

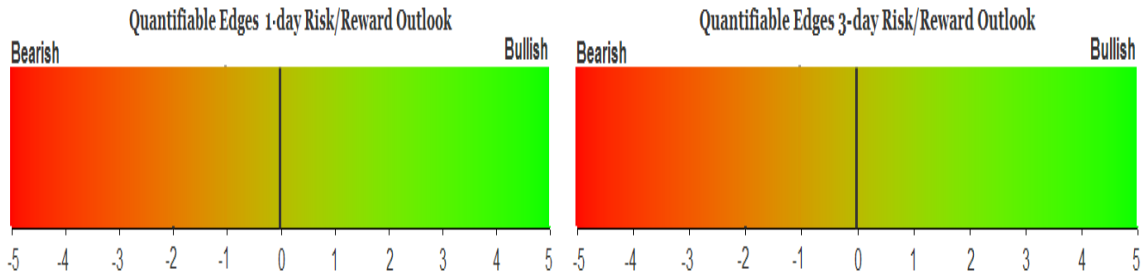
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 9, 2013

Volume 6 Issue 67

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 13th reversal day in a row for SPX is both setting a record for chop, as well as making it difficult to uncover compelling edges.

Short-term Outlook

The Bottom Line

The market is still extremely choppy. Studies are weak but leaning bullish. I am more neutral than bullish, and will look to get out of my index position if I can get a favorable fill.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
April 4, 2013	Big drop from 50-day high	1-4 days	Bullish	1.20%
Active - Long Term				
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	
Dropped Tonight				
April 8, 2013	1% gap dn & partial reversal on Employ	1 day	Bearish	

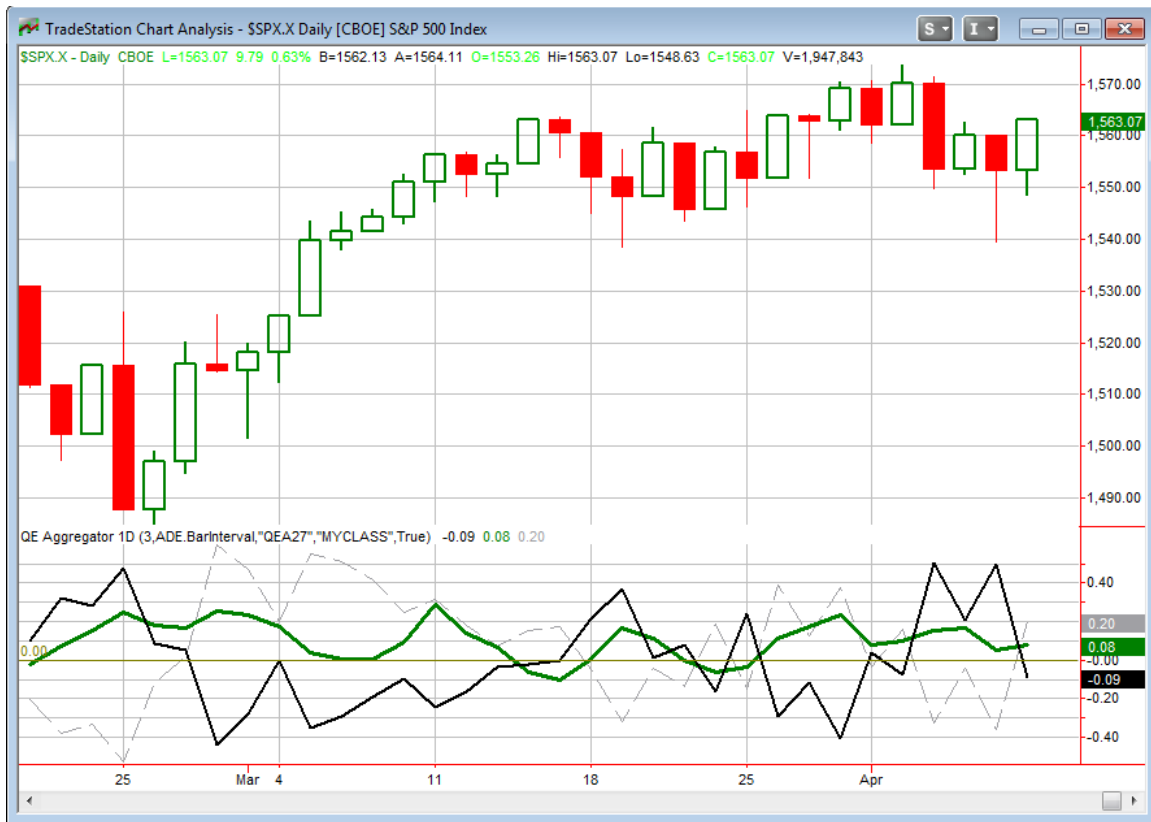
If the avg max move is achieved the study will appear in ***bold italic blue*** and no longer be active.

