

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 24, 2011

Volume 4 Issue 163

Market Overview



Signals Overview

Aggregator	Aggressive VIX	Conservative VIX	NDX Trend Timer
Short	100% Long VXX	100% Long VXX	Long

Tonight's Research Points

- Tuesday was a Follow Through Day. Its strong breadth suggests positive short-term implications.
- The lower than average volume on today's rally does not appear to be a problem.
- VXO got crushed at the end of the day to a level that has typically led to lower SPX prices over the next few days.

Short-term Outlook

The Bottom Line

Tuesday's strong move has the market overbought and expectations now negative. Shorting carries some extra risk when a new rally is potentially emerging. I will look to take on a small amount of short exposure should I get filled at my limit price.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
August 24, 2011	VXO drops 15%-20%. SPX < 200ma	1-3 days	Bearish	
August 24, 2011	Follow through day on strong breadth	1-3 days	Bullish	
August 23, 2011	SPY up 3. Vol down 3 days.	1-3 days	Bearish	
August 22, 2011	2 days of 33% Up Volume. SPX < 200ma	1-2 days	Bullish	
August 16, 2011	90% Up Vol on 3rd day higher	1-7 days	Bullish	
Active - Long Term				
August 16, 2011	90% Up Vol on 3rd day higher	1-14 days	Bullish	
August 16, 2011	SPY up 3. Vol down 3 days.	1-20 days	Bearish	
August 8, 2011	SPX Down 9 of 10 days and > 7.5%	1-20 days	Bullish	13.30%
July 5, 2011	QE2 Over	int term	Bearish	
March 22, 2011	3 Days Up Issues % > 70%	8 months	Bullish	19.00%
Dropped Tonight				
August 23, 2011	SPY up but 1% below high.	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

The bulls ran on Tuesday and the market put in very strong gains. The SPX rose 3.4%, the Nasdaq was up 4.3% and the Russell 2000 gained 4.9%. Breadth was very strong with the NYSE Up Issues % coming in at 84% and the Up Volume % at 88%. Total NYSE volume, though below its recent average, did manage to increase from Monday's level.

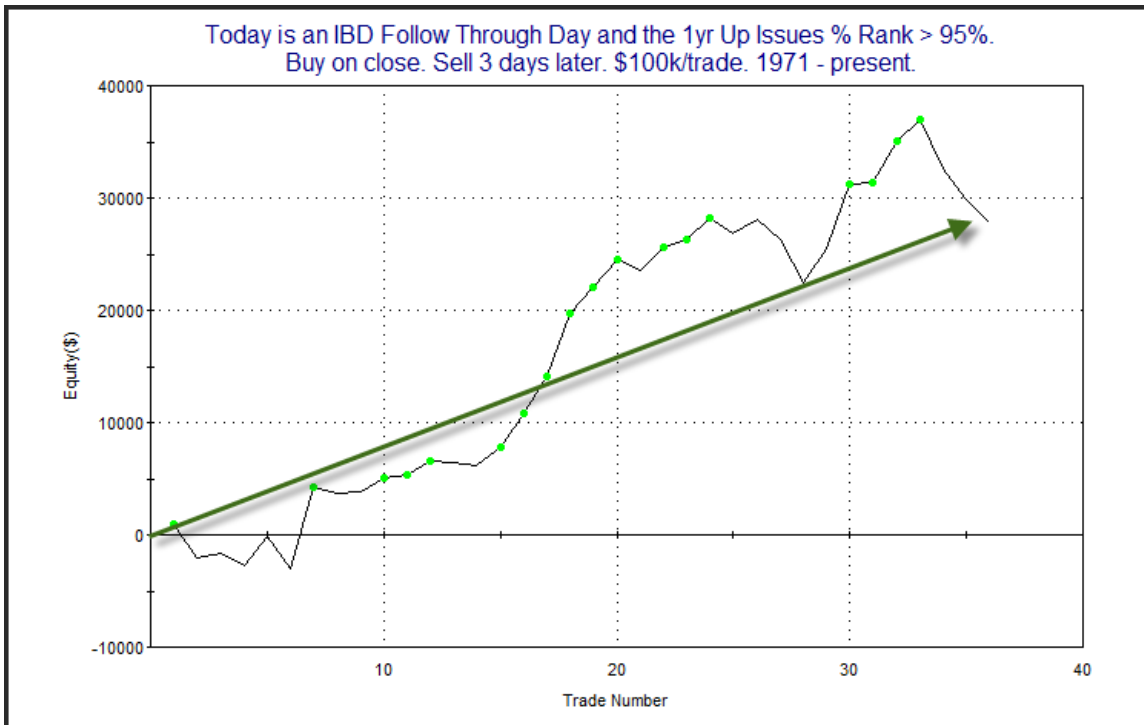
The strong move higher on increased volume meant that Tuesday was a Follow Through Day (FTD). FTDs are a concept that was created by William O'Neil, founder of Investors' Business Daily. [I have written about them extensively on the blog](#) and you can find much of my published research about them there. [In June for the 1st time I showed that FTD's have a better chance of success when they are also accompanied by strong breadth.](#) Tonight I also examined the short-term implications to FTDs with strong breadth vs. FTDs without. This first study below looks at performance following FTDs that came along with an Up Issue % reading that was among the top 5% of all readings over the previous year.

