

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

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July 19, 2010

Volume 3 Issue 136

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## Market Overview



## Tonight's Research Points

- A strong selloff from a short-term high often suggests further downside.
- The large unfilled gap lower also suggests more selling on the way.
- Large Friday selloffs have historically been overreactions so Monday could provide a bounce.
- Breadth was so bad that an immediate bounce has almost always occurred in the past.
- The Aggregator System changed to flat.
- The NDX Aggressive Trend Timer remained flat.

## *Short-term Outlook – updated 7/16*

### *The Bottom Line*

A strong as Friday's selling was studies are mixed with a bearish lean. The Aggregator is neutral and so am I – awaiting the next setup that carries a sizable edge.

**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
<b>Active</b>				
July 19, 2010	7 day high close to a 7 day low close	1-4 days	Bearish	-2.50%
July 19, 2010	Unfilled gap -n- crap	1-3 days	Bearish	-3.20%
July 19, 2010	Big drop on a Friday	1 day	Bullish	
July 19, 2010	Extremely Negative Up Vol %	1 day	Bullish	
July 16, 2010	SPX Up VIX Up	1-4 days	Bearish	-3.10%
July 15, 2010	SPY down but RSI(2) > 85	1-3 days	Bearish	-3.00%
July 14, 2010	Follow Through Day	1-6 days	Bullish	
July 14, 2010	75% Up Issue twice in 3 days	1-9 days	Bullish	3.30%
<b>Active - Long Term</b>				
July 14, 2010	Follow Through Day	int term	Bullish	
July 14, 2010	75% Up Issue twice in 3 days	1-20 days	Bullish	
July 13, 2010	5 higher close from a 50-day low	int term	Bullish	
July 7, 2010	McClellan Oscillator Bottom Divergence	int term	Bullish	
July 5, 2010	5 down under 200 and 50 low	1-20 days	Bullish	
<b>Dropped Tonight</b>				
July 7, 2010	Low HV, no SPX highs	1-8 days	Bearish	-3.30%
July 14, 2010	1% Gap No Fill 10-high < 200	1-5 days	Bearish	-3.70%

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

***The Evidence***

The studies had been warning of a pullback for the last few days, and Friday it arrived. A gap down in the morning was met with persistent weakness for the 1<sup>st</sup> half hour of trading. At that time I alerted gold subscribers that [this past study](#) was suggesting we were likely to see even more weakness before the end of the day. True to form, the selling persisted virtually all day and the markets closed near their lows. This left the S&P down 2.9%, the Nasdaq down 3.1% and the Russell down 3.8%. Breadth was very strongly negative. The NYSE Up Issue % came in at 20% and the Up Volume % was just 5%. Total NYSE volume spiked to the highest reading in July.

A good number of studies appeared in tonight's Quantifinder. And though most examined what happens after strong selloffs like Friday, results were split between bullish and bearish. To understand how this could occur I've copied below the 2/11/2009 blog post, which triggered again in Friday. I've also updated the tables within.

*So what typically occurs after strong selloffs like we saw...? When considering the potential influence an individual bar may have on future bars it is important to consider the positioning of the bar we are studying. A sharp selloff coming when the market is extended up has a whole different meaning than a sharp selloff when the market is extended down. Let's first look at the current situation to see what I'm talking about.*

SPX drops 2.5% today after closing at a 5-day high yesterday.  
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
5	-32,324.07	22	7	15	31.82	3,268.09	-3,680.05	0.89	0.41	-1,469.28
4	-20,064.29	22	5	17	22.73	3,508.64	-2,212.21	1.59	0.47	-912.01
3	-12,052.76	22	9	13	40.91	1,128.19	-1,708.19	0.66	0.46	-547.85
2	860.02	22	9	13	40.91	2,115.82	-1,398.64	1.51	1.05	39.09
1	1,507.77	22	14	8	63.64	1,182.64	-1,881.15	0.63	1.10	68.54

Here we see the sharp 1-day selloff has typically led to a muted bounce that then rolls over to make new lows. Instances are a little low. When I loosened them to a 2% drop I saw the same pattern.

