

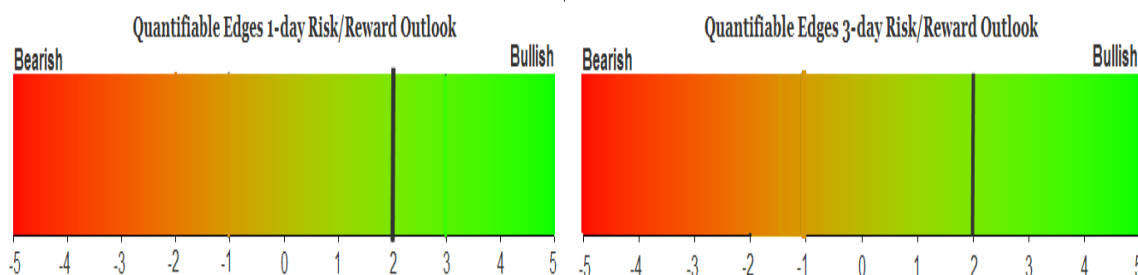
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 14, 2012

Volume 5 Issue 114

Market Overview



Signals Overview

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

Tonight's Research Points

- The QE Buying Power Index suggests liquidity could help the market over the next few days.

Short-term Outlook

The Bottom Line

Indications are for an upside edge. But the time window is small for a long Aggregator trade. I'm going to sit out in this tricky environment and wait for a more compelling entry opportunity.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
June 13, 2012	FTD with modest breadth & volume	1-2 days	Bearish	-2.30%
June 12, 2012	SPY 3-day high. 3-day low. 3low close	1-5 days	Bullish	2.20%
June 12, 2012	SPX dn 1%. Decliners 2x advancers.	1-3 days	Bullish	1.85%
Active - Long Term				
June 13, 2012	FTD with modest breadth & volume	int term	Bearish	
June 12, 2012	SPY 3-day high. 3-day low. 3low close	1-10 days	Bullish	3.30%
June 7, 2012	90% up day on 3rd day of rally	1-14 days	Bullish	
May 21, 2012	CBI > 10.	1-20 days	Bullish	6.80%
February 1, 2012	Golden Cross	int term	Bullish	
December 5, 2011	POMO activity flat to negative	int term	Bearish	

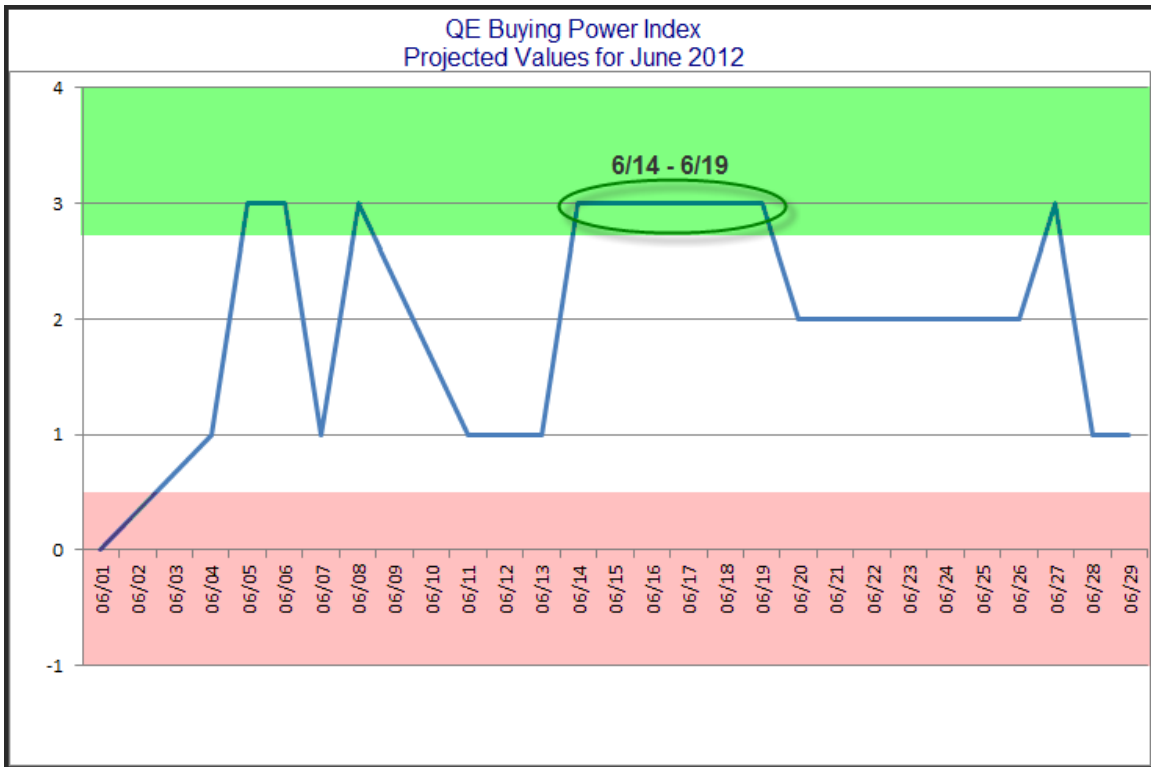
If the avg max move is achieved the study will appear in **bold italic blue** and no longer be active.

The Evidence

It took until about 2pm for the market to decide what it wanted to do. When it did, it didn't look back. It was all downhill from there. The SPX fell 0.7%, the Nasdaq lost 0.9% and the Russell 2000 declined 1.2%. Breadth was squarely negative as the NYSE Up Issues % came in at 27% and the Up Volume % was 26%. Total NYSE volume declined from Tuesday's level.

