

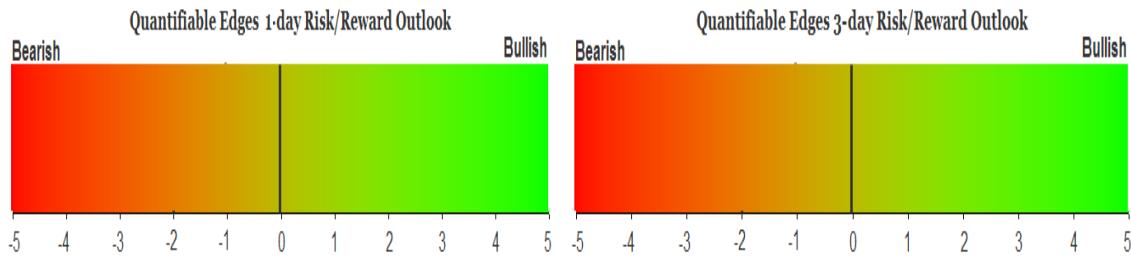
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 20, 2010

Volume 3 Issue 160

## Market Overview



## Tonight's Research Points

- The strong selloff on bad breadth often leads to a bounce
- “Gap & crap” scenarios like we saw on Thursday are often followed by further selling.
- The Aggregator System changed from short to flat.
- The NDX Aggressive Trend Timer changed from flat to short.

## Short-term Outlook

### The Bottom Line

A neutral state tonight as the market is oversold but the studies are expecting more downside.

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>				
August 20, 2010	SPX down 1%. Decliners 2x advancers	1-9 days	Bullish	3.00%
August 20, 2010	SPY gap dn no fill sell 1% more < 200	1-3 days	Bearish	-3.00%
August 19, 2010	3 up SPX < 200ma. No 50-low. Wk vol	1-3 days	Bearish	-2.70%
August 17, 2010	SPX up slightly after 2 or more down	1-4 days	Bearish	-1.90%
August 17, 2010	SPY 5th lower gap down	1-5 days	Bullish	4.70%
August 16, 2010	SPX 3 lower closes & decline slowing	1-5 days	Bullish	2.20%
<b>Active - Long Term</b>				
August 16, 2010	1 (borderline) Hindenburg Omen Day	int term	Bearish	
August 3, 2010	50 high 90% volume	1-25 days	Bullish	
July 20, 2010	Down 1 week after FTD	int term	Bearish	
July 13, 2010	5 higher close from a 50-day low	int term	Bullish	
July 7, 2010	McClellan Oscillator Bottom Divergence	int term	Bullish	
<b>Dropped Tonight</b>				
August 19, 2010	Inside day < 200ma	1-3 days	Bearish	-1.70%
August 18, 2010	Unfilled gap up 0.5-1% under 200ma	1-2 days	Bearish	-1.60%

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

### *The Evidence*

A rough day for the market as it started with a gap down, sold off all morning and then chopped sideways most of the afternoon. All the majors dropped quite a bit. The SPX and Nasdaq both lost 1.7% while the Russell 2000 fell 2.7%. Breadth was strongly negative as the NYSE Up Issues % came in at 19% and the Up Volume % was just 8%. Total volume spiked to the highest level in about a week and a half.

Strong selling like we saw today on very weak breadth will most often lead to a bounce over the next few days. Below is a study that has been shown many times. It was last updated in the 5/19/10 Subscriber Letter. I've updated the results again tonight.

