

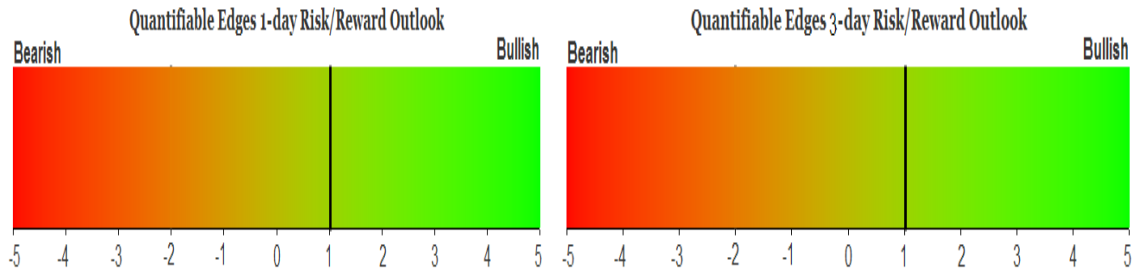
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 14, 2013

Volume 6 Issue 156

Market Overview



Signals Overview

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

Tonight's Research Points

- Weak breadth on up days used to be a bad omen, but not recently.

Short-term Outlook

The Bottom Line

There is not a substantial short-term edge at the moment that I see. The Aggregator is leaning long, but is not entirely convincing. I'll be looking to take profits if the market closes up at all on Wednesday. I am not looking to take on more exposure at this point.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
none				
Active - Long Term				
August 12, 2013	Hindenburg Omen cluster	1-50 days	Bearish	-8.60%
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish	
June 28, 2013	70% Advancing Issues 3 Days In Row	1-85 days	Bullish	10.60%
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 13, 2013	Continuation Tuesday	1 day	Bearish	

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

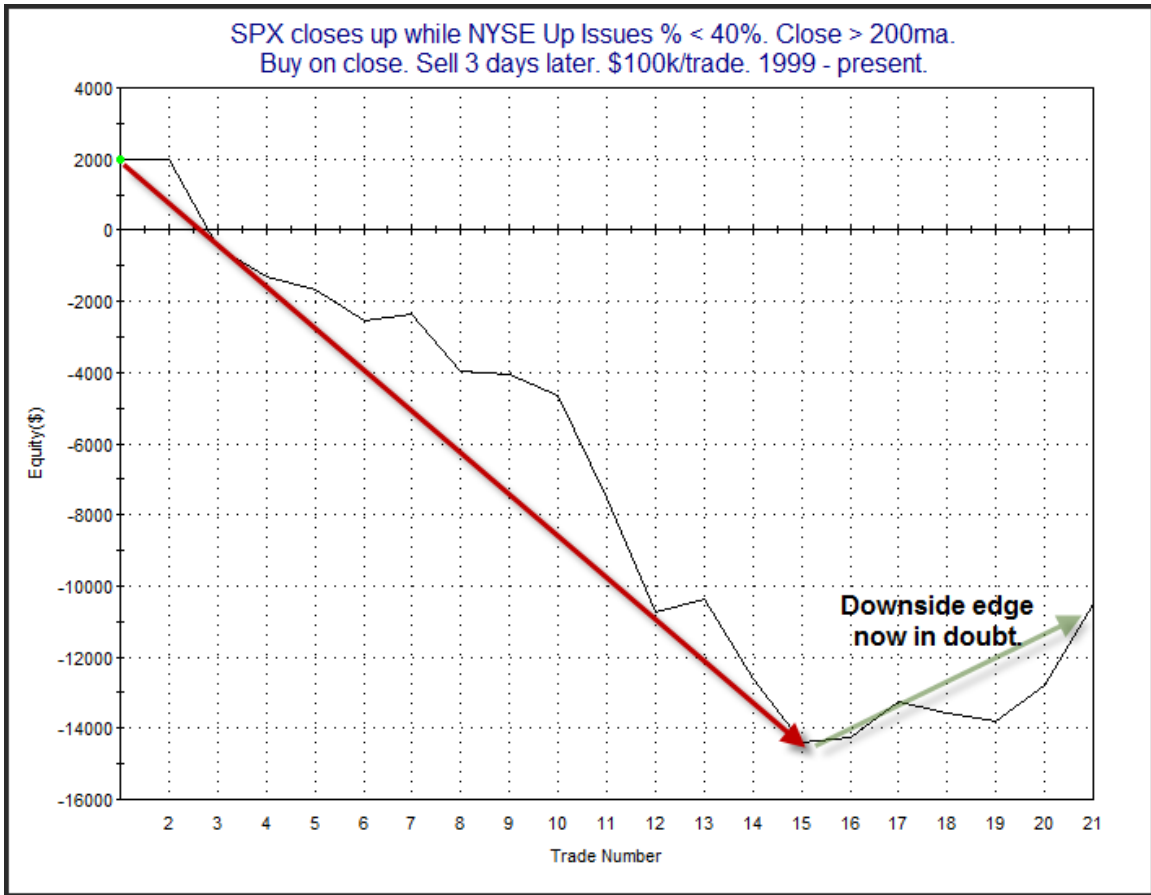
The Evidence

Apple shot up nearly 6% on Tuesday and carried the major averages along with it. The SPX gained 0.3%, and the Nasdaq rose 0.4%, but the Russell 2000, which does not include Apple, fell 0.2%. Breadth was especially weak for an up day as the NYSE Up Issues % was 39% and the Up Volume % was 43%. Total NYSE volume rose some from Monday's level.

Tuesday's weak breadth could imply negative ramifications moving forward. In the 5/14/13 Subscriber Letter I looked at other instances where the SPX closed higher while the Up Issues % came in under 40%. Results above the 200ma showed a bit a downside edge. But that edge has been looking weaker as of late. I have updated the stats below.

