

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

October 1, 2014 - The news was mixed Tuesday and so was the market, albeit mostly in the red. And while the Dow lost a puny 26 points or 0.17%, the small cap Russell 2000 lost 1.45%. That was huge and it took out the July low. In other words, the August rally was completely wiped out.

The average stock, if there is such a thing, is also not doing well. Check out the pair of NYSE composite charts in the Index Charts of the Day section and see a failed bullish pattern and possible long-term trendline breakdown. October is not getting much on which to build, that is for sure.

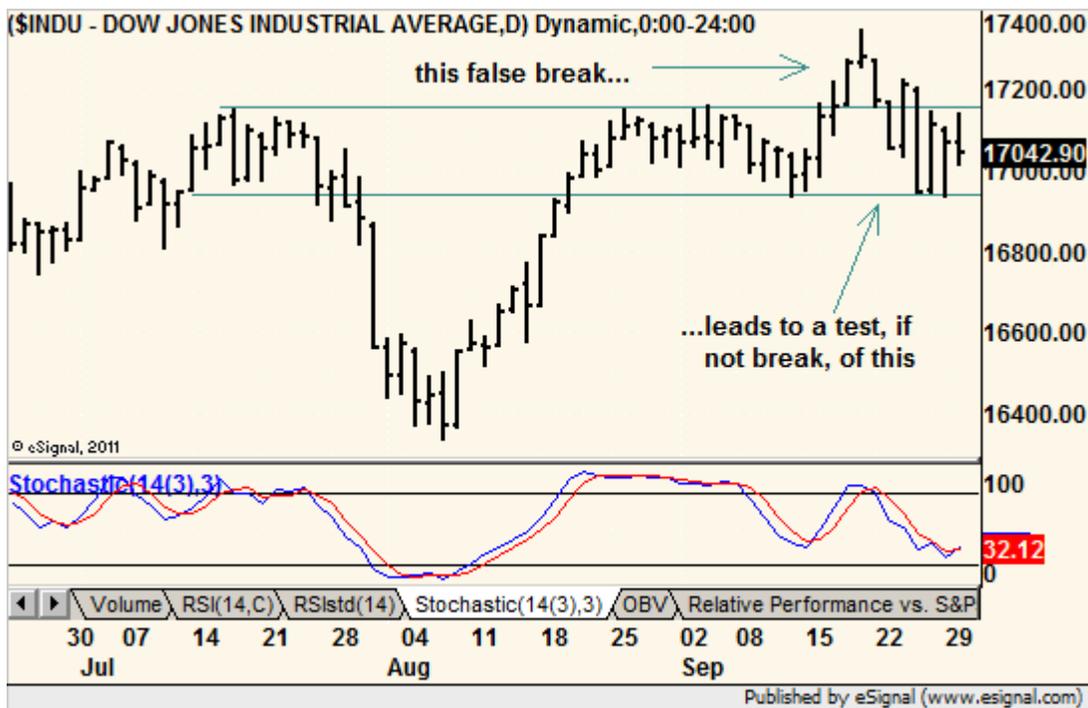
Crude oil had a really bad day to cap off a really bad quarter and its long-term breakdown is still in play. We cannot say exactly the same for gold as it has already had a bear market. It has been in a sideways pattern for more than a year but still shows no signs of rallying yet.

Why? The dollar continues to move higher. We were never believers in pending deflation but we have to admit the performance of the dollar and most commodities makes it look possible. Where is the money printing inflation that was supposed to happen? Perhaps it will appear but for now the charts say differently.

