

# QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

MICHAEL KAHN  
RESEARCH LLC

**October 10, 2014** - While a bounce to start the day did seem possible it was all downhill Thursday. Most indices took out last week's lows and that means several confirmed or reconfirmed big breakdowns.

We talked about a high number of new lows Wednesday as the market rallied strongly but dismissed that as a bearish sign because the market dipped lower first. Thursday there was no excuse. On the NYSE, 252 stocks hit new lows and that means the market is indeed very weak.

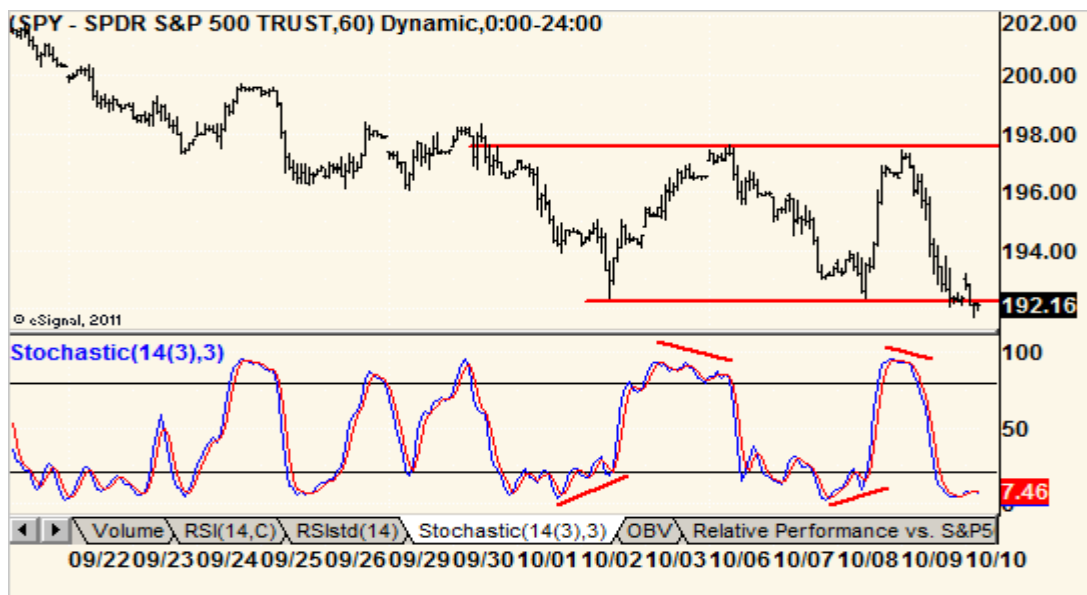
And as volatility and back-to-back-to-back triple digit moves on the Dow rule, so, too, has volume surged. It has been more than three years since NYSE volume was above its average for eight straight days and that came after the market puked in August 2011. So far, the decline this month was about 1/3 the size of what it was back then. But to be fair, volume back then was double what it is now.

What does it all mean? Preserve capital. Play the short side.

And it is not just stocks. Crude oil is falling off a cliff and my column Monday looking for \$75-\$79 seems to be right on track. Gold had a few days of fun but given how gold stocks acted yesterday it is not that promising.

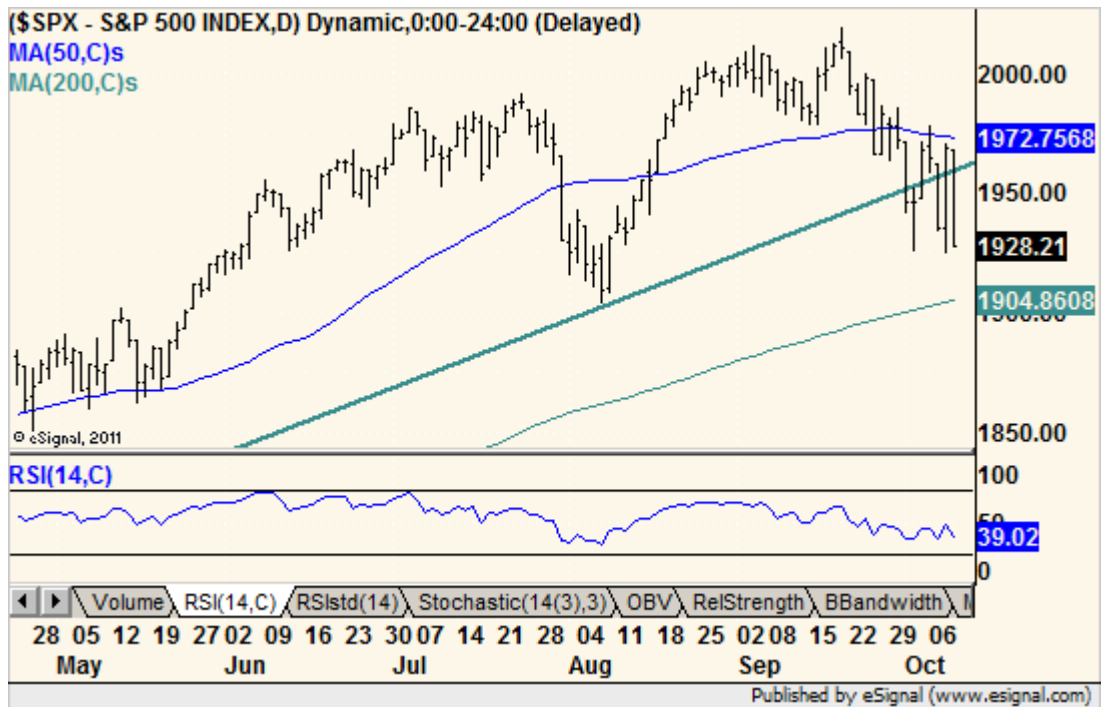
Yesterday morning, the news kicked off with an Alcoa (AA) beat and Gap (GPS) miss. The former jumped up and the latter jumped down as was expected. But at the end of the day AA had given it all up and more to leave a very bearish candle on its chart. In fact, commodities stocks in general from coal to steel were on the leader board as biggest losers. Commodities are in trouble and that suggests the economy is, too - yes even with low jobless claims. The market is telling us something.

In looking for the best sectors all we can find are the least bad. Every one of the sector indices we follow were in the red with real estate and a few consumer staples losing smaller amounts. Even Treasury bonds lost ground yesterday leaving the dollar as the only winner.

