

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 9, 2012

Volume 5 Issue 5

Market Overview



Signals Overview

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

Tonight's Research Points

- Poor Employment Days during uptrends suggest a bounce the next day.
- The "1st 5 Days" of January are a well known predictor that I examine a little closer.

Short-term Outlook

The Bottom Line

The Aggregator has flipped from short to "barely" long. I feel there is a slight bullish edge but would prefer to see the market pull back a little more before taking on new exposure.

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

| Study Date | Description | Time span | Bias | Avg Max Move |
|---------------------------|-------------------------------------|-----------|---------|--------------|
| Active | | | | |
| January 9, 2012 | SPX down on Emplment Day | 1 day | Bullish | |
| January 6, 2012 | SPY gap dn then reverse to 20-high | 1-3 days | Bearish | -2.25% |
| January 4, 2012 | 2 of 3 days Up Issue %>75. 10-high. | 1-6 days | Bullish | 2.50% |
| January 3, 2012 | Overbought w/out POMO support | 1-5 days | Bearish | -2.70% |
| December 28, 2011 | 5 Days Up > 200 no 50-high | 1-10 days | Bullish | 2.00% |
| Active - Long Term | | | | |
| January 4, 2012 | 2 of 3 days Up Issue %>75. 10-high. | 1-18 days | Bullish | |
| December 28, 2011 | 5 Days Up > 200 no 50-high | 1-15 days | Bullish | |
| December 5, 2011 | POMO activity flat to negative | int term | Bearish | |
| October 30, 2011 | SPX & bond yields hit 50-day highs | 1-50 days | Bearish | |
| October 19, 2011 | FTD on strong breadth/20day high | int term | Bullish | |
| Dropped Tonight | | | | |
| January 4, 2012 | SPY strong day but weak finish | 1-3 days | Bullish | |

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

The Evidence

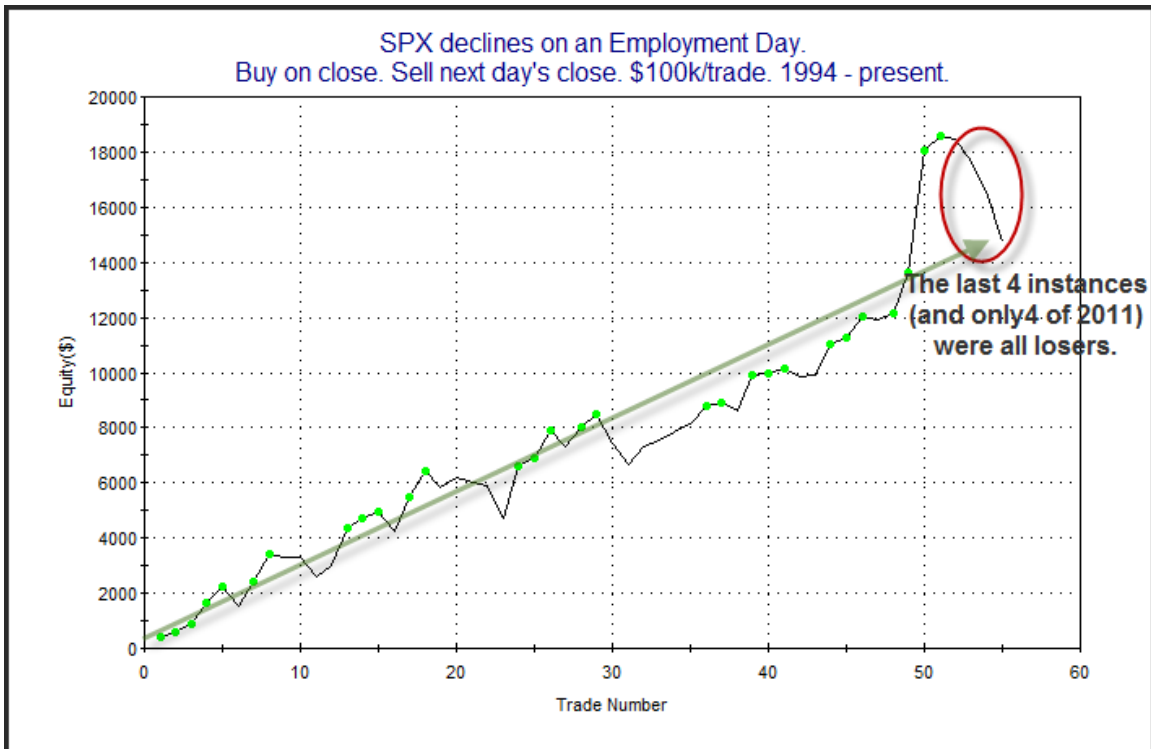
Friday was a quiet trading day that left the major indices mixed. The SPX and Russell 2000 both lost 0.3% while the Nasdaq gained 0.2%. Breadth was moderately negative as the NYSE Up Issues % came in at 45% and the Up Volume % was 37%. Total NYSE volume dropped quite a bit from Thursday's level.

