

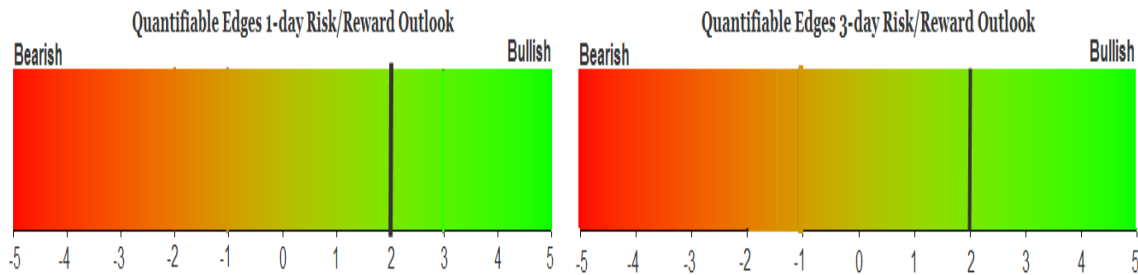
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 3, 2014

Volume 7 Issue 165

Market Overview



Signals Overview

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

Tonight's Research Points

- The relatively high volume and the relatively high VIX both failed to generate meaningful studies.

Short-term Outlook

The Bottom Line

SPX is again not overbought versus expectations and the short-term evidence is still leaning bullish. Like last night, I believe there is a small upside edge here, but after such an extended move up I'd prefer a bit of a pullback before I start getting long.

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						
September 2, 2014	End of month at high of month	1-5 days	Bullish	2.10%	-1.00%	-2.30%
September 2, 2014	10 days > 5ma & 10-day high	1-2 days	Bearish			
September 2, 2014	Labor Day week after 4-week rise	1-4 days	Bearish	-1.50%	1.20%	2.20%
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%
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

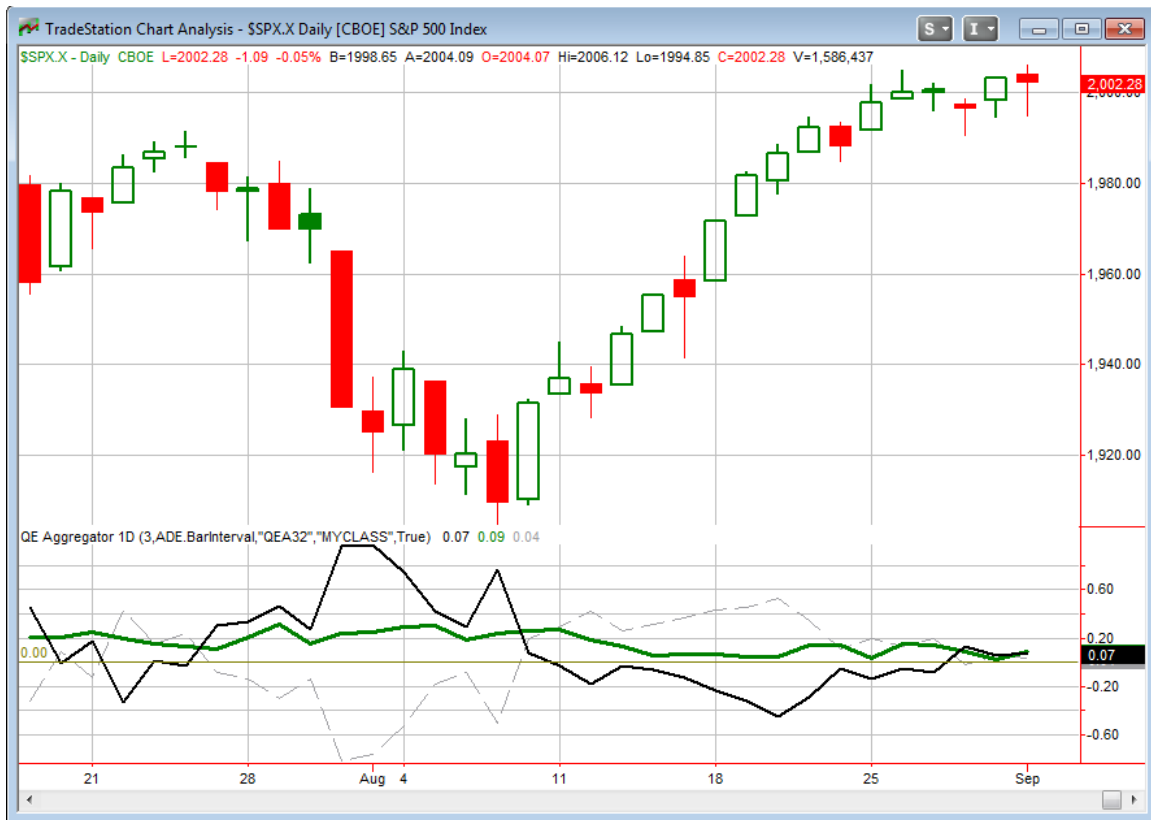
Traders returned from the long weekend and the market put in a mixed day on Tuesday. The SPX finished down 0.1% while the NASDAQ and the Russell 2000 each rose 0.4%. Breadth was mildly negative as the NYSE Up Issues % came in at 47% and the Up Volume % was also 47%. Total NYSE volume rose to the highest level in over a week.

The relatively high volume was not a surprise. The Tuesday after labor typically sees volume higher than any day the previous week. And it has only seen volume come in lower than Friday's level 11 times since 1970. So the increased volume was expected and not really noteworthy. And with price doing so little, there was also nothing that appeared in the Quantifinder.

I did find it interesting that the VIX closed at a 10-day high while SPX is so close to a long-term high. I looked at this kind of scenario a few different ways. While it is fairly unusual, there was no indication that it was predictive.

So with the quiet, mixed market, there is nothing being added to the Active List tonight.

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



With no new studies being added tonight the green Aggregator Line managed to hold 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 also held just above 0. The positive Differential Line reading means the SPX is oversold versus recent expectations. So expectations are positive and the SPX is now oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above 0. Therefore the Aggregator signal stayed long at the close.

Expectations are set to remain positive on Wednesday. Of course this could easily change if bearish new studies emerge. The Differential Pivot will be 2004.41 on Wednesday. That is 0.1% above Tuesday's close. So for SPX to move from oversold to overbought it is going to need to close up a mere 0.1%.

Nothing really has changed from last night. Evidence still seems to be leaning higher, and we could certainly see the market continue to rise. But it has now been 17 days in a row that SPY has closed above its 5-day moving average. The record is 19. And I would like to see a pullback before I am going to get involved in new long positions. I certainly want to see a close below the 5ma, and most likely below the 10ma before adding long exposure. So I will continue to watch and wait. No new trade ideas for me tonight.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/2– 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

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.