0000 Chart Trader Stock Setups

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Stock Setups - Thursday - 6 March 2025

The stock market is looking shaky after stocks were hit with broad selling pressure the last two weeks. Even though the weight of the evidence remains bullish, we are seeing new lows in housing, retail and semis. Small-caps and mid-caps triggered bearish trend signals, new lows expanded within the S&P 1500, S&P 500 breadth is split and the Technology SPDR broke its 200-day SMA. The long-term breadth indicators are still net bullish, but another down swing or two would likely trigger a bear market signal.

The trading environment was extremely tough in February because many bullish breakouts failed. Furthermore, volatility remains above average and the news cycle is in overdrive. The seas are treacherous, trade accordingly. Consider higher cash levels, smaller positions or even a trading stop to focus on research for when conditions improve.

There are five new setups today and some updates to prior setups. We start with three stocks from the defense industry because the Aerospace & Defense ETF (ITA) is one of the leading industry group ETFs. I am also featuring a pharma stock (BMY) because the Healthcare SPDR (XLV) is showing relative strength here in 2025. And finally, we have an off-price retailer (TJX). Even though it is part of the Consumer Discretionary sector, its off-price nature makes it more like a Consumer Staple.

Chart Setups and Updates

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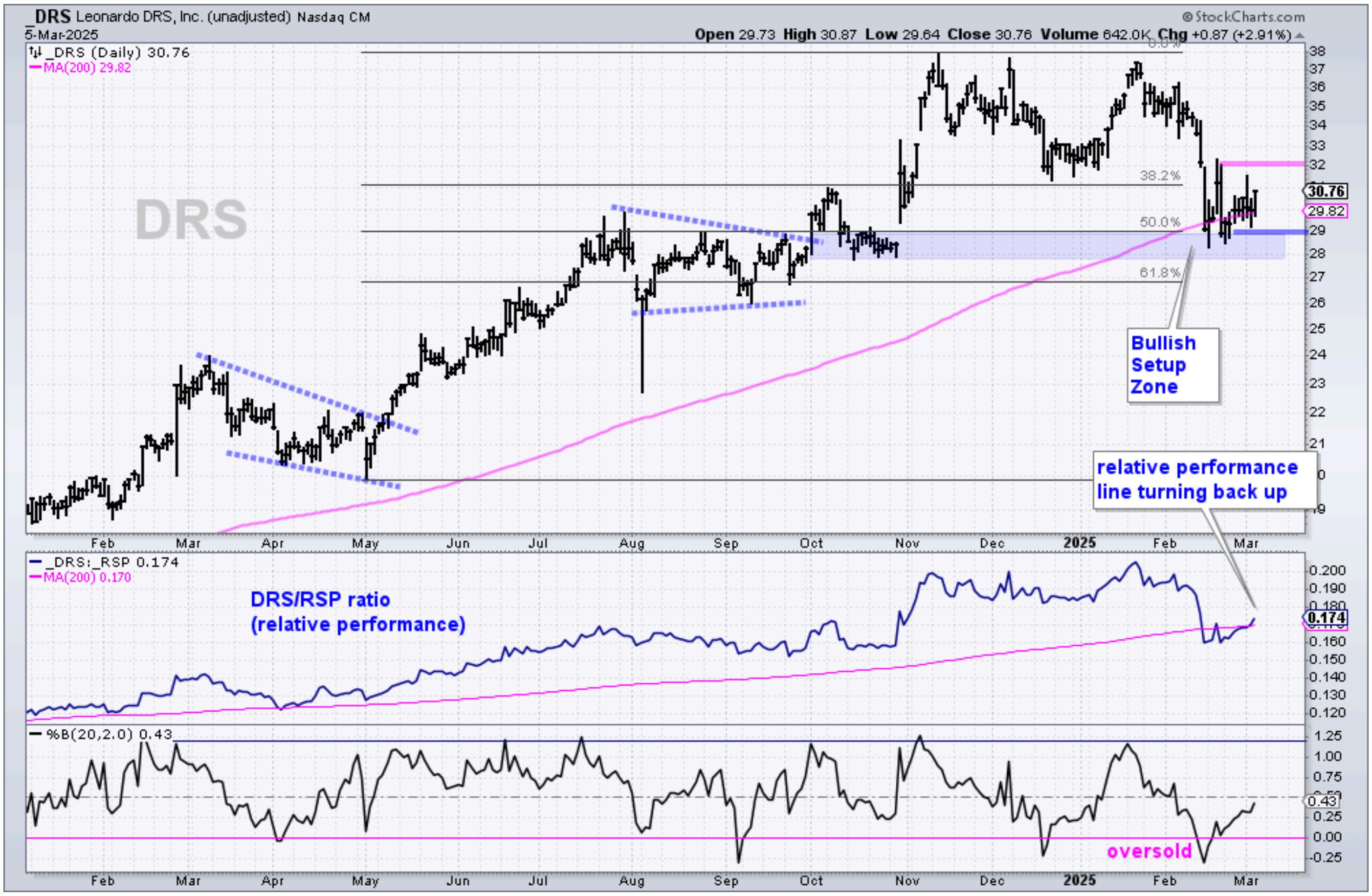
The charts in this PDF report are linked to a SharpChart.
Use CRTL + and - to Zoom on the PDF.

