

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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July 16, 2014 - Yesterday we saw tech as being strong and then we got all sorts of news to that effect - **INTC** earnings, **IBM-APPL** deal, etc... But things do look a bit bubbly, to give Janet Yellen some props.

Comments today are short. The big indices are still in rising trends but small caps look awful. That is a problem. So is weakness in junk bonds.

We have no new picks and pans today and the charts below show more warnings than anything - even is stocks that are strong. Perhaps they are too strong and that, coupled with very bullish sentiment, will be the market's downfall. Our posture remains "long hold with some selling into rallies."

That's it. Analysis over. Here's a tidbit for discussion:

Yesterday, colleagues were discussing the analysis of George Lindsay, a master technician of several decades ago and "three peaks and a domed house" pattern discoverer. His studies suggest the ultimate top in this bull market will be made this week. Can that be true? It seems way too precise given the multi-year rally now in place but like Tom Demark, you don't get to be called master unless what you say has a track record behind it.

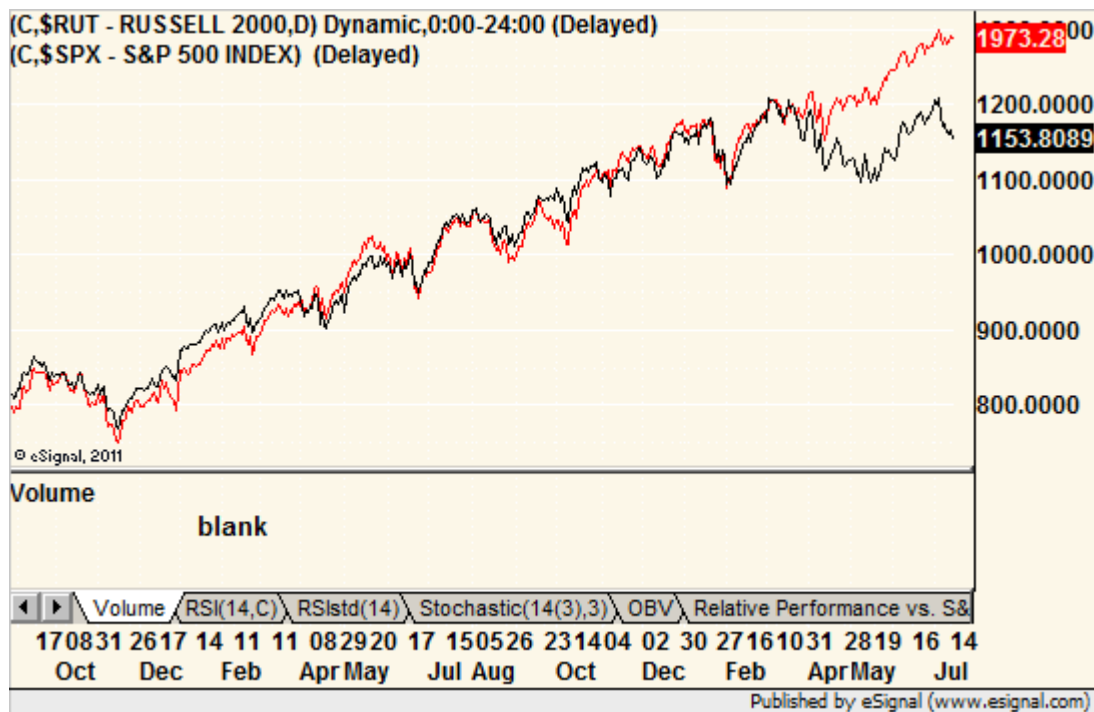
For the uninitiated, DeMark made big headlines with predictions of tops and corrections over the past few months and not all worked out. He was raked over the coals but his track record before that speaks for itself.

Let's end with the chart:



The hourly chart has not really changed in two days. Still in no-man's land between support and resistance albeit with an upward bias.

Index Charts of the Day



Only one chart needed today. It really makes the point that the small caps (black) are fading away while the big caps (red) look quite healthy. The divergence is indeed NOT healthy.

