

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

September 22, 2014 - Welcome to Autumn in the North. It appears that the stock market is going to start on a weak note, which is a little odd considering a good chunk of it ended last week with important upside breakouts. Lack of follow through is not a good sign and neither were Friday's bearish reversals in semiconductors, drugs, a few big Internets and defense. Gold, silver and coal continued to crater.

There were, of course, bright spots including Alibaba's debut. Microsoft finished hot. Tobacco and telecoms finished strong as did bonds and utilities. Keep in mind that tobacco and telecoms (utes, too) offer some nice dividend yields and can be considered "bond like" in this case.

Let's talk bonds. The soaring dollar suggests money is coming home, presumably to buy US Treasuries and stocks. The pre-Scotland rally in the pound looks to be over and euro and yen are in steep decline so the greenback, as the foil, is rallying. It is not that things are so great here but rather they are better than there.

Our issue with bonds (and utes) is that they have real technical breakdowns. As we see in the bond chart below, Friday's rally was still just part of a test of that breakdown. Our issue with stocks is that the Russell got clocked to score a rather large bearish reversal.

Another issue with the entire market is that breadth is deteriorating. While the NYSE advance-decline line looks like the NYSE composite itself (as it should), the new highs, however, are fading fast. With some of the major indices at all-time highs and the Nasdaq at multi-year highs we would expect individual stock stats to show a lot of new highs, too. They don't.

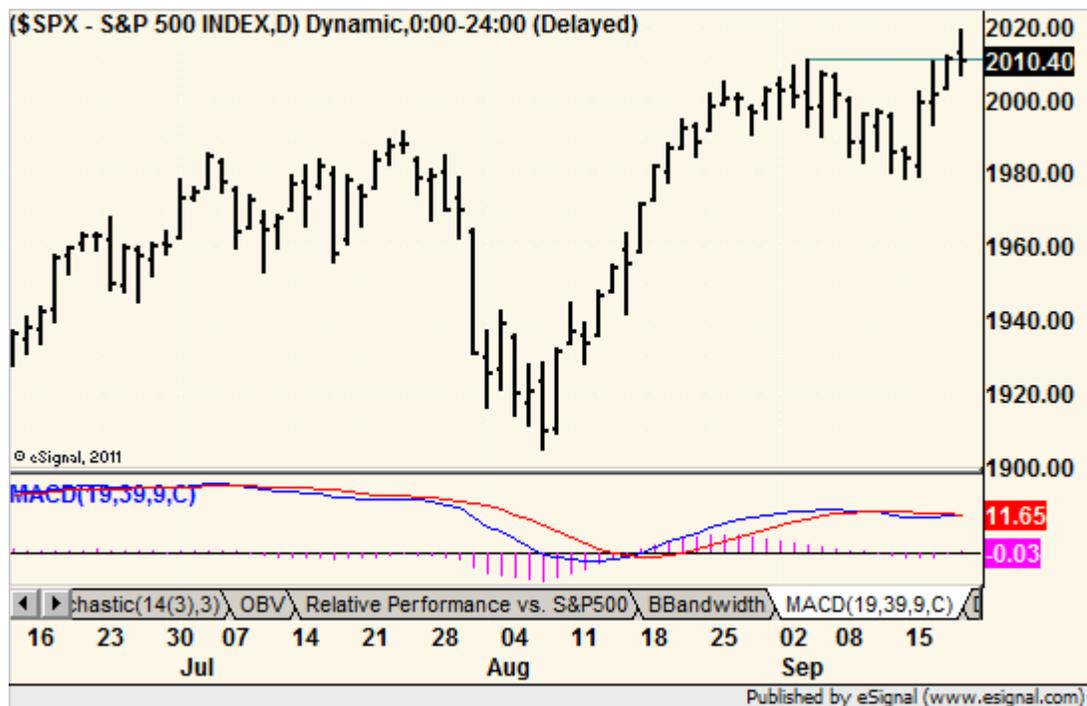
Of course, we could tell that just from the new highs in the S&P 500 and crapping out in the Russell. Bigger is better if you are a stock but narrower is not better if you are the market.



