

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

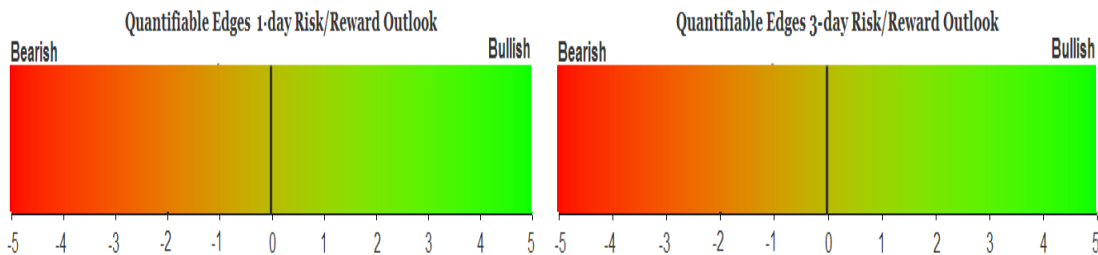
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May 28, 2010

Volume 3 Issue 102

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## Market Overview



## Tonight's Research Points

- Volume, VXO action, overly positive 1-day breadth and an unfilled gap are all suggesting a pullback in the next day or 2.
- The high CBI and 2<sup>nd</sup> 90% Up Vol day in the last 3 are suggesting the bulls may continue to run here.
- The Aggregator System turned flat at the close.
- The NDX Aggressive Trend Timer remained long.

## ***Short-term Outlook – updated 5/28***

### ***The Bottom Line***

Lots of conflict with the bullish studies more compelling. The market is now short-term overbought though. All of this leaves me neutral.

*Summary of Recent Active Studies (see <http://QuantifiableEdges.blogspot.com> or Letters from listed dates for details)*

<b>Study Date</b>	<b>Description</b>	<b>Time span</b>	<b>Bias</b>	<b>Avg Max Move</b>
<b>Active</b>				
May 28, 2010	0.75% Unfilled Gap from low	1-2 days	Bearish	
May 28, 2010	2.5% Rally on Low Volume	1-2 days	Bearish	
May 28, 2010	VXO 15% drop. SPX 50-low yest	1 day	Bearish	
May 28, 2010	90% Up Vol After 50 low	1 day	Bearish	
May 28, 2010	2.5% Rise CBI Still Over 5	1-5 days	Bullish	
May 28, 2010	Double 90% Up Vol	1-9 days	Bullish	
May 27, 2010	Failed Gap higher close bottom of range	1-2 days	Bullish	
May 26, 2010	NYSE Up Issues < 40% on up day	1-2 days	Bearish	
May 18, 2010	1% drop on 2:1 neg breadth	1-10 days	Bullish	
<b>Active - Long Term</b>				
May 25, 2010	Rat Adj McClellan < -60 for 6 in row	1-20 days	Bearish	-5.80%
April 26, 2010	No breadth divergence at new high	int. term	Bullish	
<b>Dropped Tonight</b>				
<b>May 26, 2010</b>	<b>Bounce off test of lows</b>	<b>1-3 days</b>	<b>Bullish</b>	<b>2.30%</b>
May 24, 2010	VIX new high SPX no new low	1-4 days	Bullish	2.60%

If the avg max move is achieved the study will appear in **bold italic blue** and no longer be active.

***The Evidence***

After a large gap higher the market carried its momentum for most of the day and finished near the top of its daily range. The SPX posted a 3.3% gain, the Nasdaq gained 3.7%, and the Russell 2000 gained a whopping 4.3%. Breadth was extremely strong as the NYSE Up Issues % came in at 92% and the Up Volume % was 97%. Total volume declined and was actually quite light on both exchanges.

Tonight is one of those nights where I wish I had the whole weekend to write the Letter. There's just too much to cover. So I'll keep the commentary light and show you what I'm seeing.

This first series of tests were from the 11/10/2008 blog. There were a few examples similar to these in the Quantifinder tonight.

