

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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September 23, 2014 - Things are moving quickly for a change. Monday's sell-off was blamed on falling commodity prices and concerns about global growth. Snipping from the news: "A decline in economic activity in August, measured by Chicago Federal Reserve as well as a drop in existing-home sales contributed to the dour Wall Street mood."

OK, we get it. China is slowing down on top of domestic concerns. But then today we get this: "weak European data overshadowed better-than-expected Chinese manufacturing numbers,"

So the blame shifted from China, which somehow improved, to Europe. Whatever.

We see plenty of headlines that make us do some head scratching. Last week, a site ran a headline saying this market will never go down. Today, that same site and same author lambasted investors for thinking they are smart in a Fed-induced bull market with the undertone that the market is in trouble.

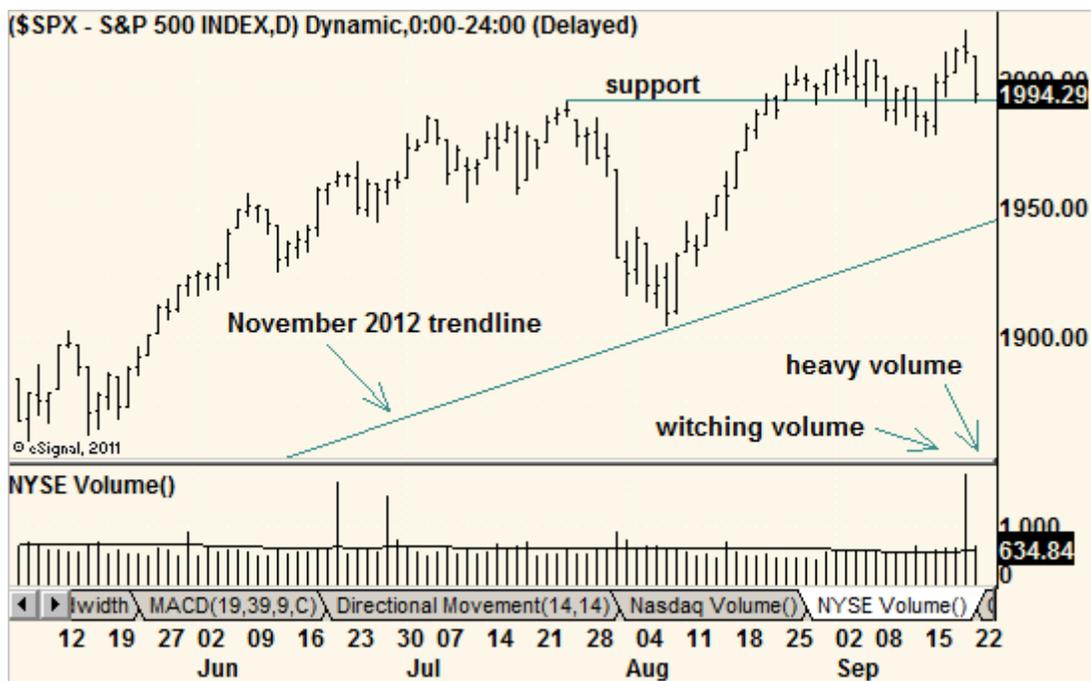
Then there is the Russell 2000 death cross. The Hindenburg Omen (yes, one source said it fired yesterday but we don't think so). And the new fave that the Alibaba IPO marked the end of the bull market. After all, so did the "then-largest" IPO in 2000 (Enel SpA) and the "then-largest IPO" in 2007 (Visa). We thought it is the sum of all IPOs that mattered but that is not our thing. Oh, and by the way, the Enel was priced in 1999 before the peak and Visa was priced in 2008 after the peak. Hmmm,....

The point is that there is a lot of chatter about a market top now and that may or may not be correct. It does suggest, however, that volatility is on the rise and that is often a precursor of big change. We continue to look for an October surprise (a bad one). This is no time for buy and hold, that is for sure.



The hourly chart shows the **SPY** back at support and we've added a real support level from earlier this month. RSI is oversold so we are actually looking for the end of the current swoon. The foot is still off the gas, however. See daily charts below.