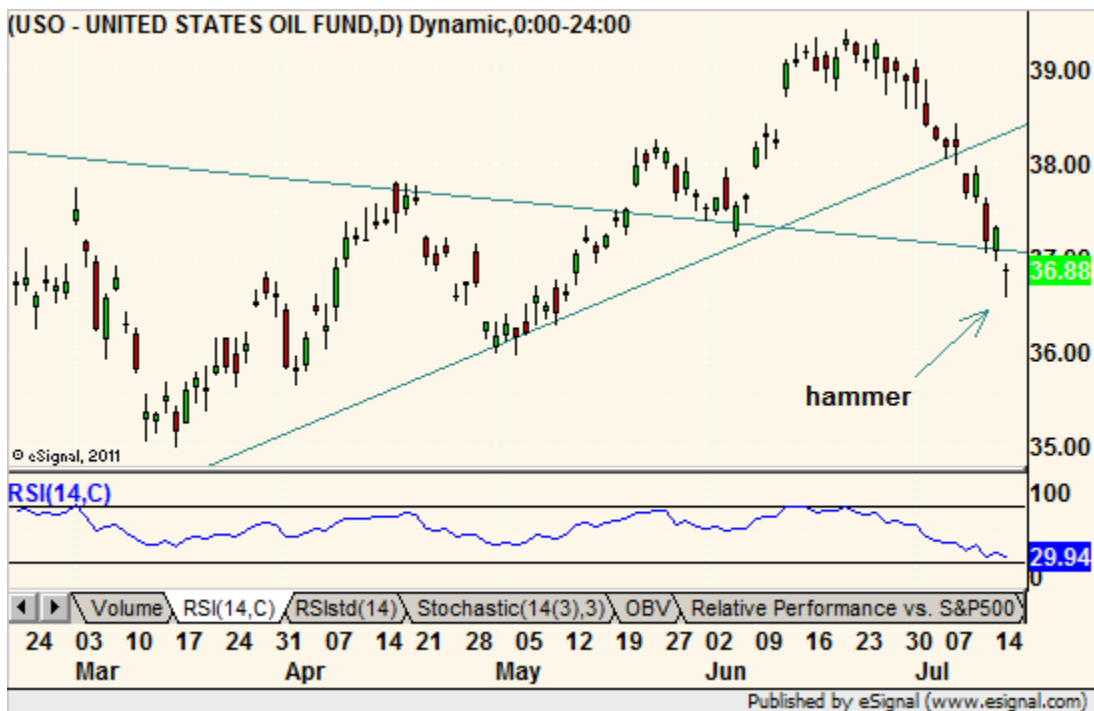
The Radar Screen

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.

