

# QUICK TAKES PRO

*"TECHNICAL ANALYSIS FOR EVERYONE"*

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RESEARCH LLC

**August 15, 2014** - Stocks keep moving higher and it was not a happy Putin or oversold conditions. It was the growing consensus the extension of quantitative easing in Europe. In the US, the path to less QE is clear and supported by improving economic indicators. In Europe, the economic news is rotten so Super Mario is still tinkering with the pipes\*.

We've learned that fighting QE is futile but the thing is that the QE is over there, not here. The US (Canada, too) is not Europe and the two regions are in very different performance zones. But the short-term rising trend does seem relentless this week. And that is why we step back to the bigger picture.

The headline this morning is that George Soros increased his S&P 500 put position - a lot - but that is not what is guiding the analysis.

Let's begin. First, only nine of the 30 Dow Industrial stocks are above respective 50-day moving averages and for two of them that is being generous. That tells us short-term trends are actually still to the down side. But now let's update the indicator we've been watching all week - the O'Neil follow-through day.

Today is day six in a four to seven day window following the start of the rally attempt one week ago. The market has two trading days left to surge in both price and volume to trigger the signal and - mixing metaphors - to signal that the tide of demand has rushed back in.

We can argue that the Dow is also two trading days away from testing its 50-day average at its current pace. Therefore, we are not going to get sucked into this rally, painful as it is to watch from the sidelines and holding a decent number of short positions.

Yesterday, we lamented that retail was breaking and then Kohl's jumped on earnings. JC Penney jumped on sucking less than expected in the premarket today. Is that enough to change the sector? Hardly.

Cisco broke down yesterday. Coke jumped in the premarket this morning on merger news but it is still in decline since July. Conclusion - Dow stocks are still in a world of hurt.

What really lit up some thought light bulbs over our heads was a simple exercise of flipping through the charts. Without exception, every stock we have short in the Advice Tracker sports a rising price trend this week with significantly falling volume. They are classic, textbook examples of bear flags (see Index Charts for another example). True, during the age of QE these patterns have morphed into continuing rallies more times than we'd like to admit but when they are this clear we have to give them serious attention.

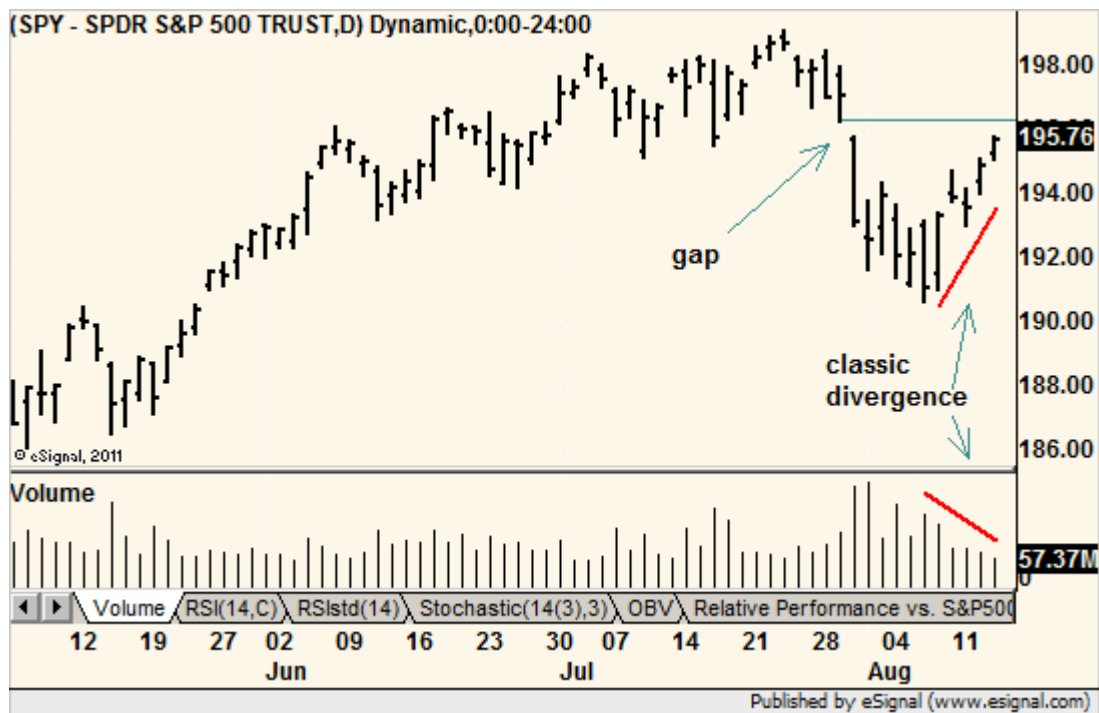
So riddle me this, Batman. If stocks are back in gear then why did 30-year Treasury bonds hit a fresh new closing high? And why did the **TLT** bond ETF hit a new closing and intraday high? Yes, both 52-week highs. This is not what a "fear" asset should do when the stock market is poised to rally therefore we have to conclude something bad is either lurking behind the curtain or simply the correction is nearing its end.

