Quick Takes Pro
"Technical Analysis for Everyone"

Michael Kahn Research LLC

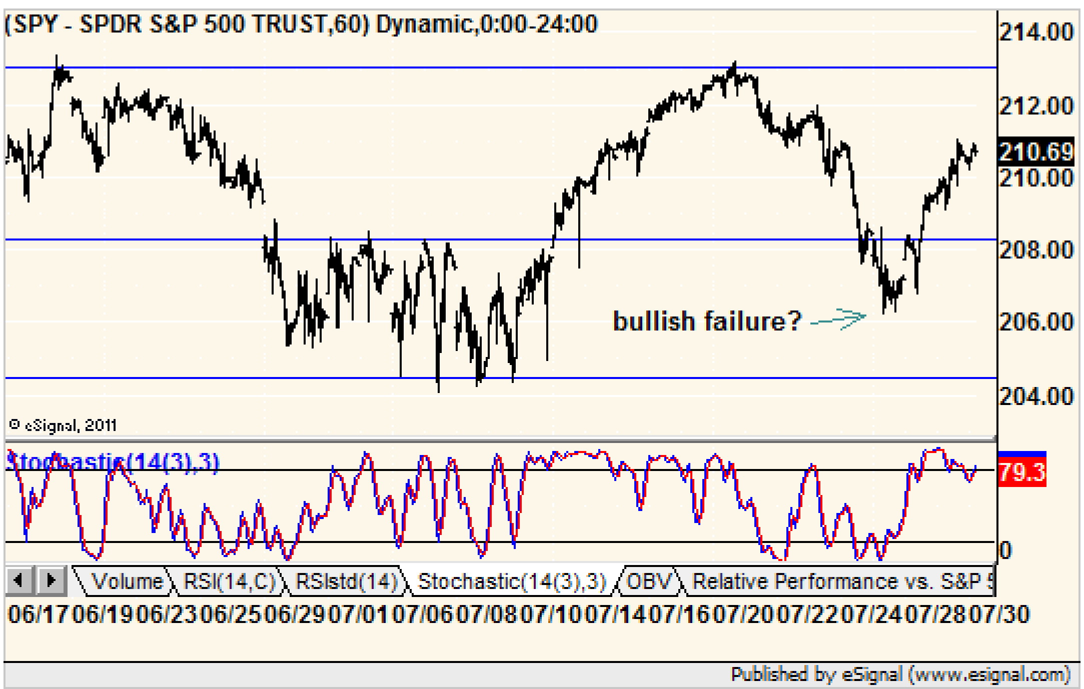
July 30, 2015 – We get why the afternoon was strong yesterday after the Fed was as non-committal as ever. The thought the economy was strong enough to keep their rate hike plan but not so strong as to make them hike earlier. However, the morning was a different story as the market was hoping for a delay. Again, it double-dipped the news rallying in anticipation and then rallying when nothing happened.

Or was it really a double dip on China? After all, it was the first time the US markets could react to China's overnight gains. But Tuesday was a rally on commodities, which rallied on China. Whose head is spinning?

Let's talk charts. What we see is a broken market, even as it put in a two-day rebound. The Russell broke down. The advance-decline has been falling since May. The Dow has a series of lower highs and lower lows, not to mention its fifth straight close under its 200-day average.

But on the other hand, the transports moved above their 50-day average for the first time since April. That's good, we suppose.

Actually, aside from the hourly chart below we see nothing really different today than it was Monday before the market bounced.

