

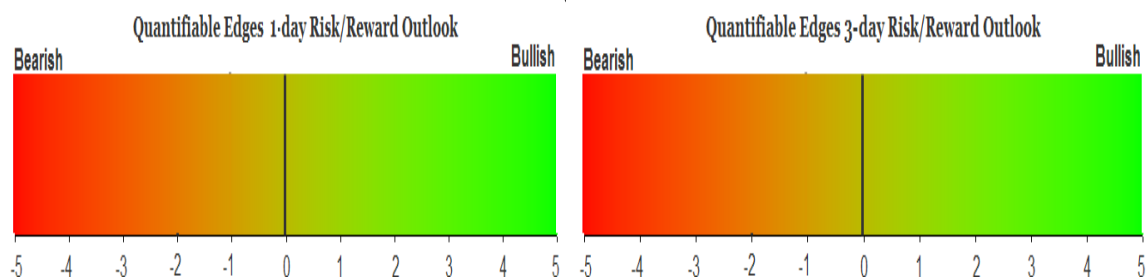
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 4, 2012

Volume 5 Issue 65

Market Overview



Signals Overview

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

Tonight's Research Points

- Chopy action lacking new edges.

Short-term Outlook

The Bottom Line

The Aggregator remains neutral. I am not inclined to take on any new exposure until I see a more favorable setup.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
April 3, 2012	NDX up > 1%. SOX down.	1-6 days	Bearish	-3.20%
April 3, 2012	VIX up SPX up 2x & 50-day high.	1-3 days	Bearish	-1.30%
April 2, 2012	1st Week In April Seasonally Strong	1-4 days	Bullish	2.10%
April 2, 2012	SPX 3-day high. Nas/Rus down 3 days.	1-10 days	Bullish	4.30%
March 23, 2012	3-day pullback from 50-high	1-6 days	Bullish	2.60%
Active - Long Term				
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	

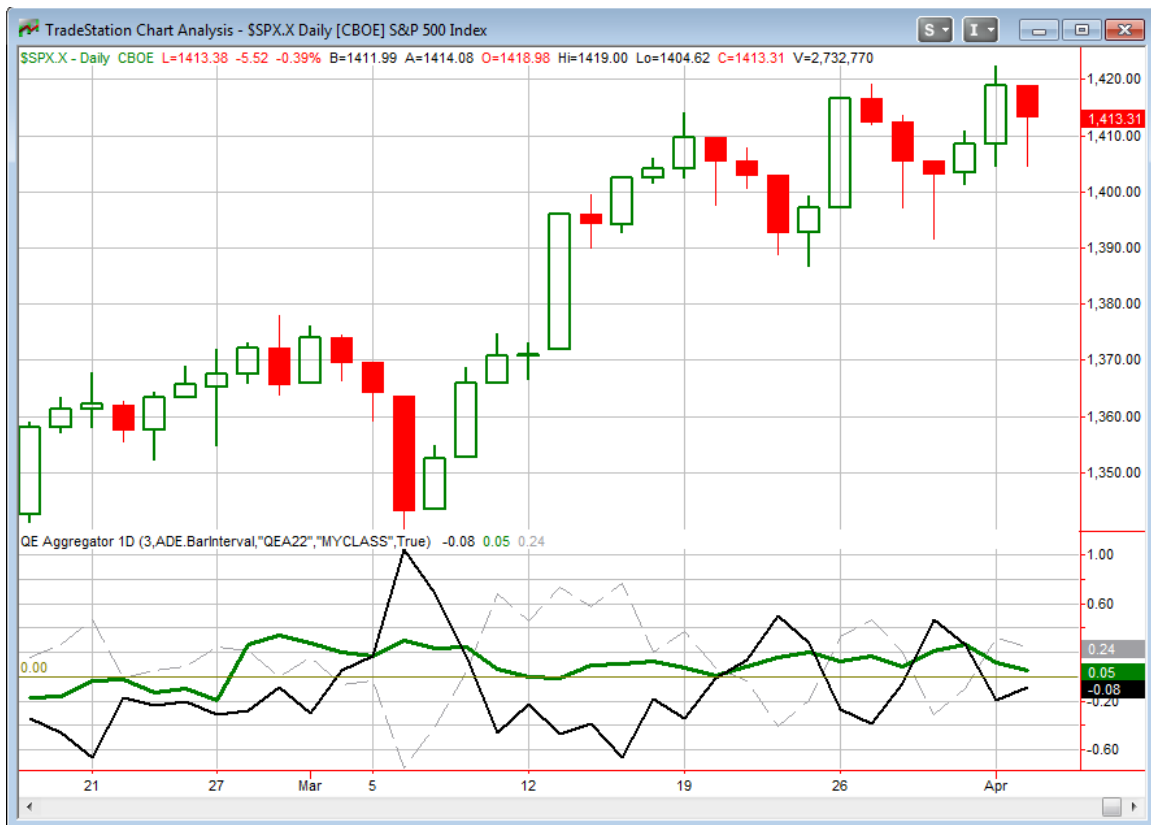
If the avg max move is achieved the study will appear in **bold italic blue** and no longer be active.

The Evidence

As the 2 studies last night suggested, some selling hit the market on Tuesday. Some late buying kept the numbers tame, though. The SPX fell 0.4%, the NASDAQ closed down 0.2%, and the Russell 2000 lost 0.7%. Breadth was negative as the NYSE Up Issues % came in at 35% and the Up Volume % was 28%. Total NYSE volume rose, but was still not very high.

Choppy action often results in nominal or no edges. Tuesday's action put us right back into the range of the last 7 days. So while we have had a lot to talk about the last few nights in terms of edges, tonight is pretty much a blank. The choppy action also means none of the targets have been achieved for the open studies, and all the open studies from last night are still in force.

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



Once again tonight the green Aggregator Line remained positive – though just moderately. Readings above 0 mean net expectations from the Active List are for upside

over the next few days. Meanwhile, the black Differential Line is now just a little below 0. A negative Differential reading means the SPX has outperformed expectations over the last few days. So net expectations are slightly bullish but the SPX is slightly oversold versus recent expectations. This is considered a neutral configuration, and with both readings very close to 0, it is about as neutral as it gets. In general, 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 as likely based on the scenarios laid out on the systems page before the bell.

Based on the current studies, expectations are scheduled to remain positive on Wednesday. Of course this could change if strong bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted* at 1,416.25 on Wednesday. This is 0.2% *above* Tuesday's close. An inverted pivot means that the Differential Line would cross through 0 on a flat SPX close. To keep the SPX from changing from an overbought condition to an oversold condition it will have to rally and close above 1,416.25.

As noted in the intermediate-term section a couple of days ago, we have 2 more days left of both seasonal strength and a bullish QE Buying Power Index. Next week we have neither. So while I sometimes try and anticipate signals in advance – especially with inverted pivots, I am not going to do so tonight. Before I take on exposure in this environment I want to have a clear signal to be long or short. I don't have that right now, so I will play the waiting game and see what emerges.

Intermediate-term Outlook (2 weeks – 2 months)– updated 4/2 – moderately bullish

The intermediate-term outlook was last updated in the 4/2/12 letter. You may use the link below to access it:

[2012-04-02 QE Subscriber Letter.pdf](#)

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.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
XIV(1/2)	3/6/2012	\$8.48	\$12.05	42.10%	\$9.49	Aggressive VIX
<i>QQQ(1/4)</i>	<i>4/2/2012</i>	<i>\$67.46</i>	<i>\$68.31</i>	<i>1.26%</i>		<i>sold on open</i>

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