

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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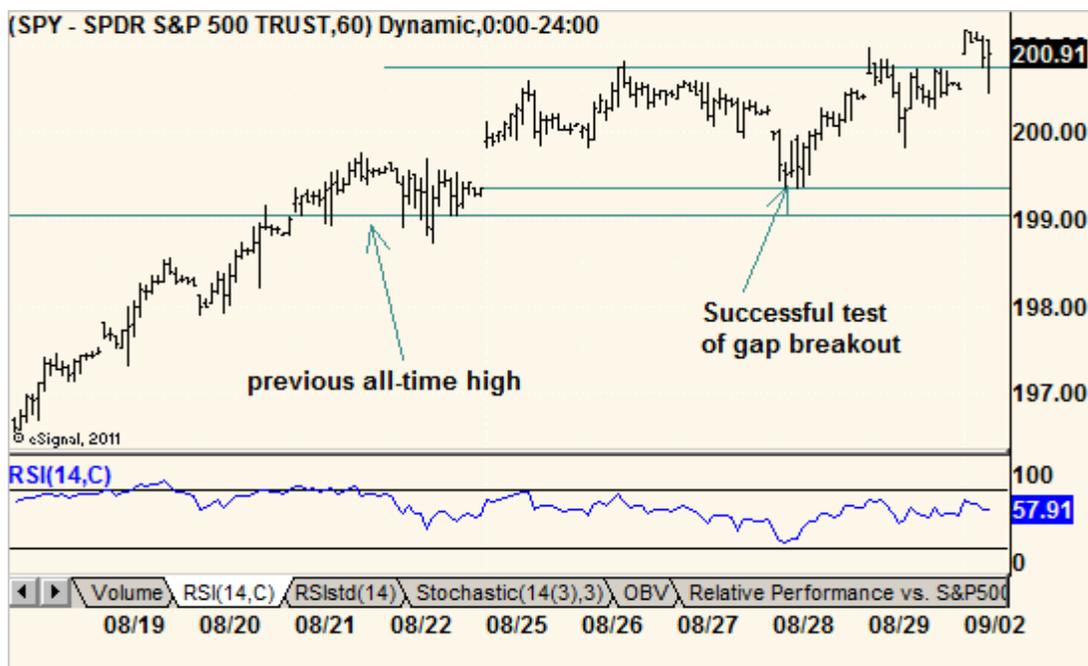
**September 2, 2014** - Welcome back to work and for many it is welcome back to school for the kids. A mixed blessing, indeed!

Markets are mixed to kick off the new month with China up big, Europe up a little save for the UK which gave it all up, and Brazil putting in a clear inverted hammer candle (possible bear reversal) yesterday while we were grillin' burgers here.

In other words, the news over the long weekend did not do much to global stocks. The dollar is another story as it is up again nicely this morning. Bonds and gold are down a bit as domestic stocks seem firm in the premarket.

The news is in oil, which rebounded Friday. We pointed out a possible reversal pattern in gasoline two weeks ago and that is now getting upside follow through. Chart below.

There is not much sense in nit-picking last week's action as it was on such low, end-of-summer volume. We'll keep it at the sector level in Market Highlights with a review of some of the major ETFs - looking for any emerging themes.