SPX rises at least 2.5% and NYSE volume is below its 10ma.  
Buy on close. Sell X days later. \$100k/trade. 1960 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-31,238.39	25	11	14	44.00	3,602.73	-5,062.03	0.71	0.56	-1,249.54
9	-48,190.17	25	11	14	44.00	3,022.64	-5,817.09	0.52	0.41	-1,927.61
8	-55,308.07	27	12	15	44.44	2,729.74	-5,871.00	0.46	0.37	-2,048.45
7	-57,993.23	28	7	21	25.00	4,561.42	-4,282.06	1.07	0.36	-2,071.19
6	-58,070.42	30	11	19	36.67	2,960.09	-4,770.07	0.62	0.36	-1,935.68
5	-67,254.61	32	13	19	40.63	2,346.72	-5,145.37	0.46	0.31	-2,101.71
4	-38,716.13	32	11	21	34.38	2,760.75	-3,289.73	0.84	0.44	-1,209.88
3	-34,621.54	36	13	23	36.11	2,977.74	-3,188.36	0.93	0.53	-961.71
2	-40,859.57	37	16	21	43.24	1,638.60	-3,194.15	0.51	0.39	-1,104.31
1	-320.30	39	20	19	51.28	1,255.02	-1,337.93	0.94	0.99	-8.21

SPX rises at least 2.5% and NYSE volume is below its 10ma.  
Buy on close. Sell X days later. \$100k/trade. 2001 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-46,623.34	14	4	10	28.57	5,279.37	-6,774.08	0.78	0.31	-3,330.24
9	-51,471.38	14	5	9	35.71	4,221.27	-8,064.19	0.52	0.29	-3,676.53
8	-53,952.40	15	6	9	40.00	3,220.43	-8,141.66	0.40	0.26	-3,596.83
7	-47,909.32	16	4	12	25.00	5,964.19	-5,980.51	1.00	0.33	-2,994.33
6	-61,778.14	18	3	15	16.67	4,691.11	-5,056.76	0.93	0.19	-3,432.12
5	-70,495.64	20	6	14	30.00	2,499.59	-6,106.66	0.41	0.18	-3,524.78
4	-39,189.06	20	5	15	25.00	4,046.64	-3,961.48	1.02	0.34	-1,959.45
3	-37,996.38	23	8	15	34.78	3,025.12	-4,146.49	0.73	0.39	-1,652.02
2	-46,277.72	24	8	16	33.33	1,409.65	-3,597.18	0.39	0.20	-1,928.24
1	-7,205.43	25	11	14	44.00	1,406.23	-1,619.57	0.87	0.68	-288.22

It appears the low volume has a negative influence on future results. This is especially true in the last several years.

The 3/11/09 Letter provided the following study.

NYSE Up Volume % > 90%. Yesterday SPX closed at a 50-day low.  
Buy on close. Sell X days later. \$100k/trade. 1970 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-27,289.45	9	2	7	22.22	6,536.38	-5,766.03	1.13	0.32	-3,032.16
9	-28,053.58	9	2	7	22.22	7,365.16	-6,111.98	1.21	0.34	-3,117.06
8	-32,698.74	9	1	8	11.11	6,753.72	-4,931.56	1.37	0.17	-3,633.19
7	-24,934.36	10	2	8	20.00	5,208.47	-4,418.91	1.18	0.29	-2,493.44
6	-9,962.02	10	3	7	30.00	4,601.02	-3,395.01	1.36	0.58	-996.20
5	-2,521.10	10	3	7	30.00	5,926.50	-2,900.08	2.04	0.88	-252.11
4	-13,294.39	10	5	5	50.00	2,122.99	-4,781.87	0.44	0.44	-1,329.44
3	-3,636.88	10	4	6	40.00	2,643.54	-2,368.51	1.12	0.74	-363.69
2	-7,837.02	10	5	5	50.00	1,560.26	-3,127.66	0.50	0.50	-783.70
1	-7,450.87	10	1	9	10.00	242.88	-854.86	0.28	0.03	-745.09

Instances are a little low but results are strongly bearish.

The big drop in the VXO today is also something that you'd rather not see coming off a low. The study below is from the 2/25/09 subscriber Letter.

