

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 26, 2013

Volume 6 Issue 229

Market Overview



Signals Overview

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

Tonight's Research Points

- Strong seasonality should come into effect at Tuesday's close.

Short-term Outlook

The Bottom Line

The market is still overbought, but that won't be the case on Tuesday if it can close down much. And with strong seasonality coming in, a down close could get me interested in a long position.

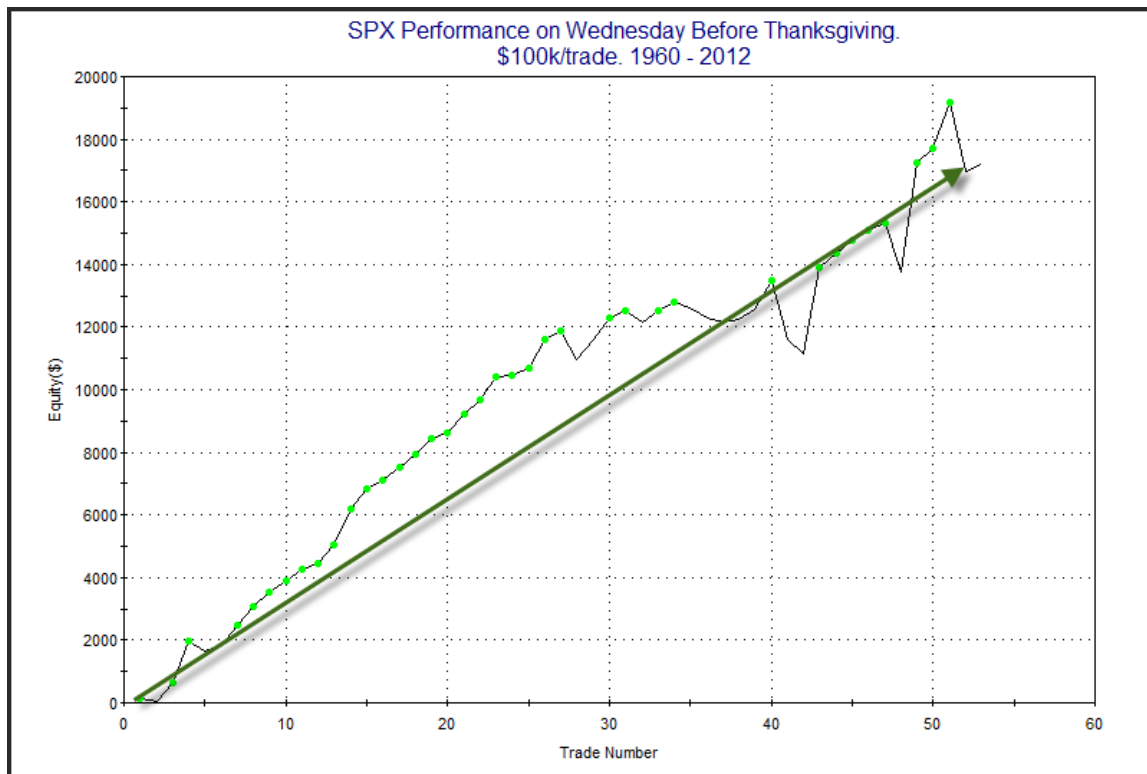
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Max Move
Active - Short Term				
	None - Thanksgiving Seasonality looming			
Active - Long Term				
November 21, 2013	3-day pullback. Low 3/10 Offset HV	1-10 days	Bullish	
October 25, 2013	SPX > 50,2 Bollinger Band	1-50 days	Bullish	
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	
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				
November 21, 2013	3-day pullback. Low vol. Low 3/10 HV	1-3 days	Bullish	

The Evidence

Monday was both mixed and quiet. The SPX lost 0.1%, and the Nasdaq rose 0.1% and the Russell 2000 was near breakeven with a **0.16 point** loss. Breadth was mildly negative as the NYSE Up Issues % was 44% and the Up Volume % was 45%. Total NYSE volume rose slightly from Friday’s level.

The drift sideways failed to trigger any new studies, but I decided to take a slightly different look at the “Wednesday before Thanksgiving” seasonality study from last night. As a quick reminder, here is the chart of all Wednesdays before Thanksgiving since 1960.

