

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN  
RESEARCH LLC

**August 4, 2014** - The new week seems to be getting off on a better foot as oversold conditions dominate a relatively calm weekend, news-wise. But while talking heads think the market is on-sale, we think it is closer to being on fire. Just smoke right now but you know, where there's smoke.....

Aside from Russian sanctions hurting some European trade and raising the risk of bank exposure, the domestic market was spooked by a rise in the employment cost index. Higher wages may make it easier or even mandatory for the Fed to start raising interest rates. For stats geeks, it was the fastest growth in this metric since 2008.

Once again, we are not going to offer up a list of stocks to buy or sell today. Unless we think the market is in a rising trend, which we do not, then we would be fighting the long-term trend with buys and the short-term trend with sells. More likely, we'll spend the day watching for setups to sell either tomorrow or later in the week.

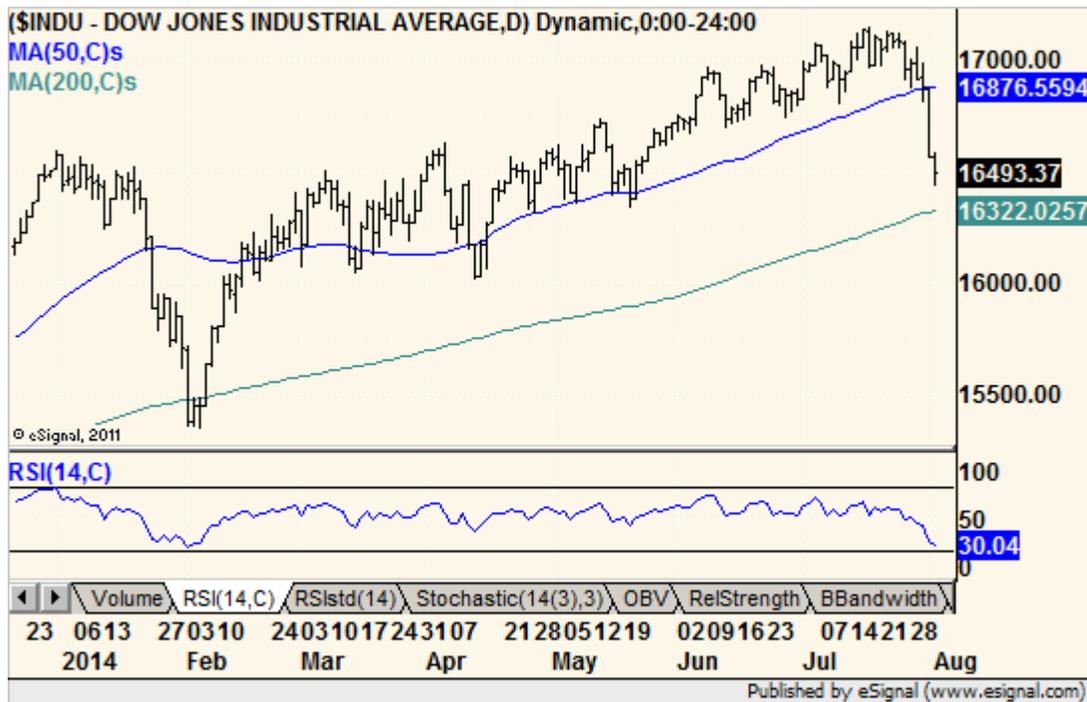
We'll mention it again below but the key is how the bounce unfolds, and that assumes there will be one at all. If it is strong, similar to the tide rushing back in after it rushed out last week, then we'll have to temper the bearish leanings. But if it is tepid, then we'll have a better indication that August is indeed going to be weak. That is what I concluded in my Barron's Online column last week.



