

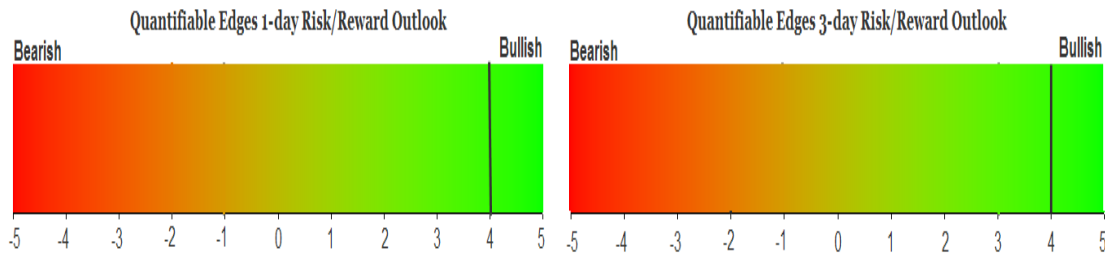
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 6, 2011

Volume 4 Issue 107

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	Conservative VIX	NDX Trend Timer
Long	100% Long XIV	100% Long XIV	Flat

## Tonight's Research Points

- SPY's unfilled gap down at a new low is triggering a few studies suggesting bullish implications.
- When employment Friday closes down there is often a rebound on Monday.
- The CBI has reached eight - a level beginning to suggest selling has become a overdone and a rebound is not far off.
- The moderate action in the VIX over the last few days suggests the scary part of the selloff may not yet have arrived. We could see more short-term downside before the bounce occurs.

## *Short-term Outlook*

### *The Bottom Line*

Short-term evidence is still primarily bullish. The market is now extremely oversold. I'm long and considering even more long opportunities.

**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Max Move
<b>Active</b>				
June 6, 2011	1st Friday down	1 day	Bullish	
June 6, 2011	Unfilled gap at low	1-3 days	Bullish	2.10%
June 6, 2011	SPX up. NYSE vol highest in 20 years	1-2 days	Bearish	-1.40%
June 3, 2011	Dn 2 days (early mnth & big/small drop)	1-9 days	Bullish	4.20%
June 2, 2011	SPX up. NYSE vol highest in 20 years	1-3 days	Bearish	
June 2, 2011	2% drop. Bottom of range > 200ma	1-7 days	Bullish	
June 2, 2011	system 110524	1-7 days	Bullish	
June 1, 2011	SPX up. NYSE vol highest in 20 years	1-10 days	Bullish	2.60%
May 24, 2011	SPX dn 1%. Decliners 2x advancers	1-9 days	Bullish	3.05%
<b>Active - Long Term</b>				
May 31, 2011	4 Weeks Down. Close > 40ma.	1-10 weeks	Bullish	9.00%
March 22, 2011	3 Days Up Issues % > 70%	8 months	Bullish	19.00%
November 22, 2010	High number of POMO Days recently	int term	Bullish	
October 25, 2010	SPX Golden Cross	int term	Bullish	
<b>Dropped Tonight</b>				
May 26, 2011	Reversal from 20-day low	1-6 days	Bullish	3.05%
May 31, 2011	Memorial Week/1st of mth seasonality	1-4 days	Bullish	2.40%
June 2, 2011	5% up vol > 200ma.	1-2 days	Bullish	

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

**The Evidence**

Economic data disappointed again Friday as the jobs data came in below expectations. This caused a quick 15 point drop in the futures about an hour before the open. After the open the market put in a valiant attempt to rally back to breakeven. It was getting close around 1pm when sellers took charge and drove prices back down. Prices closed above the open but still in the lower end of the day's range. In the end the SPX lost 1%, and the NASDAQ and Russell 2000 both lost 1.5%. Breadth was very weak as the NYSE Up Issues % came in at 29% and the Up Volume % was 21%. Total NYSE volume dropped for the third day in a row.

The Quantifinder identified several studies worth examining tonight. The unfilled gap in the SPY at a new low triggered some bullish studies. Down closes on the first Friday of the month have typically lead to positive Mondays. Also, there's mixed indications on whether fear has reached a level that would suggest a probable bounce.

Let's first look at some compelling studies based on the SPY pattern. This first set of studies was last seen any 5/18/11 Subscriber Letter just a few weeks ago. All results have been updated.

Yesterday SPY closed at a 10-day low. Today it gapped down and closed above the open but below yesterday's close. 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	10,599.30	9	7	2	77.78	1,767.60	-886.95	1.99	6.98	1,177.70
4	6,146.60	9	7	2	77.78	1,118.08	-839.97	1.33	4.66	682.96
3	6,661.23	9	8	1	88.89	903.27	-564.96	1.60	12.79	740.14
2	2,576.80	9	7	2	77.78	1,113.85	-2,610.07	0.43	1.49	286.31
1	1,887.15	10	8	2	80.00	652.08	-1,664.73	0.39	1.57	188.72

