

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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**June 3, 2014** - Consensus in social media seemed to be that Monday's trading was a snoozer. Volume was the second lowest of the year and we cannot even blame the weather. It seems that everyone is just tired right now. Bears are tired of fighting the trend. Perhaps bulls are tired of the churn and the uncertainty of the split market that, while better, is still split. Some sectors are soaring and others are flat and that makes for a frustrating time for invested bulls who are simply in the wrong stocks.

Energy is pulling back a bit right now as **USO** tests a long-term breakout (chart below). Other commodities are soft as well. However, the dollar seems to have hit resistance and that should help halt the commodities slide. We're not saying to jump in but we would not sell at this point.

Bonds had a rough day but remain above their trendline (chart below). And utilities held up well considering bonds were down and stocks were mixed. We have not given up on the sector, that is for sure. Dividends matter.

Finally, we've noticed an improvement in restaurants. A few charts below.

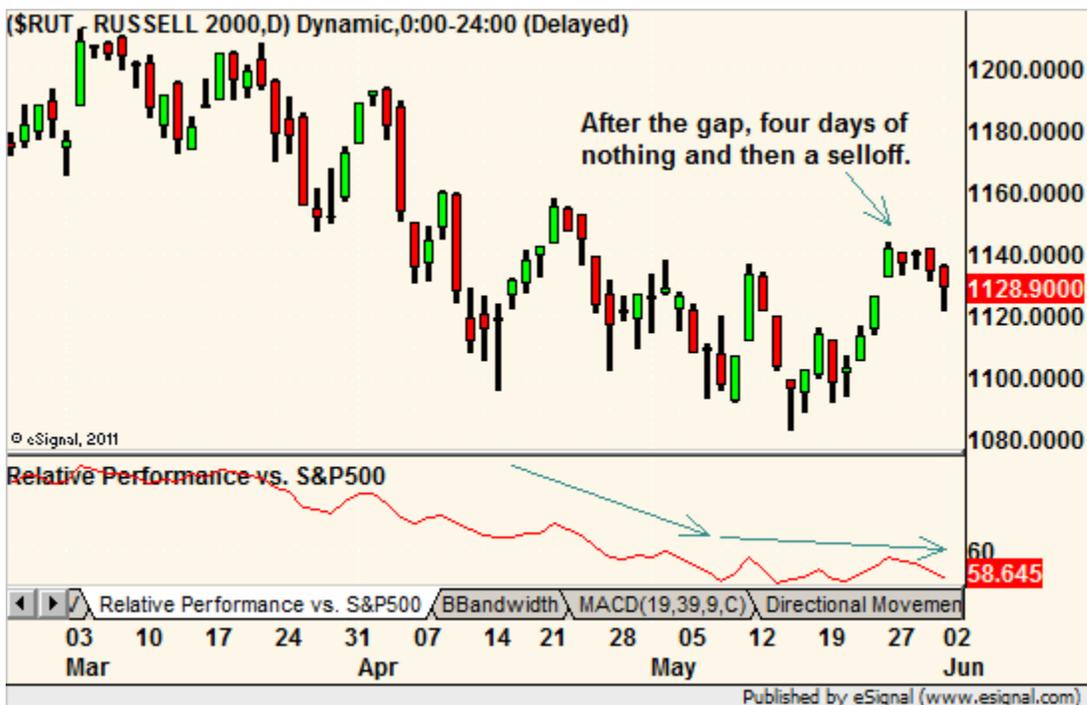


The hourly chart now looks a bit like a double top with requisite RSI divergence. Has not yet broken down and we are sure even bulls are looking for an excuse to take some profits off the table. A drop back to the 190.40 area would still be a nice test of the breakout on daily charts.

## Index Charts of the Day



Guess what? Another new high and the 9th win in the last 11 days. But come on! Look at volume! Second lowest of the year after last Thursday. They just went away and forgot the sell in May part. But the candle is a hanging man and potential reversal. It must be confirmed with an actual loss and preferably below Monday's low.



