

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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August 6, 2014 - Another scary loss for the market although it was less than 1%. The Dow was down over 200 at one point before getting some back. OK, here comes the "why."

There were two reason trotted out. The first was the possible Russian troop buildup on the Ukrainian border. The second, which we think was more likely, was another shiver running through the market that the Fed was going to raise rates sooner rather than later.

Earnings news continued to be split with Coach good but Target bad. Today, we get the unraveling of two mergers as Fox backed off Time Warner and Sprint backed off T-Mobile. Three of those four players are way down in the premarket. Fox got a boost and seems to want to buy something else.

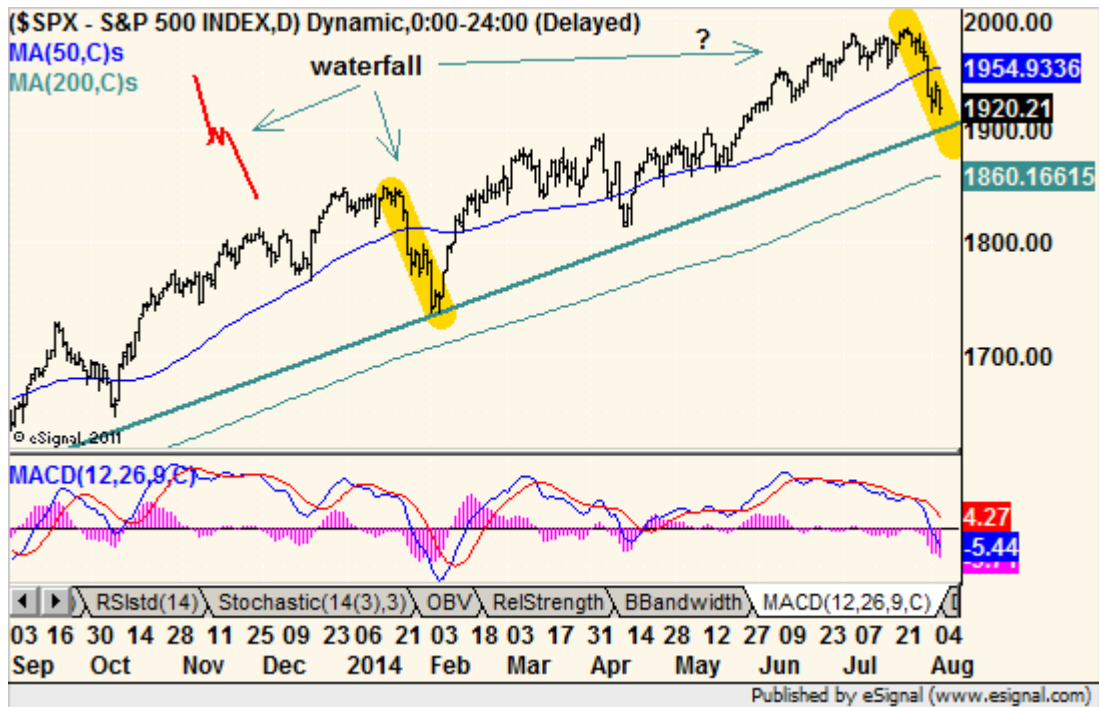
Are the breakups symptomatic of a market that has already rolled over? After all, we see a spate of mergers as the market tops because companies use their inflated shares as currency. After the peak, things change.



