

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

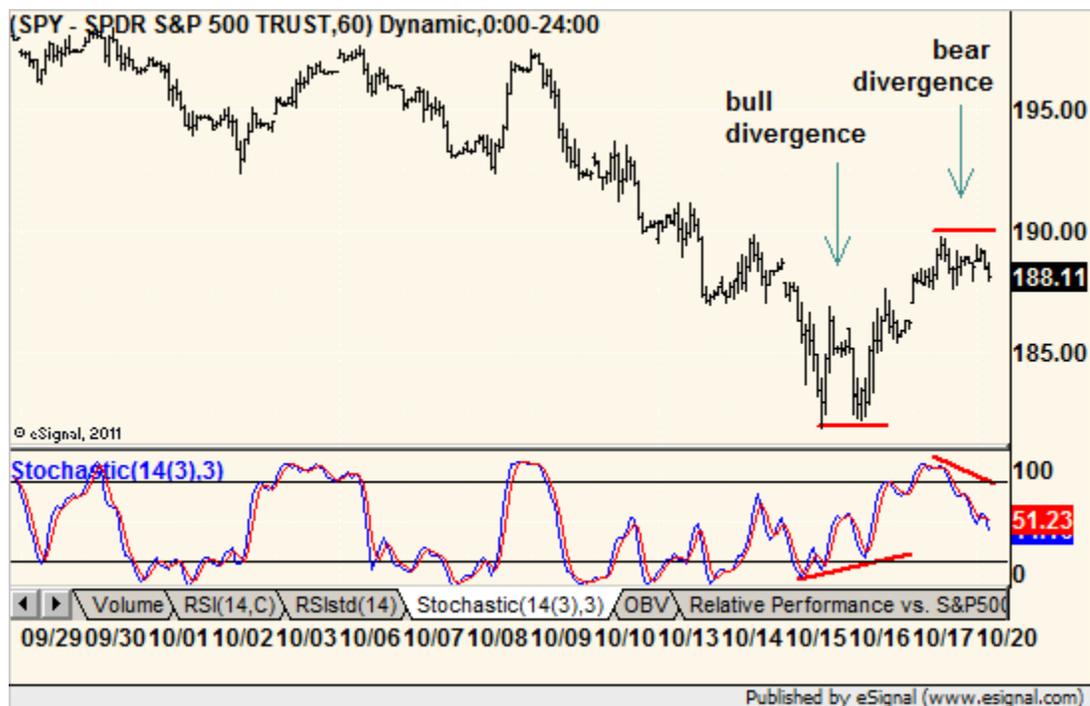
October 20, 2014 – Over the weekend, I visited my daughter at school and my wife, the planner that she is, put a bat-watching boat ride on the itinerary. At dusk, one and a half million bats come out of hiding from under a bridge in city center on their nightly feeding voyage. Think about the imagery of a swarm of small black creatures doing something en masse as everyone gathers to watch. Now, which market metaphor has come to mind?

Some might think a swarm invokes investor mass behavior. I think more of analysts coming out of hiding to chime in with their me-too forecasts of doom and a crash or joy and a bottom. Don't forget the guano falling from the sky as we watch from below.

The headlines over the past week have been nothing short of amazing. The 1987 crash anniversary - why it will happen again followed by why it will not happen again. Why falling oil is good for the transports. Why falling oil is bad for the economy. **GE** earnings are a good sign followed by Monday's 7% collapse in **IBM** on its earnings. The Fed will hold the line vs. maybe we should extend QE?

How about just calling it volatility as the market corrects? Think about this - stocks rallied 1.5% Friday but still closed down on the week. And the Russell 2000, which seemed to lead the snap back from the market's worst levels last week actually closed down on Friday. Worst to first. And back to worst.

