

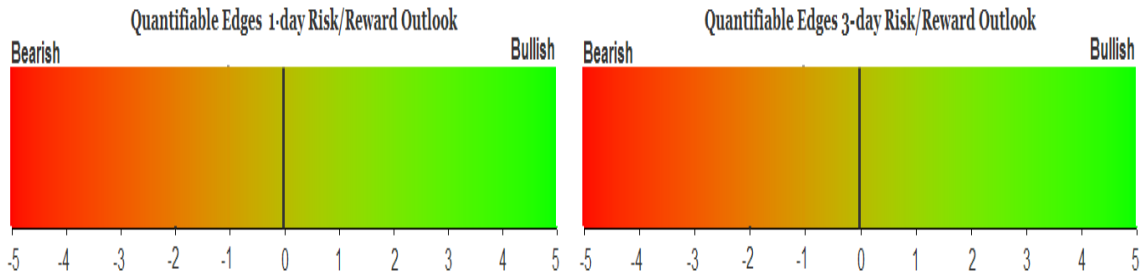
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 14, 2014

Volume 7 Issue 92

Market Overview



Signals Overview

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

Tonight's Research Points

- At one point in time, the very low SPY volume that accompanied Tuesday's new high would have been a big concern. But the downside edge has not held true over the last couple of years.

Short-term Outlook

The Bottom Line

Tuesday's next action changed nothing. There still appears to be a moderate upside edge, and the market remains short-term overbought. With these things in mind my overall short-term outlook remains neutral. I am sidelined awaiting a more favorable entry opportunity.

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 13, 2014	Low vol breakout	1-5 days	Bullish	
May 13, 2014	Breakaway Gap	1-5 days	Bullish	
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	

The Evidence

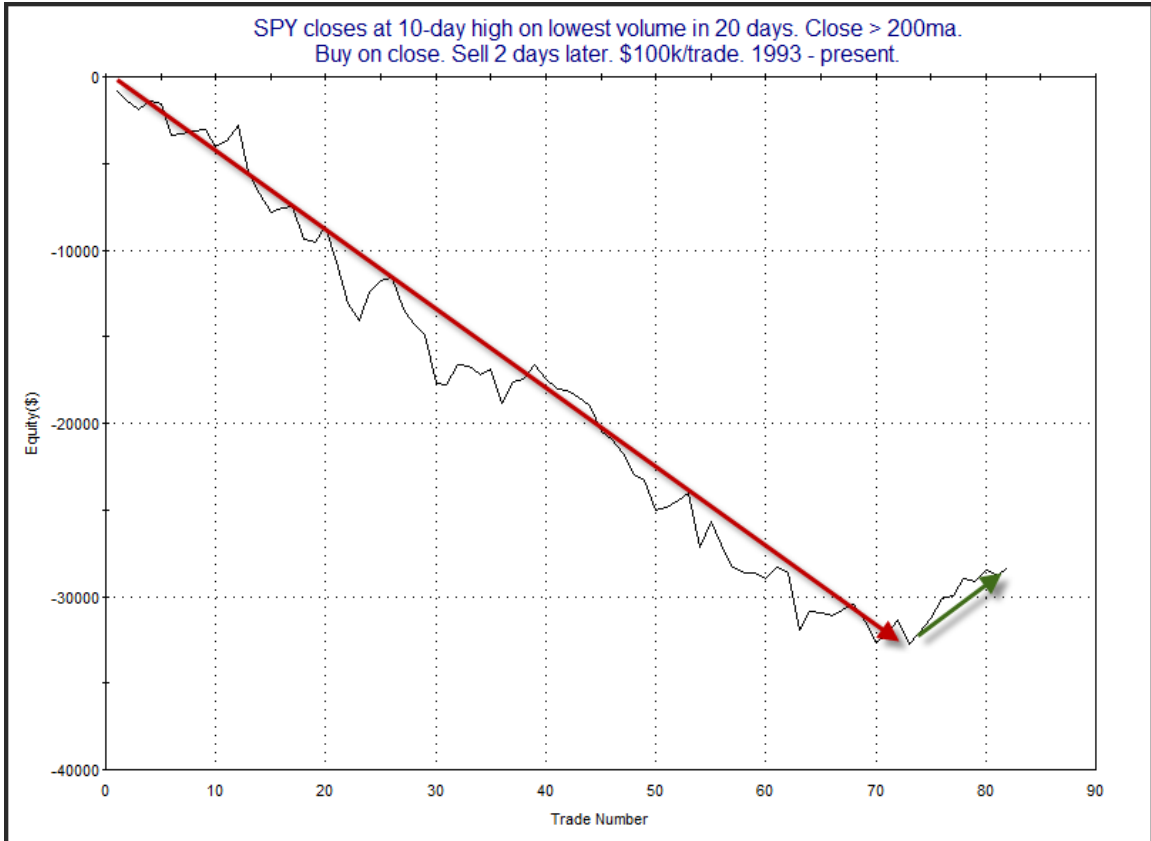
Tuesday was a consolidation day after Monday's big move up. The SPX rose less than 1 point while the NASDAQ fell 0.3%, and the Russell 2000 declined 1.1%. Breadth was negative as the NYSE Up Issues % came in at 40% and the Up Volume % was 46%. Total NYSE volume dropped for the 4th day in a row.