VXO drops 15% 1 day after the SPX closes at a 50-day low. Buy SPX on close. Sell X days later. \$100k/trade. 1986 - present.										
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-25,163.31	10	3	7	30.00	2,140.95	-4,512.31	0.47	0.20	-2,516.33
9	-29,999.98	10	2	8	20.00	2,847.60	-4,461.90	0.64	0.16	-3,000.00
8	-27,024.10	10	3	7	30.00	1,420.04	-4,469.17	0.32	0.14	-2,702.41
7	-30,151.43	10	3	7	30.00	1,138.81	-4,795.41	0.24	0.10	-3,015.14
6	-18,577.40	10	2	8	20.00	1,778.38	-2,766.77	0.64	0.16	-1,857.74
5	-7,958.36	10	3	7	30.00	3,383.88	-2,587.14	1.31	0.56	-795.84
4	-12,165.62	11	5	6	45.45	1,730.12	-3,469.37	0.50	0.42	-1,105.97
3	-15,615.43	11	2	9	18.18	1,760.84	-2,126.35	0.83	0.18	-1,419.58
2	-13,943.15	11	5	6	45.45	937.96	-3,105.49	0.30	0.25	-1,267.56
1	-4,749.00	11	1	10	9.09	614.72	-536.37	1.15	0.11	-431.73

The last type of indication suggesting a bearish tilt is the gap & go from a low. This SPY study was from the 2/10/10 Subscriber Letter:

*This study looked at what has followed when the SPY gaps up from a 50-day low and then manages to not only leave the gap unfilled but also close higher than the open.*

Note: STATS NOT UPDATED.

SPY gaps up at least 0.75% from a 50-day low. The gap does not fill and it closes higher than the open. Buy on close. Sell X days later. \$100k/trade. 1994 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade	All: Max Losing Trade	All: Max Winning Trade
5	-6,159.32	17	8	8	47.06	3,350.78	-4,120.70	0.81	0.81	-362.31	-13,757.52	8,323.85
4	-17,196.33	17	9	8	52.94	2,125.01	-4,540.18	0.47	0.53	-1,011.55	-9,714.74	5,110.65
3	-14,665.36	17	6	11	35.29	2,266.82	-2,569.66	0.88	0.48	-862.67	-7,473.88	5,429.20
2	-18,889.14	17	7	10	41.18	1,836.91	-3,174.75	0.58	0.41	-1,111.13	-11,171.38	4,612.05
1	-7,361.05	17	5	11	29.41	782.06	-1,024.67	0.76	0.35	-433.00	-2,203.74	1,274.58

**14 of 17 instances (82%) closed below their entry price at some point in the next 3 days.**

*Some people may find the negative results here somewhat surprising. The unfilled gap and move higher would seem to be a show of strength. Too often it appears that coming off a 50-day low it is viewed as short-covering and the downtrend doesn't surrender quite so easily.*

I did highlight the max losing trade above because it was such a large outlier. In a larger sampling I wouldn't worry much about it but with only 17 instances it has a significant impact on the "average" results. Therefore, to get what I believe may be a better estimate of the implications of such a study I eliminated the outlier and re-ran the results.

**STATS UPDATED**

SPY gaps up at least 0.75% from a 50-day low. The gap does not fill and it closes higher than the open. Buy on close. Sell X days later. \$100k/trade. 1994-present. 10/13/08 excluded.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-821.60	17	9	7	52.94	3,293.28	-4,351.59	0.76	0.97	-48.33
4	-6,821.65	17	10	7	58.82	2,147.38	-4,042.20	0.53	0.76	-401.27
3	-6,427.24	17	7	10	41.18	2,052.16	-2,079.24	0.99	0.69	-378.07
2	-6,869.64	17	8	9	47.06	1,713.31	-2,286.24	0.75	0.67	-404.10
1	-6,077.77	17	5	11	29.41	782.06	-908.01	0.86	0.39	-357.52

The average trade numbers change substantially here. It's important to note that there is still an apparent bearish edge.

So there are quite a few indications that the market could struggle over the next couple of days. On the other hand, the CBI is still at 13. This is a large number anytime. It is especially large after a day that saw a gain of over 3%. Below I ran a study looking at other times where spikes from lows did not erode the CBI to where it was below 10.

