

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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**July 15, 2014** - The Dow now has 17K part deux under its belt but volume was pathetic. Yes, we know volume has not been that useful for the past few years and that is why we look at all aspects of it to make determinations. All major market ETFs, except for the mid-cap **MDY**, were very low on volume Monday. NYSE and Nasdaq exchange volumes were very low. Perhaps it was just because the entire gain really happened before the open or worse, the market truly is running out of juice.

We're selling two positions from the Advice Tracker today as we think they've had their run. As we said, we're looking to lighten up as the market rises.

Gold was a bigger story yesterday as it dropped 31 bucks. We have the chart below and the story is that it landed on support (futures, not the ETF). It sure looks like a shake-out to us as weak hands get unceremoniously bounced from the arena. One Twitter follower said he got a "Vector Vest" buys signal, presumably from the software of the same name. We are not pushing that signal on you but we are also not leaving this market. The weekly chart looks pretty good to us.

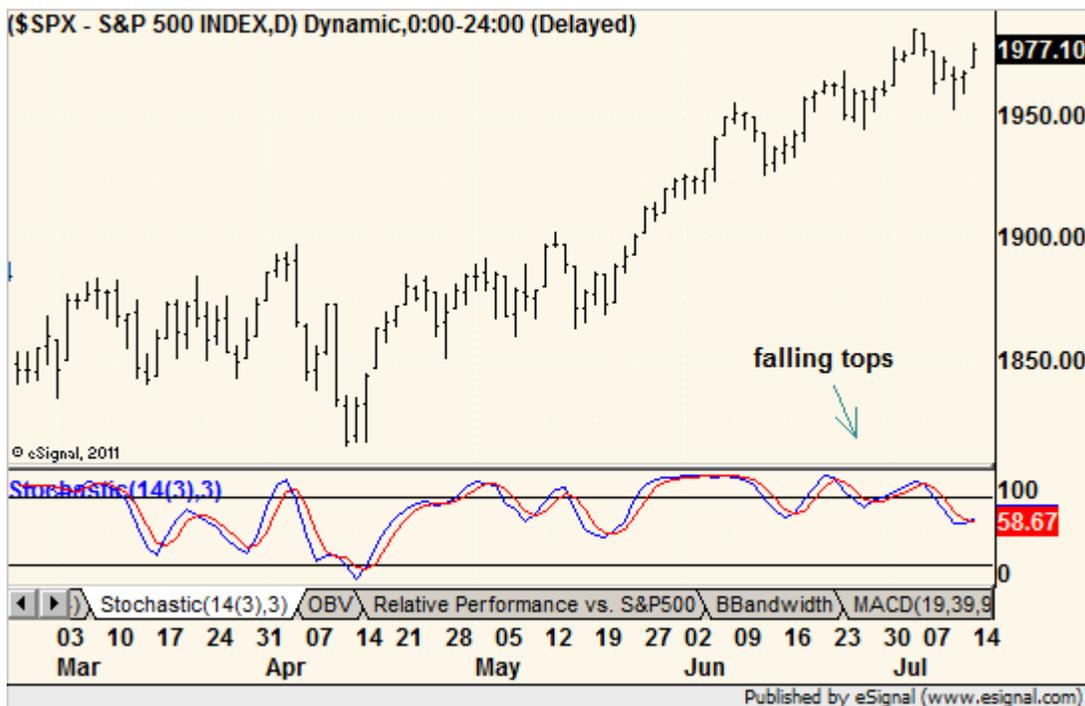
Oil probed a new low before bouncing. It left another reversal bar and the last time it did that it gapped down the next day (we did not bite as it happened right after a trend break). This time, however, the oil ETF landed on an old trendline and support. It is soft in the premarket but we are going to buy a stock ETF as it hit its own support (chart below).

In sectors, utilities broke down, banks jumped but closed very poorly and the **XLK** tech ETF gapped up to a new high (**IBM** breakout, strong **AMZN**, **AAPL**, **INTC**). We are watching the latter, however, to see if it holds. If not, that could have been an exhaustions gap.

