

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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**October 3, 2014** - The market attempted a rebound yesterday as worst went to first. The Russell microcaps up 1.3% and the Russell 2000 up 1.0%. Everything else was just about flat following a morning dip. If it were not for the jobs report we'd say it was time for a bounce. And as always, it is the size and power of that bounce that remains to be seen before we can make any judgments on whether this is another of the famous bear killer buy-the-dips. No new stock picks today as the dust settles.

Let's assess the technical damage on the table. The S&P 500 remains below its former bull market trendline drawn from November 2012. This is the most important to us but it is not alone. Every major index except for the S&P 100, the Dow and the Nasdaq have broken major trendlines. Every major index bar none is below its respective 50-day average. Mid- and small caps indices are below 200-day averages.

All indices now have thick overhead supply, a.k.a. resistance.

The Nasdaq advance-decline line peaked in March and has been trending lower ever since. NYSE advance-decline volume broke its rising trendline to the downside. New 52-week lows are soaring. Keep in mind the S&P 500 is still just a few percent below all-time highs so this is a big deal.

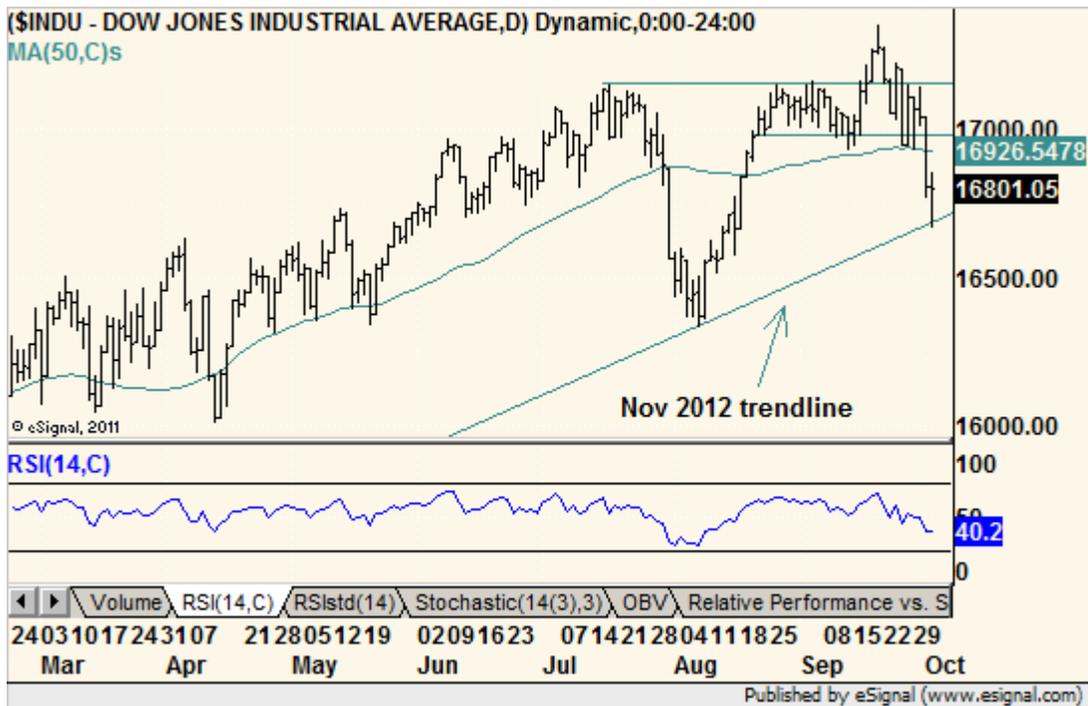
While the percent of NYSE stocks below 20- and 50-day expo averages corresponds to short-term bottoms, the percent below 200-day expos is falling from high levels and has not reached low levels. In other words, it looks like it did in 2012 during the last meaningful correction. We have the chart below.

