

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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August 13, 2014 - As we said yesterday, countertrend moves are indeed uncomfortable. And for traders, it is uncomfortable to sit on their hands as they wait for the real signal.

In order to be bullish, we are waiting for an O'Neil follow-through day (window opens today and runs through Monday). In order to be bearish, we are waiting for a few more days of listlessness. Ends of corrections should be a little sharper and more enthusiastic than this one has been so far.



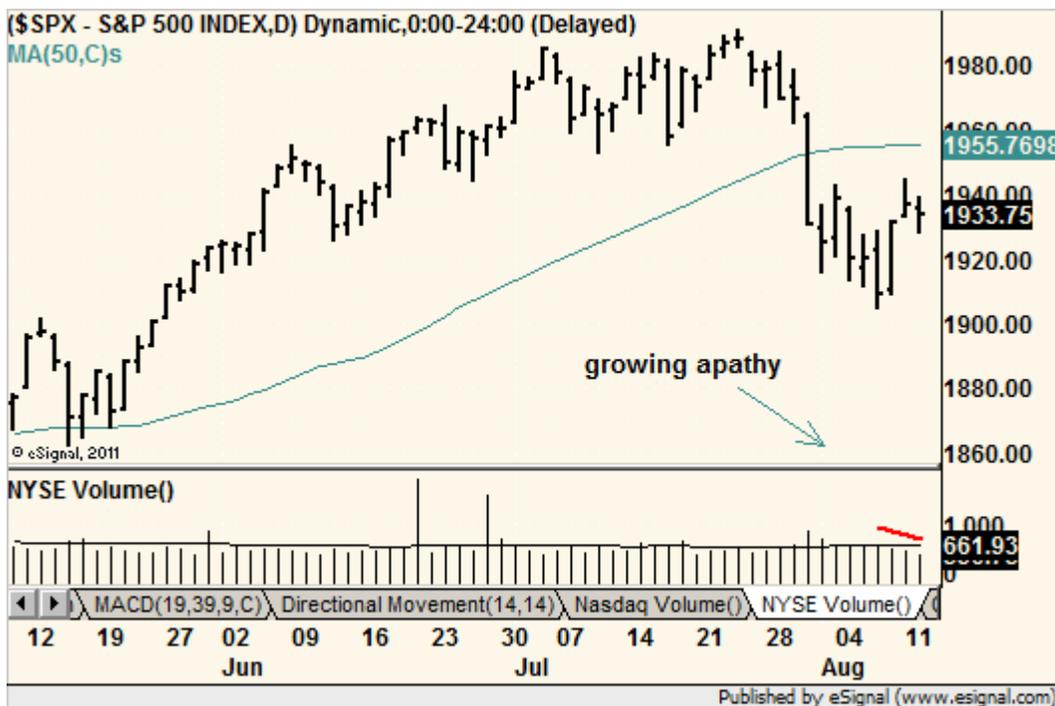
As for the hourly **SPY** chart, we seem to have our answer. It was a bull flag and this morning we see a breakout. It still needs to set a new high but this is one for the short-term bulls.

So what caused this breakout? Without looking at any news we can see big rallies in Germany and Russia today. Is the former just rebounding off its 10% total loss since its high? Or is there something peaceful happening in Ukraine meaning Germany won't have to suffer the sanctions (on Russia) consequences?

Then we read the news and saw it was neither. Germany was down even more on Monday so this was just volatility. And Europe in general seems to be feeling a bit better today (although we are not buyers). Check out the Stoxx 50 index below.

For us, we remain on hold in the short-term with a bearish bias for the next two or three weeks.

Index Charts of the Day



We won't say a one and a half day rally will carry to new highs and we won't say that a one day dip will end the attempt. But volume sure does not look like the tide came rushing back in to scoop up bargains.



Small caps giveth (Friday) and taketh away (Monday). At one point, they were below Thursday's close before bouncing. Again, volume is falling for the Russell ETF and that is bearish. But prices broke and arguably tested the trendline and that is bullish. We are still waiting for real proof in the form of a strong recovery from yesterday's weakness.