The quiet action and essentially sideways market over the last 2-3 days has done little to generate short-term extremes or trigger studies. One study that appeared with mildly compelling results was from the 6/6/11 letter. It looked at performance on Mondays if the 1st Friday of the month was down during an uptrend. The 1st Friday of the month is significant because it is the day that the Employment report is typically released. When the market has been above the 200ma the market has done fairly well on employment days. And as you can see below, when employment days disappoint during an uptrend then there has very often been a bounce the next day. When I originally designed the study for the 6/6/11 letter I simply coded it "1st Friday of the Month". Since then I have programmed in the "Employment Day" code (available for free download for subscribers as part of the QE Indicators/Functions for Tradestation). So I adjusted the study to look at a decline on an "Employment Day" instead, which is often, but not always, the 1st Friday of the month.

SPX declines on an Employment Day.
Buy on close. Sell next day's close. \$100k/trade. 1994 - present.

| TradeStation Performance Summary | | Collapse ^ | |
|----------------------------------|-------------|--------------------------|---------------|
| All Trades | | | |
| Total Net Profit | \$14,773.68 | Profit Factor | 2.32 |
| Gross Profit | \$25,996.45 | Gross Loss | (\$11,222.77) |
| Total Number of Trades | 55 | Percent Profitable | 67.27% |
| Winning Trades | 37 | Losing Trades | 18 |
| Even Trades | 0 | | |
| Avg. Trade Net Profit | \$268.61 | Ratio Avg. Win:Avg. Loss | 1.13 |
| Avg. Winning Trade | \$702.61 | Avg. Losing Trade | (\$623.49) |
| Largest Winning Trade | \$4,396.50 | Largest Losing Trade | (\$1,798.94) |

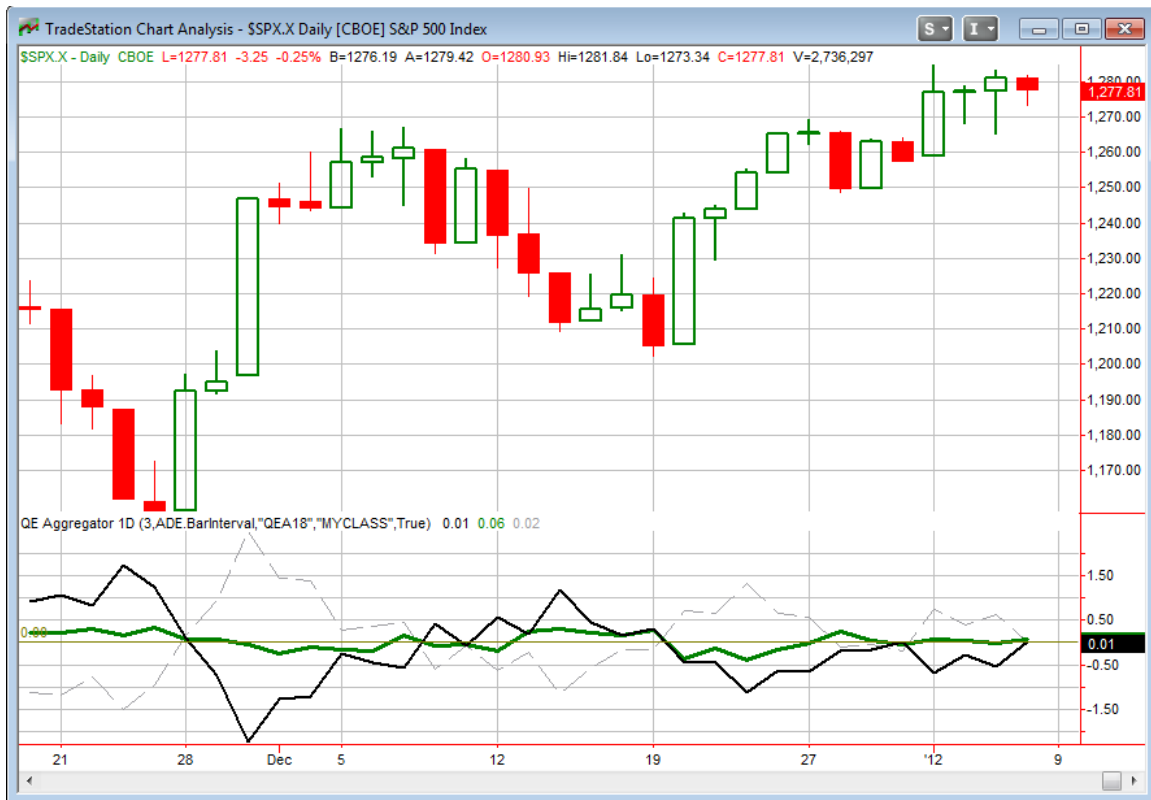
The stats here are quite strong and all point to an upside edge. I produced a profit curve below to see how the possible edge has played out over time.



