

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN
RESEARCH LLC

October 30, 2014 – The news is out and the initial reaction was rather benign. QE is over but interest rates are not going anywhere anytime soon, so says the Fed. Everybody knows that, so says the Geico advertisements. And what everybody knows is not worth knowing, so say veteran traders everywhere.

There are some very strong arguments for a rising stock market from earnings to such technicals as failed breakdowns, seasonality and a Zweig breadth thrust. The Russell is actually trading back above its 200-day average, albeit not by much.

But on the other side, the end of QE is the end of QE whether everyone knows it or not. Buy the rumor sell the fact seems to be the case today as global markets are red. The glaring exceptions are India and China which are both at new highs.

Global growth is in question, especially in Europe, and the elimination of the punchbowl in the US does indeed mean less liquidity for everyone.



Getting back to technicals, the hourly chart shows a bowtie-like look as trendline from any of three origins are now broken to the downside with overnight selling. We'll need to see a move under support at 195 to really confirm things but for now the bears seem to be in charge after a long period of ineffectiveness.

Elsewhere, we are not quite sure what happened in the energy sector yesterday. A big morning rally followed by a weak close shook things up but at the end of the day this sector is still lagging. And crude and Brent are both falling this morning. Perhaps the confirmed breakout in the US dollar index has something to do with that.

Grains have been rather string this month. Softs (coffee, sugar cocoa have been weak. Look at a bottoming pattern in cotton.

That's it. We now have to see which argument wins in the stock market. We are going to lighten longs and **completely empty the Radar Screen** until we see what shakes out from the Fed's move.

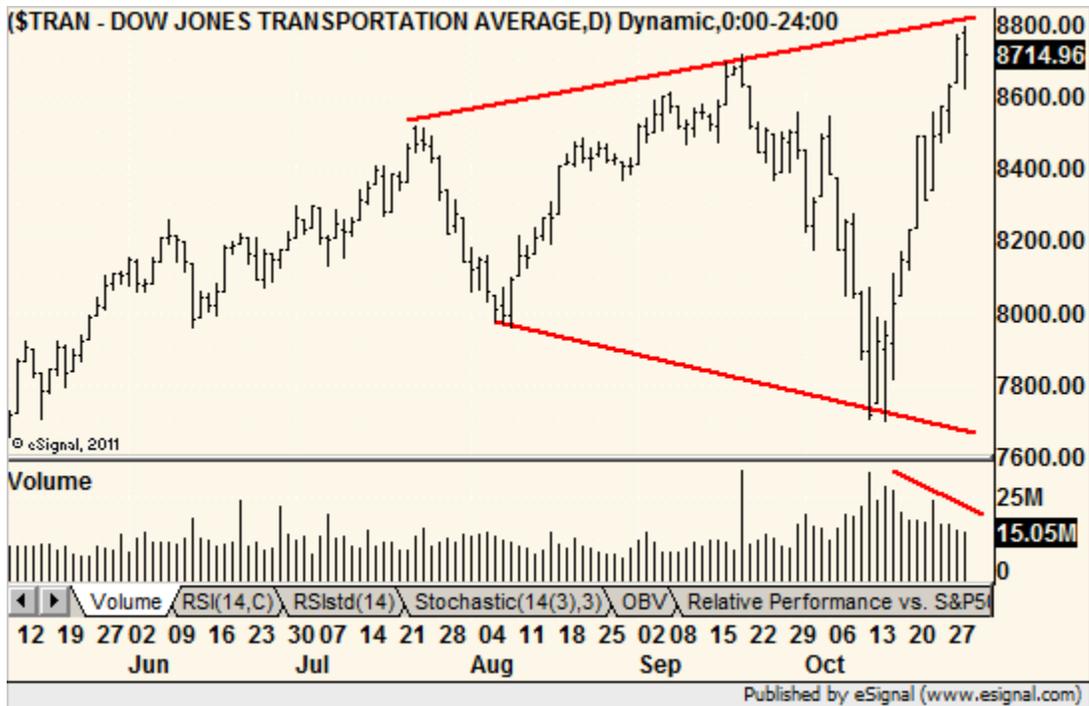
Index Charts of the Day



The S&P 500 looks like it will lose the 2012 trendline again today and that means it never really recovered after its breakdown. The test was successful. Bears win. Of course, we are using a few hours of trading to talk about what could be a weekly time frame signal and that is a bit presumptuous.