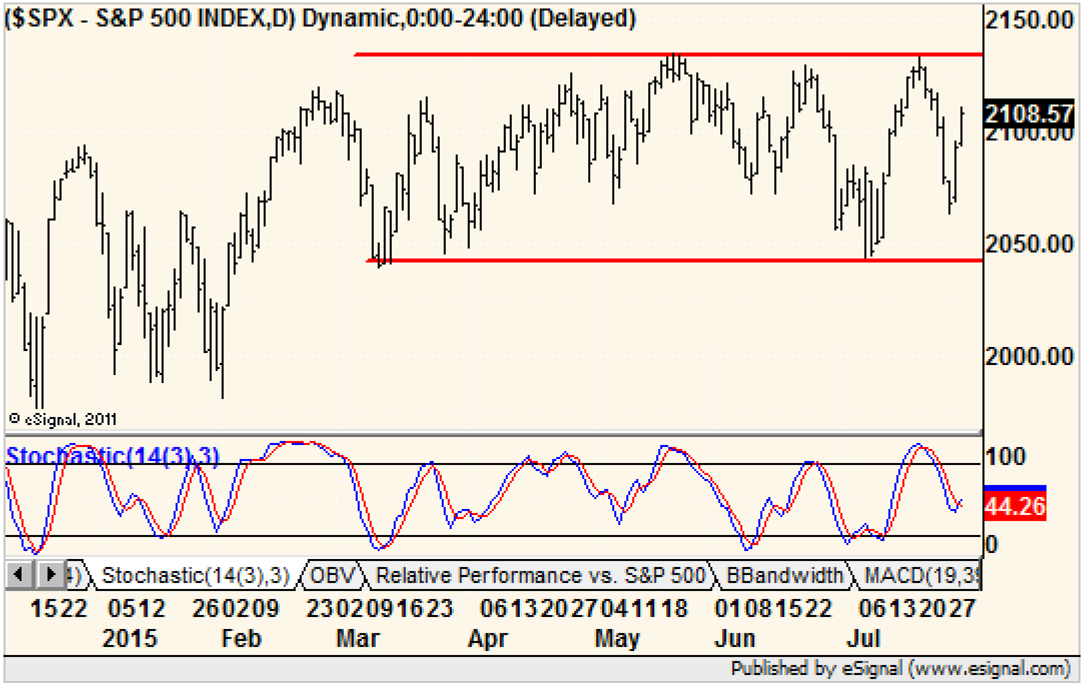


We said that the break of the middle line was going to lead to a run to the lower line. Clearly, that was not correct. But the breakdown failure is now supposed to lead to a run to the upper line. Will that happen? Why risk any money finding out. If it gets there and then breaks out we can join in.

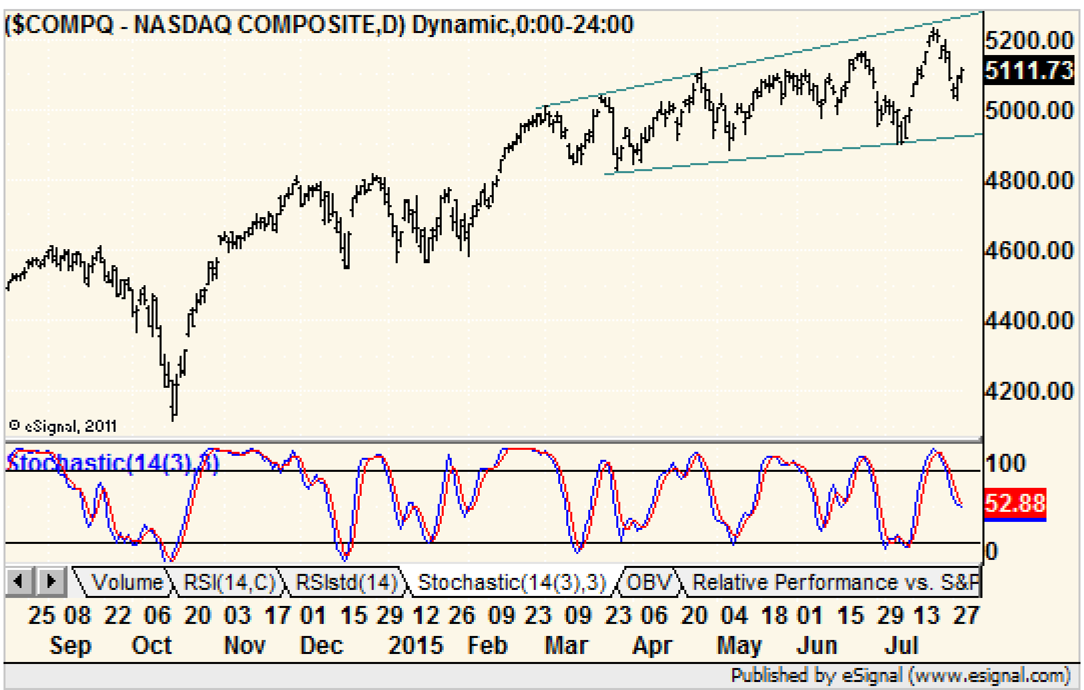
Yesterday, we said we'd have plenty of trading suggestions today after we get fallout from the Fed. Well, there was nothing new said and nothing new setting up. We are still most interested in looking to sell bounces in weak sectors such as industrials and basic materials. Energy may have bottomed.

