

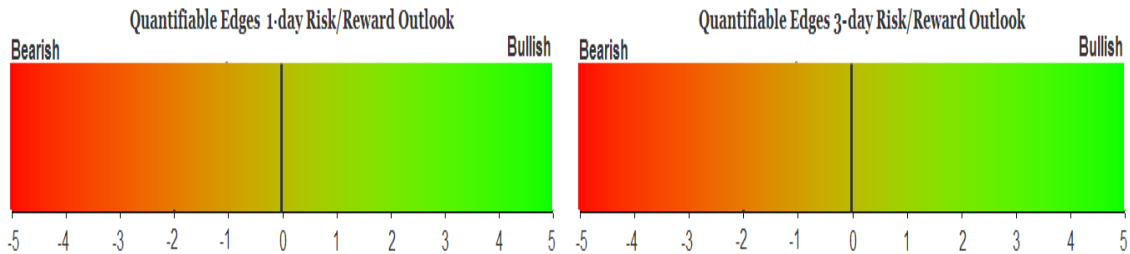
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 19, 2014

Volume 7 Issue 117

Market Overview



Signals Overview

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

Tonight's Research Points

- 100-day highs on Fed Days have often led to follow-on buying.

Short-term Outlook

The Bottom Line

More short-term bullish evidence emerged, but the market is now quite overbought. A pause or retracement would be needed before I would look to jump back into the long side.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active - Short Term				
June 19, 2014	100-day high on Fed Day	1-8 days	Bullish	1.90%
June 13, 2014	Unfilled gap dn 2 days in row > 200	1-5 days	Bullish	
Active - Long Term				
June 13, 2014	Unfilled gap dn 2 days in row > 200	1-10 days	Bullish	
June 9, 2014	RSI(2) > 99	1-15 days	Bullish	2.40%
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	
Dropped Tonight				
<i>June 18, 2014</i>	<i>Fed Day</i>	<i>1 day</i>	<i>Bullish</i>	
<i>June 17, 2014</i>	<i>SPY up 2 days but < 3 ago. Close > 200</i>	<i>1-2 days</i>	<i>Bullish</i>	
<i>June 13, 2014</i>	<i>1st 5-day low close in > 10 days</i>	<i>1-4 days</i>	<i>Bullish</i>	
<i>June 13, 2014</i>	<i>System 11111</i>	<i>1-4 days</i>	<i>Bullish</i>	

The Evidence

The Fed provided a nice boost on Wednesday and the market charged to new highs.. The SPX gained 0.8%, the NASDAQ closed up 0.6% and the Russell 2000 rose 0.6%. Breadth was positive as the NYSE Up Issues % came in at 71% and the Up Volume % was 82%. Total NYSE volume rose for the 3rd day in a row.

