

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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September 24, 2014 - We did a lot of checking yesterday to see if this really is the start of a sustained decline in the stock market or another of its famous "sucker in the bears and then rebound" moves. What we found was a lot more evidence than previous pullbacks that things are seriously turning south. But underneath it all, the rising trend from November 2012 remains very much intact for big stocks.

And therein lays a bigger problem. Small stocks are not so lucky with the Russell 2000's death cross and that sets up a split market condition. Indeed, we have confirmed that the ultimate split market indicator, the Hindenburg Omen, did indeed fire on Friday.

Next "however." One instance of a Hindenburg is meaningless. They have to come in clusters and even then there are no guarantees that the market will tank. Stumble a bit, perhaps, but "Hindenburg" and "crash" are not necessarily market mates.

One colleague keeps a set of two dozen or so indicators, from trend to valuation, and watches to see if the majority turn. So far, he remains in full bullish mode and did so in July and even in January as the market fell sharply. The track record there is rather good so **we are going to lean (not drink the kool-aid) on the bull side** here as well. If war in the Middle East, the known exit of the Fed from QE and other geopolitical problems are not knocking the market down then it must be stronger than it looks.

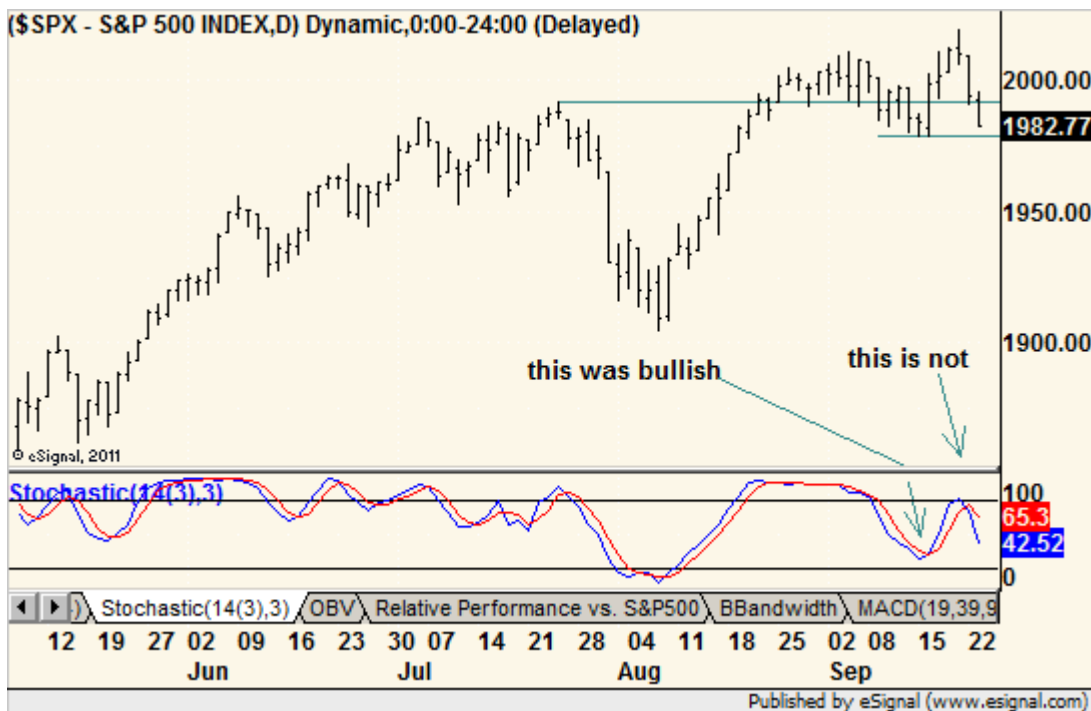
Is it an improving, albeit three years late, economy? Upcoming mid-term elections? Who knows? All we really know is that the S&P 500 is in a rising trend, small stocks are not, and other than a three-day flight to safety, bonds are broken. Did you see a chart of junk bonds? Nasty. The **VIX** also flashed a short-term buy signal in some trading systems.