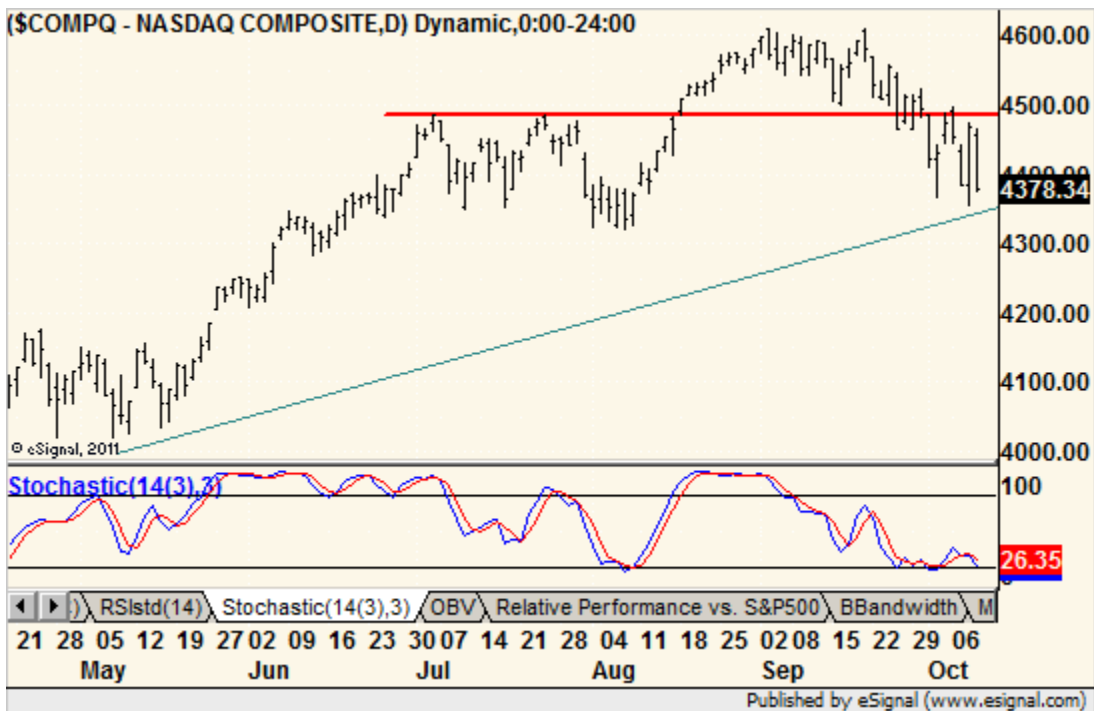


The hourly chart shows the **SPY** falling all the way back to support. Overnight it dipped below but check out the stochastics divergence. A divergence was present at every turn in this trading range so now we have another reason not to panic. With that said, the market looks and feels very heavy. **We are not buyers.** Again, the failure to lift off from a support right away is not a good sign, even if it rallies back a bit today.

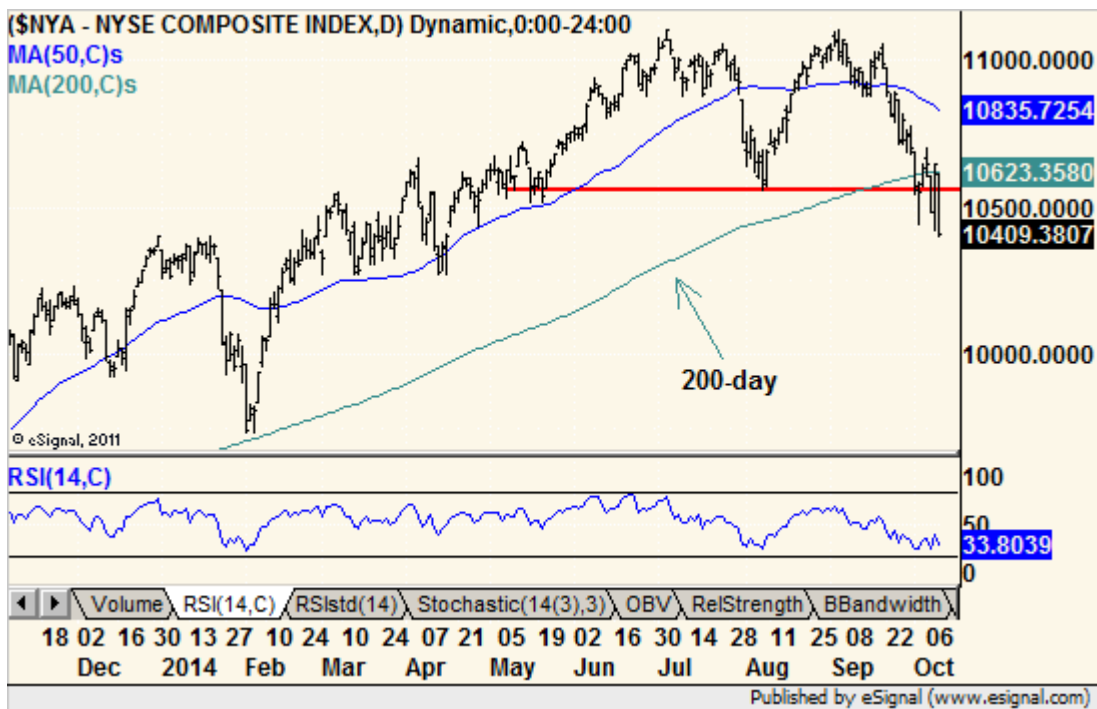
## Index Charts of the Day



The trendline was broken again.



The Nasdaq is still holding its trendline but that is little comfort. As you can see from both charts, a new low will in both S&P and Nasdaq will break a lot more supports.



Double top and 200-day average breakdown for the NYSE composite.



