

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 31, 2013

Volume 6 Issue 104

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing	NDX Trend Timer
Long	100% Long XIV	Flat	Long

Tonight's Research Points

- The very tight closing range over the last week does not seem to be strongly predictive.

Short-term Outlook

The Bottom Line

Similar to last night, the studies are pointing up and the market is still oversold. There is a fair amount of room to the upside before it would be considered overbought. I have some index exposure and for now I intend to let it ride.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
May 30, 2013	Unfill gap up. Unfill gap dn.	1-3 days	Bearish	
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%
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 30, 2013	SPX 10-low. TICKTom % < 1%	1 day	Bullish	
May 23, 2013	Double Outside Day	1-5 days	Bullish	1.90%
May 24, 2013	1st 5-low is > 10 days	1-4 days	Bullish	1.55%
May 23, 2013	3-hi. 3-low. 3-low close. Close > 200.	1-5 days	Bullish	2.10%

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

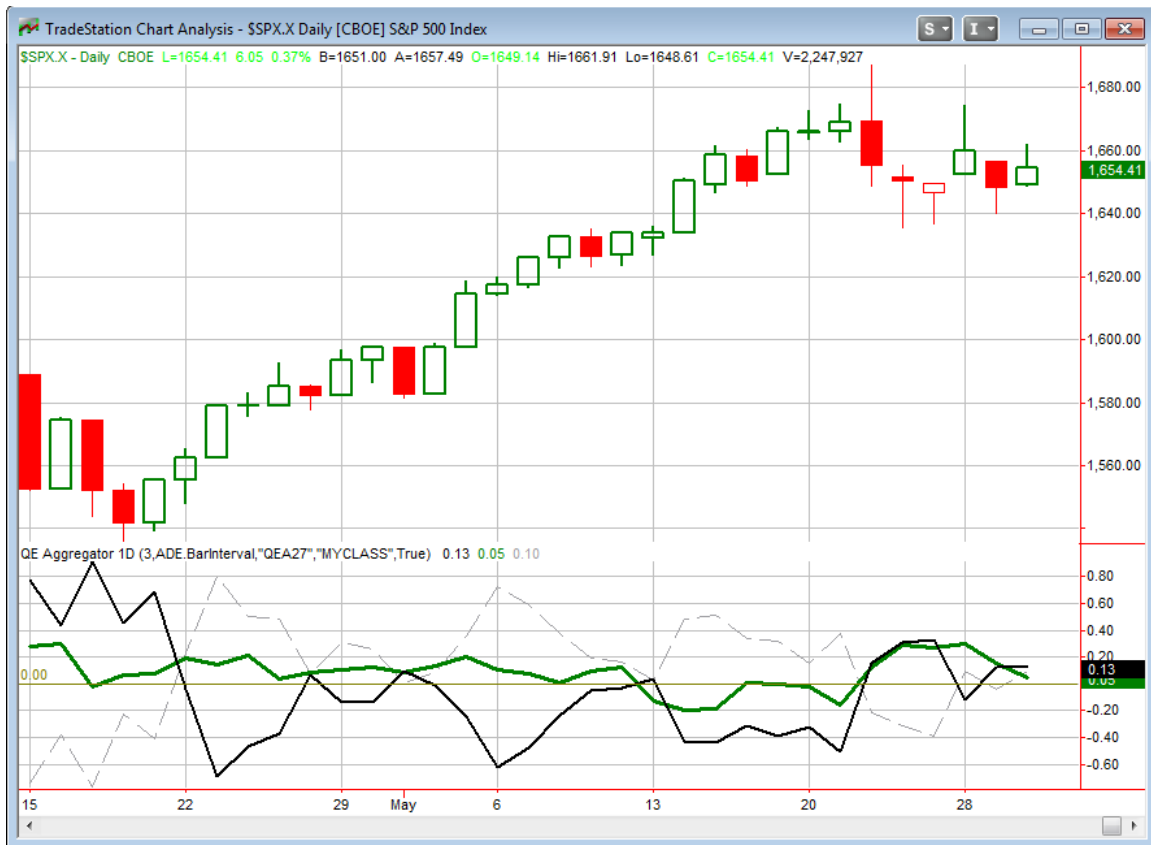
The Evidence

One again the market failed to follow through on a strong morning move. Whether it has been positive or negative, we have seen reversals of the morning pretty consistently as of late. Thursday it was gains being partially given back. SPX finished with a 0.4% gain, the Nasdaq rose 0.7%, and the Russell 2000 closed up 0.6%. Breadth was moderately positive as the NYSE Up Issues % was 56% and the Up Volume % was 64%. Total NYSE volume came in lighter than the last few days.

While it has seemed like big moves were taking place the range of closes over the last 6 days has been quite small, with a high close of \$166.30 and a low close of \$165.22. In fact, every single day for the last 6 days SPY has traded in a wider range than that. But by the time it closes it has moved back into the same area. I did some studies to see whether this behavior was predictive of anything, but was unable to uncover any edges.

There were several studies that expire tonight and were removed from the Short-term Active List.

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



Tonight the green Aggregator Line again remained above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line also held above 0. The positive Differential Line reading means the SPX is oversold versus recent expectations. So expectations are positive and the SPX is short-term oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above 0. This caused the Aggregator system to remain long at the close.

Based on the current studies, expectations are slated to remain positive on Friday. Of course this could change if strong bearish evidence emerges. The Differential Pivot will be 1,674.10 on Friday. This is about 1.2% above Thursday's close. So SPX will need to close higher at least this much in order for it to move from oversold back to overbought versus expectations. That is a fairly tall order for 1 day. It suggests there may still be some room to run up here in the next few days.

With evidence pointing higher and more room to go until the market is overbought, I will hold my long index position for another day. Interestingly, while the indices rose on Thursday, the Catapults trades did not. This caused them to trigger again, and I will look to add more exposure through them. Details are in the Catapult & CBI section and the Trade Ideas section below.

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

SO – buy 1/3 @ \$44.89 LIMIT (bought @ \$44.67)

SO – buy 1/3 @ \$44.26 LIMIT (bought @ \$44.26)

EXC – buy 1/3 @ \$31.65 LIMIT (bought @ \$31.65)

New

SO – buy 1/3 @ \$44.13 LIMIT

EXC – buy 1/3 @ \$31.50 LIMIT

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 5(SO-3, EXC-2)

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 @ \$44.13 limit.** This would be the 3rd and final lot for SO.*

***EXC – buy 1/3 Catapult position @ \$31.50 limit.** This is the 2nd of possibly 3 lots of EXC.*

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	\$165.83	0.23%		Aggregator
SO (1/3)	5/29/2013	\$44.67	\$44.13	-1.21%		Catapult
SO (1/3)	5/30/2013	\$44.26	\$44.13	-0.29%		bought at limit
EXC(1/3)	5/30/2013	\$31.65	\$31.50	-0.47%		bought at limit

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