

# QUICK TAKES PRO

*"TECHNICAL ANALYSIS FOR EVERYONE"*

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**August 20, 2014** - Once again, the market made fools of bears with another of its famous "V" bottom correction. Before last Friday, we were rather confident that there would be another small leg lower as the market worked its way towards the long-awaited and very long-overdue correction. But bear flags were erased and this week peace on Ukraine coupled with a few good reports from the housing sector send prices up.

Once again, the cries of "where's the volume?" arise. Haven't people adjusted to the new environment? We have. Volume has its place but not front and center anymore. The European Fed (ECB) is still there pumping in the cash, distorting the market and making cherished indicators less useful.

But after two weeks straight up, bonds still remain near their highs. And crude oil is plummeting. The latter is a supply thing but it also has a demand piece where a slower economy needs less of it. We'll leave the fundamentals aside and just focus on the intermarket technicals, which lean to the bearish side for stocks. Not enough to scream "sell" but enough to keep us skeptical.

There is no doubt the long-term trend remains up but the complexion of the market's leadership is not conducive for another big bull run. Financial, small caps, retail and yes housing, even after the past few days, are all lagging the market rather badly. Healthcare, a defensive area, is among the leaders.

And while consumer discretionary is beating consumer staples, both are lagging the market individually.

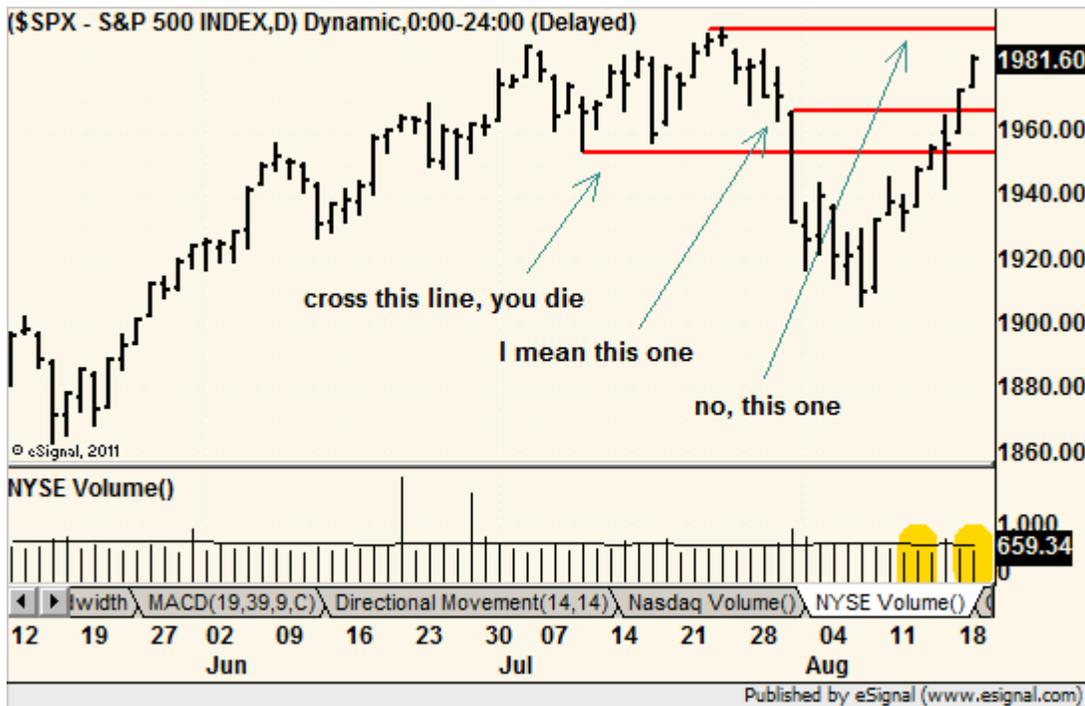
The only game in town right now is tech (and biotech, which may actually be the reason healthcare is leading). But can tech carry the day all by itself? It is a large sector but that is a tall order.

Right now, a lot of groups have rallied into respective resistance areas. True, we said last week that a lot of groups, and many of them the same groups, were in bear flag formations. But things did indeed change and now semiconductors, defense, drugs and many others are at resistance.

Have you seen the dollar? Big rally thanks to a falling euro. Despite the British pound's rally this morning, the dollar is the new favorite in currencies. Flight to safety? Or demand for dollars to buy US bonds, which is a flight to safety. Or demand for dollars because the US economy is so hot? You know which one it is not and that leaves a lot of scrambling for cover.

The hourly SPY chart (not shown today) is now at the upper resistance we drew a few days ago but below the all-time high set last month. The VIX is back down below 12 and we are going to stay on the sidelines, knowing we missed a nice two-week rally, and keep powder dry. Something is still not quite right here.