A high-volume harami (inside day) suggests that the trend is tired. The amount of volume traded tells us that supply kept coming and demand could not make any headway - also leans bearish.



The transports scored a one-day reversal near the top of what could be an expanding triangle pattern. Bearish.



The Russell ETF had a nice Tuesday but it has run into problems already.

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.

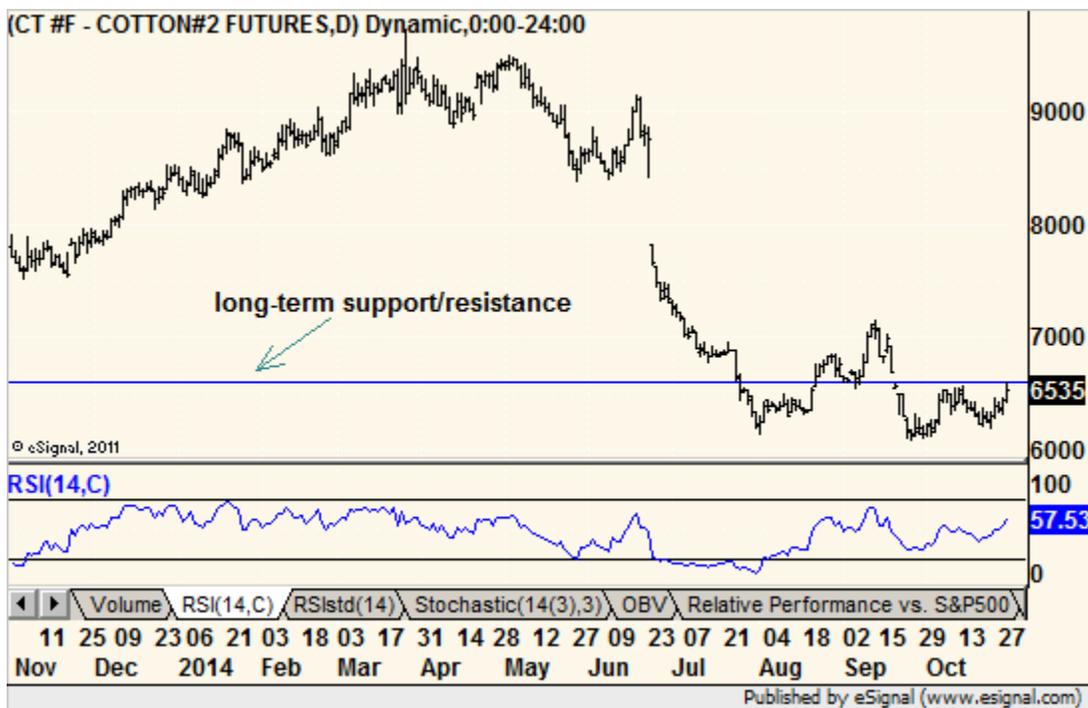
>> We have removed everything as we wait for the Fed fallout. The market needs
>> to tip its hand before we make new calls.

Bullish Implications		
none -		
Bearish Implications		
none -		
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
none -		
Sector Watch (observations that may spark ideas)		
none -		
Updates		
Twitter TWTR - We still see an unrealized downside target in the 38-39 area.		

Market Highlights



US dollar index - Cannot argue with the breakout despite the post GDP decline this morning. The other lines are long-term resistance features that were broken to the upside and now tested.