As noted there were 4 instances in 2011 and they all closed lower. But with a sample size this large that doesn't mean the edge has run its course. In fact, after a spike up just prior to those instances, the damage has only just brought the profit curve back to its

long-term trendline. Of course I'd rather the setup was streaking the other way, and it will be important to monitor it going forward, but I still think a bullish edge exists.

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



The bullish studies are now edging out the bearish ones and the green Aggregator Line is just slightly positive. Readings above 0 mean net expectations from the Active List are for upside over the next few days. Meanwhile, the SPX barely finished below the Differential Pivot, causing the black Differential Line to close just above 0. A positive Differential reading means the SPX has underperformed expectations over the last few days. So net expectations are now bullish and the SPX is oversold versus recent expectations. Historically this configuration has provided a short-term upside edge. Bullish configurations are visible on the chart whenever both lines close above 0. This caused the Aggregator System to flip from short to long at the close.

Based on the current active studies, expectations are scheduled to remain positive on Monday. Of course this could change if more bearish evidence emerges. The Differential Pivot will be 1,278.12 on Monday. This is very close to Friday's close.

Basically any down close will mean a positive Differential Line and an oversold reading, and just about any up close will mean a negative Differential Line and an overbought reading.

I sold short a small amount of SPY based on Thursday's short Aggregator signal and closed it out for a small gain near the close on Friday. There now appears to be a mild upside edge, but really they don't come much more mild than this. Both lines are just about kissing 0 so it is nothing I am terribly excited about at this point. We could see a more substantial upside edge emerge if the market actually pulls back a bit. So I may look to begin scaling in to a long position on Monday, but I won't do it until the end of the day and only if the SPX closes down again.

Intermediate-term Outlook (2 weeks – 2 months)– updated 1/9 – neutral

The New Year came in with a bang as the market rallied strongly on Tuesday. But Wed-Fri were basically flat. When the 1st 5 days of the year are positive (we've had 4 so far) then that is often considered a good omen for the year – but more on that later down. Perhaps the most notable aspect of the intermediate-term picture is that the market is now quite close to its late October highs. A strong break through there could suggest another leg up and perhaps an approach of the Spring 2011 highs.

There was one study from this past week that made the intermediate-term list. It was from the 1/4/11 letter and it considered the fact that the market had shown 2 of 3 days with very strong breadth numbers and that the SPX was closing at a 10-day high. I have copied the results table from that letter below.