The Russell is lagging again. Did it merely close the gap and can now rally? Or is it making a preliminary breakdown move from its small range? We should know right away. More on the Russell and relative performance in Today's Lesson

## 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>Hertz Global HTZ</b> - On bull watch. Note rising stochastics lows. Failed breakout Tuesday so it now has to set a new high to trigger the buy at 29.76	<b>Triggered</b>	5/27
<b>Corning GLW</b> - Ascending triangle breaks out at 21.75		5/28
<b>PPG Industries PPG</b> - This basic materials and chemicals stock is poised to break out. Note rising trend in stochastics suggesting building strength. Buy close over 201.50.	<b>Triggered</b>	5/29
<b>Chevron CVX</b> - Arguable hammer candle on the trendline with big volume. A buy with a close over Thursday's high. Close Friday but no cigar		5/30
<b>Marathon Oil MRO</b> - Nearing a breakout. Note rising on-balance volume. Buy close over 36.75		5/30
<b>Becton Dickinson BDX</b> - A medical products stock with an inverse head-and-shoulders. Note rising on-balance volume. Buy the breakout above 118.50.		6/2
<b>Kinder Morgan KMI</b> - A close over resistance and the trendline at 34 looks like a good buy.	<b>New</b>	6/3
<b>Bearish Implications</b>		
<b>Procter &amp; Gamble PG</b> - Just watching a small double top with MACD divergence. Marginal trendline break. Moving sell trigger up to 81		5/15
<b>Coca Cola KO</b> - Did not participate Tuesday and now in a tight range. Sell break of support at 40.45 on close.		5/28
<b>Schwab SCHW</b> - scored a bear reversal Friday on volume ready to sell.	<b>Triggered</b>	6/2
<b>Unknown Implications</b>		
<b>Hershey HSY</b> - Another food stock with multiple supports and resistance levels. Just watching for now. Buy 98, sell 95.25		5/23
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Harmon Int'l HAR</b> - 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
<b>XLNX, PAYX, XRX</b> worth watching in both directions. Bear reversal for <u>PAYX and then XLNX</u>	<b>Changed</b>	5/28
<b>Microchip Tech MCHP</b> - bull flag breakout <u>but weak Monday</u>		5/28
<b>Linear Tech LLTC</b> - In a range between support and resistance and both major averages.		5/28
<b>Panera Bread PNRA</b> - A steep fall into support with an exhaustion gap and retest. Bollinger Band divergence with a low below the bands and similar low back within. Also an upside MACD crossover in place. This one is one to watch.	<b>New</b>	6/3
<b>Brinker International EAT</b> - Another restaurant stock. This one has a breakout. Note on-balance volume was flat during the entire sell-off and that suggest there is demand for this stock. Looks good but we'll let it rest a day as the market seems soft right now.	<b>New</b>	6/3

Continued on next page...

<b>Sector Watch</b> (observations that may spark ideas)		
<b>Financials</b> - Upside breakouts across the board <b>KBE, XLF</b> but still lagging		4/15
<b>Broker Dealer Index XBD</b> - Weak		5/12
<b>Nasdaq biotech ETF IBB</b> - Upside breakout. Waiting to see if it tests it		5/16
<b>Retail ETF XRT</b> - Still in a triangle but definitely lagging. Watching <b>COST</b>		5/21
<b>Travel &amp; Leisure group</b> - Triangle pattern under a rolling-over 50-day average. Within - hotels and airlines strong, restaurants and gaming weak.		5/22
<b>Energy</b> - Oils Services and full sector ETFs breakouts		6/2
<b>Updates</b>		
<b>Gold ETF GLD</b> - Hammer candle <u>not</u> confirmed		