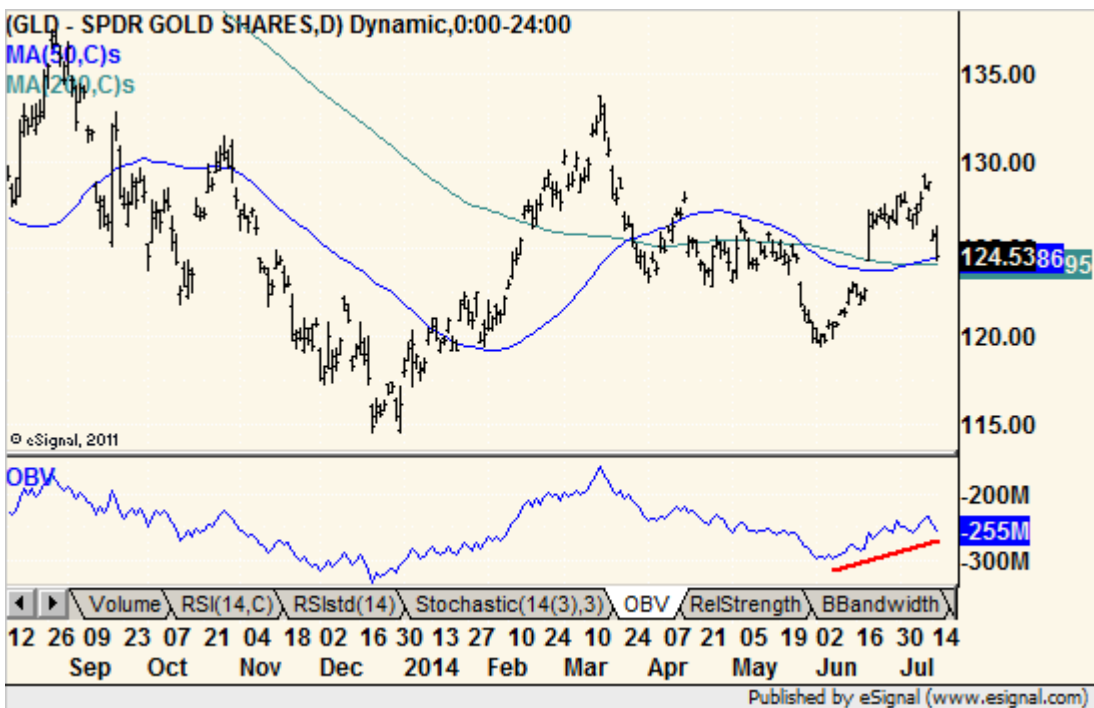
Nothing new here other than the updates

Bullish Implications		
Energy Exploration ETF XOP - We've been watching the XLE as it approaches its supporting trendline but this one has already hit it. Note way oversold stochastics. Buying here. If we are wrong the stop is just below the line for limited risk.	Triggered	7/15
Bearish Implications		
Allstate ALL - Ahead of earnings, this one is on hold in a rectangle pattern with a negative bias in on-balance volume. Looks like a breakdown so we'll look to see how it bounces. Looks like a breakdown test. Selling now.	Triggered	7/9
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Church & Dwight CHD - Consumer staples stock with a possible topping pattern. Looking to sell a bounce. May not happen		7/7
Sector Watch (observations that may spark ideas)		
Energy - Still looking for a pullback to buy.		6/26
Mortgage REIT - Big dividends but chart breakdowns, Bear flag.		7/7
Gold miners - <u>It has indeed changed and we have to back off.</u>	Changed	7/10
Utilities - Bear flag breakdown		7/14
Latin America - looks interesting ILF, ECH, EPU		
Updates		
IBM - After Tuesday pause, it is up nicely in the premarket		
Baltic Dry Rate - Another new low (again)		

