

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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September 26, 2014 - Weak durable goods and Apple issues combined to ding the market for its biggest loss in months. The S&P 500 is now below its 50-day average but that alone is no reason to panic.

Considering the size of the drop Thursday, volume again was nothing special. We can credit the pseudo-holiday keeping some traders on the sidelines but the charts do not care why things happen; only that they did. In that light, it was a 90% down-day where 90% of the movement and 90% of the volume was to the downside. That is never a good thing.

There is no doubt that the tone of the market has changed. A Hindenburg, a death cross, a 90% down day, seasonals, breakout failure in the financials and probably a soaring US dollar are just the biggies in a parade of bearish technical happenings where there were none before. We can also probably kiss the "one more high" theory goodbye, too.

Yet the rising bull market trendline from November 2012 remains intact for the S&P 500. It is very hard to get bearish when this benchmark is still above its line, even when other indices are not. Go down the size spectrum and the smaller you get, the worse the chart.

It is likely we'll see a rebound today, especially when the NYSE composite and equal-weighted S&P 500 hit respective November 2012 trendlines. But this is likely going to be an opportunity to sell the bounce, at least for small sized stocks. The bounce in the Dow is going to be heavy weighted on Nike's jump.

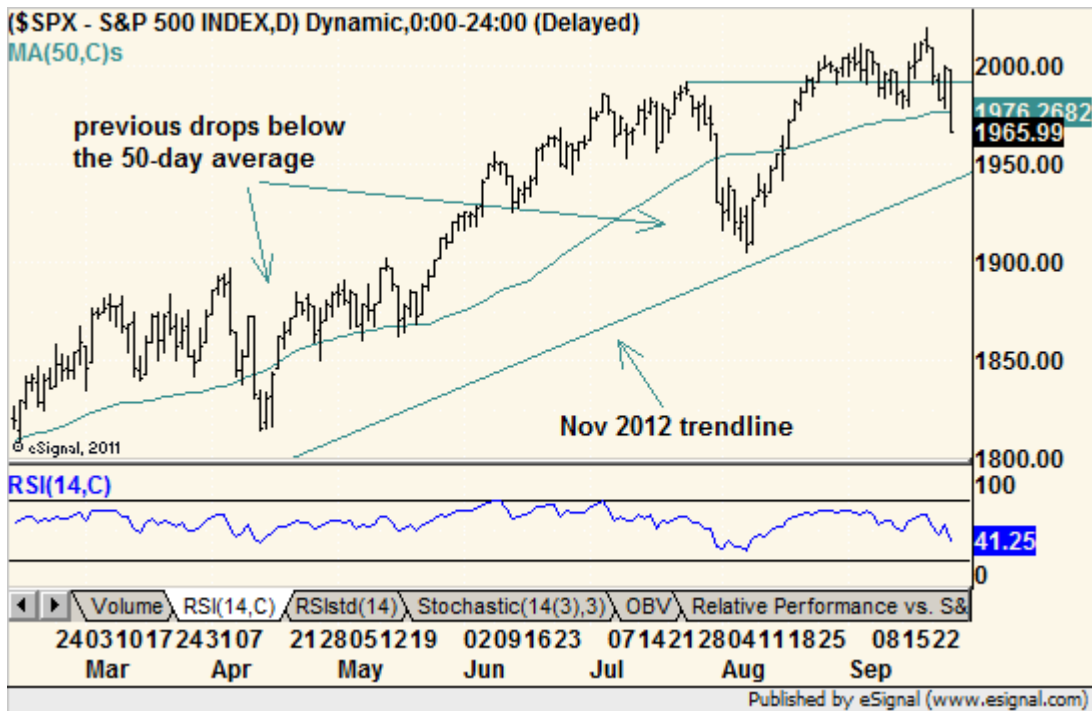
One last observation - Treasury bonds have now negated their breakdown in a flight to safety move but utilities, REITs and other high dividend payers are not going up with them. Junk bonds got crushed.