**NYSE Up Issues % > 75% in 2 of last 3 days. SPX posts highest close in last 10 days.
Close < 200ma. 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: Max Winning Trade | All: Avg Losing Trade | All: Max Losing Trade | All: Win/Loss Ratio | All: ProfitFactor | All: Avg Trade |
|--------|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|------------------------|-----------------------|-----------------------|---------------------|-------------------|----------------|
| 20 | 47,944.62 | 21 | 16 | 5 | 76.19 | 4,912.07 | 10,448.44 | -6,129.71 | -15,033.10 | 0.80 | 2.56 | 2,283.08 |
| 19 | 50,027.28 | 22 | 17 | 5 | 77.27 | 4,593.61 | 10,910.56 | -5,612.80 | -11,094.08 | 0.82 | 2.78 | 2,273.97 |
| 18 | 49,558.15 | 22 | 18 | 4 | 81.82 | 4,150.05 | 8,727.84 | -6,285.70 | -11,176.96 | 0.66 | 2.97 | 2,252.64 |
| 17 | 48,335.40 | 22 | 18 | 4 | 81.82 | 4,089.68 | 9,187.20 | -6,319.72 | -10,308.94 | 0.65 | 2.91 | 2,197.06 |
| 16 | 47,177.88 | 22 | 18 | 4 | 81.82 | 4,015.19 | 9,539.88 | -6,273.87 | -12,209.26 | 0.64 | 2.88 | 2,144.45 |
| 15 | 37,024.89 | 22 | 16 | 6 | 72.73 | 4,043.82 | 8,941.56 | -4,612.69 | -12,665.84 | 0.88 | 2.34 | 1,682.95 |
| 14 | 30,565.95 | 22 | 18 | 4 | 81.82 | 3,381.83 | 7,807.79 | -7,576.75 | -16,504.96 | 0.45 | 2.01 | 1,389.36 |
| 13 | 34,196.74 | 23 | 17 | 6 | 73.91 | 3,442.08 | 8,597.16 | -4,053.10 | -12,673.98 | 0.85 | 2.41 | 1,486.81 |
| 12 | 29,223.86 | 24 | 17 | 7 | 70.83 | 3,423.88 | 7,623.04 | -4,140.29 | -16,601.16 | 0.83 | 2.01 | 1,217.66 |
| 11 | 38,064.08 | 24 | 18 | 6 | 75.00 | 3,193.65 | 7,783.28 | -3,236.92 | -10,687.08 | 0.99 | 2.96 | 1,586.00 |
| 10 | 31,173.23 | 24 | 18 | 6 | 75.00 | 3,002.75 | 7,954.00 | -3,812.70 | -10,636.02 | 0.79 | 2.36 | 1,298.88 |
| 9 | 33,210.70 | 24 | 17 | 7 | 70.83 | 3,118.12 | 8,085.92 | -2,828.18 | -6,176.04 | 1.10 | 2.68 | 1,383.78 |
| 8 | 31,082.97 | 24 | 18 | 6 | 75.00 | 2,516.31 | 6,037.28 | -2,368.45 | -6,641.50 | 1.06 | 3.19 | 1,295.12 |
| 7 | 32,478.33 | 24 | 17 | 7 | 70.83 | 2,580.25 | 6,145.92 | -1,626.56 | -4,207.64 | 1.59 | 3.85 | 1,353.26 |
| 6 | 32,783.17 | 25 | 20 | 5 | 80.00 | 2,145.88 | 5,002.50 | -2,026.80 | -3,812.48 | 1.06 | 4.23 | 1,311.33 |
| 5 | 27,663.12 | 25 | 18 | 7 | 72.00 | 1,996.35 | 4,482.50 | -1,181.61 | -3,191.62 | 1.69 | 4.34 | 1,106.52 |
| 4 | 18,682.55 | 26 | 19 | 7 | 73.08 | 1,497.08 | 6,138.16 | -1,394.58 | -3,595.13 | 1.07 | 2.91 | 718.56 |
| 3 | 10,083.32 | 26 | 16 | 10 | 61.54 | 1,382.97 | 4,376.64 | -1,204.43 | -5,105.87 | 1.15 | 1.84 | 387.82 |
| 2 | 7,261.76 | 29 | 17 | 12 | 58.62 | 1,072.59 | 4,399.92 | -914.36 | -3,149.67 | 1.17 | 1.66 | 250.41 |
| 1 | 6,104.40 | 31 | 19 | 12 | 61.29 | 626.45 | 1,848.00 | -483.18 | -1,564.34 | 1.30 | 2.05 | 196.92 |

