

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 9, 2014

Volume 7 Issue 89

Market Overview



Signals Overview

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

Tonight's Research Points

- Sideways chop is again not triggering new studies.

Short-term Outlook

The Bottom Line

The bullish edge is running out of time, and the lack of new evidence is not helping the case. I will look to take profits on my open SPY position if I can get an ok fill on Friday.

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

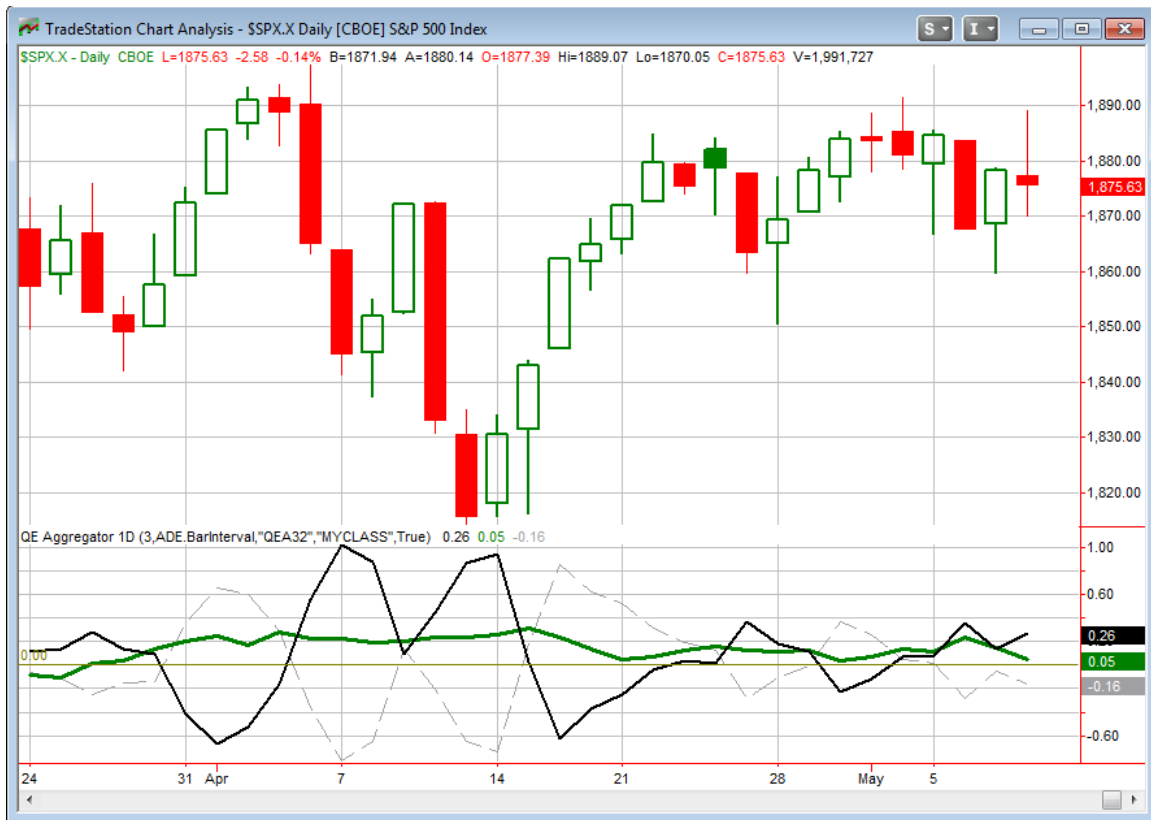
Study Date	Description	Time span	Bias	Avg Max Move
Active - Short Term				
May 7, 2014	5 lower gaps	1-3 days	Bullish	
May 7, 2014	Up < 0.25% but top 10% of range	1-3 days	Bearish	
April 29, 2014	High-volume up day	1-10 days	Bullish	2.50%
Active - Long Term				
May 1, 2014	3 of 4 Market Timing Indicators weak	int term	Bearish	
April 28, 2014	Sell in May	6 months	Bearish	
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				
May 5, 2014	3 Higher Hi, Low, Close, then down close	1-4 days	Bullish	1.50%

The Evidence

Most indices sold off some on Thursday. The SPX fell 0.1%, the NASDAQ dropped 0.4%, and the Russell 2000 declined 1.0%. Breadth was negative as the NYSE Up Issues % came in at 41% and the Up Volume % was 42%. Total NYSE volume dipped a little from Wednesday's level.

It was as if the market knew I was out of the office the last two days and decided to just chop around and wait for me to get back before doing anything exciting. If only I could command it to act like I wanted all the time. But seriously, Thursday's small down move marked the 5th reversal day in a row for SPY. It also closed extremely close to both its 5ma and 10ma. So it is right in the middle of its short-term range by a few measures. That doesn't often inspire strong and compelling edges and that was the case for the 2nd night in a row tonight. And while I looked at a few things, I found nothing promising. I will not be adding any new studies to the Active List tonight.

