

## Strategy

February 12, 2015

## Technical Strategy

### Katie Stockton, CMT

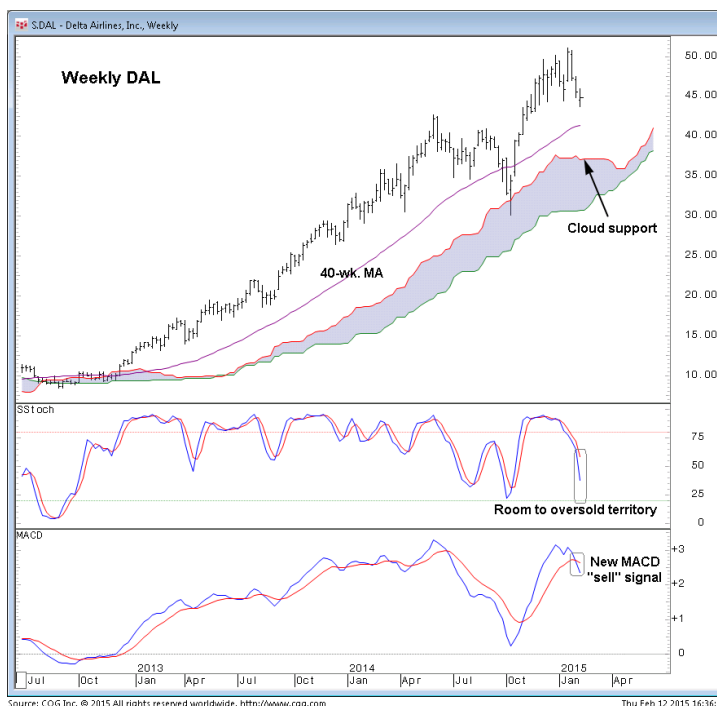
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### Stockton on Stocks

U.S. Edition

**Chart of the Week:** Delta Air Lines (DAL, \$44.81) has suffered a loss of momentum in recent weeks after meeting resistance near \$50, generating a new "sell" signal in the weekly MACD indicator for the first time since June 2014. There is room for downside follow-through based on the weekly stochastics, which are pointing lower above oversold territory. We believe DAL will suffer a deeper correction in the next two months, after which we would revisit the chart because it remains characterized by a long-term uptrend based on the weekly cloud model. The upper boundary of the cloud cushioned the correction in late 2014, and currently shows support near \$37. The catalyst for such a sharp correction could be a shift in sentiment surrounding crude oil (to which DAL has a slight negative correlation).