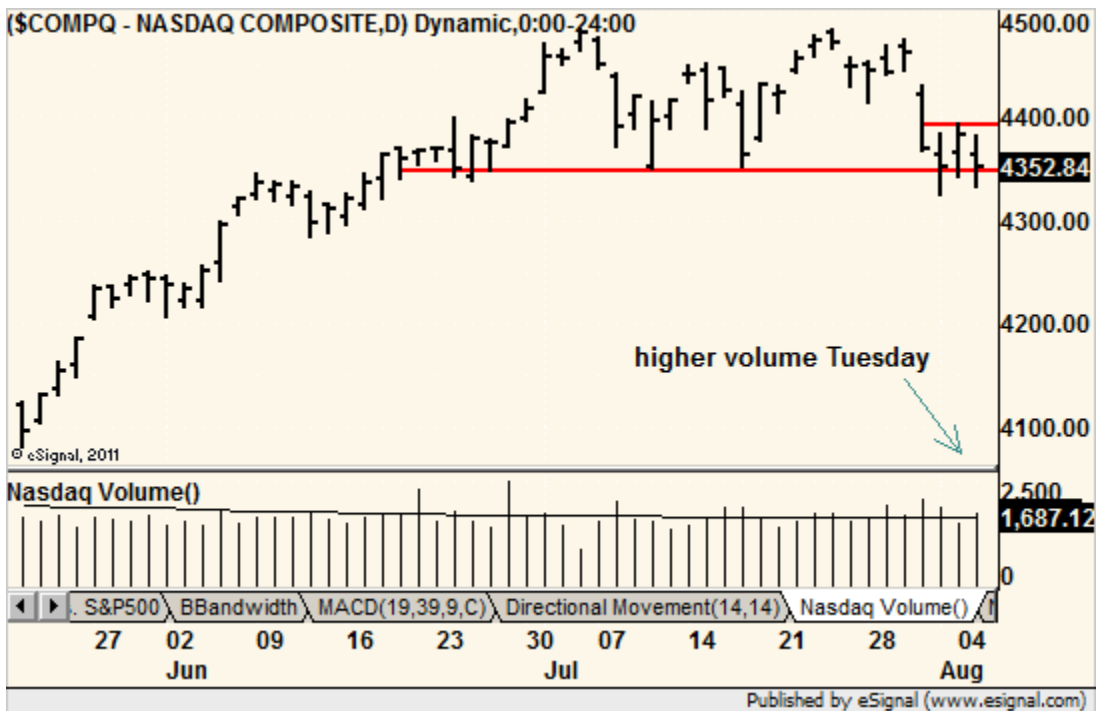
The hourly chart shows the failed attempt to retake resistance yesterday and a drop to a new low this morning in the premarket. However, we also now see a possible bullish RSI divergence. This is the sort of thing we cannot know as it happens because we do not know at this time if the current price is actually the bottom of a push lower. If the market strengthens just a little then we can call for the bullish RSI divergence in this time frame.

We are keeping it light once again today after triggering two new shorts yesterday. Things are a bit volatile for out liking.

Index Charts of the Day



The S&P 500 is now approaching its November 2012 trendline. Could this be a waterfall similar to January?



A small uptick in Nasdaq volume on Tuesday's decline. So far, the bounce was low quality and if premarket declines hold then support will break. Emphasis on "if."

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.

Bullish Implications		
none -		
Bearish Implications		
Las Vegas Sands LVS - 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
Tiffany TIF - Rolling over and already below the 50-day average. Selling the bounce to 98.00	Triggered	7/29
CVS Caremark CVS - 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.	Triggered	8/5
Monolithic Power Systems MPWR - 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.		8/5
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Target TGT - 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.		8/5
Sector Watch (observations that may spark ideas)		
Homebuilders – serious trouble		7/23
Airlines - tippy. <u>Arguable sector breakdown</u>		7/25
Aerospace/defense index - Not looking very healthy.		7/31
Insurance index KIX - This looks bad.		7/31
Updates		
none -		