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 Thursday's high at 94. If this one cannot bounce as the market bounces then it is not ready to recover.		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.		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.		7/17
Autodesk ADSK - This software stock broke support and looks to be testing it in a bear flag. The 50-day average is now resistance. Sell close under 54.00.		8/12
Nike NKE - Failure after a good earnings pop. Looking for a break of support at 76.00.	Moved	8/7
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Target TGT - rising bottoms this year. Perhaps a drop to 56.50 would set up a nice long-term buy point. Beefy dividend		8/5
Bloomin Brands BLMN - Collapsed restaurant stock. Good for traders but we are waiting for some healing before looking to buy.	Removed	8/5
Regis RGS - This specialty consumer services stock operates hair salons. After a long flat period it is now above its major averages. <u>Keeping it here to see if it pulls back to test its breakout.</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
Crocs CROX - It's bizarre but it is cup-with-handle-y.		8/12
Lab Corp LH - This medical testing stock has arguably broken its trendline and 50-day average. On-balance volume never recovered as price did from last year's debacle. It is strong this morning so we'll put it in the Holding Tank for now.	New	8/13
Sector Watch (observations that may spark ideas)		
Homebuilders – serious trouble - even with Friday's dead-cat bounce		7/23
Airlines - topy. 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. <u>Actually, it may not have the steam.</u>	Changed	8/11
Gold Miners - Lots of breakouts in the sector despite gold's waffling		8/12
Updates		
Walter Energy - coal stock cup-with-handle breakout and failure . See chart below		

Market Highlights



Lab Corp - This medical testing stock has arguably broken its trendline and 50-day average. On-balance volume never recovered as price did from last year's debacle. It is strong this morning so we'll put it in the Holding Tank for now.



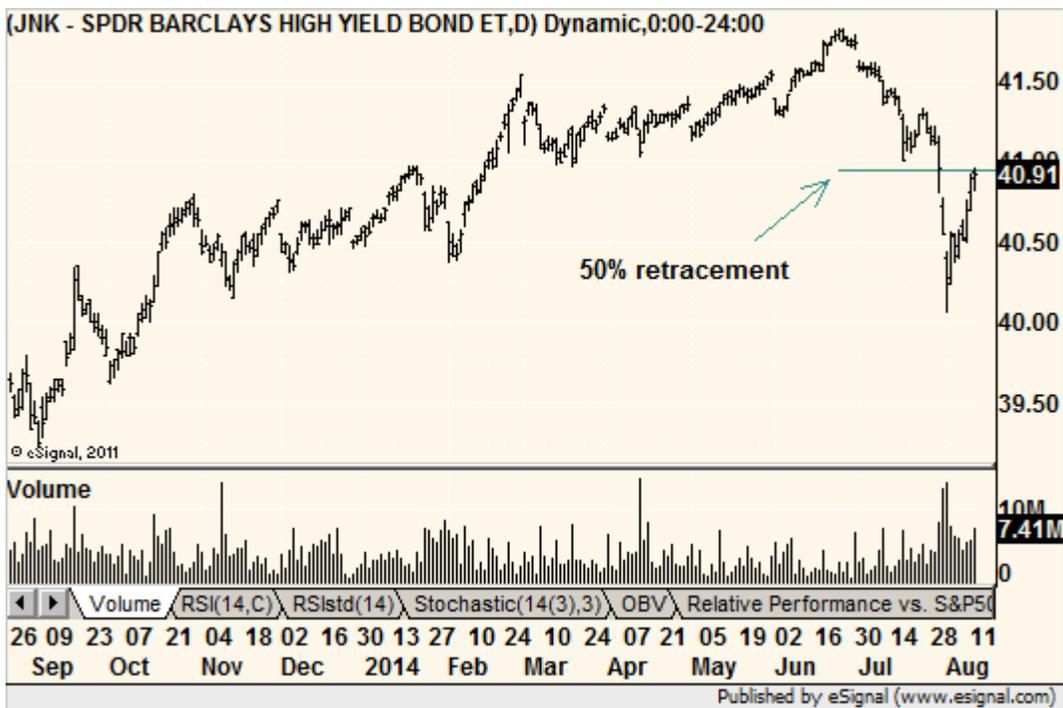
Disney - This run looks to be nearing its end. We are not shorting, at least not yet, but it may be time to take profits. Of course, if it moves to a new high we'd be wrong. Note falling on-balance volume.



Caterpillar - Nice looking bear flag with falling volume. It is higher in the premarket so now we watch for any signs of failure.



Stoxx 50 - This is the pan-Europe blue chip index and it scored a textbook hammer and abandoned baby (island gap) reversal last week. (Pagars - [candles](#) and [gaps](#)). However, each of the last three candles (current is still trading) has an upper shadow at about the same place. That is resistance and it is bolstered by the 200-day average. We think this is a bounce and not a reversal.



Junk bonds ETF - A good place to look for the end of the bounce.

