

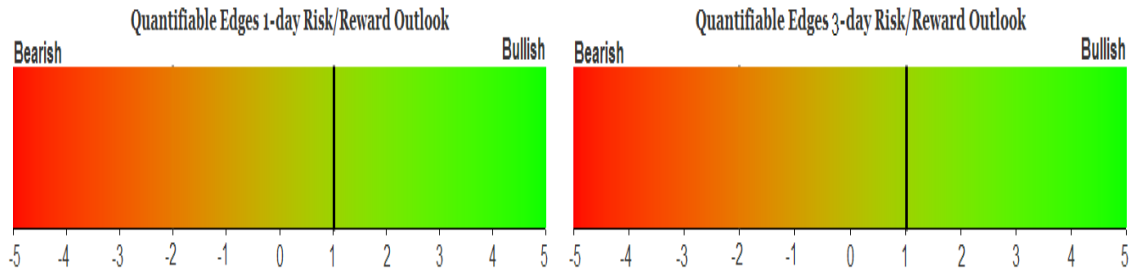
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 18, 2012

Volume 5 Issue 74

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing	NDX Trend Timer
Long	100% Long XIV	Flat	Long

Tonight's Research Points

- The day after Tax Day is seasonally bullish.
- Multiple upside target were hit on Tuesday.

Short-term Outlook

The Bottom Line

The Aggregator is positive, but the Differential Pivot is inverted. Unless there is strong selling on Wednesday the Aggregator signal will change to neutral or bearish.

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


Study Date	Description	Time span	Bias	Avg Max Move
Active				
April 16, 2012	Down 1% on 2:1 negative breadth	1-3 days	Bullish	1.90%
April 16, 2012	Op-ex & Tax Time seasonally bullish	1-3 days	Bullish	1.90%
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	
Dropped Tonight				
April 17, 2012	SPX down. Up Issues % > 55%	1-2 days	Bullish	0.95%
April 11, 2012	System 110524	1-7 days	Bullish	2.30%

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

The Evidence

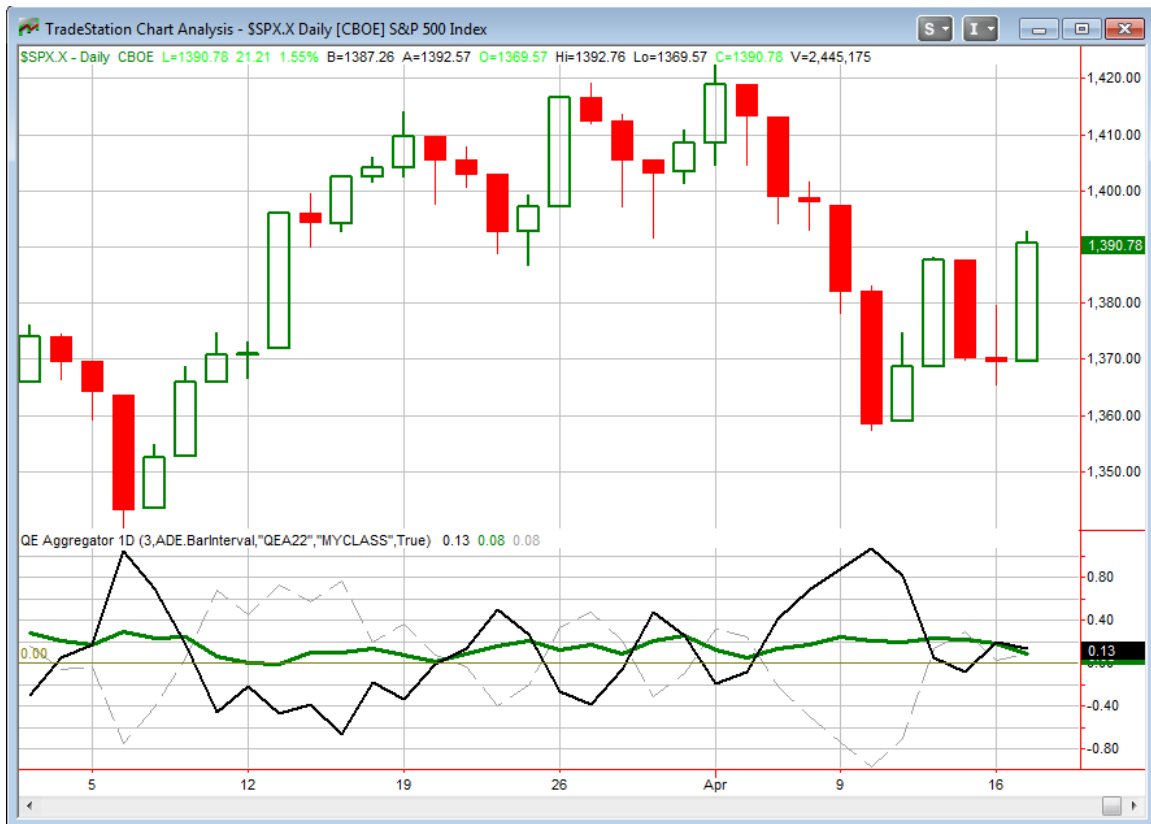
The good times returned to Wall St. today as stocks rallied strongly. The SPX and Russell 2000 both rose 1.6% while the NASDAQ gained 1.8%. Breadth was strongly positive as the NYSE Up Issues % came in at 77% and the Up Volume % was 88%. Total NYSE volume was light and declined for the second day in a row.