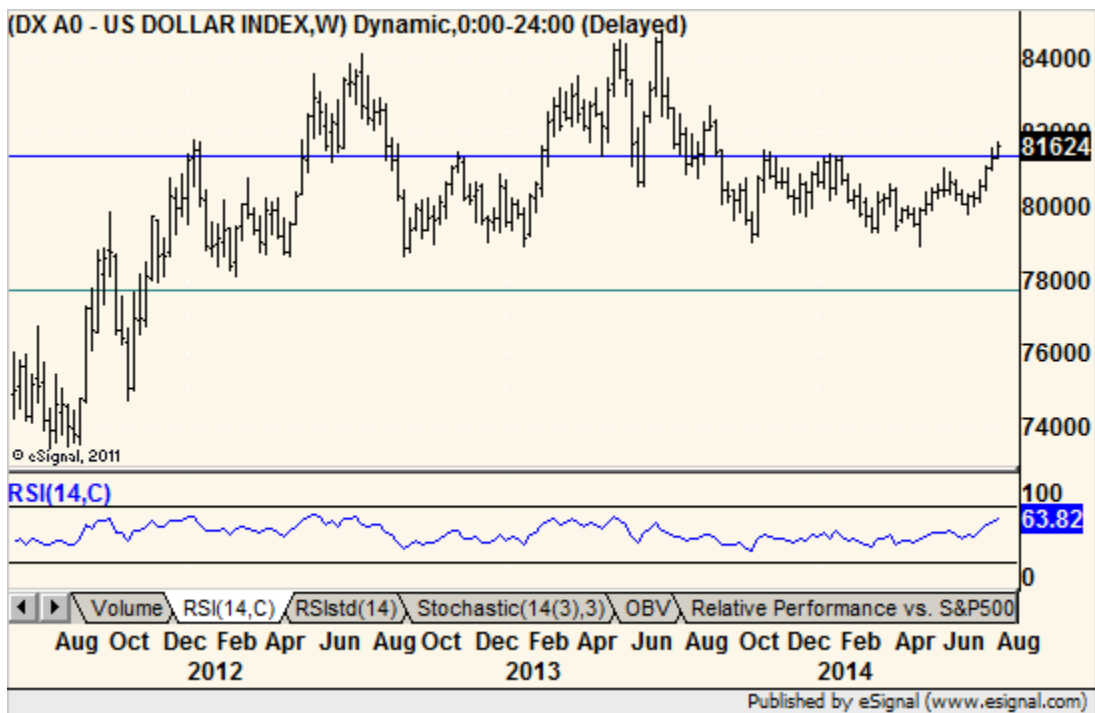
Market Highlights



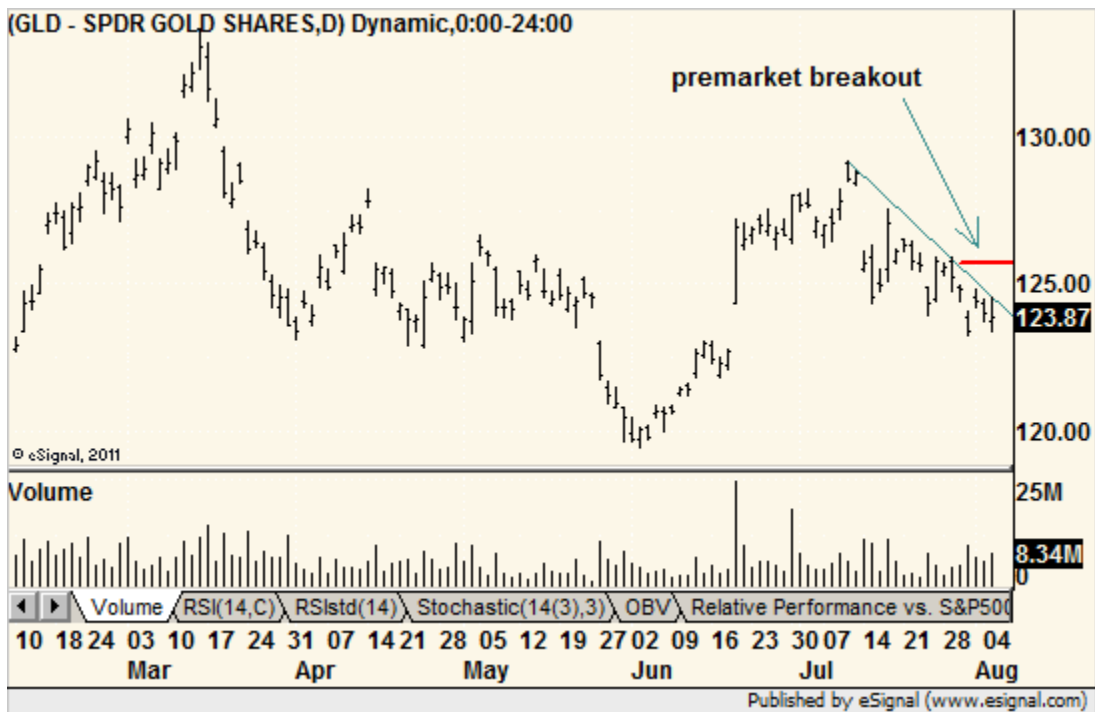
Long T-bond ETF - A curious lack of rally as stocks fall. However, that seems to just be temporary as the fear trade is back. But check out the next chart...