Today is an IBD Follow Through Day and the 1yr Up Issues % Rank > 95%.
Buy on close. Sell X days later. \$100k/trade. 1971 - 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	23,874.73	36	23	13	63.89	2,178.05	-2,016.95	1.08	1.91	663.19
4	26,956.70	36	22	14	61.11	2,344.12	-1,758.14	1.33	2.10	748.80
3	27,803.51	36	23	13	63.89	2,303.68	-1,937.00	1.19	2.10	772.32
2	25,083.54	36	24	12	66.67	1,828.58	-1,566.87	1.17	2.33	696.77
1	17,957.75	36	22	14	61.11	1,153.20	-529.48	2.18	3.42	498.83

31 of 36 instances (86%) closed above the entry price at some point in the next week.

As you can see there appears to be a strong inclination for the market to continue higher after these strong-breadth FTDs. Below is an equity curve using a 3-day exit strategy.



The last couple of instances have struggled but the trend still appears to be up and intact. Now let's examine performance after FTDs on days that did not show exceptional breadth strength.

Today is an IBD Follow Through Day and the 1yr Up Issues % Rank <= 95%. Buy on close. Sell X days later. \$100k/trade. 1971 - 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	15,317.18	39	23	16	58.97	2,729.81	-2,966.77	0.92	1.32	392.75
4	6,065.18	39	19	20	48.72	2,708.97	-2,270.26	1.19	1.13	155.52
3	693.71	39	18	21	46.15	2,228.71	-1,877.29	1.19	1.02	17.79
2	-2,021.64	39	18	21	46.15	1,908.87	-1,732.44	1.10	0.94	-51.84
1	4,718.08	39	17	22	43.59	1,184.13	-700.55	1.69	1.31	120.98

Here there appears to be no edge or short-term upside inclination whatsoever. With Tuesday's FTD coming on breadth that put it in the top 2% of all days for the last year the short-term outlook appears better.

If you are more concerned with the intermediate-term implications of Tuesday's FTD then there is conflicting news for you to consider. First, Tuesday was day 11 of the attempted rally off the 8/8/11 closing low. Investors' Business Daily teaches that FTDs after day 10 are less reliable. Evidence suggests this is not the case. This is the first FTD that has occurred after day 10 since 3/15/2000. Since 1971 there have been 8 FTDs that occurred after day 10. Seven of the eight have been followed by successful intermediate-term rallies. The list below is taken from the [2/29/08 blog post](#) that examined such occurrences.

Date	Day #	Successful?
October 2, 1975	12	Yes
December 1, 1978	24	Yes
July 9, 1984	14	No
October 16, 1985	14	Yes
April 21, 1994	13	Yes
August 1, 1996	12	Yes
November 13, 1997	13	Yes
March 15, 2000	13	Yes

So the fact that the FTD is coming later than usual appears to be a good thing. But a warning flag goes up when you consider the size of the market drop prior to the FTD. In [the 2/15/2008 blog post](#) I examined success and failure of rallies following FTDs that came after large vs. small market declines. I showed that a FTD after a 5% decline was much more likely to succeed than a FTD after a 12%+ correction. Since then the stats

have even worsened. Since 1971 there have been 44 FTDs following market declines of at least 12%. Only 18 of them (41%) have led to successful rallies.

