

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 11, 2014

Volume 7 Issue 214

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Very low volume at a new high used to indicate a short-term bearish edge, but that is no longer the case..

## *Short-term Outlook*

### *The Bottom Line*

Expectations remain a little bullish. SPX is overbought and overdue for a pullback. I don't like the reward/risk setup here and am waiting for a more favorable opportunity to put capital to work.

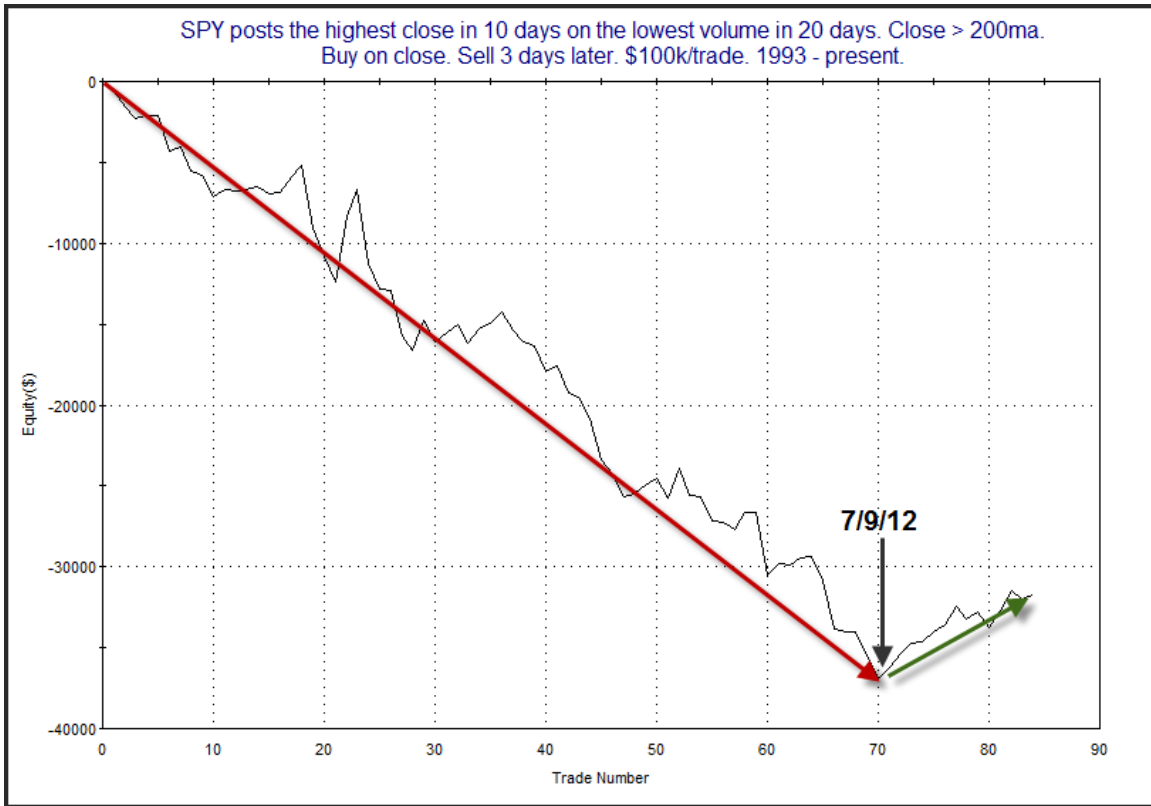
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
November 10, 2014	10 days > 5ma. 10-day high	1-2 days	Bearish			
November 6, 2014	SPY breakaway gap	1-5 days	Bullish	1.60%	-1.00%	-1.95%
<b>Active - Long Term</b>						
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			
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			
<b>Dropped Tonight</b>						
November 4, 2014	SPY unfill gap 20-high. Close < open. 2x	1-5 days	Bullish			

