

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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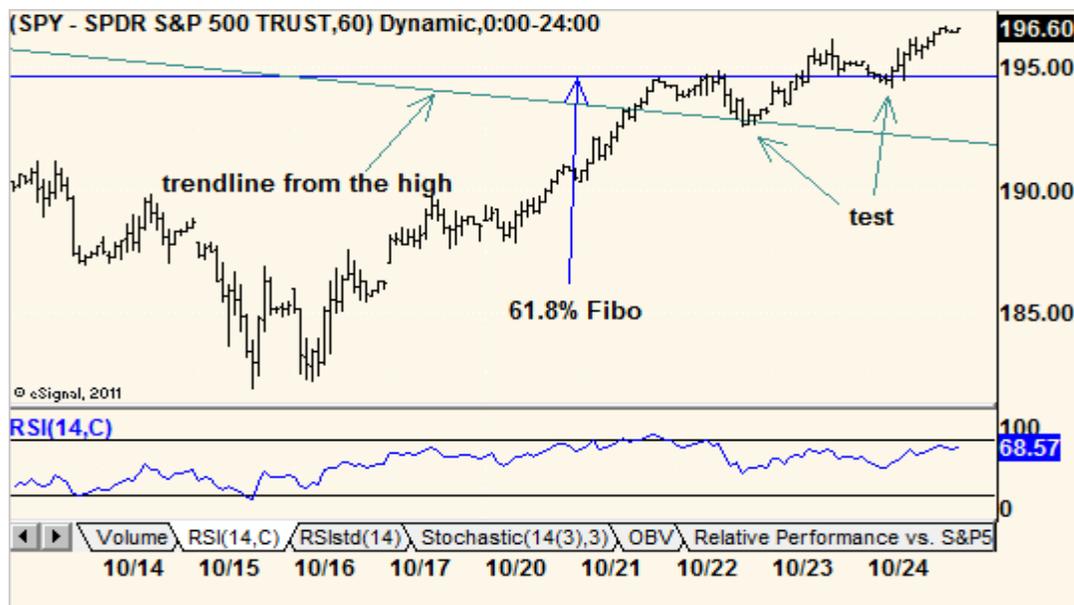
October 27, 2014 – I am in San Diego for a few days at Stocktoberfest, the annual conference by Stocktwits.com. I'll report on any investment themes and ideas as they are presented and do my best to stay on NY time to meet my deadlines. Knowing this crew, that could mean skipping out from the bar hopping.

Last week's headlines touted the market as having its best week since January 2013. Of course, it followed four down weeks in a row so some of the gain was due. However, that does not explain the size of the gain. Here is a news clip:

The market got a lift from stronger-than-anticipated housing data and better-than-expected quarterly results from companies such as Procter & Gamble Co. and Microsoft Corp. Investors shook off worries about New York's first Ebola case, which had weighed on U.S. stock futures.

Wow, the way it used to be. Too bad is all started when the ECB and Fed both made some "more QE" hints. And there is still something about how the market advanced over the past two weeks that is off in some way. Marketwatch ran a cover story this morning by a trader (not journalist) that warned of a 30% bear market based on several technical market internals. He did not give details but it had to do with the tick and block trades. The intensity of buying was not commensurate with bull trends, something he said was characteristic of bear trends. It only confirms our desire to keep it light these days.

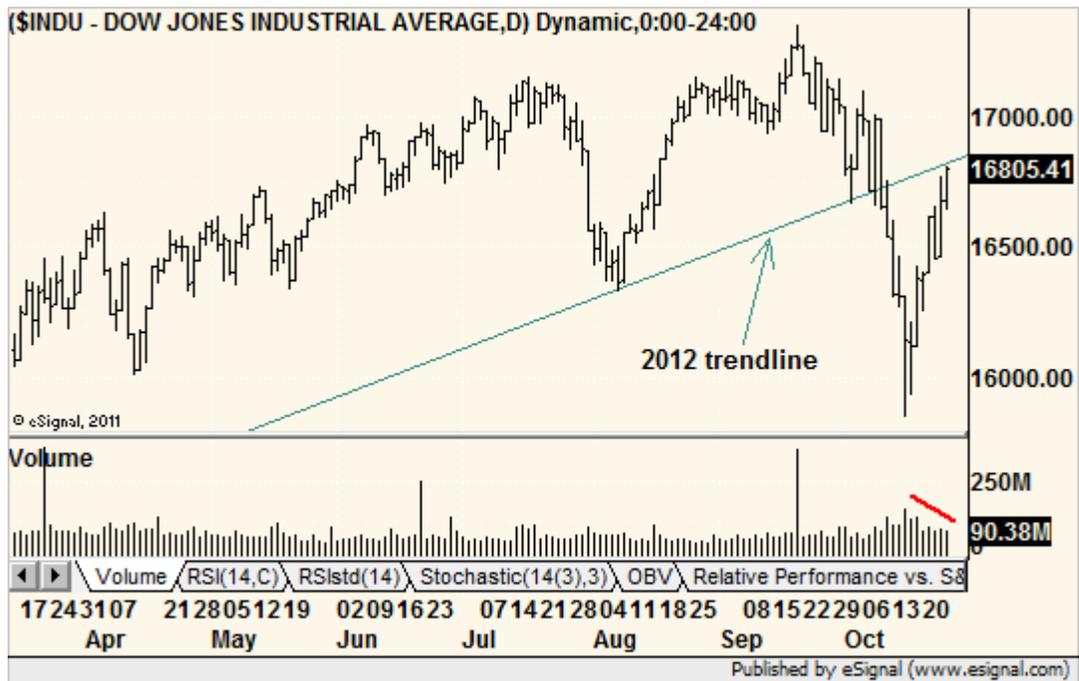
Over the weekend, we learned that 25 European banks failed their stress tests. What does it mean? Who knows but it sure does leave the door open for some "shoring up" bailouts. No predictions there.



