

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

August 22, 2014 - Well, the bulls earned the right to snort yesterday after pushing the S&P 500 undeniably into new high ground. Volume actually edged up a bit although it was still well below average. What was more distressing was the relatively tame advance-decline line at a +627. The Nasdaq's was a really mild +278. Of the industry groups we follow (about 130) breadth was only 2:1 in favor of winners basically led by banks and **EBAY**.

Falling volume makes sense in this light. If fewer stocks are pulling the market's weight then volume will indeed be down. Recall heading into the July peak, it was basically only big caps doing the work. They are big but they do not account for all the volume that trades each day.

So do we hop on for the ride? We have added to the long side recently with trades triggered or waiting to be triggered but it all still feels wrong. All we can do is look at individual stocks and wait for a real signal that the market is done rising.

What will that be? We do not know that but we may know when. Today, when Janet Yellen and Mario Draghi make their separate speeches. However, the what may be a sudden puking of stocks right at all-time highs that changes bull to bear. That would be similar to the way bear changed to bull one week ago as we waited for bear flags to confirm.

We don't need an hourly chart today to show a straight line rising trend that has taken out resistance. Let's save the space.

In sectors, the financial ETF (**XLFF**) was the star with a rather steep move to a new high. Nice for the headlines and nice if you owned it but it is still badly lagging the market this year and merely flat since July. While we're at it, the rest of the four horsemen were not that impressive. Tech made a market-sized gain but homebuilding was flat and retail was actually down on the day. General merchandise and department stores were bright spots. Did Kohl's finally figure out they did not have to give away the store to attract customers? I used to get some super bargains there.

Oh, and while the stock market was setting records, bonds rallied rather nicely.

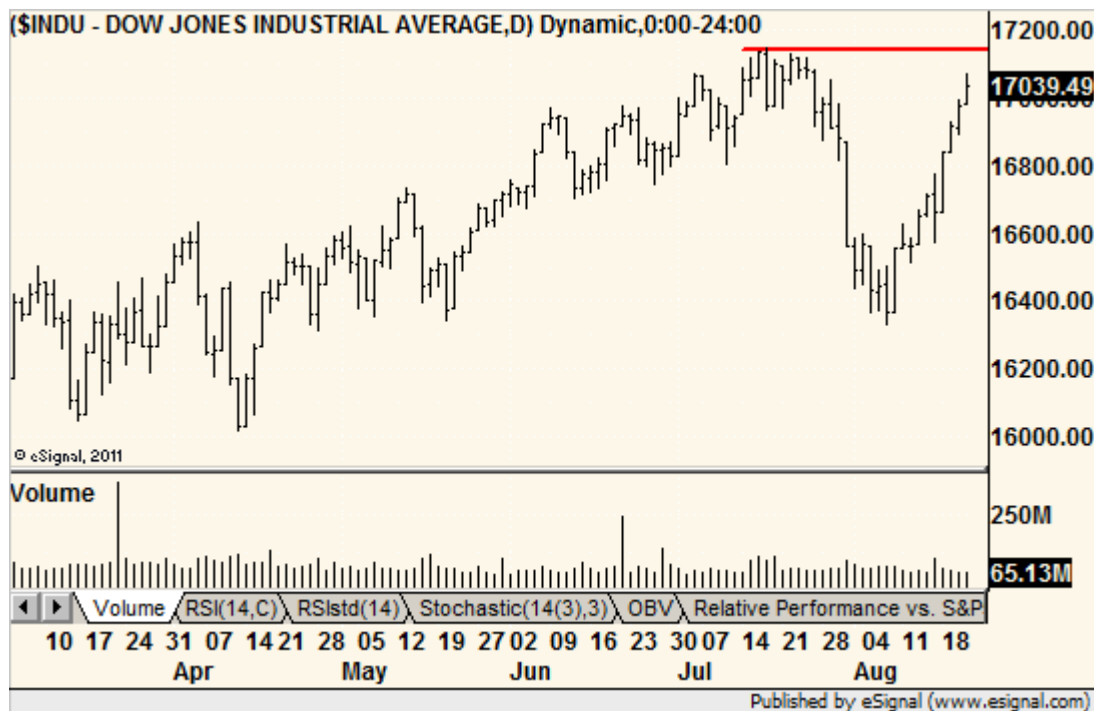
What did not rally was gold, which broke short-term support but landed on an intermediate-term rising trendline. The latter is part of a big triangle pattern going back to last August. Our long in **RGLD** was finally stopped out. But check out the late recovery in **NEM**.

