

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 6, 2014

Volume 7 Issue 108

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Short	100% Short SPY	Flat

## Tonight's Research Points

- Employment days have done very well since August of 2012.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is now pointed slightly lower, but the 1-day expectations are slightly positive. So there is nothing for me to do just yet.

**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>				
June 6, 2014	Employment Day	1 day	Bullish	
June 5, 2014	10 days > 5ma. 10 high today	1-2 days	Bearish	
June 5, 2014	50 high, inside day, 50-high	1-5 days	Bearish	-2.00%
June 2, 2014	End of month on high of month	1-5 days	Bullish	
<b>Active - Long Term</b>				
June 2, 2014	NASDAQ leading SPX	int term	Bullish	
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	

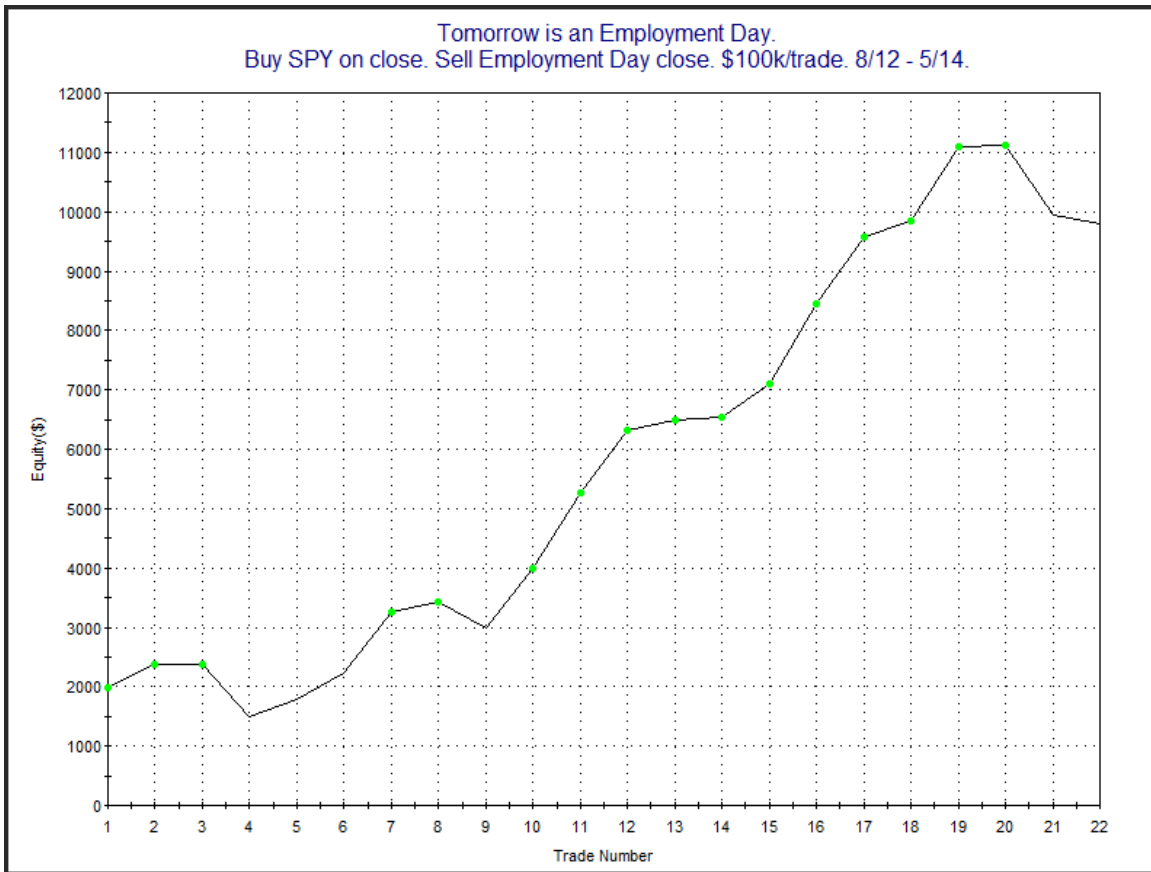
**The Evidence**

Thursday saw strong gains and new highs for the market. The SPX rose 0.7%, the NASDAQ gained 1.1% and the Russell 2000 rallied 2.0%. Breadth was strongly positive as the NYSE Up Issues % came in at 78% and the Up Volume % was 77%. Total NYSE volume rose from Wednesday's level.

The action did not trigger anything new and compelling in the Quantifinder. But one bit of information to consider for Friday is that the BLS is due to release the employment report at 8:30am EST. This report tends to be the most highly watched monthly economic report, and it will often be followed by a strong market reaction. In the last year and a half or so, this reaction has been consistently bullish. On the Overnight Edges blog a couple of months ago I showed the overnight implications of the report. And I also showed the intraday implications on the Quantifiable Edges blog. Below are the results since August 2012 measuring from the close before the Employment Day to the close of the Employment Day.