IN_Defense_Kratos (drones)

2025-03-06: KTOS Reverses off Bullish Setup Zone // Kratos Defense & Security Systems (KTOS) made a huge round trip this year as a surged over 35 percent and fell 30 percent. These big numbers attest to the volatility and risk in the stock. Despite this wild ride, the stock is in a long-term uptrend and trading near its mid December levels. Overall, the long-term trend is up with a new high in January and price above the rising 200-day. I see a bullish setup as the stock reversed off a Bullish Setup Zone in the 25 area. The rising 200-day SMA, November-December lows and 61.8 percent retracement mark this zone (blue shading). The stock reversed rather sharply with a bounce and short-term breakout the last seven days. I view this breakout as bullish and will my set re-evaluation at 24.

-- Kratos is a defense and security company involved in microwave electronic products, space, satellite and cybersecurity. It also develops unmanned aerial, unmanned ground, unmanned seaborne and related command, control and communications system businesses. Drones.

IN_Defense_Leonardo DRS (drones)



2025-03-06: DRS Firms at Bullish Setup Zone // Leonardo DRS (DRS) was hit hard in February with a decline below 30, but it is in a leading group (Defense) and firming in a Bullish Setup Zone (blue shading). The October lows, 50 percent retracement and rising 200-day SMA mark the Bullish Setup Zone in the 28-29 area. When a stock is correcting within a long-term uptrend, I use these tools to identify a price zone that may lead to firming and a reversal. The typical ebb and flow of an uptrend is two steps forward and one step backward, which is why I use the 50% retracement line as one of these tools. DRS is firming right at this retracement. I am marking short-term resistance at 32 and a breakout here would be bullish. I would then mark re-evaluation support at 29. Yes, this is a volatile stock with above average risk.

