

Chartbook Review

(charts as of 08/26/15)

NOTE: One question we have had is how we look at broken charts, because most of the charts in the chart book are in fact broken. There are many ways and we tend to look at indicator patterns, but in this sort of situation we look at close only charts to determine support, resistance and patterns. Looking at these things there are some names we want to recommend for traders and possibly investors that should not be hit too badly if the market does not rally to resolve the oversold condition. These are: DAL, HD, FEYE, HAL, NKE. These are decent charts, in most cases conservative names.

Don't be afraid to trade in this environment - with big percentage swings some profits should be taken quickly.

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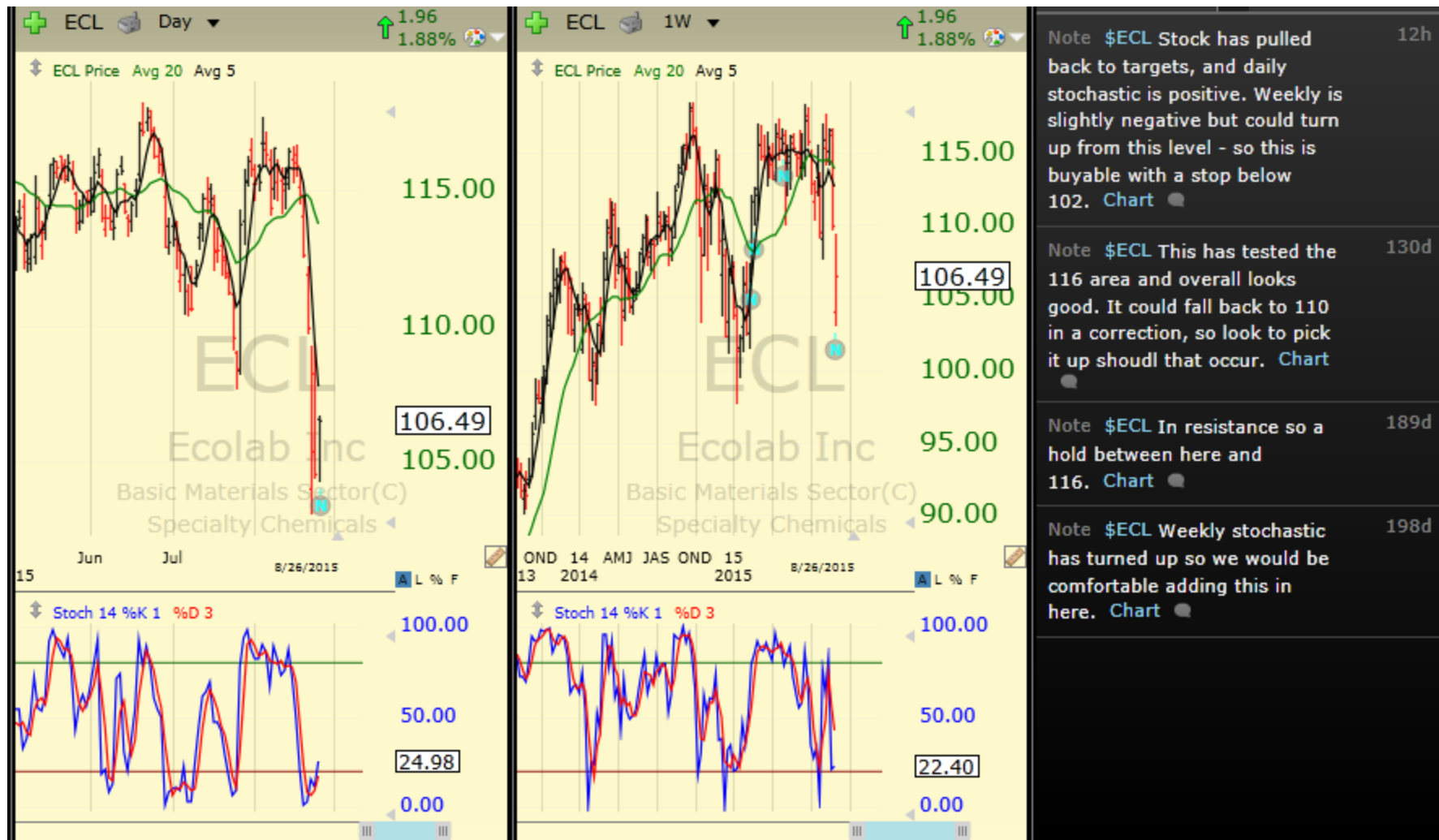
Chartbook: Stocks of Interest

