

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN  
RESEARCH LLC

**August 18, 2014** - One important concept in technical analysis is follow-through. Reversal bars need to see further movement in the new direction in order to give us confidence that they are for real. So far, Friday's bearish reversals are not giving us that.

It is too bad because sector after sector formed textbook reversals. Even though the direction would be down, clarity is much more desirable than choppy "sort-of" rising trends.

Was the Ukraine attack on the Russian convoy a fake? The initial news Friday sent stocks down and over the weekend things cooled off and futures were up Sunday evening. And all off this begs the question, "Were all those key reversals real or not?" We will find out soon enough today.

Another fun fact for Friday was options expirations. That always skews volume higher, gives us a nice little gift of volatility and throws that dreaded uncertainty into the mix. Again, did the market reverse Friday or not?

One look at the premarket and we'll have to say it did not. Of course, we did not have that luxury at the close Friday and that is one reason we do not put out a weekly wrap report. Things change fast these days.



Here is the hourly **SPY** chart to show the dump and recovery. New support and resistance levels are actually reprises of old lines we had in place last month. That's good as in charting old levels often come back into play. Heed them. And watch the RSI divergence that may be forming. We say "may" because we cannot know until after the price chart actually gives a sign that it peaked.

Let's get back to what we can do about all this. While we do not know if the reversal will hold or not into today's close we can look around the market for other clues. What we see are a lot of Friday reversals at what looks to be the tail end of rising bear flags. These patterns have classic falling volume across the industry group indices - again, all before the premarket rally.

We also see falling oil, even without the easing in Ukraine. Crude broke down last week from a small range and the trend that looked so promising in June is now crushed. The only positive is that crude is sitting on the bottom border of a large triangle, as shown in the chart below.

Gold was also down Friday and is a tad weaker this morning. But gold itself has been doing nothing for a while and we'll pay it little attention. Gold stocks, on the other hand, had a rough end to the week. Or did they? The **GDX** ETF stalled one day after breaking out but the juniors **GDXJ** actually closed higher Friday. We still believe into gold stocks. Our comment last week was that the breakout in the giant **NEM** was undeniable. That one did indeed survive the end of week selling to keep the breakout intact.

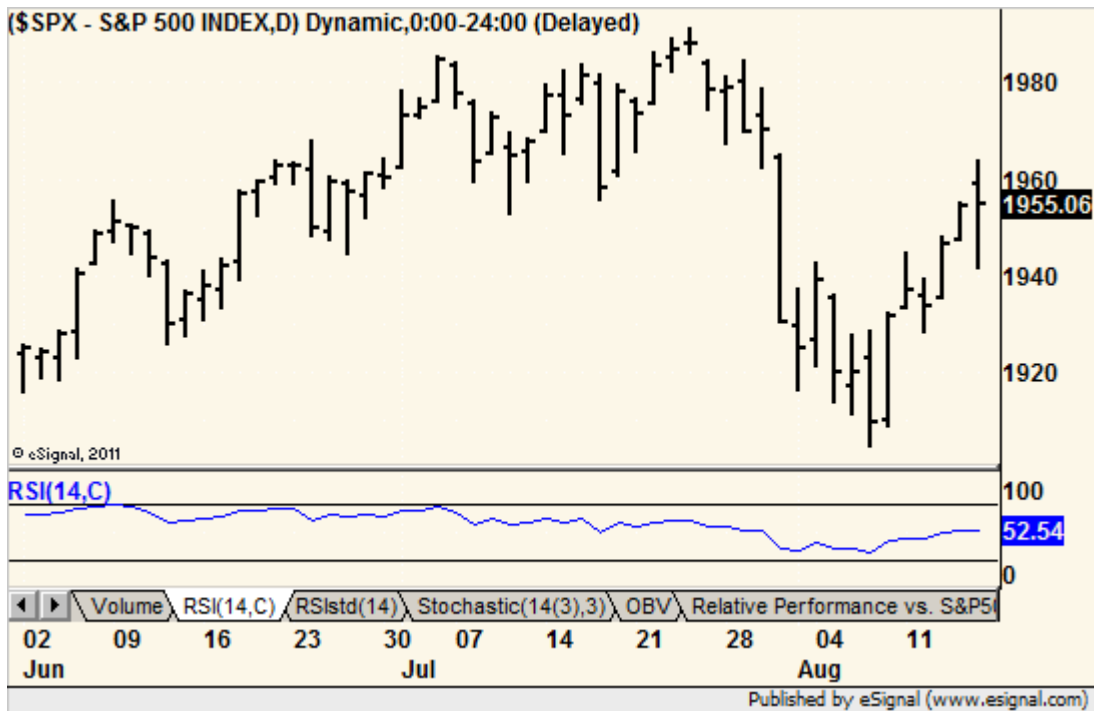
But for everyone who thinks stocks will never go down again (sarcasm) look at the chart of Treasury bonds. Friday was a huge up day and the benchmark 10-year yield dipped under 2.40 support.