One more thing - consumer staples rallied but consumer discretionary fell. That's not supposed to happen in a bull market. And remember our suggestion to see what happens to Sears? That stock cratered premarket, came back just before the open and the fell to a fresh intraday low during the regular session. **BBY** fell. And **JCP** scored a bearish outside-day reversal. Apparently the appetite for speculation was not there and that is also not bull market behavior.

This is why we remain skeptical even as we add longs and watch the indices go up without us.

Bring on Jackson Hole!

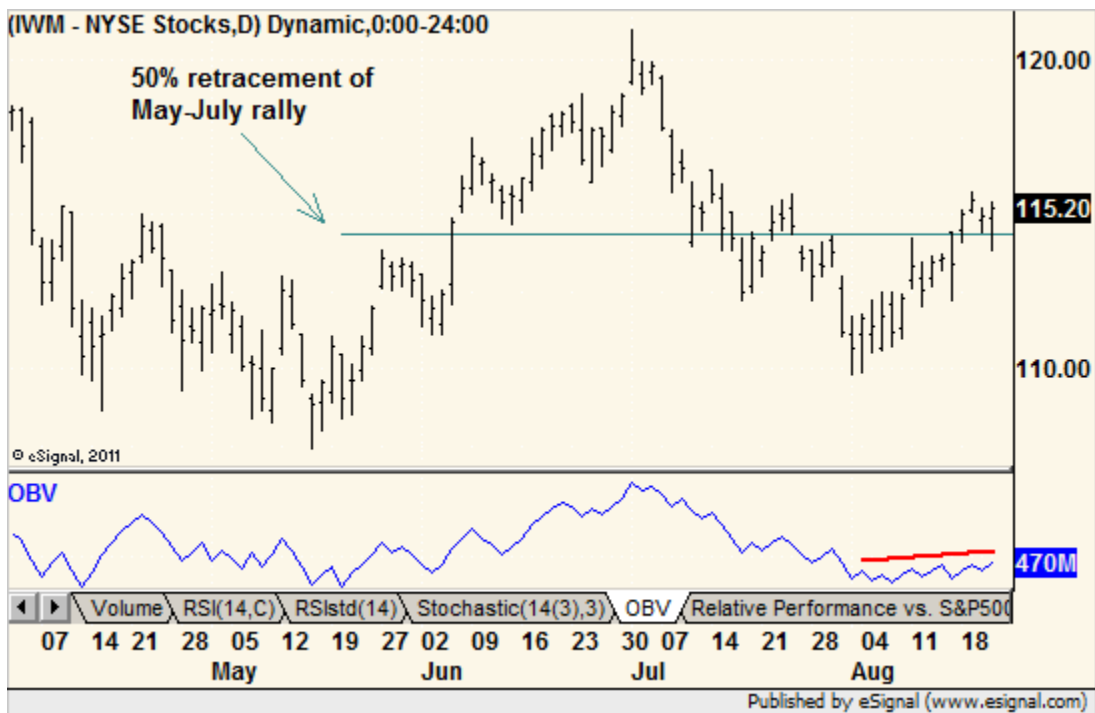
Index Charts of the Day



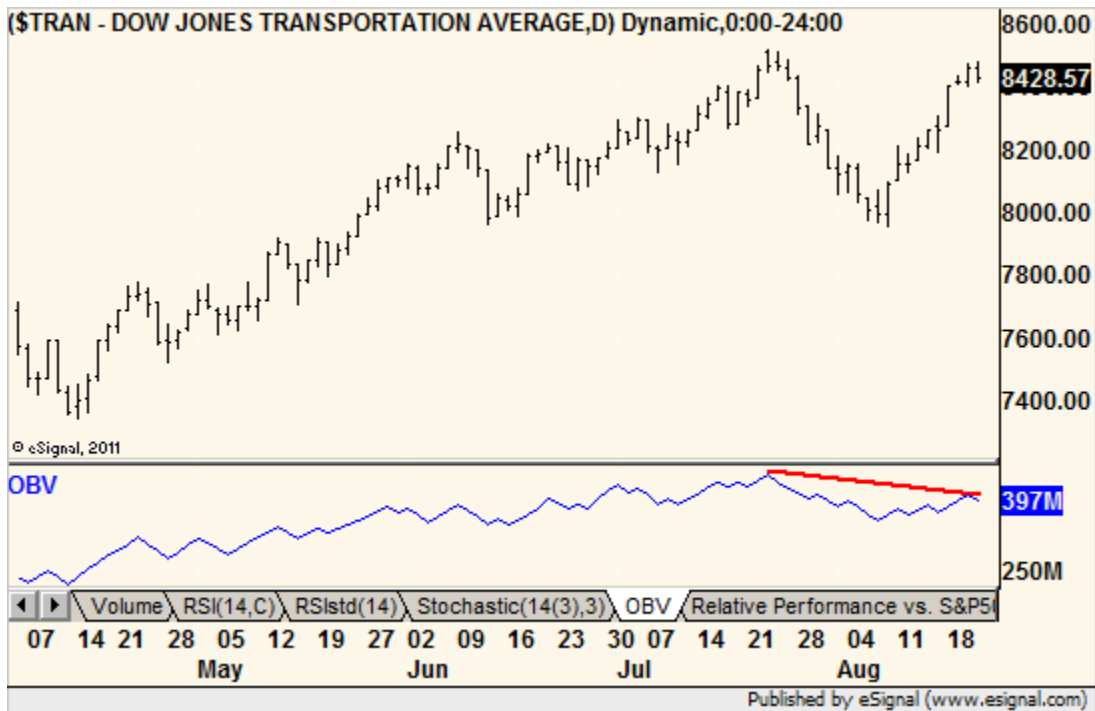
