

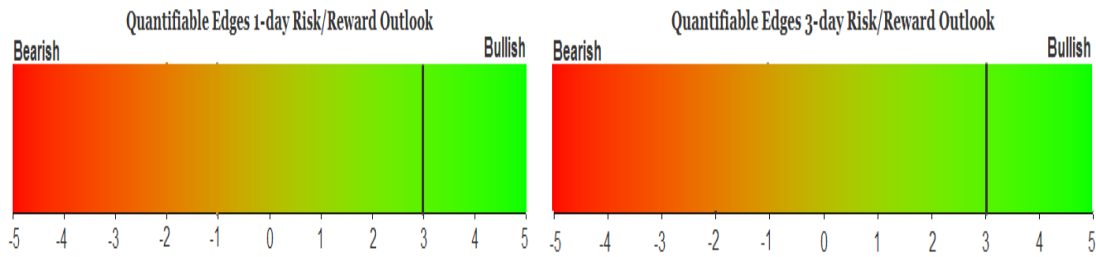
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 29, 2013

Volume 6 Issue 167

Market Overview



Signals Overview

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

Tonight's Research Points

- The reversal pattern from the 20-day low suggests the bounce could last a few more days.

Short-term Outlook

The Bottom Line

The bounce we were looking for last night appears to have started on Wednesday. Evidence tonight suggests it should continue over the next few days. I am long and looking to take advantage of further upside.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
August 29, 2013	Bounce from 20-low	1-6 days	Bullish	2.40%
August 28, 2013	System 1100524	1-7 days	Bullish	
August 28, 2013	Unfill gap > 200. Close low 25% range.	1-8 days	Bullish	3.30%
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	

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

The Evidence

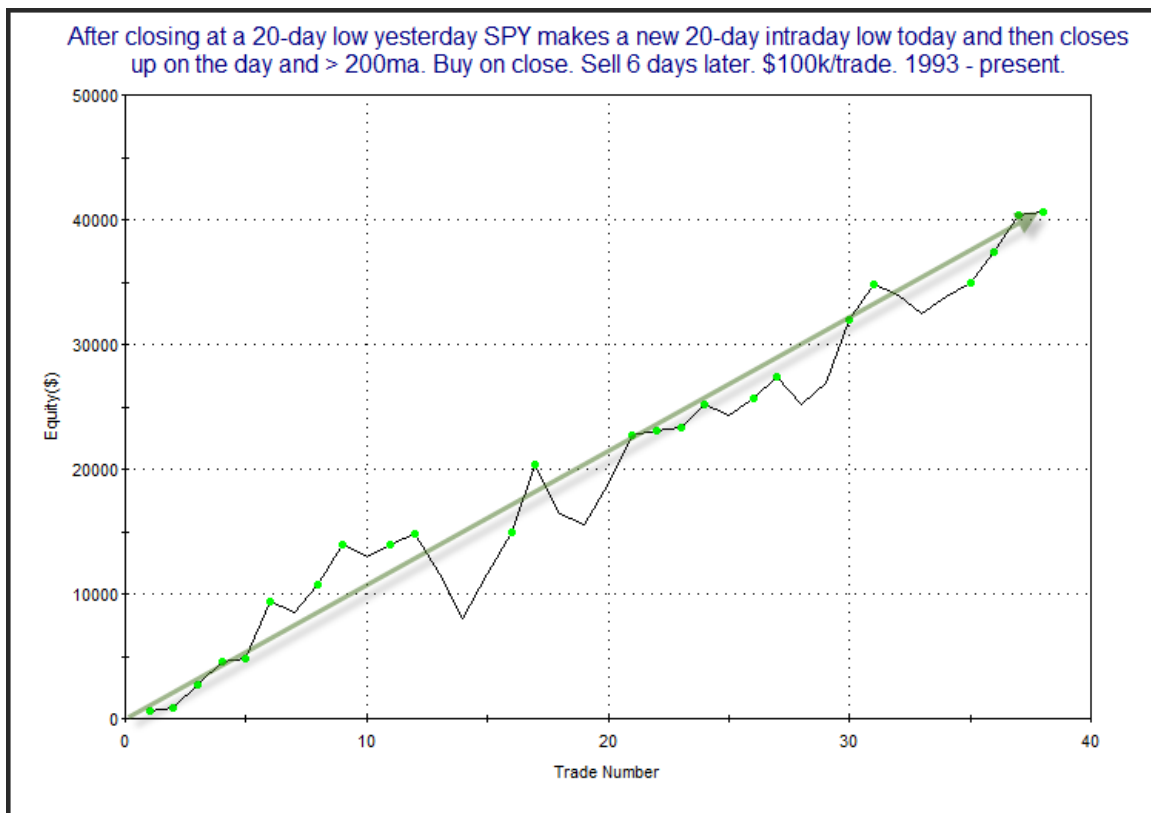
The market put in a little bit of a rebound on Wednesday, but really did not get all that far, and faded some into the close. The final numbers saw SPX and the Russell 2000 rise 0.3% and the NASDAQ close up 0.4%. Breadth was slightly positive as the NYSE Up Issues % was 52% and the Up Volume % was 55%. Volume declined from Tuesday's level.