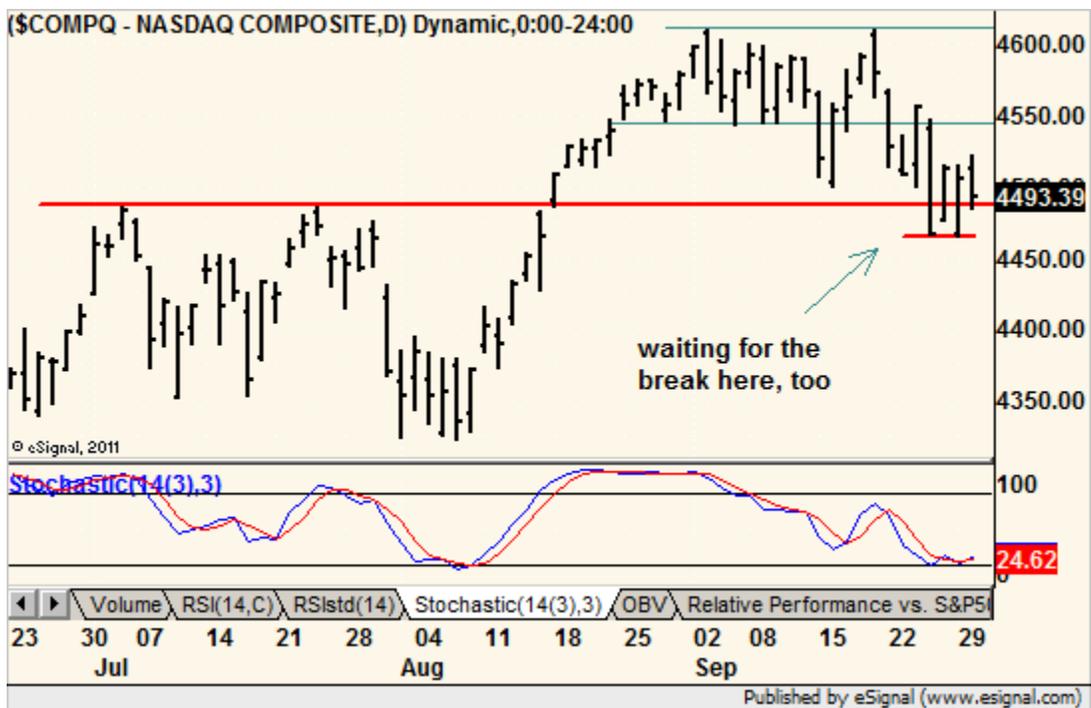


The bullish RSI divergence in the hourly chart is gone and now the **SPY** is back below the bottom of the old expanding triangle pattern again. Its inability to sustain a rally from this support level is bearish and we suspect a new low would open the October floodgates of selling (and volatility).

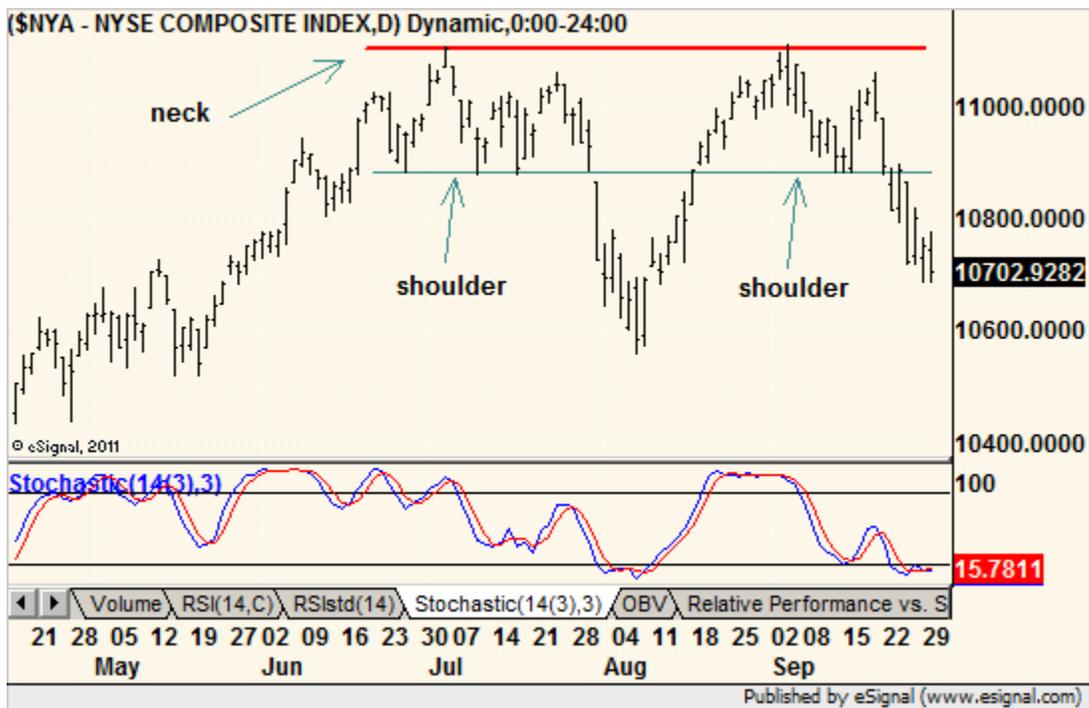
Index Charts of the Day



The Dow shows a false break of the top of a pattern and the usual run back to the bottom of the pattern. A break through the bottom is common but we have to wait for it.