The Dow is not quite there but it sure can reach it today after Madam Yellen speaks.



The Nasdaq just stopped cold and volume dried up. That could be a sign of reversal or a rest instead of a pullback so we cannot know what's next. However, a drop below former resistance, now support, would be bad, especially if volume grows.



The Russell sported a possible island reversal yesterday but it did not confirm. However, the Russell ETF shown here sports barely rising on-balance volume and still lags the market badly. Not bull market behavior.



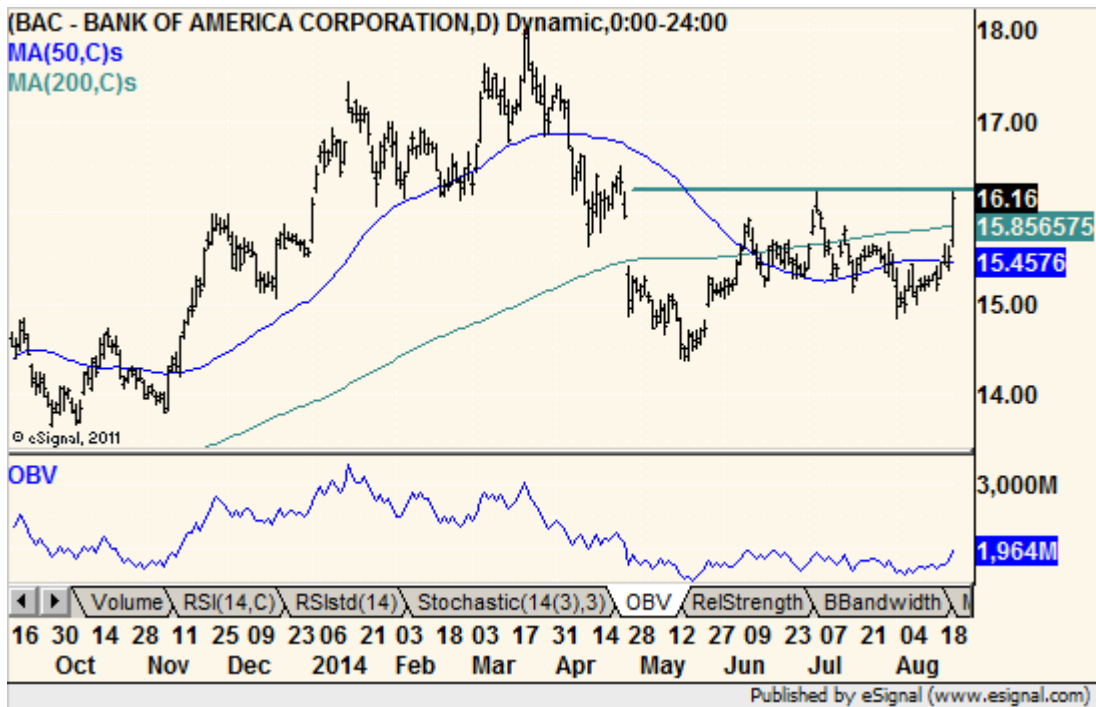
The transports may be stalling at resistance. Note the lower on-balance volume peak.

