

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 7, 2010

Volume 3 Issue 128

Market Overview



Tonight's Research Points

- Strong SPX / weak Russell suggest a pullback in the next few days.
- Low HV without SPX new highs suggests bearish implications.
- SPY closing up but 1% below high has been short-term bullish in past.
- A large divergence in the McClellan Oscillator implies a bounce from these levels could succeed both short and long-term.
- The Aggregator System remained long.
- The NDX Aggressive Trend Timer remained short.

Short-term Outlook – updated 7/7

The Bottom Line

SPX bounced but more is expected from this extremely oversold condition. I'm still holding my longs for a further bounce.

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

| Study Date | Description | Time span | Bias | Avg Max Move |
|---------------------------|--|------------------|-------------|---------------------|
| Active | | | | |
| July 7, 2010 | SPX strong Russell weak | 1-3 days | Bearish | -3.50% |
| July 7, 2010 | Low HV, no SPX highs | 1-8 days | Bearish | -3.30% |
| July 7, 2010 | McClellan Oscillator Bottom Divergence | 1-4 days | Bullish | |
| July 7, 2010 | SPY up but 1% below high. C<200ma | 1-2 days | Bullish | 2.40% |
| July 5, 2010 | Inside day nr3 under 200ma | 1-3 days | Bearish | |
| July 5, 2010 | 5 down under 200 and 50 low | 1-4 days | Bullish | 2.40% |
| July 2, 2010 | 2-day RSI < 2 & 50 low | 1-3 days | Bullish | 4.40% |
| June 30, 2010 | 1% Gap then down to 50-low close | 1-5 days | Bullish | 4.70% |
| Active - Long Term | | | | |
| July 5, 2010 | 5 down under 200 and 50 low | 1-20 days | Bullish | |
| July 7, 2010 | McClellan Oscillator Bottom Divergence | int-term | Bullish | |
| Dropped Tonight | | | | |
| June 30, 2010 | CBI moves to 10 or higher | 1-4 days | Bullish | |

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

The Evidence

A big start to the day faded out in the afternoon. Some gains were recovered late but the indices finished mixed. The SPX closed up 0.5%, the Nasdaq rose 0.1% and the Russell 2000 fell 1.5%. Breadth was neutral as the NYSE Up Issues % came in just below 50% and the Up Volume % was 55%. Total volume increased from Friday's pre-holiday levels.

Tuesday action is providing mixed signals. Below are some of the more compelling studies.

On the bearish side the strong outperformance of the SPX versus the Russell 2000 has brought about the following study from the 4/24/09 Subscriber Letter. Results are updated.

SPX closes up but < 200ma. Russell 2000 closes down. SPX outperforms by at least 1%.
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 |
|--------|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 5 | -34,421.24 | 24 | 9 | 15 | 37.50 | 2,416.05 | -3,744.38 | 0.65 | 0.39 | -1,434.22 |
| 4 | -41,845.37 | 24 | 7 | 17 | 29.17 | 2,065.51 | -3,312.00 | 0.62 | 0.26 | -1,743.56 |
| 3 | -44,511.91 | 26 | 7 | 19 | 26.92 | 1,614.89 | -2,937.69 | 0.55 | 0.20 | -1,712.00 |
| 2 | -37,792.86 | 26 | 8 | 18 | 30.77 | 1,403.08 | -2,723.19 | 0.52 | 0.23 | -1,453.57 |
| 1 | -18,967.11 | 26 | 9 | 17 | 34.62 | 1,506.35 | -1,913.19 | 0.79 | 0.42 | -729.50 |

88% of instances closed below the entry price at some point in the next 3 days.

This appears to provide solid evidence for the bears.

Another study suggesting bearish implications was last published in the 12/21/09 Letter. It examined other times volatility was hitting new lows while the market was not hitting new highs. This is a fairly unusual situation and returns have been poor in the days and weeks after this setup has triggered.