SPX closes at a 50-day low yesterday and rallies at least 2.5% today. CBI remains above 10. Buy on close. Sell X days later. \$100k/trade. 1995 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
16	42,322.37	6	6	0	100.00	7,053.73	0.00	100.00	100.00	7,053.73
15	33,089.65	6	5	1	83.33	7,351.52	-3,667.95	2.00	10.02	5,514.94
14	27,253.74	6	5	1	83.33	6,135.83	-3,425.40	1.79	8.96	4,542.29
13	23,790.38	6	5	1	83.33	5,733.42	-4,876.74	1.18	5.88	3,965.06
12	22,597.54	6	4	2	66.67	7,564.57	-3,830.37	1.97	3.95	3,766.26
11	20,210.44	6	5	1	83.33	5,286.32	-6,221.16	0.85	4.25	3,368.41
10	14,745.64	6	5	1	83.33	6,006.84	-15,288.57	0.39	1.96	2,457.61
9	12,296.88	6	5	1	83.33	4,965.66	-12,531.42	0.40	1.98	2,049.48
8	7,420.94	6	4	2	66.67	4,472.91	-5,235.35	0.85	1.71	1,236.82
7	9,631.86	6	5	1	83.33	4,036.46	-10,550.43	0.38	1.91	1,605.31
6	7,806.78	6	3	3	50.00	5,217.99	-2,615.73	1.99	1.99	1,301.13
5	13,700.09	6	5	1	83.33	3,095.43	-1,777.05	1.74	8.71	2,283.35
4	16,043.90	6	4	2	66.67	6,391.21	-4,760.48	1.34	2.69	2,673.98
3	8,814.40	6	3	3	50.00	6,307.33	-3,369.19	1.87	1.87	1,469.07
2	-2,464.81	6	3	3	50.00	2,859.48	-3,681.08	0.78	0.78	-410.80
1	4,938.74	6	2	4	33.33	3,646.95	-588.79	6.19	3.10	823.12

Instances here are just too low. The power behind these moves is massive, though. Just over 3 weeks out you are looking at 100% winners with an average gain of about 7%. Below I have listed all instances along with their 16 day exit.

SPX closes at a 50-day low yesterday and rallies at least 2.5% today. CBI remains 10 or above. Buy on close. Sell 16 days later. \$100k/trade. 1995 - present.				
Date/Time	Signal	Price	% Profit	Run-up DrawDown
09/01/98	Buy	\$994.25	4.87%	\$7,185.00
09/24/98	Sell	\$1,042.70		(\$3,775.00)
09/24/01	Buy	\$1,003.45	9.38%	\$9,722.79
10/16/01	Sell	\$1,097.54		(\$515.79)
07/24/02	Buy	\$843.43	10.29%	\$10,603.48
08/15/02	Sell	\$930.25		(\$3,223.76)
03/11/08	Buy	\$1,320.65	3.68%	\$4,297.50
04/03/08	Sell	\$1,369.31		(\$4,775.25)
10/13/08	Buy	\$1,003.35	0.24%	\$4,055.04
11/04/08	Sell	\$1,005.75		(\$15,649.92)
11/21/08	Buy	\$800.03	14.14%	\$14,698.96
12/16/08	Sell	\$913.18		\$0.00

To try and get a bit larger sample size I also loosened parameters and only required a CBI of 5 or higher. Those results are below.

