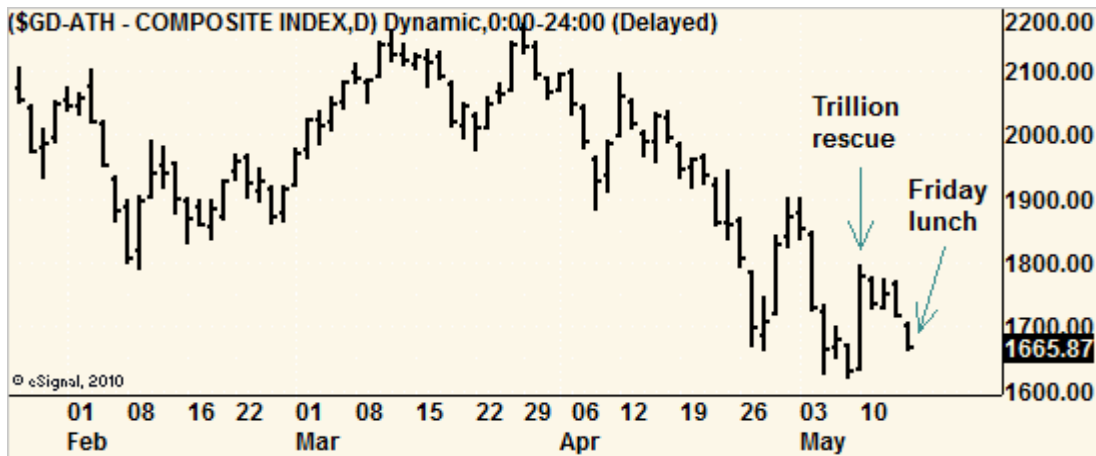


QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN
RESEARCH LLC

May 14, 2010 – The markets are waking up to the idea that the trillions of whatever currency you call it thrown at Greece will not do the job. Take a look at the chart of the Greek stock market. After the bailout was announced it soared but it has not seen that level ever since. Almost the entire week has been erased as of lunch time in Greece.



We are going to get a little bit more aggressive on the short side today and even though the market looks to gap lower on the open we feel we have to participate. Why? Gold is trading above Wednesday's record close as I write these words Friday morning and the dollar index, which is essentially a bet against the euro, is soaring. Silver is moving higher but copper is moving lower and that tells us plenty.

As for the rest of the PIIGS, they are tanking. The rest of the European stock markets are selling off hard, too.

This feels very bad and more than just an oscillation in a post-crash period. What that means is that we usually see big swings up and down following a big break event and they damper down until markets return to "normal." But we do not trade on feelings. We look at the charts, indicators and sentiment and right now they are bearish.

Here is another from the earnings front: Retailer Nordstrom missed its numbers and fell 2.5 % after the close. That was on top of a 1.5% loss in regular hours.

We've got an all-markets round-up on the next page in bullet format.

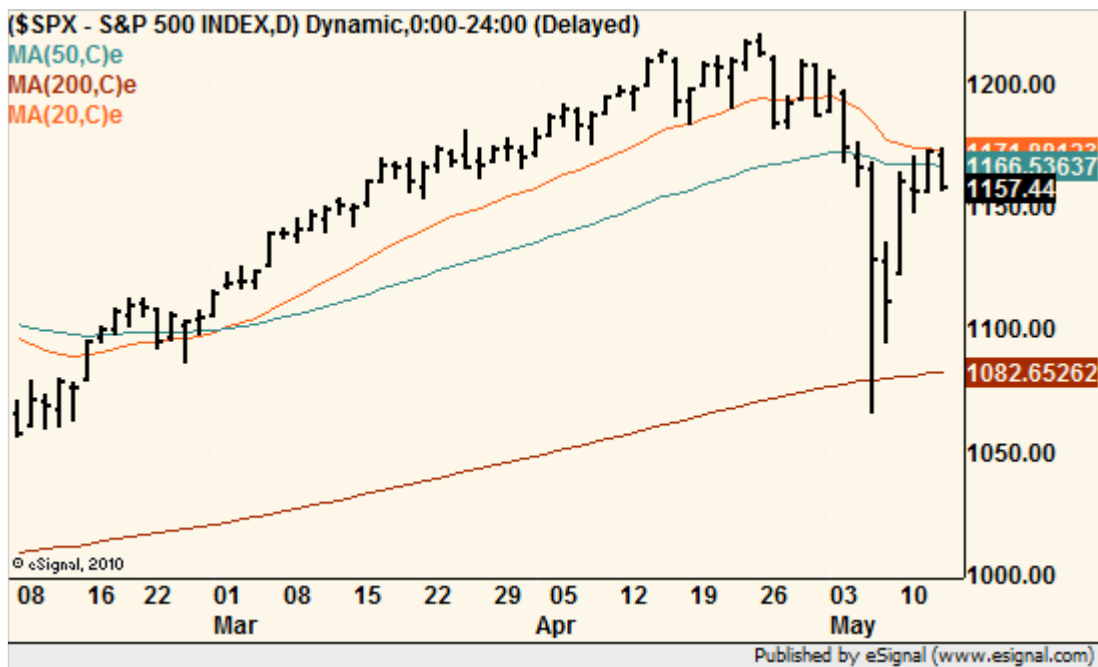
Market Round-up, in bullet format:

