

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

**June 23, 2014** - Another new high for the S&P 500 Friday and finally one for the Dow. The Nasdaq is still under resistance. But is that the market news? Or is it the Russell's improved but still lagging performance this year? We think rising oil and gasoline prices may be bigger.

Unleaded gasoline futures took out near-term resistance last week and are closing in on a 52-week high (chart below). Alternative energy is also on the move with breakouts in **TAN** (solar) and Natural Gas. Even wind (**FAN**) is in a strong rising trend.

Last week, we saw healthcare coming back but there is something exactly opposite in the sector data. Brewers led the pack Friday and are killing it relative to the market. So is tobacco. So are soft drinks (i.e. soda, pop, or sodapop, depending on your upbringing). Smokes and drinks and sugary beverages? Maybe that is why healthcare is rallying (tongue planted firmly in cheek).

Seriously, most of the market is in rally mode making sector work less effective. Consumer discretionary is the problem as it is lagging and under strong resistance. Telecoms stumbled. Same for apparel. Gold, energy, tires, the above-mentioned brewers and aluminum of all things are leading.

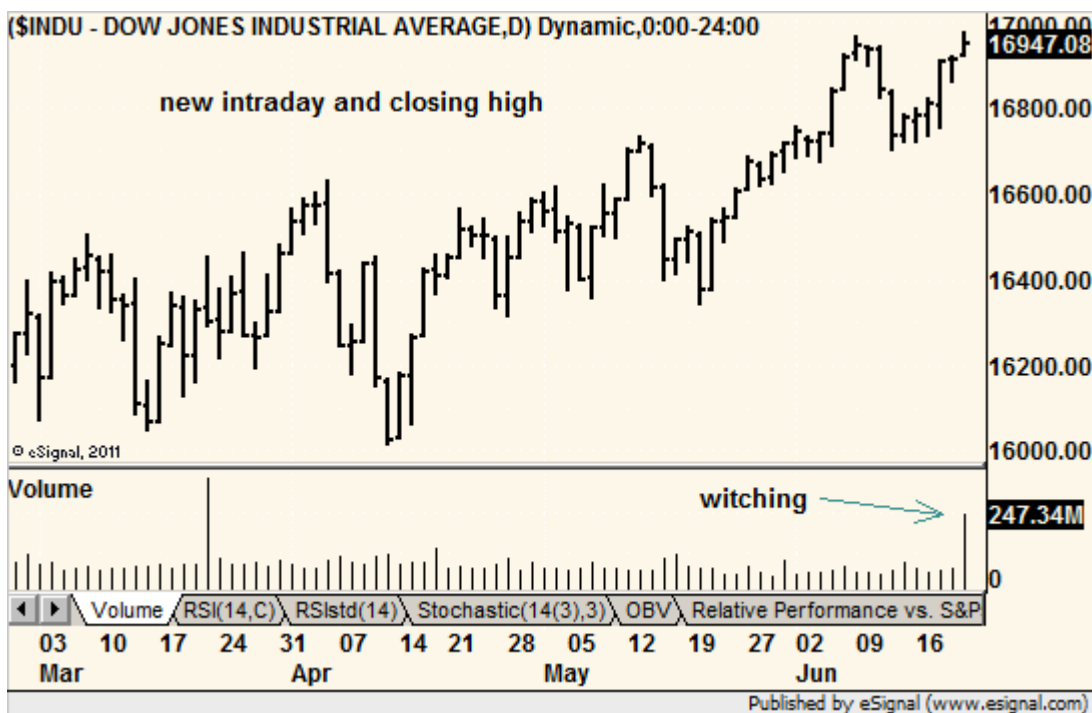


The hourly chart shows trading is now below minor support, making it new resistance. However, key supports are not in jeopardy at this time, as shown in the chart.

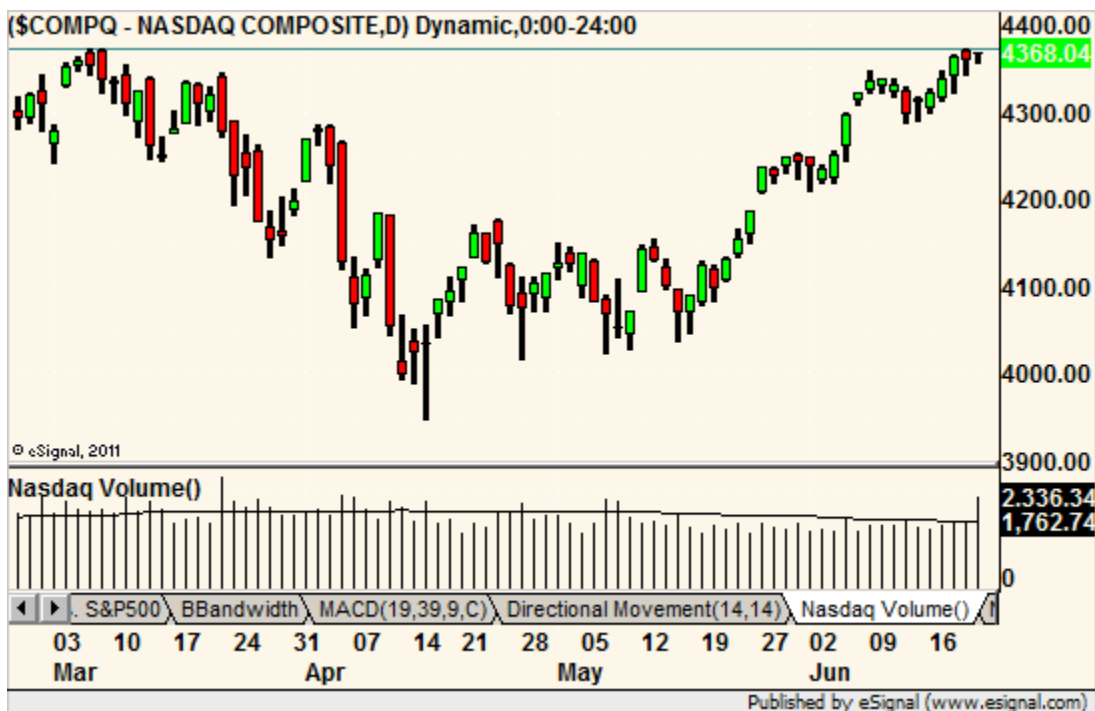
So, while it is nice to be able to throw darts into a list of rising sectors, we are turning our focus to finding what has to happen to scuttle the whole thing. We are quite long right now and it is time to prepare for the end of this phase of the rally.

Whether it becomes the end of the rally itself has yet to be considered.

