

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 30, 2012

Volume 5 Issue 145

Market Overview



Signals Overview

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

Tonight's Research Points

- Breakouts to a 50-day high that occur after a consolidation, like now, are more reliable.
- The fact that the 50-day SPX high occurred on declining volume is short-term bullish.
- SPY leaving 2 unfilled up gaps in conjunction with the 50-day high is also bullish.
- Strong breadth along with a 50-day high is bullish both short and intermediate-term.

Short-term Outlook

The Bottom Line

Studies look bullish but we are extremely overbought short-term. I'm stepping aside for now.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
July 30, 2012	SPY 2 unfilled up gaps & 50 high	1-3 days	Bullish	1.00%
July 30, 2012	SPX 50-day high on 90% up vol	1-5 days	Bullish	2.60%
Active - Long Term				
July 30, 2012	SPX 50-day high on 90% up vol	1-50 days	Bullish	
July 16, 2012	POMO modestly bullish	int term	Bullish	
June 13, 2012	FTD with modest breadth & vol	int term	Bearish	
February 1, 2012	Golden Cross	int term	Bullish	
Dropped Tonight				
<i>July 25, 2012</i>	<i>3 dn from 50-hi. Under 10ma > 10-</i>	<i>1-4 days</i>	<i>Bullish</i>	<i>1.90%</i>
<i>July 24, 2012</i>	<i>2 unfilled down gaps >200ma. 5 lo</i>	<i>1-5 days</i>	<i>Bullish</i>	<i>1.80%</i>

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

The Evidence

Thursday's buying accelerated on Friday as the indices put in strong gains. The SPX rallied 1.9%, the Nasdaq gained 2.2% and the Russell 2000 rose 2.4%. Breadth was very strongly positive as the NYSE Up Issues % came in at 81% and the Up Volume % was 94%. Total NYSE volume came in just shy of Thursday's level.

The big news Friday was that the SPX made a new 50-day high. But it wasn't just the fact that it made a new high, but how it did it that appears encouraging. The 50-day high was achieved 1) on declining volume, 2) with the SPY leaving an unfilled up gap for the second day in a row, and 3) on extremely strong breadth. As I will show in the studies below, all of these things are bullish.

This was the 1st new high the SPX has made in over a week. The lower NYSE volume may sound concerning to some technicians, but when you're talking about the major index breakouts low volume is actually favorable. I discussed this last in the 4/26/10 subscriber letter. Today I will go through it again and update all of the stats.

Below are 2 studies. They look at SPX breakouts to new highs. The only difference between the two is that the 1st one requires a rise in volume and the 2nd one requires a decline in volume.

SPX closes at a 50-day high after not doing so for at least 5 days. NYSE volume is higher than yesterday. Buy SPX on close. Sell X days later. \$100k/trade. 1996 - 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	986.19	54	27	27	50.00	1,870.22	4,720.04	-1,833.70	-4,162.56	1.02	1.02	18.26
9	-8.75	54	26	28	48.15	1,951.25	4,637.68	-1,812.19	-4,614.75	1.08	1.00	-0.16
8	-4,544.09	56	29	27	51.79	1,691.56	4,058.40	-1,985.17	-5,227.95	0.85	0.92	-81.14
7	5,532.32	56	28	28	50.00	1,861.40	6,337.26	-1,663.81	-5,444.25	1.12	1.12	98.79
6	7,970.07	57	35	22	61.40	1,316.78	4,166.72	-1,732.59	-4,332.45	0.76	1.21	139.83
5	7,684.36	57	31	26	54.39	1,358.28	5,231.46	-1,323.94	-4,452.84	1.03	1.22	134.81
4	913.36	57	35	22	61.40	1,028.88	3,438.24	-1,595.33	-4,407.48	0.64	1.03	16.02
3	-1,943.14	57	32	25	56.14	970.36	3,830.40	-1,319.79	-5,137.56	0.74	0.94	-34.09
2	-8,443.60	57	27	30	47.37	697.40	1,998.39	-909.12	-3,134.16	0.77	0.69	-148.13
1	125.91	57	28	29	49.12	435.35	1,606.89	-415.99	-2,279.88	1.05	1.01	2.21

What we see here is that there is no edge apparent when the breakout is accompanied by an increase in volume. Now let's look at the study with decreasing volume.

