

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

**July 10, 2014** - The message for the morning is "don't panic."

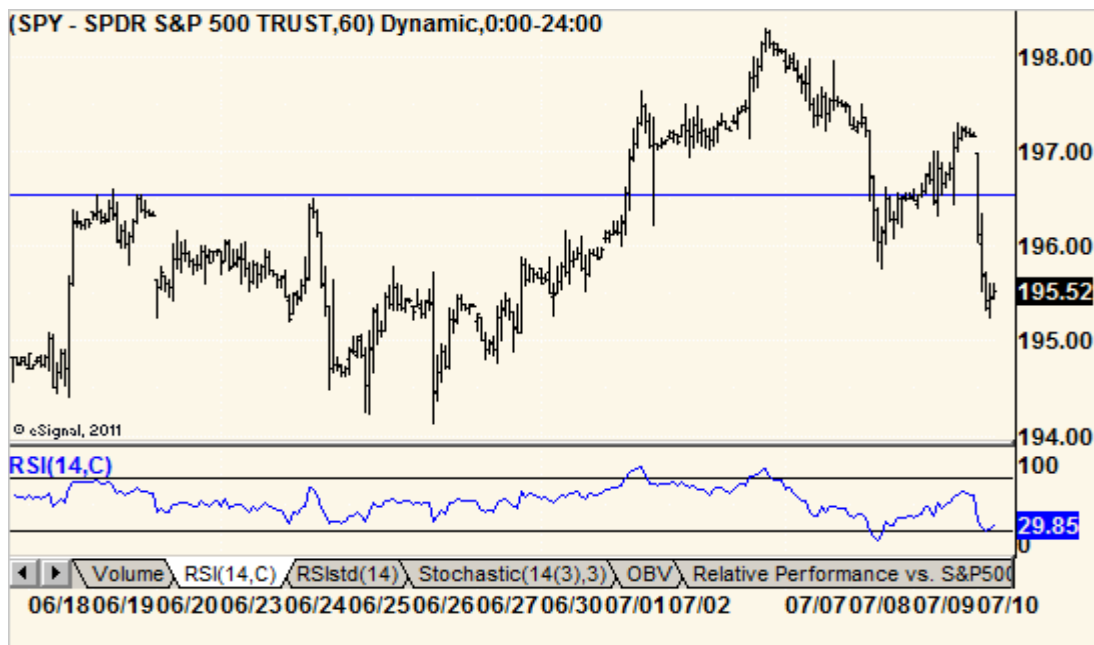
Here's the good, the bad and the ugly. The good was the market's nice rebound yesterday with airlines following through on their hammer candles. Also good - for us anyway - was the breakout in gold stocks.

The bad is the market's second thoughts on the Fed's announcements yesterday. At first, the formal announcement of the final taper and end of QE Infinity was taken in stride. Stocks continued to edge higher yesterday afternoon following Tuesday's big decline. But today, it seemed the market threw a little hissy as the punchbowl was drained.

And now for the ugly. Overnight, one of Portugal's big banks said it was delaying debt payments and that sent that country's markets into a tizzy. Europe is bathed in red and not just a little red. Even Germany is down 1.5% as we write these words. Portugal down 4.3%. Spain down 2.4%.

One pundit said it was lame to blame Portugal for the selloff. Rather, with falling momo stocks, rising gold and now rising bonds it is the realization that the world is not as great as sentiment suggests.

Our plan was to ride the bounce in stocks for the last time (a few days) and then seriously lighten up. Our hand may now have been forced but we see some buying already coming into the market. Patience.



Looking just at yesterday, we see the hourly chart continued higher after what we thought was a false break of support. Keep in mind we give a lot of wiggle room on these chart so the overnight violation was not that bad. And now moving to the present we can see the big break in price overnight and a new low.

