

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 4, 2012

Volume 5 Issue 106

Market Overview



Signals Overview

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

Tonight's Research Points

- Strong down Fridays are often followed by up Mondays and continued follow through over the next few days.
- Tuesday's FTD failed.
- The strong drop to new lows indicates we are in a volatile environment.
- The QE Buying Power Index is weak, which creates additional risk

Short-term Outlook

The Bottom Line

The Aggregator is suggesting a bullish edge but there are definitely some risks outside of what the aggregator is considering. I'm long and considering getting longer, especially if we see additional selling on Monday.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
June 4, 2012	Big drop on Friday	1-6 days	Bullish	3.20%
June 1, 2012	End-of-month decline	1-5 days	Bullish	2.50%
Active - Long Term				
May 21, 2012	CBI > 10.	1-20 days	Bullish	6.80%
May 7, 2012	QQQ 5 lower lows. Today biggest drop.	1-20 days	Bullish	12.30%
February 1, 2012	Golden Cross	int term	Bullish	
December 5, 2011	POMO activity flat to negative	int term	Bearish	
Dropped Tonight				
May 31, 2012	Unfilled gap dn after unfilled gap u	1-3 days	Bearish	
May 30, 2012	FTD moderate breadth/weak seasonal	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

The market got hammered on Friday, suffering its worst drop since topping out in April. The SPX lost 2.5%, the Nasdaq fell 2.8% and the Russell 2000 dropped 3.2%. Breadth was strongly negative as the NYSE Up Issues % came in at 14% and the Up Volume % was just 8%. Total NYSE volume was down slightly from Thursday.

The Quantifinder showed a decent amount of evidence that Friday's strong selling was enough merit a bounce. But there are also a few concerns I need to point out. Let's start with the bullish news.

Both the Crash of '29 and the Crash of '87 happened on Monday. The Crash of '87 is still remembered by many traders that are active today. There was a strong selloff on Friday and then all hell broke loose on Monday. But since then strong Friday selloffs have commonly been followed by bounces on Monday's. Perhaps this is due to the fact that fear of a crash causes what might otherwise be an ordinary selloff to become exaggerated and overdone on Fridays. Or perhaps it is just that people don't want to hold over the weekend. Whatever the reason, the tendency to bounce has been very strong. In the past I have broken out the tendency using a 200ma filter. We are now below the 200ma (more on that later). So I took the study below, which was last seen in the 7/19/10 letter, and have updated it.

SPX closes down more than 1.5x yesterday's 20-day ATR. Today is Friday.
Buy on close. Sell X days later. \$100k/trade. 1993 - 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	19,912.72	12	9	3	75.00	3,638.76	9,241.60	-4,278.70	-6,049.40	0.85	2.55	1,659.39
9	17,877.35	12	7	5	58.33	4,123.83	7,602.40	-2,197.90	-5,483.80	1.88	2.63	1,489.78
8	17,694.10	12	8	4	66.67	3,239.94	7,949.70	-2,056.35	-2,690.10	1.58	3.15	1,474.51
7	20,458.76	12	8	4	66.67	3,160.21	7,662.81	-1,205.72	-2,146.90	2.62	5.24	1,704.90
6	27,853.66	12	10	2	83.33	2,800.08	8,870.96	-73.59	-125.28	38.05	190.25	2,321.14
5	19,993.35	12	9	3	75.00	2,380.72	5,393.97	-477.72	-741.30	4.98	14.95	1,666.11
4	14,416.08	12	9	3	75.00	2,089.71	5,731.96	-1,463.76	-1,947.64	1.43	4.28	1,201.34
3	13,373.44	12	8	4	66.67	2,093.80	5,215.85	-844.25	-1,821.35	2.48	4.96	1,114.45
2	13,271.14	12	8	4	66.67	2,000.31	6,245.15	-682.84	-1,500.80	2.93	5.86	1,105.93
1	8,774.00	12	11	1	91.67	944.43	3,322.23	-1,614.72	-1,614.72	0.58	6.43	731.17

