

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 16, 2014

Volume 7 Issue 73

Market Overview



Signals Overview

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

Tonight's Research Points

- The day after Tax Day has historically been a good one.

Short-term Outlook

The Bottom Line

The Aggregator is still pointing up but the Differential Pivot will be inverted on Wednesday. So I'm looking to start taking profits ahead of the Aggregator signal change.

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 15, 2014	20-low then Gap up - Fill - Close up	1-5 days	Bullish	3.80%
April 14, 2014	Opex/Tax Day/Holy Thursday bullish	1-4 days	Bullish	
April 11, 2014	System 110524	1-7 days	Bullish	
April 11, 2014	QE Buying Power System Long	1-6 days	Bullish	
April 11, 2014	3-high, 3-low, 3-high close	1-5 days	Bullish	
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 7, 2014	20-day high and close bottom 10% rng	1-8 days	Bullish	2.00%
Active - Long Term				
April 7, 2014	SPX new high while NDX huge drop	1-50 days	Bullish	
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

Tuesday was a near-repeat of Monday, with a strong start, a selloff, and then a strong finish. In the end the SPX rose 0.7%, the NASDAQ rallied 0.3% and the Russell 2000 gained 0.4%. Breadth was positive as the NYSE Up Issues % came in at 60% and the Up Volume % was 64%. Total NYSE volume rose some from Monday's level.

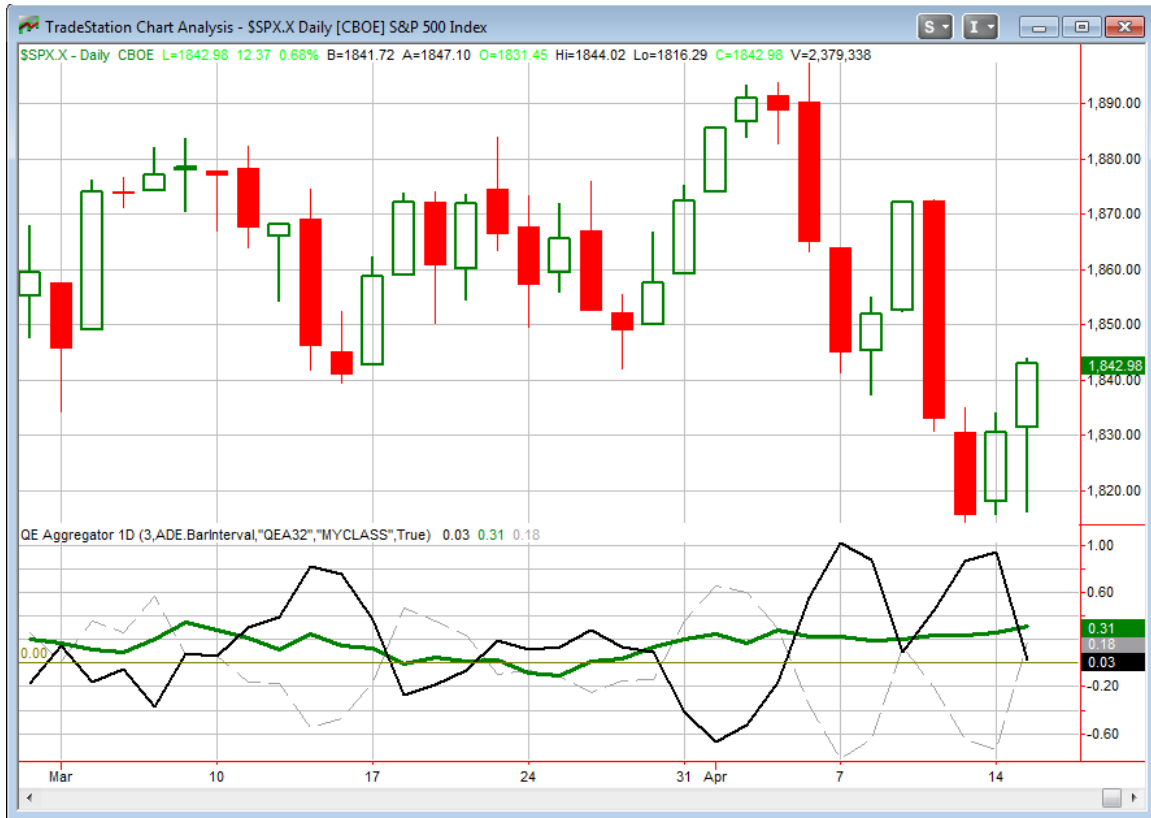
While the bounce over the last 2 days has been fairly strong, it's still well shy of the prior selloff. The major indices are still well below their 1-day moving averages. So the market is well off its lows, but not yet back to even mid-range. The early stages of a bounce like this will often come without much in the way of emerging edges. And other than the seasonal study below, nothing new emerged.

