

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 30, 2012

Volume 5 Issue 230

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing	NDX Trend Timer
Short	100% Short SPY	Flat	Flat

Tonight's Research Points

- When the last trade day of the month is a Friday, then Monday has done very well during uptrends since 2000.

Short-term Outlook

The Bottom Line

There appears to be a very mild and very short-term bearish edge. It isn't strong enough to get me interested in a trade. I'm waiting for a better setup.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
September 29, 2012	8-day closing range > 75	1-3 days	Bearish	
November 27, 2012	1 day dn after 5 up	1-9 days	Bullish	2.10%
Active - Long Term				
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	

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

The Evidence

Led by smallcaps, the indices put in solid gains again on Thursday. The SPX rose 0.4%, the Nasdaq rallied 0.8%, and the Russell 2000 jumped 1.2%. Breadth was solidly positive as the NYSE Up Issues % was 71% and the Up Volume % came in at 74%. Total NYSE volume came in a little lower than Wednesday.

Nothing compelling arose from a studies standpoint, and though I looked at a number of different things tonight, nothing emerged suggesting a strong edge for the next few days...except for one seasonal study. It was one I discussed in the Overnight Edges trade discussion room Thursday afternoon and it relates to 1st of the month seasonality. Tonight I ran some numbers on a close to close basis. I'll show more details in the weekend letter, but here is a quick sneak peek.

I compared instances where the SPX was trading above its 200ma and the last trading day of the month arrived on a Friday (or Thursday if Friday was a holiday) versus times the turn of the month happened during the week. The results were very interesting. First, here are the stats when turn of the month has happened mid-week.

Today is the last trade day of the month. It is NOT the last day of the week. SPX > 200ma.
Buy SPX on close. Sell next day's close. \$100k/trade. 2000 - present.

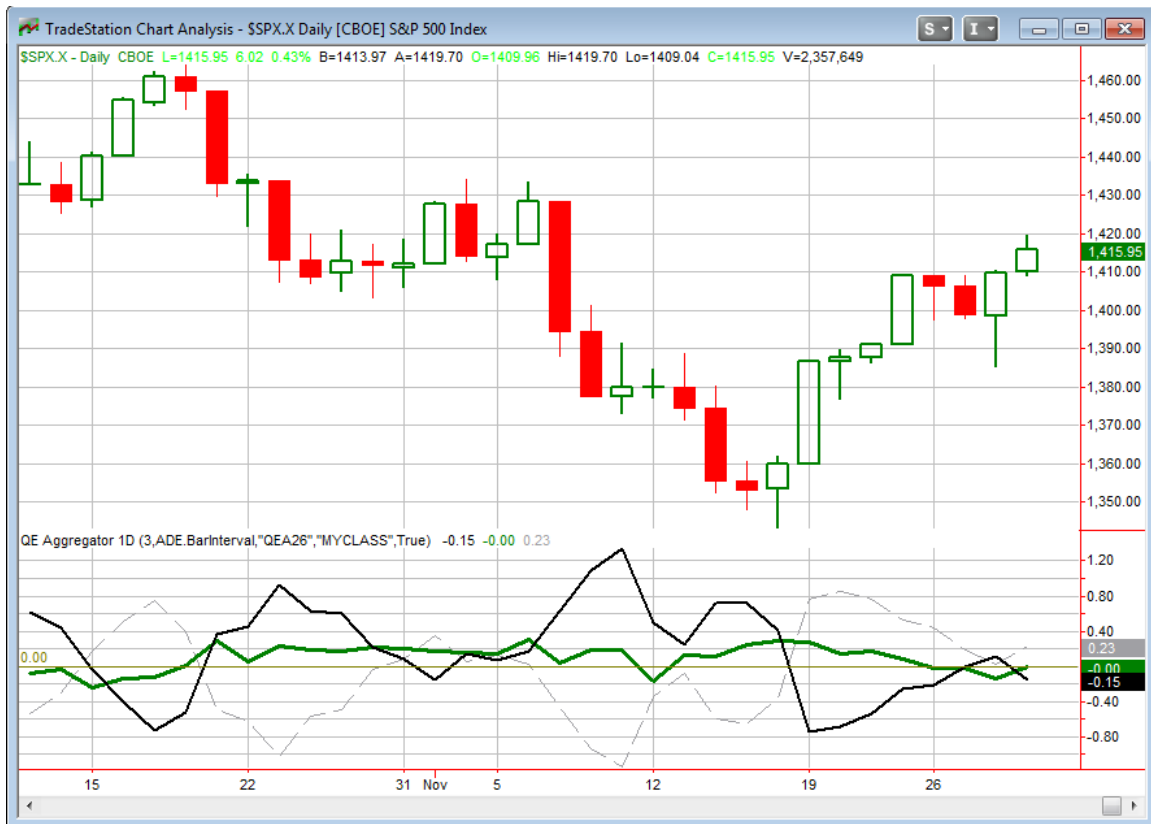
TradeStation Performance Summary Collapse ^			
All Trades			
Total Net Profit	\$10,690.97	Profit Factor	1.56
Gross Profit	\$29,752.06	Gross Loss	(\$19,061.09)
Total Number of Trades	52	Percent Profitable	67.31%
Winning Trades	35	Losing Trades	17
Even Trades	0		
Avg. Trade Net Profit	\$205.60	Ratio Avg. Win:Avg. Loss	0.76
Avg. Winning Trade	\$850.06	Avg. Losing Trade	(\$1,121.24)
Largest Winning Trade	\$2,225.00	Largest Losing Trade	(\$2,617.60)

Results here appear mildly bullish. But what of times the month turns on a weekend?

TradeStation Performance Summary Collapse ^			
All Trades			
Total Net Profit	\$22,731.90	Profit Factor	9.67
Gross Profit	\$25,353.45	Gross Loss	(\$2,621.55)
Total Number of Trades	41	Percent Profitable	78.05%
Winning Trades	32	Losing Trades	9
Even Trades	0		
Avg. Trade Net Profit	\$554.44	Ratio Avg. Win:Avg. Loss	2.72
Avg. Winning Trade	\$792.30	Avg. Losing Trade	(\$291.28)
Largest Winning Trade	\$1,638.40	Largest Losing Trade	(\$807.70)

These returns are much, much stronger. And since the last day of November is Friday, this could bode well for Monday. I'll show the profit curves in the next letter.

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



The green Aggregator line tonight finished just barely below zero. In fact, on the chart it reads -0.00. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line is now negative. This means the SPX is overbought versus recent expectations. So net expectations are bearish and the SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below 0. This caused the Aggregator system to turn short at the close on a very weak signal.

Based on the current studies, expectations are set to turn positive on Friday. Of course this could change if bearish studies emerge. The Differential Pivot will be 1,399.57 on Friday. This is about 1.1% below Thursday's close. So it would take a rather large move for the SPX to close in oversold territory.

So we have a short signal, but they don't come any weaker. Expectations are nearly breakeven and are set to turn positive on Friday. The SPX is just barely overbought. And the QE Buying Power Index hit a max 5 and will again on Friday. Oh yeah, and the intermediate-term outlook is bullish. That's all too much for me to consider taking a short. I'll continue to wait for a more favorable entry opportunity.

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

None

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