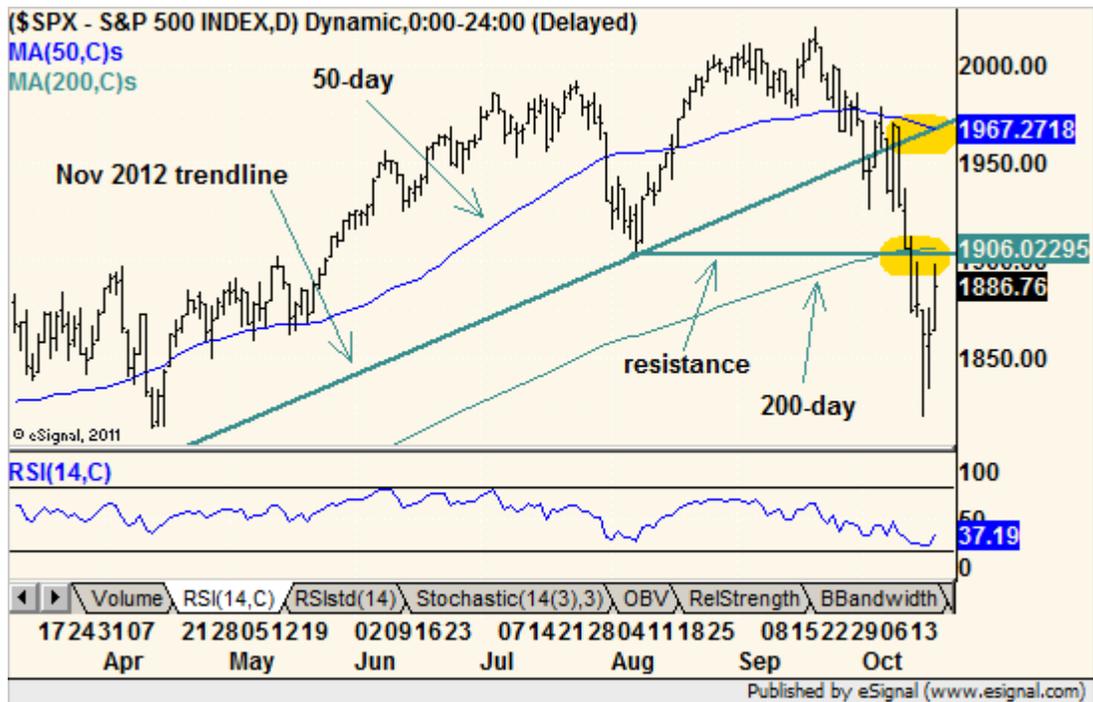
The most exciting rallies happen in bear markets. We won't call it a bear just yet but it is a correction that we believe is not yet over.



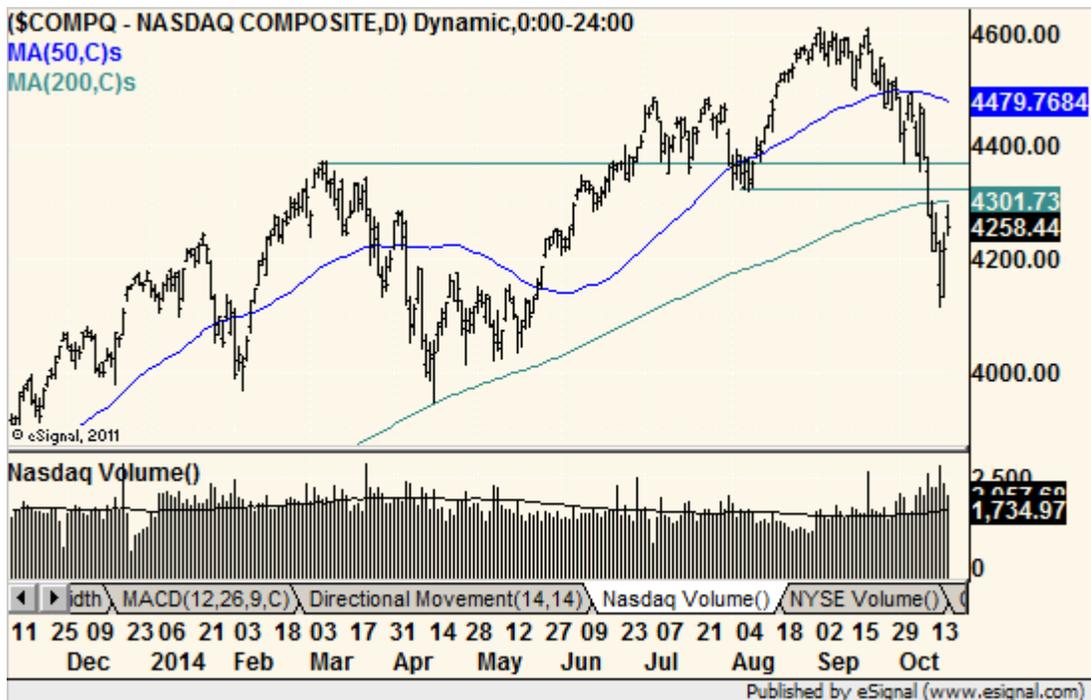
On the hourly chart, we can see the rally stalled and the overall trend is still down. The latter is hard to see here so draw your own hourly chart going back to August.

