

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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September 16, 2014 - As we were wrapping up the day yesterday we could not help but notice the strange juxtaposition of market pieces. The resurgence of financials is usually a positive for the market as is, at least in the age of QE, the decline in Treasury bonds. And the Dow did indeed respond to the upside. The Nasdaq, however, was clipped for a percentage point loss and the Russell for a buck 25.

We pointed out yesterday that the Russell was, to use new words, flapping in the wind. Directionless. Volatile. Lagging the big boys. That's not good for the overall market. And neither is the sudden decline in some big tech and internet names.

One theory is that managers are raising cash for the Alibaba (**BABA**) IPO this week. Maybe. But even the giant IPO cannot justify why all of the top 10 stocks in the Nasdaq-100 ended in the red yesterday.

Or just some nervousness ahead of the Fed. More likely.

A simple rotation from tech and biotech into financials? Well, that "should" be price neutral. But then again, the Dow has a lot of finance and the Nasdaq has a lot of tech and biotech. OK, let's go with that. At least there is no conspiracy theory there.

That begs the question "Why financials?" The fundamental reason is the backing up in interest rates although one look at the yield curve does not show the benefit. It is just as flat as it was a few months ago and not the steep look that banks like (for borrowing cheap short-term and lending dear).

Sam Stovall's sector rotation model does not quite fit the current market where financials take the lead deep into a bear market so again, the juxtaposition of cycles and fundamentals does not quite match. We'll have to let the fundamentals take the lead in the analysis for now. Remember, technicians care about what is actually happening and not why. Financials are happening so we go with it until they stop.



We had to stretch the hourly chart a bit to fit the left side supports in. As we can see, support is still holding but the bounce yesterday was anemic at best. It also left a lower stochastics peak and that is a bearish warning.

Before selling everything, look at the daily charts below. The Nasdaq, which was worse than the S&P 500, remains above a solid support. And the long-term trend S&P 500 is still up making this still just an ebb in the flow of the trend (see Big Picture). True, every bear trend starts at new highs but we cannot call it that until it is proven with a breakdown.

The dollar remains flat after a big run in a possible bull flag (chart below).

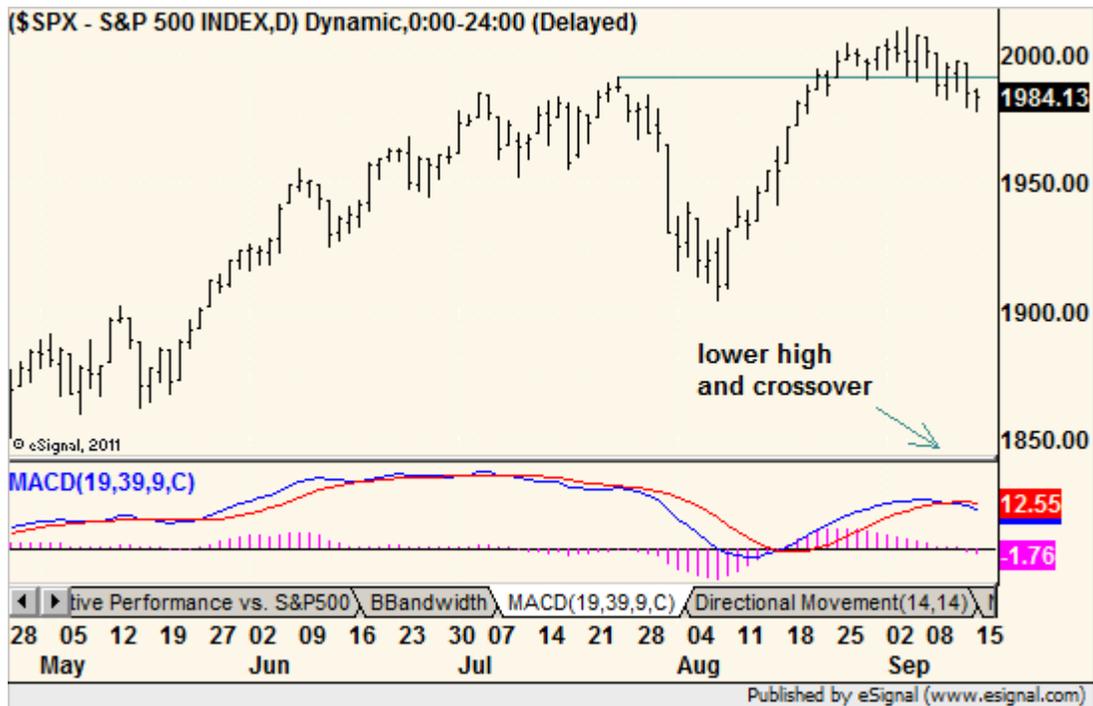
Treasuries paused yesterday after the long bond broke a rising trendline to the downside.