**All 10 instances posted a close above the entry price at some point in the next week.**

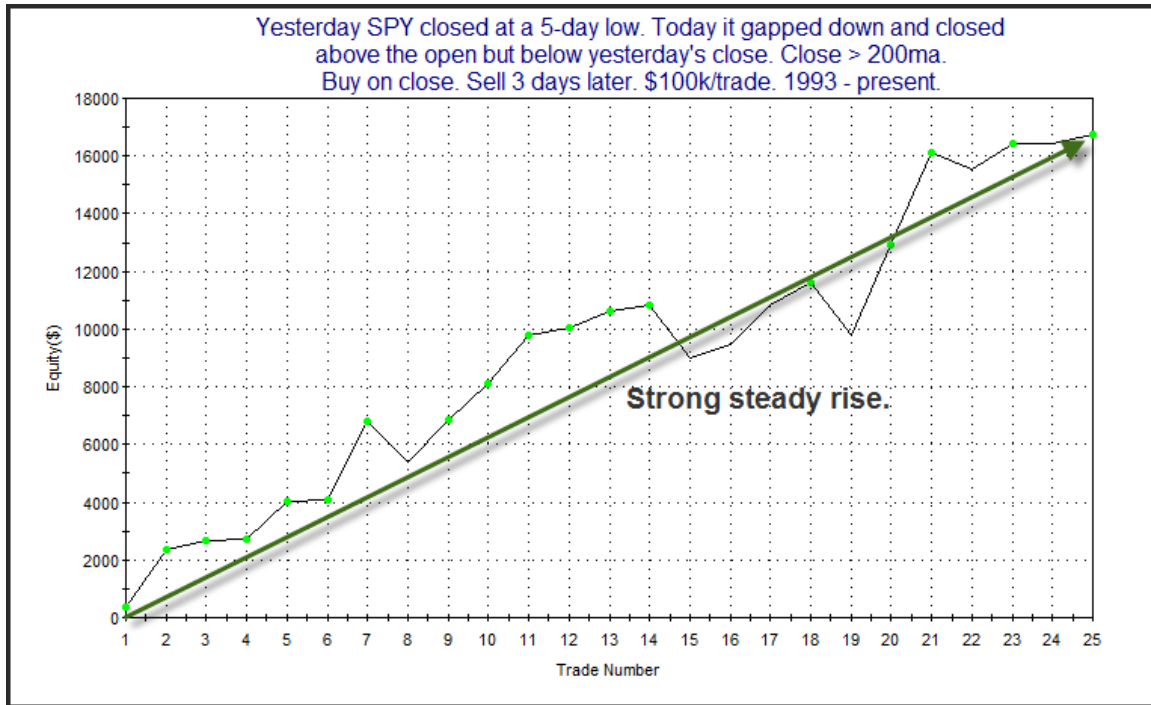
Instances are low, but the results appear very strong nonetheless. One famous loser occurred about a year ago. This setup triggered the day before the May 2010 Flash Crash. That instance registered a loss on all times frames above except for the 5-day period. Previously I also showed results with criteria loosened to look at 5-day lows instead of 10-day lows. Since instances were a bit low above I decided to show the results with the loosened criteria once again.

Yesterday SPY closed at a 5-day low. Today it gapped down and closed above the open but below yesterday's close. 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
10	42,741.38	24	18	6	75.00	3,140.02	-2,296.49	1.37	4.10	1,780.89
9	41,826.07	25	21	4	84.00	2,630.56	-3,353.91	0.78	4.12	1,673.04
8	41,482.08	25	19	6	76.00	2,696.92	-1,626.56	1.66	5.25	1,659.28
7	29,435.54	25	18	7	72.00	2,290.73	-1,685.38	1.36	3.50	1,177.42
6	23,797.17	25	15	10	60.00	2,203.51	-925.55	2.38	3.57	951.89
5	19,886.92	25	18	7	72.00	1,640.52	-1,377.49	1.19	3.06	795.48
4	15,936.30	25	17	8	68.00	1,541.62	-1,283.90	1.20	2.55	637.45
3	16,745.95	25	21	4	84.00	1,065.60	-1,407.91	0.76	3.97	669.84
2	13,358.47	25	19	6	76.00	1,198.90	-1,570.12	0.76	2.42	534.34
1	6,058.50	27	19	8	70.37	855.84	-1,275.30	0.67	1.59	224.39

**24 of 27 instances (89%) closed above the entry price at some point in the next week.**

These results would seem to confirm the edge suggested by the previous test. Below is an equity curve of this study using a 3-day exit strategy.



The consistency of the equity curve adds to the appeal of the setup.