20-day historical volatility makes a new 20-day low for at least the 3rd time in the last 10 days. SPX has 0 20-day highs in the last 20 days. Buy on close. Sell X days later. \$100k/trade. 1999 - 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 |
|--------|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 20 | -36,517.64 | 20 | 9 | 11 | 45.00 | 3,319.03 | -6,035.36 | 0.55 | 0.45 | -1,825.88 |
| 19 | -30,113.49 | 20 | 10 | 10 | 50.00 | 2,979.62 | -5,990.97 | 0.50 | 0.50 | -1,505.67 |
| 18 | -39,624.57 | 20 | 9 | 11 | 45.00 | 2,842.66 | -5,928.05 | 0.48 | 0.39 | -1,981.23 |
| 17 | -37,728.41 | 20 | 7 | 13 | 35.00 | 3,345.24 | -4,703.47 | 0.71 | 0.38 | -1,886.42 |
| 16 | -49,654.60 | 20 | 7 | 13 | 35.00 | 2,292.62 | -5,054.07 | 0.45 | 0.24 | -2,482.73 |
| 15 | -45,430.17 | 20 | 7 | 13 | 35.00 | 2,195.31 | -4,676.72 | 0.47 | 0.25 | -2,271.51 |
| 14 | -28,853.99 | 20 | 7 | 13 | 35.00 | 2,683.20 | -3,664.34 | 0.73 | 0.39 | -1,442.70 |
| 13 | -20,108.13 | 20 | 9 | 11 | 45.00 | 2,136.84 | -3,576.33 | 0.60 | 0.49 | -1,005.41 |
| 12 | -21,624.15 | 21 | 9 | 12 | 42.86 | 1,992.83 | -3,296.64 | 0.60 | 0.45 | -1,029.72 |
| 11 | -25,352.79 | 21 | 9 | 12 | 42.86 | 2,083.46 | -3,675.33 | 0.57 | 0.43 | -1,207.28 |
| 10 | -34,024.18 | 21 | 9 | 12 | 42.86 | 1,760.75 | -4,155.91 | 0.42 | 0.32 | -1,620.20 |
| 9 | -31,300.04 | 21 | 7 | 14 | 33.33 | 2,091.86 | -3,281.65 | 0.64 | 0.32 | -1,490.48 |
| 8 | -39,042.64 | 23 | 7 | 16 | 30.43 | 1,715.70 | -3,190.78 | 0.54 | 0.24 | -1,697.51 |
| 7 | -24,462.11 | 23 | 8 | 15 | 34.78 | 1,453.43 | -2,405.97 | 0.60 | 0.32 | -1,063.57 |
| 6 | -20,200.14 | 23 | 9 | 14 | 39.13 | 1,223.10 | -2,229.15 | 0.55 | 0.35 | -878.27 |
| 5 | -22,807.51 | 25 | 10 | 15 | 40.00 | 1,314.01 | -2,396.51 | 0.55 | 0.37 | -912.30 |
| 4 | -12,052.52 | 28 | 11 | 17 | 39.29 | 1,949.78 | -1,970.59 | 0.99 | 0.64 | -430.45 |
| 3 | -15,774.64 | 32 | 14 | 18 | 43.75 | 1,551.15 | -2,082.82 | 0.74 | 0.58 | -492.96 |
| 2 | -9,518.35 | 39 | 18 | 21 | 46.15 | 1,222.90 | -1,501.45 | 0.81 | 0.70 | -244.06 |
| 1 | -7,064.83 | 53 | 25 | 28 | 47.17 | 1,089.82 | -1,225.37 | 0.89 | 0.79 | -133.30 |

So with both of these studies triggering it might seem the outlook was quite bearish. But the bulls also made a bit of a case today. I've shown in the past how times when the SPY closes up but well below its high, it has then had bullish inclinations over the next few days. The study below was last seen in the 11/5/09 Subscriber Letter.

