

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN
RESEARCH LLC

July 3, 2014 - Considering the rally on Tuesday, Wednesday's action seemed to be a victory for the bulls. It would have been a good time for a pullback and nobody would have faulted the bulls for allowing it to happen. The only casualties were the Russell and midcaps, which did give back a bit.

Technically, the Russell's decline gave the bears hope as it happened at resistance. We'll see this, as well as the Nasdaq's doji, below in Index Charts of the Day.

Today is going to be a half day of trading as markets close early, and of course, tomorrow will be closed all day, for the Independence Day holiday. As a result, the June jobs report will be issued today and traders will have to cram their activities into the morning hours.

The ADP report yesterday suggested today's report will be good - and it was. What will be more important is how the market reacts after the initial knee-jerks. It has been on a tear since May and is now either overbought (Nasdaq) or sporting waning momentum (S&P 500). Bonds, however, do not like it at all.

Bonds arguably broke down yesterday. Trendlines are not perfect across futures, ETFs and yields but it has been a very weak two days in long Treasuries and we may now be on the path to higher interest rates. The 4% level is not an outrageous target (vs. 3.466 today) and that's where it was as recently as December. Will that kill housing? Dividend paying stocks? Just thinking out loud.



Not much changed in the hourly chart in the past day and the trend is still up. Will the knee-jerk action following the jobs report leave a reversal? We'll see.

Gold recovered from a morning dip yesterday but is dipping again today. And oil continued to ease lower in what we have been calling a needed correction. See **USO** chart below.

Have a good long weekend and if you are dabbling in fireworks, please be careful!

Index Charts of the Day



The Nasdaq now sports a doji candle of uncertainty. After a rally, this does suggest caution but a decline is not mandatory. Two weeks ago, it ended with an upside breakout. However, it was not overbought back then.



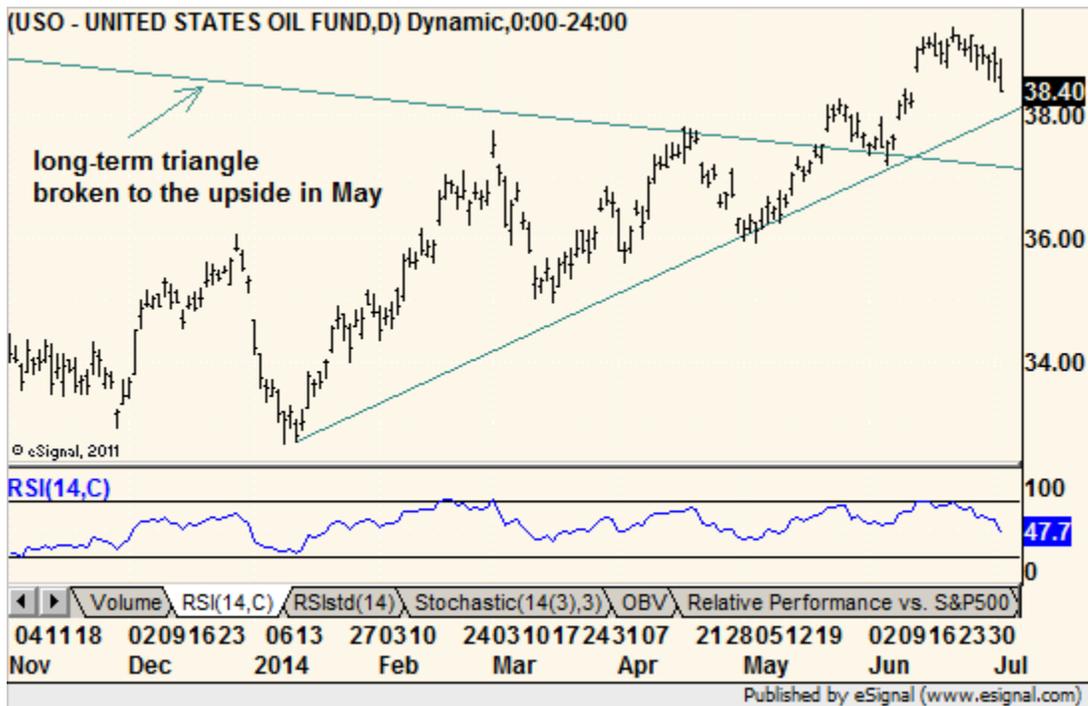
Resistance on the Russell may be winning but the rising trendline is also intact.