<u>Sentiment tidbit</u> – AAII percent of bulls now down to levels seen near 2009 and 2003 lows. The difference is that today we are not in a bear market.

Index Charts of the Day



Still no change in the trading range.



We just threw some lines on the chart that try to describe the action and this is what we got. And expanding wedge – something that may or may not be a real pattern. We think it represents the time in the market where everybody loses except those who just sit tight. And then they lose when this pattern breaks down as any terminal wedge or diagonal usually does. Is that a forecast? Well, it is more of a call to hedge in some way – cash, options (to own volatility) or even – dare we say? – gold.

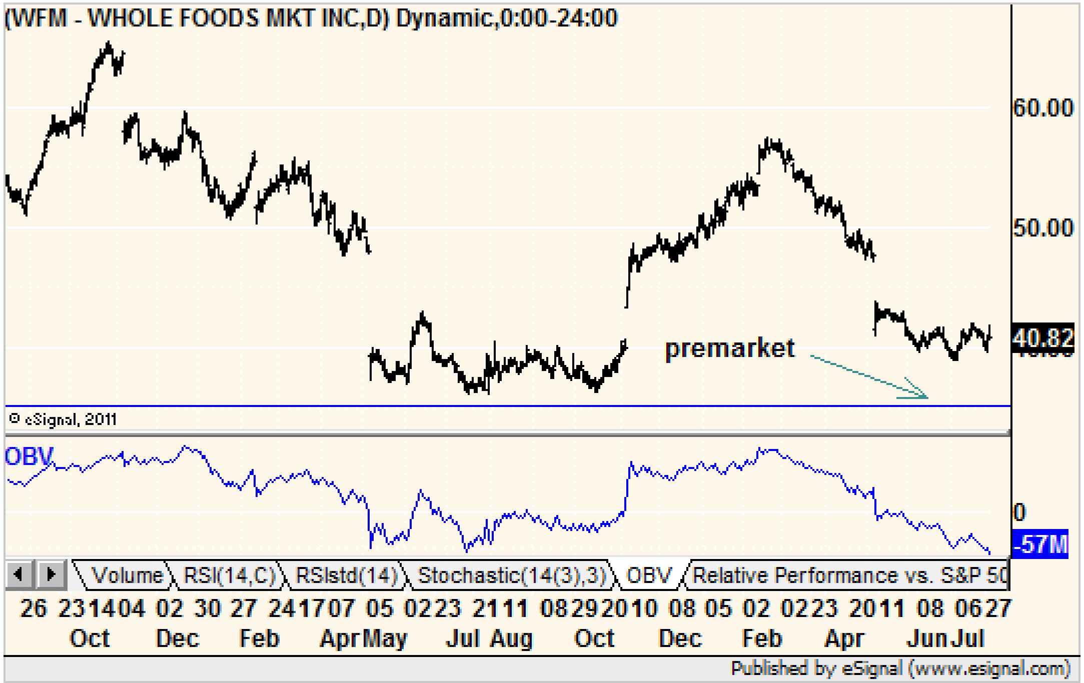
The Radar Screen

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.