The study below is copied from Sunday night's letter. I discussed then that both Tax Day and the day after have shown strong bullish inclinations over the years. Below I have again pasted the results table.

SPX day after Tax Day performance. \$100k/trade. 1981 - 2013				
TradeStation Performance Summary				Collapse ^
All Trades				
Total Net Profit	\$18,347.59	Profit Factor		4.17
Gross Profit	\$24,126.69	Gross Loss		(\$5,779.10)
Total Number of Trades	33	Percent Profitable		69.70%
Winning Trades	23	Losing Trades		10
Even Trades	0			
Avg. Trade Net Profit	\$555.99	Ratio Avg. Win:Avg. Loss		1.82
Avg. Winning Trade	\$1,048.99	Avg. Losing Trade		(\$577.91)
Largest Winning Trade	\$2,842.84	Largest Losing Trade		(\$1,602.28)

So seasonality still appears to favor the bulls. And despite the move up over the last 2 days, bearish evidence is not yet emerging. There were no changes on the Active List.

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



With the substantial number of active bullish studies the green Aggregator Line remained 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 fell hard and is now just barely above 0. The positive Differential Line reading means the SPX is oversold versus recent expectations. So expectations are positive and the SPX is still slightly 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. That is highly unlikely to change. But the Differential Pivot will be *strongly inverted* at 1827.82 on Wednesday. That is a 0.8% *below* Tuesday's close. An inverted

pivot means that the Differential Line will cross 0 if SPX closes flat. In this case SPX would need to close down over 0.8% in order to remain “oversold”. Anything short of that and it would turn “overbought” versus expectations.

Inverted pivots often mark a decent time to begin taking profits. Because although the Aggregator is signaling an upside edge, unless the market moves strongly against expectations, that edge will only last 1 more day. And with the Differential Pivot so far below, there could be a sizable amount of give-back on open profits and the signal would still turn flat. If I only had one lot, I would probably look to get out of the whole thing on any strength on Wednesday. With 2 lots, I’ll look to exit 1 quickly, and then I’ll try and ride the 2nd one a little higher until the close if the market is showing strength. Details are in the Trade Ideas section down below.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/14 – neutral

The intermediate-term outlook was last updated in the 4/14/14 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	\$316.08	-7.89%		sell on close >= \$321.57
MS	4/8/2014	\$29.52	\$29.55	0.10%		sell on close >= \$29.67
SPY(1/4)	4/11/2014	\$182.17	\$184.20	1.11%		sell @ \$184.21 LIMIT
SPY(1/4)	4/14/2014	\$181.50	\$184.20	1.49%		see below

The exits for AMZN and MS are the standard ones for the numbered systems they were purchased with.

I will sell one lot of SPY on any morning strength. The 2nd lot I will use a stop after the 1st half hour and hope to sell at the close. I will place my stop \$0.06 cents below the lowest low of the first half-hour of trading, assuming the market is not making new lows when 10am EST hits. If it is selling off at that point I will wait until it makes its first higher high and higher low on a 5-minute bar basis. Then I will put the stop below the swing low that was just made. If SPY stair-steps higher I may raise the stop throughout the day, and will send out an intraday alert to subscribers should that occur.

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