

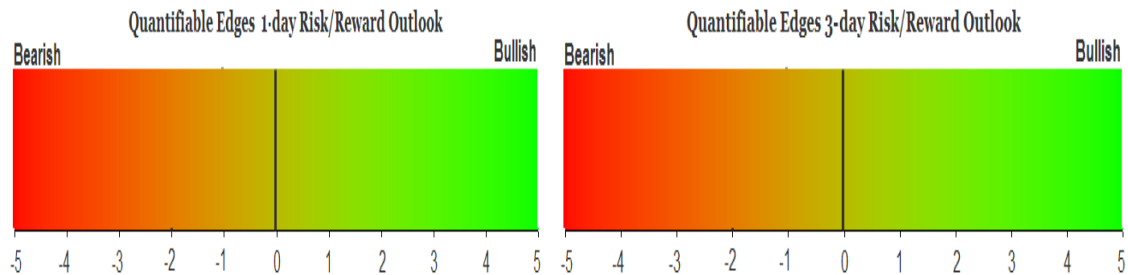
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 3, 2014

Volume 7 Issue 124

Market Overview



Signals Overview

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

Tonight's Research Points

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

Short-term Outlook

The Bottom Line

The market remains overbought short-term, but evidence is still pointing to more upside. And while the evidence may be correct, risk/reward is not great with the market overbought. So (aside from my Catapult position) I am sidelined and awaiting the next favorable trading opportunity.

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

Study Date	Description	Time span	Bias	Avg Max Move
Active - Short Term				
July 3, 2014	Employment Day Hot Streak	1 day	Bullish	
July 2, 2014	Low vol breakout	1-5 days	Bullish	1.40%
June 25, 2014	20-day intraday high. Close bottom 10%	1-8 days	Bullish	2.00%
June 19, 2014	100-day high on Fed Day	1-8 days	Bullish	1.90%
Active - Long Term				
June 24, 2014	5 up to 50-high then down	1-10 days	Bullish	
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	
Dropped Tonight				
July 1, 2014	SPX dn. Up Issues % > 55%.	1-2 days	Bullish	

The Evidence

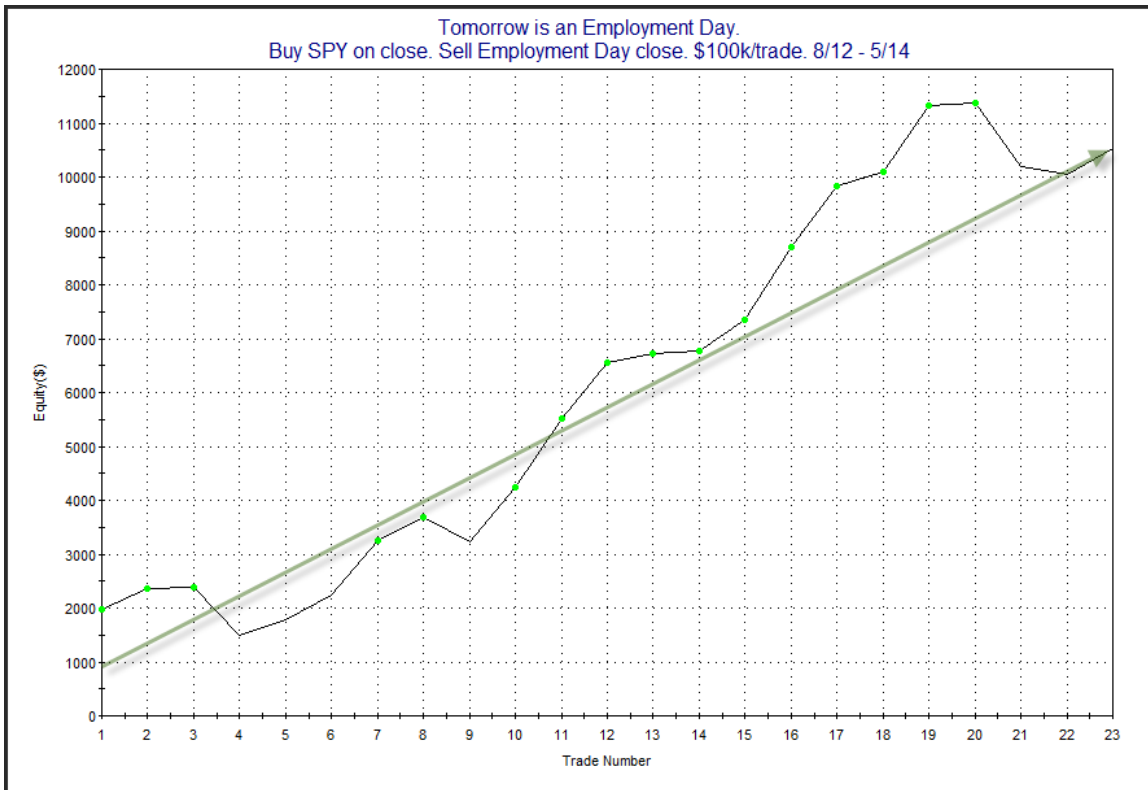
With a short week on tap the market got very quiet Wednesday. It will likely be even quieter on Thursday. The indices finished mixed for Wednesday. The SPX gained 0.1%, the NASDAQ lost less than 1 point, and the Russell 2000 declined 0.5%. Breadth was mixed as the NYSE Up Issues % came in at 37% and the Up Volume % was 51%. Total NYSE volume was again very light.

