

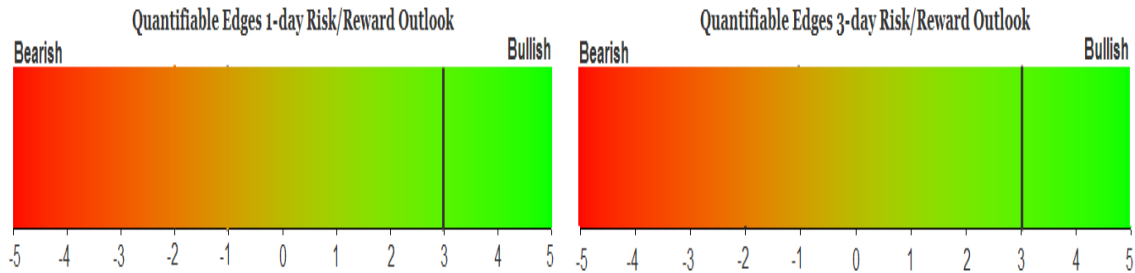
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 25, 2014

Volume 7 Issue 121

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- A 20-day high and poor close are often followed by a move up.

## *Short-term Outlook*

### *The Bottom Line*

A little more bullish evidence emerged and the market is now mildly short-term overbought. So the longs edge appears to have improved and I intend to begin scaling in on Wednesday..

**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 25, 2014	20-day intraday high. Close bottom 10%	1-8 days	Bullish	2.00%
June 24, 2014	SPX dn but RSI2 > 90	1-2 days	Bullish	
June 24, 2014	5 up to 50-high then down	1-2 days	Bullish	
June 23, 2014	1%-2% Rise during opex week > 200	1-5 days	Bearish	-1.40%
June 20, 2014	Top 10% 10-day range Opex Thurs	1-4 days	Bearish	-1.40%
June 19, 2014	100-day high on Fed Day	1-8 days	Bullish	1.90%
<b>Active - Long Term</b>				
June 24, 2014	5 up to 50-high then down	1-10 days	Bullish	
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	
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**

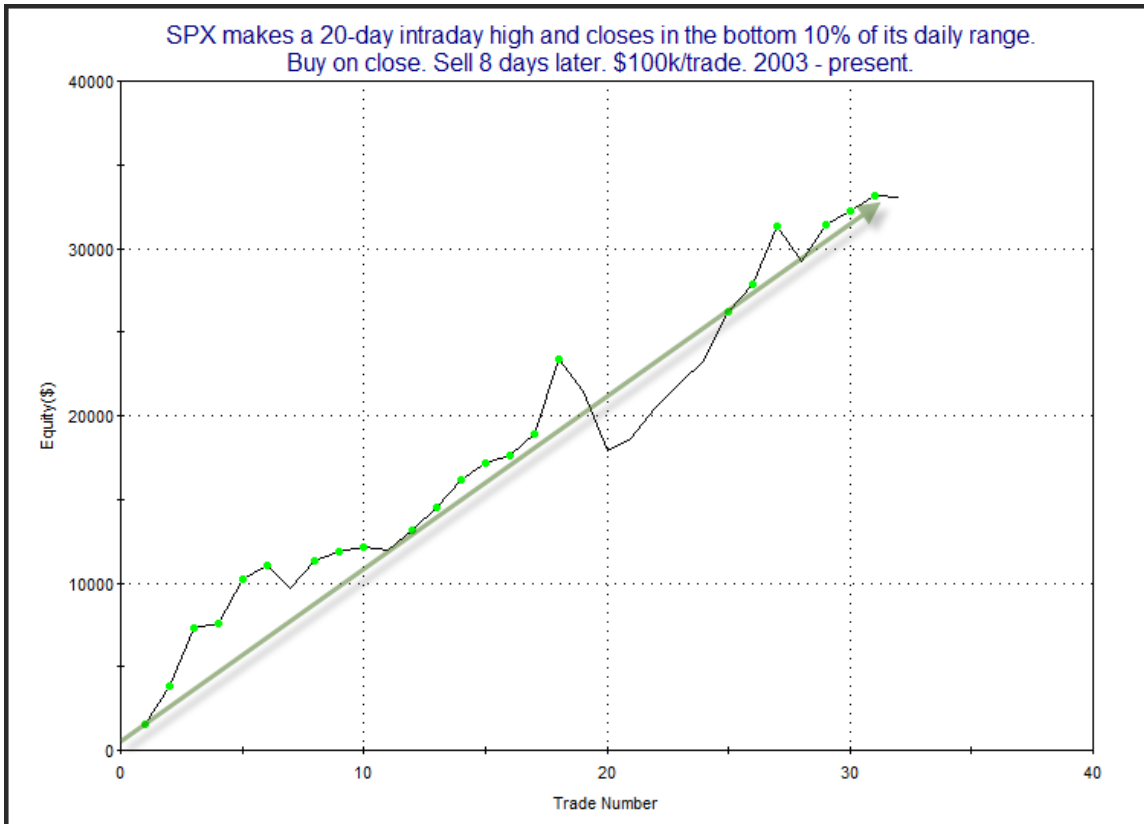
Tuesday saw a fair amount of selling. The SPX dropped 0.6%, the NASDAQ declined 0.4%, and the Russell 2000 sold off 1.0%. Breadth was poor as the NYSE Up Issues % came in at 38% and the Up Volume % was 22%. Total NYSE volume rose some from Monday's level.