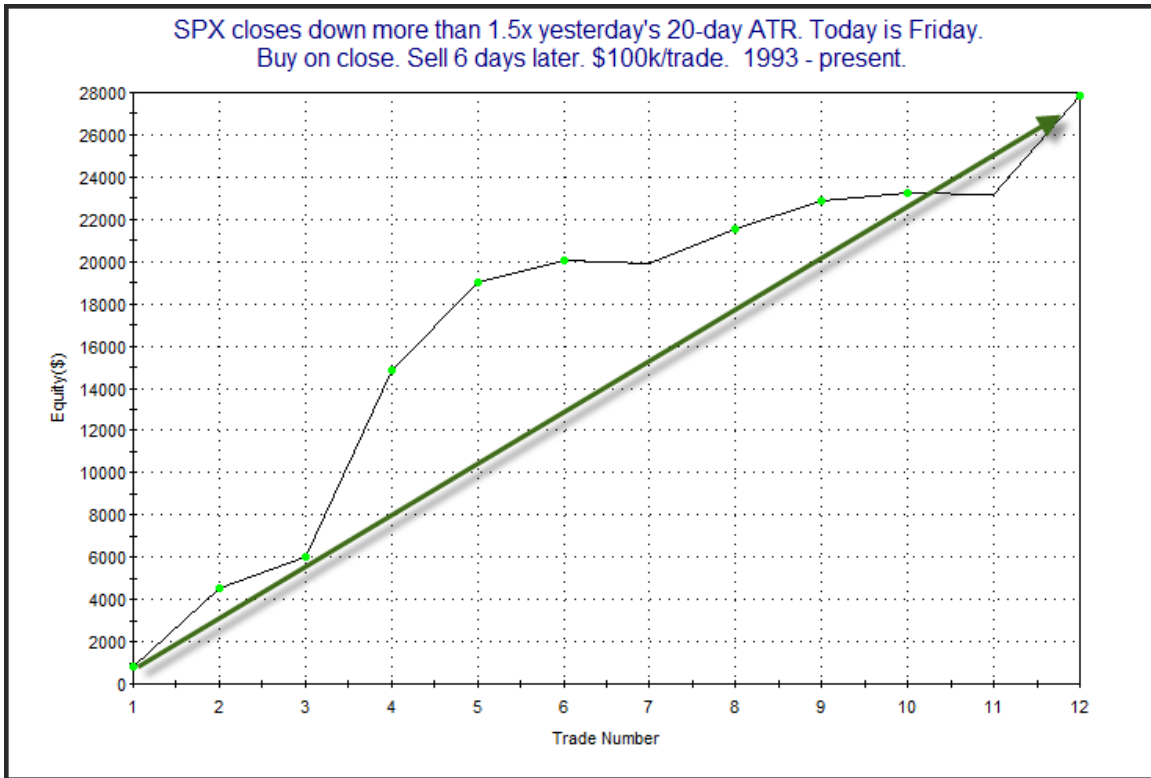
The 1 instance that did not close up Monday was on 1/24/03. It took until Wednesday to close above Friday's close.

The numbers here are all very impressive and suggest a strong bullish bias. I decided tonight to look at the 1-day and 6-day returns in a little more detail. First, I have listed below all of the 1-day holding period results.

SPX closes down more than 1.5x yesterday's 20-day ATR. Today is Friday.
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
06/24/94	Buy	\$442.80	1.02%	\$1,116.00
06/27/94	Sell	\$447.31		(\$668.25)
10/15/99	Buy	\$1,247.41	0.54%	\$537.60
10/18/99	Sell	\$1,254.13		(\$1,100.00)
02/18/00	Buy	\$1,346.09	0.45%	\$889.48
02/22/00	Sell	\$1,352.17		(\$1,051.54)
04/14/00	Buy	\$1,356.02	3.36%	\$3,322.23
04/17/00	Sell	\$1,401.53		(\$694.96)
07/28/00	Buy	\$1,419.89	0.77%	\$1,243.20
07/31/00	Sell	\$1,430.84		(\$82.60)
07/06/01	Buy	\$1,190.59	0.69%	\$927.11
07/09/01	Sell	\$1,198.78		(\$69.72)
01/24/03	Buy	\$861.40	(1.62%)	\$295.80
01/27/03	Sell	\$847.48		(\$1,989.40)
04/15/05	Buy	\$1,143.43	0.22%	\$477.63
04/18/05	Sell	\$1,145.98		(\$315.81)
08/03/07	Buy	\$1,433.07	2.41%	\$2,387.40
08/06/07	Sell	\$1,467.67		(\$391.92)
01/04/08	Buy	\$1,411.62	0.32%	\$857.50
01/07/08	Sell	\$1,416.18		(\$571.90)
06/06/08	Buy	\$1,360.44	0.10%	\$743.87
06/09/08	Sell	\$1,361.77		(\$716.86)
07/16/10	Buy	\$1,064.88	0.60%	\$913.26
07/19/10	Sell	\$1,071.25		(\$350.61)