But what if the market was at a 5-day low instead of a 5-day high? Results in that case would be much different:

SPX drops 2.5% today after closing at a 5-day low yesterday.  
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
5	104,944.34	46	30	16	65.22	4,697.16	-2,248.15	2.09	3.92	2,281.40
4	59,359.88	49	30	19	61.22	3,983.54	-3,165.59	1.26	1.99	1,211.43
3	63,432.26	50	30	19	60.00	3,621.18	-2,379.11	1.52	2.40	1,268.65
2	73,458.83	51	38	13	74.51	3,030.81	-3,208.61	0.94	2.76	1,440.37
1	44,333.95	54	36	18	66.67	2,526.73	-2,590.47	0.98	1.95	821.00

84% of instances closed higher at some point in the next 3 days.

Here we see a sharp initial bounce that is followed by more upside. In this case the sharp selloff is possibly exhaustive. That's not the case when coming off a top. The expectation turns from negative to positive based on where the sharp selloff is occurring. So remember, when considering the meaning of a bar or pattern it is also important to consider the positioning.

The Quantifinder actually pointed to a few price-based studies that said drops like Friday's were more likely to see additional downside because they were coming from a high area. Below is a strong example from the 1/19/2010 Letter.

**SPX moves from a 7-day high close to a 7-day low close. Close < 200ma.  
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
5	-17,945.27	12	4	8	33.33	1,895.82	-3,191.07	0.59	0.30	-1,495.44
4	-18,686.30	12	2	10	16.67	2,540.85	-2,376.80	1.07	0.21	-1,557.19
3	-14,765.75	12	2	10	16.67	1,665.85	-1,809.75	0.92	0.18	-1,230.48
2	-6,409.65	12	2	10	16.67	1,083.70	-857.71	1.26	0.25	-534.14
1	-4,083.59	12	6	6	50.00	786.77	-1,467.36	0.54	0.54	-340.30

This would seem to suggest a substantial downside edge over the next few days. One-day drops extreme enough to move the SPX from a 7-day high to a 7-day low have rarely seen an immediate end to the drop.

It wasn't just the fact that the market is falling hard from a high level. Another factor in the bearishness is the large unfilled gap followed by further intraday weakness. This study from the 1/30/2009 Subscriber Letter exemplifies this.

**SPY gaps lower by 0.5%, does not fill its gap and closes 1% below the open. Yesterdays 3-day RSI was > 60. Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	-17,535.04	19	7	12	36.84	2,909.91	-3,158.70	0.92	0.54	-922.90
4	-21,902.53	19	7	12	36.84	2,971.16	-3,558.39	0.83	0.49	-1,152.76
3	-23,294.46	20	7	13	35.00	1,637.41	-2,673.56	0.61	0.33	-1,164.72
2	-5,284.81	20	9	11	45.00	1,871.84	-2,011.94	0.93	0.76	-264.24
1	-8,176.26	20	10	10	50.00	1,103.80	-1,921.43	0.57	0.57	-408.81

**17 of 20 instances (85%) closed lower than the entryprice at some point in the next 3 days.**

So when considering the selloff on Friday, positioning and the large unfilled gap were two factors that indicated more downside is likely. There were some factors that would suggest a bounce, though. For one, the selloff occurred on a Friday.

Since the March 2009 bottom [down Friday's](#) have created a strong tendency for an [up Monday](#). It isn't just the last year though when you take into consideration the fact that the move down was very large compared to the recent Average True Range of the market. In such cases, since the crash of 1987, there has been a strong tendency for the market to bounce on Monday. Perhaps this is due to the fact that fear of a crash causes what might be an ordinary selloff to become exaggerated and overdone on Fridays. Whatever the reason the tendency to bounce is very strong. In the 1/25/10 Letter I examined this for times the SPX was trading above its 200ma. If I instead ignore the 200ma filter and run the study back to 1993 these are the results I get:

SPX closes down more than 1.5 times yesterdays 20-day ATR. Today is Friday. Buy SPX on close. Sell X days later. \$100k/trade. 1993 - 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	23,600.56	27	19	8	70.37	2,158.97	-2,177.49	0.99	2.35	874.09
4	16,995.73	27	18	9	66.67	1,813.27	-1,738.12	1.04	2.09	629.47
3	22,785.07	27	18	9	66.67	1,830.89	-1,130.10	1.62	3.24	843.89
2	17,806.09	27	18	9	66.67	1,509.33	-1,040.21	1.45	2.90	659.48
1	16,050.16	27	24	3	88.89	797.68	-1,031.38	0.77	6.19	594.45

An 89% chance of a bounce the next day is very impressive. Especially considering how few conditions were used in setting up the test.

