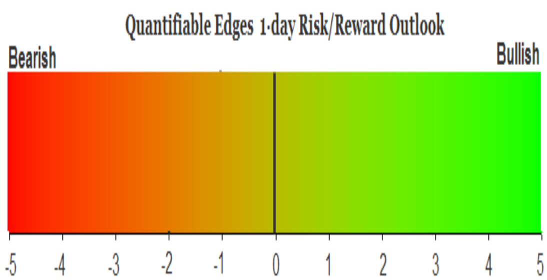
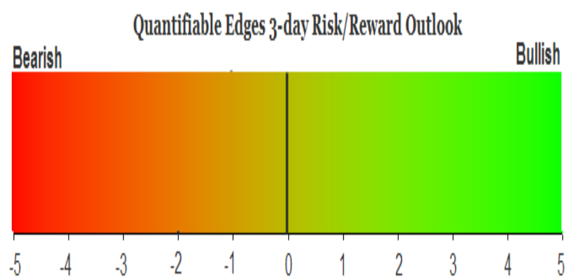
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 6, 2013 Volume 6 Issue 150

Market Overview





Signals Overview

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

Tonight's Research Points

- The very light volume on the pullback Monday could suggest more selling soon.

Short-term Outlook
The Bottom Line

Short-term the market is again overbought, but the studies in total continue to favor more upside. This has the Aggregator chart neutral, but a down close on Tuesday would almost certainly suggest an upside edge.

Hanna Capital Management, LLC 16 Hillcrest Rd., Medfield, Massachusetts 02052 781-956-6952

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
August 2, 2013	Breakout from short base. Vol lower.	1-5 days	Bullish	1.50%
August 1, 2013	End of Month < 10ma and > 200ma	1-5 days	Bullish	2.20%
Active - Long Term				
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish	
July 11, 2013	5 up > 200 but < 50-high	1-15 days	Bullish	
June 28, 2013	70% Advancing Issues 3 Days In Row	1-85 days	Bullish	10.60%
June 4, 2013	Hindenburg Omen cluster	1-50 days	Bearish	-8.60%
May 6, 2013	Nasdaq leading SPX	int term	Bullish	
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				
August 5, 2013	***SPY up < 0.25%. Top 10% daily ran***	***1 day***	***Bearish***	