While volume did rise today, it also came in under its recent average. Below is an excerpt from the 7/8/10 subscriber letter that discusses just this.

Another theme among studies that appeared in tonight's Quantifinder was that (today's) big move up occurred on lower than average volume. Below is a study from the 11/5/2008 Subscriber Letter that examines like scenarios. (Results updated.)

SPX rises at least 3%. NYSE volume is < 10ma. 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
10	-29,979.05	17	8	9	47.06	3,452.07	-6,399.51	0.54	0.48	-1,763.47
9	-43,847.04	17	9	8	52.94	2,804.62	-8,636.08	0.32	0.37	-2,579.24
8	-51,458.69	18	9	9	50.00	2,620.17	-8,337.81	0.31	0.31	-2,858.82
7	-45,610.77	19	6	13	31.58	4,539.75	-5,603.79	0.81	0.37	-2,400.57
6	-51,208.03	20	8	12	40.00	2,757.35	-6,105.57	0.45	0.30	-2,560.40
5	-54,418.37	21	10	11	47.62	2,293.18	-7,031.84	0.33	0.30	-2,591.35
4	-35,900.58	21	8	13	38.10	2,549.74	-4,330.65	0.59	0.36	-1,709.55
3	-32,545.69	23	8	15	34.78	2,552.55	-3,531.08	0.72	0.39	-1,415.03
2	-41,858.02	23	10	13	43.48	1,372.79	-4,275.84	0.32	0.25	-1,819.91
1	425.90	23	12	11	52.17	1,375.51	-1,461.83	0.94	1.03	18.52

So there are some fairly compelling numbers suggesting a downside edge. But (today's) volume did rise from (yesterday) and we have seen in the past that a rise in volume on a strong up day can be a good sign. So I decided to break down the above study by times it occurred on higher volume versus times it occurred on lower volume. First let's look at times like now where the pattern occurred on a rise in volume. (Results updated.)

SPX rises at least 3%. NYSE volume is < 10ma but higher than yesterday . 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
10	15,202.36	7	6	1	85.71	4,953.12	-14,516.37	0.34	2.05	2,171.77
9	4,269.73	7	6	1	85.71	3,269.12	-15,345.00	0.21	1.28	609.96
8	4,740.07	7	5	2	71.43	3,635.71	-6,719.25	0.54	1.35	677.15
7	11,059.60	7	5	2	71.43	4,171.47	-4,898.87	0.85	2.13	1,579.94
6	4,808.85	7	6	1	85.71	3,333.40	-15,191.55	0.22	1.32	686.98
5	8,588.67	7	6	1	85.71	3,193.65	-10,573.20	0.30	1.81	1,226.95
4	13,182.13	7	6	1	85.71	3,624.93	-8,567.46	0.42	2.54	1,883.16
3	4,112.92	8	5	3	62.50	3,049.69	-3,711.85	0.82	1.37	514.11
2	-9,219.94	8	4	4	50.00	1,391.02	-3,696.00	0.38	0.38	-1,152.49
1	1,618.31	8	6	2	75.00	1,422.76	-3,459.14	0.41	1.23	202.29

Instances are very low but the numbers here are generally bullish. Certainly no indication of a downside edge. So how about those times the pattern was accompanied by a decline in volume? (Results unchanged.)

SPX rises at least 3% on volume that is below its 10-day moving average and lower than yesterday . Buy on close. Sell X days later. 100k/trade. 1970 - present.										
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-28,825.72	13	5	8	38.46	2,850.70	-5,384.91	0.53	0.33	-2,217.36
9	-39,771.37	13	6	7	46.15	2,328.71	-7,677.66	0.30	0.26	-3,059.34
8	-47,740.16	13	6	7	46.15	2,310.27	-8,800.25	0.26	0.23	-3,672.32
7	-45,331.75	13	3	10	23.08	5,429.04	-6,161.89	0.88	0.26	-3,487.06
6	-41,653.24	13	4	9	30.77	3,133.99	-6,021.02	0.52	0.23	-3,204.10
5	-50,866.31	14	5	9	35.71	2,325.70	-6,943.87	0.33	0.19	-3,633.31
4	-35,941.46	15	4	11	26.67	2,876.72	-4,313.48	0.67	0.24	-2,396.10
3	-36,658.61	15	3	12	20.00	1,723.99	-3,485.88	0.49	0.12	-2,443.91
2	-32,638.08	15	6	9	40.00	1,360.64	-4,533.54	0.30	0.20	-2,175.87
1	-1,192.41	15	6	9	40.00	1,328.25	-1,017.99	1.30	0.87	-79.49

This is obviously where the edge lies. So while today's volume may have been a bit less than desirable, it doesn't appear to be so bad as to suggest a downside edge.