No intraday chart today because all it will show is an overbought hourly RSI. The one indicator that favors more upside is the CNN fear/greed meter, which is still at a fearful 15 out of 100.

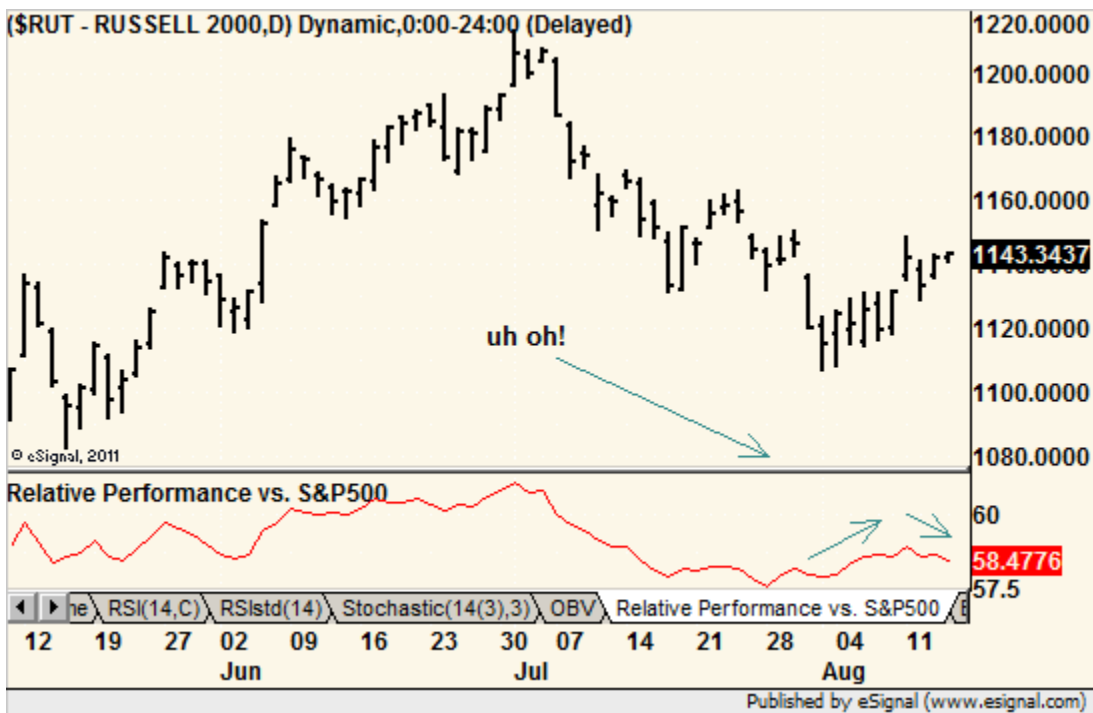
Headline addendum (and it cannot be good) - It was in the depths of the euro-zone crisis that bunds were registering all-time lows in yields as investors were dumping PIIGS sovereign debt to hide in German fixed-income instruments.

\* - Mario, the Nintendo game system super hero, is a plumber by trade. In Europe, he is Mario Draghi, the central bank chief.

## Index Charts of the Day



Yesterday, we showed how the current zone is critical on the S&P 500 itself. Today, we see that it is also critical on the **SPY** ETF for a different reason. The ETF is trading at the line seen above to finally close the gap/ We do not ascribe to the idea that gaps must be closed but we do believe they act as strong support and resistance levels. This one is resistance. Note the volume divergence we mentioned in the comments section.



