

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 4, 2014

Volume 7 Issue 65

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Employment Days have been on a real hot streak since summer of 2012.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is still neutral. Evidence is pointing higher, but the market is overbought. Patience is required at times like this, because for me trading has been dull. Action-seeking typically leads to trouble, so I am still waiting and watching.

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

Study Date	Description	Time span	Bias	Avg Max Move
<b>Active - Short Term</b>				
April 4, 2014	Employment Day hot streak	1 day	Bullish	
April 2, 2014	50-Breakout 3-up. Lower volume	1-5 days	Bullish	1.95%
March 31, 2014	Early April bullish	1-4 days	Bullish	
<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 pulled back a little on Thursday. The SPX fell a mere 0.1%, while the NASDAQ dropped 0.9% and Russell 2000 declined 1.0%. Breadth was negative as the NYSE Up Issues % came in at 40% and the Up Volume % was 42%. Total NYSE volume fell for the 3rd day in a row.

One bit of information to consider for Friday is that the BLS is due to release the employment report at 8:30am EST. This report tends to be the most highly watched monthly economic report, and it will often be followed by a strong market reaction. In the last year and a half or so, this reaction has been consistently bullish. On the Overnight Edges blog Thursday I showed the [overnight implications of the report](#). And last month I showed the [intraday implications on the Quantifiable Edges blog](#). Below are the results since August 2012 measuring from the close before the Employment Day to the close of the Employment Day.

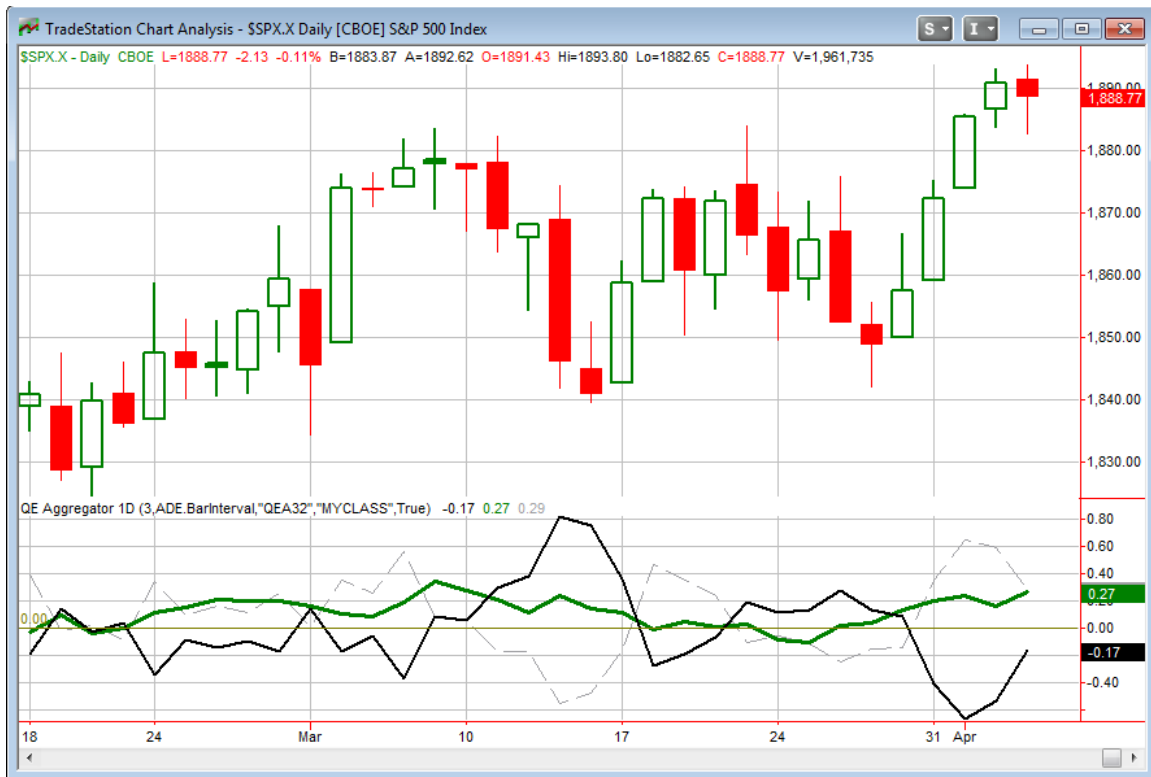
Tomorrow is an Employment Day. Buy SPY on close. Sell Employment Day close. \$100k/trade. 8/12 - present.				
TradeStation Performance Summary				Collapse ^
All Trades				
Total Net Profit	\$11,372.77	Profit Factor	9.50	
Gross Profit	\$12,710.47	Gross Loss	(\$1,337.70)	
Total Number of Trades	20	Percent Profitable	90.00%	
Winning Trades	18	Losing Trades	2	
Even Trades	0			
Avg. Trade Net Profit	\$568.64	Ratio Avg. Win:Avg. Loss	1.06	
Avg. Winning Trade	\$706.14	Avg. Losing Trade	(\$668.85)	
Largest Winning Trade	\$1,981.01	Largest Losing Trade	(\$889.00)	

It has really been a hot streak since the summer of 2012. This is not the kind of edge that I would expect to last long-term, but it is certainly something to be aware of and to take into account for as long as the hot-streak lasts. Below is a list of all 20 instances.