| SPY closes up on the day but at least 1% below its high. 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 |
| 5 | 30,476.89 | 83 | 46 | 36 | 55.42 | 2,726.77 | -2,637.63 | 1.03 | 1.32 | 367.19 |
| 4 | 29,193.97 | 87 | 49 | 38 | 56.32 | 2,642.85 | -2,639.63 | 1.00 | 1.29 | 335.56 |
| 3 | 48,639.00 | 89 | 50 | 38 | 56.18 | 2,564.36 | -2,094.19 | 1.22 | 1.61 | 546.51 |
| 2 | 66,561.48 | 96 | 64 | 32 | 66.67 | 1,994.36 | -1,908.67 | 1.04 | 2.09 | 693.35 |
| 1 | 35,440.21 | 104 | 64 | 40 | 61.54 | 1,376.13 | -1,315.80 | 1.05 | 1.67 | 340.77 |

I decided to break this one down a little further tonight and examine times SPY was above vs. below the 200ma. First let's look at times like the present when it was below.

| SPY closes up on the day but at least 1% below its high. Close < 200ma. 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 |
| 5 | 34,083.47 | 50 | 27 | 22 | 54.00 | 3,570.66 | -2,832.93 | 1.26 | 1.55 | 681.67 |
| 4 | 34,814.43 | 52 | 30 | 22 | 57.69 | 3,303.70 | -2,922.57 | 1.13 | 1.54 | 669.51 |
| 3 | 43,767.71 | 53 | 31 | 22 | 58.49 | 3,068.60 | -2,334.50 | 1.31 | 1.85 | 825.81 |
| 2 | 57,538.78 | 58 | 40 | 18 | 68.97 | 2,327.58 | -1,975.79 | 1.18 | 2.62 | 992.05 |
| 1 | 28,639.86 | 65 | 41 | 24 | 63.08 | 1,709.60 | -1,727.24 | 0.99 | 1.69 | 440.61 |

As you can see, the edge is even more pronounced when the market is locked in a long-term downtrend.

Now for the times when the SPX was above the 200ma.

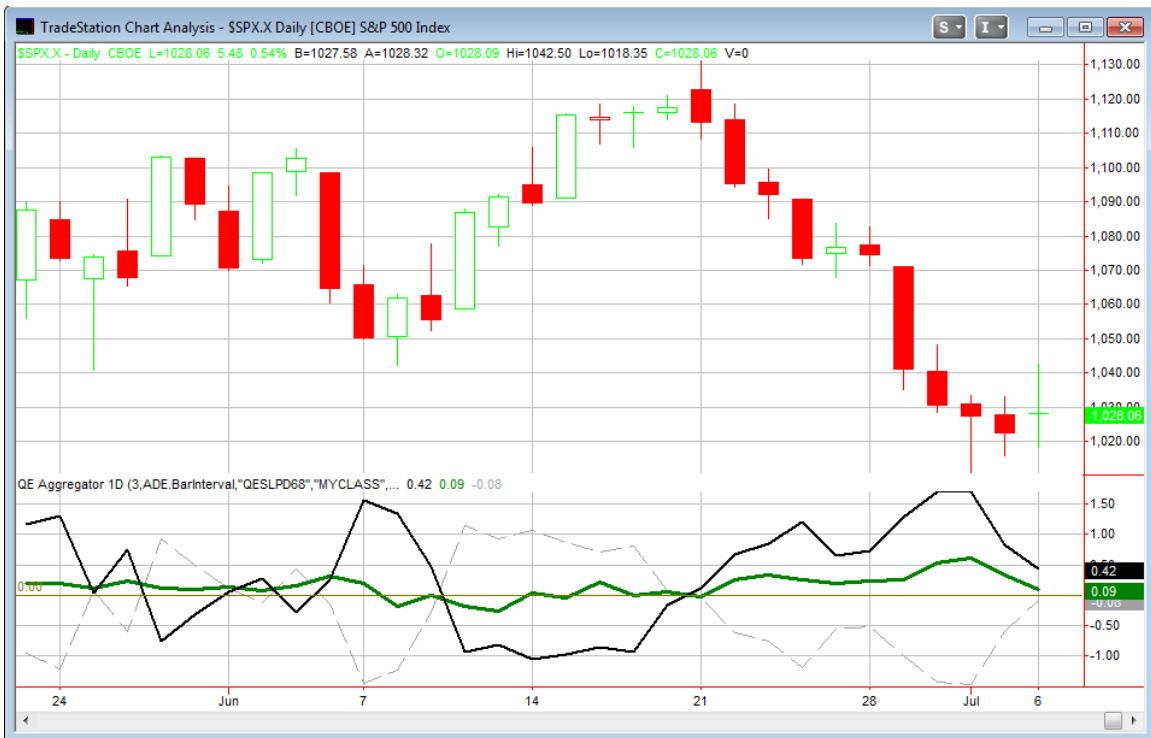
SPY closes up on the day but at least 1% below its high. Close > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1994 - present.

