

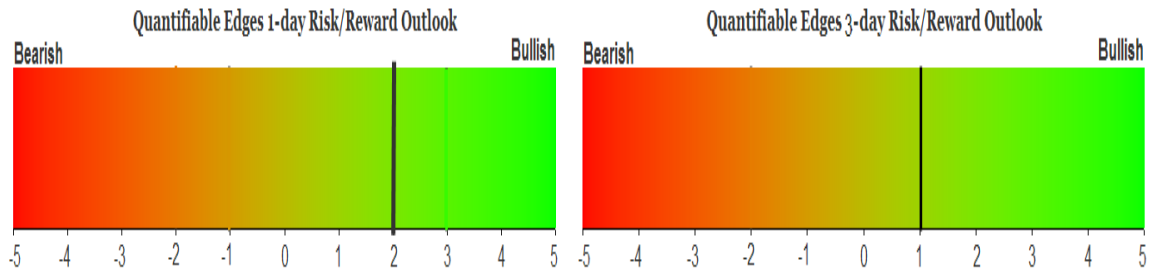
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 7, 2014

Volume 7 Issue 212

Market Overview



Signals Overview

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

Tonight's Research Points

Employment days have done very well since August of 2012.

Short-term Outlook

The Bottom Line

Expectations remain bullish. The market closed at a level that is still not considered "overbought" on Thursday, but it will be considered overbought on Friday unless it sells off a bit. While we could be looking at a bit more short-term upside, this market has gone too long without a pullback for me to be interested in a long position. I am very moderately bullish on the short-term and not yet taking action.

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						
November 7, 2014	Employment Day hot streak	1 day	Bullish			
November 6, 2014	SPY breakaway gap	1-5 days	Bullish	1.60%	-1.00%	-1.95%
November 6, 2014	10 days > 5ma. 10-day high	1-2 days	Bearish			
November 5, 2014	SPY unfilled gap dn from 10-high. HangN	1-3 days	Bearish	-1.40%	0.70%	1.50%
November 4, 2014	SPY unfill gap 20-high. Close<open. 2x	1-5 days	Bullish			
November 3, 2014	End of month at high of month	1-5 days	Bullish	2.10%	-1.00%	-2.30%
Active - Long Term						
November 3, 2014	Best 6 Months	6 months	Bullish			
November 3, 2014	Quantitative Easing Ends	int term	Bearish			
October 30, 2014	VXO > 15% < 10ma 3 days thn no drop	1-20 days	Bullish	3.50%	-0.70%	-1.30%
October 27, 2014	NASDAQ leading SPX	int term	Bullish			
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%
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			
February 1, 2012	Golden Cross	int term	Bullish			