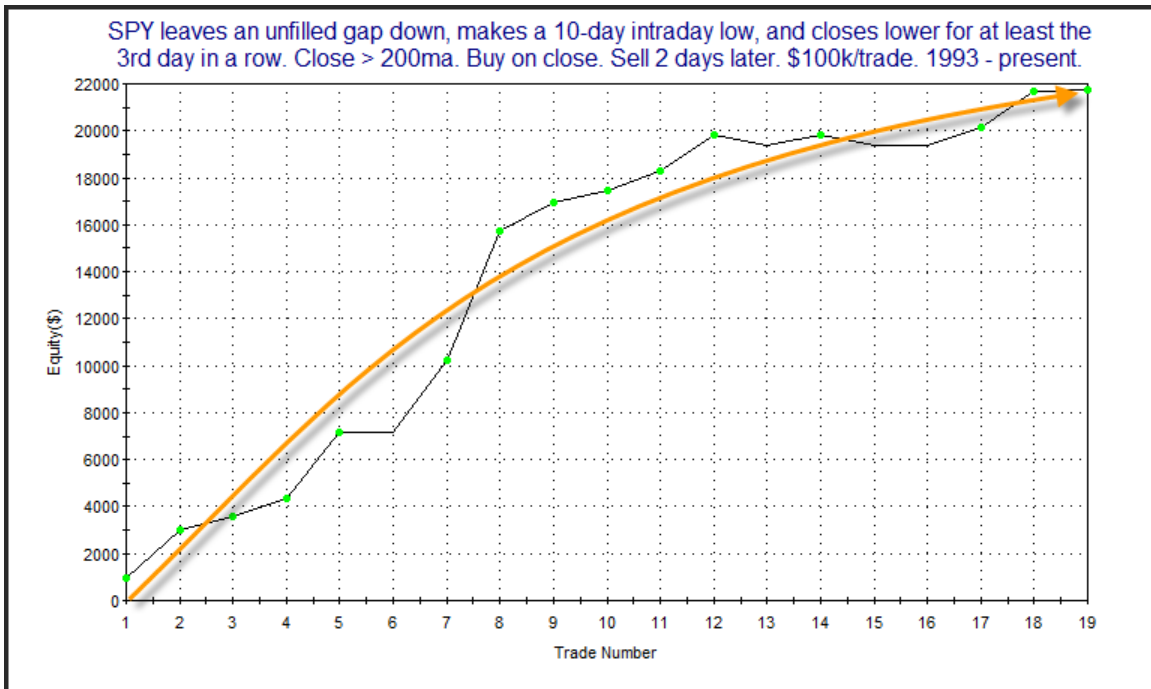
In the 4/13/11 subscriber letter I examined unfilled gaps and new lows that happened on at least the third down day in a row. I also included a long-term trend filter. The results table is updated below.

SPY leaves an unfilled gap down, makes a 10-day intraday low, and closes lower for at least the 3rd day in a row. 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	14,769.72	19	14	5	73.68	1,634.45	-1,622.53	1.01	2.82	777.35
4	12,234.44	19	13	6	68.42	1,764.31	-1,783.60	0.99	2.14	643.92
3	19,547.85	19	15	4	78.95	1,494.80	-718.55	2.08	7.80	1,028.83
2	21,721.15	19	16	2	84.21	1,412.60	-440.25	3.21	25.67	1,143.22
1	14,919.68	19	16	3	84.21	973.03	-216.28	4.50	23.99	785.25

All 19 instances closed at or above the entry price on one of the next two days.

Nineteen for nineteen is very impressive. This suggests a very high probability of an almost immediate bounce. Below is the equity curve using a 2-day hold.



It appears that the upside edge remains squarely in place, but perhaps it is not as powerful as it once was. It will be interesting to monitor this study going forward.

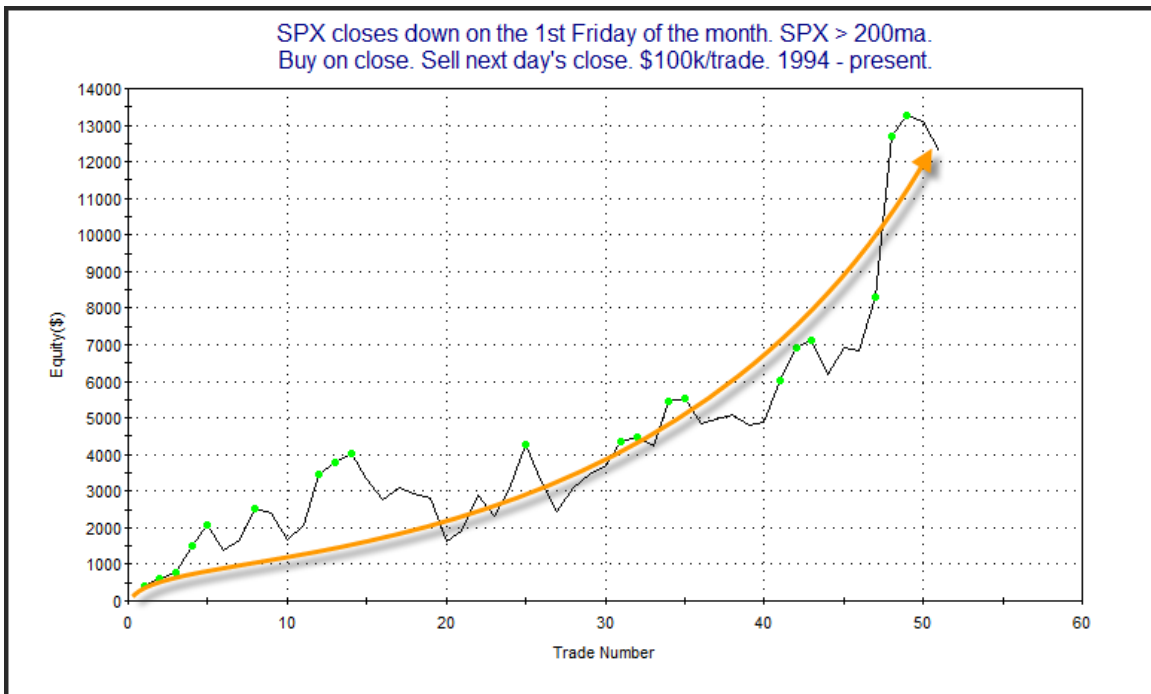
It's not unusual for the employment report to set the tone for the market on the day it's released. This is what occurred on Friday. Interestingly, when the move has been lower

during an uptrend, it has rarely seen follow through on Monday. I discussed this last in the 3/7/11 subscriber letter. I've updated the results sheet from that letter below.