SPX closes at a 50-day high after not doing so for at least 5 days. NYSE volume is lower than yesterday. Buy SPX on close. Sell X days later. \$100k/trade. 1996 - 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	22,265.74	47	29	18	61.70	2,038.69	5,960.00	-2,047.58	-8,724.80	1.00	1.60	473.74
9	29,974.43	47	34	13	72.34	1,808.69	5,147.20	-2,424.69	-7,308.66	0.75	1.95	637.75
8	25,826.42	47	31	16	65.96	1,718.06	5,096.00	-1,714.59	-4,215.62	1.00	1.94	549.50
7	17,956.82	47	29	18	61.70	1,432.51	4,112.00	-1,310.33	-3,581.76	1.09	1.76	382.06
6	29,923.99	48	30	18	62.50	1,511.33	4,158.60	-856.45	-3,334.80	1.76	2.94	623.42
5	33,100.68	48	31	17	64.58	1,546.02	3,687.06	-872.12	-3,070.40	1.77	3.23	689.60
4	25,878.86	48	33	15	68.75	1,177.15	3,349.50	-864.48	-2,913.85	1.36	3.00	539.14
3	25,910.63	48	33	15	68.75	1,177.94	3,803.64	-864.10	-2,125.44	1.36	3.00	539.80
2	12,865.54	48	34	14	70.83	758.81	2,212.98	-923.85	-2,752.74	0.82	1.99	268.03
1	5,171.65	48	32	16	66.67	433.44	1,415.70	-543.65	-1,921.32	0.80	1.59	107.74

42 of 48 instances (87.5%) closed above the entry price at some point in the next 3 days.

These stats are substantially better and suggest a decent upside edge over the next few days.

The requirement that the market has not closed at a new high for 5 days was included to show that this is a fresh breakout and not a market that is already extended upwards and has been making new highs for multiple days. To see the effect of this filter I ran a few tests that demanded different periods without new highs. This first one looks at a 1-day holding period.

SPX closes at a 50-day high after not doing so for at least X days. NYSE volume is lower than yesterday. Buy SPX on close. Sell 1 day later. \$100k/trade. 1996 - 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	2,193.11	29	18	11	62.07	406.87	1,384.02	-466.41	-1,921.32	0.87	1.43	75.62
9	2,193.11	29	18	11	62.07	406.87	1,384.02	-466.41	-1,921.32	0.87	1.43	75.62
8	2,273.21	30	19	11	63.33	389.67	1,384.02	-466.41	-1,921.32	0.84	1.44	75.77
7	6,469.99	36	25	11	69.44	464.02	1,415.70	-466.41	-1,921.32	0.99	2.26	179.72
6	7,773.25	39	28	11	71.79	460.85	1,415.70	-466.41	-1,921.32	0.99	2.52	199.31
5	5,171.65	48	32	16	66.67	433.44	1,415.70	-543.65	-1,921.32	0.80	1.59	107.74
4	5,026.88	57	36	21	63.16	409.26	1,415.70	-462.21	-1,921.32	0.89	1.52	88.19
3	5,975.93	64	39	25	60.94	465.77	2,204.80	-487.57	-1,921.32	0.96	1.49	93.37
2	-89.78	78	45	33	57.69	455.33	2,204.80	-623.63	-2,378.78	0.73	1.00	-1.15
1	-2,625.15	111	60	51	54.05	467.01	3,358.36	-600.90	-2,378.78	0.78	0.91	-23.65
0	-12,828.90	253	124	129	49.01	473.44	3,358.36	-554.54	-2,447.06	0.85	0.82	-50.71

Here you see that fresh breakouts tend to do better than extended conditions. The “0-2 days” rows show slight negative expectations. Stats once you get out about 5 days look pretty strong and remain so as you go farther out.

