

# Shipping and Railroad Stocks at a Crossroads (UNP)

Tickers in this article: [CP](#), [KSU](#), [KEX](#), [UNP](#)

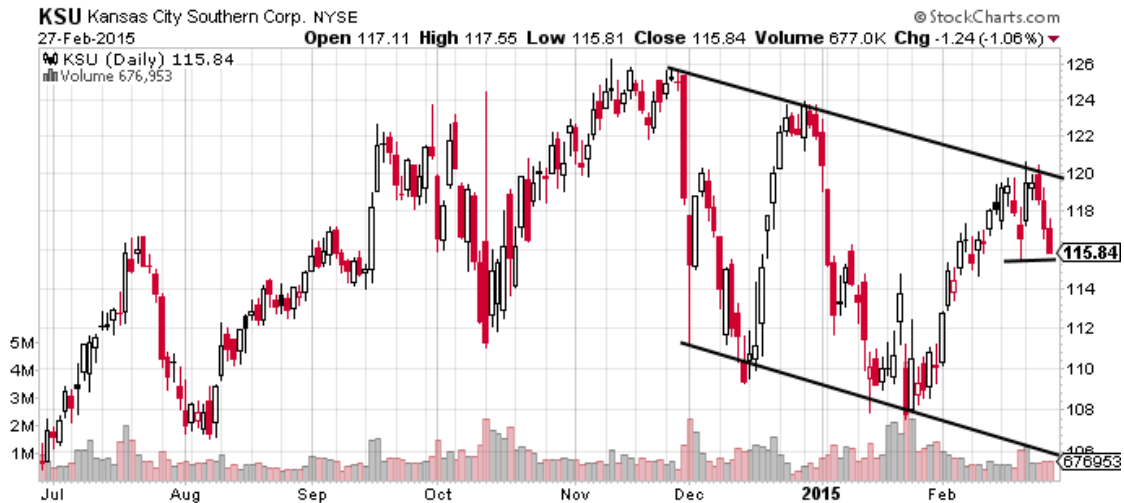
These four stocks are at a crossroads. Currently testing resistance of a descending trend channel, a break above [resistance](#) indicates the downtrend (or range in the case of one stock) could be over. A break higher isn't necessarily an immediate buy signal though. It just shows an uptrend may be beginning. Traders can then look to buy on [pullbacks](#) which stay above recent swing lows (consider using [Fibonacci retracements](#) for picking entries). If the price declines off resistance though — and this process has already begun — it's a sell/[short-sell](#) signal.

## Canadian Pacific Railway Ltd. ([CP](#))



In February, the price of Canadian Pacific Railway Ltd. ([CP](#)) rallied off channel support, and is currently testing channel resistance (top of channel). From Feb. 18 to 26 the price has consolidated (near top of channel) between \$193.66 and \$187.52. On Feb. 27 the price slid slightly below the the low of that consolidation, providing a sell or short-sell signal. The drop below the consolidation low indicates that, at least for the short-term, resistance has held and the price is likely to head toward the channel bottom. Downside [targets](#) are \$175, near January and February lows, followed by \$171. A rally back above \$195 signals the February rally may be the start of a larger move higher. (For related reading, see: [Tight Consolidation Breakouts to Watch.](#))