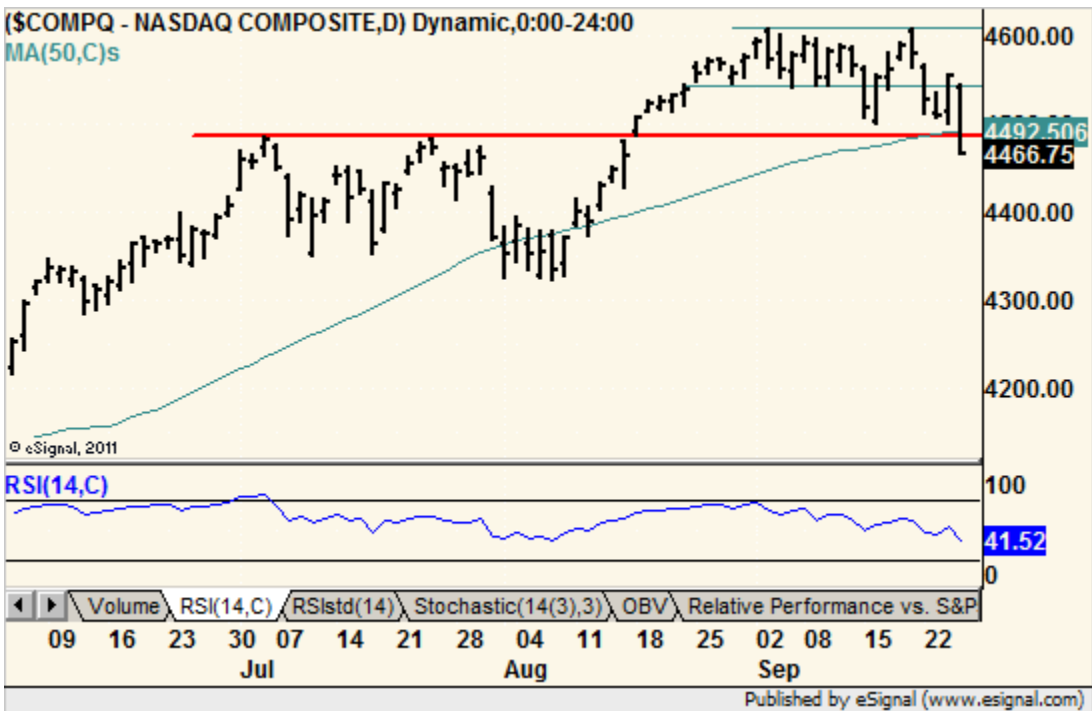
The hourly chart shows a failure to reach the top of the expanding triangle pattern and then a breakdown. This cannot be interpreted as anything but bearish. That data include overnight trading to relieve the oversold condition but things have indeed changed.

Again, the report is light for the holiday. We would not want to buy or sell today, anyway.