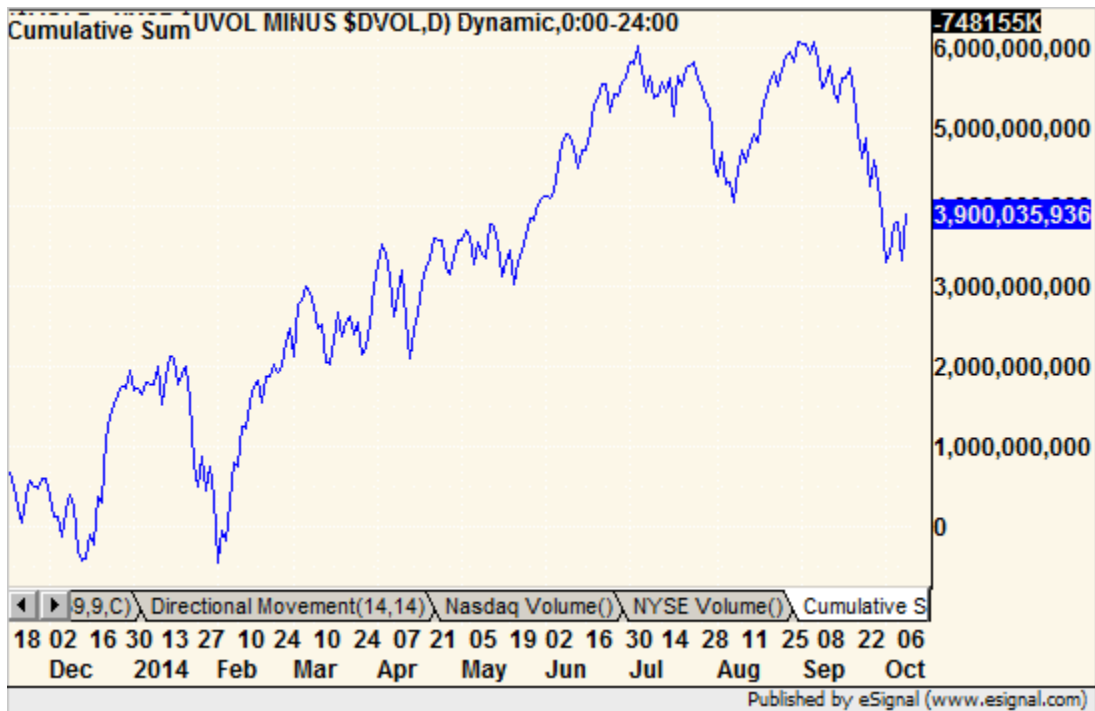
The Russell is still just as weak.

## The Radar Screen

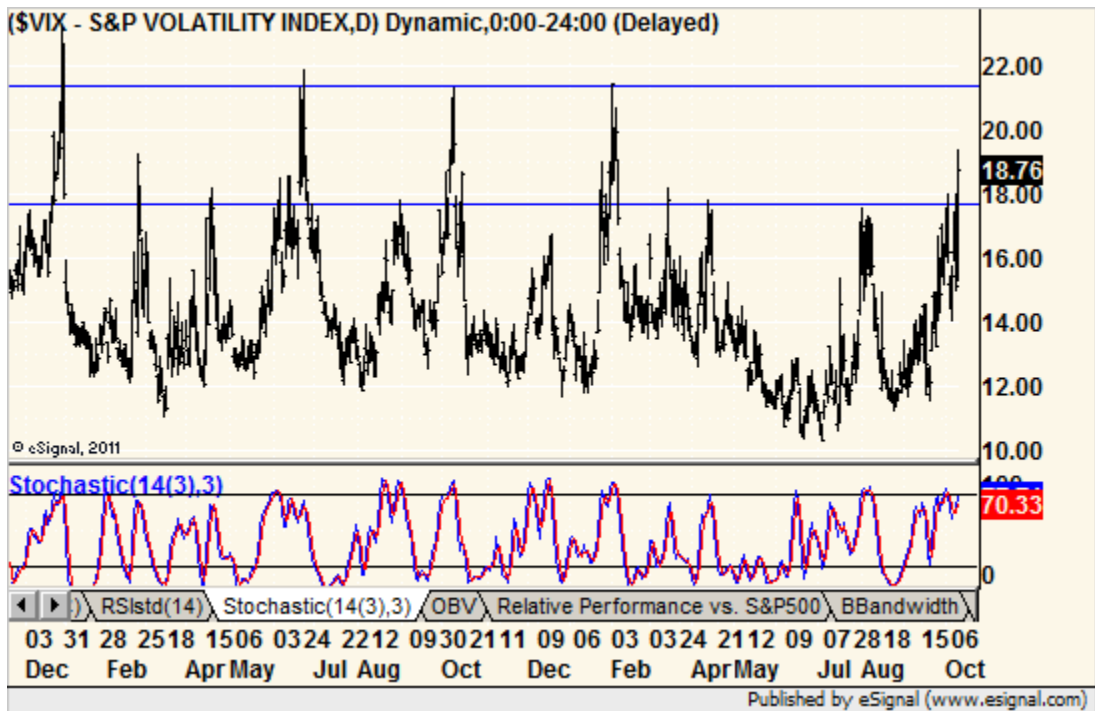
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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>		
none -		
<b>Bearish Implications</b>		
none -		
<b>Unknown Implications</b>		
none -		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Intercontinental Exchange ICE</b> - Above its averages with rising on-balance volume. Actually good looking.	<b>New</b>	10/10
<b>Sector Watch</b> (observations that may spark ideas)		
We are having a full reset here. When the market moves as a unit there is not much to glean from sector analysis.		
<b>Updates</b>		
<b>Metals and Mining ETF XME</b> - Big hammer candle <u>completely wiped out</u>		
<b>Bank of America BAC</b> - trendline now broken		
<b>Gold miner stocks</b> - huge decline even as gold rallied		

