

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 12, 2014

Volume 7 Issue 48

Market Overview



Signals Overview

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

Tonight's Research Points

- SPY has closed at a 5-day low for the 1st time in over 2 weeks. This suggests a short-term upside edge.

Short-term Outlook

The Bottom Line

The Aggregator remains bullish. More bullish evidence emerged on Tuesday. And the pullback is wearing off the overbought look. I'll be looking to start a long position if SPY closes down some on Wednesday.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active - Short Term				
March 12, 2014	SPY 1st 5-low in > 10 days	1-4 days	Bullish	
March 10, 2014	SPX 3-day high while Russell down 3	1-4 days	Bullish	2.60%
March 10, 2014	Gap up partial reversal 2 days	1-5 days	Bullish	2.00%
Active - Long Term				
March 10, 2014	SPX 3-day high while Russell down 3	1-10 days	Bullish	4.50%
December 23, 2013	QE Tapering	int term	Neutral	
December 2, 2013	Nasdaq leading SPX	int term	Bullish	
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish	
February 1, 2012	Golden Cross	int term	Bullish	
Dropped Tonight				
March 7, 2014	Unfill gap 20-high poor close	1-3 days	Bullish	1.20%

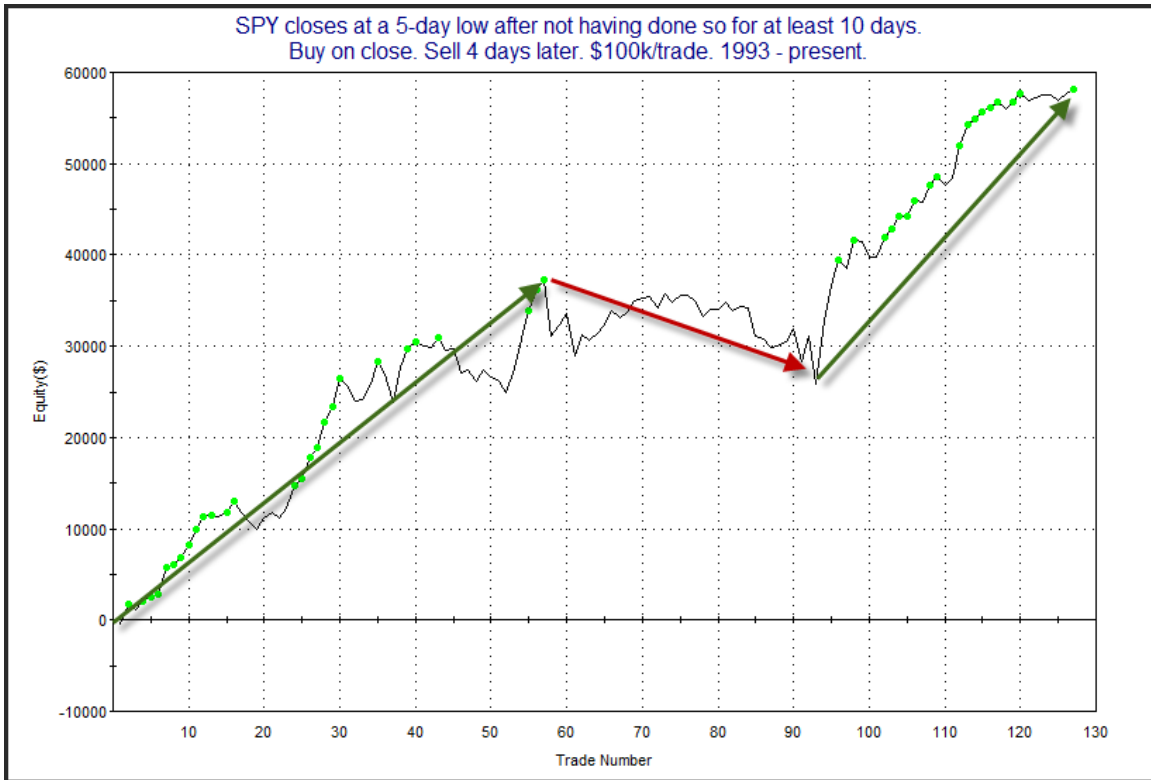
The Evidence

The market sold off a bit on Tuesday. The SPX declined 0.5%, the Nasdaq dropped 0.6% and the Russell 2000 lost 1.1%. Breadth was strongly negative as the NYSE Up Issues % came in at 32% and the Up Volume % was 30%. Total NYSE volume rose a little from Monday's very low level.

Tuesday the SPY managed to close at a 5-day low after going a whopping 24 days without doing so. In the 11/1/13 subscriber letter I showed a study that examined results when the SPY closed at a 5-day low for the 1st time in over 2 weeks. I have updated that study below.