We'd advise plenty of caution, lower positions sizes and extra cash.

Index Charts of the Day



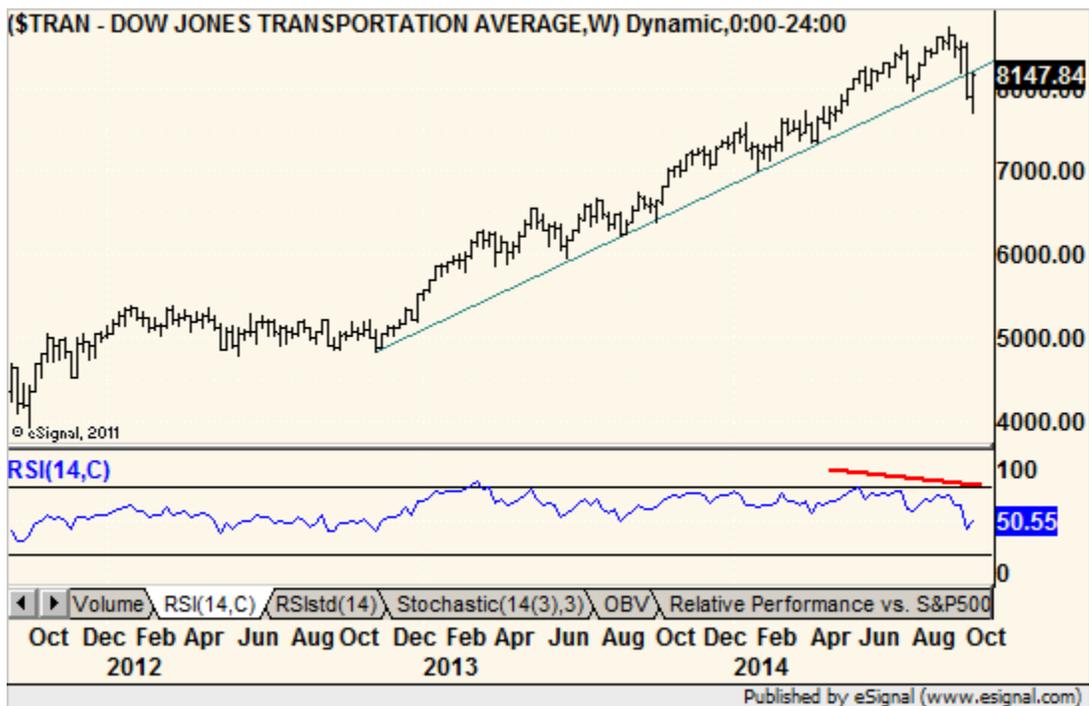
Two levels of overhead resistance. Nothing good happens under the 200-day average.



Interesting how Nasdaq volume was the lowest of the week.



The Russell closed in the red Friday (as the Dow gained 263) and now has a reversal bar and possible successful test of a major support breakdown.



Just a long-term look at the transports. Note the RSI divergence and breakdown below the beautiful trendline. Daily charts will show a dramatic improvement of relative performance but this trendline is still broken until proven otherwise.

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 | | |
|--|------------------|-------|
| Ameritrade AMTD - This was the topic for my current Profitable Trading article. Similar to SCHW , which was yesterday's free chart of the day, it is wildly oversold and at support. Waiting for the reversal signal of a close above the middle of Tuesday's candle at 30.25. | | 10/15 |
| Seadrill SDRL – The weekly chart of this energy stock is so oversold it hurts. We like the P/E of 2 but the 17% dividend is scary as in possibly not safe. Still, daily RSI is rising and this looks ready to pop. Buying now. | Triggered | 10/17 |
| Bearish Implications | | |
| none - | | |
| Unknown Implications | | |
| none - | | |
| Holding Tank - red shade leans bearish, green shade leans bullish | | |
| Hershey HSY - While a good chunk of cocoa comes from West Africa, Hershey is not affected. This chart, however, still looks ready for yet another leg lower. Just watching for now. Breakdown | Removed | 10/14 |
| Whirlpool WHR - Still in a 2014 triangle but could not lift off the lower border. Watching for a breakdown. Looks like it is going the other way. | Removed | 10/14 |
| Sector Watch (observations that may spark ideas) | | |
| Energy - Falling knife for now but sooner or later it will be overly hated. Now looks like a bullish reversal...but for how long? | Changed | 10/16 |
| Updates | | |
| Banks ETF KBE – May have actually bounced off support. | | |
| Gold Mining ETF GDX – Still in a bear flag | | |
| Greece – Giant rebound today. More worst to first. | | |