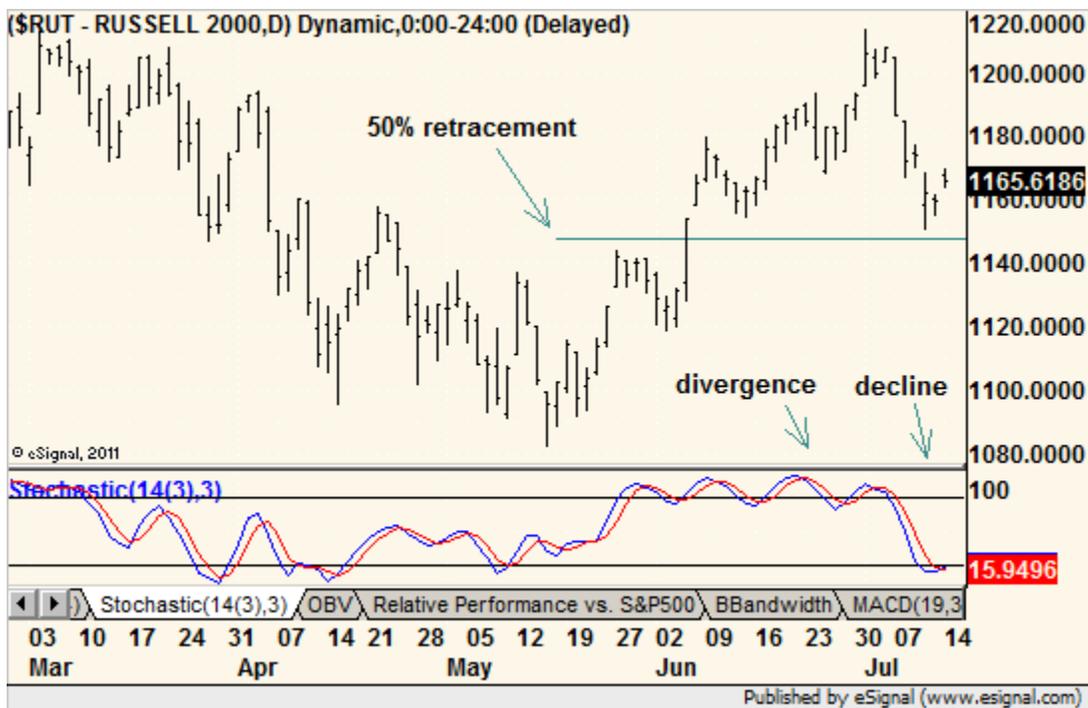


Not much change in the hourly **SPY** chart although we can argue for a bull flag right here. Again, we are not so interested in adding new money as we are not convinced all is well technically. The smallcap Russell 2000 has barely recovered any of its July losses suggesting a lower appetite for risk.

## Index Charts of the Day



Stochastics is not a good overbought indicator in rallies but when we see a divergence like this we take note. The index is closing lower in its range and that is a warning (not a sell signal).



The Russell shows the stochastics divergence that is now seen in the S&P 500 chart above. It also shows the weak bounce off the 50% retracement level. This is not your leader.

## The Radar Screen

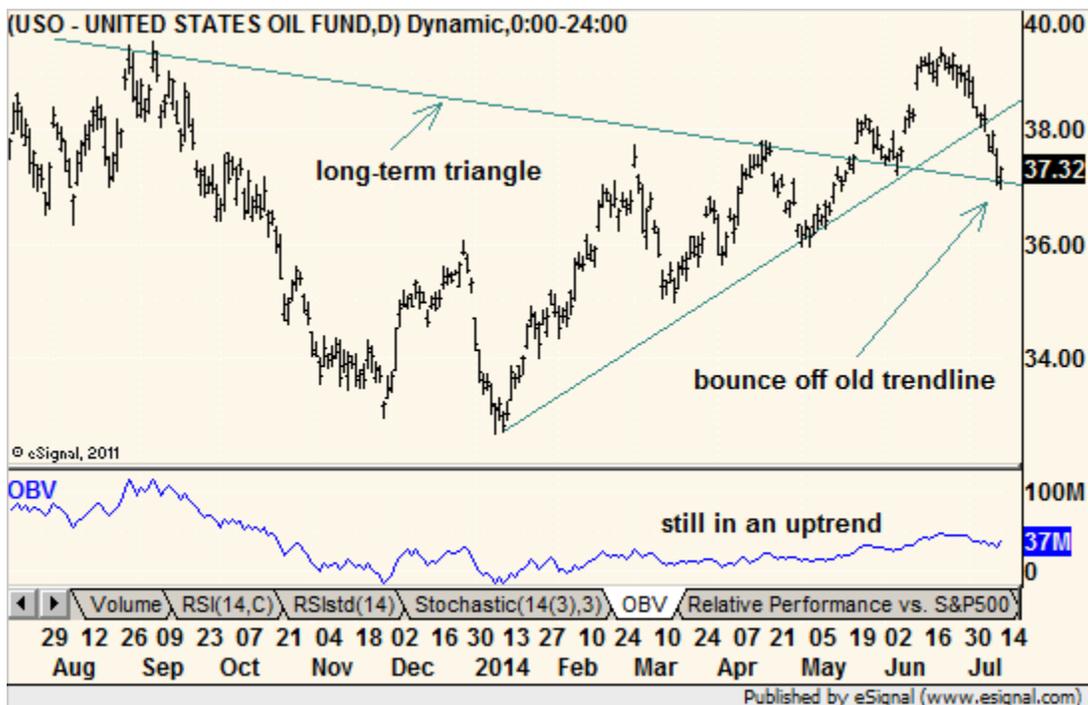
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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.

