

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN
RESEARCH LLC

October 6, 2014 - Last week was a net loser despite Friday's huge gain. Even though the Dow touched its rising 2012 trendline and the Russell reversed at support we are not in the bullish camp just yet. The majority of major indices remain below major averages and trendlines, the amount determined pretty much buy market cap (big stronger, small weaker).

Friday's jobs report was said to be "goldilocks," as in not too strong and not too weak. The idea is that it was strong enough to keep the economy improving but not so much that the Fed would raise interest rates sooner rather than later. Why is it the market believes the Fed can do anything at all? But we digress.

Technically, we see a lot of volatility but not so much action to tell us if it is safe to buy or necessary to sell it all. From the bullish side, we now start to watch for a follow-through day (FTD) which would signal a return of positive market sentiment and activity. The signal is a surge in price and volume 4-7 days into a rally attempt. Today is day three so the window really opens up tomorrow.

From the bearish side, breadth and especially volume are happening on the downside. We've got a table below showing plenty of new 52-week lows Friday during a monster rally. And volume, poor disparaged volume, was totally unimpressive that day. Nasdaq volume did not even reach its own 50-day average and the NYSE, which above average, was lower than it was on Wednesday's big decline.

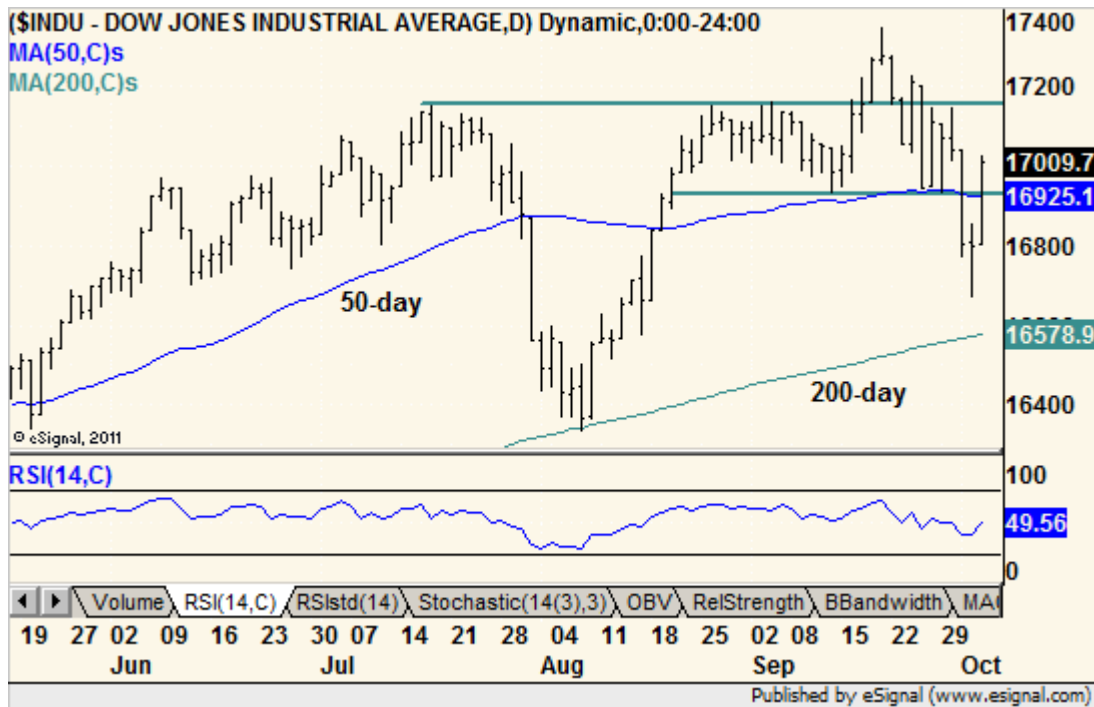


We can see a few resistance features in the area on the hourly chart including the 50-day average from the daily chart. It sure looks like a bungee jump rebound in this time frame. Still we cannot dismiss what happened Friday completely. It just does not seem like something we need to chase this morning.