Tomorrow is an Employment Day. Buy SPY on close. Sell Employment Day close. \$100k/trade. 8/12 - present.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
08/02/12	Buy	\$136.64	1.98%	\$2,193.00
08/03/12	Sell	\$139.35		\$0.00
09/06/12	Buy	\$143.77	0.39%	\$430.90
09/07/12	Sell	\$144.33		\$0.00
10/04/12	Buy	\$146.13	0.01%	\$704.52
10/05/12	Sell	\$146.14		(\$294.12)
11/01/12	Buy	\$142.83	(0.89%)	\$623.00
11/02/12	Sell	\$141.56		(\$994.00)
12/06/12	Buy	\$141.98	0.30%	\$499.84
12/07/12	Sell	\$142.41		(\$218.24)
01/03/13	Buy	\$145.73	0.44%	\$603.68
01/04/13	Sell	\$146.37		(\$41.16)
01/31/13	Buy	\$149.70	1.03%	\$1,148.96
02/01/13	Sell	\$151.24		\$0.00
03/07/13	Buy	\$154.78	0.43%	\$562.02
03/08/13	Sell	\$155.44		(\$77.52)
04/04/13	Buy	\$155.86	(0.45%)	\$0.00
04/05/13	Sell	\$155.16		(\$1,339.69)
05/02/13	Buy	\$159.75	1.01%	\$1,331.25
05/03/13	Sell	\$161.37		\$0.00
06/06/13	Buy	\$162.73	1.27%	\$1,363.08
06/07/13	Sell	\$164.80		\$0.00
07/03/13	Buy	\$161.34	1.04%	\$1,077.06
07/05/13	Sell	\$163.02		(\$24.76)
08/01/13	Buy	\$170.66	0.17%	\$181.35
08/02/13	Sell	\$170.95		(\$356.85)
09/05/13	Buy	\$165.96	0.05%	\$614.04
09/06/13	Sell	\$166.04		(\$890.96)
10/21/13	Buy	\$174.40	0.58%	\$876.69
10/22/13	Sell	\$175.41		\$0.00
11/07/13	Buy	\$174.93	1.35%	\$1,358.98
11/08/13	Sell	\$177.29		(\$45.68)
12/05/13	Buy	\$178.94	1.12%	\$1,210.86
12/06/13	Sell	\$180.94		\$0.00
01/09/14	Buy	\$183.64	0.27%	\$315.52
01/10/14	Sell	\$184.14		(\$342.72)
02/06/14	Buy	\$177.48	1.24%	\$1,345.57
02/07/14	Sell	\$179.68		\$0.00
03/06/14	Buy	\$188.18	0.04%	\$414.18
03/07/14	Sell	\$188.26		(\$398.25)

Not only is the streak fairly remarkable, but it seems to have gained strength recently. Three of the last five instances saw Employment Day gains of over 1%.

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



With tonight's study being added 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 black Differential Line is still below 0. The negative Differential Line reading means the SPX is overbought versus recent expectations. So expectations are positive but the SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of 0. Therefore the Aggregator signal remained flat at the close.

Based on the current active studies, expectations are slated to remain positive on Friday. Of course that could change if new bearish evidence emerges. The Differential Pivot will be *inverted* at 1896.41 on Friday. That is about 0.4% *above* Thursday's close. An inverted but it means that the Differential Line will pass through zero if SPX closes flat. In this case, in order for SPX to remain overbought it will need to rise at least 0.4%. Anything short of that, and it will be considered "oversold versus expectations".

We definitely have a hot streak with the employment report. I would not want to bet against it. But the market is still overbought, and this does not seem to be an opportune time considering taking a swing trade long. If I was a day trader I would be going into tomorrow with a moderate bullish bias. It's been a pretty dull week around here as far as my trading is concerned. But one thing I have found over the years is that "dull" never seems to last for long. I intend to remain patient and await the next favorable opportunity before putting capital at risk.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 3/31 – neutral***

The intermediate-term outlook was last updated in the 3/31 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.*

***None tonight.***

### Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
AMZN	3/27/2014	\$343.15	\$333.62	-2.78%		sell on close >= \$342.42

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