Market Highlights



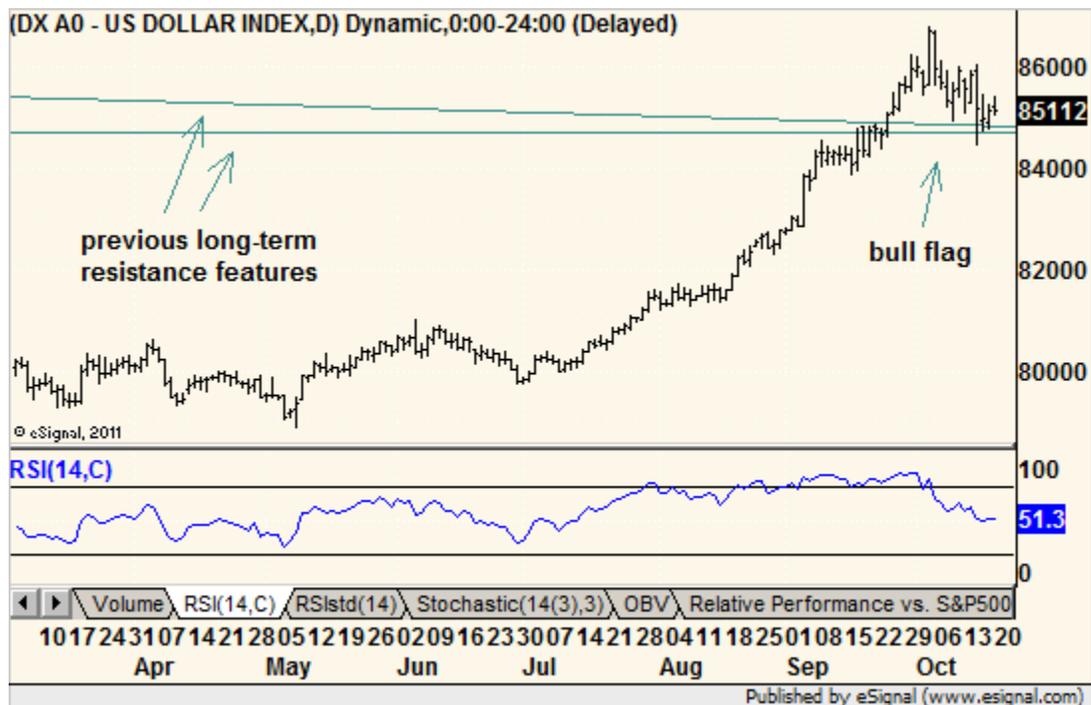
Long T-bond ETF – Friday, we wrote, "We wonder if bonds have flamed out for real." We cannot confirm that just yet but it looks very possible.



Oil ETF - Still looks like it has a dead-cat bounce left in it, if only to revert closer to the mean (200-day average). We have not changed our \$75-79 oil target (currently at 83).