Index Charts of the Day

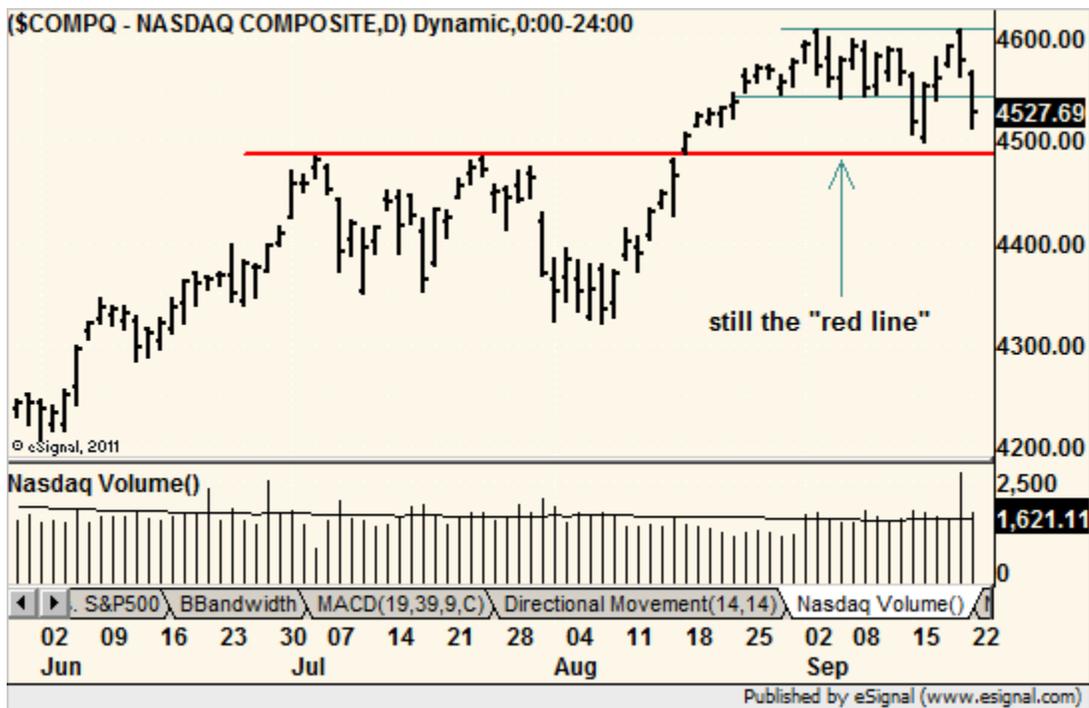


The S&P 500 is back at support but we won't get too excited. We said we'd give it until today to get back in gear and that means it better shows some strength today. If it doesn't then the slide into a volatile October, as we think it will be, may have begun.

Don't forget where the bull market trendline is! Hint - below the market and still a strong support.



The Dow completed an evening star formation which, as the name implies, is bearish. It must be confirmed with a further loss but right now the Dow is at support.



The Nasdaq is still above the key support level although it has now failed at new highs.



Death cross for the Russell but don't get hung up on the indicator. It is still a mess but there is the rising support line to watch. Also, the media is all over the weak Russell as a bad omen.

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		
none -		
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.	Triggered	9/22
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Back burner stocks - DKS, DDD	Removed	8/21
Suncor Energy SU - Another energy stock with a head-and-shoulders (we are short APA on the same pattern). Breakdown		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. Breakdown		9/17
Norfolk Southern NSC - Would love to buy a dip after this breakout in this railroad stock.		9/18
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. Still like the setup but it is too far away for now. Will keep watching.	Moved	9/19
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		