- **Stocks** - the rebound appears to be over but remain a bit cautious in a very volatile, jumpy market. We are increasing short exposure but not going overboard.
- **Treasury Bonds** - Found support and reversed higher
- **Crude Oil** - Breaking down from a consolidation
- **Gasoline** - At least this is good news - breaking down with oil
- **Gold** - You know this one - 1350 next stop
- **Copper** - Dr. Copper is breaking down from a consolidation similar to crude oil
- **Dollar index** - moving higher as the euro falls. The last panic took it to 89 (currently under 86)
- **British Pound** - There was talk that it would strengthen on political news but it has since taken out support and we retract our message against shorting it.
- **Japanese Yen** - Had a panic spike on the market melt but looks like it is challenging a trendline from an upside break. The Yen is stronger than the dollar, which is stronger than the euro
- **Australian Dollar** - Still stuck in a giant range. Bounce off support last week looks like it has run out of steam
- **Grains** - weak
- **Sugar** - Falling knife but bullish RSI divergence
- **Meats** - Look like they are topping
- **Lumber** - Falling knife after bull market trend break.

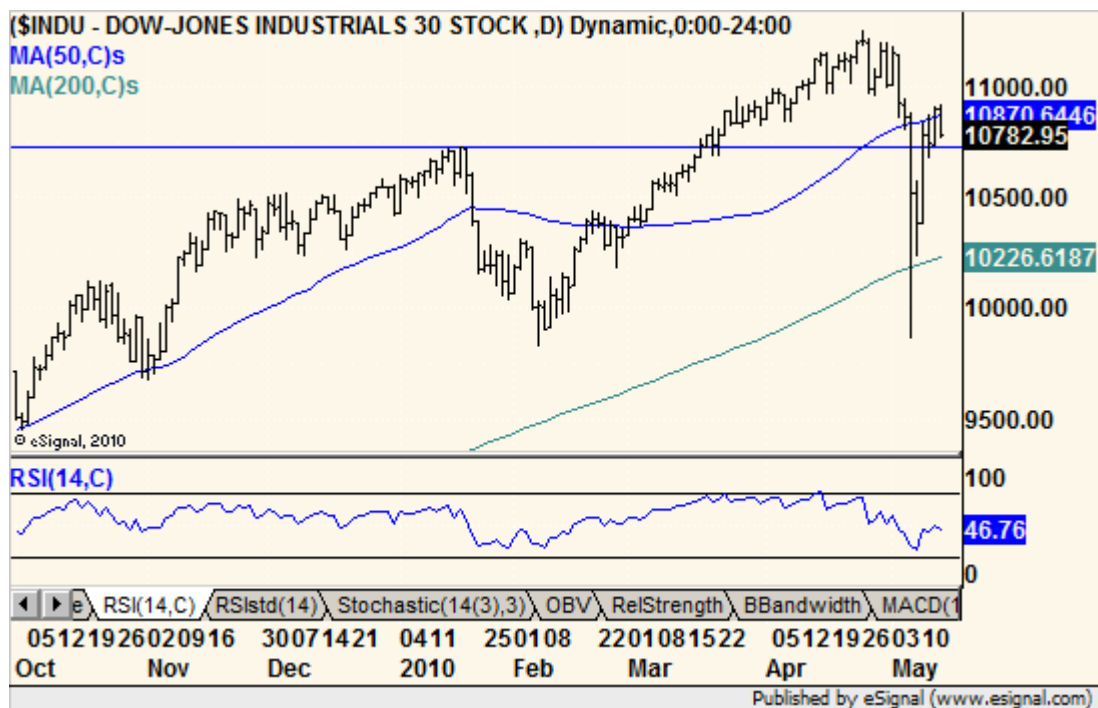
The conclusion from all of this is that risk assets and economically sensitive markets are weak and defensive safety markets are strong.

O'Neil Follow-Through Day watch - Today is day 5. The 4-7 day window is now open where a surge in price and volume can signal fresh buying for a new leg up, if they occur.