And if we run the same test but just look below the 200ma?

SPX closes down more than 1.5 times yesterdays 20-day ATR. Today is Friday. <b>SPX &lt; 200ma.</b> Buy SPX on close. Sell X days later. \$100k/trade. 1993 - 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	16,479.81	11	8	3	72.73	2,239.12	-477.72	4.69	12.50	1,498.16
4	11,738.61	11	8	3	72.73	2,016.24	-1,463.76	1.38	3.67	1,067.15
3	12,935.41	11	7	4	63.64	2,330.34	-844.25	2.76	4.83	1,175.95
2	11,541.34	11	7	4	63.64	2,038.96	-682.84	2.99	5.23	1,049.21
1	8,181.59	11	10	1	90.91	979.63	-1,614.72	0.61	6.07	743.78

More confirmation here.

Another factor that would seem to suggest a short-term bounce is the extremely negative NYSE breadth. The study below is updated from the 10/2/2009 Subscriber Letter.

NYSE Up Vol % < 5% and SPX < 200ma. Buy on close. Sell X days later. \$100k/trade. 1988 - present.										
QE Finder Tester: daysin	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	45,926.70	20	14	6	70.00	4,483.26	-2,806.50	1.60	3.73	2,296.34
4	34,838.02	22	14	8	63.64	4,006.67	-2,656.91	1.51	2.64	1,583.55
3	19,552.47	23	13	10	56.52	3,570.45	-2,686.34	1.33	1.73	850.11
2	33,509.93	23	17	6	73.91	2,760.92	-2,237.63	1.23	3.50	1,456.95
1	37,415.57	23	18	5	78.26	2,626.44	-1,972.09	1.33	4.79	1,626.76

This shows a very strong tendency to bounce the next day. One issue I mentioned a couple of weeks ago though is that there have been a relative abundance of extreme days in the last couple of years. Days where the Up Vol % or Down Vol % exceed 90% are much more common than they used to be. So I introduced an indicator I referred to as Up Volume % Bounded. Essentially it just looks at how positive the breadth is compared to all other days over the last year. And while days of Up Volume % coming in under 5% have been very rare historically, we have had a few in the last year. Friday's Up Vol % Bounded came in at 2.39%. In other words, of the last 252 trading days, Friday was the 6<sup>th</sup> worst in terms of breadth. So yes, strongly negative breadth but with 5 other days that were worse in the last year, not exactly a massive historical extreme.