SPX closes down on the 1st Friday of the month. SPX > 200ma.  
Buy on close. Sell next day's close. \$100k/trade. 1994 - present.

TradeStation Performance Summary <span style="float: right;">Collapse ^</span>			
All Trades			
Total Net Profit	\$12,290.74	Profit Factor	2.23
Gross Profit	\$22,281.62	Gross Loss	(\$9,990.88)
Total Number of Trades	51	Percent Profitable	64.71%
Winning Trades	33	Losing Trades	18
Even Trades	0		
Avg. Trade Net Profit	\$240.99	Ratio Avg. Win:Avg. Loss	1.22
Avg. Winning Trade	\$675.20	Avg. Losing Trade	(\$555.05)
Largest Winning Trade	\$4,396.50	Largest Losing Trade	(\$1,194.83)

About 2/3 of the time the market has bounced on Monday. And with winners out sizing losers that has meant favorable risk/reward. Below is an equity curve showing how the edge has played out over time.



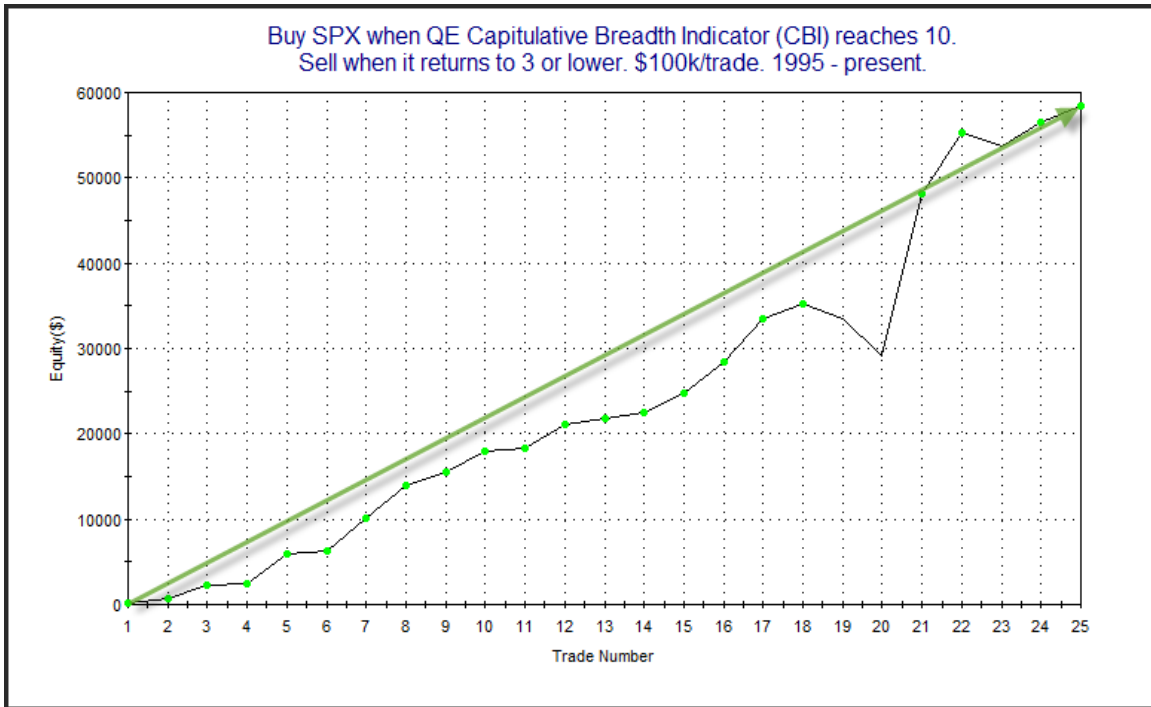
There has been acceleration lately, but a good portion of that is due to the 5/7/10 instance that posted a gain of 4.4% on Monday. In any case, there has been a continual upslope, which helps confirm the edge.

So the price pattern and employment day tendencies both suggest the market should bounce. Sentiment, on the other hand, is showing a mixed picture. Two measures of sentiment, or fear, that I like to use are the Quantifiable Edges Capitulative Breadth Indicator (CBI) and the VIX. Currently the CBI is nearing an extreme, but the VIX isn't. Let's first consider the CBI.

The CBI is basically a count of the number of outstanding Catapult triggers among S&P 100 stocks. The Catapult System, as most subscribers are well aware, looks to purchase stocks that are undergoing extreme selling suggesting capitulative action and a high probability of a bounce. When enough triggers among S&P 100 stocks occur at the same time it suggests the market is also primed for a bounce. On Friday the CBI reached "8". Historically the level I have paid the closest attention to is "10". Going long the S&P 500 anytime the CBI has reached 10 or higher and holding until the CBI returns back to 3 or lower would have provided impressive results. This is something I've shown many times before. Updated results on this strategy are below.