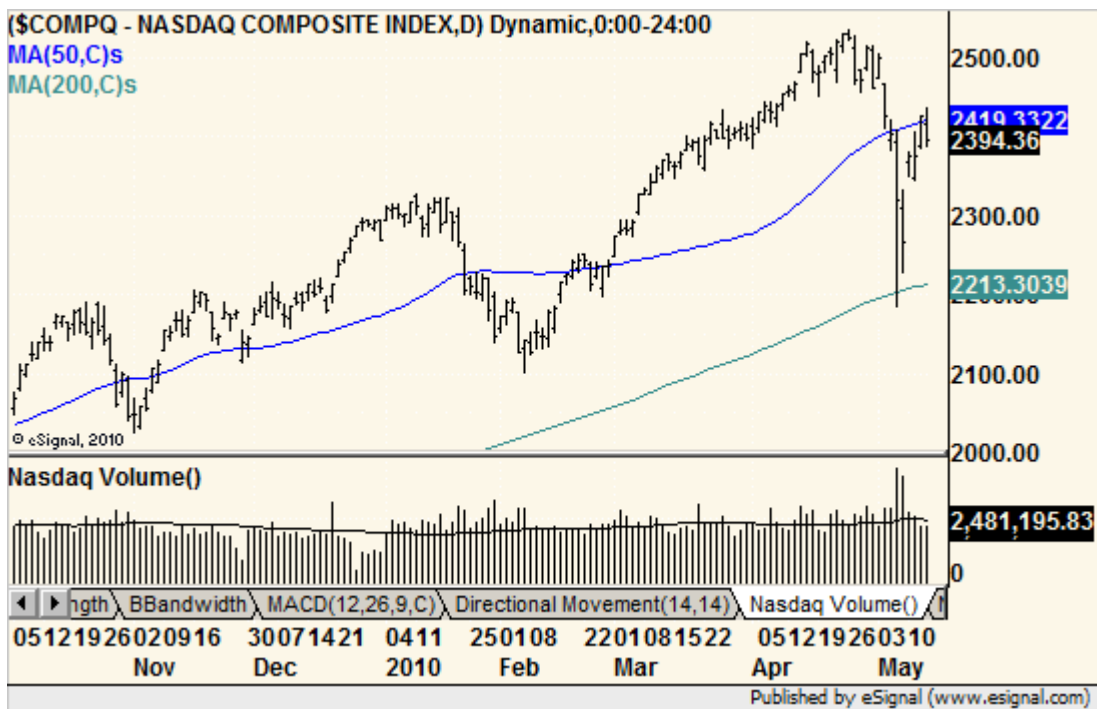
Index Charts of the Day



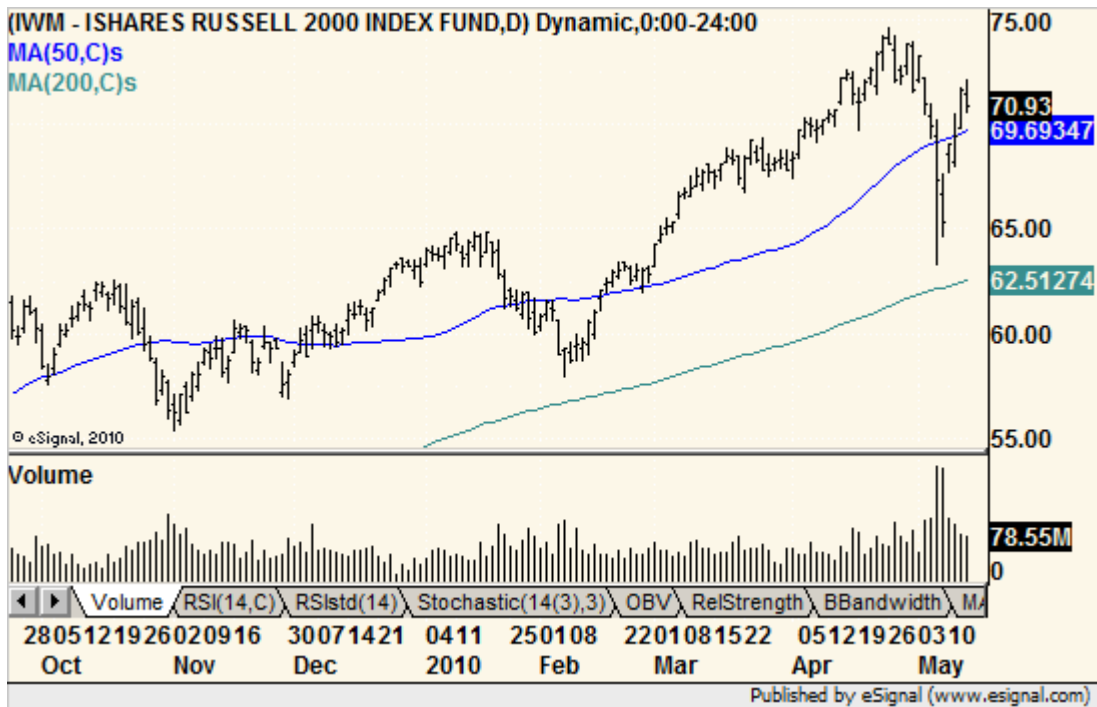
Yesterday, we showed the NYSE Composite and its exponential averages. Today, we have the S&P 500. No cross of the 20- and under the 50- yet but barring a big rally it is one or two days away.



