

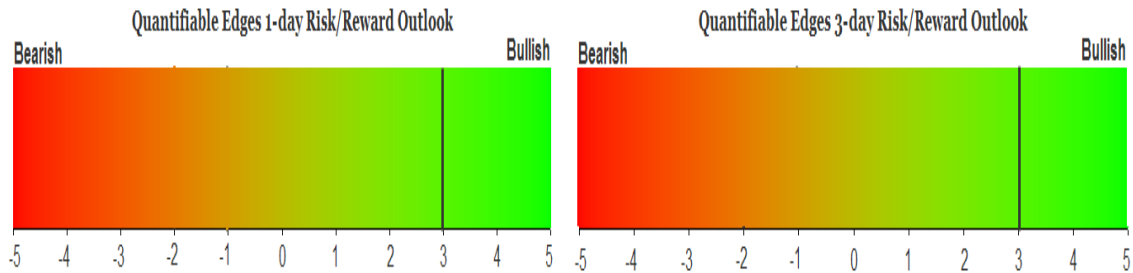
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 9, 2014

Volume 7 Issue 68

Market Overview



Signals Overview

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

Tonight's Research Points

- 4 lower lows and a 20-day low in an uptrend has been often followed by a rally.

Short-term Outlook

The Bottom Line

The bounce has begun. It appears likely to continue. I am partially long and looking to hold on to my index exposure a bit longer.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active - Short Term				
April 9, 2014	4 Lower lows & 20-day Low > 200ma	1-8 days	Bullish	2.40%
April 8, 2014	Unfilled gap down & weak finish > 200	1-8 days	Bullish	
April 8, 2014	3 Down & Today is Monday	1-4 days	Bullish	
April 8, 2014	QE Buying Power System Long	1-6 days	Bullish	
April 7, 2014	20-day high and close bottom 10% rng	1-8 days	Bullish	2.00%
April 7, 2014	Double Outside Days	1-5 days	Bullish	1.80%
Active - Long Term				
April 7, 2014	SPX new high while NDX huge drop	1-50 days	Bullish	
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	
Dropped Tonight				
April 2, 2014	50-Breakout 3-up. Lower volume	1-5 days	Bullish	1.95%