If stocks are so strong they why are bonds rallying? We think they know something stocks are overlooking.

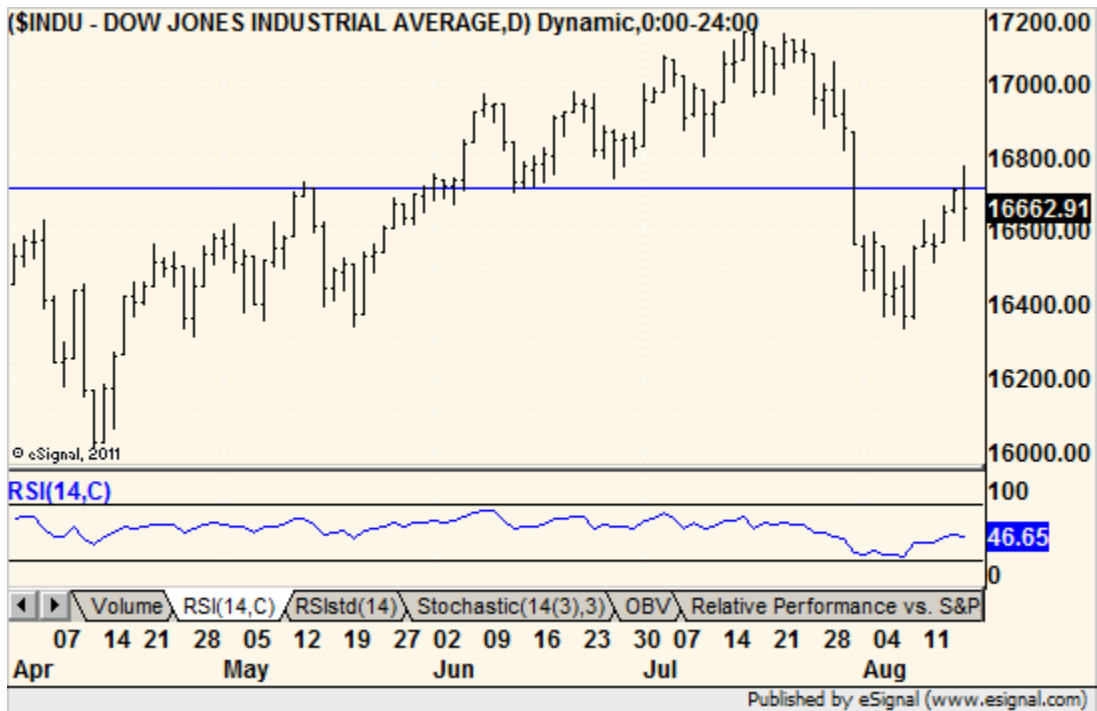
Overseas, don't let the big rally in Europe throw you. They were closed when the US rebound took hold Friday so this is just catching up. France and Germany have not even retraced a 38.2% Fibonacci of their June-August declines so this is still officially still a bounce.

And speaking of bounces, today is the **final day for the O'Neil follow through signal** to happen. Should the market close up huge (1.5%) on huge volume (we say it has to be above average as well as above Friday's level) then we can surmise that the bulls are back. Otherwise, we are going to stick with the bear flag scenario and wait for vindication (breakdown). Again, if the market gives up its early strength to close red, we'll jump on the short side.