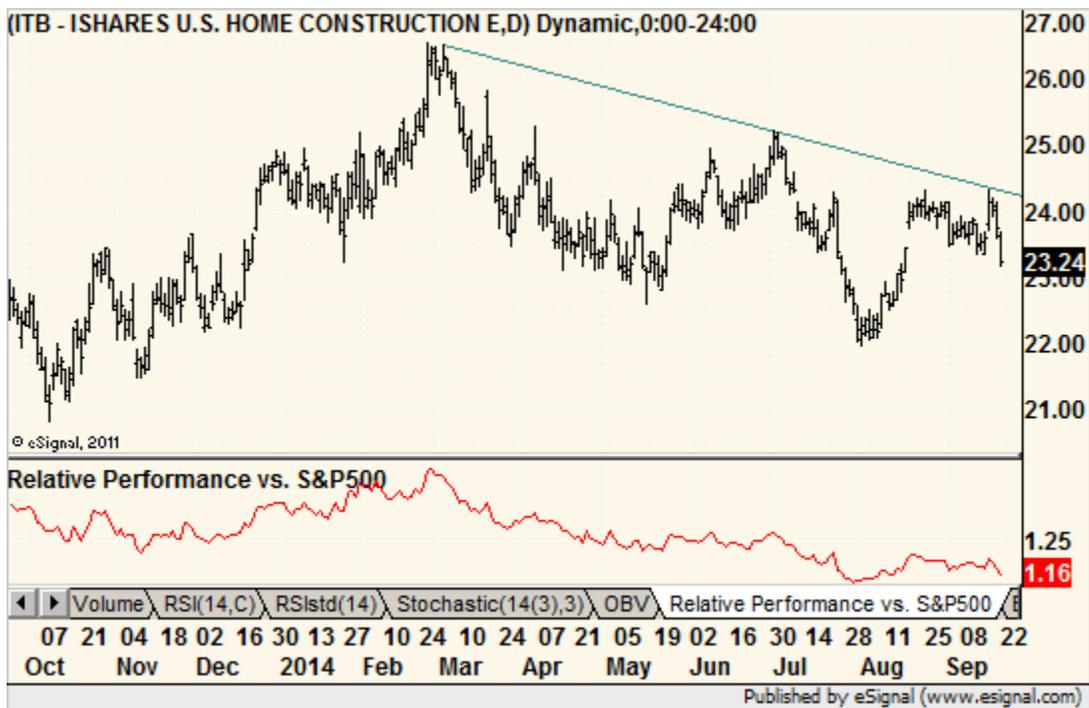
Market Highlights



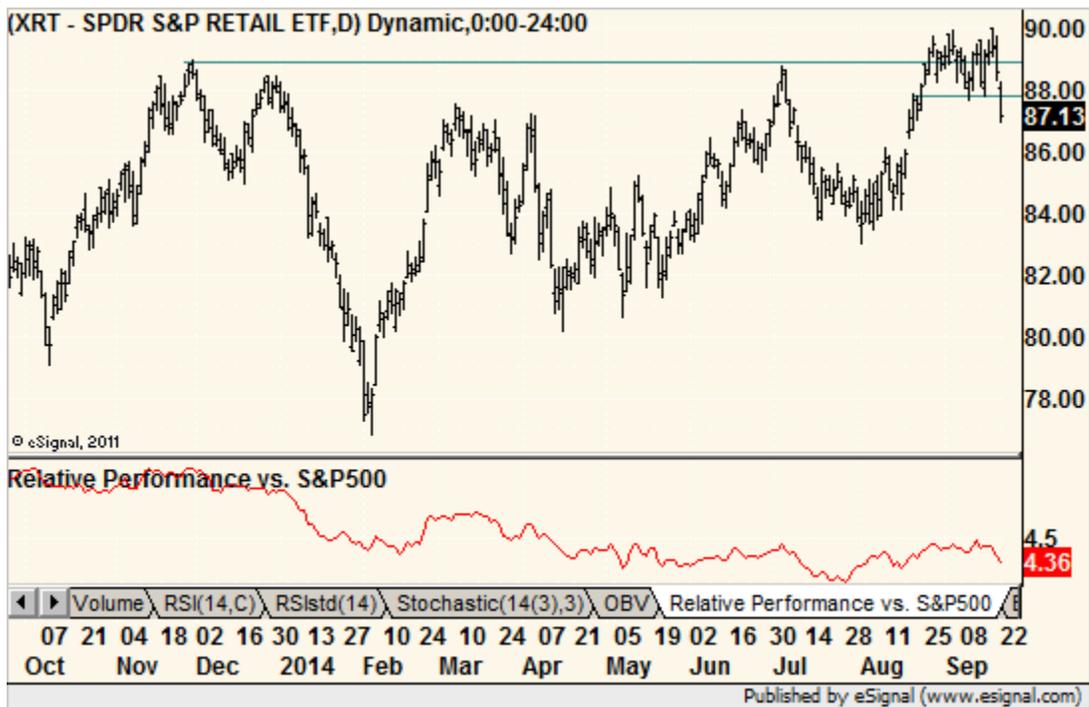
Bank ETF - Failure at the trendline but volume on the decline was low. That gives a little hope that this is a wiggle and not a reversal. One more down day and the rising August trend will be done.



