

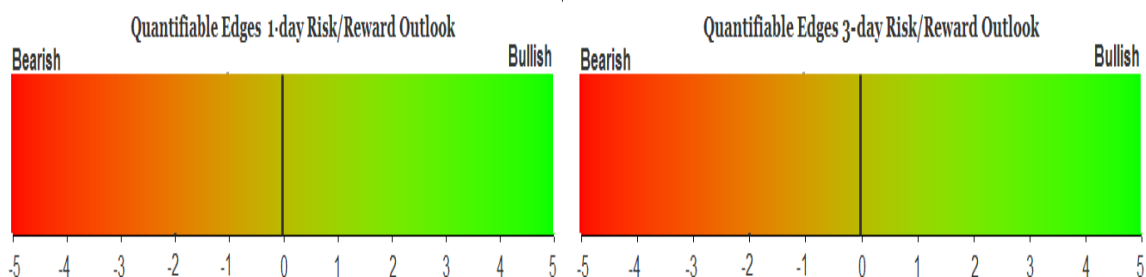
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 19, 2012

Volume 5 Issue 75

Market Overview



Signals Overview

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

Tonight's Research Points

- Choppy action has the short-term void of substantial edges.
- QE Buying Power Index will be turning negative on Friday. A high close on that day would suggest a downside edge.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and there is almost nothing to base a short-term trade on. I'm sidelined and awaiting the next favorable opportunity.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
None				
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 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%

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

The Evidence

After Monday's blowout move up I expected to see a tight range on Tuesday, and that's what we got. After a large gap down the market quickly made its low, and then spent most of the day wiggling between that low and Monday's closing price. A poor last hour caused the major indices to all finish lower. The SPX and Nasdaq each lost 0.4% while the Russell 2000 declined 0.9%. Breadth was solidly negative as the NYSE Up Issues % came in at 33% and the Up Volume % was 31%. Total NYSE volume rose slightly despite the tight range.

It is not unusual to experience a dearth of studies when the market is chopping back and forth nearly every day. It is *extremely* unusual that I am unable to find any studies providing a short-term edge. In the nearly 4 1/2 years since the Quantifiable Edges Subscriber Letter began publishing I believe there have only been 3 other days in which the Short-Term Active List has been bare.

So tonight I'll discuss developments out a few days. Normally I might talk about this tomorrow night, but I will be on vacation Thursday and Friday, so tomorrow night's letter will be as short as I can get it. One indicator I've mentioned a few times recently that is going to turn negative on Friday is the QE Buying Power Index. The QE Buying Power Index is basically a raw count of positive or negative POMO days. It measures short-term liquidity flows. Details on the QE Buying Power Index, along with projected April values, a recorded webinar that shows how to construct the index and the swing system, data links, and Tradestation code can all be found on the QE Buying Power Index page. Links to it may be found on the systems page, the videos page, or below:

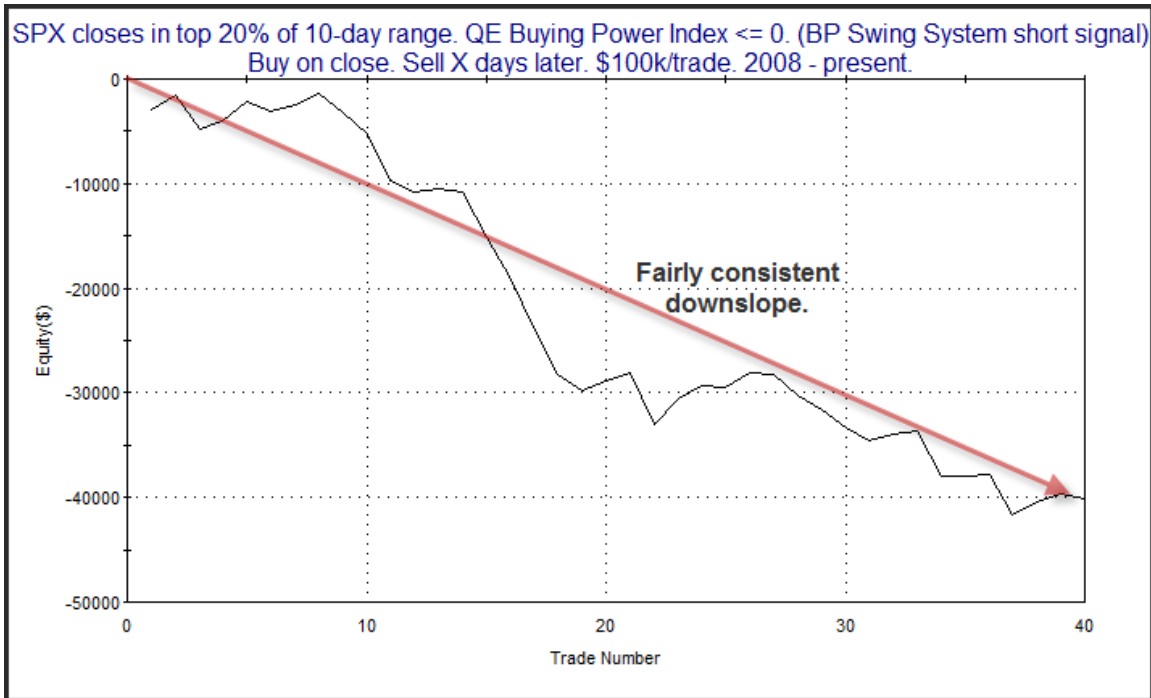
<http://www.quantifiableedges.com/members/qebuyingpower.php>