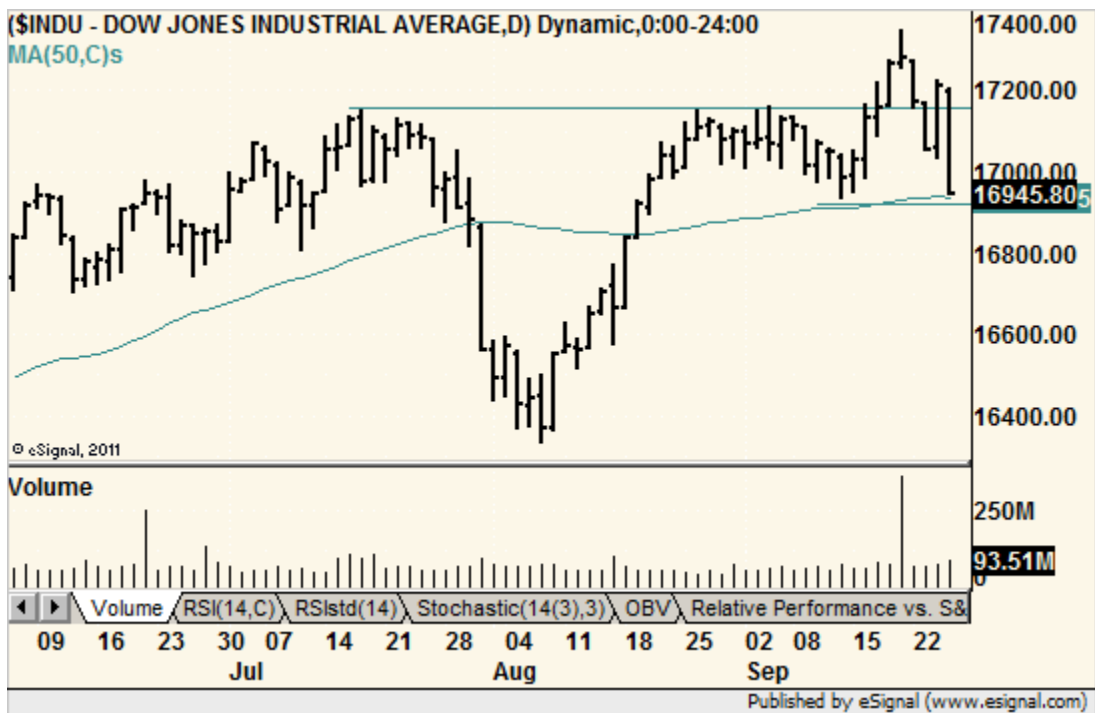
Index Charts of the Day



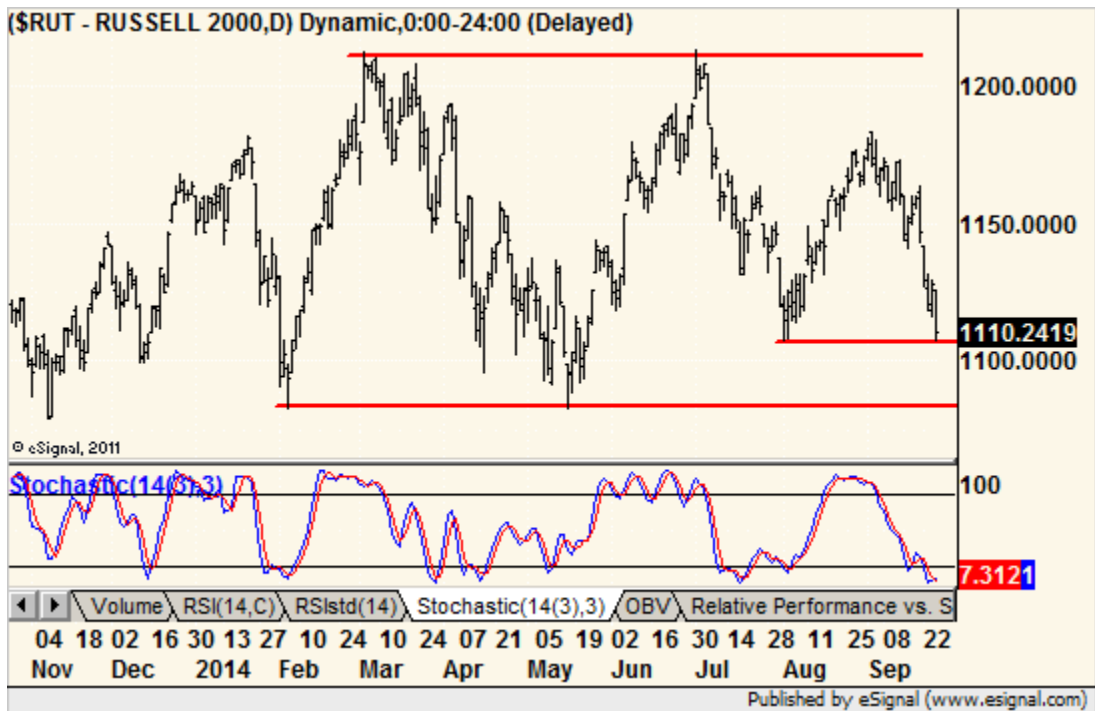
While the S&P 500 is below its 50-day average, we can see that it is no guarantee of a change in trend. However, given the weakness in other parts of the market a test of the trendline seems likely.



The Nasdaq broke its 50-day and its red line in the sand. That is not good. A bounce is in the offing for today so let's see if it is a serious one or just bottom fishing. The bulls must take charge now or the trend this year (from April) will have changed to down.



