

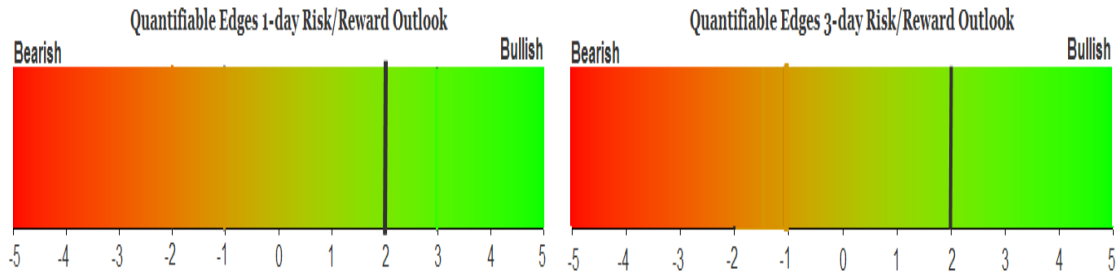
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 30, 2014

Volume 7 Issue 184

Market Overview



Signals Overview

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

Tonight's Research Points

- Despite the huge, unfilled gap down no new compelling evidence emerged on Monday.

Short-term Outlook

The Bottom Line

Expectations remain positive. The market is back to oversold, but that won't last without more selling. I maintain some long exposure but will exit that if SPX rallies on Tuesday.

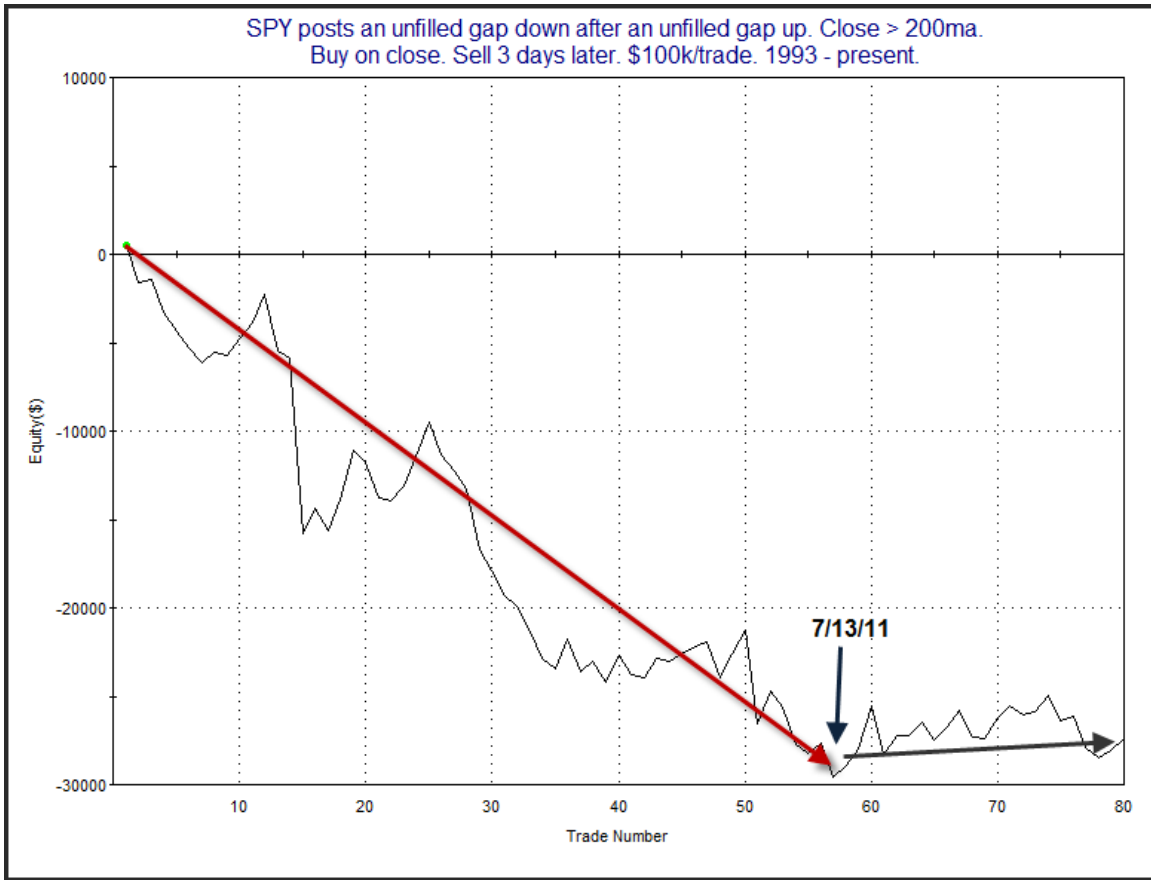
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
September 26, 2014	4 lower lows & 20-low > 200	1-8 days	Bullish	2.40%	-1.50%	-2.70%
September 25, 2014	Reversal from 20-day low > 200ma	1-6 days	Bullish	2.40%	-1.50%	-2.70%
September 24, 2014	QE Buying Power System Long	1-6 days	Bullish			
September 24, 2014	SPX 20-day low > 200ma	1-7 days	Bullish			
Active - Long Term						
September 4, 2014	SPX 20-day high. NDX biggest loss in 20	1-50 days	Bullish	6.50%	-2.70%	-5.10%
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						
September 29, 2014	Unfilled gap up inside day. Close >	1 day	Bearish			