Also waiting on a break in the Nasdaq. The key word is waiting.



The NYSE composite is a bit more sinister. An inverse head-and-shoulders failed to break to the upside and that means it is weak. See next chart...



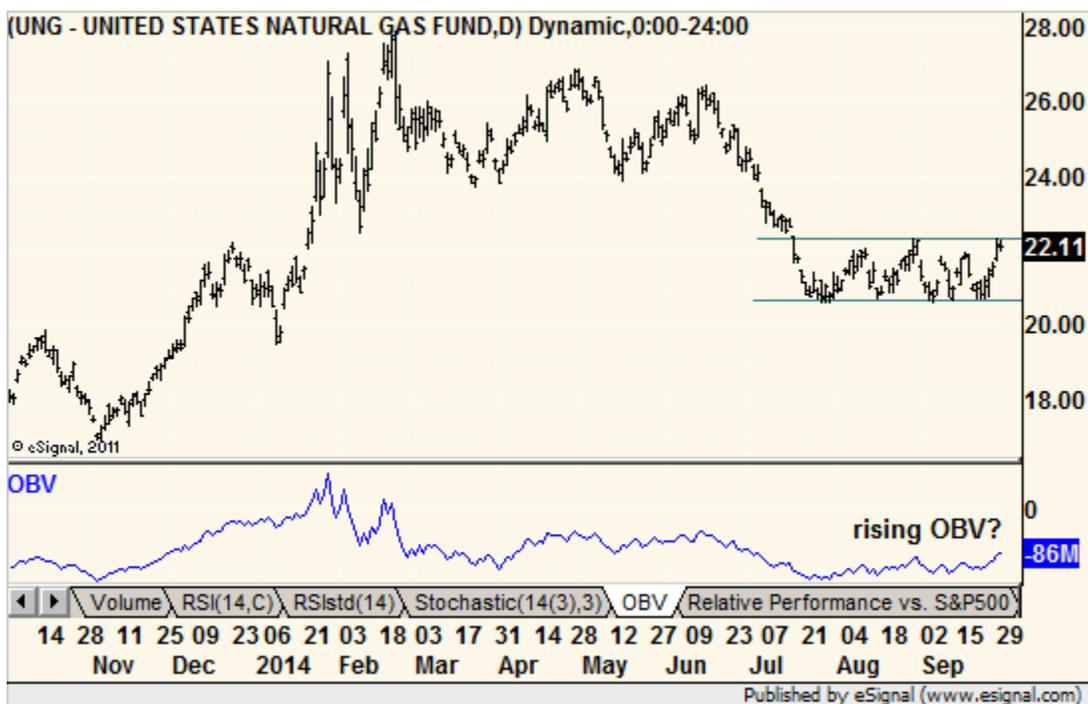
This is a longer view of the NYSE composite with the markings from the previous chart left on for context. The trendline is from November 2010 and it has an early breakdown. Any further weakness from here would be the real deal breakdown. The average stock is now in trouble even though the big stock indices are still holding.

