

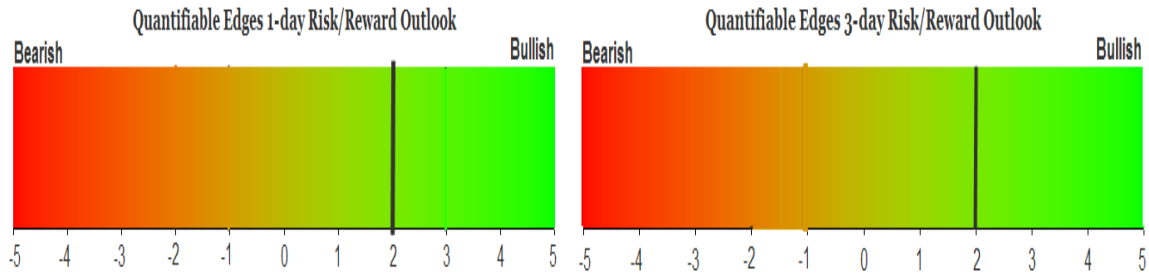
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 7, 2013

Volume 6 Issue 151

Market Overview



Signals Overview

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

Tonight's Research Points

- A 2nd Hindenburg Omen signal triggered. More of those in the next few days could act as a drag on the market.

Short-term Outlook

The Bottom Line

The Aggregator is now suggesting an upside edge. But despite being oversold versus expectations on a short-term basis, SPX is still extended upwards by other measures. If we get further weakness on Wednesday I may be a buyer for a swing trade.

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	

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

The Evidence

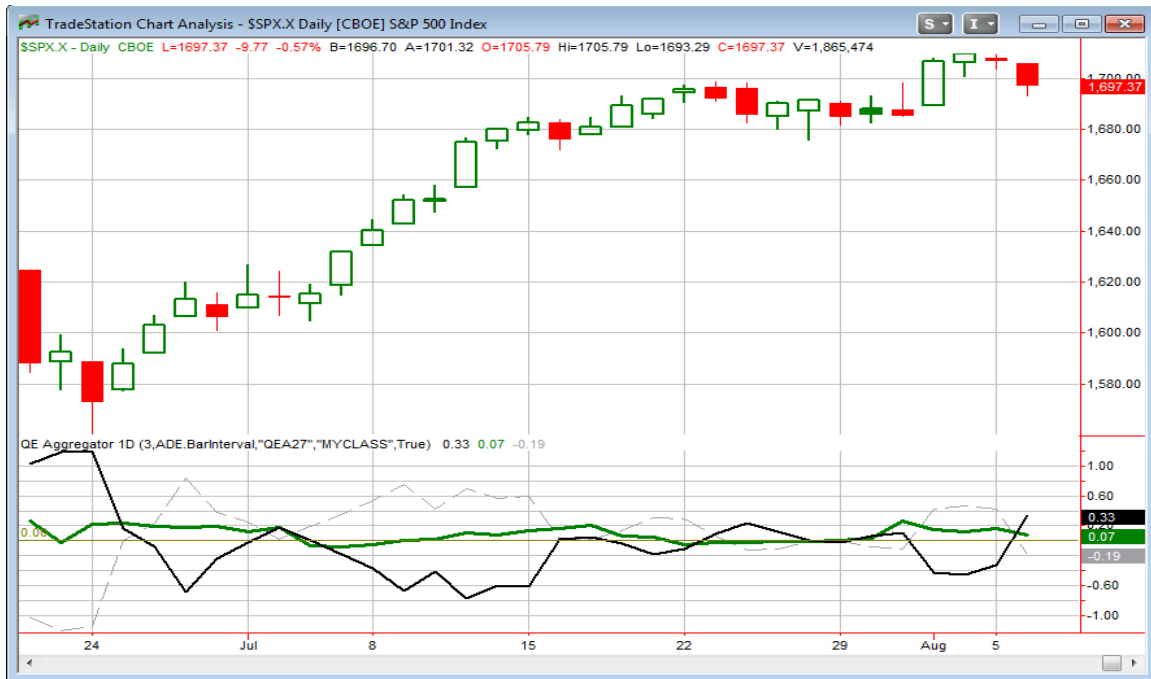
Selling came into the market today, but the damage was all done in the first 90 minutes of trading. After that it was basically a quiet sideways drift for the rest of the day. The SPX fell 0.6%, the Nasdaq dropped 0.7%, and the Russell 2000 declined 1.0%. Breadth was strongly negative as the NYSE Up Issues % was 24% and the Up Volume % was 22%. Total NYSE rose some from yesterday's extremely low level, but still came in light.

The selloff was a bit stronger on Tuesday compared to Monday's mild dip. Still, it did even less to generate meaningful new edges. I examined a few different things, including a pullback setup from Overnight Edges that suggested a possible overnight tendency. Nothing I looked at painted a compelling picture.

There was one study that triggered in the Quantifinder. And it triggered for the 2nd day in a row. It was a "Hindenburg Omen" signal. The Hindenburg Omen was created by Jim Miekka in 1995. It looks to identify times when there is a split market developing, which could signal trouble ahead. I last discussed Hindenburg Omen signals in detail in the 6/10 Letter. In general, they have not provided much reliability with only one or two signals. You'd like to see at least 3 triggers in a 30-day period. If we get a 3rd signal sometime soon I may update that study. But for traders that would like to study it in more detail I will now refer you to the intermediate-term section of the 6/10/13 letter.

[2013-06-10 QE Subscriber Letter.pdf](#)

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



Without any new studies being added 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 with the selloff on Tuesday the black Differential Line jumped back above zero. The positive Differential Line reading means the SPX is 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 turn long at the close.

Based on the current active studies expectations are set to remain positive on Wednesday. Of course this could easily change if new bearish evidence emerges. The Differential Pivot will be 1,718.60 on Wednesday. That is a hefty 1.25% above Tuesday's close. It will be a stretch to see that happen in 1 day. A more likely scenario would be a multi-day rally or consolidation to work off the oversold condition.

Of course "oversold" is highly relative. While the current setup has underperformed expectations over the last few days, SPY still closed above its 10-day moving average and in the top 40% of its 10-day range. So there is certainly room for the pullback to

deepen. But when dealing with such a strong uptrend in such a strong liquidity environment, it is often a good idea to start scaling into pullbacks a little early. So if I see some additional weakness on Wednesday I will be a buyer on a limited basis.

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.

SPY – Buy ¼ index position @ \$169.50 LIMIT. Based on the short-term outlook above, I will begin scaling in to a long position. This level would mean SPY would be below its 10ma (intraday), but still above the low of Tuesday.

Current Open Trade Ideas

None

This report has been prepared by Hanna Capital Management, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Hanna Capital Management, LLC or clients of Hanna Capital Management, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Hanna Capital Management, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Hanna Capital Management, LLC nor any officer or employee of Hanna Capital Management, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Hanna Capital Management, LLC.

Copyright © 2013 Hanna Capital Management, LLC.