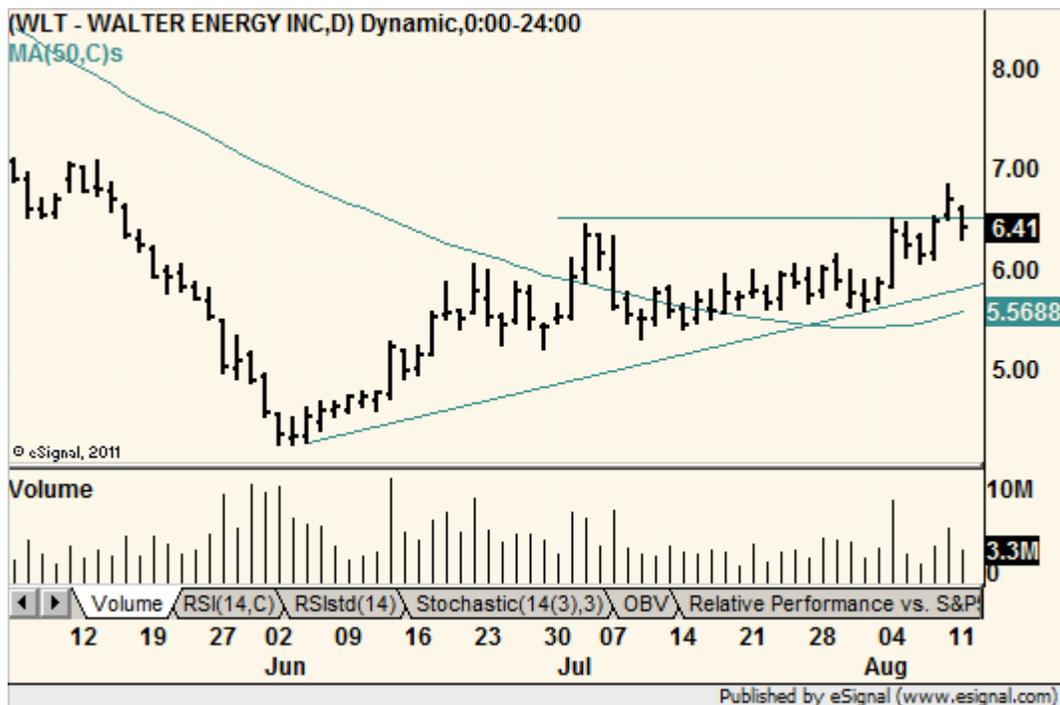


Greenhaven Commodities ETF - Just a quick look at the weekly chart. Clearly the breakout has ended and the short-term trend is down. With that said, beleaguered **CORN** may have put in a reversal bar.

Today's Lesson

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

Failure



Walter Energy - We are spending a lot of time on this stock but it shows a good lesson. Coal was a heartbreaking sector but some of it started to look good. This one recently moved and held above its 50-day average and then had a cup-with-handle style breakout. It may have failed Monday.

Volume on the decline was lighter and the dip below support was not that great. But a 4.2% decline the day after a breakout is not very encouraging.

Looking to see if the trendline and 50-day average hold. For now, it might be better to leave it be. If you own it, hold it but watch your stop.

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. **Green** means we closed them. 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	80.66	20.8%	75.50	66.77	6/12	61
	PCLN	PRICELINE GRP INC	1294.36	3.1%	1250.00	1255.95	7/30	13
<u>Short</u>	AFG	AMERICAN FINL GROUP INC	57.00	2.2%	58.00	58.27	7/10	33
	USB	US BANCORP DEL	41.16	4.2%	42.50	42.90	7/11	32
	ALL	ALLSTATE CORP	60.00	-2.6%		58.46	7/15	28
	AMKR	AMKOR TECHNOLOGY INC	9.15	13.1%		10.35	7/23	20
	CMCSA	COMCAST CORP NEW	53.80	-0.1%	56.00	53.73	7/31	12
	TIF	TIFFANY & CO NEW	99.55	-1.6%	101.00	98.00	8/5	7
	CVS	CVS CAREMARK CORPORATION	78.67	-2.8%	80.00	76.50	8/5	7

Notes: Stopped out of **ALL** short as this one never really got going.

Covered short in **AMKR** short at the open as it looked to be firming a bit. Nice profit.

Raised stop in **RGLD** long.

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

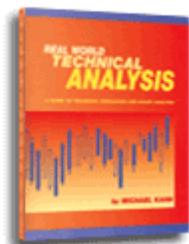
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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