#### Also in this report...

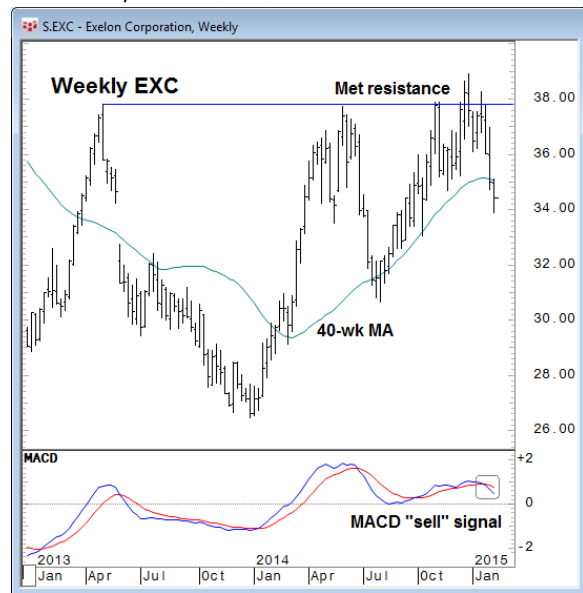
<b>Theme of the Week:</b> Utilities Lose Momentum	AEE, AEP, D, DTE, DUK, EIX, ETR, EXC, FE, GAS, NI, PEG, PNW, PPL, SO, SRE, TEG
<b>Breakouts/Breakdowns</b>	<b>Breakouts:</b> ADP, ADT, AKAM, ALLE, AMZN, AN, AON, APD, BHI, BIIB, BLK, BLL, BRCM, BWA, CA, CME, COST, CRM, CSCO, DHI, DIS, DLPH, DLTR, DNB, DNR, DOW, DVN, ECL, EFX, EL, ENDP, ETFC, ETN, EXPE, F, FMC, FTR, GCI, GM, GOOG, GOOGL, GRMN, HAL, HAR, HAS, HON, HRB, HRS, HSP, ICE, IFF, IP, IPG, IR, KSS, LB, LEN, LLTC, LM, LO, LVLT, LYB, MA, MAS, MCHP, MCO, MHFI, MLM, MPC, MSI, MUR, NDAQ, NFX, NTRS, NVDA, NWL, NWSA, ORLY, PEP, PFE, PKI, PSX, RHI, ROK, ROP, SEE, SNA, TDC, TRIP, TXN, UA, UNP, URBN, VRSN, VZ, WBA, WMB, WU, WYN, ZTS <b>Breakdowns:</b> AXP, CMG, CMI, D, DUK, ETR, EXC, FAST, FE, GAS, GMCR, K, NTAP, PBI, PEG, PRGO, PVH, RL, VRTX
<b>Sector Longs</b>	AAPL, ABT, ALXN, AMT, ANTM, ARG, CRM, CTAS, CVS, DUK, FOXA, FTR, IRM, KR, LUV, LVLT, MAS, MHK, MS, PNW, SHW, SRE, TGT, TSO, VLO, VMC, WMT, XEC, XRX
<b>Structural Shorts</b>	AES, CAM, CMA, CNX, CTXS, DO, EMN, EMR, EQT, FAST, FCX, FITB, FLIR, FLR, FLS, GWW, HOT, JEC, JOY, KLAC, MAT, NOV, NRG, OI, PCLN, PCP, PNR, PWR, RF, UNM, XLNX, ZION
<b>Compelling DeMark Signals</b>	<b>TD "13 Buy" Signals:</b> COG, CTL, FTI, NRG, WIN <b>TD "13 Sell" Signals:</b> BBBY, CBS

## Theme of the Week: Utilities Lose Momentum

The backup in the 10-year Treasury yield above the psychologically significant 2.0% level has led to a pullback in interest rate-sensitive stocks, especially REITs and utilities. Weakness has been pronounced among utilities, which have seen some damage to our intermediate-term momentum indicators. Below we list the utilities in the S&P 500 that have seen their weekly MACD indicators flash "sell" signals since mid-January. The "sell" signals of this nature tend to stick for at least a few weeks, which would be in accordance with near-term upside follow-through in the 10-year Treasury yield (as part of a counter-trend move). Relative strength has faltered for utilities overseas, and we expect mean reversion in the U.S., with utilities having been the top performing sector in 2014.

Utilities with MACD "Sell" Signals: AEE, AEP, D, DTE, DUK, EIX, ETR, EXC, FE, GAS, NI, PEG, PNW, PPL, SO, SRE, TEG