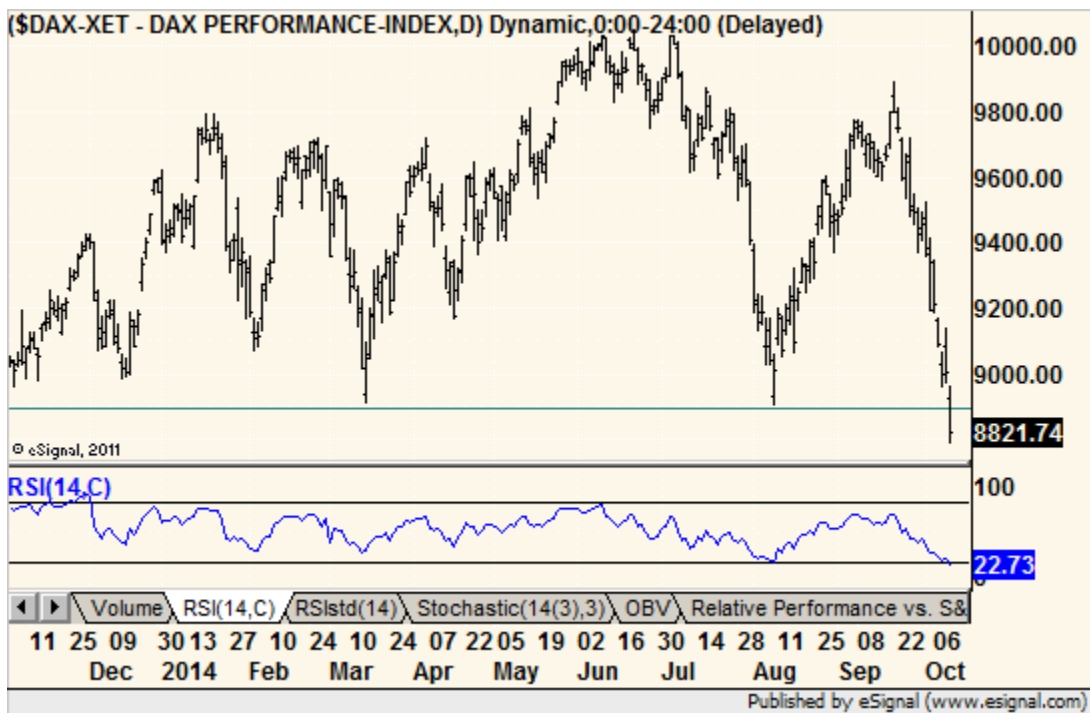
## Market Highlights



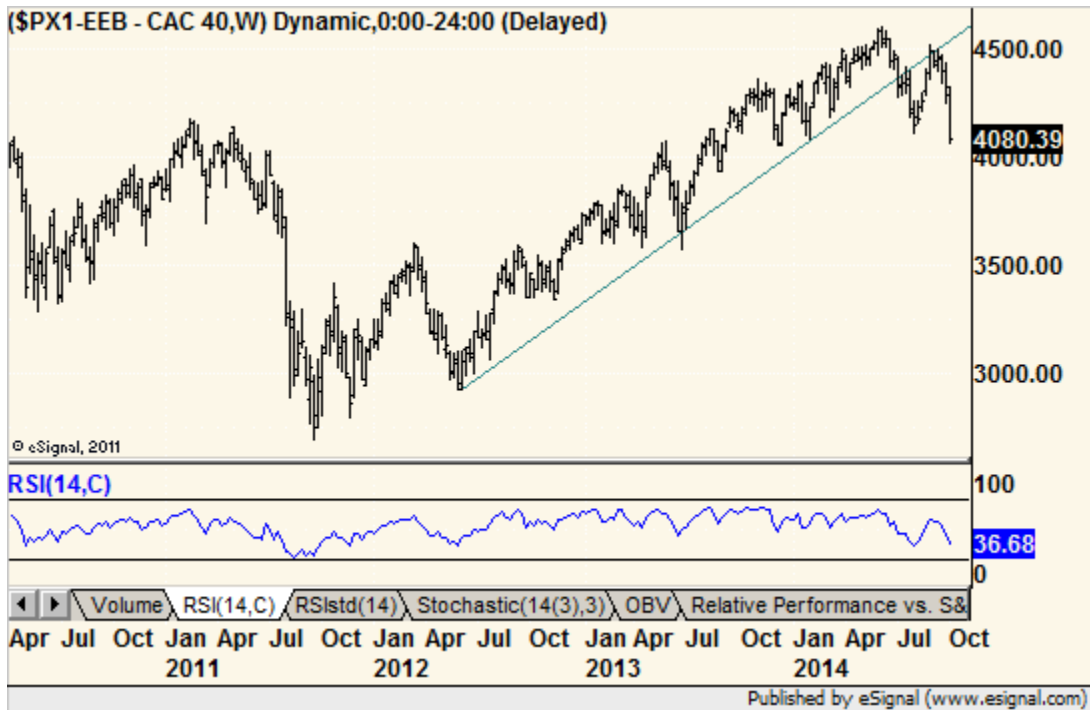
**NYSE adv volume / decl volume** - While the actual advance/decline has not taken out its summer low, A/D volume has.



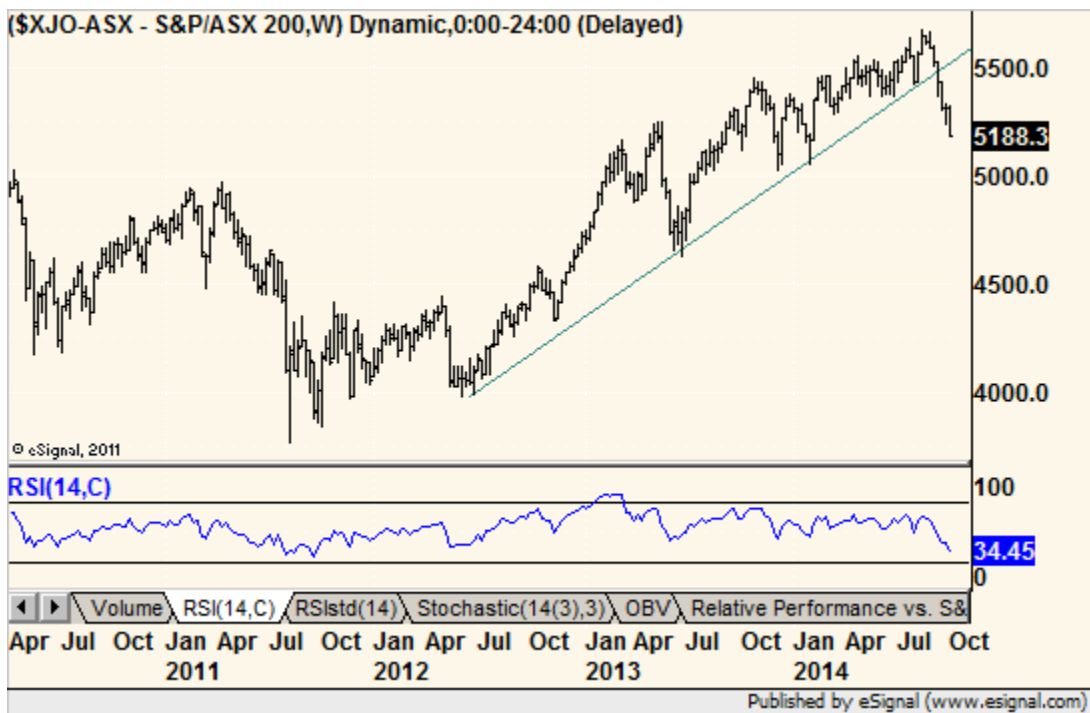
**VIX** - The first level of "high-ness" stopped the price slide last week but now it looks as if the **VIX** is heading to the next higher level.



