

## Strategy

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## Technical Strategy

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### Stockton on Stocks

U.S. Edition

**Chart of the Week:** Humana (HUM, \$134.95) reached a new high today, reflecting positive long-term momentum. The uptrend has the support of the 20-, 35- and 50-week moving averages, and relative strength is positive versus the S&P 500 Index. We think a decisive breakout above the July-September highs is likely in the near term, in part due to the bullish "pop" in the weekly stochastics. A measured move target from a breakout would be approximately \$146-\$147 with an intermediate-term time horizon. HUM has initial support near \$130, but a breakout would put it at \$135 for a more compelling risk/reward.



#### Also in this report...

|   |  |
|---|--|
| <b>Theme of the Week:</b> Outside-Down Days | AON, AVY, CSC, GE, PWR, WFM, XOM   |
| <b>Breakouts/Breakdowns</b>                 | <b>Breakouts:</b> AAPL, ABC, ACE, AEE, AEP, ALL, AMGN, AN, AZO, BCR, BMY, BSX, BXP, CB, CCI, CELG, CERN, CHRW, CINF, CMS, COL, CSX, DHI, DPS, DTE, DVA, EIX, EW, FE, FISV, GD, GPC, HAS, HCN, HD, HIG, KIM, KMB, KMX, LEG, LEN, LMT, LOW, MAR, MCO, MJN, MMM, MSI, NAVI, NOC, NU, ORLY, PAYX, PG, PGR, PH, PLL, PM, PNW, PSA, RAI, REGN, RHI, ROP, ROST, SHW, SNA, SPG, SRCL, SYK, TE, TRV, TSCO, TSO, TSS, TXT, UNH, UNP, UPS, VRSN, WAT, WHR, XEL, XRAY, YHOO, ZMH<br><b>Breakdowns:</b> A, ACN, AKAM, AMZN, APA, CAM, CCL, FAST, GOOG, GOOGL, HCBK, IBM, KSS, MCHP, MRO, NBR, NEM, NFLX, PWR, RF, T, TMO, URBN, YUM, ZION |
| <b>Sector Longs</b>                         | ABT, COST, CRM, CTL, CVS, DUK, ECL, FTR, GPC, HUM, IPG, IVZ, LNC, LUV, MAR, MJN, MRO, MWV, NFX, NOC, NTRS, PAYX, PNW, R, SHW, SRE, TSO, WLP, XRX   |
| <b>Structural Shorts</b>                    | ACN, ADI, AFL, AVY, BMS, CA, DO, EMR, EQT, FLIR, FLR, FLS, FMC, HOG, HSY, JEC, KORS, L, LLTC, LUK, MAT, PCL, PNR, VIAB, YUM  |
| <b>Compelling DeMark Signals</b>            | <b>TD "13 Buy" Signals:</b> EFX, ETN, FCX, FOXA, HAL, HOG, MOS, MWV, PCLN, SLB, WDC, WYNN<br><b>TD "13 Sell" Signals:</b> RSG, WEC, WM   |

*Please Read: Important disclosures and analyst's certification appear in Appendix*

## Theme of the Week: Outside-Down Day + Short-Term Overbought

The relief rally has generated widespread short-term overbought conditions, making it a good time to consider short positions. We scanned the S&P 500 for stocks that are not only overbought, but also have registered a DeMark “g sell” signal, based on the TD Setup® model, and have seen an “outside-down” day in the past three days. This increases the likelihood of a short-term loss of momentum for the stocks listed below. We have filtered out stocks that are trading above their 200-day moving averages, which we generally do not advocate selling short. For additional short ideas, based on a different set of technical factors, please see page 3 of this report.

Outside-Down Day + S-T Overbought: AON, AVY, CSC, GE, PWR, WFM, XOM

### General Electric (GE)



### Breakouts/Breakdowns

The SPX bottomed on October 15 after undergoing a 9.8% pullback. The subsequent 9.4% relief rally almost fully retraced the pullback, allowing many stocks to avoid confirmed breakdowns on their charts. Not only that, but breakouts have been abundant, likely driven by earnings season, and they are not limited to interest rate-sensitive stocks per the following list. This gives Q4 a bullish bias, but we are less committed to a bullish view for next year. We are worried about the number of breakdowns that *were* confirmed earlier this month as measures of market breadth deteriorated.

