

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 15, 2014

Volume 7 Issue 153

Market Overview



Signals Overview

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

Tonight's Research Points

- High closes on the Thursday prior to opex have routinely been followed by a pullback over the next few days.

Short-term Outlook

The Bottom Line

A little bit of short-term bearish evidence tonight is not enough to turn expectations negative. I am still overall neutral and awaiting a more favorable setup before taking on my next trade.

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

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn -1 Std Dev
Active - Short Term						
August 15, 2014	SPY top 10% 10-day range Opex Thurs	1-4 days	Bearish	-1.40%	0.70%	1.50%
August 14, 2014	VIX 10% > 10ma to 10% < in 4 days	1-8 days	Bullish	2.60%	-1.00%	-2.00%
August 11, 2014	4-high after 20-low > 200ma	1-8 days	Bullish	2.40%	-1.30%	-2.50%
August 8, 2014	Outside day. Bottom 10% 10-day rng.	1-6 days	Bullish	2.40%		
Active - Long Term						
August 11, 2014	4-high after 20-low > 200ma	1-19 days	Bullish	3.80%	-1.90%	-4.20%
August 4, 2014	CBI >= 11.	1-20 days	Bullish	4.00%		
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						
August 6, 2014	20 low. Up day. 20 low. Close > 200ma	1-6 days	Bullish			
August 12, 2014	SPY closes up but in bottom 10% range	1-3 days	Bullish	1.30%	-0.50%	-0.90%

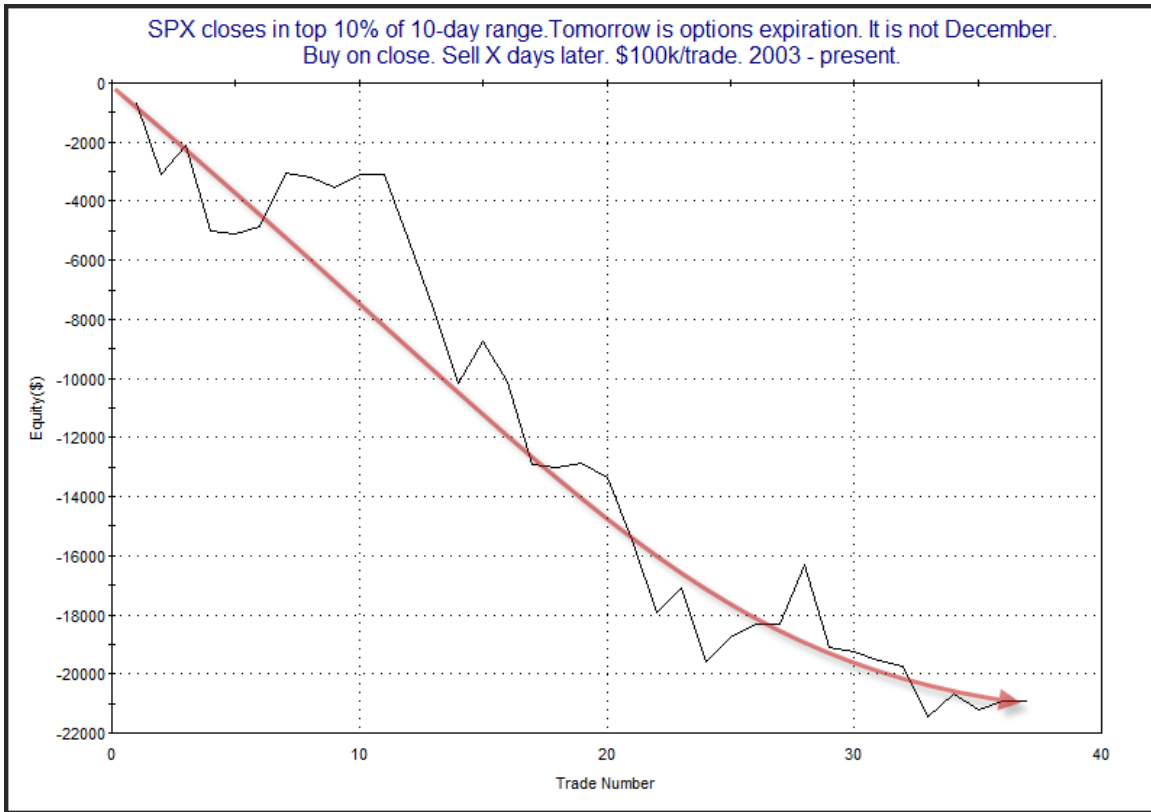
The Evidence

Thursday saw a nice rise for the indices. The SPX and NASDAQ each rallied 0.4% and the Russell 2000 rose 0.1%. Breadth was positive as the NYSE Up Issues % came in at 67% and the Up Volume % was 64%. Total NYSE volume came in very light.

There were a few studies that appeared in the Quantifinder that had pretty docile results. The study below was the most compelling. I last showed it in the 6/20/14 Letter. It looks at times the market closed at a high level just before options expiration. (It also excludes December since the 2nd half of December is a seasonally strong period.) Opex Friday and the days that follow have generally been a bad time for an overbought market. The results below are all updated.