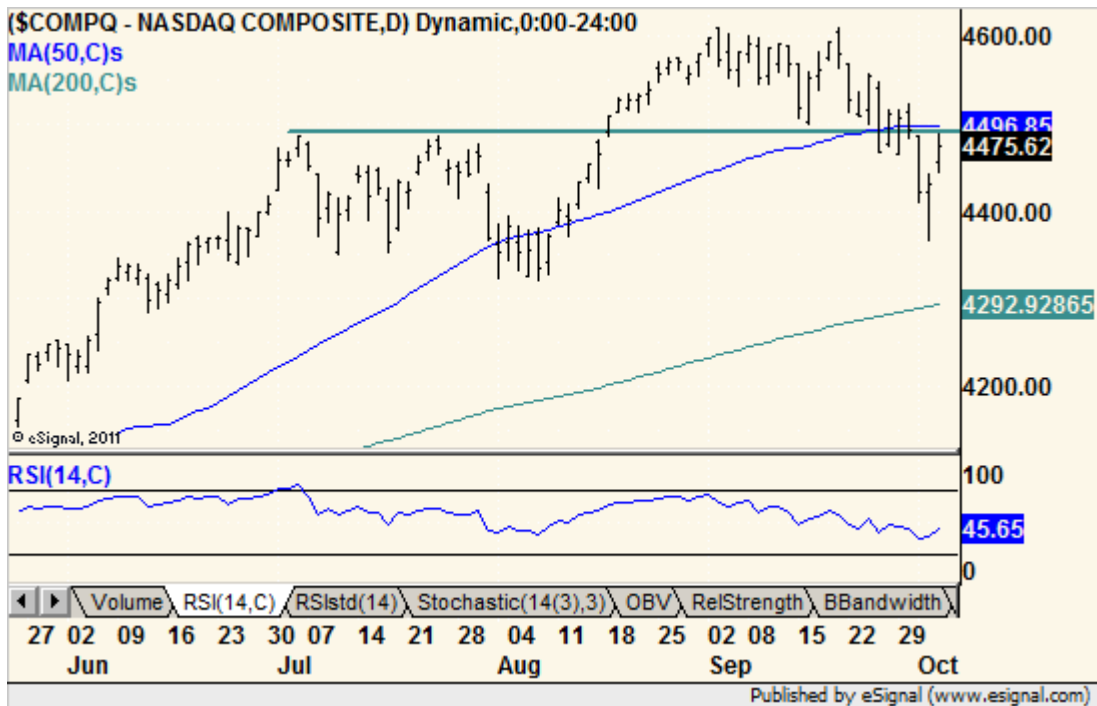
In commodities, there is not much new in oil (still weak), gold (still weak) and grains (still weak). Copper may be starting to firm but there are no buy signals yet. Milk, which is too spotty to trade, is still strong.

Finally, the dollar was up huge Friday is remains strong but overbought. Don't expect commodities to reverse until this trend at least stalls.