The hourly chart shows a false or failed breakout but oversold conditions in the middle of the old range. That suggests a bounce before heading back to support. That bounce may have happened overnight.

Bottom line - Once again, we are taking the foot off the gas for now just a few days after putting it on.

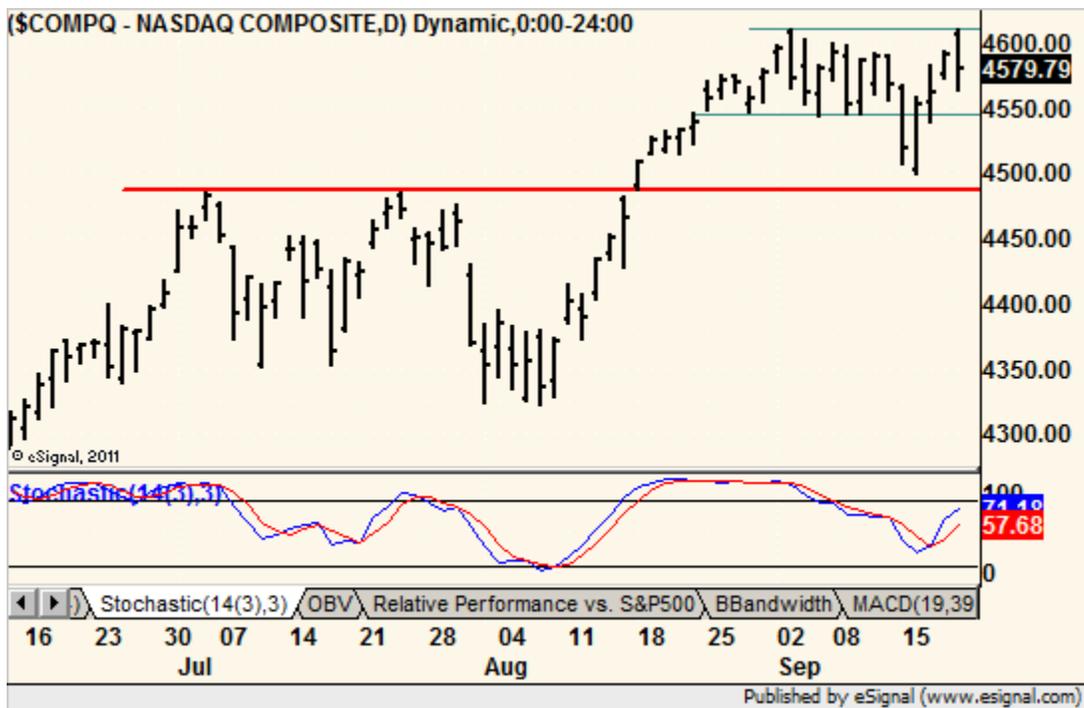
Index Charts of the Day



A very short-lived breakout for the S&P 500. We'll give it until tomorrow to get back into gear.



A gravestone doji for the Dow on huge options expiration volume. Here, we can see that the Dow has earned another day or two of pulling back to test the breakout.



The Nasdaq jumped to resistance and then fell. Last week's breakout test remains in force but the reversal Friday, of course, did not help.



Same caption day three - Still a mess. We can add, "it scored a nasty reversal at the top of the down-channel."