I also ran this same test with a 3-day holding period.

SPX closes at a 50-day high after not doing so for at least X days. NYSE volume is lower than yesterday. Buy SPX on close. Sell 3 days later. \$100k/trade. 1996 - 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	20,001.69	29	21	8	72.41	1,300.66	2,641.80	-914.01	-1,802.37	1.42	3.74	689.71
9	20,001.69	29	21	8	72.41	1,300.66	2,641.80	-914.01	-1,802.37	1.42	3.74	689.71
8	20,694.11	30	22	8	73.33	1,273.01	2,641.80	-914.01	-1,802.37	1.39	3.83	689.80
7	28,117.92	36	27	9	75.00	1,343.03	3,803.64	-904.88	-1,802.37	1.48	4.45	781.05
6	27,644.72	39	28	11	71.79	1,308.12	3,803.64	-816.59	-1,802.37	1.60	4.08	708.84
5	25,910.63	48	33	15	68.75	1,177.94	3,803.64	-864.10	-2,125.44	1.36	3.00	539.80
4	28,637.28	57	39	18	68.42	1,150.09	3,803.64	-900.90	-2,125.44	1.28	2.77	502.41
3	25,936.18	64	43	21	67.19	1,140.08	3,803.64	-1,099.40	-2,690.56	1.04	2.12	405.25
2	20,773.62	78	48	30	61.54	1,139.58	3,803.64	-1,130.87	-3,887.84	1.01	1.61	266.33
1	14,931.38	107	61	46	57.01	1,133.35	4,747.13	-1,178.33	-4,848.17	0.96	1.28	139.55
0	7,553.42	183	98	85	53.55	1,006.97	4,747.13	-1,072.11	-4,848.17	0.94	1.08	41.28

Results here suggest a similar conclusion. You are better off buying breakouts that haven't made a new high for at least a week or so than you are buying any random new high. Anything beyond a week shows fairly consistent results.

I did get a note from someone who observed the breakout was not accompanied by a breakout in either the NASDAQ or the Russell 2000, and wondered whether this presented a problem. So I took the low-volume breakout study above and filtered to see only those times, like now, where the SPX broke out without confirmation from those other indices.

SPX closes at a 50-day high after not doing so for at least 5 days. NYSE volume is lower than yesterday. Both the Nasdaq and the Russell 2000 failed to confirm and have still gone >= 5 days since a 50-day high. Buy SPX on close. Sell X days later. \$100k/trade. 1996 - 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	4,635.95	17	10	7	58.82	1,712.85	5,960.00	-1,784.65	-4,090.24	0.96	1.37	272.70
9	7,171.07	17	12	5	70.59	1,502.49	5,147.20	-2,171.76	-4,101.68	0.69	1.66	421.83
8	10,186.50	17	12	5	70.59	1,696.93	5,096.00	-2,035.33	-3,718.00	0.83	2.00	599.21
7	5,282.17	17	9	8	52.94	1,449.03	4,112.00	-969.89	-3,202.32	1.49	1.68	310.72
6	9,064.62	17	11	6	64.71	1,181.53	3,536.00	-655.36	-2,060.40	1.80	3.31	533.21
5	8,937.30	17	11	6	64.71	1,306.34	2,755.20	-905.41	-3,070.40	1.44	2.65	525.72
4	6,468.01	17	11	6	64.71	1,095.66	1,979.34	-930.71	-2,913.85	1.18	2.16	380.47
3	7,055.28	17	11	6	64.71	1,073.80	2,270.40	-792.75	-1,414.00	1.35	2.48	415.02
2	2,865.10	17	9	8	52.94	967.63	2,212.98	-730.44	-1,350.00	1.32	1.49	168.54
1	-2,002.76	17	7	10	41.18	527.50	950.40	-569.53	-1,721.70	0.93	0.65	-117.81

Day 1 was a bit weaker, but looking out beyond that results were very comparable to the non-filtered sample set. So I'm not worried about this non-confirmation.

