

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN
RESEARCH LLC

August 12, 2014 - Countertrend moves are indeed uncomfortable as we have to take the pain and trust that our stops are set appropriately. The upside reaction after a bad summer slide is still just that according to the evidence we have. It is still not yet proven to be a reversal and the start of a new leg higher.

Stocks continued their rebound but in a very shaky way yesterday. By the close, the Dow was practically back to the flat line although the other indices held on better to respective gains. Small stocks led the way with a 1% gain. The start of something good or just the "worst to first" dead cat bounce phenomenon?

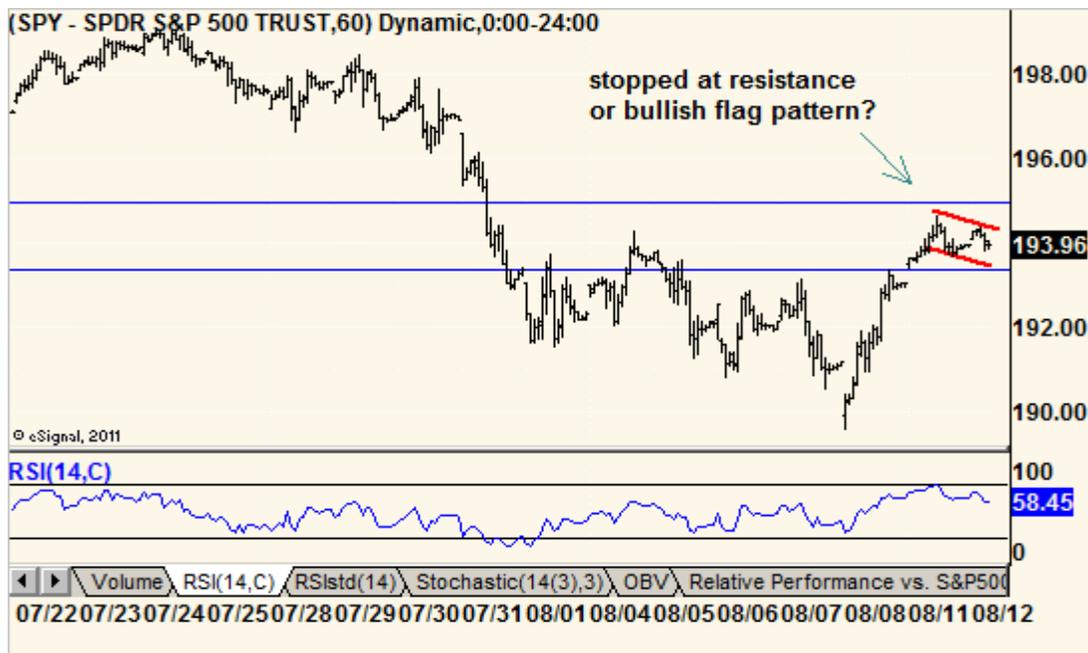
I wrote yesterday in Barron's Online that we really cannot know for a few days and possibly with an O'Neil follow-through day (FTD). This is a surge in price and volume 4-7 days into the rally attempt that seeks to find markets where real buying, as opposed to knee-jerk bottom fishing, is back. Today is day 3.

While size was the greatest divider yesterday, a few sectors were notable. Energy gave up gains and actually closed in the red, well, except for **KMI**. But that is a symptom of what is going elsewhere. We see broad participation in breadth but the real gains seem to be concentrated in a few really big movers each day. Admittedly, a small gain day after day is still a good thing if you are bullish.

For example, the hotels group was up 1.55% but there were only a handful of stocks sporting true technically significant moves. The travel group was all Priceline yesterday. Heavy construction was all Quanta. Coal was all Alphas Natural (although **WLT** from yesterday's report did nicely).

It is not quite that cut and dry but the amount of gains seems to be concentrated. Everyone gains but only a few really gain and that can make the averages look a little better than they should.

But this is all color. The important factors are on the index charts as they bounce up to test breakdown levels. If they fail there then more pain for August. If they continue higher then we'll claim victory in calling the depth of the correction but failure in that it happened way faster than we thought it would.



The hourly **SPY** chart caption says it all. We are in a bit of a bind waiting for the right signal.