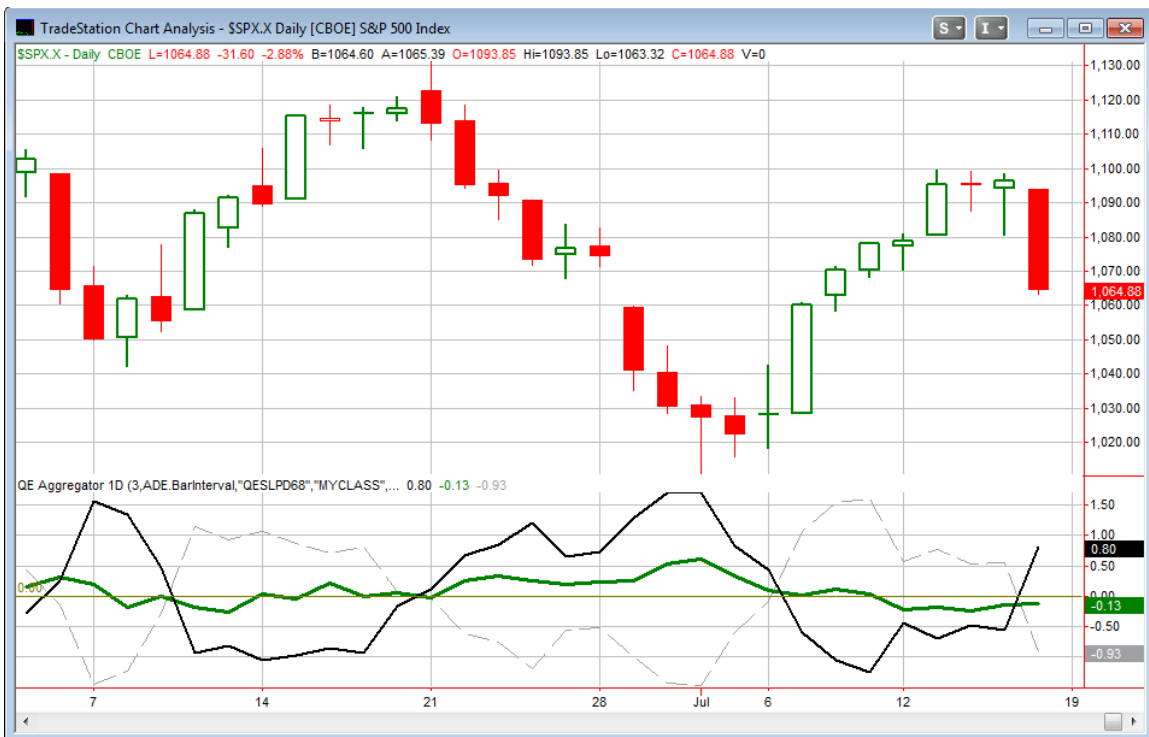
I looked to see how many other times both the NYSE Up volume % had come in under 5% *and* the Up Vol % Bounded was greater than 2%. There have only been 3 instances since 1970. All of them took place in 2009 within about a 2-month span. They were on 2/17, 3/30, and 4/20/09. The 1<sup>st</sup> instance led to more selling and the next two were quickly followed by a bounce. Rather than try and extrapolate from just 3 instances, I thought it would be interesting to see whether a simple Up Vol % Bounded reading in the same ballpark as Friday's provided an edge.

NYSE Up Vol % 1-yr. Bounded > 2% and < 3%. SPX < 200ma.  
Buy SPX on close. Sell X days later. \$100k/trade. 1988 - 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	17,970.36	19	11	8	57.89	3,245.53	-2,216.31	1.46	2.01	945.81
4	21,591.81	21	15	6	71.43	2,288.17	-2,121.80	1.08	2.70	1,028.18
3	20,756.66	21	16	5	76.19	1,878.78	-1,860.77	1.01	3.23	988.41
2	15,755.04	21	13	8	61.90	2,005.26	-1,289.17	1.56	2.53	750.24
1	8,070.63	21	13	8	61.90	930.01	-502.44	1.85	3.01	384.32

Based on this I would say that Friday's very negative breadth is suggesting an upside edge over the next few days. While it may not be as positive as the 5% Up Volume study suggested, negative breadth of this comparative magnitude is a short-term bullish indication.

Overall Friday's action is providing somewhat mixed signals. The net short-term result though is negative, which is reflected in the Aggregator. I have updated the [Aggregator](#) chart below.



The Active List remains in the hands of the bearish studies and this is reflected in the green Aggregator line. The negative Aggregator line value indicates the net expectation from the Active Studies over the next few days is for downside. Meanwhile the black Differential line shows the SPX has underperformed expectations over the last few days. So we have negative expectations but a market that is already oversold versus recent expectations. This is considered a neutral configuration. Based on this the Aggregator System turned flat at the close.

Based on the current studies the green Aggregator line is now set to remain negative tomorrow. Of course strong bullish evidence could change this. Meanwhile the Differential pivot will be 1,087.34 tomorrow. This means it would take an SPX close at or above this level in order for the black Differential line to turn negative. That would be a strong bounce from where the market now sits.