The Russell 2000 has already started to lag the S&P 500 again and that is not good.

## The Radar Screen

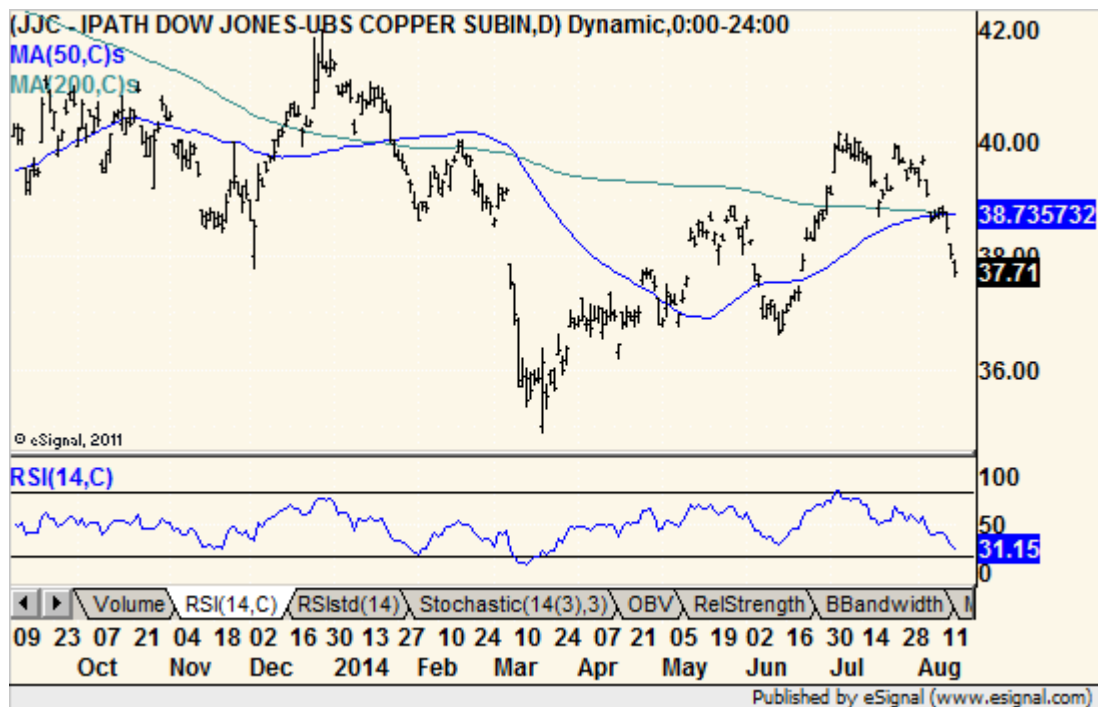
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>McDonalds MCD</b> - 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.		8/7
<b>Move MOVE</b> - Failed to rally this week as market went up so we are moving on.	<b>Removed</b>	8/12
<b>Regis RGS</b> - This specialty consumer services stock operates hair salons. After a long flat period it is now above its major averages. We moved it here to set a buy trigger at 14.85 above this week's high.	<b>Moved</b>	8/7
<b>Bearish Implications</b>		
<b>Las Vegas Sands LVS</b> - Broke down hard so we'll leave it here in case it bounce to 70.00 where we will sell.		7/17
<b>Autodesk ADSK</b> - Going the wrong way so we are moving on. No harm done.	<b>Removed</b>	8/12
<b>Nike NKE</b> - Failure after a good earnings pop. Looking for break of support at 76.00.		8/7
<b>Unknown Implications</b>		
<b>none</b> -		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Target TGT</b> - a drop to 56.50 would set up a nice long-term buy. Beefy div		8/5
<b>Biomarin Pharma BMRN</b> - A bunch of small drug makers looking better. Check out the new high in on-balance volume even as prices were down. <b>Breakout</b>		8/7
<b>Occidental Petroleum OXY</b> - 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
<b>Crocs CROX</b> - It's bizarre but it is cup-with-handle-y. <u>Should be rallying in a strong market so this may not happen.</u>		8/12
<b>Lab Corp LH</b> - 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. So much for the bears. <b>Moving on.</b>	<b>Removed</b>	8/13
<b>Caterpillar CAT</b> - Nice looking bear flag with falling volume. Watching for any signs of failure.		8/13
<b>Shutterfly SFLY</b> - For those of you still bullishly inclined, there are always stocks setting up to go higher. This one has a nice set of moving averages and a consolidation under a longer trendline. We are going to watch for a while.	<b>New</b>	8/15
<b>National Oilwell Varco NOV</b> - An oil services with a breakdown. Will it bounce with crude today? Holding Tank.	<b>New</b>	8/15

Continued on next page...