The Monday inclination has been strong, and I see no red flags here. For the 6-day I produced a profit curve.



Here too the results remain impressive. This certainly seems to be a study worth taking under consideration.

Another bullish Quantifinder study took Tuesday's Follow Through Day (FTD) into consideration. It was from the 6/27/11 letter and looked at other times a FTD was immediately followed by a 3-day pullback. This is the 13th time a FTD has occurred using the original FTD study rules that has been followed by a 3-day pullback. Results following the other 12 are all updated below.

After posting a Follow Through Day 3 days ago SPX closes down 3 days in a row.
Buy SPX on close. Sell X days later. \$100k/trade. 1971 - 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	29,669.89	12	10	2	83.33	4,311.59	13,539.60	-6,722.99	-9,869.76	0.64	3.21	2,472.49
9	29,016.85	12	9	3	75.00	4,678.14	12,144.60	-4,362.12	-9,101.56	1.07	3.22	2,418.07
8	26,094.93	12	9	3	75.00	4,159.83	7,969.50	-3,781.19	-8,342.56	1.10	3.30	2,174.58
7	28,396.13	12	9	3	75.00	4,205.33	8,110.70	-3,150.61	-7,997.56	1.33	4.00	2,366.34
6	21,255.66	12	9	3	75.00	3,712.71	8,427.90	-4,052.90	-11,373.96	0.92	2.75	1,771.31
5	21,542.01	12	10	2	83.33	2,700.82	6,188.00	-2,733.09	-4,961.56	0.99	4.94	1,795.17
4	18,267.87	12	10	2	83.33	2,291.27	5,859.90	-2,322.41	-3,551.20	0.99	4.93	1,522.32
3	18,760.35	12	11	1	91.67	1,829.97	4,676.10	-1,369.31	-1,369.31	1.34	14.70	1,563.36
2	11,598.84	12	9	3	75.00	1,523.77	3,728.40	-705.03	-1,314.17	2.16	6.48	966.57
1	7,864.69	12	10	2	83.33	927.81	4,338.90	-706.69	-983.33	1.31	6.56	655.39

The only instance that wasn't higher 3 days later was 7/1/82.
It took 5 days to post its 1st profitable close.

We see here some extremely positive stats and what appears to be a strong inclination for an immediate move higher. Below I have listed all 12 instances, assuming a 3-day holding period.

After posting a Follow Through Day 3 days ago SPX closes down 3 days in a row.
Buy SPX on close. Sell X days later. \$100k/trade. 1971 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
04/03/73	Buy	\$109.24	0.04%	\$36.60
04/06/73	Sell	\$109.28		(\$658.80)
05/06/74	Buy	\$91.12	2.02%	\$2,018.48
05/09/74	Sell	\$92.96		\$0.00
07/01/82	Buy	\$108.71	(1.37%)	\$137.85
07/07/82	Sell	\$107.22		(\$2,334.26)
03/07/84	Buy	\$154.57	1.14%	\$1,149.88
03/12/84	Sell	\$156.33		(\$516.80)
07/12/84	Buy	\$150.02	1.57%	\$1,718.28
07/17/84	Sell	\$152.38		(\$13.32)
10/21/85	Buy	\$186.96	0.82%	\$1,324.32
10/24/85	Sell	\$188.50		\$0.00
04/24/87	Buy	\$281.52	1.08%	\$1,735.95
04/29/87	Sell	\$284.57		(\$1,885.05)
04/25/97	Buy	\$765.37	4.70%	\$5,038.80
04/30/97	Sell	\$801.34		(\$269.10)
08/21/98	Buy	\$1,081.18	0.28%	\$2,342.32
08/26/98	Sell	\$1,084.18		(\$485.76)
01/08/01	Buy	\$1,295.90	2.39%	\$2,794.33
01/11/01	Sell	\$1,326.81		(\$663.74)
04/04/01	Buy	\$1,103.25	3.11%	\$4,338.90
04/09/01	Sell	\$1,137.58		\$0.00
06/24/11	Buy	\$1,268.45	3.07%	\$3,179.28
06/29/11	Sell	\$1,307.41		(\$71.76)
Avg Run-up: 2.2% Avg Drawdown: -0.6%				