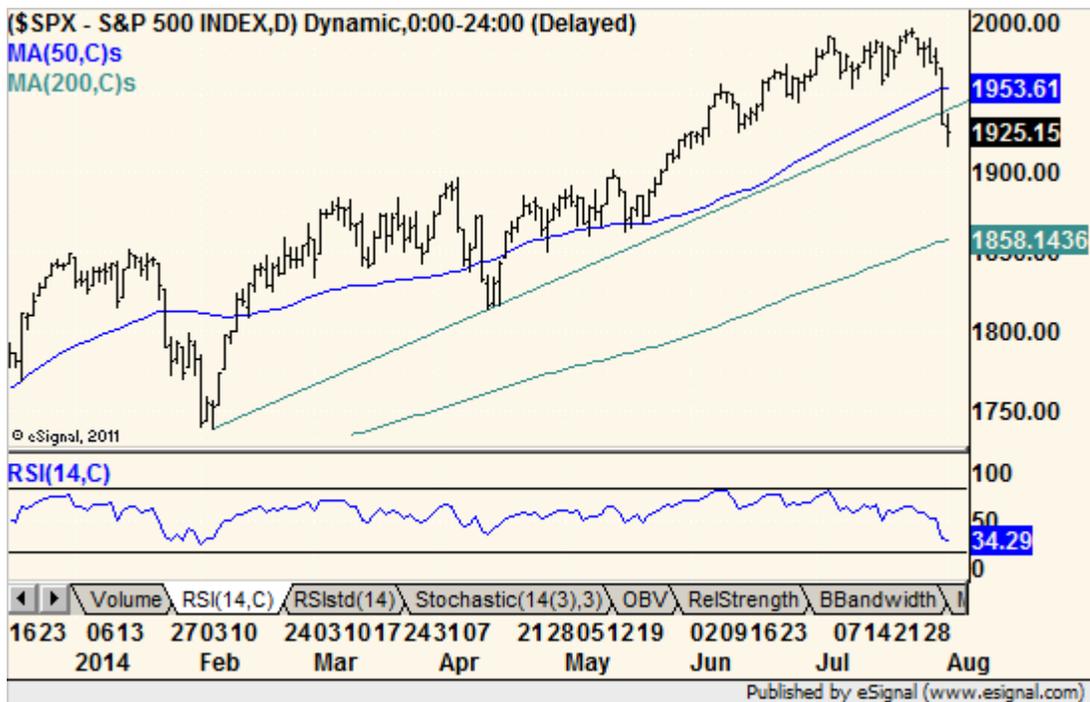
The trend in the hourly is to the downside and RSI has already backed off oversold with the premarket gain. The argument for lower prices here seems to be trumped by the argument on the daily charts (below) for an upside correction.

Again, we look for a weak August. A bear market is not indicated at this time although a wide trader (Larry Williams) once said that every bear market starts at all-time highs.

