

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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RESEARCH LLC

July 11, 2014 - Thursday was what some call a "trap door" open. The market gaps down big at the open and then rallies its way back. Bears fall through and get hurt.

We think there is a little life left in this bull but now that the market has fooled the bears yet again the possibility that they have thrown in the towel is great. We do not see much upside from here and will look to lighten up soon.

Bonds predictably rallied at the open but faded the rest of the day. They are up a bit again today but we'll have to have a true upside breakout (chart below) before we'll concede that the rally is still alive.

What is in the bears' favor is the weak performance of junk bonds yesterday. While they have been trading more like stocks than bonds lately, junk closed near its lows as stocks rebounded. That is bad for stocks and bonds.

Also bad for stocks, as we jump around, is the weak close in small cap stocks. The Russell closed near its low. Momentum stocks seem to have broken down, too.

We'll forego the hourly chart today as the support and resistance levels are a bit fuzzy. Most of the information for today comes from the upside reversal seen on the daily chart anyway.

Gold had a nice pop (with bonds) at the open but faded. It still looks good to us so we'd use the fade as a place to buy if you are so inclined. As for mining stocks, we are not pleased with the bearish reversal in **GDX**. The trend is still up but we'll keep an eye on it.

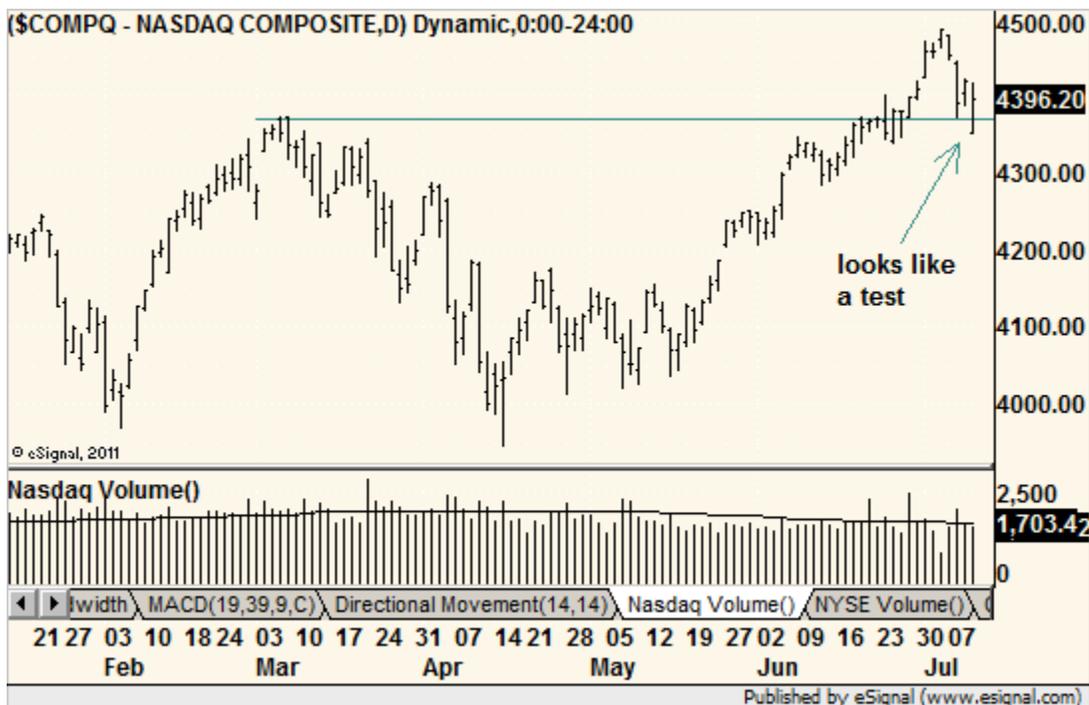
As for oil, it finally scored a bullish reversal but now that it is under the broken trendline here, too, we are not pleased. But energy stocks barely budged. We were looking to buy **XLE** on the dip but it may be too resilient. That means buying now if you were already interested.

Another short comments section as the market is moving as a unit. We always worry when this happens.