**SPX closes down 1% and decliners double advancers. Yesterdayu did not close at a 20-day high. Buy on close. Sell X days later. \$100k/trade. 10/20/87 - 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	233,726.92	235	154	81	65.53	2,956.74	-2,735.93	1.08	2.05	994.58
9	272,596.55	244	171	73	70.08	2,796.80	-2,817.22	0.99	2.33	1,117.20
8	240,557.70	257	171	85	66.54	2,776.40	-2,755.38	1.01	2.03	936.02
7	226,664.34	275	172	103	62.55	2,640.45	-2,208.67	1.20	2.00	824.23
6	204,965.93	291	182	109	62.54	2,516.78	-2,321.91	1.08	1.81	704.35
5	194,872.11	316	191	125	60.44	2,332.69	-2,005.37	1.16	1.78	616.68
4	153,332.25	337	198	139	58.75	2,114.04	-1,908.26	1.11	1.58	454.99
3	161,625.98	370	230	140	62.16	1,817.72	-1,831.78	0.99	1.63	436.83
2	151,671.85	422	240	182	56.87	1,716.60	-1,430.29	1.20	1.58	359.41
1	111,539.54	474	279	195	58.86	1,156.04	-1,082.03	1.07	1.53	235.32

**85% of instances closed above the entry price at some point in the next week.**

For such a non-specific study this one provides a substantial edge.

But while the strong selling / weak breadth combo will often lead to a bounce, the gap down and further selloff (gap & crap) in SPY was not a good pattern. This study was shown in the 1/30/2009 Letter and then updated most recently on 7/19/10. I've again updated it below.

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	-14,021.29	20	8	12	40.00	2,985.39	-3,158.70	0.95	0.63	-701.06
4	-19,278.93	20	8	12	40.00	2,927.71	-3,558.39	0.82	0.55	-963.95
3	-22,910.29	21	8	13	38.10	1,480.75	-2,673.56	0.55	0.34	-1,090.97
2	-3,579.47	21	10	11	47.62	1,855.19	-2,011.94	0.92	0.84	-170.45
1	-7,585.95	21	11	10	52.38	1,057.12	-1,921.43	0.55	0.61	-361.24

17 of 21 instances (81%) close below the entry price at some point in the next week.

The RSI > 60 implies the stock is not already near a low point when the selling begins. This simple check greatly reduces the chance that you are looking at a capitulative selling situation.

The consistency of the setup is respectable but not outstanding. Still, the size of the average trade suggests this is worth paying attention to.

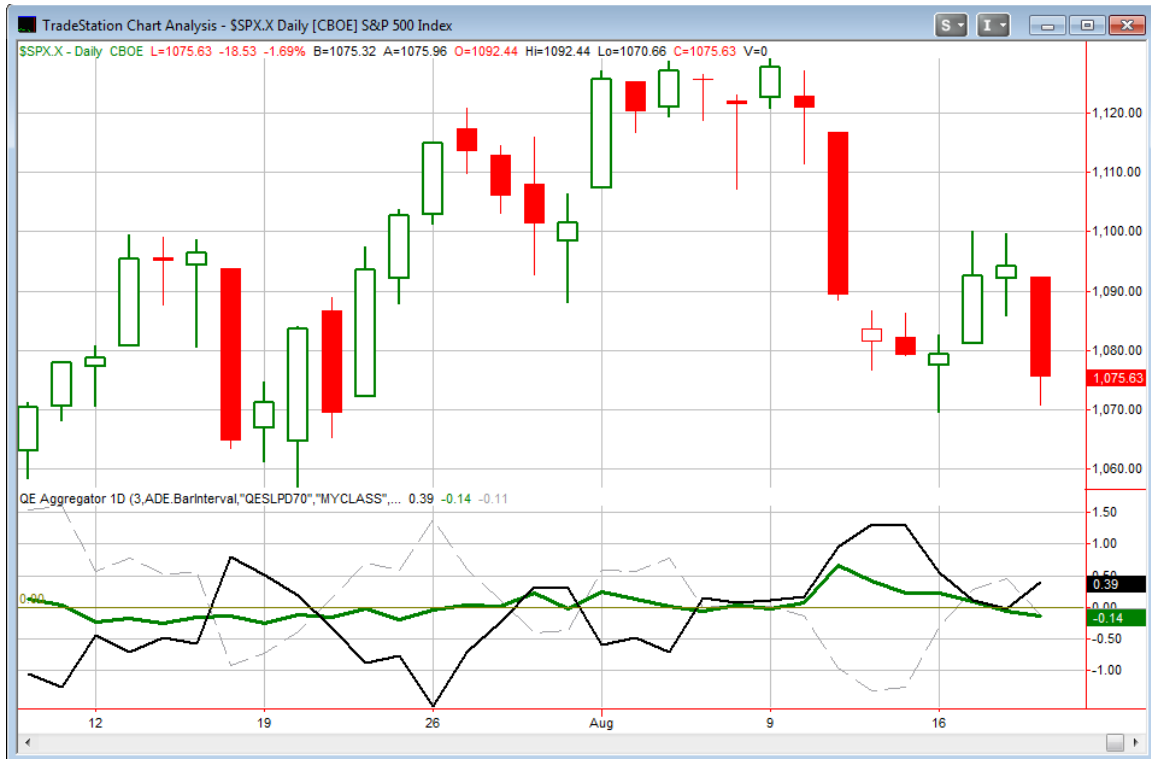
On the systems page today I noted that the Aggregator would likely finish neutral if the SPY closed below \$108.12. I chose that level because that is about where it would need to close in order to drop over 1% from open to close on Thursday. While this may seem like a minor requirement, I also independently ran the study looking at smaller declines. As you'll see below, when the selloff isn't at least 1% from open to close then there has been no upside edge.

