

QUICK TAKES PRO

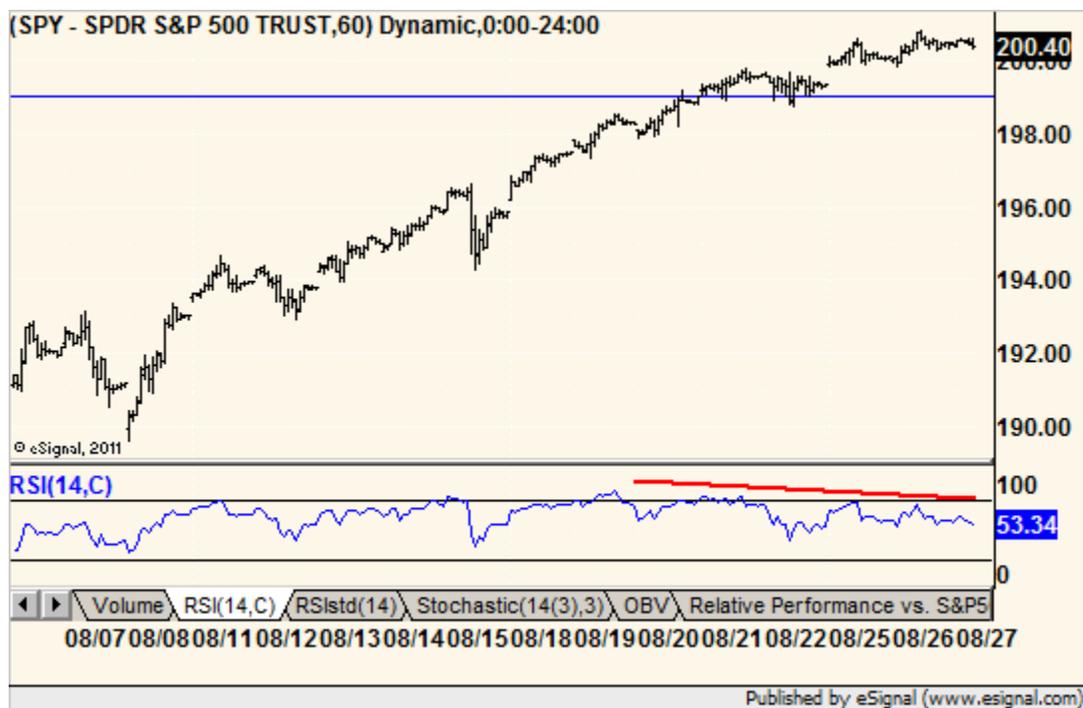
"TECHNICAL ANALYSIS FOR EVERYONE"

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August 27, 2014 - I just read a report by an economist (shudder) and wealth advisor talking about the connection between the Fed's balance sheet and the stock market. Nothing new there but he mentioned something that should have been obvious but wasn't. If the Fed is committed to ending QE by October then its balance sheet will stop growing. That suggests the stock market will stop rising, too.

This dovetails with the long-term chart we have in the Big Picture section below. It suggests that the rally is near its end but the margin for error is too great to exploit. We can sell at "point X" and be right in the long-run but before we are, there could be a big enough rally to bankrupt us. Not a great way to play.

This could be a call for those needing money later this year (college, retirement, new house) to start reducing exposure but not to sell out completely. For traders, the short-term trend looks shaky (see hourly chart) but the major trend is still up.