| 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 |
|--------|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 5 | -3,606.58 | 33 | 19 | 14 | 57.58 | 1,527.56 | -2,330.73 | 0.66 | 0.89 | -109.29 |
| 4 | -5,620.46 | 35 | 19 | 16 | 54.29 | 1,599.42 | -2,250.59 | 0.71 | 0.84 | -160.58 |
| 3 | 4,871.29 | 36 | 19 | 16 | 52.78 | 1,741.66 | -1,763.76 | 0.99 | 1.17 | 135.31 |
| 2 | 9,022.70 | 38 | 24 | 14 | 63.16 | 1,438.99 | -1,822.37 | 0.79 | 1.35 | 237.44 |
| 1 | 6,800.35 | 39 | 23 | 16 | 58.97 | 781.67 | -698.63 | 1.12 | 1.61 | 174.37 |

Perhaps just a minor edge over the 1st 2 days here.

But the strongest bullish evidence is found in the McClellan Oscillator study I posted last night in the intermediate-term section below. With the SPX closing higher today the McClellan Oscillator divergence triggered as the Ratio Adjusted McClellan Oscillator is far above its May levels.

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



With the studies now mixed the edge is no longer as pronounced but the green Aggregator line still remains above 0. This represents higher net expectations from the Active Studies over the next few days. Meanwhile the black Differential line illustrates the SPX has underperformed expectations over the last few days. So we have positive expectations and a market that is oversold versus recent expectations. This setup has historically provided a bullish edge. The Aggregator configuration is considered bullish whenever both lines are above 0. Based on this the Aggregator System is again long.

Looking ahead the green Aggregator line is set up to remain positive tomorrow. Of course strong bearish evidence could change that outlook. Meanwhile the Differential pivot will be 1,041.50 tomorrow. This means it would take an SPX close at or above this level in order for the black Differential line to turn negative.

Intermediate-term Outlook (2 weeks – 2 months)– updated 7/5 - neutral

One indicator that is showing an intermediate-term bottom may be nearby is the McClellan Oscillator. The chart below shows the S&P 500 in the top panel, the McClellan Oscillator in the 2nd panel, and the Ratio Adjusted McClellan Oscillator in the 3rd panel. The ratio adjusted version is normally better for long-term historical comparisons so I will use that when appropriate.

Notice on the chart that while the SPX is making new lows, the McClellan Oscillator is well above its lows. You can also see the divergence is quite large – even when using the Ratio Adjusted McClellan Oscillator.



You'll often hear technical traders suggest that breadth or momentum divergences can help to signal important turning points. The McClellan Oscillator is really both, since it measures the momentum of breadth. I ran some studies this weekend to see how helpful

a McClellan Oscillator divergence might be and whether large divergences provide a further edge.