The Radar Screen

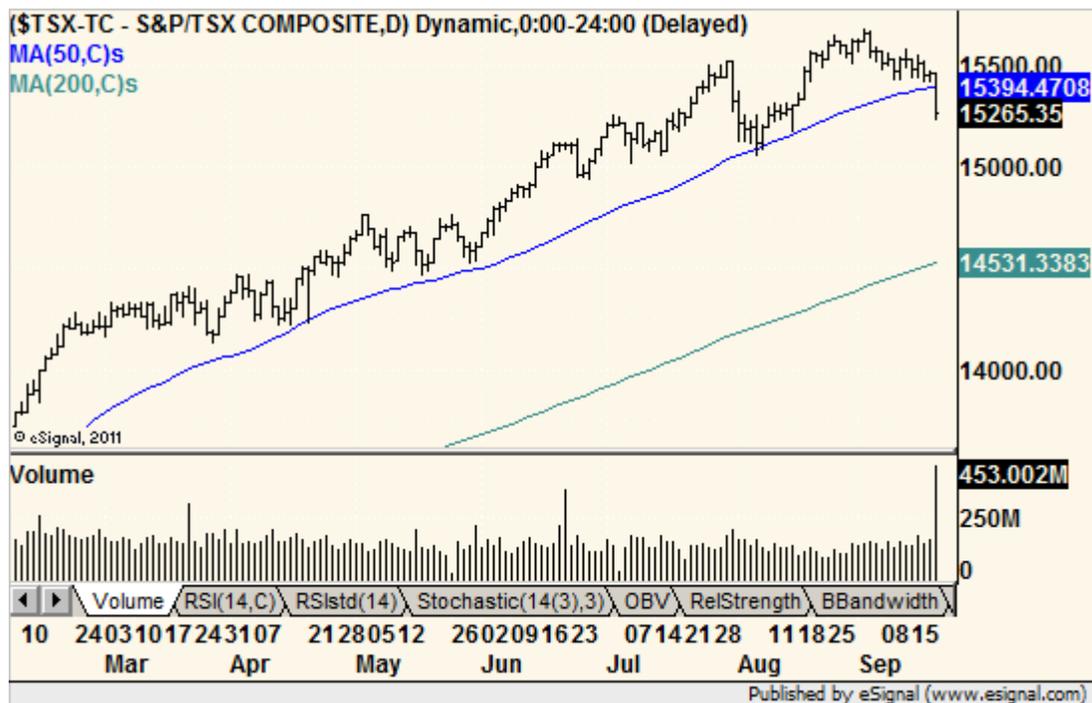
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
Lululemon LULU - This sports clothing company has been hurting for a while but formed a base over the past few months. The tide has finally come in. After several big volume gaps lower, it finally gapped higher on big volume. Buy 45.		9/19
Altera ALTR - Here is a semiconductor stock I wrote up for ProfitableTrading.com. In the article, I showed a daily chart. This is a weekly view to show where this can go for a multi-month trade. Buy any time.	Triggered	9/19
Bearish Implications		
Pfizer PFE - High volume key outside-day reversal and breakout failure. Needs one more day to confirm. Sell 30.25 under Friday's low - on close.	New	9/22
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Back burner stocks - DKS, DDD		8/21
Suncor Energy SU - Another energy stock with a head-and-shoulders (we are short APA on the same pattern).		9/16
Emerging Markets ETF EEM - Big break this month but support still intact. However, now testing the 50-day average form below with falling on-balance volume. No forecast yet but if it breaks lower now then it has little to support it.		9/17
Norfolk Southern NSC - Would love to buy a dip after this breakout in this railroad stock.		9/18
Sector Watch (observations that may spark ideas)		
Technology XLK - Still leading		8/25
Financial ETF XLF - Big change in relative performance for the better.		8/25
Discretionary ETF XLY - Now lagging XLP ...even a week later		9/2
Transports - Rails and air freight leading but all areas stronger than the market		9/5
Healthcare - Including biotech & drugs, now turning higher relative to the market		9/11
Utilities - a major downside trend break		9/11
Regional Banks ETF KRE - Breakout		9/18
Updates		
Regional Bands ETF KRE - gave up Thursday gains and is back below trendline		
Lincoln National LNC - small bear reversal but still a successful test of upside move		