<b>Bullish Implications</b>		
<b>Energy Exploration ETF XOP</b> - We've been watching the XLE as it approaches its supporting trendline but this one has already hit it. Note way oversold stochastics. Buying here. If we are wrong the stop is just below the line for limited risk.	<b>New</b>	7/15
<b>Bearish Implications</b>		
<b>Allstate ALL</b> - Ahead of earnings, this one is on hold in a rectangle pattern with a negative bias in on-balance volume. Looks like a breakdown so we'll look to see how it bounces. <u>Looks like a breakdown test. Selling now.</u>	<b>Moved</b>	7/9
<b>Unknown Implications</b>		
<b>none</b> -		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Church &amp; Dwight CHD</b> - Consumer staples stock with a possible topping pattern. Looking to sell a bounce. <u>May not happen</u>		7/7
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Energy</b> - Still looking for a pullback to buy. <u>So close</u>		6/26
<b>Mortgage REIT</b> - Big dividends but chart breakdowns, Bear flag.		7/7
<b>Gold miners</b> - <u>Still no trend breaks</u>	<b>Changed</b>	7/10
<b>Utilities</b> - Bear flag <b>breakdown</b>		7/14
<b>Updates</b>		
<b>US Steel X</b> - Had a breakout and then failed with a lower low.		
<b>Baltic Dry Rate</b> - Another new low		