Index Charts of the Day



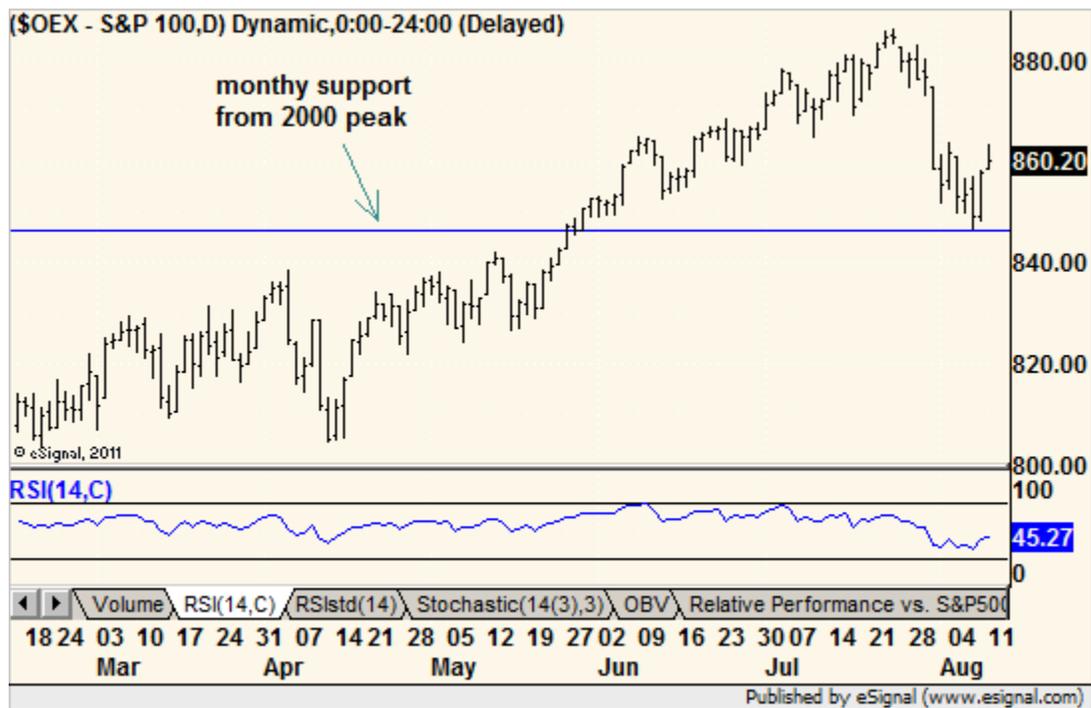
The Dow poked its head back above its Nov 2012 trendline after bouncing off the 200-day average. It still is below the 50-day, which itself is starting to curl lower.



The Russell sure looks to be an upside breakout within the larger trading range. Note the stochastics divergence. The question is how high will it go and of course resistance at the top of the range it the first thought. However, if it fails to get there we'd prepare for a major breakdown later perhaps next month or into the dreaded October.



The transports had a nice rally but stopped at the 50-day.



Here is yesterday's monthly S&P 100 (megacap index) analysis in daily format. The decline hit the support level perfectly. It is now a critical support for this index.

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		
McDonalds MCD - Now oversold at support. The trend is clearly down but this is a rather good place to think about buying. We'll wait for it to close above <u>Thursday's</u> high at 94.		8/7
Move - This is a competitor to Zillow and Trulia, who have agreed to merge. A nice range here sitting above the averages. Rising on-balance volume. A close above 15.50 would do it but we think it carries higher risk.	New	8/12
Bearish Implications		
Las Vegas Sands LVS - Broke down hard so we'll leave it here in case it bounce to 70.00 where we will sell.	Changed	7/17
Autodesk ADSK - This software stock broke support and now looks to be testing that break in a bear flag. The 50-day average is now resistance. Sell close under 54.00.	New	8/12
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
Bloomin Brands BLMN - Collapsed restaurant stock. Good for traders but we are waiting for some healing before looking to buy.		8/5
Nike NKE - This was one of the last remaining strong Dow stocks and it jumped on earnings last month. The next day, it gave up the ghost for a failure at resistance. Looking for a break of support at 76.00 although it reversed higher Friday.		8/7
Regis RGS - This specialty consumer services stock operates hair salons. After a long flat period it is now above its major averages. <u>We may have missed this by being too conservative</u>		8/7
Biomarin Pharma BMRN - A bunch of small drug makers looking better. Check out the new high in on-balance volume even as prices were down.		8/7
Occidental Petroleum OXY - An interesting long setup for this energy stock. The sector fared poorly recently but this seems to be a place where many of these stocks can reverse. Yes, despite the market.		8/11
Sector Watch (observations that may spark ideas)		
Homebuilders – serious trouble - even with Friday's dead-cat bounce		7/23
Airlines - toppy. Arguable sector breakdown		7/25
Aerospace/defense index DFX, DFI - Not looking very healthy.		7/31
Insurance index KIX - This looks bad.		7/31
Semiconductors SOX - Bounced off trendline and now heading for 50-day average.		8/11
Updates		
Walter Energy - coal stock cup-with-handle breakout		