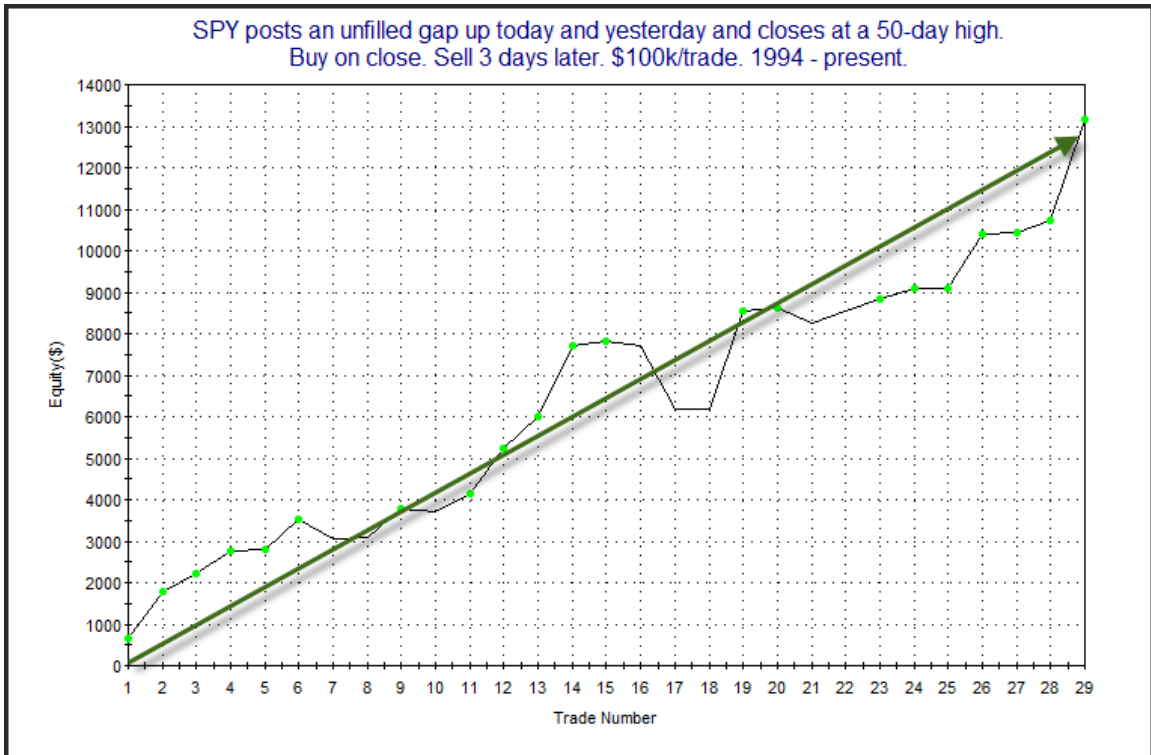
Another positive about the breakout was that it occurred with SPY posting its 2nd unfilled up gap in a row. In the 10/25/11 subscriber letter I looked at other instances where SPY posted a 50 day high in conjunction with two unfilled up gaps. I have updated that study below.

SPY posts an unfilled gap up today and yesterday and closes at a 50-day high. Buy on close. Sell X days later. \$100k/trade. 1994 - 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	9,128.90	29	21	8	72.41	910.02	1,927.68	-1,247.69	-4,508.40	0.73	1.91	314.79
4	14,866.67	29	24	5	82.76	900.25	2,475.56	-1,347.89	-2,720.25	0.67	3.21	512.64
3	13,163.94	29	23	6	79.31	681.34	2,419.84	-417.82	-1,509.60	1.63	6.25	453.93
2	6,656.35	29	21	7	72.41	512.77	1,858.87	-587.41	-947.24	0.87	2.62	229.53
1	-1,692.55	33	17	16	51.52	304.40	980.49	-429.21	-1,942.24	0.71	0.75	-51.29

31 of 33 instances (94%) closed above the entry price at some point in the next 4 days.