This does not guarantee that the market will fall some more but it sure paints a different picture than it did in August. **And it all can change after the jobs report** - which is the last one before the mid-term elections. **It looked pretty good but investors might think that the Fed will raise interest rates sooner rather than later.**



The hourly chart shows an overshoot of the bottom of the new trend channel and that suggests a move back to the top, if not through it. We'll reserve the cheerleading until it actually breaks out. How high can it go? There is a ton of overhead supply to work through so we do not expect much.

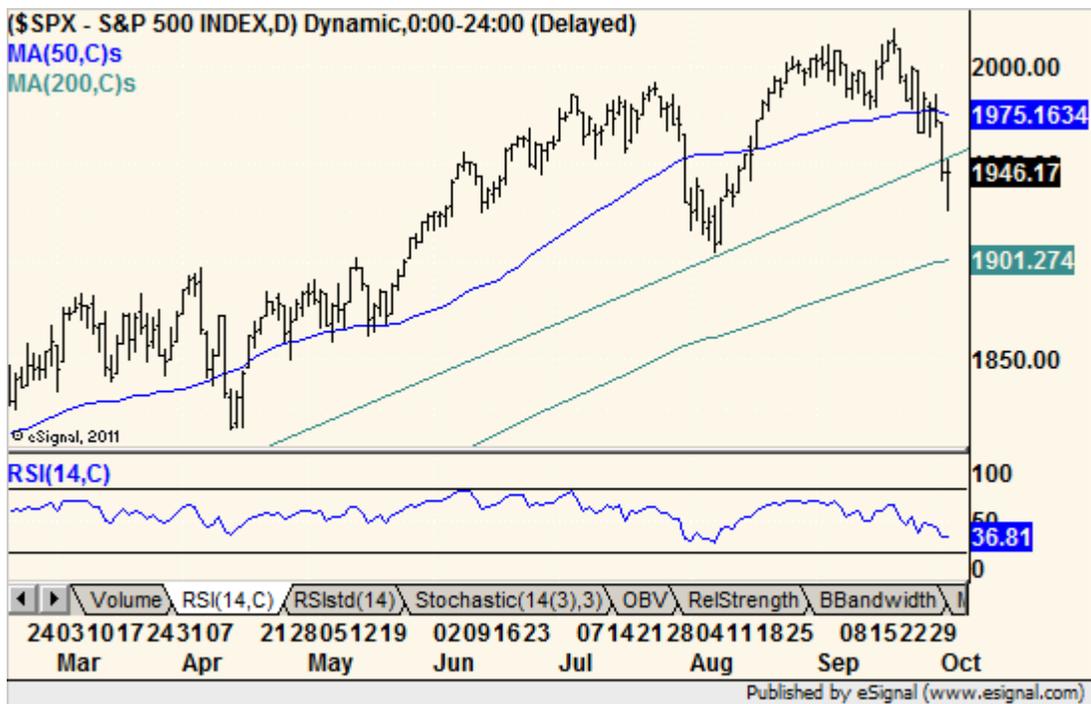