## Index Charts of the Day



A new high. Options expiration was the volume spike instigator.



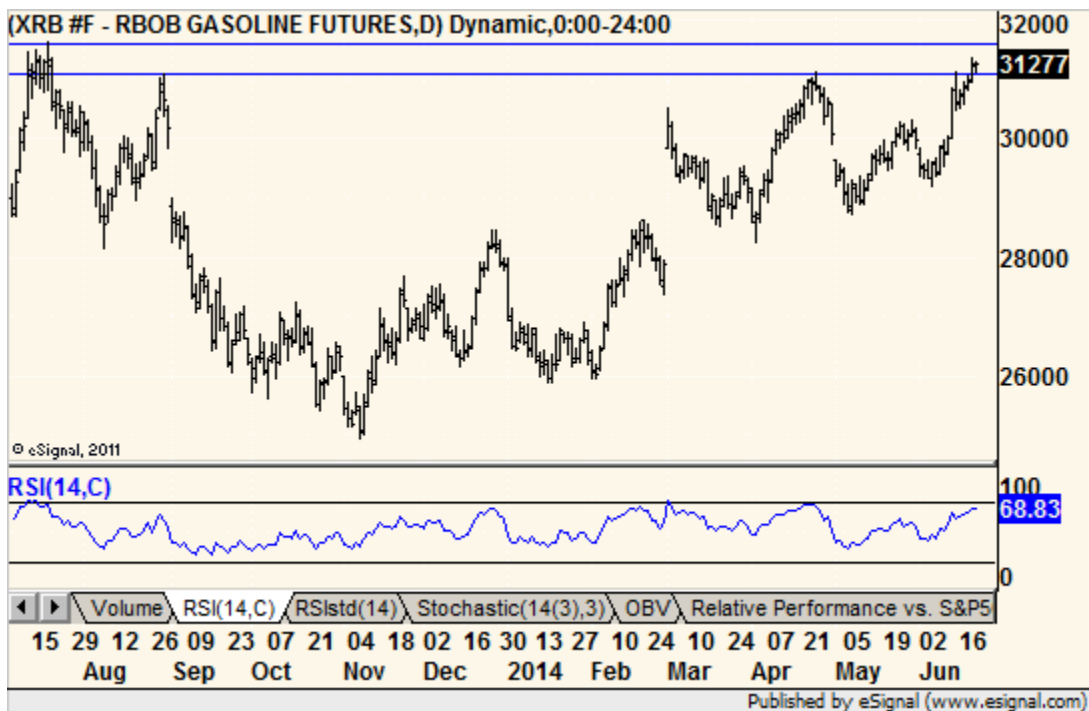
Volume spiked on expirations here, too, but the day left a doji candle. That much volume for so little progress is bearish, expirations or not. It must take out resistance soon to remain on track.

## The Radar Screen

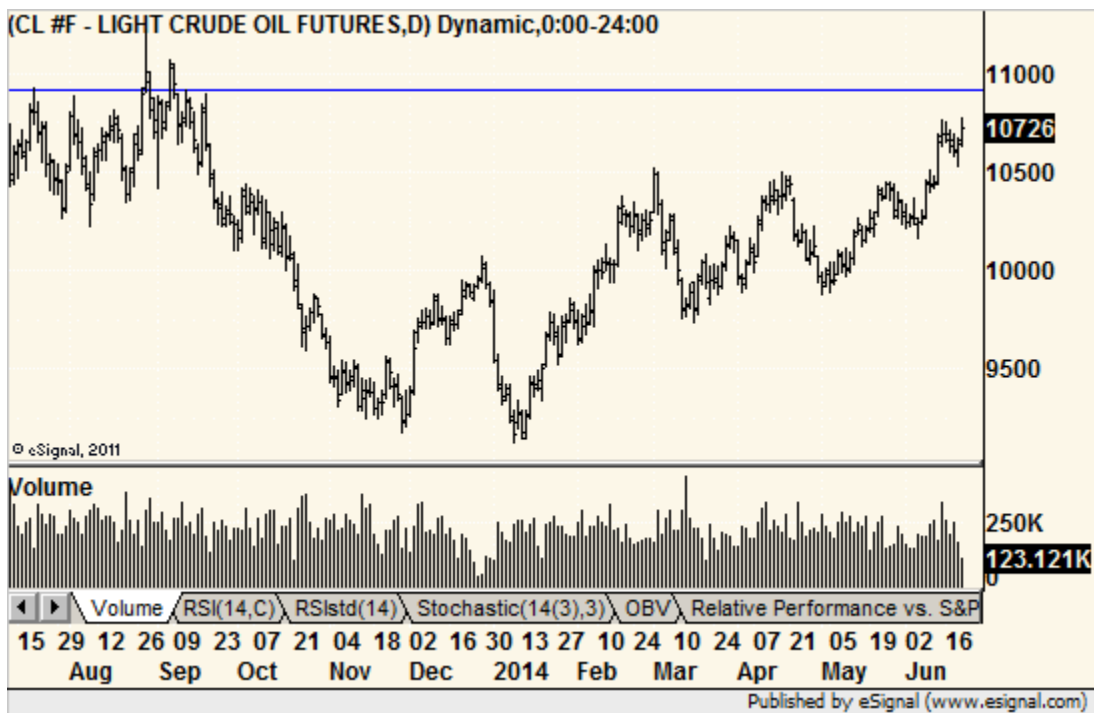
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances in the Radar Screen or the last major update. We do not take "buy/sell on close" triggers or "at the open" triggers if the stock moves more than 4-5%. See <http://quicktakespro.com/radar.html> for all Radar Screen rules and terms.