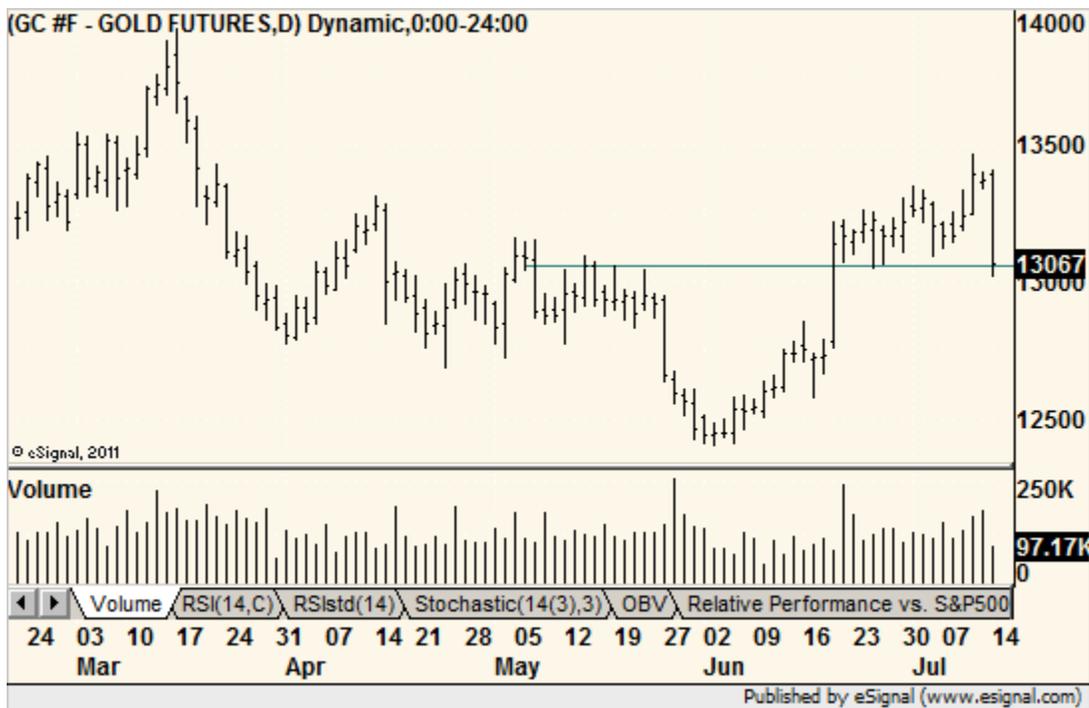
## Market Highlights



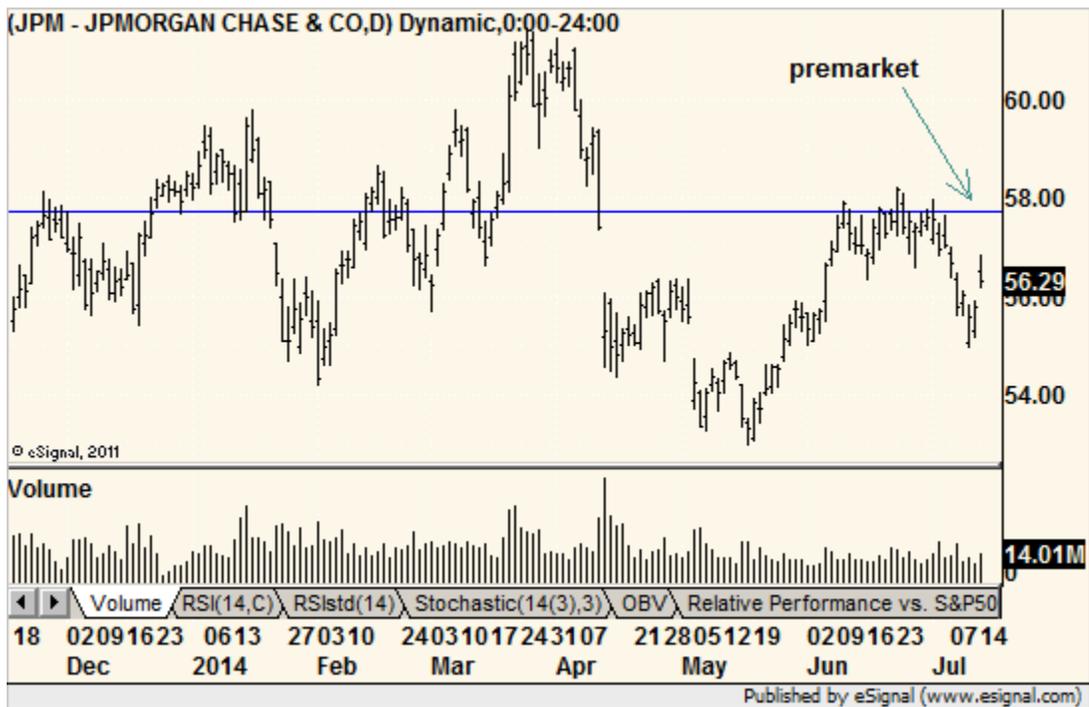
**Energy Exploration ETF** - We've been watching the **XLE** as it approaches its supporting trendline but this one has already hit it. Note way oversold stochastics. Buying here. If we are wrong the stop is just below the line for limited risk.



**Oil ETF** - The old trendline is back in force as support and on-balance volume is still in an uptrend.



**Gold** - A big hit but limited technical damage.



**JP Morgan** - Jumped in the premarket on lower earnings but above expectations. Now at a resistance zone. Let's see if it holds on.



**IBM** - Just illustrating what was in the comments section. This is a secondary breakout.



**Visa** - Credit card stocks broke out but this one looks short-term overbought already. Perhaps a test of the emerging rising trendline would be a better bet.



