

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 29, 2013

Volume 6 Issue 102

Market Overview



Signals Overview

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

Tonight's Research Points

- Now back in the middle of the recent range, studies are lacking and SPX is short-term overbought.

Short-term Outlook

The Bottom Line

The studies still look up, but the bounce has quickly turned the market from oversold to overbought. Of course overbought is relative since we are dead smack in the middle of the recent range. But that seems like a good point to exit my index position, now that the oversold condition has worn off, causing the edge to dull.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
May 28, 2013	2 unfilled gaps down. 5-low.	1-5 days	Bullish	1.80%
May 28, 2013	3 dn from 50-high. < 10ma & > 10-low	1-5 days	Bullish	1.80%
May 24, 2013	1st 5-low is > 10 days	1-4 days	Bullish	1.55%
May 23, 2013	Big drop from 50-day high	1-4 days	Bullish	1.20%
May 23, 2013	3-hi. 3-low. 3-low close. Close > 200.	1-5 days	Bullish	2.10%
May 23, 2013	Double Outside Day	1-5 days	Bullish	1.90%
Active - Long Term				
May 23, 2013	3-hi. 3-low. 3-low close. Close > 200.	1-15 days	Bullish	4.10%
May 9, 2013	Breadth Confirms Rally (Study of Tops)	int term	Bullish	
May 6, 2013	Nasdaq leading SPX	int term	Bullish	
April 29, 2013	Sell in May unless Jan-April strong	1-6 months	Bullish	6.80%
April 29, 2013	6 months higher in a row	1-10 months	Bullish	14.30%
September 17, 2012	QE3	int term	Bullish	
February 1, 2012	Golden Cross	int term	Bullish	
Dropped Tonight				
May 24, 2013	Big gap down. Partial reversal.	1-2 days	Bullish	3.50%