### Exelon Corporation (EXC)



## Breakouts/Breakdowns

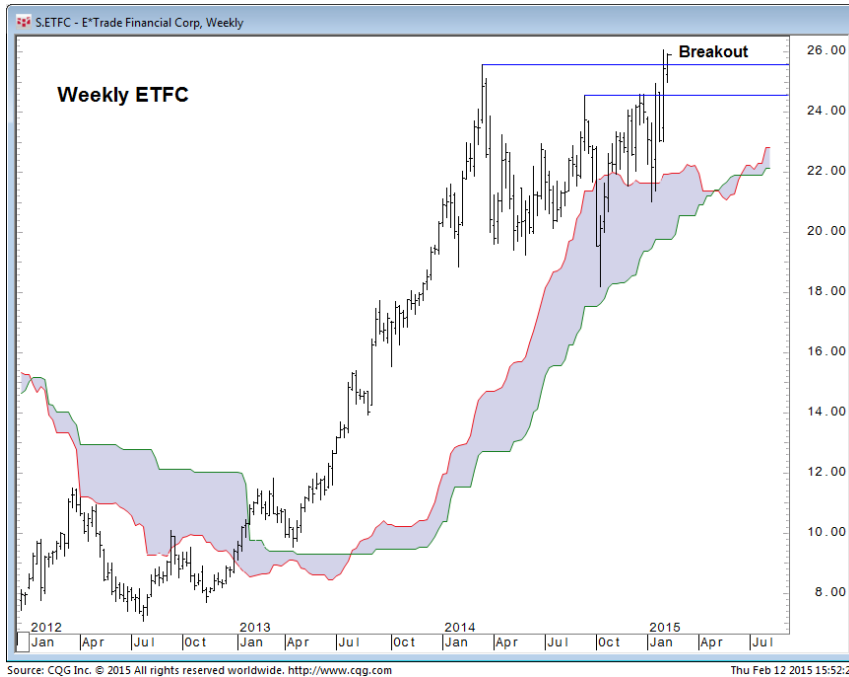
Earnings reports have generated a lot of breakouts over the past two weeks. Most of the breakouts are gaps up within long-term uptrends. The consumer discretionary and technology sectors are best represented this week, followed by the energy and financial sectors (which have outperformed recently). If breakouts continue to unfold as earnings season winds down, it would be a boost to market breadth and lead us to doubt the need for a broad-based correction.

Breakouts: ADP, ADT, AKAM, ALLE, AMZN, AN, AON, APD, BHI, BIIB, BLK, BLL, BRCM, BWA, CA, CME, COST, CRM, CSCO, DHI, DIS\*, DLPH, DLTR, DNB, DNR, DOW, DVN, ECL, EFX, EL\*, ENDP, ETFC, ETN, EXPE, F, FMC, FTR, GCI, GM, GOOG, GOOGL, GRMN, HAL, HAR, HAS, HON, HRB\*, HRS, HSP, ICE, IFF, IP, IPG, IR, KSS, LB, LEN, LLTC, LM, LO, LVL, LYB, MA, MAS, MCHP, MCO, MHFI, MLM, MPC, MSI, MUR, NDAQ, NFX, NTRS, NVDA, NWL\*, NWSA, ORLY, PEP\*, PFE, PKI\*, PSX, RHI, ROK, ROP, SEE, SNA, TDC, TRIP, TXN, UA, UNP, URBN, VRSN, VZ\*, WBA, WMB, WU\*, WYN, ZTS

Breakdowns: AXP, CMG, CMI, D, DUK, ETR, EXC, FAST, FE, GAS, GMCR\*, K, NTAP, PBI, PEG, PRGO, PVH, RL, VRTX\*

\* Please note BTIG has Buy ratings on DIS, EL, HRB, NWL, PEP, VRTX, VZ, and WU; and Neutral ratings on GMCR and PKI.

*E\*TRADE Financial Corporation (ETFC)*



**Sector Longs**

Using a combination of long-term trend-following indicators, we list three stocks in each sector that we would be overweight (except for telecom, which only has two). We hold a bullish long-term outlook for these names, which can be considered candidates for core long positions. This week, we removed MWV, due its takeover news, and we added VMC and XEC. We expect a deeper correction in the utility sector, but we were not compelled to replace our existing recommendations because the sector is so homogenous from a technical standpoint. Instead, we would consider taking down exposure temporarily. Please note the breakouts in our existing recommendations, including CRM, FTR, MAS and LVLT.