| <b>Bullish Implications</b>  |                  |      |
|--|------------------|------|
| <b>Paychex PAYX</b> - Rising stochastics in a trading range makes it lean bullish. Buy range breakout over 41.65. Close but no cigar - <u>again</u> .  |                  | 5/28 |
| <b>Lilly LLY</b> - A drug stock in a coil. Rising on-balance volume suggests it will break to the upside but we have to wait for it. Buy close over 60.  | <b>Triggered</b> | 6/19 |
| <b>Biotech ETF IBB</b> - Ready to break from a small rectangle pattern. Buy close over 250.58 (that is resistance)   | <b>Triggered</b> | 6/19 |
| <b>United Technologies UTX</b> - Rising on-balance volume during a trading range is bullish. Featured in ProfitableTrading.com as a buy so we will.  | <b>Triggered</b> | 6/19 |
| <b>Bristol Myers Squibb BMY</b> - This drug stock has the makings of a turnaround as it is back above a breakdown level. MACD sports a bullish divergence. Buy close over <u>Thursday's</u> high at 48.16  |                  | 6/20 |
| <b>Rockwell Collins COL</b> - watching this defense contractor to see if it can break resistance at 80.45. It did. We can buy.   | <b>Moved</b>     | 6/19 |
| <b>Bearish Implications</b>  |                  |      |
| <b>none</b> -  |                  | 5/28 |
| <b>Unknown Implications</b>  |                  |      |
| <b>none</b> -  |                  | 5/28 |
| <b>Holding Tank</b> - red shade leans bearish, green shade leans bullish   |                  |      |
| <b>Visa V</b> - Trend break but still above its averages. Bull reversal on volume tips it to the bull side. <u>We are ambivalent on this one now so we'll move on.</u>   | <b>Removed</b>   | 6/17 |
| <b>3-D Systems DDD</b> - This is the in-vogue 3D printing stock from last year. Look fairly similar to Solar City before its rebound breakout and its business is certainly in the eyes of futurists. Small handle-like pattern at gap resistance from last month. | <b>New</b>       | 6/23 |
| <b>Sector Watch</b> (observations that may spark ideas)  |                  |      |
| <b>Telecoms</b> - Double top breakdown and now in a possible bear flag.  |                  | 6/9  |
| <b>Gaming</b> - Still lagging. Never recovered.  |                  | 6/10 |
| <b>Semiconductor index SOX</b> - Resilient but now overbought. <b>See charts below</b>   |                  | 6/10 |
| <b>Heavy Construction</b> - Not participating in the rally. <b>CBI</b> got crushed on accounting issues. <b>PWR</b> looking for a breakdown. <b>KBR</b> crushed  |                  | 6/18 |
| <b>Life Insurance</b> - Breakout after a pause. <b>LNC, MET, PFG, SFG, UNM</b>   |                  | 6/18 |
| <b>Updates</b>   |                  |      |
| <b>Consumer Discretionary</b> - Still lagging the market.  |                  |      |

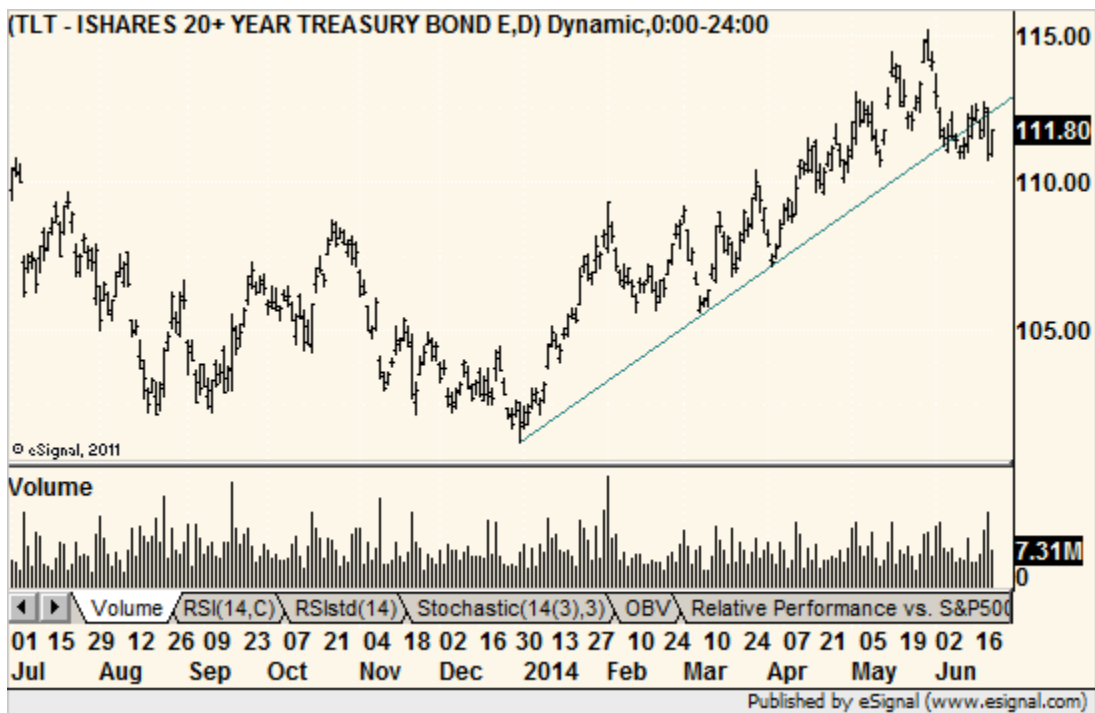
## Market Highlights



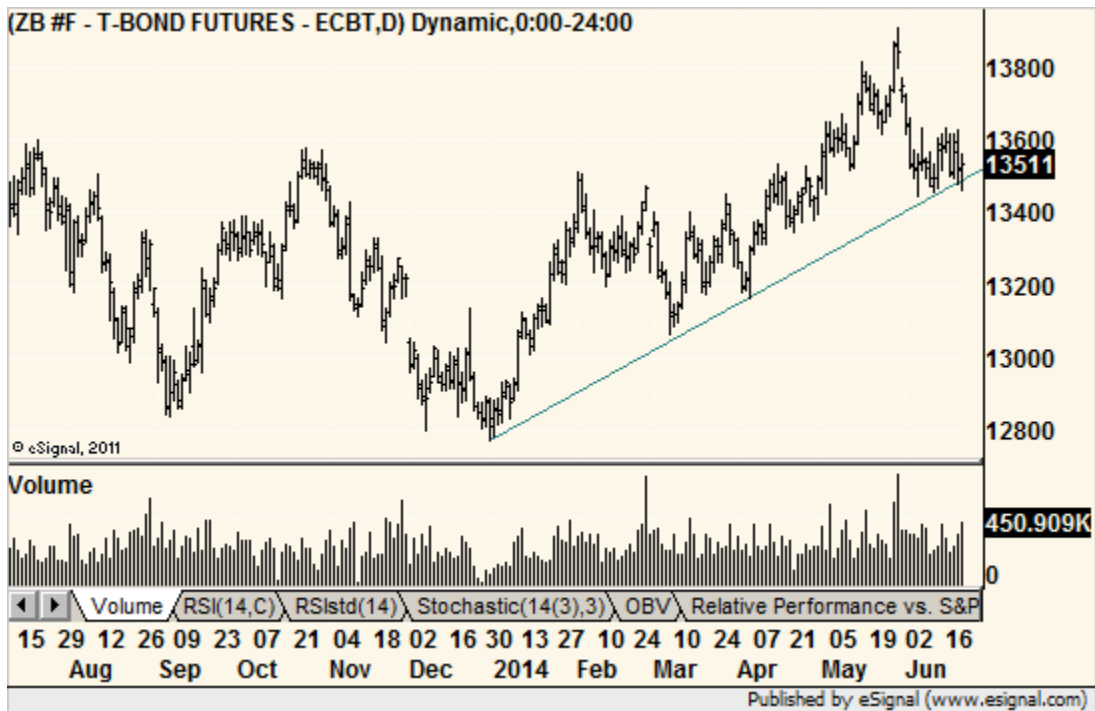
**Unleaded Gasoline** - This market took out one resistance and now eyes the next. There is more resistance just above that one but let's worry about one at a time. Indicators are strong but not overbought.