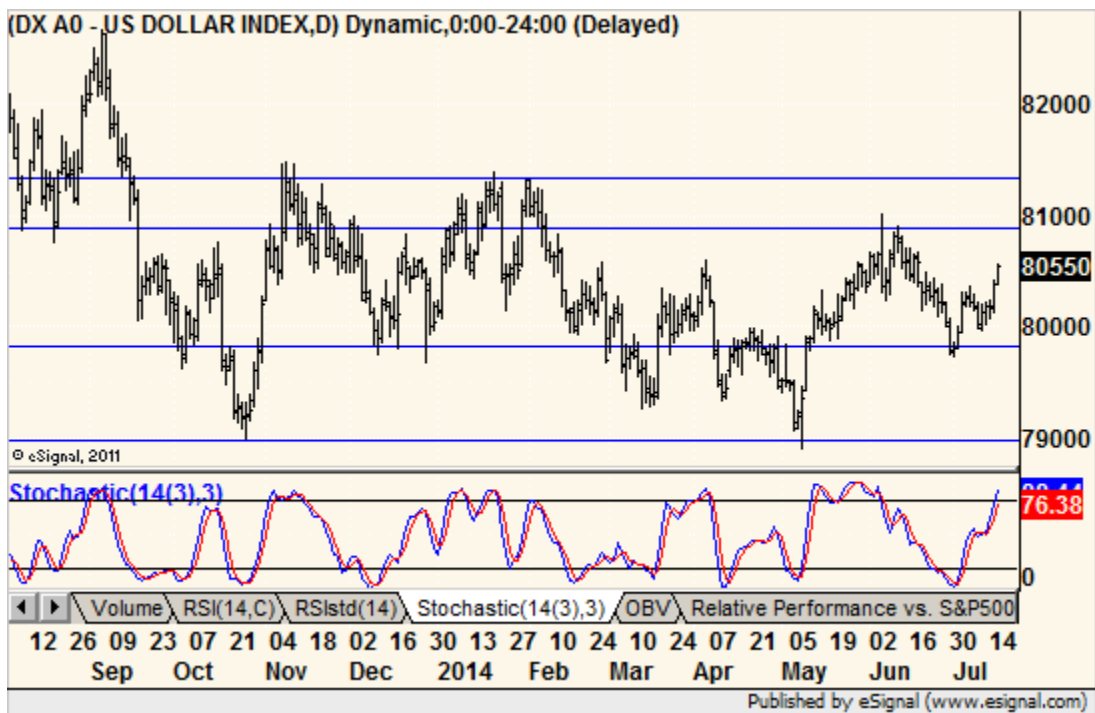
Market Highlights



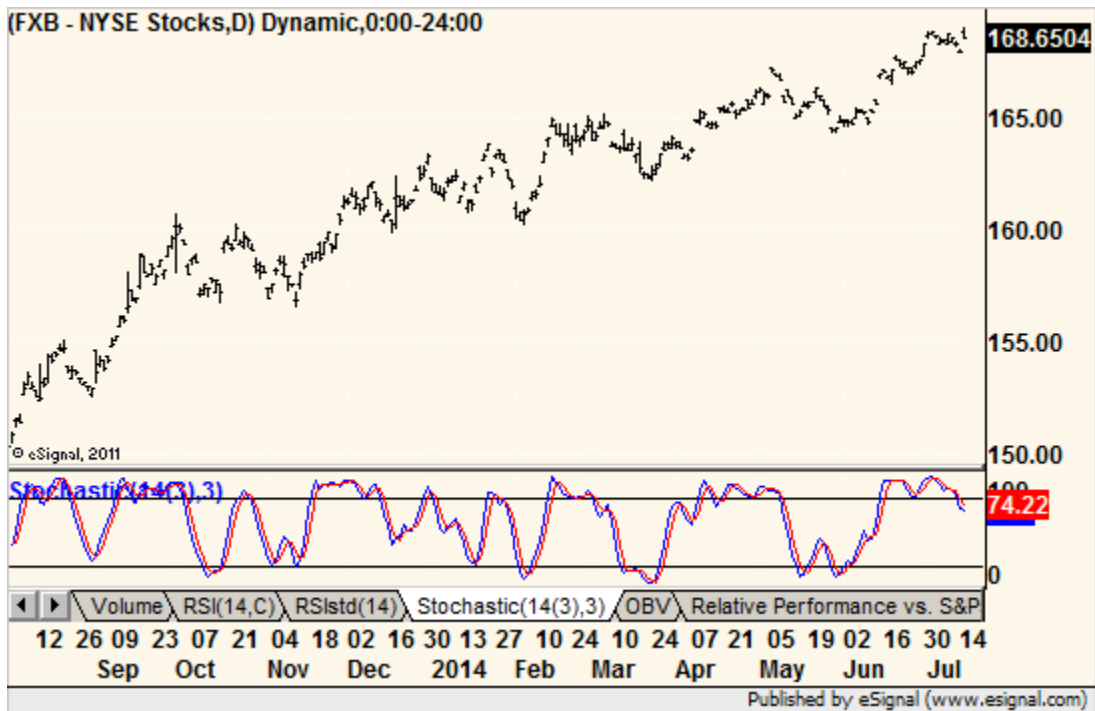
Oil ETF - Yesterday was quite a disappointment as the setup to buy was really quite nice. Obviously, that did not work but now we have a hammer candle with oversold conditions. **It is now or never for oil.**



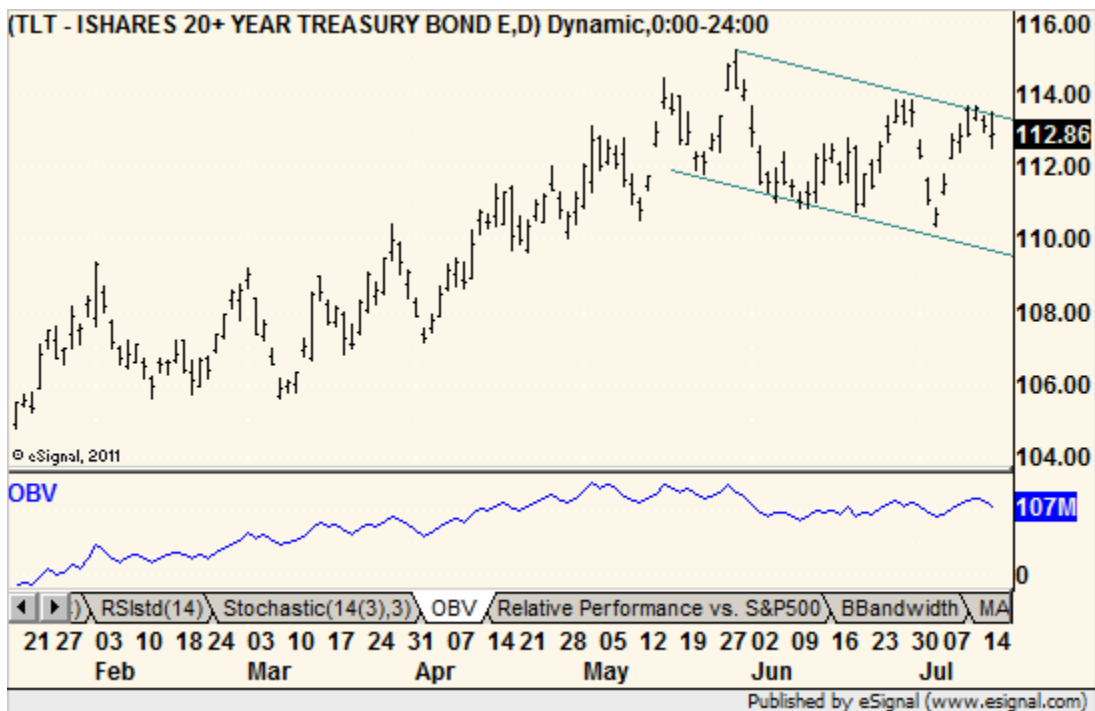
Gold ETF - **It is also now or never for gold.** Out conviction is gone but not out longer-term bullishness. Here, we see the major averages as support and on-balance volume that has not taken that much of a hit.