Before tanking in the afternoon the SPX managed to make a new intraday all-time high. The new high followed by a poor and downward close triggered the study below, which was last seen in the 4/7/14 subscriber letter. Results are all updated.

SPX makes a 20-day intraday high and closes in the bottom 10% of its daily range. Buy on close. Sell X days later. \$100k/trade. 2003 - 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	35,284.88	31	24	7	77.42	1,842.55	4,119.18	-1,276.62	-3,210.80	1.44	4.95	1,138.22
9	31,238.63	31	24	7	77.42	1,706.76	3,613.36	-1,389.10	-3,775.10	1.23	4.21	1,007.70
8	33,023.64	32	26	6	81.25	1,628.23	4,483.84	-1,551.72	-3,543.84	1.05	4.55	1,031.99
7	25,270.54	32	25	7	78.13	1,515.11	3,761.94	-1,801.02	-4,159.32	0.84	3.00	789.70
6	25,772.13	33	27	6	81.82	1,329.84	3,331.38	-1,688.93	-2,915.88	0.79	3.54	780.97
5	10,614.06	33	22	11	66.67	1,005.76	2,693.34	-1,046.60	-3,566.84	0.96	1.92	321.64
4	8,026.53	35	22	13	62.86	993.75	2,531.61	-1,064.30	-2,332.44	0.93	1.58	229.33
3	11,055.99	35	23	12	65.71	872.99	2,159.82	-751.91	-2,091.82	1.16	2.23	315.89
2	6,299.25	35	20	15	57.14	804.63	3,288.48	-652.89	-1,575.22	1.23	1.64	179.98
1	4,780.68	36	24	12	66.67	501.10	1,710.72	-603.81	-1,194.83	0.83	1.66	132.80