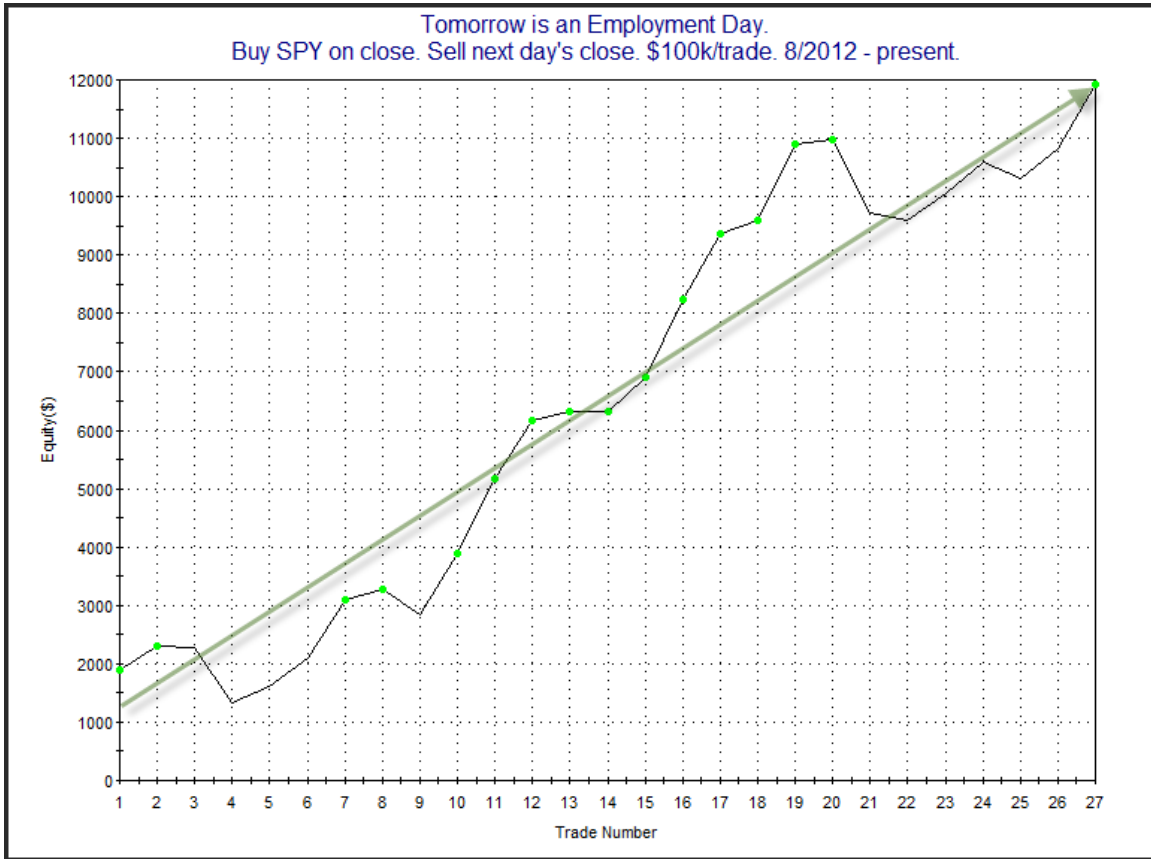
The Evidence

The rally continued on Thursday. The SPX, NASDAQ and Russell 2000 each rose 0.4%. Breadth was positive as the NYSE Up Issues % came in at 56% and the Up Volume % was 58%. Total NYSE volume fell some from Wednesday's level.

There was not much that was new and interesting in the Quantifinder. One bit of information to consider for Friday is that the BLS is due to release the employment report at 8:30am EST. This report tends to be the most highly watched monthly economic report, and it will often be followed by a strong market reaction. In the last 2 years or so, this reaction has been consistently bullish. On the Overnight Edges blog a few of months ago I showed the overnight implications of the report. And I also showed the intraday implications on the Quantifiable Edges blog. Below are the results since August 2012 measuring from the close before the Employment Day to the close of the Employment Day.

