

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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August 26, 2014 - Yesterday, we pondered whether another round of QE in Europe would help and wanted to see if bourses there held their gains. They did. Markets all over the world seem to be happy as August comes to an end, which is opposite what usually happens seasonally this time of year.

Here, the market scooted higher, paused and stayed firm into the close, albeit off its highs. However, **XLK** (specifically the **SOX**) and **XLF** did not close so well. Problem or just a little profit taking as other sectors did better? We are not going to read too much into anything that happens this week.

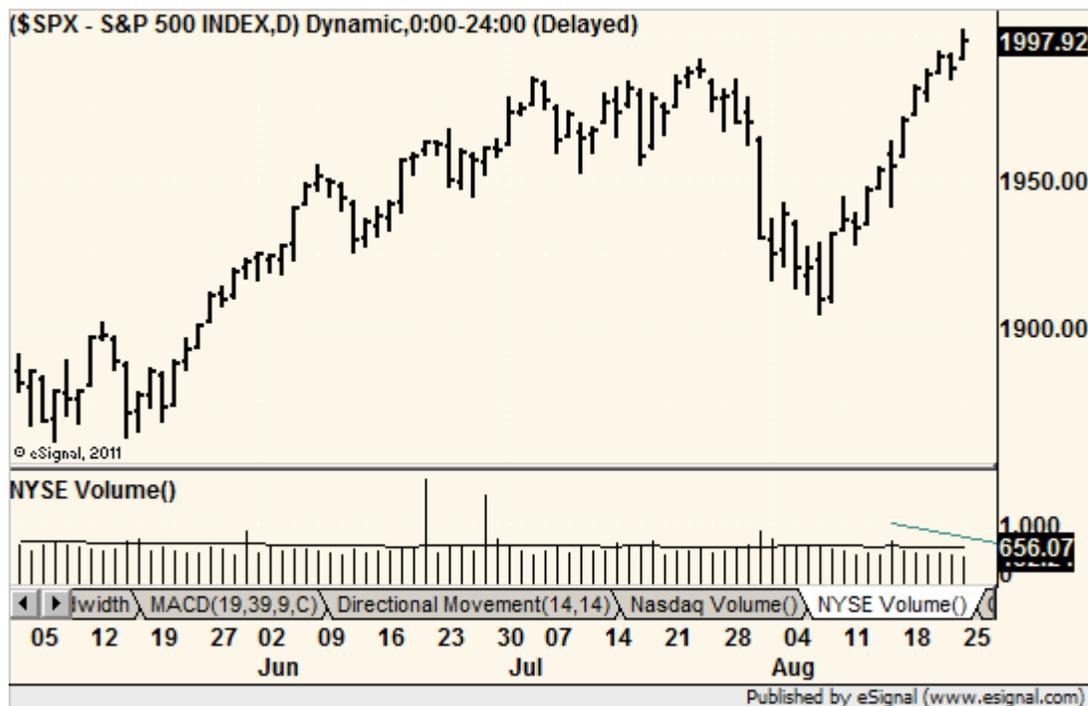
One thing we can say is that biotech is hot, hot, hot. When running through charts and social media for this report we found recommendations galore for biotech and pharmaceuticals stocks, with the best offered below.