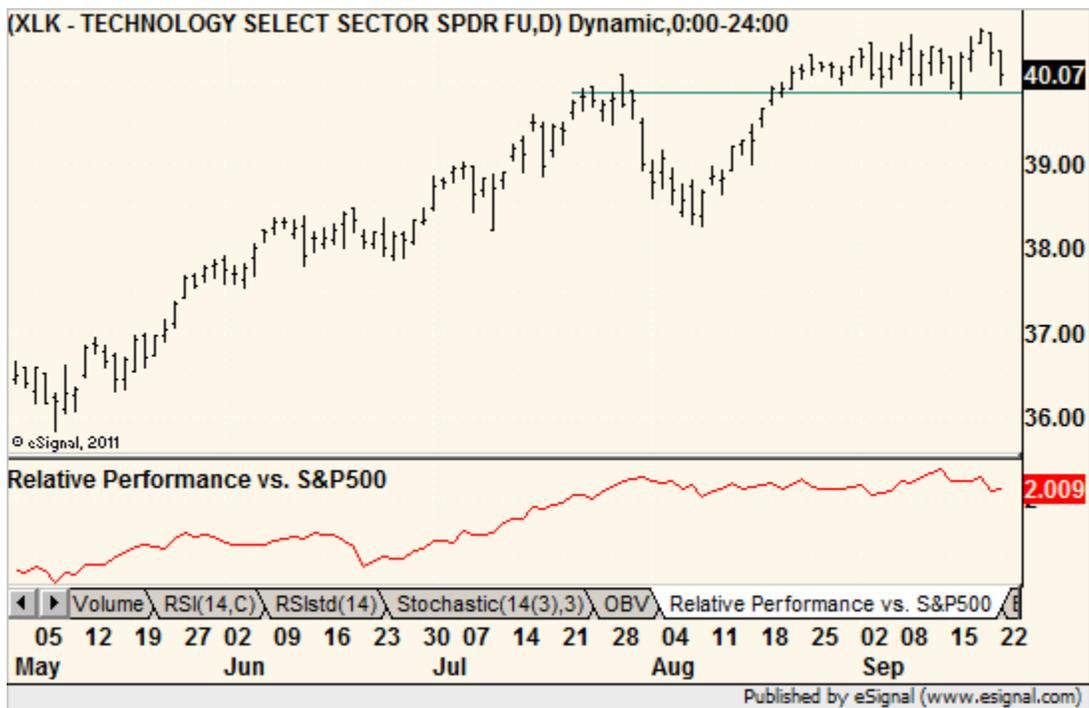
Financial ETF - This is in better shape than **KBE** above.



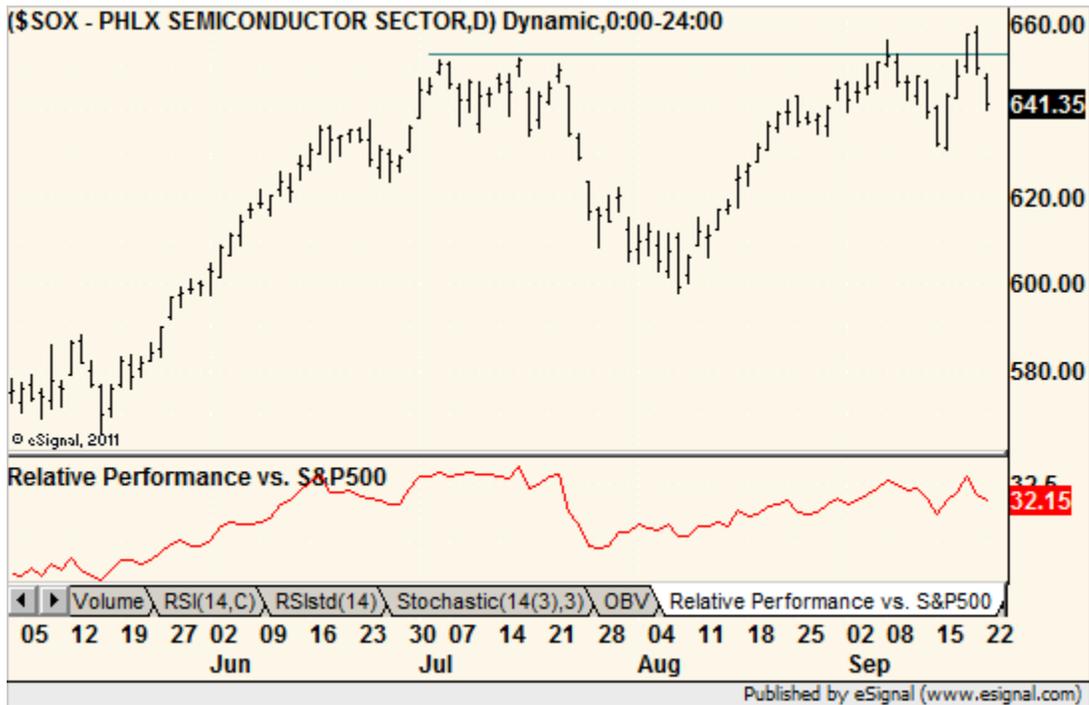
Homebuilder ETF - Still looks crappy.



