

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN
RESEARCH LLC

May 27, 2014 - The long weekend produced little geo-fireworks but this morning we see the Russian stock market down over 3%. The headline reads, and we are not kidding, "Chocolate king" Petro Poroshenko set to become Ukraine President. Apparently, this guy made his money in the candy industry and he is not a Russian separatist.

Let's talk technicals. Major European bourses are at new highs today and the S&P 500, although it got the media excited with its first close over 1900, is not quite at a true all-time high (intraday). That appears to be a moot point as the US market is up nicely in the premarket today.

What is really a problem is the **VIX** and its close in the low 11-handle Friday. The 12-level has been a big barrier for the bulls as every time the VIX dips there, stocks stumble. Today, prices are higher and the VIX, at least according to its derivative ETNs (never buy them, by the way) will be trading even lower.

What is interesting is that the **VXN** - Nasdaq VIX - has come tumbling down to trade closer to the VIX (S&P 500 VIX). The spread in these two fear indices has reverted back to the mean. As mentioned Friday, that might not be helpful to small caps as they try to recover.

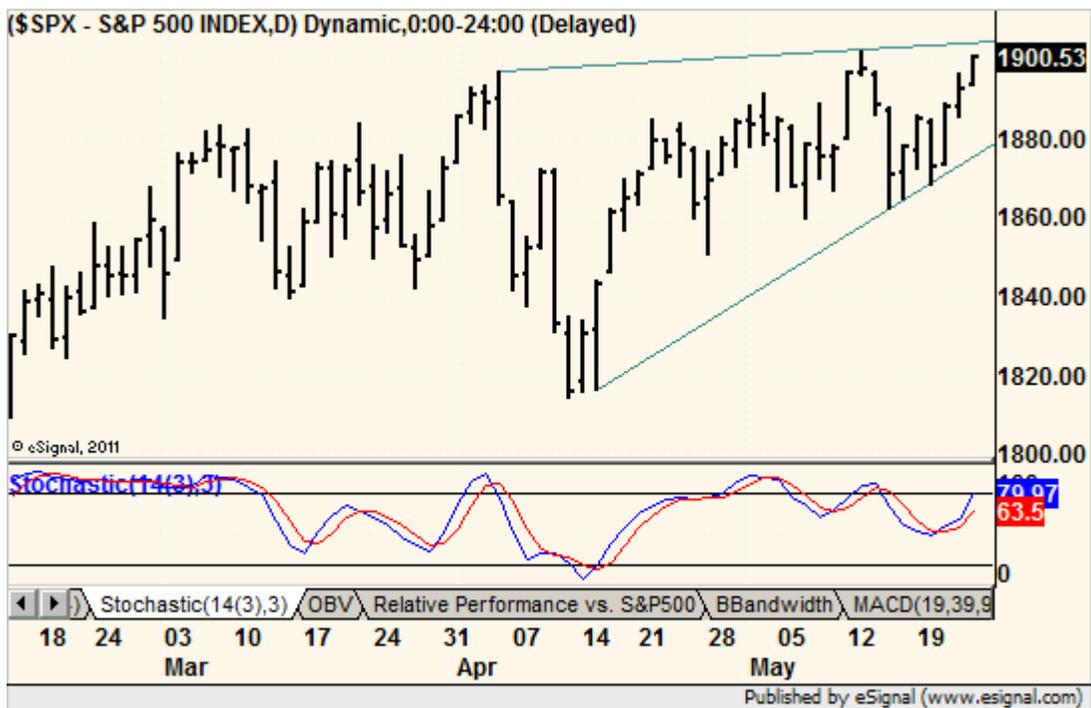
And speaking of the big cap / small cap spread (using the **SPY** and **IWM** ETFs). We said the ratio is likely to come back down but that we don't know if it will be a big cap fall or small cap rally. As of today, we still do not know although the small caps in selected places are starting to move higher. But check out the Index Charts of the Day Russell chart for contrary evidence.

Last week, the homebuilders made some noise with a bunch of economic reports and an arguable upside breakout. We'll have the chart below but we are not buying. Let's see what the Case-Schiller report fallout will be (morning release).

Finally, we saw a headline saying that dividend yielding stocks are paying off. Really? Utilities certainly are not - at least not for the past three weeks. And the consumer staples ETF has been lagging almost that long. All this, despite the bond market's continued rally.