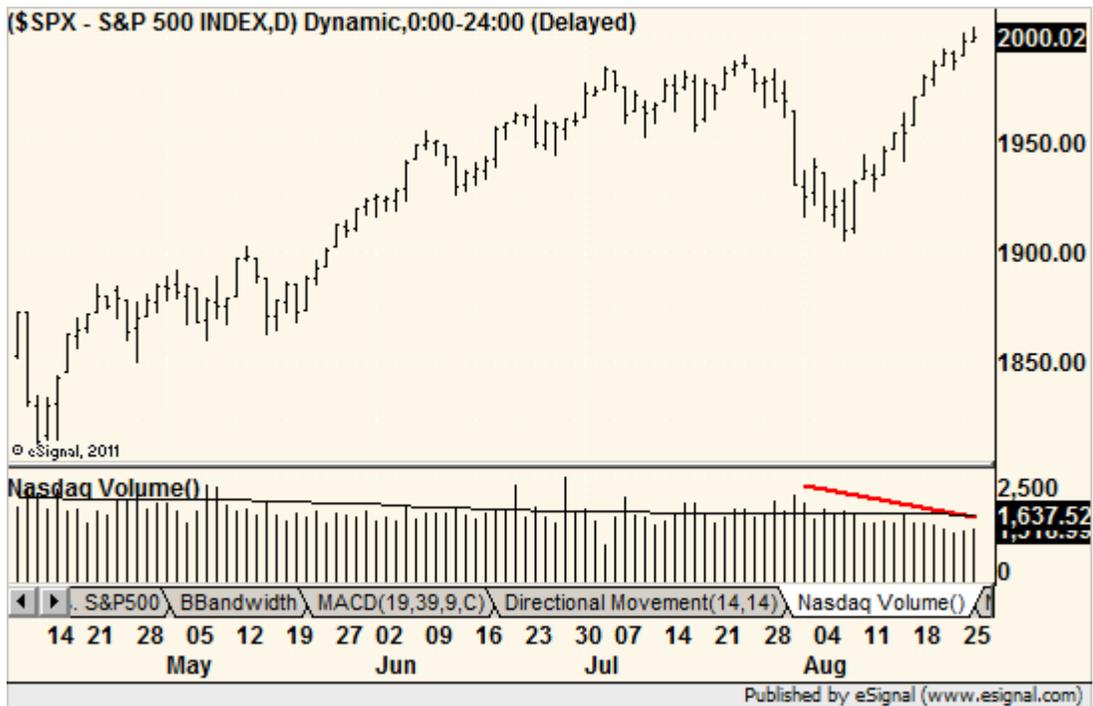
The hourly chart shows yet another lower RSI low and a pattern that appears to be rolling over. Be careful with that conclusion because simply pausing this week will take RSI down. Not to mention that there are only three days left in the official summertime holiday and traders are heading for the Hamptons for the long, long weekend. Parrot heads*.

The German bund yield fell to 0.90% today and joins Japan at a ridiculously low level. Deflation or extreme fear in Europe? Both? Russia cutting off gas supplies? Whatever the case it is not a good marker for stocks. But then again, it has been a bad sign for months.

No stock picks and pans today and maybe the rest of the week. The market is getting very thin in terms of volume and moves are exaggerated. Nothing unusual this year but it should be noted.

* Fans of the king of summertime leisure music, Jimmy Buffett, are called parrot heads.

Index Charts of the Day



Nothing new. It's like the little engine that could, chugging slowly up the mountain.



A bigger view of the Russell shows it still in the middle of a range and nothing more.