Sym	Company	trkPrice	Sector ▲	Industry
ECL	Ecolab Inc	104.91	Basic Materials Sector	Specialty Chemicals
SBUX	Starbucks Corporation	52.63	Consumer Cyclical Sector	Restaurants
PEP	Pepsico Inc	90.86	Consumer Defensive Sector	Beverages - Soft Drinks
PG	Procter & Gamble Co	69.81	Consumer Defensive Sector	Household & Personal Products
SLB	Schlumberger Ltd	68.98	Energy Sector	Oil & Gas Equipment & Services
BX	The Blackstone Group L.P	33.53	Financial Services Sector	Asset Management
BAC	Bank Of America Corp	15.63	Financial Services Sector	Banks - Global
BBT	Bb&T Corp	35.60	Financial Services Sector	Banks - Regional - US
MS	Morgan Stanley	32.64	Financial Services Sector	Capital Markets
MA	MasterCard Inc	89.53	Financial Services Sector	Credit Services
PYPL	PayPal Holdings Inc	32.06	Financial Services Sector	Credit Services
MET	Metlife Inc	48.00	Financial Services Sector	Insurance - Life
PGR	Progressive Corp	29.07	Financial Services Sector	Insurance - Property & Casualty
GILD	Gilead Sciences Inc	104.34	Healthcare Sector	Biotechnology
XON	Intrexon Corporation	42.58	Healthcare Sector	Biotechnology
TMO	Thermo Fisher Scientific Inc	123.00	Healthcare Sector	Diagnostics & Research
AKRX	Akorn Inc	37.73	Healthcare Sector	Drug Manufacturers - Specialty & Generic
CVS	CVS Health Corporation	101.77	Healthcare Sector	Health Care Plans
UNH	UnitedHealth Group Inc.	111.71	Healthcare Sector	Health Care Plans
AMSG	Amsurg Corp Common	79.05	Healthcare Sector	Medical Care
CSX	Csx Corp	25.86	Industrials Sector	Railroads

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Symbol	Company	trkPrice	Sector ▲	Industry
PANW	Palo Alto Networks, Inc.	164.62	Technology Sector	Communication Equipment
AAPL	Apple Inc	109.66	Technology Sector	Consumer Electronics
CLS	Celestica Inc	11.79	Technology Sector	Contract Manufacturers
FB	Facebook Inc	84.73	Technology Sector	Internet Content & Information
LRCX	Lam Research Corp	68.95	Technology Sector	Semiconductor Equipment & Materials
SWKS	Skyworks Solutions Inc	83.94	Technology Sector	Semiconductors
CRM	Salesforce.com Inc	66.68	Technology Sector	Software - Application
FEYE	FireEye, Inc.	37.05	Technology Sector	Software - Application
FLTXX	Fleetmatics Group PLC	45.10	Technology Sector	Software - Application
KEYW	Keyw Holdings	7.76	Technology Sector	Software - Application
PAYC	Paycom Software Inc	37.69	Technology Sector	Software - Application
MSFT	Microsoft Corp	41.27	Technology Sector	Software - Infrastructure
NEE	NextEra Energy	100.18	Utilities Sector	Utilities - Regulated Electric
SO	Southern Company The	43.60	Utilities Sector	Utilities - Regulated Electric
BTO	John Hancock Financial Opportunit	25.51		
EWJ	iShares MSCI Japan Index Fund E	11.84		
FXD	First Trust Consumer Discretionar	34.52		
GDXX	Market Vectors Gold Miners ETF	13.17		
GS.D	The Goldman Sachs Group Inc - P	19.40		
JNK	SPDR Barclays High Yield Bond ET	36.74		
JO	iPath Dow Jones-UBS Coffee Total	19.77		
KBWB	PowerShares KBW Bank	36.48		
MYD	Blackrock Muniyield Fd Inc	14.08		
PRFZ	PowerShares FTSE RAFI US 1500	93.17		