SPX closes at a 50-day low yesterday and rallies at least 2.5% today. CBI remains 5 or above. Buy on close. Sell X days later. \$100k/trade. 1995 - present.										
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
16	37,101.76	13	11	2	84.62	5,881.56	-13,797.73	0.43	2.34	2,853.98
15	24,119.51	13	10	3	76.92	5,511.04	-10,330.31	0.53	1.78	1,855.35
14	19,768.54	13	8	5	61.54	6,062.62	-5,746.48	1.06	1.69	1,520.66
13	16,777.76	13	8	5	61.54	5,256.84	-5,055.38	1.04	1.66	1,290.60
12	22,844.63	13	8	5	61.54	5,768.24	-4,660.25	1.24	1.98	1,757.28
11	19,669.64	14	9	4	64.29	4,680.42	-5,613.54	0.83	1.88	1,404.97
10	7,996.48	15	8	6	53.33	5,410.61	-5,881.40	0.92	1.23	533.10
9	16,217.34	15	8	7	53.33	6,493.72	-5,104.63	1.27	1.45	1,081.16
8	4,091.76	15	7	8	46.67	5,275.34	-4,104.45	1.29	1.12	272.78
7	7,982.05	15	10	5	66.67	4,490.35	-7,384.29	0.61	1.22	532.14
6	23,393.13	15	10	5	66.67	4,331.99	-3,985.36	1.09	2.17	1,559.54
5	32,181.93	15	12	3	80.00	3,886.27	-4,817.77	0.81	3.23	2,145.46
4	21,972.19	15	10	5	66.67	4,570.12	-4,745.80	0.96	1.93	1,464.81
3	19,632.11	15	8	7	53.33	4,993.12	-2,901.83	1.72	1.97	1,308.81
2	3,881.19	15	9	6	60.00	2,364.64	-2,900.09	0.82	1.22	258.75
1	12,403.11	15	8	7	53.33	2,211.95	-756.07	2.93	3.34	826.87

Even with the loosened parameters there appears to be a sizable upside edge.

Lastly, I also decided to isolate the effect of the CBI. To do so I required that the CBI close below 5 after the 1-day rally.

SPX closes at a 50-day low yesterday and rallies at least 2.5% today. CBI < 5. Buy on close. Sell X days later. \$100k/trade. 1995 - present.										
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
16	-25,112.55	5	2	3	40.00	5,442.28	-11,999.04	0.45	0.30	-5,022.51
15	-17,656.86	5	2	3	40.00	5,253.21	-9,387.76	0.56	0.37	-3,531.37
14	-13,220.25	5	2	3	40.00	4,885.94	-7,664.04	0.64	0.43	-2,644.05
13	-17,677.89	5	2	3	40.00	3,671.35	-8,340.20	0.44	0.29	-3,535.58
12	-22,615.74	5	1	4	20.00	4,988.00	-6,900.94	0.72	0.18	-4,523.15
11	-25,131.99	5	2	3	40.00	3,509.17	-10,716.77	0.33	0.22	-5,026.40
10	-12,975.42	5	2	3	40.00	4,036.89	-7,016.40	0.58	0.38	-2,595.08
9	-10,408.78	5	1	4	20.00	8,791.78	-4,800.14	1.83	0.46	-2,081.76
8	-18,733.07	5	3	2	60.00	2,781.57	-13,538.89	0.21	0.31	-3,746.61
7	-20,980.90	5	3	2	60.00	2,276.65	-13,905.42	0.16	0.25	-4,196.18
6	-15,646.74	5	3	2	60.00	1,845.61	-10,591.79	0.17	0.26	-3,129.35
5	-13,632.73	5	3	2	60.00	1,666.51	-9,316.13	0.18	0.27	-2,726.55
4	-9,912.66	5	3	2	60.00	1,302.39	-6,909.92	0.19	0.28	-1,982.53
3	-9,203.44	5	1	4	20.00	1,453.40	-2,664.21	0.55	0.14	-1,840.69
2	-12,217.38	5	0	5	0.00	0.00	-2,443.48	0.00	0.00	-2,443.48
1	-4,071.86	5	1	4	20.00	93.12	-1,041.25	0.09	0.02	-814.37

Very low instances but the results are in complete opposition to the previous ones, suggesting the CBI does make a substantial difference. The bounce may have been strong, but there is still some more work to do.

This was also the 2<sup>nd</sup> 90% Up Vol day in the last 3 days. Quick clusters of these have been rare but have led to strong rallies when they occurred. Below is a study from the 7/16/09 Letter that shows this.