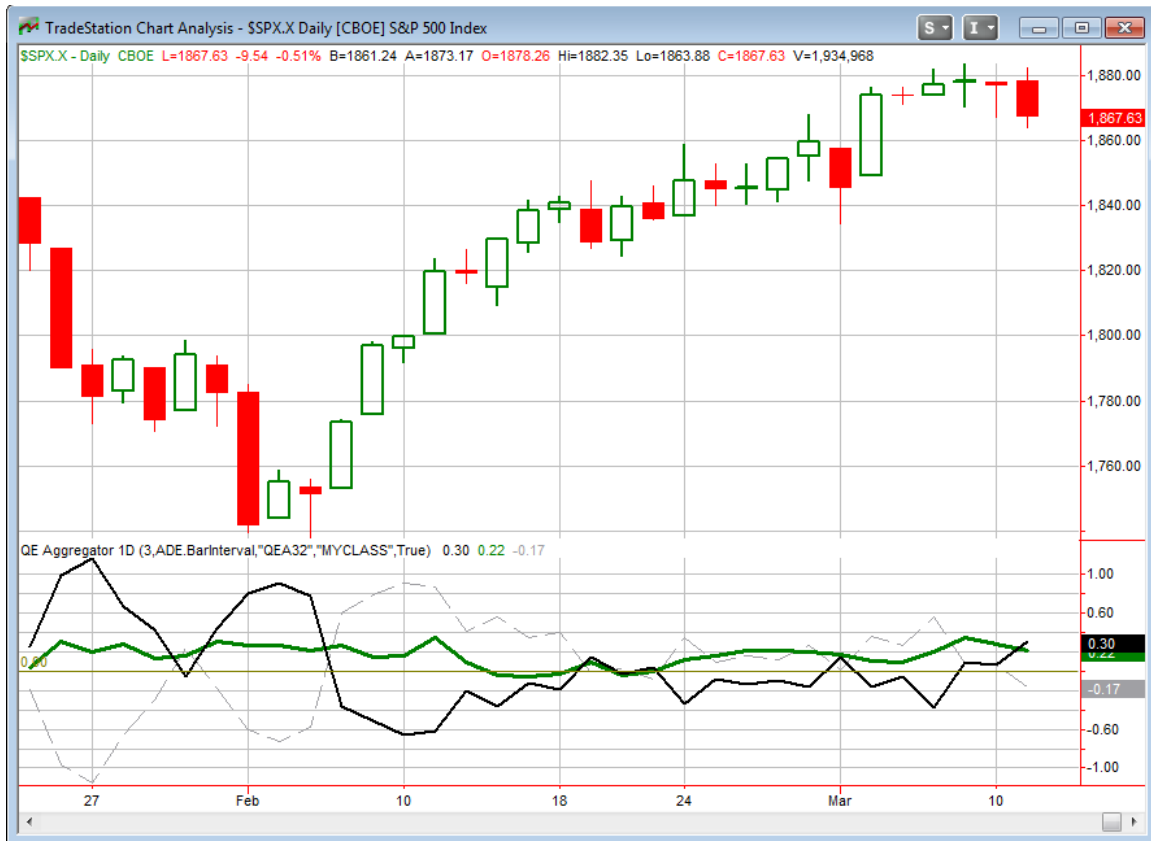
SPY closes at a 5-day low after not having done so for at least 10 days. Buy on close. Sell X days later. \$100k/trade. 1993 - present.													
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade	
5	44,339.04	127	78	48	61.42	1,525.78	6,103.89	-1,555.66	-4,906.44	0.98	1.59	349.13	
4	58,073.89	127	84	43	66.14	1,373.02	6,941.43	-1,331.63	-6,244.56	1.03	2.01	457.27	
3	36,601.55	127	77	50	60.63	1,249.65	5,888.16	-1,192.43	-5,295.84	1.05	1.61	288.20	
2	21,203.61	127	70	56	55.12	1,084.98	3,809.72	-977.59	-3,737.28	1.11	1.39	166.96	
1	12,956.54	127	69	58	54.33	827.75	2,812.20	-761.35	-3,909.03	1.09	1.29	102.02	
110 of 127 instances (87%) closed above the entry price at some point in the next week.													

Results here suggest a moderate upside edge. With the 4-day exit appearing to be compelling from a % Profitable, Avg Trade, and Profit Factor standpoint I ran an equity curve with it.



After showing a pretty consistent upside edge for nearly 60 instances, it chopped a bit. Over the last 35 trades or so the edge seems to have reasserted itself. The lesson with this study seems to be that persistent uptrends normally wither before they die, rather than turn on a dime.

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



Tonight's study helped keep the green Aggregator Line well above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line also remained above 0. The positive Differential Line reading means the SPX is oversold versus recent expectations. So expectations are positive and the SPX is relatively oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above 0. Therefore the Aggregator signal remained long at the close.

Without any bearish studies on the short-term list, expectations are slated to remain bullish on Wednesday. Of course this could change if compelling bearish evidence emerges. The Differential Pivot will be 1889.82 on Wednesday. That is 1.2% above Tuesday's close. So it is going to take a very strong close higher in order to move from oversold to overbought versus expectations.

We closed at a 5-day low, but interestingly, it has now been 23 days since SPX closed below its 10-day moving average. But with the moving average rising it could close below it on just about any close lower on Wednesday. I like the upside evidence. I like the fact that the market has pulled back the last two days. And if we get a 3rd day down on Wednesday we will surely see some more upside evidence emerge. So I'll be looking to start scaling in to an index position if Wednesday closes lower. Details are in the trade ideas section down below.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/10 – slightly bullish

The intermediate-term outlook was last updated in the 3/10 Letter. It can be found in the most recent weekly letter on the website.

<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.

SPY – buy ¼ index position @ \$187.10 LIMIT ON CLOSE. Based on the short-term outlook above. I'll look to start scaling in to an index position if SPY closes down a little on Wednesday.

I'd also note that there were a few stocks that I found appealing on the numbered systems triggers sheet tonight. I generally only list them here if they are S&P 100 stocks (or ETFs). But the best looking opportunities tonight were in the S&P 500, but not 100. So traders looking for other trade ideas could check the triggers spreadsheet on the numbered systems page.

Current Open Trade Ideas

None

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