Market Highlights



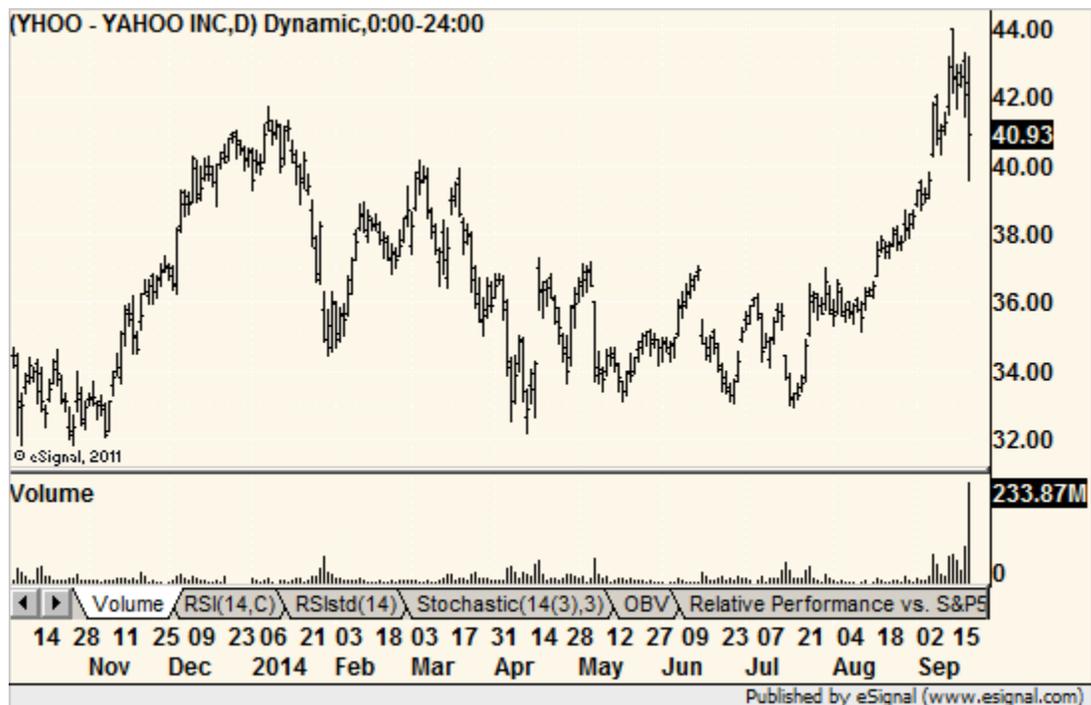
China (Shanghai Composite) - Everyone is talking about how China is slowing down and how that is dragging commodities lower. Perhaps. But the stock market is still in a two-week pause in a rather steep rally. The reversal a week ago may be the end of the rally but for now we need confirmation at the trendline. Don't forget, it is rather far above its 50-day average. The 200-day is not even close.