The Radar Screen

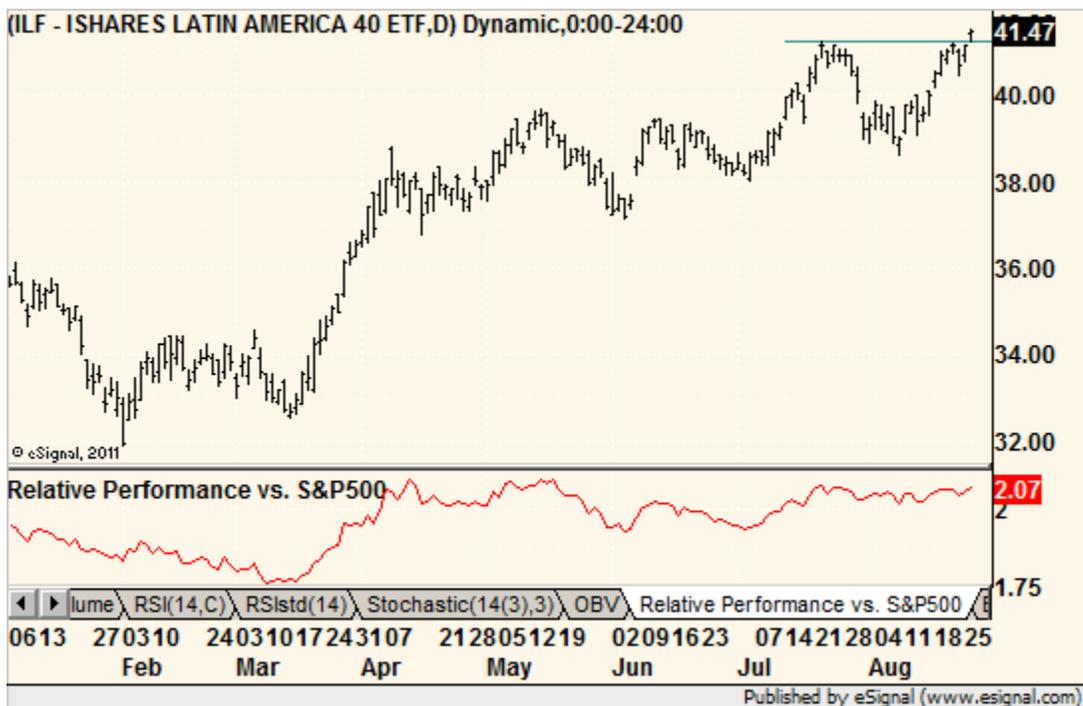
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
Newmont Mining NEM - Still looks like a breakout test to us. Buy above 26.50	Triggered	8/19
Kellogg K - This cereal maker just broke through at trendline and sports super rising on-balance volume. Buy a close over the 50-day average, recently 65.00. Lately, a breakout seems less likely but now be more powerful. General Mills (GIS) is the same and already through its 50-day.		8/21
Cerner CERN - This healthcare software maker is in a choppy rising trend but with a nice tight triangle. On-balance volume is at new highs so a higher close today would be the buy signal. Tech and health - two leading sectors. Buy close over 56.80	Triggered	8/21
Relypsa RLYP - A pharma stock looking to come out of a nice base. It had a Bollinger Band "breakout" earlier this month (not shown) so it is already showing strength. Up 3.3% Monday but still in a triangle sitting on the top of the base. We'll take a close over 27.20 as a long-term buy signal.	New	8/26
Isis Pharma ISIS - Well that was not fun. We had a buy on close trigger and it jumped 10.8%. @#&*%^\$ Wish it was an intraday trigger but that's life.	Removed	8/26
Bearish Implications		
Caterpillar CAT - Nice looking bear flag with falling volume. Now in the gap and still losing volume. Sell below 106.50		8/13
International Paper IP - Paper was a superstar sector in June but things changed. Now on support within a larger trading range. On-balance volume is weak vs. Feb/Mar highs. Sell close under 47.00.		8/21
Unknown Implications		
Verizon VZ - This stock missed the August rally and has not been able to lift off support. A breakdown would be sellable but with a 4.3% div yield and trailing P/E of 10.4 we would prefer price action to get it together above 49.15 for a buy.	Triggered (long)	8/21
Holding Tank - red shade leans bearish, green shade leans bullish		
ExxonMobil XOM - Just when it looked as if energy stocks were getting killed, this one seems to be stabilized at its 200-day average. Small rectangle.		8/20
Sina SINA - A Chinese internet to watch in a nice bottoming pennant. Be aware of a very high P/E. <u>Not really cooperating in a rising market.</u>	Removed	8/20
Dicks Sporting Goods DKS - I wrote this in Barron's Online last week as a stock that was showing signs of healing (reversal earlier this month). Last week it popped on heavy volume.		8/21
Hospira HSP - This is a drug delivery company (injectables) in a strong rally. Currently, it is in a triangle pattern, which normally leans bullish. However, it sports divergences in momentum and volume. We'll keep an eye on this one.		8/25
Jarden JAH - This is a consumer products company that makes everything from baseball gloves to household matches. It is approaching two similar trendlines with on-balance volume already at a new 52-week high. It is not quite ripe so we'll watch it for a while		8/25