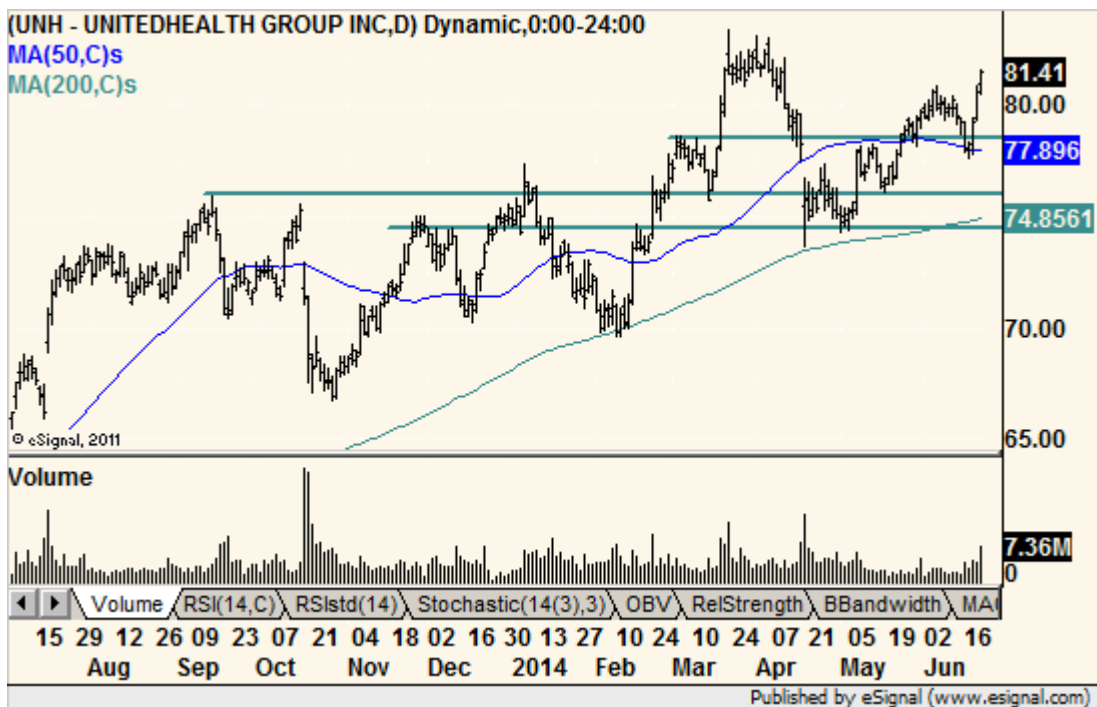
**Crude Oil** - We still think 109 is inevitable. Not exactly a bold call but we can watch for a fresh breakout if and when it gets there.



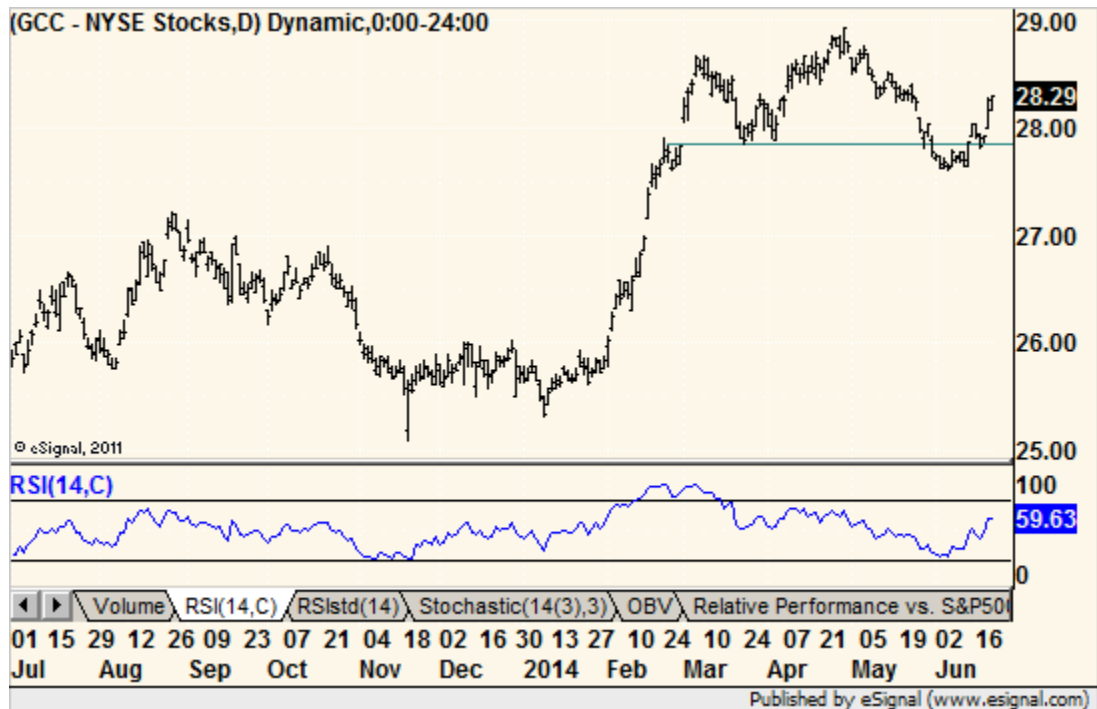
**Long T-bond ETF** - Following bonds is critical so we will present them frequently. A bounce Friday but this trendline is still broken. See next chart...