SPX closes up while NYSE Up Issues % < 40%. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1999 - 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
5	-1,958.59	21	11	10	52.38	1,282.52	3,850.49	-1,606.63	-3,398.20	0.80	0.88	-93.27
4	-6,638.07	21	9	12	42.86	1,208.31	3,230.74	-1,459.41	-4,083.30	0.83	0.62	-316.10
3	-10,530.39	21	7	14	33.33	991.06	2,251.51	-1,247.70	-3,191.92	0.79	0.40	-501.45
2	-8,294.88	21	10	11	47.62	781.62	1,528.05	-1,464.64	-3,844.10	0.53	0.49	-394.99
1	-2,371.20	21	9	12	42.86	1,064.14	2,468.88	-995.70	-2,302.95	1.07	0.80	-112.91

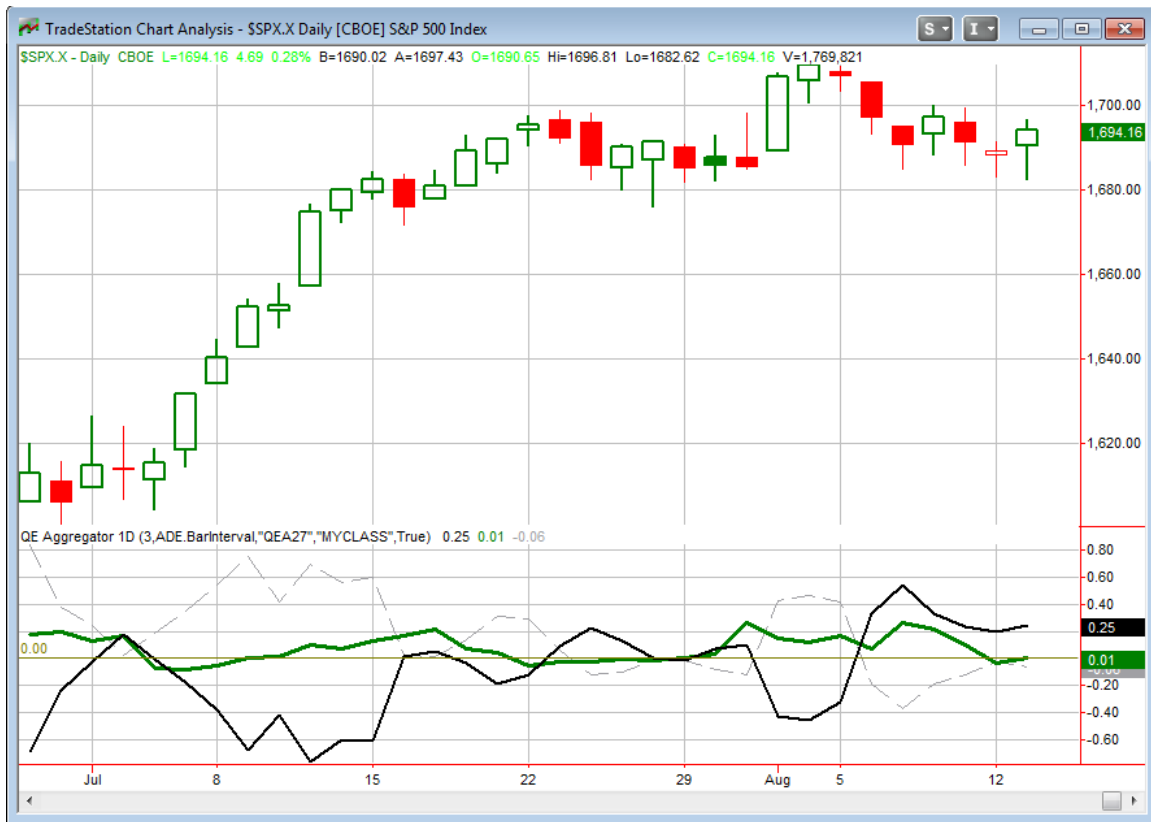
The numbers here appear to suggest a solid downside edge. But now let's take a peek at the equity curve.



The downslope is now in question. If there were more overall instances, the recent ones would not make the curve look so bad. But evidence certainly seems to be waning. So after some thought, I elected to put this study on probation. I have not included it on the Active List for tonight. Part of what convinced me was that another breadth related study with more instances showed an even more dramatic rise recently, causing me to dump that one from the Quantifinder entirely.

Unfortunately, this leaves us in the unusual position of a blank short-term Active List. So I am now simply looking at the intermediate-term list (and Differential reading) for guidance.

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



With the intermediate-term studies in charge the green Aggregator Line inched back up above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line held firmly above 0. 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 signal to turn long at the close.

With the short-term list bare, expectations over the next few days will be largely dependent on what new studies emerge. If none emerge then expectations will remain positive thanks to the intermediate-term studies. The Differential Pivot will be 1,701.16 on Wednesday. That is 0.4% above Tuesday's close. So the SPX will need to close higher by at least this much in order to move from oversold to overbought.

So the Aggregator is back to suggesting a short-term bullish edge. But really, it could not be a much weaker signal than this. I view it as more neutral than bullish. I am still holding the SPY position from a few days ago, but will look to exit that if SPY closes up again tomorrow – even if it does not reach the Differential Pivot. The action is too choppy at the moment to go for a big win, so I'll aim to book a small one if that's all that is available.

Intermediate-term Outlook (2 weeks – 2 months)– updated 8/12 – somewhat bullish

The intermediate-term outlook was last updated in the 8/12 letter. Link below:

[2013-08-12 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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	8/7/2013	\$169.19	\$169.61	0.25%		sell @ \$169.62 ON CLOSE

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.