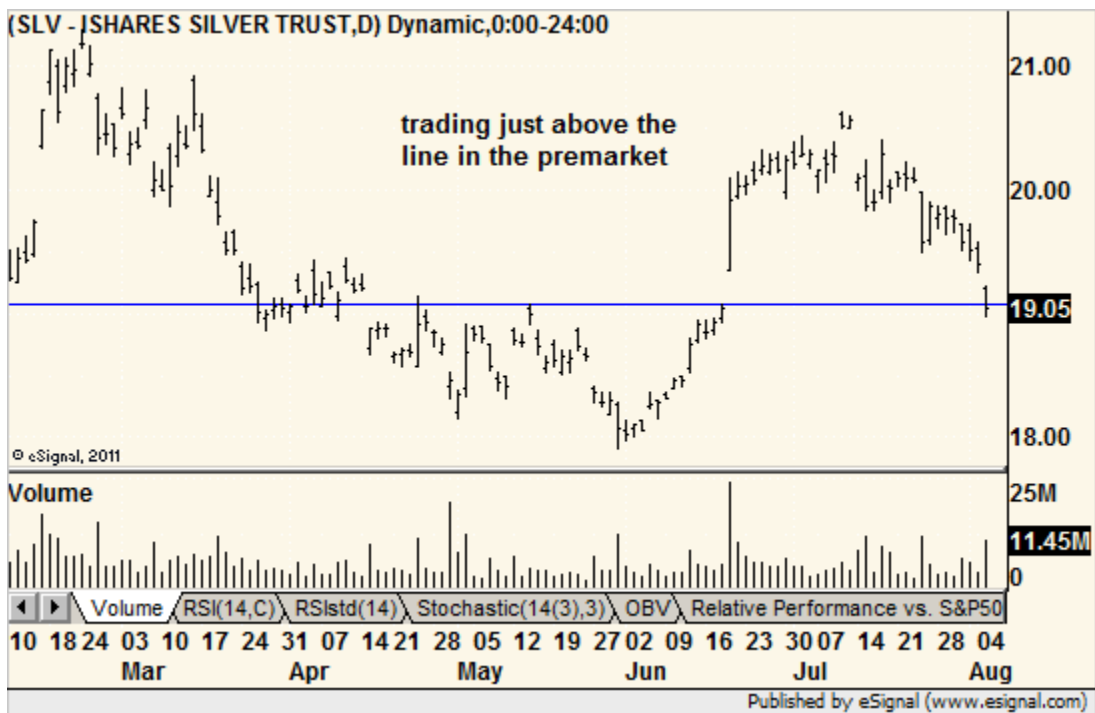
CNN Money Fear/Greed Index As we can see, this sentiment gauge is quite extreme. It was actually at 4 intraday yesterday. Enough for a rally? Don't forget sentiment is for environment, not timing.