Breakdown, reversal and giant sell off. Through it all, support remains intact. The real word here is volatility rather than trend.



The lagging Russell is oversold at support.

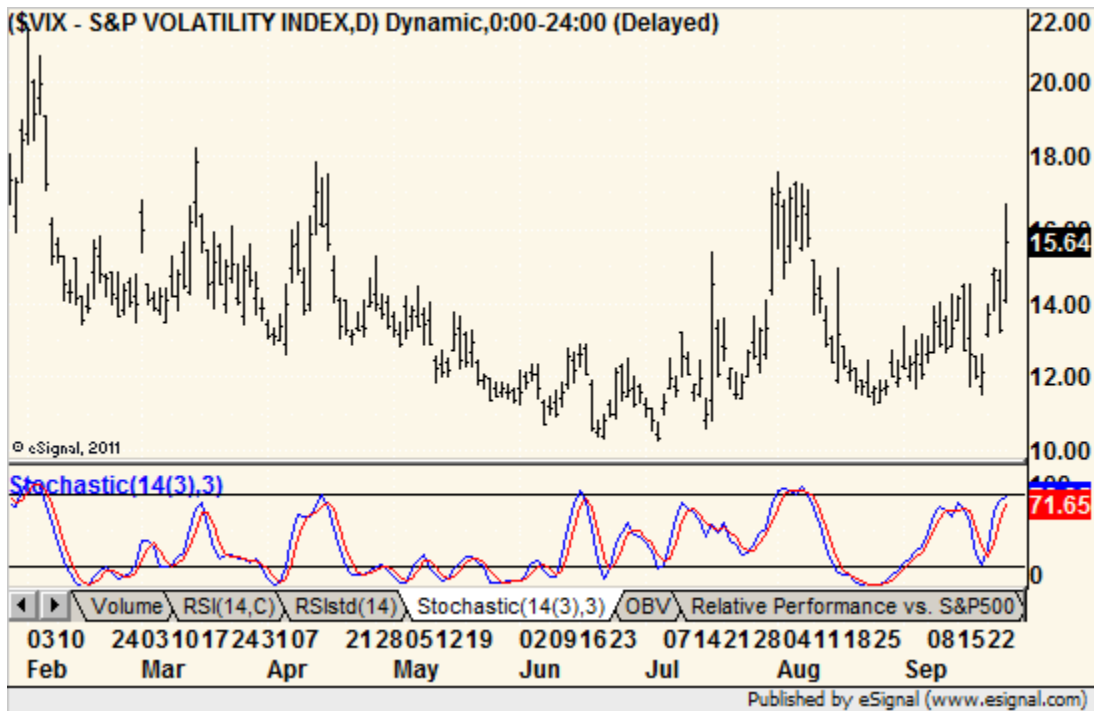
The Radar Screen

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.