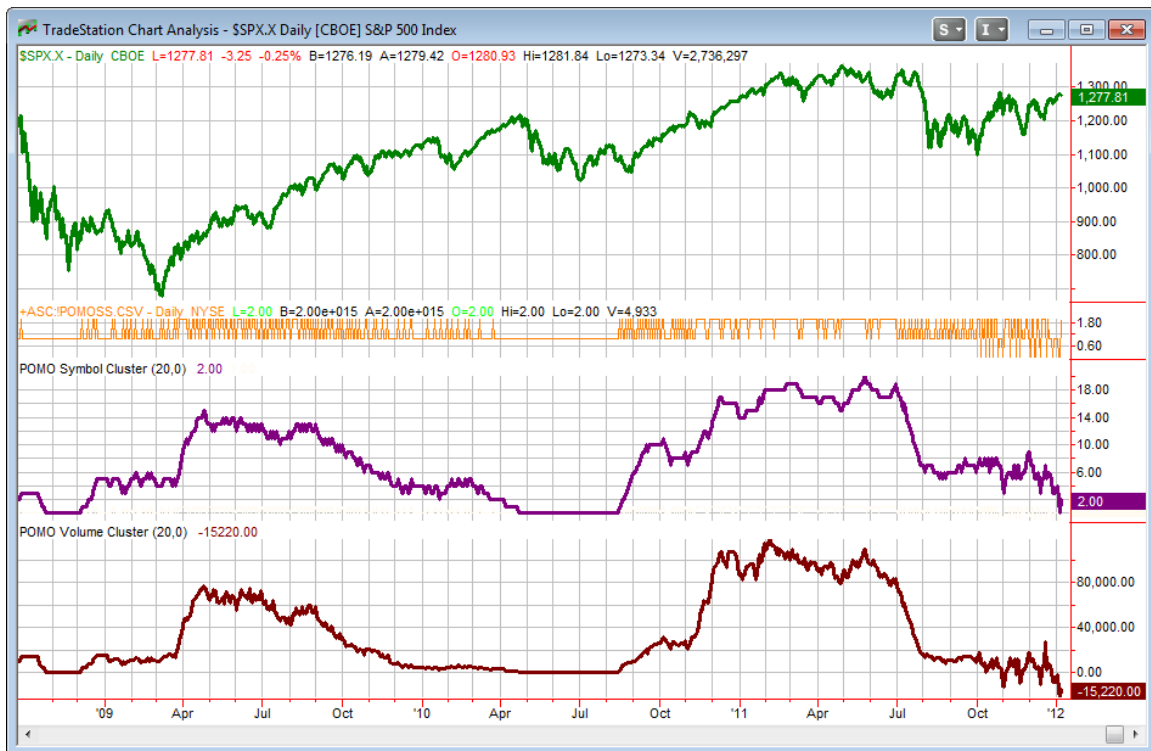
All 31 instances posted a close above the entry price at some point in the next 6 days.

While a decent portion of the edge is realized in the first 6 days, the bullish tendency appears to persist nearly 4 weeks, with 82% of the instances trading higher 16-18 days out.

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 (purple) pane is the net rolling number of days in the last 20 that have been POMO days. In other words, a day the Fed buys on the market will add +1 while a day of selling will count as -1. The bottom pane is the total amount of money infused into (or taken out of) 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>



For the 3rd week in a row POMO numbers showed a net withdrawal of liquidity as the Fed siphoned another \$5.2 billion from the system. This led our POMO indicators to reach lows not seen in years.

We have not seen the POMO activity of the last few weeks exert a strongly negative influence on the market yet, but it certainly raises a red flag. Since 2005, periods of 0 or negative POMO activity have consistently led to market struggles.

And good news is not imminent. This upcoming week it appears the Fed will again be doing more selling than buying.

The intermediate-term is somewhat mixed. We are still seeing a mix of bullish and bearish studies. POMO remains bad, but momentum has provided some hope for the bulls. A break above the October highs would likely generate some positive signs. I'm still neutral and strongly conflicted. From a trading perspective my outlook simply means I will be playing longs and shorts with equal (slightly reduced) aggressiveness.

1st 5 Days Study

Yale and Jeffrey Hirsch have published the Stock Traders Almanac for many years. I am a fan of their work and have benefitted from some of the ideas they have shared. One study they published that gets a lot of press every year at this time is “January’s 1st 5 Days: An Early Warning System”. The basic idea is that performance on the 1st 5 days in January can be an indication of how the full year will perform. While I am a fan of their work, I have never been a big fan of this study. Not because I didn’t believe it, but because I didn’t know how to profit from it. It seemed silly to be to establish a bullish bias for the year based on just 5 days. But without much else to look at this weekend I decided to have some fun with this concept.

Using the SPX I simply looked back to 1961 to see how the market has performed if the 1st 5 days in January closed higher. I did not include those 5 days in my results, but assumed I bought at the close of day 5 and then sold at the close on December 31st. Those results are below.

| Buy SPX if 1st 5 days of January show a net gain. Sell the close the last trading day of December. \$100k/trade. 1961 - present. | | | |
|---|--------------|--------------------------|---------------|
| TradeStation Performance Summary | | | Collapse ^ |
| All Trades | | | |
| Total Net Profit | \$322,717.50 | Profit Factor | 5.48 |
| Gross Profit | \$394,710.43 | Gross Loss | (\$71,992.93) |
| Total Number of Trades | 33 | Percent Profitable | 72.73% |
| Winning Trades | 24 | Losing Trades | 9 |
| Even Trades | 0 | | |
| Avg. Trade Net Profit | \$9,779.32 | Ratio Avg. Win:Avg. Loss | 2.06 |
| Avg. Winning Trade | \$16,446.27 | Avg. Losing Trade | (\$7,999.21) |
| Largest Winning Trade | \$33,501.60 | Largest Losing Trade | (\$24,156.54) |

These numbers certainly look compelling. 72% of the time the market moved higher over the remainder of the year and winning years were twice as large as losers. The average result when the 1st 5 days were higher was a gain of nearly 9.8%. Overall this seems impressive.