Market Highlights



Gold Miners ETF - This is a close-only line chart to cut through the clutter. What we see is a flag-like pattern at resistance. A breakout now could be meaningful. But see next chart.



The weekly chart shows resistance at 31, which we identified literally a year and a half ago. It is a big hurdle for the fledgling rally when it gets started. But above that, no limits. We are not forecasting that quite yet.



Crox - It's bizarre but it is cup-with-handle-y.



Move - This is a competitor to Zillow and Trulia, who have agreed to merge. A nice range here sitting above the averages. Rising on-balance volume. A close above 15.50 would do it but we think it carries higher risk.



Autodesk - This software stock broke support and now looks to be testing that break in a bear flag. The 50-day average is now resistance. Sell close under 54.00.



Tesla - A lot of chatter lately but this one is now overbought at resistance.

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	79.67	19.3%	74.50	66.77	6/12	60
	PCLN	PRICELINE GRP INC	1309.28	4.2%	1250.00	1255.95	7/30	12
<u>Short</u>	AFG	AMERICAN FINL GROUP INC	56.78	2.6%	58.00	58.27	7/10	32
	USB	US BANCORP DEL	40.96	4.7%	42.50	42.90	7/11	31
	ALL	ALLSTATE CORP	59.56	-1.8%	60.00	58.46	7/15	27
	AMKR	AMKOR TECHNOLOGY INC	9.18	12.7%	cover	10.35	7/23	19
	CMCSA	COMCAST CORP NEW	53.75	0.0%	56.00	53.73	7/31	11
	TIF	TIFFANY & CO NEW	99.32	-1.3%	101.00	98.00	8/5	6
	CVS	CVS CAREMARK CORPORATION	78.36	-2.4%	80.00	76.50	8/5	6

Notes: Raised the stop in **PCLN**.

AMKR is getting a little firmer so we are going to cover it before too much profit erodes.

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.



24/7 Website archive – <http://www.quicktakespro.com/archive> (password needed)

Customer Support - <http://www.quicktakespro.com/support.html>

Recommended reading - <http://www.quicktakespro.com/education.html>



What is a **two-pager**? These are short write-ups on various technical topics that are made available when further explanation of a topic is needed. There is no extra charge to subscribers. For those looking for a more complete reference and a bound version of these two-pagers, we offer the book *Real World Technical Analysis* at <http://www.quicktakespro.com/rwta.html>.

Refer a colleague to Quick Takes Pro and get a free month of service for each new paying subscriber. Just send an email (<mailto:mkahn@quicktakespro.com>) with names and email addresses and we'll track them and credit your account.

Connect with us:



<http://www.facebook.com/QuickTakesPro.biz>



<http://twitter.com/mnkahn>



<http://www.linkedin.com/in/QuickTakesPro>



<http://www.quicktakespro.com/blog>



<http://pinterest.com/mnkahn/>



<http://youtube.com/quicktakespro>



<http://stocktwits.com/mnkahn>

The information contained in this report is opinion, based on information that we deem to be reliable at the time of publication, but is not guaranteed in any form. This report does not constitute a recommendation to purchase or sell any security and the analysts are not registered investment advisors. Further analysis is recommended before undertaking any position in any security. Any risks are solely the responsibility of the buyer/seller. The authors, publishers and distributors of Quick Takes Pro and any associates thereof accept no liability for the content or actions taken by anyone or institution utilizing this report. The authors, publishers and distributors of Quick Takes Pro may have positions in securities mentioned in this report. All charts prepared with [eSignal](#) data and software unless otherwise indicated.

All contents © Michael Kahn Research LLC, 2014