The hourly chart busted through every resistance feature and reason to stop rising we could throw at it. We can still say the RSI divergence is in place but the only resistance left is the 50-day average, not shown just above Friday prices. The real news this week will likely be how the Fed says it will complete the taper and stop buying bonds. Will they start to buy them back? That could kill the market.

We are going to look at a bunch of weekly charts below (including our four horsemen) for some perspective. The technicals point to both a breakout in some areas and overbought, underpowered conditions in others. We are still keeping it light.

Index Charts of the Day



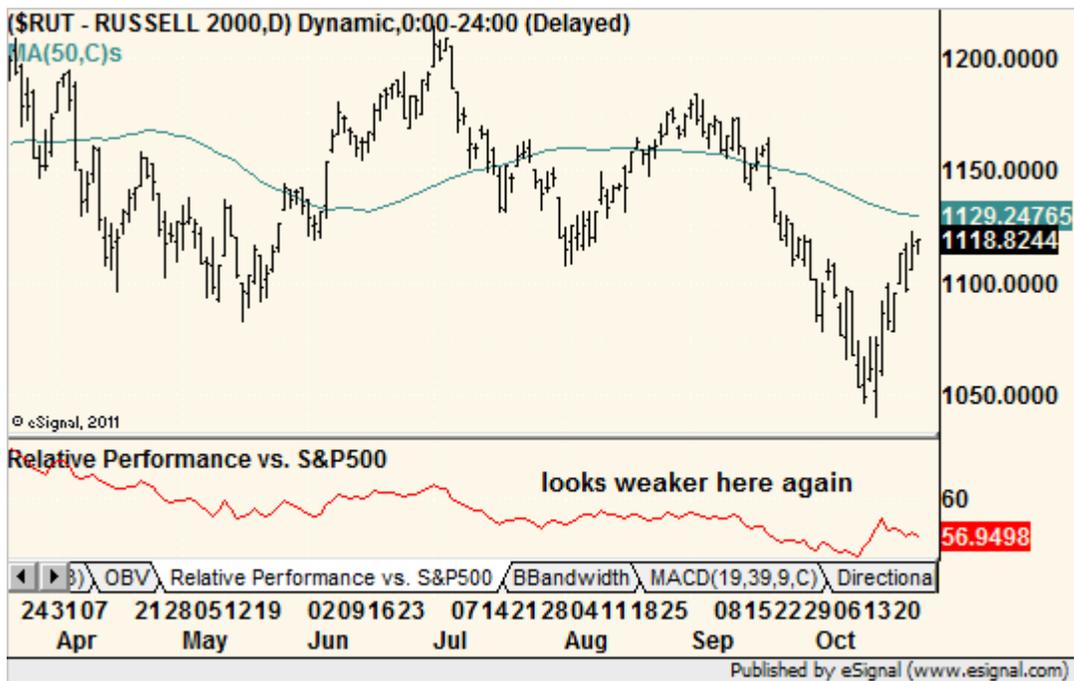
The Dow is not hitting its old trendline and yes, on falling volume.



The S&P 500 is testing its trendline and 50-day. FYOI – the spinning top candle on the **SPY** ETF we highlighted Friday was blown away.



The 2012 trendline was recaptured last week but there is lots of resistance for the Nasdaq.



The Russell 2000 was a lagging index Friday.

