

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

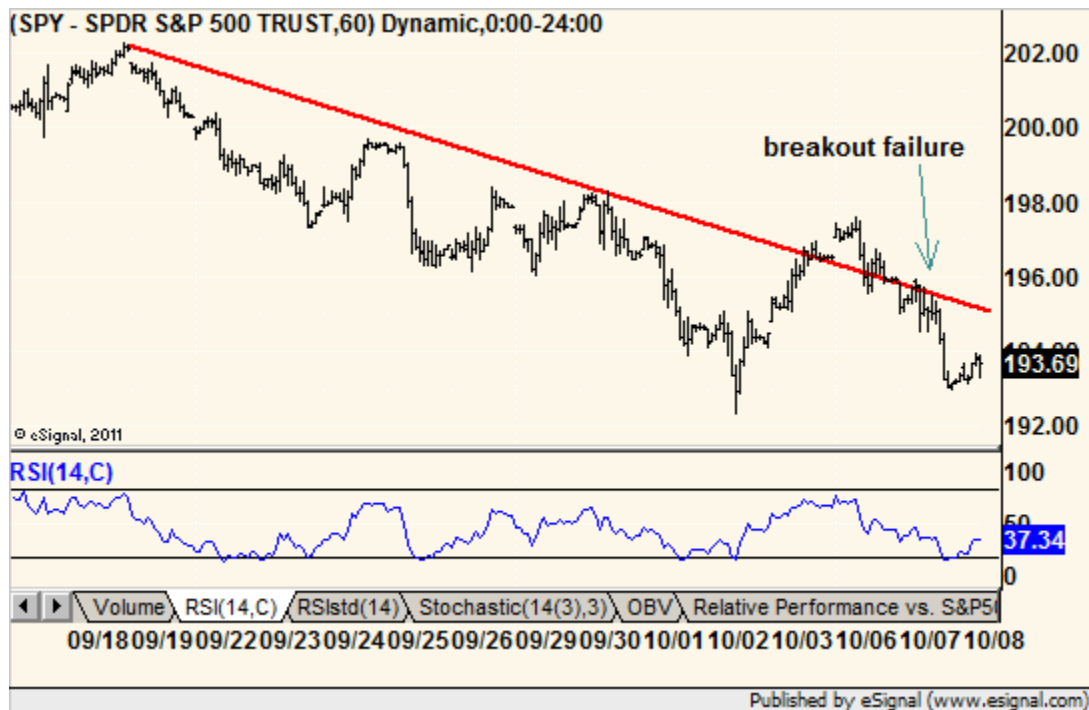
MICHAEL KAHN
RESEARCH LLC

October 8, 2014 - It was a rout yet not exactly a surprise. And there was little in the way of panic, if you judge by the headlines. Indeed, the CNN Fear/Greed meter actually ticked higher yesterday indicating less fear than the day before. Granted, it was at extremely low levels but you get our point.

What did they blame? The IMF forecast for global growth. Funny, the market sank quickly last week, too.

Anyway, the new closing low resets the follow-through day indicator to zero as the S&P 500 once again closes below its November 2012 trendline. The Russell completed a sizeable topping pattern. And the NYSE composite completed a double top. These are not intraday patterns...and they are bearish.

Which, of course, brings us to the oversold market in the short-term and likelihood for a bounce to mess with the bears. We'll be looking to exit longs at hopefully higher prices and set up a few new shorts.