Buy SPX when QE Capitulative Breadth Indicator (CBI) reaches 10. Sell when it returns to 3 or lower. \$100k/trade. 1995 - present.			
TradeStation Performance Summary			Collapse ^
All Trades			
Total Net Profit	\$58,491.75	Profit Factor	8.74
Gross Profit	\$66,052.47	Gross Loss	(\$7,560.72)
Total Number of Trades	25	Percent Profitable	88.00%
Winning Trades	22	Losing Trades	3
Even Trades	0		
Avg. Trade Net Profit	\$2,339.67	Ratio Avg. Win:Avg. Loss	1.19
Avg. Winning Trade	\$3,002.39	Avg. Losing Trade	(\$2,520.24)
Largest Winning Trade	\$18,981.60	Largest Losing Trade	(\$4,214.00)
Max. Consecutive Winning Trades	18	Max. Consecutive Losing Trades	2

Stats here are quite impressive. The win rate, profit factor, average trade, and pretty much everything shown, all suggest an upside edge. To see how it has played out over time I have included an equity curve below.



Early 2008 there were some misfires but other than that, returns have been very impressive. 10 isn't a magic number though and in the past I've also shown results associated with readings of seven or higher. So tonight I ran the results using the same approach as above but with an entry level of 7 instead of 10.

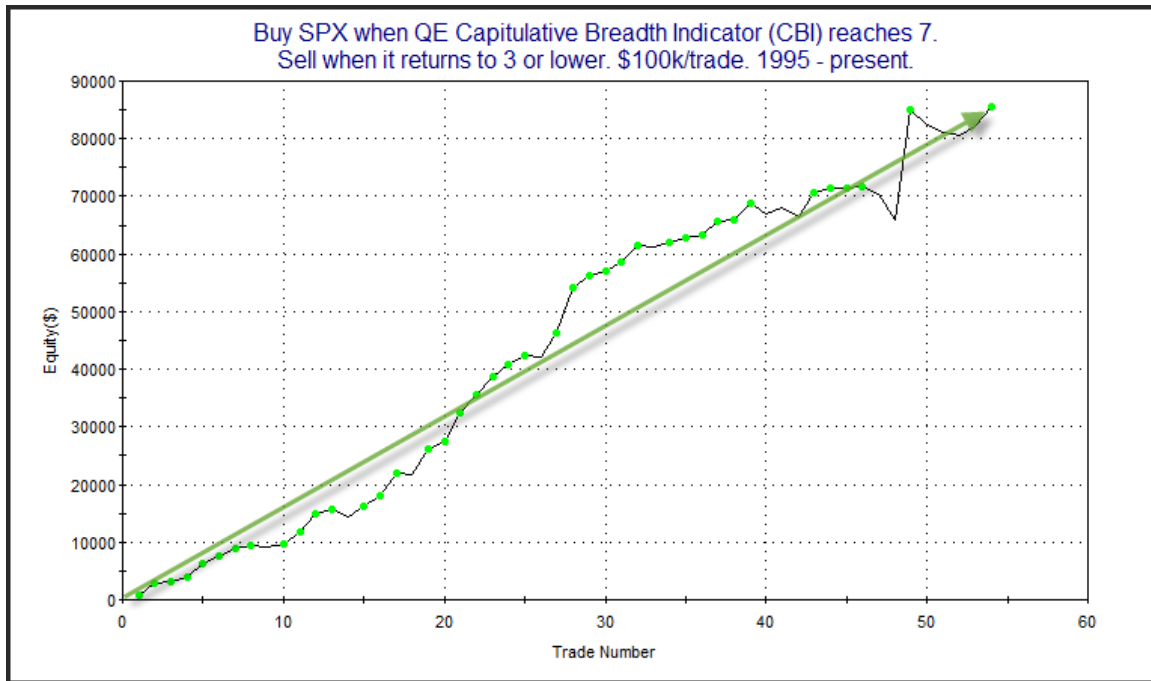
Buy SPX when QE Capitulative Breadth Indicator (CBI) reaches 7.  
Sell when it returns to 3 or lower. \$100k/trade. 1995 - present.

**TradeStation Performance Summary** Collapse ^

All Trades

Total Net Profit	\$85,479.34	Profit Factor	6.45
Gross Profit	\$101,149.39	Gross Loss	(\$15,670.05)
Total Number of Trades	54	Percent Profitable	77.78%
Winning Trades	42	Losing Trades	12
Even Trades	0		
Avg. Trade Net Profit	\$1,582.95	Ratio Avg. Win:Avg. Loss	1.84
Avg. Winning Trade	\$2,408.32	Avg. Losing Trade	(\$1,305.84)
Largest Winning Trade	\$18,981.60	Largest Losing Trade	(\$4,214.00)
Max. Consecutive Winning Trades	8	Max. Consecutive Losing Trades	3
Avg. Bars in Winning Trades	6.48	Avg. Bars in Losing Trades	10.50
Avg. Bars in Total Trades	7.37		

Across the board the stats here are a bit weaker, but still quite impressive nonetheless. The total net profits are quite a bit higher, so although it would've taken several more trades, in the long run an aggressive trader would've come out more profits. So based on the stats it appears that, although we are not quite at the "10" level, the CBI is still suggesting an upside edge. This is further confirmed by the equity curve below.



