

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 2, 2014

Volume 7 Issue 84

Market Overview



Signals Overview

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

Tonight's Research Points

- When SPX closes down but breadth is strong, it has often led to gains over the next few days.

Short-term Outlook

The Bottom Line

No real change from last night. Moderately positive evidence in a slightly overbought market. This leaves me neutral once again.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active - Short Term				
May 2, 2014	SPX down. Up issue % > 55%	1-3 days	Bullish	1.10%
May 1, 2014	Fed Day close at 10-high, not 100-high	1-2 days	Bearish	
April 29, 2014	High-volume up day	1-10 days	Bullish	2.50%
April 24, 2014	5 Days up then 1 down. < 50-high > 200	1-9 days	Bullish	
April 22, 2014	5 Days Higher < 50 but > 200	1-10 days	Bullish	
Active - Long Term				
April 22, 2014	5 Days Higher < 50 but > 200	1-15 days	Bullish	
April 17, 2014	3 days up gain 2%. 3/10 Offset HV < 0.25	1-19 days	Bullish	
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	
Dropped Tonight				
April 30, 2014	Up 2 < 3 ago	1-2 days	Bullish	

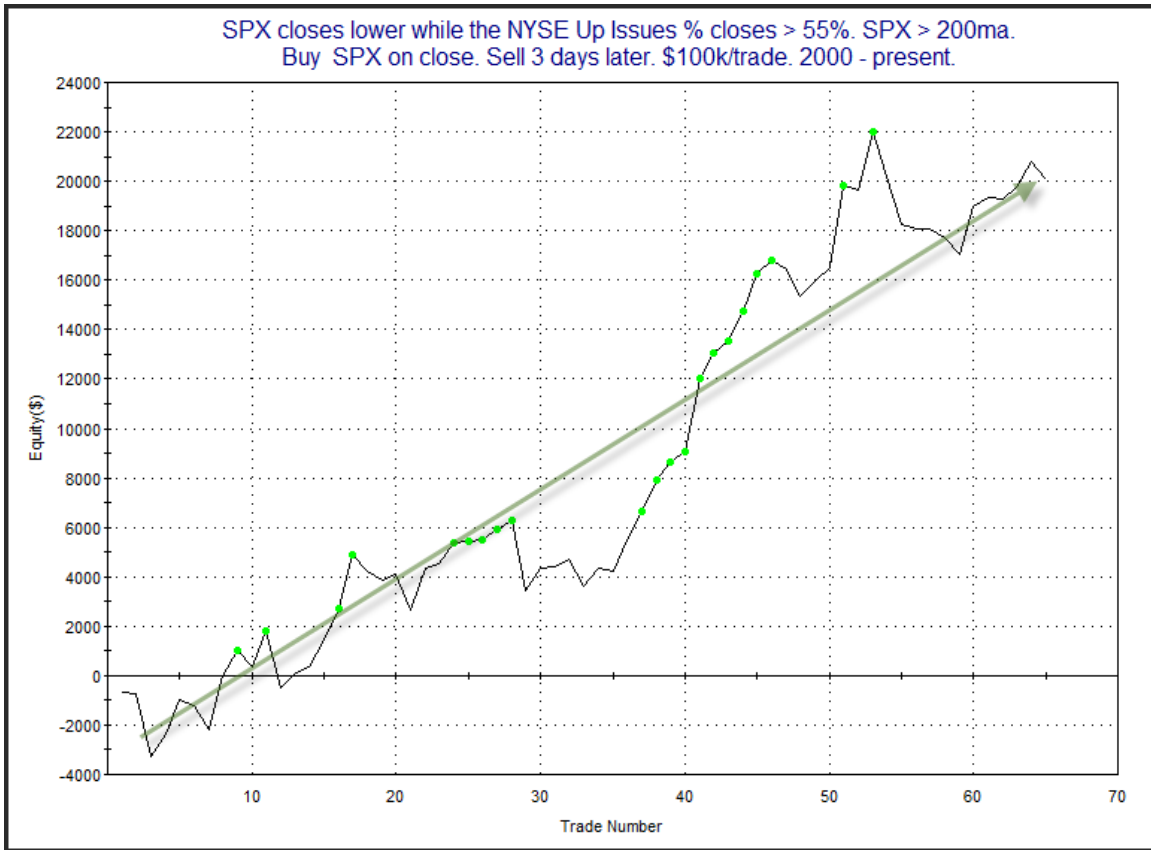
The Evidence

The market did not get far on Thursday. The SPX and the Russell 2000 each closed down less than 0.1% while the NASDAQ gained 0.3. Breadth was positive as the NYSE Up Issues % came in at 56% and the Up Volume % was 51%. Total NYSE volume sank some from Wednesday's level.

The Up Issues % was unusually strong for a day that the SPX declined. The study below was last seen just last week in the 3/17/14 Letter. It looks at days like Thursday where SPX declined despite strong breadth. Results are updated.

