

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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October 13, 2014 - Today is Columbus Day and the banks are closed. That means bonds and US-based forex is closed, too, giving us a partial holiday. Stocks are open but volume is expected to be light.

During previous dips, the market bounced back quickly but that is not happening now. During previous declines, the Fed stepped in with QE but that is also not happening any more. Plus, they already said 10 days ago that interest rates will remain low. What's left?

Basically, the only thing we can see preventing a cascading decline is the market itself, which shows signs of short-term exhaustion. Note the time frame. Daily charts are not exhausted so today might just be a low volume rebound. We're not playing. We'd prefer to look around the market to see what sectors are getting worse and what are perhaps close to the end of their declines, if any.

One thing we do know is that semiconductors, electrical equipment and networking got destroyed Friday. Some big Internets did, too, and that includes the very key Google.

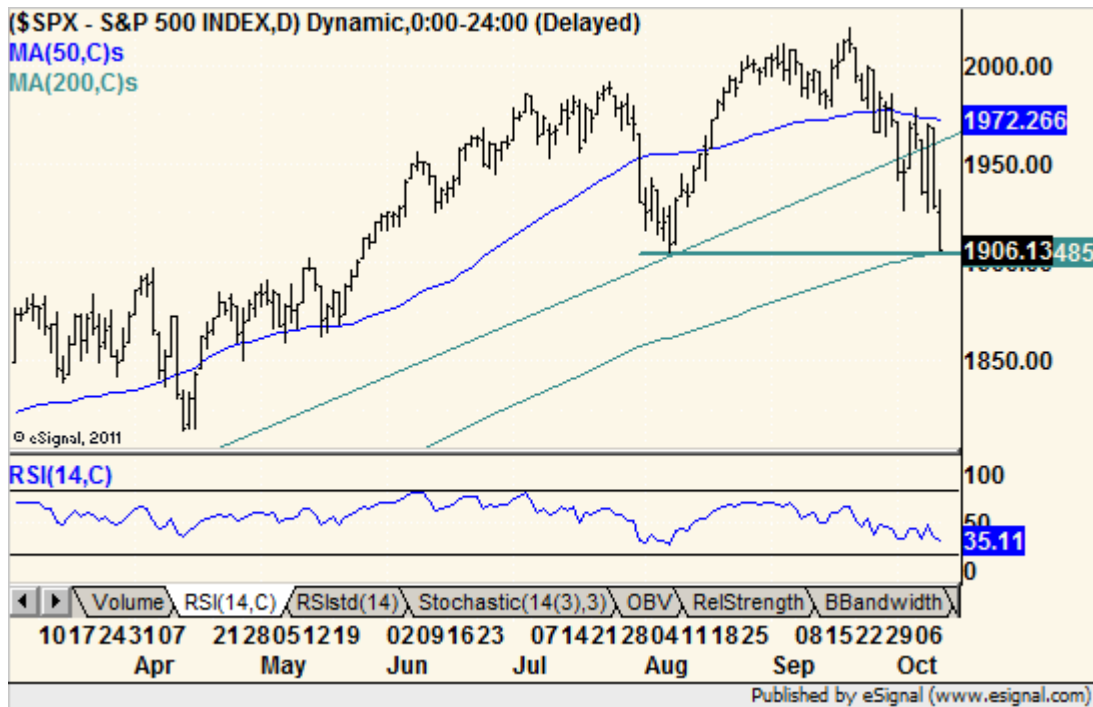
However, unlike the day before, there were actually sectors that went up. Utilities (especially water), soft drinks and tobaccos (and one out of place group - clothing apparel) showed us that the defensive names led the way. Not much to like there if you are still a bull.

We'll run through some breadth charts to see if the market is really oversold enough to end the selling. With 443 new 52-week lows on the NYSE Friday (15 new highs) it might be. Let's let the chart talk.