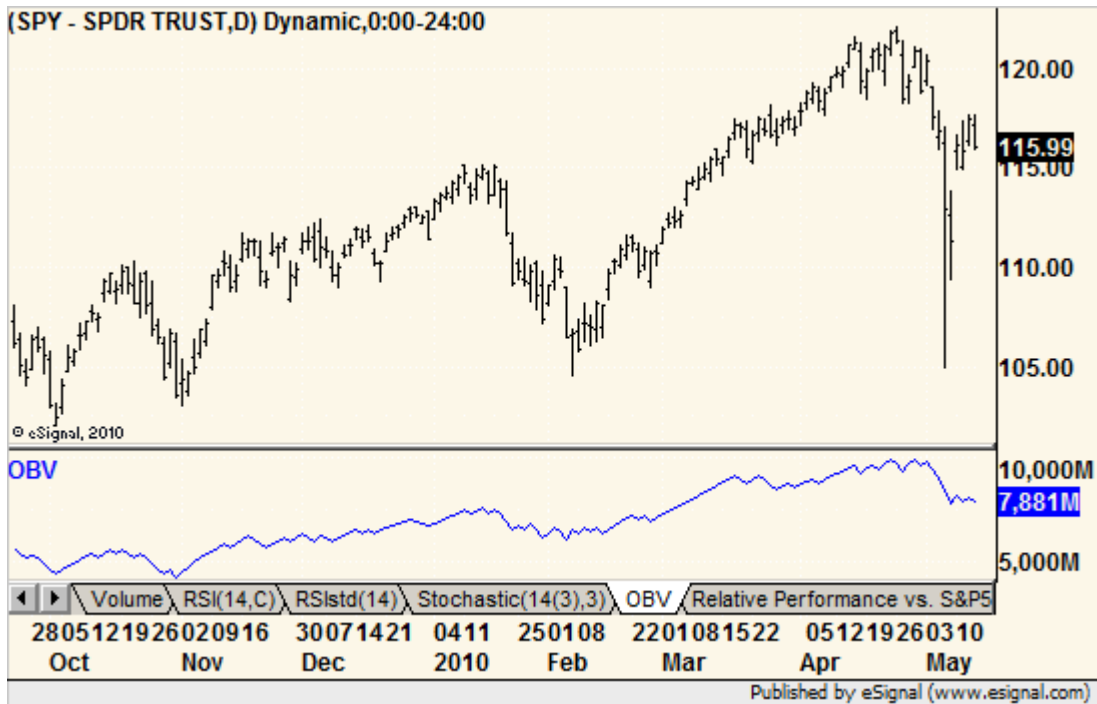
The Dow fell at the 50-day (simple) average but remains above what looks to be an important support from the January high. Momentum is still neutral/weak.



The Nasdaq scored a bearish reversal bar. Volume was technically higher than the previous day's rally but both were indeed below average. Meaningful? A little - but that is better than no meaning.



The Russell 2000 ETF has been kicking the market's behind, including during the current rebound. This makes us wary that the market's acceptance of risk came back way too fast.



Spyder - We are finally going to take a market position by shorting in this ETF. You may wish instead to take a long position in the unleveraged inverse ETF (**SH**). We prefer to actually short something when we are bearish to avoid confusion.

We've already shown how the market has stalled at the 50-day average. This one shows no change in on-balance volume since the panic low and that means no money flowed back in. That is bearish. There is a two-pager on OBV, click: <mailto:customersupport@quicktakespro.com?subject=OBV two-pager request>.

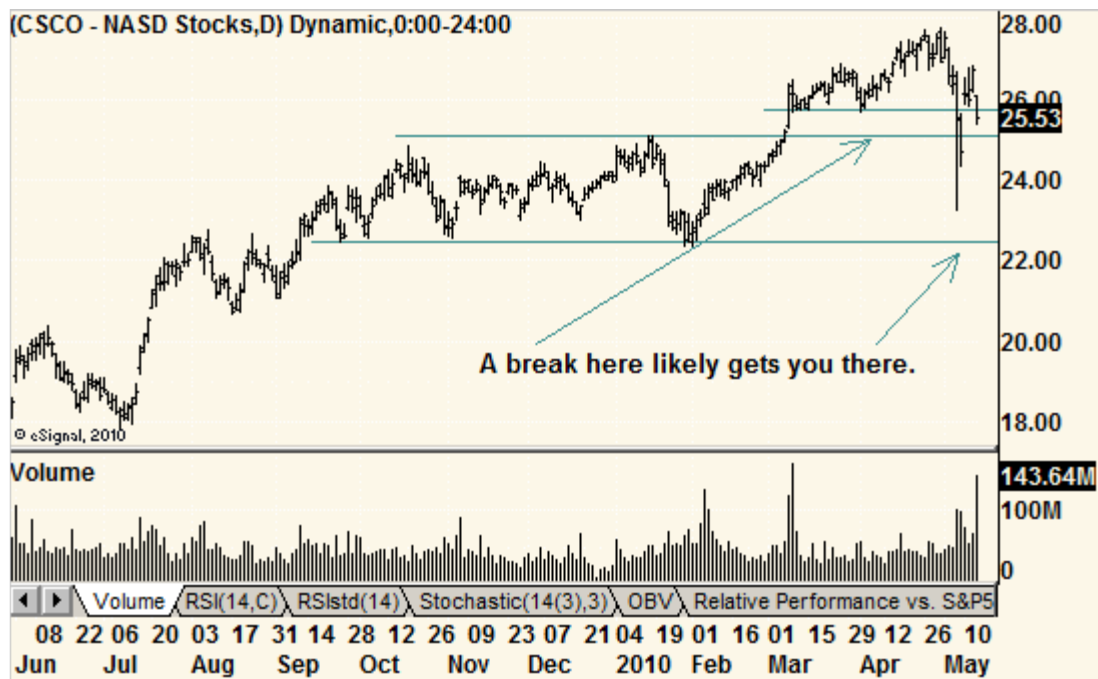
Don't forget, these two-pagers are part of the service.