But while the price/volume/breadth action did not suggest a downside edge, there was a volatility crush with possible bearish implications. While it didn't appear likely to happen for most of the day, even with 5-10 minutes left, the VIX sold off in the last 2 minutes and finished more than 15% down on Tuesday. In fact it closed down just over

16%. I wrote about big drops to VXO just last week in the 8/16/11 subscriber letter. Below is an excerpt from that letter (with updated stats tables).

The strong move up in prices was mirrored by a strong move down in VXO, which dropped 18% on Monday. Sharp drops in VXO are often followed by drops in SPX over the next few days. In the past I have showed this study without any trend filter. Tonight I ran it requiring a close under the 200-day moving average. (Results updated.)

VXO closes down over 15%. SPX < 200ma. Buy on close. Sell X days later. \$100k/trade. 1998 - 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	-29,758.04	15	6	9	40.00	2,553.04	-5,008.48	0.51	0.34	-1,983.87
4	-35,618.03	17	7	10	41.18	1,716.33	-4,763.23	0.36	0.25	-2,095.18
3	-37,672.95	18	4	14	22.22	1,262.97	-3,051.77	0.41	0.12	-2,092.94
2	-42,436.85	18	3	15	16.67	951.36	-3,019.40	0.32	0.06	-2,357.60
1	-21,471.36	18	2	16	11.11	414.48	-1,393.77	0.30	0.04	-1,192.85

All 18 instances posted a close below the entry price at some point in the next 3 days.

As you can see, inclinations for the downside are quite evident. All 17 instances since 1998 have posted a lower close within 3 days, and the 2-15 record on day 1 is quite compelling. Of course 15%+ is a wide range. So I broke it down a bit further. Below are results for a 15%-20% in the VXO, and for a 20%+ drop. (Results updated.)

VXO closes downbetween 15% - 20%. SPX < 200ma. Buy on close. Sell X days later. \$100k/trade. 1998 - 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	-16,120.06	10	5	5	50.00	2,719.74	-5,943.75	0.46	0.46	-1,612.01
4	-14,085.38	11	6	5	54.55	1,549.62	-4,676.62	0.33	0.40	-1,280.49
3	-19,746.54	12	3	9	25.00	1,506.03	-2,696.07	0.56	0.19	-1,645.55
2	-18,260.16	12	2	10	16.67	1,422.37	-2,110.49	0.67	0.13	-1,521.68
1	-11,417.39	12	2	10	16.67	414.48	-1,224.64	0.34	0.07	-951.45

As you can see, the 15%-20% drop still shows compelling numbers, just not quite as bearish as above. This means 20%+ should be especially powerful. (Results unchanged.)

VXO closes down over 20%. SPX closes < 200ma.
Buy SPX on close. Sell X days later. \$100k/trade. 1987 - 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	-22,053.14	5	0	5	0.00	0.00	-4,410.63	0.00	0.00	-4,410.63
4	-21,532.65	6	1	5	16.67	2,716.60	-4,849.85	0.56	0.11	-3,588.77
3	-17,926.42	6	1	5	16.67	533.80	-3,692.04	0.14	0.03	-2,987.74
2	-24,176.69	6	1	5	16.67	9.35	-4,837.21	0.00	0.00	-4,029.45
1	-10,053.97	6	0	6	0.00	0.00	-1,675.66	0.00	0.00	-1,675.66

And as you can see, it is.

Lastly, I closely examined the 11 trades that fell into the 15% - 20% category. Below you can see the full list assuming a 2-day holding period. (Results updated.)

