

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 2, 2013

Volume 6 Issue 126

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Lots of dojis, but they do not seem to suggest a directional edge.

## *Short-term Outlook*

### *The Bottom Line*

While evidence is leaning bullish, there isn't a lot of it from a short-term perspective. And with the market still slightly overbought the overall outlook is neutral. I am not looking to take on exposure right now, but instead will wait for a better risk/reward setup.

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

Study Date	Description	Time span	Bias	Avg Max Move
<b>Active</b>				
July 1, 2013	Enf of month. SPX < 10ma & > 200ma.	1-5 days	Bullish	2.20%
<b>Active - Long Term</b>				
June 28, 2013	70% Advancing Issues 3 Days In Row	1-85 days	Bullish	10.60%
June 28, 2013	SPY up 3 days on lower volume	1-19 days	Bearish	-4.00%
June 4, 2013	Hindenburg Omen cluster	1-50 days	Bearish	-8.60%
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	
<b>Dropped Tonight</b>				
<b>June 28, 2013</b>	<b>70% Advancing Issues 3 Days In Row</b>	<b>1-2 days</b>	<b>Bullish</b>	

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

***The Evidence***

First day of month tendencies exerted themselves on Monday as the major indices all rallied. But a late day selloff left the numbers looking much less impressive than they had around midday. SPX finished up 0.5%, the NASDAQ rose 0.9%, and the Russell 2000 rallied 1.3%. Breadth was squarely positive as the NYSE Up Issues % was 71% and the Up Volume % was 67%. Total NYSE volume came in light, and it probably will for the rest of the week.

Today was one of those days that pops up once every few weeks where no Quantifinder studies trigger. The market has reversed direction the last 2 days and is also near the middle of its 10-day range. Choppy, mid-range action leads to strong edges. One notable about the action is that SPY has been forming an awful lot of doji patterns lately.

I have a little calculation I use to identify dojis in Tradestation. It simply looks for the distance between the open and the close to be less than a chosen percentage of the daily price bar. If I set it to 25, then that would mean that the distance between the open and the close made up less than 1/4 of the size of the bar.

And if you use a 25 reading (which admittedly is a little loose for a doji) then you will note that Monday was the 7<sup>th</sup> day in a row that SPY posted a doji. I looked back to find other times there were 7 consecutive doji bars. The results showed only 1 – it triggered on 1/11/95. The market rallied soon after, but I would not read anything from just one instance.

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



Tonight's studies caused the green Aggregator Line to again remain 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 below 0 (slightly). The negative Differential Line reading means the SPX is overbought versus recent expectations. So expectations are positive 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 remain flat at the close.

Based on the current studies, expectations are slated to remain positive on Tuesday. Of course this could easily change if new bearish evidence emerges. The Differential Pivot will be *inverted* at 1,622.82 on Tuesday. This is about 0.5% *above* Monday's close. An inverted pivot means that the Differential Line will cross zero if the SPX closes flat. In other words, SPX will move from overbought to oversold versus expectations unless it closes up at least 0.5%.

The Aggregator has been neutral for a few days here. And with just 1 short-term study left to go on I am not inclined to try and anticipate a trade tonight. This seems like a good spot to sit and wait. So that is what I will do. And when a more favorable opportunity arises I will look to get back in. Until then I will observe and study the market and practice patience.

**Intermediate-term Outlook (2 weeks – 2 months)– *updated 7/1 – somewhat bullish***

The intermediate-term outlook was last updated in the 7/1 Letter. Link below:

[2013-07-01 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**

*None currently open.*

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