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		
Verizon VZ - Is this high dividend payer readying for a triangle breakout? Yes! Buying over Tuesday high 49.52. Big dividend goes ex-div on July 8.	Moved	7/2
Bearish Implications		
Chubb CB - More problems in insurance. This one has a potential double top and already sports falling on-balance volume. Sell under 91.70		6/30
American Financial AFG - This property & casualty insurer is in a rising wedge with an on-balance volume breakdown. Sell 58.75	Moved	6/30
Unknown Implications		
none -		5/28
Holding Tank - red shade leans bearish, green shade leans bullish		
Hartford Financial HIG - Ascending triangle. Waiting to see how it breaks.		6/24
Australia ETF EWA - Nice rectangle.		6/24
US Bancorp USB - Not sure which way this goes. A cup-with-handle leans bullish but a failed breakout last week leans bearish.		6/30
Wal-Mart WMT - Falling wedge sets up a breakout but on-balance volume hints that nothing is coming. Wal-Mart suppliers index soaring (WMX)		
Sector Watch (observations that may spark ideas)		
Energy - <u>Still looking for a pullback to buy</u>		6/26
Credit Cards - possible breakout		
Updates		
Australia dollar ETF FXA - Fell sharply after breaking out but still officially testing it. Any weaker and the breakout will fail		

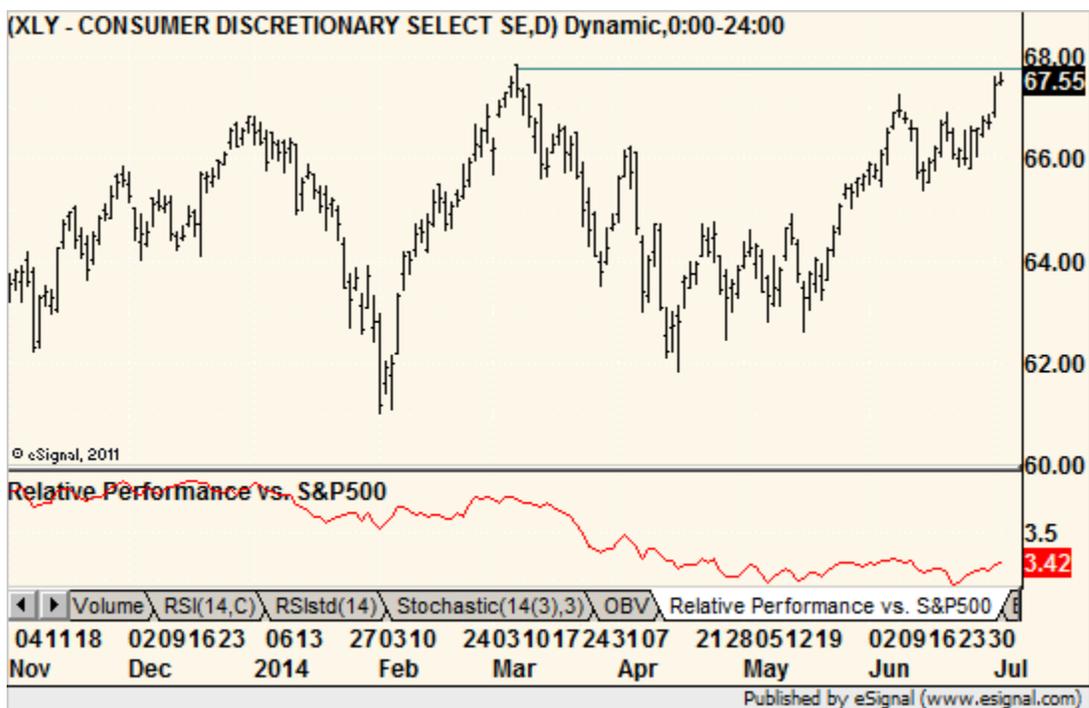
Market Highlights



Oil ETF - Still easing lower to test the trendline.