So the CBI suggests we are reaching a bounce area. The VIX though, is not. While the SPX has dropped sharply over the last few days, the VIX is nowhere near an extreme. In fact it is less than 5% above its 10-day moving average. In the 6/23/08 blog I looked at other times the SPX experienced sharp drops, but the VIX didn't spike. The results table from that study is updated below.

SPX closes under lower Bollinger Band. VIX closes < 5% above its 10ma.  
Buy at 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
12	-30,852.33	12	2	10	16.67	3,273.47	-3,739.93	0.88	0.18	-2,571.03
11	-25,471.26	12	3	9	25.00	2,949.52	-3,813.31	0.77	0.26	-2,122.61
10	-25,578.80	12	3	9	25.00	3,980.17	-4,168.81	0.95	0.32	-2,131.57
9	-15,012.09	12	3	9	25.00	4,289.90	-3,097.98	1.38	0.46	-1,251.01
8	-15,395.54	12	5	7	41.67	2,405.37	-3,917.48	0.61	0.44	-1,282.96
7	-11,003.03	12	5	7	41.67	2,799.08	-3,571.21	0.78	0.56	-916.92
6	-9,202.24	12	4	8	33.33	2,527.03	-2,413.80	1.05	0.52	-766.85
5	-9,119.67	12	4	8	33.33	2,485.77	-2,382.84	1.04	0.52	-759.97
4	-8,008.07	12	5	7	41.67	1,663.96	-2,332.55	0.71	0.51	-667.34
3	-5,425.97	13	7	6	53.85	954.52	-2,017.93	0.47	0.55	-417.38
2	-10,600.41	13	4	9	30.77	884.94	-1,571.13	0.56	0.25	-815.42
1	-3,196.06	15	6	9	40.00	970.08	-1,001.84	0.97	0.65	-213.07

There is a lot of red here, and the results seem to imply a bearish edge. The edge appears to be quite prevalent both in the first couple of days, and then a couple of weeks out. There aren't a great number of trades, so I decided to list all of them for both the two-day and 12-day holding periods. First below you may see the 2-day holding period.

SPX closes under lower Bollinger Band. VIX closes < 5% above its 10ma.  
Buy at close. Sell 2 days later. \$100k/trade. 1993 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
03/25/94	Buy	\$460.58	(1.76%)	\$117.18
03/29/94	Sell	\$452.48		(\$1,768.55)
09/22/94	Buy	\$461.27	(0.10%)	\$187.92
09/26/94	Sell	\$460.82		(\$488.16)
06/18/96	Buy	\$662.06	0.00%	\$537.56
06/20/96	Sell	\$662.08		(\$499.81)
03/27/97	Buy	\$773.88	(1.84%)	\$0.00
04/01/97	Sell	\$759.64		(\$2,917.98)
04/01/97	Buy	\$759.64	(1.23%)	\$1.31
04/03/97	Sell	\$750.32		(\$1,996.44)
04/17/00	Buy	\$1,401.53	1.85%	\$3,277.36
04/19/00	Sell	\$1,427.47		(\$264.12)
05/23/00	Buy	\$1,373.85	0.56%	\$2,721.60
05/25/00	Sell	\$1,381.52		(\$918.72)
09/15/00	Buy	\$1,465.78	(0.40%)	\$135.32
09/19/00	Sell	\$1,459.90		(\$1,622.48)
02/16/01	Buy	\$1,301.47	(3.55%)	\$432.44
02/21/01	Sell	\$1,255.28		(\$3,671.56)
01/22/02	Buy	\$1,119.31	1.15%	\$1,796.91
01/24/02	Sell	\$1,132.15		(\$167.32)
07/07/04	Buy	\$1,118.33	(0.49%)	\$70.31
07/09/04	Sell	\$1,112.81		(\$855.29)
06/20/08	Buy	\$1,317.86	(0.27%)	\$612.00
06/24/08	Sell	\$1,314.29		(\$1,008.00)
02/19/09	Buy	\$778.94	(4.57%)	\$0.00
02/23/09	Sell	\$743.33		(\$4,680.96)

I don't see anything here that would cast doubts on the bearish inclinations of the study. Now let's look at the 12-day holding period.

SPX closes under lower Bollinger Band. VIX closes < 5% above its 10ma. Buy at close. Sell 12 days later. \$100k/trade. 1993 - present.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
03/25/94	Buy	\$460.58	(3.11%)	\$117.18
04/13/94	Sell	\$446.26		(\$5,364.24)
09/22/94	Buy	\$461.27	(0.48%)	\$924.48
10/10/94	Sell	\$459.04		(\$2,592.00)
06/18/96	Buy	\$662.06	(0.70%)	\$2,086.82
07/05/96	Sell	\$657.44		(\$702.15)
03/27/97	Buy	\$773.88	(2.48%)	\$0.00
04/15/97	Sell	\$754.72		(\$5,203.86)
04/17/00	Buy	\$1,401.53	0.57%	\$5,780.11
05/04/00	Sell	\$1,409.47		(\$264.12)
05/23/00	Buy	\$1,373.85	6.05%	\$7,875.36
06/09/00	Sell	\$1,456.95		(\$918.72)
09/15/00	Buy	\$1,465.78	(2.70%)	\$135.32
10/03/00	Sell	\$1,426.18		(\$3,151.12)
02/16/01	Buy	\$1,301.47	(3.04%)	\$432.44
03/07/01	Sell	\$1,261.89		(\$6,609.72)
01/22/02	Buy	\$1,119.31	(3.50%)	\$1,796.91
02/07/02	Sell	\$1,080.17		(\$3,696.17)
07/07/04	Buy	\$1,118.33	(2.87%)	\$113.03
07/23/04	Sell	\$1,086.20		(\$3,100.76)
06/20/08	Buy	\$1,317.86	(5.55%)	\$1,332.75
07/09/08	Sell	\$1,244.68		(\$5,788.50)
02/19/09	Buy	\$778.94	(13.15%)	\$151.04
03/09/09	Sell	\$676.53		(\$14,355.20)

The individual trades appear just as negative as the general stats above.