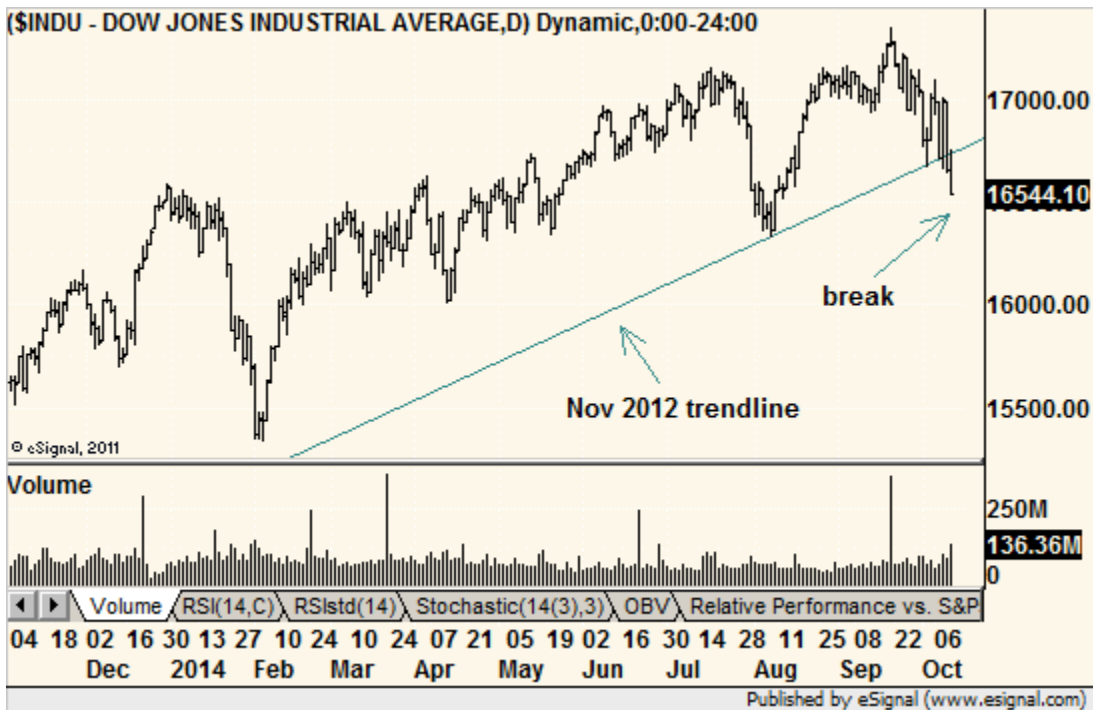


The hourly **SPY** shows a broadening channel with prices touching the bottom. RSI has a slight bullish divergence. But one thing is for sure - volatility still rules.