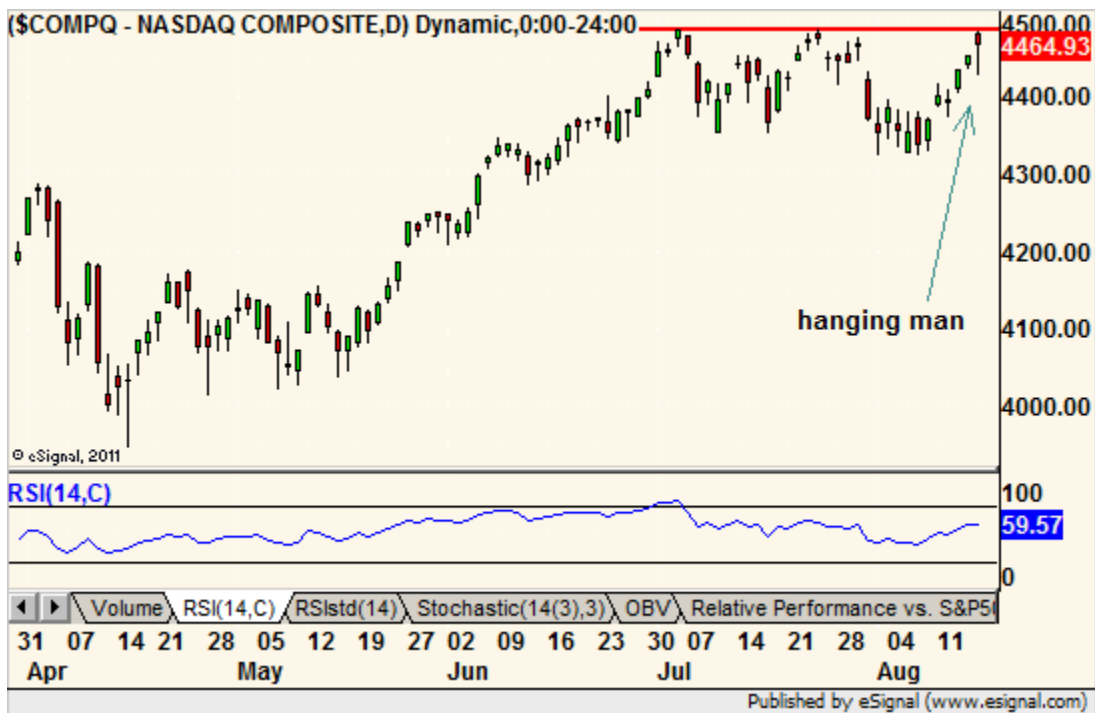
## Index Charts of the Day



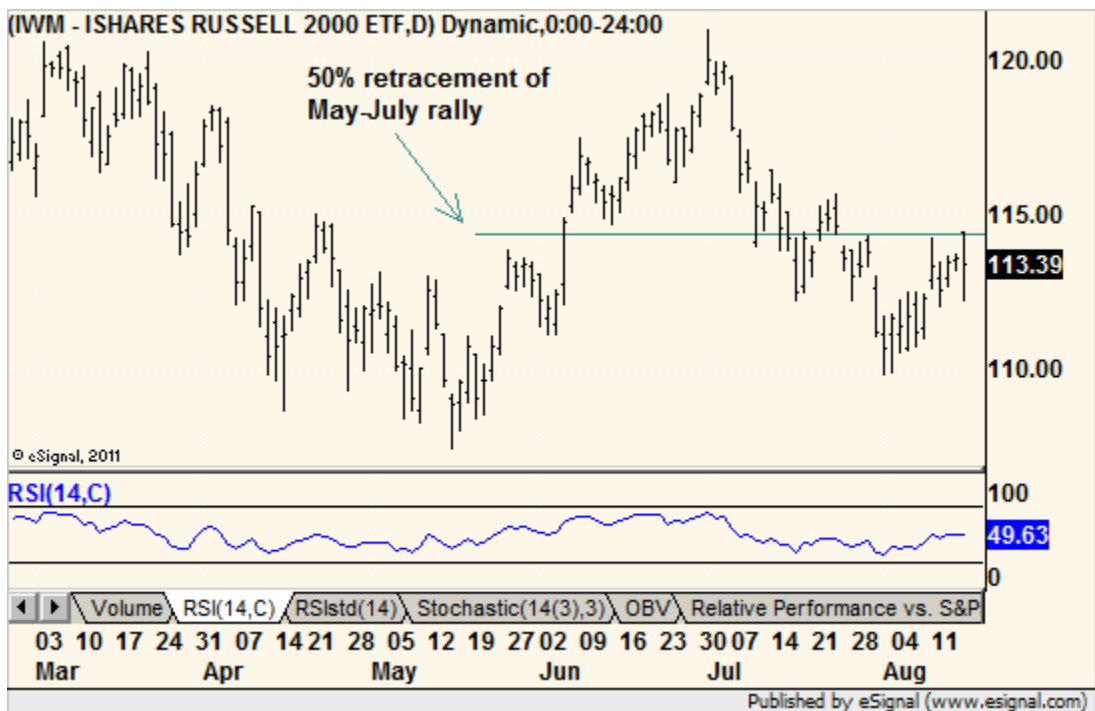
The S&P 500 closed well Friday after a rough start. It is trading above that high in the premarket today but we are not so sure all is forgiven.