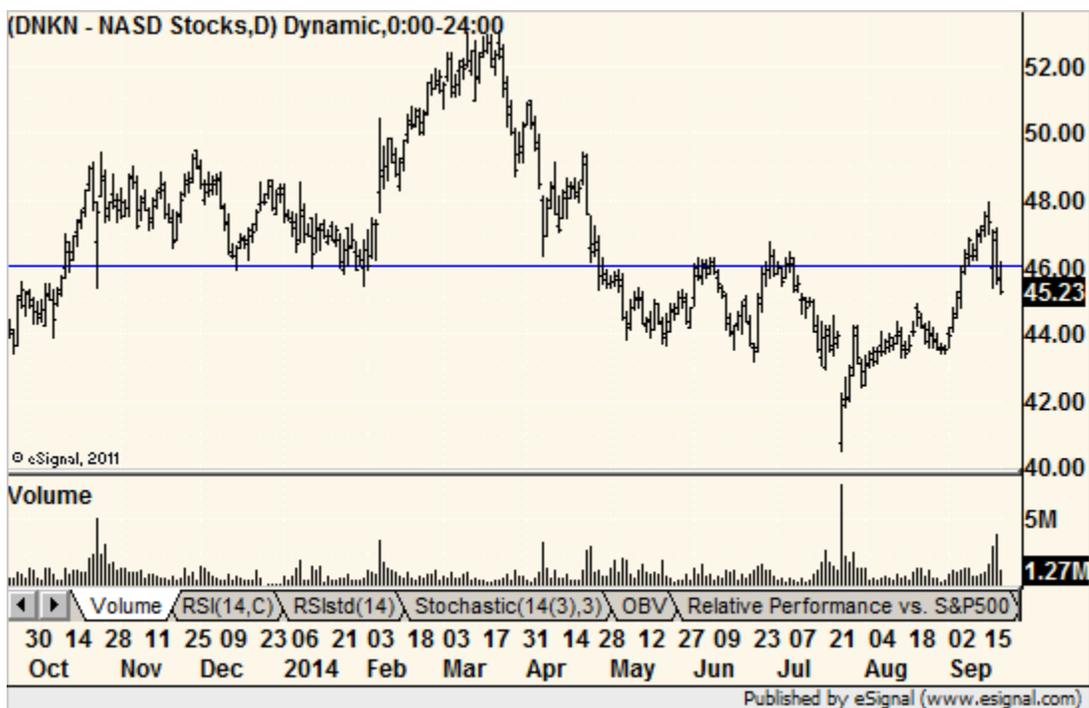
Canada (TSE Composite) - That is a pretty bad breakdown from Friday.



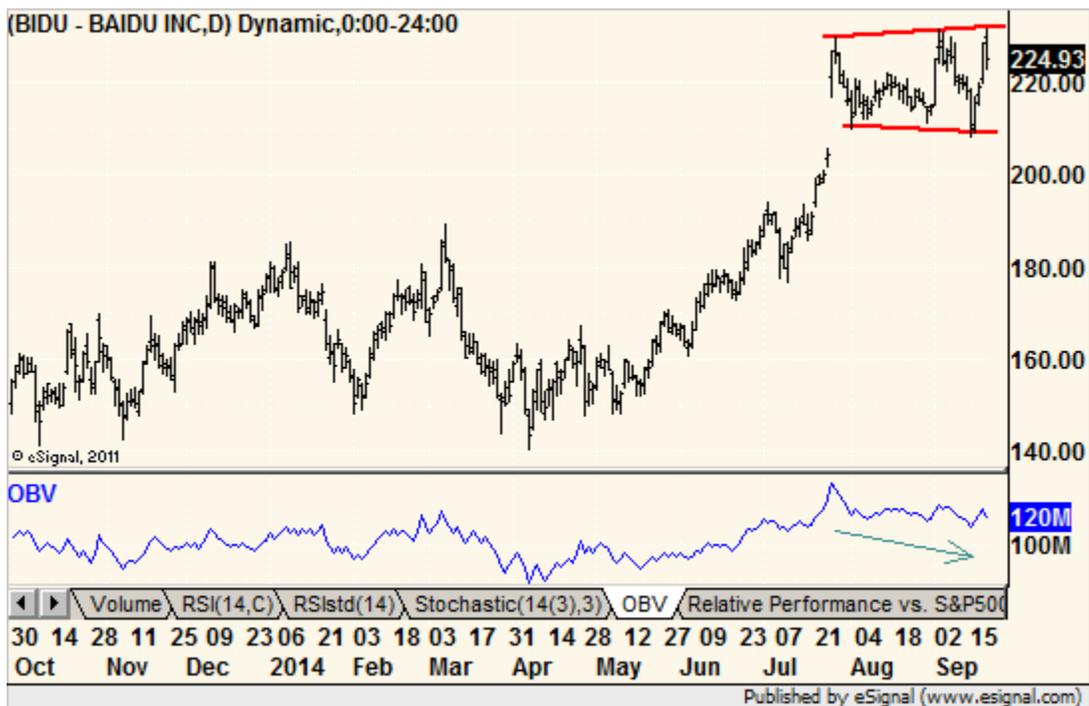
Australia (ASX 200) - Ditto Australia. The connection? Canada and Oz are considered to be commodities heavy markets. Check out their currencies, too - **FXC, FXA**. Caveat - Other so-called commodities markets such as New Zealand are still OK. South Africa has a mild breakdown.



