

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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October 2, 2014 - By Now you've read all the reports about "why" the stock market went down so much Wednesday. All the news that fits the print (take off on the NT Times slogan). Some say global growth. Some say domestic strength will get the Fed to raise rates sooner. Some say Ebola. We say, support was taken out and there was nothing in the way of a big drop.

Let's talk technicals. True, Ebola hurt airlines (and cruise lines) but why did trucking and marine shipping fall so hard, too? We'll say that the Dow Transports index had a breakout failure, traded a bear flag and then broke its 50-day average. Remember, the trannies were a market leader and that is now questionable.

The Russell? It was already in rough shape and then took out July support Tuesday. Yesterday, it tagged May support. The death cross "they" were quick to disparage seemed to work really well, didn't it?

Seasonals? September did end with a loss and October did start with volatility - right on schedule.

Let's get to the really big stuff - the S&P 500 broke its November 2012 trendline. It is still a marginal break but this is an important event nonetheless. Toss in 200-day moving average breaks but the S&P 400 midcaps and NYSE composite and we are building a rather big case for even lower prices before a buying opportunity emerges.

In political news, both the Russian and Hong Kong markets continue to drop. In plain old market news, Japan scored a downside breakaway gap from resistance (chart below). Apparently any uptick in the yen hurts that market.

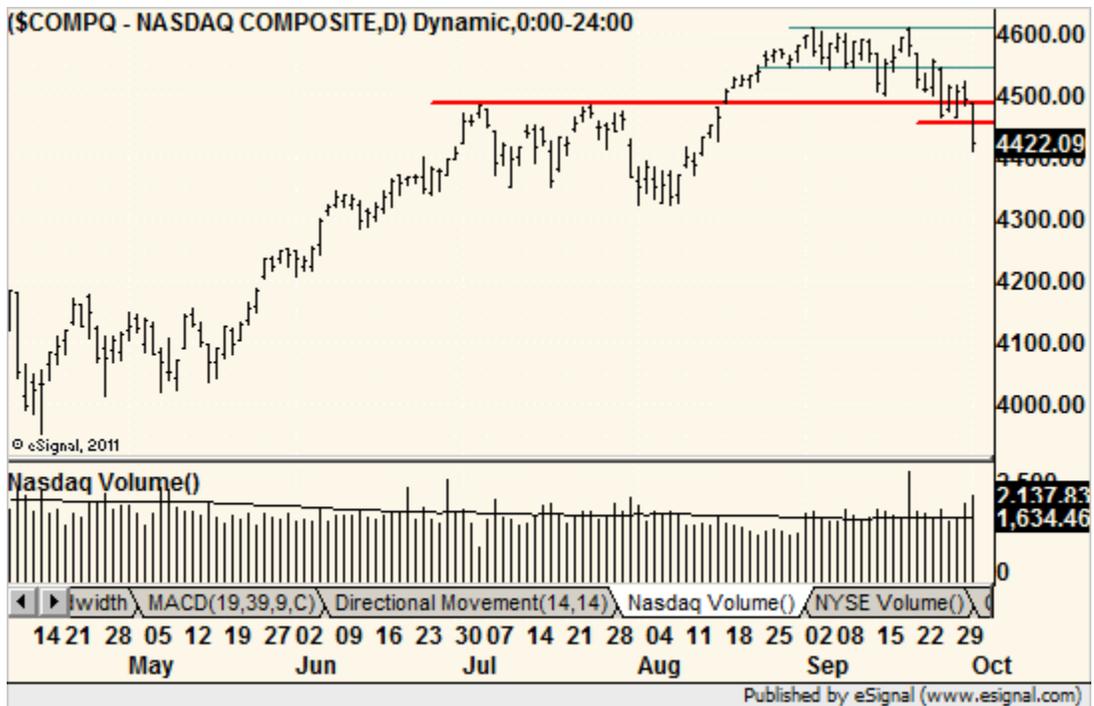


From yesterday's report: "We suspect a new low would open the October floodgates of selling (and volatility)." Indeed. The argument now is for an oversold intraday condition but the trend now seems in place. We are not sure that this is the place to start buying, even with the CNN fear/greed meter reads 8 out of 100.