Breakouts: AAPL\*, ABC, ACE, AEE, AEP, ALL, AMGN, AN, AZO, BCR, BMY, BSX\*, BXP, CB, CCI, CELG, CERN, CHRW, CINF, CMS, COL, CSX, DHI, DPS\*, DTE, DVA, EIX, EW\*, FE, FISV, GD, GPC, HAS, HCN, HD, HIG, KIM, KMB\*, KMX, LEG, LEN, LMT, LOW, MAR, MCO\*, MJN, MMM, MSI, NAVI, NOC, NU, ORLY, PAYX, PG\*, PGR, PH, PLL, PM, PNW, PSA, RAI, REGN, RHI, ROP, ROST, SHW, SNA, SPG, SRCL, SYK, TE, TRV, TSCO, TSO, TSS, TXT, UNH, UNP, UPS, VRSN, WAT, WHR, XEL, XRAY, YHOO, ZMH

Breakdowns: A\*, ACN, AKAM, AMZN, APA, CAM, CCL, FAST, GOOG, GOOGL, HCBK, IBM, KSS, MCHP, MRO, NBR, NEM, NFLX\*, PWR, RF, T\*, TMO\*, URBN, YUM, ZION

\* Please note BTIG has Buy ratings on AAPL, BSX, NFLX, PG and T, Neutral ratings on A, EW and KMB, and Sell ratings on DPS and MCO.

### Navient Corporation (NAVI)



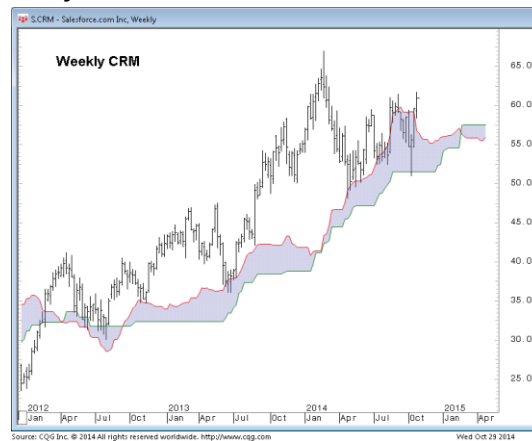
### Sector Longs

Using a combination of long-term trend-following indicators, we list three stocks in each sector that we would be overweight (except telecom, which has only two). We hold a bullish outlook for these stocks, which can be considered candidates for core long positions. This week, we recommend rotating out of AA and INTC because they appear overextended, GOOGL and HOT because they have broken down, and NRG because it has been a laggard. We are adding CRM, GPC, MWV, PNW and XRX. Please note the breakouts in our existing long recommendations: MAR, MJN, NOC, PAYX, SHW and TSO.

### U.S. Sectors:

- Consumer Discretionary: GPC, IPG, MAR
- Consumer Staples: COST, CVS, MJN
- Energy: MRO, NFX, TSO
- Financials: IVZ, LNC, NTRS
- Healthcare: ABT, HUM, WLP
- Industrials: LUV, NOC, R
- Materials: ECL, MWV, SHW
- Technology: CRM, PAYX, XRX
- Telecom: CTL, FTR
- Utilities: DUK, PNW, SRE

### Salesforce.com (CRM)



## Structural Shorts

Recent deterioration in momentum and breadth creates a more attractive environment for shorts, particularly given the return of widespread short-term overbought conditions after the 9% relief rally in the SPX. We would concentrate short exposure in stocks that are in long-term downtrends, recognizing the value in identifying stocks that are trading significantly out of line with the market, often due to structural issues with the company. The S&P 500 stocks listed below are among those that we would be underweight. All are below their declining 200-day moving averages with weak momentum and relative strength. We remove stocks when they flash counter-trend “buy” signals or recapture momentum and relative strength. This week, we recommend adding short exposure to ACN, ADI, AFL, AVY, BMS, DO, EQT, FLIR, FLR, FLS, HOG, HSY, PNR, VIAB and YUM. And we recommend covering PGR, which has broken out.

Structural Shorts: ACN, ADI, AFL, AVY, BMS, CA, DO, EMR, EQT, FLIR, FLR, FLS, FMC, HOG, HSY, JEC, KORS, L, LLTC, LUK, MAT, PCL, PNR, VIAB, YUM

### Avery Dennison (AVY)



## 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 October 9. Most of the “13 buy” signals were timely, with the SPX having pivoted higher mid-month.

TD “13 Buy” Signals: EFX, ETN, FCX, FOXA\*, HAL, HOG, MOS, MWV, PCLN, SLB, WDC, WYNN

TD “13 Sell” Signals: RSG, WEC, WM

\* Please note BTIG has a Buy rating on FOXA.

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