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

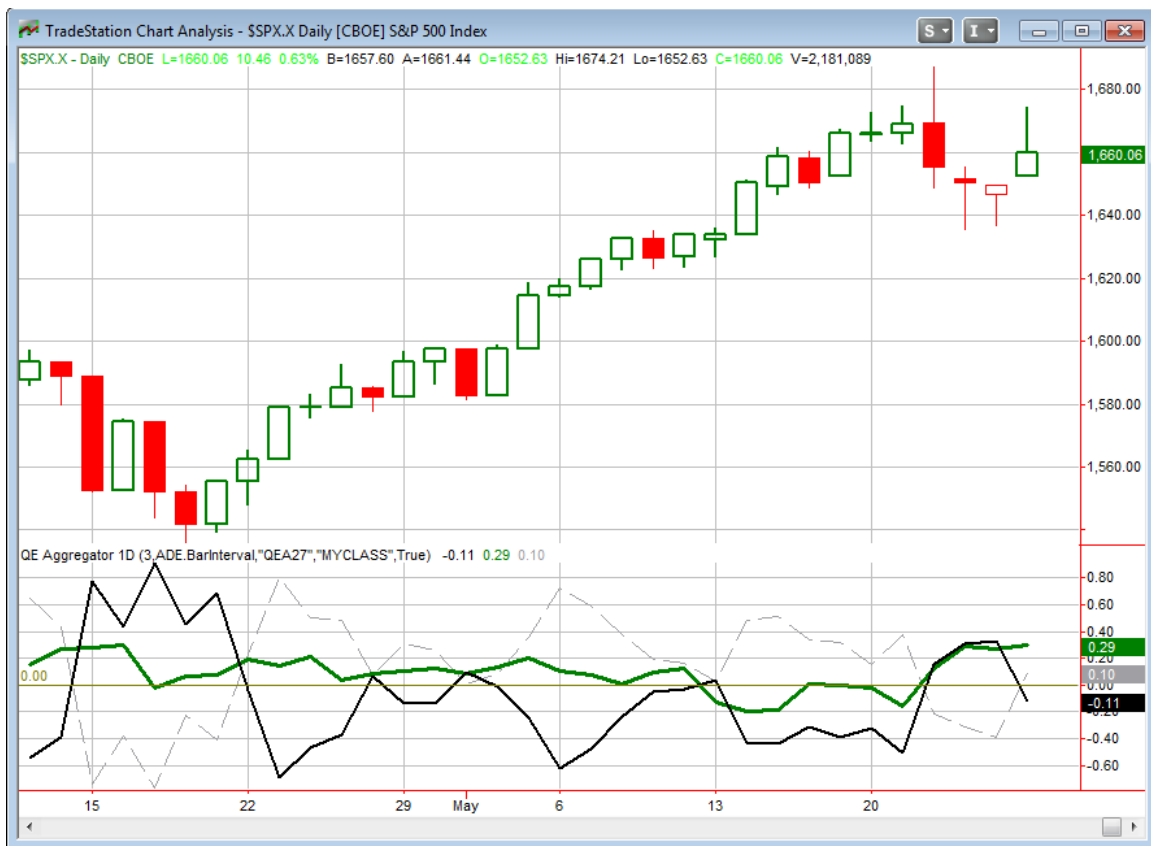
The Evidence

Tuesday saw a strong start to the day, but the bulls could not finish what they started, and though positive, the major indices finished well off their highs. SPX gained 0.6%, the Nasdaq rose 0.9%, and the Russell 2000 closed up 1.3%. Breadth was squarely positive as the NYSE Up Issues % was 59% and the Up Volume % was 66%. Total NYSE volume was quite a bit higher than Friday's low level.

It was mildly notable that VIX closed up along with SPX today. And we did see some Quantifinder studies trigger that noted this. But it is not something that has provided a strong edge during uptrends and especially over the last few years. The studies in the Quantifinder noted that today was Tuesday. In reality the VIX action was more like a typical Monday than Tuesday, because we were coming off the weekend. But changing the setup from Tuesday to "1st day of the week" did nothing to unveil an edge. So I am not overly concerned with it.

We are in a bit of chop here it seems. With the move higher in SPX on Tuesday it is now almost exactly mid-range of the last 10 days (49.24 percentile). Mid-range is often a place where edges are dulled, and that seems to be the case here, with nothing compelling showing up. So I will not be adding anything new to the Active Studies List.

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



Without any new studies tonight the green Aggregator Line remained strongly above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the move higher caused the black Differential Line to drop down below 0. The negative Differential Line reading means the SPX is now overbought versus recent expectations. So expectations are positive but the SPX is already short-term 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 flat at the close.

Based on the current studies, expectations are slated to remain positive on Wednesday. Of course this could change if strong bearish evidence emerges. The Differential Pivot will be 1654.69 on Wednesday. This is only about 0.3% below Tuesday's close. So SPX will need to close down at least this much in order for it to move from overbought back to oversold versus expectations.

Despite closing up solidly, it was a disappointing finish after such a strong morning. With the market mid-range, and no further directional hints tonight I am not inclined to

hold onto my index position in this overbought condition. So I will look to get out on Wednesday. But I'll be using a limit price. I don't want to sell into a big gap down, because a big gap down would put the market back in oversold territory and a place where I'd likely be looking to buy. So I have placed my limit just a little below Tuesday's close in case of a gap down that makes a failed attempt at filling.

Note I will be looking to take on some long exposure in a Catapult position that triggered. Details on that are in the Catapult section lower down.

Intermediate-term Outlook (2 weeks – 2 months)– updated 5/28 –bullish

The intermediate-term outlook was last updated in the 5/28/13 Letter. Link below:
[2013-05-28 QE Subscriber Letter.pdf](#)

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

New

SO – buy 1/3 @ \$44.89

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 1(SO)

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.

SO – buy 1/3 Catapult position @ \$44.89 limit. This is a Catapult trade that I will start scaling into. Catapults have been very volatile over the years. I would encourage anyone interested in trading them to first explore them further. Past performance is available on the Trade Idea Results sheet, which can be found on either the downloads page or the systems page. More information can also 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)	5/23/2013	\$165.45	\$166.30	0.51%		sell @ \$166.25 LIMIT

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