The point? Tread lightly. Something is very funky in this market and while it is fun to ridicule bears as stocks push higher, such items as percent of household assets in stocks and other obscure measures put conditions similar to 2000 and 2007. You know what happened then.

Index Charts of the Day



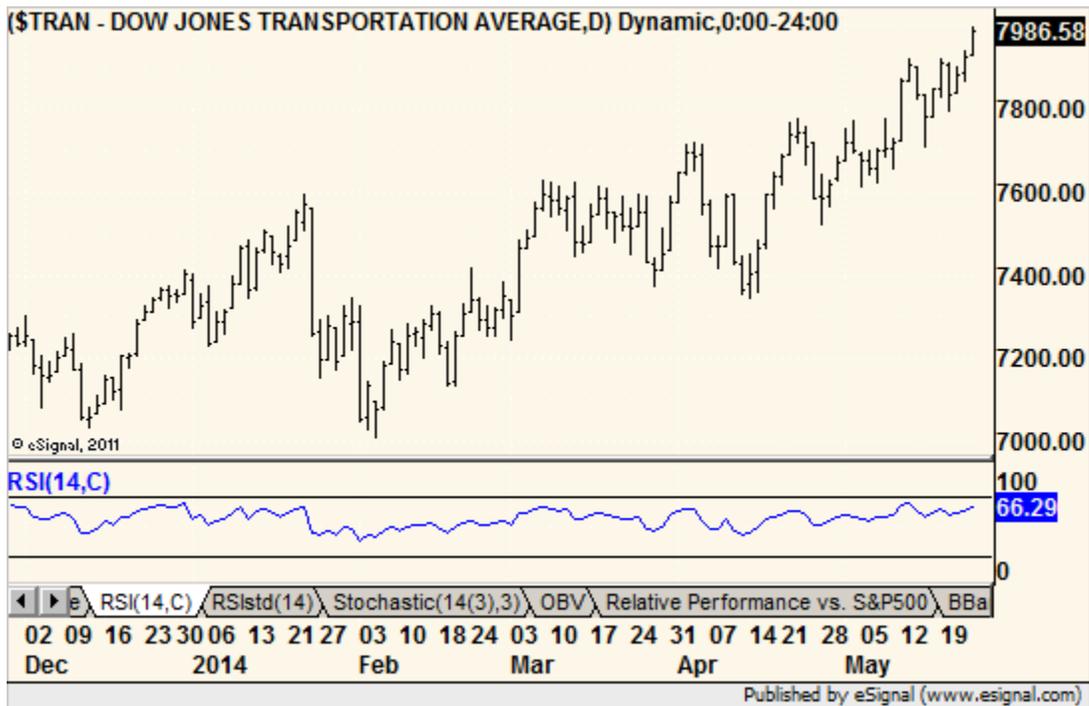
A new closing high but not a new intraday high. Is this a wedge pattern? If so, it is bearish. If it is just a breakout from a sloppy trading range then it is bullish. Which one? Momentum indicators support the former but we cannot make any forecasts after a long weekend.



We can overlook low volume on the Friday before a holiday but it has been terrible for days. Breakout, yes. Sustainable, not really.



The trendline for the Russell 2000 is subjective so here is the most bullish version. Yet, it is still lagging the S&P 500 so perhaps the big cap / small cap ratio is not yet changing.



Now this is a rally. Or is it? RSI is rather tepid.