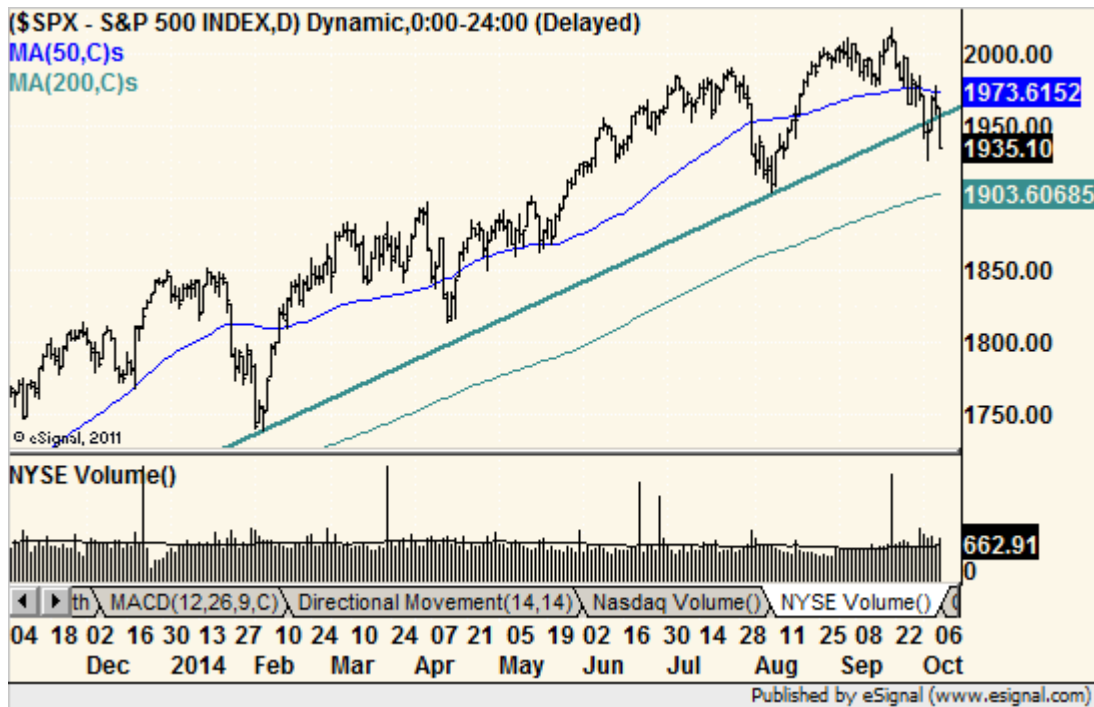
The hourly chart shows the breakout failure. Not shown is the reversal at the 50-day moving average and dip below the long-term trendline.

In sectors, gold was surprisingly one of the worst performers even though the dollar was flat. But it was not the worst. That honor goes to commercial vehicles (**CAT, DE**), cruise lines, autos, coal and rails. We see no theme.

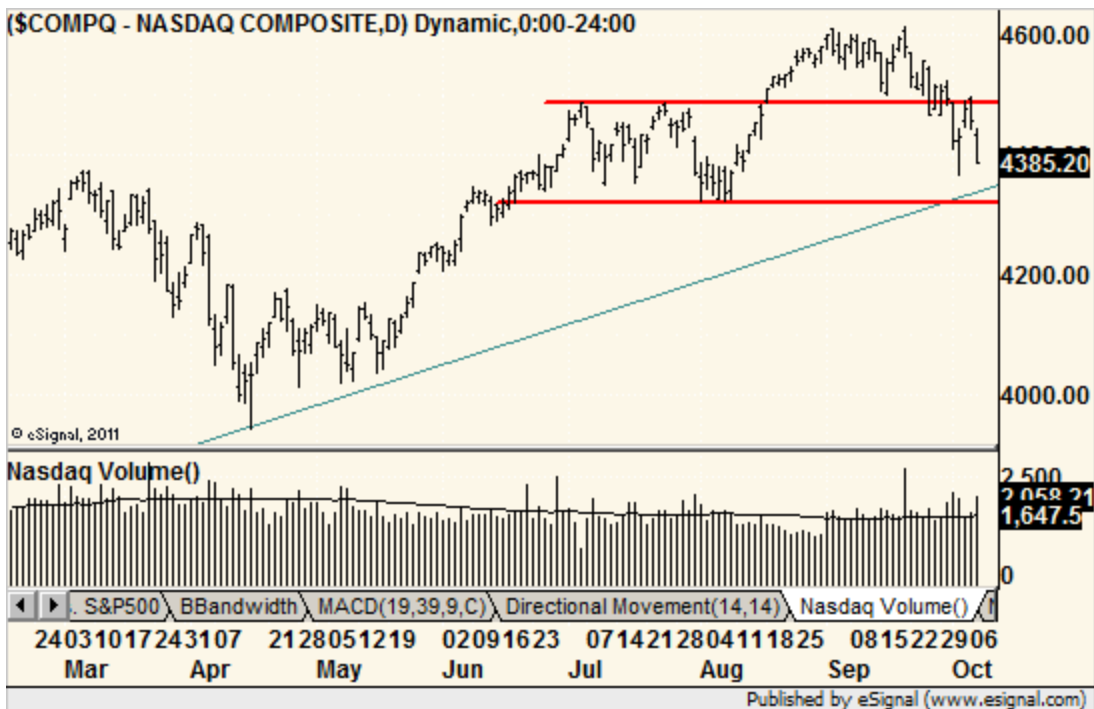
On the plus side, utilities and Coca Cola were the winners. Coke is a special situation but with Treasury bonds hitting a new closing high we get that utilities were strong.