Gold is oversold and oil sports a possible bullish RSI divergence. Watch gasoline UGA, too.

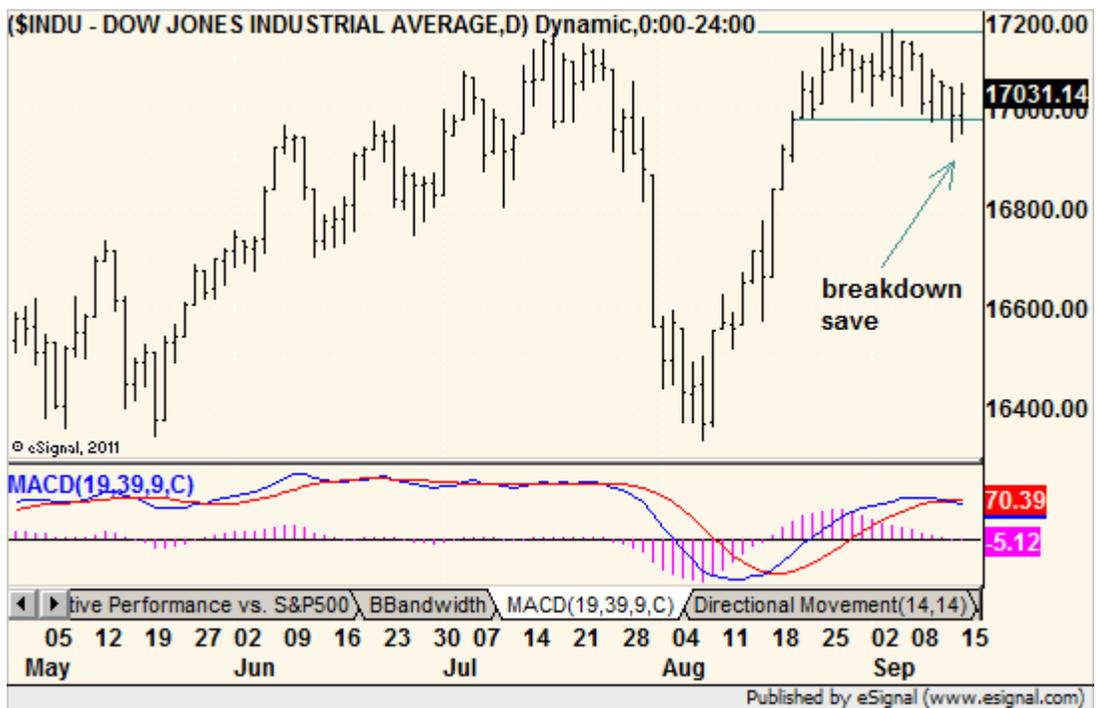
Overseas, China scored a rather big bearish reversal. Australia had been free-falling this month. Japan is strong on a weak yen. And Mexico remains strong.

We remain spectators for the most part this week. The Fed's language is not going to be sliced and diced. It is going to be pureed and we expect lots of false starts in the market.