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

The Evidence

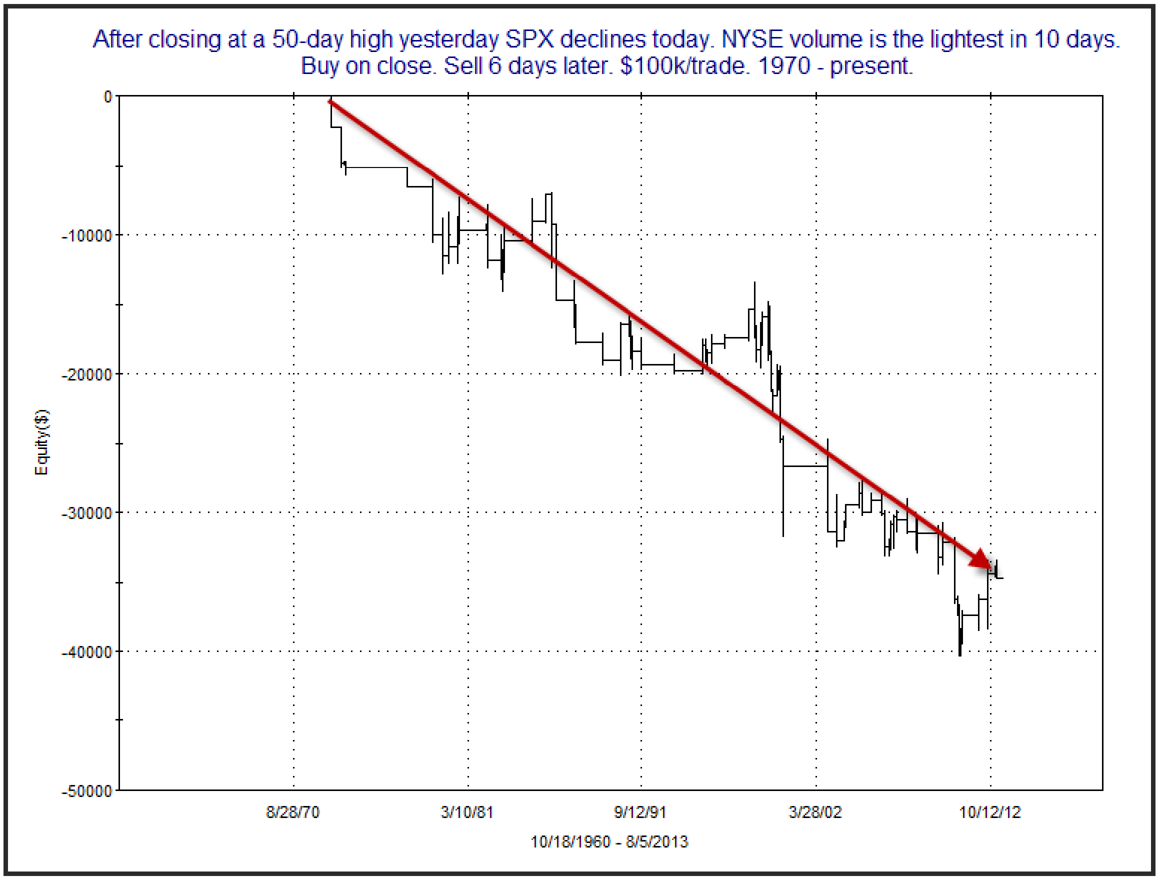
I was not in front of the computer much today, but every time I checked the market it seemed to be in the same place. It could not generate any conviction for a strong move, and in the end it finished mixed. The SPX fell 0.2%, but the Nasdaq added on 0.1%, and the Russell 2000 rose 0.3%. Breadth was negative as the NYSE Up Issues % was just 40% and the Up Volume % was 43%. Total NYSE volume was extremely light, coming in at the lowest level in over 100 days.

I prefer dull markets when I am on vacation. And today certainly seemed like a dull one. The study below was the only one of much substance that triggered in the Quantifinder. It was last seen in the 2/12/13 Letter and has been updated.

After closing at a 50-day high yesterday SPX declines today. NYSE volume is the lightest in 10 days.
Buy on close. Sell 6 days later. $100k/trade. 1970 - present.