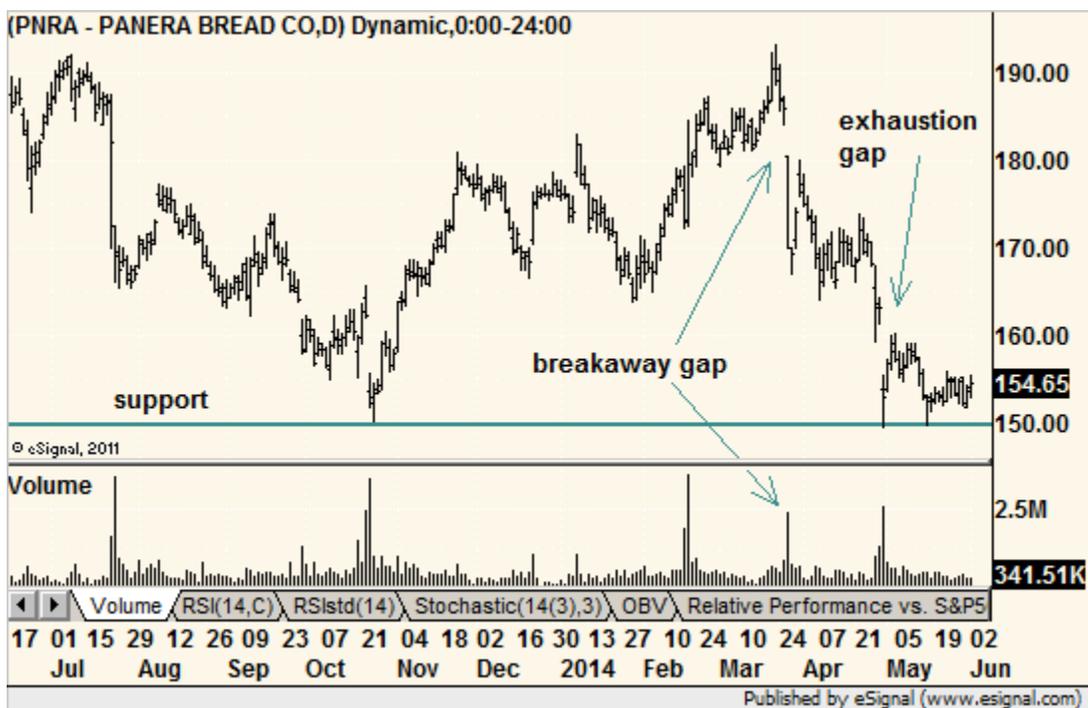
## Market Highlights



**Long T-bond ETF** - Came down to test the short-term trendline. No breakdown at this time.



**Oil ETF** - Now testing a long-term breakout. Note RSI lows are well above oversold levels and this is indicative of a bullish trend.



**Panera Bread** - A steep fall into support with an exhaustion gap and retest. Not shown is a Bollinger Band divergence with a low below the bands and similar low back within. Also an upside MACD crossover in place (not shown). This one is one to watch. Holding Tank.



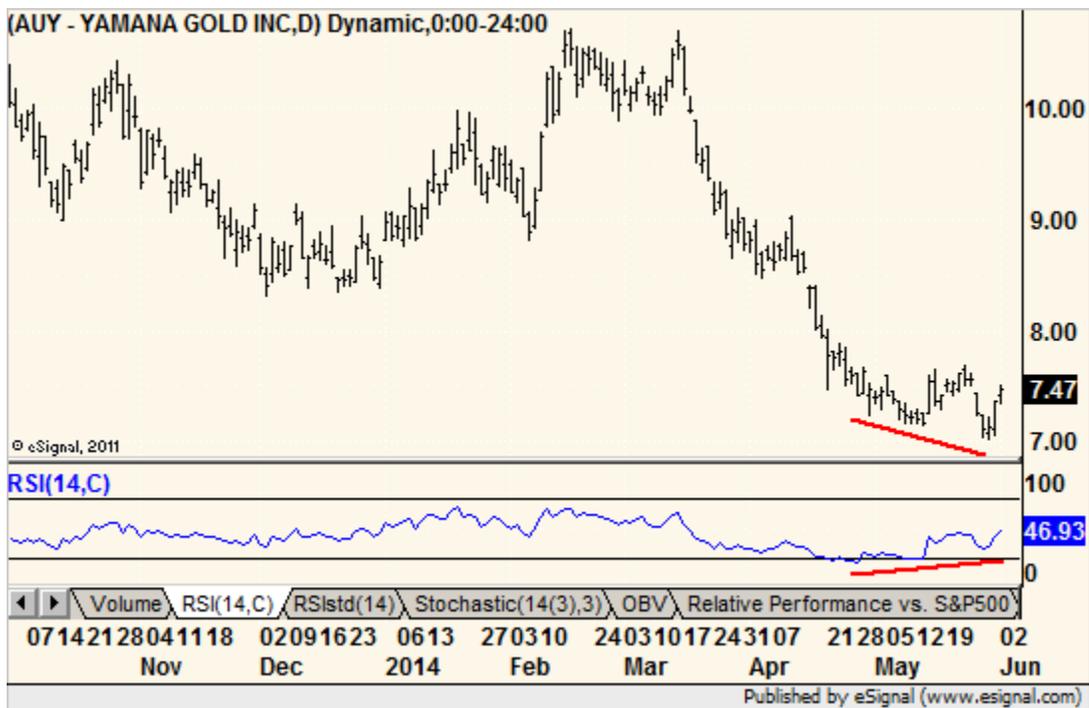
**Brinker International** - Another restaurant stock. This one has a breakout. Note on-balance volume was flat during the entire sell-off and that suggest there is demand for this stock. Looks good but we'll let it rest a day as the market seems soft right now.