The Evidence

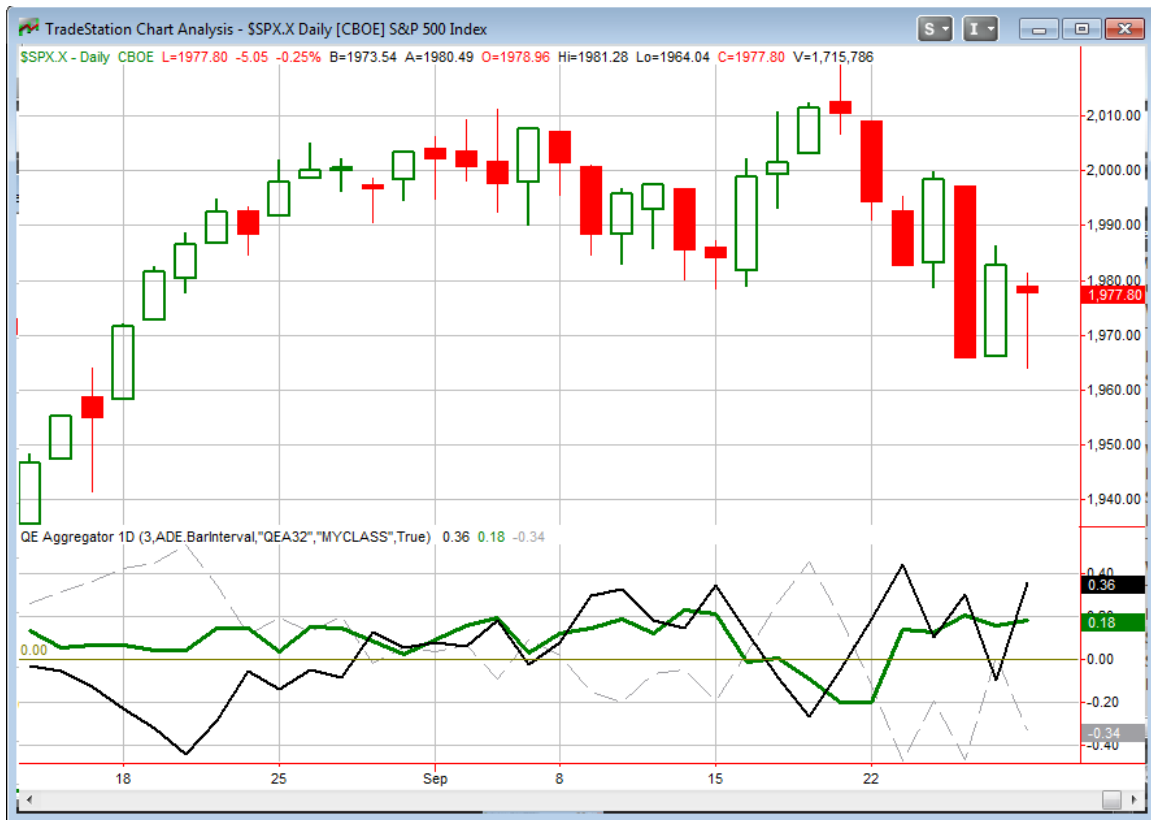
Monday started with a big gap down. But the market spent most of the day chipping away at the opening loss. In the end the indices were mostly moderately lower. The SPX closed down 0.25%, and the NASDAQ and the Russell 2000 each fell 0.1%. Breadth was negative as the NYSE Up Issues % came in at 40% and the Up Volume % was 27%. Total NYSE volume came in lighter than the last few days.

The unfilled gap down following an unfilled gap up triggered an old Quantifinder study that simply has not been effective in the last few years. I showed it last in the 7/11/14 letter. With nothing else compelling that triggered today I thought I would review it again. Below is a profit curve of the setup that assumes a 3-day exit.



As you can see it has been a while since this setup consistently preceded short-term declines. Unfortunately, this left us without any new and compelling evidence to consider tonight. That sometimes happens to studies as the market moves from one type of environment to another. This study is useless now, but it may become useful again at some point down the road.

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



With no new studies emerging tonight the green Aggregator Line remains well above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line rose back 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 changed back to long.

Based on the current active studies, expectations are slated to remain bullish on Tuesday. It would take strong bearish evidence in order to change that. The Differential Pivot will be *slightly inverted* at 1975.26 on Tuesday. That is between 2-3 points *below* Monday's close. An inverted pivot means that the Differential Line would cross through 0 if SPX closes flat. In this case SPX will need to close down about 0.1% in order to remain "oversold". Otherwise it will be considered "overbought" versus expectations as of Tuesday's close.

So the current configuration suggests a bullish edge, but that will only remain in place if SPX pulls back further on Tuesday. I continue to maintain a small long position, but I will exit that on an up close Tuesday. This market is having trouble putting together a decent bounce. Turn of the month seasonality could help, and we might see some upside in the next few days. But the inverted pivot caps the possible gains if your trading based

on the Aggregator. An up close on Tuesday would be unlikely to generate strong bullish evidence. A down close might (especially with the aforementioned new month). So I will step aside on a Tuesday rally. And if SPX declines I will hang on another day as “oversold” into a seasonally strong period is typically a good setup.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/29 – neutral

The intermediate-term outlook was last updated in the 9/22 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)	9/24/2014	\$198.01	\$197.54	-0.24%		sell on close >= \$197.55

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.