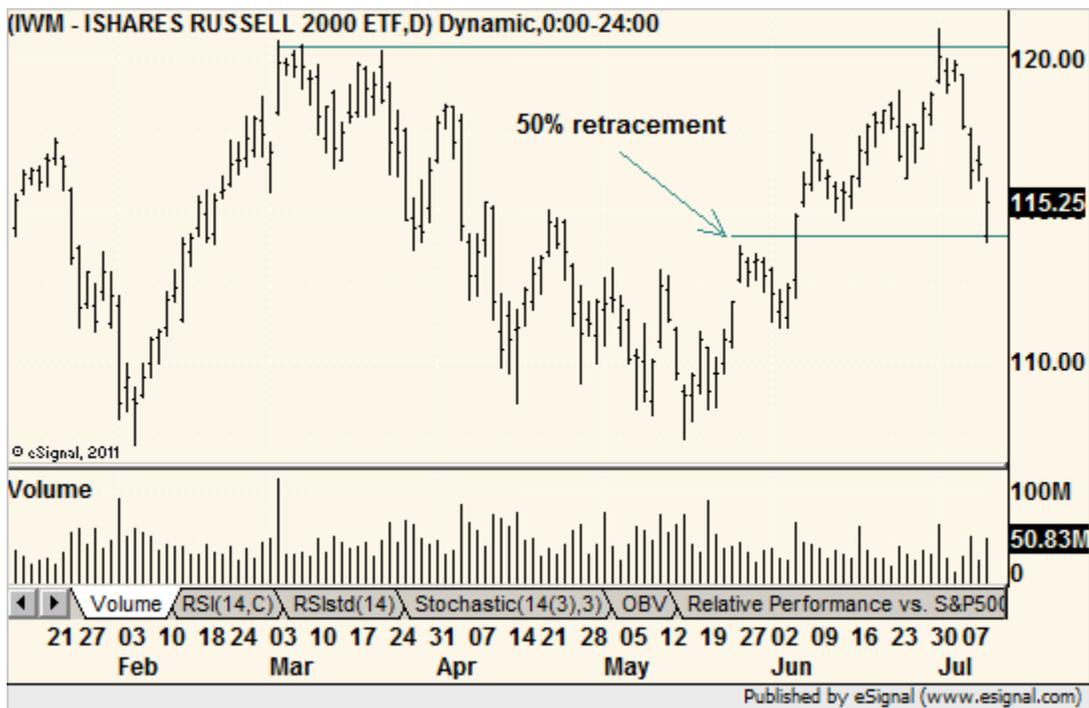
Index Charts of the Day



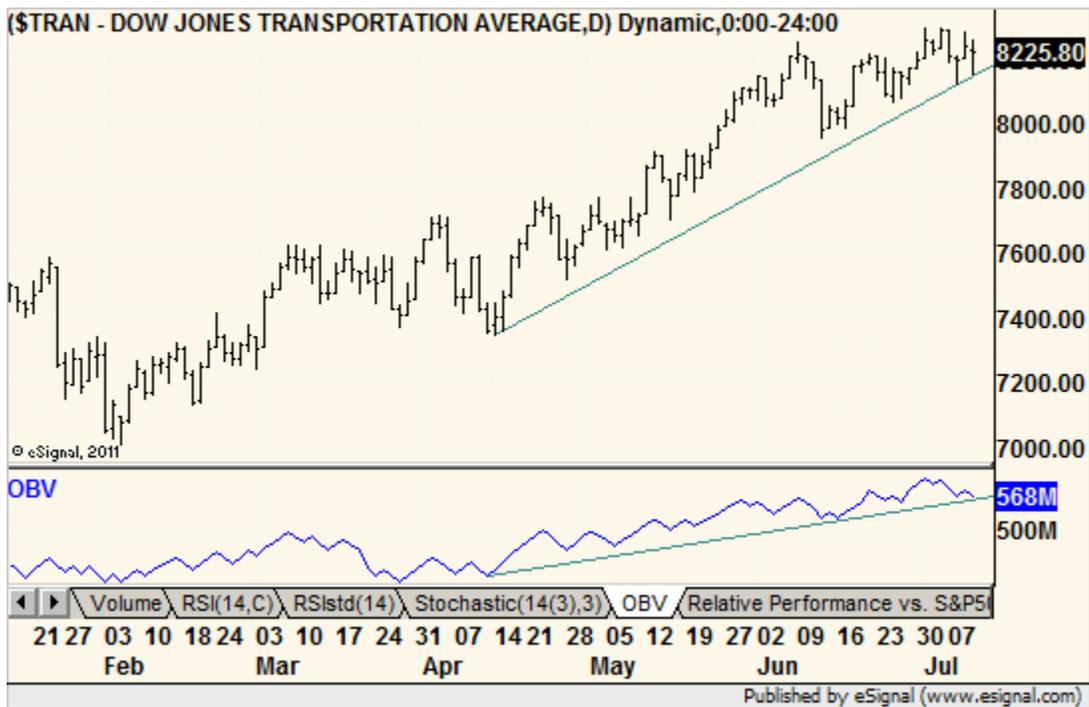
Call this a trading meme. So far, we just have a normal pullback within a rising trend. We are not going to day the market is off to the races but it did hold its trendline. However, we are going to start lightening up on the next "flow." Look for this chart posted to our social media later.



