

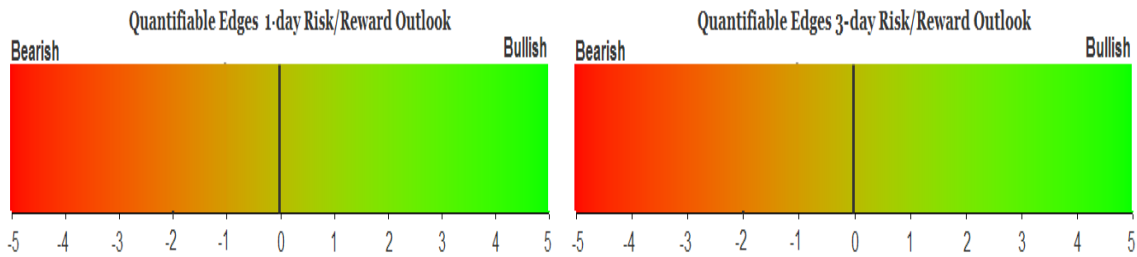
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 6, 2013

Volume 6 Issue 172

Market Overview



Signals Overview

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

Tonight's Research Points

- 3 days of strong Nasdaq breadth are often followed by a down day.
- Range contractions after strong moves up the previous day have often been followed by declines.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I. I'll wait for a more compelling edge before getting involved again.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active				
September 6, 2013	WR 10 up then NR10 low volum	1-5 days	Bearish	-3.00%
September 6, 2013	Nas Adv outnumber Decl 3 days	1 day	Bearish	
September 5, 2013	1st close > 10ma in > 15 days. > 200ma.	1-5 days	Bullish	1.40%
September 3, 2013	End of month < 10ma and > 200ma	1-5 days	Bullish	2.20%
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

Thursday saw very quiet trading, but the market finished up for the 3rd day in a row. The SPX rose 0.1% while the NASDAQ and the Russell 2000 each gained 0.3%. Breadth was mixed as the NYSE Up Issues % was 47% and the Up Volume % was 61%. Volume declined for the 2nd day in a row

Big intraday rallies like we saw on Wednesday that have been followed by tight consolidations like Thursday have often seen the market roll over. The study below looks at this setup. It was last seen in the 8/11/09 Subscriber Letter. I have updated the results.

Yesterday SPY closes up on the widest range bar in 10 days. Today it posts the narrowest range in 10 days on the lightest volume in 10 days. Buy on close. Sell X days later. \$100k/trade. '93 - 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	-18,339.69	10	1	9	10.00	1,704.07	1,704.07	-2,227.08	-3,596.51	0.77	0.09	-1,833.97
4	-14,714.80	10	1	9	10.00	1,725.46	1,725.46	-1,826.70	-3,118.08	0.94	0.10	-1,471.48
3	-3,371.16	10	4	6	40.00	1,044.47	1,818.15	-1,258.17	-2,768.92	0.83	0.55	-337.12
2	-839.73	10	5	5	50.00	1,096.77	3,112.40	-1,264.72	-2,293.20	0.87	0.87	-83.97
1	-2,177.68	10	5	5	50.00	719.06	1,054.00	-1,154.60	-2,591.68	0.62	0.62	-217.77

Instances are quite low, but the stats are strongly bearish. To take a closer look I have listed below all 10 instances.

Yesterday SPY closes up on the widest range bar in 10 days. Today it posts the narrowest range in 10 days on the lightest volume in 10 days.
Buy on close. Sell 5 days later. \$100k/trade. '93 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
10/31/94	Buy	\$47.48	(2.13%)	\$0.00
11/07/94	Sell	\$46.47		(\$2,442.96)
05/13/99	Buy	\$137.34	(2.25%)	\$0.00
05/20/99	Sell	\$134.25		(\$3,610.88)
11/15/99	Buy	\$140.08	1.71%	\$2,081.96
11/22/99	Sell	\$142.47		\$0.00
07/28/03	Buy	\$99.86	(1.35%)	\$1,081.08
08/04/03	Sell	\$98.51		(\$2,862.86)
02/14/05	Buy	\$120.68	(1.72%)	\$645.84
02/22/05	Sell	\$118.60		(\$1,738.80)
09/30/05	Buy	\$123.04	(2.79%)	\$243.60
10/07/05	Sell	\$119.61		(\$3,954.44)
03/24/09	Buy	\$80.60	(1.34%)	\$3,348.00
03/31/09	Sell	\$79.52		(\$3,273.60)
06/26/09	Buy	\$91.84	(2.22%)	\$1,512.32
07/06/09	Sell	\$89.80		(\$3,459.84)
08/10/09	Buy	\$100.99	(2.65%)	\$613.80
08/17/09	Sell	\$98.31		(\$2,851.20)
08/29/11	Buy	\$121.36	(3.60%)	\$1,769.45
09/06/11	Sell	\$116.99		(\$5,744.54)
Avg Run-up: 1.1% Avg Drawdown: -3.0%				

The last 7 instances closed lower 5 days later, and all by at least 1.3%. Additionally, the Avg Drawdown is nearly 3x the Average Run-up. Even with the low number of instances, I think this study is worth some consideration.

