

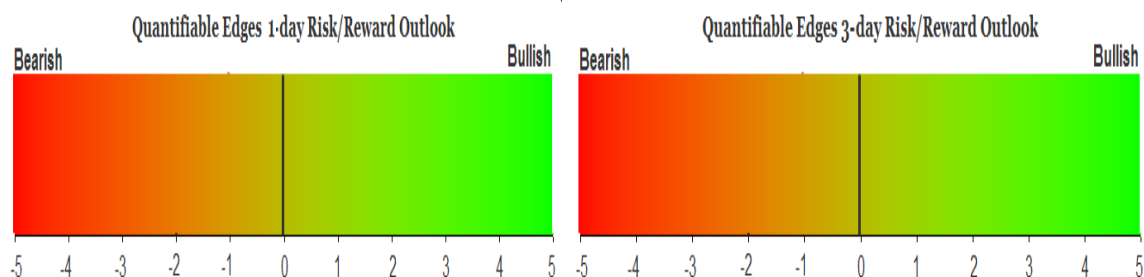
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 12, 2013

Volume 6 Issue 70

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 SPX %b closed > 115 for the 2nd day in a row – a feat of strength that often begets more strength.

Short-term Outlook

The Bottom Line

I am seeing hints that this strong upthrust may have legs for a while longer. But the market is so overbought that adding new exposure here is a bit risky. I plan to wait for a pullback.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
April 12, 2013	%b > 115 last 2 days	1-5 days	Bullish	1.80%
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	

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

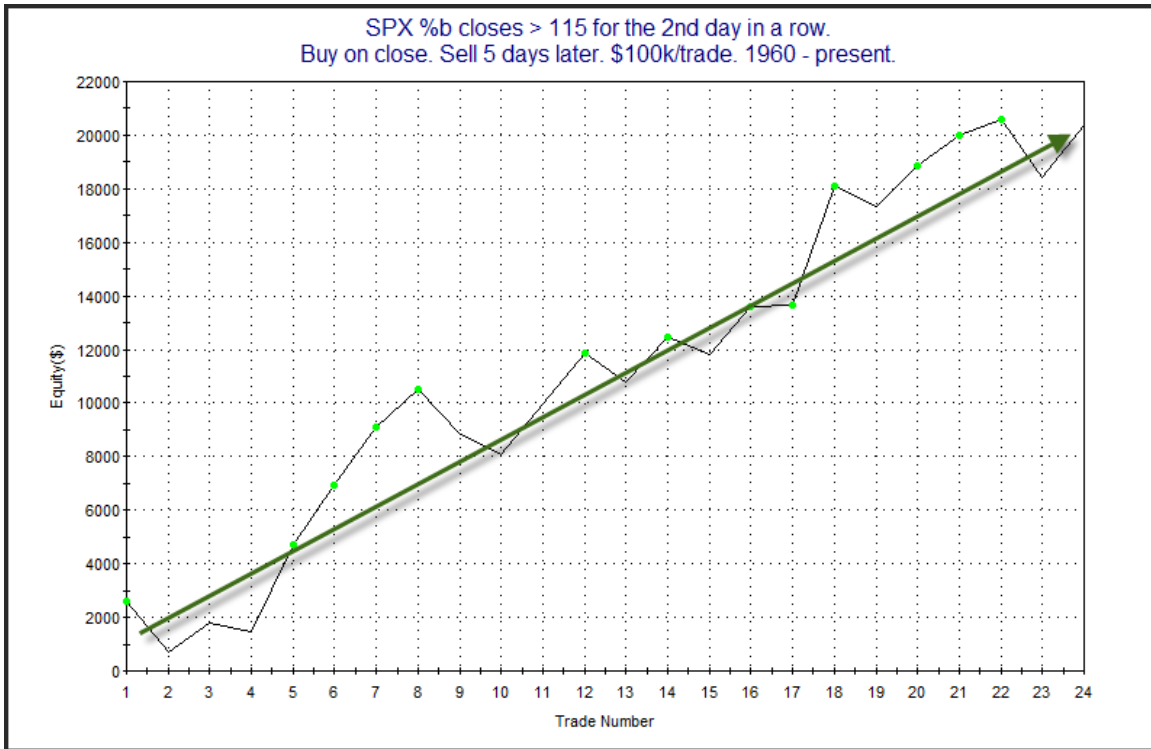
The Evidence

Thursday was another good day for the bulls, as the major averages followed through on the gains of the last few days. The SPX rose 0.4%, while the Nasdaq and the Russell 2000 each rose 0.1%. Breadth was positive as the NYSE Up Issues % was 58% and the Up Volume % came in at 62%. Total NYSE volume sank some from Wednesday’s level.

After chopping back and forth for a couple of weeks, SPX has broken out nicely the last 2 days and shown some real strength. Short-term strength is often followed by short-term weakness, but when that short-term strength is extremely impressive, then it tends to beget more strength. That may be the case with the range break over the last 2 days. The study below was last seen in the 9/10/12 letter. It examines strong moves above the upper Bollinger Band. It requires not only a move above the upper band but substantially above it. Using [the %b calculation](#) the required reading is 115. All stats are updated.