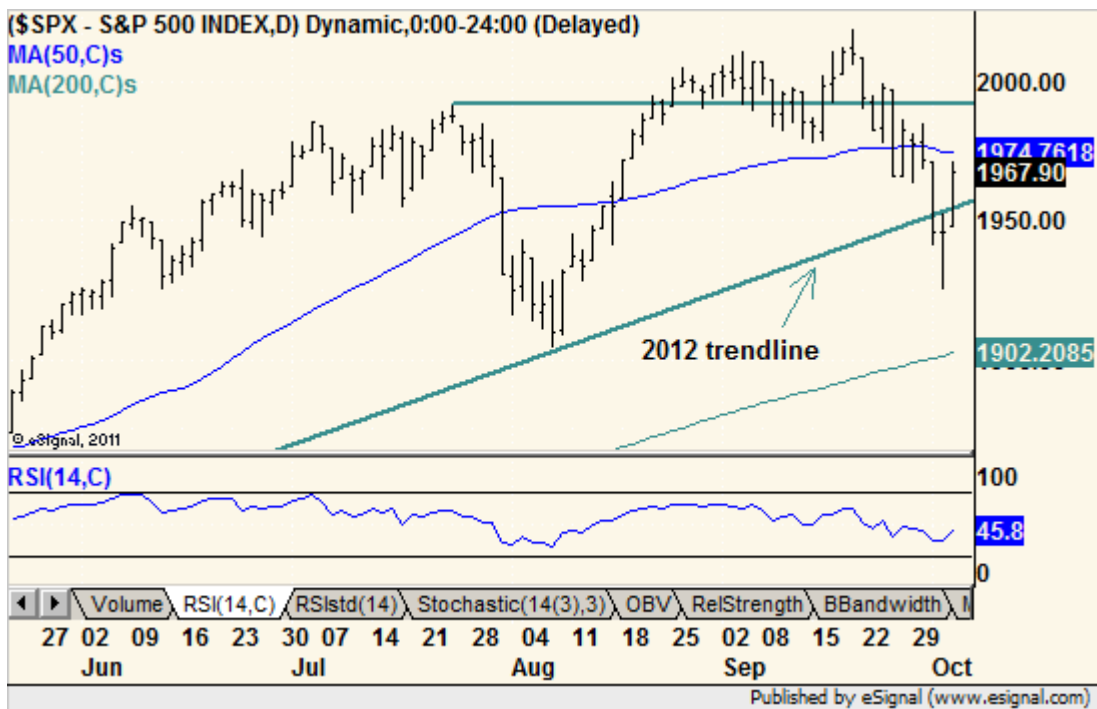
Index Charts of the Day



This chart is a mess. How many failures in both directions can the market pile up on us? Still, there are clues and the biggest we see on this particular chart is an overall sideways path with higher volatility.



The Nasdaq is testing resistance and the 50-day average from below.



The S&P 500 moved back above the old 2012 trendline but is below resistance and the 50-day average. It does look like an oversold bounce even though the daily RSI never got that low. However, overall this seems to be a sideways move over the past few months and not a new leg up.



For the Russell, we can see a reversal at support but the trend channel from June is to the downside. There is more room to bounce but with price well below major averages (200-, 50- and the not shown 20-day) this is swimming upstream.

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.

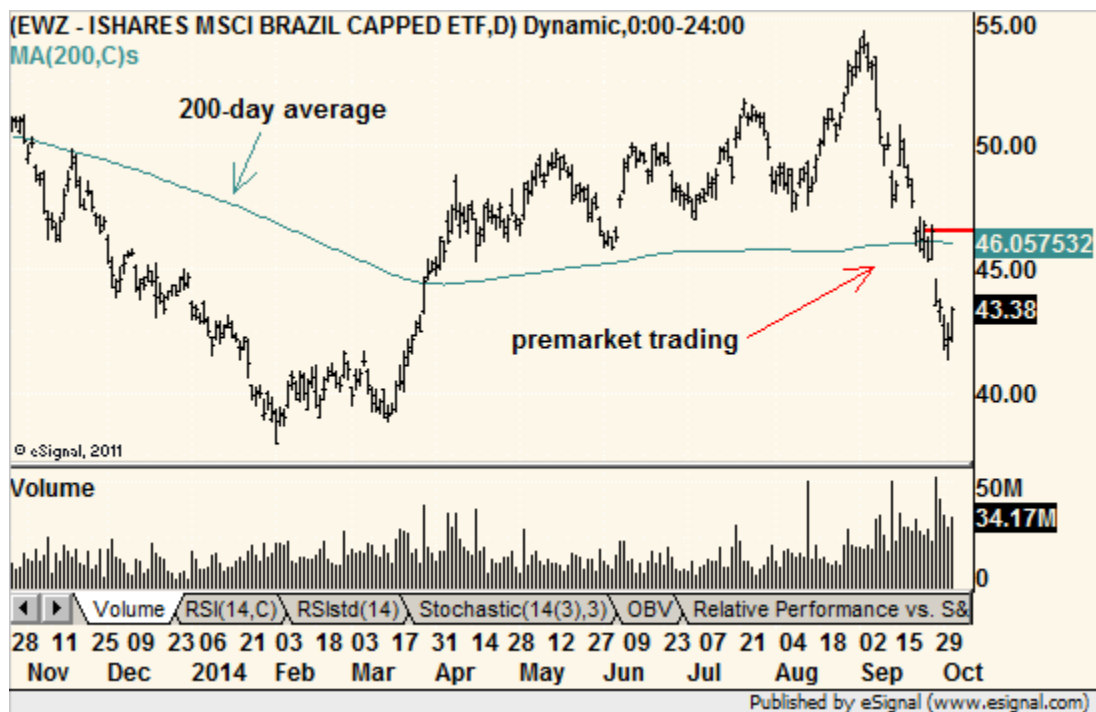
>> We've got trade ideas in the Market Highlights section below if you are so inclined - but we are not