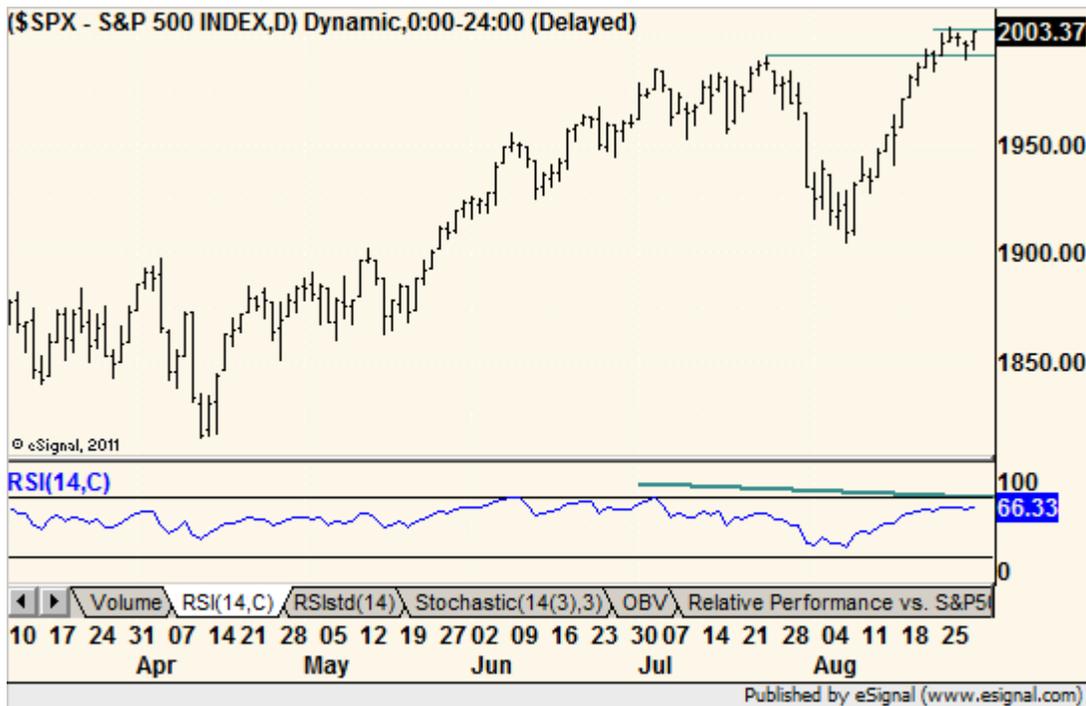
In the hourly chart, we can see the initial overnight breakout but late morning fade. It is still officially a breakout but let's let the day session tell us what is going on. Last week's dip to test the prior week's gap seems to have done its job with a move to and through resistance so it is now moot.

We have to see how the market leaves the gate today and then watch the ISM manufacturing index at 10 am NYT. Of course, non-farm payrolls comes our way Friday.

Final note - It is September, the worst month of the year for stocks. But as they say in the Geico commercials, everybody knows that.

"What everybody knows is not worth knowing." - Mike Epstein, trader.

## Index Charts of the Day



The S&P 500 was temporarily above the upper line in the premarket before settling back a bit. The real message here is the possible cup-with-handle-like pattern. If the tiny range is actually broken to the upside then we would have to concede another rally is in the cards. If it breaks down, then a corrective dip, in line with my column last week, would be the presumed first step before the next rally attempt.



Nothing new for the Nasdaq. The red line is the key for any pullback.

## 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>Relypsa RLYP</b> - A pharma stock looking to come out of a nice base. 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. However, it has come well back into Bollinger Bands and that is not good. <u>Moving on. This is why we wait for actual breakouts.</u>	<b>Removed</b>	8/26
<b>Pinnacle Foods PF</b> - Bullish setup with a triangle formed just after a trendline breakout. Buy the break at 32.50.		8/28
<b>DB Agriculture fund DBA</b> - As a follow up to my Monday column, this holds a basket of ag futures and wheat is in play thanks to Russia. However, it is only 6% of this fund. Regardless, the RSI divergence and pending moving average / trendline breakout are compelling. We're in.	<b>Moved</b>	8/28
<b>Bearish Implications</b>		
<b>Caterpillar CAT</b> - Nice looking bear flag with falling volume. Now in the gap and still losing volume. Sell below 107.00 but clearly this one is not cooperating. <u>See chart below in Today's Lesson</u>		8/13
<b>Unknown Implications</b>		
<b>none</b> -		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>ExxonMobil XOM</b> - 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
<b>Dicks Sporting Goods DKS</b> - I wrote this in Barron's Online as a stock that was showing signs of healing (reversal earlier this month). Earlier it popped on heavy volume. Now waiting for a dip to buy.		8/21
<b>Hospira HSP</b> - 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. <u>Also just hit rising March trendline</u>		8/25
<b>3D Systems DDD</b> - 3D printing back in the market's view. This one seems to be coming off support.		8/29
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Biotech</b> - the leader		8/15
<b>Oil Refiners</b> - very strong. <b>HFC, TSO, VLO, PSX, MPC, WNR, ALJ</b>		8/20
<b>Solar Power</b> - Some nice rising trends. <b>TSL, SPWR, FSLR, CSIQ</b>		8/20
<b>Technology XLK</b> - still leading but flattening relative to the market.		8/25
<b>Healthcare XLV</b> - Now one of the leaders		8/25
<b>Financials XLF</b> - Broke out but still merely pacing the market. Banks still lagging		8/25
<b>Fertilizer</b> - firming <b>AGU, MOS, POT</b>		8/26
<b>Retail</b> - Lots of earnings bombs last week. Watching to see how this ETF corrects		8/29
<b>Updates</b>		
<b>Tesla TSLA</b> - Broke out Friday. OMG follow through this morning.		