The Radar Screen

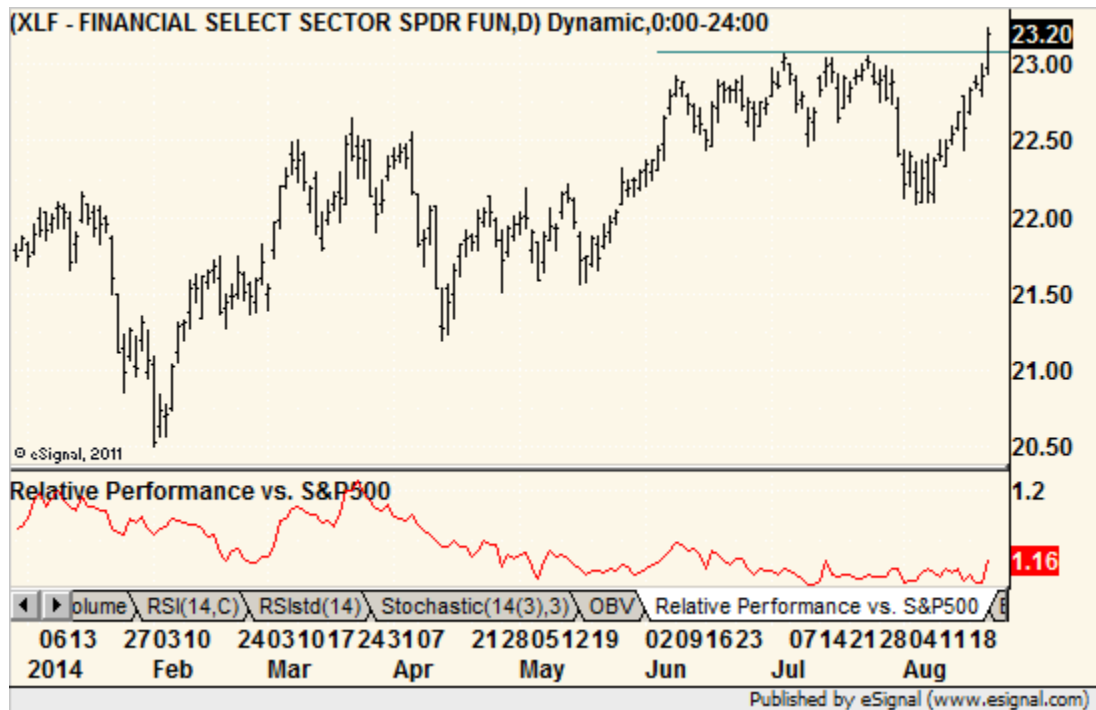
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
Crocs CROX - It's bizarre but it is cup-with-handle-y. Buy close over 15.80.		8/12
Newmont Mining NEM - Still looks like a breakout to us. Buy above Monday high 26.87 - rounded up to 27.		8/19
Athena Health ATHN - tight rectangle pattern. Buy close over 135.80.		8/18
Kellogg K - This cereal maker just broke through at trendline and sports super rising on-balance volume. Buy a close over the 50-day average, recently 65.15. General Mills (GIS) is the same and already through its 50-day.		8/21
Cerner CERN - This healthcare software maker is in a choppy rising trend but with a nice tight triangle. On-balance volume is at new highs so a higher close today would be the buy signal. Tech and health - two leading sectors.		8/21
Bearish Implications		
Las Vegas Sands LVS - Bounce seems to be fading. Selling now.	Changed	7/17
Caterpillar CAT - Nice looking bear flag with falling volume. Now in the gap and still losing volume. Sell below 106. 50 (we are ratcheting in up).		8/13
International Paper - Paper was a superstar sector in June but things changed. Now on support within a larger trading range. On-balance volume is weak vs. Feb/Mar highs. Sell close under 47.00.		8/21
Unknown Implications		
Verizon VZ - This stock missed the August rally and has not been able to lift off support. A breakdown would be sellable but with a 4.3% div yield and trailing P/E of 10.4 we would prefer price action to get it together above 49.15 for a buy.	New	8/21