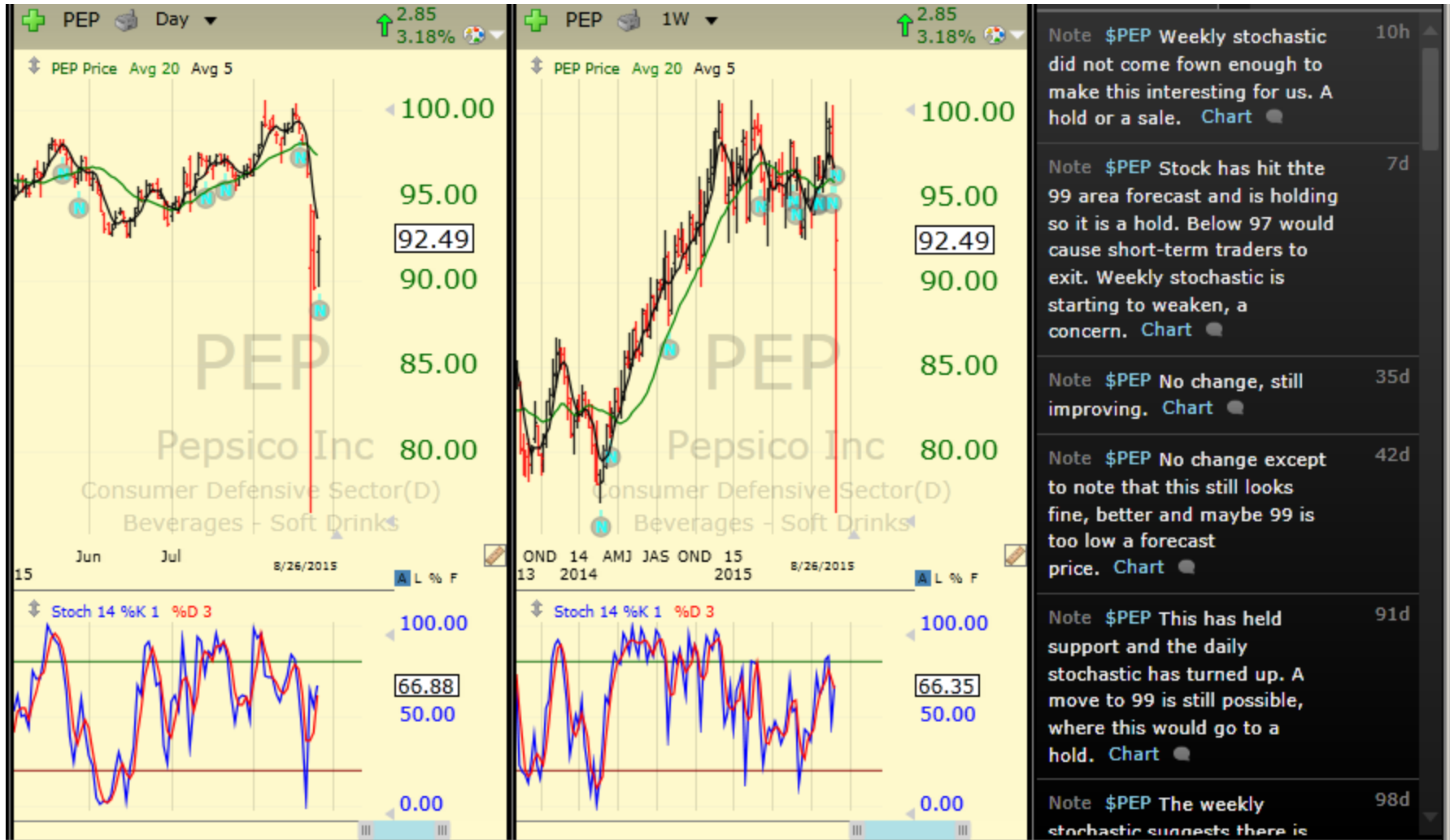
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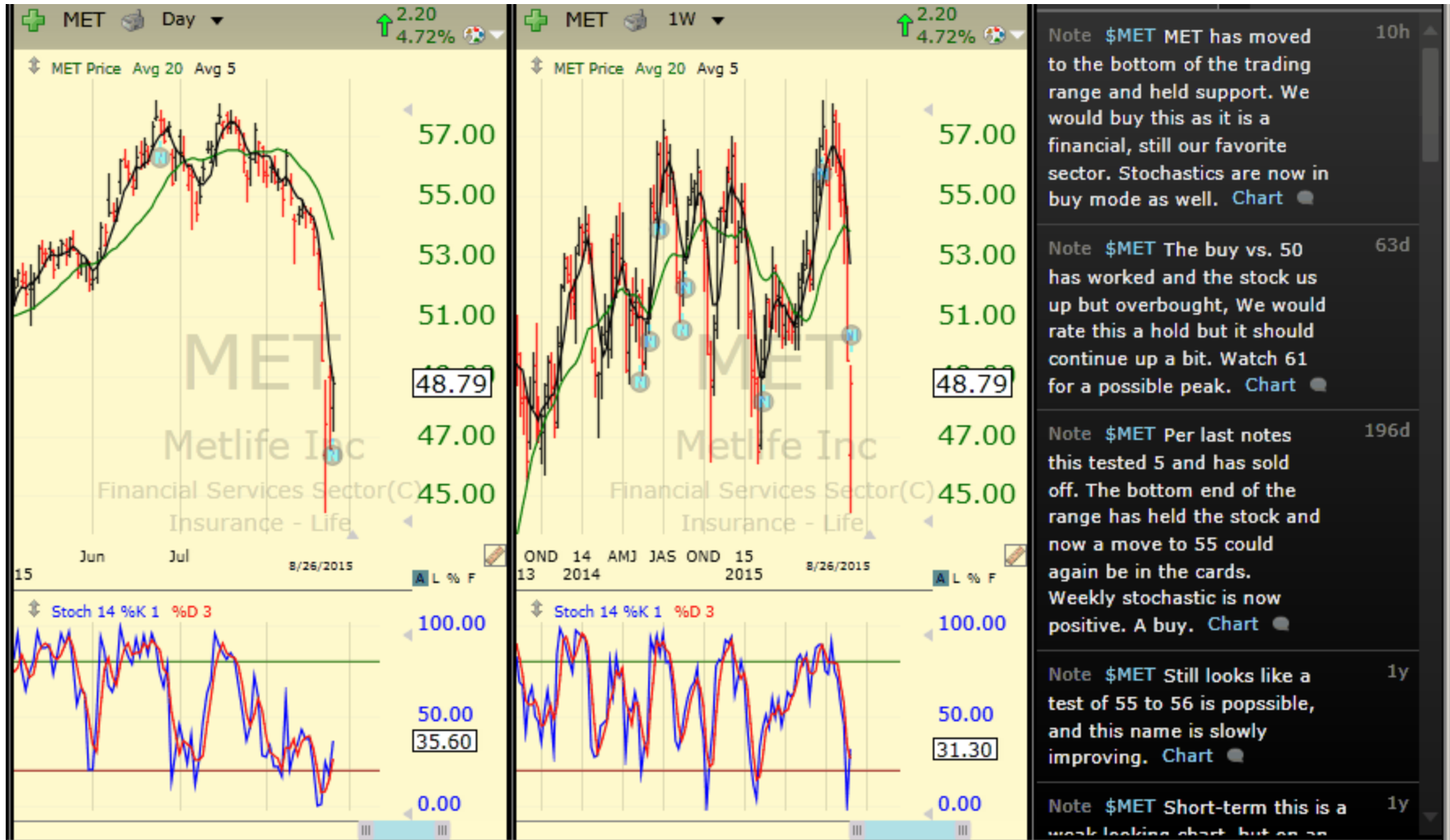
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