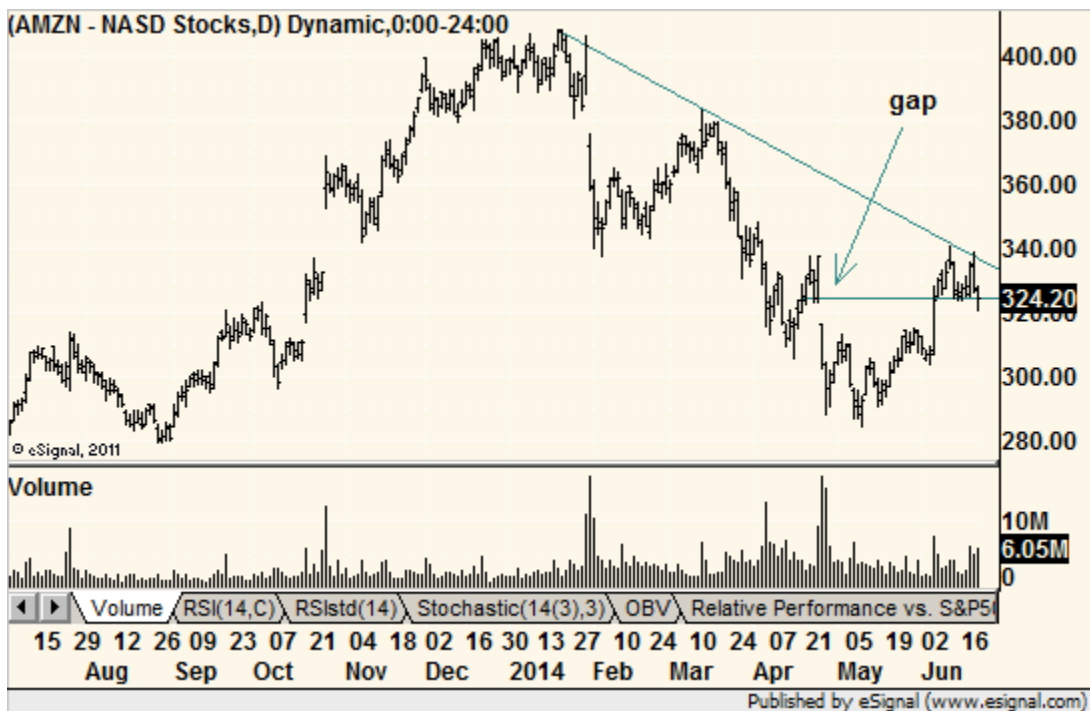
**T-bond futures** - There is no breakdown here. Premarket trading this morning is slightly higher.



**UnitedHealth** - Subscriber Corner follow-up. Bounced off 500-day average and now sports a failed breakdown. Healthcare in general is recovering.



**Greenhaven Commodities ETF** - Looks like the slide is over.



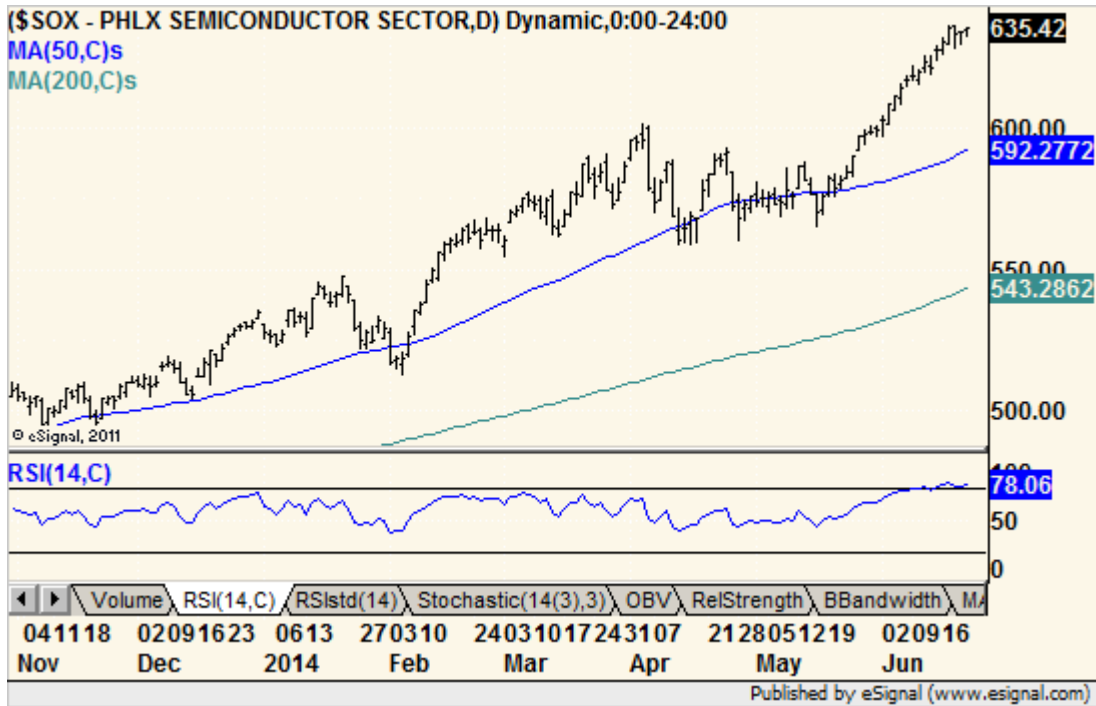
**Amazon** - Reacted poorly to its streaming music service and poorly to its new smart phone. This support break is not yet convincing but the trend is down and it reversed at the trend line. Not to mention its P/E of 506 (five oh six).



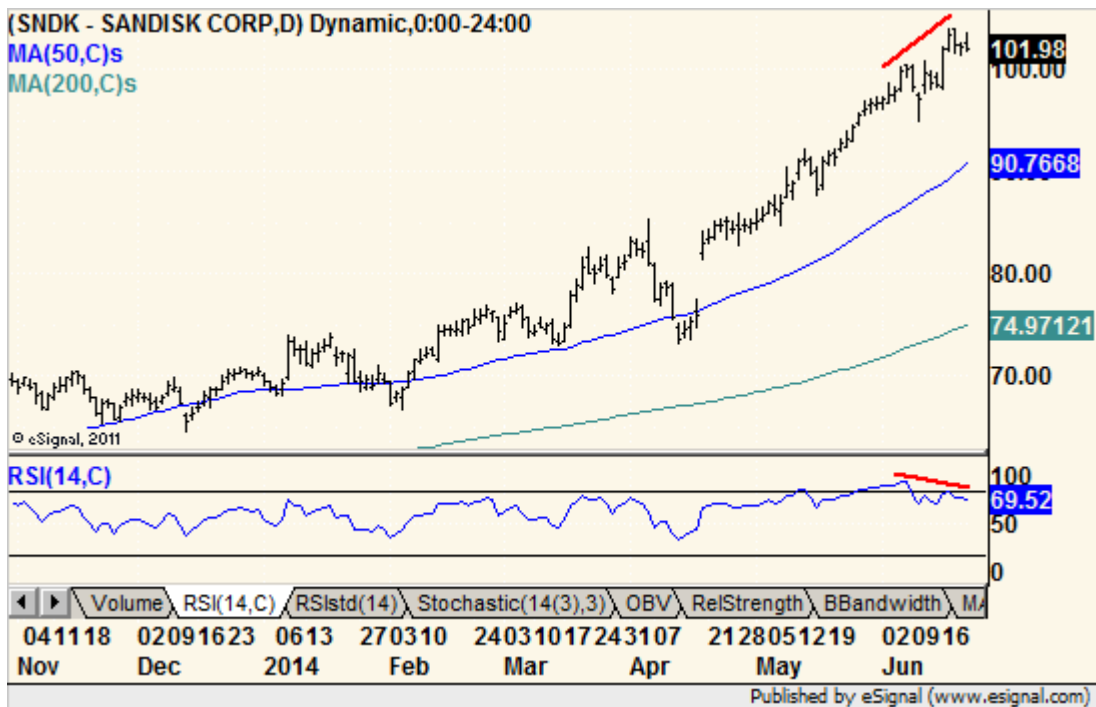
**3-D Systems** - This is the in-vogue 3D printing stock from last year. Look fairly similar to Solar City before its rebound breakout and its business is certainly in the eyes of futurists. Small handle-like pattern at gap resistance from last month. Holding Tank.