Bullish Implications		
none -		
Bearish Implications		
none -		
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
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. Breakout on volume		9/29
Sector Watch (observations that may spark ideas)		
Healthcare - XLV back in the lead	Changed	9/29
Tech - Really not leading anymore. This is a very key development	Changed	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. Possibly oversold		9/29
Homebuilding - Even with bull reversal last week, it is still lagging.	Changed	9/29
Trucking sector - All transports picked themselves up by the bootstraps	Changed	10/1
Paper and Forest sector - breakdown		10/1
Regional Banks ETF KRE - Marginal breakdown below long-term triangle		10/2
Updates		
Homebuilders ITB - Follow through on bull reversal with very low volume		
Lululemon LULU - We looked at it a few weeks ago after the first high volume gap up. Previously all high volume gaps were lower. Now we hear Nike buyout rumors.		

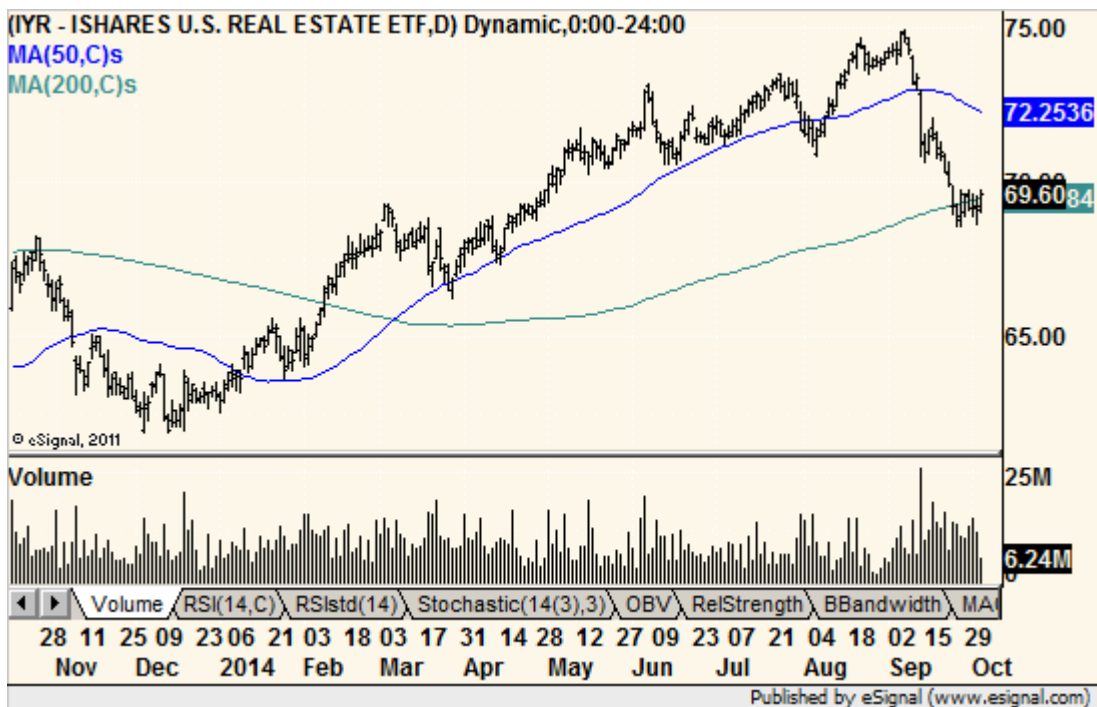
Market Highlights

Markets Diary			
	6:06 p.m. EDT 10/03/14		
Issues	NYSE	Nasdaq	NYSE MKT
Advancing	2,124	1,786	188
Declining	1,035	908	185
Unchanged	98	122	28
Total	3,257	2,816	401
Issues at			
New 52 Week High	36	37	3
New 52 Week Low	80	72	24
Share Volume			
Total	3,543,990,552	1,761,060,961	97,149,465
Advancing	2,438,091,953	1,281,689,435	33,213,526
Declining	1,011,472,132	441,052,593	59,998,464
Unchanged	94,426,467	38,318,933	3,937,475