## Market Highlights



Shanghai Composite (China) - Another breakout.



Gasoline ETF - The reversal pattern was two weeks in the making and now it is confirmed to the upside. Again, we like oil refiners (see Radar Screen).



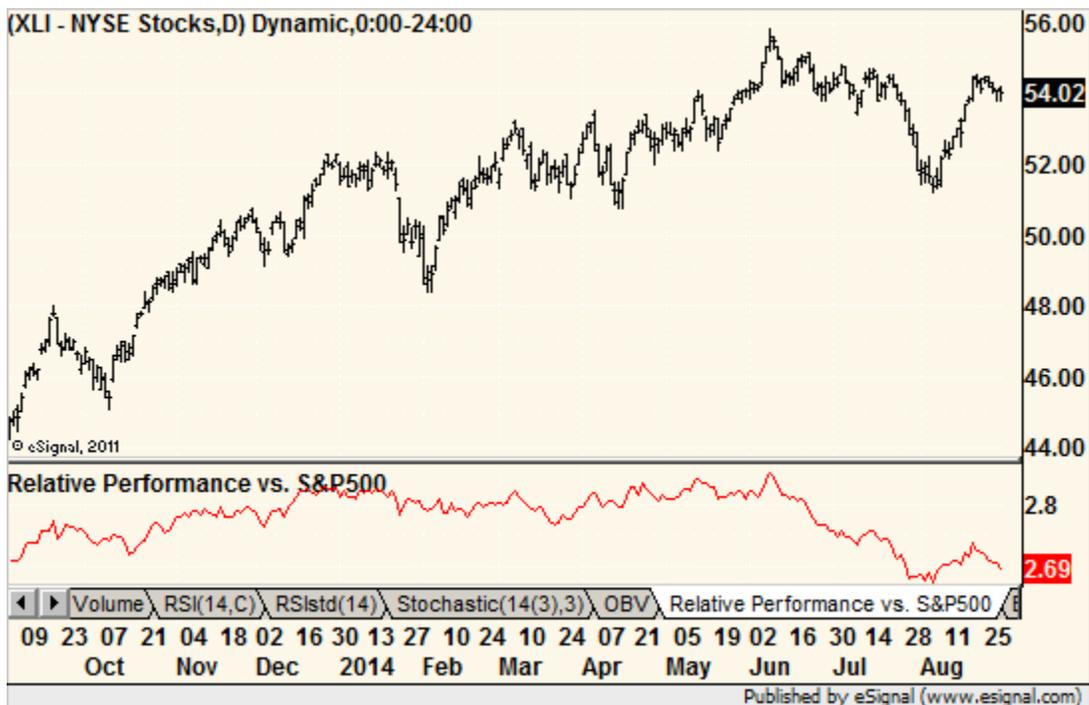
**Ryder Systems** - This trucker sports a possible cup-with-handle pattern. Not shown is a bearish on-balance volume divergence so we do not offer a buy trigger at this time. But it is one to watch.



**Wells Fargo** - This chart may set the tone for banks this week. Is it a pause before breakout or strong resistance in a stock losing money (the stock, not the company, is losing money).