The individual trades here appear as bullish as the summary table did. But there is one major difference with the current instance. Tuesday's FTD has already failed. The market hit new lows on Friday. In every other case above there was not yet a breach of the lows. In fact, there have only been 3 instances where a FTD has failed as quickly as this one. Those FTDs were 8/2/82, 3/8/01, and 9/25/08. I'm not sure that the fact that the rally has already failed will matter, but it does mean the market is in a different state. It is undergoing a selloff and no longer involved in a rally attempt. And just the fact that we are in a different state raises a red flag.

I should also note that the study last June was conducted using the list of FTDs from the original Follow Through Day study. Since then, all of the FTD studies I have conducted have used a more complete list. The difference is that the original list was as generous as possible in determining a failure. It required the market to close below its intraday correction low before being deemed a fail. The more complete list simply requires an

intraday probe to a new low, and it doesn't look at the close. If I use the newer list, rather than the original, then results would look like this:

After posting a Follow Through Day 3 days ago SPX closes down 3 days in a row. Buy SPX on close. Sell X days later. \$100k/trade. 1971 - 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	34,329.21	14	12	2	85.71	3,981.27	13,539.60	-6,722.99	-9,869.76	0.59	3.55	2,452.09
9	31,928.57	14	10	4	71.43	4,529.52	12,144.60	-3,341.66	-9,101.56	1.36	3.39	2,280.61
8	30,393.59	14	11	3	78.57	3,794.29	7,969.50	-3,781.19	-8,342.56	1.00	3.68	2,170.97
7	28,609.83	14	10	4	71.43	3,908.77	8,110.70	-2,619.46	-7,997.56	1.49	3.73	2,043.56
6	19,861.78	14	9	5	64.29	3,712.71	8,427.90	-2,710.51	-11,373.96	1.37	2.47	1,418.70
5	19,228.27	14	11	3	78.57	2,482.45	6,188.00	-2,692.89	-4,961.56	0.92	3.38	1,373.45
4	13,970.16	14	10	4	71.43	2,291.27	5,859.90	-2,235.63	-3,551.20	1.02	2.56	997.87
3	14,127.51	14	11	3	78.57	1,829.97	4,676.10	-2,000.72	-2,419.34	0.91	3.35	1,009.11
2	6,686.06	14	9	5	64.29	1,523.77	3,728.40	-1,405.57	-2,936.78	1.08	1.95	477.58
1	6,323.18	14	10	4	71.43	927.81	4,338.90	-738.72	-1,377.50	1.26	3.14	451.66

Results still appear bullish, but the 2 additional trades are both losers. One of them was 8/2/82 which I noted above was one of the few that failed as quick as this one, and the other was 10/13/98. With the rally already failed I am not including this study on the Active List.