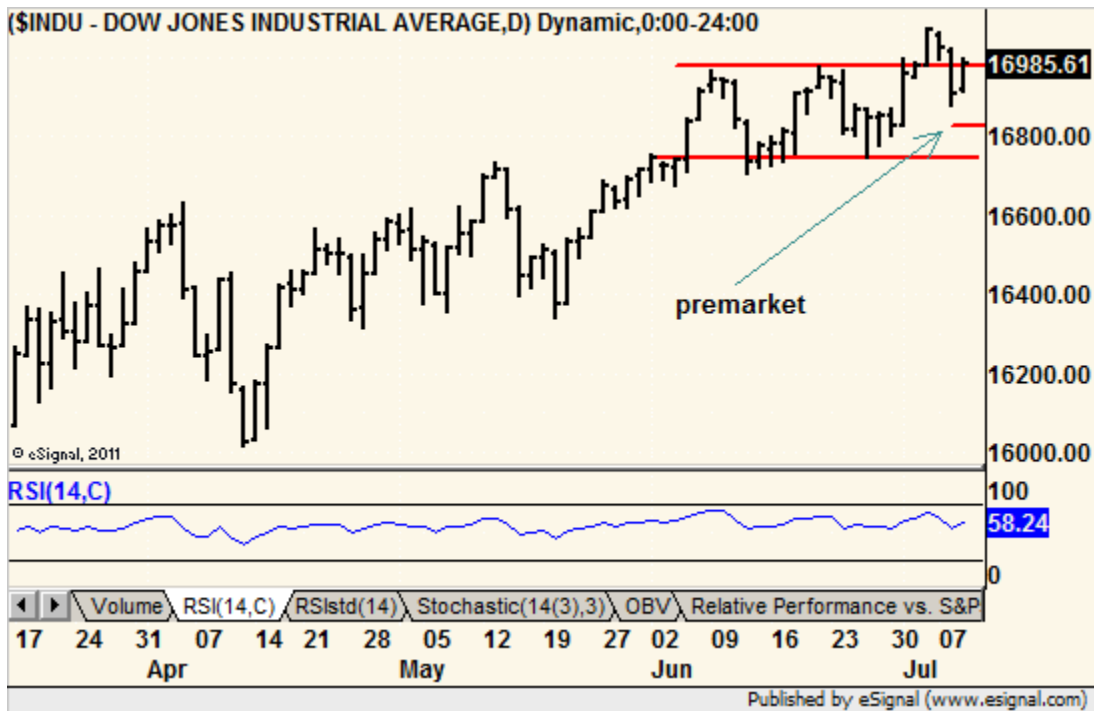
Looks bad, feels bad but as we'll see in the daily chart below it is still not much damage in the greater scheme of things. However, we are starting to see some damage we cannot ignore - including small caps.

Today, watch traded sentiment indicators such as the **VIX** and **TRIN** (Arms Index). If they spike up then we may have a one-day panic. If they are more orderly then we could be looking at a bigger dip ahead.

## Index Charts of the Day



The S&P 500 should finally dip below the 20-day average on the open but look where it is trading. Not a new swing low. And sitting on a trendline. Not to mention that it still has not moved 1% on the day.



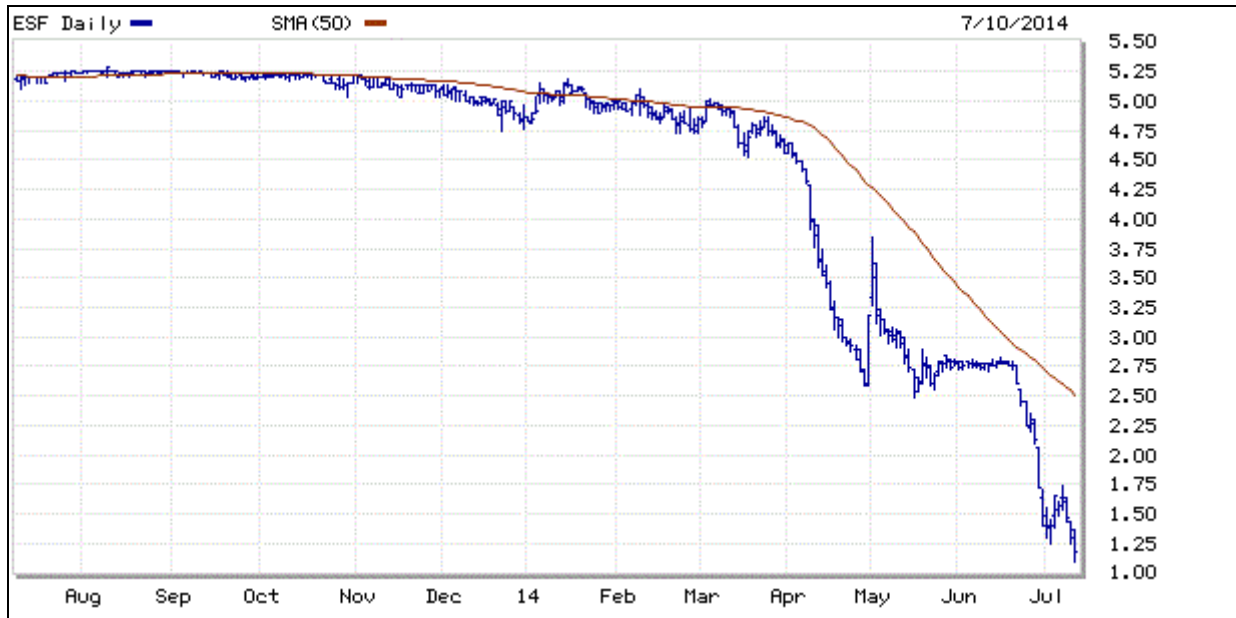
We said the Dow was vulnerable to the bottom of its range and even this morning it has not gotten there. No panic needed.