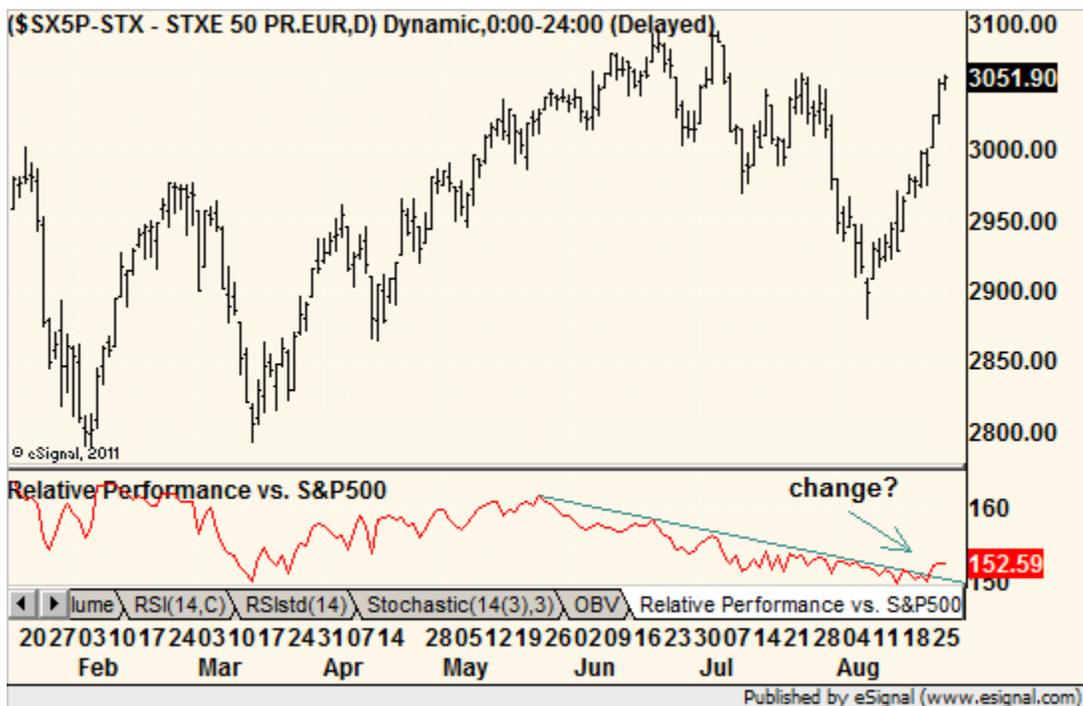
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Sector Watch (observations that may spark ideas)		
Biotech - the leader	Changed	8/15
Oil Refiners - very strong. HFC, TSO, VLO, PSX, MPC, WNR, ALJ		8/20
Solar Power - Some nice rising trends. TSL, SPWR, FSLR, CSIQ		8/20
Technology XLK - still leading but flattening relative to the market.		8/25
Healthcare XLV - Now one of the leaders		8/25
Financials XLF - Broke out but still merely pacing the market. Banks still lagging		8/25
Fertilizer - firming AGU, MOS, POT		8/26
Updates		
none -		