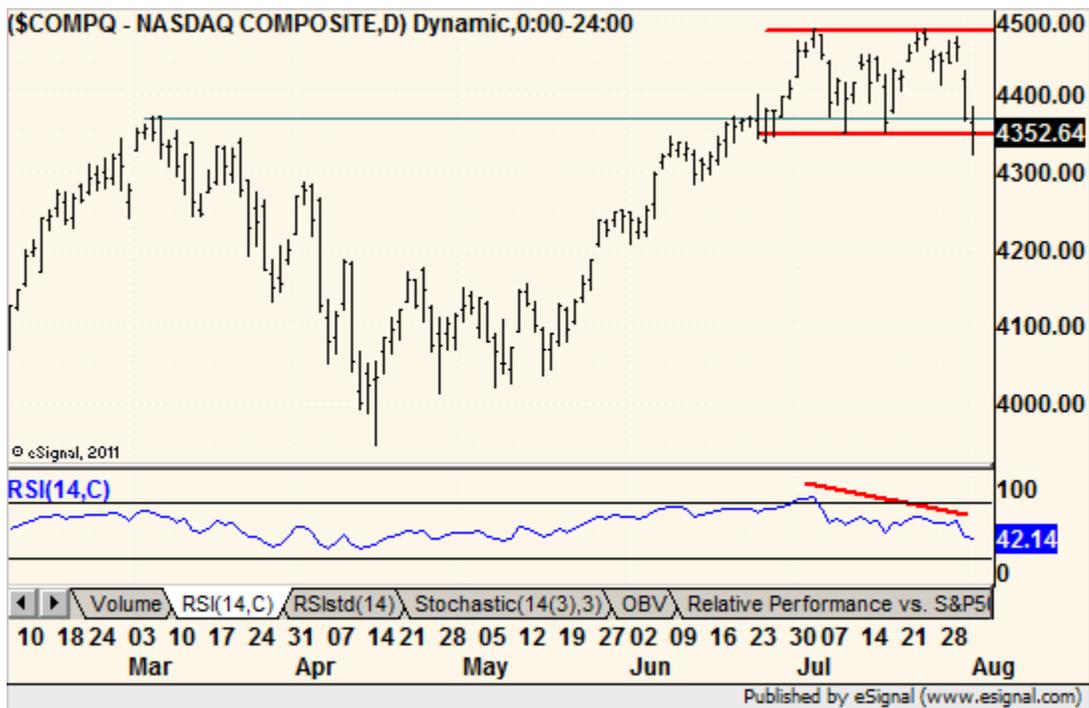
## Index Charts of the Day



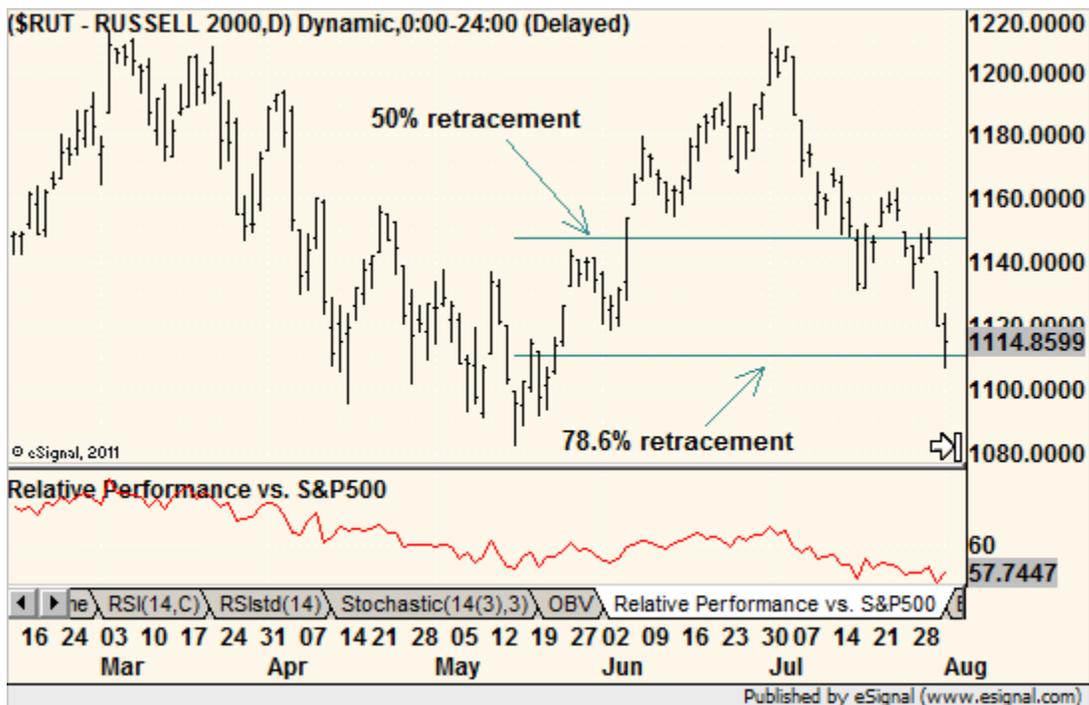
The Dow is already near its 200-day average and already near oversold on this rather slow-moving daily RSI. In other words, a bounce would be no surprise here. What will be important is the magnitude and the urgency. We get the feeling that a lack of bounce sets off a waterfall decline (notice we did not say crash).



The S&P 500 is clearly in better shape than the Dow but the short-term line is indeed broken. Here, we can see a bounce to test the break but again the character of the rebound will be important. Will it really just kiss the line or shoot through it? And yes, watch volume.



The Nasdaq saved a formal breakdown by closing on the red line. However, the RSI divergence is still in place. Watch to see if there is a handle-like pause before a real breakdown or a strong rebound well back into the middle of the range. The former will be, of course, bearish.



The Russell 2000 is still leading to the downside but saved a break of the 78.6% retracement level. Why is that important? We often see a full 100% retracement if this level is breached. Trust us; we do not like to go this deep into Fibonacci as it is possible to find a level to match any hypothesis.