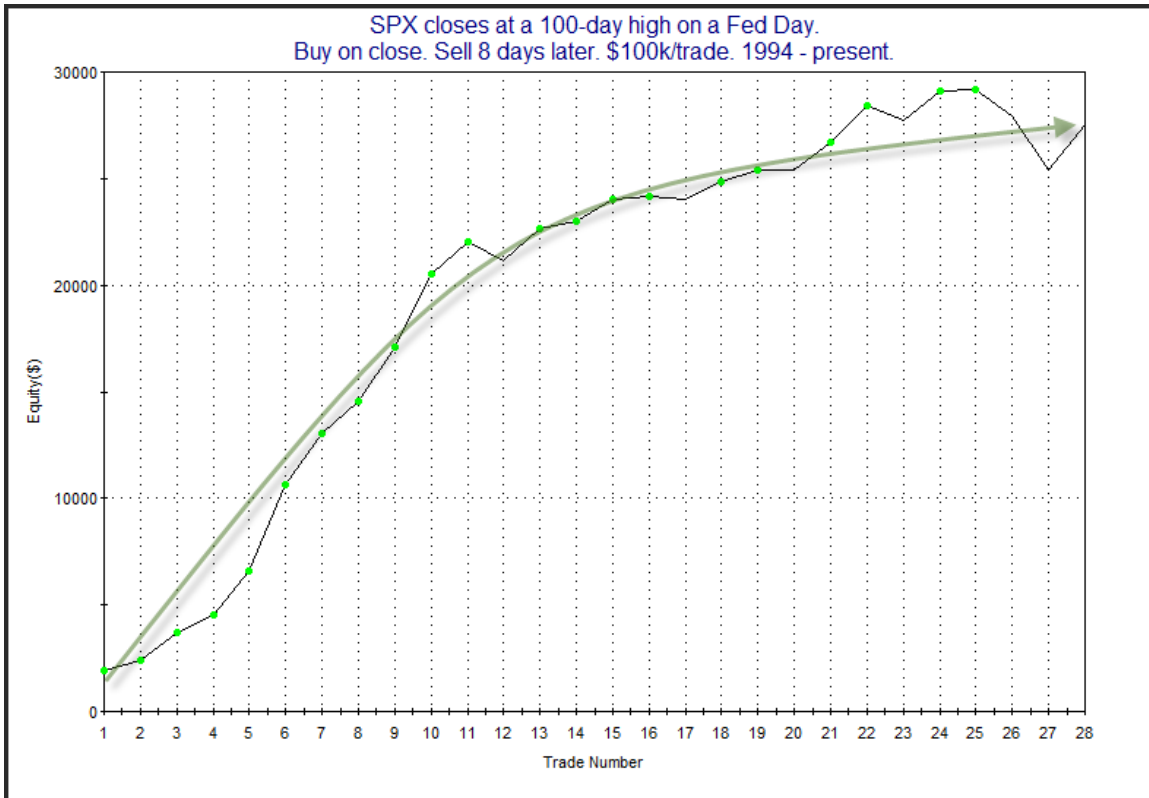
In “The Quantifiable Edges Guide to Fed Days” I discussed Fed Days that close at new highs. The basic finding was that when the market closed at a short-term high on a Fed Day, then it was likely to pull back over the next few days. But when it closed at a long-term high, then the rally was likely to continue. Below is a study from the guide that last appeared in the 12/19/13 Subscriber Letter.

SPX closes at a 100-day high on a Fed Day.
Buy on close. Sell X days later. \$100k/trade. 1994 - 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
10	24,675.31	28	20	8	71.43	1,766.20	5,492.11	-1,331.08	-2,161.08	1.33	3.32	881.26
9	25,784.30	28	21	7	75.00	1,784.71	5,708.74	-1,670.67	-2,346.69	1.07	3.20	920.87
8	27,503.83	28	22	6	78.57	1,499.66	3,995.65	-914.77	-2,506.29	1.64	6.01	982.28
7	21,740.25	28	21	7	75.00	1,292.70	3,198.09	-772.34	-1,924.89	1.67	5.02	776.44
6	22,322.98	28	23	5	82.14	1,159.62	3,147.85	-869.64	-1,530.45	1.33	6.13	797.25
5	18,807.40	28	22	6	78.57	1,075.17	2,353.88	-807.73	-1,866.75	1.33	4.88	671.69
4	15,882.23	28	20	8	71.43	1,111.07	3,173.92	-792.39	-1,601.70	1.40	3.51	567.22
3	8,358.34	28	17	11	60.71	893.33	2,227.50	-620.76	-1,349.76	1.44	2.22	298.51
2	9,553.20	28	18	10	64.29	878.54	2,314.87	-626.05	-1,562.33	1.40	2.53	341.19
1	5,602.73	28	17	11	60.71	603.90	2,073.34	-423.96	-1,393.26	1.42	2.20	200.10