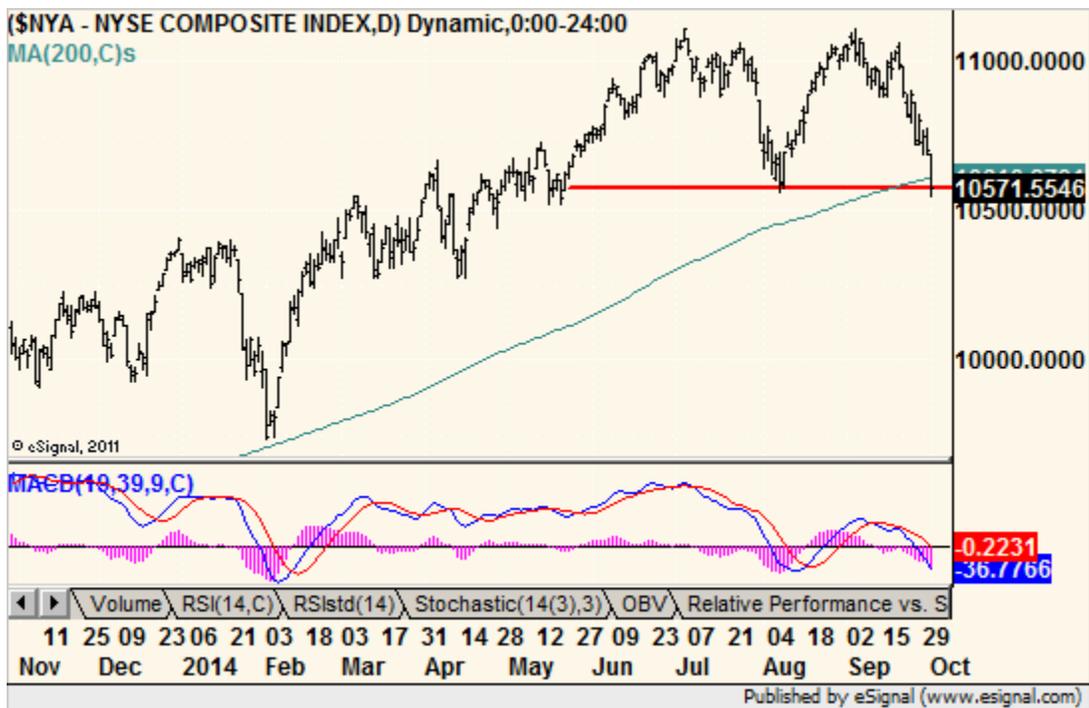
Index Charts of the Day



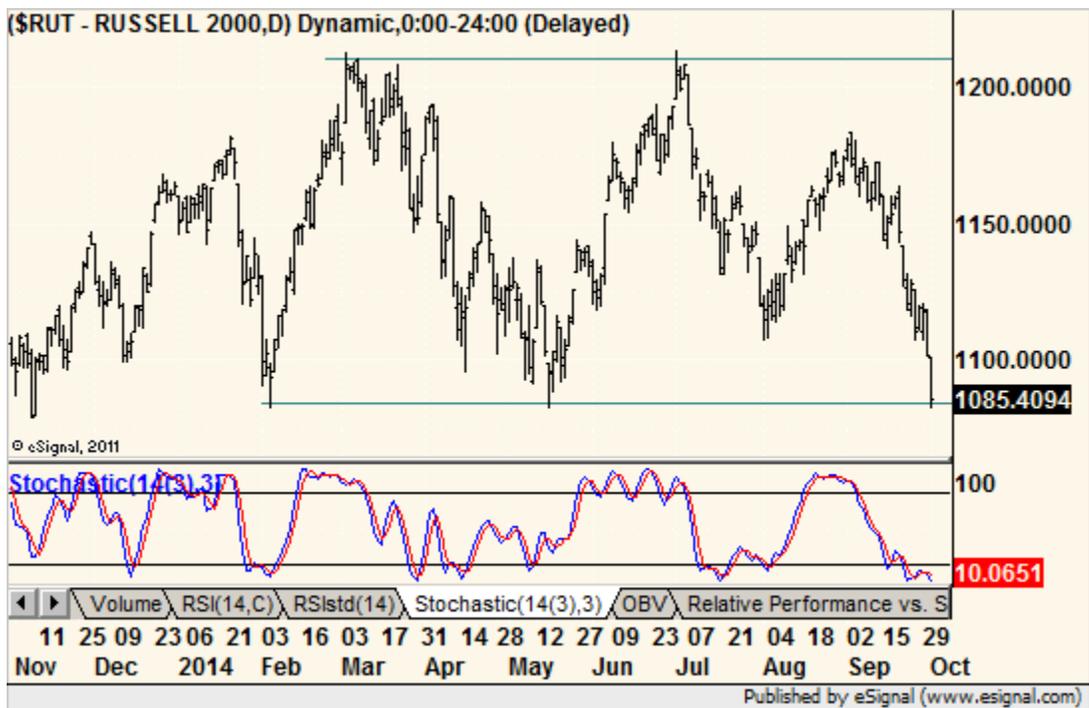
Here is yesterday's Dow chart with the breakdown added. Note volume was a bit heavier this week (the spike is options expirations).