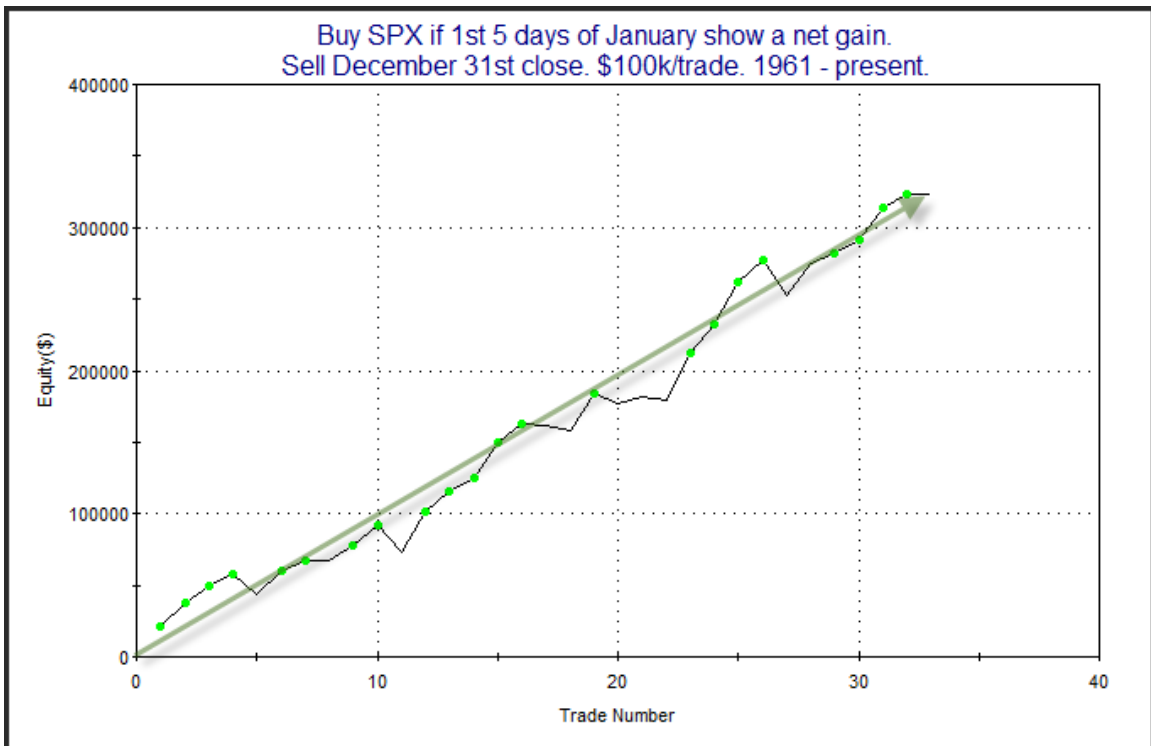
Now let’s look at times the “1st 5 Days” showed a loss.

Buy SPX if 1st 5 days of January show a net **loss**.
Sell the close the last trading day of December. \$100k/trade. 1961 - present.

| TradeStation Performance Summary Collapse ^ | | | |
|--|--------------|--------------------------|----------------|
| All Trades | | | |
| Total Net Profit | \$43,928.60 | Profit Factor | 1.37 |
| Gross Profit | \$161,618.12 | Gross Loss | (\$117,689.52) |
| Total Number of Trades | 18 | Percent Profitable | 55.56% |
| Winning Trades | 10 | Losing Trades | 8 |
| Even Trades | 0 | | |
| Avg. Trade Net Profit | \$2,440.48 | Ratio Avg. Win:Avg. Loss | 1.10 |
| Avg. Winning Trade | \$16,161.81 | Avg. Losing Trade | (\$14,711.19) |

The Hirsch's noted that these instances aren't bearish, but that they pale in comparison to the returns if the "1st 5 Days" are positive. As you can see, this is the case.

So far, a strong "1st 5 days" seems to be a strongly positive sign. I produced a profit curve below to see how this edge has played out over time.



That is a pretty straight and steady looking curve. Based on these results it appears the “1st 5 days” of may be predictive. While the market has had an upward bias over the years, we all know the curve has looked a lot choppier than this.