Holding Tank - red shade leans bearish, green shade leans bullish		
Target TGT - Not dropping to our trigger so we have to move on	Removed	8/5
Mosaic MOS - We looked at peer AGU in the free chart of the day. Here, we see a stock with a bullish RSI divergence trying to get back above 47.40. If it does, that would be a shot at getting back to its previous high. Breakout		8/20
ExxonMobil XOM - Just when it looked as if energy stocks were getting killed, this one seems to be stabilized at its 200-day average. Small triangle.		8/20
Sina SINA - A Chinese internet in nice bottoming pennant. Be aware of very high P/E		8/20
Dicks Sporting Goods DKS - I wrote this in Barron's Online last week as a stock that was showing signs of healing. This week it popped on heavy volume.		8/21
Sector Watch (observations that may spark ideas)		
Homebuilders - Big few days kills the bear setup. But we are not buying.		7/23
Aerospace/defense index DFX, DFI - setup is gone	Removed	7/31
Insurance index KIX - Quite strong now but we are still looking for a reversal	Changed	7/31
Semiconductors SOX - Bounced off trendline and now heading <u>for old highs</u>		8/11
Gold Miners - Breakout has now failed	Changed	8/12
Nasdaq biotech ETF IBB - Looks like it will retake its old high.		8/15
Oil Refiners - very strong. HFC, TSO, VLO, PSX, MPC, WNR, ALJ		8/20
Solar Power - Some nice rising trends. TSL, SPWR, FSLR, CSIQ		8/20
Updates		
Freeport McMoran FCX - The breakout may have failed		