I set the study up as follows:

- 1) I required the market be in an established downtrend by virtue of the fact that it is closing at least at a 100-day low.
- 2) I viewed any close up from a 100-day low as a potential bottom.
- 3) I defined a “successful” intermediate-term bottom as a move that went from that 100-day low all the way to eventually close at a 100-day high. If it made a new 100-day low before making a 100-day high then the intermediate-term rally attempt was a failure. The next up close would mark the beginning of the next attempt.
- 4) I didn’t require the McClellan Oscillator reading on the exact day to mark the lowest reading of the last 100 days. Instead I compared the 10-day McClellan Oscillator low to the 100-day McClellan Oscillator low. If they were equal that that suggested recent readings were not forming an intermediate-term divergence. If the 10-day low was higher than the 100-day low then a divergence existed.
- 5) I then examined all rally attempts (up closes from a 100-day low) and separated them by those that occurred with a McClellan Oscillator divergence and those that didn’t. I wanted to see if there was a substantial difference in returns based on the divergence status of the McClellan Oscillator.

Since 1950 there have been 41 “successful” rally attempts. Thirty of those 41 (73%) occurred when there was a divergence in place. Below are the stats associated with all rally attempts with divergences in place.

Yesterday the market closed at a 100-day low. Today it closes higher. The lowest McClellan Oscillator reading of the last 10 days is above the lowest McClellan Oscillator reading of the last 100 days. Buy on Close. Sell if SPX closes below buy price or if it closes at a 100-day high. \$100k/trade. 1950 - present.

| TradeStation Performance Summary | | | |
|----------------------------------|--------------|--------------------------|----------------|
| All Trades | | | |
| Total Net Profit | \$131,552.21 | Profit Factor | 1.59 |
| Gross Profit | \$354,937.38 | Gross Loss | (\$223,385.17) |
| Total Number of Trades | 149 | Percent Profitable | 20.13% |
| Winning Trades | 30 | Losing Trades | 119 |
| Even Trades | 0 | | |
| Avg. Trade Net Profit | \$882.90 | Ratio Avg. Win:Avg. Loss | 6.30 |
| Avg. Winning Trade | \$11,831.25 | Avg. Losing Trade | (\$1,877.19) |
| Largest Winning Trade | \$30,811.26 | Largest Losing Trade | (\$14,196.58) |

A terrible system to actually trade, but it does appear to suggest that there is an upside edge when the market is coming off a low and a divergence is in place. Now let’s look at times it wasn’t.

Yesterday the market closed at a 100-day low. Today it closes higher. The lowest McClellan Oscillator reading of the last 10 days is equal to the lowest McClellan Oscillator reading of the last 100 days. Buy on Close. Sell if SPX closes below buy price or if it closes at a 100-day high. \$100k/trade. 1950 - present.

| TradeStation Performance Summary Collapse ^ | | | |
|--|---------------|--------------------------|----------------|
| All Trades | | | |
| Total Net Profit | (\$44,834.93) | Profit Factor | 0.66 |
| Gross Profit | \$85,286.41 | Gross Loss | (\$130,121.34) |
| Total Number of Trades | 69 | Percent Profitable | 15.94% |
| Winning Trades | 11 | Losing Trades | 58 |
| Even Trades | 0 | | |
| Avg. Trade Net Profit | (\$649.78) | Ratio Avg. Win:Avg. Loss | 3.46 |
| Avg. Winning Trade | \$7,753.31 | Avg. Losing Trade | (\$2,243.47) |
| Largest Winning Trade | \$19,395.00 | Largest Losing Trade | (\$10,550.43) |

Stats here are quite a bit weaker. The bottom line is you'd rather have a divergence in place when trying to catch a bottom. But now let's consider whether the size of the divergence might matter. To fairly compare divergence sizes over long periods of time, I need to use the Ratios Adjusted McClellan Oscillator. The current difference between Friday's reading and the low reading a few weeks ago is a whopping 82 points. I looked at all divergences of 65 points or greater.

| TradeStation Performance Summary Collapse ^ | | | |
|--|-------------|--------------------------|---------------|
| All Trades | | | |
| Total Net Profit | \$69,749.38 | Profit Factor | 4.03 |
| Gross Profit | \$92,776.69 | Gross Loss | (\$23,027.31) |
| Total Number of Trades | 16 | Percent Profitable | 43.75% |
| Winning Trades | 7 | Losing Trades | 9 |
| Even Trades | 0 | | |
| Avg. Trade Net Profit | \$4,359.34 | Ratio Avg. Win:Avg. Loss | 5.18 |
| Avg. Winning Trade | \$13,253.81 | Avg. Losing Trade | (\$2,558.59) |
| Largest Winning Trade | \$20,900.12 | Largest Losing Trade | (\$14,196.58) |

Stats here substantially more impressive than the others we've seen. Below I have listed all instances.

