

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 28, 2012

Volume 5 Issue 228

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- The CBI has fallen back to 0.
- The QE Buying Power Index is now a bullish 3 and will remain there for the remainder of the week.

## *Short-term Outlook*

### *The Bottom Line*

Evidence is net bearish by a hair, and the SPX oversold by a hair. In other words, there does not appear to be a significant short-term edge to this market. I am sidelined and will remain so until the next favorable opportunity arises.

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

Study Date	Description	Time span	Bias	Avg Max Move
<b>Active</b>				
November 27, 2012	1 day dn after 5 up	1-9 days	Bullish	2.10%
November 27, 2012	Unfill gap dn after unfill gap up > 200	1-3 days	<b>Bearish</b>	
November 23, 2012	Tight closes after big move day	1-5 days	<b>Bearish</b>	<b>-2.30%</b>
<b>Active - Long Term</b>				
November 26, 2012	90% up vol studies.	1-15 days	Bullish	
November 19, 2012	CBI >= 11	1-20 days	Bullish	
October 15, 2012	Breadth not diverging at top	int term	Bullish	
September 17, 2012	QE3	int term	Bullish	
February 1, 2012	Golden Cross	int term	Bullish	
<b>Dropped Tonight</b>				
November 23, 2012	Bounce from low then narrow range	1-3 days	Bullish	2.10%
November 21, 2012	RSI jumps 85 points in 4 days	1-4 days	Bullish	

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

***The Evidence***

The market pulled back a bit on Tuesday with the losses all coming in the afternoon. The SPX declined 0.5%, the Nasdaq fell 0.3%, and the Russell 2000 dropped 0.2%. Breadth was weak as the NYSE Up Issues % was 45% and the Up Volume % came in at 30%. Total NYSE volume rose a bit from the last few days.

The Quantifinder came up with a rare blank tonight. It's been a while since that happened. I looked at a few different ideas, including one that appeared in the Overnight Edges EdgeFinder this afternoon suggesting a possible gap up. But implications beyond the open were inconsistent.

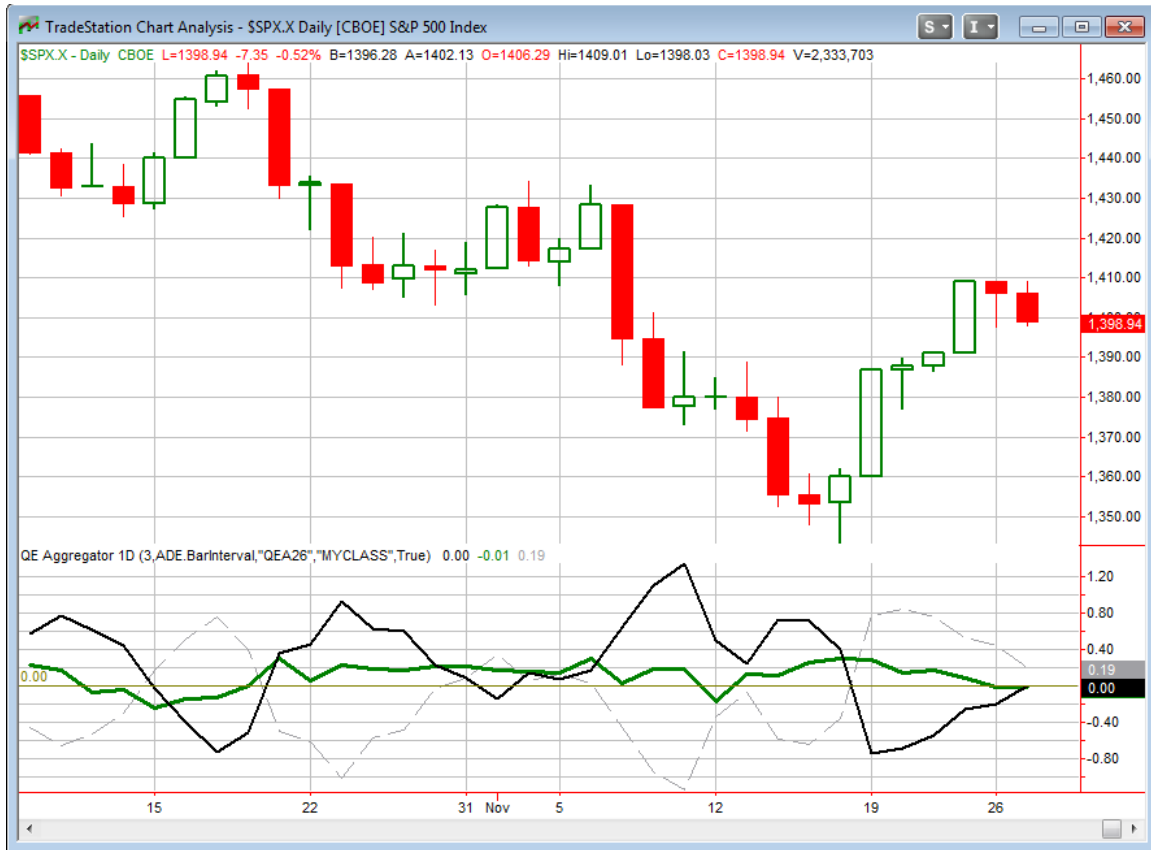
The market is in a typical place where we would see a dearth of studies. After a strong run-up it has now pulled back a couple of days. It is neither strongly overbought nor oversold. I have found the best thing to do in situations like this is to simply wait for compelling edges to emerge.