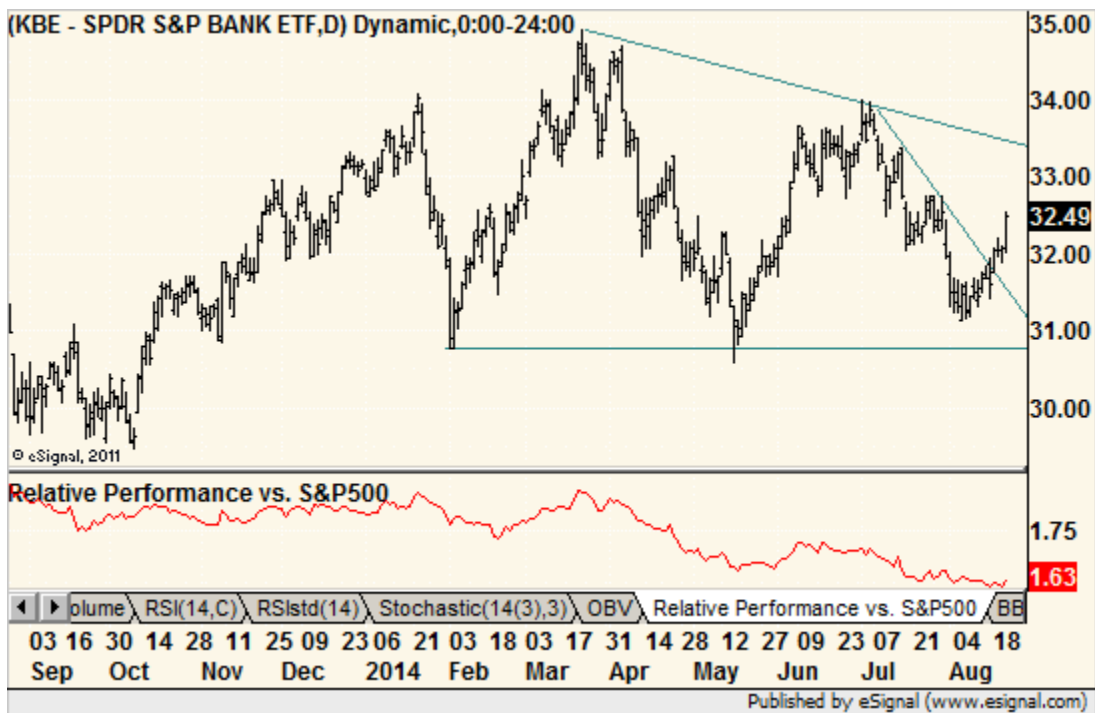
Market Highlights



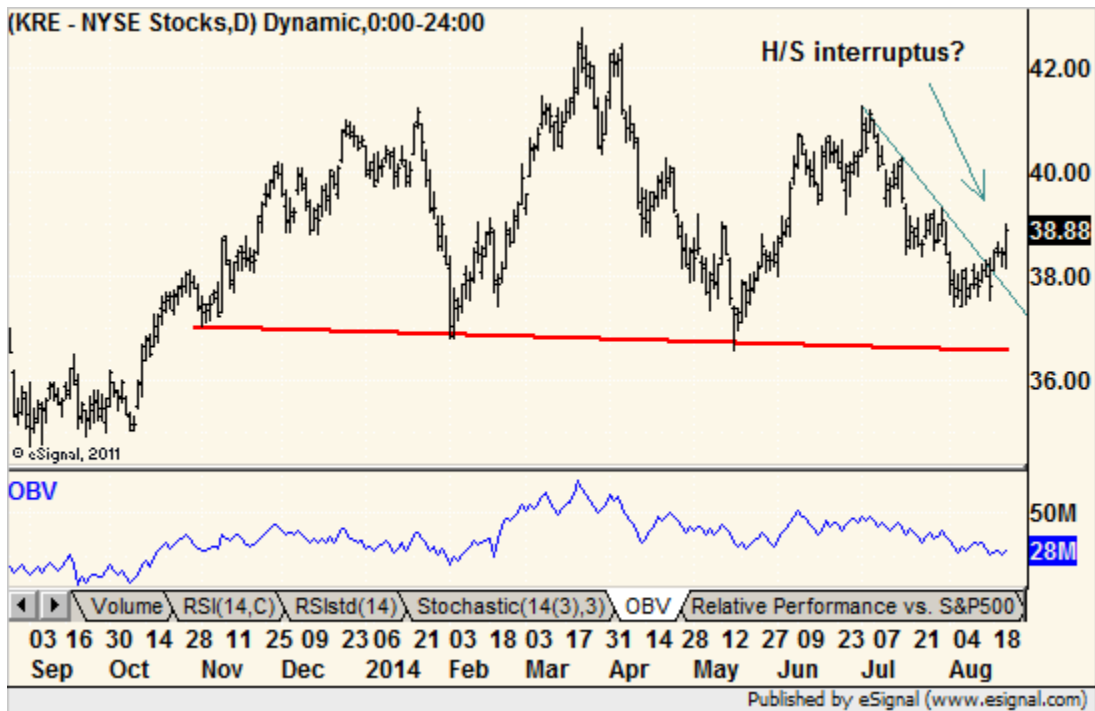
Bank of America - This was the spark for the financials rally yesterday after it settled with the gubmint over its mortgage practices. Nice move but technically the stock is still a mess.