## Index Charts of the Day



The S&P 500 now reminds us of a Bugs Bunny cartoon where our hero defies the villain's repeated warnings. The index ignored two resistance levels and has gone up with puny volume. All this stuff will matter eventually but apparently not now. And with that said it does look overbought.



The Russell 2000 had a small awakening last week but its relative performance chart still looks crappy.

## 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>		
<b>Crocs CROX</b> - It's bizarre but it is cup-with-handle-y. Buy close over 15.80.	<b>Moved</b>	8/12
<b>Newmont Mining NEM</b> - Still looks like a breakout to us. Buy above Monday high 26.87 - rounded up to 27.		8/19
<b>Shutterfly SFLY</b> - This one has a nice set of moving averages and a consolidation under a longer trendline. Waiting for a close over 50.	<b>Moved</b>	8/15
<b>Athena Health ATHN</b> - tight rectangle pattern. Buy close over 135.80.	<b>Moved</b>	8/18
<b>Bearish Implications</b>		
<b>Las Vegas Sands LVS</b> - Broke down hard so we'll leave it here in case it bounces to 70.00 where we will sell. <b>So close!</b>		7/17
<b>Caterpillar CAT</b> - Nice looking bear flag with falling volume. Now in the gap and still losing volume. Sell below 106. <b>25</b> (we are ratcheting in up).	<b>Changed</b>	8/13
<b>Unknown Implications</b>		
<b>none</b> -		
<b>Holding Tank</b> - red shade leans bearish, green shade leans bullish		
<b>Target TGT</b> - a drop to 56.50 would set up a nice long-term buy. Beefy div. <u>Patience please</u>		8/5
<b>Occidental Petroleum OXY</b> - We did this on the TradeKing call Tuesday. Nice breakout despite falling oil	<b>Changed</b>	8/11
<b>Freeport McMoran FCX</b> - This copper and gold stock breaks out at 36.80. Note support at rising March line.		8/19
<b>Sunpower SPWR</b> - A solar stock. Needs a rest first but breaks out at 37.60		8/19
<b>Mosaic MOS</b> - We looked at peer AGU yesterday in the free chart of the day. Here, we see a stock with a bullish RSI divergence trying to get back above a key level. If it does, that would be a shot at getting back to its previous high.	<b>New</b>	8/20
<b>Sector Watch</b> (observations that may spark ideas)		
<b>Homebuilders</b> – Big few days kills the bear setup. But we are not buying.	<b>Changed</b>	7/23
<b>Aerospace/defense index DFX, DFI</b> - Now testing breakdown.		7/31
<b>Insurance index KIX</b> - Now hitting resistance. Look for a reversal to sell.	<b>Changed</b>	7/31
<b>Semiconductors SOX</b> - Bounced off trendline and now heading for 50-day average. Reached it		8/11
<b>Gold Miners</b> - Lots of breakouts in the sector despite gold's waffling		8/12
<b>Nasdaq biotech ETF IBB</b> - Looks like it will retake its old high.		8/15
<b>Updates</b>		
<b>Gasoline ETF UGA</b> - Possible island bottom just formed. Before yesterday, it looked as if it was heading to support.		

## Market Highlights



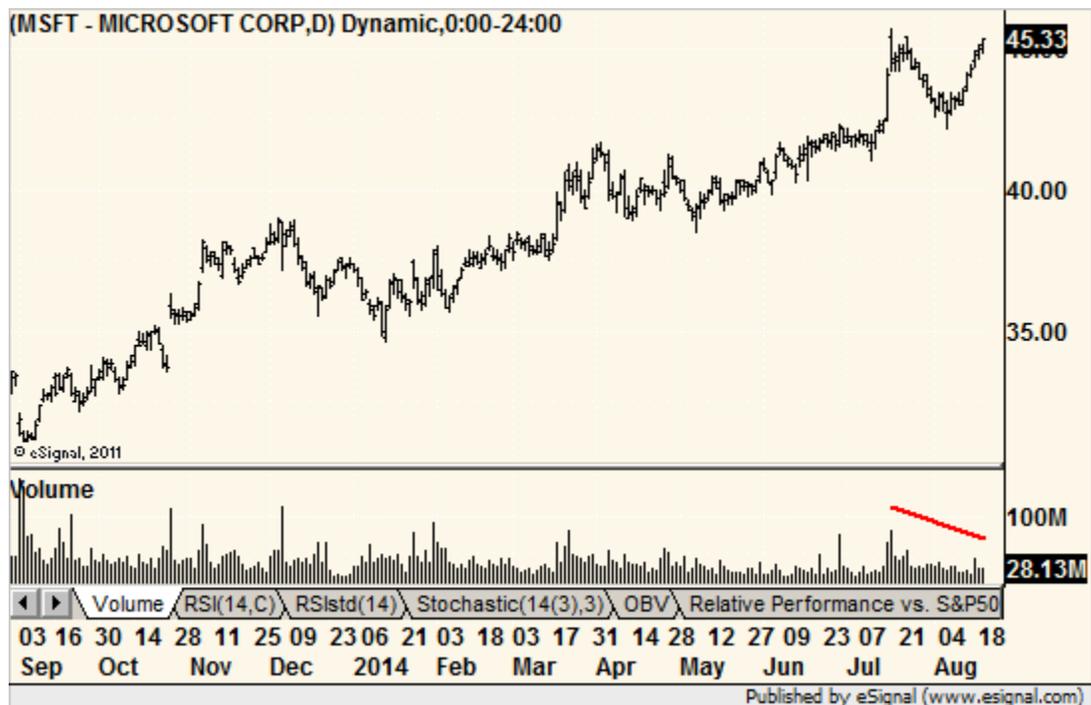
**ExxonMobil** - Just when it looked as if energy stocks were getting killed, this one seems to be stabilized at its 200-day average. **OXY**, from the Holding Tank, broke out yesterday. See next...