## Index Charts of the Day



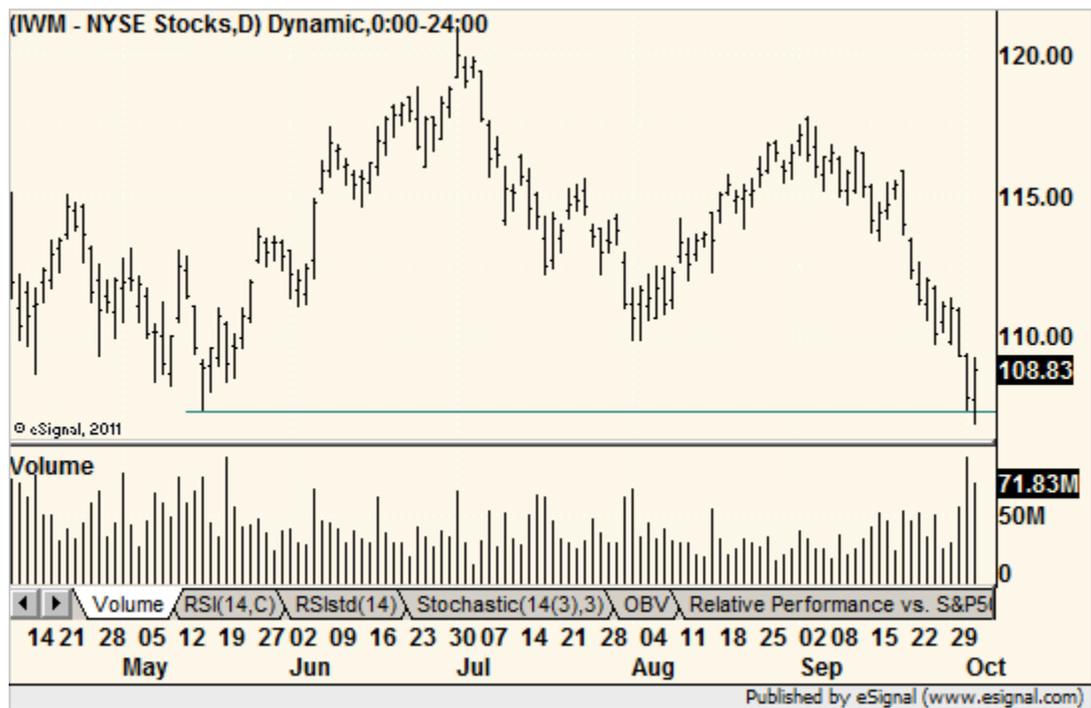
The Dow bounced off its major trendline but has a lot of supply to eat up before it can attempt a new high. Even before that it has to recapture the 50-day average.



The Nasdaq bounced but also has the 50-day average above.



The S&P 500 broke its Nov 2102 trendline. The post-jobs bounce took it slightly back above it in the premarket.



A reversal at support for the Russell but volume was heavier on the decline Wednesday.

## 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.

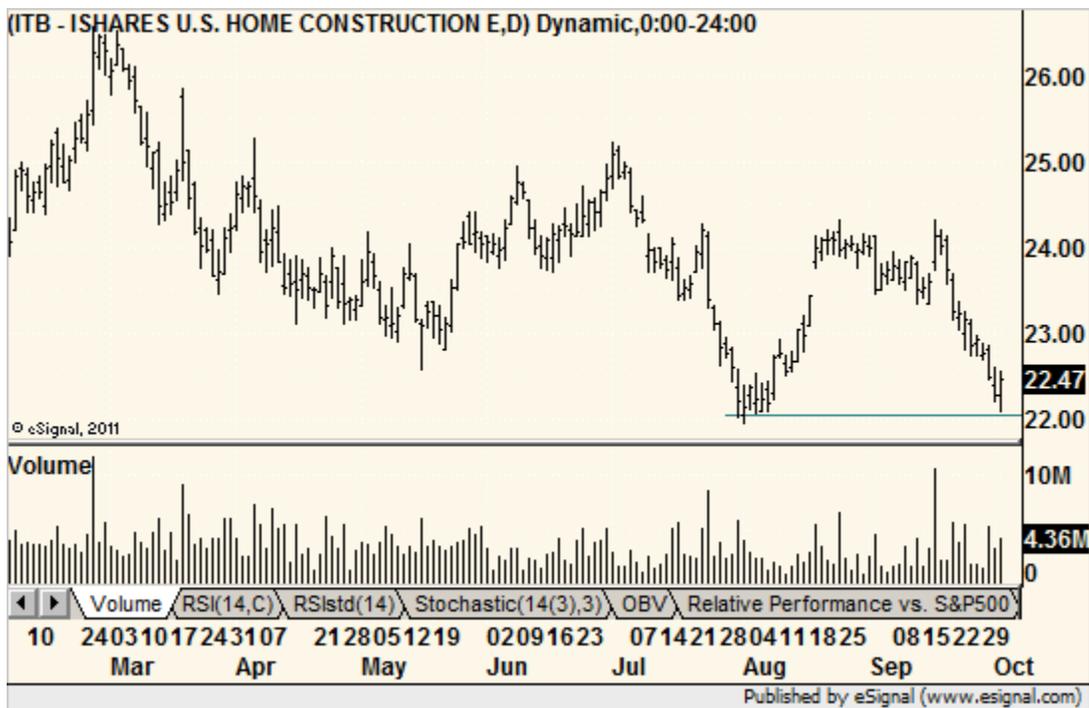
>>> The cupboard is very bare again as we wait for the market's response to this week's decline and today's jobs report.

