

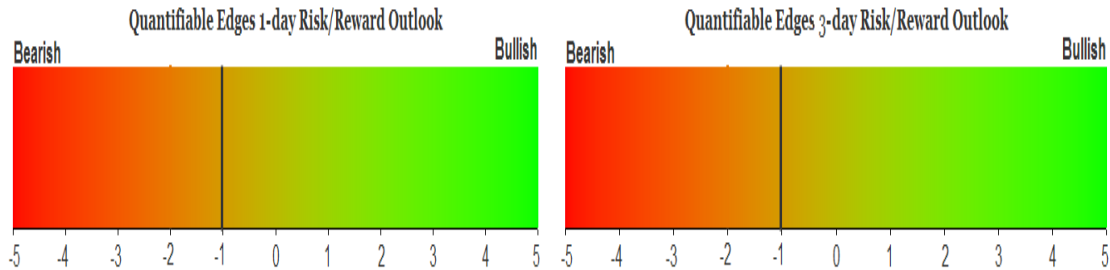
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 9, 2013

Volume 6 Issue 130

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing	NDX Trend Timer
Short	100% Short SPY	Flat	Flat

Tonight's Research Points

- The VXO is getting stretched to the downside. This used to suggest a bearish edge, but not in recent times.

Short-term Outlook

The Bottom Line

The Aggregator is suggesting a bit of a downside edge. But the edge is small, and I am still not inclined to play the short side.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
July 5, 2013	SPX up. NYSE Up Issues < 40%	1-3 days	Bearish	-1.50%
Active - Long Term				
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	
Dropped Tonight				
July 1, 2013	End of month. SPX < 10ma & > 200	1-5 days	Bullish	2.20%