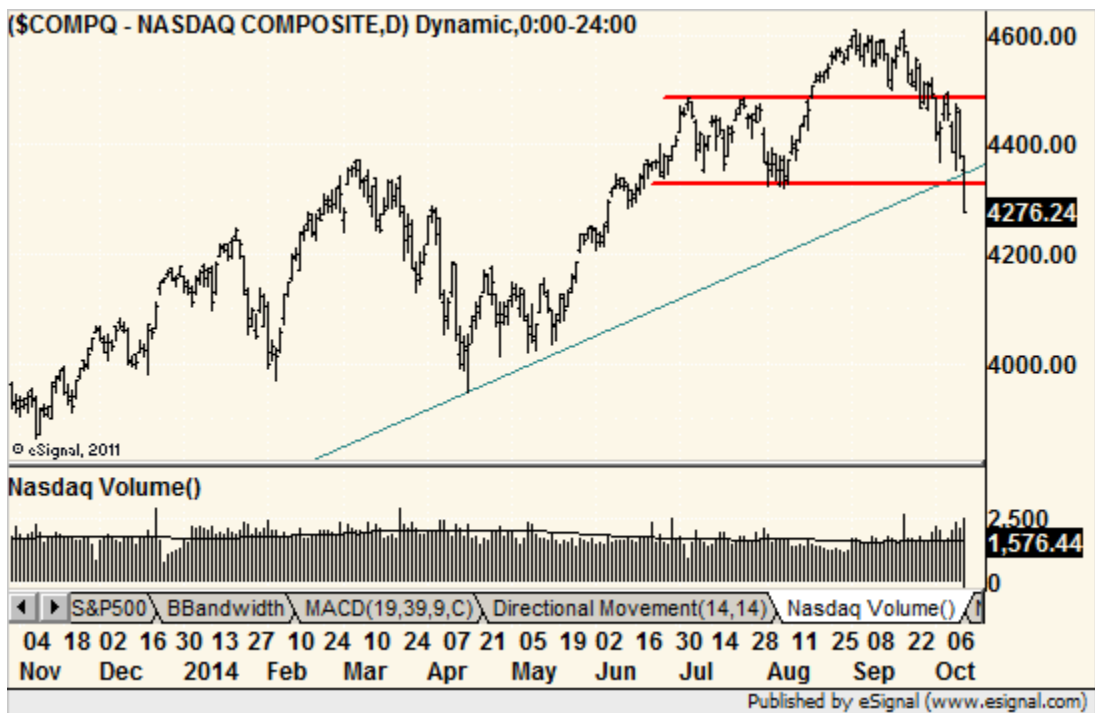
Index Charts of the Day



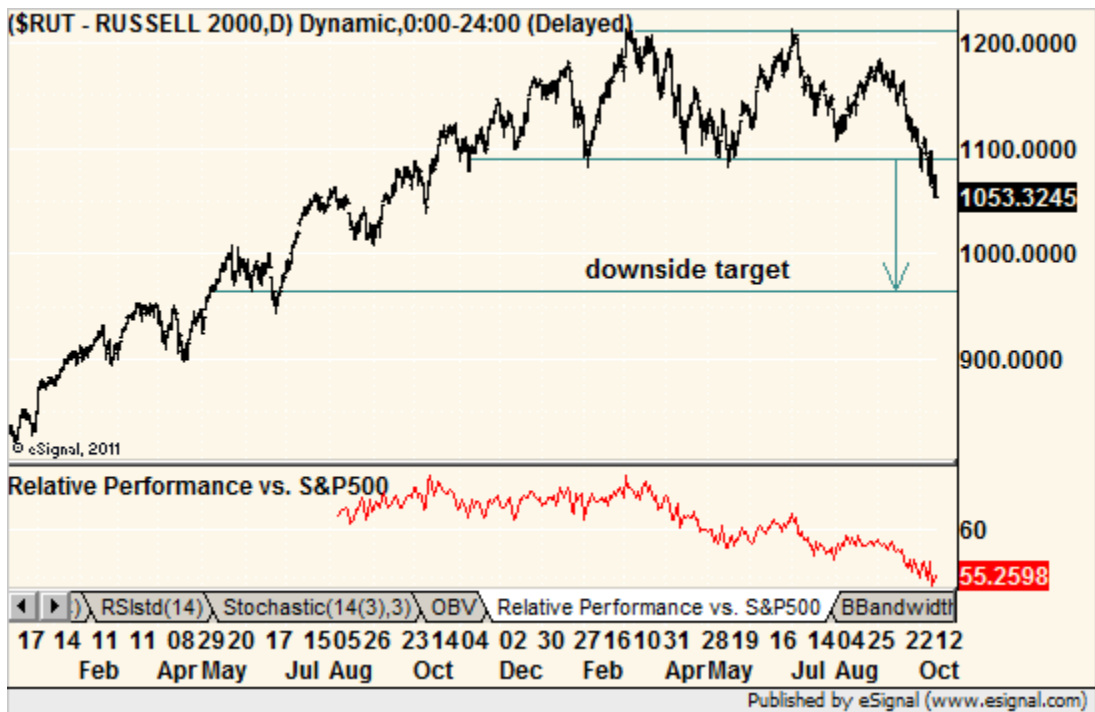
The S&P 500 is at support and the 200-day average. They made a big deal over the slight penetration of the average on Friday's TV market wraps so they seem to be panicking.



The Dow made its trend break very clear.