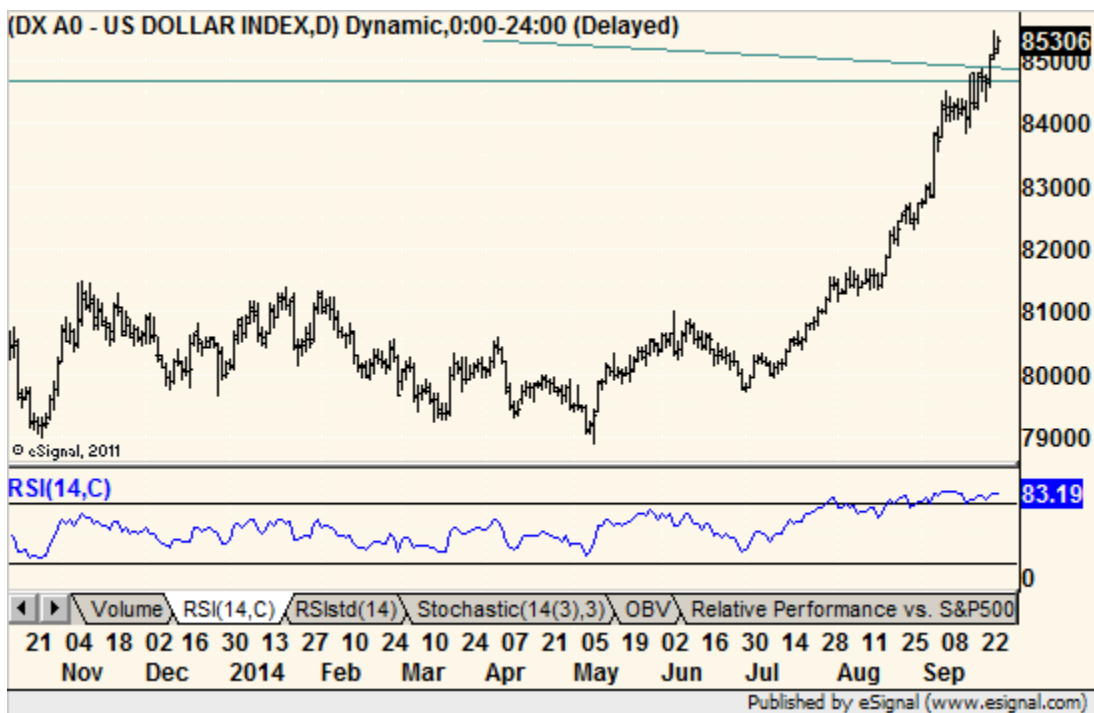
>>> Obviously, we've let the Radar Screen run down, which was a good thing going into the volatility that is now with us.

| | | |
|---|----------------|------|
| Bullish Implications | | |
| none - | | |
| Bearish Implications | | |
| none - | | |
| Unknown Implications | | |
| none - | | |
| Holding Tank - red shade leans bearish, green shade leans bullish | | |
| 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) | | |
| Starting over next week. Leadership in tech has faltered and in financials it was squashed soon after it got started. Healthcare is still leading , however. | Changed | |
| Updates | | |
| none - | | |