US dollar Index - Two days higher but still smack in the middle of multiple support and resistance levels. **No trend here.**



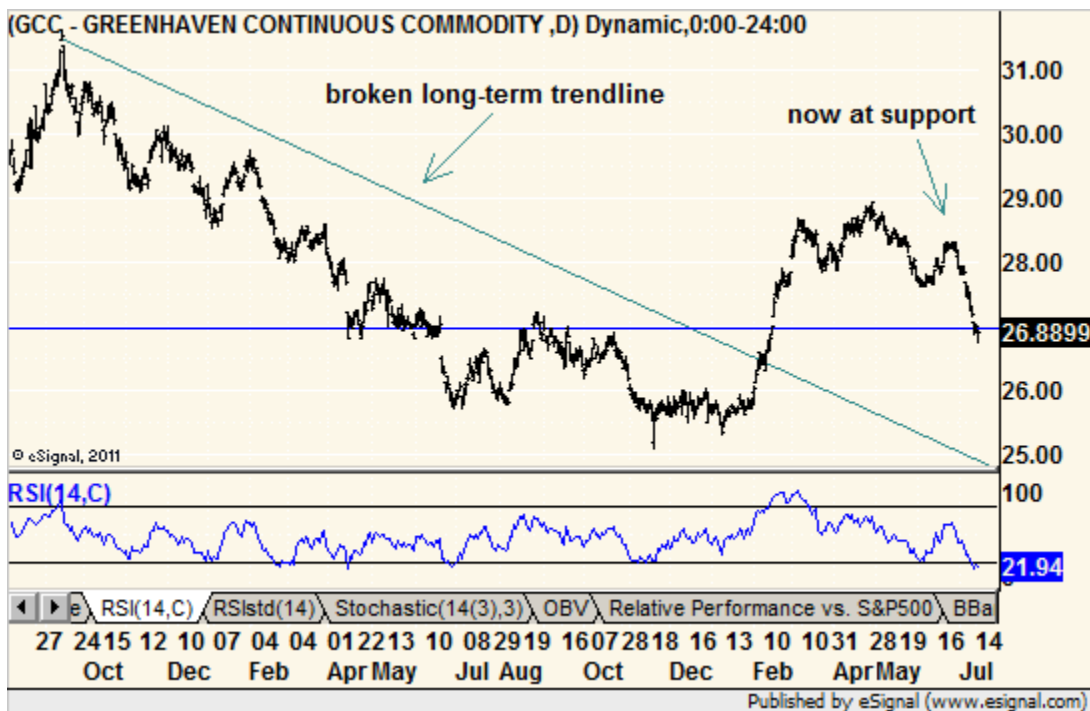
British pound ETF - This is the currency of choice with its new high.