Silver does not seem to be following through on its hammer candle and offers more proof that signals need to be confirmed.

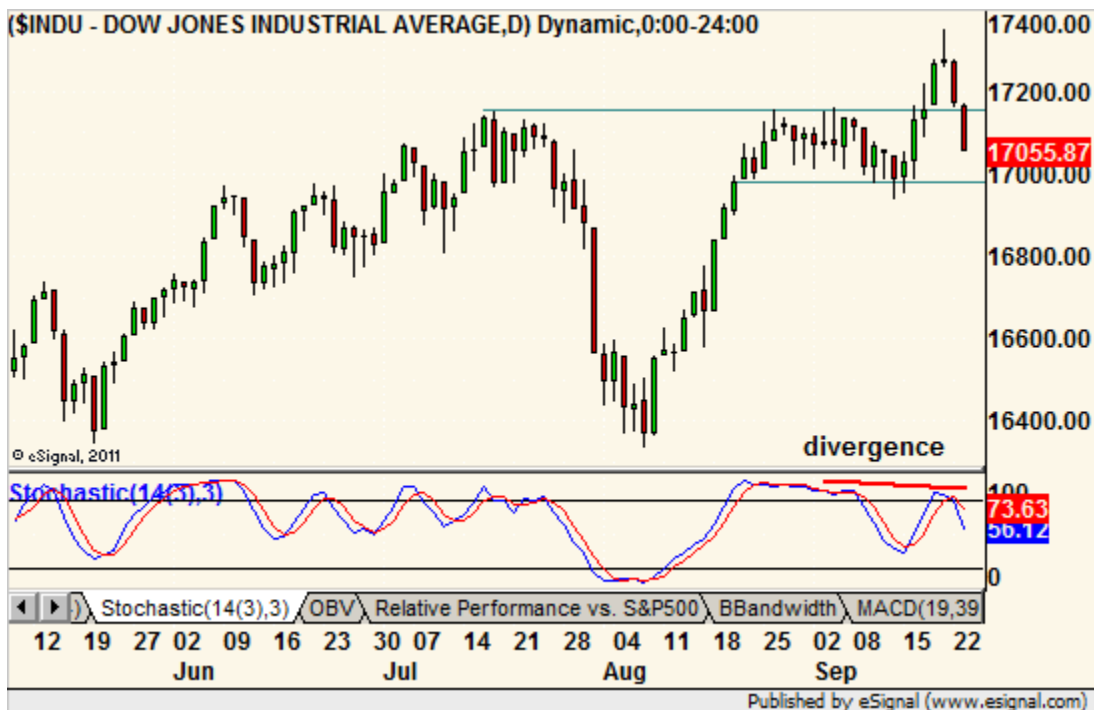


The hourly chart shows the **SPY** below support (bearish) but with a slight RSI divergence (bullish). Not shown is that the ETF hit its 50-day average at its worst levels yesterday.