The Radar Screen

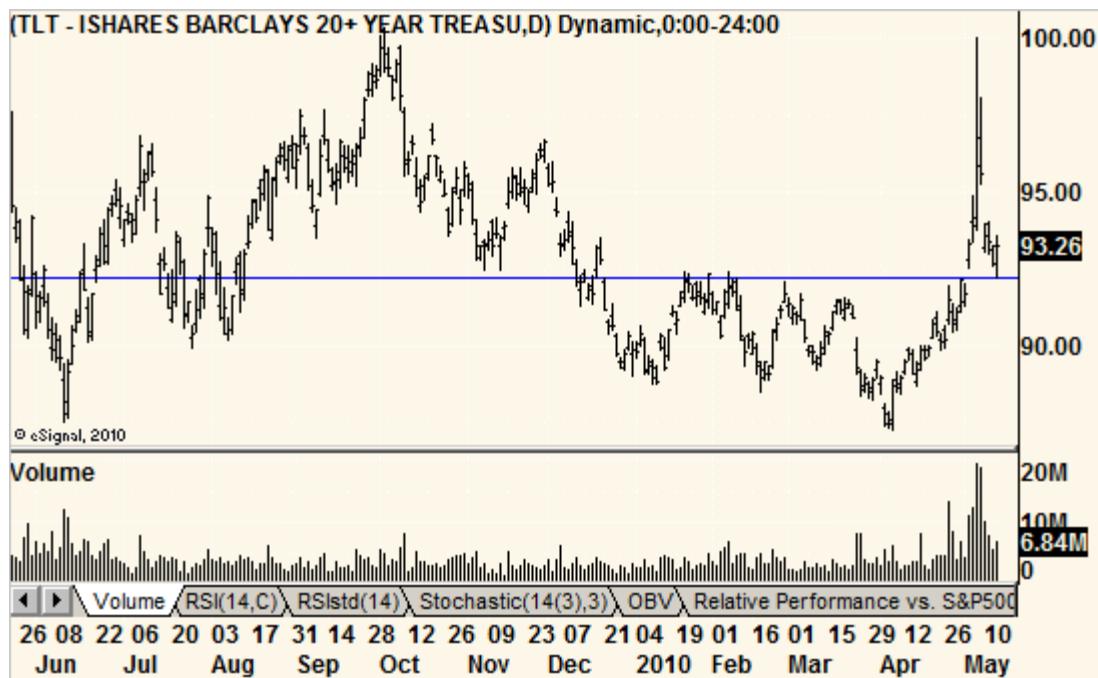
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances in the Radar Screen or the last major update. Typically, we do not take "buy on close" triggers if the stock moves more than 4-5%.