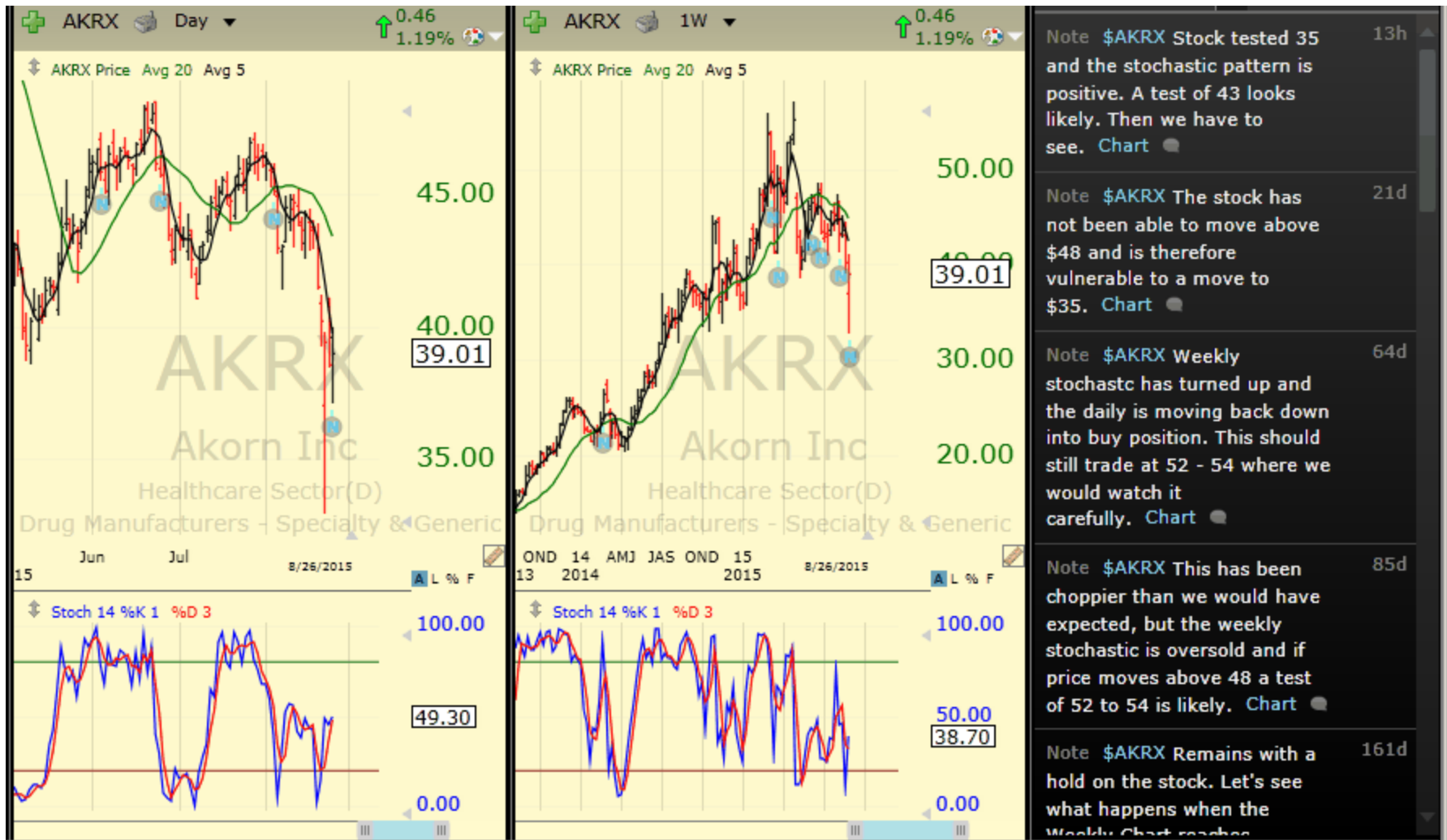
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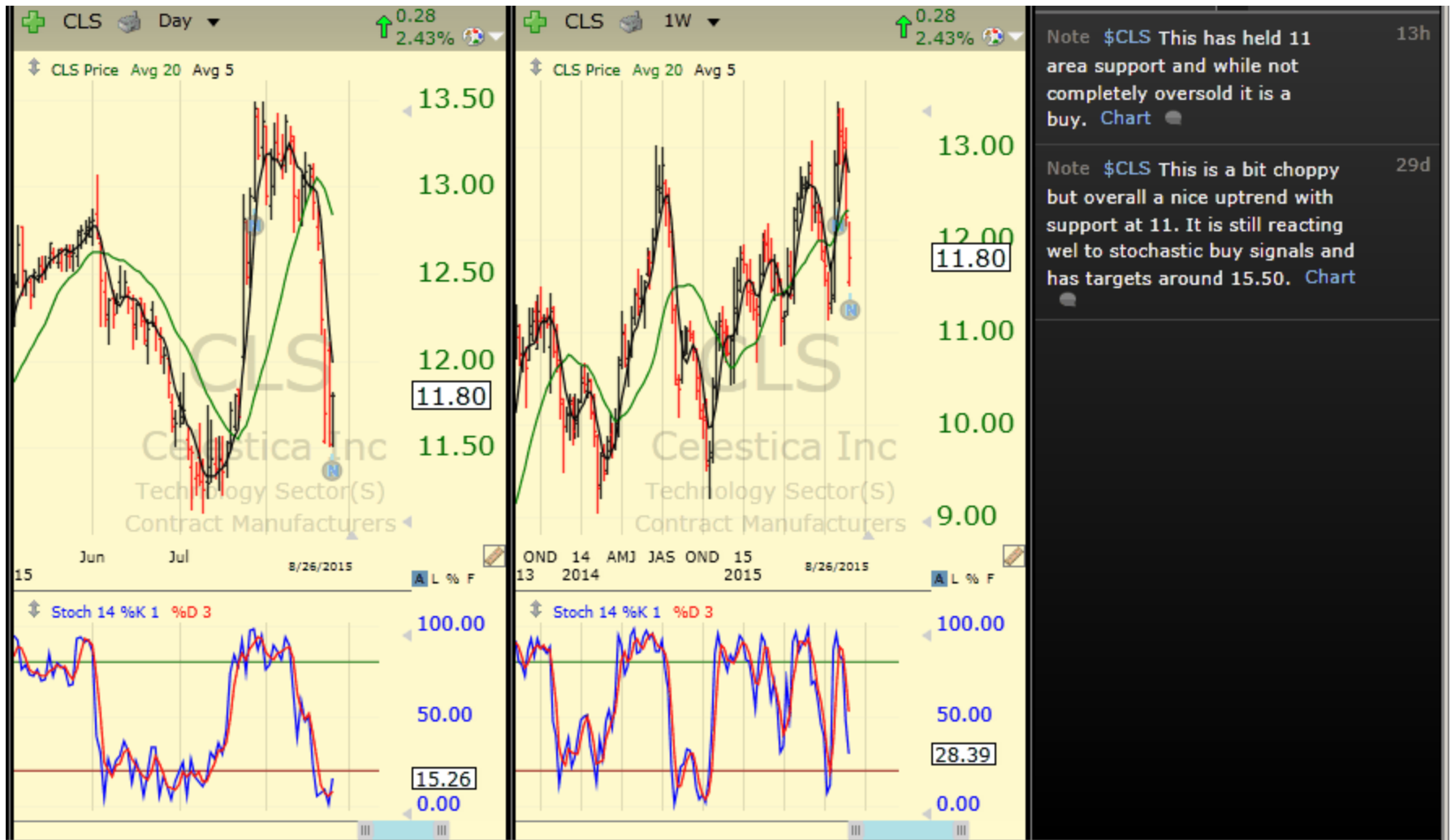
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