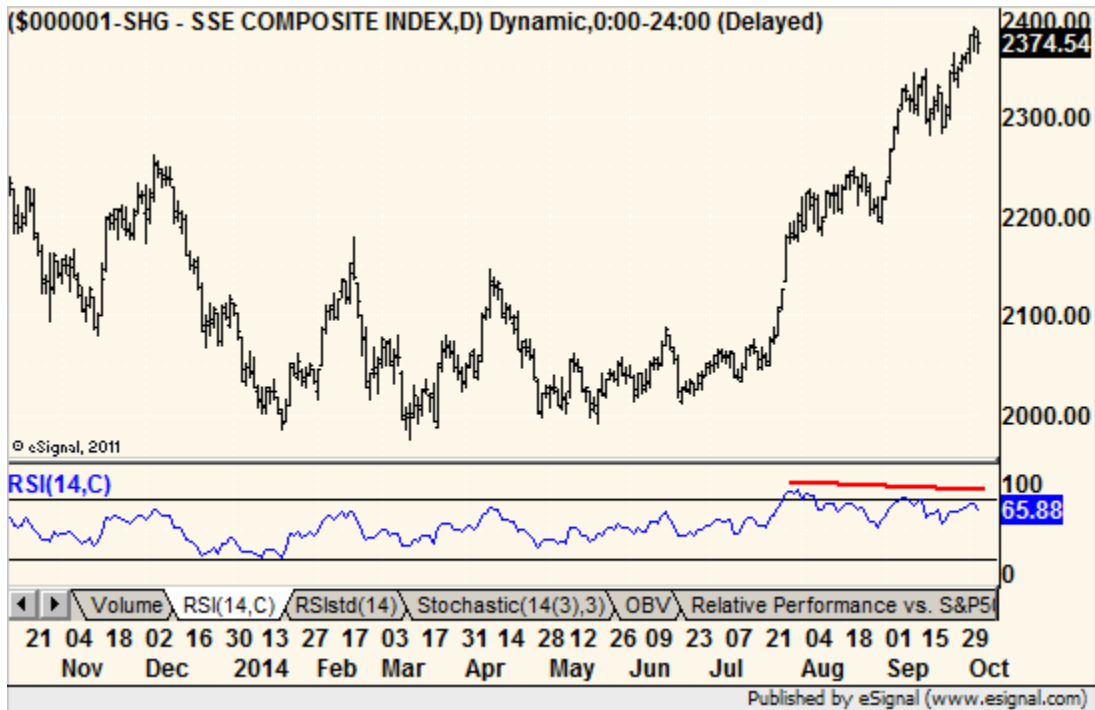
**Germany DAX** - Takes out support. At 52-week low.



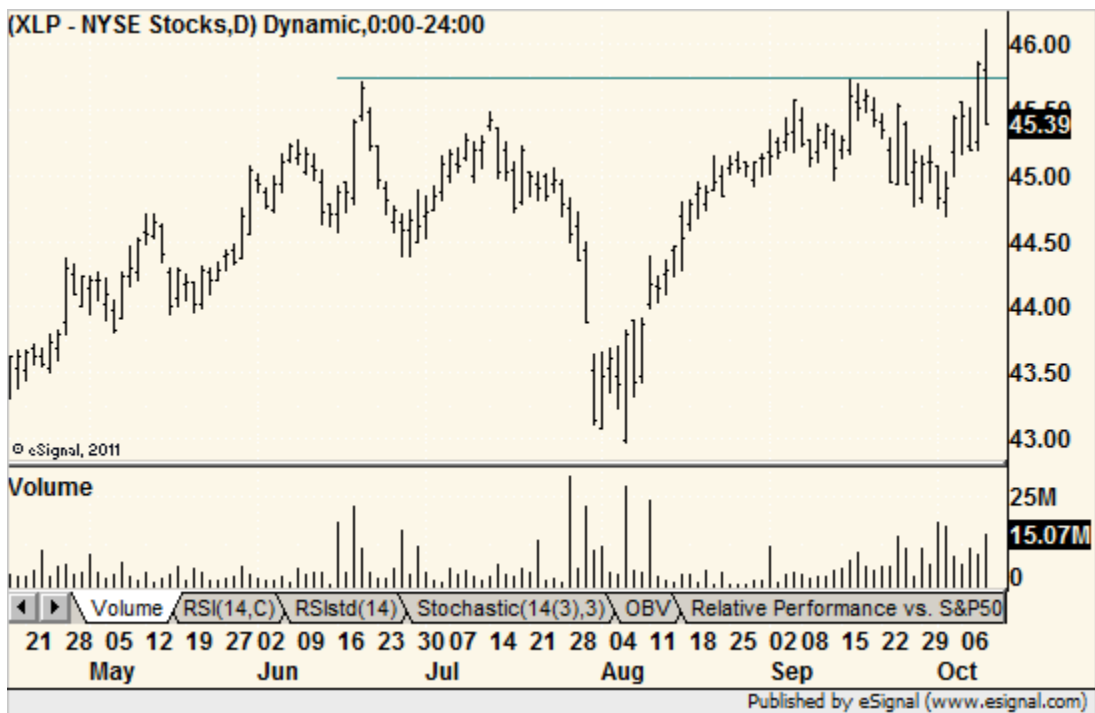
**France CAC** - This weekly chart shows a breakdown and test.



