

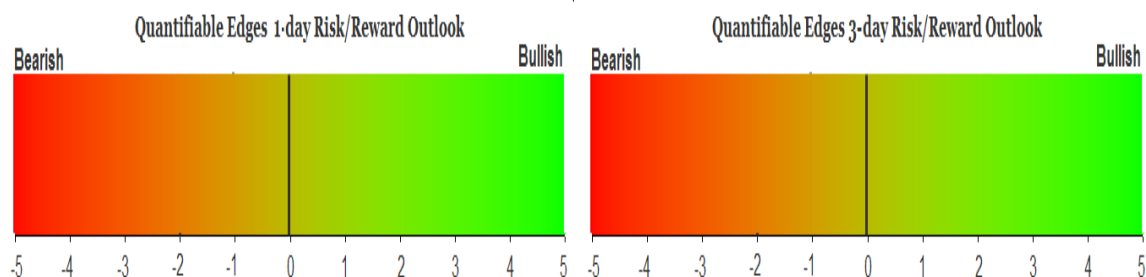
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 29, 2012

Volume 5 Issue 61

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing	NDX Trend Timer
Flat	50% Long XIV	Flat	Flat

Tonight's Research Points

- The mild pullback is not yet showing compelling evidence.

Short-term Outlook

The Bottom Line

The neutral outlook remains in place. I am still playing the waiting game and looking for a more substantial edge. There appears to be a decent chance a bullish edge could emerge as early as Thursday.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
March 23, 2012	3-day pullback from 50-high	1-6 days	Bullish	2.30%
Active - Long Term				
March 15, 2012	5+ up to 50-high then dip	1-10 days	Bullish	2.00%
March 14, 2012	SPX & TNX hit 50-day highs	1-50 days	Bearish	
March 14, 2012	50-day high on strong breadth	1-50 days	Bullish	8.00%
March 5, 2012	Negative breadth divergences	int term	Bearish	
February 1, 2012	Golden Cross	int term	Bullish	
January 17, 2012	Nasdaq leading SPX	int term	Bullish	
December 5, 2011	POMO activity flat to negative	int term	Bearish	
Dropped Tonight				
March 28, 2012	20-day high and poor close	1 day	Bullish	
March 19, 2012	SPX > Upper Bollinger 4 days	1-8 days	Bullish	1.90%

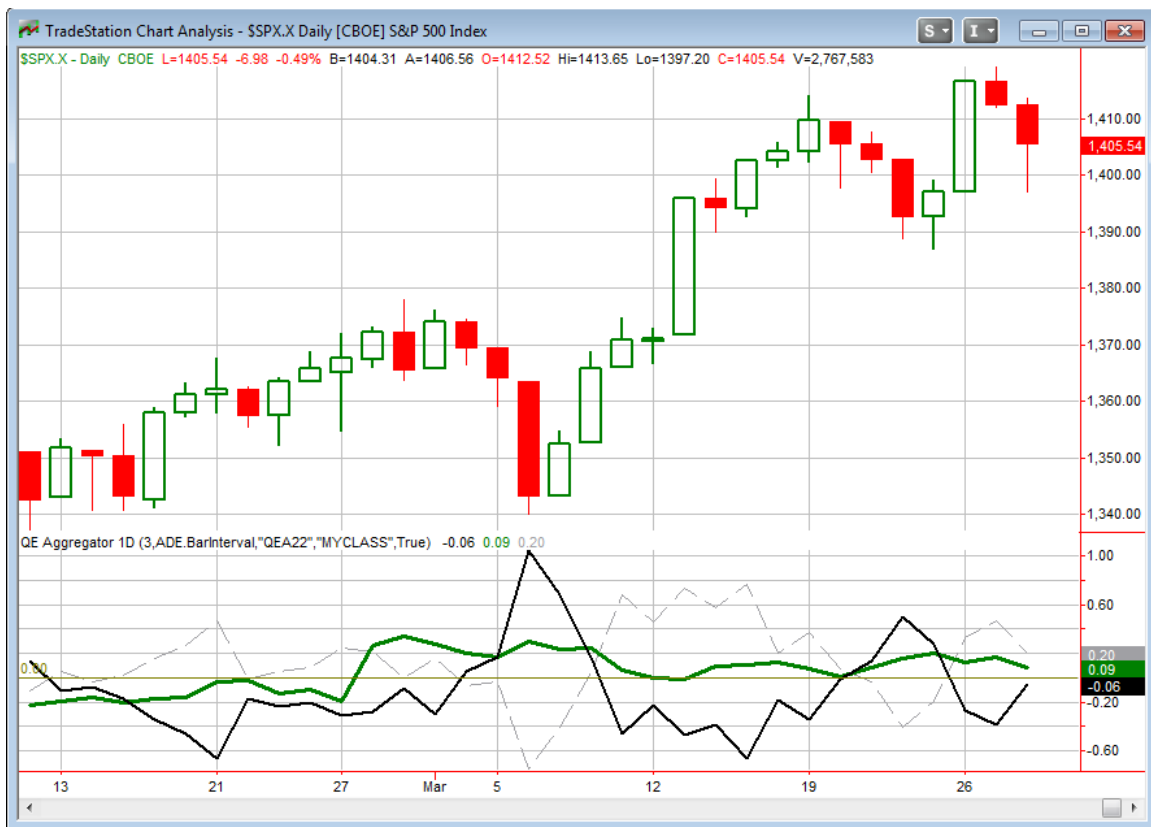
If the avg max move is achieved the study will appear in **bold italic blue** and no longer be active.