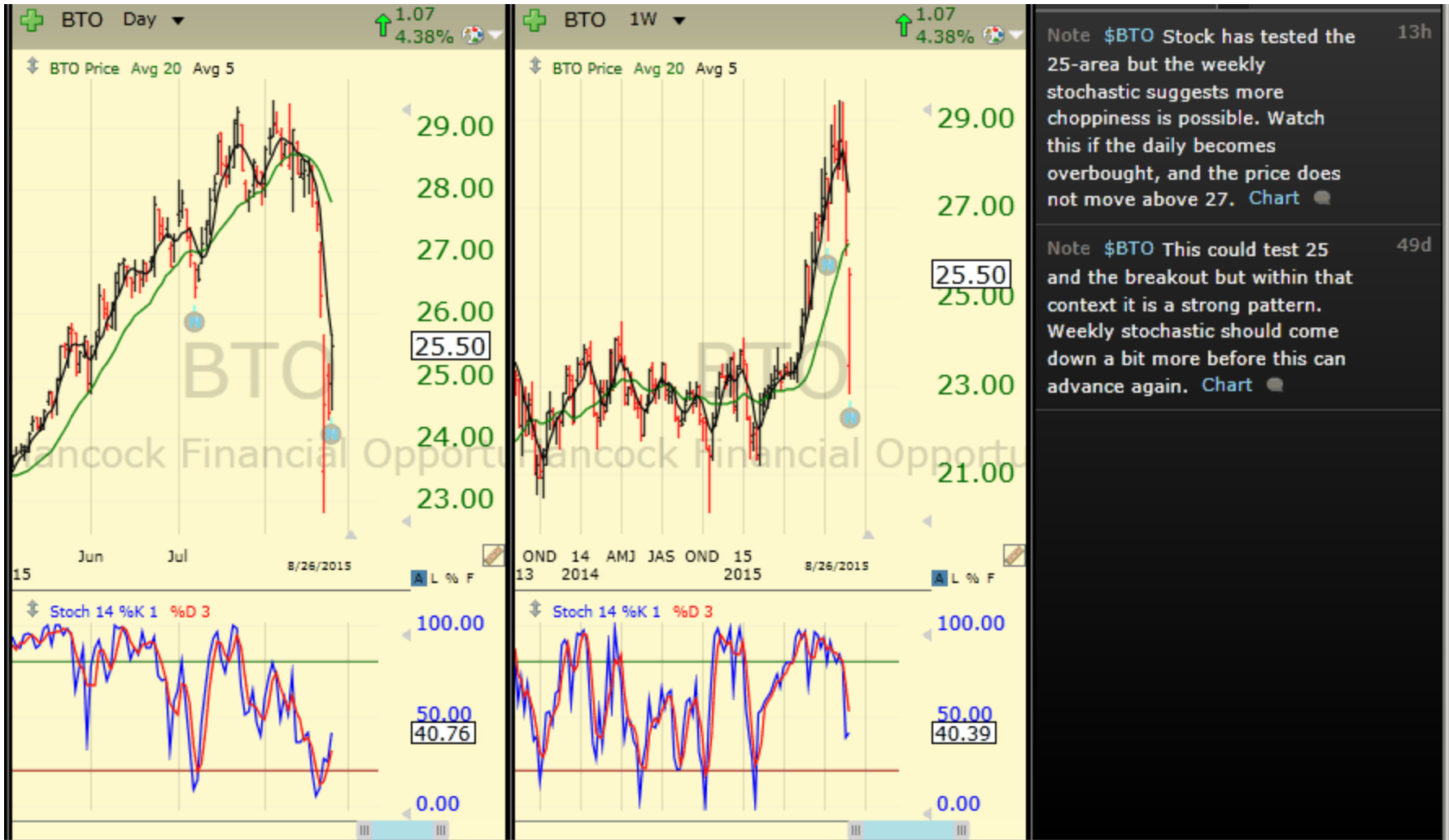
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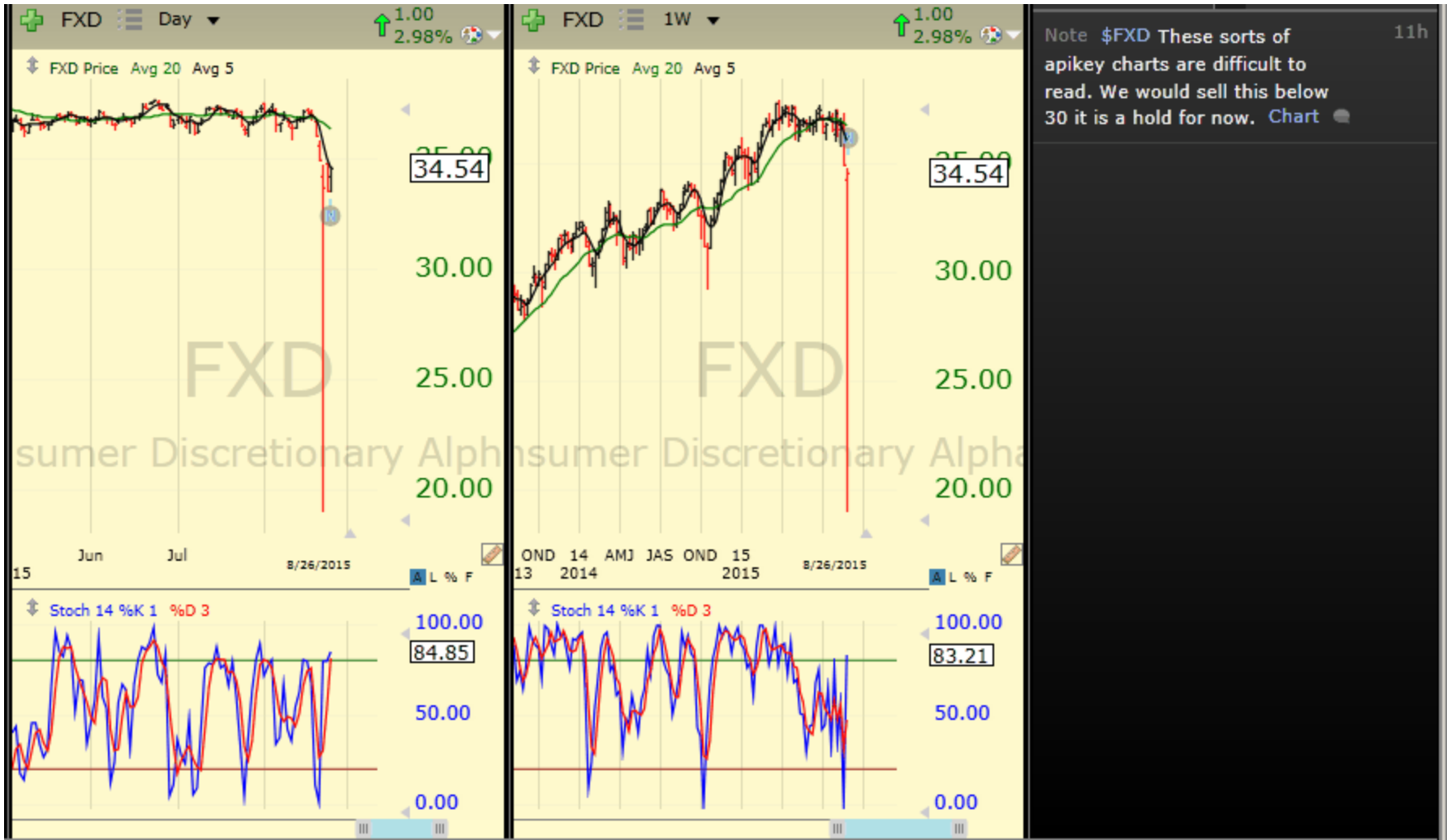
Note \$BTO Stock has tested the 25-area but the weekly stochastic suggests more choppiness is possible. Watch this if the daily becomes overbought, and the price does not move above 27. [Chart](#) 13h