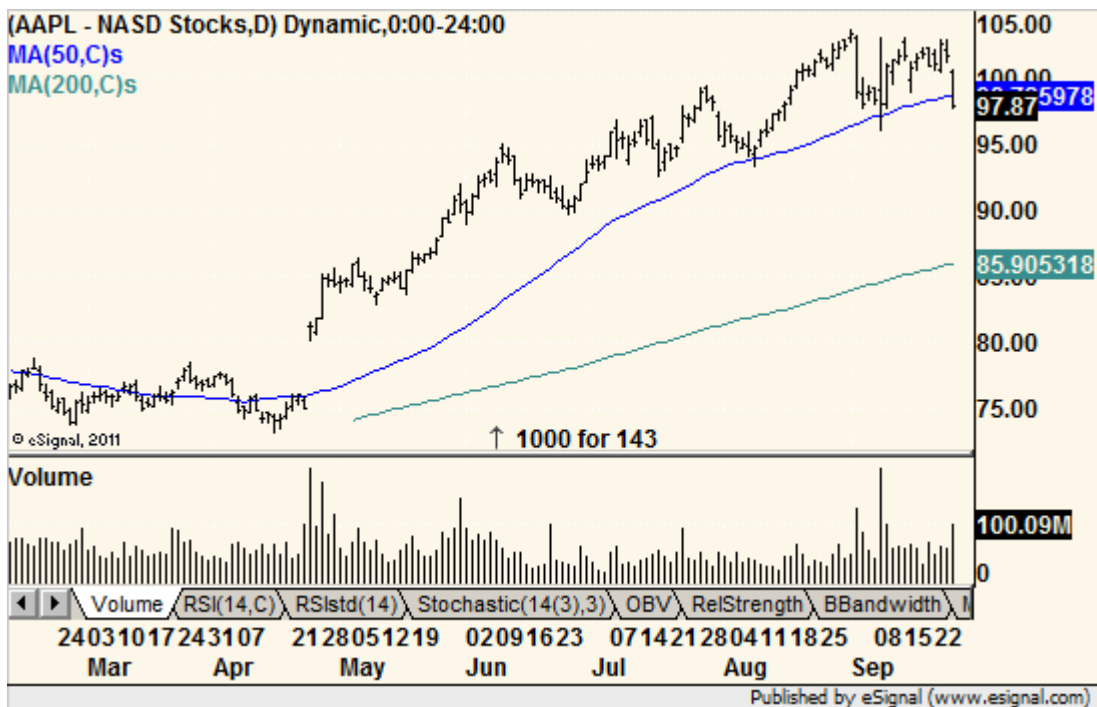
Market Highlights



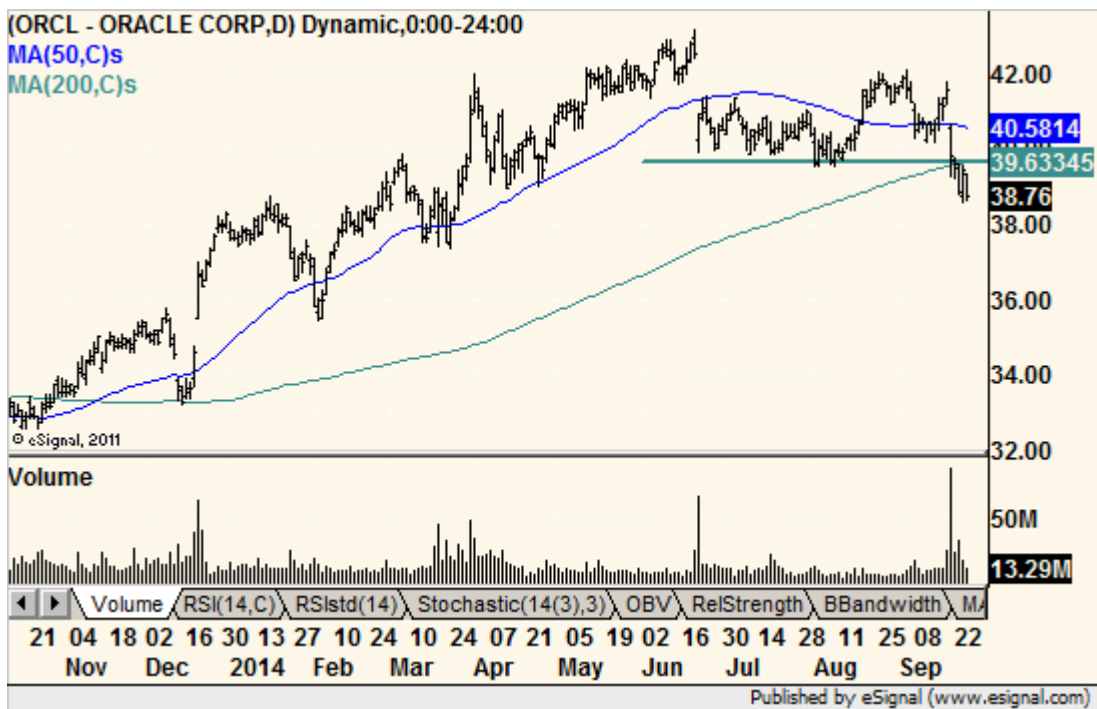
VIX - Volatility rising. Is it high enough for a bottom in the market? We don't think just yet.