## The Radar Screen

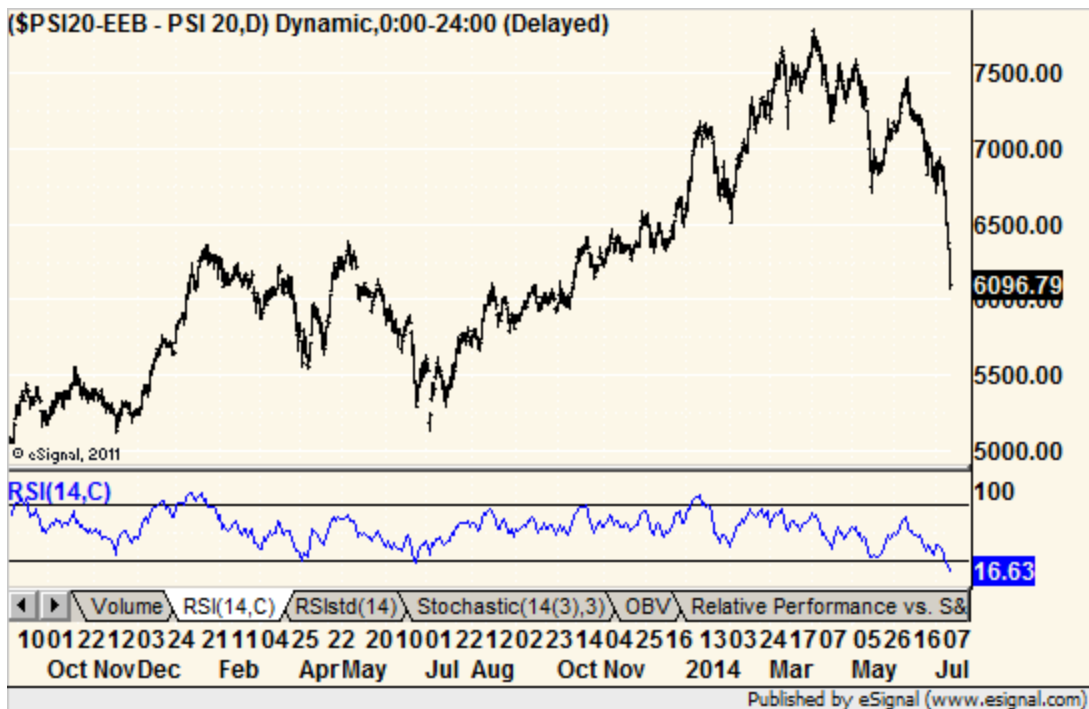
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>American Airlines AAL</b> - Viewed in close-only line format, we see a hold at the 50-day average and a higher low in on-balance volume. This is a good risk but unfortunately it is jumping in the premarket. If it dips back to 41 and the market stays positive we'd take it.	<b>Triggered</b>	7/9
<b>Leapfrog Enterprises LF</b> - This toymaker has a rounded bottom but it is a pattern that is difficult to set a specific breakout. However, this one looks to have its breakout and on a bad market day. Looks good here.	<b>Triggered</b>	7/9
<b>Bearish Implications</b>		
<b>American Financial AFG</b> - This property & casualty insurer is in a rising wedge with an on-balance volume breakdown. Sell 58.75		6/30
<b>Unknown Implications</b>		
<b>US Bancorp USB</b> - Not sure which way this goes. A cup-with-handle leans bullish but a failed breakout last week leans bearish. Buy 44, sell 42.90	<b>Moved</b>	6/30
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Church &amp; Dwight CHD</b> - Consumer staples stock with a possible topping pattern. Looking to sell a bounce		7/7
<b>Computer Associates CA</b> - A new closing low kills the setup. No harm done.	<b>Removed</b>	7/8
<b>Allstate ALL</b> - Ahead of earnings, this one is on hold in a rectangle pattern with a negative bias in on-balance volume		7/9
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Energy</b> - Still looking for a pullback to buy		6/26
<b>Railroads</b> - Ascending triangle for the index		7/3
<b>Mortgage REIT</b> - Big dividends but chart breakdowns		7/7
<b>Gold miners</b> - fresh breakout	<b>New</b>	7/10
<b>Updates</b>		
<b>Blackberry BBRY</b> - Rallied again. We are not upset at missing this as resistance is still overhead.		
<b>Oil ETF USO</b> - Serious breakdown now in place. Plans to buy this pullback are now off although oil stocks are still holding		