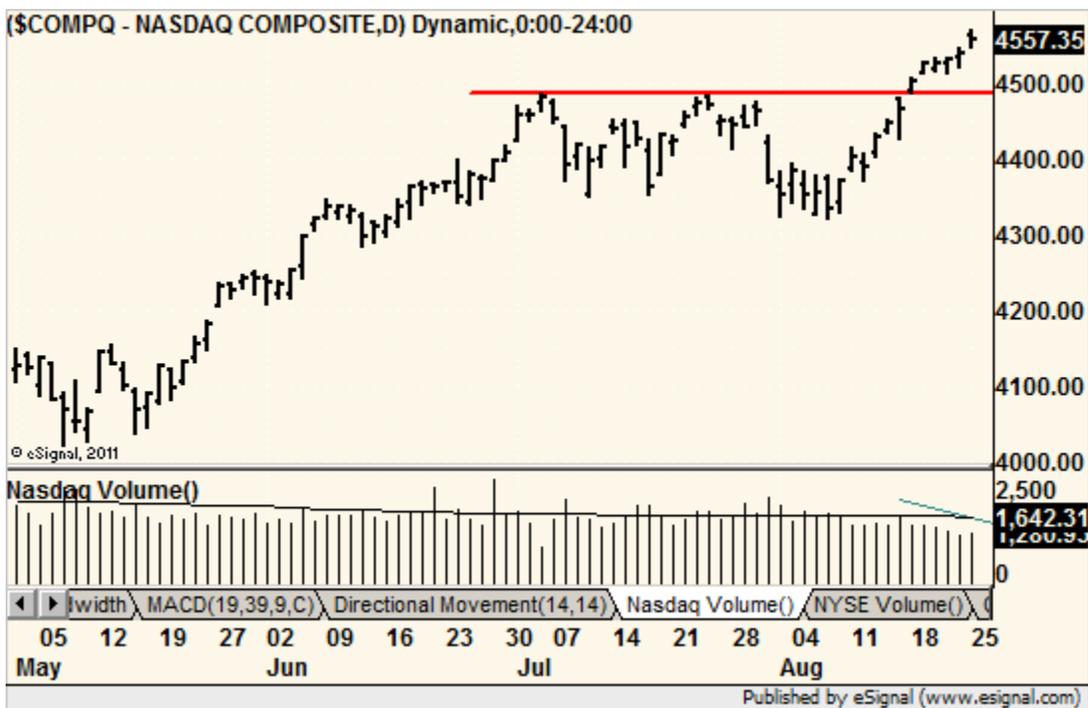
The hourly chart shows the continued rally and hold above the previous high. However, RSI is definitely fading to suggest a really tired market. It is not a sell signal just yet as a sideways correction would have the same RSI decline. However, we now have issues in volume and momentum. There also may be a sentiment issue with the AAI survey back over the 46% bulls market. And of course, the time issue has been a concern for months due to the lack of serious correction in the market.

That's all four pillars that support price. We know price rules but we cannot see this being the start of a new major leg up. But until something happens to prove the market is going to fall, we have to stick with the prevailing trend, which is up.