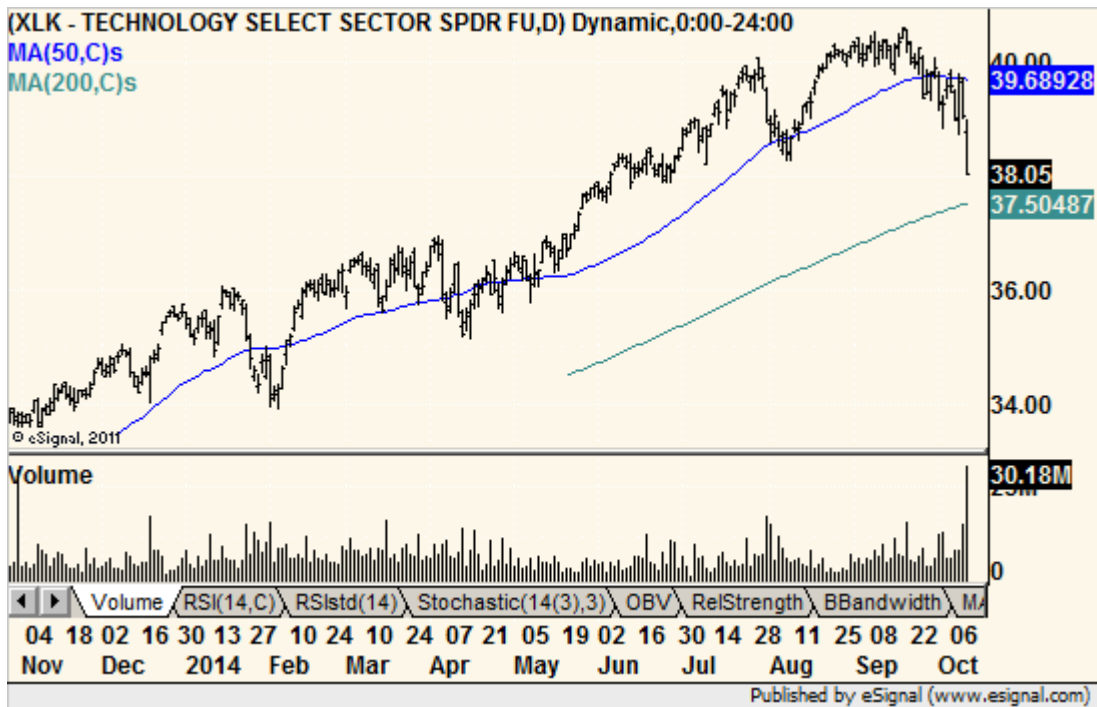


Ditto the Nasdaq. Big volume on the double breakdown, too.