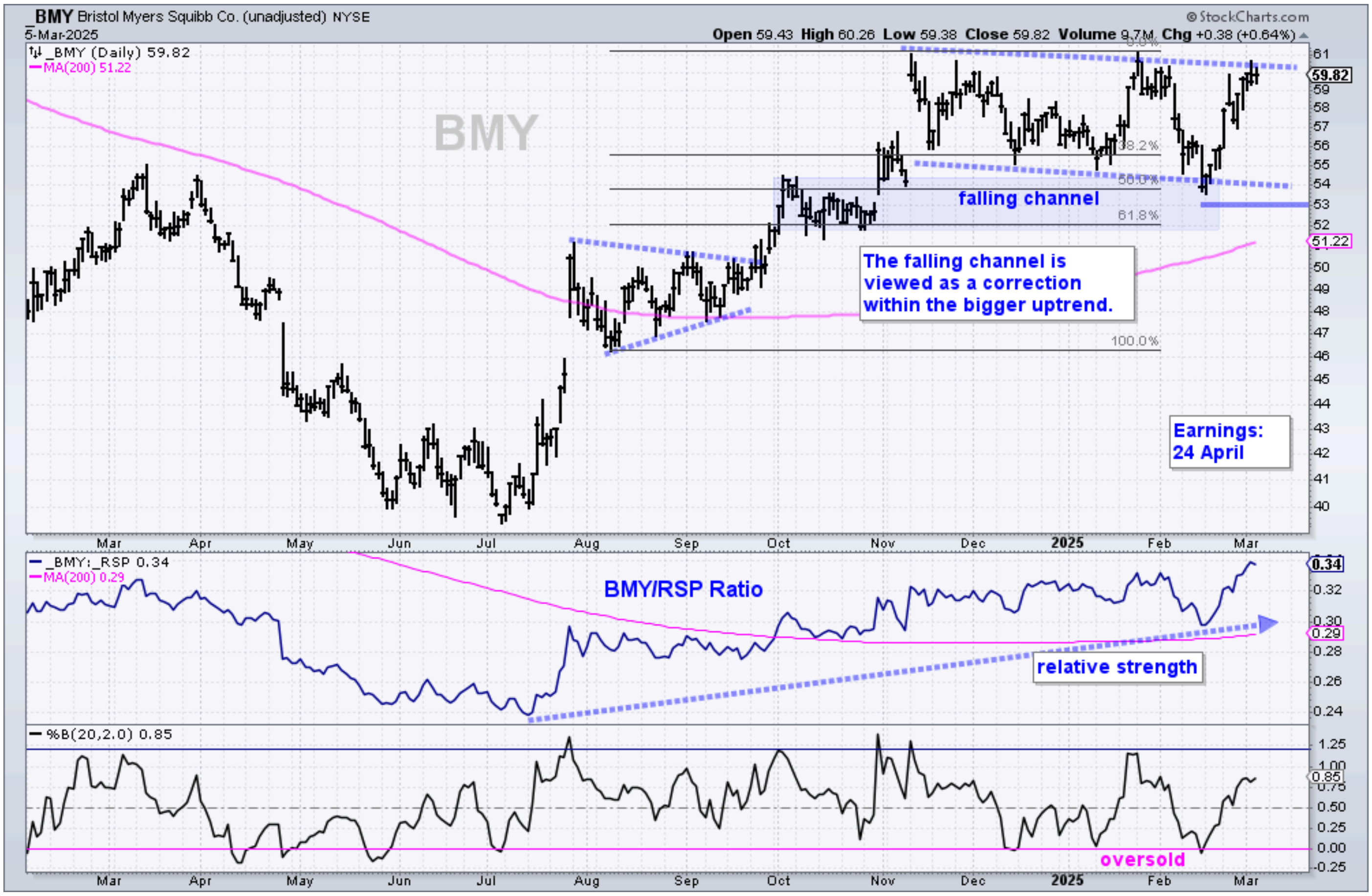
--Leonardo DRS develops and manufactures defense products that include advanced sensing, network computing, force protection, electrical power/propulsion and drones.

IN_Defense_TransDigm

2025-03-06: TDG Breaks Out and Leads the Market // TransDigm (TDG) is not the most exciting stock, but it is in a strong industry (defense) and in an uptrend. TDG also shows relative strength as the price-relative (TDG/RSP ratio) breaks out (middle window). On the price chart, TDG hit a new high in October and then corrected into November. After firming near the 200-day SMA, the stock broke out with a surge in January. Follow through was contained as the stock gyrated around the breakout zone in February and a triangle formed. TDG broke out of this triangle with a surge the last seven days. I view this breakout as bullish and within the context of a leading uptrend. Re-evaluation support is set at 1280.

--TransDigm develops and produces aircraft components.

HC_Pharma_Bristol-Myers S



2025-03-06: BMY Challenges Resistance as Price-relative Hits New High // Bristol Meyers (BMY) is part of the Healthcare SPDR (XLV), which is the best performing sector year-to-date (+8.8%). On the price chart, BMY is in a clear uptrend as it trades near its highs and above the rising 200-day SMA. The price-relative (BMY/RSP ratio) is also in a strong uptrend with a new high in early March. Despite trading at near a new high, the stock remains within a falling channel correction since November. This decline retraced around 50% of the August-November advance and found support at the top of the October consolidation (blue shading). BMY surged to resistance the last two weeks and looks poised to break out. This chart is bullish with re-evaluation support set at 53.

CD_Retail_TJX Companies

2025-03-06: TJX Consolidates after Wedge Breakout // TJX Companies (TJX) is in a long-term uptrend and showing relative strength since November. The stock hit a new high in early December and remains above the rising 200-day SMA. The middle window shows the price-relative turning up in November, hitting a new high in late December and remaining above its 200-day SMA. Short-term, the stock corrected with a wedge into mid January and broke out with a surge above 122. Notice that prices reversed near the Bullish Setup Zone (blue shading). The prior breakout, and 61.8 percent retracement mark this zone. TJX did not follow through after this breakout, but it held up well over the last five weeks and the breakout is holding. I view it as bullish until proven otherwise. A close below 119 would call for a re-evaluation.

--TJX operates retail stores that sell apparel and home fashion products.