Retail ETF - Completed an arguable mini-double top. No argument that it failed at major resistance.



Tech ETF - Still holding up but see next chart...



Semiconductor Index - Weaker than tech with a reversal from new highs and a breakout failure. This is very bad news as we are long three of them.



Emerging Markets ETF - Breakdown.



Australia (ASX 200) - Yesterdays, we said Australia and other commodity markets looked weak and many had broken. Then today we see Oz come roaring back, presumably on China's better news. FYI - Canada went from bad to worse yesterday. Oz is highly dependent on China trade.



Silver futures - Yesterday, we said it was a falling knife. Now we see a monster bullish hammer in futures. The SLV ETF does not have a hammer but it closed well. Still needs upside follow through.



T-bond futures - Still testing the breakdown.



Social Media ETF - Not looking too healthy.



Marine Shipping Index - Shipping stocks looking very weak. Other transports are much, much stronger.

Today's Lesson

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

Let the market talk



Home Depot - Some may label this as a double top and it may well be. However, a double top is not just a stop at a prior high. It could blow through at any time! Rather, it is two failures at the same level AND a breakdown below the support level between them. It must look like the letter "M."

True, this stock has falling volume at the peaks and that is a complementary signal. But if this stock pauses one more day and then rallies the pattern turns into a cup-with-handle.

Therefore, we must wait for a new high (cup breakout) or a new low (double top completion) to act. Day traders, go wild between those two levels.

Two-pagers (included with your subscription):

[Cup-with-handle](#)

[Let the market talk](#) (not about this pattern but relevant)

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	40.02	6.7%	39.00	37.50	8/25	28
	MRVL	MARVELL TECHNOLOGY GROUP LTD	13.57	-2.4%	13.40	13.91	8/25	28
	CERN	CERNER CORP	58.61	2.6%	57.50	57.12	8/26	27
	VZ	VERIZON COMMUNICATIONS INC	50.18	2.1%	48.00	49.15	8/26	27
	LRCX	LAM RESEARCH CORP	74.95	3.0%	73.00	72.75	9/11	11
	RJF	RAYMOND JAMES FINANCIAL INC	55.31	-1.2%	54.00	56.00	9/18	4
	AKAM	AKAMAI TECHNOLOGIES INC	61.50	-4.4%		64.35	9/18	4
	ALTR	ALTERA CORP	36.08	-3.3%	35.00	37.33	9/19	3
<u>Short</u>	LVS	LAS VEGAS SANDS CORP	60.24	14.4%	65.00	68.94	8/22	31
	CNX	CONSOL ENERGY INC	37.46	5.7%	39.50	39.60	9/8	14
	CAT	CATERPILLAR INC DEL	100.90	4.7%	106.00	105.61	9/10	12
	APA	APACHE CORP	94.52	1.4%	99.00	95.80	9/15	7
	PFE	PFIZER INC	30.18	0.0%	31.00	30.18	9/22	0

Notes: Stopped out of **AKAM**, feeling very violated. The setup was excellent but things just reversed to the downside. The same for **ALTR** but we are going to let it bounce from oversold before bailing out at a loss.

MRVL looking very sick and we'll likely bail on that one soon, too. Tech got clobbered.

New short in **PFE** at the close.

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

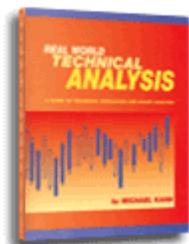
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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