SPY gaps lower by 0.5%, does not fill its gap. It closes between 0% and 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	5,333.98	18	10	8	55.56	2,280.23	-2,183.54	1.04	1.31	296.33
4	7,010.23	19	10	9	52.63	2,652.48	-2,168.28	1.22	1.36	368.96
3	7,830.02	19	10	9	52.63	2,260.71	-1,641.90	1.38	1.53	412.11
2	1,984.49	19	9	10	47.37	2,359.98	-1,925.53	1.23	1.10	104.45
1	-2,098.70	19	9	10	47.37	1,299.62	-1,379.53	0.94	0.85	-110.46

Also notable is that Thursday's selling was so strong that 2 studies met their downside targets and were removed from the Active Studies list tonight.

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



With the bearish “gap & crap” we actually saw the green Aggregator line sink farther below 0 despite two bearish studies reaching their targets and 1 bullish study also emerging. The negative value indicates the net expectation from the Active Studies over the next few days is for more downside. The strong selloff did cause the black Differential line to spike back above 0. This means the SPX has underperformed expectations over the last few days. So we have negative expectations and a market that is already oversold versus recent expectations. Both lines on opposite sides of 0 is considered a neutral configuration. Due to this the Aggregator System turned from short to flat at the close.

I noted this was likely to occur on the systems page shortly before the bell. Traders who are interested may check this page each day a few minutes before the bell. Alternately, you could set up a Twitter account and follow me at <http://twitter/qerob> Each day after updating the systems page I try and tweet a link to it.

Currently the green Aggregator line is again set up to remain negative tomorrow. This could change if more bullish studies emerge. Meanwhile the Differential pivot will be 1,098.07 tomorrow. This means the SPX would need to close at or above this level in order to turn the black Differential line negative. That would require over a 2% rally.

***Intermediate-term Outlook (2 weeks – 2 months)– updated 8/16 – bullish***

There has been an awful lot written about [the Hindenburg Omen](#) this past week. For those unaware, the Hindenburg Omen is a technical setup that suggests the market could be in for a decline if it is in an uptrend and the market has become “split”. A split market is suggested when there is both a high number of new highs and new lows. The definition varies somewhat depending on where you read about it. The link I provided above was to a Wikipedia page. A couple of days ago Tom McClellan wrote an interesting piece on the history of the indicator. He also discussed the fact that the signal which was reported to occur on Thursday by a number of publications was based on the looser Wikipedia definition, and not one of the stricter definitions found elsewhere. Additionally, he enlightened me on some stock market history and noted that prior to 1979 new high/low data was calculated differently. Therefore testing back before 1979 creates problems. Anyway, I’d encourage you to read his thoughts here:

[http://www.mcoscillator.com/learning\\_center/kb/special\\_market\\_reports/hindenburg\\_omen\\_signaled\\_but\\_also\\_not/](http://www.mcoscillator.com/learning_center/kb/special_market_reports/hindenburg_omen_signaled_but_also_not/)

I’ve seen a number of discrepancies over the last few days with regards to the exact criteria used for the Hindenburg Omen. Below are 3 worth mentioning.