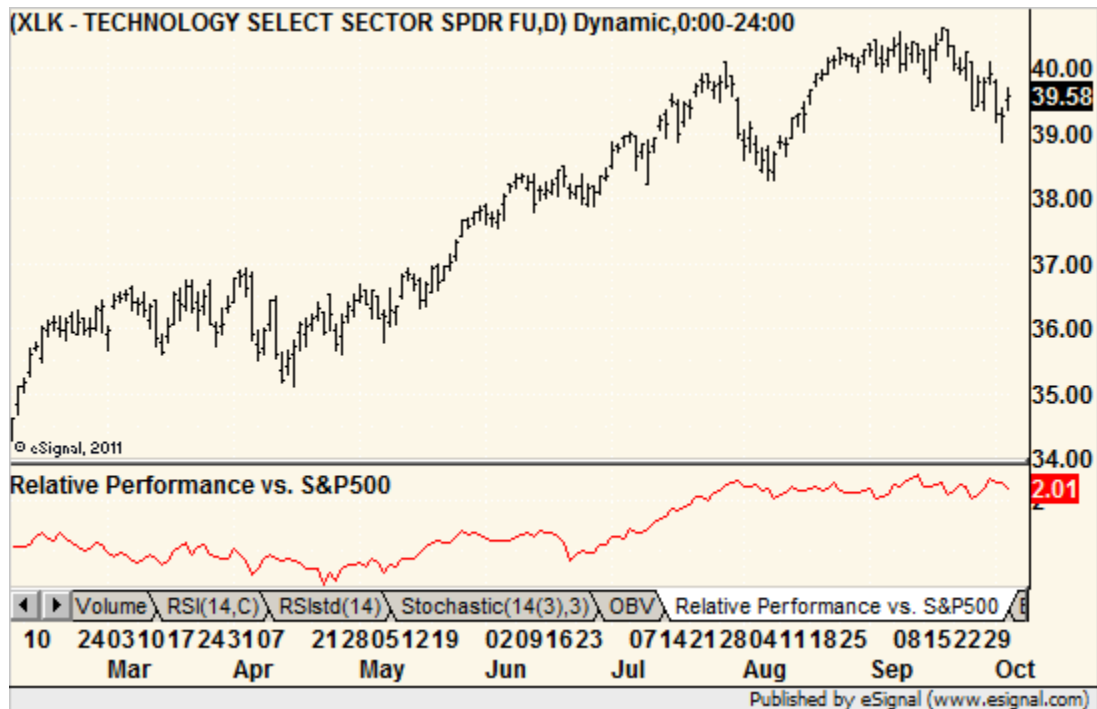
Breadth and Depth - NYSE volume has been above average for the past few days but Friday's was the lowest of the bunch. And check out all those 52-week lows on a day when the market was up over 1%.