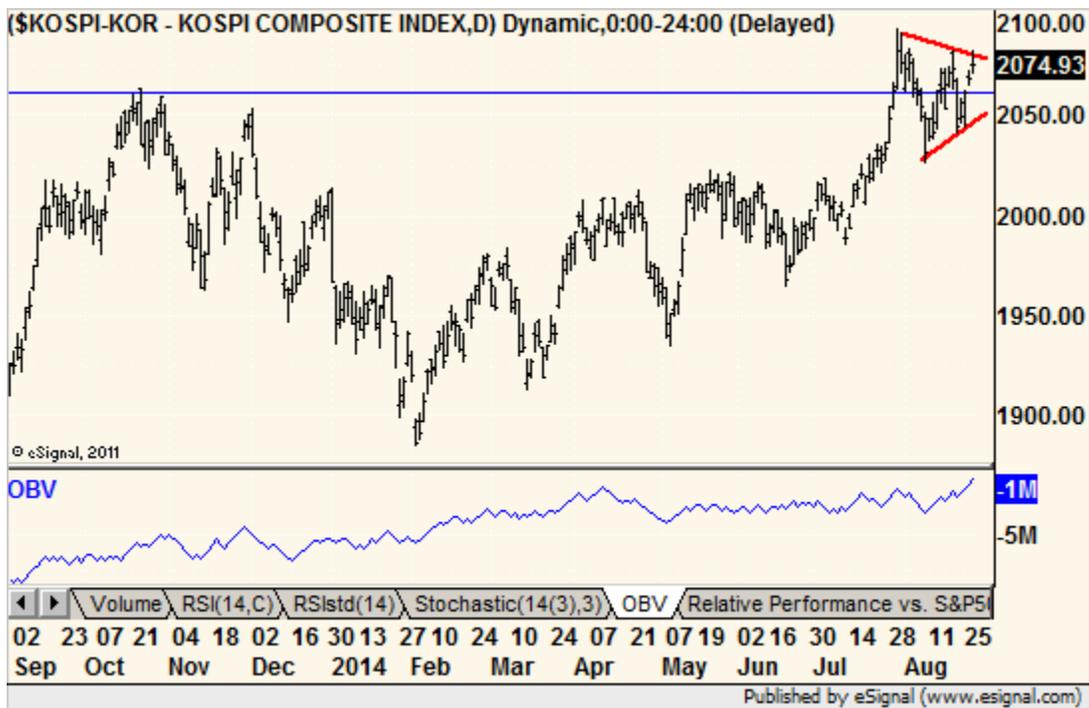
Market Highlights



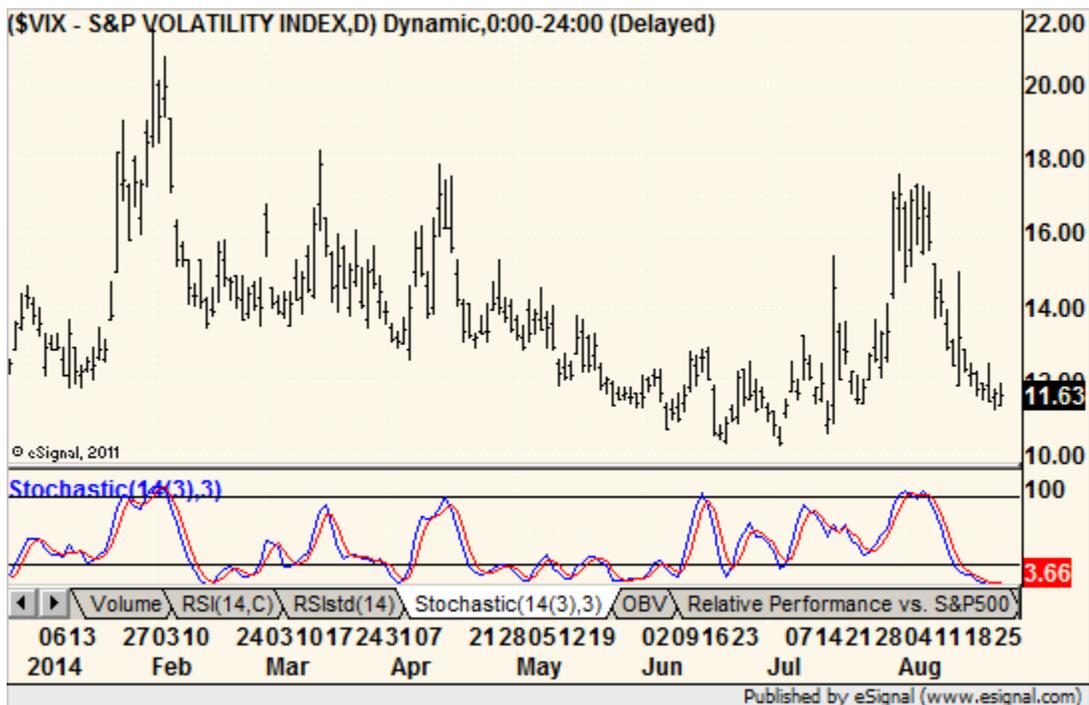
Latin 40 ETF - Cannot say it is leading the USA but it certainly is pacing it with a new breakout. Same pattern in Brazil **EWZ** and Mexico **EWX**. Not in Chile **CH**. Peru **EPU** may be waiting for a silver breakout.