The Dow failed at resistance Friday and is still not above it this morning.



The Nasdaq left a hanging man at resistance. This morning, it is trading above that high. It is super important that it stays there is this is to be a resumption of the trend. Failure to hold it now would be a very bad sign.



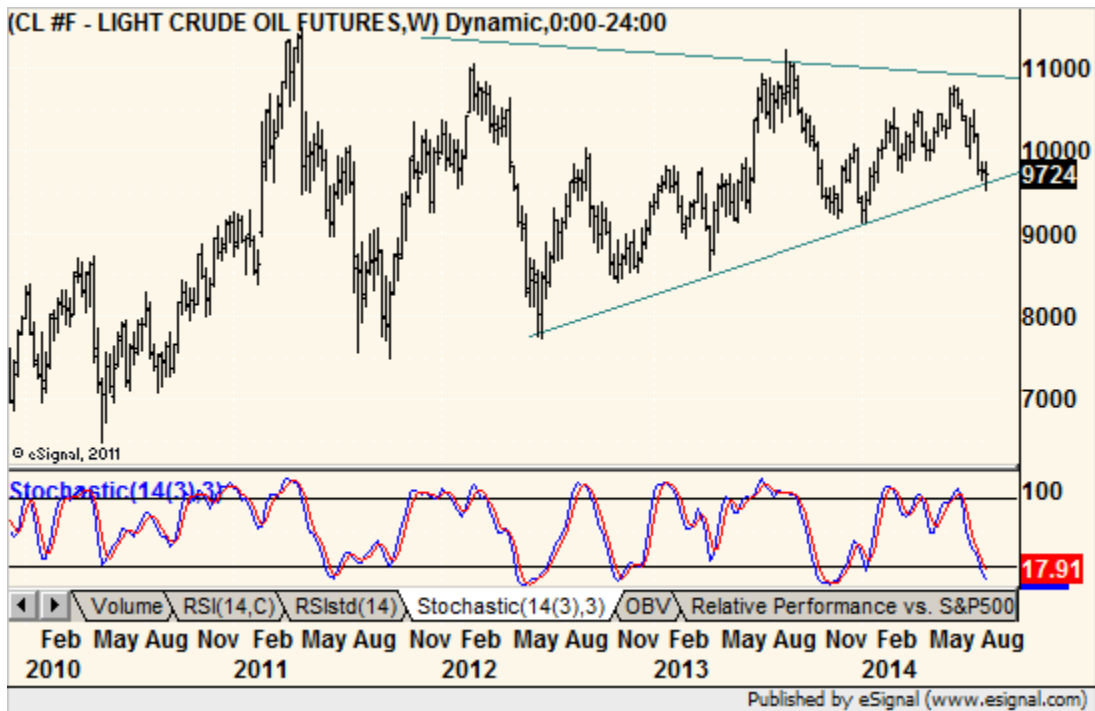
The Russell 2000 is trading this morning at the 50% retracement level as shown above.

## 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>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. <u>Big down Friday kills the setup.</u>	<b>Removed</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>Nike NKE</b> - Failure after good earnings. Looking for break of support at 76.00		8/7
<b>Unknown Implications</b>		
none -		
<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. Breakout	<b>Removed</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. Should be rallying in a strong market so this may not happen.		8/12
<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.		8/15
<b>National Oilwell Varco NOV</b> - An oil services with a breakdown. Bounced Friday but this may fail on changing geo-politics.		8/15
<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> - tippy. Arguable sector breakdown		7/25
<b>Aerospace/defense index DFX, DFI</b> - Not looking healthy. Now testing breakdown.		7/31
<b>Insurance index KIX</b> - Now testing breakdown. Big rally makes it shaky as a short but we are still watching.		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.		8/15
<b>Updates</b>		
none -		