The bottom line is that the market is weak in the big picture but short-term stretched. It is rather hard to put money anywhere - even the dollar - right now. Well, maybe a little in China.

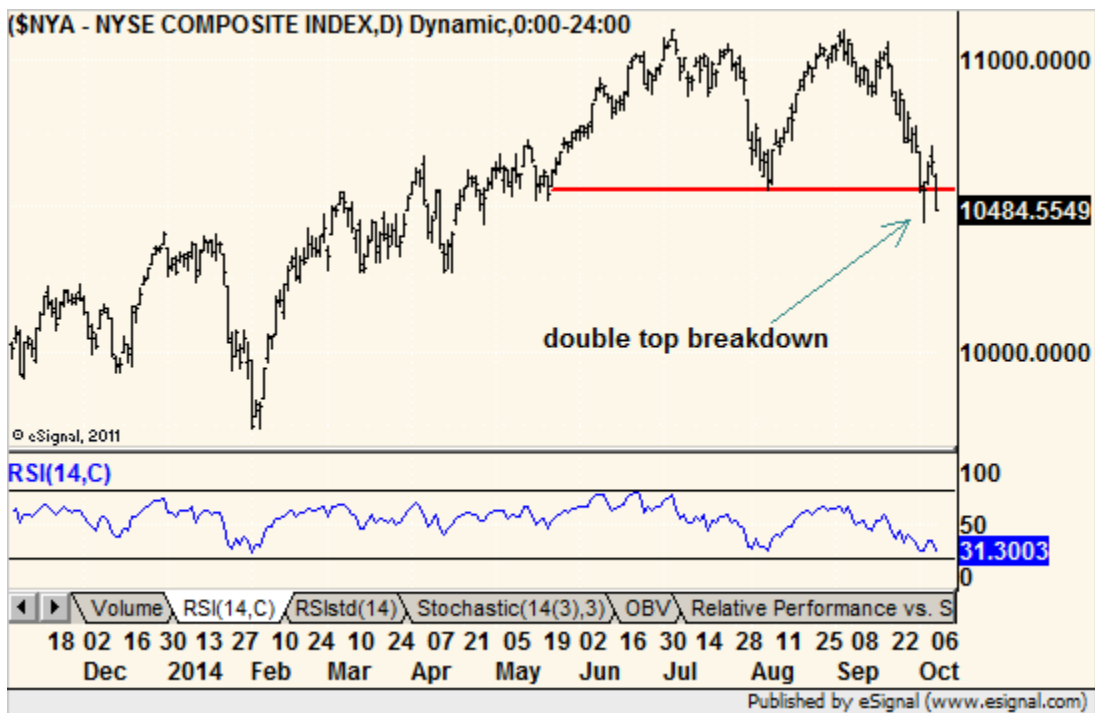
Index Charts of the Day



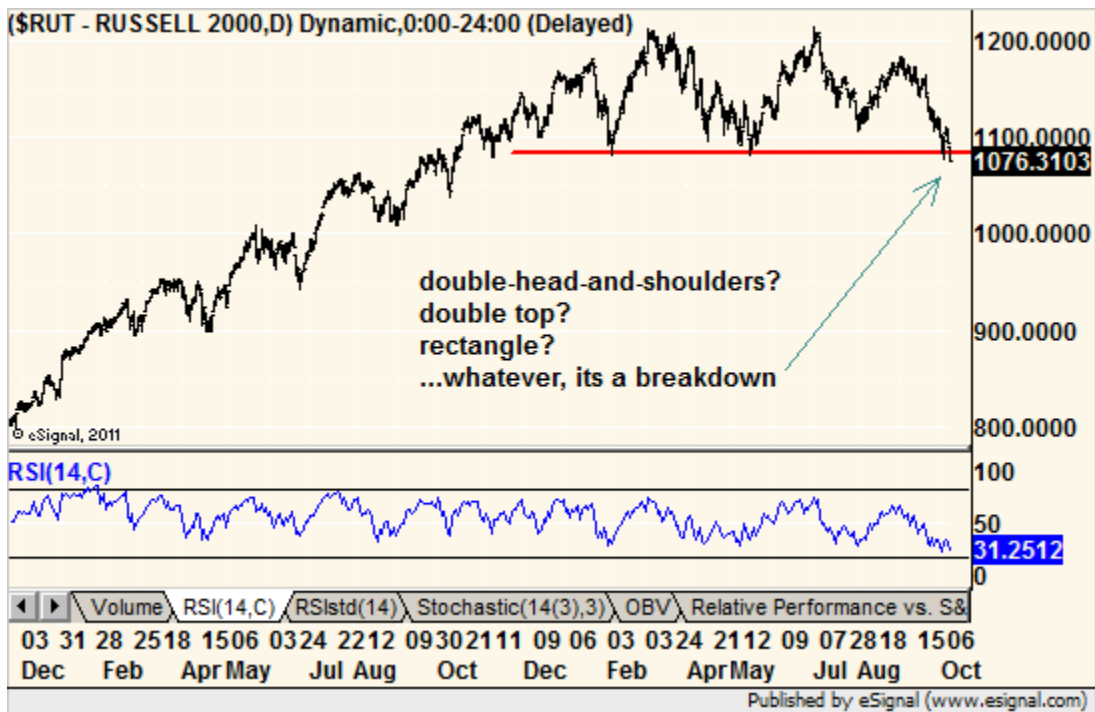
The S&P 500 is back below the trendline on heavier volume. We've seen analysis saying that it is still above the 200-day average, which is true, but we do not see that as reason enough to be bullish. The trend is down and internals look bad.



The short-term for the Nasdaq is weak but there is a rather good support below. Note volume on yesterday's decline was big.



The NYSE composite had a double top breakdown complete with a pause at support first.



The Russell completed a significant topping pattern.