- 1) *50-day vs. 10-week moving average.* This one shouldn’t matter much. They are both looking at the same time frame. The idea is that average should be moving higher and that will occur if the market is higher than it was 10 weeks (or 50 days) ago. For my testing I used 50-days. I’ve had some funky issues in the past with Tradestation when I’ve tried mixing daily and weekly bars. I decided to keep it simple and just use the 50-day instead of the 10-week. (One “problem” with doing this is that Thursday’s signal occurred above the 10-week but below the 50-day moving average. So my test would not have triggered an entry.)
- 2) *NH’s and NL’s must be greater than (2.2% or 2.4% or 2.8%) of new issues.* I saw all 3 listed. Tom addressed this issue in his article. I used 2.2% in my testing since as Tom pointed out, the 2.8% didn’t trigger.
- 3) *Clusters vs. single occurrences* – Some people suggested a single Hindenburg Omen trigger is not enough. That it is more reliable with multiple signals. This I examine a bit below.

So let's look at some numbers. This first table results of entering the market when the 1<sup>st</sup> signal triggers.

Buy the SPX when the 1st Hindenburg signal triggers. Sell X days later. \$100k/trade. 1980 - 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
100	1,902.42	22	11	11	50.00	6,728.46	-6,555.51	1.03	1.03	86.47	-19,079.85	13,171.60
95	-13,372.86	22	10	12	45.45	6,649.20	-6,655.41	1.00	0.83	-607.86	-22,416.88	14,163.76
90	-22,094.69	22	10	12	45.45	6,017.82	-6,856.07	0.88	0.73	-1,004.30	-20,572.65	15,961.92
85	-10,729.27	22	11	11	50.00	6,883.85	-7,859.23	0.88	0.88	-487.69	-21,465.22	16,615.04
80	-23,674.83	22	10	12	45.45	6,275.47	-7,202.46	0.87	0.73	-1,076.13	-21,552.30	16,583.84
75	-21,825.71	23	11	12	47.83	5,918.55	-7,244.15	0.82	0.75	-948.94	-22,917.59	13,423.28
70	-29,266.29	23	10	13	43.48	6,682.63	-7,391.73	0.90	0.70	-1,272.45	-20,289.64	17,714.32
65	-39,072.08	24	11	13	45.83	5,863.50	-7,966.97	0.74	0.62	-1,628.00	-21,508.76	16,609.84
60	-60,348.58	24	10	14	41.67	5,042.14	-7,912.14	0.64	0.46	-2,514.52	-24,323.31	17,197.44
55	-75,244.02	25	10	15	40.00	4,832.27	-8,237.78	0.59	0.39	-3,009.76	-27,246.71	14,306.24
50	-42,606.20	27	12	15	44.44	5,712.20	-7,410.17	0.77	0.62	-1,578.01	-29,846.67	14,509.04
45	-26,991.01	27	13	14	48.15	5,059.27	-6,625.83	0.76	0.71	-999.67	-23,971.88	12,815.92
40	-25,230.32	30	14	16	46.67	5,258.71	-6,178.26	0.85	0.74	-841.01	-23,520.93	10,011.04
35	-36,441.42	33	14	19	42.42	5,086.64	-5,666.02	0.90	0.66	-1,104.29	-24,659.19	9,534.72
30	-41,339.35	38	18	20	47.37	3,753.63	-5,445.24	0.69	0.62	-1,087.88	-22,460.42	8,538.40
25	-33,775.14	50	24	26	48.00	3,689.54	-4,704.77	0.78	0.72	-675.50	-27,340.01	8,409.42
20	-36,337.57	54	28	26	51.85	2,954.77	-4,579.65	0.65	0.69	-672.92	-19,533.91	9,311.76
15	-47,092.50	67	28	39	41.79	2,870.73	-3,268.53	0.88	0.63	-702.87	-18,397.02	9,103.68
10	-36,998.98	96	49	47	51.04	1,938.25	-2,807.94	0.69	0.72	-385.41	-18,826.95	9,012.33
5	-39,508.89	183	89	94	48.63	1,729.58	-2,057.89	0.84	0.80	-215.90	-15,319.95	10,340.00

The numbers here certainly aren't encouraging for the bull case, but they don't appear to be terribly dire either.