Yesterday the market closed at a 100-day low. Today it closes higher. The lowest Ratio Adjusted McClellan Oscillator reading of the last 10 days is above the lowest McClellan Oscillator reading of the last 100 days by at least 65 points. Buy on Close. Sell if SPX closes below buy price or if it closes at a 100-day high. \$100k/trade. 1950 - present.

| Date/Time | Signal | Price | % Profit | Run-up DrawDown |
|-----------|--------|------------|----------|--------------------|
| 07/11/69 | Buy | \$95.77 | (1.27%) | \$417.60 |
| 07/14/69 | Sell | \$94.55 | | (\$1,639.08) |
| 07/16/69 | Buy | \$95.18 | (1.74%) | \$1,606.50 |
| 07/22/69 | Sell | \$93.52 | | (\$2,131.50) |
| 02/12/74 | Buy | \$90.94 | (0.70%) | \$11,110.89 |
| 04/24/74 | Sell | \$90.30 | | (\$1,131.97) |
| 08/05/74 | Buy | \$79.29 | (1.01%) | \$5,346.64 |
| 08/13/74 | Sell | \$78.49 | | (\$1,841.06) |
| 10/04/74 | Buy | \$62.34 | 20.90% | \$24,172.28 |
| 01/27/75 | Sell#2 | \$75.37 | | \$0.00 |
| 09/17/75 | Buy | \$82.37 | 12.40% | \$12,710.58 |
| 01/05/76 | Sell#2 | \$92.58 | | (\$169.96) |
| 11/11/76 | Buy | \$99.64 | (1.10%) | \$8,354.99 |
| 03/30/77 | Sell | \$98.54 | | (\$1,464.38) |
| 03/07/78 | Buy | \$87.36 | 9.63% | \$9,884.16 |
| 04/24/78 | Sell#2 | \$95.77 | | (\$446.16) |
| 11/15/78 | Buy | \$92.71 | 10.54% | \$10,780.00 |
| 03/27/79 | Sell#2 | \$102.48 | | (\$129.36) |
| 11/08/79 | Buy | \$100.30 | 11.76% | \$12,562.20 |
| 01/21/80 | Sell#2 | \$112.10 | | \$0.00 |
| 12/07/87 | Buy | \$228.76 | 18.56% | \$18,555.02 |
| 03/17/88 | Sell#2 | \$271.22 | | (\$30.59) |
| 12/18/00 | Buy | \$1,322.74 | (1.30%) | \$1,777.50 |
| 12/19/00 | Sell | \$1,305.60 | | (\$1,315.50) |
| 12/21/00 | Buy | \$1,274.86 | (1.54%) | \$8,463.78 |
| 02/21/01 | Sell | \$1,255.27 | | (\$1,692.60) |
| 08/09/04 | Buy | \$1,065.22 | (0.19%) | \$1,285.26 |
| 08/12/04 | Sell | \$1,063.23 | | (\$223.20) |
| 08/13/04 | Buy | \$1,064.80 | 9.10% | \$9,008.91 |
| 11/04/04 | Sell#2 | \$1,161.67 | | \$0.00 |
| 10/28/08 | Buy | \$940.51 | (14.24%) | \$7,102.00 |
| 11/19/08 | Sell | \$806.58 | | (\$14,238.98) |

The last instance posted a large loss. Prior to that results were overwhelmingly positive. Another helpful way to examine the data is to show how the setup looked “X Days Later” as I often do.

