

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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February 20, 2014 - Once again, the market reacted negatively to the Fed saying interest rates will start to rise next year. This is not news and it certainly is not immediate yet the stock market decided it was time be spooked. We say that it was just an excuse to do the inevitable - correct the February rally as demand wanes and supply (resistance) takes over.

Here comes a non-angry rant: We like to personify the market but it is really just the mathematical expression of the actions of everyone in it. Any index created by conglomerating, averaging and weighting its components is not real but a representation of the actions of those components. We've seen a great pattern in a sector index only to find that not one stock within looks the same.

Sure, we can argue the S&P 500 is traded directly via ETFs and futures but if 90% of its components are going down the index cannot rise, even if one of the gainers is the giant Apple. Rant over.

On the charts, we see resistance taking its toll. The Dow and S&P 500 scored outside-day reversals to the downside but not key reversals. The difference is that the indices did not open with gaps up and then fail. They opened flat, wobbled a bit and then put in its high and low, which is not quite the powerful sell signal of the key reversal.

The conclusion is that it is time to let the market take a rest. After all, the Nasdaq had an eight-day win streak in place and it had to give something back eventually.



Here is the hourly **SPY** chart with supports. As you can see, there is room for more correction before we have to worry that the whole February rally will evaporate. We're just keeping the powder dry right now and will tighten stops on the long side. We are not bailing out.

Index Charts of the Day



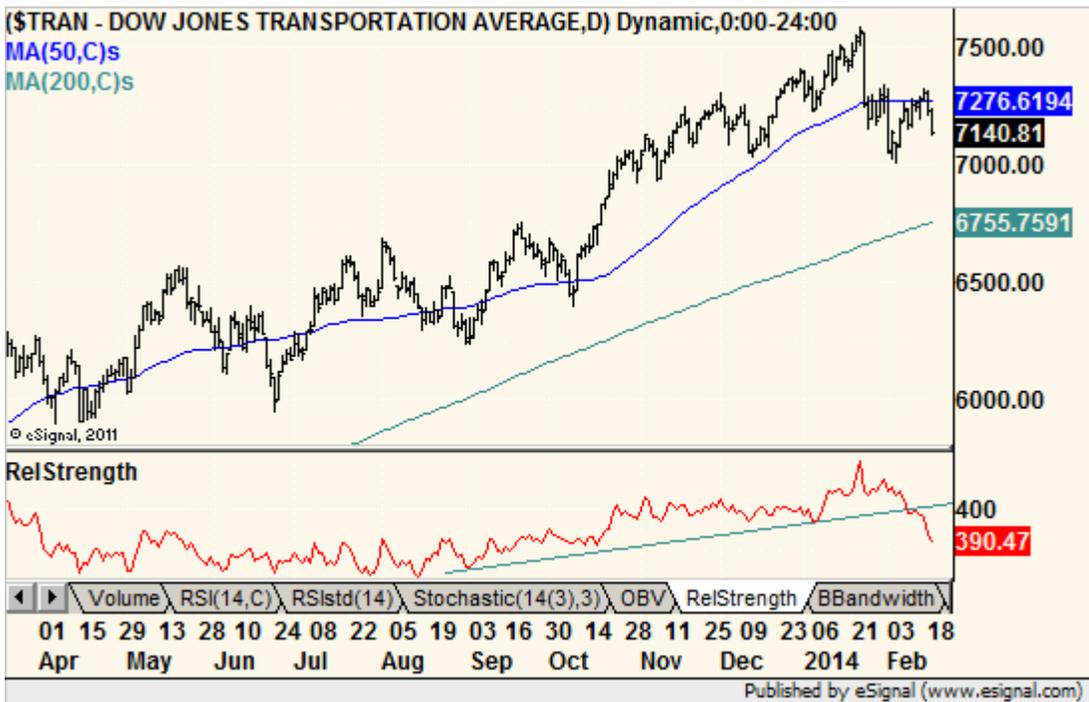
The S&P scored a bearish outside-day reversal at resistance but before panicking remember that the market is still above its 50-day average (and 20-day expo - not shown).



The question for the Nasdaq is whether this breakout will fail or not. We'll allow a small downside violation of the red line. Keep in mind that a breakout through a technical feature following a strong rally can be momentum-driven and not a true sea-change of behavior. A pause now would actually be bullish and the next breakout, if it happens, would be very buyable.



This is the chart that worries us most. The small cap Russell 2000 not only failed to get back to its previous high but it is still officially testing a trendline breakdown.



And the transports are also a problem with a big change in relative performance and a breakdown and test of the 50-day average.