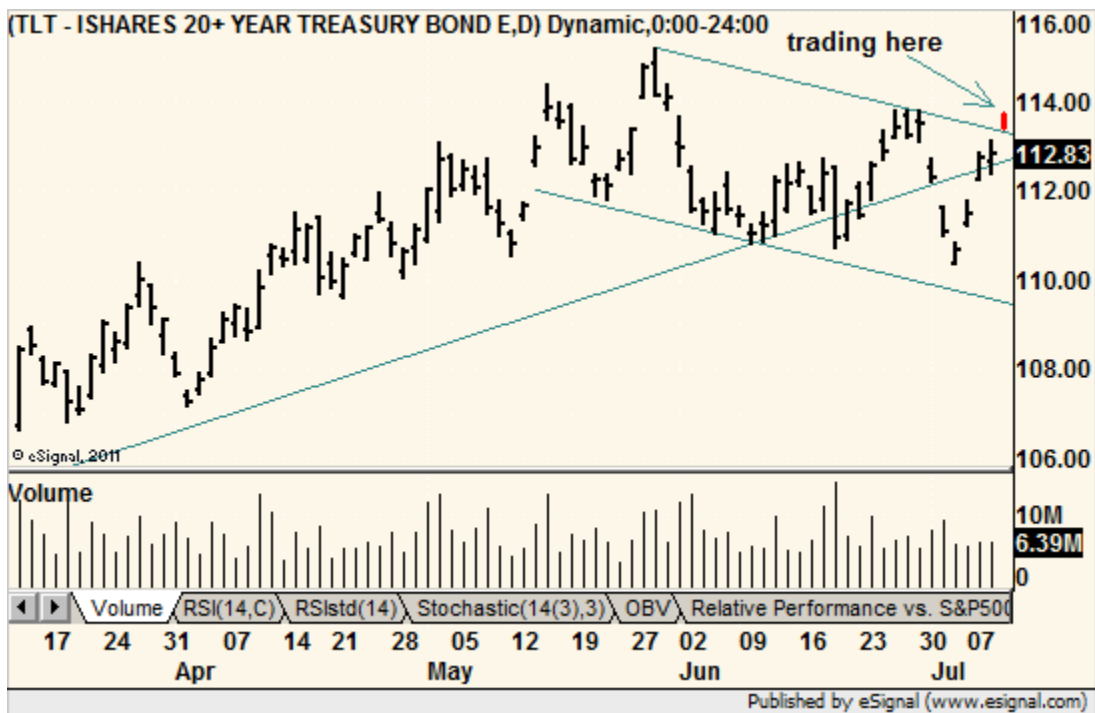
## Market Highlights



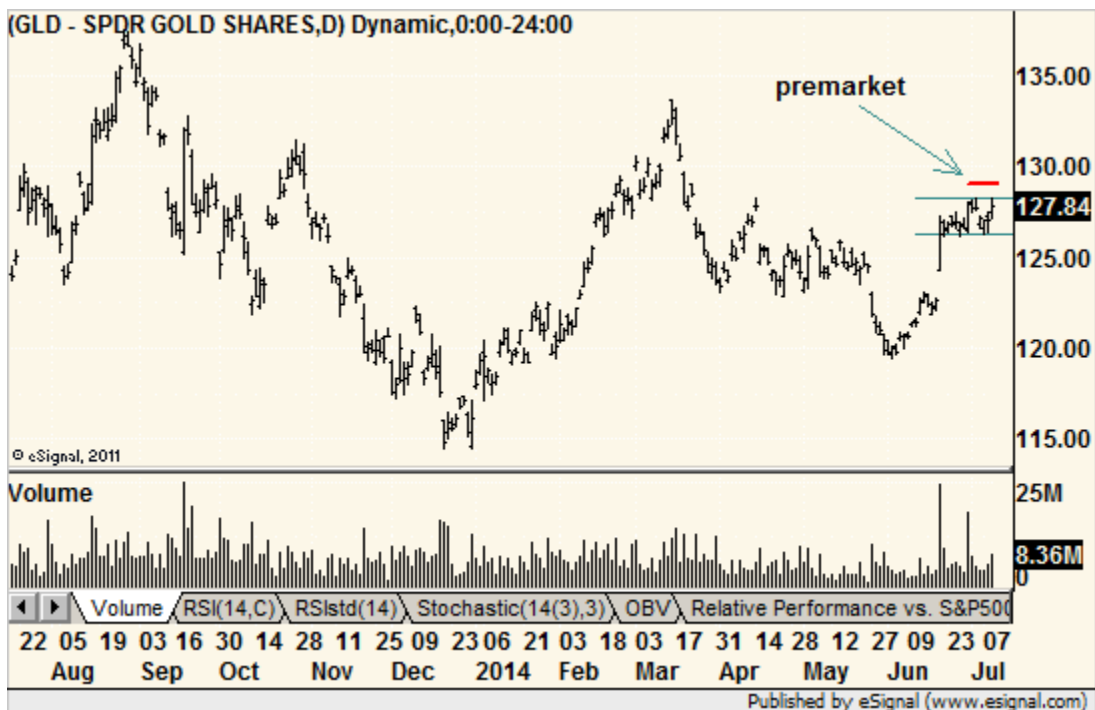
**Espirito Santo** - This is the Portuguese bank that caused the market flare-up. Just one look at this chart should have warned everyone that something was seriously wrong here. The panic "should not" be like this - but it is, and we have to deal with it. (chart from Bigcharts.com)



**PSI-20 Portugal** - This stock market is clearly in trouble and it did not start with today's news. It broke down at least two days ago.



**Long T-bond ETF**- Bonds are trading above the lines this morning on the news. This is decision time for the bond market. If it settles back now then the crisis - from the market perspective - is over. If not, we were wrong on the bond breakdown and stocks could really correct in a hurry.



**Gold ETF** - Still looks good to us.

## 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	77.03	4.8%	75.00	73.50	5/30	40
	<b>KMI</b>	KINDER MORGAN INC DEL	35.79	5.1%	34.50	34.05	6/4	35