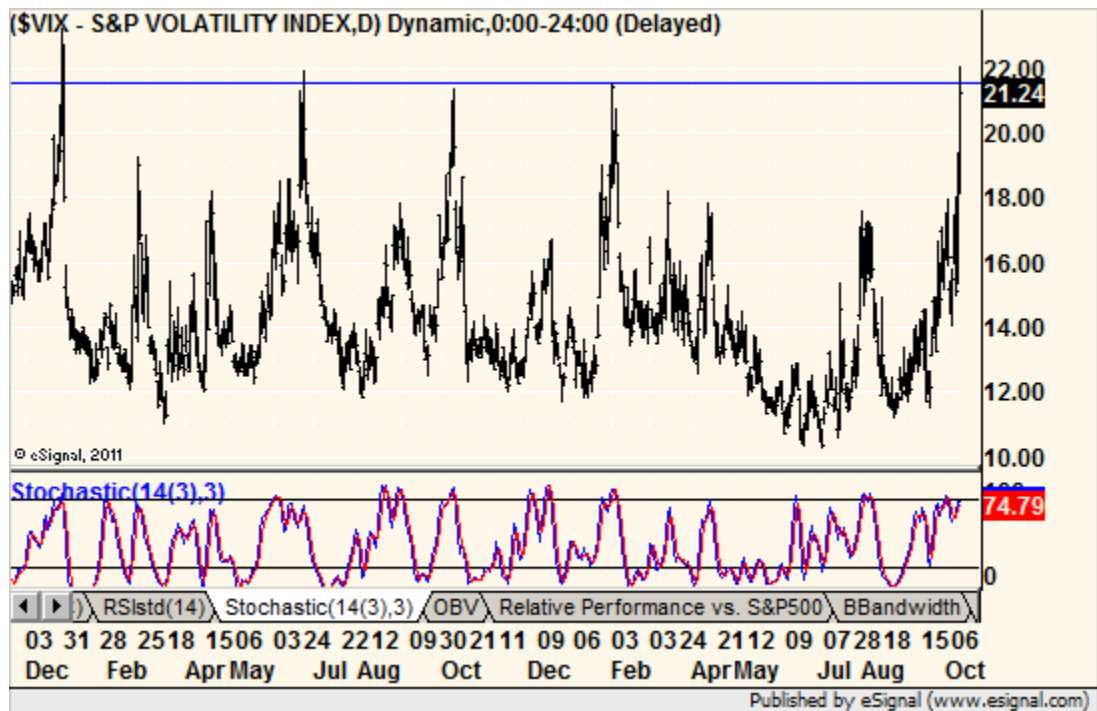


Measure the Russell's range and project it down from the break for the target.