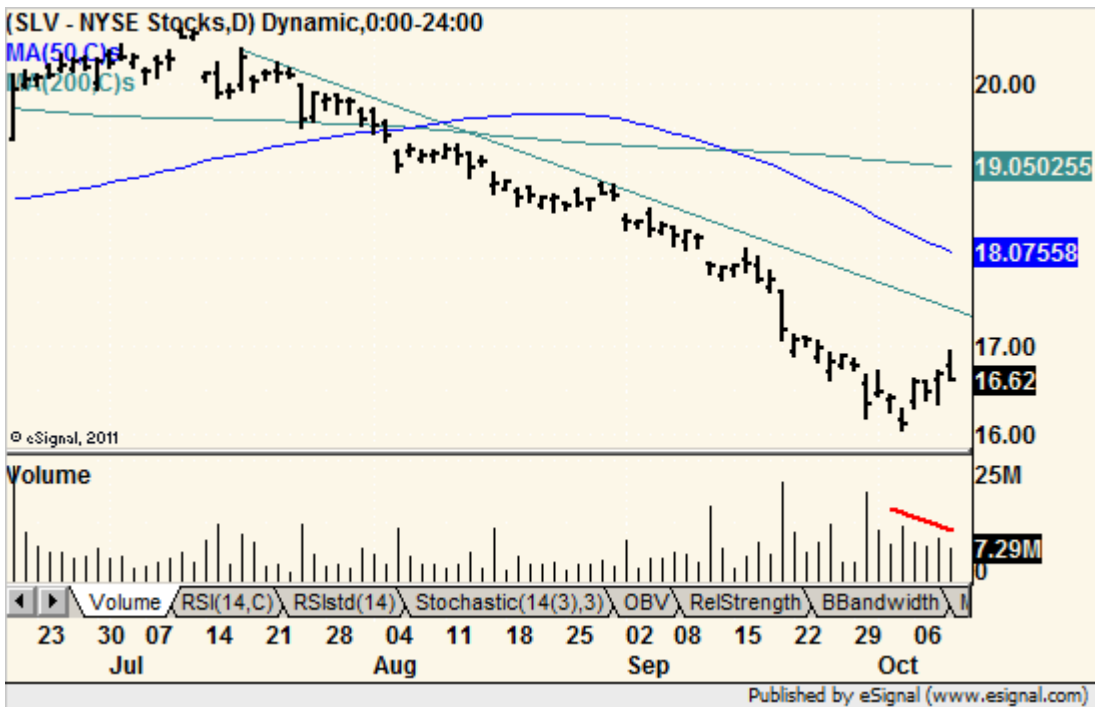
**Australia ASX - Weekly breakdown**



**China Shanghai** - One of the few bull markets around. Could use a little correction as indicated by falling RSI.

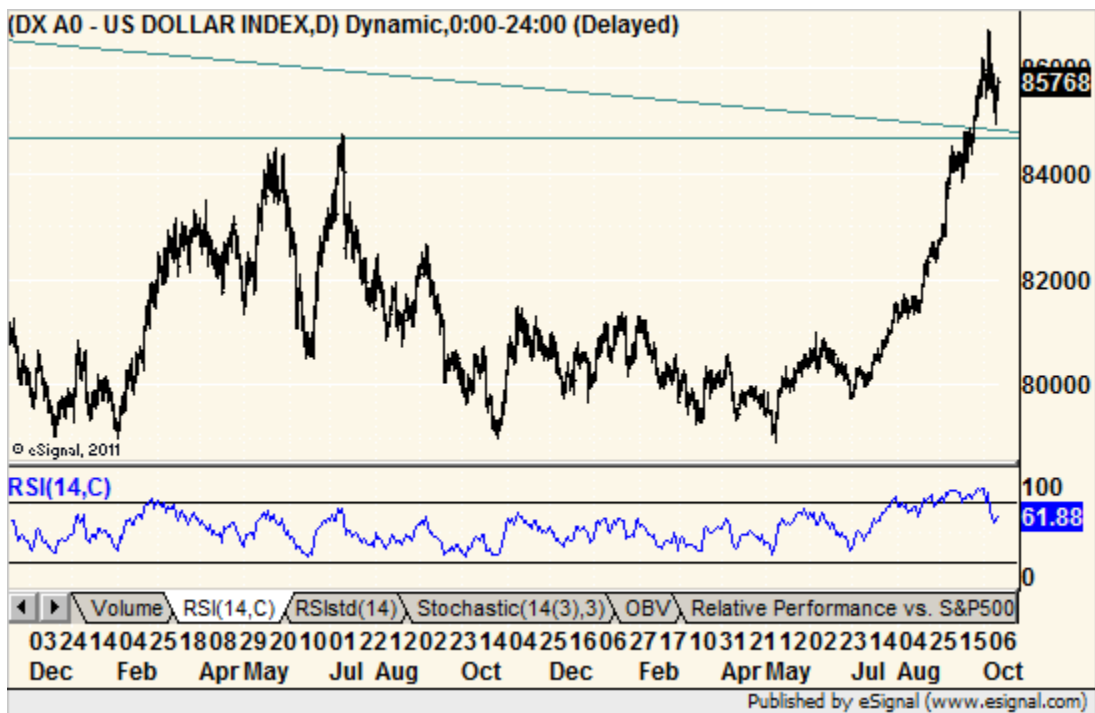


**Consumer Staples ETF** - Everyone got excited on the Wednesday breakout but that has now failed. Defensive sectors still outperforming offensive sectors but the whole thing (the market) is falling.