	<b>MRO</b>	MARATHON OIL CORP	39.57	6.7%	39.00	37.07	6/5	34
	<b>GOOGL</b>	GOOGLE INC	583.36	4.7%	560.00	557.11	6/5	34
	<b>RGLD</b>	ROYAL GOLD INC	76.27	14.2%	73.00	66.77	6/12	27
	<b>MYL</b>	MYLAN INC	50.00	-0.2%		50.11	6/17	22
	<b>LLY</b>	LILLY ELI & CO	62.62	1.0%	61.00	62.03	6/20	19
	<b>COL</b>	ROCKWELL COLLINS INC	78.72	-2.0%	78.00	80.34	6/23	16
	<b>BMJ</b>	BRISTOL MYERS SQUIBB CO	47.92	-0.8%	47.50	48.30	6/23	16
	<b>MTZ</b>	MASTEC INC	30.22	1.0%	29.50	29.92	6/27	12
	<b>VZ</b>	VERIZON COMMUNICATIONS	48.90	-2.0%	48.00	49.90	7/3	6
	<b>AAL</b>	AMERICAN AIRLINES GROUP INC	41.99	2.4%	40.00	41.00	7/9	0
	<b>LF</b>	LEAPFROG ENTERPRISES INC	7.55	-2.6%	7.25	7.75	7/9	0
<u>Short</u>	<b>none</b>							

**Notes:** Raised stop on **WYN** to be very tight. Either it holds or it doesn't and we don't want to give it all back.

Raised stop on **RGLD** to trail it higher.