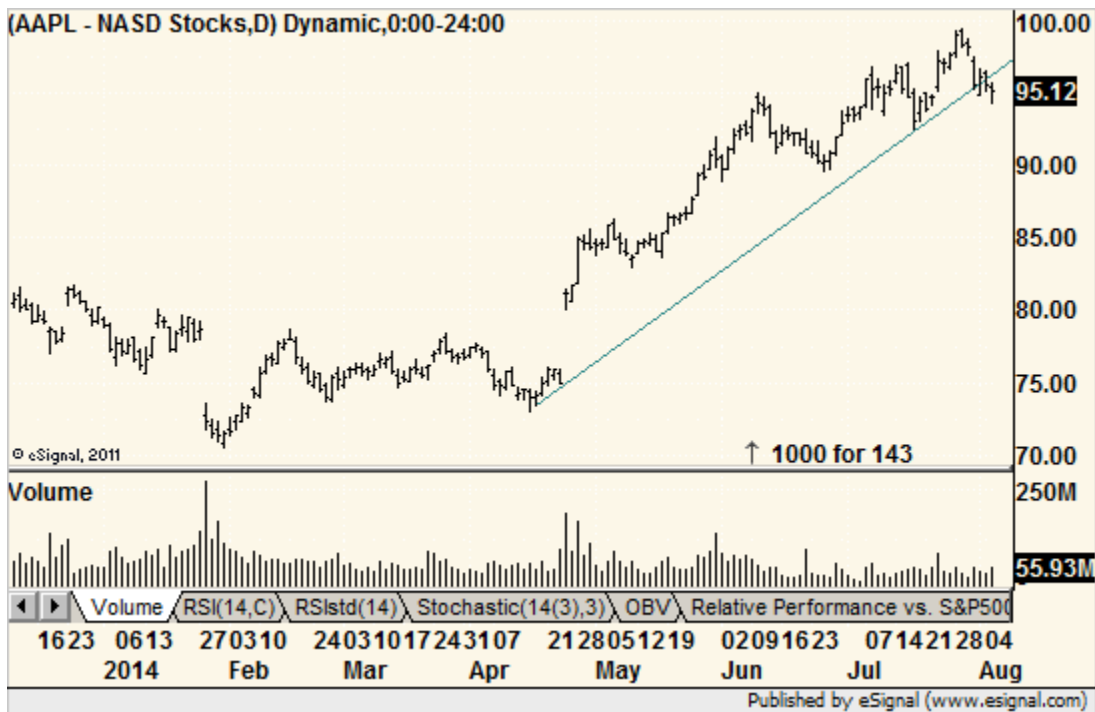
US Dollar Index - Looks to be rising from a base.



Gold ETF - Getting a boost this morning and a possible trendline breakout.



Silver ETF - Selling climax? Exhaustion gap? Both are possible.



Apple - Trend break.

Today's Lesson

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

Surprises happen in the direction of the trend



Bloomin Brands - The owner of Outback Steakhouse and Carrabba's, among others, collapsed Tuesday on weak earnings and a lowered outlook. They blamed the weather. Anyway, we can see the trend was already solid to the downside before the news.

Do we buy? Arguably, this was a selling climax. We say arguably because a 23% decline in one day is devastating in means the broken stock needs to heal. That means we have to give it time.

One argument for the bulls, albeit bulls who can sit there for weeks with no gain and possibly some additional losses, is that the stock landed at the 78.6% Fibonacci retreatment of its entire trading life. It opened at 11.60 in 2012 after an 11-dollar IPO.

What are we doing? Waiting.

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>	RGLD	ROYAL GOLD INC	76.86	15.1%	74.50	66.77	6/12	54
	BMY	BRISTOL MYERS SQUIBB CO	49.36	2.2%	49.00	48.30	6/23	43
	PCLN	PRICELINE GRP INC	1281.21	2.0%	1240.00	1255.95	7/30	6
<u>Short</u>	AFG	AMERICAN FINL GROUP INC	56.15	3.8%	58.00	58.27	7/10	26
	USB	US BANCORP DEL	41.17	4.2%	43.00	42.90	7/11	25
	ALL	ALLSTATE CORP	58.85	-0.7%	60.00	58.46	7/15	21
	AMKR	AMKOR TECHNOLOGY INC	8.85	16.9%	9.50	10.35	7/23	13
	CMCSA	COMCAST CORP NEW	53.18	1.0%	56.00	53.73	7/31	5
	TIF	TIFFANY & CO NEW	97.15	0.9%	101.00	98.00	8/5	0
	CVS	CVS CAREMARK CORPORATION	77.27	-1.0%	80.00	76.50	8/5	0

Notes: We may have overstayed our welcome on **BMY**.

Two new shorts triggered intraday yesterday - **TIF** and **CVS**.

Tweaked stop on **USB** short.

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

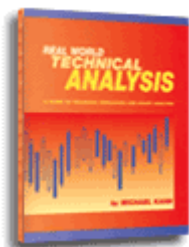
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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