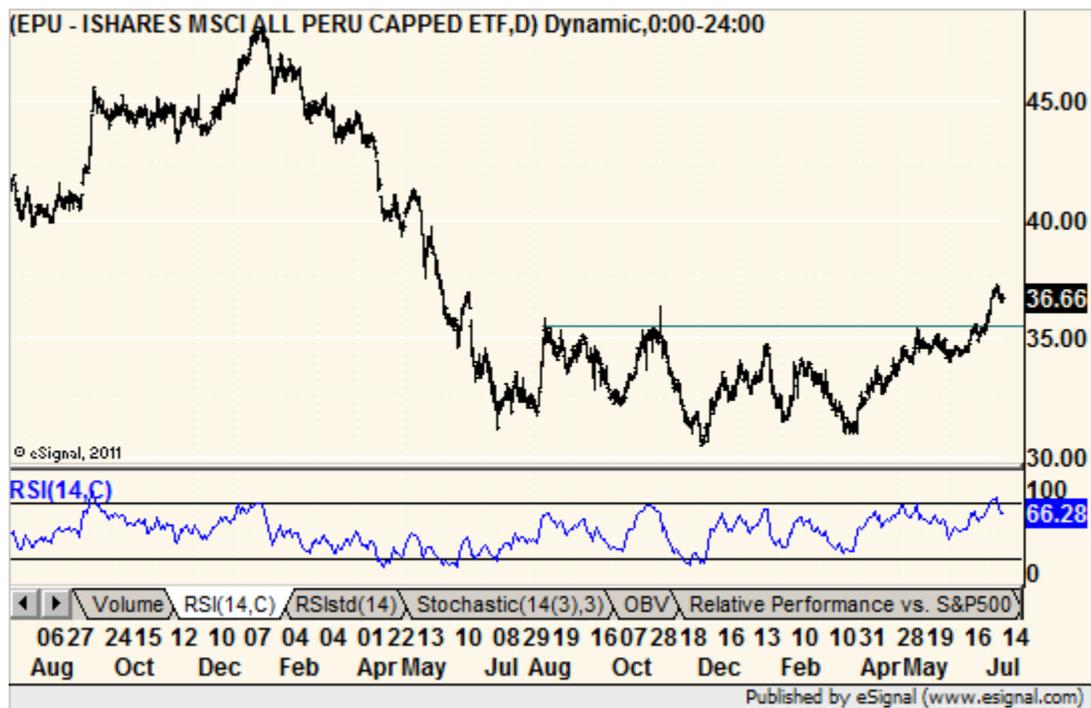
**Tesla** - Outside-day higher. Good if you are already long. We are not too hot on chasing it.



**Latin 40 ETF** - The jump was courtesy of Brazil but this is a breakout. Again, we are not chasing but **Latin America is sporting some interesting charts**. See next...