Results here appear extremely consistent and suggest an upside edge. In looking at the profit curves, the 3-day stood out to me, and I have posted it below.



The strong, steady upslope serves as confirmation of the bullish tendency.

Yet another positive about the day's move up to new highs was that it was accompanied by very strong breadth. The study below was last seen in the 3/14/12 subscriber letter. It considered what has transpired after other instances of the SPX making new intermediate-term highs on extremely strong breadth. Results are all up to date.

SPX closes at a 50-day high. NYSE Up Volume % > 90%.
Buy on close. Sell X days later. \$100k/trade. 1970 - 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
50	87,196.79	17	16	1	94.12	5,791.93	19,845.80	-5,474.10	-5,474.10	1.06	16.93	5,129.22
45	85,183.93	18	16	2	88.89	5,830.07	17,945.20	-4,048.58	-5,052.36	1.44	11.52	4,732.44
40	83,320.36	19	15	4	78.95	5,989.19	20,950.80	-1,629.39	-2,937.98	3.68	13.78	4,385.28
35	86,607.69	19	16	3	84.21	5,695.52	18,961.80	-1,506.89	-2,194.86	3.78	20.16	4,558.30
30	74,210.36	19	17	2	89.47	4,411.97	11,920.74	-396.52	-418.88	11.13	94.58	3,905.81
25	63,253.95	20	15	5	75.00	4,883.16	12,045.67	-1,998.68	-3,024.54	2.44	7.33	3,162.70
20	56,992.14	21	15	6	71.43	4,843.63	13,393.77	-2,610.37	-6,770.72	1.86	4.64	2,713.91
15	47,797.27	21	16	5	76.19	4,023.58	8,150.48	-3,316.01	-6,277.02	1.21	3.88	2,276.06
10	31,960.92	23	14	9	60.87	3,393.90	10,507.25	-1,728.18	-4,090.24	1.96	3.05	1,389.61
9	27,251.60	23	15	7	65.22	2,955.28	8,413.73	-2,439.66	-5,207.55	1.21	2.60	1,184.85
8	27,269.04	23	15	8	65.22	3,060.64	8,524.75	-2,330.07	-4,082.16	1.31	2.46	1,185.61
7	25,080.10	24	15	9	62.50	2,964.28	6,026.80	-2,153.79	-3,954.60	1.38	2.29	1,045.00
6	25,970.50	24	16	8	66.67	2,333.50	6,819.80	-1,420.68	-4,106.70	1.64	3.29	1,082.10
5	29,208.05	25	19	6	76.00	1,941.44	8,516.82	-1,279.87	-3,295.50	1.52	4.80	1,168.32
4	23,430.24	26	20	6	76.92	1,759.25	6,716.71	-1,959.13	-4,894.50	0.90	2.99	901.16
3	15,611.72	26	17	9	65.38	1,582.39	6,740.50	-1,254.32	-5,105.87	1.26	2.38	600.45
2	17,218.74	26	19	7	73.08	1,160.11	4,028.44	-689.06	-2,409.33	1.68	4.57	662.26
1	10,853.10	27	15	12	55.56	1,047.07	2,755.52	-404.42	-1,255.50	2.59	3.24	401.97

92% of instances posted a close above the entry price at some point in the next week. All within 8 trading days.

Implications appeared to be strongly positive both short and long-term. For those that would like to review examples, below is a list of instances assuming a 50-day exit criteria.