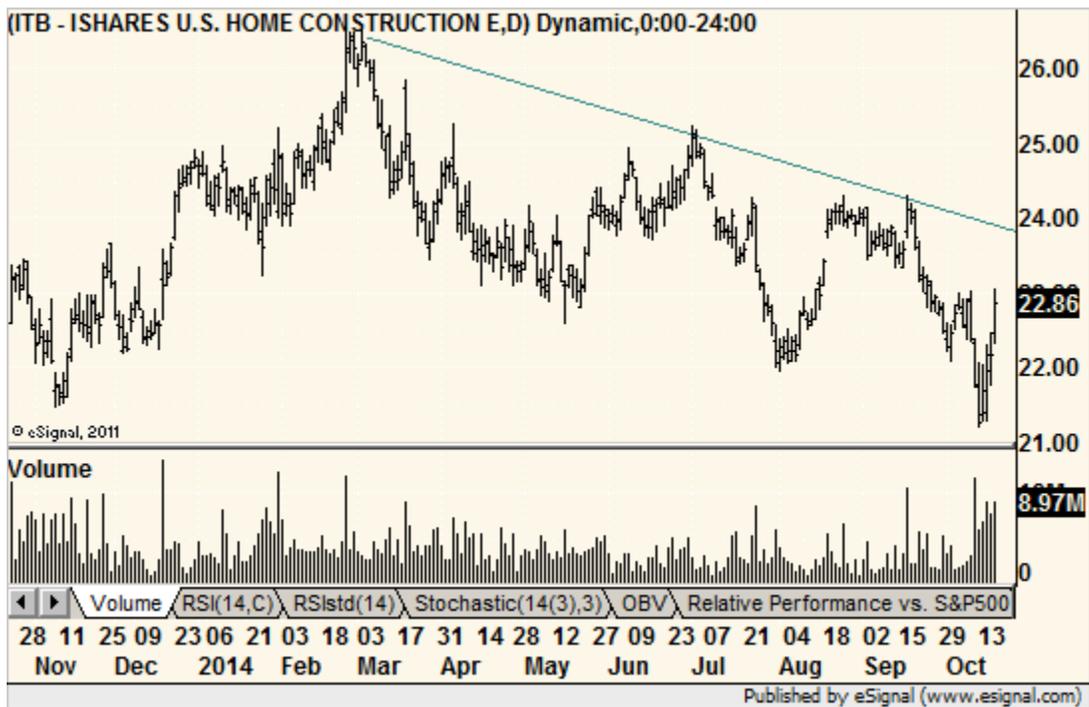
Gold ETF - Stochastics, resistance and the 50-day average all suggest the bounce is over even though prices are up slightly in the premarket. Of course, a breakout changes that in a hurry but only targets a trendline in the 126 area. Bottom line - nothing special here.



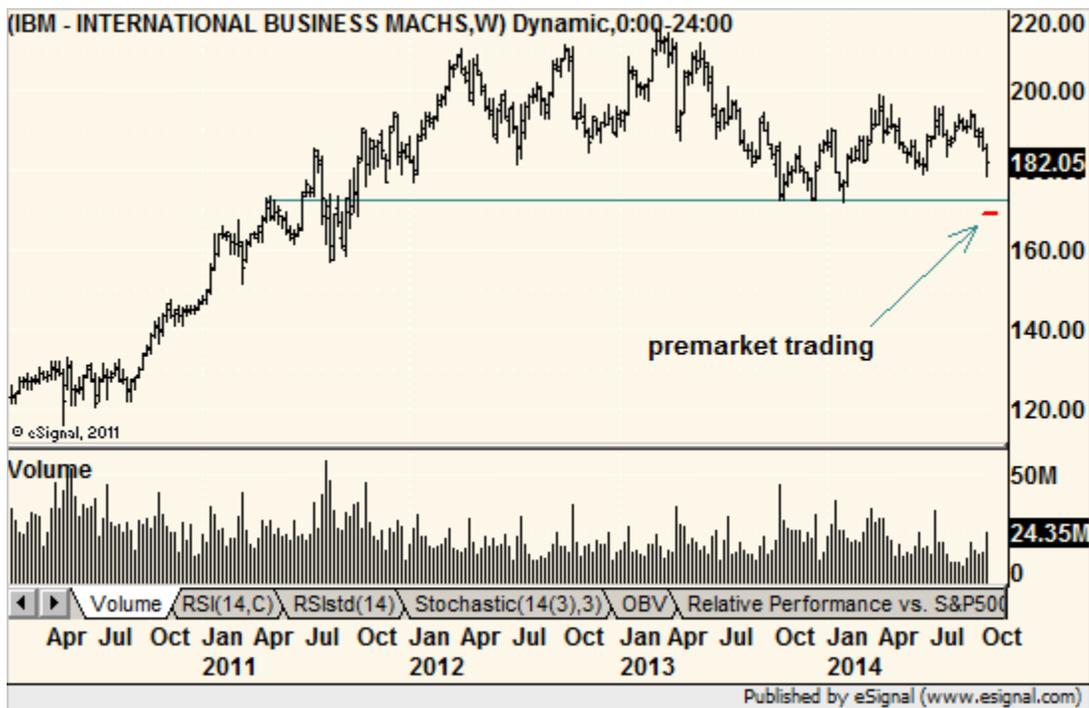
Dollar index - Still looks bullish.