On the blog in July of 2008 I looked at this exact scenario where the CBI was spiking but the VIX wasn't. I ran some tests to see what that might mean. Results suggested that the low VIX didn't dampen the edge of the CBI, and that the odds favored a bounce. A link to the blog post is below. I reran the studies tonight and found they had barely changed, so I did not bother republishing the results in this already long letter. I may publish them to the blog tomorrow if I get the chance.

<http://quantifiableedges.blogspot.com/2008/07/when-cbi-spikes-but-vxo-doesnt.html>

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



The green Aggregator Line is still well above 0. The positive value means the net expectation from the Active Studies List is for upside over the next few days. Meanwhile, the black Differential Line is also well above 0. Readings above 0 mean the SPX has underperformed expectations over the last few days. So net expectations are for upside and the SPX is oversold versus recent expectations. Historically this has provided an upside edge. This configuration can be seen on the chart whenever both lines close above 0. Due to this the Aggregator System remained long at the close.

The green Aggregator line is again set to close above 0 on Monday. This is unlikely to change. Meanwhile, the Differential Pivot will be 1,323.09. This is about 1.8% above Friday's close. It will again be a tall order to flip either line and the Aggregator appears to be suggesting a multi-day bounce here.

I'm long and looking to get longer should we see further weakness Monday. Short-term evidence favors the bulls and the market is strongly oversold.

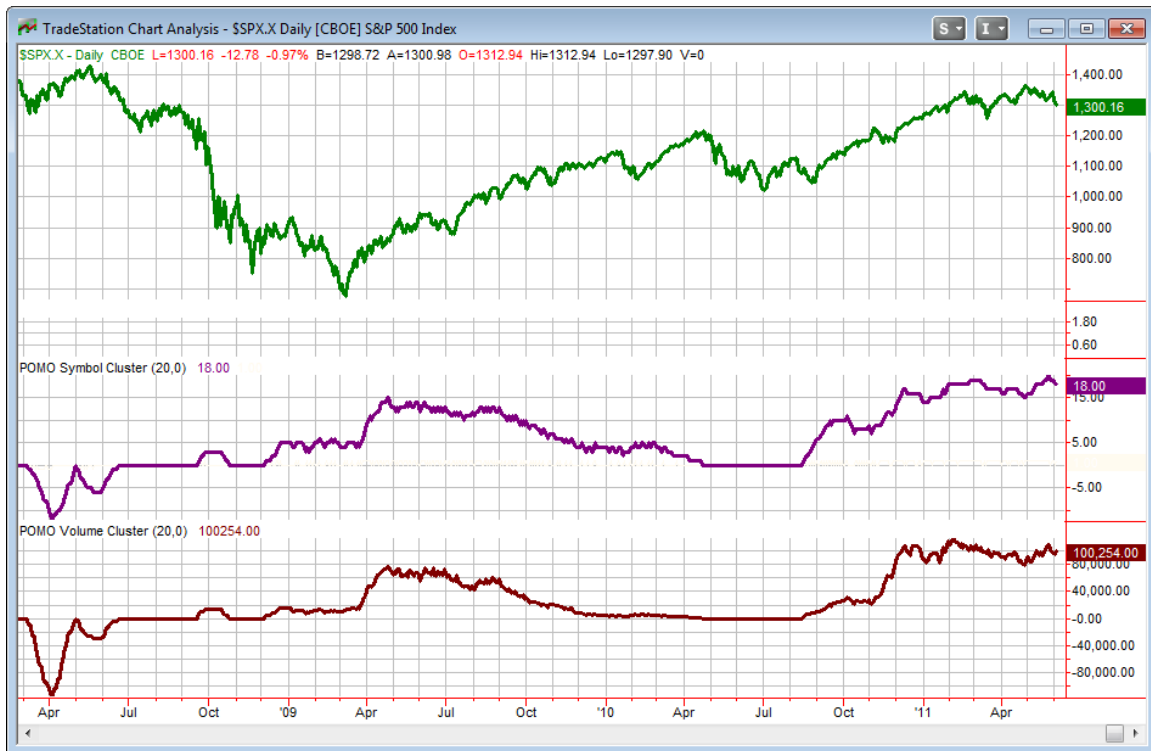
***Intermediate-term Outlook (2 weeks – 2 months)– updated 6/6 – very slightly bullish***

The SPX broke above its upper trend channel this past week and was promptly slapped back into it. Breakout failures can be bad signs and this action may suggest some caution. From a quantitative standpoint, not much was accomplished this past week. Therefore I am going to keep discussion in this section fairly short. There is one big intermediate-term indicator to watch this week, and that is POMO – specifically Friday’s schedule release.