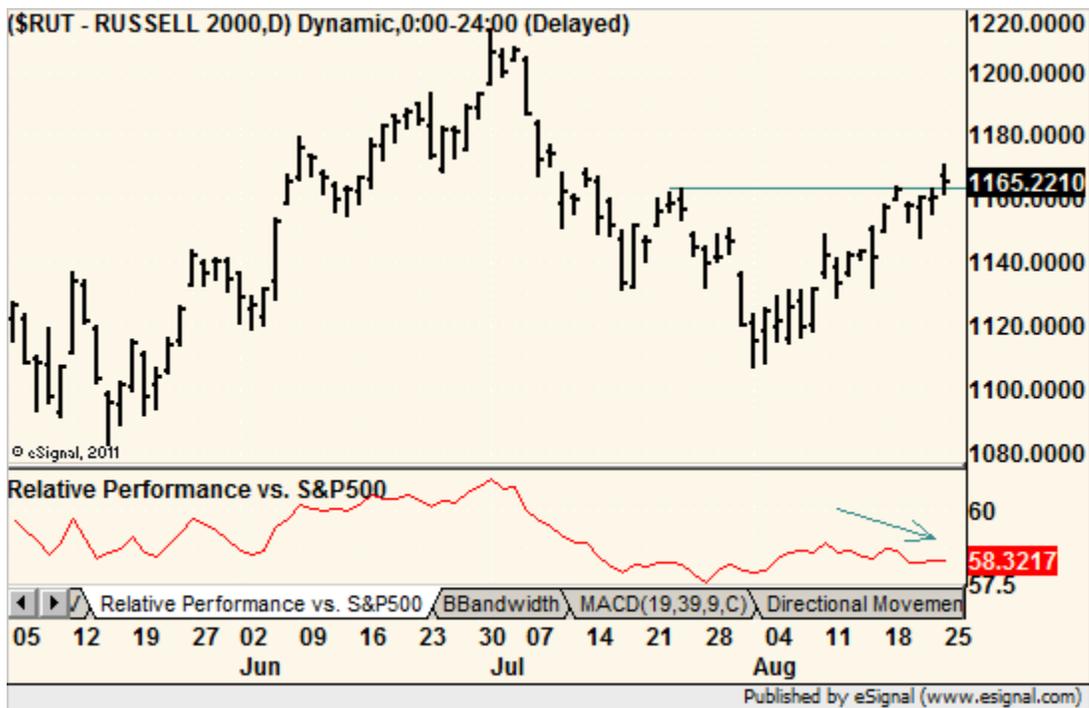
Index Charts of the Day



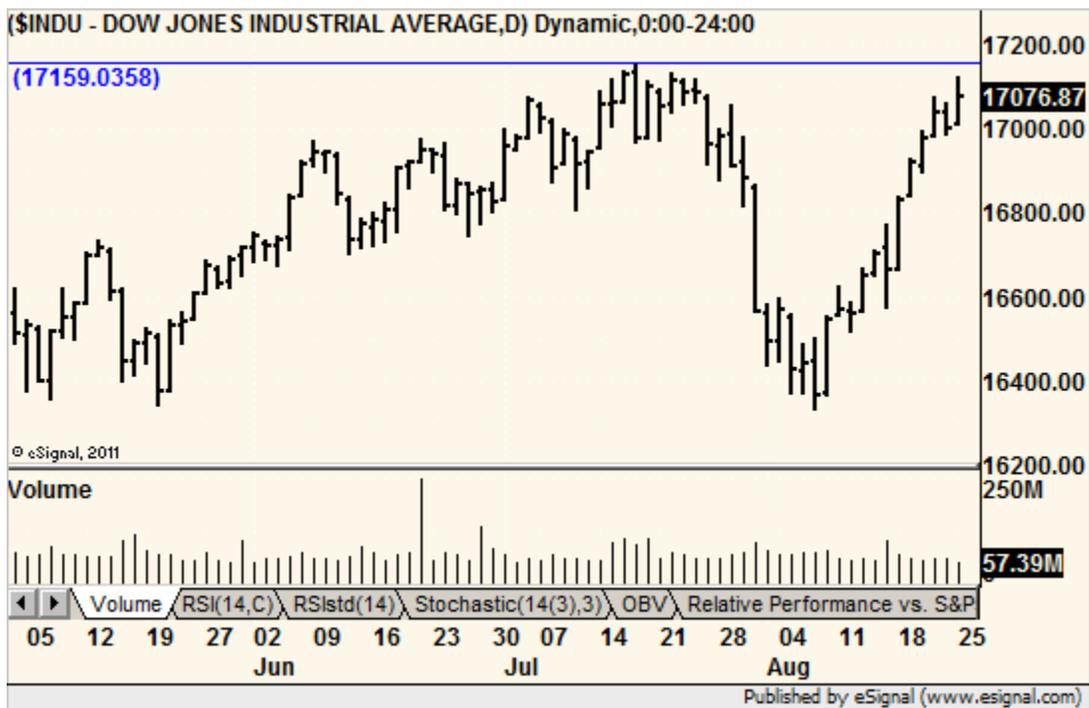
Not much change in the chart. Volume is still falling, which does not stop the rally but could set up a harsh correction after Labor Day. Will the 2000 level lead to euphoria? Not much to do but hold long.



The "curse" of the multiple small range days has been lifted as prices jumped to a new high. Falling volume is of concern but again it has not stopped rallies for years. The most bullish thing the Nasdaq can do now is pull back to test the breakout and then jump again.



There's your Russell breakout but relative performance is falling once again. Not a rally stopper but not exactly the earmark of a bull market, either.



Is today the day the Dow makes its breakout attempt? And what happens if it fails to hold it? We'll say the most bearish thing it can do is breach that level and then close with a net loss on the day.

