

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 22, 2014

Volume 7 Issue 98

Market Overview



Signals Overview

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

Tonight's Research Points

- The low volume does not appear to be the bearish harbinger it once was.

Short-term Outlook

The Bottom Line

The Aggregator is still pointing upwards. But bullish evidence is drying up and the market is only marginally oversold. So it appears to be a good time to consider taking profits on long positions.

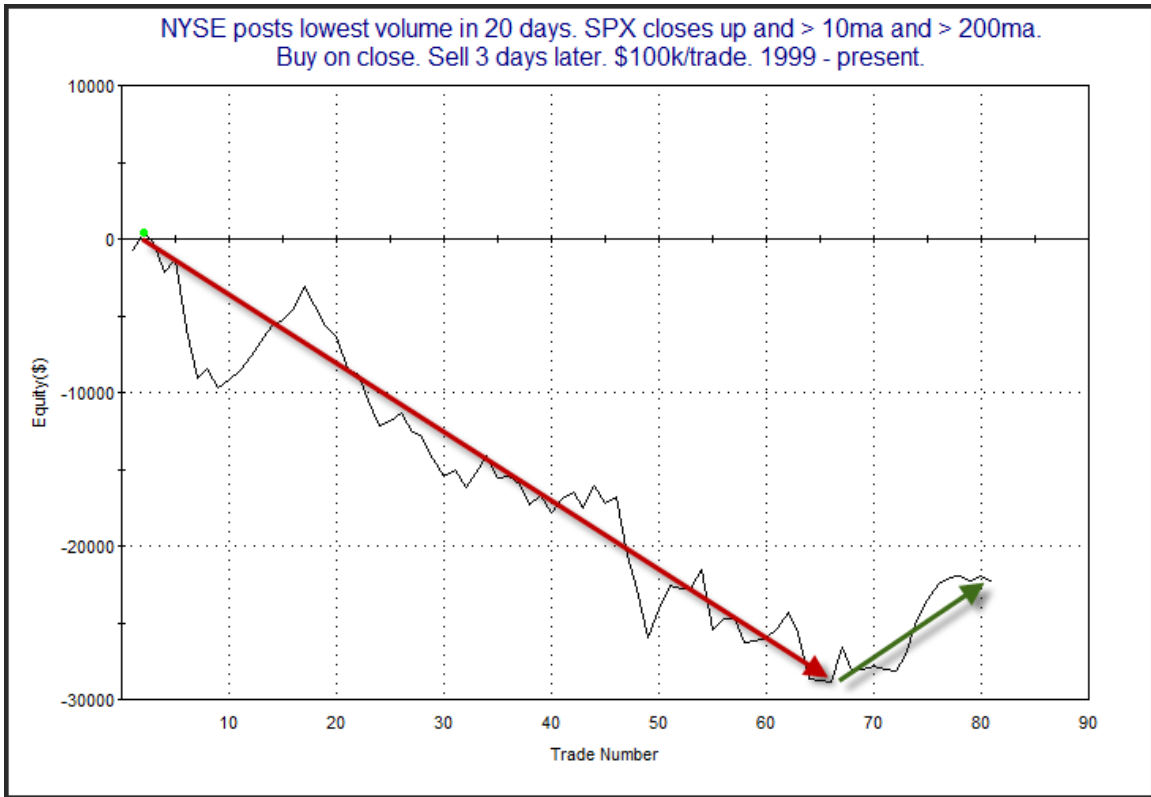
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Max Move
Active - Short Term				
May 16, 2014	2 unfilled down gaps, 5-low > 200ma	1-5 days	Bullish	
Active - Long Term				
May 16, 2014	2 unfilled down gaps, 5-low > 200ma	1-10 days	Bullish	
May 1, 2014	3 of 4 Market Timing Indicators weak	int term	Bearish	
April 28, 2014	Sell in May	6 months	Bearish	
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 19, 2014	2 days up < 3 ago	1-2 days	Bullish	