Let's now look at results if instead of entering after the 1<sup>st</sup> trigger, you purchase only if the trigger is at least the 2<sup>nd</sup> one in a 30-day period. (I read statements suggesting 30 days and others suggesting 36 days. I chose to test 30.)

Buy the SPX when the 2nd Hindenburg signal triggers.  
Sell X days later. \$100k/trade. 1980 - 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
100	12,735.90	12	7	5	58.33	7,161.22	-7,478.53	0.96	1.34	1,061.33	-18,879.12	17,883.98
95	10,304.18	13	8	5	61.54	6,708.09	-8,672.11	0.77	1.24	792.63	-21,212.88	17,605.78
90	12,929.58	13	9	4	69.23	5,844.03	-9,916.68	0.59	1.33	994.58	-20,011.68	20,476.59
85	-8,790.00	14	6	8	42.86	8,074.71	-7,154.78	1.13	0.85	-627.86	-21,883.68	20,455.19
80	-5,741.91	14	7	7	50.00	7,050.97	-7,871.24	0.90	0.90	-410.14	-21,961.68	18,961.47
75	-2,203.77	14	7	7	50.00	7,236.91	-7,551.54	0.96	0.96	-157.41	-23,181.60	17,861.51
70	-10,468.09	14	8	6	57.14	6,242.54	-10,068.06	0.62	0.83	-747.72	-19,060.08	21,700.67
65	-30,295.51	14	6	8	42.86	7,024.41	-9,055.25	0.78	0.58	-2,163.97	-23,131.68	20,504.41
60	-17,534.41	14	7	7	50.00	5,978.88	-8,483.79	0.70	0.70	-1,252.46	-22,011.60	19,457.95
55	-39,694.79	14	6	8	42.86	5,534.79	-9,112.94	0.61	0.46	-2,835.34	-26,329.68	18,625.49
50	-33,344.93	14	5	9	35.71	7,503.02	-7,873.34	0.95	0.53	-2,381.78	-29,889.60	17,961.02
45	-28,242.39	15	6	9	40.00	5,788.01	-6,996.72	0.83	0.55	-1,882.83	-24,766.56	16,345.32
40	-28,414.39	15	6	9	40.00	5,774.23	-7,006.64	0.82	0.55	-1,894.29	-24,853.92	14,615.13
35	-21,009.69	15	7	8	46.67	5,406.97	-7,357.31	0.73	0.64	-1,400.65	-22,211.28	13,303.31
30	-26,272.01	15	7	8	46.67	4,767.58	-7,455.63	0.64	0.56	-1,751.47	-20,354.88	11,007.09
25	-28,902.81	15	7	8	46.67	4,493.03	-7,544.25	0.60	0.52	-1,926.85	-23,381.28	10,173.56
20	-27,760.30	16	6	10	37.50	4,302.55	-5,357.56	0.80	0.48	-1,735.02	-22,295.52	8,886.35
15	3,603.54	17	7	10	41.18	3,492.16	-2,084.16	1.68	1.17	211.97	-6,748.56	8,305.02
10	-8,526.25	22	7	15	31.82	2,622.35	-1,792.18	1.46	0.68	-387.56	-5,748.21	9,247.23
5	-779.07	27	10	17	37.04	2,352.99	-1,429.94	1.65	0.97	-28.85	-3,352.36	6,245.73

Some of these numbers look a little worse, but you'd probably need to squint to notice. So lastly I checked instances that triggered a 3<sup>rd</sup> signal in a 30-day period.

