

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN  
RESEARCH LLC

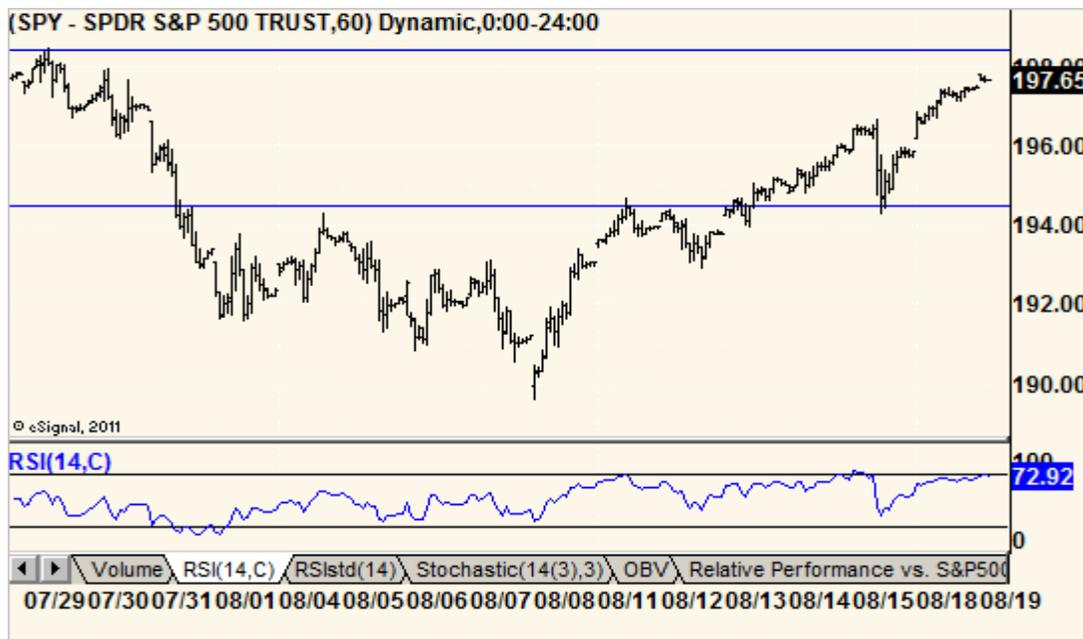
**August 19, 2014** - Monday kicked off the week with a nice rally but as nice as it seemed it was not an O'Neil follow-through day (FTD). And now the window is closed so it seems unlikely that the rally can carry much farther. Some, yes. New leg up, we do not think so.

So why was a 175-Dow point rally not an FTD? For starters, it was a 1% rally and not the 1.5% or even 1.7% rally defined by O'Neil. Second, volume was puny. It was on par with last week's pre-options expirations volume and well below average. The rules say it needed to be greater than the previous day's volume and we add it must be above average, too. It was neither.

The index that came the closest was the small cap Russell 2000 with a 1.47% gain but unfortunately it is already 11 days into its own rally attempt and well beyond the window of time. Volume was also tiny. Any way you try to spin it, Monday was not a volume or price thrust needed to kick off a bull trend.

But the Nasdaq broke out, didn't it? Yes it did but on no volume. Do we respect the breakout? We have to because price rules but we cannot see how it will last without something giving some new fuel. The Fed? Peace on Earth? A new onshore oil find in urban Chicago? Finding the real killer in the OJ Simpson case?