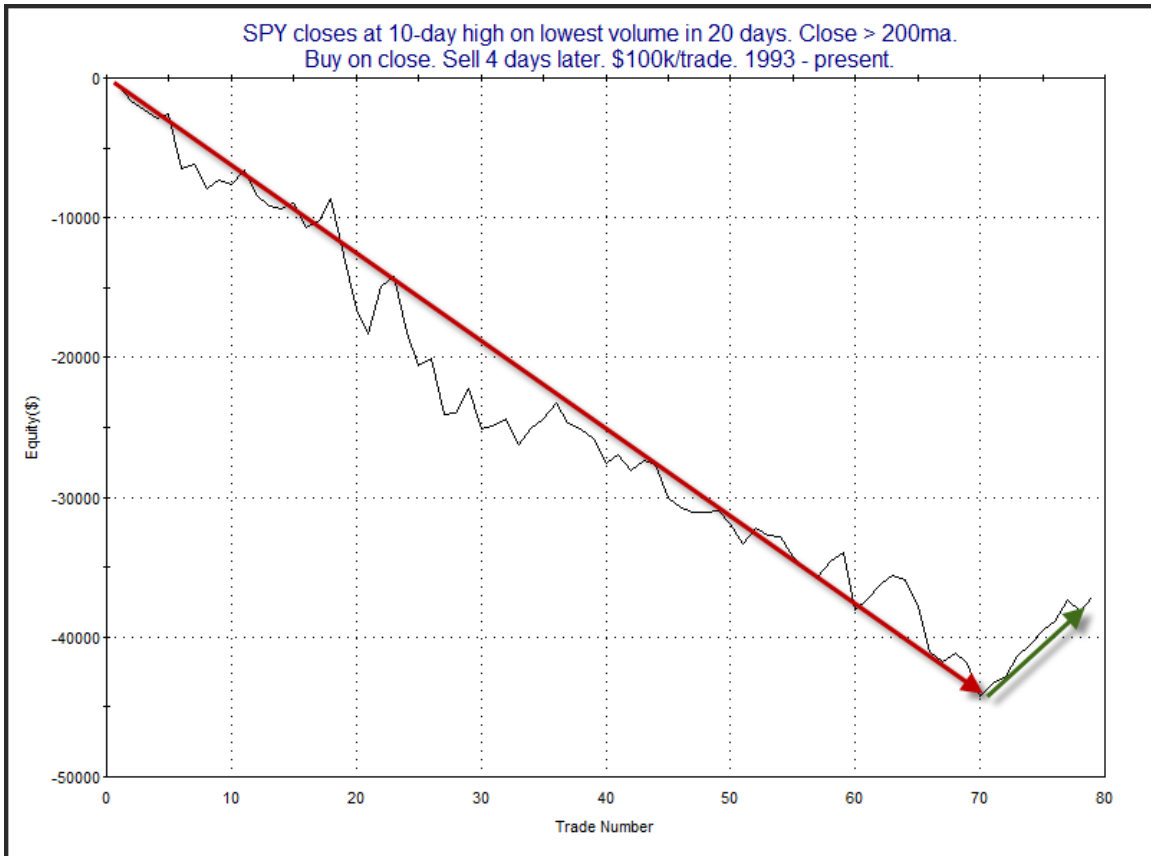
The mixed action managed to generate a lot of fairly neutral studies. So while I had a bit to examine, there wasn't a whole lot to discuss. There was one interesting study from the 4/30/12 subscriber letter that examined SPY making new short-term highs on days where volume came in at an intermediate-term low. I have updated that study below.

SPY closes at 10-day high on lowest volume in 20 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	-26,396.89	78	37	41	47.44	981.56	3,379.48	-1,529.63	-4,272.30	0.64	0.58	-338.42
4	-37,182.86	79	36	43	45.57	840.60	3,379.48	-1,568.48	-4,141.80	0.54	0.45	-470.67
3	-32,751.86	79	35	44	44.30	683.54	4,032.73	-1,288.09	-4,581.36	0.53	0.42	-414.58
2	-28,338.60	82	34	47	41.46	596.71	1,637.48	-1,034.61	-3,265.65	0.58	0.42	-345.59
1	-10,509.19	86	33	53	38.37	512.18	1,362.30	-517.19	-1,935.36	0.99	0.62	-122.20

A few years ago when I first ran this study, the numbers looked quite bearish. They still seem to lean that way, but it is important to take a look at the profit curves in order to get

a more complete picture. Below are both the 2-day and 4-day profit curves. They tell a similar story.