I’ve been updating the POMO chart most weekends in the letter. For those who may not recall below is a brief refresher on POMO. Beneath that I have updated our POMO indicator chart.

*POMO stands for Permanent Open Market Operations and it is how the Fed goes into the open market to buy securities. The net effect of this buying is an influx of cash into the system. It appears a portion of that cash makes its way to the stock market and works as a bullish influence. A “POMO Day” is simply a day where these operations take place... The chart below (shows a couple of POMO indicators). The top pane is the S&P 500. The middle pane is the rolling number of days in the last 20 that have been POMO days. The bottom pane is the total amount of money infused into the system over the previous 20 days. Information on acquiring the data and constructing the chart can be found in the January 3<sup>rd</sup> POMO presentation linked below. (Not available for trial users.)*

<http://www.quantifiableedges.com/members/pomo.php>



Both the POMO Days and POMO Volume indicators remain extremely elevated. The liquidity pump continues to inject massive amounts of money into the system. But that pump is supposed to be shut off very soon. This week we very well may see exactly when the end will come and how much POMO volume is left. QE2 has been slated to end in June, but to this point no exact date has been provided. On Friday the next POMO schedule is set to be released, which will show scheduled activity for the next month. Many people are assuming the end of June will mark the end of POMO. We should see the date in this upcoming release. It could be that Thursday will be the last POMO day, and it could be that POMO may continue into July. While neither seem likely, it is likely that POMO uncertainty will be relieved. How the market responds to the end date will be interesting. The past few times POMO stimulus was halted, it took the market about a month after the halt until prices began to decline. In this case, they may already have begun their decline in anticipation of the end. Can the market continue a long-term trend higher without the aid of POMO? We'll soon see.

For those that would like to view the upcoming schedule through June 10th I have provided a link below. This link can also be used Friday afternoon to see the new schedule.

[http://www.newyorkfed.org/markets/tot\\_operation\\_schedule.html](http://www.newyorkfed.org/markets/tot_operation_schedule.html)

The intermediate-term studies still appear to favor the bullish case, though the trend over the last month plus has certainly been down. I'm still a bit more wary of the short side, though that doesn't mean I'm necessarily inclined to quickly take aggressive long positions. Instead, I'll continue to play both sides fairly conservatively until the intermediate-term outlook provides more clarity.

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

[Catapult & CBI Presentation Link](#)

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

*MRK – 1/3 position @ 36.38*

*ABT – 1/3 position @ \$51.55*

*MRK – 1/3 position @ \$36.21 (2<sup>nd</sup> lot)*

*MCD – 1/3 position @ \$80.75*

*LOW – 1/3 position @ \$23.59*

*New*

*MCD – 1/3 position @ \$80.54(2<sup>nd</sup> lot)*

*LOW – 1/3 position @ \$23.40(2<sup>nd</sup> lot)*

*AEP – 1/3 position @ \$37.51*

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

*None*

***Broad Market Large Cap CBI – 8(5)( MRK(2), ABT, MCD(2), LOW(2), AEP)***

### **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.*

***SPY – buy 1/4 index position @ \$129.75 limit ON CLOSE.*** Based on short-term outlook above.

**XIV – buy @ \$172 LIMIT ON CLOSE.** I put this trade idea out there Thursday night and will again tonight. The 1<sup>st</sup> VIX systems signals are active above. I intend to have the spreadsheet prepared for tracking them in the next few days. Subscribers will be able to download it from the systems page at any time once I'm done. A VIX spike Monday would seem an excellent opportunity to go long XIV. If we do get a spike, it would likely be the last straw before the market bounces (and the VIX declines again). The limit on close price here is near the lows of the last couple of days.

**MCD – buy 1/3 position @ \$80.54 limit.** Based on Catapult system as listed above.

**LOW – buy 1/3 position @ \$23.40 limit.** Based on Catapult system as listed above.

**AEP – buy 1/3 position @ \$37.51 limit.** Based on Catapult system as listed above.

If you are new to Catapults I'd encourage you to learn more about them. The place to start would be the Catapult & CBI presentation, which can be found on the videos page. I've also linked to it below.

<http://www.quantifiableedges.com/videos/QE20100621.html>

Or for traders that would like to take a detailed look at the trades, you can see all of the ones that were tracked by the subscriber letter on the Trade Idea Results Spreadsheet (downloadable near the bottom of the systems page). One thing that I would note is that while the trades have done very well over the years, they have also been very volatile and there were some sizable losses along the way.

### Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
MRK(1/3)	5/27/2011	\$36.38	\$35.82	-1.54%		Catapult
MRK(1/3)	6/2/2011	\$36.15	\$35.82	-0.91%		Catapult
SPY(1/4)	6/2/2011	\$131.87	\$130.43	-1.09%		Aggregator
SPY(1/4)	6/3/2011	\$130.15	\$130.43	0.22%		bought on open
ABT(1/3)	6/3/2011	\$51.04	\$51.07	0.06%		bought on open
LOW(1/3)	6/3/2011	\$23.18	\$23.40	0.95%		bought on open
MCD(1/3)	6/3/2011	\$80.11	\$80.54	0.54%		bought on open

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