VXO closes downbetween 15% - 20%. SPX < 200ma.
Buy on close. Sell 2 days later. \$100k/trade. 1998 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
09/01/98	Buy	\$994.25	(1.21%)	\$1,895.00
09/03/98	Sell	\$982.25		(\$2,495.00)
09/08/98	Buy	\$1,023.45	(4.23%)	\$412.25
09/10/98	Sell	\$980.20		(\$5,315.60)
01/03/01	Buy	\$1,347.53	(3.64%)	\$200.54
01/05/01	Sell	\$1,298.47		(\$3,890.92)
07/29/02	Buy	\$898.96	1.41%	\$1,407.48
07/31/02	Sell	\$911.62		(\$1,582.86)
07/19/06	Buy	\$1,259.81	(1.55%)	\$217.25
07/21/06	Sell	\$1,240.29		(\$1,666.11)
03/18/08	Buy	\$1,330.71	(0.09%)	\$810.00
03/20/08	Sell	\$1,329.51		(\$2,661.75)
10/28/08	Buy	\$940.51	1.44%	\$3,105.80
10/30/08	Sell	\$954.09		(\$1,934.50)
01/21/09	Buy	\$840.24	(0.99%)	\$0.00
01/23/09	Sell	\$831.95		(\$4,066.23)
02/24/09	Buy	\$773.14	(2.63%)	\$900.42
02/26/09	Sell	\$752.83		(\$2,759.31)
05/27/10	Buy	\$1,103.06	(2.93%)	\$0.00
06/01/10	Sell	\$1,070.71		(\$2,985.30)
06/02/10	Buy	\$1,098.38	(3.05%)	\$663.39
06/04/10	Sell	\$1,064.88		(\$3,447.08)
08/15/11	Buy	\$1,204.49	(0.88%)	\$330.34
08/17/11	Sell	\$1,193.88		(\$1,988.68)
Avg Run-up: 0.9%				
Avg Drawdown: -2.9% Smallest Drawdown: -1.6%				

In addition to the basic stats found in the 1st table, risk/reward appears strongly bearish here as well. Drawdowns dwarf run-ups and there was a dip of at least 1.5% for the SPX in every case.

With all this in mind I have updated the [Aggregator](#) chart below.



The VXO crush study exerted the most power and caused the green Aggregator line to drop into negative territory. Levels below 0 mean net expectations from the Active List are for downside over the next few days. Meanwhile, the Differential Line also dropped squarely below 0. A negative Differential reading means the SPX has outperformed expectations over the last few days. So net expectations are negative and the SPX is overbought versus recent expectations. Historically this combination has suggested a downside edge. Bearish configurations can be seen on the Aggregator chart whenever both lines are below 0. Due to this the Aggregator System flipped from long to short at the close.

At this point the green Aggregator line is set to close negative again on Tuesday. This could easily change if bullish evidence emerges. Meanwhile, the Differential Pivot will be 1,128.73. This is almost 3% below Tuesday's close. This means it would take close to a 3% drop or a multi-day move lower for the Differential line to flip back to positive.

As the end of the day approached it appeared the Aggregator was likely to give a flat signal, but the volatility crush in the last hour (and even the last few minutes) caused expectations to turn negative. With the strong rally turning the market overbought I now

believe there is a short-term downside edge. The Follow Through Day and associated short-term studies suggest more upside is possible. Also, when potential new rallies emerge it can be a dangerous time to short. Overbought is more likely to become extremely overbought when the market is emerging from a long-term low and starting a new rally than at any other time. So I will be looking to take advantage of the downside edge and take on some short exposure on Wednesday, but I will not go overboard yet.

Intermediate-term Outlook (2 weeks – 2 months)– updated 8/22 – neutral to slightly bearish (more bearish if we break the August lows)

Another down week has the SPX and other indices near their recent lows. All of Wall St. will be watching these levels since a break could suggest a deeper and longer downtrend is taking place.

Two indicators that I thought worth mentioning this weekend are tracked on a weekly basis on the charts page of the site. The first one looks at the relative strength between the S&P 500 and the Nasdaq. Since the inception of the Nasdaq in 1971, the S&P has gained more points when the Nasdaq was in a leading position than it has in total. In other words, a leading Nasdaq has been one sign of a healthy market. Up until this week the Nasdaq had been leading and providing some hope. That changed this week and you can see on the site that the Nasdaq is now lagging. More detailed historical results were discussed in the blog posts below a couple of years ago.