Unlike yesterday there was not a lot that appeared in the Quantifinder. The study below was last seen in the 6/7/13 Letter. It looks at a possible reversal pattern off a 20-day low. All stats are updated.

After closing at a 20-day low yesterday SPY makes a new 20-day intraday low today and then closes up on the day and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	44,701.74	35	26	9	74.29	2,293.35	6,600.62	-1,658.37	-3,844.83	1.38	4.00	1,277.19
9	41,003.61	36	25	11	69.44	2,451.59	5,154.99	-1,844.20	-4,258.20	1.33	3.02	1,138.99
8	34,010.91	37	25	12	67.57	2,420.49	5,216.64	-2,208.44	-4,268.86	1.10	2.28	919.21
7	41,291.66	38	26	12	68.42	2,367.50	5,585.14	-1,688.61	-3,531.11	1.40	3.04	1,086.62
6	40,652.76	38	28	10	73.68	2,125.33	5,411.67	-1,885.66	-3,952.19	1.13	3.16	1,069.81
5	37,467.68	38	28	9	73.68	1,816.13	5,029.50	-1,487.09	-3,450.35	1.22	3.80	985.99
4	28,579.91	38	25	13	65.79	1,663.32	3,213.00	-1,000.24	-2,284.36	1.66	3.20	752.10
3	17,634.04	41	25	16	60.98	1,351.62	4,462.50	-1,009.77	-3,560.24	1.34	2.09	430.10
2	19,116.87	43	28	15	65.12	1,318.22	4,105.50	-1,186.23	-2,471.52	1.11	2.07	444.58
1	9,976.00	43	25	18	58.14	968.64	2,562.30	-791.12	-1,792.48	1.22	1.70	232.00

90% of instances closed above the entry price at some point in the next week.