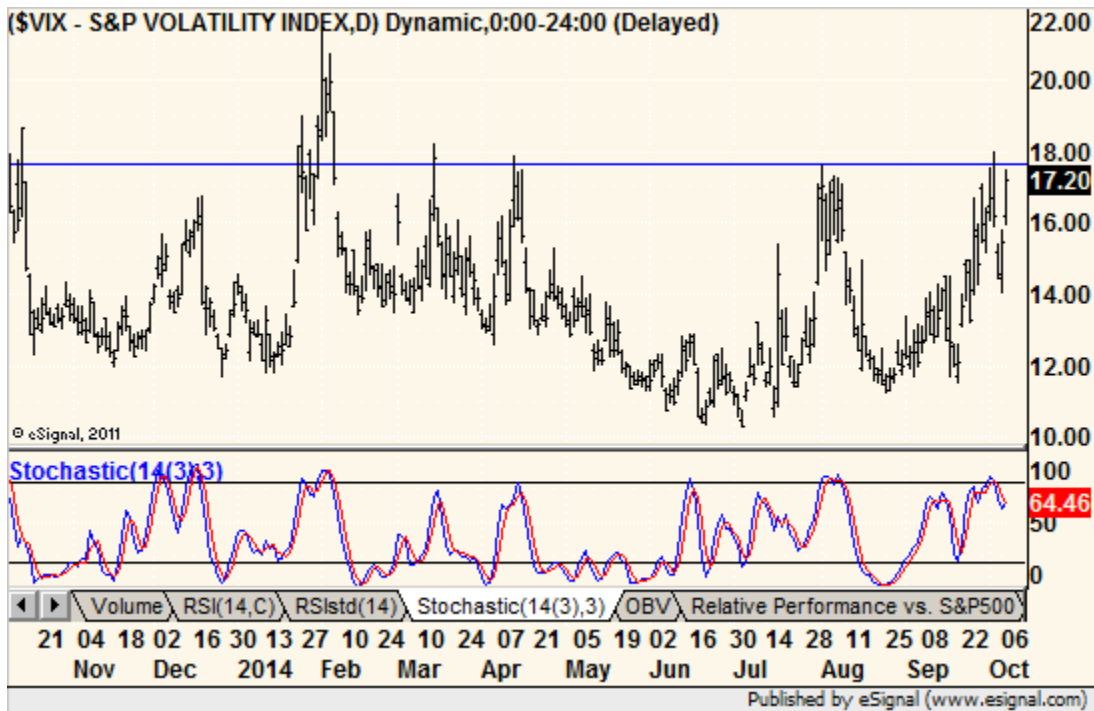
The Radar Screen

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.

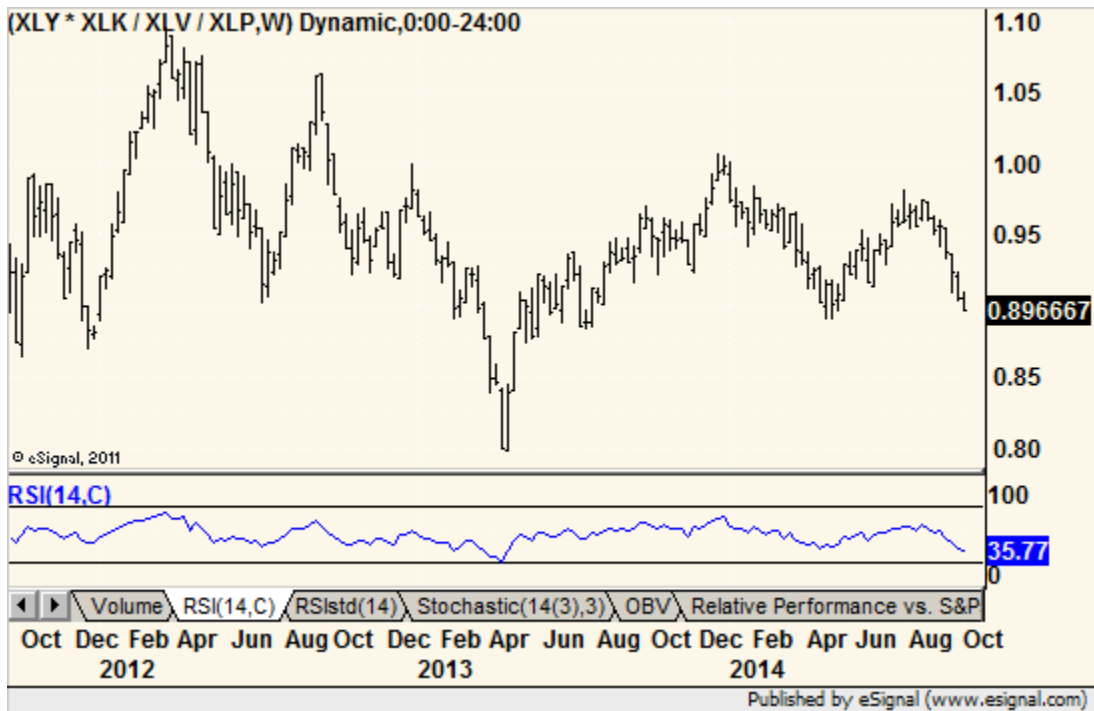
>>> again, nothing new here except a few updates at the bottom

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. Now testing breakout		9/29
Sector Watch (observations that may spark ideas)		
Healthcare - XLV back in the lead		9/29
Tech - not leading anymore. This is a very key development		9/29
Financials - breakout failure and <u>not</u> leading anymore		9/29
Energy - Still lagging with no signs of change. Possibly oversold		9/29
Homebuilding - still lagging.		9/29
Paper and Forest sector - breakdown		10/1
Regional Banks ETF KRE - Marginal breakdown below long-term triangle.		10/2
Real Estate ETF IYR - Now in a two-week range on the 200-day average. Watch for break in either direction and follow along.		10/6
Airlines - Bounce within a trading range but overall it is sideways. Weak on-balance volume. And Monday may have been a big enough decline to create a bearish failure within the range. Stay tuned.		10/6
Updates		
Regional Banks ETF - A new low confirmed a major triangle breakdown.		
Chimerix CMRX - Another doji candle but not quite enough to confirm spike top.		
Coffee ETN JO - Key reversal to the downside		