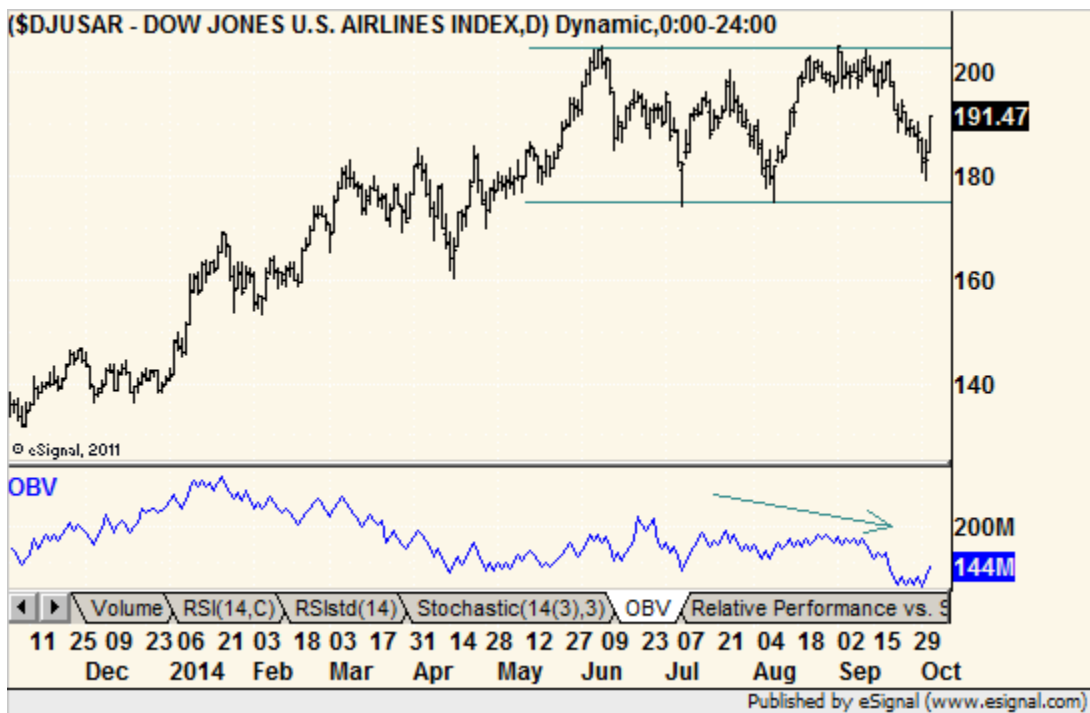
Brazil ETF - Trading way higher in the premarket on elections news there. Not touching into.



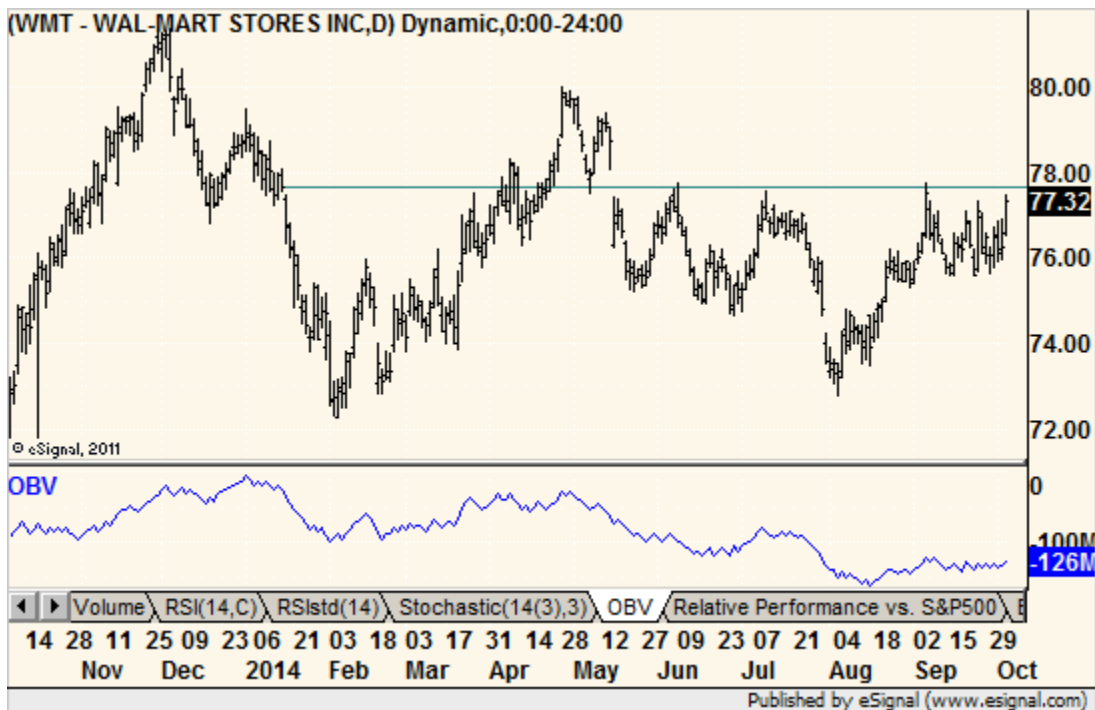
Real Estate ETF - Now in a two-week range on the 200-day average. Watch for break in either direction and follow along. Preliminary indication is for an upside move based on the premarket.