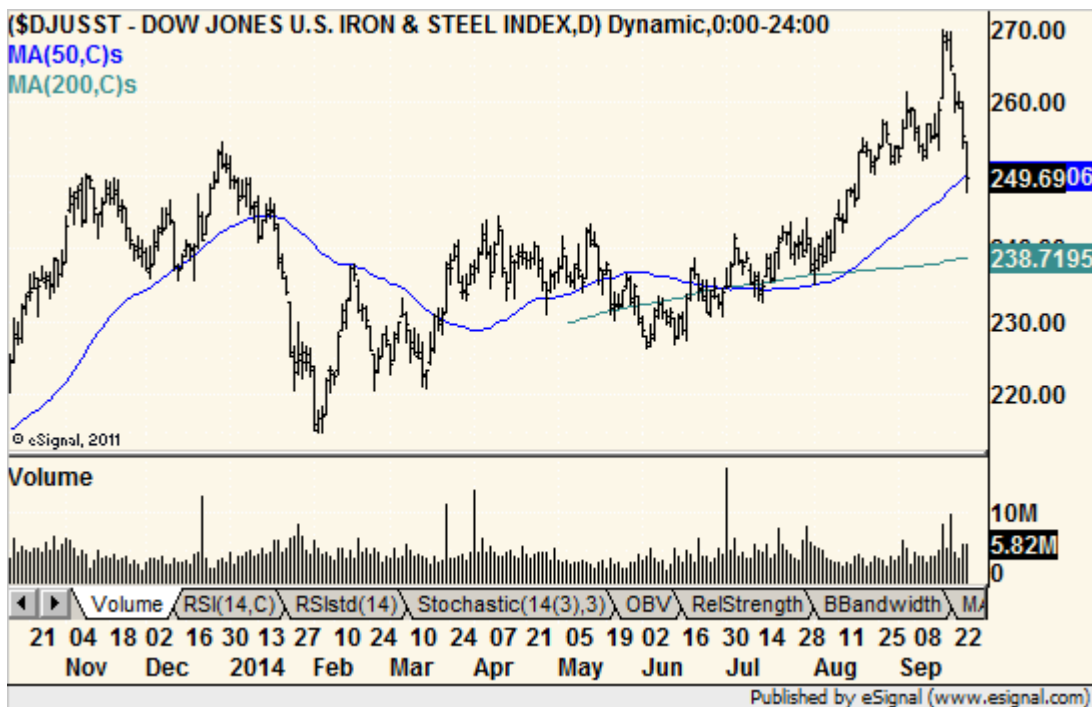
US dollar index - Long-term breakout, short-term overbought. If anything, it says gold is not going to bounce for a long time.



Apple - A big break on its iOS problems but the pattern is sideways for now.



Oracle - With its CEO and founder stepping down, this stock seems to have topped (actually, ahead of the news). That is a support and 200-day average break.



DJ Steel index - Remember how this sector was soaring? Not anymore. Not buying the dip.



%NYSE above 200-day average - It is low enough for a bottom in a rising trend so if the market cannot bounce now then it is likely in a lot more trouble.

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 | 39.16 | 4.4% | 39.00 | 37.50 | 8/25 | 31 |
| | CERN | CERNER CORP | 58.50 | 2.4% | 57.50 | 57.12 | 8/26 | 30 |
| | VZ | VERIZON COMMUNICATIONS INC | 49.61 | 0.9% | 48.00 | 49.15 | 8/26 | 30 |
| | LRCX | LAM RESEARCH CORP | 74.68 | 2.7% | 73.00 | 72.75 | 9/11 | 14 |
| | RJF | RAYMOND JAMES FINANCIAL INC | 54.28 | -3.1% | 54.00 | 56.00 | 9/18 | 7 |
| | ALTR | ALTERA CORP | 35.64 | -4.5% | 35.00 | 37.33 | 9/19 | 6 |
| | NSC | NORFOLK SOUTHERN CORP | 109.80 | -0.5% | 106.00 | 110.31 | 9/24 | 1 |
| | | | | | | | | |
| <u>Short</u> | CNX | CONSOL ENERGY INC | 36.95 | 7.2% | | 39.60 | 9/8 | 17 |
| | CAT | CATERPILLAR INC DEL | 101.00 | 4.6% | | 105.61 | 9/10 | 15 |
| | APA | APACHE CORP | 93.31 | 2.7% | 99.00 | 95.80 | 9/15 | 10 |
| | PFE | PFIZER INC | 29.98 | 0.7% | 31.00 | 30.18 | 9/22 | 3 |

Notes: Covered **CNX** and **CAT** at the open as both had nice moves and the market had just negated a breakdown. No regrets as the market had just negated a breakdown. True, it negated the negation but we'll take the profits.

No other changes. We'll look to trim some of the weaker longs after what we presume will be a little recovery bounce.

Subscriber Corner

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Other Information

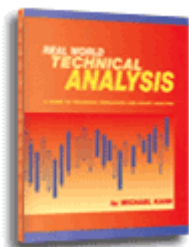
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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