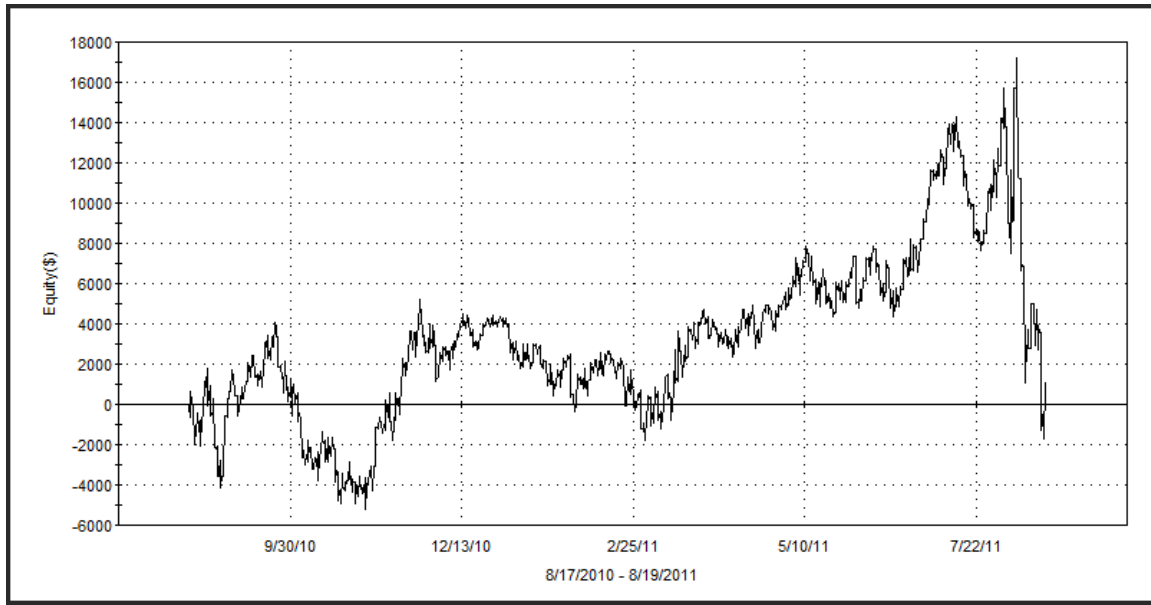
<http://quantifiableedges.blogspot.com/2009/05/simple-powerful-timing-indicator.html>

<http://quantifiableedges.blogspot.com/2009/06/tweaking-nasdaqs-leadlag-model.html>

Also, subscribers may download the models in either Tradestation or Excel format from the downloads page on the website. (They are download numbers 3 and 4.)

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

A 2nd indicator that has provided interesting action lately is the trend/chop indicator. The chart below is copied from the website. As a brief refresher, the chart represents an equity curve of a strategy that buys the SPX after every positive day and reverses to a short position after every down day. If the market is following through on a day to day basis and trending well, then the equity curve will rise. If the market is more inclined to reverse moves on a daily basis then the indicator will decline.



For most of the market's history the indicator was represented by a rising line. Around 2000 this changed and chop began to dominate. Except for a period in 2006-2007 chop ruled until mid-2009. Since then neither daily follow through nor daily chop has been strongly favored.

Volatile markets will often contain volatile reversals. This was evident in 2008 which saw the steepest decline ever in this indicator, and it has also been evident over the last couple of weeks.

It's too early to tell if chop will continue to be favored but I will watch developments here closely because trend/chop tendencies can have strong implications on optimal trading approaches.

If daily follow through is favored, then short-term traders can maximize profits by sticking with their winning trades as long as possible and trailing a stop to help time their exit. This is optimal because whatever direction the market is moving in, odds favor a continuation over the short-term. Systems that will perform best in this type of environment will use tight stops and no profit targets.

In a chop-dominated environment you are much better off taking profits very quickly. This is because a move in one direction is likely to reverse over the short-term. Short-term systems that perform best in this type of environment use no stops and easy-to-hit profit targets.

The sharp move down in the indicator over the past couple of weeks could suggest a new chop-dominated period is emerging, or it simply could be the results of the unusually

volatile market we've had to deal with. Either way, I suggest traders keep this trend/chop indicator in mind as we move forward.

