

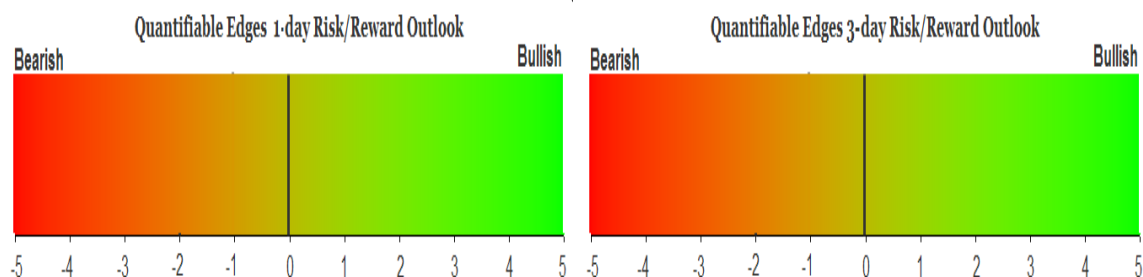
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 15, 2012

Volume 5 Issue 115

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Closing near the top of its 10-day range just prior to op-ex has typically been followed by a pullback.

## Short-term Outlook

### The Bottom Line

The Aggregator is back to neutral and so am I.

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

Study Date	Description	Time span	Bias	Avg Max Move
<b>Active</b>				
June 15, 2012	Top 10% 10-day range before OpEx	1-4 days	Bearish	-1.50%
June 12, 2012	SPY 3-day high. 3-day low. 3low close	1-5 days	Bullish	2.20%
<b>Active - Long Term</b>				
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	
<b>Dropped Tonight</b>				
<b>June 12, 2012</b>	<b>SPX dn 1%. Decliners 2x advancers</b>	<b>1-3 days</b>	<b>Bullish</b>	<b>1.85%</b>
June 13, 2012	FTD with modest breadth & volume	1-2 days	Bearish	-2.30%

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

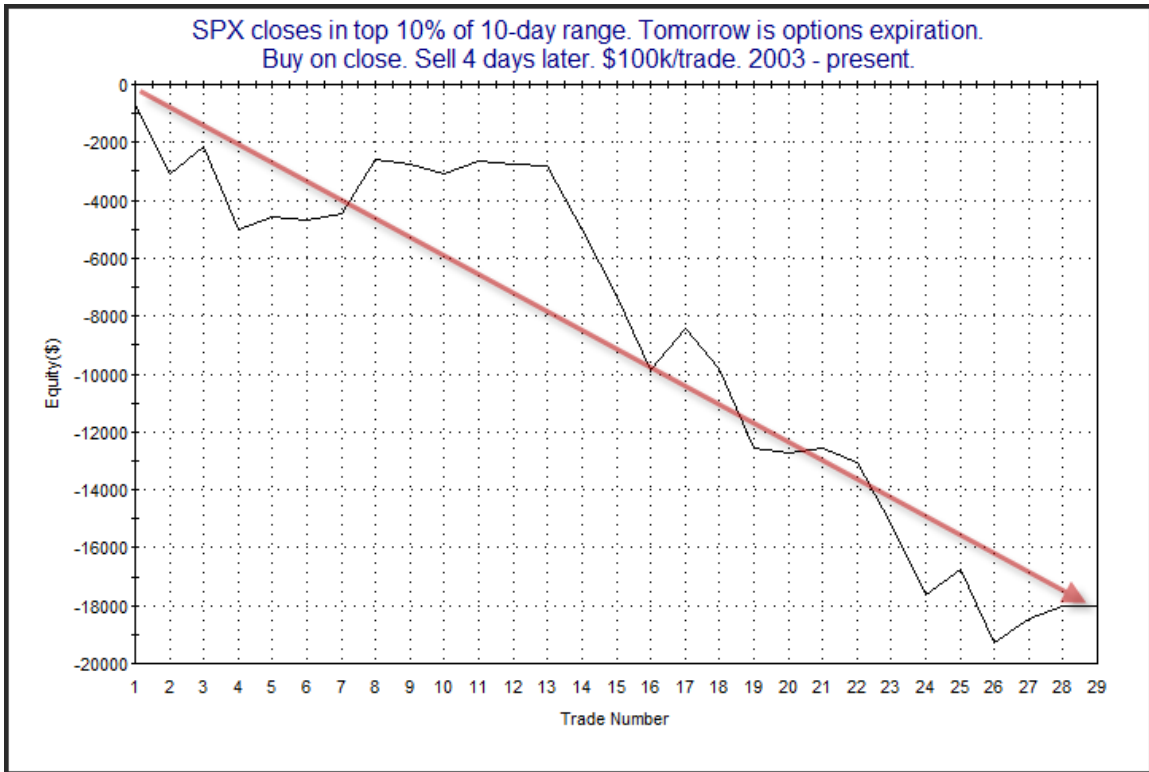
### *The Evidence*

The market put in strong gains on Thursday. The SPX rose 1.1%, the Nasdaq gained 0.6% and the Russell 2000 rallied 1.3%. Breadth was positive as the NYSE Up Issues % came in at 68% and the Up Volume % was 80%. Total NYSE volume came in higher than Wednesday.

It is a little unusual to see the market close so strongly just ahead of options expiration. And when it has happened it has typically led to selling over the next few days. The study below shows this. It was last seen in the 3/16/12 subscriber letter. All stats have been updated.

SPX closes in top 10% of 10-day range. Tomorrow is options expiration. Buy on close. Sell X days later. \$100k/trade. 2003 - 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
5	-18,700.82	29	10	19	34.48	920.01	3,768.30	-1,468.47	-4,932.90	0.63	0.33	-644.86
4	-18,013.93	29	11	18	37.93	695.74	1,825.60	-1,425.95	-2,899.20	0.49	0.30	-621.17
3	-9,383.15	29	15	14	51.72	540.31	1,474.40	-1,249.12	-2,828.70	0.43	0.46	-323.56
2	-9,077.23	29	17	12	58.62	432.69	1,588.40	-1,369.41	-3,784.65	0.32	0.45	-313.01
1	-3,662.89	29	16	13	55.17	342.01	2,286.84	-702.69	-2,875.60	0.49	0.60	-126.31

Numbers here are moderately compelling. To confirm the downside edge, I also ran an equity curve. This curve is based on a 4-day exit strategy.



This curve would seem to confirm the downside edge suggested by the stats table.

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



Despite tonight's bearish study the green Aggregator line remained positive. Readings above 0 mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line dropped back below zero. This means the SPX is short-term overbought versus expectations. So net expectations are bullish but 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 turned from long to flat. This was indicated as likely on the systems page near the close.

Expectations are set to turn just barely negative on Friday. Of course this could change if bullish studies emerge. Meanwhile, the Differential Pivot will again be *slightly inverted* at 1,330.96 on Friday. An inverted pivot means the Differential Line will cross 0 if the market closes flat. In order to prevent the Differential line from moving back above 0 the SPX will need to rise about 0.1%.

The Aggregator is neutral, the studies are mixed, the Differential Pivot is again slightly inverted, and the market has reversed direction for 6 days in a row. I'm not seeing an overwhelming edge here. So I'll remain sidelined, enjoy the weekend, and await a more compelling opportunity.

***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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