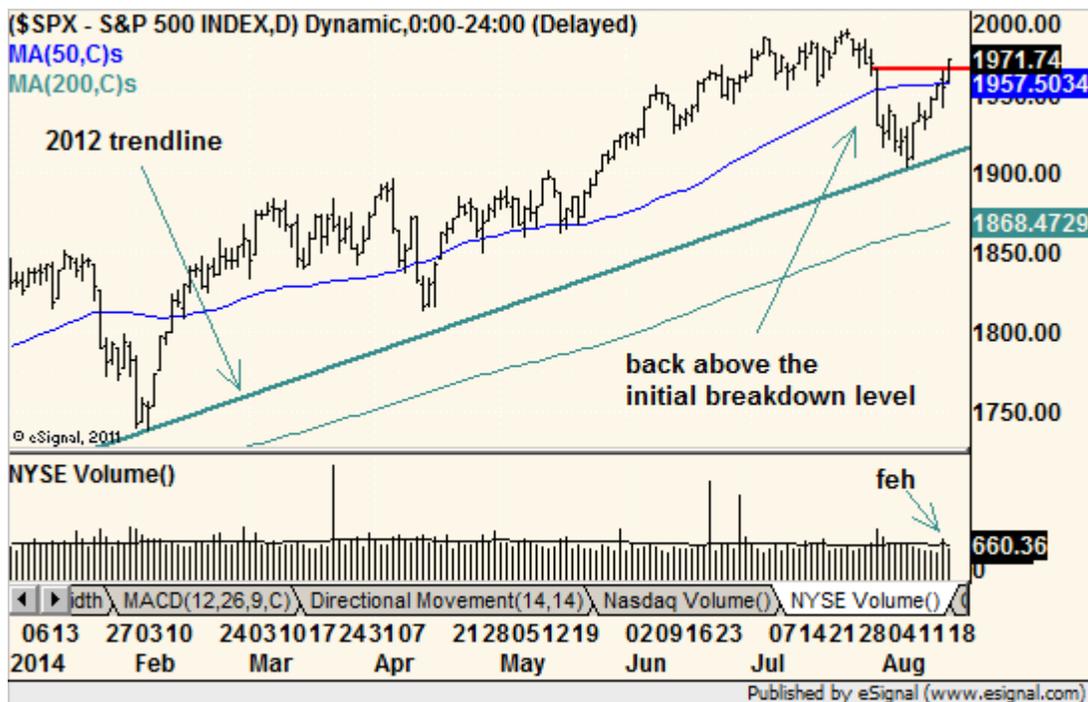
While volume was low, breadth was rather good. The rally carried most stocks with it but the sectors that led the charge were mostly some of the most beaten down sectors. Not all, but many were lagging the market and that left true leadership in a very thin state. Steel, biotech, trucking and a few others were the real core of market leadership and that is not a typical grouping. Banks were absent. Retail is still badly lagging. And homebuilders, while quite strong on good news, are still in a serious declining trend.



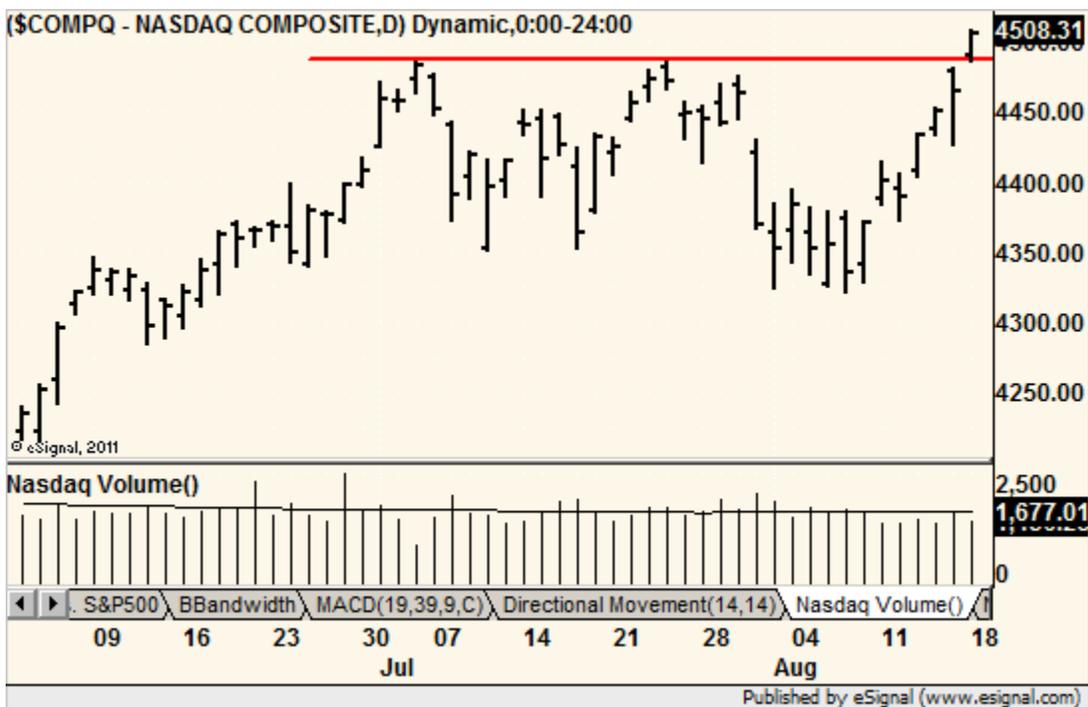
On the **SPY** chart, most of the gains were made before the open and it should be no surprise that the RSI set another lower high. We really cannot see this getting through the resistance as drawn without a fairly decent (in this time frame) consolidation.