The Radar Screen

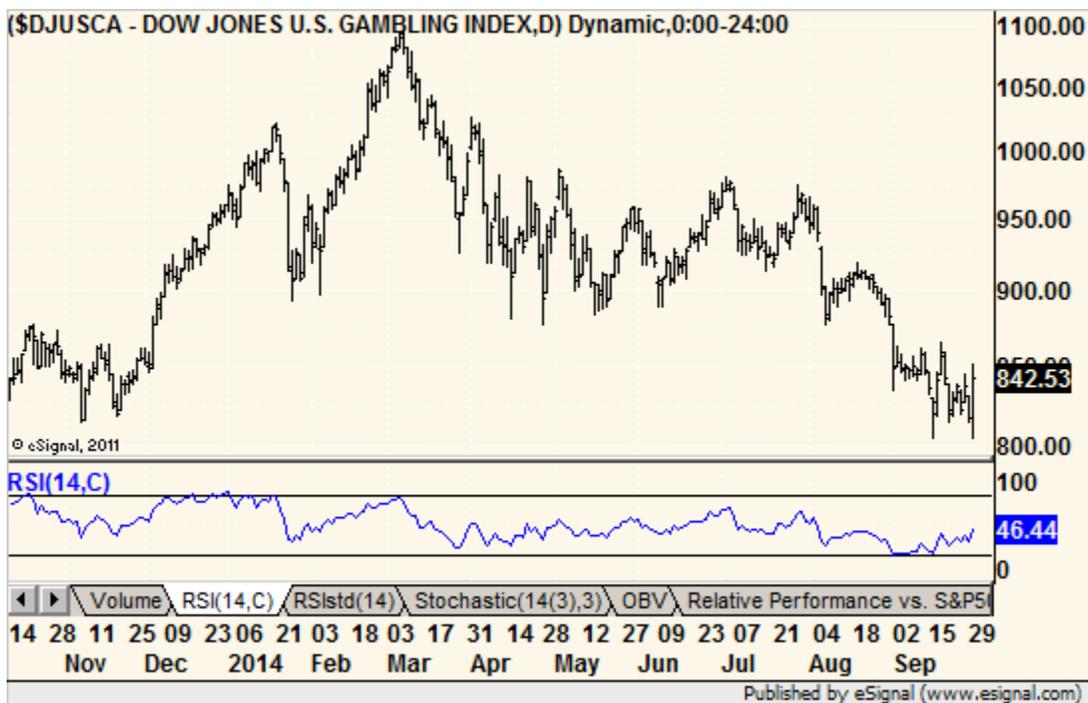
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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.	Triggered	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.	Triggered	9/30
Bearish Implications		
Linear Technology LLTC - In the weak semi group. This one is set up for a fall. Sell 43.75	Moved	9/29
American Express AXP - A moving average death cross and a defined slightly rising trading range suggest a pending breakdown. Sell 86.75.	Moved	9/29
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Lululemon LULU - Although it finally had a high-volume gap higher it is has been all downhill since. Moving on, no harm done.	Removed	9/19
Home Depot HD - Watching to see if it is a double top or cup-with-handle. <u>If it breaks down now it will be neither.</u>		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
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
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.		9/30
Airgas ARG - Another chemicals stock. This one has a bull flag pause at long-term resistance. A breakout would be nice.		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 - Weak chart and once again weak vs. the market. Just hit a new relative performance low.	Changed	9/29
Chemicals - A lot of good setups ass the sector is beating the market now. Fertilizer stocks are not part of the strength.		9/30
Updates		
none -		