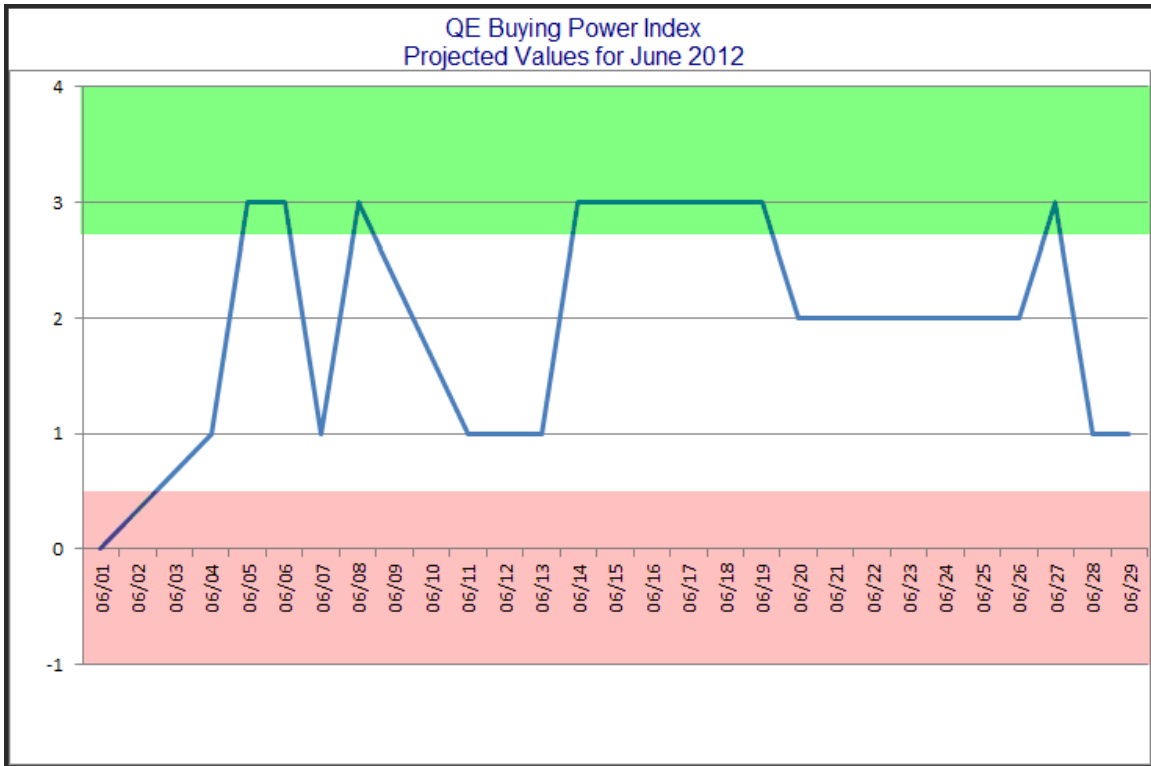
I noted earlier that the SPX has now also broken down below its 200ma. I looked at other instances where the SPX had fallen over 1% on the day and violated the 200ma for the first time in a while. Unfortunately, I found no consistency among the results. But below is an interesting study that takes into account both Friday's large gap down and the fact that we closed at a 50-day low. It was last seen in the 6/30/10 subscriber letter, and I have updated the results.

SPY gaps down > 1%. It then closes below the open and at a 50-day low.
Buy on close. Sell X Days later. \$100k/trade. 1993 - 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	47,677.95	23	14	9	60.87	6,651.32	15,488.00	-5,048.95	-11,547.30	1.32	2.05	2,072.95
9	47,028.93	23	15	8	65.22	6,158.76	14,617.60	-5,669.07	-20,523.36	1.09	2.04	2,044.74
8	33,422.57	24	15	9	62.50	5,197.96	15,449.60	-4,949.65	-18,549.96	1.05	1.75	1,392.61
7	32,129.13	25	14	11	56.00	5,094.39	14,577.84	-3,562.94	-12,441.39	1.43	1.82	1,285.17
6	34,849.76	25	13	12	52.00	6,311.55	19,603.86	-3,933.37	-10,180.95	1.60	1.74	1,393.99
5	31,023.90	25	15	10	60.00	4,973.04	15,673.56	-4,357.17	-11,713.44	1.14	1.71	1,240.96
4	12,428.77	26	15	11	57.69	4,746.38	15,340.08	-5,342.45	-15,473.88	0.89	1.21	478.03
3	16,505.86	27	17	10	62.96	3,207.73	14,708.85	-3,802.56	-13,375.08	0.84	1.43	611.33
2	-10,417.25	30	13	17	43.33	3,826.92	10,873.83	-3,539.25	-9,235.25	1.08	0.83	-347.24
1	10,128.88	32	15	17	46.88	3,052.14	11,683.71	-2,097.25	-7,417.30	1.46	1.28	316.53