In other markets, bonds are still above Thursday's close and that should not happen if it is "risk-on." As we always say, we'll believe bonds. We are also suspect of stocks when oil falls as it has been doing.

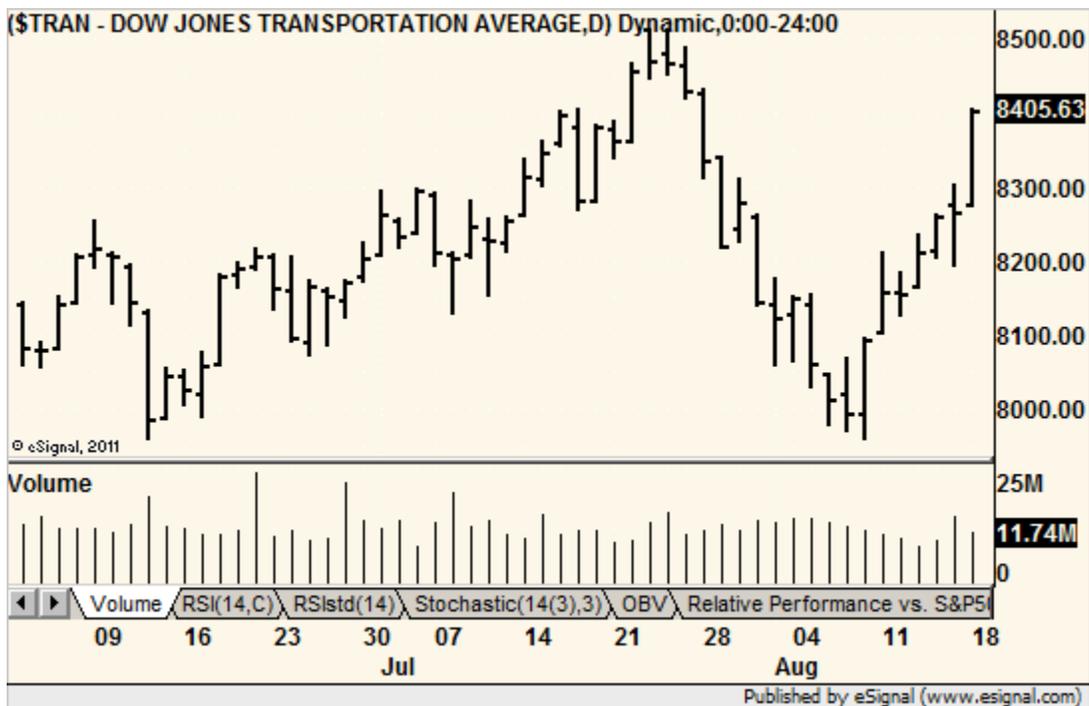
## Index Charts of the Day



The S&P 500 has rallied too far for this to be just a bear flag. Amazing what one day can do to the charts. However, just because the bear flag is gone does not mean it will take out resistance. Volume was puny.