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

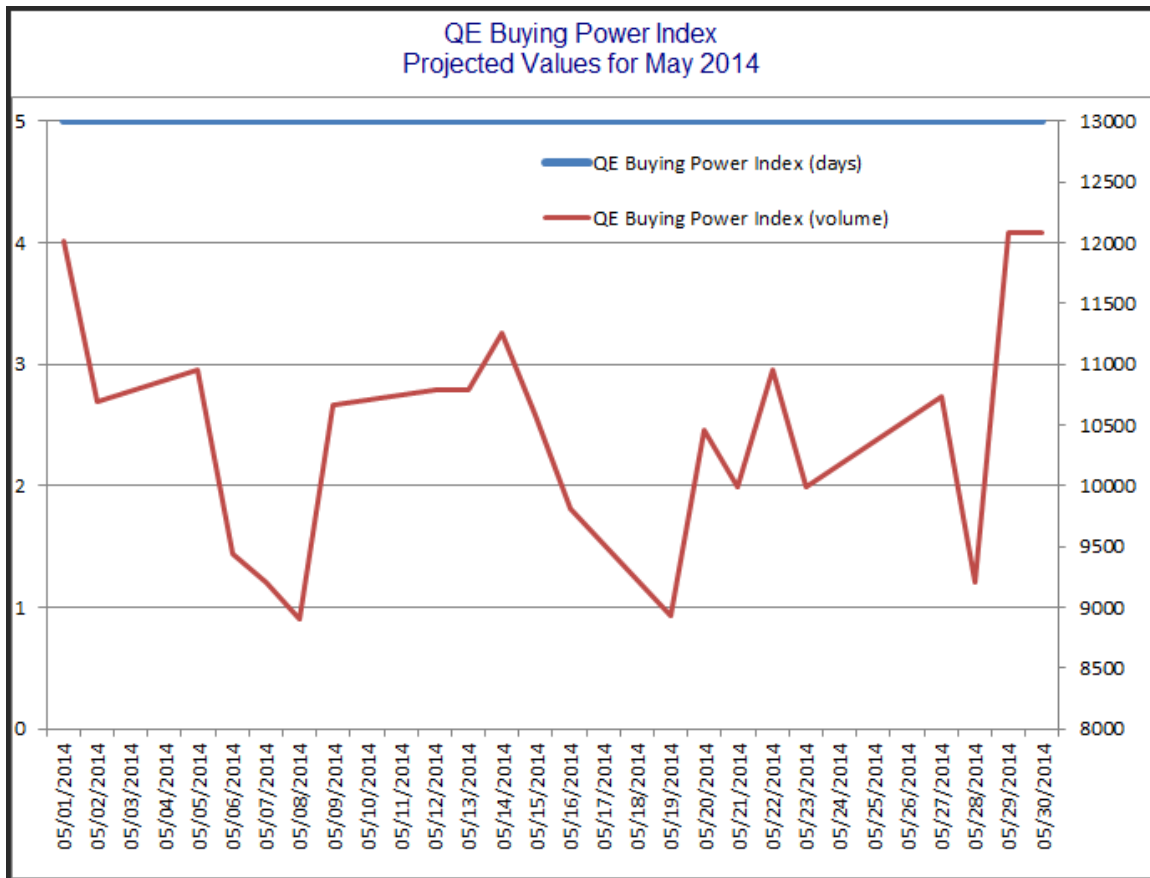


Without any new studies tonight the green Aggregator Line held above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line also stayed above 0. The positive Differential Line reading means the SPX is oversold versus 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 stayed long at the close.

But all three of the studies currently on the Short-Term Active List are set to expire on Friday. And with the intermediate-term outlook slightly bearish, no Active Short-Term studies would turn the Aggregator line negative. Of course the line position will be heavily influenced by Friday's action and what new studies emerge. The Differential Pivot will be 1876.71 on Friday. That is barely 1 point above Thursday's close. So SPX will be considered oversold on any down close, and overbought versus expectations on almost any up close.

Between the nearby Differential Pivot and the expectations now slated to turn negative on Friday there does not appear to be much more upside opportunity. Also, as I noted in last weekend's letter, the QE Buying Power Index (volume), as shown in the May projected chart below, is bottoming out for the month right now. This suggests bulls currently have

the weakest liquidity backing in quite a while. And it could lead to struggles next week. I will therefore be looking to take profits on my current open SPY position.



Intermediate-term Outlook (2 weeks – 2 months) – updated 5/5– slightly bearish

The intermediate-term outlook was last updated in the 5/5/14 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
SPY(1/4)	5/7/2014	\$186.78	\$187.68	0.48%		sell @ \$187.68 Limit

Based on the short-term outlook above, I will be looking to exit my long position on Friday if I can get out at Thursday's close or higher.

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