There's the high volume Nasdaq breakdown.



Yesterday, we looked at a failed inverse head-and-shoulders. Today we can see a 200-day average break and technically a double top breakdown. We think the break was on momentum so we do not believe it just yet. A pause and then continued weakness would be enough for us.



The Russell is indeed oversold but it is clearly not the place to be.

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		
Linear Technology LLTC - In the weak semi group. This one is set up for a fall. Sell 43.75	Triggered	9/29
American Express AXP - A moving average death cross and a defined slightly rising trading range suggest a pending breakdown. Sell 86.75.	Triggered	9/29
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Netsuite N - The price action looks like a good setup but we cannot confirm with any indicators. Nice long pennant formation with a flat top.		9/29
PPG PPG - This chemicals stock reversed to the upside at its 200-day average. On-balance volume chopped higher even as prices fell over the past two months. A buy candidate in a decent market. IFF is similar. The market was not decent and both broke to the downside.	Removed	9/30
Airgas ARG - Another chemicals stock. This one has a bull flag pause at long-term resistance. A breakout would be nice. <u>A tiny bounce would be nice now.</u>	Removed	9/30
Sector Watch (observations that may spark ideas)		
Healthcare - still leading but XLV has an absolute breakdown		9/29
Tech - still leading but faltering. Semiconductors falling relative to the market		9/29
Financials - although they had breakout failures, relative to the market they are still improving		9/29
Energy - Still lagging with no signs of change		9/29
Retail - improving relative to the market		9/29
Homebuilding - Weak chart and once again weak vs. the market. Just hit a new relative performance low.	Changed	9/29
Chemicals - so much for beating the market.	Changed	9/30
Gaming sector - High volume bullish reversal at support with a bullish RSI divergence on Tuesday. In a better market we think it would rally well.		10/1
Trucking sector - Broke down from a bear flag after already breaking rising trendline.		10/1
Paper and Forest sector - breakdown		10/1
Updates		
Coke KO - Held its breakout.		
Applied Materials AMAT - We were going to watch for a breakdown but it happened in a big way Wednesday.		
Tesla TSLA - mini hammer candle on its trendline. Actually positive.		

Market Highlights



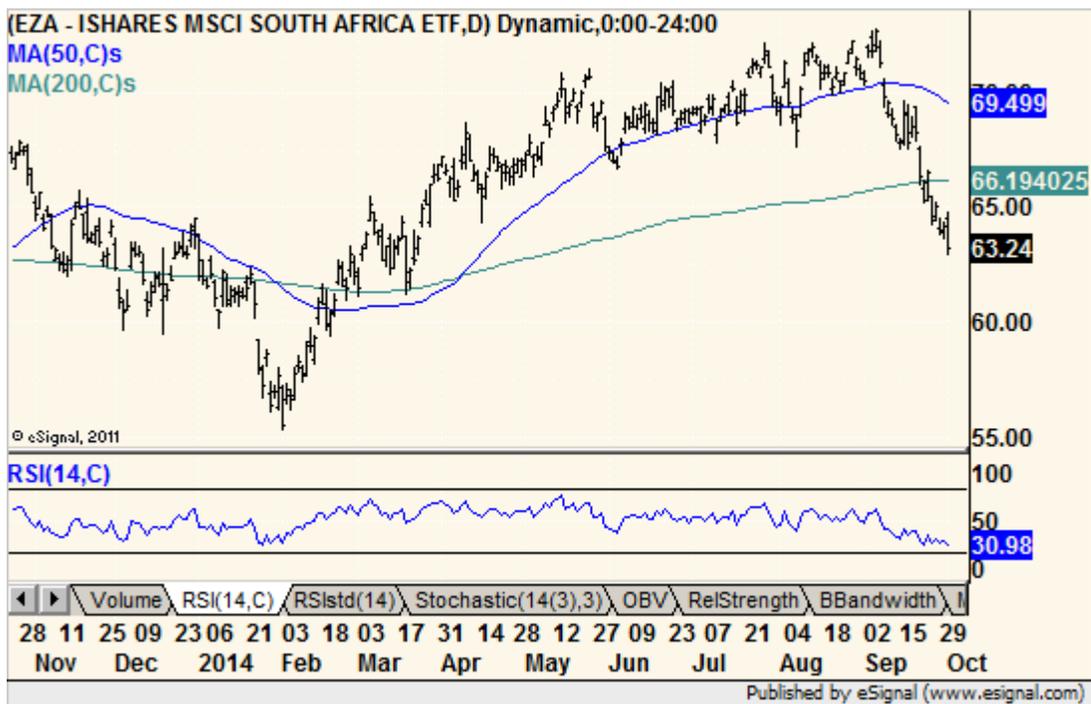
Japan Nikkei 225 - A downside breakaway gap from resistance. Note the MACD crossover. The bulls will like that the 50-day average is still intact.