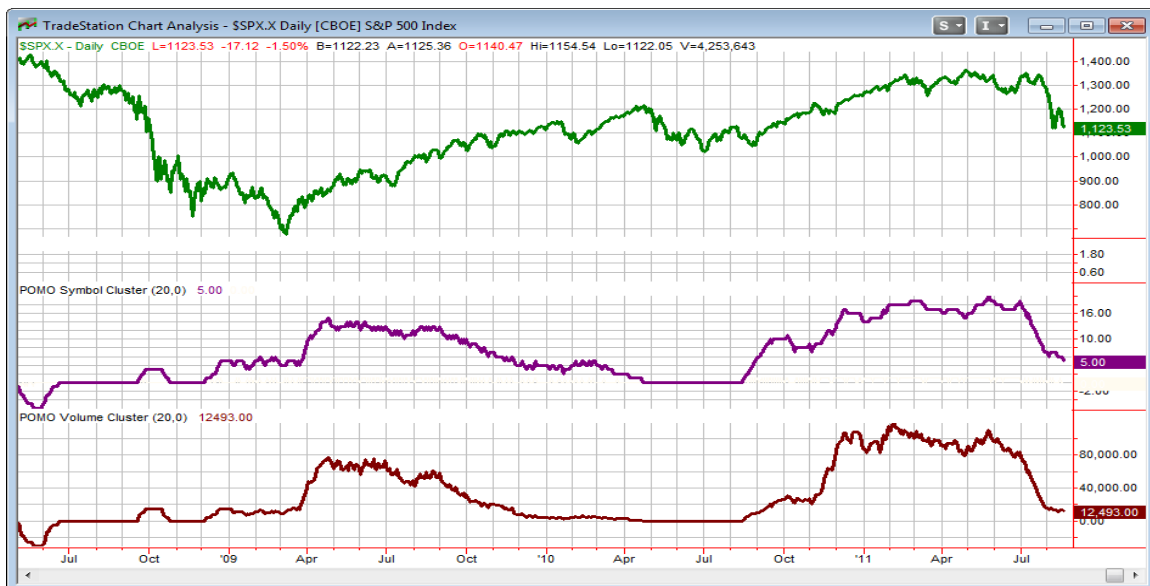
More research based on this indicator can be found by using the "Trend vs. Chop" label on the blog or by clicking the link below:

<http://quantifiableedges.blogspot.com/search/label/Trend%20Vs.%20Chop>

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 3rd POMO presentation linked below. (Not available for trial users.)

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



POMO indicators seem to be settling in to their new low level. At this point there has been no evidence that the market is capable of mounting a serious bull move with this reduced (from QE2) level of liquidity pumping. Still, if you start at a level low enough, then a bull move becomes more probable.

Are we “low enough” yet? Intermediate-term bullish evidence has waned greatly over the past few weeks. Right now we are looking at some studies that looked at strong breadth readings (which so far have been run over). Also there is one bullish study that looked at the extreme selloff a couple of weeks ago and noted that such extreme selling often marked the end of a down move.

On the bearish side, trend and momentum are clearly negative. POMO doesn't appear to be showing any support, and we also have a bearish volume study on the intermediate-term active list. Technically, the market is near or at levels that are testing the early August lows. Should those break it could mean another leg down (or several legs). I likely won't play either the long or short side terribly aggressively at this point, but will look for opportunities in both directions.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

HPQ – 1/3 @ \$23.60 (not filled and now not looking to enter)

Catapult for ETF's Trades

None.

Broad Market Large Cap CBI – 1 (HPQ)

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.

VXX – buy @ \$41.77 limit. If not filled by in 1st ½ hour of trading, CANCEL ORDER.

The volatility crush, the bearish Aggregator, and the still moderately favorable futures term-structure for VXX all lead me to believe VXX could be a high percentage play with strong upside potential. Much of the VXO study's edge appears day 1, so if I don't get filled early, I'll step back on this one and instead look to the more conservative possibility below...

SPY – short ¼ index position @ \$116.44 limit if VXX order NOT filled by 10am. Based on short-term outlook above. If VXX trade is filled then I will not pursue this SPY trade.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
ALL(1/3)	8/9/2011	\$24.57	\$24.95	1.55%		Sell on open
SPY(1/4)	8/19/2011	\$112.96	\$116.44	3.08%		Sold on close

ALL reached its exit trigger and will be closed out on the open.

SPY was exited at the close as instructed in last night's letter.

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