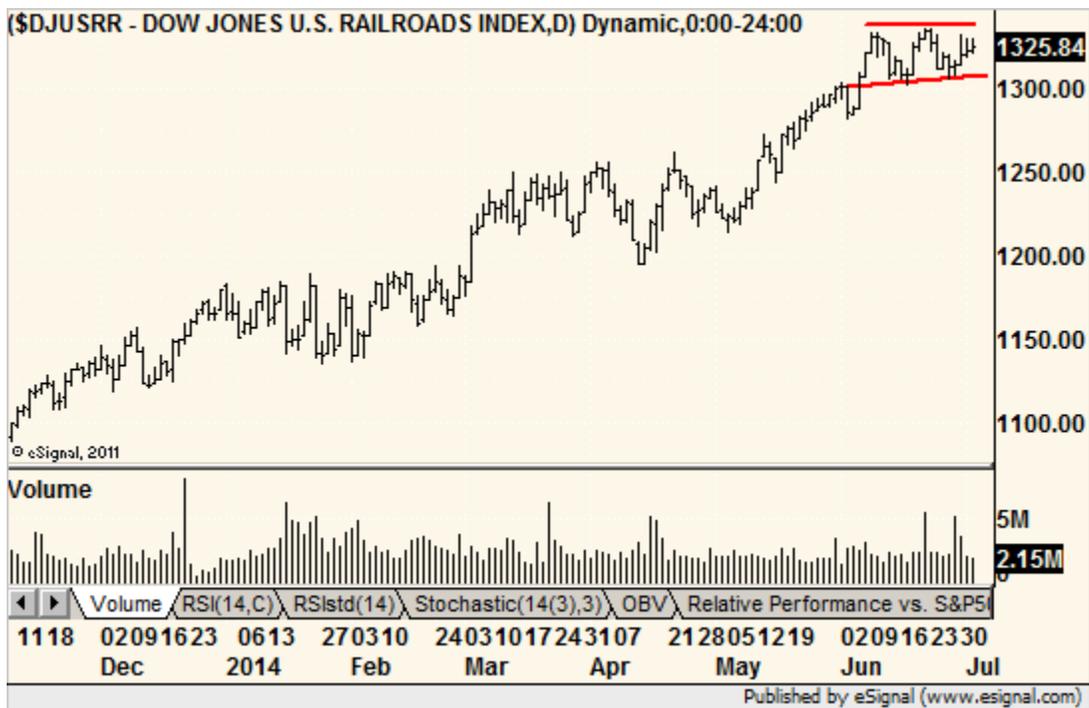
Dow Utilities - One down day does not make a bar market but it was a doozy. Keep in mind that the trend, support and even 50-day average are all intact.



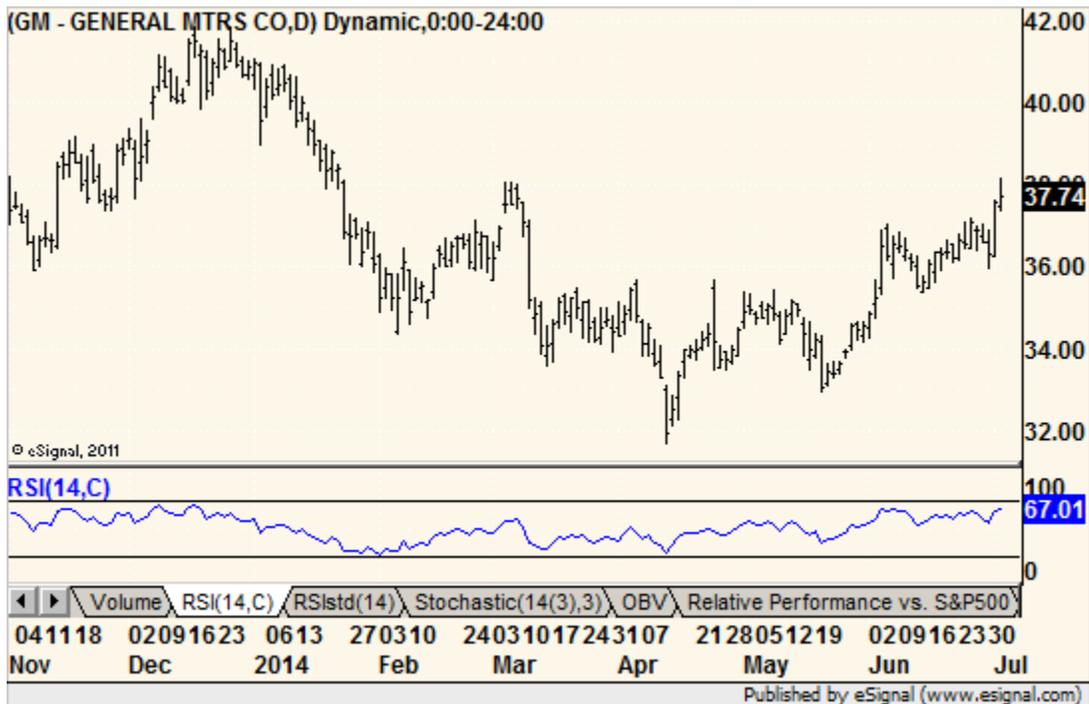
Consumer Discretionary ETF - It may still be lagging badly but this sector is finally back to its March levels. We'd take this as a positive for the market although a breakout would be better.