Germany DAX - Nobody is talking about the death cross in this market.



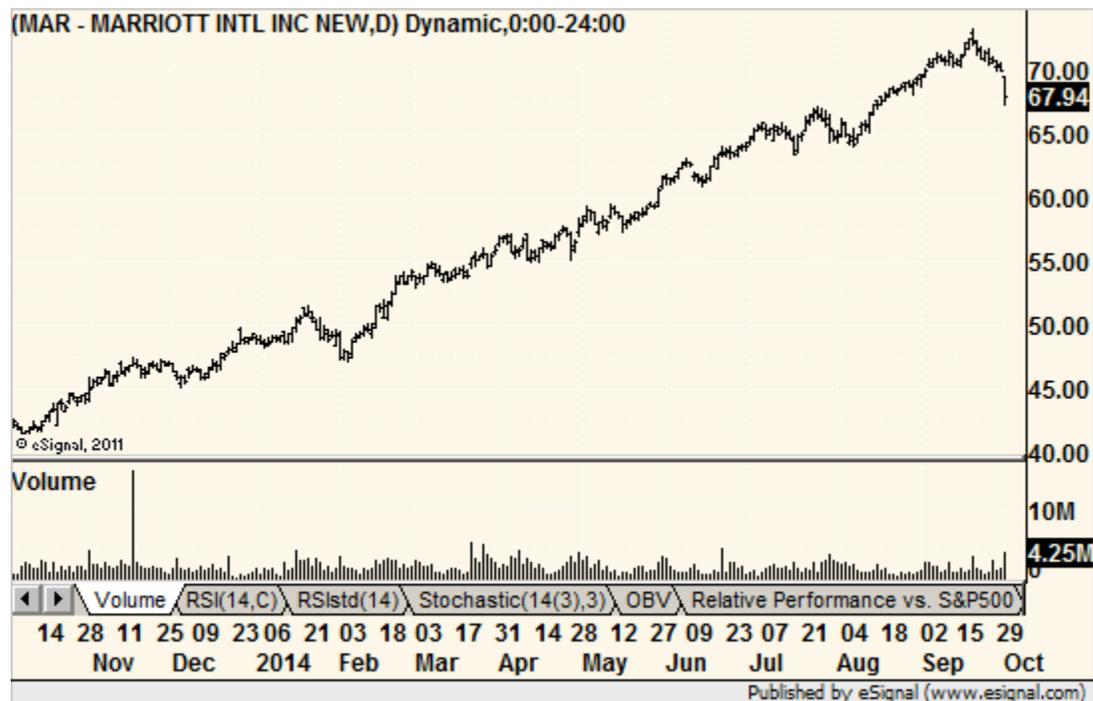
Peru ETF - When will silver bounce? We've shown this before. When silver is ready this market should signal it (major exporter).