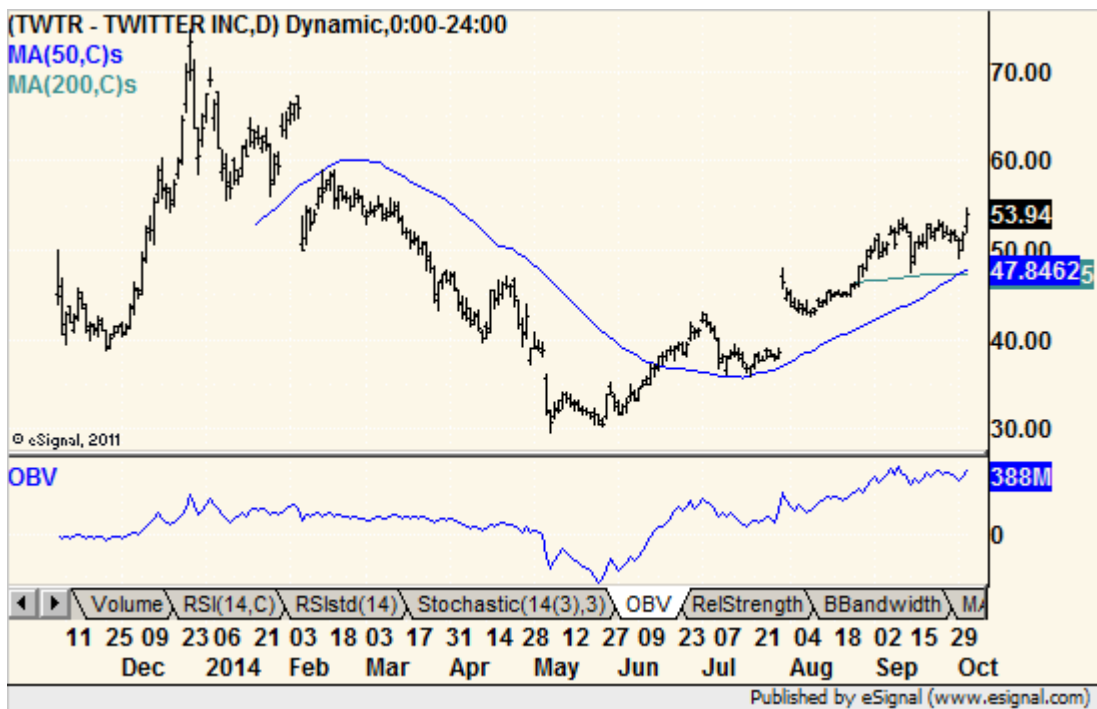
Tech ETF - Now only a market performer instead of a leader. This is not good news for the market but it won't be an real bearish trigger until it actually breaks down.



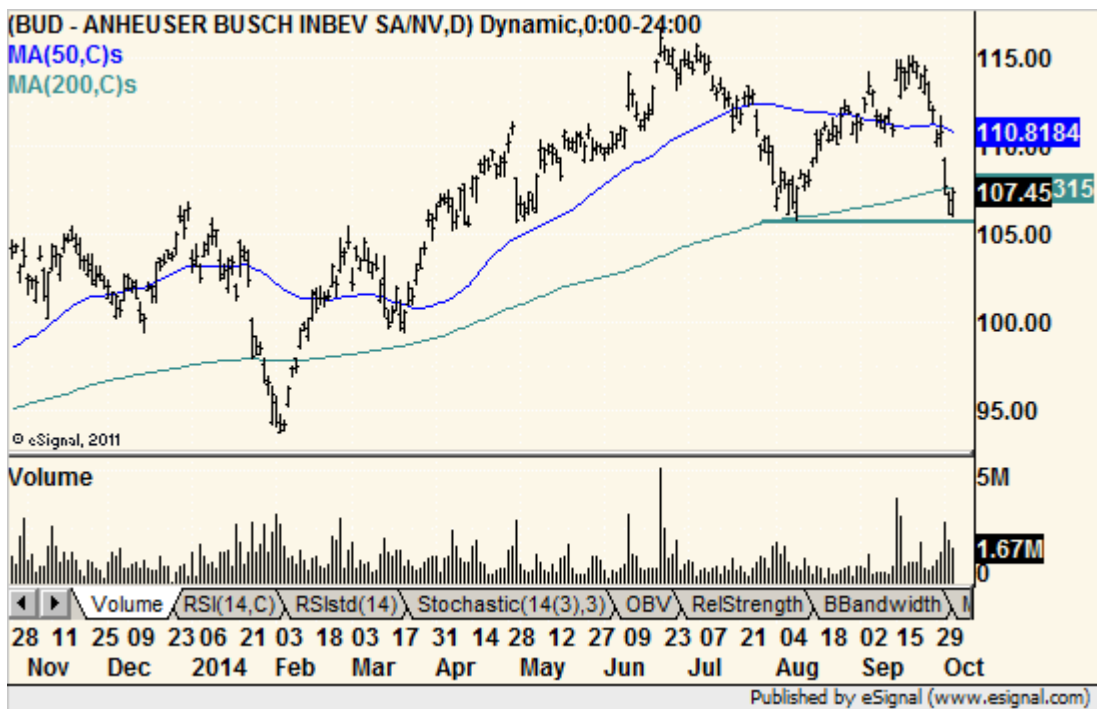
Airlines group - Bounce within the range but overall it is sideways. Note weak on-balance volume.