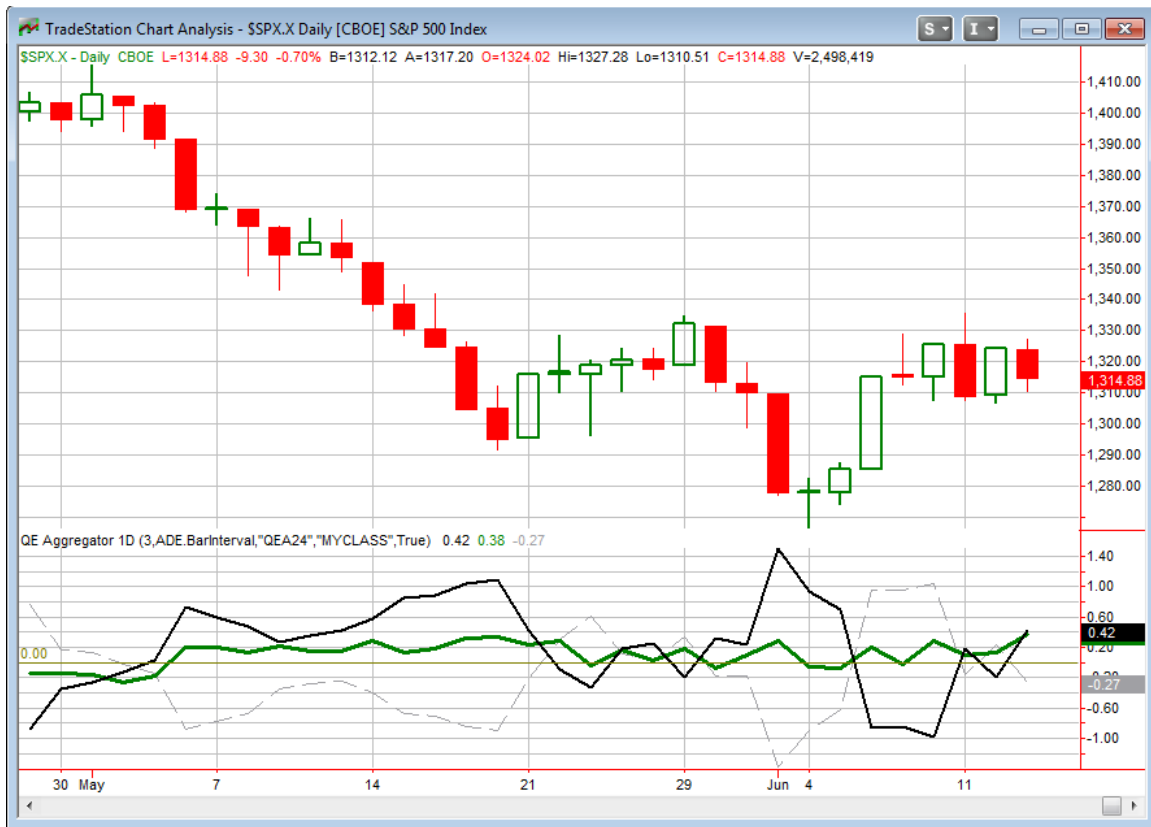
Over the last 5 days the market has done little except for jiggle back and forth. That kind of action rarely produces strong edges, and so it isn't much of a surprise tonight that the Quantifinder was void of any compelling studies.

One indicator worth discussion is the QE Buying Power Index. It can be found on the [QE Buying Power Index information page](#) at any time. I've copied the projected value chart for June from that page and marked the period we are entering.



As you can see the next 4 trading days the index value will be pegged at a bullish “3”. This suggests the market should have strong liquidity helping to cushion selloffs or accelerate rallies. The QE Buying Power Swing System was designed to take advantage of this edge. It looks to go long the SPX any time the QE Buying Power Index is 3 or higher and the SPX is oversold. There has only been 1 long trade trigger since January. This is because the market has moved nicely in concert with the index values. It is when the index gets out of whack with price action that we typically look to take a position. This would happen if the SPX got down to the low-end of its recent 10-day arrange in any of the 4 upcoming days.

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



The green Aggregator line remains positive again tonight. Readings above 0 mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line jumped back above zero after just one day below it. This means the SPX is short-term oversold versus expectations. 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 turned from flat to long. This was indicated as likely on the systems page near the close.

Expectations are set to remain positive on Thursday. Of course this could change if bearish studies emerge. Meanwhile, the Differential Pivot will be *slightly inverted* at 1,313.59 on Thursday. An inverted pivot means the Differential Line will cross 0 if the market closes flat. In order to prevent the Differential line from falling back below 0 the SPX will need to decline about 0.1%.

Aggressive traders could certainly look to take a long position here. I'm not eager just yet. While the Differential Line is suggesting short-term oversold, the SPX is still 70% of the way up its 10-day range. That is a bit high for my taste when there are some compelling bearish studies on the board, and last night's weak FTD studies were definitely compelling. Additionally, with the inverted Differential Pivot we are basically looking at a 1-day opportunity here if the trade moves up or even sideways.

What would make me interested in taking a long position is if we closed down near the bottom $\frac{1}{4}$ of the recent range. With the QE Buying Power Index also strong that would be an attractive entry point in my eyes. We are still a way from there though. I'll stay flat one more day and see if a more compelling opportunity arises.

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Intermediate-term Outlook (2 weeks – 2 months)– updated 6/11 – neutral

The intermediate-term outlook was last updated in the 6/11 letter. A link is below.

[2012-06-11 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

None.

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