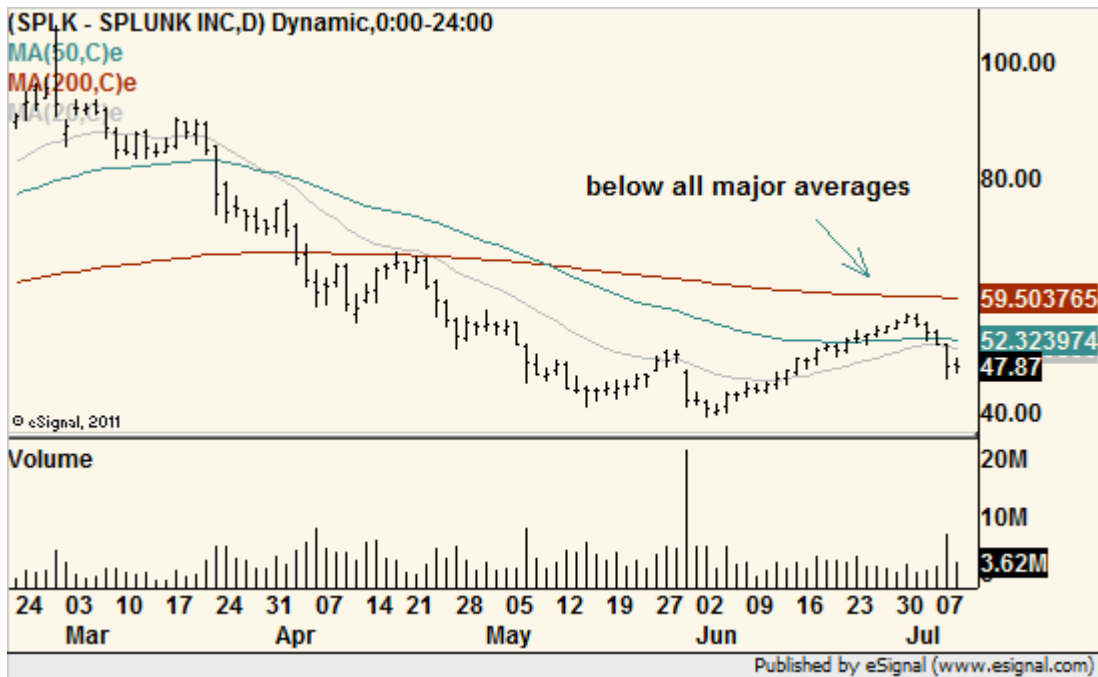
Stopped out of **MYL** intraday but it is even lower this morning. This one worked and then it stopped working - easing itself lower into the stop. Biotech and drugs in general pulled us in and then weakened.

On that note, also raised the stop in **LLY**. Again, either it works or it doesn't and in this environment we offer little rope (r as in radio).

Why no shorts? The decline happened before setups appeared. We are now looking but again we see no reason to sell with abandon just yet.

## Subscriber Corner

This section is dedicated to subscriber requests for stock, futures, index and foreign exchange analysis. Send requests to <mailto:mkahn@quicktakespro.com>.



**Splunk** - This software stock plunged Tuesday and is now below major averages (200-, 50-, 20-day exponentials). Further, the averages remain in proper order for a bear trend. It does not look like the rebound can continue. In late May, when it plunged for the first time, the headline read "Splunk's loss widens on higher costs." That is when the rally began so that was a positive. But that seemed to be a false hope and the stock has given a big chunk back already.

The bear trend from earlier in the year is still broke to the upside but we may be looking at a trading range rather than a rising trend here.

## Other Information

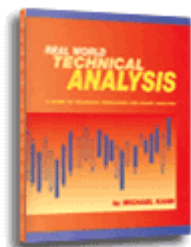
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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



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