

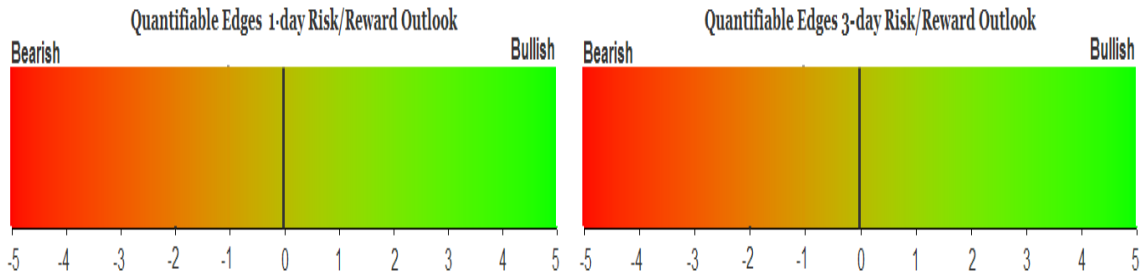
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 15, 2014

Volume 7 Issue 93

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Wednesday's action was not inspiring from a new studies standpoint.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator remains flat. Expectations are still positive but SPX is overbought. It appears unlikely to remain overbought, and may be setting up for a long-side edge. If SPX sees much more selling on Thursday I may look to start scaling into a long index position.

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

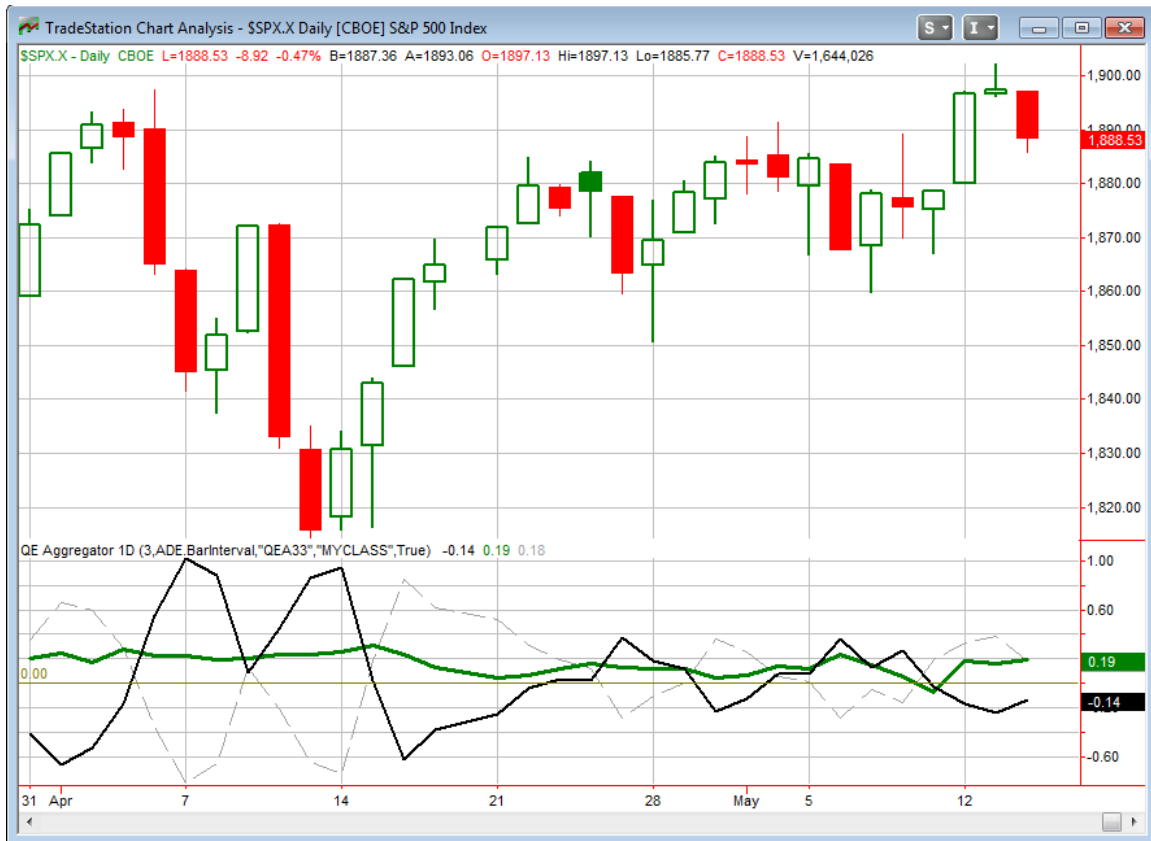
Study Date	Description	Time span	Bias	Avg Max Move
<b>Active - Short Term</b>				
May 13, 2014	Low vol breakout	1-5 days	Bullish	
May 13, 2014	Breakaway Gap	1-5 days	Bullish	
<b>Active - Long Term</b>				
May 1, 2014	3 of 4 Market Timing Indicators weak	int term	Bearish	
April 28, 2014	Sell in May	6 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***

Short-term overbought mattered on Wednesday and the market pulled back. The SPX declined 0.5%, the NASDAQ fell 0.7%, and the Russell 2000 dropped 1.6%. Breadth was negative as the NYSE Up Issues % came in at 37% and the Up Volume % was 32%. Total NYSE volume came in just slightly above Tuesday's low level.

The action since Monday's breakout has done very little to inspire additional compelling evidence. SPY gapped down to open the day and never managed to fill that gap. Between 1998 and 2010 unfilled gaps from 50-day highs were commonly followed by more selling, but over the last 4 years that has not held true. And I found nothing else suggesting a strong edge tonight either. So no new studies were added to the Active List.

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 Thursday. Of course this could change if strong bearish evidence emerges. The Differential Pivot will be *inverted* at 1899.58 on Thursday. That 0.6% *above* Wednesday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case SPX is going to need to gain 0.6% in order to remain overbought. Anything less than that and it will be considered "oversold" versus expectations.

The breakout studies from the other day are the primary force suggesting there is more upside to come in the next few days. Nothing new has emerged since then. The consolidation period over the last couple of days has set the market up to move back to an "oversold" condition. And if we get another day or two lower from here we would likely

see more bullish studies emerge. There is a good chance the Aggregator will turn bullish even if the market closes up slightly on Thursday. I'm not going to rush into a position, though, unless Thursday provides another day of selling and a favorable end-of-day entry price. In that case, I will go long in anticipation of the Aggregator turning bullish.

***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.*

**SPY buy ¼ index position @ \$187.95 LIMIT ON CLOSE.** A close at this level would put SPY at a 5-day low and fill the gap from Monday's breakout day. If this occurs I will look to buy in anticipation of a bounce. Any close above here and I will re-evaluate on Thursday night.

**Current Open Trade Ideas**

*None*

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