

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 7, 2013

Volume 6 Issue 109

Market Overview



Signals Overview

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

Tonight's Research Points

- The reversal pattern from the 20-day low suggests the bounce could last a few more days.

Short-term Outlook

The Bottom Line

The bounce that we saw so much evidence for last night did happen on Thursday. It now appears that it should last beyond just the one day, and that we are likely to see even higher prices on in the next few days. I have a good amount of long exposure. If the market does continue to bounce I will likely start legging out during the next few days.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
June 7, 2013	20-low reversal > 200	1-6 days	Bullish	2.40%
June 6, 2013	20 low > 200	1-7 days	Bullish	
June 6, 2013	TICK Tomoscillator low extreme	1-3 days	Bullish	
June 6, 2013	McOsc % Rank Sum < 5 last 4 days	1-4 days	Bullish	
June 6, 2013	Unfill Gap Dn, Poor Close, Under 200	1-8 days	Bullish	
June 4, 2013	SPX dn 1.5% then up w/ poor breadth	1-2 days	Bullish	1.90%
June 3, 2013	Big drop on Friday	1-6 days	Bullish	2.70%
Active - Long Term				
June 4, 2013	Hindenburg Omen cluster	1-50 days	Bearish	-8.60%
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	

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

The Evidence

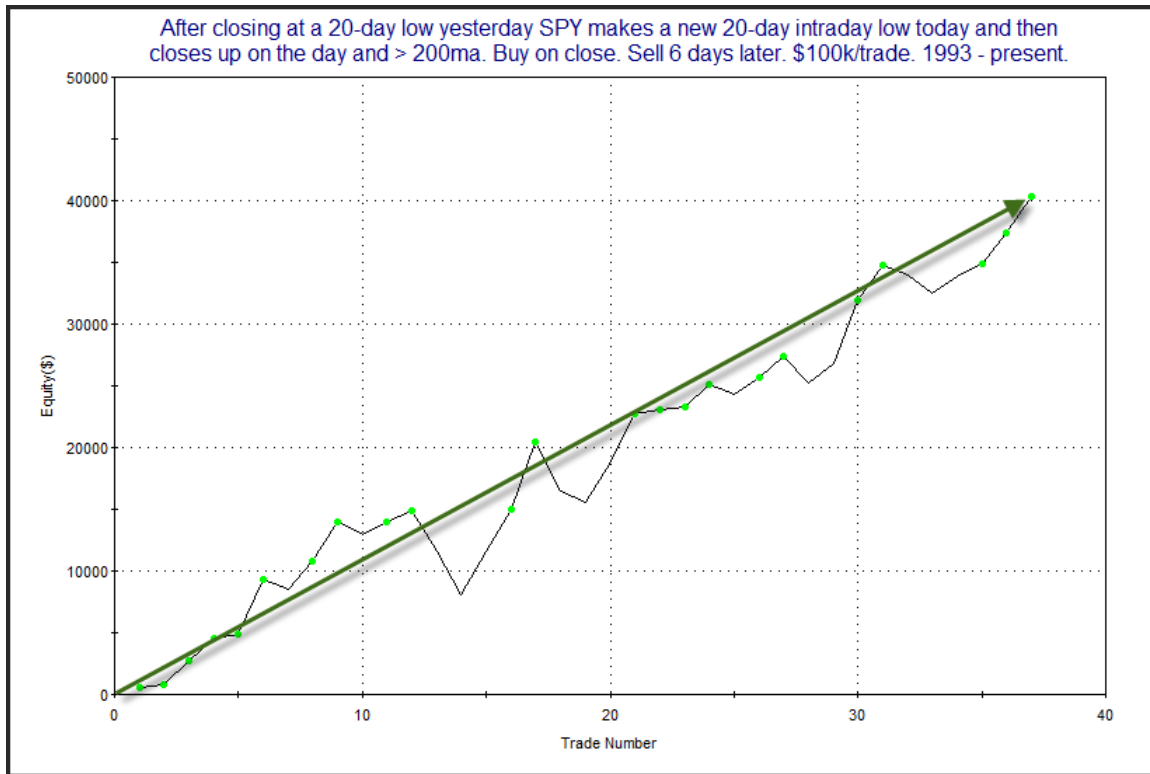
Morning selling reversed hard and the market ended up with a nice bounce on Thursday. The SPX gained 0.9%, the Nasdaq rose 0.7%, and the Russell 2000 rallied 1.2%. Breadth was strongly positive as the NYSE Up Issues % was 77% and the Up Volume % was 83%. Total NYSE volume declined a little from Wednesday's level.