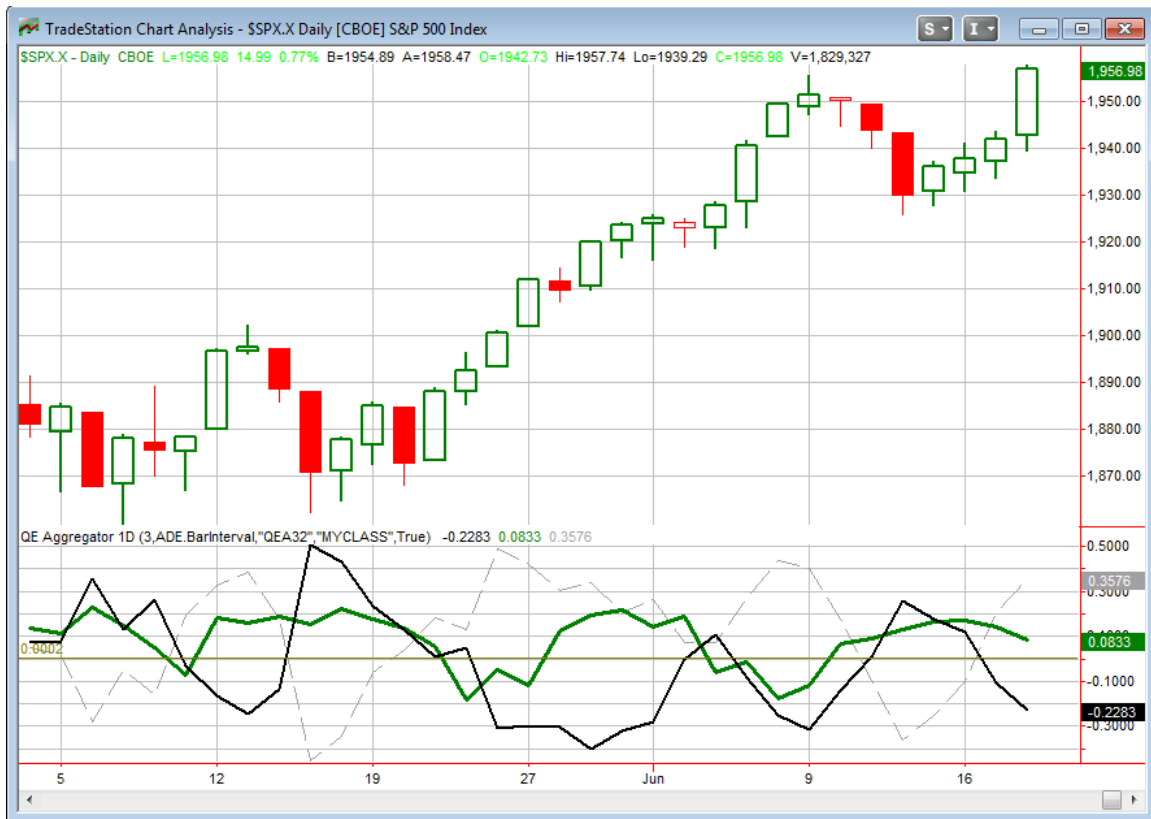
The only instance not to close above the entry price at some point in the next 7 days triggered on 9/18/13.

This suggests further upside is likely over the next 1-2 weeks. Below is the profit curve assuming an 8-day holding strategy.



The curve has flattened out a bit and does not appear as appealing as it once was, but it is too early to write this one off. I still believe it is worthy of consideration and have included it on the short-term active list.

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



Once again the green Aggregator Line held nicely above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line stayed under 0. The negative Differential Line reading means the SPX is overbought versus recent expectations. So expectations are positive but the SPX is overbought versus expectations. 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 stayed flat at the close.

With all the short-term studies currently bullish, expectations are set to remain bullish again on Thursday. Of course this could change if solid bearish evidence emerges. The Differential Pivot will be 1946.77 on Thursday. That is 0.5% below Wednesday's close. So SPX will need to close down at least this much in order to move from overbought to oversold on Thursday.

Evidence is still pointing higher but the market is now even more overbought. I'm fine standing aside during setups like this and awaiting an opportunity with a higher reward/risk ratio. The last of my long trade ideas was closed out on Wednesday's close, and I am now in "wait and be ready to pounce" mode.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/16 – slightly bullish

The intermediate-term outlook was last updated in the 6/16/14 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
<i>MDLZ(1/3)</i>	<i>6/13/2014</i>	<i>\$37.31</i>	<i>\$37.56</i>	<i>0.67%</i>		<i>sold on close</i>

MDLZ was sold at the close as per last night's instructions.

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