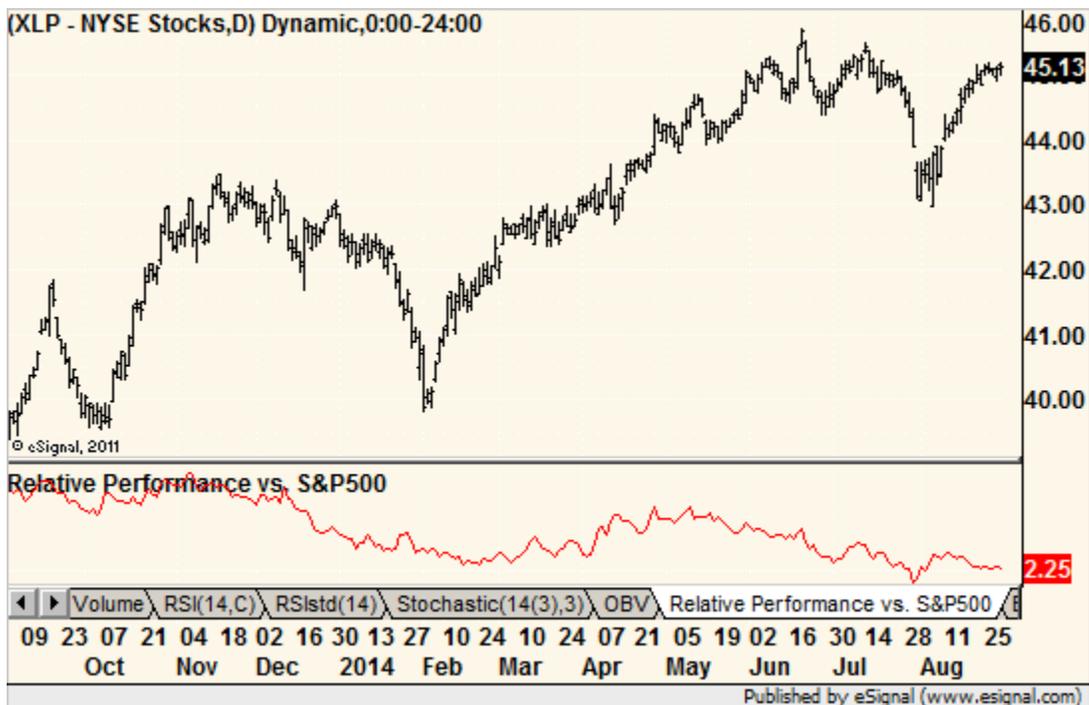
**Healthcare ETF** - Not too overdone and with room to go within its trend channel. Of course, reaching the upper border will require a big rally so we do not think it will get there. But for now, a leader and in large part thanks to biotech.



**Industrials ETF** - Let's just say this is not the leader.



**Discretionary ETF** - Possibly improving relative to the market but not by much. Watch the breakout level, which is now support. A dip back below instantly targets the rising line where a breakdown - if it happens - would be very bad. For now, it remains in decent shape and nothing more.



**Staples ETF** - Clearly lagging as it should in a bull trend. However, the ratio of **XLY** to **XLP**, while rising (as it should) sports a momentum divergence. **Conclusion - positive for the market but just barely.**



**Tech ETF** - Still leading but it lost its mojo. More of a long-hold than a place for big new buying.



**Financial ETF** - Banks do not look this good but the sector ETF may have a little uptick in the works relative to the market. While it did break out on the absolute chart, we are not hailing this as the big positive market development some claim it is.

## Today's Lesson

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

### Altering the Trigger



**Caterpillar** - We've been watching this one as a potential short for two weeks and it keeps climbing. A new high in on-balance volume confirms it so why are we still trailing the sell trigger higher? Nothing goes up forever and we now have a rather strong support that if broken will be a clear change in fortune for the stock.

Support in the 106.50-107.00 area from the gap, a few other highs and lows and the 50-day average. It is low enough to be "more than a wiggle."

## 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>	<b>MCD</b>	MCDONALDS CORP	93.72	-0.6%	92.50	94.25	8/18	13
	<b>SFLY</b>	SHUTTERFLY INC	51.01	1.1%	48.25	50.47	8/20	11
	<b>GNC</b>	GNC HLDGS INC	37.95	1.2%	36.00	37.50	8/25	6
	<b>MRVL</b>	MARVELL TECHNOLOGY GROUP	13.91	0.0%	13.40	13.91	8/25	6
	<b>NEM</b>	NEWMONT MINING CORP	27.09	2.2%	25.70	26.50	8/26	5
	<b>CERN</b>	CERNER CORP	57.66	0.9%	54.50	57.12	8/26	5
	<b>VZ</b>	VERIZON COMMUNICATIONS INC	49.82	1.4%	48.00	49.15	8/26	5
	<b>K</b>	KELLOGG CO	64.97	0.0%	62.75	65.00	8/27	4
<u>Short</u>	<b>USB</b>	US BANCORP DEL	42.28	1.5%	42.50	42.90	7/11	51
	<b>CMCSA</b>	COMCAST CORP NEW	54.72	-1.8%	56.00	53.73	7/31	31
	<b>CVS</b>	CVS CAREMARK CORPORATION	79.45	-3.7%	80.00	76.50	8/5	26
	<b>LVS</b>	LAS VEGAS SANDS CORP	66.51	3.7%	70.50	68.94	8/22	9

**Notes:** Raised stops in **SFLY** and **GNC** because they were a little too wide. Lowered stop in **LVS** to trail this short lower.

**USB** may be pausing before a trendline breakout and that, of course, would stop this short.

## 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

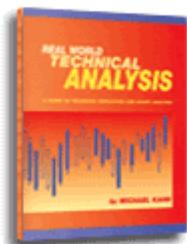
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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



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