<b>Bullish Implications</b>		
none -		
<b>Bearish Implications</b>		
none -		
<b>Unknown Implications</b>		
none -		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Netsuite N</b> - 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
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Healthcare</b> - still leading but <b>XLV</b> has an absolute breakdown		9/29
<b>Tech</b> - still leading but faltering. Semiconductors falling relative to the market		9/29
<b>Financials</b> - although they had breakout failures, relative to the market they are still improving		9/29
<b>Energy</b> - Still lagging with no signs of change		9/29
<b>Retail</b> - improving relative to the market		9/29
<b>Homebuilding</b> - Weak chart and once again weak vs. the market. Just hit a new relative performance low. <b>Reversal at support Thursday - chart below</b>		9/29
<b>Gaming sector</b> - High volume bullish reversal at support with a bullish RSI divergence on Tuesday. In a better market we think it would rally well.		10/1
<b>Trucking sector</b> - Broke down from a bear flag after already breaking rising trendline.		10/1
<b>Paper and Forest sector</b> - breakdown		10/1
<b>Regional Banks ETF KRE</b> - Marginal breakdown below long-term triangle		10/2
<b>Updates</b>		
<b>Germany DAX</b> - Down nearly 2% yesterday. Closed today for a holiday.		

## Market Highlights



**NYSE % above moving averages** - We can see the percent of NYSE stocks below the shorter averages suggests a bounce but the percent below 200-day averages has fallen below the 60-level, where it held for the full bull run. It is not low enough to signal a major bottom.



**Homebuilding ETF** - A bull reversal at support but this one is still lagging the market badly. We would demand follow through before dabbling and even then it would be just for a swing trade.



**Google** - We think tech and Google in particular are key for the market. Right now, this stock saved a breakdown below a rather important support. On-balance volume is still positive so we wait to see what the stock does next. A breakdown now would be very bearish. It would take a move above Sept highs to turn it bullish.

## 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>	<b>CERN</b>	CERNER CORP	59.14	3.5%	57.50	57.12	8/26	37
	<b>VZ</b>	VERIZON COMMUNICATIONS INC	49.29	0.3%	48.00	49.15	8/26	37
	<b>NSC</b>	NORFOLK SOUTHERN CORP	110.12	-0.2%	106.00	110.31	9/24	8
	<b>WST</b>	WEST PHARMACEUTICAL SVSC INC	44.40	-1.2%	42.75	44.95	9/30	2
	<b>RGEN</b>	REPLIGEN CORP	20.25	0.5%	19.00	20.14	9/30	2
<u>Short</u>	<b>APA</b>	APACHE CORP	88.74	8.0%	94.00	95.80	9/15	17
	<b>PFE</b>	PFIZER INC	29.06	3.9%	31.00	30.18	9/22	10
	<b>LLTC</b>	LINEAR TECHNOLOGY CORP	42.72	2.4%	45.50	43.75	10/1	1
	<b>AXP</b>	AMERICAN EXPRESS CO	85.87	1.0%	89.00	86.75	10/1	1

**Notes:** Raised the stop on **RGEN** as it was too wide. May still be but not as much.

Lowered stop on **APA** short.

## 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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