For while it appeared that the Up Volume % was going to close over 90%, which would have triggered a couple of bullish studies. The fade near the close kept this from happening. In the end, no new studies triggered other than the "Day After Tax Day" seasonal study that I discussed in the 4/16 Subscriber Letter a couple of days ago. The results table from that letter is copied below.

SPX day after Day Performance. \$100k/trade. 1981 - 2011.			
TradeStation Performance Summary			Collapse 
All Trades			
Total Net Profit	\$17,326.59	Profit Factor	4.22
Gross Profit	\$22,705.25	Gross Loss	(\$5,378.66)
Total Number of Trades	31	Percent Profitable	70.97%
Winning Trades	22	Losing Trades	9
Even Trades	0		
Avg. Trade Net Profit	\$558.92	Ratio Avg. Win:Avg. Loss	1.73
Avg. Winning Trade	\$1,032.06	Avg. Losing Trade	(\$597.63)
Largest Winning Trade	\$2,842.84	Largest Losing Trade	(\$1,602.28)

While nothing new triggered, it is notable that we saw two short-term bullish studies reach their targets and get removed from the short-term Active List. The first was from last night and it examined down days on positive breadth. The second was system 110524, which triggered on April 10th and was discussed in the 4/11/12 subscriber letter. With both of these studies being removed we are now left with just the two studies from the 4/16/12 subscriber letter, which both expire on Wednesday.

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



The two remaining short-term studies are both bullish so the green Aggregator Line is still positive. Readings above 0 mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line managed to hold just above zero despite the strong run-up. A positive Differential reading means the SPX has underperformed expectations over the last few days. So net expectations are bullish and the SPX is oversold versus recent expectations. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above 0. This meant the Aggregator System remained long at the close. This was projected on the systems page before the bell.

Based on the current studies, expectations will be essentially flat on Wednesday. With a neutral intermediate-term outlook and a long-term uptrend in place, if no short-term studies are active then the result will be a very mild positive. Meanwhile, the Differential Pivot will be *squarely inverted* at 1,378.97 on Wednesday. An inverted pivot means that the differential line will cross zero if the SPX closes flat. To avoid a negative differential reading tomorrow, the SPX would need to close down about 0.85%. So barring a strong selloff the SPX will move from a short-term oversold condition to an overbought condition.

With the Differential Pivot inverted I'll be looking to exit my long SPY position Wednesday. And with Tuesday exhibiting such a strong intraday rally, odds favor a range contraction on Wednesday. I considered getting fancy and looking to trail a stop to try and milk as much as I can from my long position. But since a 2nd strong intraday rally in a row is unlikely I'll simply look to exit at a limit of Tuesday's closing price. Should the market gap up I'll take the gift at the open.

It is also worth keeping in mind that the QE Buying Power Index is set to drop down to negative 1 on Friday. If the SPX closes in the top 20% of its 10-day range on Friday it will trigger a short signal. It will only spend 1 day at negative 1 before jumping back up to 1. Still, strongly negative (or positive) readings along with overbought (oversold) conditions can exert influence for up to 5-6 days. The QE Buying Power Swing System uses the 10-day range to determine overbought/oversold. Since the SPX is currently near the top of its 7-day range it could conceivably trigger the short signal Friday without even posting further gains. Anyway, the next few days should be interesting and trading signals could easily occur in either direction.

Intermediate-term Outlook (2 weeks – 2 months)– updated 4/16 – neutral

The intermediate-term outlook was last updated in the 4/16/12 letter. A link to that letter is below.

[2012-04-16 QE Subscriber Letter.pdf](#)

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

BAX @ \$57.67 – not filled and not looking for fill at this point

AAPL @ \$580.13 (filled @ \$578.94)

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 2/2(BAX, AAPL)

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
SPY(1/4)	4/9/2012	\$138.03	\$139.08	0.76%		<i>sell @ \$139.08 limit</i>
AAPL(1/3)	4/17/2012	\$578.94	\$609.70	5.31%		bought on open

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