The Nasdaq reversed at support to successfully test its breakout. Again, we think too many people will settle into this as an "all clear" and it won't do what they think. We'll look to lighten up soon.



The Russell ETF did not recover from its morning drop and this is **another big problem for the bulls**.



We look at the transports as a canary in the coalmine in price and on-balance volume. If they break then we'll get nervous.

The Radar Screen

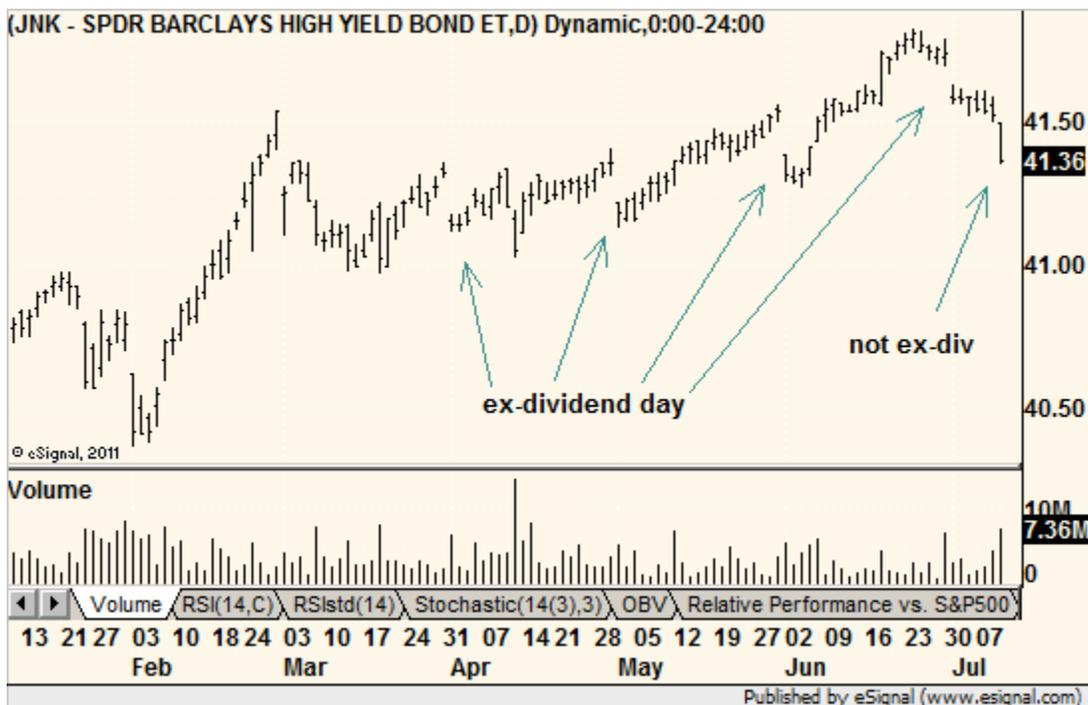
This is a list of potential opportunities, not a recommended portfolio. Underlined text is a change from previous report and if important it will be highlighted in yellow. If and when stocks give buy or sell signals here, they then move into the Advice Tracker section below. Dates listed are first appearances 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		
Infosys INFY - A handle-like pause at resistance. It looked good yesterday but earnings were overnight. They came in nice and the stock is up. It will gap up a bit at the open but we like it here.	New	7/11
Bearish Implications		
American Financial AFG - This property & casualty insurer is in a rising wedge with an on-balance volume breakdown. Sell 58.75 (<u>gapped down on open</u>)	Triggered	6/30
Unknown Implications		
US Bancorp USB - Not sure which way this goes. A cup-with-handle leans bullish but a failed breakout last week leans bearish. Buy 44, sell 42.90		6/30
Holding Tank - red shade leans bearish, green shade leans bullish		
Church & Dwight CHD - Consumer staples stock with a possible topping pattern. Looking to sell a bounce		7/7
Allstate ALL - Ahead of earnings, this one is on hold in a rectangle pattern with a negative bias in on-balance volume. <u>Looks like a breakdown so we'll look to see how it bounces</u>		7/9
Sector Watch (observations that may spark ideas)		
Energy - Still looking for a pullback to buy. <u>Oil broke down but stocks are quite resilient.</u>		6/26
Mortgage REIT - Big dividends but chart breakdowns		7/7
Gold miners - fresh breakout	New	7/10
Updates		
none -		