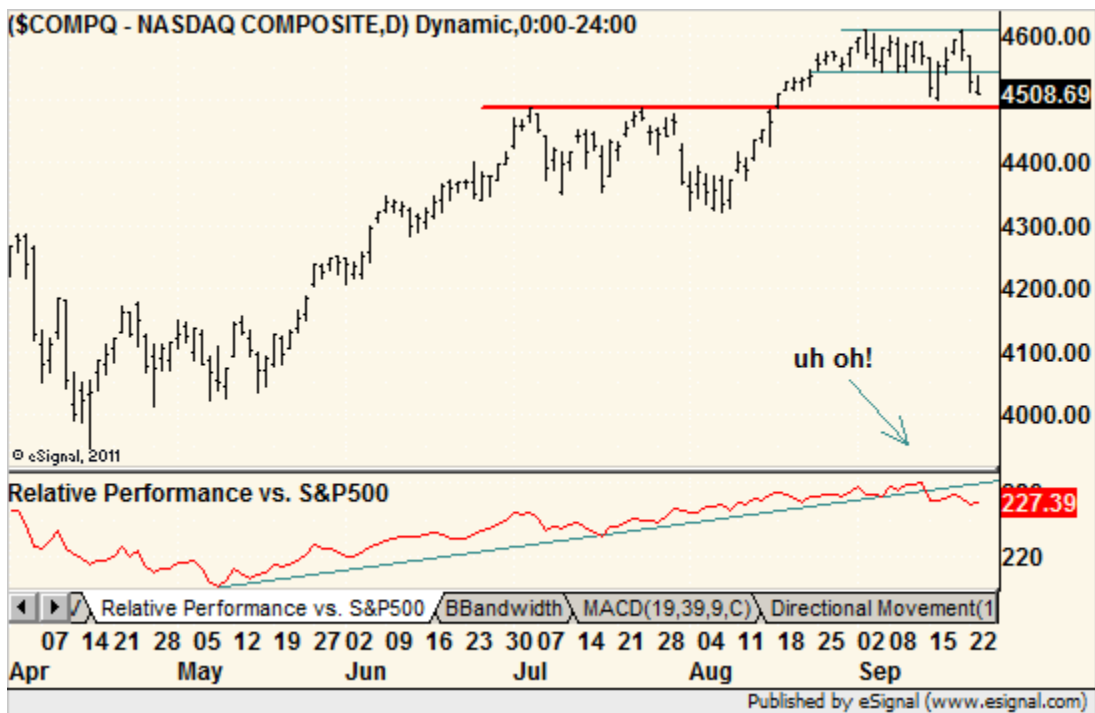
Index Charts of the Day



The upside cross in stochastics last week well above the oversold level suggested strength. The downside cross this week realistically below overbought suggests weakness. Together, they suggest volatility and sideways chop or possibly an easing down to the long-term trendline (not shown).



The Dow confirmed its evening star pattern. This is short-term bearish.