## Sector Watch

In this section, we take a closer look one sector of the market.

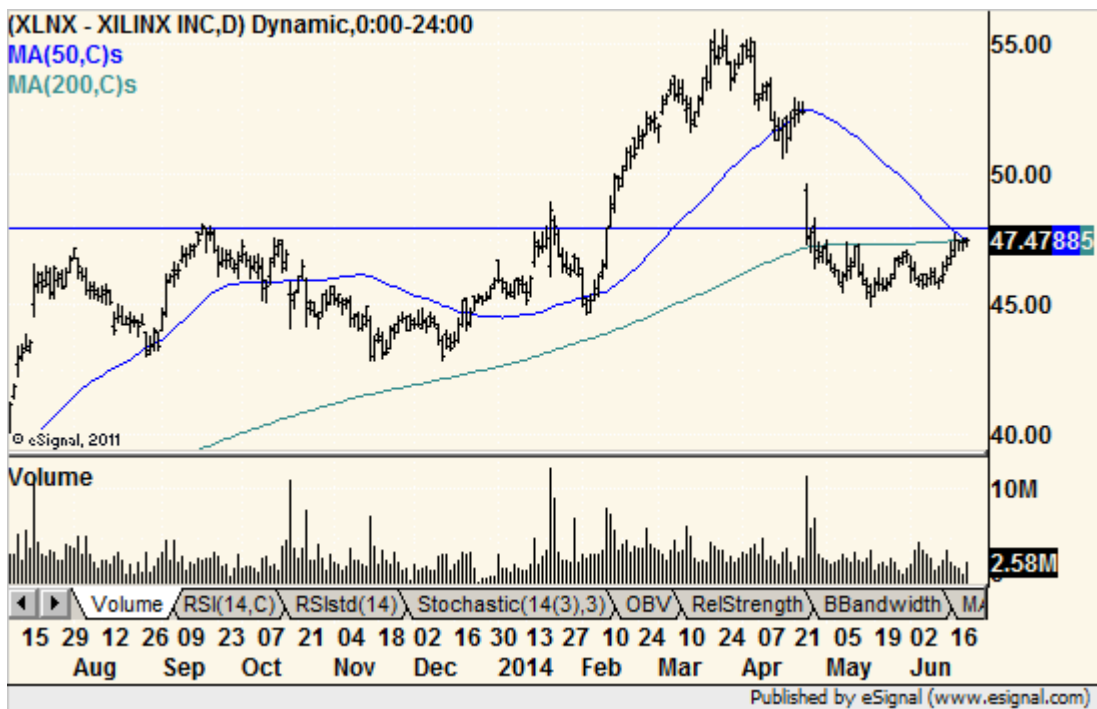


**Semiconductor Index** - Now well above its averages and overbought. It is hard to look at such a winner as being risky but all good things come to an end. Just look what happened to **AMKR** Friday.