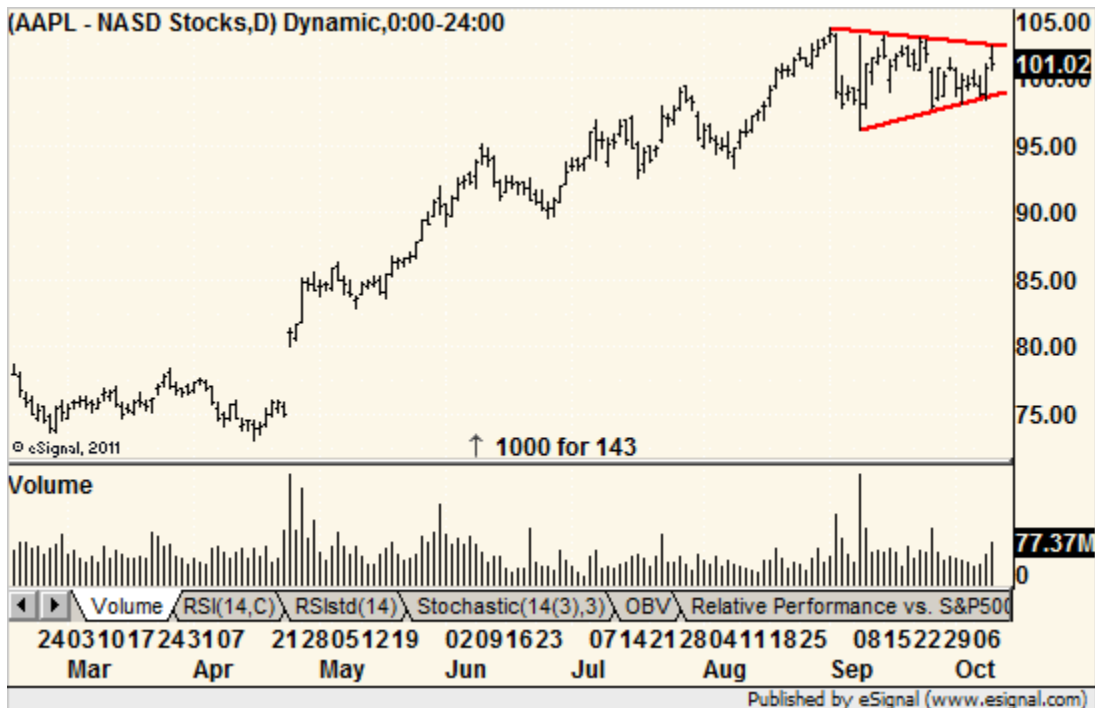


**Silver ETF** - Net loser on the day with a bear flag in a down trend.

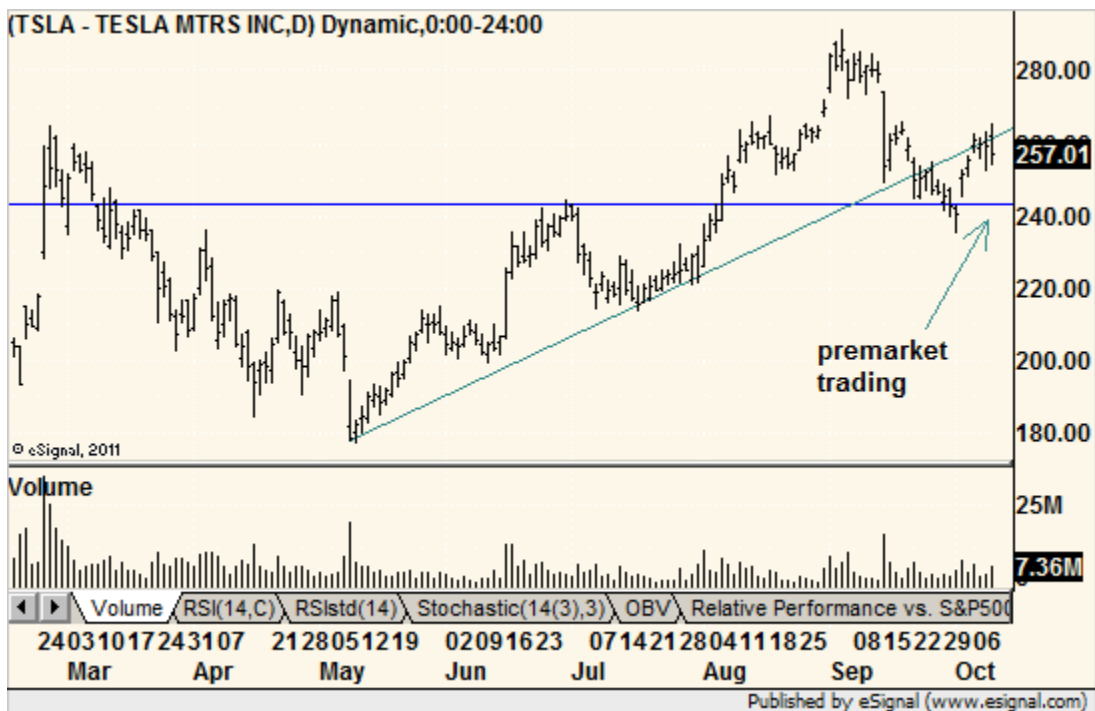




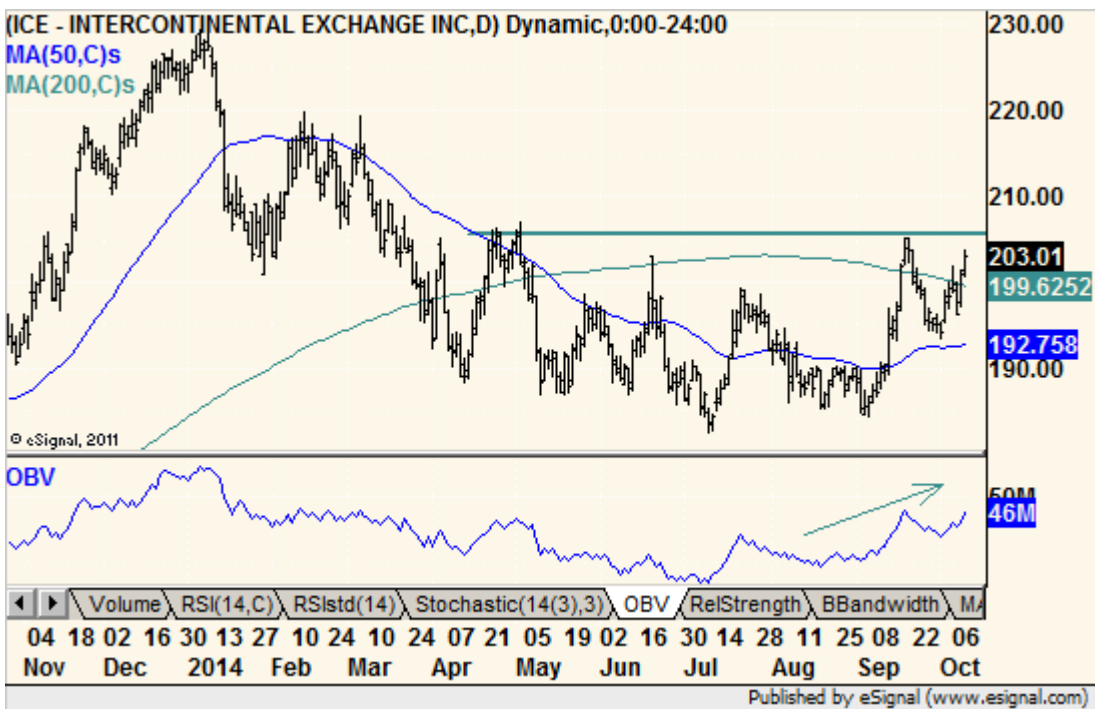
**US dollar index** - It did not fall to the hourly head-and-shoulders target but this view does look as if the test of the breakout is completed. We are not going to trade on it because picking these exact targets is risky even when volatility is low. Let's just say the major trend is still up.



