

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 24, 2014

Volume 7 Issue 16

Market Overview



Signals Overview

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

Tonight's Research Points

- The market sold off on Thursday, but it was unable to generate any compelling studies.

Short-term Outlook

The Bottom Line

The Aggregator is still bullish, but I remained underwhelmed by the evidence.

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

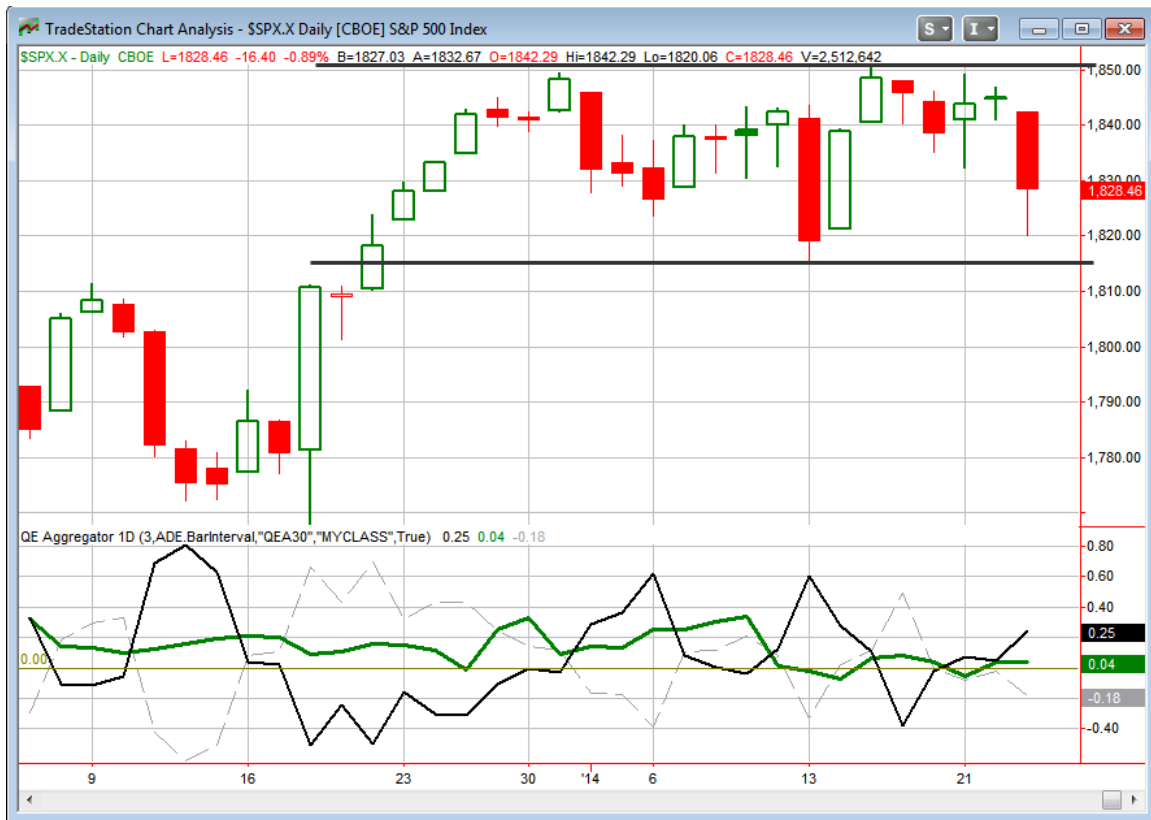
Study Date	Description	Time span	Bias	Avg Max Move
Active - Short Term				
January 23, 2014	SPY up 2days but < 3 days ago.	1-2 days	Bullish	
January 21, 2014	MLK week bearish	1-4 days	Bearish	-1.90%
January 14, 2014	1% drop bad breadth	1-9 days	Bullish	3.10%
Active - Long Term				
December 23, 2014	QE Tapering	int term	Neutral	
December 18, 2013	4 Hindenburg Triggers	1 - 35 days	Bearish	-7.00%
December 2, 2013	Nasdaq leading SPX	int term	Bullish	
October 21, 2013	70% Advancing Issues 3 Days In Row	1-7 5 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

The market sold off strongly for much of the day, but a late-day rally lessened the damage. The SPX finished down 0.9%, the Nasdaq lost 0.6% and the Russell 2000 declined 0.8%. Breadth was weak as the NYSE Up Issues % was 32% and the Up Volume % was 23%. Total NYSE volume rose above the level of the last couple of days.

So the market was more volatile than recent days, but it still accomplished very little. The move down was not exceptionally large, the close was in the middle of the recent range, and the Quantifinder drew a blank. It's really been quite dull for the last week or so. But one thing I've learned about the market is that it only stays dull long enough to draw people's attention elsewhere. And we don't live in a very patient or attentive society. So it shouldn't be long before the next real action ensues.

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



Without any new evidence to consider tonight 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 selloff caused the black Differential Line to move further above 0. The positive Differential Line reading means the SPX is oversold versus recent expectations. So expectations are positive and the SPX is increasingly 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.

The last bearish short-term study is set to expire on Friday afternoon. Therefore expectations are currently set to remain bullish. Of course this could change if more bearish evidence emerges. The Differential Pivot will be 1844.83 on Friday. That is 0.9% above Thursday's close. For SPX to change from oversold to overbought versus expectations it is going to need to close up at least this much.

So the Aggregator is now clearly bullish. Yet I remain somewhat unconvinced. Short-term evidence is lacking. We have only 3 active short-term studies. One bearish one, which is set to expire on Friday. Then there are two bullish studies. One that will expire on Friday and the other one on Monday. It is rare that I ignore an Aggregator signal two days in a row, but I just don't feel the evidence is compelling yet. And with the market close to the middle of the range shown in the chart above, risk/reward does not seem

great either. Lastly, although 3-day expectations are higher, 1-day expectations remain slightly negative. So I'll just wait another day.

I considered listing a numbered system trade in the Trade Ideas section down below. But the triggers that looked most appealing to me were neither S&P 100 stocks nor ETFs. They were members of the S&P 500, like ACE and MJN. I demand the largest stocks for the Trade Ideas, and since I am unenthusiastic about the long Aggregator signal, I see no need to force a trade idea just for the sake of trading. So there is nothing new in the Trade Ideas section tonight.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/13 – somewhat bullish

The intermediate-term outlook was last updated in the 1/21 letter. You may check out the current weekly letter to view it.

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

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 [numbered systems 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. I'll wait another day. Aggressive traders could certainly consider some signals from the Numbered Systems Page.

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 © 2014 Hanna Capital Management, LLC.