

QUICK TAKES PRO

"TECHNICAL ANALYSIS FOR EVERYONE"

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August 8, 2014 - It looks like the gradual change from being long to being short is paying off. Yet the technicals still do not point to a bear market at this time. Weak August, yes, but we'll have to reserve judgment on anything beyond that.

Fun fact, the Dow dipped below its 200-day moving average intraday Thursday. Another - the Nasdaq has still not broken its trading range.

Overnight, escalating geopolitics (Ukraine, Iraq) sent stocks way down but they are well off their worst levels (actually in the green). It was a very fearful dumping and prone to rebound. Indeed, with the CNN greed/fear index still at five (out of 100) we have to be prepared for some big rebounds yet again. Not only that, the NYSE advance-decline was only -245. That's not very negative. Neither is the **XLY/XLP** ratio (see below).

We do not change our strategy, however. What we will do is let it happen and look for more shorts. Stay cool.

Germany hit the 10% correction mark yesterday. France was already there. In fact, all of Europe is below respective 200-day averages thanks to their lack of emergence from recession, goosed by Mr. Putin. Asia (except Japan) and Latin America are in much better shape.

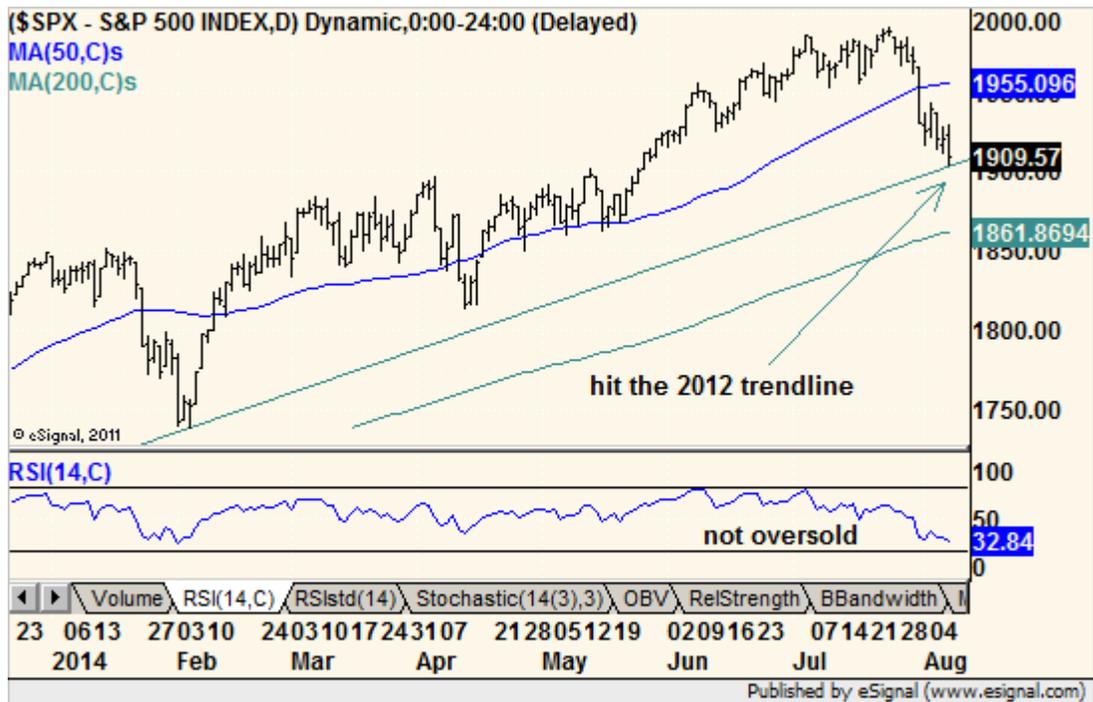
Gold jumped despite the dollar's rise and pundits are quick to say the dollar will eventually triumph. Too bad the greenback is down this morning and gold is higher still. We cannot declare a major breakout for the yellow metal (see chart below) but we still are believers.