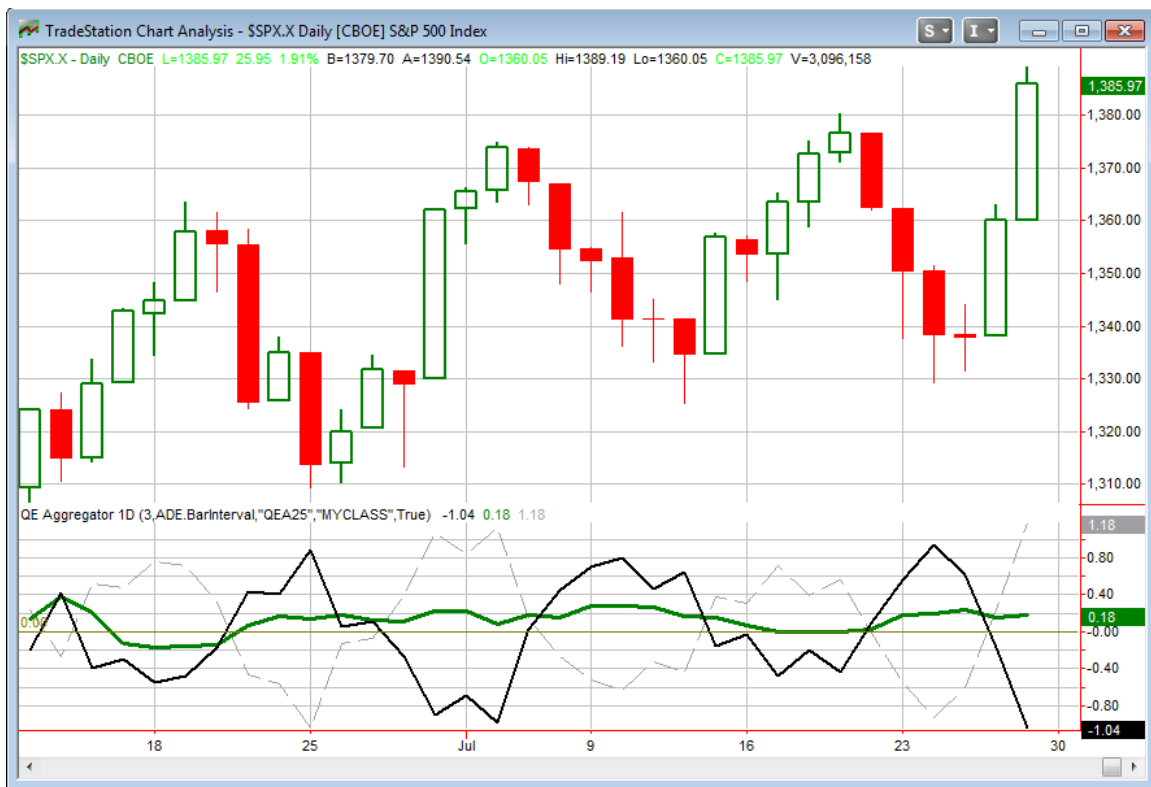
SPX closes at a 50-day high. NYSE Up Volume % > 90%.
Buy on close. Sell 50 days later. \$100k/trade. 1970 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/30/70	Buy	\$87.20	11.69%	\$11,815.26
02/10/71	Sell	\$97.39		\$0.00
01/27/75	Buy	\$75.37	9.91%	\$14,108.64
04/09/75	Sell	\$82.84		\$0.00
01/05/76	Buy	\$92.58	9.01%	\$10,281.60
03/16/76	Sell	\$100.92		\$0.00
04/14/78	Buy	\$92.91	1.82%	\$9,597.92
06/26/78	Sell	\$94.60		(\$172.16)
08/02/78	Buy	\$102.91	1.91%	\$4,990.94
10/12/78	Sell	\$104.88		(\$2,184.75)
08/20/82	Buy	\$113.02	19.86%	\$27,722.24
11/01/82	Sell	\$135.47		(\$928.20)
11/03/82	Buy	\$142.86	2.65%	\$4,347.78
01/14/83	Sell	\$146.64		(\$7,535.22)
08/02/84	Buy	\$157.99	3.91%	\$7,362.80
10/12/84	Sell	\$164.17		\$0.00
01/04/88	Buy	\$255.94	3.98%	\$5,779.80
03/15/88	Sell	\$266.12		(\$6,154.20)
05/12/89	Buy	\$313.84	6.38%	\$7,488.90
07/25/89	Sell	\$333.87		\$0.00
05/11/90	Buy	\$352.00	1.08%	\$5,049.52
07/24/90	Sell	\$355.79		(\$542.44)
02/11/91	Buy	\$368.58	3.85%	\$6,146.28
04/24/91	Sell	\$382.76		(\$1,734.40)
05/04/09	Buy	\$907.24	2.80%	\$5,388.90
07/15/09	Sell	\$932.68		(\$4,171.20)
08/03/09	Buy	\$1,002.63	7.04%	\$7,674.48
10/13/09	Sell	\$1,073.19		(\$2,387.88)
08/02/10	Buy	\$1,125.86	3.90%	\$4,111.36
10/12/10	Sell	\$1,169.77		(\$7,582.08)
10/18/11	Buy	\$1,225.38	3.07%	\$5,449.68
12/29/11	Sell	\$1,263.02		(\$5,404.32)
03/13/12	Buy	\$1,395.96	(5.52%)	\$1,875.82
05/23/12	Sell	\$1,318.86		(\$7,382.58)