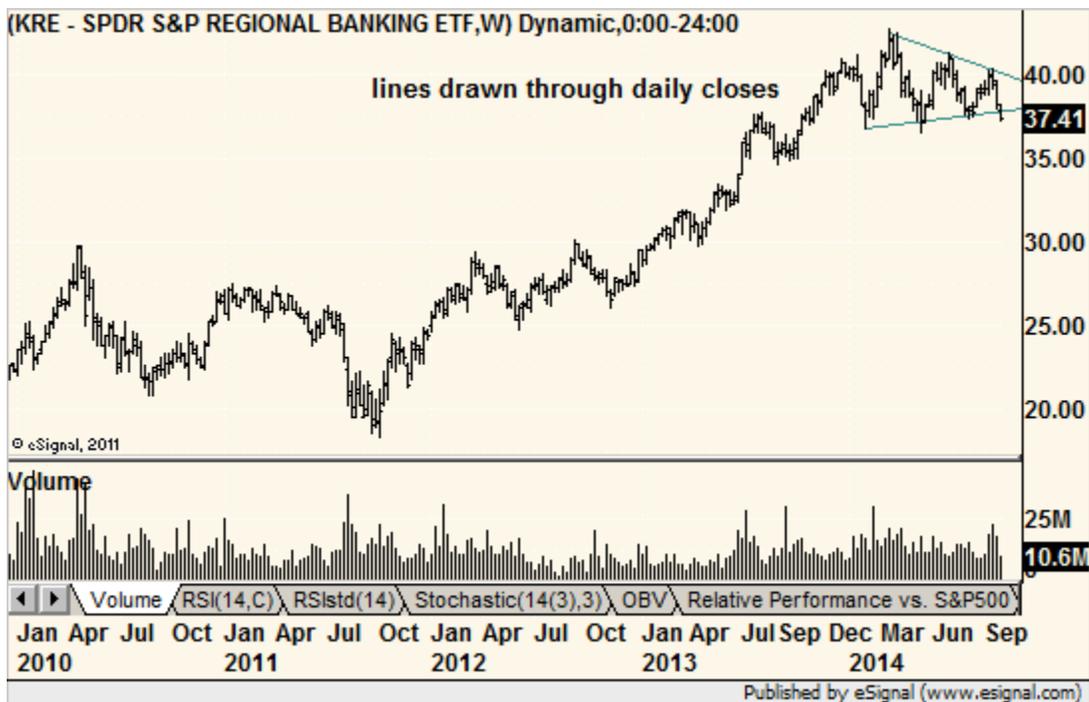
South Africa ETF - Ditto this market as a marker for platinum. So far, it looks very weak.



Gold ETF - Although silver and platinum are still bearish, gold is stabilizing. Here, we see the ETF pulling away from the lower Bollinger Band in a sort of divergence. It made a low under the bands and a lower low back within. It's not a buy signal but it is a warning.



Marriott - Just a representative from the hotels sector. Ebola? Or just the end of a bull run.



Regional Bank ETF - This long-term view actually has a small breakdown (drawn through daily closes).



Healthcare ETF - Still beating the market but now has an RSI divergence. Health care provider stocks such as LH, DGX, UHS and BKD all have real breakdowns.

Conclusion - Healthcare is a leader but it is breaking. Financials are broken and tech is wobbly. Watch tech. If it falls then stick a fork in the market.

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>	CERN	CERNER CORP	58.38	2.2%	57.50	57.12	8/26	36
	VZ	VERIZON COMMUNICATIONS INC	49.43	0.6%	48.00	49.15	8/26	36
	LRCX	LAM RESEARCH CORP	73.00	0.3%		72.75	9/11	20
	NSC	NORFOLK SOUTHERN CORP	108.65	-1.5%	106.00	110.31	9/24	7
	WST	WEST PHARMACEUTICAL SVSC INC	44.05	-2.0%	42.75	44.95	9/30	1
	RGEN	REPLIGEN CORP	20.80	3.3%	18.70	20.14	9/30	1
<u>Short</u>	APA	APACHE CORP	91.05	5.2%	96.00	95.80	9/15	16
	PFE	PFIZER INC	29.15	3.5%	31.00	30.18	9/22	9
	LLTC	LINEAR TECHNOLOGY CORP	43.11	1.5%	45.50	43.75	10/1	0
	AXP	AMERICAN EXPRESS CO	85.81	1.1%	89.00	86.75	10/1	0

Notes: Stopped out of **LRCX** as the semiconductor sector cratered. We may have covered commissions.

Trailed stop on **APA** short lower.

RGEN was up nicely especially for a crappy market day.

Two new shorts triggered intraday - **AXP** and semiconductor **LLTC**

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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