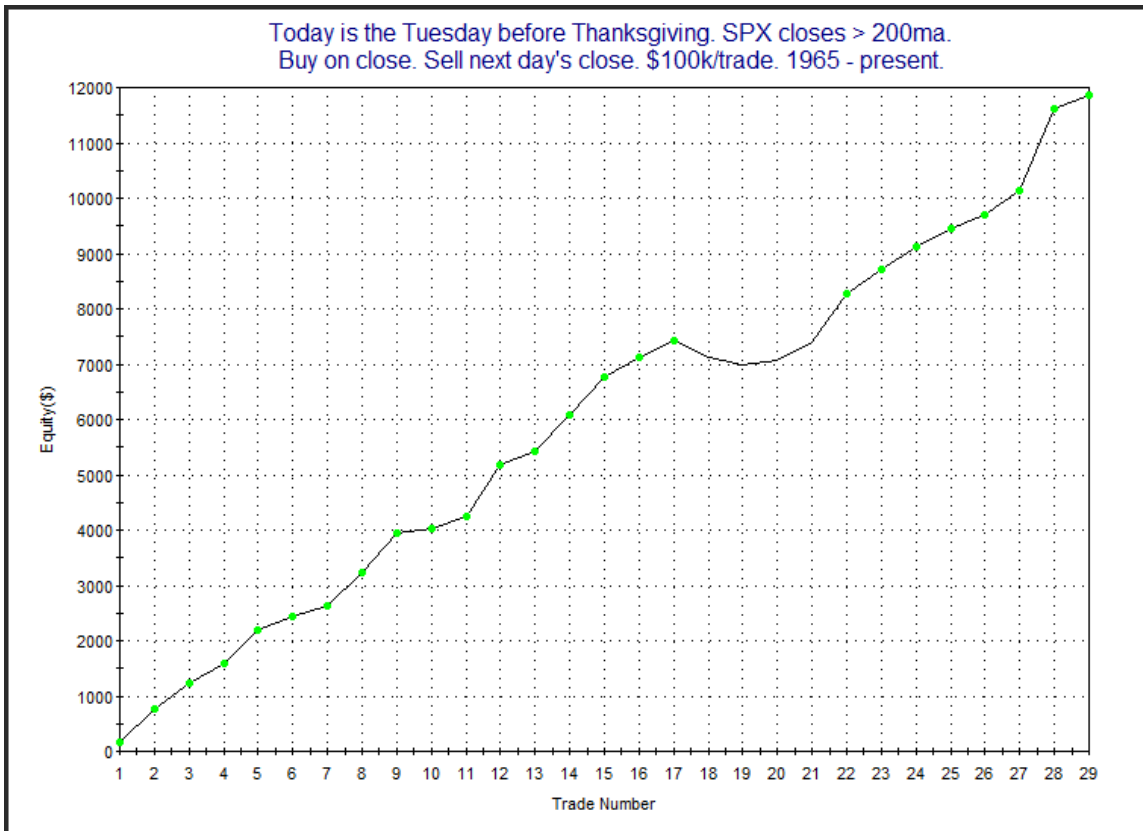


Upside edge. Today I broke it down a little further. I decided to examine all such days when the SPX closed above its 200ma. Below are those results.

Today is the Tuesday before Thanksgiving. SPX closes > 200ma.
Buy on close. Sell next day's close. \$100k/trade. 1965 - present.

TradeStation Performance Summary Collapse ^			
All Trades			
Total Net Profit	\$11,852.14	Profit Factor	28.13
Gross Profit	\$12,288.94	Gross Loss	(\$436.80)
Total Number of Trades	29	Percent Profitable	93.10%
Winning Trades	27	Losing Trades	2
Even Trades	0		
Avg. Trade Net Profit	\$408.69	Ratio Avg. Win:Avg. Loss	2.08
Avg. Winning Trade	\$455.15	Avg. Losing Trade	(\$218.40)
Largest Winning Trade	\$1,480.08	Largest Losing Trade	(\$308.76)

This looks at Tuesday's close to Wednesday's close, so it will not be in effect until Tuesday. But the results appear quite impressive. Below is a profit curve.



Interestingly, the 2 losers happened right in a row, in '95 and '96. Since then there have been 10 winners in a row. So while this does not matter for Tuesday, it does seem to enhance Wednesday's chances of a rise even further.

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



With the short-term studies all now expired, the green Aggregator Line remains slightly above 0 thanks to the intermediate-term studies. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line remains below 0. The negative Differential Line reading means the SPX is overbought versus recent expectations. So expectations are positive but the SPX is short-term 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.

With the current active studies, expectations are slated to remain bullish on Tuesday. Of course this could change if new bearish evidence emerges. The Differential Pivot will be 1802.12 on Tuesday. That is less than half a point below Monday's close. So it will only take a small drop in order to flip SPX into an oversold state.

I may be a little bit ahead of myself here, but if we get another down day on Tuesday, I will look to take on a small long position. Oversold into strong seasonality is a setup I often like. If SPX closes lower for the 2nd day in a row, then the chances of new bullish studies emerging far outweigh the chances of new bearish ones emerging. So between the likelihood of that occurring and the strong seasonality that will take effect, I'm going to ready an order for Tuesday's close. Details are in the Trade Ideas section at the bottom of the letter.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 11/25 – somewhat bullish*

The intermediate-term outlook was last updated in the 11/25 letter. Link below.

[2013-11-25 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.

SPY – buy ¼ index position @ \$180.55 LIMIT ON CLOSE. Even a slight down close and I will get partially long for an oversold/seasonality play.

Current Open Trade Ideas

None.

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.