

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 6, 2013

Volume 6 Issue 215

Market Overview



Signals Overview

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

Tonight's Research Points

- Mixed action on Tuesday led to no action in the Quantifinder.

Short-term Outlook

The Bottom Line

Nothing happened on Tuesday to change my outlook. SPX remains a little overbought, and evidence is still leaning towards more upside. I plan to give it more time and await a compelling risk/reward setup before taking on new exposure.

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

| Study Date | Description | Time span | Bias | Avg Max Move |
|----------------------------|--|-------------|----------------|--------------|
| Active - Short Term | | | | |
| November 5, 2013 | Low vol 10. Up 2 but < 10-hi. C > 200. | 1-3 days | Bullish | 1.40% |
| November 1, 2013 | Dn 2 poor close end of month >200 | 1-5 days | Bullish | 2.20% |
| November 1, 2013 | 1st 5-low in 10 days | 1-4 days | Bullish | 1.70% |
| Active - Long Term | | | | |
| October 25, 2013 | SPX > 50,2 Bollinger Band | 1-50 days | Bullish | |
| October 24, 2013 | 5 up to 50-high, then 1 down | 1-10 days | Bullish | 2.00% |
| October 21, 2013 | 70% Advancing Issues 3 Days In Row | 1-75 days | Bullish | 10.60% |
| July 22, 2013 | New High Divergence (Study of Tops) | int term | Bearish | |
| 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 | |

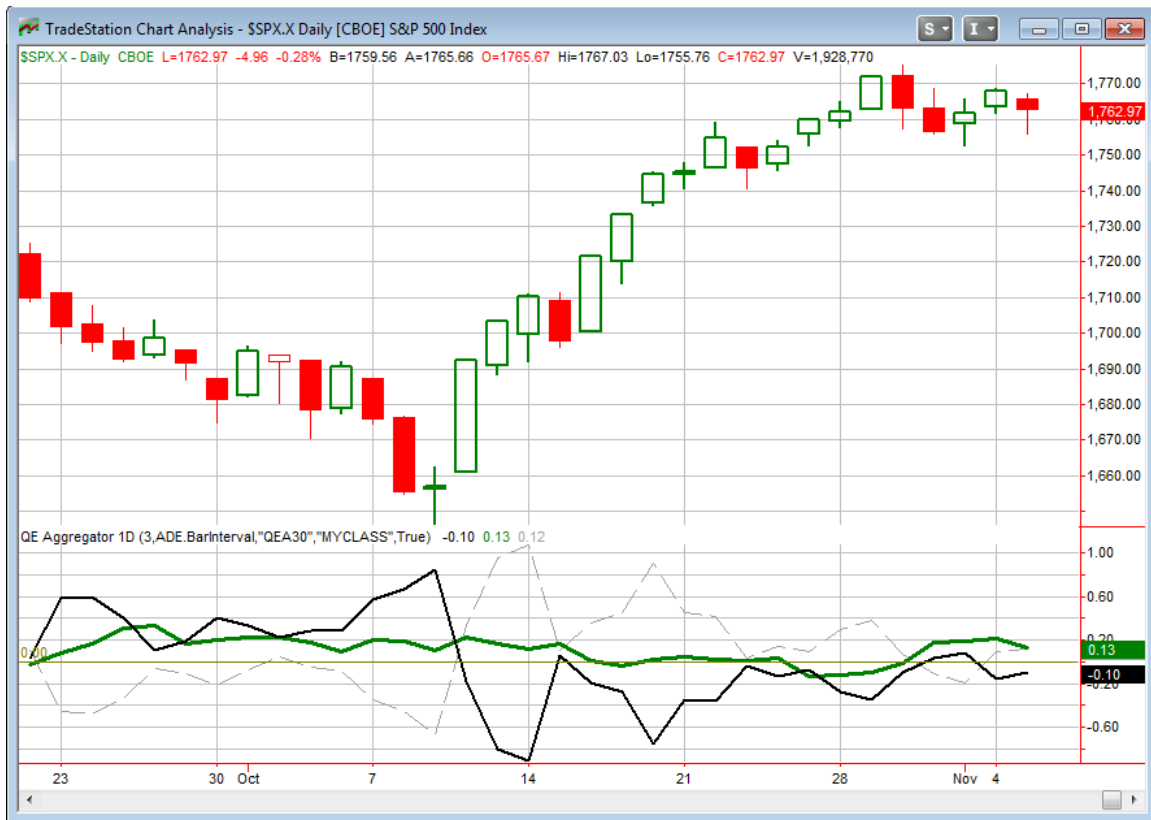
The Evidence

The market saw its biggest gap down since mid-October on Tuesday, and it sold off more after the open. But it reached bottom around 10am, and then rebounded. Some indices made it a positive close, but late selling left most of them negative. The SPX lost 0.3% and the Russell 2000 fell 0.4% while the Nasdaq managed a 0.1% gain. Breadth was squarely negative as the NYSE Up Issues % was 31% and the Up Volume % was 30%. Total NYSE volume rose just a little from Monday's very-low level.

The Quantifinder drew a rare blank on Tuesday and so did further attempts by me to find a substantial edge. So I am going to keep it real short tonight. Action on Tuesday did not leave me with much to talk about, and I guess I should enjoy that once in a while. I'm sure it won't be long before it makes me run through a huge batch of studies again one of these nights.

Not only did no new studies get added to the Active List, but none came off the list either. We are looking at the same 3 short-term studies from last night, and the same group of intermediate-term studies as well.

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



With the studies remaining the same, the green Aggregator Line remained above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line stayed 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.

Based on the current studies, expectations are set to remain positive on Wednesday. Of course this could change if compelling bearish evidence emerges. The Differential Pivot will be *inverted* at 1768.45 on Wednesday. That is 0.3% *above* Tuesday's close. An inverted pivot simply means the Differential Line will cross 0 if SPX closes flat. For SPX to remain in an overbought state it is going to need to rise at least 0.3%. Otherwise it will flip to "oversold" versus expectations.

The market could be setting up for its next buying opportunity here. But before I jump the gun and start throwing out purchase orders, I want to see Wednesday's action and the studies it leads to. The short-term bullish evidence will expire shortly and is losing potency by the day. One of the 3 remaining short-term studies is set to expire on

Wednesday and the other 2 on Thursday. So new studies will have a sizable impact on expectations over the next few days. Patience remains key in my view. If the market falters again on Wednesday, buying opportunities could emerge. If not, I'll probably need more patience.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/4 – somewhat bullish

The intermediate-term outlook was last updated in the 11/4 letter. Link below:

[2013-11-04 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

Current Open Trade Ideas

None.

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