The Evidence

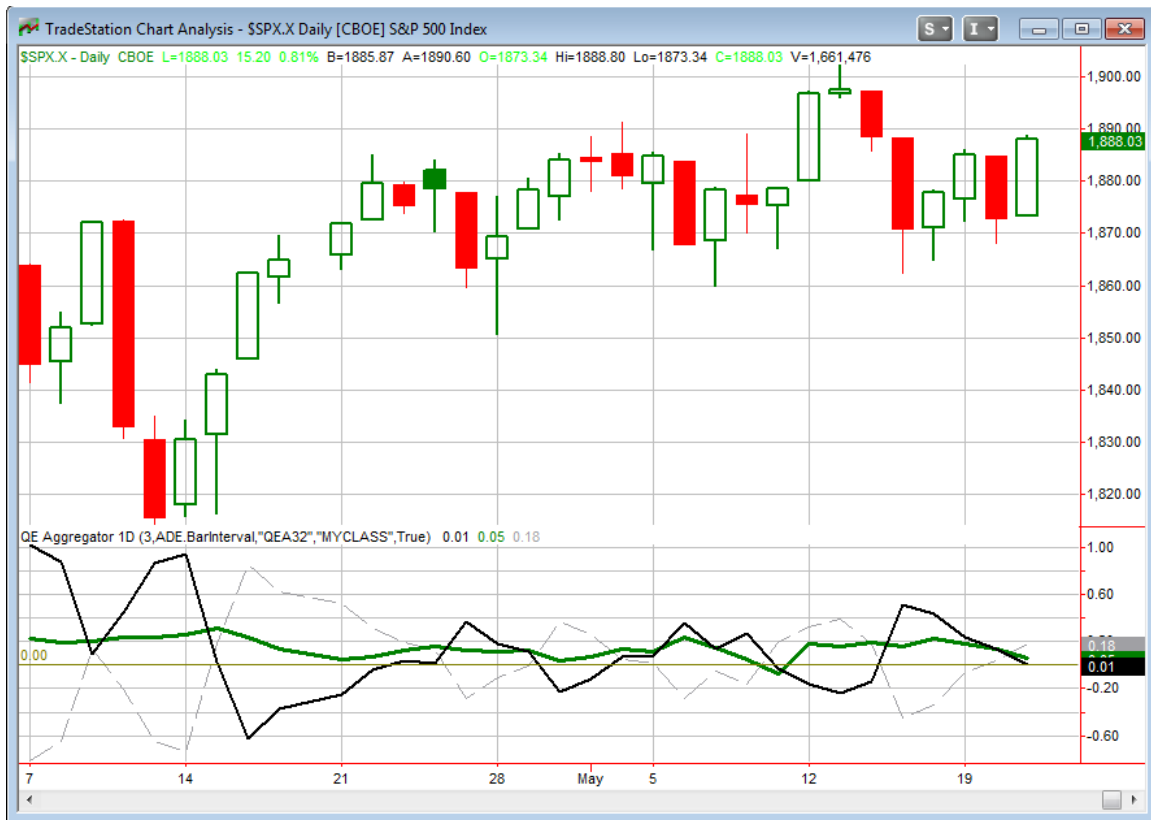
Wednesday reversed Tuesday's selling as the major indices put in some nice gains. The SPX gained 0.8%, the NASDAQ rose 0.9% and the Russell 2000 closed up 0.5%. Breadth was squarely positive as the NYSE Up Issues % came in at 63% and the Up Volume % was 73%. Total NYSE volume came in at the lightest level since January 3rd.

Light volume used to be a concern on a short-term basis. But light volume up days simply have not had the same bearish implications during the bull market of the last couple of years. The profit curve below is from a study that was discussed in the 3/14/13 Letter. It exemplifies what I am talking about.



This curve bottomed about 15 instances ago on 2/29/12 (Happy Leap Day!). After exhibiting a consistent downside tendency for several years, dynamics appear to have changed. They could certainly change back. It could be something temporary causing this (like quantitative easing), or it could be something more permanent. I'll continue to keep an eye on this setup in the future. But for the time being, it is something I no longer consider to carry bearish implications.

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



Without anything new being added tonight the green Aggregator Line remained 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 also still 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.

There is only 1 short-term study left active right now. It is bullish, but it is scheduled to expire on Thursday afternoon. With the intermediate-term outlook slightly negative, expectations will also turn negative if new bullish evidence fails to emerge. The Differential Pivot will be 1895.39 on Thursday. That is 0.4% above Wednesday's close. So it will take a decent move up on Thursday in order to move the SPX from oversold to overbought versus expectations.

Overall, it appears there is a bullish edge. But the upside potential is quite limited here. A strong move up will cause the market to turn overbought, closing out the longside edge. And without new bullish evidence emerging, expectations are going to turn bearish. With the limited opportunity it appears to be a good time to look to take profits. So I intend to close out my long index position on Thursday if I can get a good fill. Details are in the trade ideas section near the bottom of the letter.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/19– slightly bearish

The intermediate-term outlook was last updated in the 5/19 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)	5/15/2014	\$187.40	\$189.13	0.92%		sell @ \$189.00 limit

I will look to exit SPY if I can get near Wednesday's closing level. So unless there is a gap down that does not come near filling, I will be out of this position on Thursday. A gap up at the open would be the best scenario.

This report has been prepared by Hanna Capital Management, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Hanna Capital Management, LLC or clients of Hanna Capital Management, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Hanna Capital Management, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Hanna Capital Management, LLC nor any officer or employee of Hanna Capital Management, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Hanna Capital Management, LLC.

Copyright © 2014 Hanna Capital Management, LLC.