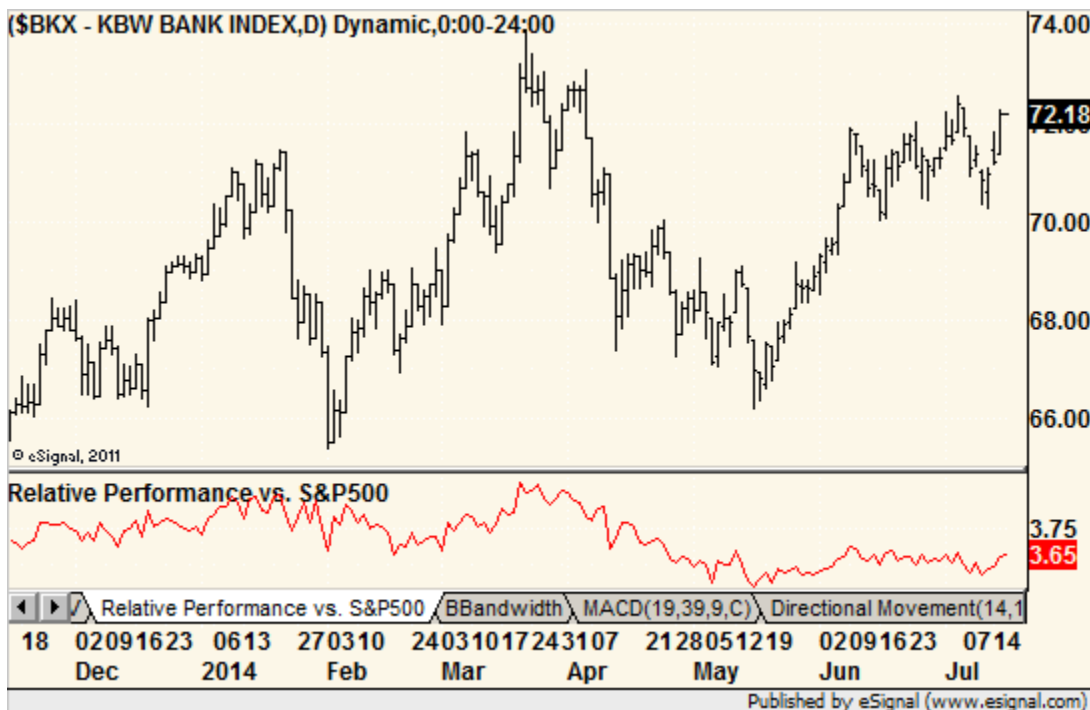
Long T-bond ETF - Falling back from the upper border of the channel. A breakout now would be very bullish but for now the trend is down.



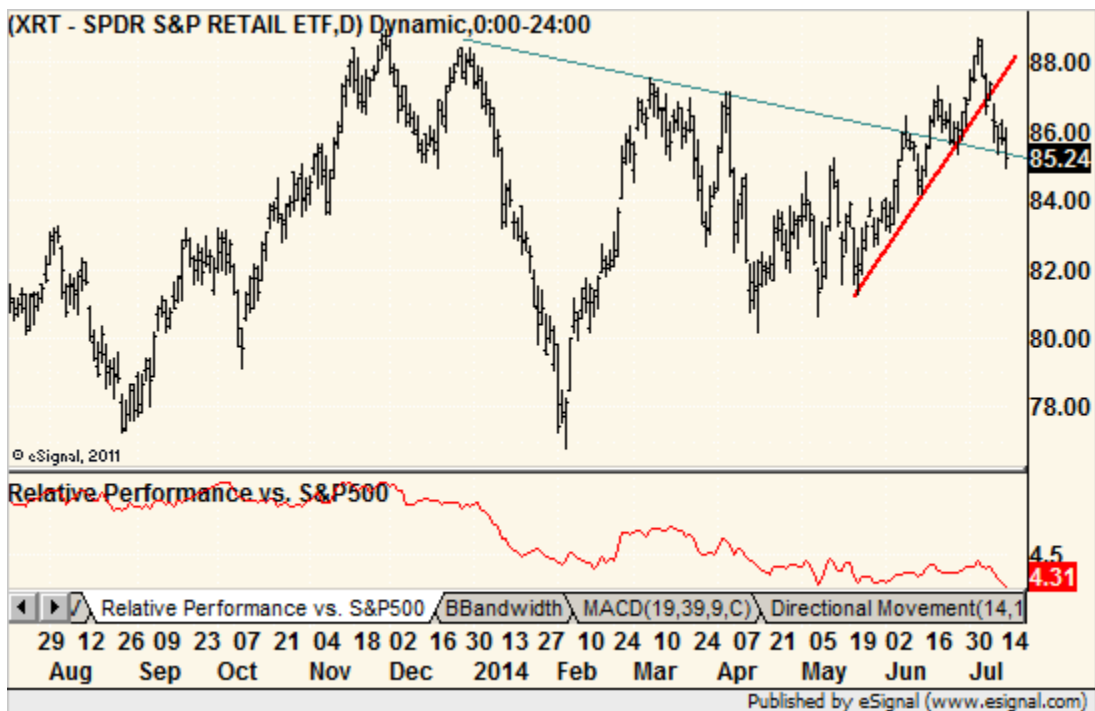
Junk bond ETF - Just keeping an eye on this one. With its big ex-dividend drops each month the pattern may be deceiving but **the trend does look to be in jeopardy**. If that is true then stocks have another engine torn away.