Is the Nasdaq losing its leadership position? It makes sense with all the small cap stocks in there but this still is not a good sign.



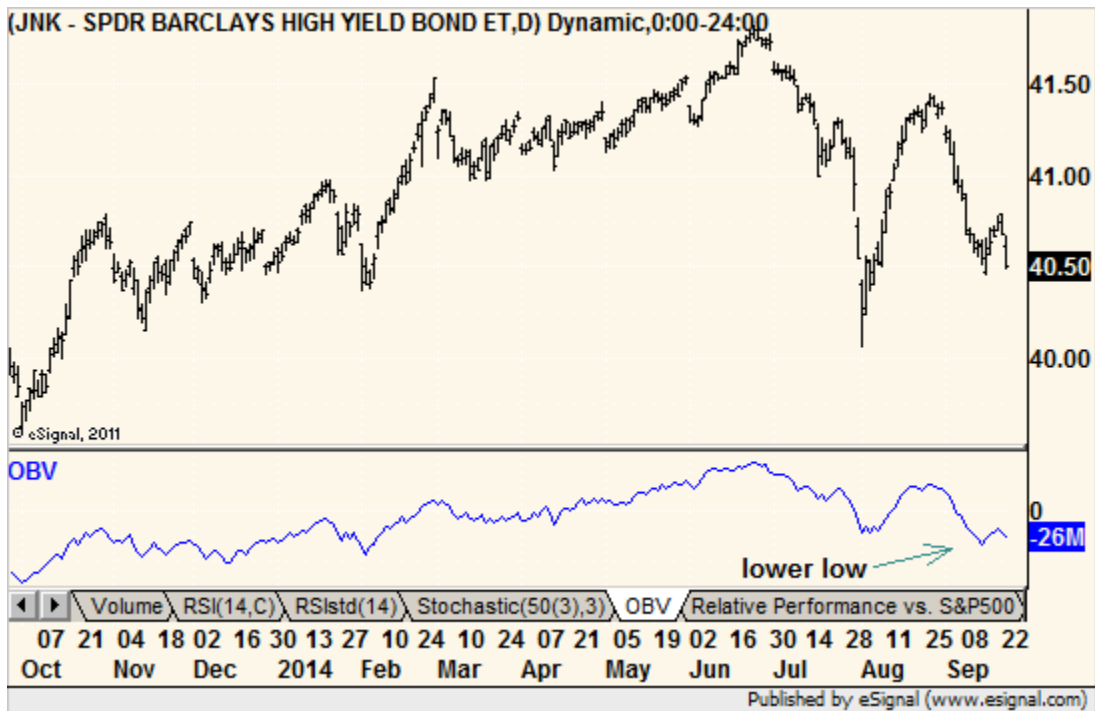
It is not a textbook design but that could be a diamond top pattern. At a minimum, it looks to be a transition from bull to bear and the long-term stochastics agrees. Why 50? Basically, it was "why not?"