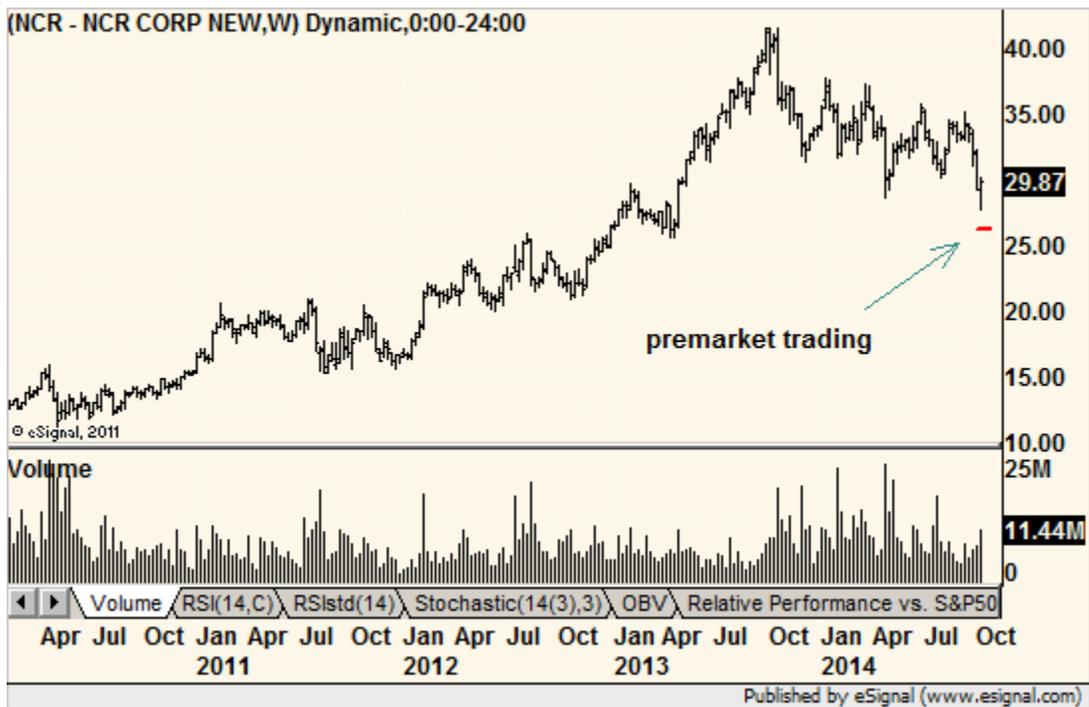
Banks ETF - Just a reminder of this major breakdown.



Homebuilders ETF - Scored a big, high-volume reversal last week but still in a down trend.



IBM - This morning's debacle.



NCR - Another tech debacle this morning.

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 | 22.50 | 11.7% | 21.75 | 20.14 | 9/30 | 19 |
| | ETFC | E TRADE FINANCIAL CORP | 20.12 | 1.2% | 19.00 | 19.88 | 10/16 | 3 |
| | SDRL | SEADRILL LIMITED | 23.06 | -3.1% | 21.90 | 23.80 | 10/17 | 2 |
| | | | | | | | | |
| <u>Short</u> | LLTC | LINEAR TECHNOLOGY CORP | 39.09 | 11.9% | 41.00 | 43.75 | 10/1 | 18 |

Notes: New long in **SDRL** at the open Friday. Disappointing start.

Raised stop on **RGEN** again and by a big amount.

We covered two shorts Friday at the open:

PFE for a, 8.5% profit in 26 days

AXP for a 7.2% profit in 17 days.

Subscriber Corner

This section is dedicated to subscriber requests for stock, futures, index and foreign exchange analysis. Send requests to <mailto:mkahn@quicktakespro.com>.

Note to Hugh: **CRR** failed to hold its potential weekly reversal although it remains deeply oversold in that time frame.

Other Information

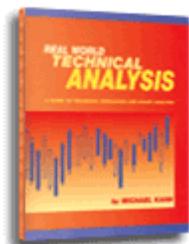
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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