. The trendline has three other points plus the daily close at the spike.

Two-pager on Technician's License, [click here](#). New subscribers, it is part of the service so don't be shy.



Hasbro - We don't advise on options strategies but this stock looks rather tired. As with many stocks today, the trend is up with warnings that have not panned out for weeks. However, the breakout failure is ominous, as is the RSI divergence. It is not a sell as the trading range is still above the trendline but it is not great. If you can hold out until ex-div on 1/31 you'd get a nice payment (3% annual dividend yield).



TripAdvisor - Here is another stock still in a rising trend but showing signs of wear. Weekly charts (not shown) have a rather clear bearish RSI divergence. On the plus side, on-balance volume is still rising so we respect the rising trend for now.

Other Information

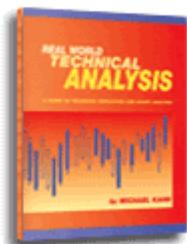
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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