

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 4, 2013

Volume 6 Issue 170

Market Overview



Signals Overview

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

Tonight's Research Points

- Without anything new and substantial emerging on Tuesday, short-term evidence remains bullish.

Short-term Outlook

The Bottom Line

Short-term evidence continues to point higher, and the market remains oversold. I like the long side and am looking to take advantage of a further bounce with a small position.

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

| Study Date | Description | Time span | Bias | Avg Max Move |
|---------------------------|--|-------------|---------|--------------|
| Active | | | | |
| September 3, 2013 | End of month < 10ma and > 200ma | 1-5 days | Bullish | 2.20% |
| August 30, 2013 | Up2 < 3 ago from 20-day low | 1-3 days | Bullish | |
| 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

Another rally attempt mostly fizzled on Tuesday but the market still managed respectable gains. The SPX rose 0.4%, the NASDAQ gained 0.6% and the Russell 2000 closed up 0.5%. Breadth was moderately positive as the NYSE Up Issues % was 54% and the Up Volume % was 63%. Volume rose quite a bit as traders are returning from summer vacations.

Monday seemed to be the best day the market has had in a while – and it was closed. Tuesday’s open was up around 1%, but as has been the case lately, morning strength could not hold. I looked at similar runs of poor closes a number of ways tonight and found nothing particularly noteworthy. And with the Quantifinder posting a rare blank, short-term meaning from today’s action seems to be lacking. But between last week’s price-based studies suggesting a bounce and the turn of the month study from last night, we still have ample evidence suggesting an upside edge.

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



With bullish evidence still dominating the short-term 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 also still 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 remain long at the close.

With bearish short-term studies lacking, expectations are slated to remain positive again on Wednesday. Of course this could change if strong bearish evidence emerges. The Differential Pivot will be 1648.05 on Wednesday. That is about 0.5% above Tuesday's close. So for the SPX to move from short-term oversold to short-term overbought versus expectations, it will need to close up at least this much.

Nothing has really changed about my outlook from last night. There still appears to be a moderate upside edge in a bit of a twitchy, news-driven environment. I am partially long to try and take advantage of this edge, but my allocations remain relatively light. I will look to take on another Catapult trigger on Wednesday, but I do not intend to up my index exposure. And if SPX rallies and closes above the Differential Pivot, then I will look to take profits.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/3 – neutral

The intermediate-term outlook was last updated in the 9/3 letter. Link below:

[2013-09-03 QE Subscriber Letter.pdf](#)

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

ABT – 1/3 @ \$33.33 (filled)

New

ABT – 1/3 @ \$32.93 (buy @ limit)

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 2 (ABT-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.

ABT – buy 1/3 Catapult position @ \$32.93 LIMIT. This is based on the Catapult trigger listed above. It is the 2nd of a possible 3 lots that could be purchased of ABT.

Current Open Trade Ideas

| Symbol | Entry Date | Entry Price | Current Price | % Gain/Loss | Stop | Notes |
|------------------|------------------|----------------|----------------|--------------|------|----------------------------------|
| <i>CSCO(1/3)</i> | <i>8/28/2013</i> | <i>\$23.49</i> | <i>\$23.49</i> | <i>0.00%</i> | | <i>stopped out</i> |
| SPY (1/4) | 8/28/2013 | \$163.26 | \$164.39 | 0.69% | | sell SPX close>1648.05 |
| <i>CSCO(1/3)</i> | <i>8/30/2013</i> | <i>\$23.31</i> | <i>\$23.49</i> | <i>0.77%</i> | | <i>stopped out</i> |
| ABT (1/3) | 8/30/2013 | \$33.33 | \$32.93 | -1.20% | | Catapult |
| | | | | | | |
| | | | | | | |

As per the intraday update sent to gold subscribers, CSCO hit its intraday target this morning. This led me to place a stop below the morning lows, which was hit this afternoon.

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