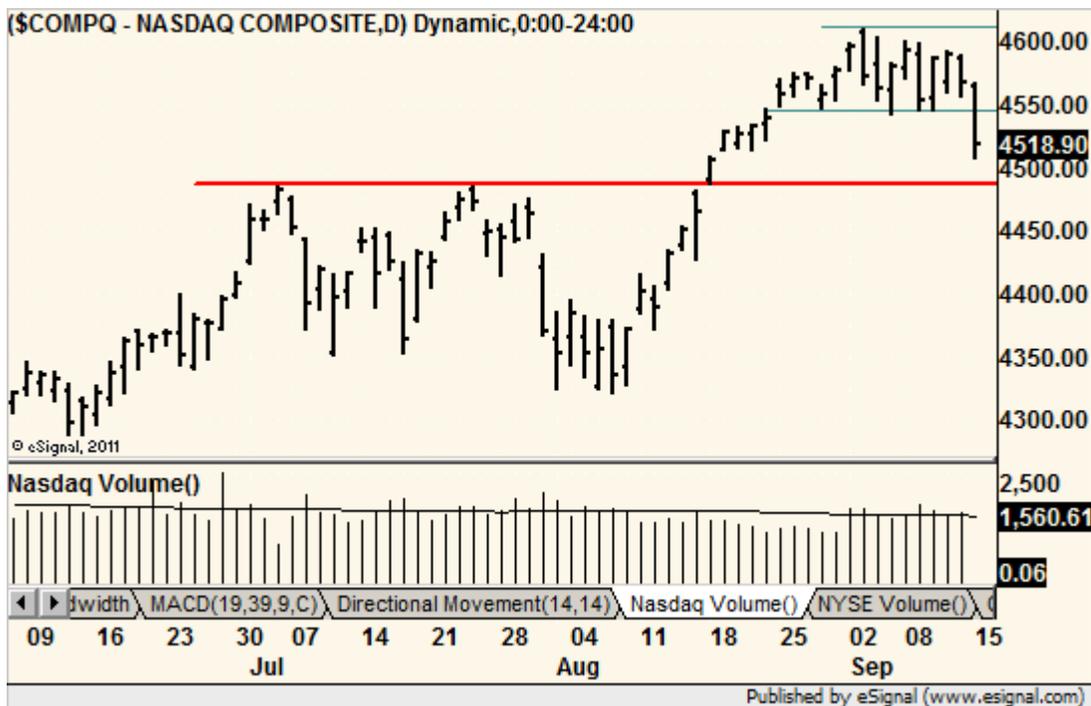
Index Charts of the Day



Another lower low and now two consecutive closes below support.



The Dow once again saved a breakdown. Should the market recover then this is likely the place to be.



The range is indeed broken but volume was not impressive and the major red line support is still intact. In a vacuum, the Nasdaq would be a buy at the red line.



The Russell is in a wide triangle. Note the same pattern in MACD, as we'd expect in a moving average-based system.

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.

>> nothing new here

| | | |
|---|----------------|------|
| Bullish Implications | | |
| none - | | |
| Bearish Implications | | |
| none - | | |
| Unknown Implications | | |
| none - | | |
| Holding Tank - red shade leans bearish, green shade leans bullish | | |
| Back burner stocks - DKS, DDD | | 8/21 |
| Home Depot HD - Letting it fall some more after credit card hack before thinking about getting in. | | 9/3 |
| Target TGT - We were looking for one more big decline (to 56-ish) to buy but it rallied away from us. Now at resistance but supporting a bullish moving average cross. Still want to buy a dip but this time as it is at resistance. | | 9/12 |
| Zillow Z - This real estate website has backed down from its merger gains and is now below the 50-day average. Could make a nice sell on a test of that break. <u>Falling without bouncing so we'll move on.</u> | Removed | 9/12 |
| Morgan Stanley MS - broker. This one is pausing after a breakout and waiting for another. | | 9/12 |
| Hartford Financial HIG - an insurance stock. This one is pausing after a breakout and waiting for another. | | 9/12 |
| Sector Watch (observations that may spark ideas) | | |
| Solar Power - Some nice rising trends TSL, SPWR, FSLR, CSIQ . <u>Big down day makes them less attractive right now.</u> | Changed | 8/20 |
| Technology XLK - Still leading but it lost its mojo. | | 8/25 |
| Financial ETF XLF - Big change in relative performance for the better. | | 8/25 |
| Discretionary ETF XLY - Now lagging XLP. | | 9/2 |
| Transports - Rails and air freight leading but all areas stronger than the market | | 9/5 |
| Healthcare - Including biotech & drugs, now turning higher relative to the market | | 9/11 |
| Utilities - a major downside trend break | | 9/11 |
| Updates | | |
| none - | | |