Financial ETF - A new high with a substantial gain but it is still bumping along the relative performance chart. In fact, it made a new low there just two days ago. Exciting to own but as an indicator for the stock market it is still not that good.



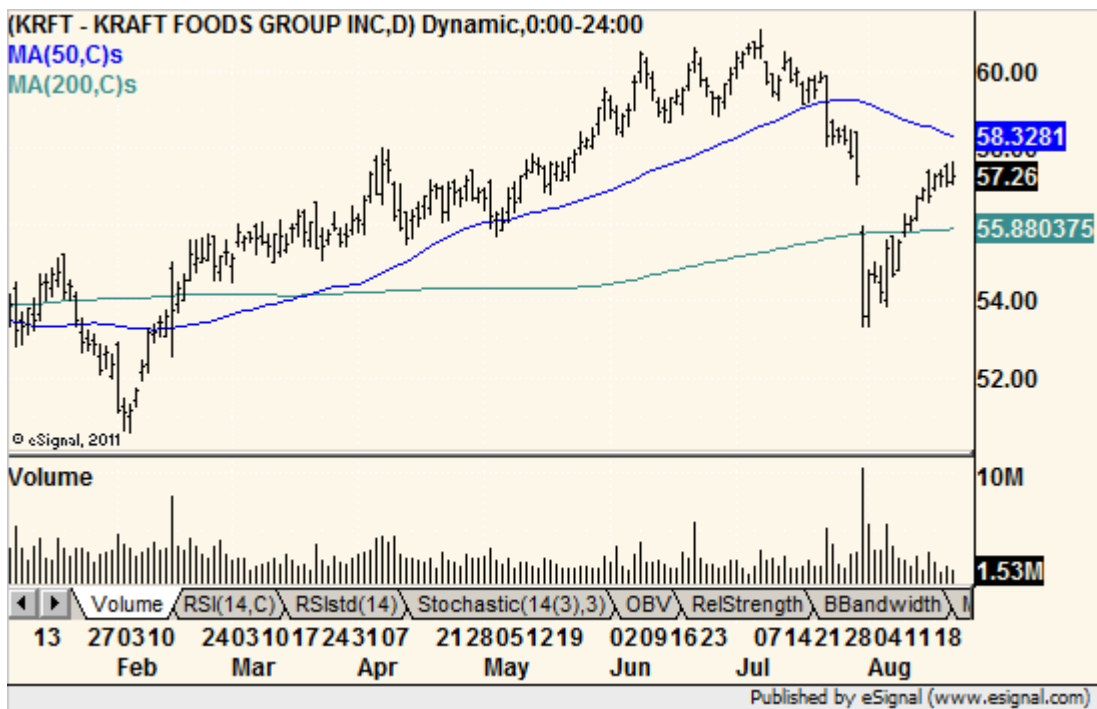
Banks ETF - Here, too, a nice one-day moving but it has been lagging for months. Also, while it has a short-term breakout, the real pattern is still intact.



Regional Banks ETF - Also badly lagging the market. We have the on-balance volume study here to show that money is still flowing out of this ETF.



MasterCard - All the credit card stocks are sideways and lagging the broad market.



Kraft - A shortable setup waiting for the actual breakdown.

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	77.00	15.3%		66.77	6/12	70
	PCLN	PRICELINE GRP INC	1265.05	0.7%	1250.00	1255.95	7/30	22
	MCD	MCDONALDS CORP	94.53	0.3%	92.50	94.25	8/18	3
	SFLY	SHUTTERFLY INC	50.52	0.1%	48.00	50.47	8/20	1
<u>Short</u>	USB	US BANCORP DEL	42.19	1.7%	42.50	42.90	7/11	41
	CMCSA	COMCAST CORP NEW	54.44	-1.3%	56.00	53.73	7/31	21
	TIF	TIFFANY & CO NEW	99.22	-1.2%	101.00	98.00	8/5	16
	CVS	CVS CAREMARK CORPORATION	78.98	-3.1%	80.00	76.50	8/5	16

Notes: Finally stopped out of **RGLD** but still booked a nice profit.

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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