Another study that appeared in the Quantifinder tonight looked at times Nasdaq advancers outnumbered decliners by more than 3:2 for 3 days in a row. It suggested a possible 1-day downside edge. I last showed it in the 6/11/13 letter and have updated the results below.

Nasdaq Advancers outnumber Decliners by at least 3 to 2 for the last 3 days.
Buy SPX on close. Sell next day's close. \$100k/trade. 1999 - present

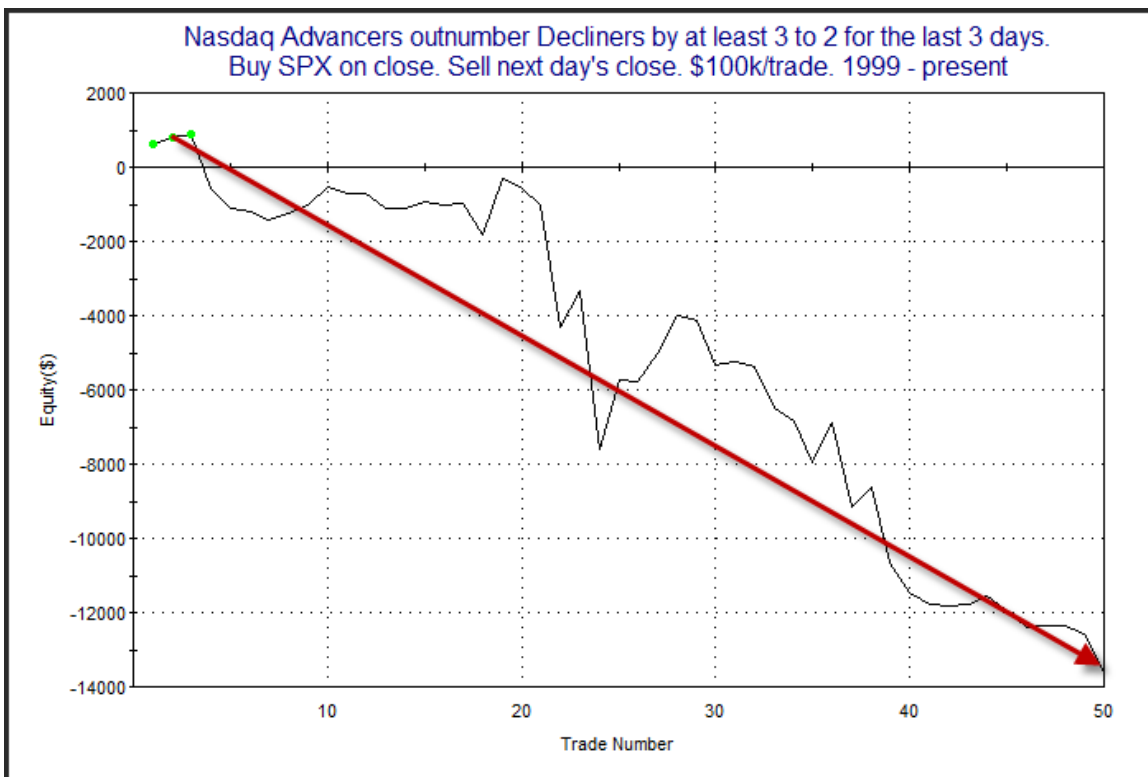
TradeStation Performance Summary

Collapse

All Trades

Total Net Profit	(\$13,591.94)	Profit Factor	0.43
Gross Profit	\$10,238.71	Gross Loss	(\$23,830.65)
Total Number of Trades	50	Percent Profitable	38.00%
Winning Trades	19	Losing Trades	31
Even Trades	0		
Avg. Trade Net Profit	(\$271.84)	Ratio Avg. Win:Avg. Loss	0.70
Avg. Winning Trade	\$538.88	Avg. Losing Trade	(\$768.73)
Largest Winning Trade	\$1,857.24	Largest Losing Trade	(\$4,241.94)

The numbers imply a bit of a downside edge. I also produced an equity curve.



It's definitely choppy, but it has moved from upper left to lower right for a long time. I decided to also include this study on the active list.

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



Despite the bearish studies tonight the green Aggregator Line managed to hold above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential fell further below 0. 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 signal to remain flat at the close.

With the current group of studies expectations are slated to turn negative on Friday. Of course this could change if bullish evidence emerges. The Differential Pivot will be 1650.14 on Friday. That is about 0.3% below Thursday's close. So for the SPX to move from short-term overbought to short-term oversold versus expectations, it will need to close down at least this much.

Expectations are positive, but a set to flip Friday. The Differential is close by, and SPX could easily close on either side of it. It seems just about anything could happen Friday. So with the outlook currently neutral, and so many possibilities, I have no intention of taking on new positions. Between Syria & the Fed I'm sure the next few weeks will provide interesting action and setups. I see no need to get involved without a compelling edge.

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

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
ABT (1/3)	8/30/2013	\$33.33	\$33.74	1.23%		sell on open

ABT made a late charge and finished above its end-of-day target. It will be sold at the open.

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.