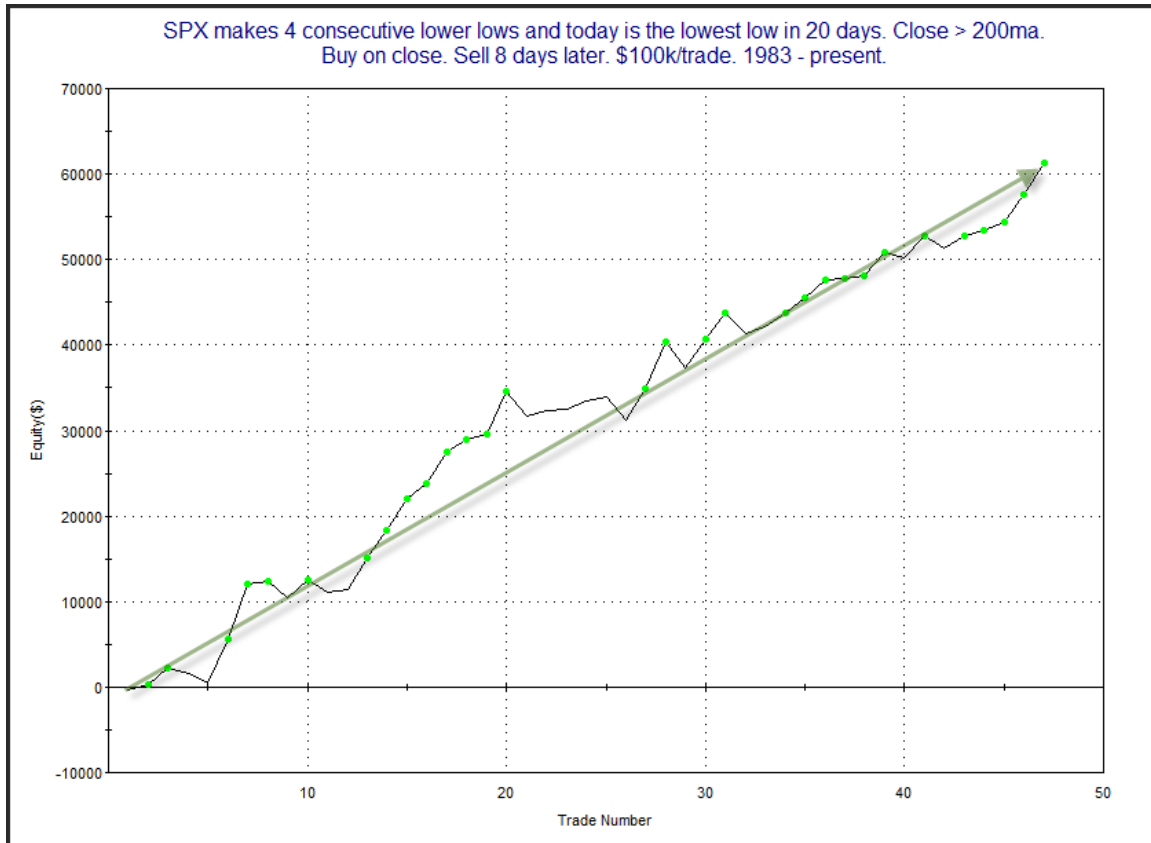
The Evidence

The bounce arrived on Tuesday as expected. Now it is a matter of how far it goes. The SPX rose 0.4%, the NASDAQ gained 0.8% and the Russell 2000 rallied 0.7%. Breadth was positive as the NYSE Up Issues % came in at 67% and the Up Volume % was 68%. Total NYSE volume sank some from Monday's level.

There was not a lot of ways in which the bounce was notable. This left the Quantifinder rather short on studies. There was one that appeared worth some discussion. It was last seen in the 64/25/13 Subscriber Letter. It examines times when SPX posted four consecutive lower lows and a 20-day low as it did on Tuesday. I have updated the stats table below