The Radar Screen

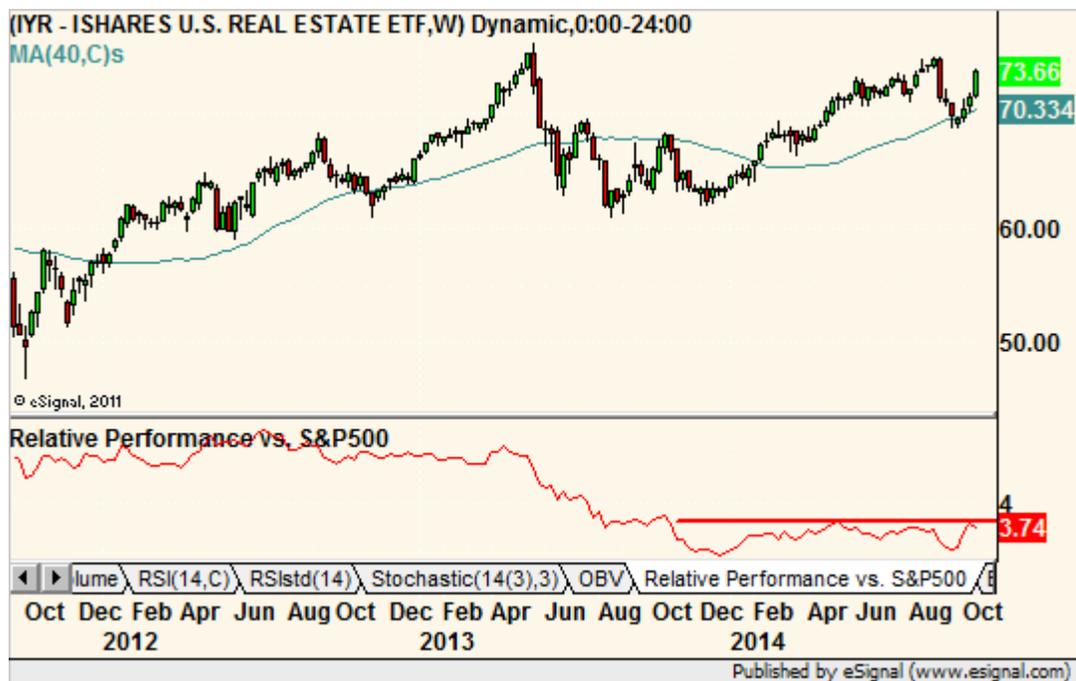
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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 | | |
|--|--------------|-------|
| Allstate ALL - A failed breakout from a range and trendline puts this on a bullish watch. Looks like a breakout now so we're in. | Moved | 10/22 |
| Bearish Implications | | |
| none - | | |
| Unknown Implications | | |
| none - | | |
| Holding Tank - red shade leans bearish, green shade leans bullish | | |
| Pep Boys PBY - This auto parts retailer is pulling away from its lower Bollinger Band, near support with rising RSI. A good one to watch here. | | 10/22 |
| Discover Financial DFS - This credit card stock is on bear watch. The trendlines are from two lows in 2013 and 60 seems to be the key. A move under that would be quite bearish. | | 10/24 |
| YY Inc YY - We found this Chinese social network stock on the Long Island Stock Traders list. They like the fundamentals but we like the breakout. It was up over 4% Friday so we think it needs to rest but the resistance and 50-day average breaks are nice. We also think China is better than other markets. | New | 10/27 |
| Sector Watch (observations that may spark ideas) | | |
| Energy - bounce may be over | | 10/16 |
| Banks - KBE ETF reversed to the downside after hitting the bottom if its broken nine-month triangle | | 10/23 |
| Updates | | |
| Amazon AMZN - trendline breakdown | | |
| Delta Airlines DAL - It was up after we suggested taking profits Friday but that looks OK to us | | |
| Brazil ETF EWZ - This one is going to tank at the open following the weekend Presidential election. | | |

Market Highlights



YY Inc – We found this Chinese social network stock on the Long Island Stock Traders list. They like the fundamentals but we like the breakout. It was up over 4% Friday so we think it needs to rest but the resistance and 50-day average breaks are nice. We also think China is better than other markets.



REIT ETF – Could be a weekly cup-with-handle but we'd like to see a breakout in relative performance along with any absolute price breakout.



Financials ETF – The weekly view shows the trendline from 2009 and 40-week average recaptured. Momentum is barely above the midline. It may not be a breakdown but it is no leader.



Technology ETF – It's back above its trendline and 40week average. It also scored a weekly morning star candle pattern so this one looks pretty good relative to others.



Retail ETF – This one looks like it is testing a triangle breakdown. If it can climb back into the triangle than we look for resistance at the top of the pattern.



Homebuilder ETF – Yes, it was a good week but overall this sector has gone nowhere for years. No reason to expect that to change at this time.



Long T-bond ETF – In the weekly view it looks like a channel failure with a giant gravestone doji and bearish engulfing line. In other words, it leans bearish.



Dollar index – The weekly view reminds us of the long—term breakout and bull flag in progress to relieve overbought conditions. The daily chart shows an arguable breakout from the flag.

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> | SDRL | SEADRILL LIMITED | 23.69 | -0.5% | 23.25 | 23.80 | 10/17 | 8 |
| | AMTD | TD AMERITRADE HLDG CORP | 31.31 | 1.6% | 30.25 | 30.80 | 10/21 | 4 |
| | MANH | MANHATTAN ASSOCS INC | 37.35 | 6.5% | 35.00 | 34.93 | 10/21 | 4 |
| | LOCK | LIFELOCK INC | 15.87 | -0.3% | 35.50 | 15.91 | 10/24 | 1 |
| | | | | | | | | |
| <u>Short</u> | LLTC | LINEAR TECHNOLOGY CORP | 40.89 | 7.0% | 41.00 | 43.75 | 10/1 | 24 |

Notes: Sold **RGEN** at the open for a 16.5% profit in 25 days

Trailed stop in **MANH**.

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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