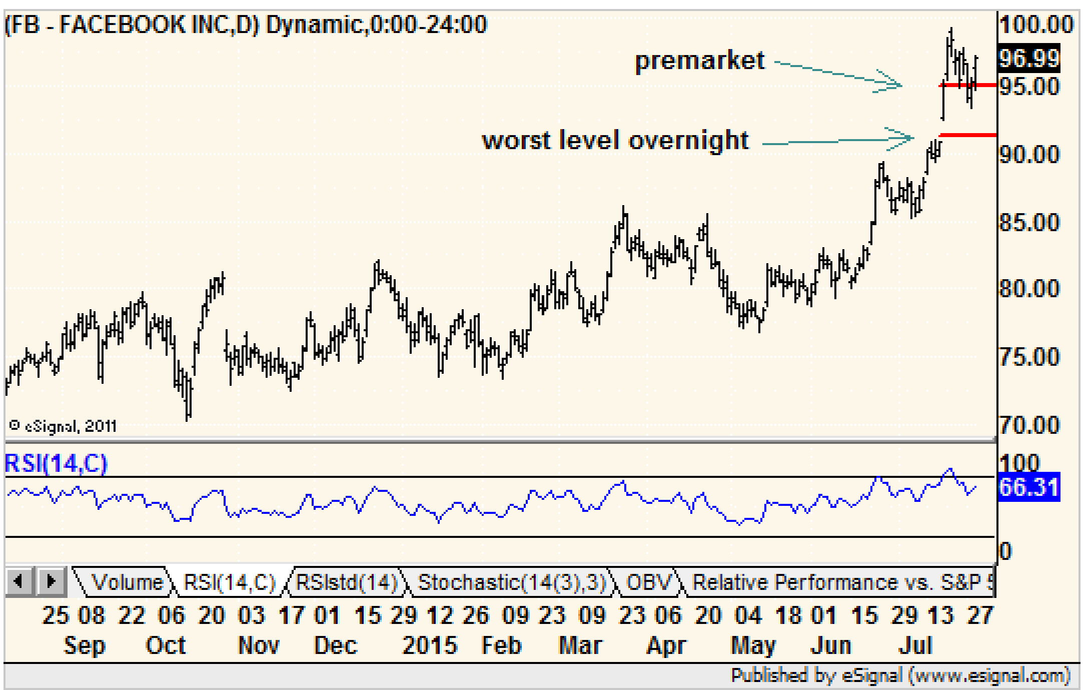
>>> Once again, empty here as the market is just noise in our view. <<<

Bullish Implications		
none –		
Bearish Implications		
none –		
Unknown Implications		
none –		
Holding Tank – red shade leans bearish, green shade leans bullish		
Intel INTC – Waiting for a test of a weekly head-and-shoulders to sell.		7/28
Sector Watch (observations that may spark ideas)		
Truckers – Possible basing action. **CHRW, LSTR.**		7/22
The Generals – AMZN, NFLX, GOOGL, AAPL, GILD, FB, SBUX. If these crack then look out below. GILD may have started.		7/27
Updates		
none –		

Market Highlights



Whole Foods – Today's disaster on earnings. Such action is happening a lot lately as the market punishes misses. That is bear market behavior.

