

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 28, 2014

Volume 7 Issue 60

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Strong edges are not forthcoming.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is still mildly bullish. I am still not very excited about the long side, and would prefer more compelling evidence before allocating heavily. I am still willing to take on some individual stock positions.

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

<b>Study Date</b>	<b>Description</b>	<b>Time span</b>	<b>Bias</b>	<b>Avg Max Move</b>
<b>Active - Short Term</b>				
March 27, 2014	SPX 5-low. Bottom 10% range.	1-5 days	Bullish	1.80%
March 24, 2014	SPX up 1%-2% opex week	1-5 days	Bearish	
<b>Active - Long Term</b>				
March 14, 2014	QQQ 5 lower lows. Big drop today.	1-20 days	Bullish	11.90%
December 23, 2013	QE Tapering	int term	Neutral	
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish	
February 1, 2012	Golden Cross	int term	Bullish	

***The Evidence***

The market bumbled around on Thursday and came out with losses. The SPX declined 0.2%, the NASDAQ fell 0.5% and the Russell 2000 dropped 0.4%. Breadth was strongly negative as the NYSE Up Issues % came in at 33% and the Up Volume % was 24%. Total NYSE volume rose from the level of the last 2 days.

It is pretty rare that the Quantifinder comes up blank. It is extremely unusual to see it happen two days in a row. With well over 1000 studies to draw from, rarely do we see nothing trigger. I examined a few ideas tonight, but nothing stood out as suggesting a particularly strong edge. And frankly, I believe the double-blank from the Quantifinder is probably suggesting that any edge at this point is a fairly weak one. If the market closes down again tomorrow, we could see several new studies trigger. They often do after three down days in a row. But a move up would signal a continuation of the chop and an edge may again fail to emerge.

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



Without any new studies being added tonight the green Aggregator Line remained slightly 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 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.

Based on the current active studies, expectations are slated to stay positive on Friday. Of course that could change if new bearish evidence emerges. The Differential Pivot will be 1862.55 on Friday. That is 0.7% above Thursday's close. So it will take a close higher of at least this much for SPX to move from oversold to overbought versus expectations.

SPX is still locked in its recent range despite the selling of the last two days. While a bounce appears more likely at this point, the edge is not pronounced and the market is still not terribly oversold. As you will see in the Catapult section down below, nothing there triggered. And in fact, nothing is even close to triggering. So the CBI is not going to help build a case for the bulls. But there were a large number of trades on the Triggers spreadsheet. Typically a large number of triggers there suggests the broader market is in need of a bounce. For index trades I plan to give it another day. I strongly suspect if we sell off more on Friday that we will see more compelling bullish evidence emerge. But

though I am not yet ready to take on new index exposure, I am willing to participate in some small individual stock trades. I have again listed one in the Trade Ideas section at the bottom of the letter.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 3/24 – neutral***

The intermediate-term outlook was last updated in the 3/24 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.*

**TWX – buy @ \$63.47 LIMIT.** This is based on [numbered system 81119](#). 81119 has been a solid setup over the years, and TWX has done especially well with it. Below is the hypothetical performance report for TWX since 2000.

TradeStation Performance Summary <span style="float: right;">Collapse ^</span>			
All Trades			
Total Net Profit	\$57,749.48	Profit Factor	15.48
Gross Profit	\$61,738.20	Gross Loss	(\$3,988.72)
Total Number of Trades	16	Percent Profitable	93.75%
Winning Trades	15	Losing Trades	1
Even Trades	0		
Avg. Trade Net Profit	\$3,609.34	Ratio Avg. Win:Avg. Loss	1.03
Avg. Winning Trade	\$4,115.88	Avg. Losing Trade	(\$3,988.72)
Largest Winning Trade	\$14,004.72	Largest Losing Trade	(\$3,988.72)

The stats here are very impressive. Below is a look at all this individual instances.

TWX hypothetical performance with System 81119. \$100k/trade. \$0.01/share commission. 2000 - present.			
Date/Time	Signal	Price	% Profit
07/19/01	Buy	\$118.61	1.16%
07/27/01	Sell	\$119.98	
01/23/02	Buy	\$73.20	(3.96%)
02/08/02	Sell	\$70.30	
04/11/02	Buy	\$50.43	7.48%
04/16/02	Sell	\$54.20	
05/07/02	Buy	\$42.05	8.63%
05/14/02	Sell	\$45.68	
07/22/02	Buy	\$24.81	14.87%
07/30/02	Sell	\$28.50	
03/11/04	Buy	\$39.95	2.53%
03/17/04	Sell	\$40.96	
03/29/06	Buy	\$40.62	0.96%
04/10/06	Sell	\$41.01	
02/09/07	Buy	\$53.70	1.19%
02/15/07	Sell	\$54.34	
03/14/07	Buy	\$48.11	4.82%
03/20/07	Sell	\$50.43	
08/02/07	Buy	\$45.93	0.98%
08/13/07	Sell	\$46.38	
03/17/08	Buy	\$32.18	7.83%
03/24/08	Sell	\$34.70	
05/21/10	Buy	\$29.29	5.63%
05/27/10	Sell	\$30.94	
01/31/11	Buy	\$31.72	1.86%
02/01/11	Sell	\$32.31	
03/15/12	Buy	\$35.96	3.11%
03/23/12	Sell	\$37.08	
05/18/12	Buy	\$34.62	1.88%
05/29/12	Sell	\$35.27	
06/03/13	Buy	\$58.28	0.84%
06/07/13	Sell	\$58.77	

I intend to manage this trade using the standard exit technique for system 81119.

### **Current Open Trade Ideas**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Stop</b>	<b>Notes</b>
AMZN	3/27/2014	\$343.15	\$338.47	-1.36%		Sys 110524

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