It is notable that the ETR Catapult position hit its exit target on Tuesday. It will therefore be closed out at the open Wednesday. This will close out the cluster of trades and bring the CBI back to 0.

Of course the other notable that I have mentioned the past few days is that the QE Buying Power Index is back to a bullish 3, and it will remain in bullish territory at least through Monday. For new subscribers, the QE Buying Power Index measures Fed liquidity flows. When there has been a strong inflow of liquidity over the previous 5 days then that tends to be bullish for the market over the next several days. We are now entering a period of strong liquidity thanks to recent and upcoming POMO and AMBS purchases by

the Fed. If the market pulls back further over the next few days, increased liquidity in the system should help to dampen the pullback and aid with a rebound.

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



It is impossible to tell from the chart but the green Aggregator line is just barely below zero and the black Differential line is just barely above it. A negative Aggregator Line means net expectations from the Active List are for downside over the next few days. The positive Differential means the SPX is oversold versus recent expectations. So net expectations are negative but the SPX is already slightly oversold. You can't get a more neutral reading than this. Neutral configurations are visible on the chart whenever both lines close on opposite sides 0. This caused the Aggregator system to turn from short to flat at the close.

Based on the current studies, expectations are set to turn slightly positive on Wednesday. Of course this could change if bearish evidence emerges. The Differential Pivot will be 1,414.58 on Wednesday. That is about 1.1% above Tuesday's close. So the SPX would

need to close up at least this much in order to move from oversold to overbought versus expectations.

It does not get any more neutral than this. No new studies and an Aggregator and Differential line both sitting right near 0. There really is nothing for me to do other than wait for the market to set up. So I am now sidelined and intend to exercise a little patience.

***Intermediate-term Outlook (2 weeks – 2 months)– updated 11/26– bullish***

The intermediate-term outlook was last updated in the 11/26 letter. Link below:

[2012-11-26 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.*

### **Current Open Trade Ideas**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Stop</b>	<b>Notes</b>
ETR(1/3)	11/20/2012	\$62.55	\$62.23	-0.51%		exit on open
ETR(1/3)	11/21/2012	\$62.49	\$62.23	-0.42%		exit on open
ETR(1/3)	11/23/2012	\$62.28	\$62.23	-0.08%		exit on open

*ETR hit its intraday target on Tuesday, as I indicated it would do last night if it moved above \$62.70. That means I will sell it at Wednesday's open.*

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