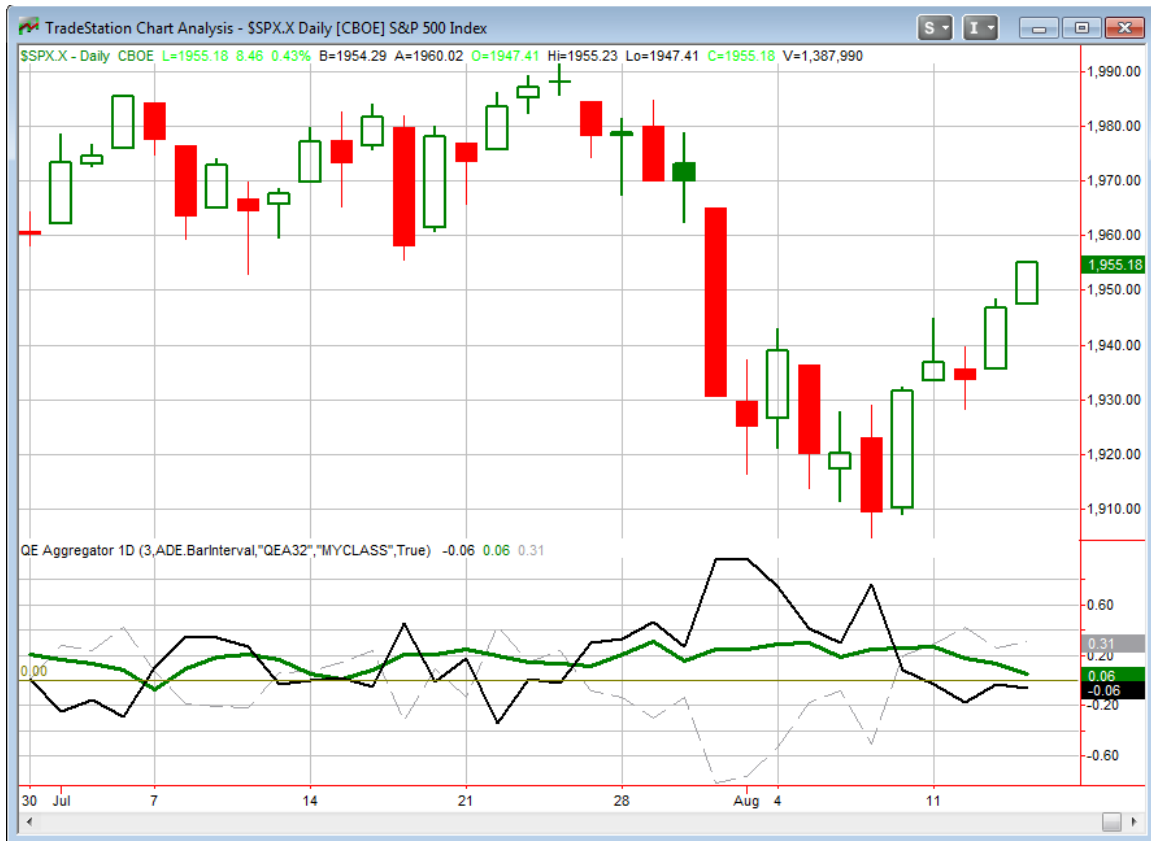
SPX closes in top 10% of 10-day range. Tomorrow is options expiration. It is not December. Buy on close. Sell X days later. \$100k/trade. 2003 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-21,590.12	37	13	24	35.14	830.08	3,768.30	-1,349.22	-4,932.90	0.62	0.33	-583.52
4	-20,910.54	37	14	23	37.84	732.31	1,994.25	-1,354.91	-2,899.20	0.54	0.33	-565.15
3	-12,083.08	37	17	20	45.95	666.94	2,166.00	-1,171.06	-2,828.70	0.57	0.48	-326.57
2	-9,958.75	37	23	14	62.16	435.87	1,588.40	-1,427.40	-3,784.65	0.31	0.50	-269.16
1	-3,184.51	37	21	16	56.76	379.63	2,286.84	-697.29	-2,875.60	0.54	0.71	-86.07

Numbers here appear squarely bearish. Below is a profit curve that assumes a 4-day holding period.



The curve would seem to confirm the downside edge. I have added this study to the Active List tonight.

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



Despite the bearish study tonight the green Aggregator Line again remained slightly 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 below 0. The negative Differential Line reading means the SPX is overbought versus recent expectations. So expectations are positive but the SPX is overbought. 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 again set to remain positive on Friday. Of course this could change if strong bearish evidence emerges. The Differential Pivot will be 1947.35 on Friday. That is 0.4% below Thursday's close. So SPX will need to close down at least this much on Friday in order to move from overbought to oversold versus expectations.

The Aggregator is neutral, and I am too. I still see no strong reason to take on new positions at this time. I will wait for either a decent pullback to get long, or for expectations to swing more bearish before getting short. Edgeless markets rarely last too long. So I expect we will see a more favorable trading opportunity emerge in the not-too-distant future.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/11 – slightly bullish

The intermediate-term outlook was last updated in the 8/11 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
MDLZ(1/3)	7/31/2014	\$36.62	\$35.70	-2.51%		sell on open
MDLZ(1/3)	8/1/2014	\$36.02	\$35.70	-0.89%		sell on open

MDLZ met its intraday exit target price. Therefore it should be sold at the open on Friday.

This report has been prepared by Hanna Capital Management, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Hanna Capital Management, LLC or clients of Hanna Capital Management, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Hanna Capital Management, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Hanna Capital Management, LLC nor any officer or employee of Hanna Capital Management, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Hanna Capital Management, LLC.

Copyright © 2014 Hanna Capital Management, LLC.