<b>Sector Watch</b> (observations that may spark ideas)		
<b>Homebuilders</b> – serious trouble - even with Friday's dead-cat bounce		7/23
<b>Airlines</b> - toppy. Arguable sector breakdown		7/25
<b>Aerospace/defense index DFX, DFI</b> - Not looking healthy. <u>Now testing breakdown.</u>		7/31
<b>Insurance index KIX</b> - Now testing breakdown. Big rally makes it shaky as a short	<b>Changed</b>	7/31
<b>Semiconductors SOX</b> - Bounced off trendline and now heading for 50-day average.		8/11
<b>Gold Miners</b> - Lots of breakouts in the sector despite gold's waffling		8/12
<b>Nasdaq biotech ETF IBB</b> - Looks like it will retake its old high.	<b>New</b>	8/15
<b>Updates</b>		
<b>Disney DIS</b> - We rescind our toppy view. It is still a good idea to take some profits but it now looks like it wants to breakout from its rectangle. <b>Breakout</b>		
<b>Crude oil</b> - short-term <b>breakdown</b>		

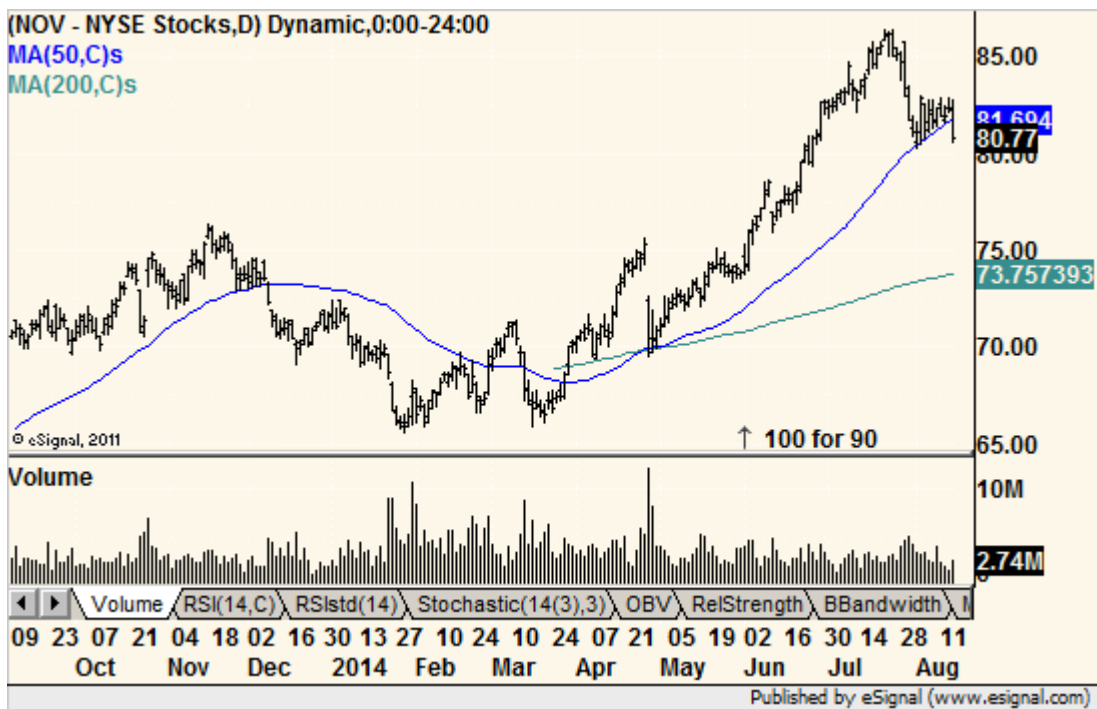
## Market Highlights



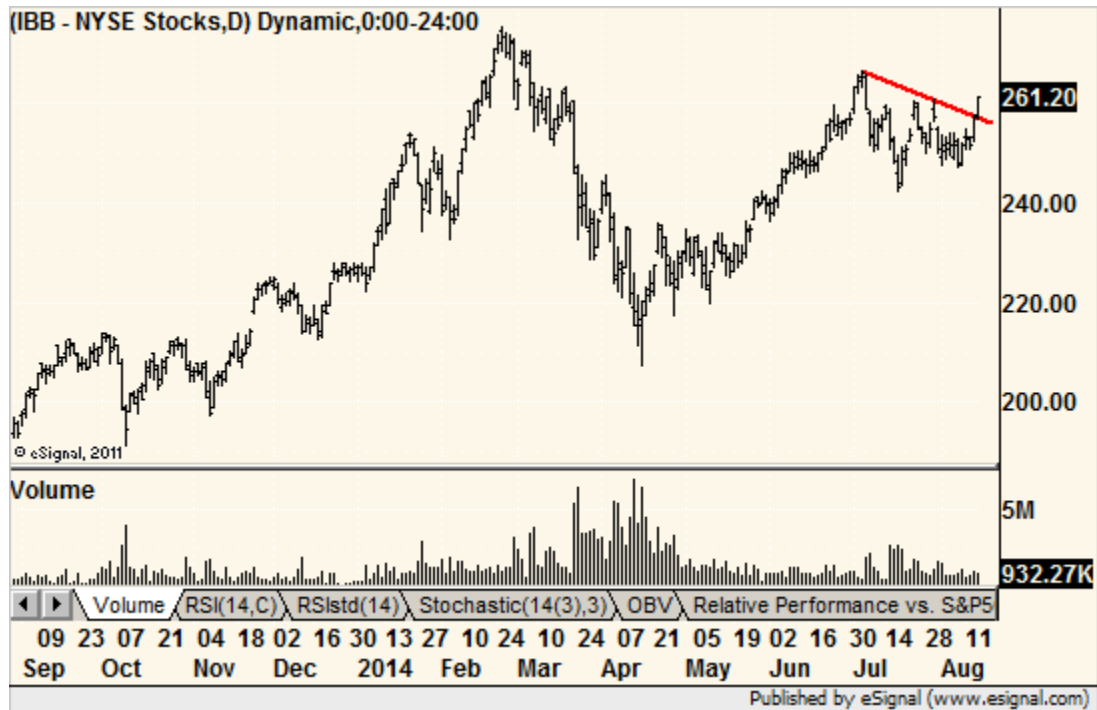
**Copper ETN** - A death cross and trend break. Not a good sign for the economy but is it the US economy or the global economy?