Yesterday the market closed at a 100-day low. Today it closes higher. The lowest Ratio Adjusted McClellan Oscillator reading of the last 10 days is above the lowest McClellan Oscillator reading of the last 100 days by at least 65 points.
Buy on Close. Sell X days later. \$100k/trade. 1950 - 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 |
|--------|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|-----------------------|---------------------|-------------------|----------------|
| 20 | 52,869.75 | 13 | 10 | 3 | 76.92 | 7,525.55 | -7,461.91 | 1.01 | 3.36 | 4,066.90 |
| 15 | 32,111.38 | 13 | 9 | 4 | 69.23 | 5,926.91 | -5,307.71 | 1.12 | 2.51 | 2,470.11 |
| 10 | 33,039.92 | 13 | 10 | 3 | 76.92 | 4,920.18 | -5,387.31 | 0.91 | 3.04 | 2,541.53 |
| 9 | 31,321.94 | 13 | 9 | 4 | 69.23 | 4,997.56 | -3,414.03 | 1.46 | 3.29 | 2,409.38 |
| 8 | 32,694.56 | 13 | 9 | 4 | 69.23 | 4,528.81 | -2,016.17 | 2.25 | 5.05 | 2,514.97 |
| 7 | 39,314.58 | 13 | 10 | 3 | 76.92 | 4,908.61 | -3,257.18 | 1.51 | 5.02 | 3,024.20 |
| 6 | 41,973.34 | 13 | 11 | 2 | 84.62 | 4,121.01 | -1,678.90 | 2.45 | 13.50 | 3,228.72 |
| 5 | 45,547.00 | 13 | 11 | 2 | 84.62 | 4,269.94 | -711.17 | 6.00 | 33.02 | 3,503.62 |
| 4 | 33,448.07 | 14 | 11 | 3 | 78.57 | 3,159.71 | -436.25 | 7.24 | 26.56 | 2,389.15 |
| 3 | 29,916.22 | 16 | 12 | 4 | 75.00 | 3,004.27 | -1,533.76 | 1.96 | 5.88 | 1,869.76 |
| 2 | 23,808.79 | 16 | 13 | 3 | 81.25 | 2,307.51 | -2,062.94 | 1.12 | 4.85 | 1,488.05 |
| 1 | 14,960.73 | 16 | 12 | 4 | 75.00 | 1,585.47 | -1,016.23 | 1.56 | 4.68 | 935.05 |

These are some extremely positive results – especially over the 1st week. So I may have beaten this one to death a little bit, but the McClellan Oscillator is very worth watching at this point. If the market can turn higher and create a sizable divergence as appears likely, then that would be a very positive sign for both the short and intermediate-term.

Of course at the moment the market couldn't be acting more poorly. I've moved my outlook back to neutral and will wait for some upside confirmation before getting too excited about long-side intermediate-term prospects.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

LOW – 1/3 position @ \$21.76
AMZN – 1/3 position @\$118.33
RTN – 1/3 position @\$50.38 limit
MSFT – 1/3 position @ \$24.53 limit
MON – 1/3 position @ \$48.27 limit
MSFT – 1/3 position @ \$24.31 limit
MON – 1/3 position @ \$47.80 limit
MON – 1/3 position @ \$47.34 limit (all in)
MDT – 1/3 position @ \$36.21 limit
GD – 1/3 position @ \$59.43 limit
GD – 1/3 position @ \$58.56 limit
GD – 1/3 position @ \$58.50 limit
WY– 1/3 position @ \$35.14 limit
WFC– 1/3 position @ \$25.18 limit
RTN– 1/3 position @ \$47.73 limit
WY– 1/3 position @ \$34.49 limit
WFC– 1/3 position @ \$24.88 limit
RTN– 1/3 position @ \$47.58 limit
LOW – 1/3 position @ \$20.27 limit
GE– 1/3 position @ \$13.88 limit
GOOG– 1/3 position @ \$436.55 limit
NEW
CVS - 1/3 position @ \$28.55 limit
HD- 1/3 position @ \$27.34 limit
WY- 1/3 position @ \$34.31 limit
LOW- 1/3 position @ \$19.96 limit
GOOG- 1/3 position @ \$436.07 limit

Catapult for ETF's Trades

QQQQ @ \$43.37 limit

Broad Market Large Cap CBI – 24 (LOW-3, AMZN, RTN-3, MON-3, MDT, GD-3, WY-3, WFC-2, GE, GOOG-2, CVS, HD)

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.

