

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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**September 11, 2014** - I was doing exactly what I am doing now at this time the morning of 9-11-2001 - writing commentary about the markets. It was a perfect early autumn morning. You know the rest. Two days later, the air out here in suburban Long Island was hazy as the winds carried dust our way.

This morning, stock and bond markets seem rather subdued with only small movements around the globe. Commodities continue to soften with new lows in gold and oil. Considering the President's speech last night this weakness speaks to deflation rather than worry over war in the Middle East.



The hourly **SPY** chart shows the failed breakdown below support but a bounce off a lesser support. However, the immediate failure of the recovery suggests this market - while still officially in a range - has weakened again. We are going to **cut back on long exposure**.

In sectors, healthcare including drugs and biotech had a pretty good day with the **XLV** ETF hitting a new high. In fact, this sector is starting to turn up relative to technology, which may be a surprise to some. Just about everything else remains range-bound in the short-term similar to major indices.

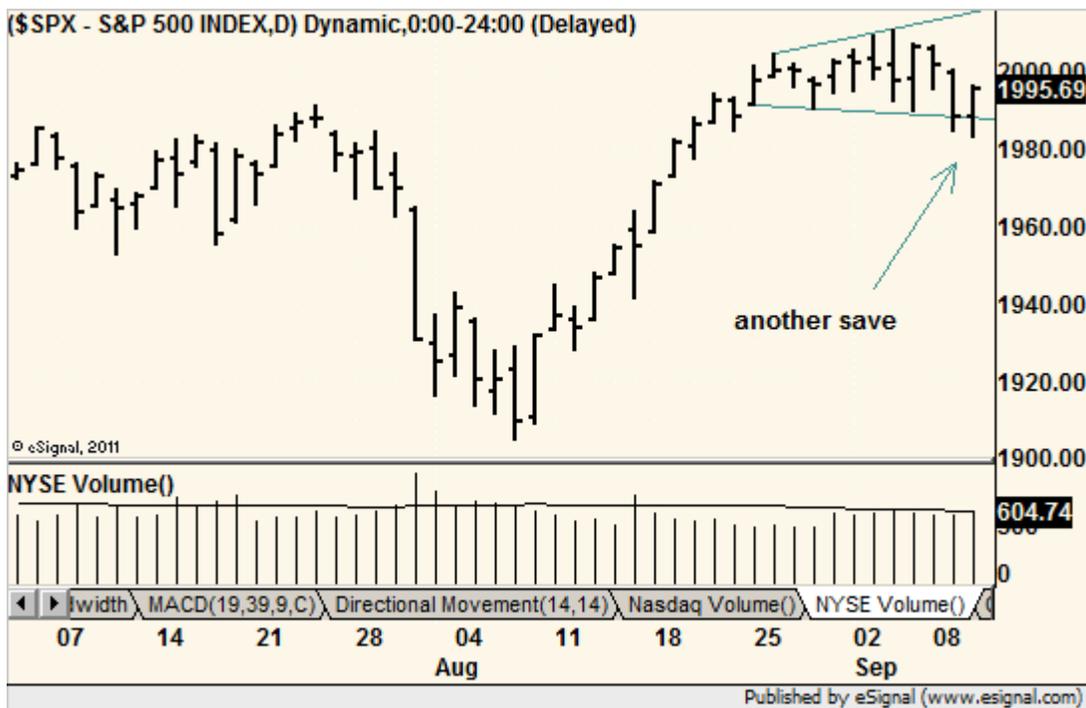
And while commodities oriented sectors (energy, basic materials) are lagging, there has been a change in the ratio of discretionary to staples. The chart below will show the ratio's trend turning lower and that suggests a shift towards defensiveness. We'll have the related "offense/defense" chart below, as well.

Indeed, junk bonds have broken to reinforce the idea that risk aversion is growing.

The surprise is the breakdown in utilities (chart below). Let's see if bonds hitting a trendline halts that slide.

Back to stocks. For now, keep your eye on the hourly chart, even if you are a long-term type of person. The market is moving sideways within a range and while there are signs of weakening, we have to keep it in the context of a still-intact bull market.

## Index Charts of the Day



Although the S&P 500 scored another breakdown save, it still has not lifted off support. The next violation could be it.



Which way will you go, Russell? Or is a trendless mess in your future?

