

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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**August 5, 2014** - Dead-cat bounce, reversal or normal corrective gain in a falling market? That is the question and we are going with the latter. A one-week, 2.75% decline in the Dow is not exactly the cliff from which a dead cat falls. We can go with a reversal only if we are talking about the hourly time frame so that leaves us with a normal correction. Can it go a little higher? Sure. We won't bet on it.

If you want a dead cat bounce, look at junk bonds.

We made an observation yesterday morning, when the market was up, that the intraday advance/decline line was still negative. Not a positive signal. However, it did manage to turn higher as the Dow moved up to a 75-point gain. Good? Well, at +716 it was not a barn burner. It was more a grudging change than a serious wake-up of the bulls.

Priceline led the pack with a nice gain but the sector ETF in the lead was energy followed by basic materials (thanks to some steel and some chemicals).

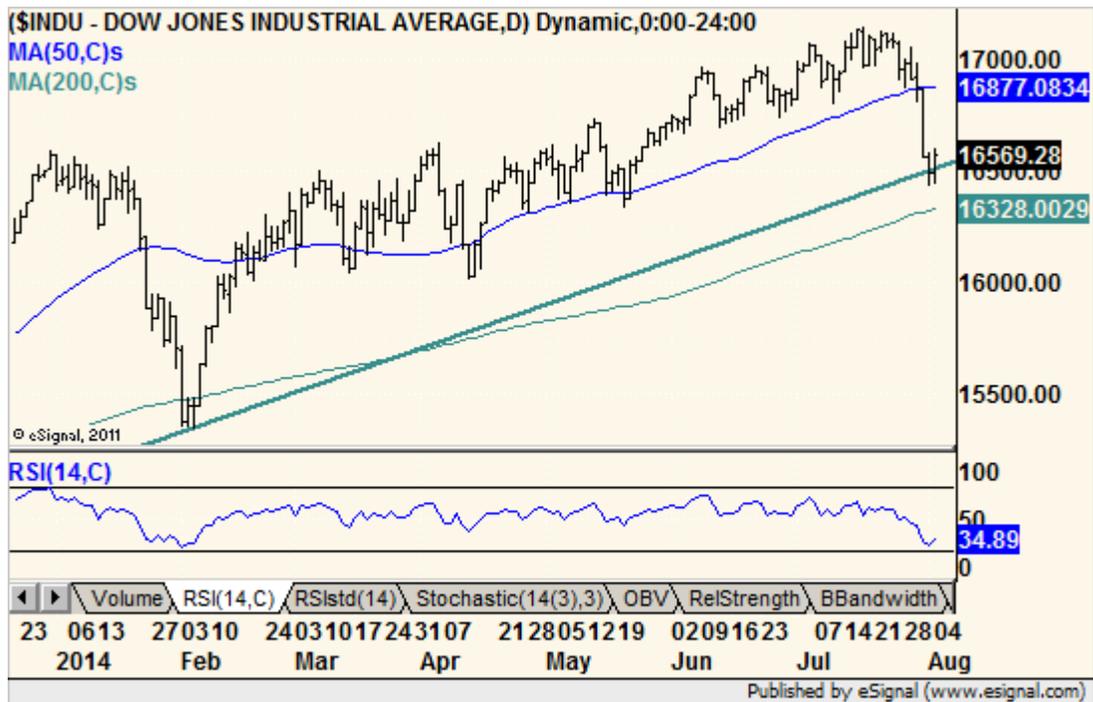


On the hourly chart, we removed some of the resistance lines that are far away and now we can see the recapture of the lower line. However, it is already being tested this morning and that means the bounce is already in danger.

Overseas, the bounce in Europe was rather tiny, especially in Germany. Russia is working on its lowest close since May as that trend is still down. Japan seems to have reversed to the downside. And while Asia is otherwise strong, Taiwan is another exception.

That's about it. August still looks to be weak and we are starting to find stocks to sell.