**Intermediate-term Outlook (2 weeks – 2 months)– updated 7/12 – skittishly and mildly bullish. I will switch to neutral or bearish if the market fails to bounce substantially by Tuesday.**

From an intermediate-term standpoint, quite a bit of bullish evidence has emerged over the last couple of weeks. I thought I'd go through it chronologically and then point out one study I'll have my eye on this upcoming week.

When the recent selloff was hitting its low point on July 2<sup>nd</sup> this study appeared:

SPX closes lower for at least the 5th day in a row. It also closes under the 200ma and at a 50-day low. At least one of these conditions was not present yesterday.  
Buy on close. Sell X days later. \$100k/trade. 1973 - 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	91,528.80	37	27	10	72.97	5,049.51	-4,480.79	1.13	3.04	2,473.75
15	63,238.82	39	26	13	66.67	4,323.45	-3,782.38	1.14	2.29	1,621.51
10	60,591.83	44	27	17	61.36	3,972.62	-2,745.23	1.45	2.30	1,377.09
9	64,150.62	44	29	15	65.91	3,478.94	-2,449.25	1.42	2.75	1,457.97
8	60,167.73	44	31	13	70.45	3,051.09	-2,647.39	1.15	2.75	1,367.45
7	44,164.57	45	29	16	64.44	3,004.24	-2,684.90	1.12	2.03	981.43
6	42,243.37	45	29	16	64.44	2,942.74	-2,693.50	1.09	1.98	938.74
5	49,443.79	45	30	15	66.67	2,614.11	-1,931.98	1.35	2.71	1,098.75
4	47,213.33	45	30	15	66.67	2,357.50	-1,567.45	1.50	3.01	1,049.19
3	25,860.93	45	24	20	53.33	2,434.03	-1,627.79	1.50	1.79	574.69
2	20,387.96	45	28	17	62.22	1,658.49	-1,532.33	1.08	1.78	453.07
1	21,089.93	45	28	17	62.22	1,306.29	-910.95	1.43	2.36	468.67

**89% of instances closed higher than the entry price at some point in the next week.**

It didn't disappoint and a bounce followed starting the very next day (7/5). When that bounce occurred it triggered this study which examined the large divergence we were seeing in the McClellan Oscillator:

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	

On schedule we saw a strong move higher follow this study triggering as well. While much of the positive influence from this study appears in the 1<sup>st</sup> week, even 4 weeks out the implications are strongly bullish, and some more details shown in the 7/5 Letter indicated that a decent chance of a new high was suggested by this setup as well.

The July 13<sup>th</sup> Subscriber Letter carried this intermediate-term bullish study.

After closing at a 50-day low, SPX then makes 5 consecutive higher closes. Close < 200ma.  
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
25	40,237.44	15	13	2	86.67	3,182.67	-568.65	5.60	36.38	2,682.50
24	40,003.67	15	14	1	93.33	2,906.91	-693.00	4.19	58.73	2,666.91
23	40,708.96	15	14	1	93.33	2,994.76	-1,217.70	2.46	34.43	2,713.93
20	25,307.77	15	11	4	73.33	2,838.72	-1,479.53	1.92	5.28	1,687.18
15	13,182.85	15	9	6	60.00	1,861.74	-595.47	3.13	4.69	878.86
10	-8,214.63	16	8	8	50.00	1,586.21	-2,613.04	0.61	0.61	-513.41
9	-12,770.97	16	8	8	50.00	1,419.53	-3,015.90	0.47	0.47	-798.19
8	-9,938.99	16	8	8	50.00	1,491.82	-2,734.19	0.55	0.55	-621.19
7	-10,049.38	16	8	8	50.00	1,544.51	-2,800.68	0.55	0.55	-628.09
6	-5,040.99	16	10	6	62.50	1,362.69	-3,111.31	0.44	0.73	-315.06
5	-5,504.10	16	9	7	56.25	1,407.27	-2,595.64	0.54	0.70	-344.01
4	-3,483.45	16	9	7	56.25	1,381.05	-2,273.27	0.61	0.78	-217.72
3	2,543.29	16	12	4	75.00	1,024.13	-2,436.56	0.42	1.26	158.96
2	-5,275.58	16	9	7	56.25	967.67	-1,997.80	0.48	0.62	-329.72
1	-5,604.17	16	11	5	68.75	573.68	-2,382.94	0.24	0.53	-350.26

Here we see a questionable short-term has consistently been followed by substantial upside over the next 4-5 weeks.