**Shutterfly** - For those of you still bullishly inclined, there are always stocks setting up to go higher. This one has a nice set of moving averages and a consolidation under a longer trendline. We are going to watch for a while.



**National Oilwell Varco** - An oil services with a breakdown. Will it bounce with crude today? Holding Tank.



**Nasdaq biotech ETF** - I wrote this up for ProfitableTrading.com. Looks like it will retake its old high.

## 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>	<b>RGLD</b>	ROYAL GOLD INC	80.45	20.5%	77.00	66.77	6/12	63
	<b>PCLN</b>	PRICELINE GRP INC	1284.81	2.3%	1250.00	1255.95	7/30	15
<u>Short</u>	<b>AFG</b>	AMERICAN FINL GROUP INC	57.68	1.0%	58.00	58.27	7/10	35
	<b>USB</b>	US BANCORP DEL	41.60	3.1%	42.50	42.90	7/11	34
	<b>CMCSA</b>	COMCAST CORP NEW	54.37	-1.2%	56.00	53.73	7/31	14
	<b>TIF</b>	TIFFANY & CO NEW	96.99	1.0%	101.00	98.00	8/5	9
	<b>CVS</b>	CVS CAREMARK CORPORATION	79.30	-3.5%	80.00	76.50	8/5	9

**Notes:** No changes.

Observation - every stock on our short side sports a rising bear flag with severely falling volume.

## Subscriber Corner

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## 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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