## Index Charts of the Day



Now sitting on its Nov 2012 trendline but still above the 200-day average. We said to look at the quality of the bounce yesterday and so far it is not impressive.



Volume on the bounce, here and in the NYSE, was low. Again, the quality so far is not too good.

## 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>Tiffany TIF</b> - Rolling over and already below the 50-day average. Selling the bounce to 98.00	<b>Moved</b>	7/29
<b>CVS Caremark CVS</b> - Up in the premarket on earnings but still within the triangle shown above. Falling momentum indicators, Bollinger Band divergence on weekly charts (not shown), negative crossover in the DMS indicator (not shown) and broke October trendline. Sell under 76.50.	<b>New</b>	8/5
<b>Monolithic Power Systems MPWR</b> - This small-cap semiconductor stock hanging on after a big reversal. We sometimes call the pattern a Prussian Helmet with its spike on top. A drop now also breaks the 50-day average so we'll sell close under 40.50.	<b>New</b>	8/5
<b>Unknown Implications</b>		
<b>none -</b>		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Target TGT</b> - Bad earnings sent it packing this morning. We are not buying here but check out the rising bottoms this year. Perhaps a drop to 56.50 would set up a nice long-term buy point. Don't forget, this offers a beefy dividend to help us wait for a better trend.	<b>New</b>	8/5
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Homebuilders</b> – serious trouble		7/23
<b>Airlines</b> - tippy		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>none -</b>		

## Market Highlights



**JP Morgan** - Earnings kicked off a huge rally last month but the stock has given back just about the whole thing. Same for **C. GS** is still holding on to a higher percentage of its earnings-gains.



**CVS Caremark** - Up in the premarket on earnings but still within the triangle shown above. Falling momentum indicators, Bollinger Band divergence on weekly charts (not shown), negative crossover in the DMS indicator (not shown) and broke October trendline. Sell under 76.50.



**Target** - Bad earnings sent it packing this morning. We are not buying here but check out the rising bottoms this year. Perhaps a drop to 56.50 would set up a nice long-term buy point. Don't forget, this offers a beefy dividend to help us wait for a better trend.



**Monolithic Power Systems** - This small-cap semiconductor stock hanging on after a big reversal. We sometimes call the pattern a Prussian Helmet with its spike on top. A drop now also breaks the 50-day average so we'll sell close under 40.50.

## 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>RGLD</b>	ROYAL GOLD INC	76.56	14.7%	74.50	66.77	6/12	53
	<b>BMY</b>	BRISTOL MYERS SQUIBB CO	49.98	3.5%	49.00	48.30	6/23	42
	<b>PCLN</b>	PRICELINE GRP INC	1299.92	3.5%	1240.00	1255.95	7/30	5
<u>Short</u>	<b>AFG</b>	AMERICAN FINL GROUP INC	56.35	3.4%	58.00	58.27	7/10	25
	<b>USB</b>	US BANCORP DEL	41.64	3.0%	43.50	42.90	7/11	24
	<b>ALL</b>	ALLSTATE CORP	58.96	-0.8%	60.00	58.46	7/15	20
	<b>AMKR</b>	AMKOR TECHNOLOGY INC	9.07	14.1%	9.50	10.35	7/23	12
	<b>CMCSA</b>	COMCAST CORP NEW	53.85	-0.2%	56.00	53.73	7/31	4

**Notes:** Raised stop on **PCLN** after it had a nice follow through to last week's breakout.

Although **RGLD** has not moved in weeks, on-balance volume still looks pretty good.

## Subscriber Corner

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

With the market in transition, now is a good time to send in requests. They don't cost you anything.

Note to Gary - It is true that August is a seasonally weak month but September is the weakest of all. Remember that these are averages over the years.

## Other Information

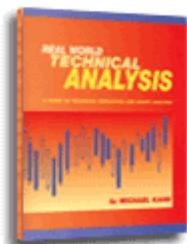
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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



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