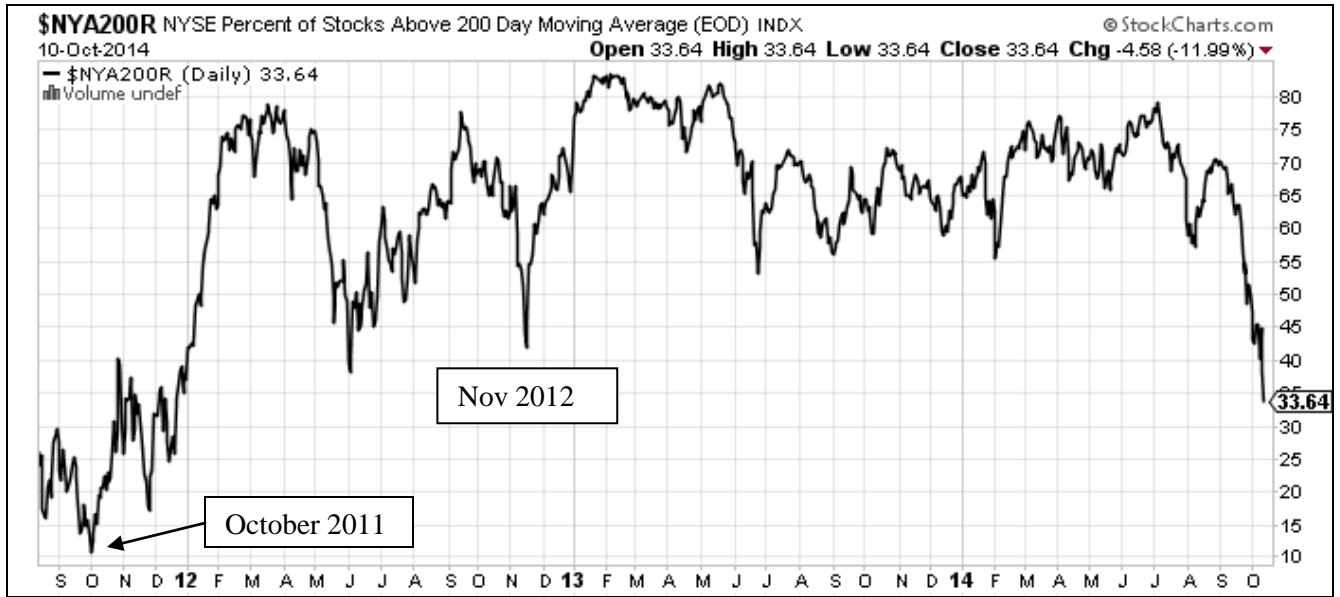
Market Highlights



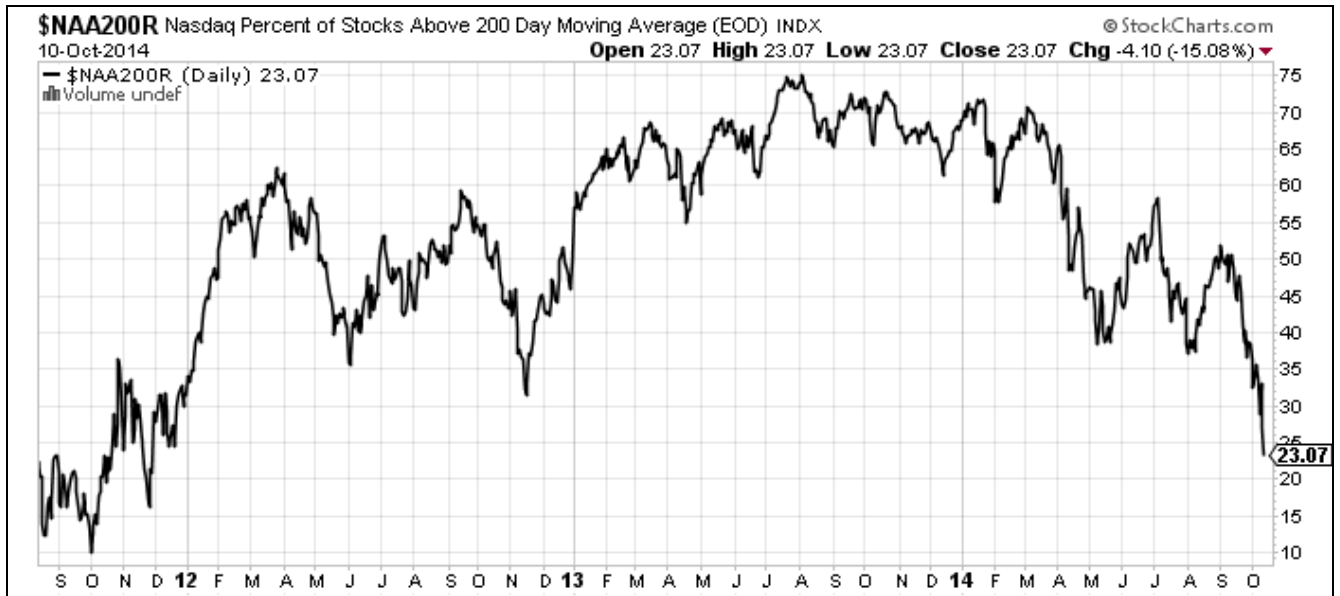
Tech ETF - Took a beating. With this sector falling, there are not enough leaders to keep the bull market going.



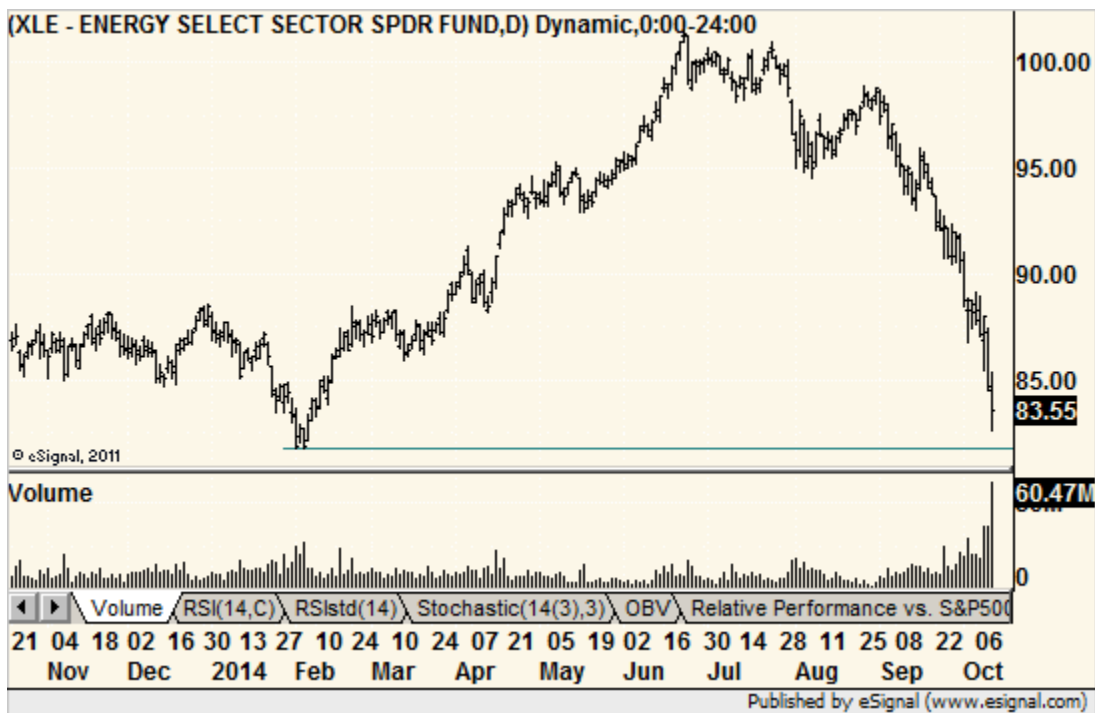
VIX - Jumped top the next level where we've seen rebounds before.