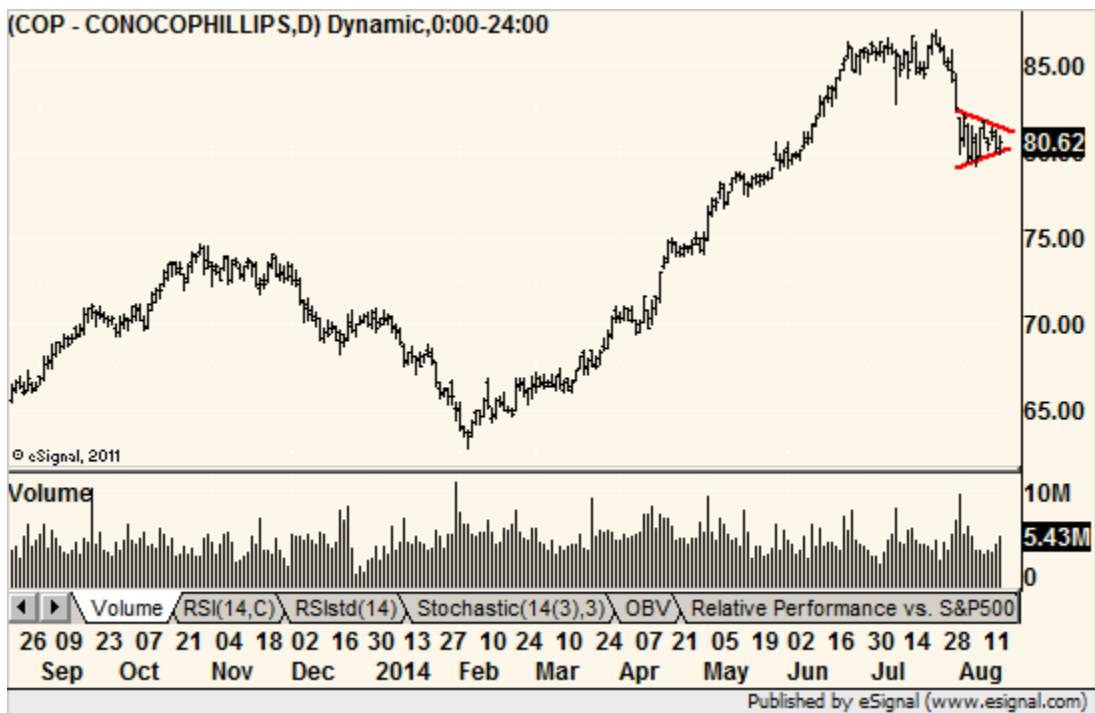
## Market Highlights



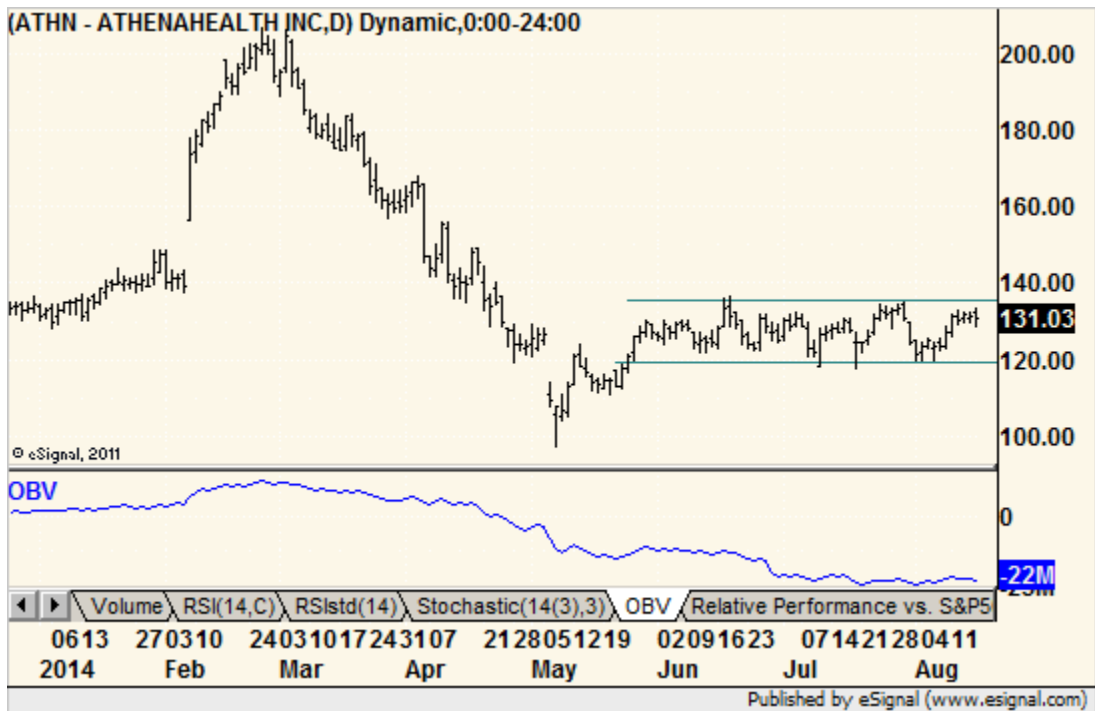
**Crude Oil** - The weekly chart shows a ragged upper border but a solid lower border of a three-year triangle pattern. So far, support is holding.