The average trade column is mostly green here, and if you focus on that you could interpret a bullish edge. But the wins haven't been terribly consistent. What stood out most to me, and why I decided to include this study in tonight's letter, are the average and max trade columns that I have highlighted. Both for the winners and the losers the size of the moves in these columns are extremely large. This suggests that we are in a high volatility environment and risks are elevated.

But perhaps my biggest concern comes when looking at the QB Buying Power Index. As a refresher, the index is a rough measure of short-term POMO flows. In the QE Buying Power presentation from a few months ago (available to subscribers using the following link: <http://www.quantifiableedges.com/members/qebuyingpower.php>) I detailed both how to calculate the index and the impact short-term POMO flows have had on the market. On Thursday the Fed released their POMO schedule for June. Based on the schedule I calculated and charted the projected values for the month. This can be seen anytime using the link above. I've also copied the same chart below.



As you can see the QE Buying Power Index closed at 0 on Friday. This is the only day this month that it will be as low as zero. The index is capable of moving between -5 and +5. Anything zero or below is considered bearish, and anything three or above is considered bullish. According to the schedule, the June flows could provide some decent buying opportunities. Tuesday, Wednesday, and Friday of this week will all see readings of 3.

To demonstrate the impact of the QE Buying Power Index I have run a couple of studies below. This first one shows how the SPX has performed following 10-day lows when the index was a bullish 3+.

SPX closes at 10-day low. QE Buying Power Index >= 3. Buy SPX 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	42,897.21	16	14	2	87.50	3,424.07	8,311.15	-2,519.91	-2,607.56	1.36	9.51	2,681.08
9	32,287.51	16	12	4	75.00	3,244.25	7,921.30	-1,660.88	-2,770.35	1.95	5.86	2,017.97
8	31,200.18	17	13	4	76.47	2,909.23	8,227.10	-1,654.96	-3,246.72	1.76	5.71	1,835.30
7	29,258.38	17	13	4	76.47	2,922.66	7,393.35	-2,184.05	-4,333.28	1.34	4.35	1,721.08
6	20,116.60	18	10	8	55.56	3,281.12	7,893.60	-1,586.82	-3,629.56	2.07	2.58	1,117.59
5	10,678.10	19	10	9	52.63	2,371.12	4,675.68	-1,448.12	-2,659.24	1.64	1.82	562.01
4	12,390.52	21	14	7	66.67	1,982.96	4,732.80	-2,195.85	-4,672.36	0.90	1.81	590.02
3	18,175.98	24	17	7	70.83	1,769.43	6,051.15	-1,700.62	-4,416.52	1.04	2.53	757.33
2	16,144.61	26	20	6	76.92	1,155.75	3,018.23	-1,161.73	-2,264.02	0.99	3.32	620.95
1	6,307.21	34	19	15	55.88	741.10	3,031.79	-518.24	-1,858.94	1.43	1.81	185.51

As you would expect, results here are strong across the board and suggest a sizable upside edge. But now let's consider times like the present when SPX is closing at a 10-day low, but the QE Buying Power Index is 0 or negative.