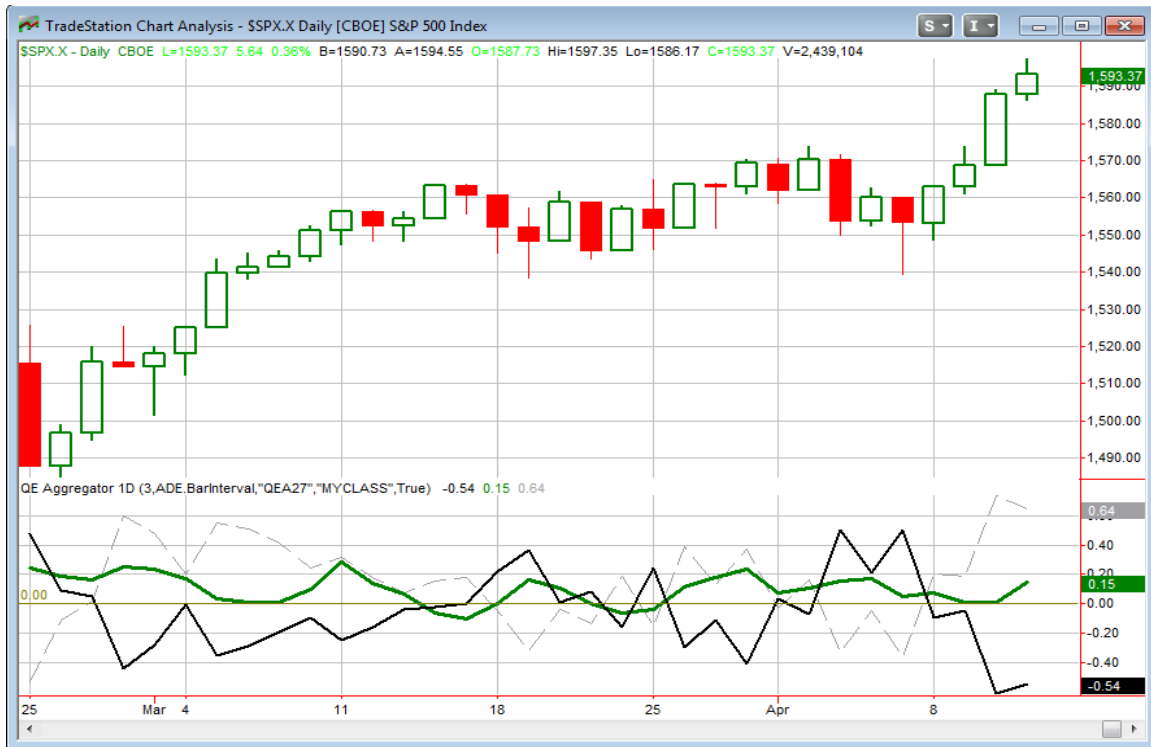
SPX %b closes > 115 for the 2nd day in a row. Buy on close. Sell X days later. \$100k/trade. 1960 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	31,734.36	24	16	8	66.67	3,045.67	5,936.14	-2,124.54	-4,247.60	1.43	2.87	1,322.26
9	26,938.51	24	17	7	70.83	2,663.86	6,104.00	-2,621.00	-4,418.40	1.02	2.47	1,122.44
8	18,622.50	24	16	8	66.67	2,298.97	6,233.71	-2,270.12	-3,942.40	1.01	2.03	775.94
7	18,356.18	24	16	8	66.67	2,256.77	4,655.00	-2,219.02	-6,521.20	1.02	2.03	764.84
6	26,312.17	24	16	8	66.67	2,318.92	5,002.50	-1,348.82	-2,526.48	1.72	3.44	1,096.34
5	20,364.16	24	16	8	66.67	1,858.01	4,482.50	-1,170.49	-2,157.84	1.59	3.17	848.51
4	17,014.40	24	15	9	62.50	1,628.19	4,440.00	-823.15	-2,057.55	1.98	3.30	708.93
3	10,716.10	24	14	10	58.33	1,227.09	4,318.58	-646.31	-1,703.46	1.90	2.66	446.50
2	6,659.62	24	16	8	66.67	824.43	2,586.57	-816.41	-1,529.34	1.01	2.02	277.48
1	4,459.44	24	15	9	62.50	569.27	2,609.46	-453.28	-1,358.70	1.26	2.09	185.81

Statistics aren't overwhelming, but they are quite impressive considering the fact that the setup begins at an overbought level. Below is an equity curve that assumes a 5-day holding period.



The curve is a little choppy, but still appears strong enough to confirm the upside edge suggested by the stats table. It appears the price thrust out of the consolidation over the last few days may be strong enough that it will beget more strength in the coming days.

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



Tonight's bullish study helped push the green Aggregator Line further above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line is still quite far below 0. The negative Differential Line reading means the SPX is strongly 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 stay flat at the close.

Without any bearish short-term active studies expectations are slated to remain positive on Friday. Of course this could change if compelling bearish evidence emerges. The Differential Pivot will be 1,570.42 on Friday. This is 1.4% below Thursday's close. So for SPX to move from overbought to oversold will take a decline of at least this much. It is fairly unlikely we will see that happen in 1 day. A more likely scenario would be a multi-day pullback or consolidation to work off the overbought condition.

I closed out my FDX Catapult trade on Thursday and am now basically flat. There really isn't anything for me to do but wait for a pullback and a lower risk entry point. With liquidity inflows from the Fed this week likely to finish at the lowest weekly level so far in 2013, we are at a point over the next few days in which bears could possibly force a pullback. Of course the reduced POMO & AMBS flows this week are not considered *bearish*. They are simply *less bullish* than previous liquidity flows. In any case, I am in "wait and observe" mode.

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

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
<i>FDX(1/3)</i>	<i>4/9/2013</i>	<i>\$95.25</i>	<i>\$97.84</i>	<i>2.72%</i>		<i>sold on open</i>

This report has been prepared by Hanna Capital Management, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Hanna Capital Management, LLC or clients of Hanna Capital Management, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Hanna Capital Management, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Hanna Capital Management, LLC nor any officer or employee of Hanna Capital Management, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Hanna Capital Management, LLC.

Copyright © 2012 Hanna Capital Management, LLC.