**Sandisk** - Bearish RSI divergence.

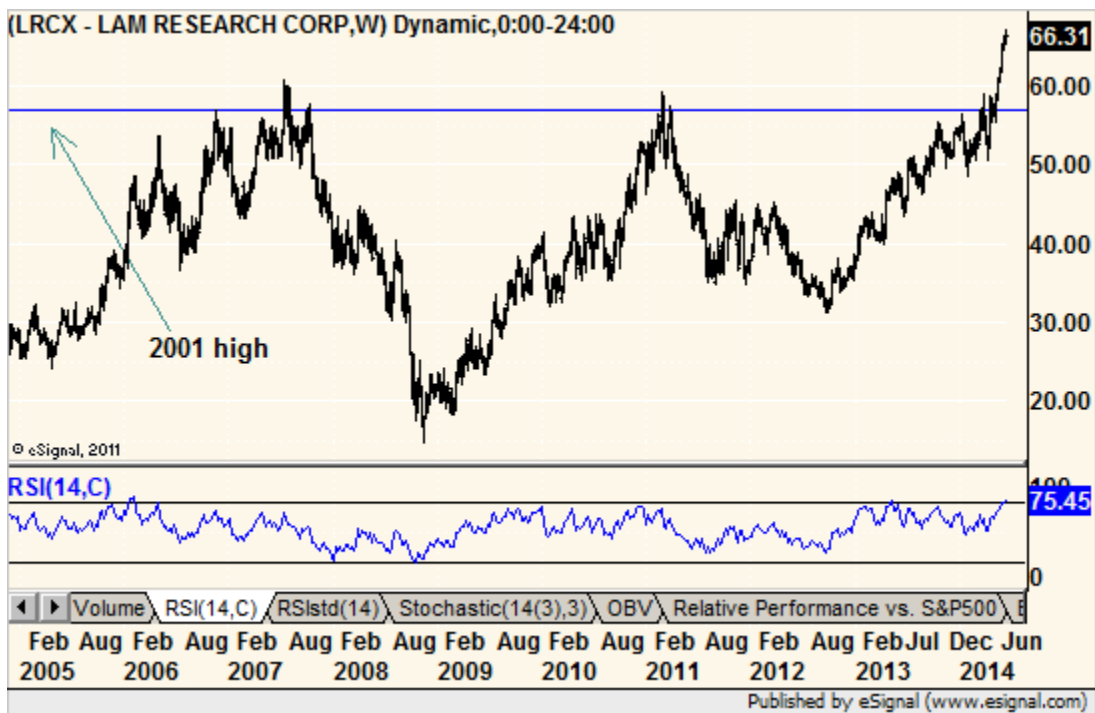




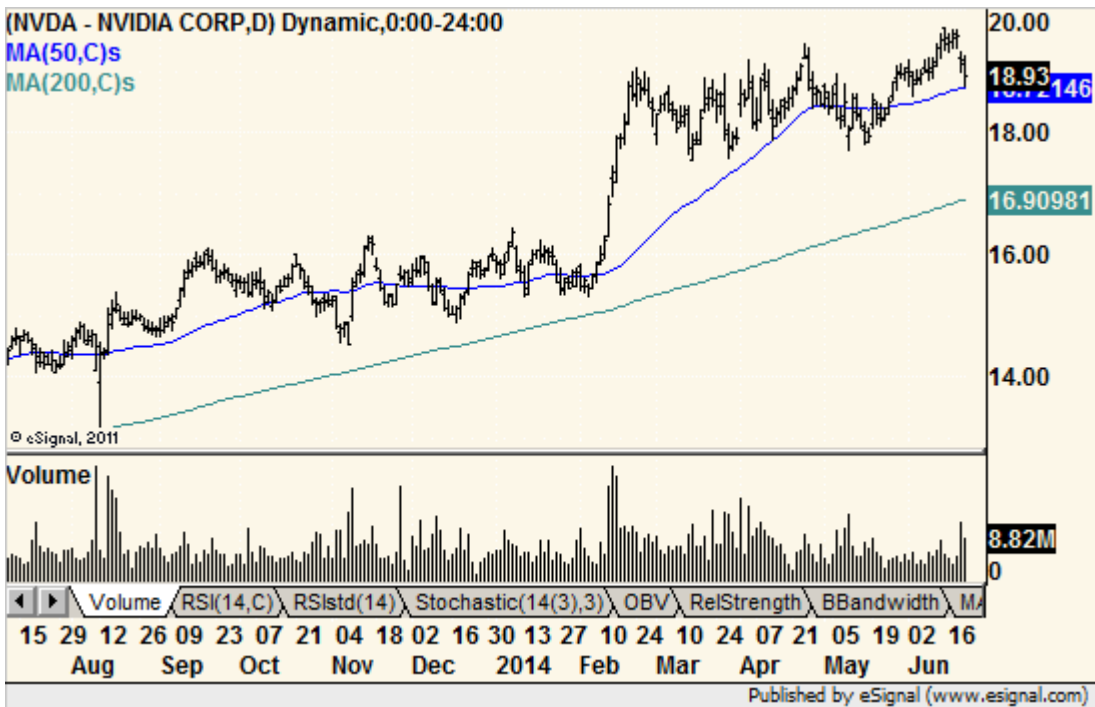
**Xilinx** - Now or never.



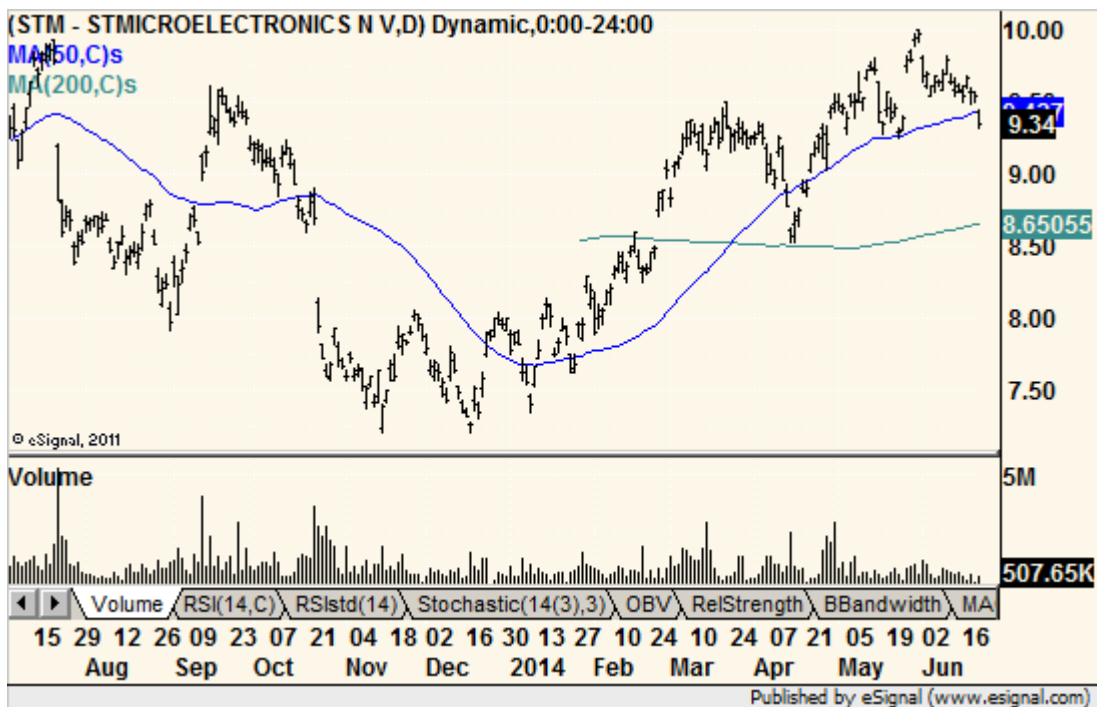
**KLA Tencor** - This one still looks good. **LLTC** too.