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		
Newmont Mining NEM - Still looks like a breakout test to us. Buy above 26.50	Changed	8/19
Athena Health ATHN - tight rectangle pattern. Buy close over 135.80.	Triggered	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 65.00. Possible evening star candle now in place so a breakout while less likely would now be more powerful. 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. Buy close over 56.80		8/21
GNC Holdings GNC - We are a little late finding this one but it still has a way to go before hitting the May gap and then the 200-day average. It was on an insider buy list last week. Looks good here.	Triggered	8/25
Marvell Technology MRVL - A semiconductor stock with an outside day rally Friday on big volume. Looks to be a "V" bottom overall. Shrugged off weak guidance after the bell last Thursday. Looks good here.	Triggered	8/25
Relypsa RLYP - A pharma stock looking to come out of a nice base. It had a Bollinger Band "breakout" earlier this month (not shown) so it is already showing strength. Up 3.3% Monday but still in a triangle sitting on the top of the base. We'll take a close over 27.20 as a long-term buy signal.	New	8/26
Isis Pharma ISIS - Yet another biotech/drug stock with a low pattern ready to break out. This one arguably has its breakout from the "handle" this month but we'll wait for the close over 37.40 resistance.	New	8/26
Bearish Implications		
Caterpillar CAT - Nice looking bear flag with falling volume. Now in the gap and still losing volume. Sell below 106.50		8/13
International Paper IP - 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
Kraft KRFT - A rebound to close the gap and test the 50-day average creates a shortable setup waiting for the actual breakdown below short-term averages at 56.60. <u>Big up-day kills the setup. No harm done</u>	Removed	8/22
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.		8/21

Continued on next page...

Holding Tank - red shade leans bearish, green shade leans bullish		
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 rectangle.		8/20
Sina SINA - A Chinese internet to watch in a nice bottoming pennant. Be aware of a 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 (reversal earlier this month). Last week it popped on heavy volume.		8/21
Hospira HSP - This is a drug delivery company (injectables) in a strong rally. Currently, it is in a triangle pattern, which normally leans bullish. However, it sports divergences in momentum and volume (not shown). We'll keep an eye on this one.		8/25
Jarden JAH - This is a consumer products company that makes everything from baseball gloves to household matches. It is approaching two similar trendlines with on-balance volume already at a new 52-week high. It is not quite ripe so we'll watch it for a while		8/25
Sector Watch (observations that may spark ideas)		
Nasdaq biotech ETF IBB - Looks like it will retake its old high. Very close		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
Technology XLK - still leading but flattening relative to the market.		8/25
Healthcare XLV - Now one of the leaders		8/25
Financials XLF - Broke out but still merely pacing the market. Banks still lagging		8/25
Fertilizer - firming AGU, MOS, POT		8/26
Updates		
Intercept Pharmaceuticals ICPT - From yesterday's Today's Lesson. Looks to have broken triangle to the upside.		

Market Highlights



Relypsa - A pharma stock looking to come out of a nice base. It had a Bollinger Band "breakout) earlier this month (not shown) so it is already showing strength. Up 3.3% Monday but still in a triangle sitting on the top of the base. We'll take a close over 27.20 as a long-term buy signal.