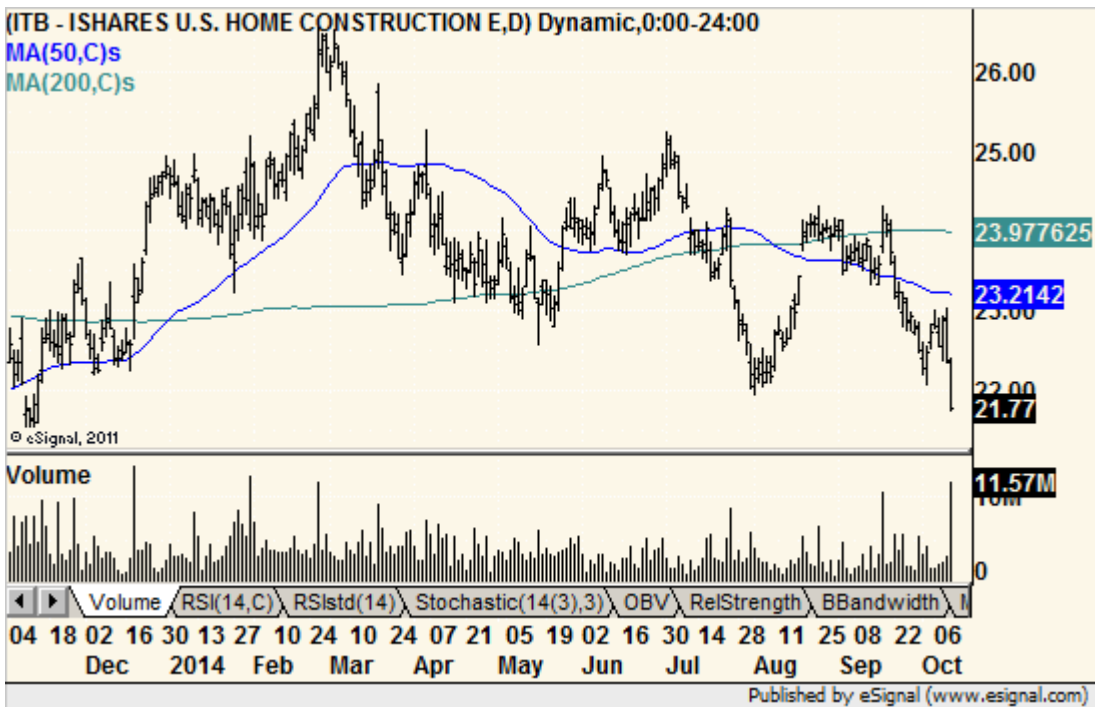
% NYSE stocks above 200-day average - Now below where it was in Nov 2012 when the bull trend started but not near the low from October 2011 after the last major correction. Currently 33%.