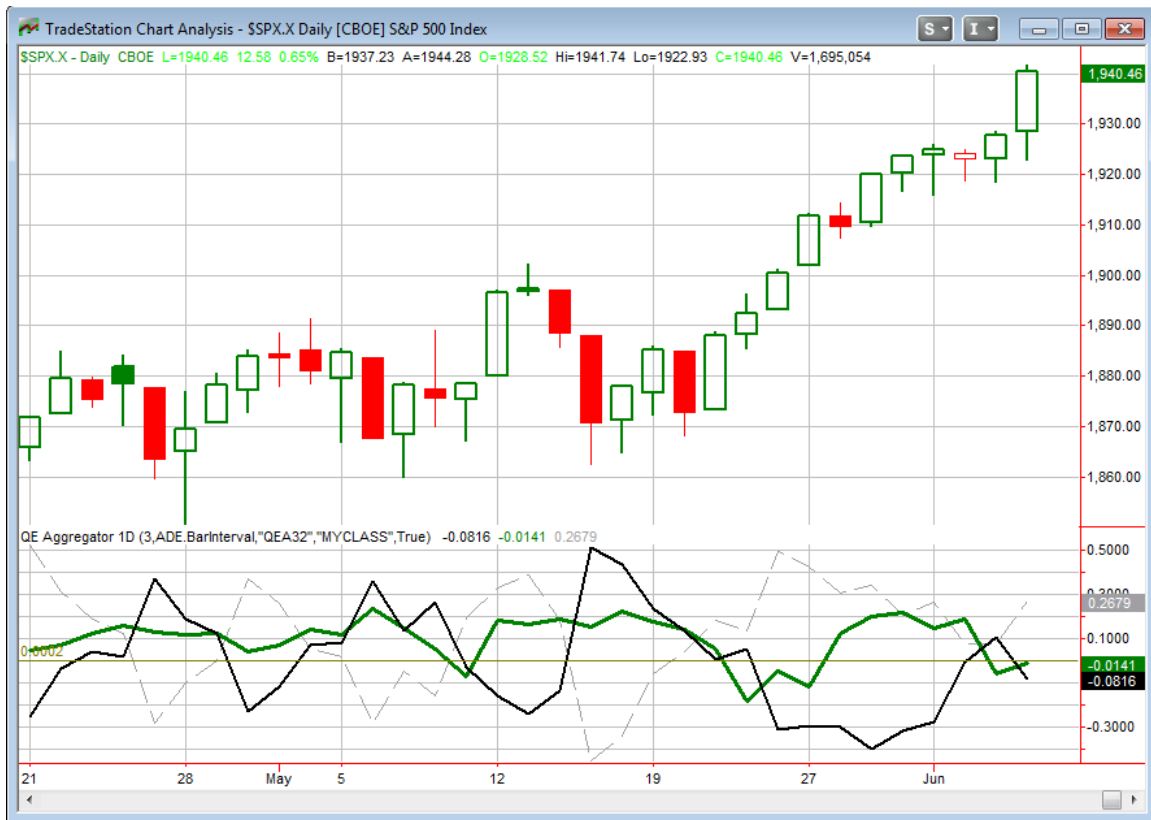
Tomorrow is an Employment Day. Buy SPY on close. Sell Employment Day close. \$100k/trade. 8/12 - 5/14.				
TradeStation Performance Summary				Collapse ^
All Trades				
Total Net Profit	\$9,807.61	Profit Factor		4.69
Gross Profit	\$12,465.27	Gross Loss	(\$2,657.66)	
Total Number of Trades	22	Percent Profitable		81.82%
Winning Trades	18	Losing Trades		4
Even Trades	0			
Avg. Trade Net Profit	\$445.80	Ratio Avg. Win:Avg. Loss		1.04
Avg. Winning Trade	\$692.52	Avg. Losing Trade	(\$664.42)	
Largest Winning Trade	\$1,981.01	Largest Losing Trade	(\$1,181.90)	

It has really been a hot streak since the summer of 2012. This is not the kind of edge that I would expect to last long-term, but it is certainly something to be aware of and to take into account for as long as the hot-streak lasts. Below is a profit curve.



After 11 winners in a row the last 2 instance have closed down. Not a huge concern yet, but the hot streak may be fading here.

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



Despite the somewhat bullish Employment Day study the green Aggregator Line remained below 0. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the strong rally caused the black Differential Line to fall below 0. The negative Differential Line reading means the SPX is overbought versus recent expectations. So expectations are negative and the SPX overbought versus expectations This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below 0. Therefore the Aggregator signal changed to short at the close.

Based on the current active studies, expectations are slated to remain negative again on Friday. Of course this could change if new bullish evidence emerges. The Differential Pivot will be 1934.62 on Friday. That is 0.3% below Thursday's close. So for SPX to move to an oversold state it would only need to close down 0.3% or more.

The Aggregator is suggesting a short-side edge. But while 3-day expectations are negative, 1-day expectations are positive. I am not inclined to attempt a marginal trade against both the QE Buying Power Index and the long-term trend, especially when 1-day expectations are positive. So I will again sit out and see what emerges on Friday.

It has been a difficult market to find solid swing-trading opportunities. And the slow grind higher has some traders feeling left behind. I am not among them. Not because I'm heavily invested here. But because I simply do not concern myself with trying to keep up with short-term index returns. My focus is on identifying the best trading opportunities and taking advantage of them. Sometimes they occur with frequency and sometimes they do not. I can't control that. What I can control is my approach, and the standards I require before entering a new position. As long as I trade consistently with an edge, I believe I will continue to prosper over time. So I'll continue to wait until that next strong trading opportunity emerges.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 6/2– neutral***

The intermediate-term outlook was last updated in the 6/2/14 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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