France CAC index - We do not see a whole lot of problems in Europe but this chart keeps popping up. France has a breakdown and now a bear flag. The **EWQ** ETF is similar but much choppier.



Railroad index - A nice consolidation but yesterday saw some big gainers in the group (GBX, WAB, GSX). The stock we think looks similar to the sector, if we ignore the January collapse, is **KSU**



GM - Considering all the bad news, this stock looks pretty solid.

The Big Picture

In this section, we take a macro look at things.

Musings about 1987

We got to thinking about how "sell in May" seems to be failing miserably this year. Tom McClellan points out that the second year of a President's second term does seem to have this characteristic. But we think there is more. When else did it fail? 1987.

What else was going on back then?

- Unrelenting bull run without correction.
- Bonds rising for a good clip and then breaking down (happened in April or May 1987)
- Gold breaking out from a pause following a big decline (also in April)

That seems to be very similar to today. We have been thinking the higher this goes the worse it will be when it cracks. Even fundamental0 traders say the market has lost its link with the economy and the economy is not exactly tearing it up.

October seems to be the right time frame - right before the mid-term elections.

Just to be clear, we are talking about a big correction. Nobody can call a crash.

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. 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>	WYN	WYNDHAM WORLDWIDE CORP	75.99	3.4%	72.50	73.50	5/30	33
	KMI	KINDER MORGAN INC DEL	35.75	5.0%	34.50	34.05	6/4	28
	MRO	MARATHON OIL CORP	39.62	6.9%	39.00	37.07	6/5	27
	GOOGL	GOOGLE INC	590.78	6.0%	560.00	557.11	6/5	27
	ILMN	ILLUMINA INC	182.25	11.1%	sold	164.09	6/5	27
	HSY	HERSHEY CO	96.90	-1.1%	sold	98.00	6/6	26
	RGLD	ROYAL GOLD INC	76.23	14.2%	72.00	66.77	6/12	20
	KEYW	KEYW HLDG CORP	13.25	14.0%	12.25	11.62	6/13	19
	MYL	MYLAN INC	52.14	4.1%	50.00	50.11	6/17	15
	LLY	LILLY ELI & CO	62.70	1.1%	60.00	62.03	6/20	12
	IBB	ISHARES NASDAQ BIOTECHNOLOGY	264.55	3.5%	255.00	255.64	6/20	12
	UTX	UNITED TECHNOLOGIES CORP	115.00	-2.6%		118.11	6/20	12
	COL	ROCKWELL COLLINS INC	78.93	-1.8%	78.00	80.34	6/23	9
	PAYX	PAYCHEX INC	41.00	-1.6%		41.65	6/23	9
	BMY	BRISTOL MYERS SQUIBB CO	48.24	-0.1%	47.50	48.30	6/23	9
	DDD	3-D SYS CORP DEL	62.24	8.4%	59.00	57.42	6/26	6
	MTZ	MASTEC INC	30.60	2.3%	29.00	29.92	6/27	5
<u>Short</u>	none							

Notes: Stopped out of two longs. **UTX** never got going and defense as a sector weakened. **PAYX** look excellent Tuesday but on Wednesday just wobbled, ticking the stop out. Small losses for both.

Raised stops on **GOOGL**, **RGLD** and **IBB**

Finally, you can see the P/L on the two longs sold at the open Wednesday. Nice gain on **ILMN** as it hit resistance. Disappointing but small loss on **HSY** as it never did anything.

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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