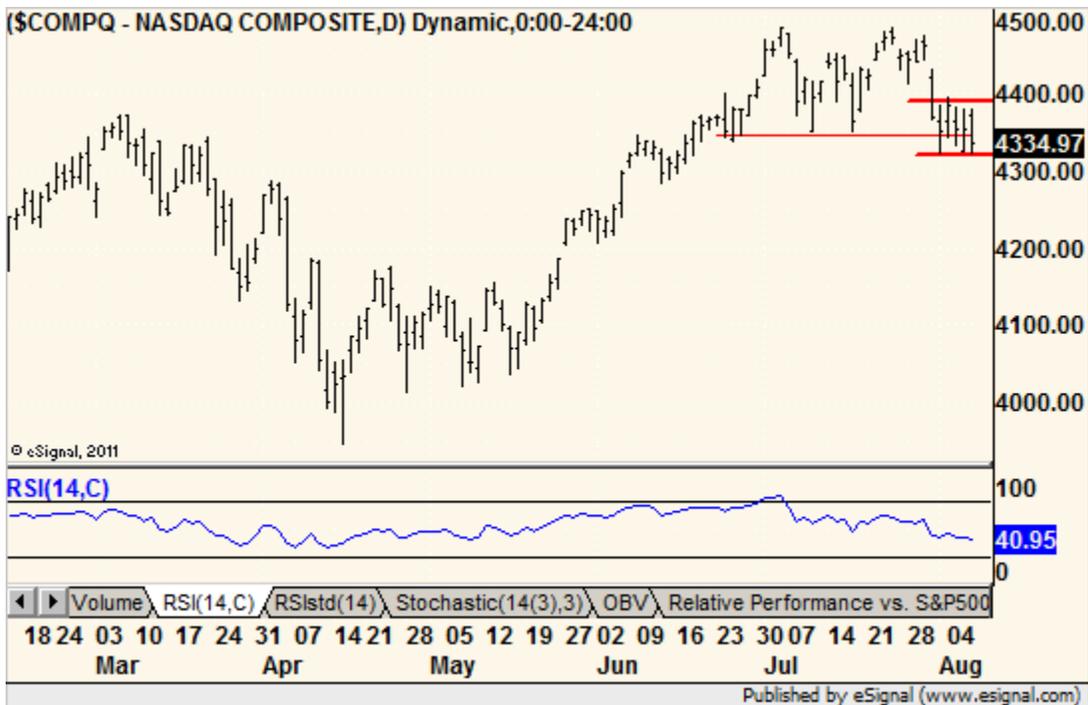
Here, we see the **SPY**'s overnight dump and morning recovery. The bullish RSI divergence, weak as it is, now seems to be confirmed.

Following any bounce, we expect August not to go appreciably lower but chop around with a downward bias. Major indices are already down to targets we did not expect to be hit for another week or two.

Index Charts of the Day



The S&P 500 finally hit its major trendline but an RSI that is not oversold keeps this from turning this into a major buying opportunity. Short-term, perhaps, but August is not over.



Still no breakdown for the Nasdaq. Support held.