Yahoo - Stick a fork in it. Now that it sold its stake in **BABA** it trades on its own merits.



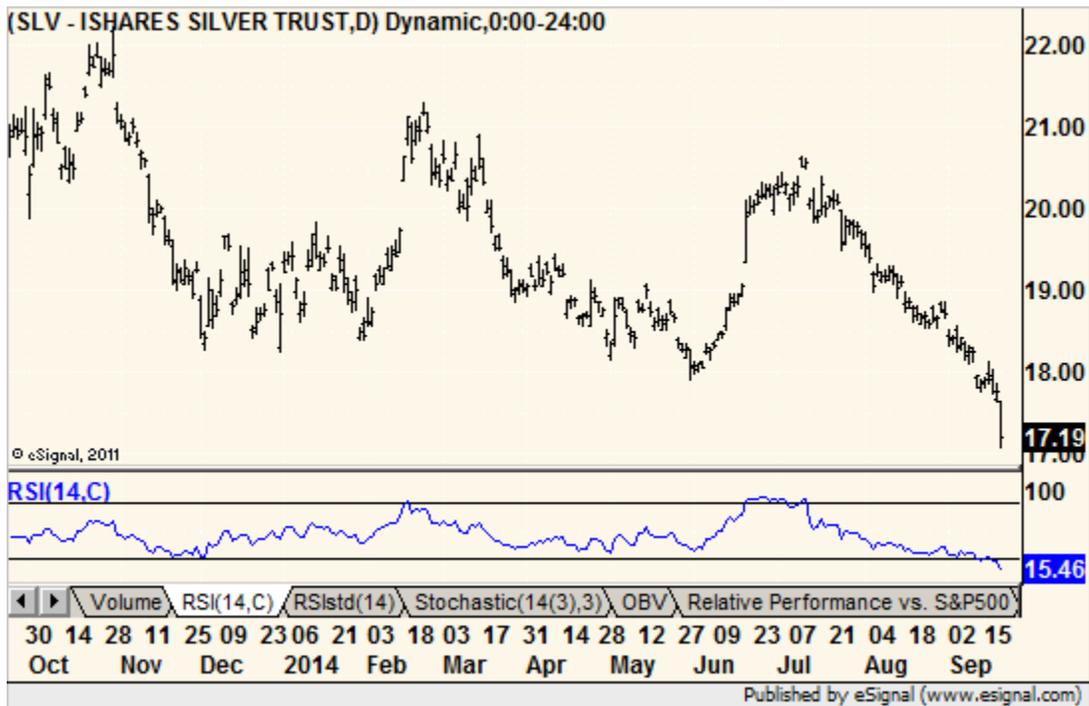
Dunkin Brands - Stick a honey stick in it. We drew that horizontal line on the chart last year and now the stock failed after trying to break it.