Consumer Discretionary: FOXA\*, MHK, TGT

Consumer Staples: CVS, KR, WMT

Energy: TSO, VLO, XEC

Financials: AMT, IRM, MS

Healthcare: ABT, ALXN\*, ANTM

Industrials: CTAS, LUV, MAS

Materials: ARG, SH, VMC

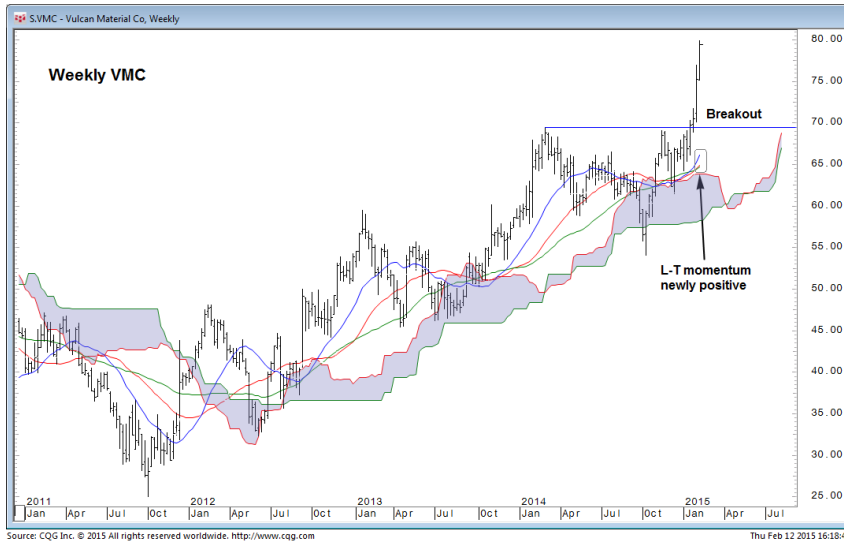
Technology: AAPL\*, CRM, XRX

Telecom: FTR, LVLT

Utilities: DUK, PNW, SRE

\* Please note BTIG has Buy ratings on AAPL, ALXN, and FOXA.

### Vulcan Materials Company (VMC)



### Structural Shorts

Short positions have not been working recently, but we believe the SPX remains vulnerable to a correction in Q1 given the loss of long-term momentum that we highlighted in our latest [Global Technical Strategy](#). Volatility could increase quickly if the SPX sees a failed breakout. Either way, there are always compelling shorts from a technical standpoint. Most of our short recommendations are in long-term downtrends, trading significantly out of line with the broader market, possibly due to structural issues with the company. All are below their declining 200-day moving averages with weak (or weakening) momentum and relative strength. As such, we remove stocks when they flash counter-trend signals or recapture momentum. This week, we removed AFL, BWA, ETN, FSLR, JNPR, MCHP, MRO, MUR, NWSA, TRIP, URBN and XOM, most of which cleared short-term resistance levels. We would consider broadly adding short exposure to the utility sector with a short-term time horizon, including laggards AES and NRG. Please note the breakdown in FAST, one of our existing short recommendations.

Structural Shorts: AES, CAM, CMA, CNX, CTXS, DO, EMN, EMR, EQT, FAST, FCX, FITB, FLIR, FLR, FLS, GWW, HOT, JEC, JOY, KLAC, MAT, NOV, NRG, OI, PCLN, PCP, PNR, PWR, RF, UNM, XLNX, ZION

### The AES Corporation (AES)



## Compelling DeMark Signals

In our daily Technical Playbook, we publish TD Sequential™ and TD Combo™ “13s” that appear on the daily charts of liquid stocks in the U.S. and 20 other countries. We always filter the signals by asking questions like “Has the stock broken out or broken down?” and “Is the stock overbought or oversold?” Below we summarize the U.S. tickers that we highlighted (in boldface) as potentially actionable short-term trades since our last report covering the U.S. on [January 29](#).

TD “13 Buy” Signals: COG, CTL, FTI, NRG, WIN

TD “13 Sell” Signals: BBBY, CBS

### CenturyLink Inc. (CTL)



## Appendix

### Analyst Certification

I, Katie Stockton, CMT, hereby certify that the views about the companies and securities discussed in this report are accurately expressed and that I have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

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