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		
McDonalds MCD - Now oversold at support. The trend is clearly down but this is a rather good place to think about buying. We'll wait for it to close above yesterday's high at 94. For real speculators, the news got even worse this morning and that could be a buy signal on its own at new lows (but still at support).		8/7
Bearish Implications		
Las Vegas Sands LVS - Broke down hard so we'll leave it here in case it bounce to 71.00 where we will sell.	Changed	7/17
Monolithic Power Systems MPWR - This small-cap semiconductor stock hanging on after a big reversal. We sometimes call the pattern a Prussian Helmet with its spike on top. A drop now also breaks the 50-day average so we'll sell close under 40.50. Wow, this one is not cooperating but so far no harm done.		8/5
Unknown Implications		
none -		
Holding Tank - red shade leans bearish, green shade leans bullish		
Target TGT - Bad earnings sent it packing this morning. We are not buying here but check out the rising bottoms this year. Perhaps a drop to 56.50 would set up a nice long-term buy point. Don't forget, this offers a beefy dividend to help us wait for a better trend.		8/5
Bloomin Brands BLMN - Collapsed restaurant stock. Good for traders but we are waiting for some healing before looking to buy.		8/5
Nike NKE - This was one of the last remaining strong Dow stocks and it jumped on earnings last month. The next day, it gave up the ghost for a failure at resistance. Note the falling trend in stochastics highs and lows - indicative of a weak stock. We'll watch to see if it breaks the lower line.		8/7
Regis RGS - This specialty consumer services stock operates hair salons. After a long flat period it is now above its major averages. We are not in a buying mood save for special situations like MCD but this one has already had two strong days. Let's watch.		8/7
Biomarin Pharma BMRN - A bunch of small drug makers looking better. Check out the new high in on-balance volume even as prices were down.		8/7
Sector Watch (observations that may spark ideas)		
Homebuilders – serious trouble		7/23
Airlines - toppy. <u>Arguable sector breakdown</u>		7/25
Aerospace/defense index DFX, DFA - Not looking very healthy.		7/31
Insurance index KIX - This looks bad.		7/31
Silver SLV - Exhaustion gap		8/6
Updates		
Dow Utilities - Nice bounce off support		

Market Highlights



Bank ETF - Lots of chatter about the head-and-shoulders forming. Too much chatter, actually. It is below both major averages but it is oversold. Weak yes but not a long-term sell (yet).



Gold ETF - We can see the short-term breakout that now targets the top of the triangle pattern but the latter remains in charge. A breakout above the upper border will change everything and kick off what we think will be a new bull run.



Consumer Discretionary / Consumer Staples ratio - Even though the ratio moved a lot yesterday the rising line remains intact. We are not saying it is going gangbusters but rather that it does not point to a bear market, either. Aggressive sectors are still beating defensive sectors on average since May. Of course, don't tell that to the small caps.



MS High-Tech index - If you want to play the bounce, old tech is the leader. This index just bounced off support and is clearly outperforming.

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>	RGLD	ROYAL GOLD INC	78.36	17.4%	74.50	66.77	6/12	56
	BMJ	BRISTOL MYERS SQUIBB CO	49.00	1.4%		48.30	6/23	45
	PCLN	PRICELINE GRP INC	1285.11	2.3%	1240.00	1255.95	7/30	8
<u>Short</u>	AFG	AMERICAN FINL GROUP INC	56.47	3.2%	58.00	58.27	7/10	28
	USB	US BANCORP DEL	40.68	5.5%	42.50	42.90	7/11	27
	ALL	ALLSTATE CORP	59.31	-1.4%	60.00	58.46	7/15	23
	AMKR	AMKOR TECHNOLOGY INC	8.68	19.2%	9.40	10.35	7/23	15
	CMCSA	COMCAST CORP NEW	52.68	2.0%	56.00	53.73	7/31	7
	TIF	TIFFANY & CO NEW	97.06	1.0%	101.00	98.00	8/5	2
	CVS	CVS CAREMARK CORPORATION	76.11	0.5%	80.00	76.50	8/5	2

Notes: Stopped out of **BMJ** finally. We overstayed our welcome but at least covered commission.

Lowered stop on **USB** short. Tweaked stop on **AMKR** short.

PCLN was actually higher on the day - not bad.

Subscriber Corner

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

Note to Greg - August does indeed bring us low volume but that usually does not start until the final week. I've written up Peter Eliades' research that suggests big changes - reversals or inflections - often happen in August. Just when nobody is looking.

Other Information

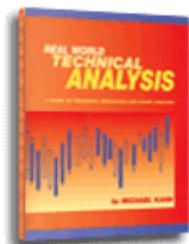
About - Michael Kahn, CMT, has been working with charts and technical analysis since 1986 and currently writes the twice-weekly “Getting Technical” column for Barron's Online. He is also a regular contributor to MarketWatch.com. Michael was formerly Chief Technical Analyst for BridgeNews and seen frequently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



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