**Microsoft** - We have not looked her in a while. There is a nice triangle pattern sitting on support, which leans bullish. However, on-balance volume is falling. No trade yet.



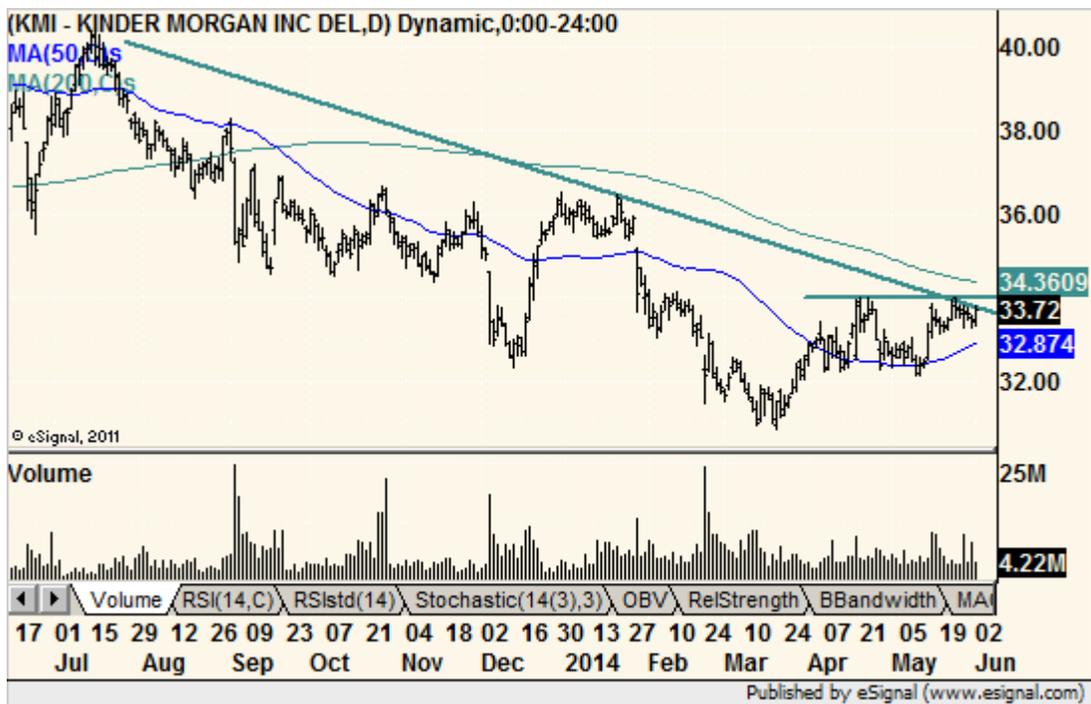
**Google** - A rather bad day yesterday. No trade but we are watching this key stock. Given its large size, it looks very Russell 2000-like in pattern. That is probably not good.



**Yamana Gold** - Still a tough one to buy but things are improving a bit for gold stocks. Here, we see a bullish RSI divergence.



