

Strategy

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Technical Strategy

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Stockton on Stocks

U.S. Edition

Chart of the Week: Coach, Inc. (COH, \$42.20) turned the corner last summer, when it saw intermediate-term momentum improve during a basing phase, based on the weekly MACD indicator. The uptrend that ensued led to a long-term bullish reversal upon a breakout above a long-term downtrend line connecting the early 2012 and late 2013 peaks. Momentum has since turned positive, with the MACD indicator above zero, and COH is not overbought after its pullback this month. The stock has captured relative strength compared to the S&P 500 Index (SPX), bringing the ratio of the two above its 200-day (40-week) moving average in a bullish reversal of its own. We recommend buying COH from a technical standpoint, noting the first major resistance on the chart is approximately \$46, based on previous support from 2013. Initial support is currently \$40.



Also in this report...

Theme of the Week: Bases in Energy Stocks	APA, APC, CAM, COG, CVX, DVN, EOG, EQT, HAL, HES, HP, MRO, MUR, NBL, NFX, OKE, PXD, QEP, RIG, RRC, SE, SLB, WMB, XEC
Breakouts/Breakdowns	<u>Breakouts:</u> AFL, ALLE, AMGN, CBG, CINF, DRI, EL, EQR, ESS, EW, EXPE, FB, GCI, HAL, HCA, HCBK, HIG, HOT, HP, JEC, LLY, MCO, MKC, NKE, PBI, PGR, PKI, R, REGN, ROP, RTN, SBUX, SLG, TMO, TRV, VLO, VRTX, XL <u>Breakdowns:</u> ARG, FDX, KSU, LRCX, MAT, MO, MON, NSC, SNI, UPS, WFM
Sector Longs	AAPL, ABT, ALXN, AMT, ANTM, APD, AZO, BLL, CRM, DUK, FISV, FTR, HRL, LUV, LVL, MAS, MHK, MJN, MS, NDAQ, OMC, PNW, SNA, SRE, TSO, VLO, VMC, WMT, XEC
Structural Shorts	AES, CMA, CMI, CNX, CTXS, EMN, EMR, FAST, FITB, HOG, JOY, KLAC, L, LUK, MAT, NOV, PM, QCOM, RF, UNM, WYNN
Compelling DeMark Signals	TD "13 Buy" Signals: DUK, ED, INTC, MU TD "13 Sell" Signals: AKAM, GME

Theme of the Week: Bases in Energy Stocks

Stabilization in WTI crude oil has restored some confidence in energy stocks, many of which have seen intermediate-term momentum improve enough to generate “buy” signals in their weekly MACD indicators. This action is typical of basing phases in stocks that are trading below their 200-day (~40-week) moving average (i.e., long-term downtrends). Here we list the S&P 500 energy stocks that meet this criteria, suggesting they are poised to benefit from a lasting turnaround in WTI crude oil should it materialize. We would be convinced of this on a breakout above cloud-based resistance, which is currently near \$56/bbl.

Energy Bases: APA, APC, CAM, COG, CVX, DVN, EOG, EQT, HAL, HES, HP, MRO, MUR, NBL, NFX, OKE, PXD, QEP, RIG, RRC, SE, SLB, WMB, XEC

Halliburton (HAL)



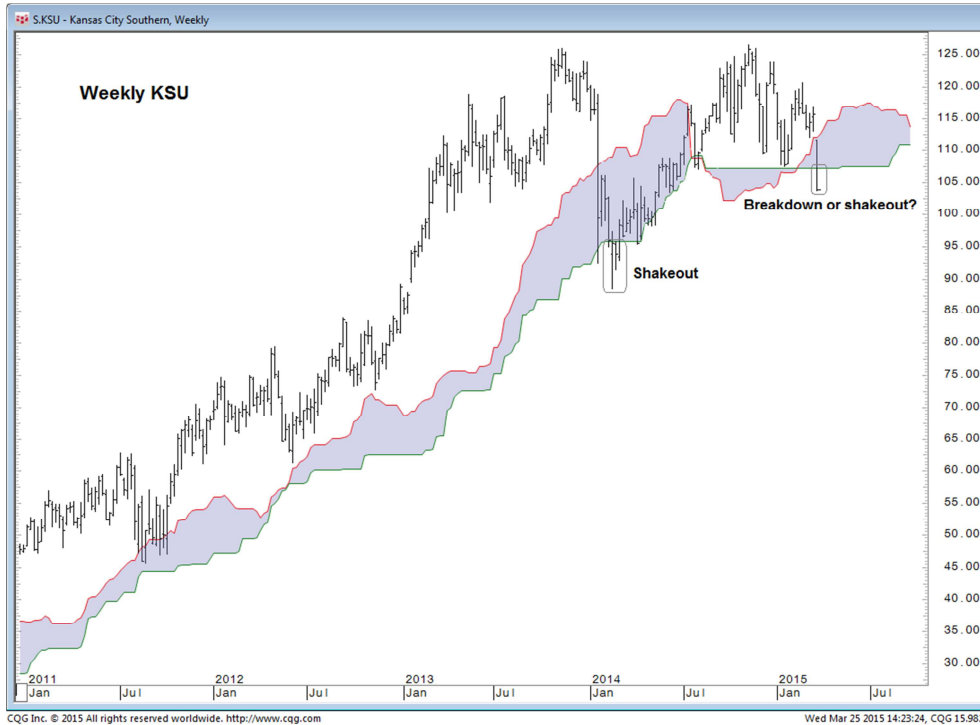
Breakouts/Breakdowns

Breakouts outnumbered breakdowns by a measure of about 3.5-to-1 since our last update two weeks ago. The breadth behind the rally has been expanding in this manner fairly consistently, which we view as supportive of the long-term uptrend in the SPX. Interestingly, the breakdowns were concentrated in cyclical stocks, especially transportation which has lagged over the past few days. We wonder whether some of these breakdowns will prove to be shakeouts in hindsight, similar to our example in KSU. The breakouts were more diverse in terms of sector representation, and we are not worried by the subsequent pullback this week in most cases.