SPX closes at 10-day low. QE Buying Power Index <= 0. Buy SPX 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	-11,496.06	21	9	12	42.86	3,868.04	11,695.97	-3,859.04	-14,281.20	1.00	0.75	-547.43
9	-5,156.22	22	9	13	40.91	4,494.83	12,095.67	-3,508.44	-13,752.00	1.28	0.89	-234.37
8	-19,682.54	24	11	13	45.83	3,577.05	8,611.46	-4,540.77	-17,225.10	0.79	0.67	-820.11
7	-8,163.53	25	9	16	36.00	5,137.02	12,720.84	-3,399.79	-16,262.61	1.51	0.85	-326.54
6	2,962.22	27	13	14	48.15	3,547.58	11,028.18	-3,082.60	-10,253.07	1.15	1.07	109.71
5	-1,428.91	30	16	14	53.33	2,916.75	9,975.30	-3,435.50	-18,000.90	0.85	0.97	-47.63
4	-22,724.71	34	15	19	44.12	2,461.01	5,090.39	-3,138.94	-17,037.90	0.78	0.62	-668.37
3	1,605.61	39	22	17	56.41	2,537.13	13,853.40	-3,188.89	-11,502.27	0.80	1.03	41.17
2	-7,980.43	51	20	31	39.22	2,799.49	10,183.87	-2,063.56	-9,270.00	1.36	0.88	-156.48
1	17,010.24	71	40	31	56.34	1,936.88	11,558.43	-1,950.48	-7,577.02	0.99	1.28	239.58

Buying at 10-day lows will often provide an upside edge. But when buying power is neutral or negative that edge has not existed.

The other proprietary indicator that is worth noting right now is the Quantifiable Edges Capitulative Breadth Index (CBI). It moved from 2 to 5 on Friday. Five is considered mildly bullish, but nothing to get too excited about. Once the CBI reaches 10 or higher that typically suggests a very strong upside edge. With the way large cap stocks are currently set up additional selling on Monday could lead to a decent sized spike in the

CBI. I will be watching closely and if there is more selling on Monday I will post the anticipated CBI reading to twitter (<http://twitter.com/qerob>) during the day.

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



With tonight's research the green Aggregator line is strongly positive. 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 farther above 0 than it has been in months. This means the SPX is strongly short-term oversold versus expectations. So net expectations are bullish and the SPX is extremely 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 reflected on the systems page before the bell.

Based on the current studies, expectations are set to remain positive on Monday. Of course this could change if strong bearish evidence emerges. Meanwhile, the Differential Pivot will be 1,314.29 on Monday. This is a whopping 2.8% above Friday's close. A rise of this much on Monday is highly unlikely. A much more likely scenario would be a multi-day rise or consolidation.

So the Aggregator is pointing higher, and there seems to be a decent upside edge. But there are also some considerations I noted above that are not baked into the Aggregator. These include the fact that we just had a FTD fail, the large gap down and new 50-day low suggest a highly volatile environment, and the weak QE Buying Power Index reading. I already have some long exposure. I will look to add a little more on Monday, but not aggressively. If we continue to see selling over the next couple of days, and the CBI spikes as anticipated, then I will likely begin to get more heavily positioned long.

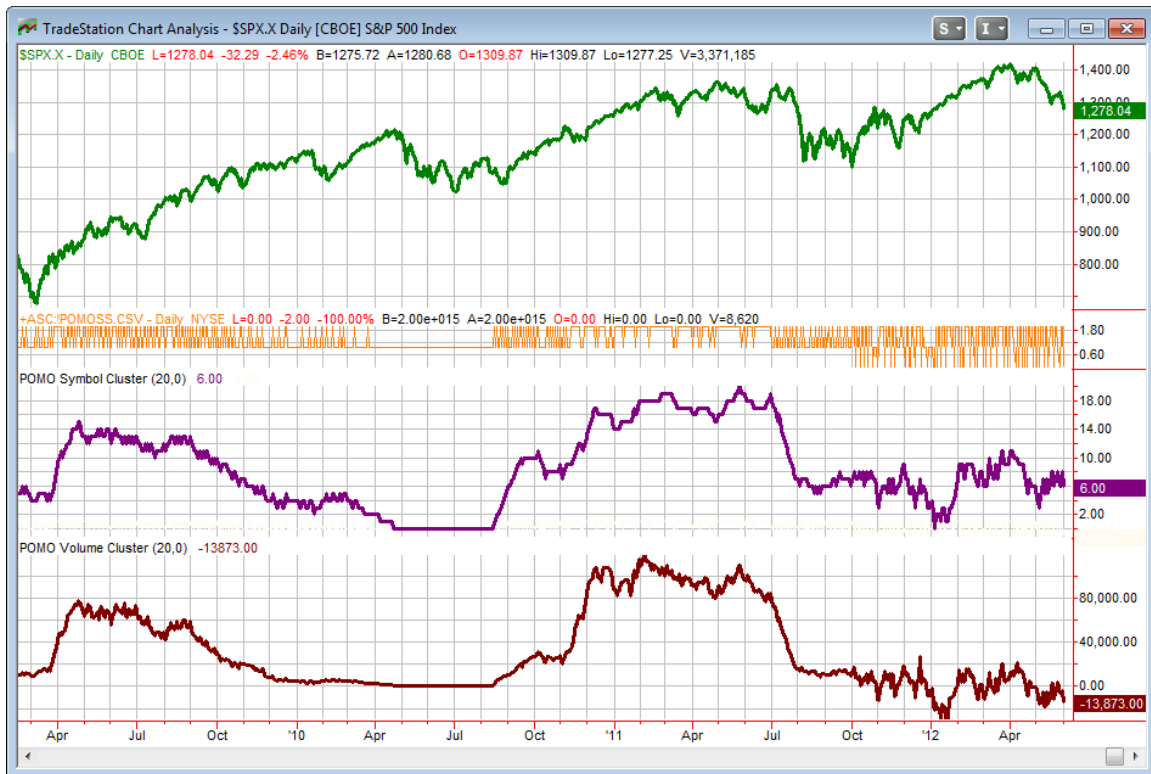
Intermediate-term Outlook (2 weeks – 2 months)– updated 6/4 – neutral