**Dow Transports** - Frankly, we do not see all the panic here. It dipped below the 50-day but is still overall in a bull trend.



**Dow Utilities** - The Utes are indeed in worse shape but on-balance volume (verified with XLU, as well) show that money is not really fleeing. In other words, not good but not too bad, either.

## The Radar Screen

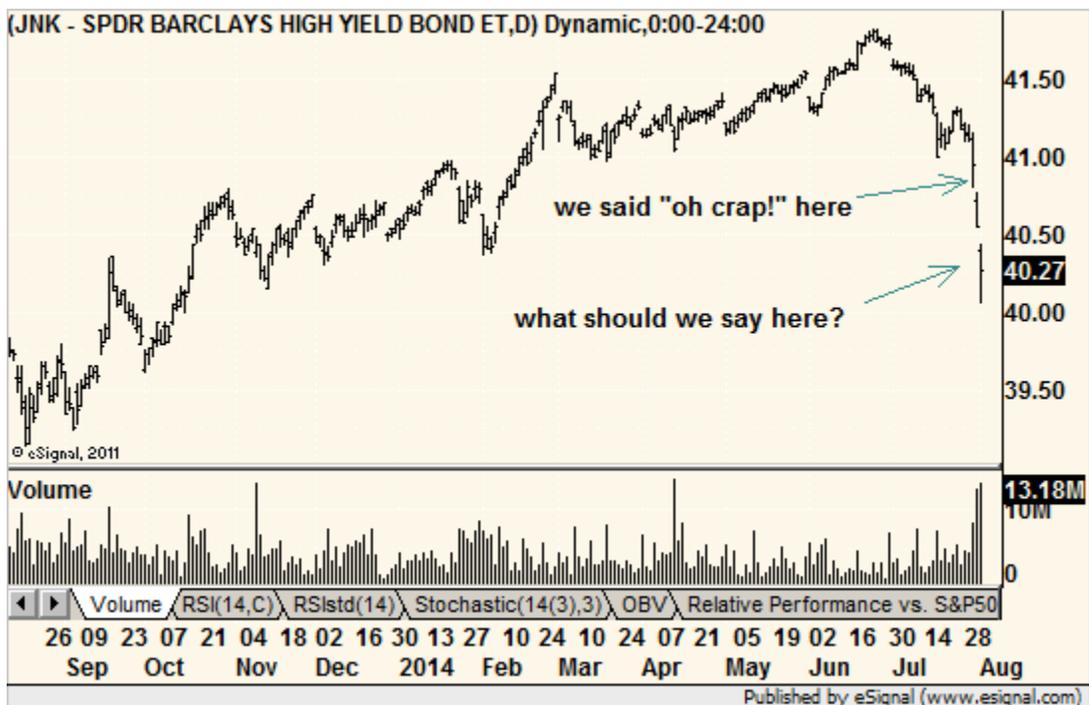
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>none -</b>		
<b>Bearish Implications</b>		
<b>Las Vegas Sands LVS</b> - This one gets a lot of exposure in this report and it is now sitting on support. Sell close under 71.35. This might take a while		7/17
<b>Comcast CMCSA</b> - Now between the trendline and resistance. Also sporting a Bollinger Band "divergence" of a high above the bands and a higher high back within. This is a momentum loss and a warning. Sell close under 54.	<b>Triggered</b> (Thursday)	7/28
<b>Unknown Implications</b>		
<b>none -</b>		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Tiffany TIF</b> - With all the action in discount retail, this luxury stock looks to be rolling over. It is already below the 50-day average and lagging the market. Now looking to sell a bounce. <u>This may not happen.</u>		7/29
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Homebuilders</b> – serious trouble		7/23
<b>Airlines</b> - toppy		7/25
<b>Aerospace/defense index</b> - Not looking very healthy.		7/31
<b>Insurance index KIX</b> - Uh oh. This looks bad.		7/31
<b>Coal</b> – Back to its losing ways		8/1
<b>Updates</b>		
<b>Wabtec WAB</b> - trendline and 50-day average breakdown for his railroad stock		
<b>Altria MO</b> - Support break, arguable double top break		

## Market Highlights



**Long T-bond ETF** - This one rebounded sharply off the old trendline but volume favored the bears last week. The upside target is based on the height of the flag pattern projected up. Basically, we think the upside is limited.