**Apple** - Rallied yesterday but never broke out. It is lower this morning.



**Tesla** - The "D" news just came out and all we can say is "D schmee." The stock is down big in the premarket to confirm an earlier trend break.

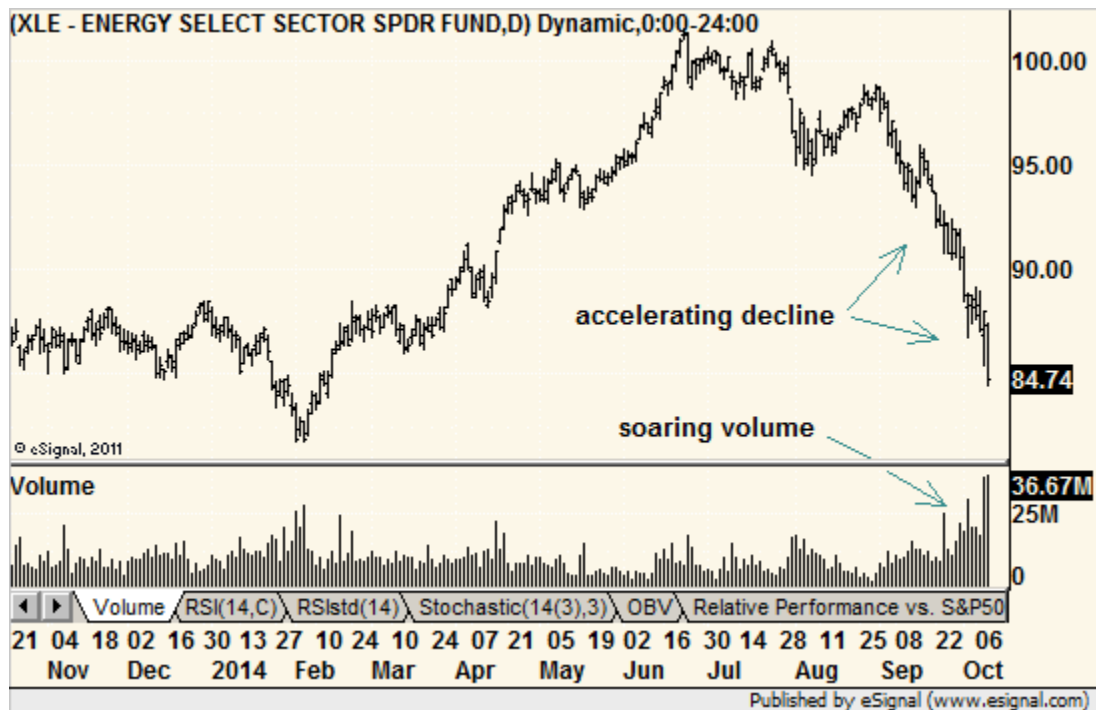


**Intercontinental Exchange** - Above its averages with rising on-balance volume. Actually good looking.

## Today's Lesson

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

### Selling Climax



**Energy ETF** - The selling intensifies as the baby goes out with the bathwater. The problem is that we do not know if this was the final climax or if tomorrow will be worse. What we need now is a sign that serious buyers are testing the waters.

## 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>RGEN</b>	REPLIGEN CORP	21.50	6.8%	20.50	20.14	9/30	9
<u>Short</u>	<b>APA</b>	APACHE CORP	81.88	17.0%	87.00	95.80	9/15	24
	<b>PFE</b>	PFIZER INC	28.99	4.1%	30.00	30.18	9/22	17
	<b>LLTC</b>	LINEAR TECHNOLOGY CORP	41.30	5.9%	43.00	43.75	10/1	8
	<b>AXP</b>	AMERICAN EXPRESS CO	85.89	1.0%	89.00	86.75	10/1	8

**Notes:** We dodged a few bullets by selling a few long positions at the open yesterday. Here's the result:

	<u>Closed price</u>	<u>P/L</u>	<u>Date in</u>	<u>#Days</u>
<b>CERN</b>	59.14	3.5%	8/26	44
<b>VZ</b>	49.78	1.3%	8/26	44
<b>WST</b>	44.70	-0.6%	9/30	9

The stop on the **APA** short was tightened.

## 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

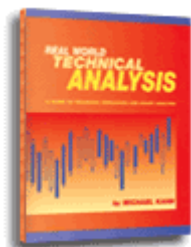
**About** - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen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



**24/7 Website archive** – <http://www.quicktakespro.com/archive> (password needed)

**Customer Support** - <http://www.quicktakespro.com/support.html>

**Recommended reading** - <http://www.quicktakespro.com/education.html>



What is a **two-pager**? These are short write-ups on various technical topics that are made available when further explanation of a topic is needed. There is no extra charge to subscribers. For those looking for a more complete reference and a bound version of these two-pagers, we offer the book *Real World Technical Analysis* at <http://www.quicktakespro.com/rwta.html>.

**Refer** a colleague to Quick Takes Pro and get a free month of service for each new paying subscriber. Just send an email (<mailto:mkahn@quicktakespro.com>) with names and email addresses and we'll track them and credit your account.

Connect with us:



<http://www.facebook.com/QuickTakesPro.biz>



<http://twitter.com/mnkahn>



<http://www.linkedin.com/in/QuickTakesPro>



<http://www.quicktakespro.com/blog>



<http://pinterest.com/mnkahn/>



<http://youtube.com/quicktakespro>



<http://stocktwits.com/mnkahn>

The information contained in this report is opinion, based on information that we deem to be reliable at the time of publication, but is not guaranteed in any form. This report does not constitute a recommendation to purchase or sell any security and the analysts are not registered investment advisors. Further analysis is recommended before undertaking any position in any security. Any risks are solely the responsibility of the buyer/seller. The authors, publishers and distributors of Quick Takes Pro and any associates thereof accept no liability for the content or actions taken by anyone or institution utilizing this report. The authors, publishers and distributors of Quick Takes Pro may have positions in securities mentioned in this report. All charts prepared with [eSignal](#) data and software unless otherwise indicated.

All contents © Michael Kahn Research LLC, 2014