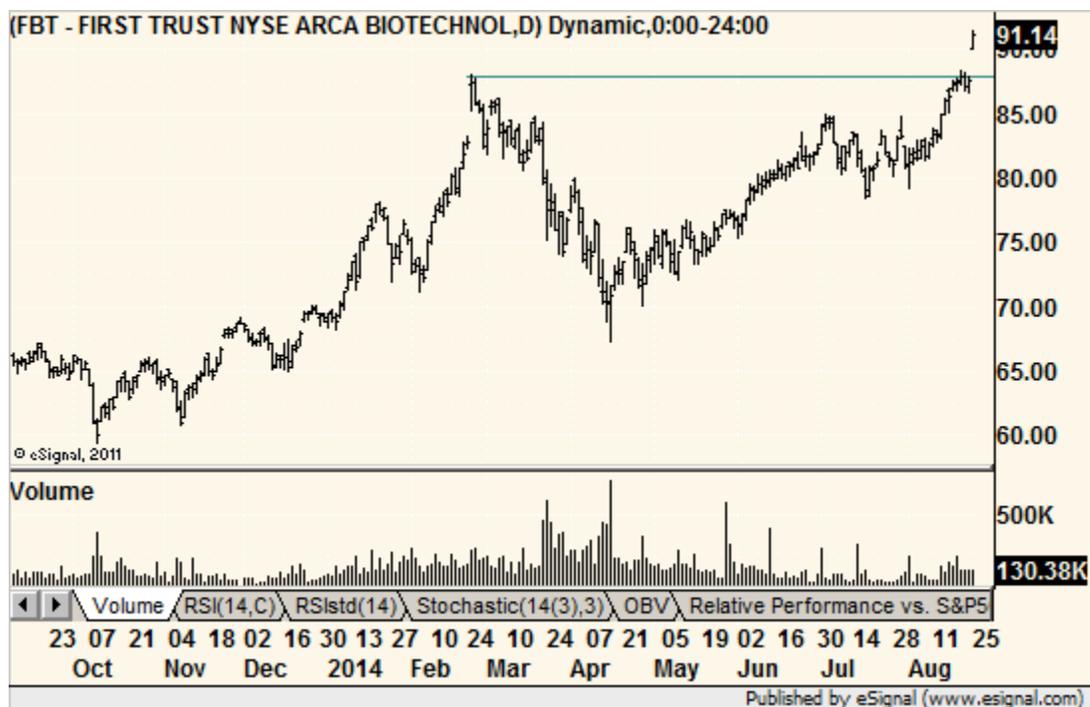


Isis Pharma - Yet another biotech/drug stock with a low pattern ready to break out. This one arguably has its breakout from the "handle" this month but we'll wait for the close over 37.40 resistance.

Today's Lesson

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

Confirmation



First Trust NYSE Arca Biotech ETF - This one has a clear breakout while the **IBB** Nasdaq biotech ETF Jumped yesterday into its own resistance. Which one is it? Did the sector break out? We have to consider both.

Just look at retail. The **XRT** ETF is now at resistance while the **RTH** broke out nicely last week.

And energy. The **XOI** index has an arguable bull flag breakout but the **XLE** ETF is now testing a support breakdown.

And what about the Nasdaq breaking out, the S&P 500 stopping at resistance and NYSE composite not yet at resistance?

You cannot cherry pick the index that fits your thesis. The same goes for log and linear chart scales.

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>	PCLN	PRICELINE GRP INC	1277.01	1.7%	1260.00	1255.95	7/30	26
	MCD	MCDONALDS CORP	94.44	0.2%	92.50	94.25	8/18	7
	SFLY	SHUTTERFLY INC	50.74	0.5%	48.00	50.47	8/20	5
	GNC	GNC HLDGS INC	37.25	-0.7%	35.50	37.50	8/25	0
	MRVL	MARVELL TECHNOLOGY GROUP	13.52	-2.8%	13.10	13.91	8/25	0
<u>Short</u>	USB	US BANCORP DEL	42.25	1.5%	42.50	42.90	7/11	45
	CMCSA	COMCAST CORP NEW	54.65	-1.7%	56.00	53.73	7/31	25
	TIF	TIFFANY & CO NEW	100.23	-2.2%	101.00	98.00	8/5	20
	CVS	CVS CAREMARK CORPORATION	79.21	-3.4%	80.00	76.50	8/5	20
	LVS	LAS VEGAS SANDS CORP	68.71	0.3%	72.00	68.94	8/22	3

Notes: Tightened stop in **PCLN** all the way as it closed very poorly. This, after a big bullish Friday. It is just not participating in the August rally so we'll get out while we can.

Two new longs triggered at the open - **GNC** and **MRVL**. The later fell hard in a very weak semiconductor group.

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

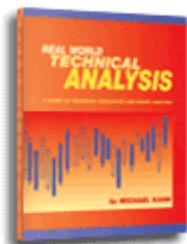
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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