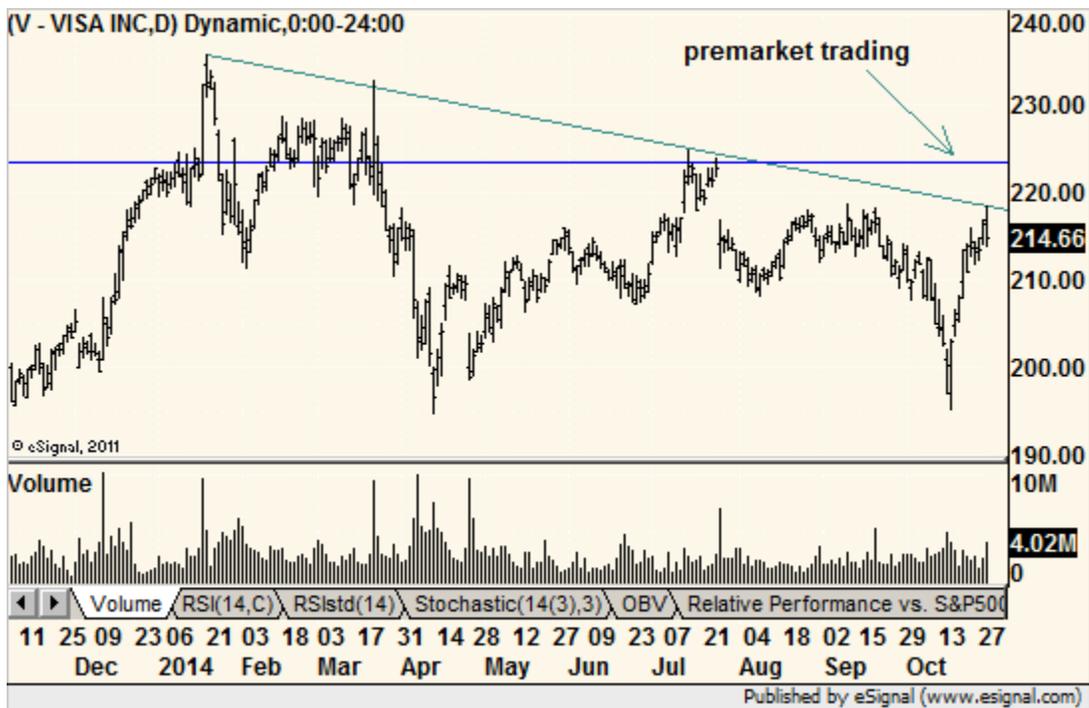
Cotton - We are not suggesting to trade cotton futures but this bottoming pattern and RSI divergence could raise input prices for clothing manufacturers.



Utilities - No doubt a leader recently but a bear reversal at the inside trendline (a trendline inside the pattern that hits highs and low) suggests caution. A drop below the horizontal support line would suggest the end of the rally. However, until all that happens, this is still not bad.



Amazon - It looks like the P/E chickens are coming home. It already broke the 2008 trendline and now sits on critical support. Apparently not making any profits for years is taking its toll. Coincidentally, the chart now looks like gold did in 2011-2012.



Visa - Credit cards are not dead as earnings show. Still this does not look like a good time to buy it with resistance in place after a steep rally.



Healthcare ETF - Still the market's leader but volume data do not support much more gain from here. This was the last man standing in terms of market leadership so if it falls there will be nothing left

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>	AMTD	TD AMERITRADE HLDG CORP	32.96	7.0%	32.00	30.80	10/21	8
	MANH	MANHATTAN ASSOCS INC	38.68	10.7%	37.50	34.93	10/21	8
	LOCK	LIFELOCK INC	15.50	-2.6%		15.91	10/24	5
	ALL	ALLSTATE CORP	62.98	0.4%	62.00	62.71	10/27	2
	KKD	KRISPY KREME DOUGHNUTS INC	18.37	0.7%	17.75	18.25	10/28	1
<u>Short</u>								

Notes: Stopped out of **LOCK** as it got smashed yesterday. Small loss.

Raised stops on longs to keep them extra tight. **ALL** formed an evening star pattern so we set the stop just under the pattern, which, if hit, would conform the reversal. If not, we're still participating.

Subscriber Corner

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

>> If you need a two-pager on any topic, just ask. If we have one, we'll send it.

Other Information

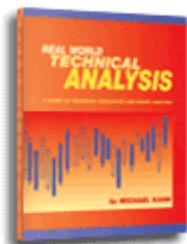
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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