For the 2nd time in 5 days the NYSE Up Vol % > 90%.  
Buy SPX on close. Sell X days later. \$100k/trade. 1970 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
25	54,580.79	8	7	1	87.50	8,354.76	-3,902.52	2.14	14.99	6,822.60
24	58,100.12	8	7	1	87.50	8,512.27	-1,485.80	5.73	40.10	7,262.52
23	52,607.79	8	7	1	87.50	7,727.56	-1,485.12	5.20	36.42	6,575.97
22	50,622.94	8	7	1	87.50	7,238.84	-48.96	147.85	1,034.97	6,327.87
21	52,635.91	8	7	1	87.50	7,811.58	-2,045.12	3.82	26.74	6,579.49
20	50,358.17	8	7	1	87.50	7,432.10	-1,666.56	4.46	31.22	6,294.77
19	44,111.90	8	7	1	87.50	6,614.18	-2,187.36	3.02	21.17	5,513.99
18	43,599.28	8	7	1	87.50	6,620.79	-2,746.24	2.41	16.88	5,449.91
17	46,767.29	8	7	1	87.50	6,937.84	-1,797.60	3.86	27.02	5,845.91
16	46,953.80	8	7	1	87.50	6,794.05	-604.52	11.24	78.67	5,869.23
15	42,218.98	8	6	2	75.00	7,262.86	-679.08	10.70	32.09	5,277.37
14	39,588.88	8	7	1	87.50	5,791.94	-954.72	6.07	42.47	4,948.61
13	40,053.35	8	7	1	87.50	5,946.31	-1,570.80	3.79	26.50	5,006.67
12	30,553.53	8	6	2	75.00	5,460.99	-1,106.20	4.94	14.81	3,819.19
11	34,652.85	8	7	1	87.50	5,077.61	-890.40	5.70	39.92	4,331.61
10	34,572.38	8	7	1	87.50	5,164.35	-1,578.08	3.27	22.91	4,321.55
9	30,573.40	8	8	0	100.00	3,821.68	0.00	100.00	100.00	3,821.68
8	29,107.70	8	8	0	100.00	3,638.46	0.00	100.00	100.00	3,638.46
7	31,208.27	9	7	2	77.78	4,686.25	-797.73	5.87	20.56	3,467.59
6	16,037.37	9	6	3	66.67	3,422.71	-1,499.62	2.28	4.56	1,781.93
5	8,831.44	10	6	4	60.00	3,404.27	-2,898.55	1.17	1.76	883.14
4	15,716.46	10	6	4	60.00	3,509.18	-1,334.66	2.63	3.94	1,571.65
3	10,754.66	11	8	3	72.73	2,126.35	-2,085.39	1.02	2.72	977.70
2	1,198.79	11	7	4	63.64	1,496.80	-2,319.71	0.65	1.13	108.98
1	8,014.68	13	10	3	76.92	1,138.21	-1,122.47	1.01	3.38	616.51

Bottom line is there is plenty of evidence suggesting the market should pull back in the next day or two. Weak volume, a huge drop in the VIX, too much volume breadth coming off a low, an unfilled gap, etc. If you want to try a short trade though you'd better be agile. The CBI is still very high and with the 2<sup>nd</sup> 90% Up Day in the last few days the market may really rally from here.

I've updated the [Aggregator](#) chart below.



The green Aggregator line again remained above zero tonight as the net expectations from the active studies is for more upside over the next few days. A high CBI and double 90% up days coming off a potential intermediate-term low make a difficult shorting environment. Meanwhile the black Differential line illustrates the SPX has now outperformed expectations over the last few days. So while the studies expect more upside the SPX is already overbought versus expectations. This is considered a neutral configuration. Based on this the Aggregator System has turned flat.

Looking ahead more bearish studies will need to emerge if the green Aggregator line is going to turn negative tomorrow. The Differential pivot for Wednesday is 1,078.42. This means it would take an SPX close at or below this level in order for the Differential line to turn positive.

I'll wait and observe for a day or so here.

***Intermediate-term Outlook (2 weeks – 2 months)– updated 5/24 neutral***

Bear markets don't ordinarily start with a furious selloff from a very high level in a market exhibiting broad strength. Instead they form a slow topping pattern while breadth will deteriorate ahead of price. There's no assurance that this time won't be different, but when you go from a strong, broad, persistent bull market like we had just 3 weeks ago, to a deeply oversold condition like we have now, it doesn't seem advisable to be positioning aggressively short for an intermediate-term trade.

