

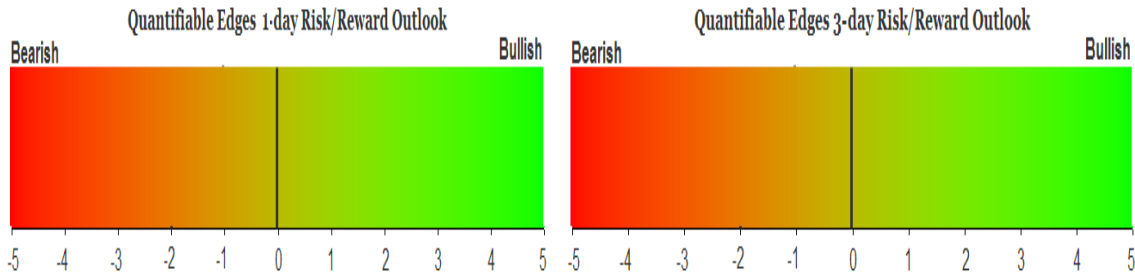
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 26, 2013

Volume 6 Issue 58

## 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 choppy action has failed to produce new studies.

## *Short-term Outlook*

### *The Bottom Line*

Expectations are slightly negative, but the market is a little oversold. So there does not appear to be a strong edge. I have no plans to add exposure on Tuesday.

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

Study Date	Description	Time span	Bias	Avg Max Move
<b>Active</b>				
March 22, 2013	Unfill gap up then gap dn	1-3 days	Bearish	
March 18, 2013	Unfill gap up then gap dn from 20-hi.	1-7 days	Bearish	-2.20%
<b>Active - Long Term</b>				
March 13, 2013	5 days up to 50-high, then 1 down	1-10 days	Bullish	2.00%
January 14, 2013	Breadth Divergence (from Tops Study)	int term	Bearish	
September 17, 2012	QE3	int term	Bullish	
February 1, 2012	Golden Cross	int term	Bullish	
<b>Dropped Tonight</b>				
March 20, 2013	3 down from 50 < 10ma > 10-low	1-4 days	Bullish	1.80%
March 19, 2013	2 unfilled gaps dn. 5-low. Close > 200.	1-5 days	Bullish	1.80%
<b>March 25, 2013</b>	<b>Inside day. Lower high. Close &gt; open</b>	<b>1 day</b>	<b>Bearish</b>	

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

***The Evidence***

A strong start to the day thanks to a bailout in Cyprus did not hold. The major indices all reversed and closed lower. The SPX and Nasdaq each lost 0.3% and the Russell 2000 dropped 0.1%. Breadth was squarely negative as the NYSE Up Issues % was 41% and the Up Volume % came in at 32%. Total NYSE volume rose from Friday's level.

For the first time in a while that I can recall, the Quantifinder came up completely blank. One-thousand-plus studies and nothing going on. Of course we are seeing exactly the kind of action that will often lead to low (or no) studies – chop. Monday marked the 4<sup>th</sup> day in a row that SPX changed direction.

A blank Quantifinder is not very interesting, but it is telling. It suggests there is not a strong short-term directional edge. And that is information that I can use. Because if there is no strong directional edge, there is nothing for me to do from an index-trading standpoint.

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



With the Short-term Active List now growing low on studies the green Aggregator Line remained below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line jumped back above 0. The positive Differential Line reading means the SPX is now oversold versus recent expectations. So expectations are bearish but the SPX is already oversold. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of 0. This caused the Aggregator system to change from short to flat at the close.

Both of the current short-term studies are set to expire on Tuesday. If nothing new emerges, then the Aggregator would turn slightly bullish, thanks to the intermediate-term outlook. Of course the reading is highly fluid and largely dependent on what new studies emerge. The Differential Pivot will again be *inverted* at 1,550.05 on Tuesday. This is *0.1% below* Monday's close. An inverted pivot means the Differential Line would move through 0 if SPX closes flat. So for the SPX to remain oversold it is going to need to decline over 0.1%.

The Aggregator is neutral and so am I. Until the chopping back and forth on a daily basis ends, it is unlikely a strong edge will emerge. So I will exercise some patience here. It rarely takes long before solid hints of short-term market direction arise.

I would note that the VIX futures term structure is now becoming more favorable with the front 2 month contango back over 8%. I considered putting out a trade idea to re-enter XIV, but instead have elected to wait another day or so. If expectations turn bullish and the market remains oversold, then there is a good chance I may look to a partial XIV position in the next few days.

**Intermediate-term Outlook (2 weeks – 2 months)– updated 3/25 – bullish**

The intermediate-term outlook was last updated in the 3/25 letter. Link below:

[2013-03-25 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**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
GOOG(1/3)	3/19/2013	\$807.79	\$810.90	0.39%		hit intraday stop
BRF	3/22/2013	\$40.38	\$39.93	-1.11%		system 100524

*At around 10:30am I sent out an intraday update to Gold Subscribers alerting them that GOOG had reached its intraday target. The “standard” exit is to sell at the next day’s open, but I elected to place a stop just below the low of the day at that point, in order to protect profits against a sharp reversal. GOOG hit the stop of \$810.90 just after noon.*

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