The Radar Screen

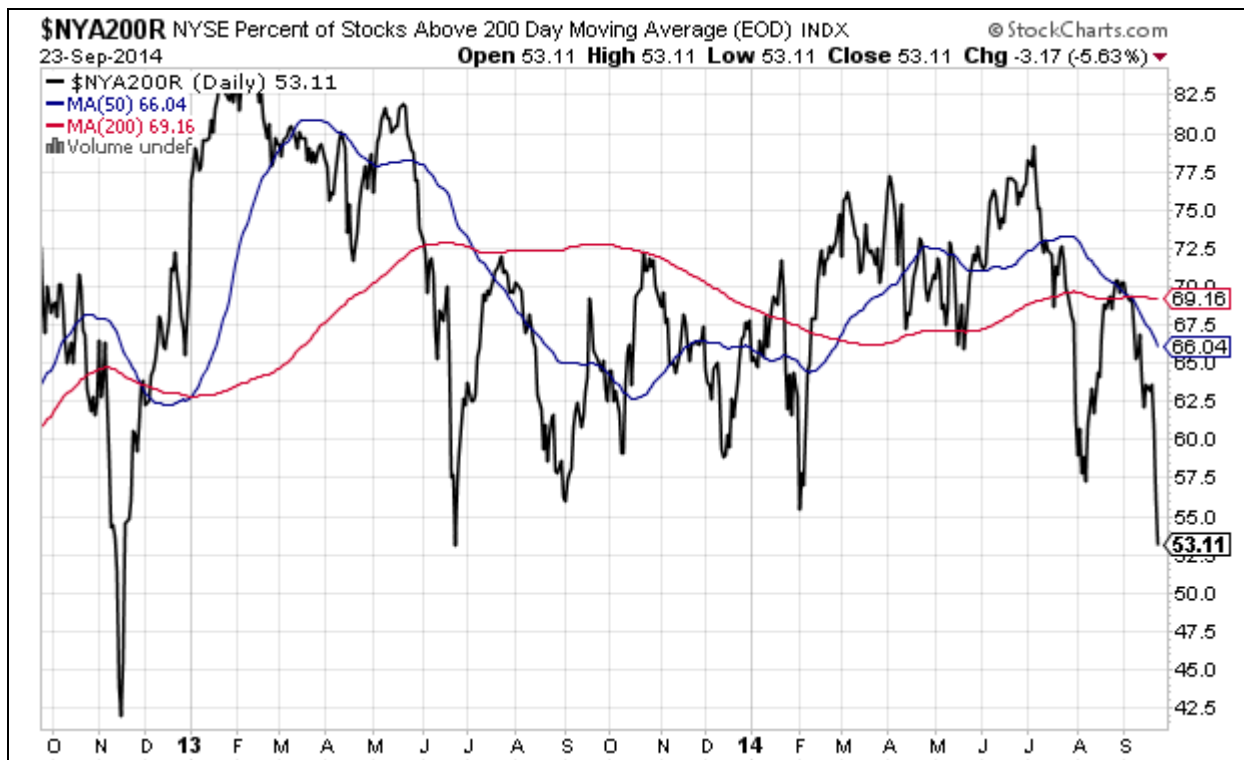
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
Norfolk Southern NSC - Would love to buy a dip after this breakout in this railroad stock. <u>Got it. Let's nibble.</u>	Moved	9/18
Bearish Implications		
none -		
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Suncor Energy SU - Another energy stock with a head-and-shoulders (we are short APA on the same pattern). Breakdown		9/16
Lululemon LULU - This sports clothing company has been hurting for a while but formed a base over the past few months. The tide has finally come in. After several big volume gaps lower, it finally gapped higher on big volume. Buy 45. Still like the setup but it is too far away for now. Will keep watching.		9/19
Home Depot HD - Watching to see if it is a double top or cup-with-handle		9/23
Sector Watch (observations that may spark ideas)		
Technology XLK - Still leading		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
Regional Banks ETF KRE - Breakout failure		9/18
Emerging Markets ETF EEM - Breakdown	Moved	9/17
Retail ETF XRT - Really weak		9/23
Updates		
Silver - No follow through on hammer candle at this time		
China - New closing high for the Shanghai Composite.		