But is January more predictive than other months?

What about the “1st 5 days” of February? March? December?

If we are to consider January to be predictive then perhaps we should also compare it to other months. In the results table below I did this. I took each month’s “1st 5 days” and if the number was positive I then bought and held for the next year (minus 5 days). So if the 1st 5 days in February were positive I bought the close of the 5th trading day and then sold the last trading day the following January. A positive start to March would mean I bought the 5th day there and held to the end of February, and so on. In this way each month’s start had a chance to serve as a predictor for the next 12 months (minus 5 days).

| Buy SPX if 1st 5 days of X month show a net gain. Sell the close the last trading day of (X-1) Month. \$100k/trade. 1961 - present. | | | | | | | | | | | | |
|--|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|------------------------|-----------------------|-----------------------|---------------------|-------------------|----------------|
| X Month | All: Net Profit | All: Total Trades | All: Winning Trades | All: Losing Trades | All: % Profitable | All: Avg Winning Trade | All: Max Winning Trade | All: Avg Losing Trade | All: Max Losing Trade | All: Win/Loss Ratio | All: ProfitFactor | All: Avg Trade |
| 12 | 181,386.34 | 35 | 24 | 11 | 68.57 | 14,534.23 | 30,690.00 | -15,221.37 | -40,155.06 | 0.95 | 2.08 | 5,182.47 |
| 11 | 301,673.48 | 35 | 28 | 7 | 80.00 | 14,289.70 | 28,176.18 | -14,062.57 | -25,674.90 | 1.02 | 4.06 | 8,619.24 |
| 10 | 180,530.94 | 33 | 22 | 11 | 66.67 | 15,731.16 | 37,240.92 | -15,050.41 | -42,142.10 | 1.05 | 2.09 | 5,470.63 |
| 9 | 240,031.77 | 25 | 20 | 5 | 80.00 | 13,378.03 | 35,356.50 | -5,505.78 | -13,028.12 | 2.43 | 9.72 | 9,601.27 |
| 8 | 81,790.68 | 24 | 14 | 10 | 58.33 | 13,775.02 | 43,524.00 | -11,105.95 | -18,724.53 | 1.24 | 1.74 | 3,407.94 |
| 7 | 260,943.56 | 30 | 23 | 7 | 76.67 | 14,383.98 | 36,552.30 | -9,983.99 | -16,836.43 | 1.44 | 4.73 | 8,698.12 |
| 6 | 170,674.65 | 29 | 19 | 10 | 65.52 | 14,478.78 | 30,397.36 | -10,442.22 | -24,398.64 | 1.39 | 2.63 | 5,885.33 |
| 5 | 196,647.08 | 32 | 21 | 11 | 65.63 | 15,435.38 | 37,614.78 | -11,590.53 | -36,902.96 | 1.33 | 2.54 | 6,145.22 |
| 4 | 246,299.52 | 28 | 21 | 7 | 75.00 | 16,125.79 | 44,492.84 | -13,191.74 | -41,375.52 | 1.22 | 3.67 | 8,796.41 |
| 3 | 132,038.79 | 28 | 21 | 7 | 75.00 | 11,162.11 | 30,301.88 | -14,623.63 | -27,209.54 | 0.76 | 2.29 | 4,715.67 |
| 2 | 275,778.91 | 30 | 23 | 7 | 76.67 | 14,460.93 | 32,126.40 | -8,117.49 | -17,862.15 | 1.78 | 5.85 | 9,192.63 |

These results surprised me. If you look at the “% Profitable” column you will see that 6 of the remaining 12 months were more reliable predictors than January. January didn’t even make the top half! One thing that January does have going for it is that the “Avg Trade” was slightly better than any other month.

But I also looked at results for all the other months if the “1st 5 days” was down.

Buy SPX if 1st 5 days of X month show a net loss.
 Sell the close the last trading day of (X-1) Month. \$100k/trade. 1961 - present.