Buy the SPX when the 3rd Hindenburg signal triggers.  
Sell X days later. \$100k/trade. 1980 - 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
100	18,189.83	9	6	3	66.67	6,521.01	-6,978.75	0.93	1.87	2,021.09	-16,085.07	18,512.90
95	9,304.48	9	5	4	55.56	6,711.67	-6,063.47	1.11	1.38	1,033.83	-16,770.54	16,070.66
90	101.55	9	4	5	44.44	9,036.94	-7,209.24	1.25	1.00	11.28	-19,277.67	18,595.58
85	6,033.07	9	5	4	55.56	7,852.24	-8,307.03	0.95	1.18	670.34	-21,362.25	18,884.96
80	-10,368.80	10	4	6	40.00	8,639.87	-7,488.05	1.15	0.77	-1,036.88	-19,449.82	16,528.58
75	-4,108.84	10	4	6	40.00	10,775.33	-7,868.36	1.37	0.91	-410.88	-22,758.23	18,289.24
70	-12,895.26	10	4	6	40.00	8,797.08	-8,013.93	1.10	0.73	-1,289.53	-21,021.08	19,119.22
65	-25,072.11	10	3	7	30.00	8,434.30	-7,196.43	1.17	0.50	-2,507.21	-23,731.66	17,909.76
60	-23,437.47	10	4	6	40.00	5,846.03	-9,364.32	0.62	0.50	-2,343.75	-22,576.69	17,209.10
55	-29,818.46	10	2	8	20.00	10,436.19	-6,336.35	1.65	0.41	-2,981.85	-20,673.65	17,905.52
50	-25,203.09	10	2	8	20.00	11,705.02	-6,076.64	1.93	0.48	-2,520.31	-22,263.69	17,255.74
45	-32,230.99	10	3	7	30.00	7,255.22	-7,713.81	0.94	0.40	-3,223.10	-25,143.29	15,507.80
40	-40,485.19	10	3	7	30.00	6,532.64	-8,583.30	0.76	0.33	-4,048.52	-26,846.01	13,700.50
35	-32,141.50	10	2	8	20.00	8,676.37	-6,186.78	1.40	0.35	-3,214.15	-22,795.79	11,461.78
30	-32,085.92	11	4	7	36.36	6,414.52	-8,249.14	0.78	0.44	-2,916.90	-23,844.34	10,991.14
25	-36,341.93	11	4	7	36.36	5,376.68	-8,264.09	0.65	0.37	-3,303.81	-25,105.73	9,841.04
20	-37,079.86	11	4	7	36.36	4,136.00	-7,660.55	0.54	0.31	-3,370.90	-21,406.07	8,458.80
15	-26,985.45	13	6	7	46.15	3,205.22	-6,602.39	0.49	0.42	-2,075.80	-26,924.26	7,078.68
10	-39,038.35	14	5	9	35.71	1,892.94	-5,389.23	0.35	0.20	-2,788.45	-25,784.94	3,159.86
5	-9,973.42	18	5	13	27.78	1,848.15	-1,478.01	1.25	0.48	-554.08	-3,509.22	4,174.28

Between 35 and 55 days out there appears to be some pretty poor returns on a very small sample size.

I looked at the 50-day holding period a bit closer. A few write-ups I read noted that a decline of at least 5% should be expected. Below are all 10 instances and their 50-day holding period stats. The column to the far right shows runup & drawdown.

Buy the SPX when the 3rd Hindenburg signal triggers. Sell 50 days later. \$100k/trade. 1980 - present.				
Date/Time	Signal	Price	% Profit	Run-up DrawDown
02/12/80	Buy	\$117.89	(11.45%)	\$1,975.84
04/24/80	Sell	\$104.39		(\$17,104.16)
07/23/86	Buy	\$238.66	(1.99%)	\$6,528.02
10/02/86	Sell	\$233.91		(\$4,433.02)
10/06/87	Buy	\$319.21	(22.28%)	\$53.21
12/16/87	Sell	\$248.08		(\$32,160.75)
03/14/94	Buy	\$467.39	(2.36%)	\$788.10
05/25/94	Sell	\$456.34		(\$6,715.89)
10/25/95	Buy	\$582.47	6.18%	\$7,185.42
01/08/96	Sell	\$618.46		(\$1,699.74)
01/12/98	Buy	\$939.21	17.33%	\$18,429.16
03/25/98	Sell	\$1,102.00		\$0.00
12/07/99	Buy	\$1,409.17	(1.48%)	\$4,818.10
02/17/00	Sell	\$1,388.25		(\$4,138.40)
04/17/06	Buy	\$1,285.33	(3.59%)	\$3,185.49
06/27/06	Sell	\$1,239.20		(\$5,085.08)
07/18/07	Buy	\$1,546.17	(0.96%)	\$577.92
09/27/07	Sell	\$1,531.38		(\$11,236.48)
10/18/07	Buy	\$1,540.08	(4.66%)	\$811.52
12/31/07	Sell	\$1,468.29		(\$8,574.72)