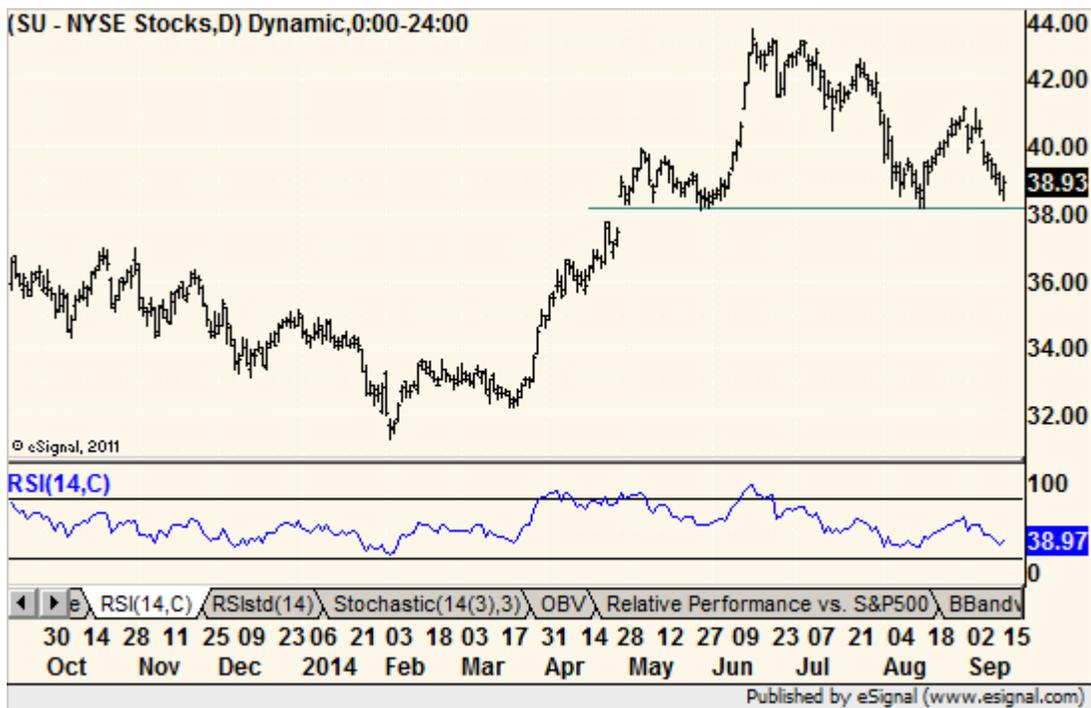
Market Highlights



Dollar Index - Bull flag although we still have to wait for the breakout. Recall in yesterday's Big Picture chart it was trading just below major long-term resistance.



Gasoline ETF - Just another look at a possible reversal. The trend is still down.



Suncor Energy - Another energy stock with a head-and-shoulders (we are short **APA** on the same pattern).



Tesla - Looks like a hard correction. No real breakdown at this time.