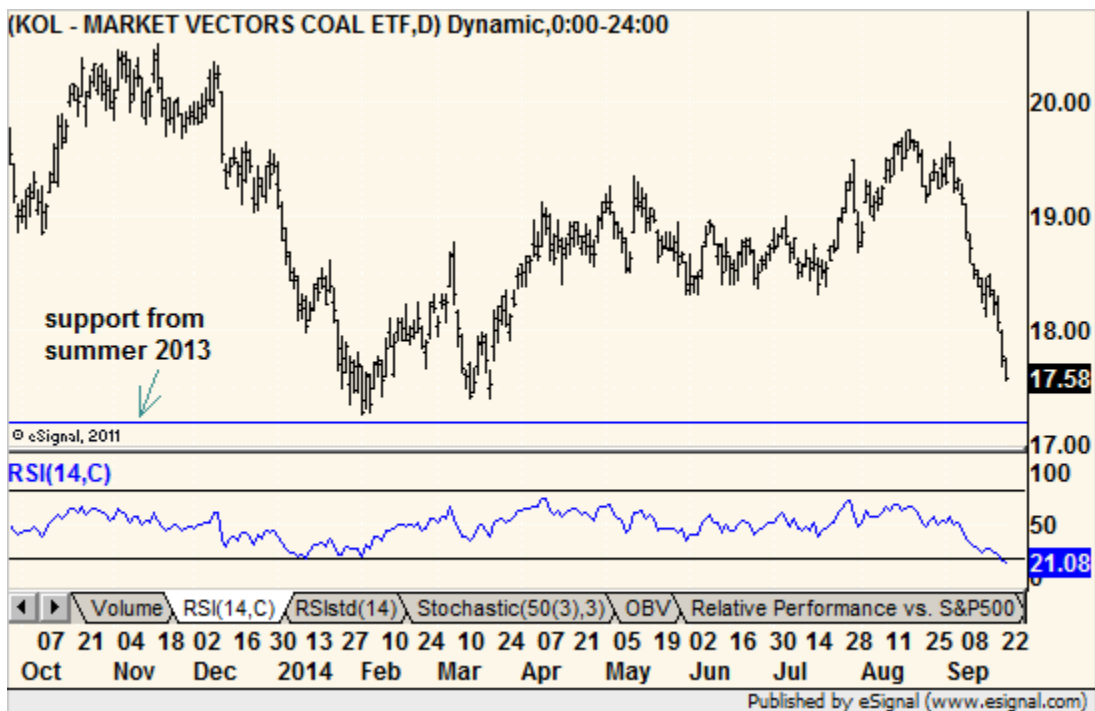
Market Highlights



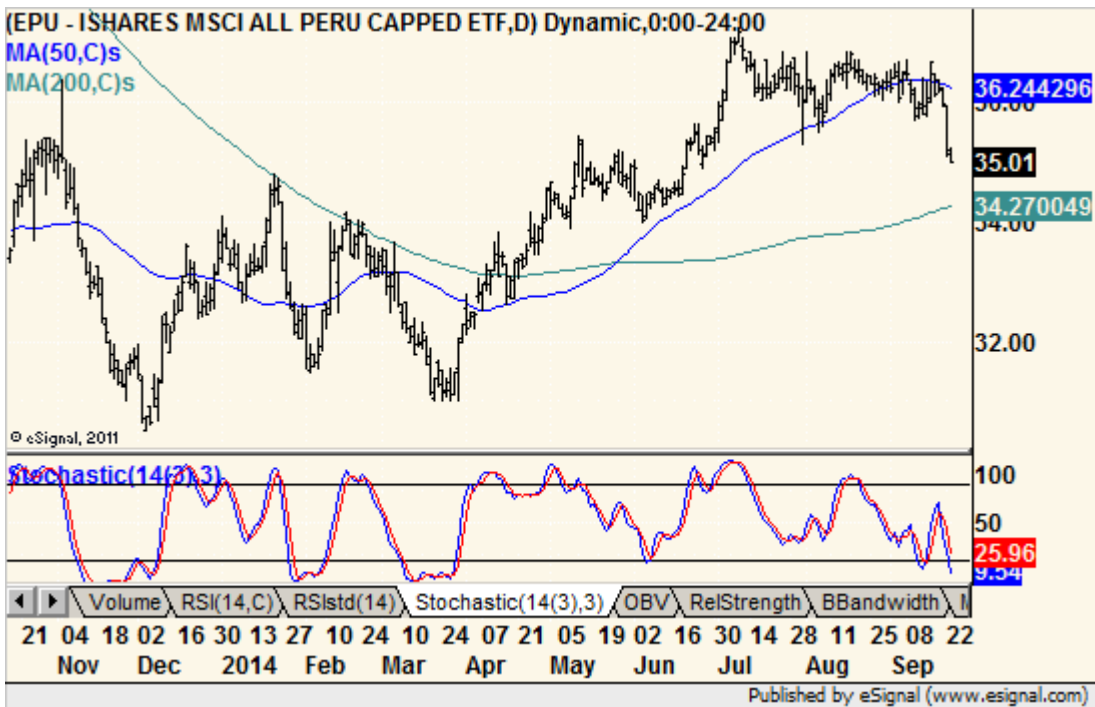
Junk Bond ETF - Looking nasty. Worse than stocks.



%NYSE stocks above 200-day average - Lowest in a year. Tells us breadth is very poor. The spike down at the left of the chart was the start of the rally in November 2012.