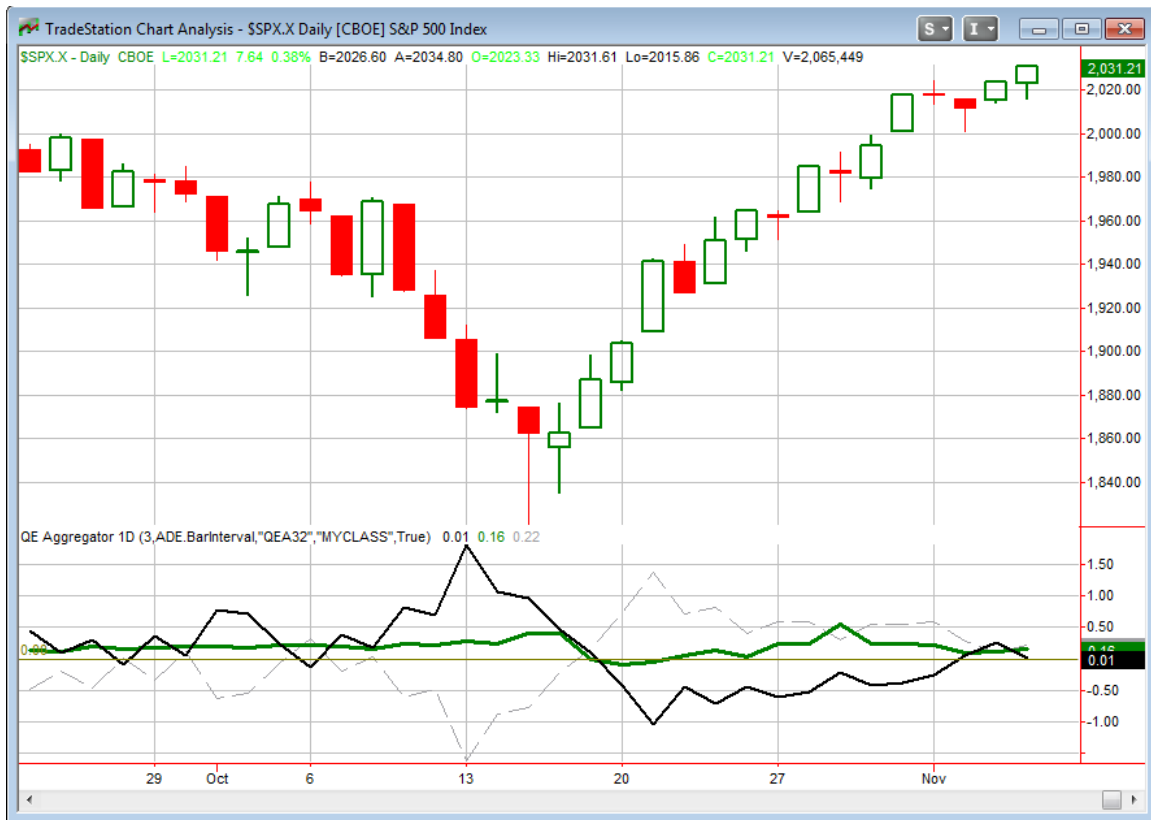
Tomorrow is an Employment Day. Buy SPY on close. Sell next day's close. \$100k/trade. 8/2012 - present.			
TradeStation Performance Summary			Collapse ^
All Trades			
Total Net Profit	\$11,928.42	Profit Factor	4.92
Gross Profit	\$14,973.98	Gross Loss	(\$3,045.56)
Total Number of Trades	27	Percent Profitable	77.78%
Winning Trades	21	Losing Trades	6
Even Trades	0		
Avg. Trade Net Profit	\$441.79	Ratio Avg. Win:Avg. Loss	1.40
Avg. Winning Trade	\$713.05	Avg. Losing Trade	(\$507.59)
Largest Winning Trade	\$1,897.27	Largest Losing Trade	(\$1,231.36)

It has really been a hot streak since the summer of 2012. This is not the kind of edge that I would expect to last long-term, but it is certainly something to be aware of and to take into account for as long as the hot-streak lasts. Below is a profit curve.



After a brief dip in the Spring the edge seems to have quickly reasserted itself.

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



The green Aggregator Line again 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 held just barely above 0. The positive Differential Line reading means the SPX is slightly oversold versus recent expectations. So expectations are positive and the SPX is still a little oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above 0. Therefore the Aggregator signal again stayed long at the close.

Based on the current active studies, expectations are slated to remain bullish again on Friday. Of course that could change if more bearish evidence emerges. The Differential Pivot will be *inverted* at 2023.17 on Friday. That is 0.4% *below* Thursday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case SPX is going to need to close down at least 0.4% in order to remain "oversold". Anything less than that and it will be considered "overbought" versus expectations as of Friday's close.

SPX is finally at a point where it is near being considered "overbought" versus expectations. But there are still no string indications that a short would be a high probability play here. SPX has barely paused since bottoming out in mid-October. A short-term pullback is overdue and could come at any time. So I'm not interested in taking on long exposure until it arrives. So for me it remains a waiting game.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/3 – somewhat bullish

The intermediate-term outlook was last updated in the 11/3 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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