A breakout is a breakout but this one does not inspire confidence, especially since there was no real pause at resistance first. It could just be a momentum-based overshoot but we'll assume it is a mild breakout until proven otherwise.



The transports were up 1.7% but alas volume did not meet the FTD criteria here, either. Yes, we know Friday was expirations and volume was heavy but we checked the **IYT** transports ETF and its volume was also low.



The Russell 2000 ETF was up by almost the FTD minimum and even broke a resistance level. But volume was just not there. And now the 50-day average is adding resistance.

## The Radar Screen

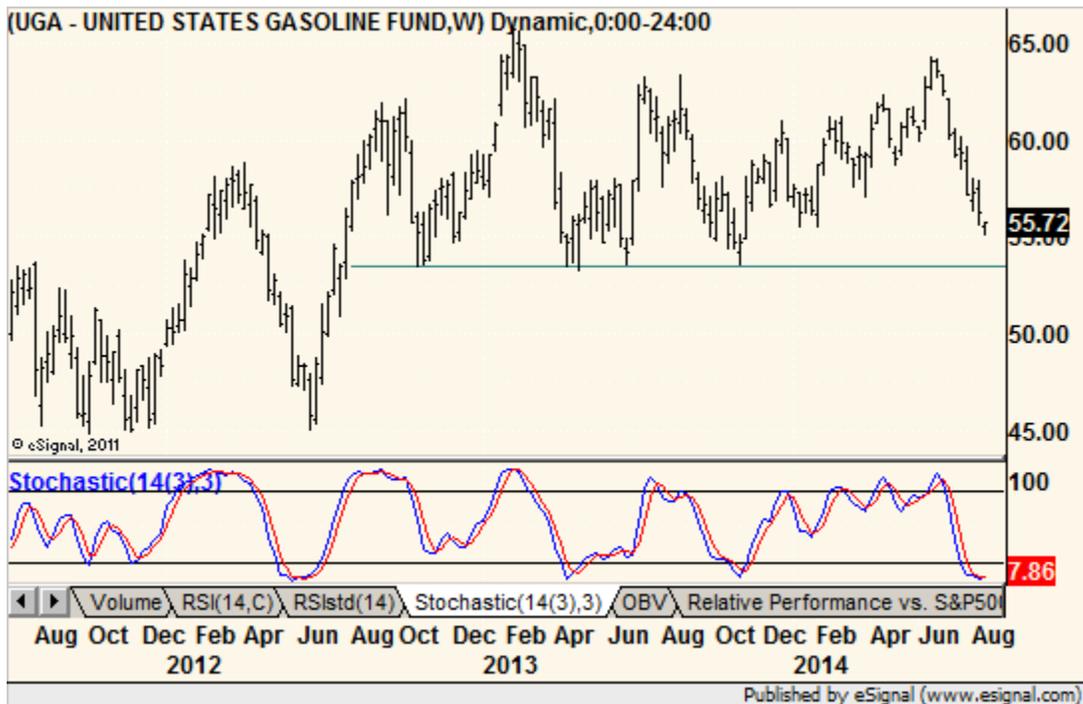
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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.	<b>Triggered</b>	8/7
<b>Crocs CROX</b> - It's bizarre but it is cup-with-handle-y. Buy close over 15.80.	<b>Moved</b>	8/12
<b>Newmont Mining NEM</b> - Still looks like a breakout to us. Buy above Monday high 26.87 - rounded up to 27.	<b>New8/19</b>	
<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> - Setup is gone.	<b>Removed</b>	8/7
<b>Caterpillar CAT</b> - Nice looking bear flag with falling volume. Now in the gap and still losing volume. Sell below 106.	<b>Moved</b>	8/13
<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>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 <b>and crude oil</b>		8/11
<b>Shutterfly SFLY</b> - 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> - Breakdown failed.	<b>Removed</b>	8/15
<b>Athena Health ATHN</b> - tight rectangle pattern. Direction not indicated.		8/18
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Homebuilders</b> – serious trouble - even with Monday's gain		7/23
<b>Airlines</b> - Still looks topy be we cannot fight the tape.	<b>Removed</b>	7/25
<b>Aerospace/defense index DFX, DFI</b> - Now testing breakdown.		7/31
<b>Insurance index KIX</b> - Now testing breakdown.		7/31
<b>Semiconductors SOX</b> - Bounced off trendline and now heading for 50-day average. <b>Reached it</b>		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>		
<b>ConocoPhillips COP</b> - Triangle breakdown		