If the SPX closes in the top 20% of its 10-day range on Friday afternoon it will trigger the 1st QE Buying Power Swing System signal since February. Below is an updated table showing how the SPX has performed after short-side signals based on a simple day count.

SPX closes in top 20% of 10-day range. QE Buying Power Index <= 0. (BP Swing System short signal)
Buy on close. Sell X days later. \$100k/trade. 2008 - 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
10	-34,990.70	31	15	16	48.39	1,644.89	4,220.38	-3,729.00	-9,832.38	0.44	0.41	-1,128.73
9	-27,354.48	31	15	16	48.39	1,713.12	3,619.63	-3,315.71	-9,422.42	0.52	0.48	-882.40
8	-38,787.26	31	13	18	41.94	1,578.91	3,849.08	-3,295.17	-11,994.35	0.48	0.35	-1,251.20
7	-27,660.35	33	16	17	48.48	1,403.84	2,929.29	-2,948.35	-7,189.40	0.48	0.45	-838.19
6	-31,193.12	36	15	21	41.67	1,073.94	2,799.05	-2,252.49	-6,584.78	0.48	0.34	-866.48
5	-40,088.18	40	17	23	42.50	948.55	2,386.98	-2,444.06	-4,932.90	0.39	0.29	-1,002.20
4	-37,415.33	45	20	25	44.44	1,061.61	2,044.02	-2,345.91	-6,578.61	0.45	0.36	-831.45
3	-25,035.49	52	23	29	44.23	981.26	4,441.44	-1,641.53	-4,353.44	0.60	0.47	-481.45
2	-39,477.96	66	30	36	45.45	768.63	3,811.00	-1,737.14	-9,986.13	0.44	0.37	-598.15
1	-41,785.59	109	51	58	46.79	557.71	4,063.35	-1,210.84	-8,883.33	0.46	0.41	-383.35

While the downside edge has persisted for over 2 weeks, a large portion of it plays out in the first 5-6 days. Below is an equity curve assuming a 5-day exit strategy.



The downslope here is fairly consistent with inly brief rises in the line.