Breakouts: AFL, ALLE, AMGN, CBG, CINF, DRI, EL*, EQR, ESS, EW*, EXPE, FB*, GCI, HAL, HCA, HCBK, HIG, HOT, HP, JEC, LLY, MCO, MKC, NKE, PBI, PGR, PKI*, R, REGN, ROP, RTN, SBUX, SLG, TMO*, TRV, VLO, VRTX*, XL

Breakdowns: ARG, FDX, KSU, LRCX, MAT, MO, MON, NSC, SNI, UPS, WFM

Kansas City Southern (KSU)



* Please note BTIG has Buy ratings on EL, FB, and VRTX; and Neutral ratings on EW, PKI, and TMO.

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 ARG due to its breakdown, and we recommend taking profits in CTAS and SHW because they have registered DeMark "sell" signals on their weekly charts. To replace them, we have added APD, BLL and SNA to our long recommendations because they are exhibiting positive long-term momentum, based on the 20-, 35- and 50-period moving averages. Please note the breakout in VLO, an existing recommendation.

Consumer Discretionary: AZO, MHK, OMC

Consumer Staples: HRL, MJN, WMT

Energy: TSO, VLO, XEC

Financials: AMT, MS, NDAQ

Healthcare: ABT, ALXN*, ANTM

Industrials: LUV, MAS, SNA

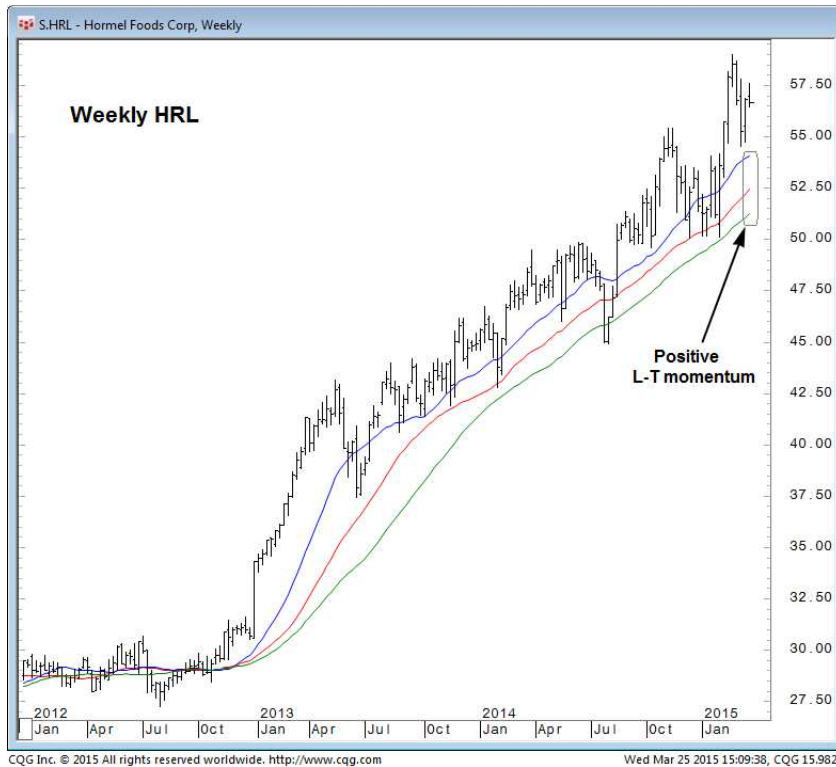
Materials: APD, BLL, VMC

Technology: AAPL*, CRM, FISV

Telecom: FTR, LVLT

Utilities: DUK, PNW, SRE

Hormel Foods (HRL)



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

Structural Shorts

With the major indices near all-time highs, it is difficult to find stocks that are in long-term downtrends. However, these are the stocks that we are most comfortable selling short because they are likely trading significantly out of line with the broader market for a good reason. In our opinion, the highest-probability shorts are stocks that are below their declining 200-day moving averages with weakening momentum. We would cover stocks that flash counter-trend signals (usually a DeMark “buy” signal) or recapture momentum. This week, we removed DO and NRG for those reasons. We would consider new short positions in CMI, L, LUK and RF. Please note the short-term breakdown in our existing recommendation MAT.

Structural Shorts: AES, CMA, CMI, CNX, CTXS, EMN, EMR, FAST, FITB, HOG, JOY, KLAC, L, LUK, MAT, NOV, PM, QCOM, RF, UNM, WYNN

(Example on the following page.)

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 [March 12](#). For this report period there were more “13 sell” signals overall than there were “13 buy” signals, however we did not find many that we would consider to be actionable.

TD “13 Buy” Signals: DUK, ED, INTC, MU

TD “13 Sell” Signals: AKAM, GME

Regions Financial Corporation (RF)



CQG Inc. © 2015 All rights reserved worldwide. <http://www.cqg.com>

Wed Mar 25 2015 14:40:50, CQG 15.9826

GameStop Corporation (GME)



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Wed Mar 25 2015 15:11:32, CQG 15.9826

Appendix

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