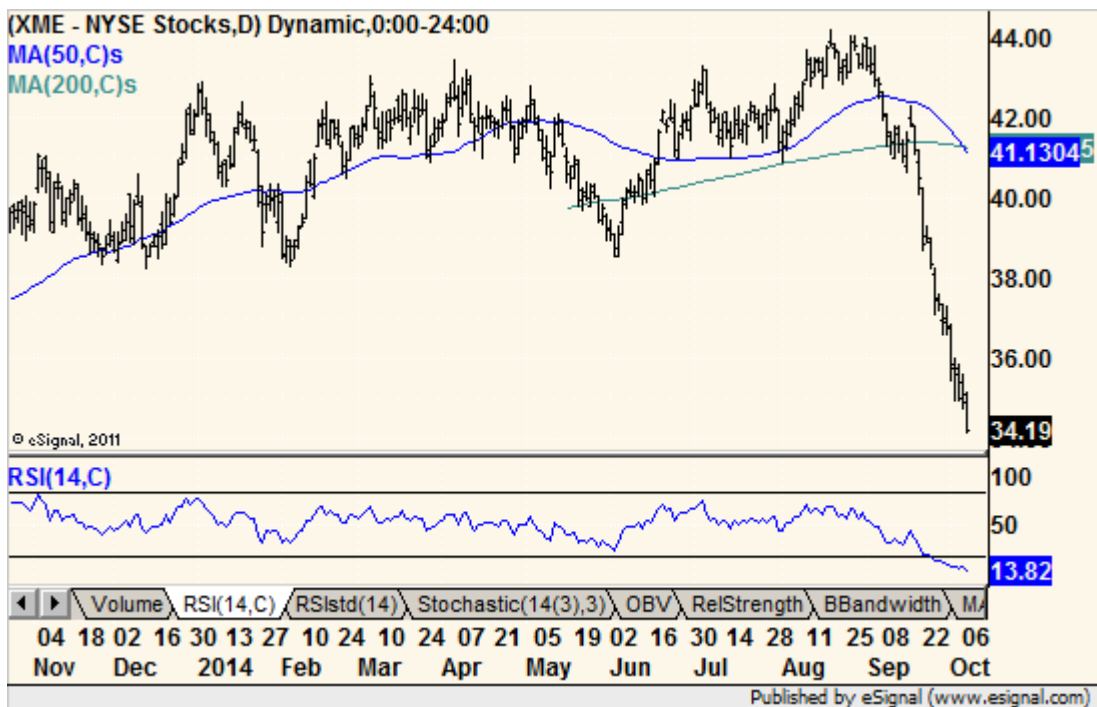
Market Highlights



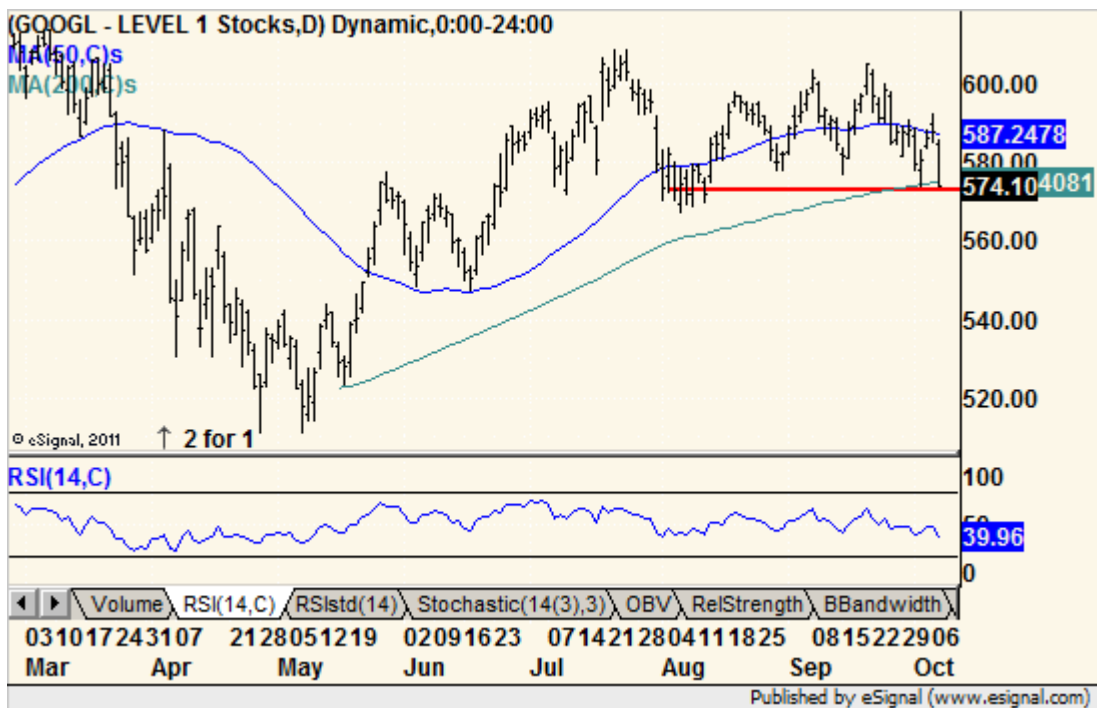
VIX - Back to levels that led to bottoms before but this time it did not sink too low first. That makes us think it will move even higher.