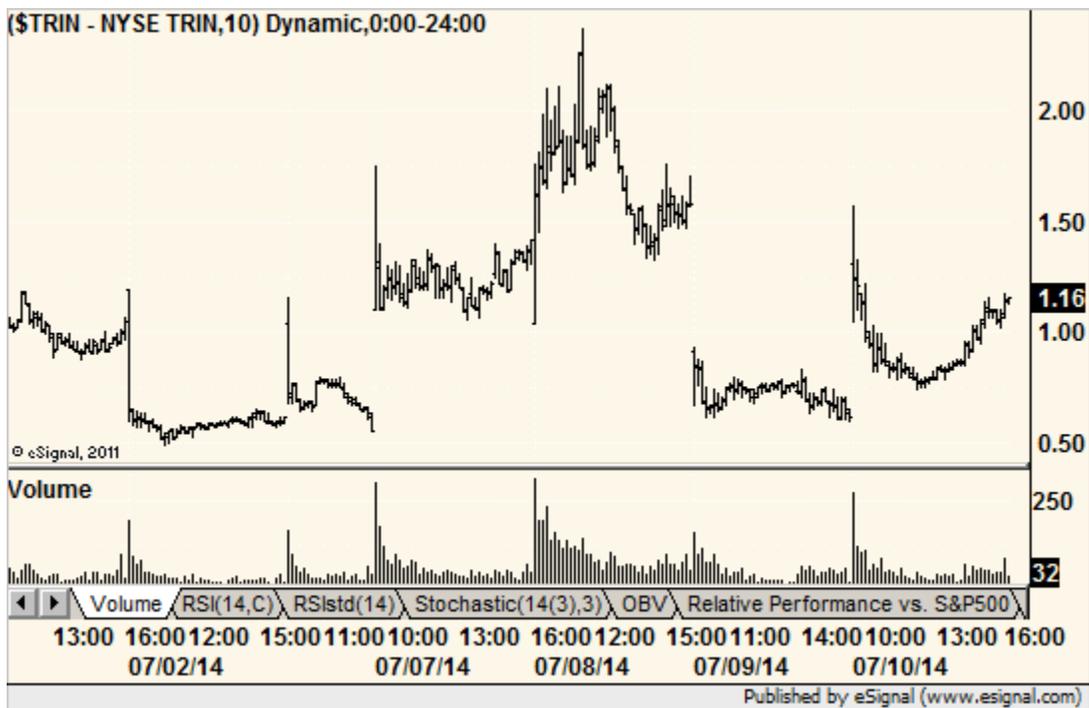
Market Highlights



Long T-bond ETF- Jumped on the panic yesterday morning but fell back into the pattern. Here, we see the intersection of the top of the flag hitting the trendline and that is where bonds are trading this morning. We still think the rally in the bond market is over but of course if it takes out yesterday's high we will be wrong.