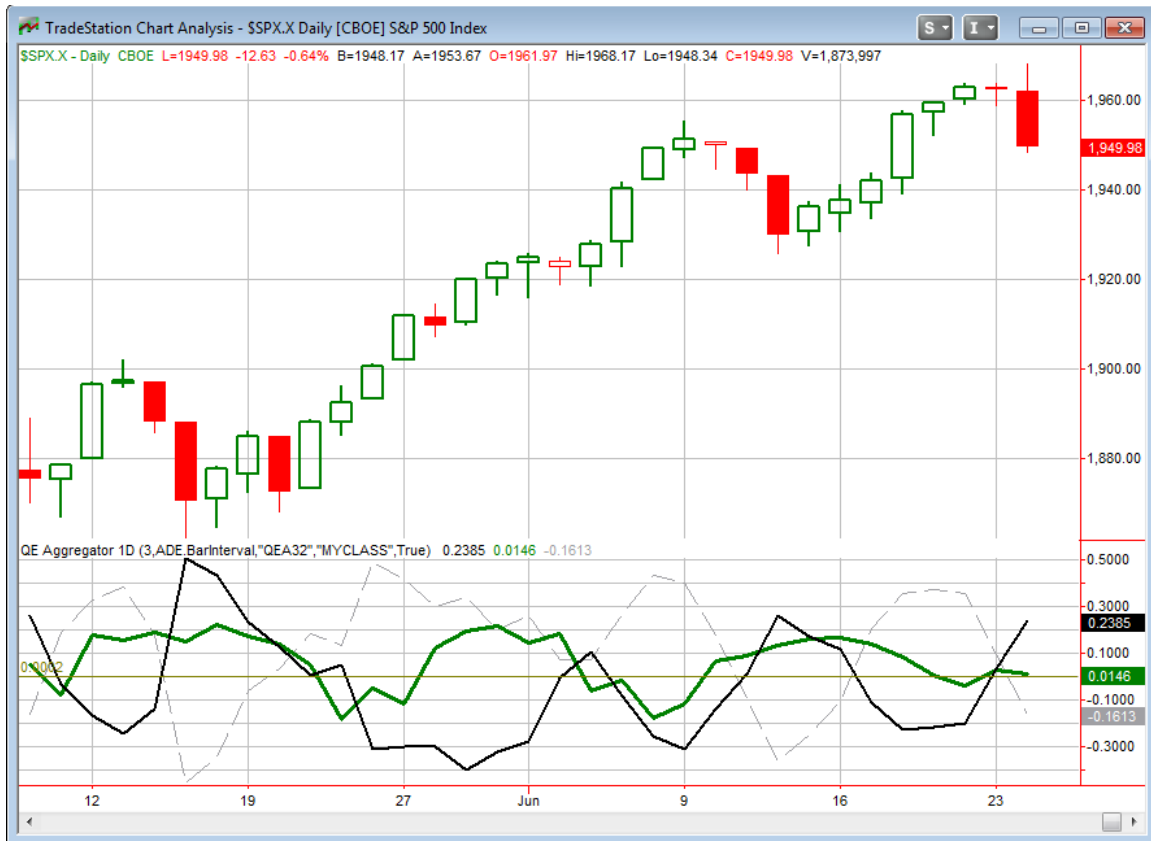
**34 of 36 instances (94%) closed above the entry price at some point in the next week. The 2 that failed triggered on 12/30/04 and 12/31/04.**

Results here seem to suggest an upside edge. The edge appears especially strong when looking out 6-8 days. Below is a profit curve assuming an 8-day holding period.



The smooth upslope appears to confirm the upside edge suggested by the statistics.

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



With tonight's bullish study factored in the green Aggregator Line managed to hold above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line also stayed above 0. The positive Differential Line reading means the SPX is oversold versus recent expectations. So expectations are positive and the SPX is oversold versus expectations. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above 0. Therefore the Aggregator signal remained long at the close.

Based on the current active studies, expectations are slated to remain positive on Wednesday. Of course this could change if more bearish evidence emerges. The Differential Pivot will be 1963.78 on Wednesday. That is 0.7% above Tuesday's close. SPX will therefore need to close up at least this much to move from oversold to overbought on Wednesday.

While evidence is not yet overwhelming, it is beginning to lean bullish. And with the pullback on Tuesday potential reward has increased nicely. The Aggregator is suggesting an upside edge. I think it is worth starting to build some long exposure here in anticipation of a bounce in the coming days. Details are in the Trade Ideas section down below.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 6/23 – slightly bullish***

The intermediate-term outlook was last updated in the 6/23/14 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.*

**SPY – buy ¼ index position @ \$194.70 LIMIT.** Based on the short-term outlook above, I am looking to begin scaling into a long position.

*While I will not be tracking it here, since I only track ETFs and S&P 100 stocks here, EXPD appeared for System 80402 on the Daily Triggers Sheet. EXPD has gone 13-0 since 2000 with system 80402, and may be worth a look.*

**Current Open Trade Ideas**

*None*

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