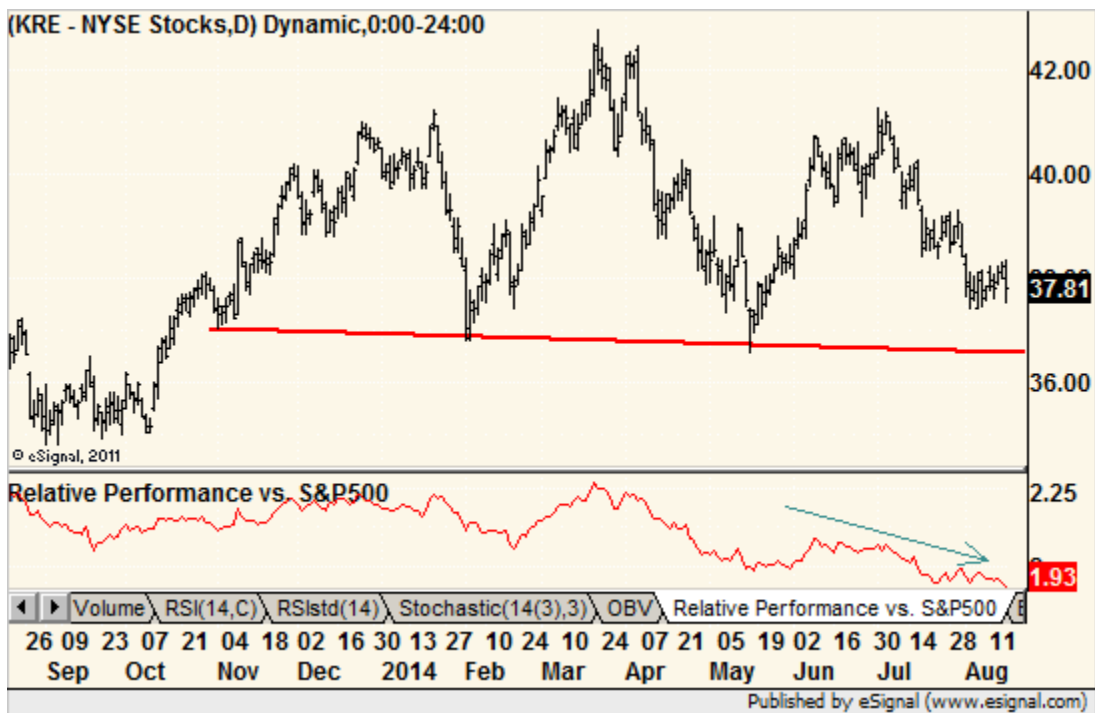
**T-bond ETF** - That was some rally last week. Bonds must smell something.