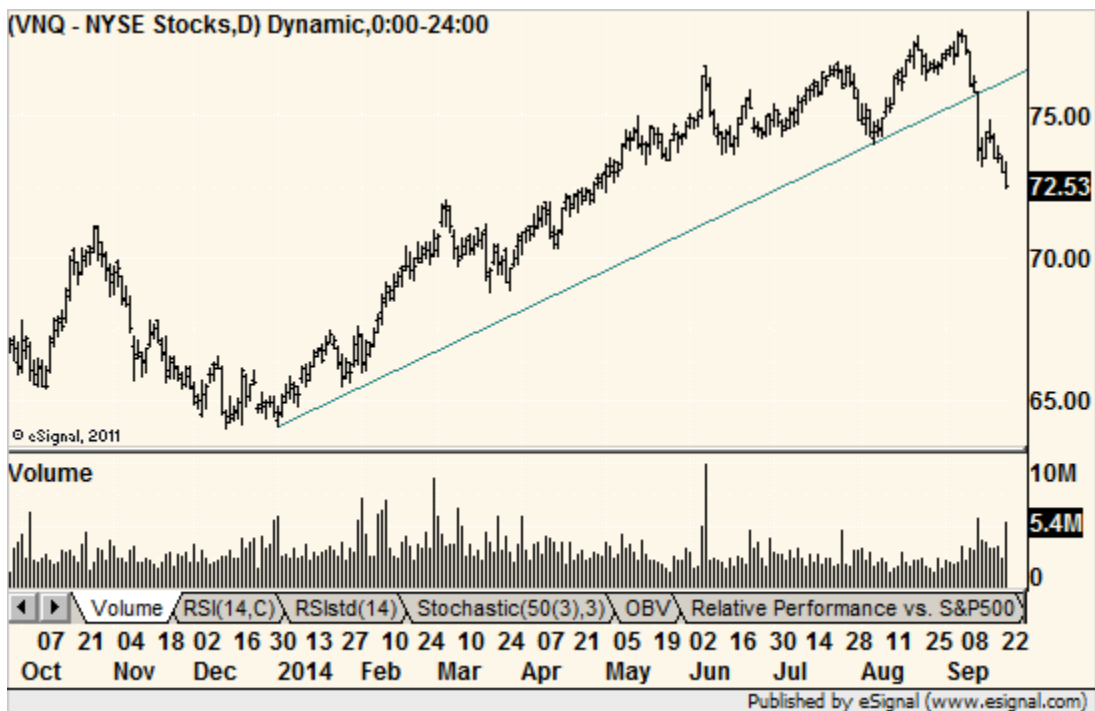
Coal ETF - KOL kollapsed. But it is eyeing support and is already oversold. That can become more oversold but a reversal bar now might interest traders on the long side. We remain short CNX.



Peru ETF - We are watching this country ETF for clues on silver. It is a big exporter so if we see some stability here then we'll have more evidence for the metal. However, it is not stable yet.



Nike - Reports earnings tomorrow. The stock reversed at resistance a few days ago and it still well above its trendline for plenty of bearish room. No action before earnings. Just getting ready.



Vanguard REIT ETF - Ugly.

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>	GNC	GNC HLDGS INC	40.00	6.7%	39.00	37.50	8/25	29
	MRVL	MARVELL TECHNOLOGY GROUP LTD	13.40	-3.7%		13.91	8/25	29
	CERN	CERNER CORP	58.48	2.4%	57.50	57.12	8/26	28
	VZ	VERIZON COMMUNICATIONS INC	49.91	1.5%	48.00	49.15	8/26	28
	LRCX	LAM RESEARCH CORP	74.40	2.3%	73.00	72.75	9/11	12
	RJF	RAYMOND JAMES FINANCIAL INC	54.41	-2.8%	54.00	56.00	9/18	5
	ALTR	ALTERA CORP	36.02	-3.5%	35.00	37.33	9/19	4
<u>Short</u>	LVS	LAS VEGAS SANDS CORP	61.00	13.0%	cover	68.94	8/22	32
	CNX	CONSOL ENERGY INC	37.16	6.6%	39.50	39.60	9/8	15
	CAT	CATERPILLAR INC DEL	99.99	5.6%	106.00	105.61	9/10	13
	APA	APACHE CORP	95.06	0.8%	99.00	95.80	9/15	8
	PFE	PFIZER INC	30.05	0.4%	31.00	30.18	9/22	1

Notes: Stopped out of **MRVL** as it closed at its low. Too bad because we bought the breakout, which immediately stalled.

We are going to cover the short in **LVS** as it has stalled and RSI is rising.

Still waiting for a bounce in **ALTR** to get out.

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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