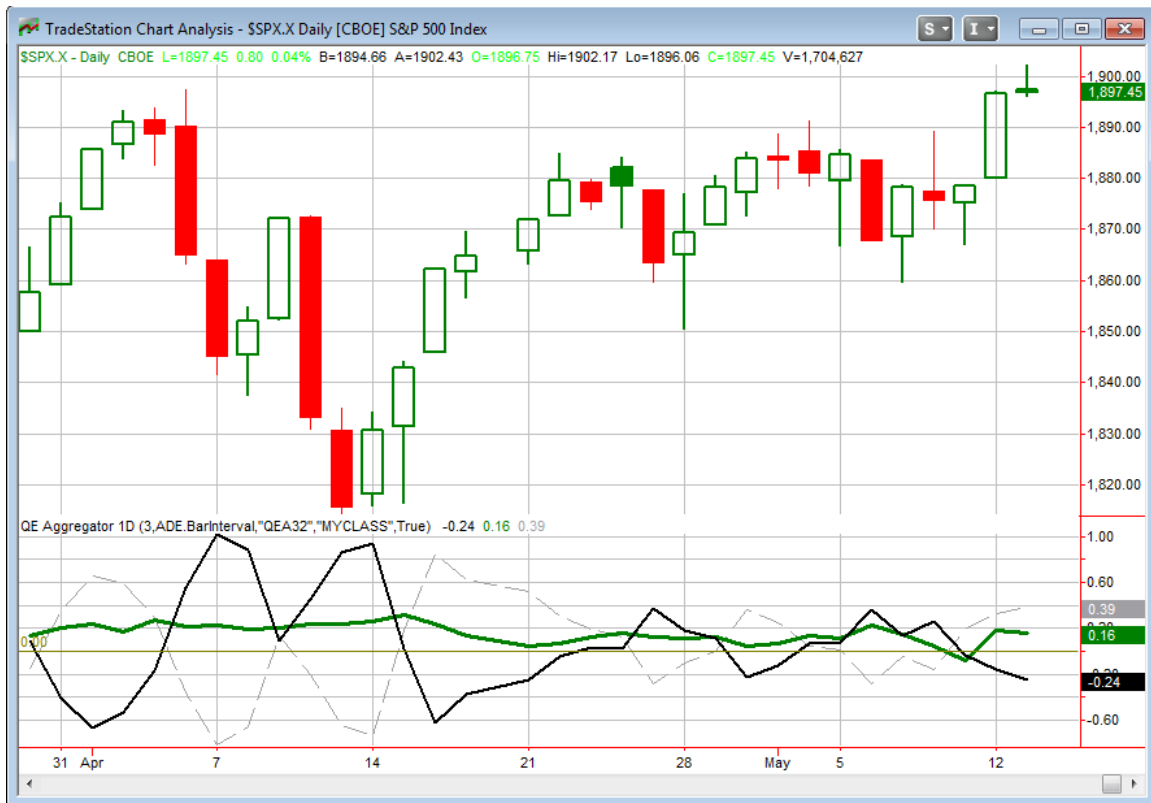




I have seen a number of short biased edges get run over since the beginning of 2013. Many of these were related to volume. This seems to be just another example of how the market has changed, and the weak volume numbers that used to suggest bearish implications, no longer appear to.

It was also noted in the Quantifinder that SPX hit a new all-time intraday high Tuesday. It looked at Tuesday as a "breakout" day (on an intraday basis). But we examined breakout days in last night's letter after SPX had managed a new all-time closing high. The Quantifinder study was fairly repetitive, and not worth discussing again. Therefore, I have not added any new studies to the Active List tonight.

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



Without any new studies tonight the green Aggregator Line stayed above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line remained 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 open studies, expectations are slated to remain positive on Wednesday. Of course this could change if strong bearish evidence emerges. The Differential Pivot will be 1880.63 on Wednesday. That 0.9% below Tuesday's close. This means that SPX will need to close down at least this much if it is going to change from overbought to oversold versus expectations.

The Aggregator is still neutral. And Tuesday's action and the resulting lack of studies did nothing to entice me to put new capital to work. Evidence suggests a further move to the upside is more likely, but with the market already stretched upwards risk/reward is not great. I'd prefer to see a pullback of a day or two before considering a long position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/12– slightly bearish

The intermediate-term outlook was last updated in the 5/12 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. Traders with a more optimistic outlook than my own could certainly check out the Numbered Systems Page for some ideas.

Current Open Trade Ideas

None.

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