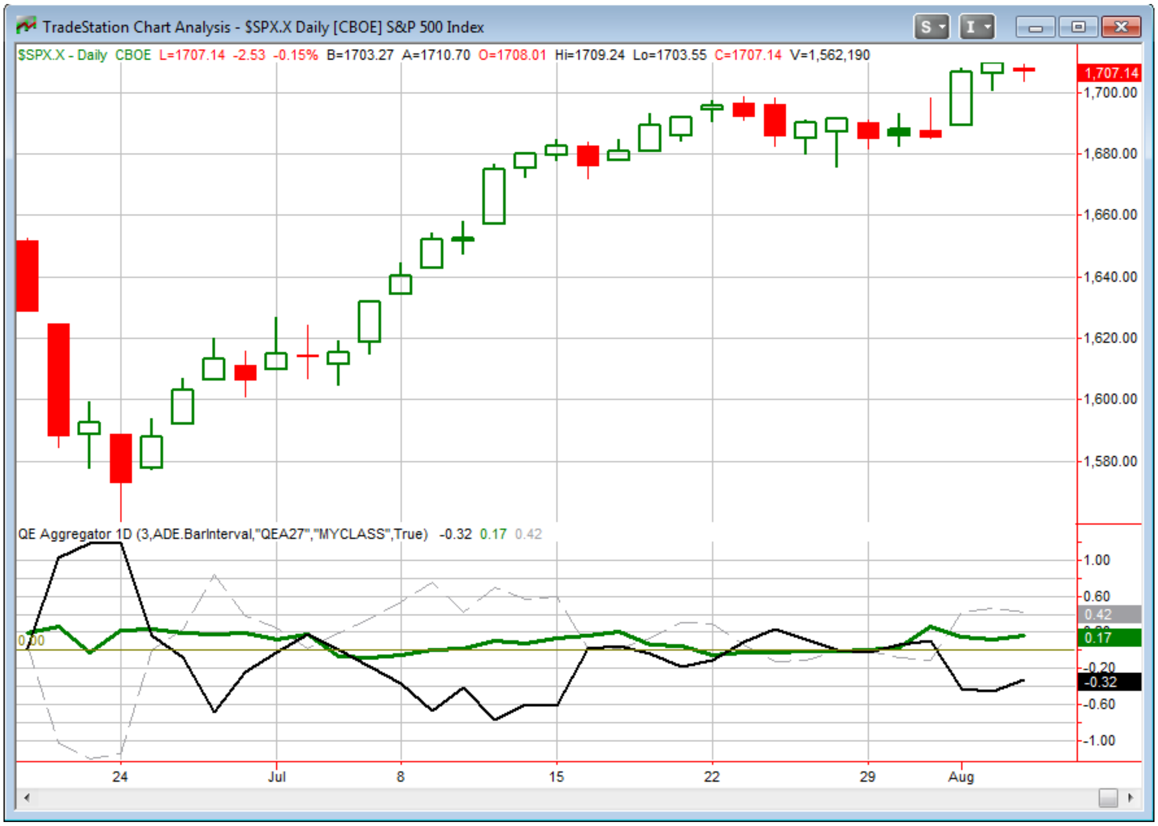
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-18,125.39	62	34	28	54.84	1,731.07	5,104.00	-2,749.35	-6,121.74	0.63	0.76	-292.35
9	-14,981.32	63	34	29	53.97	1,725.02	3,955.23	-2,539.04	-6,236.87	0.68	0.80	-237.80
8	-24,501.75	63	31	32	49.21	1,515.34	3,521.07	-2,233.66	-6,661.66	0.68	0.66	-388.92
7	-34,853.82	63	30	33	47.62	1,317.29	3,732.48	-2,253.71	-7,193.64	0.58	0.53	-553.24
6	-34,724.66	64	30	34	46.88	1,115.35	2,563.47	-2,005.45	-5,426.99	0.56	0.49	-542.57
5	-22,683.59	65	32	33	49.23	953.13	2,273.04	-1,611.62	-4,288.68	0.59	0.57	-348.98
4	-18,757.33	67	34	33	50.75	868.93	2,457.84	-1,463.67	-4,263.60	0.59	0.61	-279.96
3	-3,694.66	68	38	30	55.88	860.65	2,169.48	-1,213.31	-3,726.24	0.71	0.90	-54.33
2	-1,239.50	68	36	32	52.94	732.95	2,328.05	-863.30	-4,049.40	0.85	0.96	-18.23
1	-3,846.78	68	35	33	51.47	524.89	2,235.13	-673.27	-3,068.81	0.78	0.83	-56.57

The first few days don't show much of an edge, but once you get out 6-7 days there appears to be a possible downside inclination. To confirm this I took a look at the equity curve. In this case I decided to show time on the x-axis rather than instances to demonstrate how consistent the edge has been over the years.



For a study without strongly lopsided statistics, the steadiness is impressive. But with no real edge appearing for the first several days, I decided not to include this study on the active list. Still, it may be worth keeping in mind.

I have updated the Aggregator chart below.



The green Aggregator Line again remained in positive territory. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line remained below zero. 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 active studies expectations are set to remain positive on Tuesday. Of course this could easily change if new bearish evidence emerges. The Differential Pivot will be *inverted at* 1,714.51 on Tuesday. That is 0.4% *above* Monday's close. An inverted pivot means Differential Line will cross through zero if SPX closes flat. In this case SPX is going to need to close up over 0.4% in order to remain "overbought" versus expectations. Anything short of that and it will be considered "oversold".

With the pivot inverted and expectations currently bullish there is a good chance that a down close would trigger a long signal on Tuesday. I am not going to jump the gun, though, since it is difficult to anticipate exactly what studies will emerge. So I will be at the ready to go long, but am not listing it as a "trade idea" tonight. A down close will mean a pretty good chance of me listing a long trade idea in tomorrow night's Letter, though.

Intermediate-term Outlook (2 weeks – 2 months)– updated 8/5 – somewhat bullish

The intermediate-term outlook was last updated in the 8/5/13 Letter. Link below:

2013-08-05 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