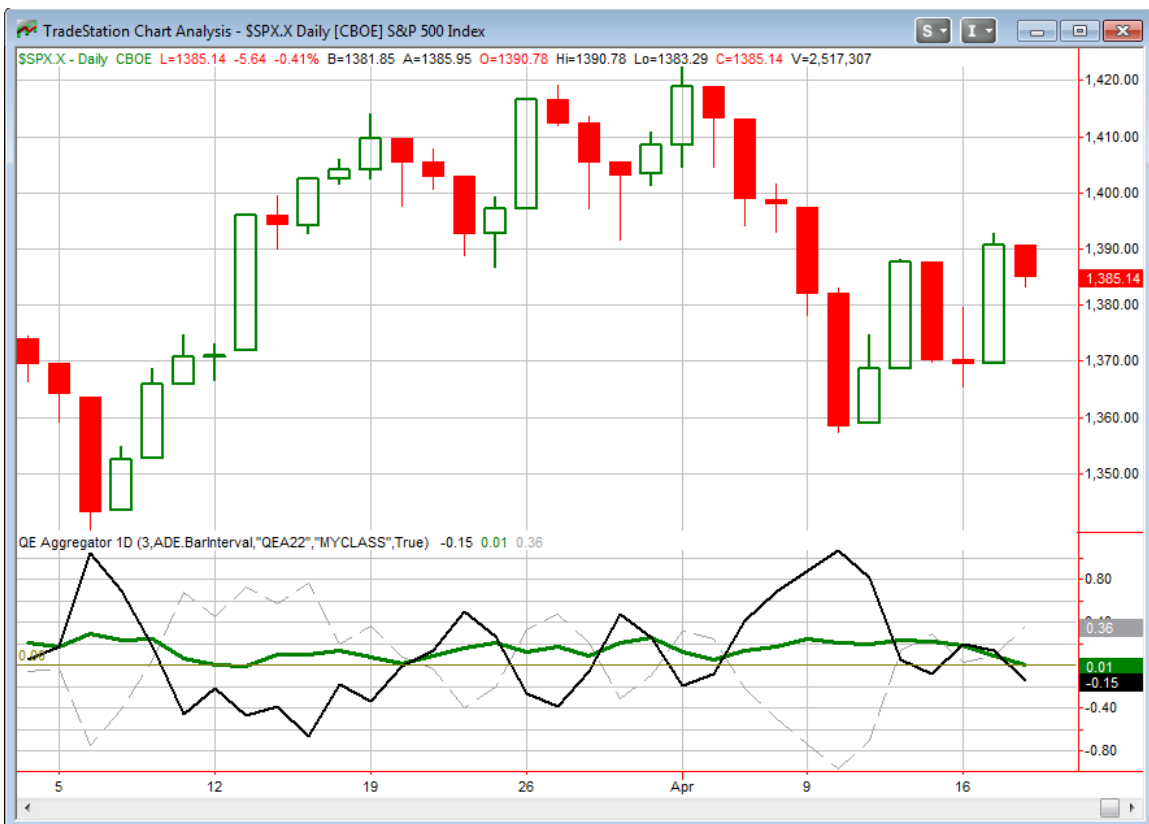
And for those wondering how the short signals have fared using the standard exit criteria, I have updated that below.

QE Buying Power Swing System short signal results.
 Cover if 1) SPX closes in bottom half of 10-day range or
 2) QE Buying Power Index > 0 and trade is >= 6 days old. \$100k/trade. 2008 - present.

TradeStation Performance Summary			
All Trades			
Total Net Profit	\$45,902.62	Profit Factor	5.42
Gross Profit	\$56,278.64	Gross Loss	(\$10,376.02)
Total Number of Trades	32	Percent Profitable	68.75%
Winning Trades	22	Losing Trades	10
Even Trades	0		
Avg. Trade Net Profit	\$1,434.46	Ratio Avg. Win:Avg. Loss	2.47
Avg. Winning Trade	\$2,558.12	Avg. Losing Trade	(\$1,037.60)
Largest Winning Trade	\$8,004.64	Largest Losing Trade	(\$2,799.05)

Bottom line here is that a move higher over the next 2 days would create a bearish setup. Of course we may have other studies to consider by that time, but this is certainly worth keeping in mind.

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



Without any short-term studies active the green Aggregator Line is just barely positive. Readings above 0 mean net expectations from the Active List are for upside over the next few days. In this case it is essentially a flat call. Meanwhile the black Differential Line dipped back below zero. A negative Differential reading means the SPX has outperformed expectations over the last few days. So net expectations are neutral/bullish and 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 changed from long to flat at the close.

Based on the current studies, expectations will be essentially flat again on Thursday. With a neutral intermediate-term outlook and a long-term uptrend in place, if no short-term studies are active then the result will again be a very mild positive. Meanwhile, the Differential Pivot will be 1,378.13 on Thursday. This is about 0.5% below Wednesday's close. So SPX will need to close lower by at least this much in order to turn the Differential Line back to positive.

The Aggregator is neutral and there is next to nothing to base a short-term trade on at the moment. I'm not inclined to put capital at risk on an index trade in this environment. I'll wait for a more substantial edge to emerge before taking on a new position.

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
<i>SPY(1/4)</i>	<i>4/9/2012</i>	<i>\$138.03</i>	<i>\$139.08</i>	<i>0.76%</i>		<i>sold @ limit</i>
<i>AAPL(1/3)</i>	<i>4/17/2012</i>	<i>\$578.94</i>	<i>\$608.34</i>	<i>5.08%</i>		<i>bought on open</i>

This report has been prepared by Hanna Capital Management, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Hanna Capital Management, LLC or clients of Hanna Capital Management, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Hanna Capital Management, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Hanna Capital Management, LLC nor any officer or employee of Hanna Capital Management, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Hanna Capital Management, LLC.

Copyright © 2012 Hanna Capital Management, LLC.