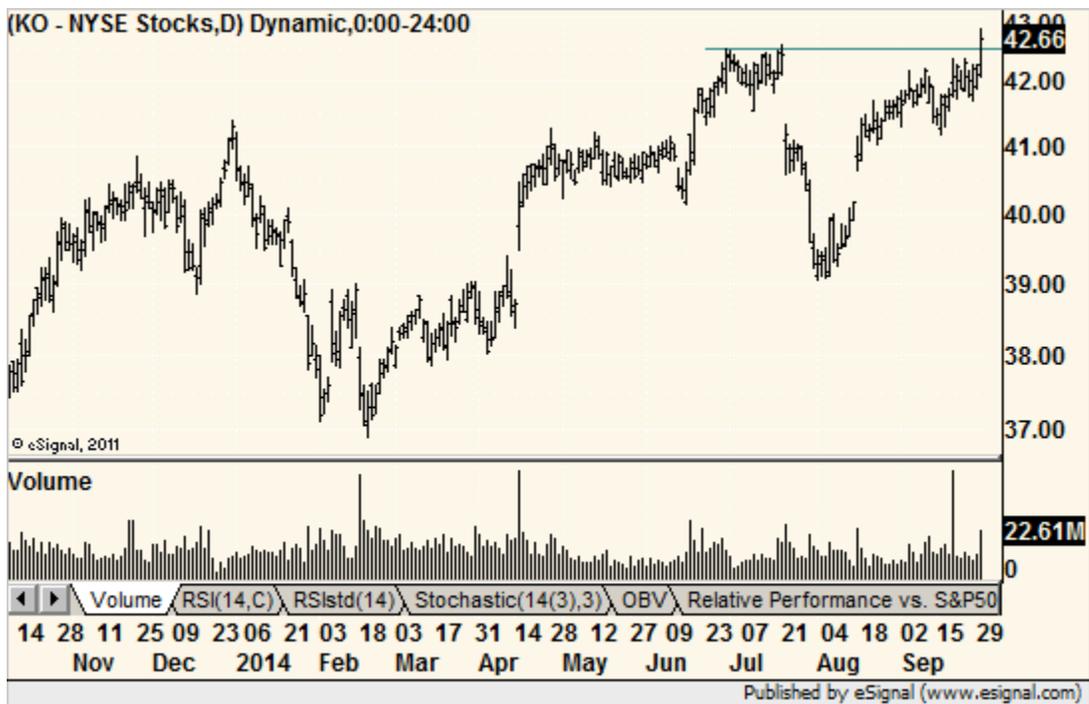
Market Highlights



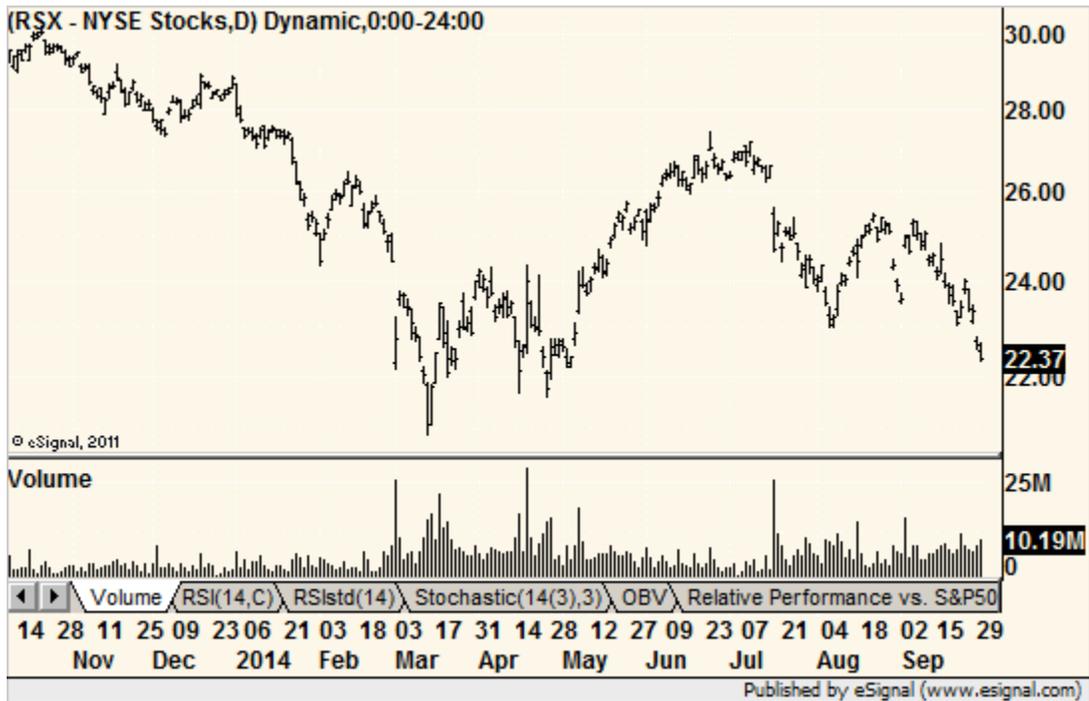
Natural Gas ETF - A tight trading range for sure but is on-balance volume rising? Slightly. That suggests an upward bias but wait for the breakout.



Gaming sector - We covered our short in LVS a few days ago. Now the sector has a high volume bullish reversal at support with a bullish RSI divergence.



Coca Cola - Breakout.



Russia ETF - Want to follow politics? Follow this. It suggests things are not good in Ukraine, which spills over to the Russian economy.