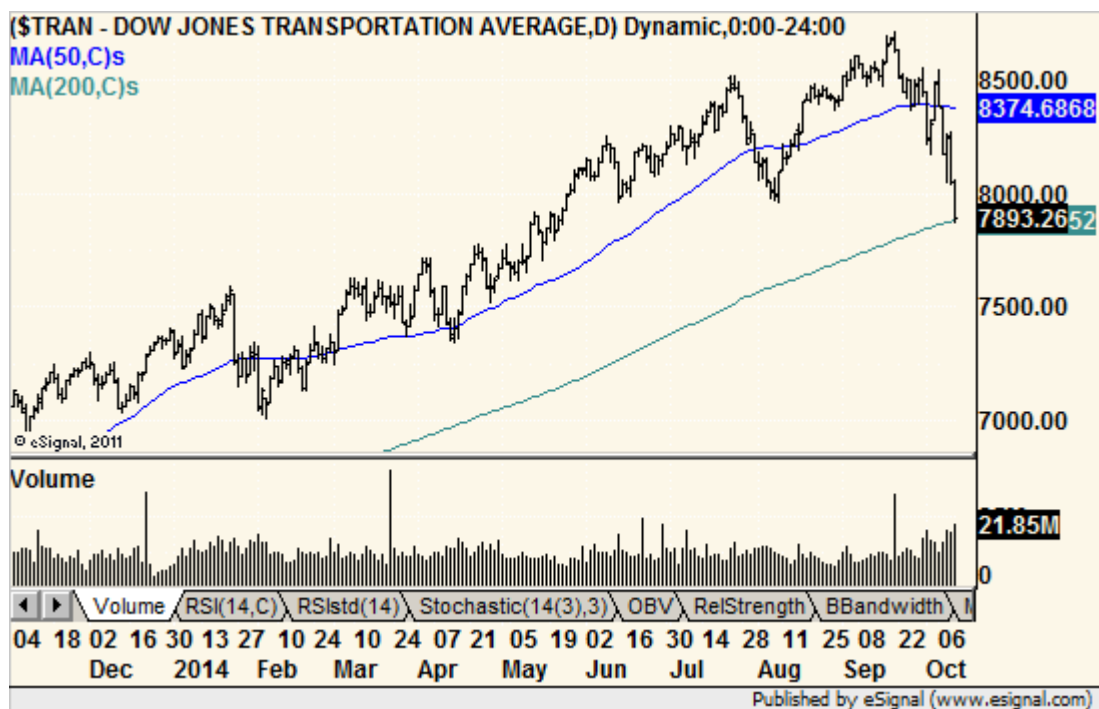
% Nasdaq stocks above 200-day average - A lot closer to the 2011 low at 23%.



Energy ETF - Getting close to support. As we can see, volume and selling got even more climactic Friday. Still need some sort of reversal sign before buying.



Homebuilder ETF - New low in the homebuilders.



Transports - Even with lower oil the transports are falling apart. Weak economy trumps lower oil.

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> | RGEN | REPLIGEN CORP | 21.64 | 7.4% | 20.75 | 20.14 | 9/30 | 11 |
| <u>Short</u> | APA | APACHE CORP | 79.91 | 19.9% | 84.00 | 95.80 | 9/15 | 26 |
| | PFE | PFIZER INC | 29.13 | 3.6% | 30.00 | 30.18 | 9/22 | 19 |
| | LLTC | LINEAR TECHNOLOGY CORP | 39.28 | 11.4% | 41.75 | 43.75 | 10/1 | 10 |
| | AXP | AMERICAN EXPRESS CO | 84.99 | 2.1% | 89.00 | 86.75 | 10/1 | 10 |

Notes: All in all a good day for us Friday. Stop on the **RGEN** tweaked. Stops on the **APA** and **LLTC** shorts trailed lower.

What we like especially is that we are naturally light in exposure in both directions as stops took us out. When the market gets this crazy, smaller positions do a great job keeping us calm.

Subscriber Corner

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Other Information

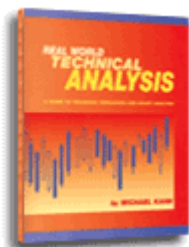
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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