

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 28, 2014

Volume 7 Issue 162

Market Overview



Signals Overview

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

Tonight's Research Points

- No real action meant no substantial new edges tonight.

Short-term Outlook

The Bottom Line

Overbought with bullish expectations as we have been for the last couple of weeks remains the status quo. So I am neutral and awaiting either a pullback or solid bearish evidence to emerge.

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

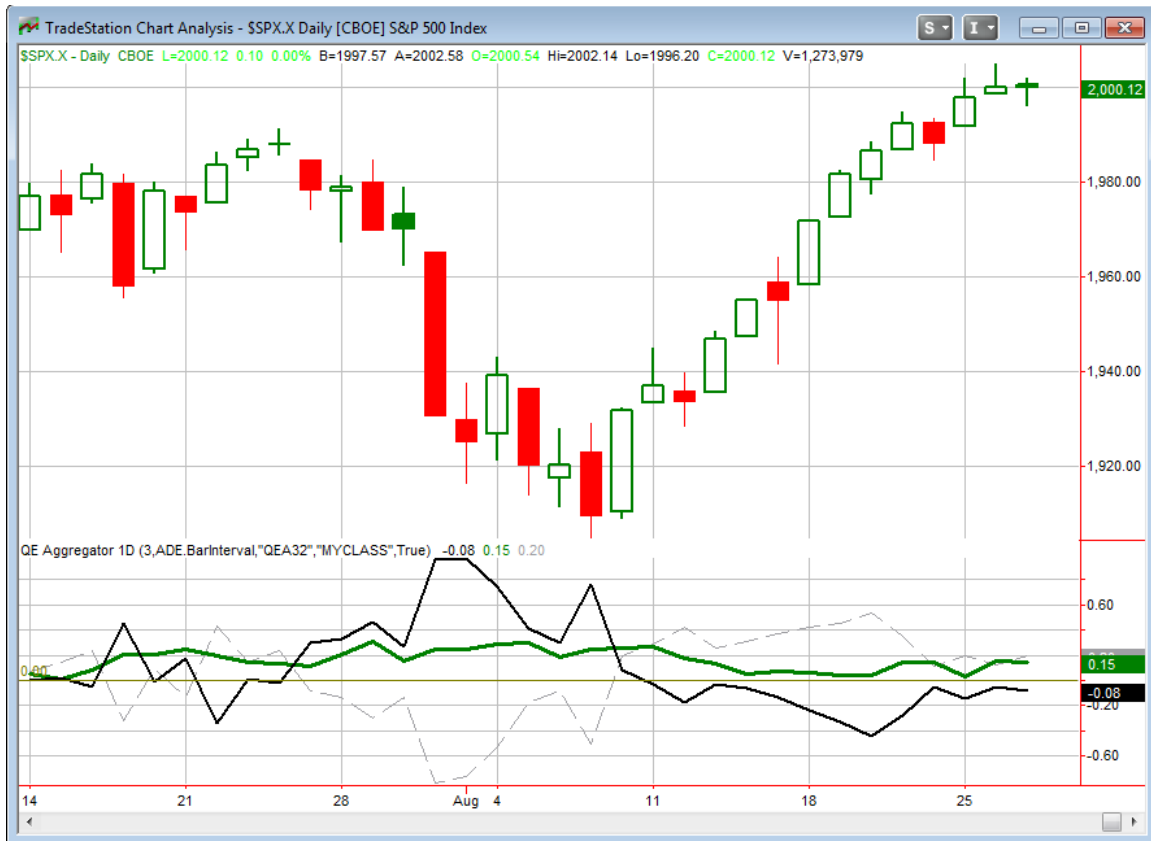
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
August 27, 2014	2 unfilled gaps up & a 50-day high	1-3 days	Bullish	0.90%	-0.65%	-1.25%
August 27, 2014	SPY up but in bottom 10% daily range	1-3 days	Bullish	1.30%	-0.50%	-0.90%
August 25, 2014	Biggest drop in 10 days after 50-high	1-4 days	Bullish	1.20%	-0.80%	-1.60%
August 22, 2014	50-low to 50-high in 2 weeks	1-5 days	Bullish	2.80%	-0.90%	-1.90%
Active - Long Term						
August 22, 2014	50-low to 50-high in 2 weeks	1-17 days	Bullish	5.40%	0.90%	-1.90%
August 20, 2014	SPX RSI(2) crosses over 99	1-15 days	Bullish	2.40%	-1.50%	-2.90%
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 26, 2014	Low vol 20 x2. SPX > 10 & > 200	1-2 days	Bearish			
August 26, 2014	VIX up. SPX 50-high. Monday.	1-2 days	Bearish			
August 26, 2014	SPY > 5ma 10 days & 10-day high	1-2 days	Bearish			

The Evidence

The market barely budged on Wednesday. The SPX finished up 0.10 points, the NASDAQ declined 0.02% and the Russell 2000 fell 0.2%. Breadth was mildly positive as the NYSE Up Issues % came in at 53% and the Up Volume % was 54%. Total NYSE volume declined a little from Tuesday's level.

There were a few studies that appeared in the Quantifinder tonight, but most were just neutral counterparts of other studies. One theme that came up a bit was the fact that both SPX and VIX rose. They often trade counter to each other, and sometimes when they trade in the same direction it can suggest an edge. But the setups that triggered tonight have failed to generate any further downside over the last few years. So I am not going to drag things out tonight. I'll keep the letter fairly short and say that Wednesday's non-action did not provide me any meaningful clues.

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



Without any new studies being added tonight the green Aggregator Line managed to hold firmly 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 just under 0. The negative Differential Line reading means the SPX is overbought versus recent expectations. So expectations are again positive but the SPX is still a little 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.

With the bearish studies all expiring on Wednesday, expectations are again set to remain positive on Thursday. Of course this could change if strong new bearish evidence emerges. The Differential Pivot will be *slightly inverted* at 2004.39 on Thursday. That is 0.2% above Wednesday's close. An inverted pivot means that the Differential Line will cross 0 if SPX closes flat. In this case SPX will turn "oversold" versus recent expectations unless it closes up at least 0.2%. It would be unusual for SPX to be "oversold" at new highs, but not unprecedented. It would simply mean that the sideways consolidation or mild drift up over the previous few days was not as strong as the studies had predicted.

When the market trades this long without any pullback at all, I generally like to let one begin to take shape before I will look to jump in. So I certainly will not be looking to take on long exposure on Thursday. But things are looking as though a long setup could easily emerge if we get a pullback over the next few days. I'll be ready if it occurs.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/25 – slightly bullish

The intermediate-term outlook was last updated in the 8/25/14 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

None

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