Note \$BTO This could test 25 and the breakout but within that context it is a strong pattern. Weekly stochastic should come down a bit more before this can advance again. [Chart](#) 49d

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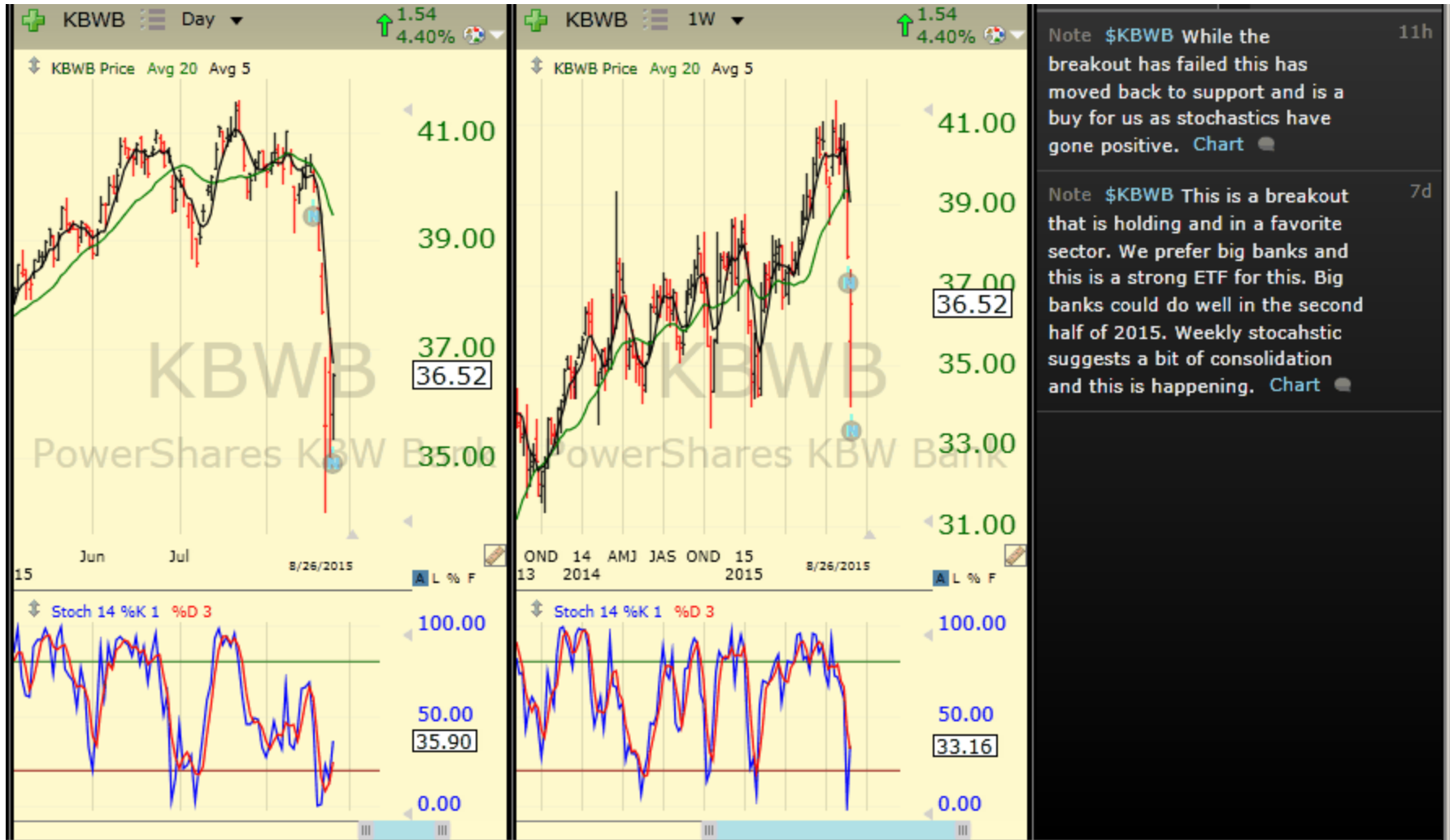
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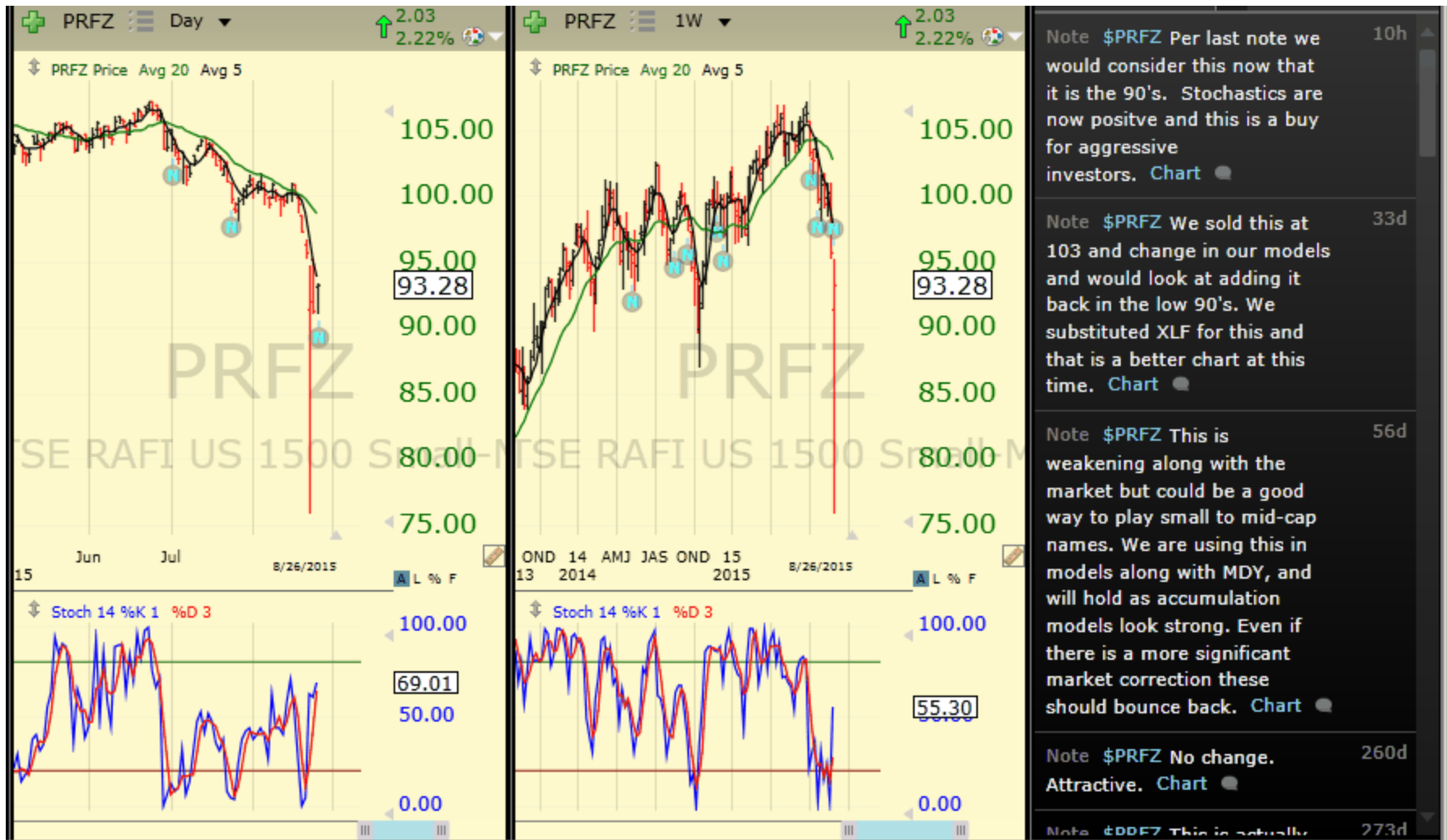
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Technical Indicators