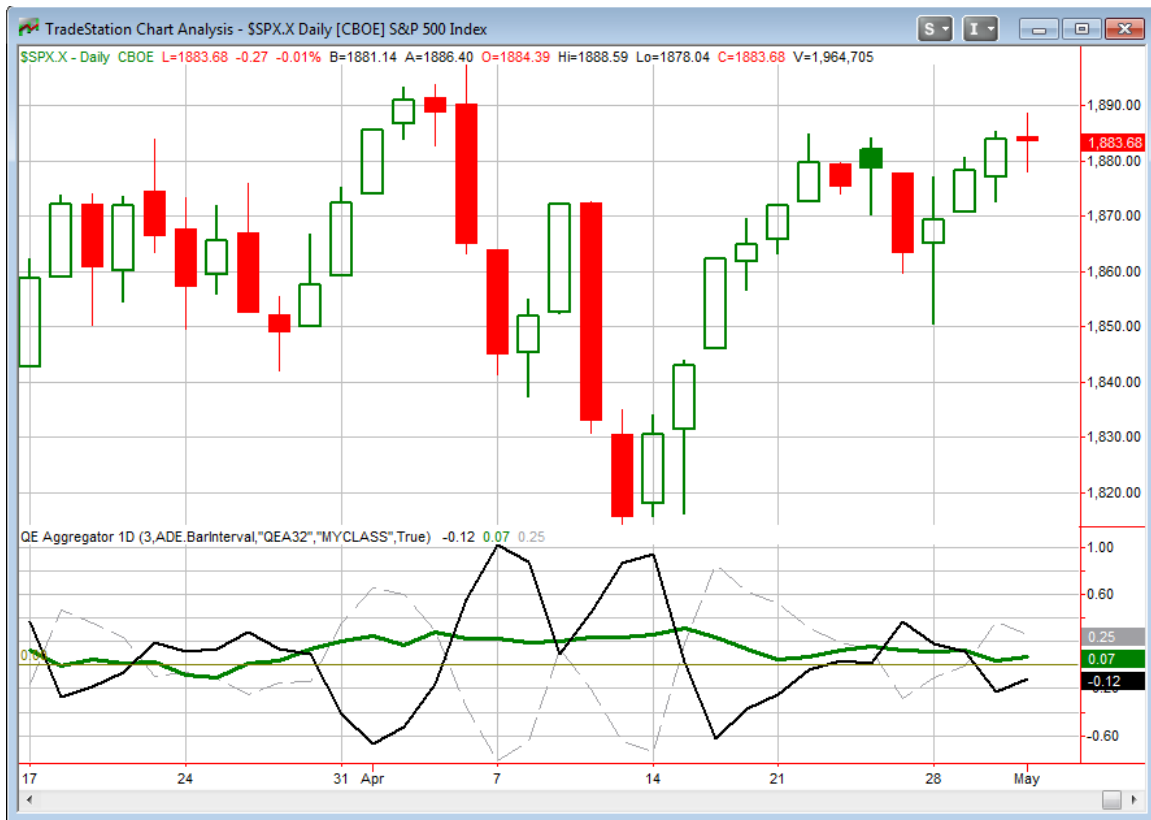
SPX closes lower while the NYSE Up Issues % closes > 55%. SPX > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	19,500.24	61	36	25	59.02	1,378.25	3,616.92	-1,204.67	-4,012.80	1.14	1.65	319.68
4	19,650.85	63	37	26	58.73	1,300.38	3,429.00	-1,094.74	-2,921.28	1.19	1.69	311.92
3	20,070.43	65	41	24	63.08	1,007.93	3,373.50	-885.62	-2,852.01	1.14	1.94	308.78
2	19,147.81	66	44	22	66.67	829.21	3,025.12	-788.07	-3,119.03	1.05	2.10	290.12
1	14,587.27	68	38	30	55.88	720.43	2,484.00	-426.30	-1,348.29	1.69	2.14	214.52

The edge isn't huge, but it does appear to be worth a closer look. The profit curve below gives a better idea of how it has played out over time.



While the curve certainly appears choppy, it has persisted upwards. I believe this study is worth taking into consideration and I've included it among the active studies.

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



With tonight's study factored in the green Aggregator Line inched a little further 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 relatively 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 stayed flat at the close.

Based on the current active studies, expectations are slated to remain positive on Friday. This could change if strong bearish evidence emerges. The Differential Pivot will be *inverted at 1885.15* on Friday. That is about 1.5 points *above* Thursday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case, for SPX to remain overbought it is going to need to close up a little bit on Friday. Anything short of that and it will switch to "oversold" versus recent expectations.

There did not seem to be much of an edge last night, and Thursday's sideways action did not really help matters. The evidence is pointing up slightly, but with the market a little overbought, that somewhat neutralizes the risk/reward. So I will be sitting out again, and then taking the weekend to evaluate further and identify any new, compelling opportunities.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/28 – neutral

The intermediate-term outlook was last updated in the 4/28/14 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

None

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