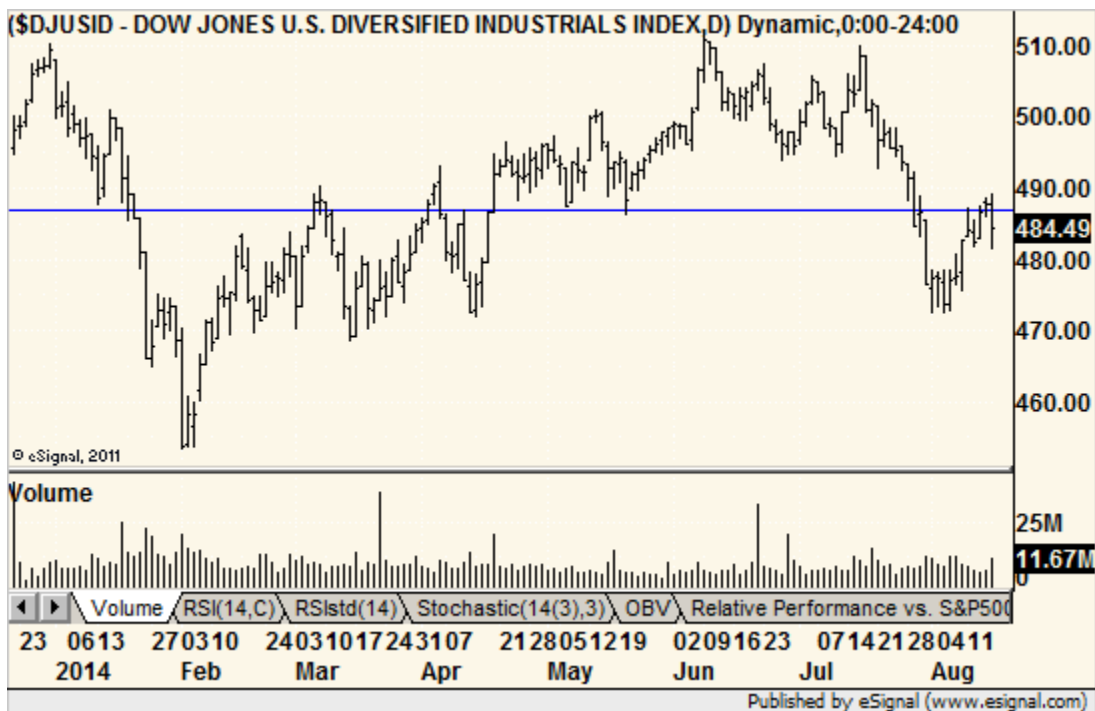
**Conoco Phillips** - We are not going to set a trigger on any energy stocks right now but if you are so inclined, here is a nice tight triangle to watch for a break in either direction.



**Athena Health** - Another stock in a tight pattern.

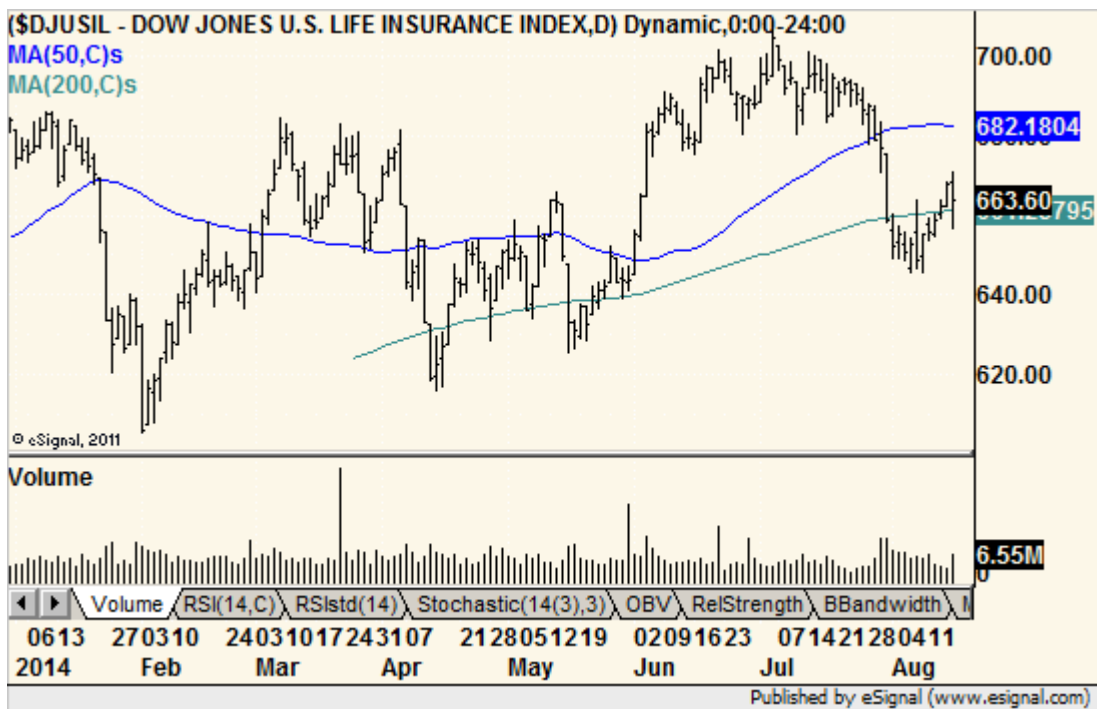


**Regional Banks ETF** - A lot of people talking about the head-and-shoulders so here it is. If anything, we can see the sector dramatically underperforming the market.