Bullish Implications		
Hi Grade Corporate Bond ETF LQD - We were just running charts and found this one and it goes contrary to our views. But there it is - a clear trading range with rising on-balance volume. All else being equal, a breakout above 107.25 should be a buy. Cognitive dissonance, for sure.		5/13
Long T-Bond ETF TLT - We definitely did not expect to have two bond ETF ideas on the long side but we feel a flight to safety coming on. This ETF just scored a bullish reversal at support. Disclosure - we tried to short it in March, did well, but then gave it back and then some as the stock market was peaking.	New	5/14
Sara Lee - Here is a food company that is selling a business line to concentrate on its core - which is defensive. It rebounded immediately from an earnings miss May 6 (market melt day) and broke out to new highs. We actually like this on a dip, perhaps to 14.50. Of course, a lot depends on whether the market tanks so this is a conditional buy.	New	5/14
Bearish Implications		
Microsoft MSFT - This one is almost ripe. Major long-term support coincides with the bottom of a double top pattern at 27.00-27.50. The rising March 2009 trendline is already broken. Selling now.	Triggered	5/11
Ford F - Now testing the former bottom of a double top pattern. Selling now.	Triggered	5/11
Goldman Sachs GS - Now testing a major broken support. Selling move up to 148, just a few coins away.	Triggered	5/11
John Wiley JW.A - This publisher's stock (not company) has been bleeding money all year. It is a candidate for sale if the market starts to head south. Support at 39.50. <u>We are going to sell now rather than wait for support as it looks like a bear flag hitting resistance.</u>	Changed	5/12
Spyder SPY - We are finally going to take a market position as it has stalled at the 50-day average. On-balance volume shows no inflows of money during the rebound so well short it now.	New	5/14
Wells Fargo - Here is a bank that made it almost all the way back to resistance but zero money flowed back in during the rebound according to on-balance volume. This is also low risk as if it breaches resistance at 34 and some pennies then we stop out for minimal loss. The potential reward it right is a move to 30 or lower.	New	5/14
Halliburton - The company everyone loves to hate now has technical reason to sell it. They are directly involved in the Gulf oil spill and curiously got an analyst upgrade yesterday. We see a bear reversal, albeit on mediocre volume, at the 200-day average after a bear flag formation. We'd sell it here.	New	5/14
Unknown Implications		
none -		
Updates		
LIBOR - Yes, up again Thursday.	New	5/14
US Steel X - This one had an intraday failure even though it ended nicely net higher at the close. If it starts lower now that might be a good time to sell with a stop above Thursday's high. Very tight, we know.	New	5/14