## 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>Soufun SFUN</b> - This is a Chinese real estate portal and home furnishings website but the setup is gone.	<b>Removed</b>	9/4
<b>Ubiquiti Networks UBNT</b> - This is a network equipment maker and it is now bumping up against resistance where a breakout would be buyable. It is above its major averages but this one is based purely on price levels. Buy 47.55.		9/9
<b>Bearish Implications</b>		
<b>Caterpillar CAT</b> - Nice looking bear flag with falling volume. Now in the gap and still losing volume. Sell below 107.00	<b>Triggered</b>	8/13
<b>Unknown Implications</b>		
<b>Lam Research LRCX</b> - Triangle pattern waiting for a break. Lower on-balance volume suggests the downside but we have to let the signal happen. Buy 72.75, sell 71.50	<b>New</b>	9/11
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Dicks Sporting Goods DKS</b> - Now waiting for a dip to buy.		8/21
<b>3D Systems DDD</b> - 3D printing back in the market's view. This one seems to be coming off support. Waiting for a fresh breakout		8/29
<b>Home Depot HD</b> - Letting it fall some more after credit card hack before thinking about getting in.		9/3
<b>Gogo GOGO</b> - In-flight internet. The chart is intriguing as a possible buy with fan lines and a higher low. We'll keep an eye on it.		9/8
<b>Apache APA</b> - Beautiful head-and-shoulders classic form. It closed below the neck Tuesday but it may have been an overshoot on momentum. We'll watch for a blip higher and then set the trigger to sell. <u>Bull reversal Wednesday.</u>		9/10
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Solar Power</b> - Some nice rising trends <b>TSL, SPWR, FSLR, CSIQ.</b>		8/20
<b>Technology XLK</b> - Still leading but it lost its mojo.		8/25
<b>Financial ETF XLF</b> - Banks do not look this good but <b>XLF</b> may have a little uptick in the works relative to the market. Banks may be dragging it down now.		8/25
<b>Discretionary ETF XLY</b> - Now lagging <b>XLP.</b>		9/2
<b>Transports</b> - Rails and air freight leading but all areas stronger than the market		9/5
<b>Healthcare</b> - Including biotech & drugs, now turning higher relative to the market	<b>New</b>	9/11
<b>Updates</b>		
<b>Junk Bond ETF JNK</b> - This one tanked yesterday. Very bad news.		
<b>British pound</b> - Looks to be pausing. Yesterday's rebound attempt failed.		
<b>Gasoline ETF UGA</b> - failed miserably		

## Market Highlights



**Consumer discretionary/staples ratio** - This ratio shows the relative performances of the **XLY** and **XLP** ETFs and as we can see it broke down. That means the defensive staples group is now beating the offensive group. We are not sure the moving averages are as meaningful but they sure do look to be providing that last bit of support.



**Offense / Defense ratio** - We mentioned that healthcare was starting to beat technology in the comments section above. This ratio is one we've shown many times in the past and it combines the consumer ETFs with health and tech. It, too, is breaking down suggesting **investors are running from risk**.



**Utilities ETF** - This chart shows a major trend break and test, falling on-balance volume, a resistance breakout failure and a short-term trend break. See next chart...



**Long T-bond ETF** - It looks as if bonds have hit oversold near the trendline.



**Healthcare ETF** - This a new high after a bullish reversal.



**Lam Research** - Triangle pattern waiting for a break. Lower on-balance volume suggests the downside but we have to let the signal happen. Buy 72.75, sell 71.50

## 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>
	<b>SFLY</b>	SHUTTERFLY INC	49.23	-2.5%	48.25	50.47	8/20	21
	<b>GNC</b>	GNC HLDGS INC	38.77	3.4%	38.00	37.50	8/25	16
	<b>MRVL</b>	MARVELL TECHNOLOGY GROUP LTD	13.89	-0.1%	13.40	13.91	8/25	16
	<b>CERN</b>	CERNER CORP	59.61	4.4%	56.50	57.12	8/26	15
	<b>VZ</b>	VERIZON COMMUNICATIONS INC	48.75	-0.8%	48.00	49.15	8/26	15
	<b>K</b>	KELLOGG CO	64.44	-0.9%	63.50	65.00	8/27	14
	<b>DBA</b>	POWERSHARES DB AGRICULTURE FD	25.78	-2.9%	25.75	26.55	9/2	8
	<b>TXMD</b>	THERAPEUTICSMD INC	5.81	0.3%	5.45	5.79	9/9	1
<u>Short</u>	<b>USB</b>	US BANCORP DEL	41.84	2.5%	42.50	42.90	7/11	61
	<b>LVS</b>	LAS VEGAS SANDS CORP	62.92	9.6%	66.00	68.94	8/22	19
	<b>CNX</b>	CONSOL ENERGY INC	38.86	1.9%	40.50	39.60	9/8	2
	<b>CAT</b>	CATERPILLAR INC DEL	105.93	-0.3%	110.00	105.61	9/10	0

**Notes:** Tightened stops in **GNC** and **K** as we think the long side is getting shaky. **DBA** is already so close to its stop we have to let it ride.

New short in **CAT** triggered on the gap down. This really ticks us off since we've been waiting for the signal for days as it traded in the 108 area. We are forced in under 106 even though we had a 107 trigger.

## 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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