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		
Conagra CAG - This food stock is approaching a big resistance. A breakout should be buyable - close over 32.		5/23
Lear LEA - Another resistance breakout. Buy below 88.50 limit.	New	5/27
Bearish Implications		
Procter & Gamble PG - Just watching a small double top with MACD divergence. Marginal trendline break. Moving sell trigger up to 81		5/15
Goodyear Tire GT - After a short hiatus, we are going to reinstate the sell trigger at 25. This one has a support break and trend break.	Triggered	5/12
Las Vegas Sands LVS - Sitting on the edge of a cliff. Sell close under 71.50.		5/21
Holding Tank - red shade leans bearish, green shade leans bullish		
DuPont DD - Ascending triangle with rising on-balance volume. Keeping it on the back burner in case the market is not going to fall.		5/15
Starbucks SBUX - This one is coiling rather tightly. On watch for a breakout one way or the other. We think lower but the stock has to prove that with an actual breakdown. It broke to the upside but something looks fishy .		5/22
Harmon Int'l HAR - This consumer electronics stock has a rounded top or even a diamond top in progress. Note on-balance volume has been falling throughout.		5/22
Hershey HSY - Another food stock with multiple supports and resistance levels. Just watching for now.		5/23
Consumer Discretionary ETF XLY - Retail is a subset here. The XLY, however, has a killer pattern setup - nice and tight. A breakdown now would be a good sell signal. Sell close under 62.75. The pattern is still there but the stock is far away. Moving to Holding Tank for a while.	Moved	5/21
Hertz Global HTZ - On bull watch. Note rising stochastics lows.	New	5/27
Wyndham Worldwide WYN - Hotels are strong. This one may be ready to play catch up if it breaks the triangle.	New	5/27
Sector Watch (observations that may spark ideas)		
Utilities - Decline continues		3/31
Financials - Still a weak sector but the representative stocks are going every which way		4/15
Broker Dealer Index XBD - We see a downward sloping head-and-shoulders in progress. If it completes, it will also break the 200-day average and that will not be good. ETFC, AMTD, SCHW, IBKR, GS, MS . Sell any of the online brokers on support breaks.		5/12
Nasdaq biotech ETF IBB - looks like a bear wedge but now with an arguable upside break through resistance.		5/16
Retail ETF XRT - Still in a triangle but definitely lagging.		5/21
Travel & Leisure group - Triangle pattern under a rolling-over 50-day average. Within - hotels and airlines strong, restaurants and gaming weak. The battle is on.		5/22
Footwear group - Another triangle squeezing the index. This is the same as NKE's chart. DECK is similar. NKE upside breakout		5/22
Updates		
none -		

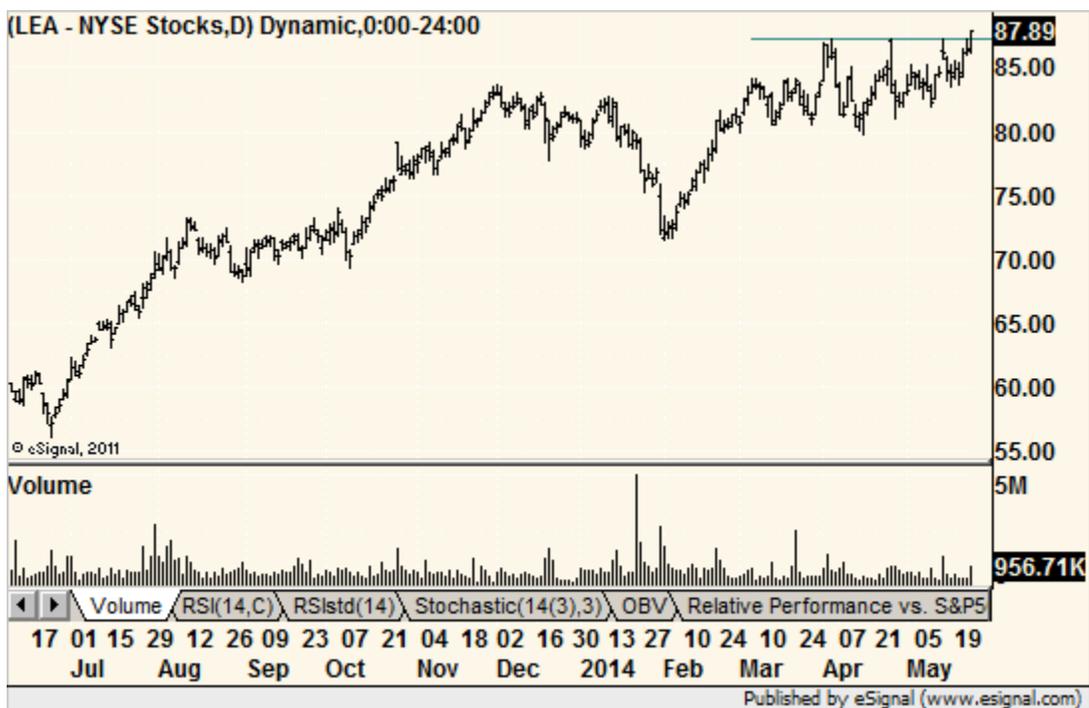
Market Highlights



Homebuilder ETF - A nice little pop but still bleeding money.



Hertz Global - On bull watch. Note rising stochastic lows.