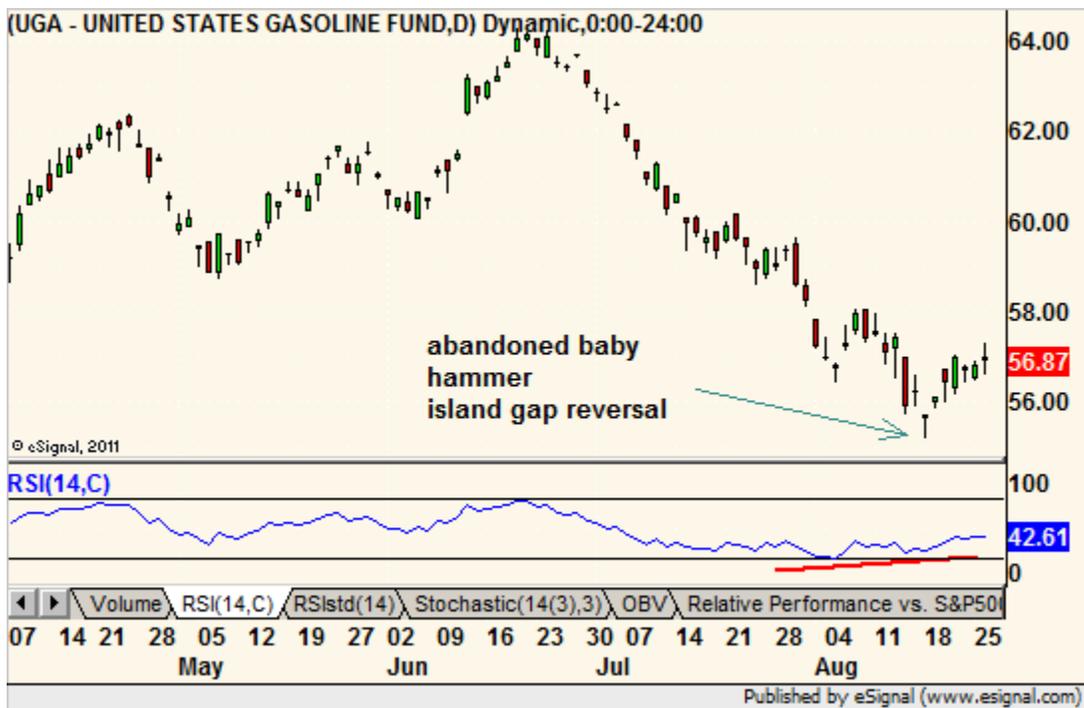
Stoxx 50 - The pan-Europe blue chip index has had an impressive rebound from a deep sell-off but it is still lagging overall. However, we see a possible change in relative performance. It is still early and the absolute chart is approaching overbought.



South Korea Kospi - This market shows a triangle at resistance. On-balance volume, if we can trust it, is at a new high. The **EWY** ETF has the same pattern but its chart is not as pretty as this one. If you like Korea on the breakout (we do) then the ETF is just as good.