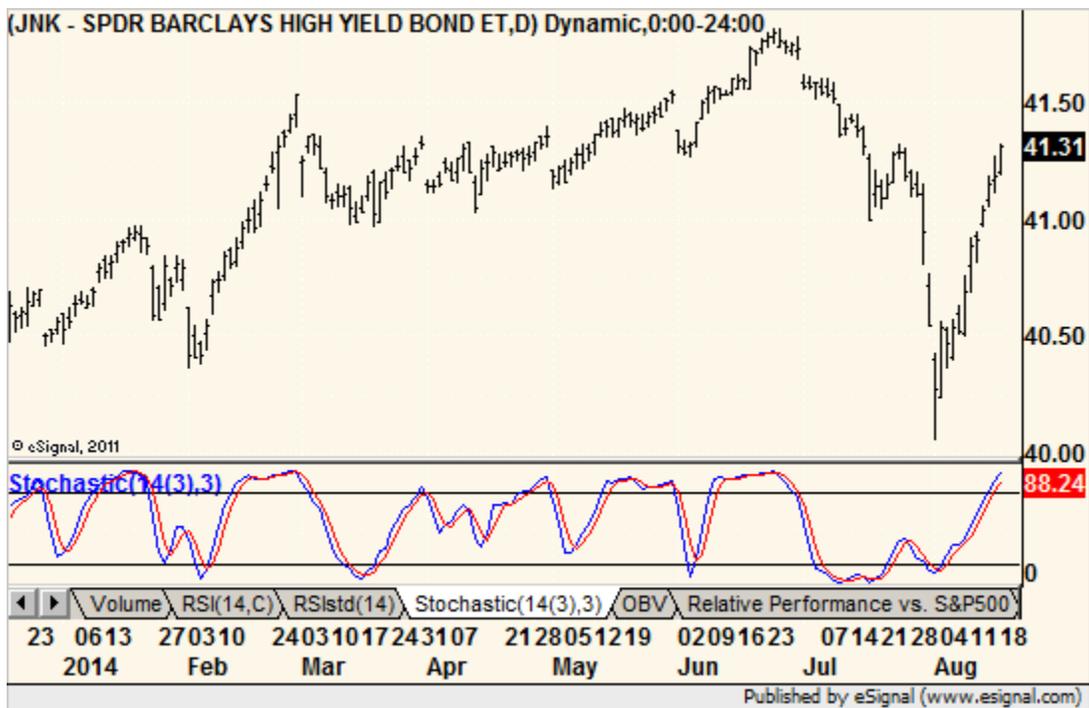
## Market Highlights



**DJ Diversified Industrials Index** - We looked at this group of indices yesterday with its reversal at resistance. It did not hold although volume was down. Also, the 50-day average is above so this just might be a little in-your-face before the real fall. Ditto life insurance. Drug retailers, however, are still below resistance and the reversal is still intact.



**Gasoline ETF** - Check out the weekly chart. Price as the pump may still have room to fall as this heads towards strong support.