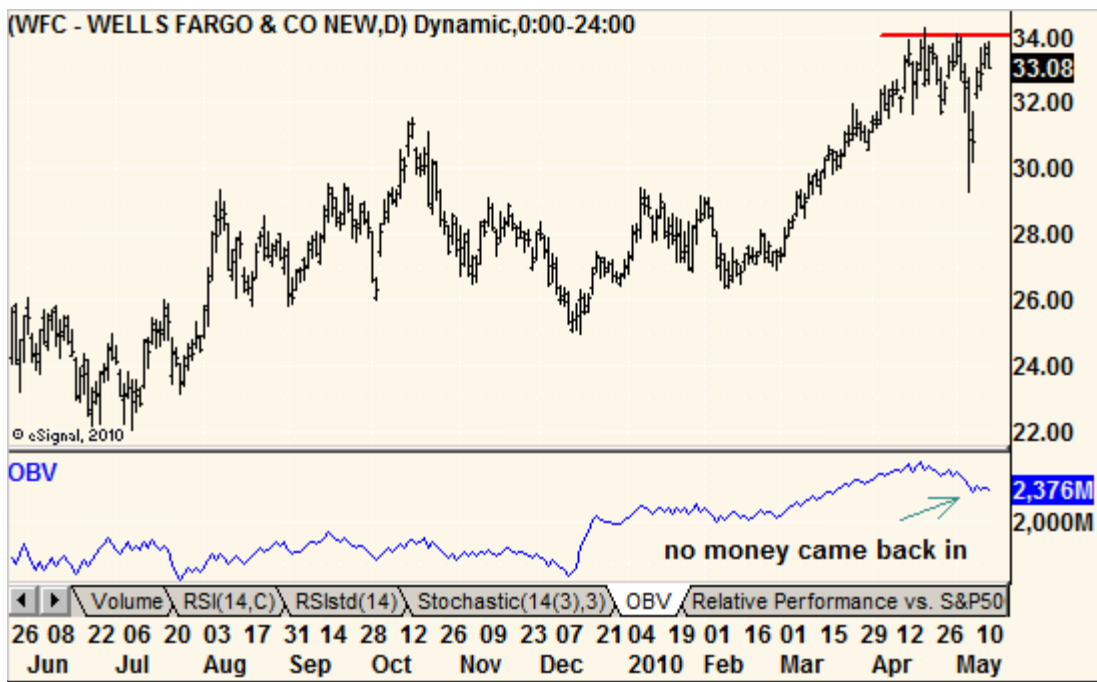
Market Highlights



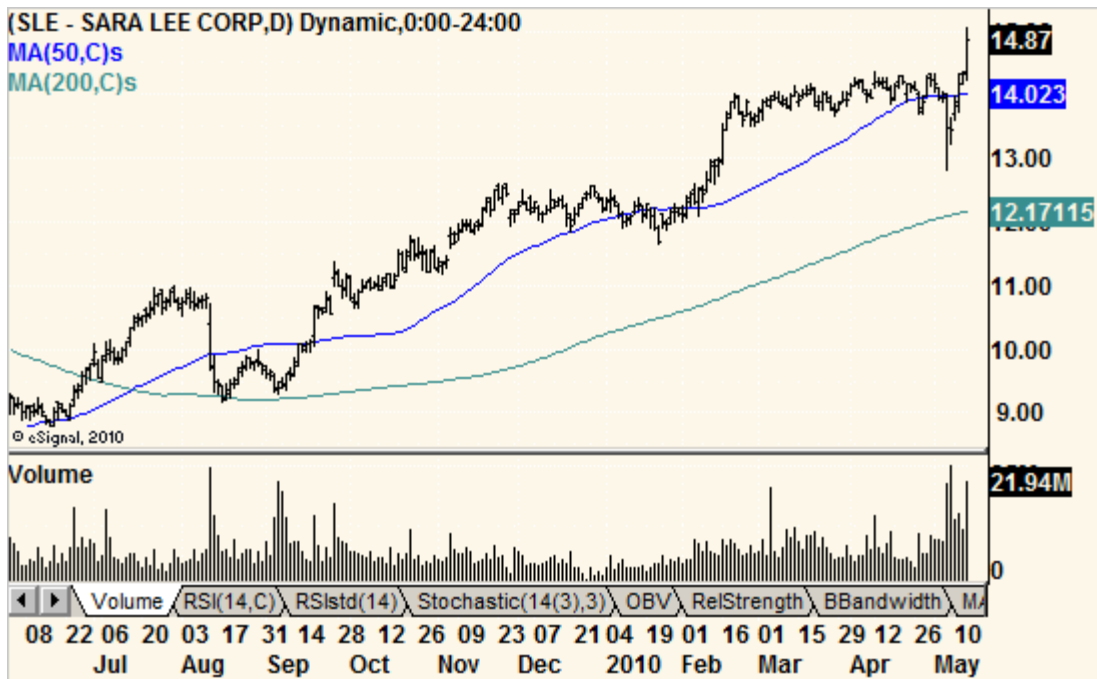
Cisco Systems - Reported a stellar fiscal third quarter (text from the news media), but you wouldn't know it by the way investors reacted to the outlook given by the world's largest networking company (end of text). This stock rallied 3% ahead of earnings and then fell 4.5% afterwards. Again, not bull market behavior.



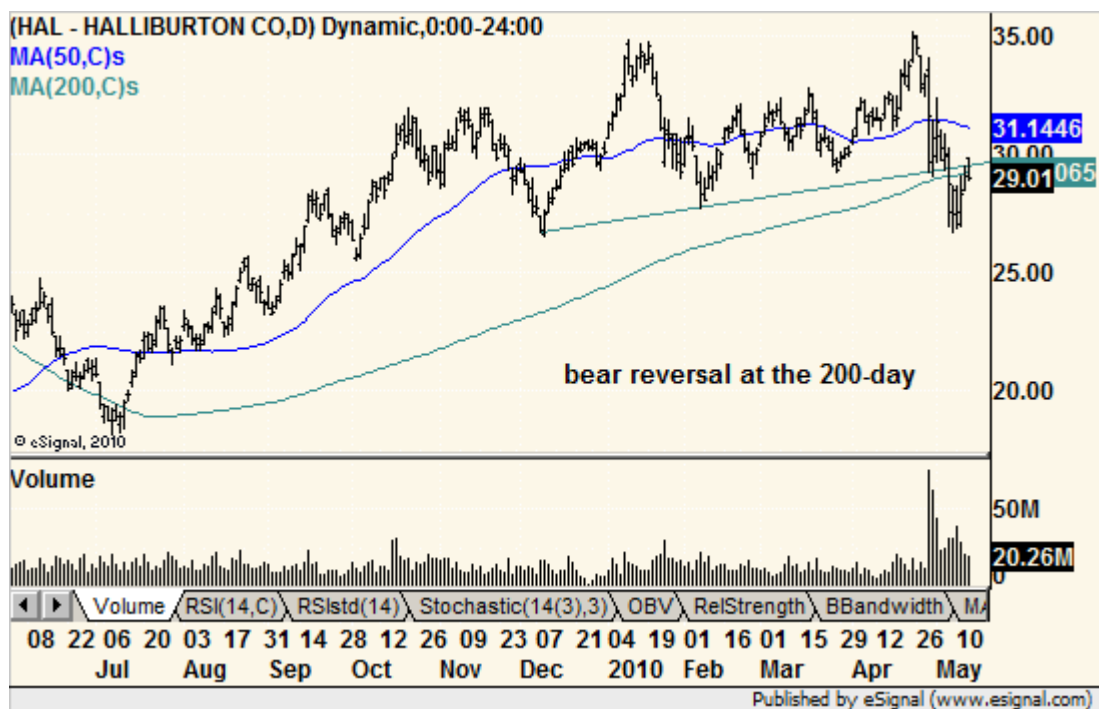
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Advice Tracker

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.

Long

- **Gold ETF GLD** - Bought in early February. If you are running a balanced portfolio, it is a good time to rebalance a little as gold has certainly grown to an excessive percentage.