Unlike yesterday there was not a lot that appeared in the Quantifinder. The study below was last seen in the 1/2/13 Letter. It looks at a possible reversal pattern off a 20-day low. All stats are updated.

After closing at a 20-day low yesterday SPY makes a new 20-day intraday low today and then closes up on the day and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	46,746.36	34	26	8	76.47	2,293.35	6,600.62	-1,610.09	-3,844.83	1.42	4.63	1,374.89
9	40,561.54	35	24	11	68.57	2,535.32	5,154.99	-1,844.20	-4,258.20	1.37	3.00	1,158.90
8	32,162.77	36	24	12	66.67	2,444.33	5,216.64	-2,208.44	-4,268.86	1.11	2.21	893.41
7	40,241.72	37	25	12	67.57	2,420.20	5,585.14	-1,688.61	-3,531.11	1.43	2.99	1,087.61
6	40,376.46	37	27	10	72.97	2,193.82	5,411.67	-1,885.66	-3,952.19	1.16	3.14	1,091.26
5	36,558.96	37	27	9	72.97	1,849.73	5,029.50	-1,487.09	-3,450.35	1.24	3.73	988.08
4	29,181.63	37	25	12	67.57	1,663.32	3,213.00	-1,033.45	-2,284.36	1.61	3.35	788.69
3	17,406.86	40	24	16	60.00	1,398.47	4,462.50	-1,009.77	-3,560.24	1.38	2.08	435.17
2	17,845.89	42	27	15	64.29	1,319.97	4,105.50	-1,186.23	-2,471.52	1.11	2.00	424.90
1	8,705.02	42	24	18	57.14	956.05	2,562.30	-791.12	-1,792.48	1.21	1.61	207.26

89% of instances closed above the entry price at some point in the next week.

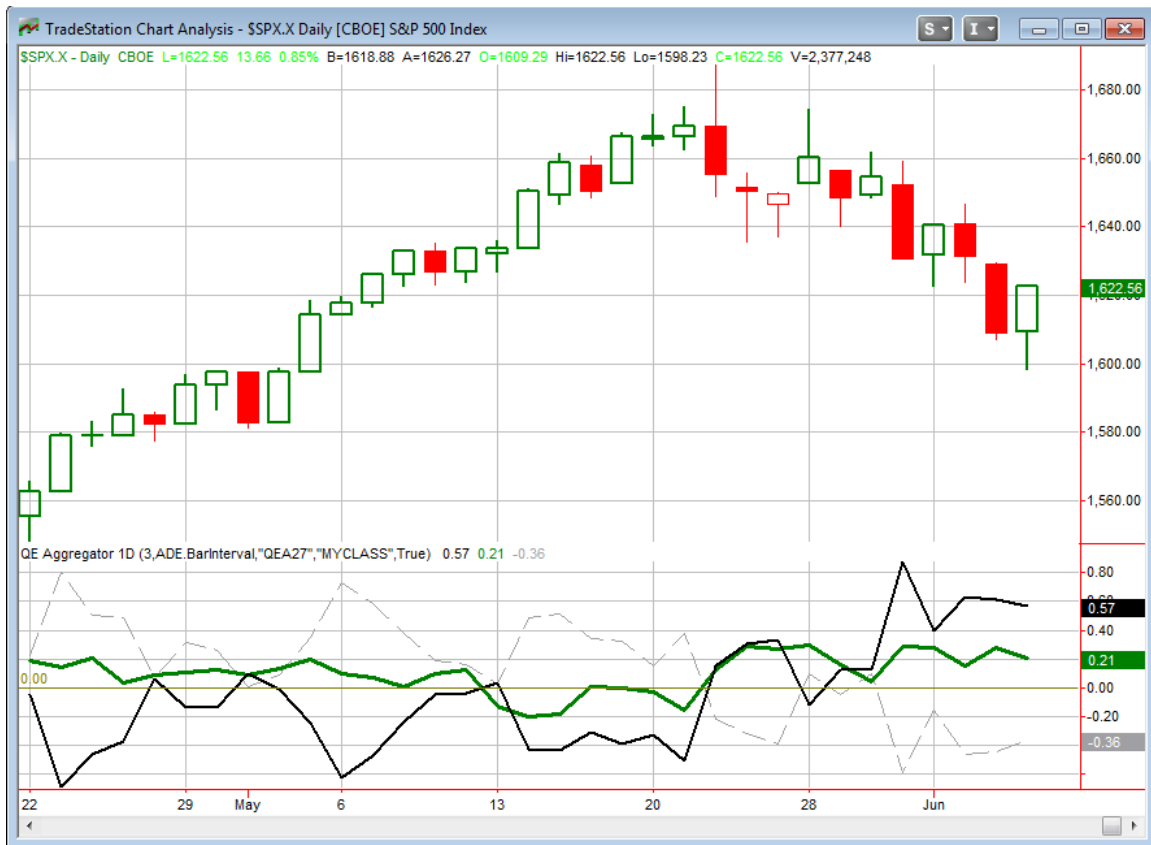
Results here seem to suggest a solid upside edge. Below is a profit curve using a 6-day exit strategy.