One the other hand we've had 1 up day at this point and the studies associated with the bounce so far are mixed. Intermediate-term traders will no doubt be watching for a

Follow Through Day in the coming days. I'd encourage you to review the [Quantifiable Edges posts associated with follow-through days](#) before one actually occurs.

So my outlook remains neutral. I'll continue to look more towards short-term analysis to aid my buy/sell decisions until the intermediate-term becomes a bit more clear.

### **Catapult and Capitulative Breadth Statistics**

*(Catapult Presentation Part 1) - (Catapult Presentation Part 2)*

#### ***Open Catapult Triggers***

*MON - 1/3 position @ \$64.73 limit (filled @ \$62.60)*

*MON - 1/3 position @ \$62.25 limit (filled @ \$60.74)*

*MON - 1/3 position @ \$55.54 limit (filled @ \$54.79)*

*EXC - 1/3 position @ \$40.59 limit (filled @ \$40.11)*

*EXC - 1/3 @ \$39.31 limit*

*CSCO - 1/3 @ \$23.31 limit*

*MSFT - 1/3 @ \$27.11 limit*

*QCOM - 1/3 @ \$35.59 limit*

*MSFT - 1/3 position @ \$26.84 limit*

*ORCL - 1/3 position @ \$22.16 limit*

*DELL - 1/3 position @ \$13.35 limit*

*MSFT - final 1/3 @ \$26.27*

*EXC - final 1/3 @ \$38.06 limit (no fill)*

*GILD - 1/3 @ \$34.82 limit (no fill)*

#### ***Catapult for ETF's Trades***

*none*

***Broad Market Large Cap CBI - 13 (MON-3, EXC-3, CSCO, MSFT-3, QCOM, DELL, GILD)***

### **Additional New Trade Ideas**

*A full listing of system triggers can be found at the [system triggers page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.*

None tonight. Several are still open.

### Active Trades Table

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
MON(1/3)	4/29/2010	\$62.60	\$50.27	-19.70%		Catapult
MON(1/3)	5/5/2010	\$60.74	\$50.27	-17.24%		Catapult
MON(1/3)	5/14/2010	\$54.79	\$50.27	-8.25%		Catapult
SPY(1/4)	5/14/2010	\$115.12	\$110.76	-3.79%		sold on close
SPY(1/4)	5/19/2010	\$111.77	\$110.76	-0.90%		sold on close
SPY(1/4)	5/19/2010	\$111.76	\$110.76	-0.89%		Aggregator
SPY(1/4)	5/21/2010	\$105.91	\$110.76	4.58%		Aggregator
EXC(1/3)	5/20/2010	\$40.11	\$38.91	-2.99%		Catapult
EXC(1/3)	5/21/2010	\$38.50	\$38.91	1.06%		Catapult
ABT(1/3)	5/21/2010	\$45.48	\$47.87	5.26%		sold on close
ALL(1/3)	5/21/2010	\$29.51	\$30.77	4.27%		sold on close
CSCO(1/3)	5/21/2010	\$22.67	\$23.67	4.41%		Catapult
MMM(1/3)	5/21/2010	\$78.42	\$81.43	3.84%		sold on close
MSFT(1/3)	5/21/2010	\$26.63	\$26.00	-2.37%		Catapult
ORCL(1/3)	5/21/2010	\$21.62	\$22.58	4.44%		sold on close
QCOM(1/3)	5/21/2010	\$35.10	\$35.56	1.31%		Catapult
XOM(1/3)	5/21/2010	\$59.16	\$61.46	3.89%		sold on close
MSFT(1/3)	5/24/2010	\$26.84	\$26.00	-3.13%		Catapult
ORCL(1/3)	5/24/2010	\$22.04	\$22.58	2.45%		sold on close
DELL(1/3)	5/25/2010	\$13.05	\$13.40	2.68%		Catapult
MSFT(1/3)	5/25/2010	\$25.65	\$26.00	1.36%		Catapult

Intraday updates were sent alerting subscribers that the positions in red above were being exited at the close.

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