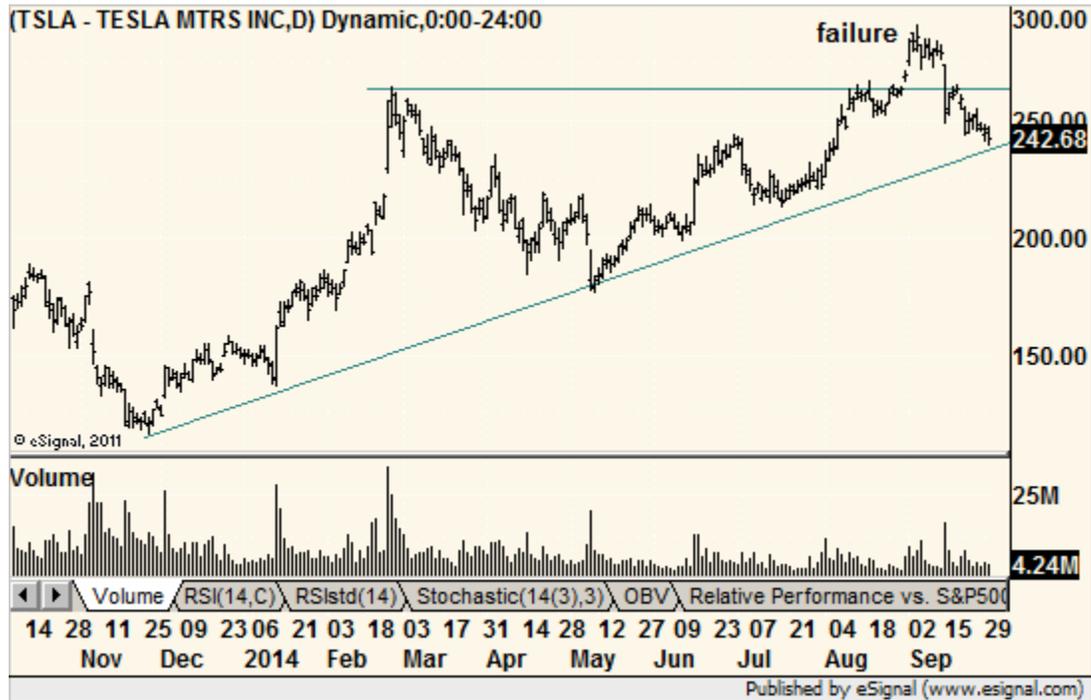
Trucking sector - bad news setting up under the 50-day average.



Kapstone Paper - Bad news in packaging. This is a gap down break of the 200-day average. Recall that this is part of the basic materials sector (see yesterday's report) but chemicals dominates it.



Applied Materials - Breakdown watch for the semiconductor equipment stock. The 50-day average is rolling over.



Tesla - We are not trading it but it does look as if this momentum leader is in jeopardy. **LNKD**, too.

Today's Lesson

In this section, we take a look at a topic in technical analysis in real-time, not textbook time.

Measuring the Move



Oil & Gas Exploration ETF - A rather nice head-and-shoulders breakdown with confirming trendline break and MACD crossover. The target is the height of the pattern (in pixels, inches, cm but not dollars) projected down on a log scale.

Two-pager on measuring the move: [click here](#).

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>	CERN	CERNER CORP	59.57	4.3%	57.50	57.12	8/26	35
	VZ	VERIZON COMMUNICATIONS INC	49.99	1.7%	48.00	49.15	8/26	35
	LRCX	LAM RESEARCH CORP	74.70	2.7%	73.00	72.75	9/11	19
	RJF	RAYMOND JAMES FINANCIAL INC	54.00	-3.6%		56.00	9/18	12
	NSC	NORFOLK SOUTHERN CORP	111.60	1.2%	106.00	110.31	9/24	6
	WST	WEST PHARMACEUTICAL SVSC INC	44.76	-0.4%	42.75	44.95	9/30	0
	RGEN	REPLIGEN CORP	19.91	-1.1%	18.70	20.14	9/30	0
<u>Short</u>	APA	APACHE CORP	93.87	2.1%	99.00	95.80	9/15	15
	PFE	PFIZER INC	29.57	2.1%	31.00	30.18	9/22	8

Notes: Two new healthcare longs at the open yesterday. Unfortunately, they closed lower with mini-reversals. Not too bad.

Stopped out of **RJF** as financials continued to fail after a breakout.

Subscriber Corner

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Other Information

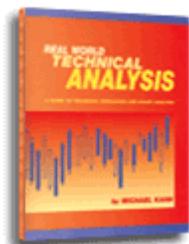
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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What is a **two-pager**? These are short write-ups on various technical topics that are made available when further explanation of a topic is needed. There is no extra charge to subscribers. For those looking for a more complete reference and a bound version of these two-pagers, we offer the book *Real World Technical Analysis* at <http://www.quicktakespro.com/rwta.html>.

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