The market closed Friday at new intermediate-term lows, erasing any doubt that the downtrend is still ongoing. Once we get a bounce then it will be time to begin examining the odds of a new rally. The market has to stabilize first, though.

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>



There were 2 days of POMO buying and 2 days of selling this past week. But the net result was about a \$10.6 billion liquidity withdrawal. This helped move the intermediate-term POMO indicators back down near the low end of their recent range. As I have been noting, liquidity measures have been modest at best since the market topped out in early April.

This upcoming week the fed is scheduled for 4 days of buying and just one day of selling. The net result is an anticipated \$5 billion inflow, which starting later in the week should help to aid the market. Below is a link to the full June schedule.

http://www.newyorkfed.org/markets/tot_operation_schedule.html

Intermediate-term evidence remains mixed, but the trend is currently clearly down. I'm neutral at this point, and willing to take trades in either direction. Until we get a bounce which I can evaluate it is unlikely I'll find evidence that would strongly impact my intermediate-term outlook.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

JPM – 1/3 @ \$32.51 (not filled)

MCD – 1/3 @ \$89.34 (bought @ \$87.47)

New

MCD – 1/3 @ \$86.71 (buy @ limit)

BAX – 1/3 @ \$50.17 (buy @ limit)

EMC – 1/3 @ \$23.18 (buy @ limit)

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 5/4 (JPM, MCD-2, BAX, EMC)

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.

MCD – buy 1/3 Catapult position @ \$86.71 limit. – This is based on the new Catapult trigger listed in the Catapult & CBI section above.

BAX – buy 1/3 Catapult position @ \$50.17 limit. – This is based on the new Catapult trigger listed in the Catapult & CBI section above.

EMC – buy 1/3 Catapult position @ \$23.18 limit. – This is based on the new Catapult trigger listed in the Catapult & CBI section above.

JPM – buy 1/3 Catapult position @ \$31.93 LIMIT ON CLOSE. – This is an old Catapult signal that did not manage to trigger an exit before making this new leg down. I'll buy it now at a discount if we get one more day of selling. (Note this is a LIMIT ON CLOSE order.)

SPY – buy ¼ index position @ \$128.16 LIMIT ON CLOSE. –This is based on the short-term outlook above. Risks still remain, but another down day Monday will get us closer to a bounce and get me interested in buying more.

Traders unfamiliar with Catapults are encouraged to review the Catapult & CBI presentation.

[*Catapult & CBI Presentation Link*](#)

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
QQQ(1/4)	5/7/2012	\$64.31	\$60.41	-6.06%		
MCD(1/3)	6/1/2012	\$87.47	\$86.71	-0.87%		<i>bought on open</i>

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