## Kansas City Southern ([KSU](#))



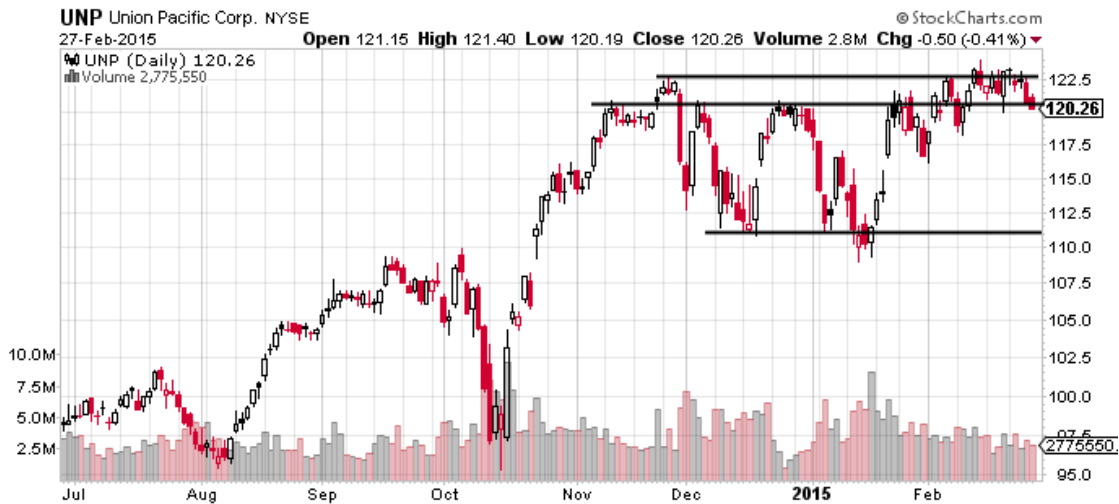
Kansas City Southern ([KSU](#)) has a similar price structure, and on Feb. 26 and 27 declined off a resistance area. While it appears the price is heading lower, a drop below the Feb. 20 [swing low](#) at \$115.50 will help confirm. The initial downside price target is \$109, just above the January lows, followed by a more aggressive target at \$105.75, the bottom of the trend channel. A rally above the February high at \$120.63 points to the rally progressing higher to resistance in the \$123.75 region, or even \$126, the 52-week high. (For related reading, see: [Interpreting Support and Resistance Zones.](#))

## Kirby Corp. ([KEX](#))



Kirby Corp. ([KEX](#)) has dropped more than 35% since September, but has stabilized in 2015. Since mid-January the price has struggled to push through a resistance area between \$79.30 and \$81. The most recent rally in February also reversed off this level, showing the downtrend remains in effect. Downside targets are \$72, just above the January low, followed by \$69 if the low is taken out. Above \$81 there is resistance between \$82.90 and \$83.40; until the price rallies through that area this stock remains [bearish](#). (For related reading, see: [Support and Resistance Basics.](#))

## Union Pacific Corp. ([UNP](#))



Union Pacific Corp. ([UNP](#)) is showing [relative strength](#) compared to CP and KSU (all rail companies). Union Pacific made a new high in February, keeping the uptrend alive, but just barely. An alternative interpretation to the uptrend is to view this stock as in a range, since December, with a number of false upside and downside breakouts. With the price declining back below prior swing highs on Feb. 26 and 27, the break to new highs in February now looks like it could be another false upside breakout. If that's the case, look for the price to head toward channel support between \$112.50 and \$111.50 (false breakout low is at \$109.54). A rally above \$124.52, the February high, does add credibility to the uptrend argument, but with the price just barely able to scrape out new highs, buying on a new(er) high isn't the best entry point in this environment. Look to buy more toward range support, if it holds (consolidates at support and then starts pushing higher again), as that provides a much better [reward-to-risk ratio](#). (For related reading, see: [A Primer On The Railroad Sector](#).)

## The Bottom Line

Union Pacific is still holding up, but just barely. The stock looks to have completed another [false breakout](#), indicating a correction toward support. Canadian Pacific and Kansas City Southern are similar positions, except they are already in downtrends. With these stocks the decline off resistance is a sell or short-sell signal. Kirby, another shipping company, although not rail, it also in a downtrend. The decline of resistance is a sell signal, and will take a rally above resistance to trigger any kind of bullishness.

The price could break above resistance in all, or some, of these stocks. If that occurs, in light of recent weakness, it isn't an immediate buying opportunity. Let the price rally. Then, look to buy on a pullback which stops falling and starts rising before reaching a prior swing low. Trading in the trending direction requires quick reflexes, while trading a trend reversal requires patience. (For related reading, see: [A Look at the XTN Transportation ETF](#).)