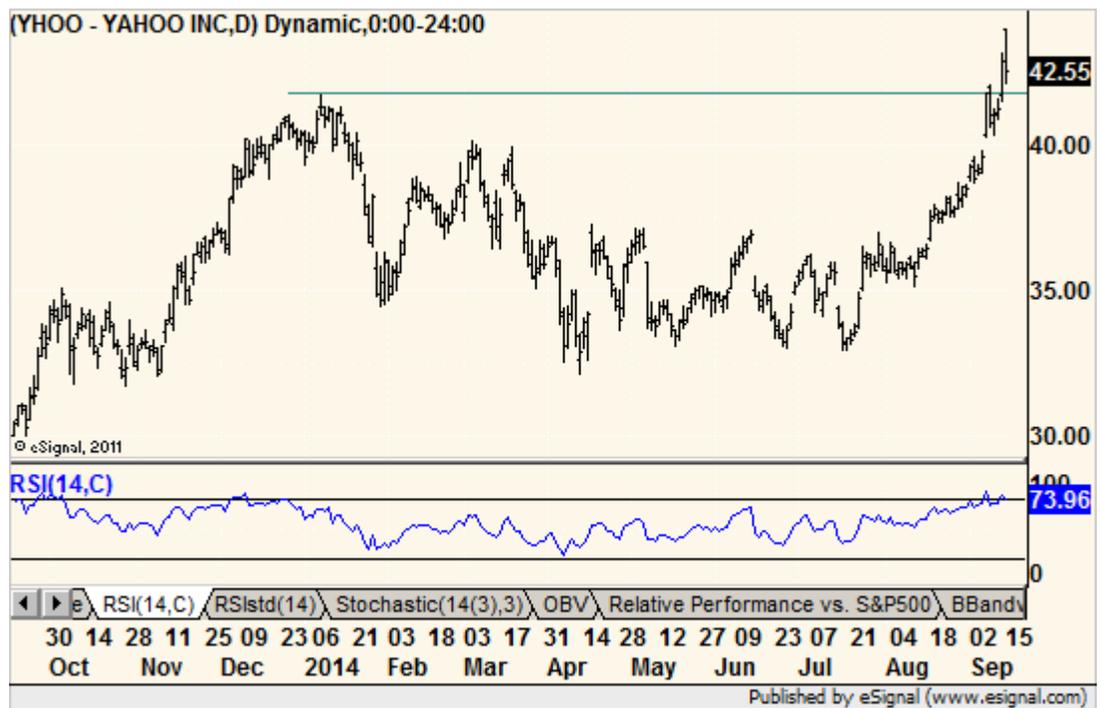
Amazon - No real breakdown here, either. The pattern is still sideways.



Facebook - Not even on its trendline yet.



Google - Could be a little trouble here.



Yahoo - Clearly overbought but that is not a sell signal by itself. Yesterday's bearish reversal might be.



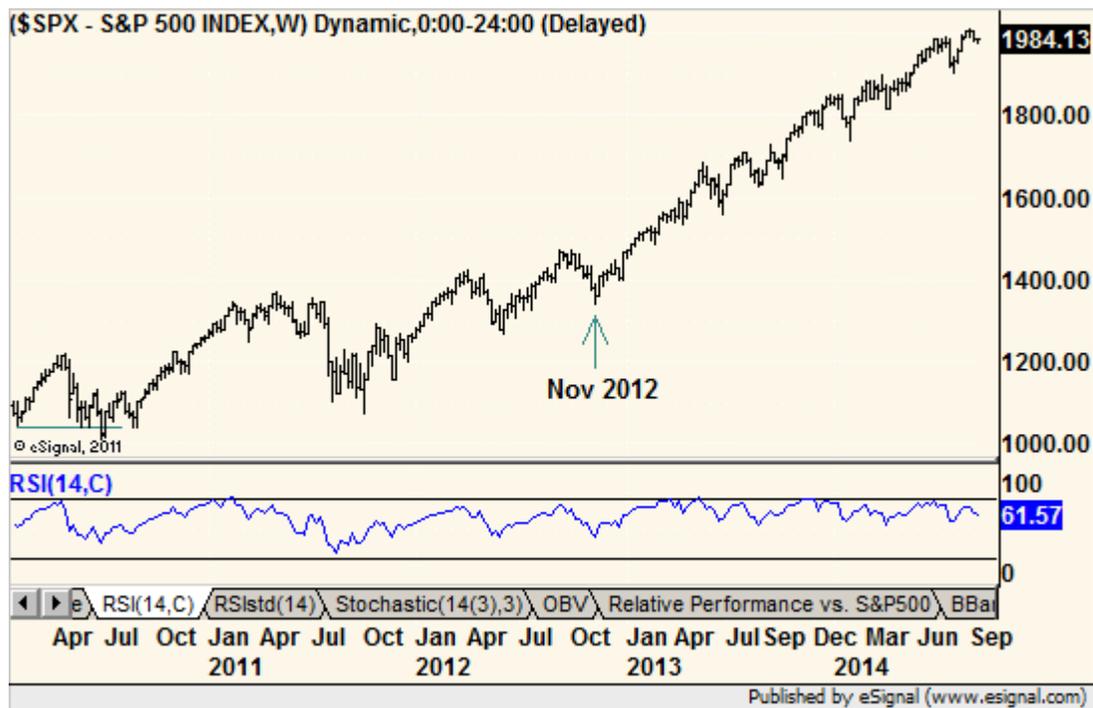
Priceline - We missed getting in this as a short as we were too conservative. Now, however, we see a hammer candle. If, repeat it, it closes above yesterday's high we might have a reversal signal.