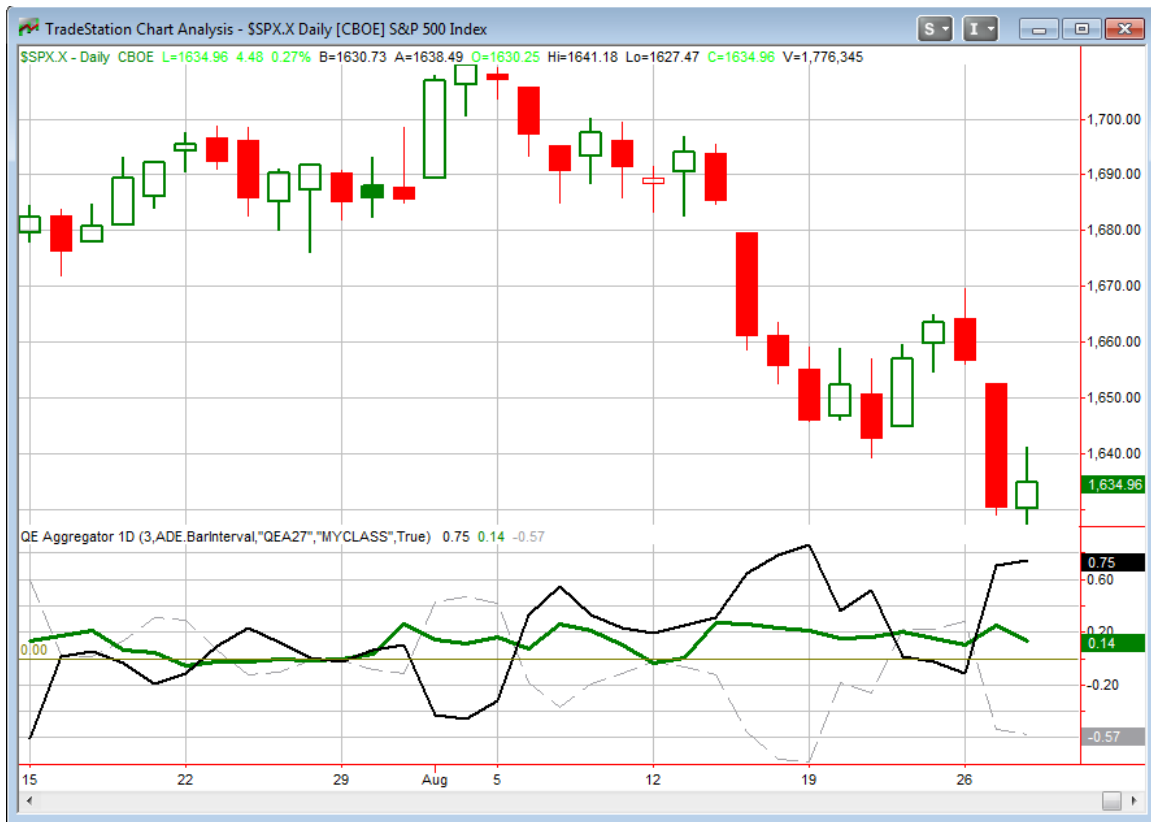
Results here seem to suggest a solid upside edge. Below is a profit curve using a 6-day exit strategy.



This curve appears strong and steady, providing greater confidence in the results.

Last night we saw some evidence suggesting the market was primed to bounce. It appears that bounce has begun. And this study suggests it has a ways yet to go.

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



With another bullish study being added tonight the green Aggregator Line held firmly above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line is still strongly above 0. The positive Differential Line reading means the SPX is oversold versus recent expectations. So expectations are positive and the SPX is strongly 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 remain long at the close.

With bearish short-term studies lacking, expectations are slated to remain positive on Thursday. Of course this could change if strong bearish evidence emerges. The Differential Pivot will be 1663.91 on Thursday. That is a very large 1.8% above Wednesday's close. It's fairly unlikely we will see a rally of that magnitude in one day. A more realistic scenario would be a multi-day rally or consolidation to work off the oversold condition.

Wednesday's action really did not do anything to change the outlook. The market is still oversold and the studies are still pointing higher. I like the long side. I am a little wary of getting heavily invested, though, since the market seems a bit more news-focused than usual. I plan to maintain my current index position and add a little more exposure via a Catapult trade.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 8/26 – somewhat bullish*

The intermediate-term outlook was last updated in the 8/26 letter. Link below:

[2013-08-26 QE Subscriber Letter.pdf](#)

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

KO – 1/3 @ \$38.28 limit (filled)

CSCO – 1/3 @ \$23.49 limit (filled)

New

CSCO – 1/3 @ \$23.44 limit (2nd lot)

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 3(KO, CSCO-2)

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.

CSCO – buy 1/3 Catapult position @ \$23.44 LIMIT. This is from the Catapult & CBI section above. It is the 2nd of a possible 3 lots for CSCO.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
KO(1/3)	8/22/2013	\$38.28	\$38.35	0.18%		Catapult
CSCO(1/3)	8/28/2013	\$23.49	\$23.44	-0.21%		Catapult
SPY (1/4)	8/28/2013	\$163.26	\$163.91	0.40%		bought on open

KO is very near its exit trigger. All it would need to do tomorrow is post a high \geq \$38.47. If that happens, the standard exit is at Friday's open. But if it happens early in the day, then there is a good chance I would place a stop below the morning low to protect against a reversal. I may also consider exiting the position at the close. If I institute a stop or an early exit, I will send an intraday update on Thursday.

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