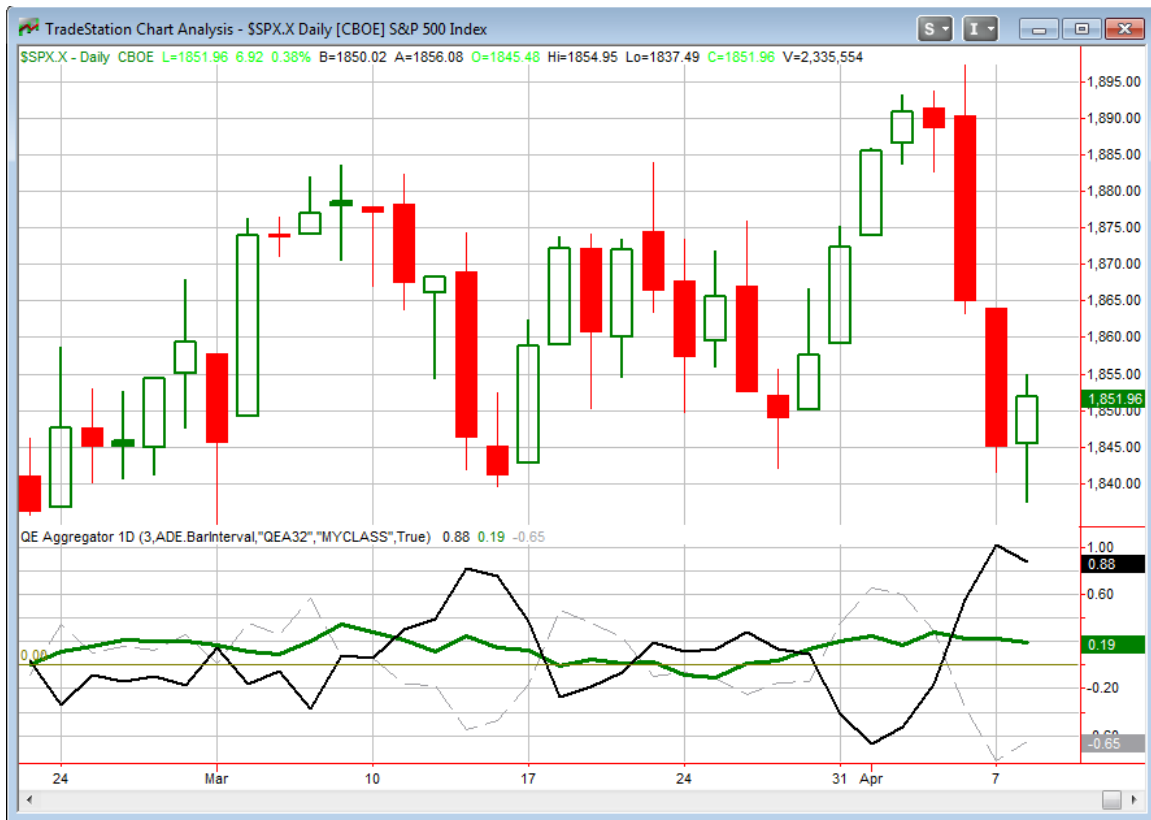
SPX makes 4 consecutive lower lows and today is the lowest low in 20 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1983 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	53,242.43	47	32	15	68.09	2,322.10	5,268.12	-1,404.33	-3,910.79	1.65	3.53	1,132.82
9	55,356.77	47	34	13	72.34	2,250.98	6,263.40	-1,628.96	-3,859.20	1.38	3.61	1,177.80
8	61,332.13	47	36	11	76.60	2,220.44	6,529.38	-1,691.25	-3,075.97	1.31	4.30	1,304.94
7	55,302.30	47	32	15	68.09	2,161.51	5,954.52	-924.41	-2,637.75	2.34	4.99	1,176.64
6	46,142.15	48	36	12	75.00	1,671.09	5,148.00	-1,168.08	-3,084.00	1.43	4.29	961.29
5	34,577.23	48	31	17	64.58	1,698.88	3,689.40	-1,064.01	-3,056.25	1.60	2.91	720.36
4	30,455.80	48	29	19	60.42	1,647.27	3,847.44	-911.31	-1,828.50	1.81	2.76	634.50
3	17,097.27	48	26	22	54.17	1,364.96	3,939.79	-835.99	-2,708.81	1.63	1.93	356.19
2	14,774.74	48	27	21	56.25	1,117.85	2,794.56	-733.68	-2,218.50	1.52	1.96	307.81
1	4,437.82	48	30	18	62.50	685.75	2,536.10	-896.38	-1,949.22	0.77	1.28	92.45
42 of 48 instances (88%) closed above the entry price at some point in the next week.												

Results above suggest a solid bullish short-term edge. To see how it has played out over the years I have included below an equity curve assuming an 8-day exit strategy.



The strong, steady rise helps to confirm the upside edge suggested by the stats table. Even seeing this, though, I was a little concerned that the edge may not be as prevalent since the SPX closed up on Tuesday. So I added the positive close as a filter and reran the test. What I found, is that it made little difference. Therefore, I have included this study on the active list tonight.

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



Once again 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 black Differential Line is still well 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 remain positive on Wednesday. It would take extremely strong new bearish evidence to change that. The Differential Pivot will be 1877.19 on Wednesday. That is 1.4% above Tuesday's close. It's pretty unlikely that SPX will achieve that on Wednesday. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

So the bounce has begun. And so far we are not seeing any red flags. The evidence we have seen over the last few days – including tonight's study – suggests that the bounce should have further to go. I'm not planing to add to my long exposure at this point, but instead will look ride what I have for a little longer.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/7 – neutral

The intermediate-term outlook was last updated in the 4/7/14 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	\$327.07	-4.69%		sell on close >= \$333.29
SPY(1/4)	4/7/2014	\$184.34	\$185.10	0.41%		Aggregator
MS	4/8/2014	\$29.52	\$29.53	0.03%		System 81119

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