**US Steel** - This chart suggests to us that the economy is not so hot.



**Kinder Morgan** - A close over resistance and the trendline at 34 looks like a good buy.

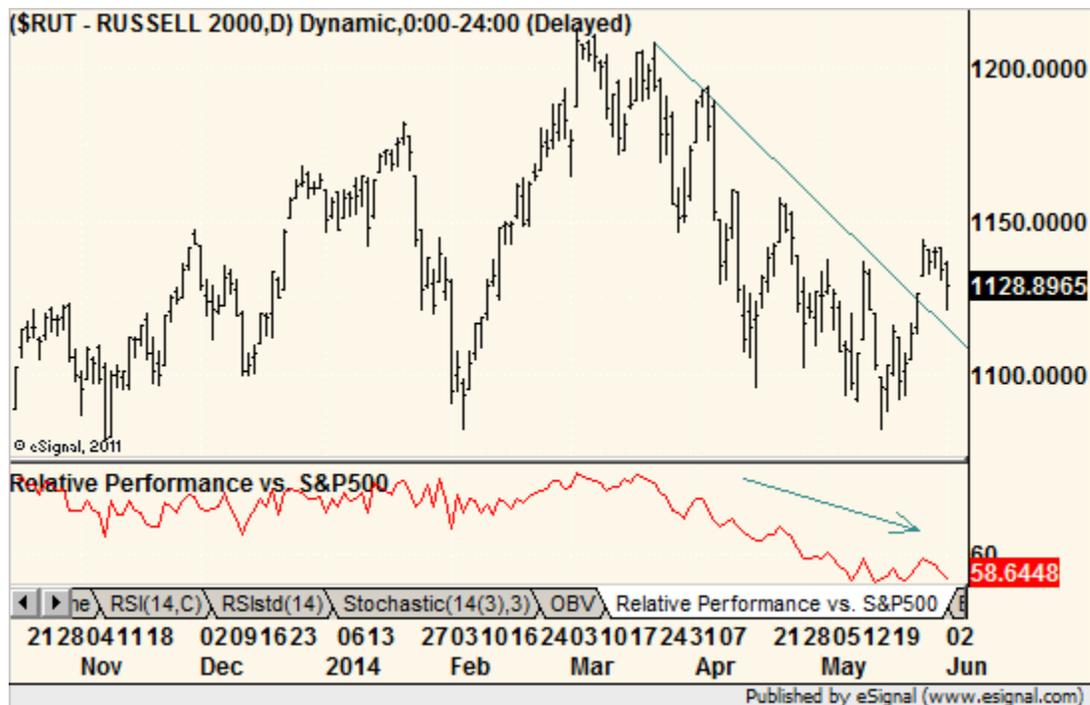


**General Electric** - Now bumping into resistance. Trend is still up but momentum is shot.

## Today's Lesson

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

### Relative Strength



We've read a lot about relative performance or, in technical terms, relative strength. Simply put, it is a ratio of the price movement of one item to another. If the ratio is rising, the performance of the first item is better. If it is falling then the performance of the second is better. We use this to compare two sectors to each other or a sector to the market or even stocks to bonds or commodities.

Here, we see the Russell 2000 break its trendline to the upside but relative strength vs. the S&P 500 continues to fall. Why? The S&P rallied more.

On an absolute level, we now see the Russell fall back to test its trendline breakout. On a relative level, the story has not changed. Small caps still lag.

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

## 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>	<b>FCX</b>	FREEMPORT-MCMORAN COPPER GOLD	34.12	-2.7%	33.75	35.08	5/19	14
	<b>CAG</b>	CONAGRA FOODS INC	32.13	-0.1%	31.00	32.17	5/29	4
	<b>DD</b>	DU PONT E I DE NEMOURS & CO	69.26	0.4%	66.00	68.97	5/29	4
	<b>WYN</b>	WYNDHAM WORLDWIDE CORP	74.84	1.8%	71.50	73.50	5/30	3
	<b>TAN</b>	GUGGENHEIM SOLAR ETF	40.75	-3.0%	39.50	42.00	5/30	3
	<b>FCG</b>	FIRST TRUST ISE-REVERE NATURAL G	22.23	-2.1%	21.75	22.70	5/30	3
	<b>APD</b>	AIR PRODS & CHEMS INC	121.83	1.7%	117.00	119.85	5/30	3
	<b>HTZ</b>	HERTZ GLOBAL HOLDINGS INC	29.82	0.2%	28.50	29.76	6/2	0
	<b>PPG</b>	PPG INDS INC	202.33	0.0%	195.00	202.33	6/2	0
<u>Short</u>	<b>CA</b>	CA INC	28.69	6.2%	30.25	30.46	4/22	41
	<b>RJF</b>	RAYMOND JAMES FINANCIAL INC	48.90	-1.3%	51.00	48.25	5/15	18
	<b>NDAQ</b>	NASDAQ OMX GROUP INC	37.77	-5.3%	38.00	35.75	5/20	13
	<b>CRM</b>	SALESFORCE COM INC	52.38	-4.0%	55.00	50.29	5/22	11
	<b>GT</b>	GOODYEAR TIRE & RUBR CO	26.44	-5.4%	26.50	25.00	5/23	10
	<b>SCHW</b>	SCHWAB CHARLES CORP NEW	25.37	-0.2%	26.50	25.33	6/2	0

**Notes:** Two new longs in **HTZ** and **PPG** on breakouts. One new short in **SCHW** at the open as the stock and the sector look very weak.

What's working? Long hotels, car rentals and chemicals

What's not? Energy, food and metals.

## 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 Marv - The only sports indicators we know are football related. The Superbowl indicator and the last Washington DC home game before a Presidential election (although that predicts politics, not stocks). If you know one for hockey or basketball, please send it our way!

## Other Information

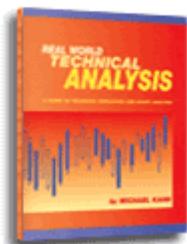
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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



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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>.

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