

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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September 30, 2014 - Violence in Hong Kong sent domestic stocks lower at the open yesterday but it seemed overdone right away. Better-than-expected consumer spending data helped bring the market back up a bit but it was a flight to safety kind of day (soaring Treasuries, falling junk). Today is another story on good European news.

The dollar did not do much yesterday and we'll say it was because it was overbought. But overnight as protests continued in Hong Kong the dollar jumped up significantly. The long-term breakout is now very clear.

Gold took out its recent low overnight. Crude oil is up over the past week but we suspect the dollar is keeping a lid on its gains. The chart below shows oil still sports a long-term breakdown.

Yesterday, we talked about leadership and how tech stumbled a bit. In yesterday's Barron's Online column I elaborated on that saying that tech is the key for the market right now since financials faded and healthcare is not big enough to keep the market moving higher on its own.

There is one more sector that is starting to perk up relative to the market - basic materials. What? Basic materials? Isn't that the home of gold miners and recently plunging steel stocks? Well, yes but it is also the home of chemicals and the **XLB** ETF has a 75% weighting in them. Keep that in mind for longs if you think the market is still in good shape.

Our opinion is that the market is all volatility right now and may remain that way for weeks. We still think an October disruption is likely although now it is more gut feel than hard analysis. Seasonally, October is where the big moves occur and new buying opportunities develop. However, we've never experienced a geopolitical condition - and that includes the mid-term elections here at home - that are keeping everyone one edge. Emotion trumps charts.



The hourly chart has the remnants of past patterns but right now we don't see much to use. Michael's Rule #1 - If you cannot see trends and patterns almost instantly when you look at a chart then they are not there. [Click here](#) for that two-pager.

Index Charts of the Day



Here is the S&P 500 in daily format with yesterday's weekly markings. Not much of a change. Indeed, in candlestick format it was a doji candle of uncertainty. And, of course, the long-term trend remains intact.



The Nasdaq also is the same as it was a few days ago. The red line remains the key short-term level and the trendline the key long-term level.

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		
West Pharmaceutical Services WST - Now above the 200-day after a flag breakout. Looks good here. Right sector, too.	New	9/30
Repligen RGEN - A biotech looking ready to rejoin its peers in bull mode. On-balance volume continued to edge higher during the price slide. Looks good here.	New	9/30
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
Oracle ORCL - With its CEO and founder stepping down, this stock seems to have topped (actually, ahead of the news). A support and 200-day average break.		9/26
McDonalds MCD - We were premature on this one as it dipped to a lower low. But now it has a huge bullish reversal and it is back above its 50-day average. Look for a break above the neck of an inverted head-and-shoulders as a buy signal. Given the market, don't be early. Well, that was bad advice. Stock soared.		9/29
Netsuite N - The price action looks like a good setup but we cannot confirm with any indicators. Nice long pennant formation with a flat top.		9/29
Linear Technology LLTC - In the weak semi group. This one is set up for a fall.		9/29
American Express AXP - We stumbled onto this one. A moving average death cross and a defined slightly rising trading range suggest a pending breakdown. Wait for it.		9/29
PPG PPG - This chemicals stock reversed to the upside at its 200-day average. On-balance volume chopped higher even as prices fell over the past two months. A buy candidate in a decent market. IFF is similar.	New	9/30
Airgas ARG - Another chemicals stock. This one has a bull flag pause at long-term resistance. A breakout would be nice.	New	9/30
Sector Watch (observations that may spark ideas)		
Healthcare - still leading		9/29
Tech - still leading but faltering. Semiconductors falling relative to the market		9/29
Financials - although they had breakout failures, relative to the market they are still improving		9/29
Energy - Still lagging with no signs of change		9/29
Retail - improving relative to the market		9/29
Homebuilding - The chart looks weak but relative to the market it is improving. Mainly due to the fact they've been down for months as the market falls.		9/29
Chemicals - A lot of good setups as the sector is beating the market now. Fertilizer stocks are <u>not</u> part of the strength.	New	9/30
Updates		
none -		

Market Highlights



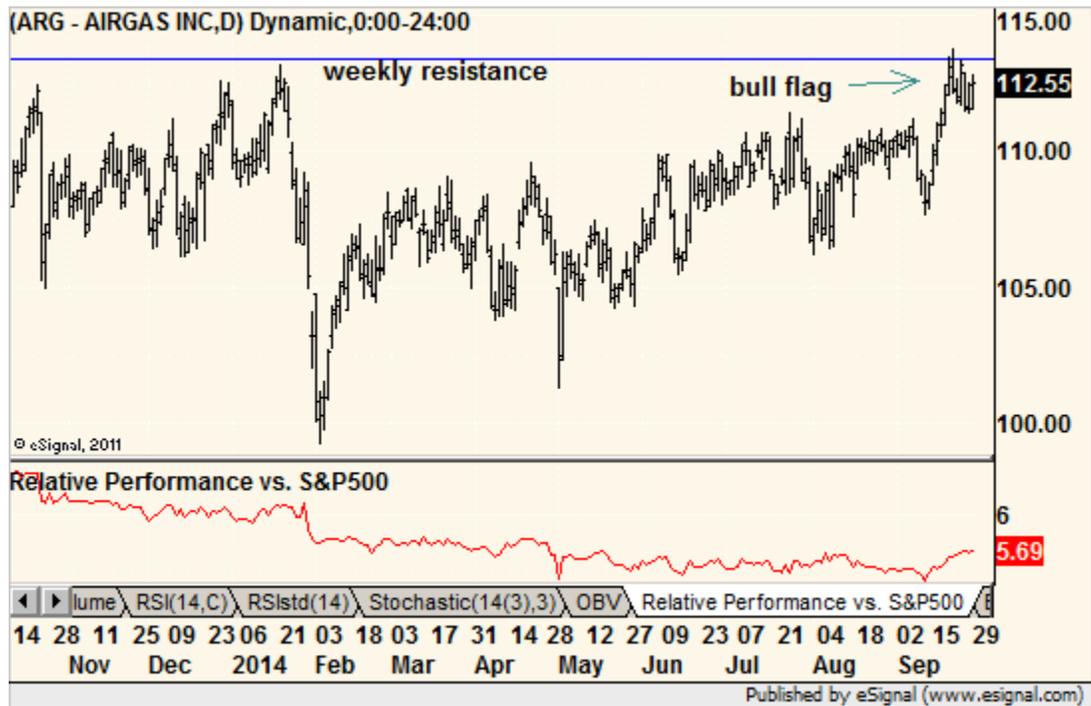
Long T-bond ETF - Clearly back in the rising channel. The false breakdown suggests a run at the old high.