The Evidence

For much of the day it looked like the market was going to have a strong down day, but a late-day rally meant losses were only mild. The SPX and NASDAQ each finished down 0.5% and the Russell 2000 dropped 0.7%. Breadth was fairly weak as the NYSE Up Issues % came in at 35% and the Up Volume % was 28%. Volume rose a little from the levels of the last few days.

The pullback the last 2 days has brought us back into the middle of the recent range. And with no significant extremes appearing, there remains a dearth of substantial edges. This is not unusual during choppy markets like we have seen the last 8 days or so. It just requires a little patience to wait until the next strong opportunity arises.

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



The green Aggregator Line remained nicely positive again tonight. Readings above 0 mean net expectations from the Active List are for upside over the next few days. Despite

the 2-day drop the black Differential Line remains below 0. A negative Differential reading means the SPX has outperformed expectations over the last few days. So net expectations are bullish but the SPX is overbought versus recent expectations. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of 0. This meant the Aggregator System remained flat at the close. This was noted on the systems page before the bell.

Based on the current studies, expectations are scheduled to remain positive on Thursday. This could change if strong bearish evidence emerges. Meanwhile, the Differential Pivot will be **highly inverted** at 1,423.20 on Thursday. This is over 1.25% **above** Wednesday's close. This means that unless the SPX rallies at least this much on Thursday, the Differential Line will move above zero. This would indicate the SPX has moved from overbought to oversold versus expectations.

With the Differential Pivot so highly inverted we need to be on the alert for an Aggregator long signal. If we get a 3rd day down tomorrow a long signal will almost surely occur since the SPX will be strongly oversold, and 3 down days in a long term uptrend will often trigger bullish studies. In fact, the only way a long signal will not occur is if the SPX rises strongly and closes above the pivot, or if bearish evidence emerges.

Intermediate-term Outlook (2 weeks – 2 months)– updated 3/26 – moderately bullish

The intermediate-term outlook was last updated in the 3/26 letter. You may view it using the link below:

[2012-03-26 QE Subscriber Letter.pdf](#)

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

HPQ – bought 1/3 @ \$23.03

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.

SPY – buy ¼ index position @ \$140.46 limit ON CLOSE. Based on the short-term outlook above, I am anticipating a down close would trigger a long Aggregator signal and will begin scaling in to a long position.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
XIV(1/2)	3/6/2012	\$8.48	\$11.90	40.33%	\$9.49	Aggressive VIX
HPQ(1/3)	3/23/2012	\$23.03	\$23.58	2.39%		Catapult

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