Six of the ten instances listed had a drawdown of over 5% within 50 days of the entry point. I found this to be a bit disappointing.

So here's my overall impression of the Hindenburg Omen signal.

- 1) Great name – much more marketable than names like “Aggregator” or “Rob”.
- 2) Lots & lots of hype.
- 3) Lots of rules – and lots of confusion about those rules.
- 4) Not a lot of big selloffs following these signals – but certainly some.

The rule confusion suggests to me that over time there have been people who likely have “improved” the system by adding rules to filter out bad signals. Normally a dangerous endeavor.

It appears the original intent of the system was to identify when a rally was narrowing and susceptible to a tumble. This is a concept I can buy into.

Are we really at that point now? Perhaps. Or perhaps the new lows is higher thanks to inverse ETFs and bond funds (if that matters).

The term “rally” is certainly questionable. While the 10-week ma was rising on Thursday, the 50-day ma was not. And in fact the 50ma had only spent 8 days moving up before starting to turn down on Thursday.

If I view Thursday’s signal as “valid”, then I would say that the Hindenburg Omen could be a potential warning sign that traders could keep in mind. In my eyes it’s nothing dire and nothing more than a small piece of the puzzle. I’ll note it on the Active Studies List and will monitor any further signals. I’m not panicked, though.

In fact, I’m still leaning to the bullish side.

*Note: With all the differing rules and opinions I realize some subscribers may want to research it further themselves. I’ll place a link in the subscriber download section in the next day or so with Tradestation code and a workspace set up for subscribers. Then you can more easily explore the Hindenburg Omen and determine for yourself which rules you want to adhere to - if any.*

**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.*

*None tonight* – There were a few S&P 100 stocks shown on the triggers page for long systems. As I discussed today, most of the long systems have performed much better when the trigger has coincided with a long Aggregator signal. Since the Aggregator is neutral I'll sit this one out and wait for a better edge before putting any more capital at risk.

### **Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
IJR	8/9/2010	\$57.50	\$54.09	-5.93%		System 90609
SPY(1/4)	8/12/2010	\$107.65	\$107.88	0.21%		

While the Aggregator nailed the turn on Wednesday afternoon and caught the nice drop Thursday, my execution on this 1 lot of SPY has been horrible. Last night I suggested exiting at \$109.78. Hopefully some people either exited their long at the bell on Wednesday when it appeared the Aggregator was going to flip negative or pre-market on Thursday. Before the news at 8:30am EST the SPY was actually trading about \$0.20 above \$109.78. But it opened trading well below there and never filled. I don't count pre-market prices in the subscriber letter since I don't know who has access or even who is able to read the letter that far before the open.

At this point I face a tough decision. I'm in a trade without a great edge – not a position I like or often allow myself to be in. Do I just take the trade off? Or do I look to sell into a bounce from here? There's certainly something to be said for taking the trade off since I should have exited more smoothly already. On the other hand if the market drops further on Friday it could easily trigger a long signal, which is not a good time to start selling. So for now I won't issue a stop or target. Rather I'll look at the Quantifinder intraday and if it appears a long-side edge is shaping up then I'll stay with the trade, and if it appears it isn't then I will look to exit. Of course traders should handle all trades however they see fit. (Any handling would've been better than mine the last 2 days.)

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