Readers will note that we use the same indicators on all of the charts in this presentation. We append definitions of these indicators and are available via email (fred@thefredreport.com) to answer questions about this methodology.

Technicals Defined

Moving Averages:

Moving averages are one of the building blocks of Technical Analysis, and there are almost as many ways to use this indicator as there are technicians.

At the FRED report we teach and use a dual moving average crossover system to determine trend. Our favorites are the 5 period and 20 period moving averages. We consider the trend to be up if the 5 is above the 20, and down if below it.

Stochastics:

The Stochastic Oscillator is one of the commonly used momentum oscillators and is standard on charting programs. There are two lines on the chart below, %K and %D.

%K is the faster of the two lines, and represents a mathematical formula that *measures where the current close is in relation to the trading range of the last "X" periods of time*. We use a 14 period look-back, so in plain English %K says where the current close is in the trading range of the last 14 days, expressed as a %.

At the FRED report we use it somewhat differently than is commonly taught. The standard way to use the indicator is to register a buy signal when it moves below, and then above, 20 (the lowest 20% of closing prices in the last 14 days). A sell signal is when the indicator moves above, and then below 80 (the highest 80% of closes over the last 14 days).

The other line, %D, is a 3 period moving average of %K. We have found that the Stochastic is sensitive, so we advocate taking signals only in the direction of the trend. When looking at the standard FRED report chart, this would mean taking buy signals when the 5 is above the 20, and sell signals when the 5 is below the 20, but using a different technique to exit positions. The reason for this is the Stochastic is quite sensitive, and can give early indications, especially in new trends. It also can get "stuck" in the direction of trends, which connotes strength and not weakness. Another, preferred interpretation, is to use the indicator to measure risk. An example: buy in an uptrend, not when the stochastic is at 90% but rather wait until it falls below 50%, This way, even if a stock, commodity, or ETF does not give one of the "classic" signals, you can still use the indicator to assess risk, and leg into positions.

The FRED Report

Financial Research, Education & Data

The FRED Report (www.theFREDreport.com) was started to provide Financial Advisors and investors access to unbiased market research. The President of The Fred Report, **Fred Meissner, CMT** has been practicing Technical Market Analysis since 1983 and has worked in the research departments of Merrill Lynch and Robinson – Humphrey /Smith Barney. In addition he has served the public as a portfolio manager and financial advisor. We know the problems investors face and have devoted our career to helping find the best possible investments in all environments. Interested readers can also see his work every week at www.thestreet.com.