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

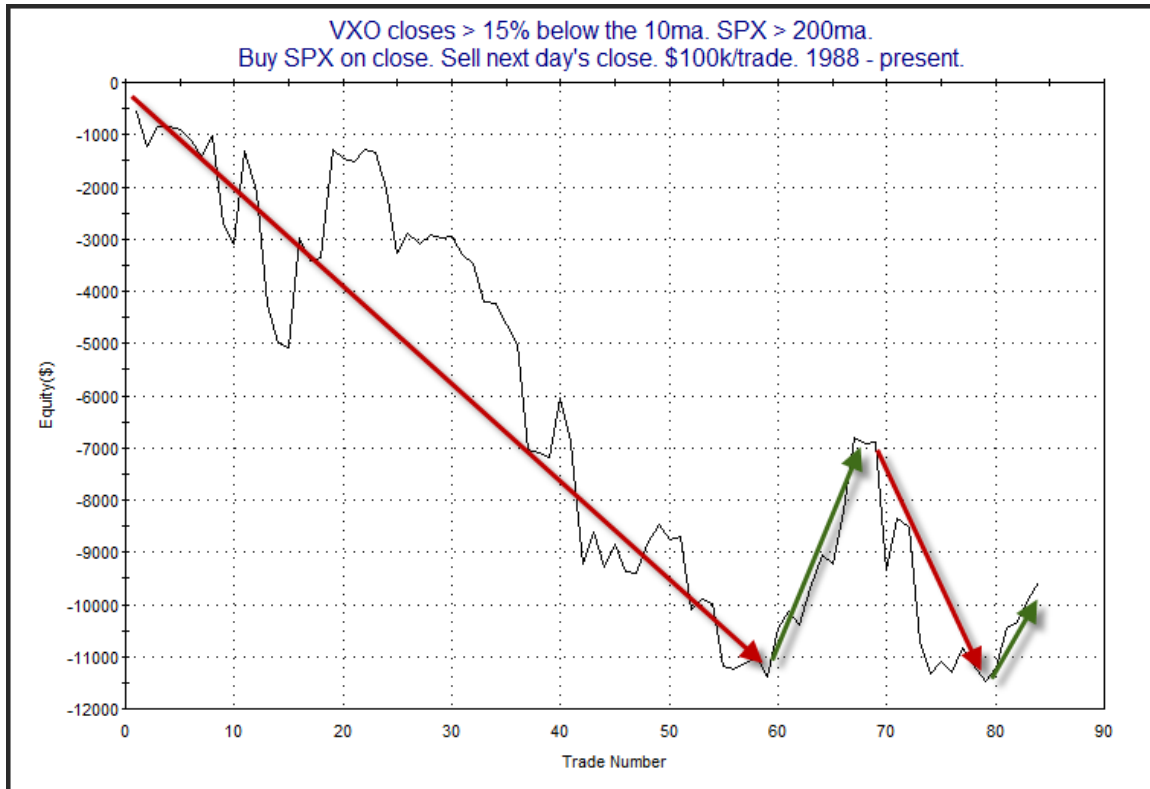
The Evidence

Monday was another positive day for the major indices. The SPX rose 0.5%, the Nasdaq climbed 0.2%, and the Russell 2000 gained 0.4%. Breadth was again moderately positive as the NYSE Up Issues % was 58% and the Up Volume % was 66%. Total NYSE volume came in higher than the last couple of days but was still very light.

The Quantifinder didn't show anything suggesting a strong directional edge. One index providing interesting readings is the VXO. It closed a little more than 15% below its 10ma. At one time, such rapid drops in the VXO were often followed by a move lower in the SPX. But this has not been as consistent in recent years. Below is an updated study from the 6/30/11 Subscriber Letter.

VXO closes > 15% below the 10ma. SPX > 200ma. Buy SPX on close. Sell next day's close. \$100k/trade. 1988 - present.			
TradeStation Performance Summary			Collapse ^
All Trades			
Total Net Profit	(\$9,571.36)	Profit Factor	0.68
Gross Profit	\$19,980.22	Gross Loss	(\$29,551.58)
Total Number of Trades	84	Percent Profitable	40.48%
Winning Trades	34	Losing Trades	50
Even Trades	0		
Avg. Trade Net Profit	(\$113.94)	Ratio Avg. Win:Avg. Loss	0.99
Avg. Winning Trade	\$587.65	Avg. Losing Trade	(\$591.03)
Largest Winning Trade	\$2,096.10	Largest Losing Trade	(\$2,447.06)

Stats here seem to suggest a bit of a downside inclination. But the equity curve tells a little bit of a different story.



The downside edge seemed apparent for the 1st 60 instances or so. But the last 25 have been extremely choppy and shown no progress. So I will not be including this study on the Active List tonight.

With the last short-term bullish study expiring, that leaves us with just 1 (bearish) study left on the Short-Term List. In other words, there is not much to go on at the moment. That is not unusual when the market is drifting higher during a long-term uptrend. It is a condition that rarely shows strong edges. We need to be careful not to fall asleep, though. It is also a condition from which things can change quickly.

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



The green Aggregator Line again closed below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line also remained below 0. The negative Differential Line reading means the SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below 0. This caused the Aggregator system to remain short at the close.

With the last short-term study set to expire on Tuesday, expectations will be largely dependent on any new studies that emerge. If none emerge, then expectations will turn back to positive. The Differential Pivot will be 1,618.87 on Tuesday. That is 1.3% below Monday's close. That is a sizable selloff, especially for the fairly quiet market conditions we're currently experiencing. So unless there is a strong selloff on Tuesday, SPX will remain overbought.

Once again the Aggregator is pointing south, but I am not looking at this one as actionable. I prefer to wait for a setup with better risk/reward. So I will be exercising patience and staying alert. I won't pounce until I see a strong edge, but when I do see that edge, I won't hesitate.

Intermediate-term Outlook (2 weeks – 2 months)– updated 7/8 – somewhat bullish

The intermediate-term outlook was last updated in the 7/8 letter. Link below:

[2013-07-08 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

None.

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