Crude Oil - The trendline is the bottom of a long-term triangle that was broken to the downside. However, a short-term RSI divergence suggests some strength. We'll avoid.



PPG - This chemicals stock reversed to the upside at its 200-day average. On-balance volume chopped higher even as prices fell over the past two months. A buy candidate in a decent market. **IFF** is similar.



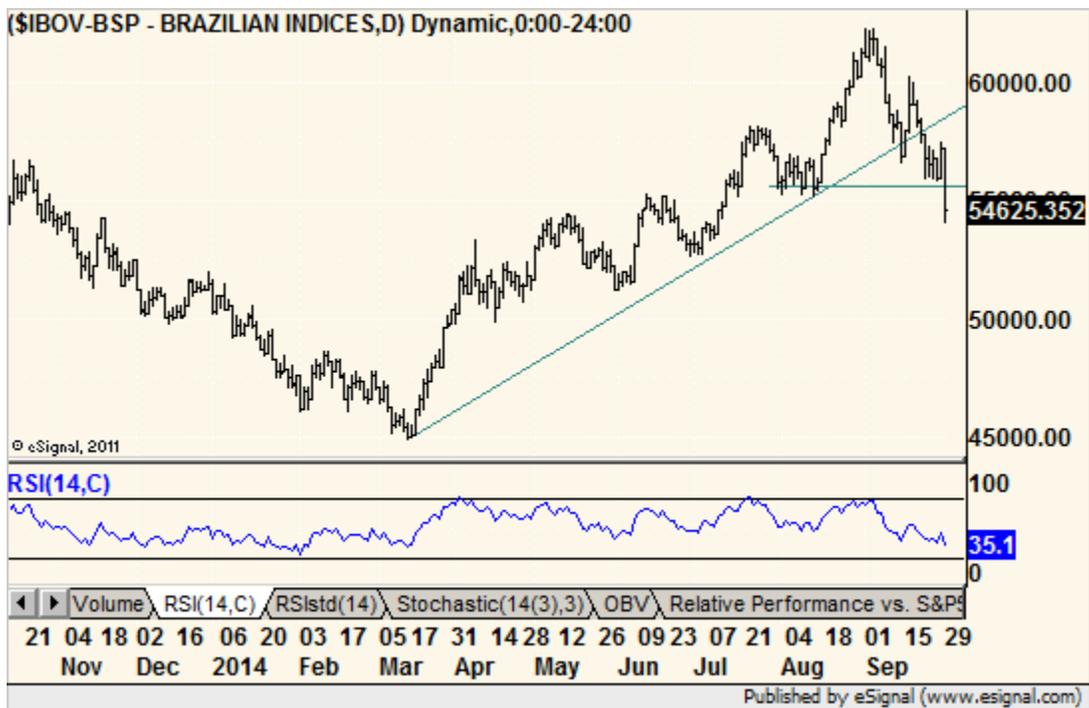
Airgas - Another chemicals stock. This one has a bull flag pause at long-term resistance. A breakout would be nice.



West Pharmaceutical Services - Now above the 200-day after a flag breakout. Looks good here. Right sector, too.



Repligen - A biotech looking ready to rejoin its peers in bull mode. Note on-balance volume continued to edge higher during the price slide. Looks good here.



Brazil Bovespa - So much for the Latin American recovery. The **EWZ** ETF is similar.



Mexico IPC index - This superstar has also cracked.

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	39.00	4.0%		37.50	8/25	35
	CERN	CERNER CORP	59.69	4.5%	57.50	57.12	8/26	34
	VZ	VERIZON COMMUNICATIONS INC	49.75	1.2%	48.00	49.15	8/26	34
	LRCX	LAM RESEARCH CORP	75.23	3.4%	73.00	72.75	9/11	18
	RJF	RAYMOND JAMES FINANCIAL INC	54.20	-3.2%	54.00	56.00	9/18	11
	ALTR	ALTERA CORP	35.93	-3.8%	35.00	37.33	9/19	10
	NSC	NORFOLK SOUTHERN CORP	111.42	1.0%	106.00	110.31	9/24	5
<u>Short</u>	APA	APACHE CORP	94.68	1.2%	99.00	95.80	9/15	14
	PFE	PFIZER INC	29.77	1.4%	31.00	30.18	9/22	7

Notes: Stopped out of **GNC** as its breakout failed.

Closed out long in **ALTR** as semis looked weak - sans **INTC**, of course.

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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