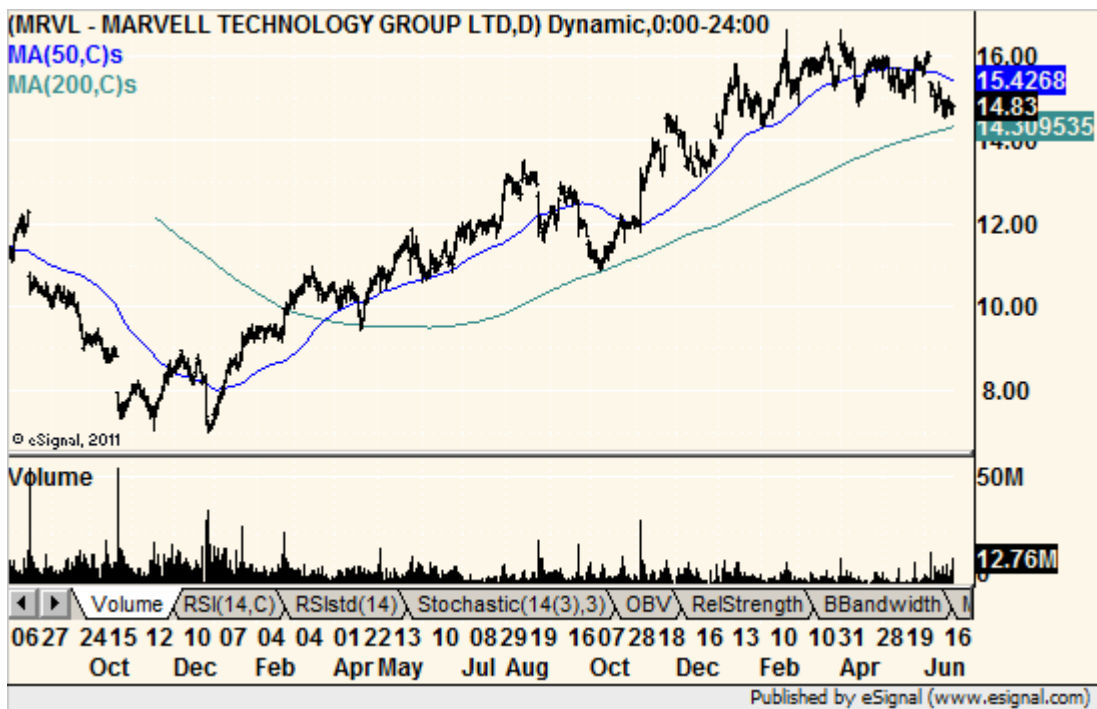
**Lam Research** - This weekly chart shows a massive upside breakout but it is overbought in the short-term. Can you hold a 10% dip to test the breakout? Or are you nimble to play it?



**Nvidia** - Another false breakout? This one fell hard on big volume over the past two days. Watching for a breakdown.



**ST Micro** - No volume but that is a price breakdown.



**Marvell Tech** - Rounded top or wedge, both show a change in trend to the downside.

## Advice Tracker

This is a list of stocks that have triggered buys or sells and not a recommended portfolio. We will track them with suggested strategies but specific stops and position closes are up to the subscriber. Symbols in **red** mean that the position was stopped out. Stops in **red** were changed. Any position that moves in the desired direction and then reverses by 5% from the extreme that day is an automatic stop out. This is to compensate for the inability of this once per day newsletter to alert subscribers to the reversal.

|              | <u>Symbol</u> | <u>Name</u>                  | <u>Last</u> | <u>P/L</u> | <u>Stop</u> | <u>Price in</u> | <u>Date in</u> | <u>#Days</u> |
|--------------|---------------|------------------------------|-------------|------------|-------------|-----------------|----------------|--------------|
| <u>Long</u>  | <b>WYN</b>    | WYNDHAM WORLDWIDE CORP       | 74.53       | 1.4%       | 71.50       | 73.50           | 5/30           | 22           |
|              | <b>TAN</b>    | GUGGENHEIM SOLAR ETF         | 44.77       | 6.6%       | 43.00       | 42.00           | 5/30           | 22           |
|              | <b>FCG</b>    | 1ST TRUST ISE-REVERE NAT GAS | 23.98       | 5.6%       | 23.00       | 22.70           | 5/30           | 22           |
|              | <b>PPG</b>    | PPG INDS INC                 | 204.57      | 1.1%       | 198.00      | 202.33          | 6/2            | 19           |
|              | <b>BDX</b>    | BECTON DICKINSON & CO        | 118.46      | 0.0%       | 115.00      | 118.50          | 6/3            | 18           |
|              | <b>KMI</b>    | KINDER MORGAN INC DEL        | 36.03       | 5.8%       | 34.50       | 34.05           | 6/4            | 17           |
|              | <b>MRO</b>    | MARATHON OIL CORP            | 39.72       | 7.1%       | 38.00       | 37.07           | 6/5            | 16           |
|              | <b>GOOGL</b>  | GOOGLE INC                   | 566.52      | 1.7%       | 545.00      | 557.11          | 6/5            | 16           |
|              | <b>ILMN</b>   | ILLUMINA INC                 | 175.02      | 6.7%       | 167.00      | 164.09          | 6/5            | 16           |
|              | <b>HSY</b>    | HERSHEY CO                   | 100.13      | 2.2%       | 96.00       | 98.00           | 6/6            | 15           |
|              | <b>NG</b>     | NOVAGOLD RES INC             | 4.38        | 20.7%      | 4.10        | 3.63            | 6/11           | 10           |
|              | <b>AUY</b>    | YAMANA GOLD INC              | 8.58        | 9.4%       | 8.30        | 7.84            | 6/12           | 9            |
|              | <b>RGLD</b>   | ROYAL GOLD INC               | 73.33       | 9.8%       | 69.00       | 66.77           | 6/12           | 9            |
|              | <b>KEYW</b>   | KEYW HLDG CORP               | 11.73       | 0.9%       | 11.10       | 11.62           | 6/13           | 8            |
|              | <b>SCTY</b>   | SOLARCITY CORP               | 69.00       | 25.5%      | 64.50       | 54.99           | 6/17           | 4            |
|              | <b>MYL</b>    | MYLAN INC                    | 51.12       | 2.0%       | 49.00       | 50.11           | 6/17           | 4            |
|              | <b>LLY</b>    | LILLY ELI & CO               | 62.03       | 0.0%       | 59.00       | 62.03           | 6/20           | 1            |
|              | <b>IBB</b>    | ISHARES NASDAQ BIOTECHNOLOGY | 255.64      | 0.0%       | 245.00      | 255.64          | 6/20           | 1            |
|              | <b>UTX</b>    | UNITED TECHNOLOGIES CORP     | 117.99      | -0.1%      | 115.00      | 118.11          | 6/20           | 1            |
|              |               |                              |             |            |             |                 |                |              |
| <u>Short</u> | <b>RJF</b>    | RAYMOND JAMES FINANCIAL INC  | 50.50       | -4.5%      | 51.00       | 48.25           | 5/15           | 37           |

**Notes:** Sold **APD** at the open Friday 8.7% profit in 22 days.

Sold **CBS** at the open as it was not bouncing. Good thing as it collapsed in the morning before recovering somewhat. 0.3% loss in 16 days so not too bad.

Plenty of stops raised on the long side, as shown in the table above.

New longs in **LLY** and **IBB**, unfortunately at the close following big rallies. Note the healthcare theme.

Also a new long in **UTX**.

## Other Information

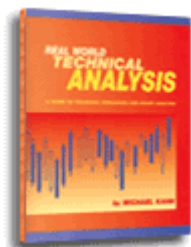
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently on financial television including PBS’ Nightly Business Report.



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