**The Evidence**

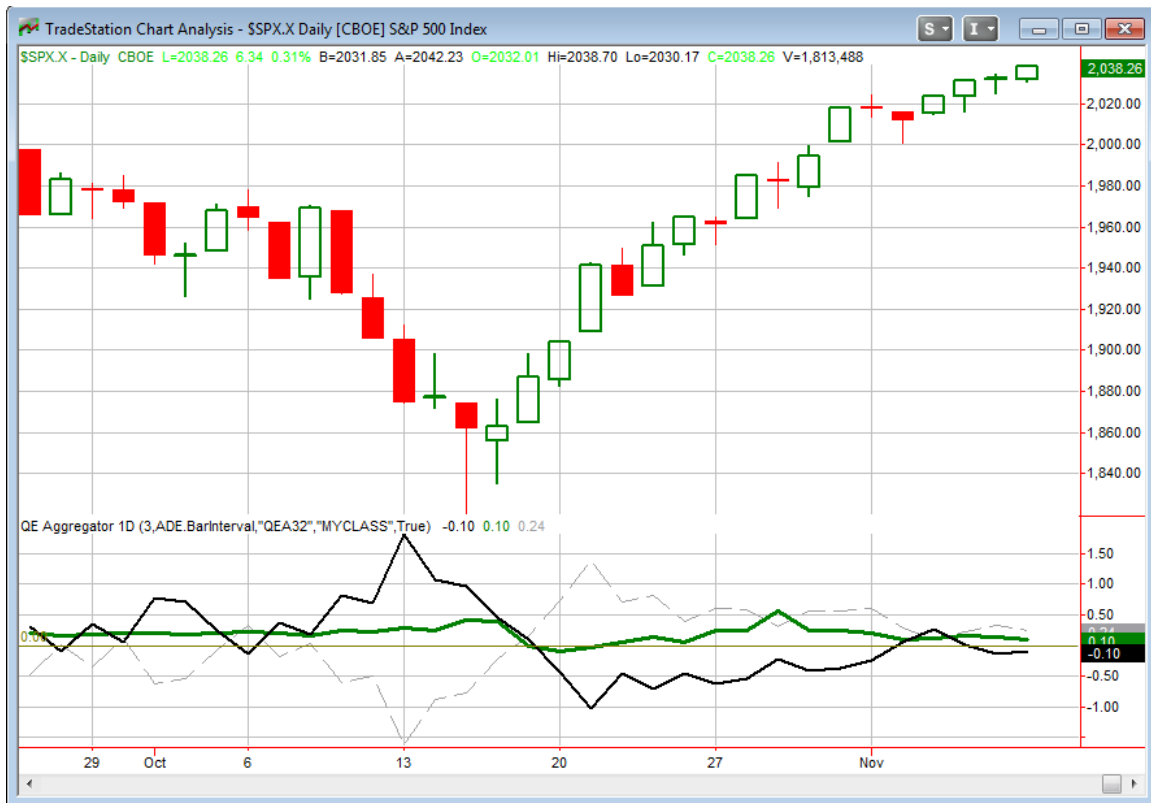
Monday saw the market put in some decent gains across the board. The SPX rose 0.3%, the NASDAQ gained 0.5% and the Russell 2000 rallied 0.5%. Breadth was moderately positive as the NYSE Up Issues % came in at 55% and the Up Volume % was 53%. Total NYSE volume came in quite light.

Light volume when the market was hitting a new high used to be a fairly reliable indication that a pullback was coming. This is something that changed in the last couple of years. I have had to eliminate or suspend a fair number of studies related to this over the past several months. The study below illustrates what I'm talking about. It looks at instances of SPY closing at a short-term high during an uptrend with volume coming in at the lowest level in four weeks. The holding period shown is three days, but the chart looked very similar from 1-5 days.



As you can see, over the last 15 instances or so dating back to July 2012, there has been a steady rise following this setup. It will be interesting to see whether the bearish edge begins to reassert itself now that the Fed's QE program has ended. But at this point, it does not seem advisable to interpret the setup as bearish. There were no studies added to the Active List tonight.

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



With nothing to add to the short-term active list, 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 below 0. The negative Differential Line reading means the SPX is overbought versus recent expectations. So expectations are positive but the SPX is 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 remained flat at the close.

Based on the current active studies, expectations are slated to remain bullish again on Tuesday. Of course that could change if more bearish evidence emerges. The Differential Pivot will again be *slightly inverted* at 2038.93 on Tuesday. That is less than one point *above* Monday'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 up at least a small amount in order to remain "overbought". If it fails to close higher it will be considered "oversold" versus expectations as of Tuesday's close.

Overall, my outlook is nearly a repeat of last night. The Aggregator is neutral, and I am too. Any decline on Tuesday will leave SPX oversold versus expectations, and potentially create a bullish Aggregator configuration. But with the move up so extended at this point, I am likely to demand more of a pullback than just a moderate one day dip. I'll also be

interested to see what evidence emerges if the market begins to pull back. So the waiting game continues for me.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 11/10 – somewhat bullish***

The intermediate-term outlook was last updated in the 11/10 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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