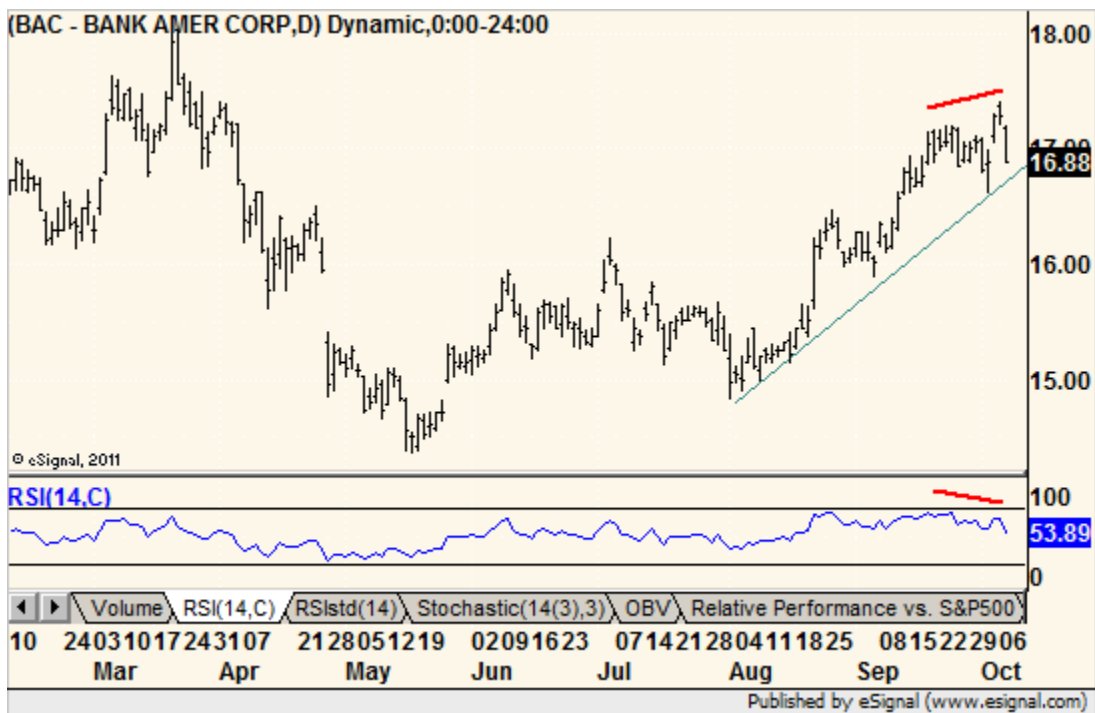
Offense / defense index - This is a ratio of tech and discretionary to staples and healthcare. Looking very weak short-term. A new low could be a long-term signal.