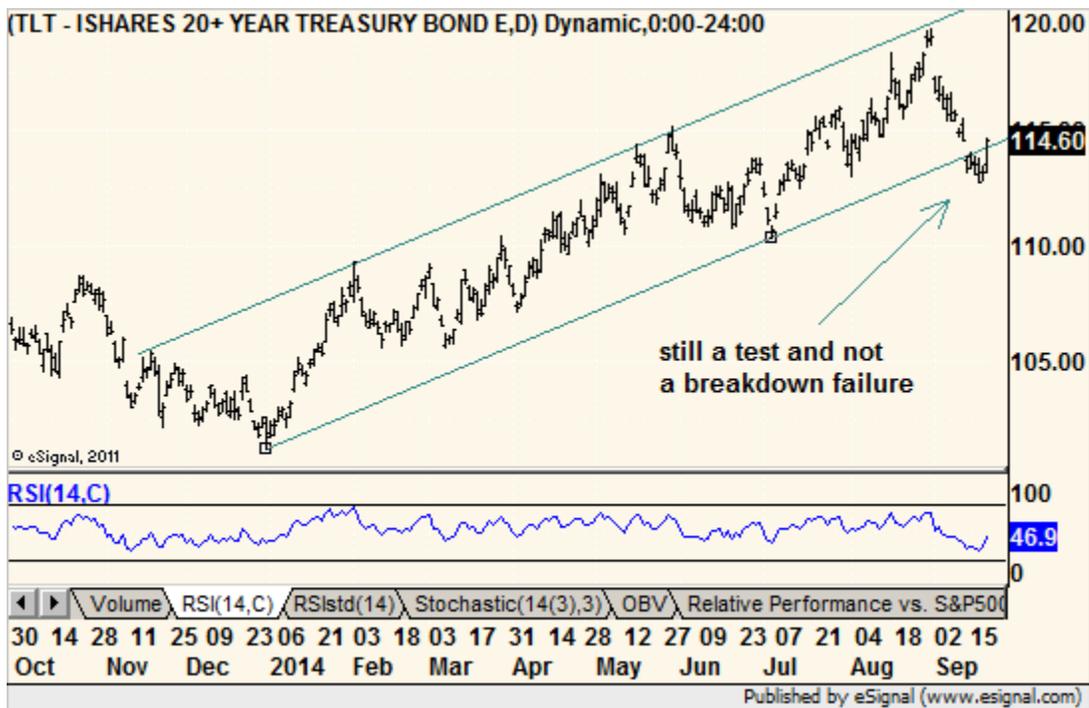
Baidu - An expanding triangle with a bear reversal at resistance. Falling on-balance volume. Need we say more?



Pfizer - High volume key outside-day reversal and breakout failure. Needs one more day to confirm. Sell 30.25 under Friday's low - on close.



Silver ETF - It is tempting to bottom fish, especially when it moved even lower overnight but this is still a falling knife.



Long T-bond ETF - Stay tuned. This is still just a bounce but the gap is going to be closed this morning based on premarket trading.



Dollar Index - This long-term view shows the dollar at a rather stiff resistance and overbought. Careful what bandwagon you jump on.

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>	GNC	GNC HLDGS INC	40.84	8.9%	39.00	37.50	8/25	26
	MRVL	MARVELL TECHNOLOGY GROUP LTD	13.95	0.3%	13.40	13.91	8/25	26
	CERN	CERNER CORP	58.52	2.5%	57.50	57.12	8/26	25
	VZ	VERIZON COMMUNICATIONS INC	50.35	2.4%	48.00	49.15	8/26	25
	LRCX	LAM RESEARCH CORP	75.95	4.4%	73.00	72.75	9/11	9
	RJF	RAYMOND JAMES FINANCIAL INC	55.70	-0.5%	54.00	56.00	9/18	2
	AKAM	AKAMAI TECHNOLOGIES INC	62.42	-3.0%	61.50	64.35	9/18	2
<u>Short</u>	LVS	LAS VEGAS SANDS CORP	62.33	10.6%	65.00	68.94	8/22	29
	CNX	CONSOL ENERGY INC	38.01	4.2%	39.50	39.60	9/8	12
	CAT	CATERPILLAR INC DEL	102.51	3.0%	106.00	105.61	9/10	10
	APA	APACHE CORP	96.51	-0.7%	99.00	95.80	9/15	5

Notes: New long in **ALTR** and then it scored a massive bear reversal on big volume. We did not see any news.

Trailed stop lower on **CAT** short.

Subscriber Corner

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Other Information

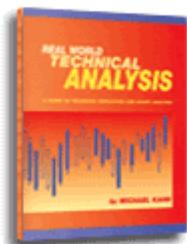
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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