Greenhill commodities ETF - This asset class has been in freefall with grains leading the way lower. Over the past few days, precious metals added their weakness although livestock firmed a bit. The point is that the decline here has reason to end, or at least bounce thanks to oversold conditions.



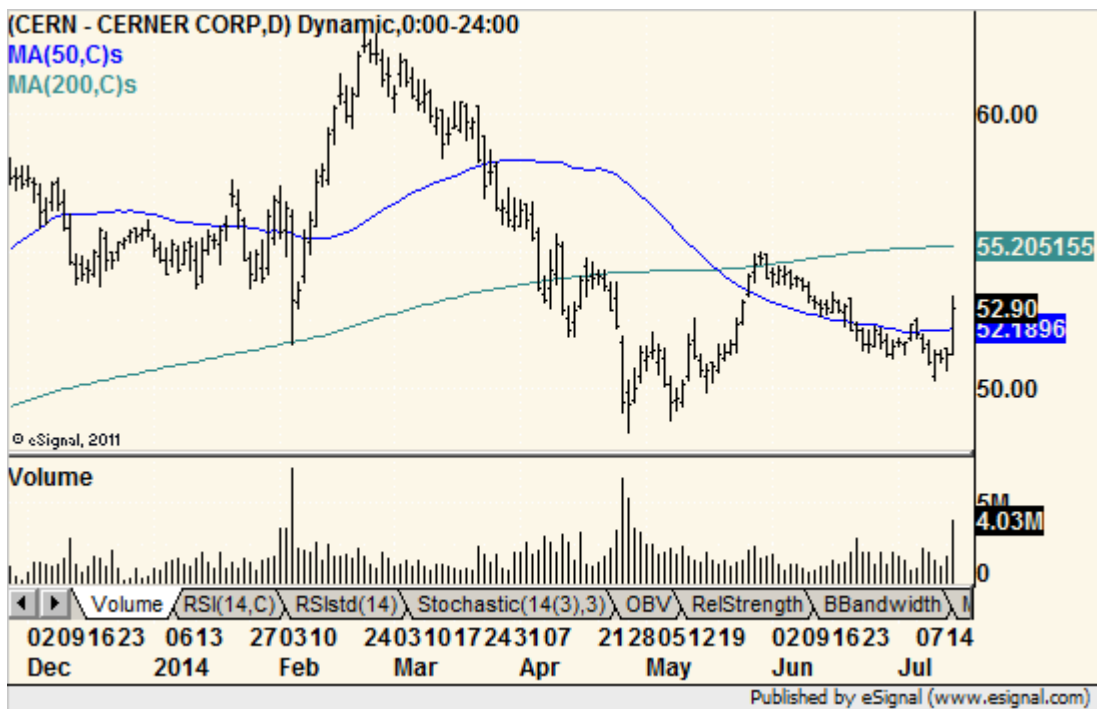
Banks index - Yes, a very good day but **still lagging** the broad market and still below its July high and still below its March high.