**Junk Bond ETF** - We are not playing with this one but it does tell us that investors are fleeing from risk. We do not buy the "market is a bargain" argument.



**India Sensex** - This chart is just for background. While most of Asia is strong, India sports a rather clear "three-drives to a top" formation and a bearish RSI divergence.



**France CAC-40** - France has huge exposure to Russia and it is clearly in decline. It is up Monday morning with the global bounce but the trend here actually is down. Note that the 200-day average was smashed.



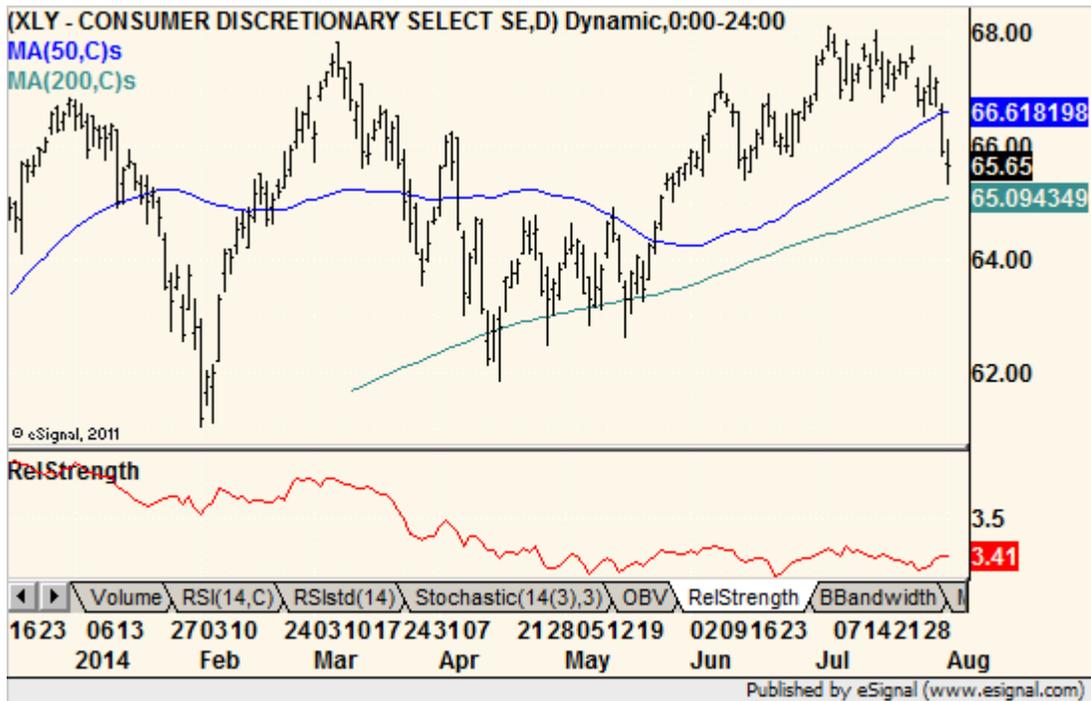
**Tech ETF** - No break and still leading.



**Energy ETF** - Big change in the short-term but not so terrible longer-term.



**Staples ETF** - A good place for a reprieve but this defensive sector does not look well. See next...



**Discretionary ETF** - This one has a slight performance edge now and it more sideways than anything. Could this in combination with the **XLP** above suggest the stock market is not about to collapse? Could be.



**Healthcare ETF** - Improving relative to the market and no breakdown. This is the potential leader if the market holds on.