The Evidence

After a slow start the market gained momentum in the afternoon and finished strong. The SPX and Nasdaq both finished the day with a 0.6% gain, while the Russell 2000 rose 0.9%. Breadth was squarely positive as the NYSE Up Issues % was 69% and the Up Volume % came in at 77%. Total NYSE volume came in light and well below Friday's level.

SPX has now closed in a different direction 13 days in a row – a record. Choppy markets are renowned for not providing much in the way of quantifiable edges, and that seems to be the case tonight. Nothing compelling emerged that was worth consideration.

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



With a choppy market environment and few studies to go on, the green Aggregator Line is still above zero. 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 back down below 0. The negative Differential Line reading means the SPX is overbought versus recent expectations. So expectations are bullish but the SPX is overbought. 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 turn from long to flat at the close.

There is only one short-term study left on the Active List, and that is slated to expire on Tuesday. So expectations are going to be highly dependent on what new studies emerge. Should nothing compelling emerge, then expectations would be very slightly bullish based on the intermediate-term outlook. The Differential Pivot will be inverted at 1,566.54 on Tuesday. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat on the day. So in this case SPX will need to close up about 3.5 points on Tuesday in order to remain overbought. Otherwise it will turn to oversold versus expectations.

Expectations are somewhat positive and the market could continue to rise here, but with SPX already overbought I'm inclined to take profits. Of course it will not be overbought anymore unless it closes up 3 ½ points on Tuesday. So rather than looking for an exit at

Monday's closing price, I'm looking to get a little more out of it. Details are in the Trade Ideas section at the bottom of the letter.

Also notable is that another Catapult triggered on Monday just as CAT was triggering an exit. So I will look to take on a little long exposure in FDX in the form of a Catapult trade.

Intermediate-term Outlook (2 weeks – 2 months)– updated 4/8 – somewhat bullish

The intermediate-term outlook was last updated in the 4/8 letter. Link below:

[2013-04-08 QE Subscriber Letter.pdf](#)

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

New

FDX – 1/3 @ \$95.25 (buy at limit)

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 1(FDX)

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.

FDX – buy 1/3 Catapult position @ \$95.25 LIMIT. This is based on the Catapult system. Those that are new to Catapults should be aware that they are volatile and I always scale in using up to 3 lots. Detail on the Catapults can be found using the [Catapult & CBI Presentation Link](#)

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	4/4/2013	\$155.23	\$156.21	0.63%		Aggregator
<i>CAT(1/3)</i>	<i>4/4/2013</i>	<i>\$84.12</i>	<i>\$84.14</i>	<i>0.02%</i>		<i>stopped out intraday</i>

I will look to sell SPY at a limit price of \$156.56. This is about 3 1/2 SPX points above Monday's close and near the Differential Pivot level. If not filled by the close, I will look to exit at \$156.21 LIMIT ON CLOSE.

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