IN_Industrial_Fastenal

2025-03-06: FAST Sets up with Second Test of Bullish Setup Zone // Fastenal (FAST) broke out with a surge in mid January, fell back to the 200-day SMA with a flag and edged higher the last few weeks. Overall, the wedge breakout is holding and remains bullish. Note that FAST reversed off a Bullish Setup Zone (blue shading). During a pullback, I use retracement levels, broken resistance and other tools to mark Bullish Setup Zones. These are zones where prices may firm and reverse after a pullback or correction. Short-term, the flag breakout is also holding as the stock held up well over the last four weeks. Even though we have yet to see follow through, I view these breakouts as bullish with re-evaluation support set at 72. A close below this level would negate the breakouts and call for a re-evaluation.

-- Fastenal (FAST) provides inventory management services and distributes industrial products (fasteners, hardware, small machinery).

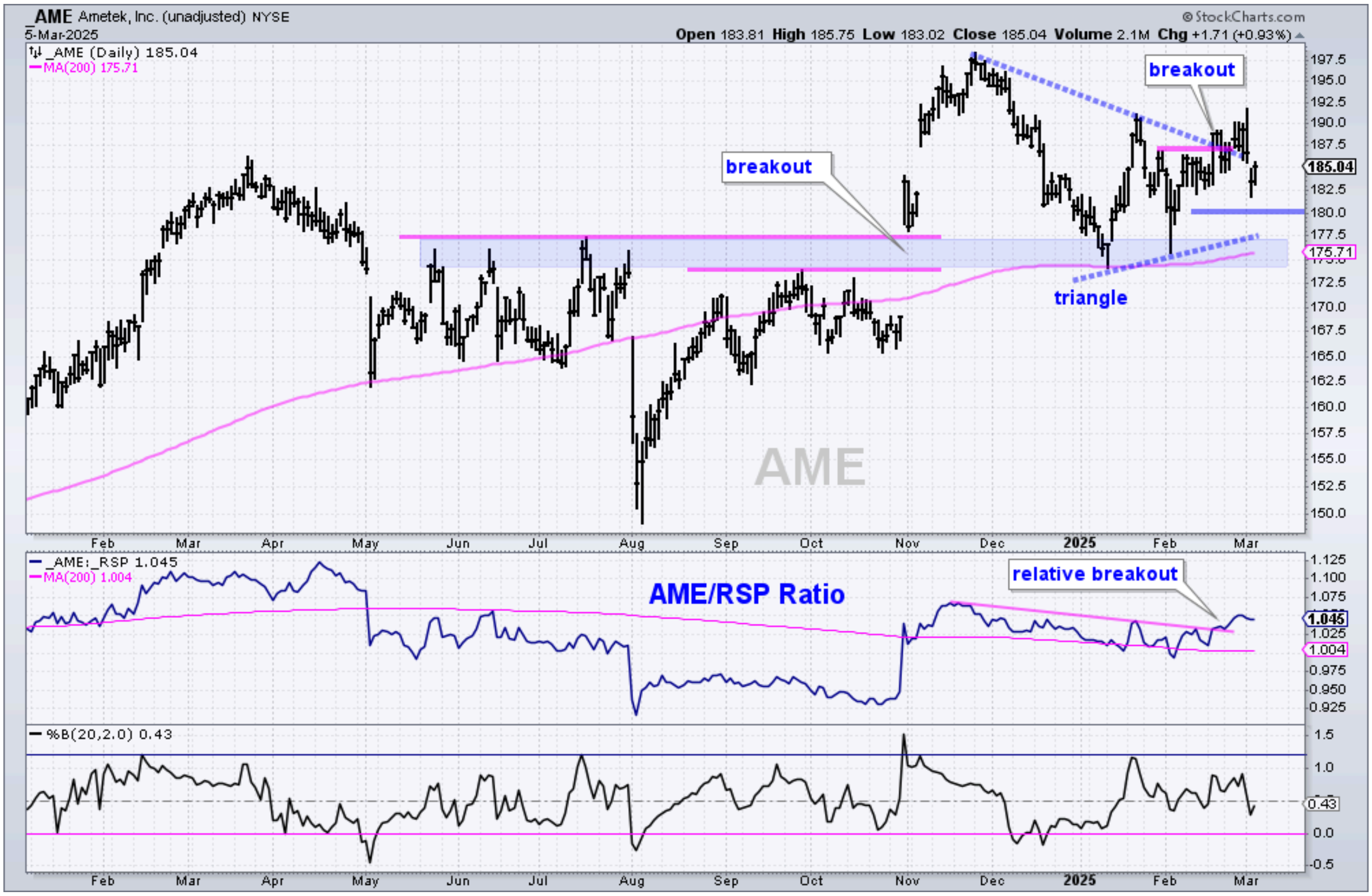
HC_Biotech_BioNTech SE ADR

2025-03-06: BNTX Holds Breakout Zone and Leads // BioNTech SE (BTNX) was first featured on February 6th, five weeks before earnings, which are on March 10th. There is not buffer heading into earnings because the stock is still trading near support. Also keep in mind that BNTX is a biotech stock with above average volatility (risk). The stock surged some 70% from early August to mid September and broke resistance in the process. A 70% surge in six weeks is testament to the volatility, which cuts both ways. After the breakout surge, BNTX corrected with a falling channel that retraced around 61.8% of the 70% advance. The retracement amount and pattern are typical for corrections after sharp advances. The stock reversed this fall with a breakout surge in late November and this breakout is holding. Notice how the breakout zone turned support (blue shading) and held in December-January. Thus, the long-term trend is up and the breakout is holding. This is a bullish chart with re-evaluation support set at 108.

EN_NatGas_Cheniere Energy

2025-02-27: LNG Bounces off Support and Breaks Out of Wedge // Cheniere Energy (LNG) is in the liquefied natural gas business. It exploded higher in November and January, and then came back down to earth with a decline into February. This is a volatile stock with above average risk. Overall, the long-term trend is up so I view the January-February decline as a correction within this uptrend. LNG hit a Bullish Setup Zone marked by support from the December low, the June trendline and the 61.8 percent retracement line (blue shading). Also note that a falling wedge formed and these patterns are typical for corrections within a bigger uptrend. LNG broke out with a surge on February 20th and I view this breakout as bullish. The stock fell back after the breakout, but this is a normal throwback after the surge. I am setting a re-evaluation at 210, and a close below this level would negate the breakout. The middle window shows the price-relative (LNG/RSP ratio) in a long-term uptrend, which means LNG shows relative strength. This ratio fell into February, but also turned up the last two weeks and broke the pink trendline.