Short

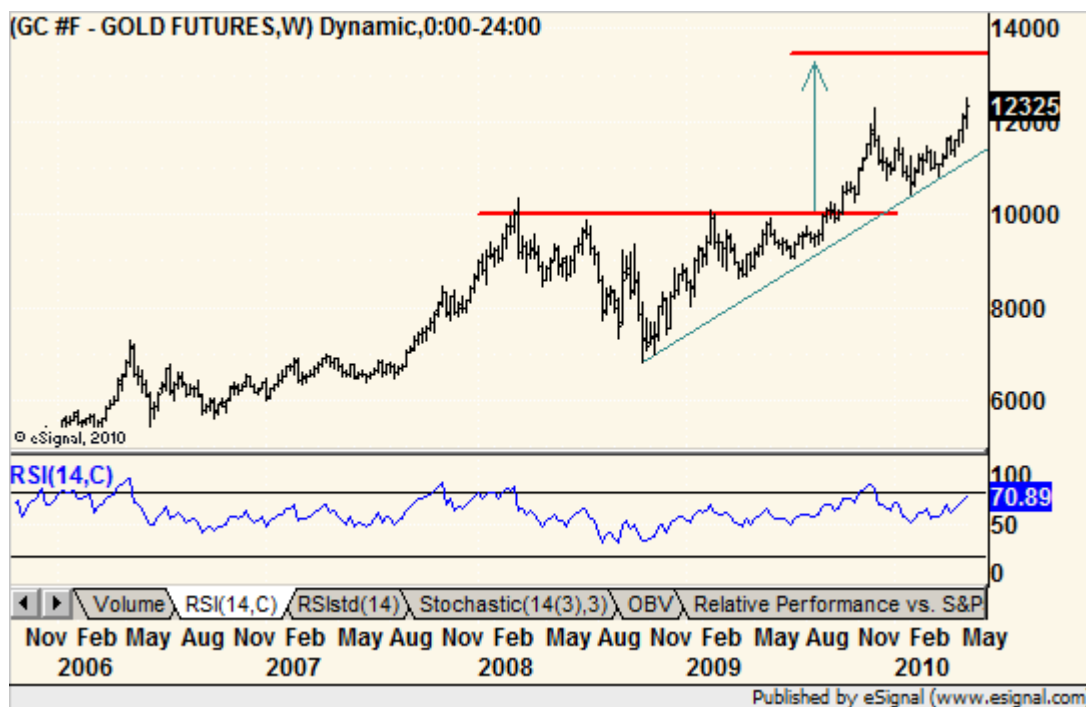
- **American Tower AMT** - A cell phone tower owner and manager, this one had a few bad sell off days while the market rallied to new highs. Looks as if it is forming a set of fan lines from August - three lines from the same point that represent a gradual rolling over. Sell trigger it at 41.50. **Stopped, likely at the high but what if its market beating strength continues? Honor stops.**
- **Mylan MYL** - A generic drug maker that got a big boost from healthcare reform. Now sports a small bearish RSI divergence. Now looks like a mini-head-and-shoulders breakdown. Selling bounce to 22.25. Just triggered intraday Friday.
- **Financials ETF XLF** - A second trendline is ready to break at 16.40. A drop all the way down to the old trading range at 15.50 is in the cards.
- **IAC Interactive IACI** - Another 'net company. This one is in a rectangle with falling on-balance volume. Sold support at 22.50. **Stop at 22.50 now. Stopped for the same reason as AMT above.**
- **Transports ETF IYT** - We've been following this bearish RSI divergence and now it seems ready to break both its rising trendline and support from last week's low. Supposedly, this is also linked to copper, which is weak and coming into a seasonal peak. We sold under 82.60 - which was triggered during the market melt.
- **AT&T T** - A trading range with a breakout failure plus the 50-day average is under the 200-day. Sold the range break May 6 at 25.60.
- **Microsoft MSFT** - The rising March 2009 trendline is broken. Falling volume bear flag so we sold the open May 12.
- **Ford F** - Tested the former bottom of a double top pattern. Sold the open May 14 and got a nice gap up price before it fell.
- **Goldman Sachs GS** - Tested a major broken support. Sold move up to 148. Target is 115 but we may not let it go quite that long.

Notes - Two short positions rallied and we have to stop them. It may turn out to be the worst place to cover and the best place to re-short but that is the game. We cannot let these stocks, which have proved to be stronger during the rebound, to run higher.

The Big Picture

In this section, we take a macro look at things.

Gold



Everyone wants to know how high gold can go. This is the chart I used back in December when the inverse head-and-shoulders broke out to first set an upside target of 1350 and then suggest a steep correction near 1000 before the target is achieved.

So far, so good. However, the short-term is indeed overbought making the trendline a great buying opportunity. That is, unless the market melts up, which is entirely possible.

We are holding the gold ETF in the Advice Tracker after buying in February. For long-time subscribers, this is possibly the longest we've ever held a position.

Personally, I have been holding it since the big market dump in June 2006 with more added in mid-2008.

Subscriber Corner

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

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