**Insurance index** - Oversold but this is not a healthy chart.



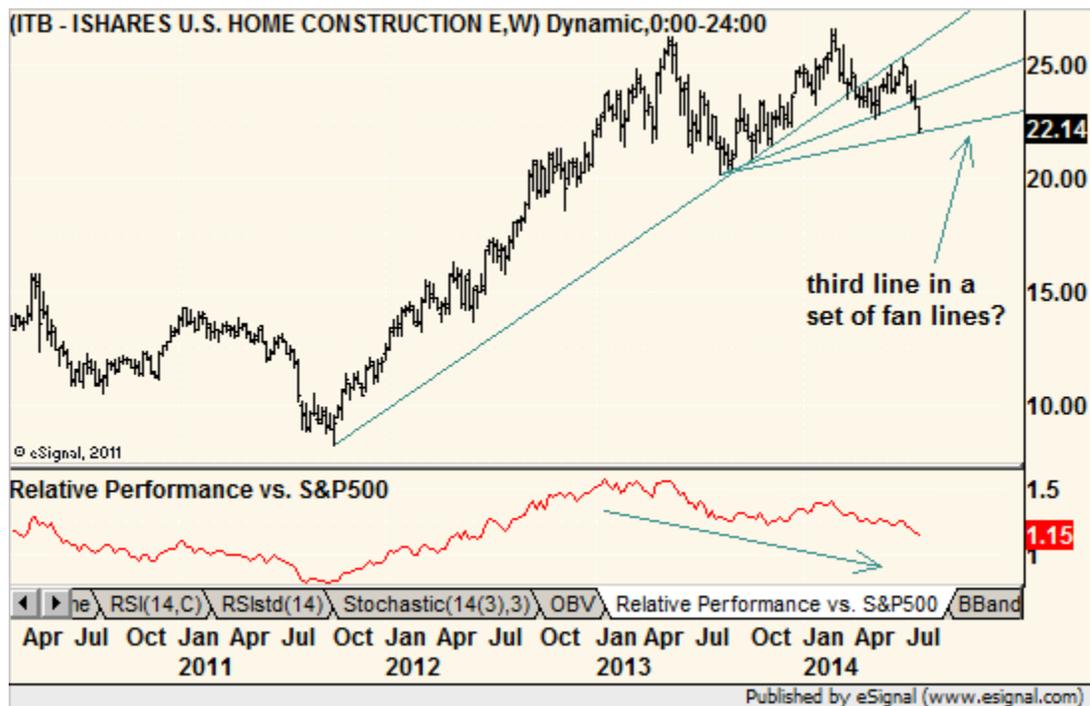
**Oil ETF** - Is this too obvious, rendering it useless? An oversold market at the lower border of the channel sitting on the 200-day average?



**iShares gold ETF** - For a change of pace, we'll look at the IAU. Not much reason to even pay attention as the coil tightens.

## The Big Picture

In this section, we take a macro look at things.



**Homebuilders ETF** - This long-term chart looks ugly. We can visualize a bounce here to set the last line in a three-line fan lines pattern. A break of that line could kick off a real bear market here.

Two-pager, [click here](#). (new subscribers, it is part of the service)

## 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>MRO</b>	MARATHON OIL CORP	38.61	4.2%		37.07	6/5	56
	<b>RGLD</b>	ROYAL GOLD INC	76.33	14.3%	74.50	66.77	6/12	52
	<b>BMY</b>	BRISTOL MYERS SQUIBB CO	49.81	3.1%	49.00	48.30	6/23	41
	<b>INFY</b>	INFOSYS LTD	54.88	-2.3%		56.15	7/11	23
	<b>PCLN</b>	PRICELINE GRP INC	1245.90	-0.8%	1210.00	1255.95	7/30	4
<u>Short</u>	<b>AFG</b>	AMERICAN FINL GROUP INC	56.20	3.7%	58.00	58.27	7/10	24
	<b>USB</b>	US BANCORP DEL	41.33	3.8%	43.50	42.90	7/11	23
	<b>ALL</b>	ALLSTATE CORP	58.14	0.6%	60.00	58.46	7/15	19
	<b>AMKR</b>	AMKOR TECHNOLOGY INC	9.07	14.1%	9.50	10.35	7/23	11
	<b>CMCSA</b>	COMCAST CORP NEW	53.39	0.6%	56.00	53.73	7/31	3

Notes: Sold **INFY** just to end the misery.

We missed reporting that a new short in **CMCSA** was triggered Thursday.

## 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

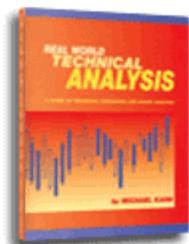
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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



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