There were several old studies that triggered, but none were terribly compelling after I took a closer look. Still, 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 2 years or so, this reaction has been consistently bullish. On the Overnight Edges blog a few 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

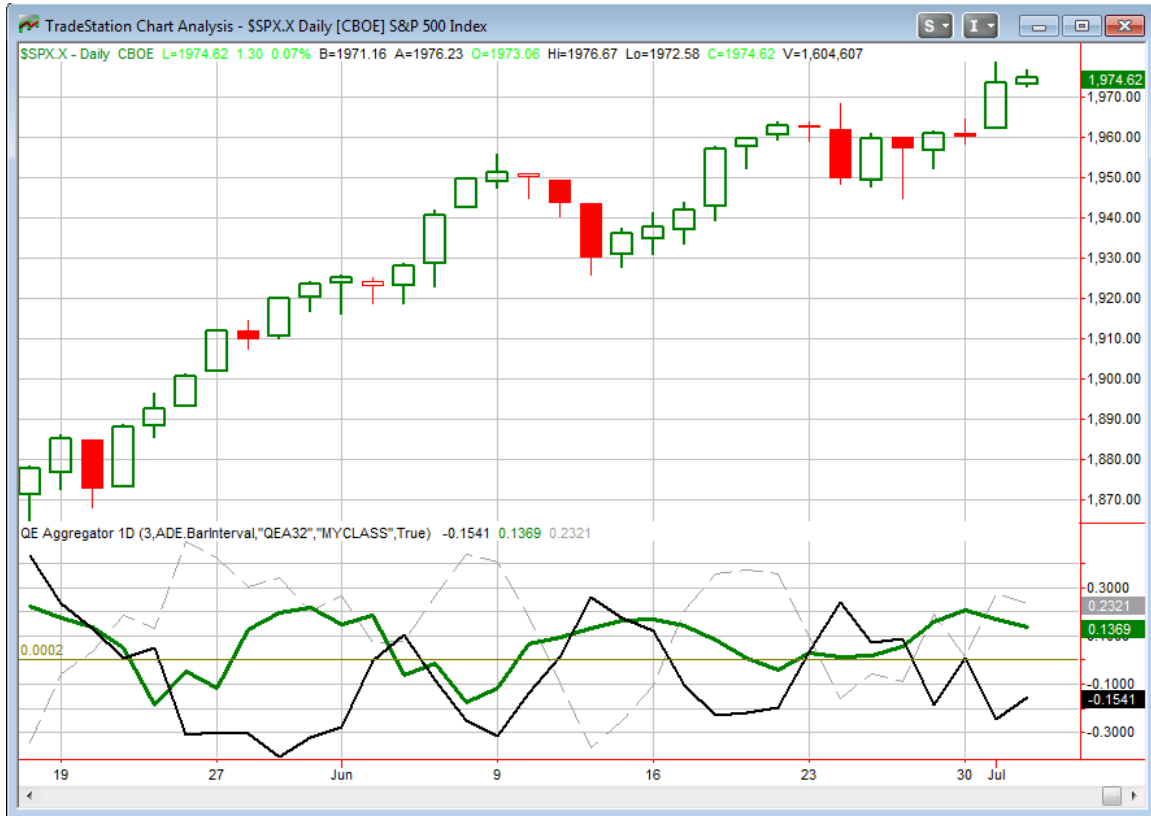
TradeStation Performance Summary Collapse ^			
All Trades			
Total Net Profit	\$10,530.83	Profit Factor	4.96
Gross Profit	\$13,188.49	Gross Loss	(\$2,657.66)
Total Number of Trades	23	Percent Profitable	82.61%
Winning Trades	19	Losing Trades	4
Even Trades	0		
Avg. Trade Net Profit	\$457.86	Ratio Avg. Win:Avg. Loss	1.04
Avg. Winning Trade	\$694.13	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. April and May were losers before a June rebound. This is not a huge concern yet, but the hot streak may be fading here and it certainly bears watching.

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



The green Aggregator Line remains squarely above 0 tonight. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line is still well below 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.

Based on the current active studies, expectations are slated to remain positive on Thursday. Of course this could change if more bearish evidence emerges. The Differential Pivot will be 1968.54 on Thursday. That is 0.3% below Wednesday's close. So SPX will need to close down at least 0.3% on Thursday to move from overbought to oversold versus expectations.

There is really no change in outlook from last night. Evidence still points higher but SPX is too overbought to interest me in taking new index positions. I will continue to wait for a pullback, or for bearish evidence to take hold before taking on a new index position.

The next letter will likely be published on Sunday. Enjoy the long weekend if you are able to take one!

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/30 – slightly bullish

The intermediate-term outlook was last updated in the 6/30/14 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

PM – 1/3 @ \$84.85 Limit (filled @ \$84.63)

PM – 1/3 @ \$84.31 Limit (filled @ \$84.31)

PM – 1/3 @ \$84.21 Limit (filled @ \$84.21)

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 3(PM-3)

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
PM(1/3)	6/30/2014	\$84.63	\$84.86	0.27%		Catapult
PM(1/3)	7/1/2014	\$84.31	\$84.86	0.65%		Catapult
PM(1/3)	7/2/2014	\$84.21	\$84.86	0.77%		Catapult

I will look to sell 2 lots of PM if it closes \geq \$85.41. The standard exit would be the following morning, but I will take partial profits ahead of the 3-day weekend if the target is met on Thursday. I would exit the 3rd lot at the open on Monday if this target is reached.

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