

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 8, 2014

Volume 7 Issue 5

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Long	100%Long XIV	Flat

Tonight's Research Points

- Nothing new emerged tonight, but the studies from the last few days suggest there should be more of a bounce.

Short-term Outlook

The Bottom Line

Evidence is still pointing up and the market is still oversold despite Tuesday's move higher. I'm partially long. I won't add any more index exposure just yet, but there are some Catapults that interest me.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active - Short Term				
January 7, 2014	3-down from 50-high	1-4 days	Bullish	1.70%
January 7, 2014	3-down. Today is Monday.	1-5 days	Bullish	2.50%
January 6, 2014	SPX down. Up issue % > 55%	1-3 days	Bullish	
January 3, 2014	Big drop from 50-day high	1-5 days	Bullish	
January 2, 2014	Close at high of month	1-5 days	Bullish	
Active - Long Term				
December 23, 2014	QE Tapering	int term	Neutral	
December 19, 2013	20-high on high vol	1-20 days	Bullish	
December 18, 2013	4 Hindenburg Trigger	1 - 35 days	Bearish	-7.00%
December 16, 2013	2nd half December seasonally strong	1-15 days	Bullish	3.60%
December 2, 2013	Nasdaq leading SPX	int term	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	
February 1, 2012	Golden Cross	int term	Bullish	

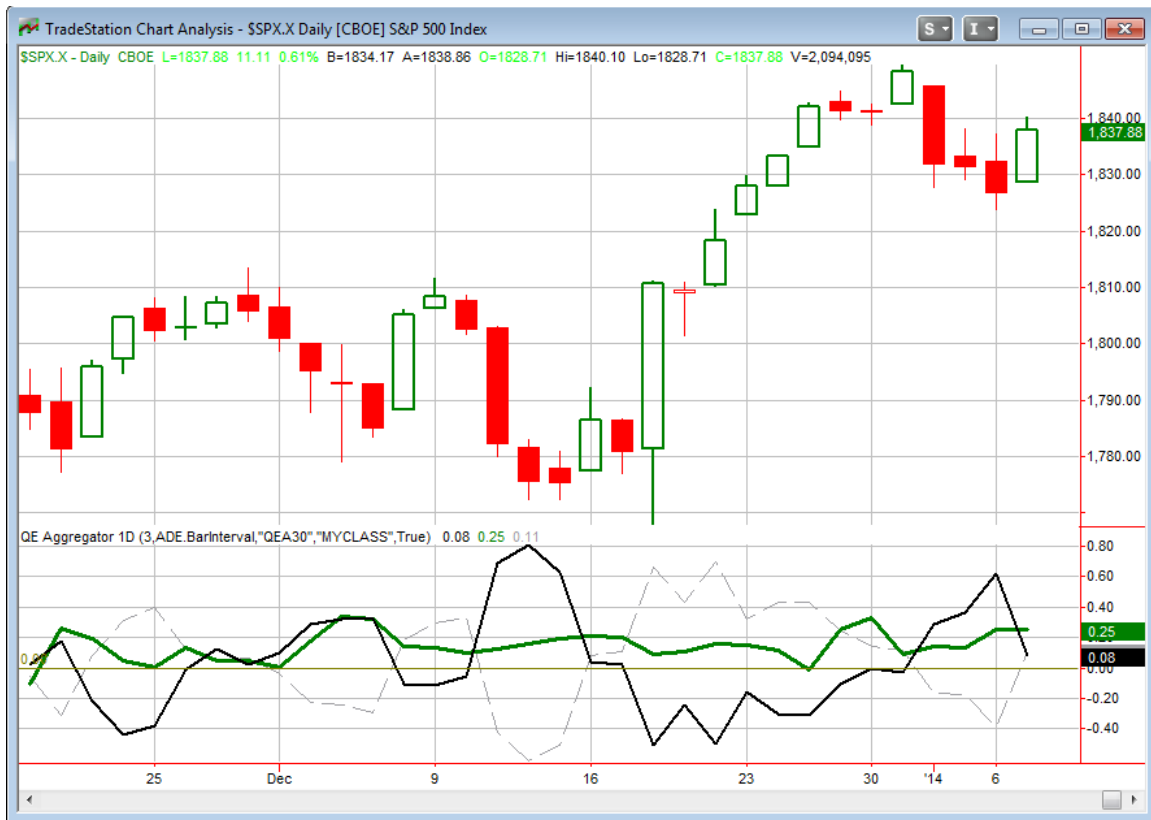
The Evidence

Turnaround Tuesday held true to its name and the market bounced. The SPX gained 0.6%, the Nasdaq rose 1.0%, and the Russell 2000 rallied 0.9%. Breadth was positive as the NYSE Up Issues % was 66% and the Up Volume % was 60%. Total NYSE volume rose back to pre-holiday levels.

After a flurry of bullish studies the last couple of days the market got going on a rebound. But the rebound was not from an extremely low level, nor did it come in an extreme manner. At this point it appears to be nothing out of the ordinary, and it did not provide strong clues as to whether we can expect more follow through or not. The bullish studies from the last few days expect prices to rise further, so I am still leaning on them to generate expectations.

While my estimates are higher and we are not yet overbought, I am a little concerned about the lack of recent Fed pumping. The market may not be able to push this bounce as strongly as it would if it was taking place a few weeks ago.

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



The green Aggregator Line held firm above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line dipped some but also still held 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.

With the current active studies, expectations are set to remain bullish on Wednesday. This could change with some compelling new bearish evidence. The Differential Pivot will be 1839.70 on Wednesday. That is just 0.1% above Tuesday's close. So it won't take much of a close higher in order to move SPX from oversold to overbought versus recent expectations.

So there still appears to be a mild upside edge. I already have some long index exposure. I am not inclined to add to my SPY position at this point. The bounce has already begun, and we have reduced liquidity behind it. But there are some Catapults that triggered on Tuesday that I'd be interested in trading. You'll find details on them a little lower down.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/6 – somewhat bullish

The intermediate-term outlook was last updated on 1/6. It can be found in the current weekly letter:

<http://quantifiableedges.com/current-weekly-letter/>

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

New

DOW – 1/3 @ \$43.11 (buy at limit)

COST – 1/3 @ \$115.86 (buy at limit)

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 2(DOW, COST)

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.

DOW – buy 1/3 Catapult position @ \$43.11 LIMIT. This is a Catapult trigger. Catapults have been strong performers over the long-term but very inconsistent in small samples. Traders should make their own decisions and exercise sound money management principals.

COST – buy 1/3 Catapult position @ \$115.86 LIMIT. This is a Catapult trigger. Catapults have been strong performers over the long-term but very inconsistent in small samples. Traders should make their own decisions and exercise sound money management principals.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	1/6/2014	\$182.88	\$183.48	0.33%		Aggregator
FCX	1/7/2014	\$37.02	\$36.66	-0.97%		System 11111

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