**Junk Bonds ETF** - Does this make anyone nervous that the market is far too eager to get back into risk?



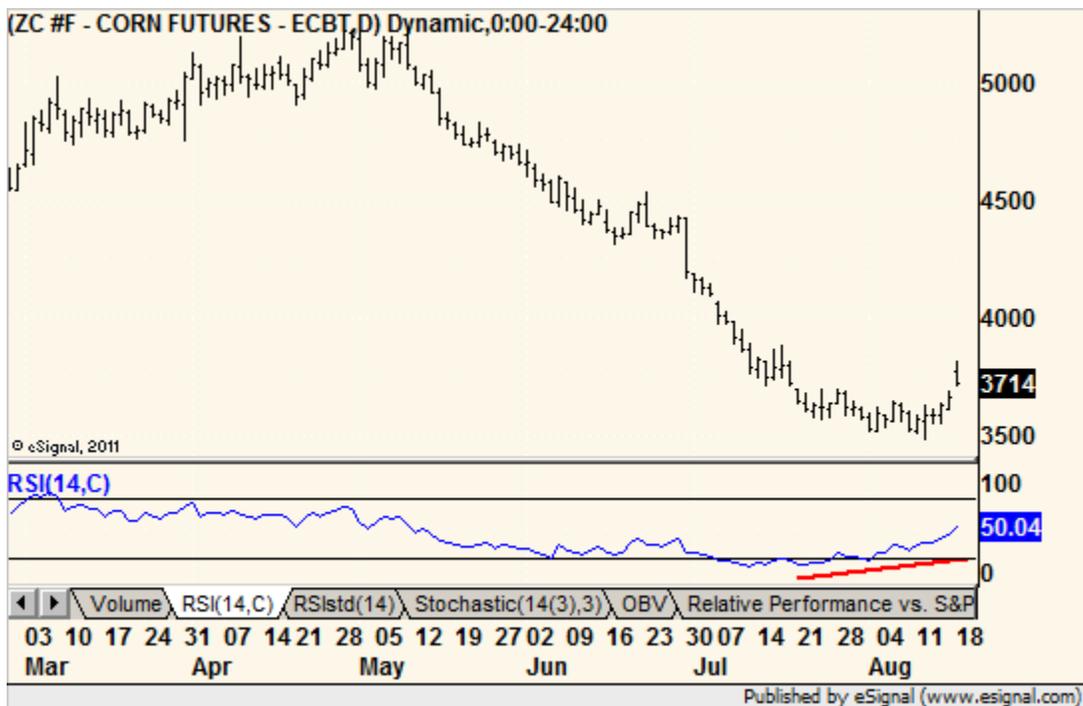
**Newmont Mining** - Still looks like a breakout to us. Buy above Monday high 26.87 - rounded up to 27.