| X Month | All: Net Profit | All: Total Trades | All: Winning Trades | All: Losing Trades | All: % Profitable | All: Avg Winning Trade | All: Max Winning Trade | All: Avg Losing Trade | All: Max Losing Trade | All: Win/Loss Ratio | All: ProfitFactor | All: Avg Trade |
|---------|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|------------------------|-----------------------|-----------------------|---------------------|-------------------|----------------|
| 12 | 190,735.39 | 16 | 11 | 5 | 68.75 | 20,692.61 | 40,341.74 | -7,376.67 | -12,852.80 | 2.81 | 6.17 | 11,920.96 |
| 11 | 53,795.47 | 16 | 11 | 5 | 68.75 | 13,401.29 | 27,637.61 | -18,723.75 | -33,962.30 | 0.72 | 1.57 | 3,362.22 |
| 10 | 166,689.77 | 17 | 12 | 5 | 70.59 | 18,702.70 | 32,137.03 | -11,548.52 | -25,763.50 | 1.62 | 3.89 | 9,805.28 |
| 9 | 109,681.77 | 25 | 15 | 10 | 60.00 | 17,678.93 | 34,339.77 | -15,550.22 | -30,495.40 | 1.14 | 1.71 | 4,387.27 |
| 8 | 284,888.75 | 25 | 21 | 4 | 84.00 | 17,300.90 | 56,721.76 | -19,607.52 | -25,551.12 | 0.88 | 4.63 | 11,395.55 |
| 7 | 97,358.35 | 20 | 10 | 10 | 50.00 | 21,541.02 | 56,348.70 | -11,805.19 | -27,640.86 | 1.82 | 1.82 | 4,867.92 |
| 6 | 177,743.93 | 19 | 12 | 7 | 63.16 | 20,292.99 | 47,461.16 | -9,395.99 | -32,214.90 | 2.16 | 3.70 | 9,354.94 |
| 5 | 163,371.96 | 18 | 15 | 3 | 83.33 | 13,343.70 | 30,198.24 | -12,261.16 | -12,637.35 | 1.09 | 5.44 | 9,076.22 |
| 4 | 110,401.20 | 19 | 12 | 7 | 63.16 | 15,989.42 | 34,392.28 | -11,638.83 | -24,434.95 | 1.37 | 2.36 | 5,810.59 |
| 3 | 238,437.05 | 22 | 16 | 6 | 72.73 | 19,767.77 | 61,482.06 | -12,974.55 | -42,987.56 | 1.52 | 4.06 | 10,838.05 |
| 2 | 86,280.81 | 20 | 13 | 7 | 65.00 | 15,809.50 | 36,171.60 | -17,034.67 | -37,816.22 | 0.93 | 1.72 | 4,314.04 |

January's edge is also put to question here. We see here that a weak start has actually beaten January's "Avg Trade" in 4 of 11 instances. And it appears the most reliable and powerful "1st 5" scenario is when August starts poorly. And these results don't even include the 2011 August trigger, because that trade (which is currently up over 6%) doesn't close out until July 31st. If the 1st five days of August sucks again in 2012 traders may want to consider going 100% long and taking a vacation until July 31, 2013!

Kidding aside, the "1st 5 Days" seems to be an interesting phenomenon, but its predictability is questionable and making it actionable is beyond me. This shouldn't be construed as a knock on the Hirsch's or their work. I'm quite sure they don't take long-term positions based on 5 days in January, either. But I found it an interesting exercise and thought I would share the results.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

MO – bought 1/3 @ \$28.40 limit

New!

VZ – 1/3 @ \$38.33

Catapult for ETF's Trades

None.

Broad Market Large Cap CBI – 2(MO,VZ)

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.

VZ – buy 1/3 catapult position @ \$38.33 LIMIT. This is from the Catapult section above. For those that are new to Catapults, you may want to check out the Catapult & CBI Presentation (linked to in that section). Catapults tend to be very volatile. The exit parameters are not public, but I will alert subscribers when the exit trigger is hit and the trade idea will be closed out the next day. Those that would rather design their own exit strategy (or use an alternate exit strategy that tested and showed) should check out the Catapult Exit Designer on the “Downloads” page.

SPY – buy ¼ index position @ \$127.20 LIMIT ON CLOSE. This is based on the short-term outlook above. I won't buy until 4pm. I'm putting this about \$0.50 below Friday's close. If it doesn't fall at least this much, then I'll need to consider further (tomorrow night) before going long.

Current Open Trade Ideas

| Symbol | Entry Date | Entry Price | Current Price | % Gain/Loss | Stop | Notes |
|-------------|------------|-------------|---------------|-------------|---------|---------------------------------|
| XIV(1/2) | 11/21/2011 | \$4.91 | \$7.20 | 46.64% | | <i>sold on open</i> |
| MO(1/3) | 1/5/2012 | \$28.40 | \$28.72 | 1.13% | \$28.09 | Catapult |
| SPY(1/4)(s) | 1/6/2012 | \$128.20 | \$127.71 | 0.38% | | <i>Bought open - sold close</i> |

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