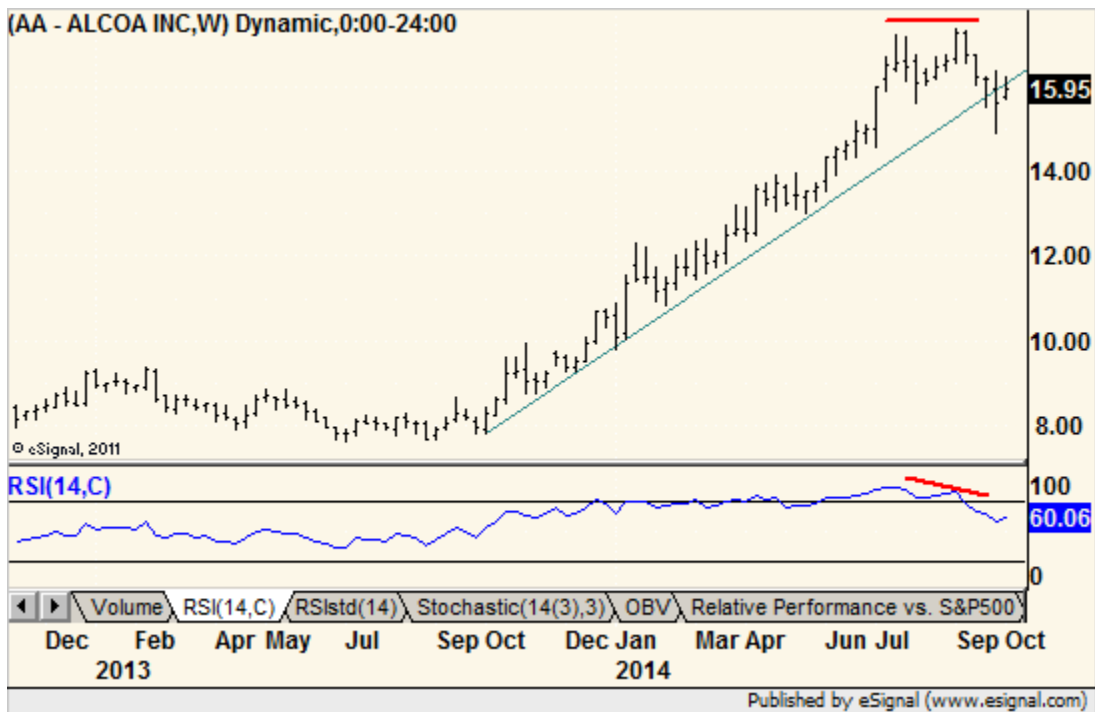
Metals and Mining ETF - Clearly oversold. The death cross often marks a place where something actually bounces. This is not a gold index although there are gold stocks in it. Top holdings are steel, diversified mining and coal. Who is ready for a speculative short-term buy?



Google - Looks like it will bounce today but if it breaks now it will be bad news for the stock and we think also for the market.



Bank of America - Breakout failure and bearish RSI divergence.



Alcoa - A double top look and possible trend break pre-earnings. If it does not like its earnings report this will be a sell.

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	58.04	1.6%	57.50	57.12	8/26	42
	VZ	VERIZON COMMUNICATIONS INC	49.68	1.1%	48.00	49.15	8/26	42
	NSC	NORFOLK SOUTHERN CORP	108.25	-1.9%	108.00	110.31	9/24	13
	WST	WEST PHARMACEUTICAL SVSC INC	43.77	-2.6%	43.00	44.95	9/30	7
	RGEN	REPLIGEN CORP	20.71	2.8%	19.75	20.14	9/30	7
<u>Short</u>	APA	APACHE CORP	84.21	13.8%	88.00	95.80	9/15	22
	PFE	PFIZER INC	28.79	4.8%	30.00	30.18	9/22	15
	LLTC	LINEAR TECHNOLOGY CORP	41.17	6.3%	43.00	43.75	10/1	6
	AXP	AMERICAN EXPRESS CO	85.35	1.6%	89.00	86.75	10/1	6

Notes: **VZ** goes ex-dividend today.

NSC no longer shows the reasons why we bought it. Will try to sell a bounce. Same for **WST**.

If you can take a partial profit, this is a good time to take it on the **APA** and **LLTC** shorts. Oversold. We've tightened the stops considerably.

Also, we've tightened the stop on the **RGEN** long as it was too wide.

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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