**Freeport McMoran** - This copper and gold stock breaks out at 36.80. Note support at rising March line.



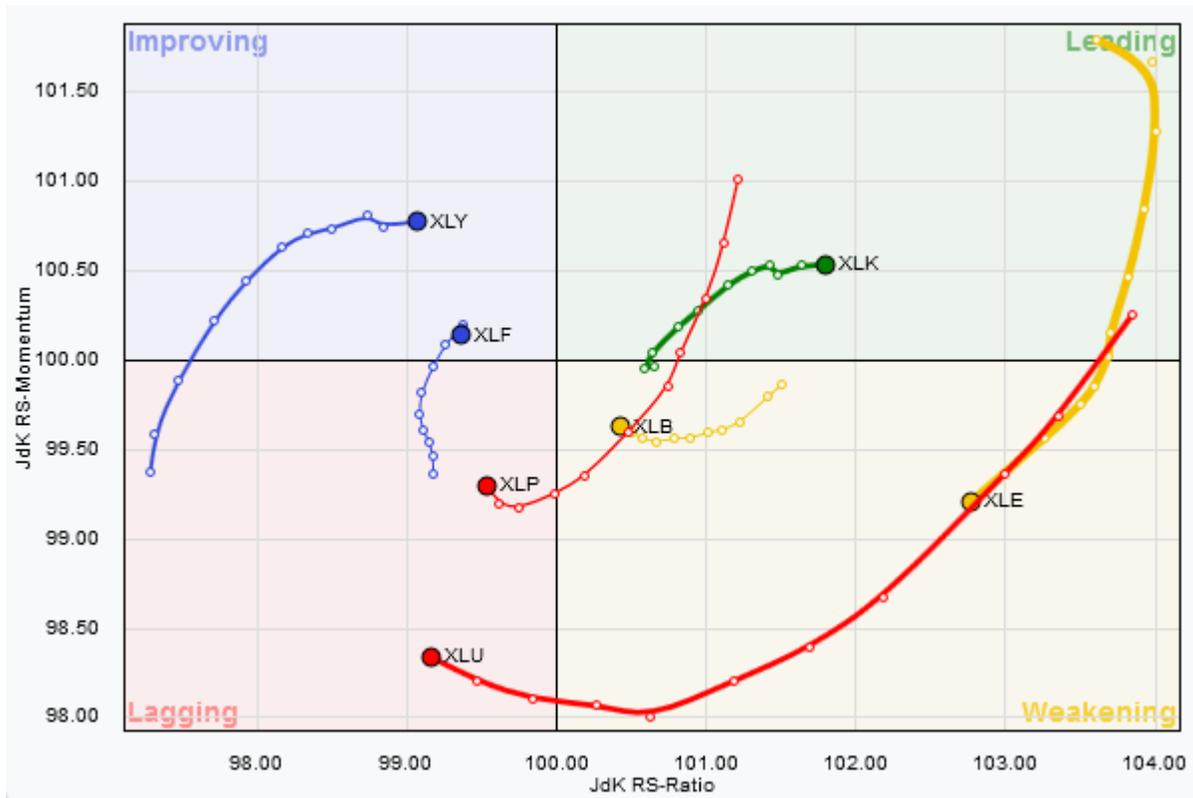
**Sunpower** - A solar stock. Needs a rest first but breaks out at 37.60



**Corn** - Starting to look interesting. Coming out of a small base with rising RSI. Corn ETN is **CORN**.



**British Pound ETF** - It could use a corrective bounce but this is a nice breakdown (strong dollar)



**Relative Rotation Graph** - This is from Stockcharts.com and it shows the direction each sector is moving with respect to the S&P 500. It clearly shows energy weakening and utilities collapsing. Staples and even financials are improving but your leader is tech and only tech.

## 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	79.76	19.5%	77.00	66.77	6/12	67
	<b>PCLN</b>	PRICELINE GRP INC	1276.18	1.6%	1250.00	1255.95	7/30	19
	<b>MCD</b>	MCDONALDS CORP	94.25	0.0%	92.50	94.25	8/18	0
<u>Short</u>	<b>AFG</b>	AMERICAN FINL GROUP INC	58.00	0.5%		58.27	7/10	39
	<b>USB</b>	US BANCORP DEL	41.72	2.8%	42.50	42.90	7/11	38
	<b>CMCSA</b>	COMCAST CORP NEW	54.73	-1.8%	56.00	53.73	7/31	18
	<b>TIF</b>	TIFFANY & CO NEW	98.11	-0.1%	101.00	98.00	8/5	13
	<b>CVS</b>	CVS CAREMARK CORPORATION	79.15	-3.3%	80.00	76.50	8/5	13

**Notes:** Stopped out of **AFG**. At least we covered commissions.

New long in **MCD** triggered at the close. Very tight stop percentage-wise but it is a now or never type of trade with low risk.

## 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

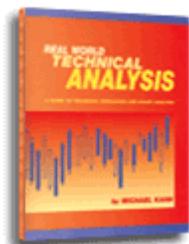
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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