IN_Defense_Ametek



2025-02-27: AME Breaks Triangle Line as Price-relative Turns Up // Ametek (AME) surged from late October to late November and broke two resistance levels in the process (pink lines). As with many November surges, the stock fell back to earth with a decline into January. This decline returned to the breakout zone, which turns into a support zone (blue shading). Also note the 200-day SMA (pink line). AME went on to form a triangle consolidation the last few months and broke the upper line with a bounce in February. AME shows relative strength this month because it is breaking out as the market dips. The middle window shows the price-relative (AME/RSP ratio) turning up and breaking the pink trendline. I view the triangle breakout as bullish and will mark re-evaluation support at 180. Ametek is part of the Industrials SPDR (XLI).

TE_CyberSec_Gen Digital

2025-02-20: GEN Firms Above Rising 200-day SMA // Gen Digital (GEN) is in a long-term uptrend with a 52-week high in early December and price above the rising 200-day SMA. The stock shows long-term relative strength, but short-term relative weakness as is corrected since December. A falling wedge formed as the stock retraced around 50 percent of the prior advance and returned to the 200-day SMA. GEN also found support from the October lows in the 27 area. Based on support, the retracements and the rising 200-day SMA, I see a Bullish Setup Zone in the 27 area (blue shading). During a correction, these are zones to watch for firming and a reversal. The stock is firming here and a breakout at 28.5 would be bullish, arguing for a continuation of the bigger uptrend. I would then mark re-evaluation support at 26.50. The middle window shows the price-relative (GEN/RSP ratio) falling since December. A break above the early February high would show relative strength. Gen Digital provides cybersecurity, data storage, and systems management solutions. Its brands include Norton, Avast, Lifelock, Avira, AVG, and CCleaner.

TE_AI_Data Center REIT

2025-02-20: EQIX Corrects and Firms at Bullish Setup Zone // Equinix (EQIX) is in a long-term uptrend with a 52-week high in early December and price above the rising 200-day SMA. The stock also shows relative strength with the price-relative (EQIX/RSP Ratio) rising and holding above its 200-day SMA (middle window). Short-term, the stock corrected with a decline that retraced 38-50 percent of the prior advance. EQIX found support near the October-November low (blue shading) and I view this as a Bullish Setup Zone. The stock is firming and a breakout at 940 would be bullish. I would then mark re-evaluation support at 890. Equinix is a REIT that specializes in data centers and internet infrastructure.

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