The Radar Screen

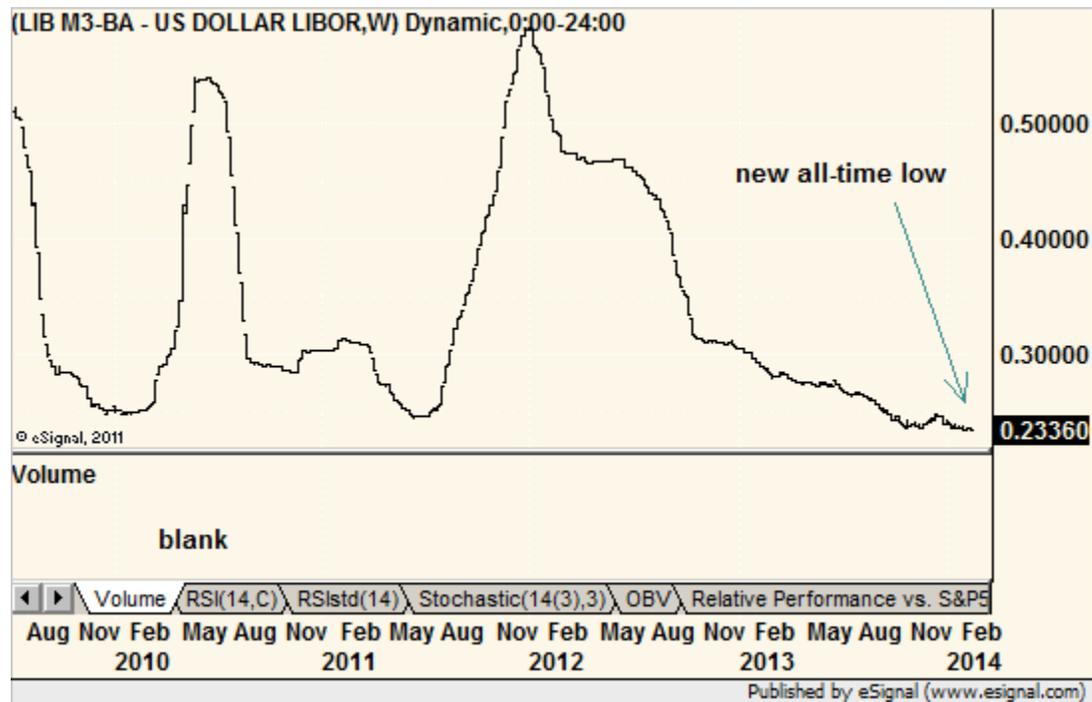
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
Anglogold Ashanti AU - A weekly view has a bullish RSI divergence, double bottom breakout and 40-week (200-day) average breakout. Buy dip to 16.00.		2/12
Starbucks SBUX - A breakout from the current pause would be hot. Buy close over 75.24.		2/18
Seadrill SDRL - Officially adding this to the buy list at the open after sending out the intraday email Tuesday. See chart in Subscriber Corner below.	New	2/20
Bearish Implications		
none -		
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Tenneco TEN - This auto parts maker survived a huge smash last month and is now back at resistance. Note on-balance volume not only continues to rise but it accelerated. Broke out. Watching to see if it tests that move.		2/12
Head-and-shoulders watch - Just consolidating the three stocks we had on watch for this pattern. MMM, M.		2/13
PepsiCo PEP - Watching for a major support break. Peer KO got clobbered. Breakdown		2/18
Sector Watch (observations that may spark ideas)		
Regional Bank ETF KRE - flag breakdown . See KBE big banks chart below.		2/13
Homebuilder ETF ITB - It's a sloppy pattern but it looks like a pause before the next upside breakout. Similar for TOL and SPF . Bull flag possible for KBH . Not bad considering the economic news this week. Resilient?		2/14
Updates		
none -		

Market Highlights



Banks ETF - Breakdown and failure at the 50-day average.



Libor - We have no idea if this is hurting the banks or even what it means for stocks in general but this is a new all-time low. As for bonds, we think it supports our view that yields are heading lower.