Nasdaq biotech ETF - Rock and a hard place.

The Big Picture

In this section, we take a macro look at things.



This weekly chart speaks volumes. It is still officially a bull market although we can argue that RSI peaks are starting to fall a bit as momentum wanes.

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> |
|--------------|---------------|------------------------------|-------------|------------|-------------|-----------------|----------------|--------------|
| | SFLY | SHUTTERFLY INC | 48.60 | -3.7% | 48.25 | 50.47 | 8/20 | 26 |
| | GNC | GNC HLDGS INC | 39.05 | 4.1% | 38.00 | 37.50 | 8/25 | 21 |
| | MRVL | MARVELL TECHNOLOGY GROUP LTD | 13.73 | -1.3% | 13.40 | 13.91 | 8/25 | 21 |
| | CERN | CERNER CORP | 58.39 | 2.2% | 57.50 | 57.12 | 8/26 | 20 |
| | VZ | VERIZON COMMUNICATIONS INC | 48.56 | -1.2% | 48.00 | 49.15 | 8/26 | 20 |
| | K | KELLOGG CO | 63.73 | -2.0% | 63.50 | 65.00 | 8/27 | 19 |
| | TXMD | THERAPEUTICSMD INC | 5.90 | 1.9% | | 5.79 | 9/9 | 6 |
| | LRCX | LAM RESEARCH CORP | 72.13 | -0.9% | 70.00 | 72.75 | 9/11 | 4 |
| | | | | | | | | |
| <u>Short</u> | USB | US BANCORP DEL | 42.15 | 1.8% | | 42.90 | 7/11 | 66 |
| | LVS | LAS VEGAS SANDS CORP | 62.15 | 10.9% | 65.00 | 68.94 | 8/22 | 24 |
| | CNX | CONSOL ENERGY INC | 38.90 | 1.8% | 40.50 | 39.60 | 9/8 | 7 |
| | CAT | CATERPILLAR INC DEL | 104.86 | 0.7% | 110.00 | 105.61 | 9/10 | 5 |
| | APA | APACHE CORP | 97.12 | -1.4% | 99.00 | 95.80 | 9/15 | 0 |

Notes: Another regrettable trade yesterday in **APA** as it dipped below our trigger price and then reversed to the upside. We'll give it a little rope because the trend is still down but not too much.

Stopped out of **TXMD** as it erased Friday big gain and then some. We got out with a minor profit so it could have been worse. But this is the second monster breakout failure we've had in the past week and we are reading bad things into the market about this.

Covered short in **USB** after more than two months of missed opportunity. At one point we had a nice profit but kept the stop too loose. Again, a minor profit, which is better than being related to an NFL player.

We raised the stop a lot in **CERN** as it had a near-breakdown Monday.

Finally, we trailed the stop lower in the **LVS** short.

Other Information

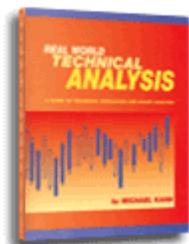
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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