Lear - Another resistance breakout. Buy below 88.50 limit.



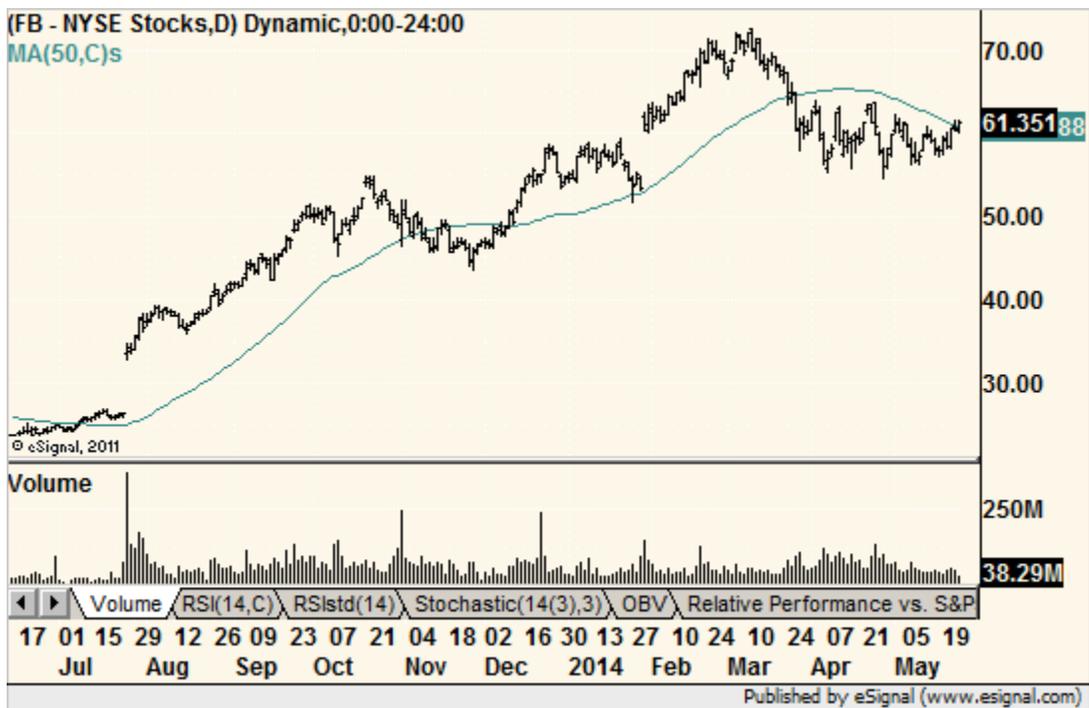
Gold ETF - A breakdown in the premarket? Not really. Still at major support. Same for silver.



United Technologies - (Dow stock) Looks like a support break and a 50-day average break. Now testing both.



Caterpillar - The breakdown with divergence bounced off the 50-day average. Still below former support so this one is still in trouble unless proven otherwise.



Facebook - Still in some sort of coiling pattern and just poking its head back above the 50-day average. Could be a buy if it stays firm today.



Wyndham Worldwide - Hotels are strong (see Radar Screen). This one may be ready to play catch up if it breaks the triangle.

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>	CPL	CPFL ENERGIA S A	16.12	-4.4%	16.00	16.87	5/16	10
	FCX	FREEMPORT-MCMORAN COPPER & GOLD	34.43	-1.9%	33.75	35.08	5/19	7
<u>Short</u>	CA	CA INC	29.19	4.4%	30.25	30.46	4/22	34
	GS	GOLDMAN SACHS GROUP INC	160.16	0.1%	162.00	160.26	4/22	34
	BRCM	BROADCOM CORP	30.64	-0.1%	31.00	30.60	4/24	32
	RJF	RAYMOND JAMES FINANCIAL INC	48.63	-0.8%	51.00	48.25	5/15	11
	NDAQ	NASDAQ OMX GROUP INC	36.45	-1.9%	38.00	35.75	5/20	6
	CRM	SALESFORCE COM INC	53.41	-5.8%	55.00	50.29	5/22	4
	GT	GOODYEAR TIRE & RUBR CO	25.64	-2.5%	26.50	25.00	5/23	3

Notes: New short in **GT** as the stock ran up through our price trigger.

Far too much red here but the drift higher last week did some damage. Not much else changed in the forecast.

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.



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>

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, 2014