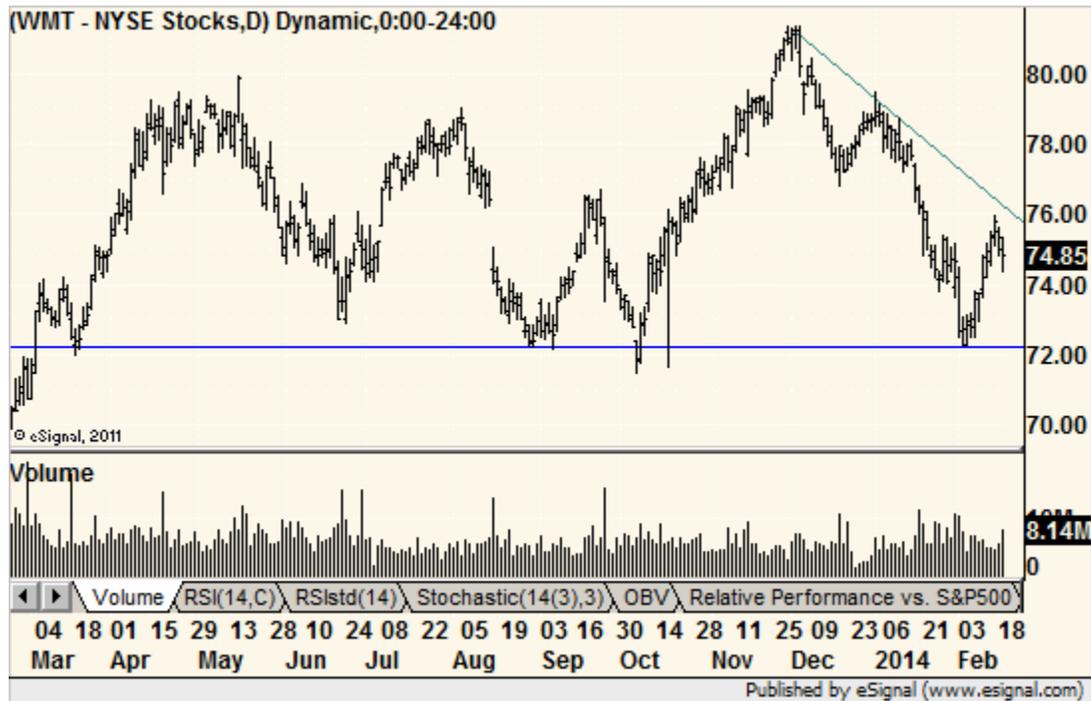
Long T-bond ETF - Still looks like a bottoming pattern to us (topping pattern for yields).



Gold ETF - Pausing at the 200-day average. Still looks positive to us.



Morgan Stanley - Looking ugly.



Wal-Mart - Missed its numbers and is already heading towards support. Retail remains awful.

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	10.86	9.8%	10.50	9.89	12/6	75
	GDX	MARKET VECTORS GOLD MINERS ETF	25.63	15.7%	24.75	22.15	1/13	37
	JTP	NUVEEN QUALITY PFD INCOME FD	7.89	0.8%	7.70	7.83	1/23	27
	CORN	TEUCRIUM CORN FUND	32.26	2.2%	30.50	31.57	2/6	13
	FCX	FREEMPORT-MCMORAN COPPER GOLD	33.17	5.8%	32.00	31.36	2/6	13
	LLY	LILLY ELI & CO	58.09	7.6%	sell	53.97	2/10	9
	LXP	LEXINGTON REALTY TRUST	11.07	1.7%	10.50	10.88	2/12	7
	SLV	ISHARES SILVER TRUST	20.63	4.5%	19.75	19.74	2/13	6
	NOV	NATIONAL OILWELL VARCO INC	76.46	-0.1%	73.50	76.52	2/18	1
<u>Short</u>	CF	CF INDS HLDGS INC	240.00	-3.1%		232.61	2/11	8
	XLP	CONSUMER STAPLES ETF	41.51	-0.9%	42.50	41.15	2/11	8

Notes: We are going to take the gift on **LLY** as it jumped up to resistance.

Stopped out of short in **CF** on a giant gap up. This happened one day after a technical breakdown!

We said we'd tighten stops in the comments section but give our list above it is all in metals, income producers and commodities. Nothing to tighten there.

Subscriber Corner

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



Seadrill - We sent out an intraday update Tuesday on this stock and peer **DO**, saying bullish hammers would be buyable on confirmation. Boy, did we get a lot of heat for not detailing them in yesterday's report!

Anyway, we have confirmation signals for both stocks as of Wednesday.

Here, we see a false break of support and a bullish RSI divergence as part of the setup. Yesterday, we did indeed get the buy signal and we still like it today. We'll officially buy this today at the open so we can track it in the Advice Tracker.

The caveat here is that it is still in a down trend. But other signals are good and we're shooting for a test of resistance at the breakdown near 40. The stop would be the "cancellation of the confirmation" with a new low.

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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