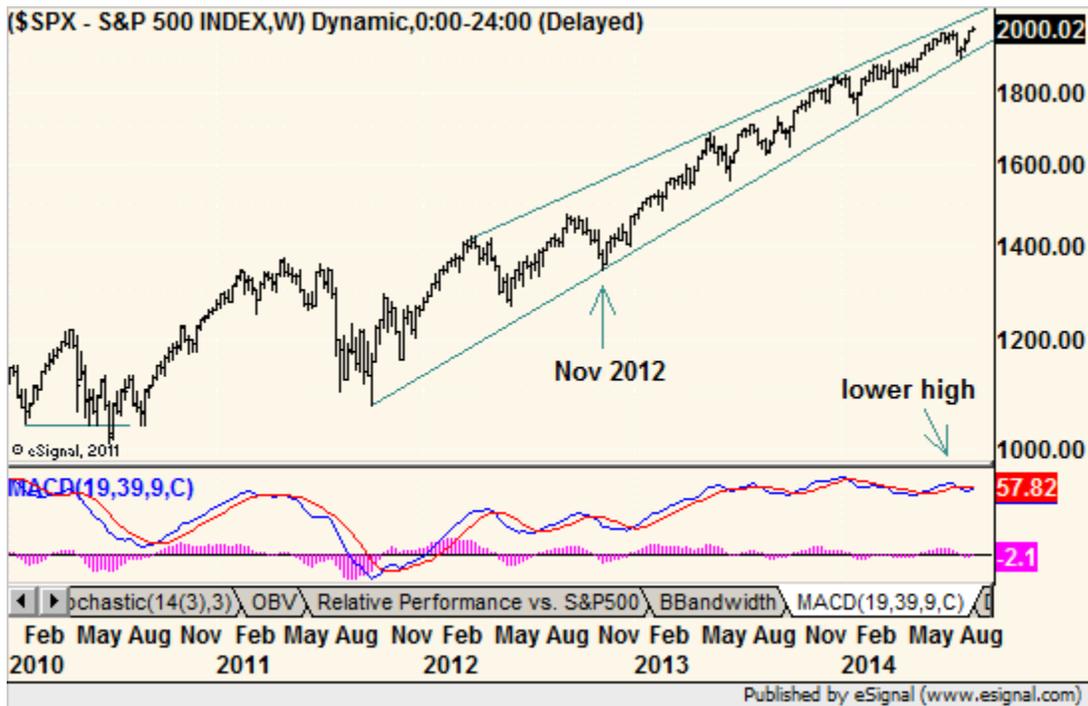
VIX - This indicator is back where it was before the early August sell off. Stochastics is even lower so it does seem that it is now signaling a high in stock prices is near.



Gasoline ETF - This does look like a positive reversal despite the decline in oil prices. It is also why we think refiners are in a good place (see Radar Screen).

The Big Picture

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



This is a log-scaled chart and the bull market trendline goes back to the last real correction we had in 2011. There are a few important observations:

1. With log scaling, the 2011 trendline includes the November 2012 trendline, which we've been citing as the key for months.
2. Another trendline across highs creates a wedge pattern. It may not be relevant in terms of chart patterns because it is way out of proportion with what preceded it. However, it does show very little room for the current leg higher to continue.
3. MACD shows its first lower high of the rally since 2011

So, it seems that some sort of downward reaction is warranted. Unfortunately, we cannot get the timing from this chart. 2100 can easily come before say 1800.

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>	PCLN	PRICELINE GRP INC	1277.52	1.7%	1260.00	1255.95	7/30	27
	MCD	MCDONALDS CORP	94.11	-0.1%	92.50	94.25	8/18	8
	SFLY	SHUTTERFLY INC	50.92	0.9%	48.00	50.47	8/20	6
	GNC	GNC HLDGS INC	37.28	-0.6%	35.50	37.50	8/25	1
	MRVL	MARVELL TECHNOLOGY GROUP	13.49	-3.0%	13.10	13.91	8/25	1
	NEM	NEWMONT MINING CORP	26.50	0.0%	25.70	26.50	8/26	0
	CERN	CERNER CORP	57.12	0.0%	54.50	57.12	8/26	0
<u>Short</u>	USB	US BANCORP DEL	42.41	1.2%	42.50	42.90	7/11	46
	CMCSA	COMCAST CORP NEW	54.56	-1.5%	56.00	53.73	7/31	26
	TIF	TIFFANY & CO NEW	101	-3.0%		98.00	8/5	21
	CVS	CVS CAREMARK CORPORATION	79.35	-3.6%	80.00	76.50	8/5	21
	LVS	LAS VEGAS SANDS CORP	67.85	1.6%	72.00	68.94	8/22	4

Notes: Stopped out of **TIF** intraday.

Two new longs in **NEM** and **CERN**.

Very disappointed we had a buy on close trigger on **ISIS**, which gained more than 10% Tuesday. An intraday trigger would have captured most of it. If you bought it near the open, congrats. It's a hold.

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 **Cal** - You are right, volume this month seems even lower than normal, according to a study we picked off StockTwits by a reliable source.

Other Information

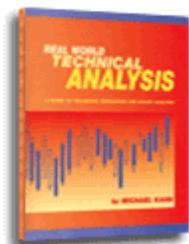
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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