Then with the strong IBD Follow Through Day occurring on July 13<sup>th</sup>, these two additional intermediate-term studies appeared in the July 14<sup>th</sup> Letter:

NYSE Up Issues % > 75% in 2 of the last 3 days and makes a 10-day intraday high.  
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
20	107,484.86	36	27	9	75.00	5,166.10	-3,555.54	1.45	4.36	2,985.69
15	92,949.90	37	27	10	72.97	4,246.02	-2,169.27	1.96	5.28	2,512.16
10	71,424.42	39	30	9	76.92	3,341.47	-3,202.19	1.04	3.48	1,831.40
9	71,150.64	39	28	11	71.79	3,481.40	-2,393.52	1.45	3.70	1,824.38
8	59,700.36	39	29	10	74.36	2,916.50	-2,487.81	1.17	3.40	1,530.78
7	54,559.48	39	28	11	71.79	2,891.16	-2,399.37	1.20	3.07	1,398.96
6	47,615.27	40	30	10	75.00	2,408.70	-2,464.58	0.98	2.93	1,190.38
5	41,881.89	41	29	12	70.73	2,156.61	-1,721.65	1.25	3.03	1,021.51
4	33,006.29	43	26	17	60.47	2,019.98	-1,147.83	1.76	2.69	767.59
3	27,801.06	44	28	16	63.64	1,729.99	-1,289.92	1.34	2.35	631.84
2	15,797.54	50	31	19	62.00	1,219.09	-1,157.60	1.05	1.72	315.95
1	11,269.24	54	32	20	59.26	773.69	-674.45	1.15	1.84	208.69

**93% of instances closed above the entry price at some point in the next week. In two weeks it was 98%.**

Buy on the close of a Follow Through Day.  
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
8	35,567.30	73	38	35	52.05	3,406.58	-2,682.36	1.27	1.38	487.22
7	34,283.01	73	41	32	56.16	3,056.14	-2,844.33	1.07	1.38	469.63
6	46,811.91	73	47	26	64.38	2,666.59	-3,019.91	0.88	1.60	641.26
5	40,182.62	73	45	28	61.64	2,506.49	-2,593.19	0.97	1.55	550.45
4	36,401.40	73	41	32	56.16	2,513.19	-2,082.49	1.21	1.55	498.65
3	33,353.47	73	41	32	56.16	2,270.76	-1,867.12	1.22	1.56	456.90
2	23,883.71	73	41	32	56.16	1,905.90	-1,695.57	1.12	1.44	327.17
1	23,336.56	73	39	34	53.42	1,166.68	-651.89	1.79	2.05	319.68

One study I'll be keeping an eye on over the next couple of days is [this one that looks at short-term implications of action just after a FTD](#). It suggests that if the market does not continue higher in the week after a FTD, then there is about a 2/3 chance of failure. On the other hand, a market that closes higher 5 days after a FTD stands about a 2/3 chance of a successful rally. So far it is not looking too promising.

So the short-term is suggesting more selling and the intermediate-term is providing a good amount of bullish evidence. But we also see a study that says the intermediate-term may be dependent on the short-term. It appears if a bounce fails to materialize shortly then the intermediate-term outlook could be in danger. The short-term outlook is for downside, but if the market ignores the current short-term tendencies and powers higher then that should bode well for the intermediate-term as well. In any case, it should be an interesting week with action that will be well worth watching and considering.

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

[Catapult & CBI Presentation Link](#)

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

*none*

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

*none*

#### ***Broad Market Large Cap CBI – 0***

### **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.*

No trade ideas tonight. July has been a very good month so far for both index and Catapult trades. I'll wait patiently until the next substantial edge avails itself before looking to put new money to work.

### **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)(s)	7/13/2010	\$109.15	\$106.66	2.28%		covered on close
SPY(1/4)(s)	7/14/2010	\$109.66	\$106.66	2.74%		covered on close

As was indicated in the intraday updates sent to subscribers on Friday, the SPY positions were covered at the close.

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