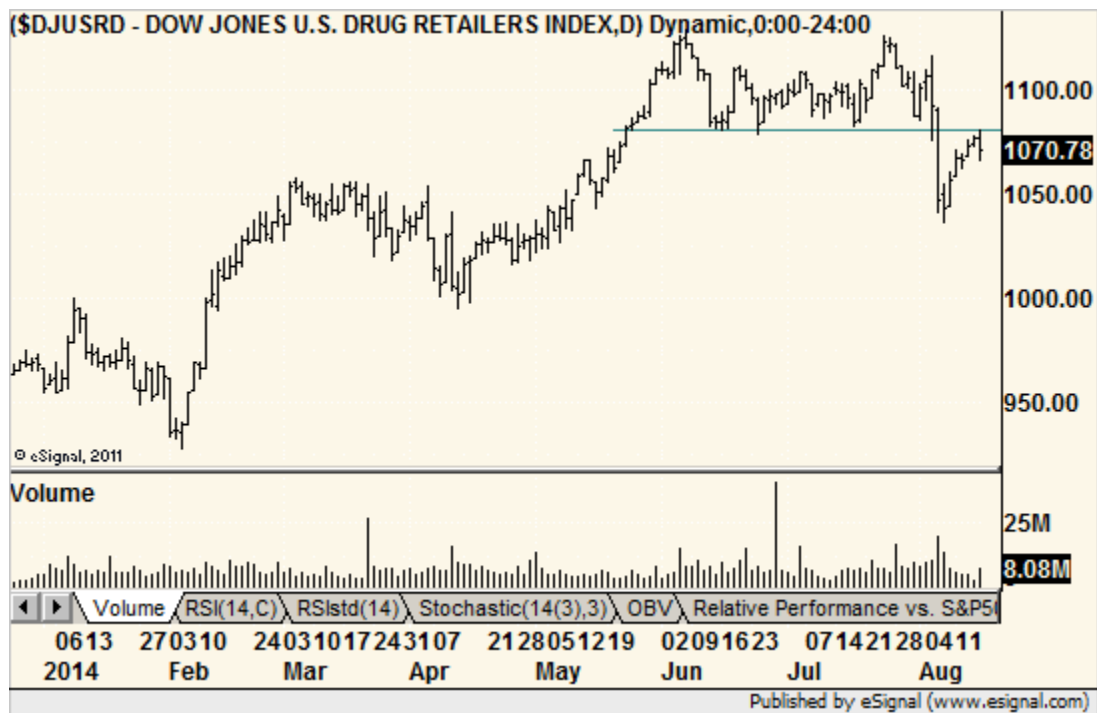


**DJ Diversified Industrials Index** - Just a nice example of what we've been talking about. A bear flag with outside-day breakdown. Low volume on the gains and high on the reversal.





**DJ Life Insurance index** - Another. This one is playing on the 200-day average.



**DJ Drug Retailers** - One more. Classic.

## 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	79.09	18.5%	77.00	66.77	6/12	65
	<b>PCLN</b>	PRICELINE GRP INC	1270.12	1.1%	1250.00	1255.95	7/30	17
<u>Short</u>	<b>AFG</b>	AMERICAN FINL GROUP INC	57.54	1.3%	58.00	58.27	7/10	37
	<b>USB</b>	US BANCORP DEL	41.27	3.9%	42.50	42.90	7/11	36
	<b>CMCSA</b>	COMCAST CORP NEW	54.63	-1.6%	56.00	53.73	7/31	16
	<b>TIF</b>	TIFFANY & CO NEW	96.51	1.5%	101.00	98.00	8/5	11
	<b>CVS</b>	CVS CAREMARK CORPORATION	78.91	-3.1%	80.00	76.50	8/5	11

Notes: No changes.

## 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

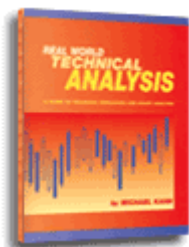
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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