This curve appears strong and steady, providing greater confidence in the results.

Last night we saw quite a bit of evidence suggesting the market was primed to bounce. It appears that bounce has begun. And this study suggests it has a ways yet to go.

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



Tonight's bullish study helped keep the green Aggregator Line above zero once again. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line is also still above 0. The positive Differential Line reading means the SPX is strongly oversold versus recent expectations. So expectations are positive and the SPX is 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 1,642.90 on Friday. This is 1.25% above Thursday's close. So SPX would need to close up at least this much in order to move from oversold to overbought on Friday.

I like the long side, and evidence suggests the bounce should have a bit further to go. But I am already quite long. So I won't be looking to add any more long exposure on Friday. And depending on what studies emerge Friday afternoon, I may even consider taking off some exposure. If that is the case, and the Quantifinder is showing bearish evidence, then I might send out an intraday alert to subscribers letting them know my intentions as we approach the close.

Intermediate-term Outlook (2 weeks – 2 months)– updated 6/3 –bullish

The intermediate-term outlook was last updated in the 6/3 letter. Link below:

[2013-06-03 QE Subscriber Letter.pdf](#)

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

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

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AVP– buy 1/3 @ \$22.61 LIMIT (bought @ \$22.61)

LMT – buy 1/3 @ \$103.59 LIMIT (bought @ \$103.59)

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 5(EXC-3, AVP, LMT)

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
SPY(1/4)	5/23/2013	\$165.45	\$162.73	-1.64%		Aggregator
SO (1/3)	5/29/2013	\$44.67	\$44.43	-0.54%		sell on open
SO (1/3)	5/30/2013	\$44.26	\$44.43	0.38%		sell on open
EXC(1/3)	5/30/2013	\$31.65	\$31.50	-0.47%		sell on close >= \$31.65
SO (1/3)	5/31/2013	\$44.13	\$44.43	0.68%		Sold on close
EXC(1/3)	5/31/2013	\$31.50	\$31.50	0.00%		sell on close >= \$31.65
EXC(1/3)	6/3/2013	\$31.34	\$31.50	0.51%		sell on close >= \$31.65
SPY(1/4)	6/3/2013	\$163.65	\$162.73	-0.56%		Aggregator
AVP(1/3)	6/6/2013	\$22.61	\$22.90	1.28%		Catapult
LMT(1/3)	6/6/2013	\$103.59	\$104.37	0.75%		Catapult
SPY(1/4)	6/6/2013	\$161.20	\$162.73	0.95%		Aggregator

1 lot of SO was exited at the close as per the intraday update I sent to gold subscribers. The remaining 2 lots are to be sold at the open on Friday.

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