The last instance disappointed but still the results appear outstanding across the board. This study is included on both the short and intermediate-term active lists.

The bottom line is that Friday's breakout appears to have a number of positives associated with it, both short and intermediate-term. Additionally, we are completely void of short-term bearish studies at the moment.

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



Despite the older studies reaching their targets and falling off the Active List, tonight's new studies kept the green Aggregator Line squarely above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line took a dive and is now extremely far below 0. This means the SPX is very short-term overbought versus expectations. So net expectations are bullish but the SPX is now showing its strongest "overbought" reading so far in 2012. 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 remained flat at the close. This was indicated on the systems page shortly before the bell.

Based on the current studies, expectations are slated to remain bullish on Monday. Of course that could change if bearish evidence emerges. The Differential Pivot will be 1,345.13 on Monday. This is nearly 3% below Friday's close. A 1-day, 3% drop has not happened in a long time, and it would be pretty surprising to see it happen tomorrow. A more realistic scenario would be a multi-day pullback or consolidation to work off the overbought condition.

The news was good for the bulls but with the market now very stretched short-term, risk of a pullback is elevated. To me this means it may be a good time to step away for a day or two and see what emerges. I'll be on the lookout for additional evidence. And as I'll discuss below, I am very interested in the POMO schedule for August, which is to be released on Tuesday.

Also notable this upcoming week is that the Fed is scheduled for a 2-day meeting on Tuesday and Wednesday. Fed Days have historically been very bullish. I've done an awful lot of studies related to Fed Days over the years. Many I have [posted to the blog](#). The most complete compilation of the studies can be found in [The Quantifiable Edges Guide to Fed Days](#).

