

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 24, 2014

Volume 7 Issue 202

Market Overview



Signals Overview

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

Tonight's Research Points

- Thursday's rally did not trigger anything of significance.

Short-term Outlook

The Bottom Line

Expectations remain positive, but the market is still overbought. I am neutral and awaiting a better risk/reward opportunity.

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

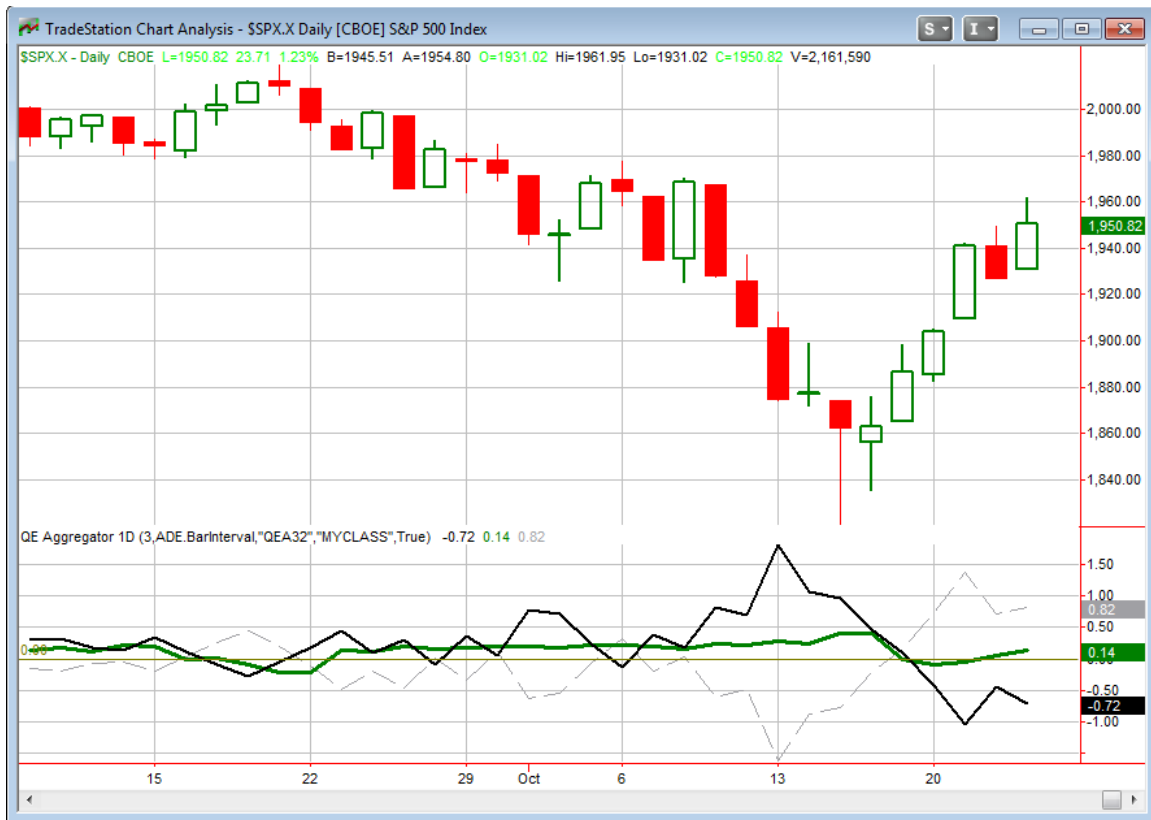
| Study Date | Description | Time span | Bias | Avg Run-up | Avg DrawDn | Avg DrawDn - 1 Std Dev |
|----------------------------|---|-----------|---------|------------|------------|------------------------|
| Active - Short Term | | | | | | |
| October 23, 2014 | 3 higher highs, lows, closes. Down close. | 1-4 days | Bullish | 1.40% | -0.75% | -1.50% |
| October 22, 2014 | FTD low vol strong breadth | 1-10 days | Bullish | 4.10% | -2.80% | -4.30% |
| October 22, 2014 | 4 up from 50-low. RSI rises 85 | 1-4 days | Bullish | 2.90% | -2.60% | -5.00% |
| October 21, 2014 | Low vol, low range > 10 < 200ma | 1-4 days | Bearish | | | |
| Active - Long Term | | | | | | |
| October 14, 2014 | CBI >= 11 | 1-20 days | Bullish | | | |
| October 9, 2014 | 20-day low then 4-day high | 1-19 days | Bullish | 2.40% | -1.30% | -2.50% |
| 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 | | | | | | |
| October 22, 2014 | SPX up 1%. UUP up 0.5% | 1-2 days | Bearish | 0.90% | -2.50% | |
| October 20, 2014 | SPY low Vol opex. VIX low 5. | 1-4 days | Bearish | | | |
| October 21, 2014 | SPX up 3 from 50-low. Close < 200ma | 1-3 days | Bullish | | | |

The Evidence

The market gapped up large on Thursday and managed to add some to those gains. The SPX closed up 1.2%, the NASDAQ rallied 1.6% and, the Russell 2000 rose 1.8%. Breadth was positive as the NYSE Up Issues % came in at 76% and the Up Volume % was also 76%. Total NYSE volume rose a little from Wednesday's level.

Some nights I have too much to talk about, and other nights, well, not much of anything. After what seemed to be an awful lot of research for most of the week, there is nothing substantial appearing tonight. There were a few studies that looked at the fact that SPY has now made 5 higher highs. For an extended period of time those studies appeared to suggest a downside edge. But in recent years that edge has not played out. That is typical of what I have seen in recent years where QE-fueled rallies have persisted longer with fewer pullbacks than most rallies in prior market regimes. So I am leaving those studies in the Quantifinder to see if perhaps they begin to "work" again once QE ends (next month?). But for now – not worth concerning ourselves with.

We did see 1 bearish and 2 bullish studies expire from the Active List tonight. I have updated the [Aggregator](#) chart below.



With nothing new to add tonight the green Aggregator Line stayed above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line is still 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 turned flat at the close.

Based on the current active studies, expectations are slated to remain bullish on Friday. Of course that could change if new bearish evidence emerges. The Differential Pivot will be 1938.51 on Friday. That is 0.6% below Thursday's close. So for the SPX to move from overbought to oversold versus expectations on Thursday it is going to need to close down at least 0.6%.

Today did not really change anything. The market is still overbought and expectations are still positive. The Aggregator is neutral and so am I. I will continue to wait until something changes and a better opportunity emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/20 – neutral

The intermediate-term outlook was last updated in the 10/20/14 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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