

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 27, 2014

Volume 7 Issue 123

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Action on Thursday did not inspire new studies and no compelling evidence emerged.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator remains bullish but the Differential Pivot is now inverted, which means that with a selloff on Friday SPX will turn overbought. Therefore, the window of opportunity is shrinking and I will be looking to exit my positions on Friday if I can get a favorable price.

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

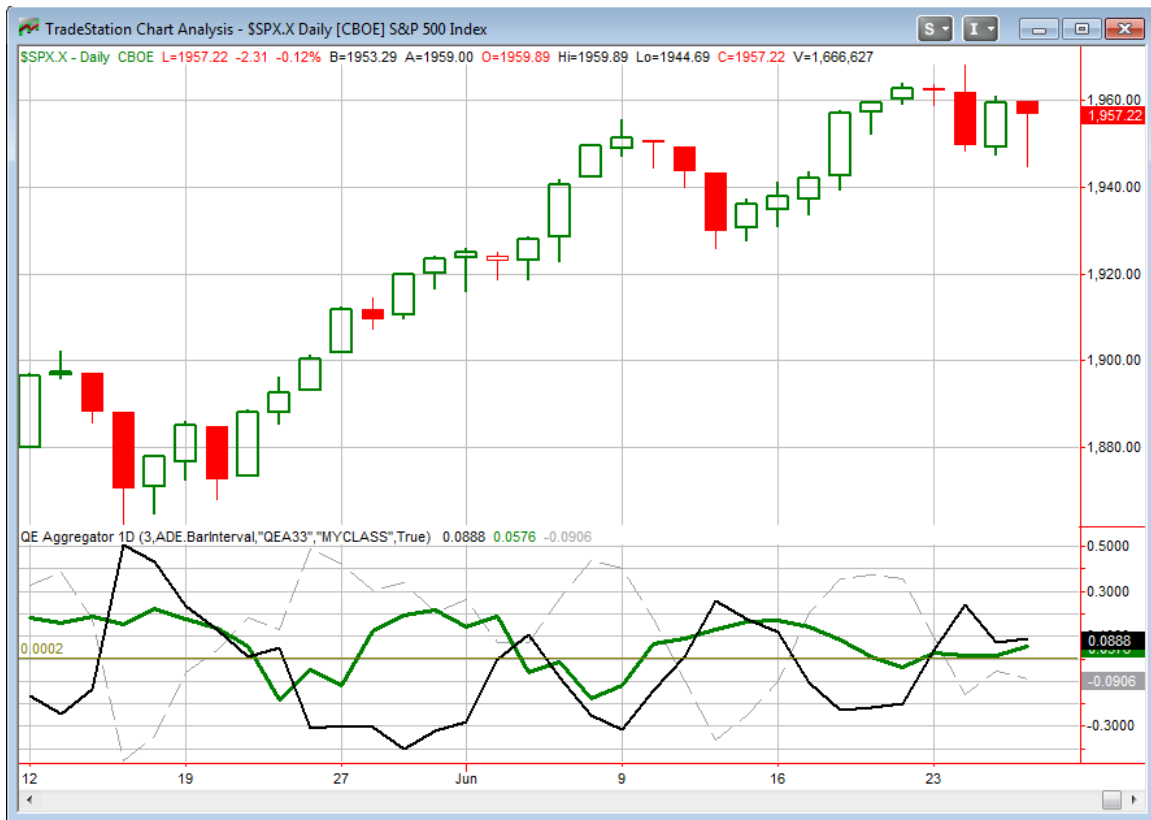
Study Date	Description	Time span	Bias	Avg Max Move
<b>Active - Short Term</b>				
June 25, 2014	20-day intraday high. Close bottom 10%	1-8 days	Bullish	2.00%
June 23, 2014	1%-2% Rise during opex week > 200	1-5 days	Bearish	-1.40%
June 19, 2014	100-day high on Fed Day	1-8 days	Bullish	1.90%
<b>Active - 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**

Strong morning selling did not last and the market made it nearly back to breakeven in the afternoon. But the major averages all ended up with small losses. The SPX dropped 0.1%, the NASDAQ fell 0.02%, and the Russell 2000 declined 0.2%. Breadth was slightly negative as the NYSE Up Issues % came in at 49% and the Up Volume % was also 49%. Total NYSE volume declined a bit from Wednesday's level.

The market changing direction for the 2<sup>nd</sup> day in a row and registering such a mild decline did nothing to inspire compelling studies. The Quantifinder posted a rare blank and my search for possible clues turned out fruitless. It appears today's action simply wasn't very helpful in predicting the next few days. So no new studies will be added to the Active List tonight.

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



Without anything new being added tonight 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 Friday. Of course this could change if more bearish evidence emerges. The Differential Pivot will be *inverted* at 1949.97 on Friday. That is 0.4% *below* Thursday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. So for SPX to remain oversold versus expectations it is going to need to close down at least 0.4%. Otherwise it will be considered short-term overbought versus expectations as of Friday's close.

I typically view inverted pivots as good times to take profits. While expectations call for more upside, the window of opportunity is down to 1 day. So I like to try and sell into strength during the day if the opportunity arises. Therefore I'll look to take profits on a gap up or move higher on Friday. 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.

None tonight.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	6/25/2014	\$194.25	\$195.45	0.62%		See exit approach below.

I will look to exit my 1 lot of SPY under the following conditions:

- 1) **At a \$196.00 limit.** This could hit on a gap up or an early rally.
- 2) **If \$196.00 is not hit in the 1<sup>st</sup> half-hour of trading I will place a stop at the low of the day if the low of the day is >= \$194.75. If the low is below there after 30min, I will not use an intraday stop. (Unless I send out an intraday update on Friday.)**
- 3) **At \$194.75 LIMIT ON CLOSE.**

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