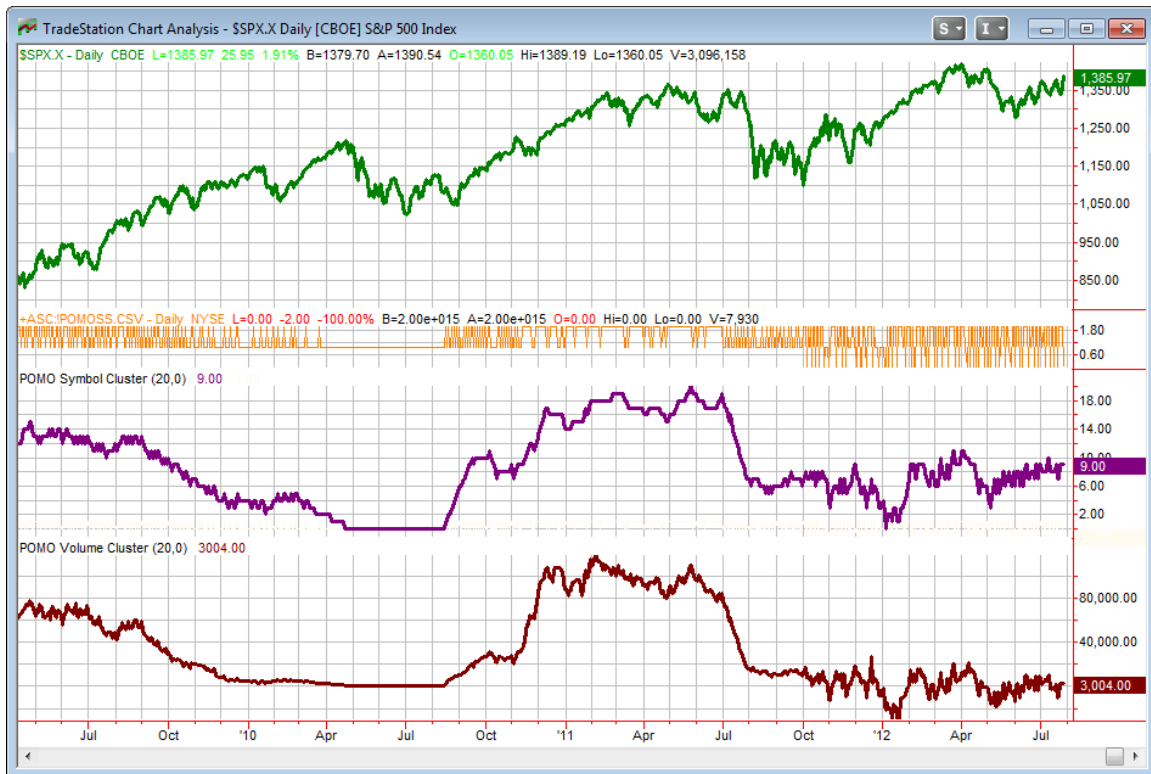
Intermediate-term Outlook (2 weeks – 2 months)– updated 7/30 – bullish

Though choppy, the move up off the June lows has persisted and we are now getting fairly close to the April highs. The gain this past week for the SPX was about 1.7%. The one intermediate-term study that was added was the “50-day high on strong breadth” study that I showed in the short-term outlook above.

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>



As expected there were four days of POMO buying and one day of selling this past week. The net result of this was about a \$5.5 billion liquidity inflow. This brought the intermediate-term indicators back up to the middle of their recent range. It also put the volume indicator back in positive territory.

This week's POMO activity is currently a bit of a mystery. Monday and Tuesday are both scheduled for buying, and the sum is expected to be close to \$6.4 billion. Beyond that, the schedule has not yet been released. The August schedule is supposed to be released on Tuesday around 2 PM. I will be sure to update the QE Buying Power Index projected value chart for August on Tuesday night. As I mentioned above, Wednesday is a Fed Day. Historically, the Fed has rarely conducted POMO activity on Fed Days. For the QE Buying Power Index a blank on Wednesday would result in a reading of 2, and the reading would not be able to get back up to 3 until at least Friday.

The current POMO schedule for July can be accessed using the link below. The same link will show the schedule for August after 2pm EST on Tuesday.

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

Intermediate-term evidence remains a little mixed, but Friday's strong breadth breakout study is encouraging. POMO is a wildcard, but we will learn more about what the Fed is planning on Tuesday and Wednesday. While choppy, the trend also appears to favor the bullish case. So as has been the case recently, I am still more willing to buy oversold than I am to short overbought.

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. The triggers spreadsheet showed nothing but bearish setups. Between the bullish studies and positive liquidity I have no interest in attempting shorts.

Current Open Trade Ideas

None

The RTN catapult trade idea from Thursday night's letter gapped up and never filled, and it already hit its exit target on Friday.

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