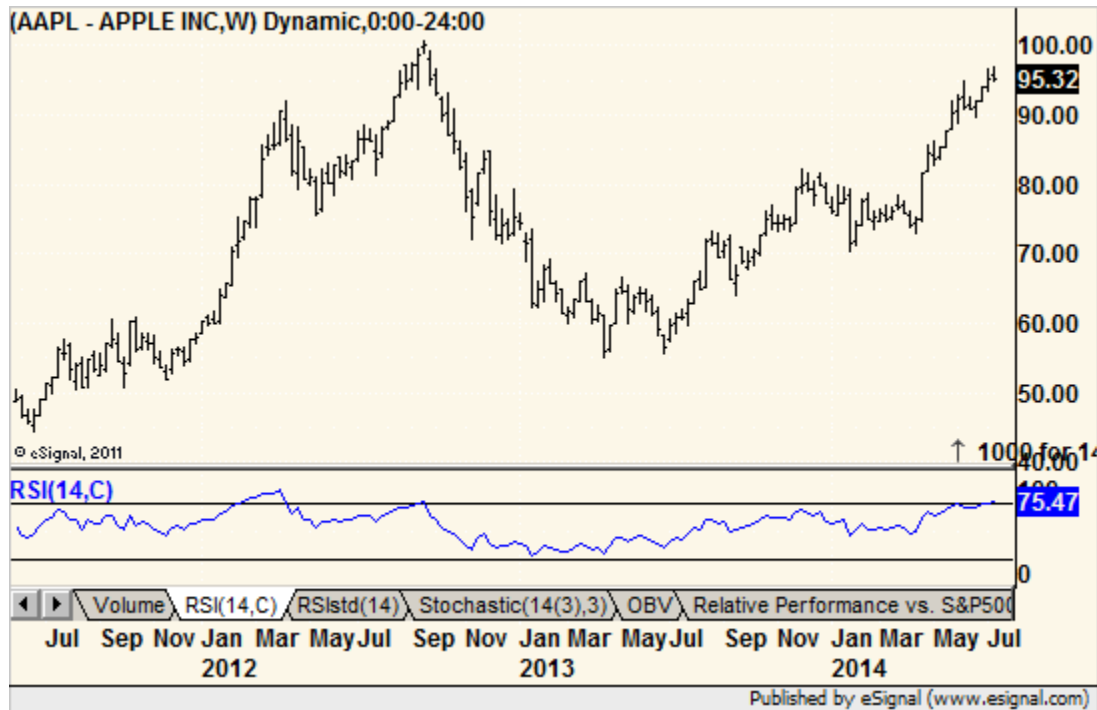
Retail ETF - This is very close to a failure of the June trendline breakout. The short-term rally trend is already broken.



Nasdaq biotech index - arguable breakdown. We've drawn it as a support hold and not a breakdown but this sector is in a little trouble. Needs to rally immediately. See next chart...



Cerner - This is a healthcare software stock. If you like biotech then this is a good choice in a related area.



Apple - At a new high this morning and now spitting distance from its all-time high. A bit overbought now so it is probably too late to jump in.



Intel - A big premarket pop today brings it into major resistance. It was already overbought on daily and weekly charts.

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>	KMI	KINDER MORGAN INC DEL	36.17	6.2%	34.50	34.05	6/4	41
	MRO	MARATHON OIL CORP	39.31	6.0%	39.00	37.07	6/5	40
	GOOGL	GOOGLE INC	593.06	6.5%	570.00	557.11	6/5	40
	RGLD	ROYAL GOLD INC	74.20	11.1%	73.00	66.77	6/12	33
	LLY	LILLY ELI & CO	62.86	1.3%	61.00	62.03	6/20	25
	COL	ROCKWELL COLLINS INC	79.40	-1.2%	78.00	80.34	6/23	22
	BMY	BRISTOL MYERS SQUIBB CO	48.71	0.8%	47.50	48.30	6/23	22
	MTZ	MASTEC INC	29.98	0.2%	29.50	29.92	6/27	18
	VZ	VERIZON COMMUNICATIONS INC	50.71	1.6%	49.00	49.90	7/3	12
	LF	LEAPFROG ENTERPRISES INC	7.33	-5.4%	7.25	7.75	7/9	6
	INFY	INFOSYS LTD	53.37	-5.0%	53.00	56.15	7/11	4
	XOP	SPDR S&P OIL & GAS EXPLORATION	77.53	-1.8%	76.50	78.93	7/15	0
<u>Short</u>	AFG	AMERICAN FINL GROUP INC OHIO	59.21	-1.6%	60.00	58.27	7/10	47
	USB	US BANCORP DEL	43.30	-0.9%	44.50	42.90	7/11	47
	ALL	ALLSTATE CORP	58.46	0.0%	60.00	58.46	7/15	47

Notes: Our new long in **XOP** cratered at the open as oil fell sharply. It dropped below the trendline but we did not specify a stop. It is now placed just below yesterday's low but energy is bid higher this morning. Painful but this still looks like it will work.

New short in **ALL**

Recent longs in **LF** and **INFY** are disasters. They are close to stops so we'll ride for now.

P/L on closed trades yesterday:

	<u>Symbol</u>	<u>Name</u>	<u>Last</u>	<u>P/L</u>	<u>Price in</u>	<u>Date in</u>	<u>#Days</u>
L	WYN	WYNDHAM WORLDWIDE CORP	76.79	4.5%	73.50	5/30	46
L	AAL	AMERICAN AIRLINES GROUP INC	43.33	5.7%	41.00	7/9	6

Other Information

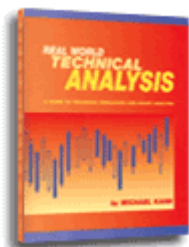
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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