Wal-Mart - Looks like it wants to make a breakout attempt but on-balance volume is rather flat. Not a killer but wait for the actual break.



Twitter - Hard to argue with this rally.



Anheuser Busch Inbev - A reversal at support and the 200-day average. Not bad but it was a falling knife before so be careful.

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	59.80	4.7%	57.50	57.12	8/26	39
	VZ	VERIZON COMMUNICATIONS INC	49.71	1.1%	48.00	49.15	8/26	39
	NSC	NORFOLK SOUTHERN CORP	112.47	2.0%	108.00	110.31	9/24	10
	WST	WEST PHARMACEUTICAL SVSC INC	44.90	-0.1%	43.00	44.95	9/30	4
	RGEN	REPLIGEN CORP	20.78	3.2%	19.50	20.14	9/30	4
<u>Short</u>	APA	APACHE CORP	86.95	10.2%	92.00	95.80	9/15	19
	PFE	PFIZER INC	29.22	3.3%	31.00	30.18	9/22	12
	LLTC	LINEAR TECHNOLOGY CORP	42.47	3.0%	45.00	43.75	10/1	3
	AXP	AMERICAN EXPRESS CO	87.16	-0.5%	89.00	86.75	10/1	3

Notes: We had a pretty good Friday with all longs going up - as we would expect on a 208-Dow-point day - and half the shorts going down.

We are not that pleased with **VZ** but will try to keep it until the Oct 8 ex-dividend day.

We tweaked stops all over the place - long and 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

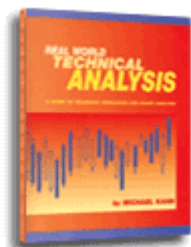
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



24/7 Website archive – <http://www.quicktakespro.com/archive> (password needed)

Customer Support - <http://www.quicktakespro.com/support.html>

Recommended reading - <http://www.quicktakespro.com/education.html>



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>.

Refer a colleague to Quick Takes Pro and get a free month of service for each new paying subscriber. Just send an email (<mailto:mkahn@quicktakespro.com>) with names and email addresses and we'll track them and credit your account.

Connect with us:



<http://www.facebook.com/QuickTakesPro.biz>



<http://twitter.com/mnkahn>



<http://www.linkedin.com/in/QuickTakesPro>



<http://www.quicktakespro.com/blog>



<http://pinterest.com/mnkahn/>



<http://youtube.com/quicktakespro>



<http://stocktwits.com/mnkahn>

The information contained in this report is opinion, based on information that we deem to be reliable at the time of publication, but is not guaranteed in any form. This report does not constitute a recommendation to purchase or sell any security and the analysts are not registered investment advisors. Further analysis is recommended before undertaking any position in any security. Any risks are solely the responsibility of the buyer/seller. The authors, publishers and distributors of Quick Takes Pro and any associates thereof accept no liability for the content or actions taken by anyone or institution utilizing this report. The authors, publishers and distributors of Quick Takes Pro may have positions in securities mentioned in this report. All charts prepared with [eSignal](#) data and software unless otherwise indicated.

All contents © Michael Kahn Research LLC, 2014