**Holly Frontier** - Refiners have been moving higher. This makes our view of falling gasoline prices wrong.



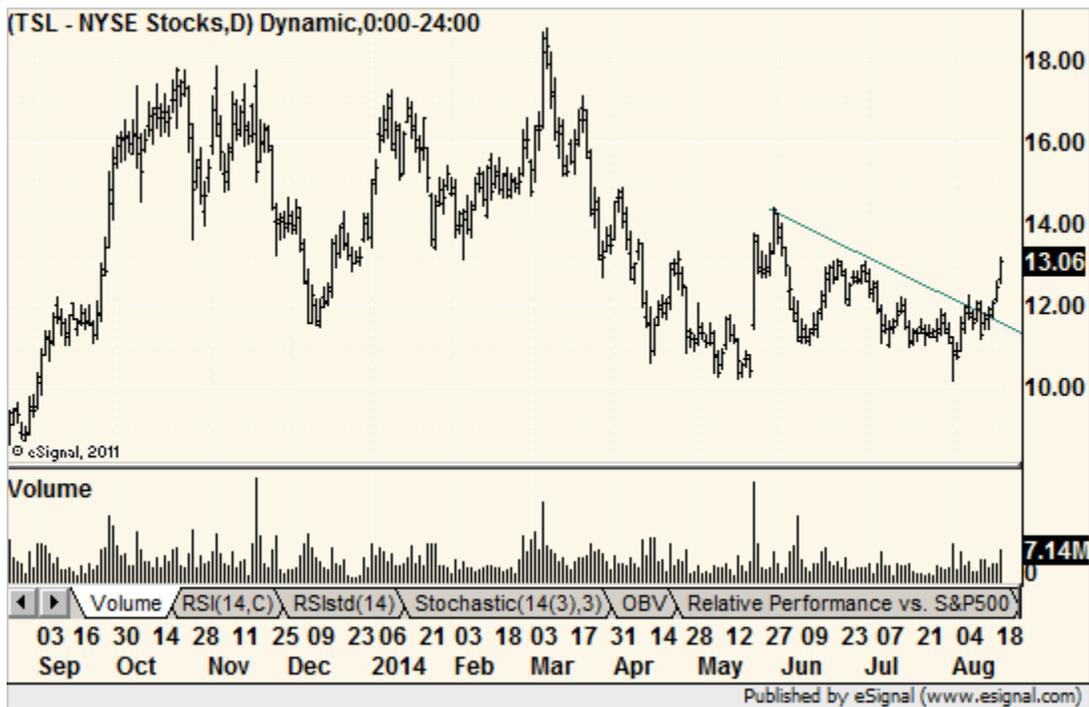
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**Microsoft** - A new closing high but on lower volume. This indicator works better on individual stocks than on the entire market.



**Sina** - A Chinese internet to watch. Be aware of a very high P/E.



**Trina Solar** - This sector is getting better.

## 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>RGLD</b>	ROYAL GOLD INC	79.53	19.1%	77.00	66.77	6/12	68
	<b>PCLN</b>	PRICELINE GRP INC	1271.78	1.3%	1250.00	1255.95	7/30	20
	<b>MCD</b>	MCDONALDS CORP	94.45	0.2%	92.50	94.25	8/18	1
<u>Short</u>	<b>USB</b>	US BANCORP DEL	41.84	2.5%	42.50	42.90	7/11	39
	<b>CMCSA</b>	COMCAST CORP NEW	54.50	-1.4%	56.00	53.73	7/31	19
	<b>TIF</b>	TIFFANY & CO NEW	99.09	-1.1%	101.00	98.00	8/5	14
	<b>CVS</b>	CVS CAREMARK CORPORATION	79.53	-3.8%	80.00	76.50	8/5	14

**Notes:** No changes. Unfortunately we are not very long. But that may be a blessing before the week is out.

**PCLN** has actually come down to a trendline on low volume. Otherwise, we'd dump it for not participating in the rally.

## 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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