**Chile ETF** - Still a work in progress but this looks constructive.

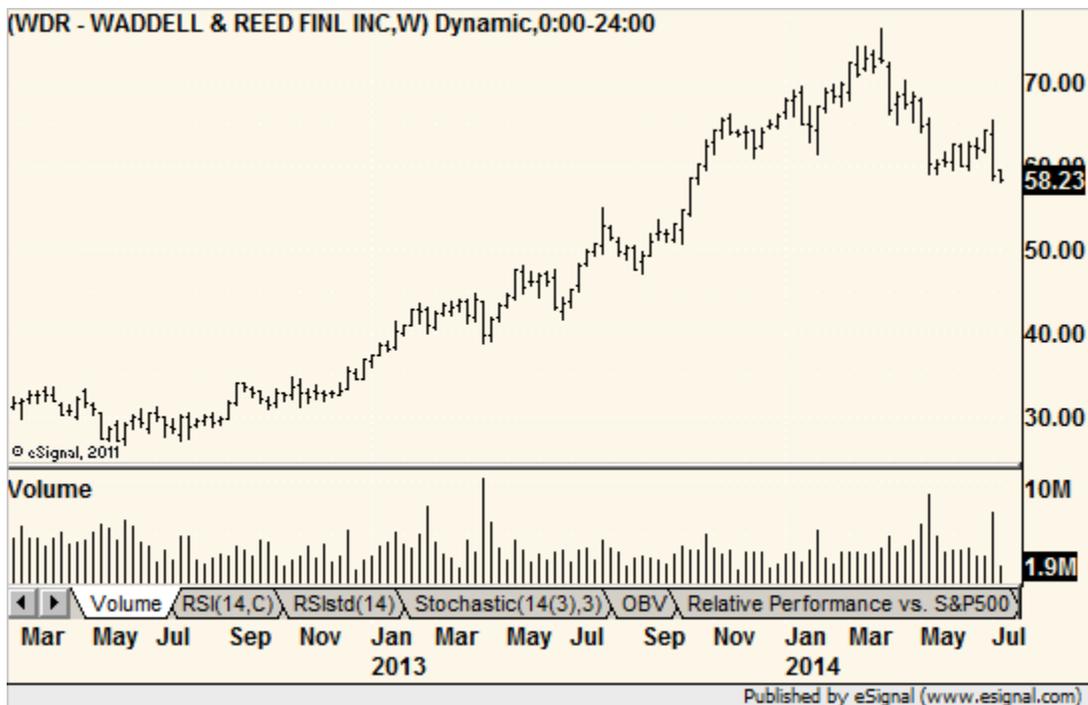


**Peru ETF** - First and foremost, this is a low-volume ETF so be forewarned. The breakout appears to be on the heels of the silver breakout and of course it got hurt Monday. If you can handle the risk or can find a Peru mutual fund this is an idea.

## Today's Lesson

In this section, we take a look at a topic in technical analysis in real-time, not textbook time.

### Quiz



**Waddell & Reed** - This is an asset manager in weekly format. What three important features do you see? Do not look on the next page until you find them.



- 1 - Broken major trendline
- 2 - Head-and-shoulders in progress
- 3 - Outside-week reversal to the downside to end the bounce

There are more, of course:

- 4 - Huge volumes on the two big down weeks in May and July.
- 5 - Not shown is the 40-week (200-day average) breakdown
- 6 - Not shown is collapsing on-balance volume

How did you score?

## 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>	<b>WYN</b>	WYNDHAM WORLDWIDE CORP	76.77	4.4%	sell	73.50	5/30	45
	<b>KMI</b>	KINDER MORGAN INC DEL	35.97	5.6%	34.50	34.05	6/4	40
	<b>MRO</b>	MARATHON OIL CORP	39.69	7.1%	39.00	37.07	6/5	39
	<b>GOOGL</b>	GOOGLE INC	594.26	6.7%	570.00	557.11	6/5	39
	<b>RGLD</b>	ROYAL GOLD INC	76.67	14.8%	73.00	66.77	6/12	32
	<b>LLY</b>	LILLY ELI & CO	63.01	1.6%	61.00	62.03	6/20	24
	<b>COL</b>	ROCKWELL COLLINS INC	79.11	-1.5%	78.00	80.34	6/23	21
	<b>BMJ</b>	BRISTOL MYERS SQUIBB CO	49.08	1.6%	47.50	48.30	6/23	21
	<b>MTZ</b>	MASTEC INC	30.21	1.0%	29.50	29.92	6/27	17
	<b>VZ</b>	VERIZON COMMUNICATIONS INC	50.53	1.3%	49.00	49.90	7/3	11
	<b>AAL</b>	AMERICAN AIRLINES GROUP INC	42.98	4.8%	sell	41.00	7/9	5
	<b>LF</b>	LEAPFROG ENTERPRISES INC	7.50	-3.2%	7.25	7.75	7/9	5
	<b>INFY</b>	INFOSYS LTD	53.67	-4.4%	53.00	56.15	7/11	3
<u>Short</u>	<b>AFG</b>	AMERICAN FINL GROUP INC	59.11	-1.4%	60.00	58.27	7/10	47
	<b>USB</b>	US BANCORP DEL	43.05	-0.3%	44.50	42.90	7/11	47

**Notes:** Raised stop in **GOOGL** again as well as in **VZ**.

Selling **WYN** on its gap up downside reversal. It's been long enough in this one anyway.

Also selling **AAL** as the rally volume evaporated. Too much overhead resistance to fight at this time.

## Other Information

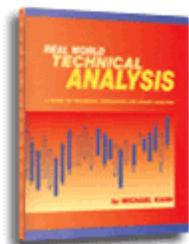
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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



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