CVS - 1/3 position @ \$28.55 limit
 HD- 1/3 position @ \$27.34 limit
 WY- 1/3 position @ \$34.31 limit
 LOW- 1/3 position @ \$19.96 limit
 GOOG- 1/3 position @ \$436.07 limit
 All based on Catapults.

Current Open Trade Ideas

| Symbol | Entry Date | Entry Price | Current Price | % Gain/Loss | Stop | Notes |
|--------|------------|-------------|---------------|-------------|------|--------------|
| SPY | 6/23/2010 | \$109.57 | \$102.87 | -6.11% | | Aggregator |
| LOW | 6/23/2010 | \$21.71 | \$20.27 | -6.63% | | Catapult |
| SPY | 6/24/2010 | \$108.69 | \$102.87 | -5.35% | | Aggregator |
| SPY | 6/25/2010 | \$107.42 | \$102.87 | -4.24% | | Aggregator |
| AMZN | 6/25/2010 | \$118.14 | \$110.06 | -6.84% | | Catapult |
| RTN | 6/28/2010 | \$50.38 | \$47.47 | -5.78% | | Catapult |
| MSFT | 6/28/2010 | \$24.51 | \$23.82 | -2.82% | | Sell at open |
| MON | 6/28/2010 | \$48.27 | \$45.12 | -6.53% | | Catapult |
| MSFT | 6/29/2010 | \$24.13 | \$23.82 | -1.28% | | Sell at open |
| MON | 6/29/2010 | \$46.84 | \$45.12 | -3.67% | | Catapult |
| MSFT | 6/30/2010 | \$23.30 | \$23.82 | 2.23% | | Sell at open |
| MON | 6/30/2010 | \$46.68 | \$45.12 | -3.34% | | Catapult |
| WAG | 6/30/2010 | \$26.47 | \$26.62 | 0.57% | | Sell at open |
| MDT | 6/30/2010 | \$36.16 | \$36.20 | 0.11% | | Catapult |
| GD | 6/30/2010 | \$58.92 | \$58.64 | -0.48% | | Catapult |
| QQQQ | 6/30/2010 | \$43.23 | \$42.60 | -1.46% | | Aggregator |
| SPY | 6/30/2010 | \$103.92 | \$102.87 | -1.01% | | Aggregator |
| GD | 7/1/2010 | \$58.56 | \$58.64 | 0.14% | | Catapult |
| GD | 7/2/2010 | \$58.50 | \$58.64 | 0.24% | | Catapult |
| WY | 7/2/2010 | \$35.14 | \$34.31 | -2.36% | | Catapult |
| WFC | 7/2/2010 | \$25.18 | \$25.15 | -0.12% | | Catapult |
| RTN | 7/2/2010 | \$47.73 | \$47.47 | -0.54% | | Catapult |
| LOW | 7/6/2010 | \$20.27 | \$20.27 | 0.00% | | Catapult |
| GE | 7/6/2010 | \$13.88 | \$13.97 | 0.65% | | Catapult |
| WY | 7/6/2010 | \$34.49 | \$34.31 | -0.52% | | Catapult |
| WFC | 7/6/2010 | \$24.88 | \$25.15 | 1.09% | | Catapult |
| RTN | 7/6/2010 | \$47.58 | \$47.47 | -0.23% | | Catapult |
| GOOG | 7/6/2010 | \$436.55 | \$436.07 | -0.11% | | Catapult |

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