Junk Bonds ETF - This ETF drops the first day of every month as a big dividend is announced. Yesterday was a big drop in the middle of the month and unlike stocks it closed near its low. **This might be the warning sign for both stocks and bonds.**



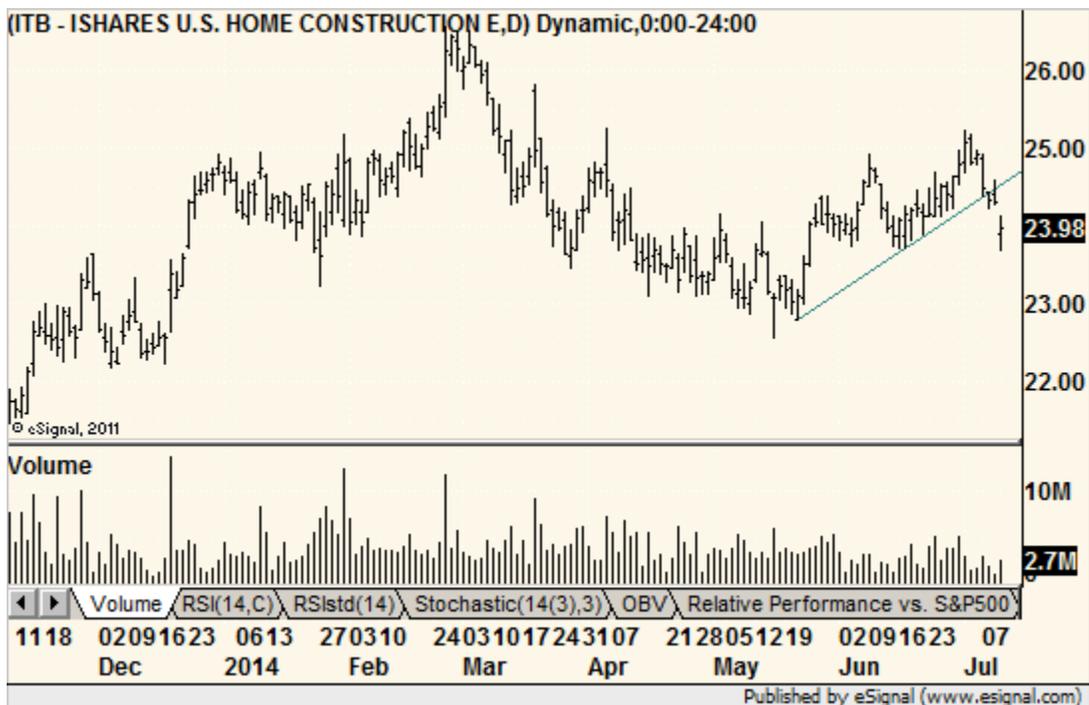
TRIN (Arms Index) - We said to keep an eye on this sentiment indicator and as we can see it spiked up at the open yesterday. Tuesday's levels were much higher so we think that we have not had a major buy signal on Thursday's reversal. One reason we are thinking about lightening up soon.



NYSE Advance-decline - Meanwhile, breadth is still holding.