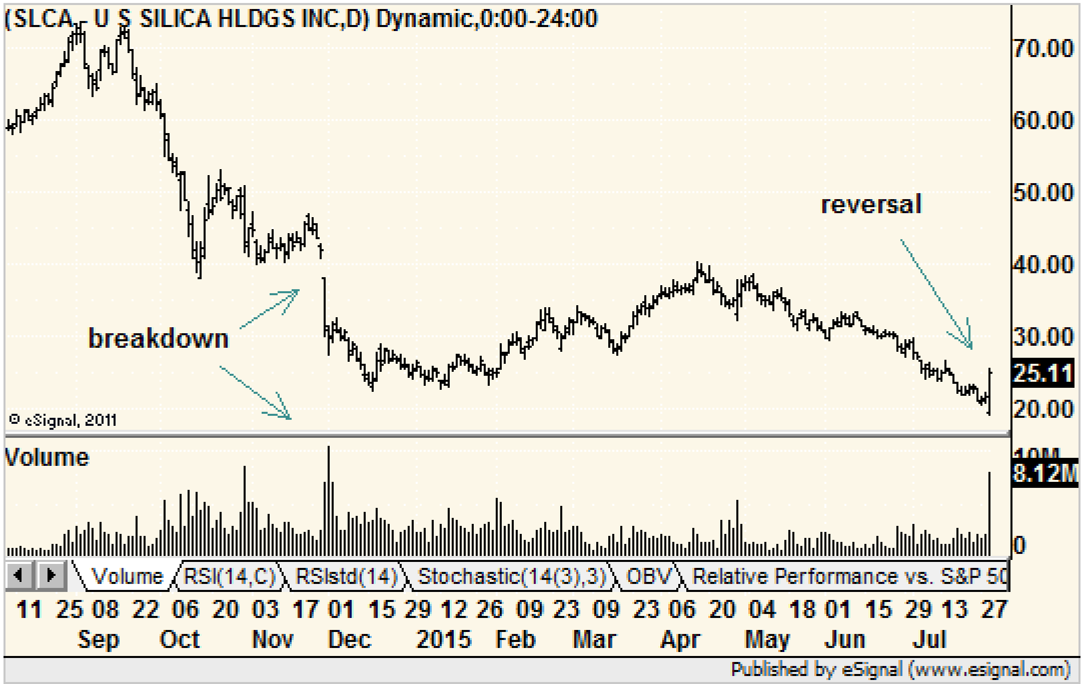


Facebook – Don't read anything into earnings. The price action does not tell us much more than volatility, which sets the stage for a reversal but does not cause it.

Today’s Lesson

In this section, we take a look at a topic in technical analysis in real-time, not textbook time.

Breakdown vs. Selling Climax



The biggest difference between a breakdown that should be avoided and a selling climax that may be buyable is the trend that preceded it. Here, we see Silica Holdings in a triangle pattern in October 2014. The big break on big volume ended the pattern.

Contrast that to the reversal yesterday where the initial move was a gap down on big volume following a long, steep decline. Think of it more as an exhaustion gap.

The fact that it closed higher on the day suggests the tide has already stated to come back in.

We are not buying because it gained 15% yesterday. That is a bit too volatile for us but it is also not the point of this lesson. We’d say that the bottom is in although that does not mean risk/reward for trading is good just yet. Investing may be another story but for that we’d still need confirmation.

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. Symbols in green were closed by us. 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.

	Symbol	Name	Last	P/L	Stop	Price in	Date in	#Days
Long	**MO**	ALTRIA GROUP INC	54.40	4.8%	53.50	51.90	7/16	13
Short	**DLPH**	DELPHI AUTOMOTIVE PLC	78.40	1.9%	79.50	79.92	7/16	13
	HPQ	HEWLETT PACKARD CO	30.30	0.1%	32.00	30.34	7/17	12
	URBN	URBAN OUTFITTERS INC	33.68	3.9%	35.25	35.00	7/21	8
	ACM	AECOM	30.67	-1.6%	31.25	30.19	7/24	5
	NYT	NEW YORK TIMES CO	13.25	-1.1%	13.75	13.10	7/27	2

Notes: We are not too happy with the bearish dark cloud cover (reversal) in **MO**.

Subscriber Corner

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

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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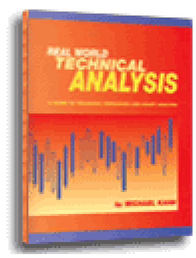

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