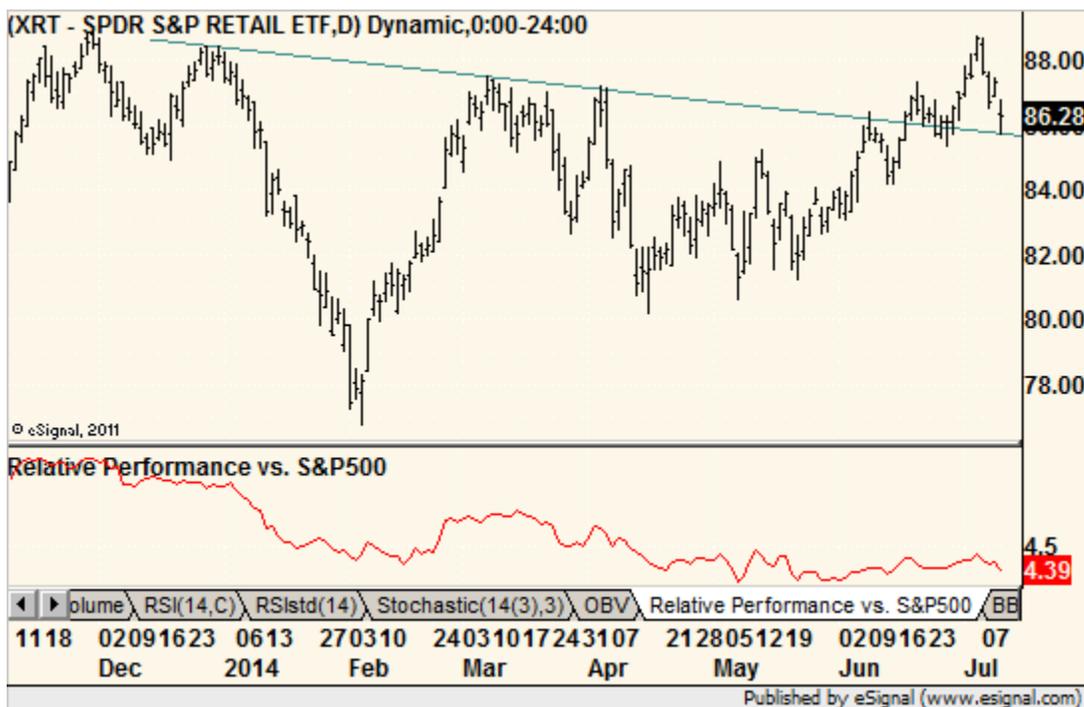
Infosys - We posted this to Twitter yesterday ahead of earnings with a handle-like pause at resistance. It looked good but earnings were overnight. They came in nice and the stock is up. It will gap up a bit at the open but we like it here.



Homebuilder ETF - Clocked on Lumber Liquidators (LL) collapse. If suppliers are not healthy, perhaps the users (builders) are not happy, too.



Financials ETF - Still underperforming.



Retail ETF - Now testing breakout. Lost its relative performance recovery so now we have at least three of the four key sectors (financial, tech, homebuilding, retail) lagging 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. 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>	WYN	WYNDHAM WORLDWIDE CORP	76.70	4.4%	75.00	73.50	5/30	41
	KMI	KINDER MORGAN INC DEL	35.68	4.8%	34.50	34.05	6/4	36
	MRO	MARATHON OIL CORP	39.39	6.3%	39.00	37.07	6/5	35
	GOOGL	GOOGLE INC	580.04	4.1%	560.00	557.11	6/5	35
	RGLD	ROYAL GOLD INC	75.53	13.1%	73.00	66.77	6/12	28
	LLY	LILLY ELI & CO	62.53	0.8%	61.00	62.03	6/20	20
	COL	ROCKWELL COLLINS INC	78.55	-2.2%	78.00	80.34	6/23	17
	BMY	BRISTOL MYERS SQUIBB CO	48.51	0.4%	47.50	48.30	6/23	17
	MTZ	MASTEC INC	29.63	-1.0%	29.50	29.92	6/27	13
	VZ	VERIZON COMMUNICATIONS INC	49.64	-0.5%	48.00	49.90	7/3	7
	AAL	AMERICAN AIRLIS GROUP INC	42.82	4.4%	40.00	41.00	7/9	1
	LF	LEAPFROG ENTERPRISES INC	7.42	-4.3%	7.25	7.75	7/9	1
<u>Short</u>	AFG	AMERICAN FINL GROUP INC	59.06	-1.3%	60.00	58.27	7/10	47

Notes: Finally a short position was triggered but unfortunately it gapped down at the open to do it. Needless to say, we are not pleased with this entry but the pattern does look rather weak.

Subscriber Corner

This section is dedicated to subscriber requests for stock, futures, index and foreign exchange analysis. Send requests to <mailto:mkahn@quicktakespro.com>.



LinkedIn - Yes, it is true that momentum stocks have changed their tone for the worse. This one was on the road to recovery but was smashed Thursday and failed to recover Thursday.

Other Information

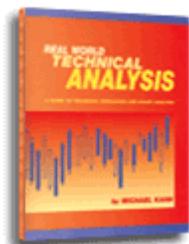
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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