

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 15, 2014

Volume 7 Issue 237

Market Overview



Signals Overview

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

Tonight's Research Points

- Thursday's bounce failed. Historically such failed bounces have quickly been followed by another bounce attempt.
- Strong moves down on Fridays have led to reliable bounces over the next several days.
- Another drop of 1.5% along with a 10-day low suggests a bounce.
- An unfilled gap down right after an unfilled gap up can suggest short-term problems for the bulls.
- The Fed's SOMA remained nearly flat this past week, rising only slightly.

Short-term Outlook

The Bottom Line

Evidence for a bounce continues to build. I am long and looking to get longer.

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						
December 15, 2014	Unfilled gap up. Unfill gap dn < 2 ago.	1-3 days	Bearish			
December 15, 2014	20low. Up day. 20-low.	1 day	Bullish			
December 15, 2014	Big drop on Friday	1-6 days	Bullish	2.50%	-1.70%	-3.70%
December 15, 2014	Dn 1.5% 2x in 5 days	1-7 days	Bullish	3.50%	-1.90%	-4.40%
December 15, 2014	Oversold into Most Wonderful Week	1-6 days	Bullish	2.35%	-1.10%	-2.10%
December 12, 2014	VIX up 6%. SPX up. Not Monday.	1-3 days	Bullish			
December 11, 2014	30+ days over 10-low then 10lo, hi ADX	1-4 days	Bullish			
Active - Long Term						
December 15, 2014	End of Yr. Strength & January Effect	thru Jan 2	Bullish			
December 9, 2014	Hindenburg Omens	1-35 days	Bearish			
December 5, 2014	10-high outside day w/ down close > 200	1-11 days	Bullish	2.00%	-2.00%	-4.20%
December 2, 2014	1st day under 10ma in over 25 days	1-20 days	Bullish	4.74%	-0.35%	-0.65%
November 3, 2014	Best 6 Months	6 months	Bullish			
November 3, 2014	Quantitative Easing Ends	int term	Bearish			
October 27, 2014	NASDAQ leading SPX	int term	Bullish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			
February 1, 2012	Golden Cross	int term	Bullish			
Dropped Tonight						
December 9, 2014	Big drop from 50-high	1-4 days	Bullish	1.20%	-0.80%	-1.50%
December 11, 2014	VIX 25% over 10ma. SPX > 200ma	1-2 days	Bullish			
December 11, 2014	10-low, unfilled gap dn, 3 days lower	1-2 days	Bullish			

The Evidence

Friday saw some strong selling for the 2nd day this week. In the end, the SPX fell 1.6%, the NASDAQ lost 1.2%, and the Russell 2000 also declined 1.2%. Breadth was strongly negative as the NYSE Up Issues % came in at 21% and the Up Volume % was 16%. Total NYSE volume spiked up as traders bailed out of positions ahead of the weekend.

There is a lot of evidence to examine tonight. For one, the stock market is now entering a very strong seasonal period. We actually have numerous seasonal studies set to kick in this week.

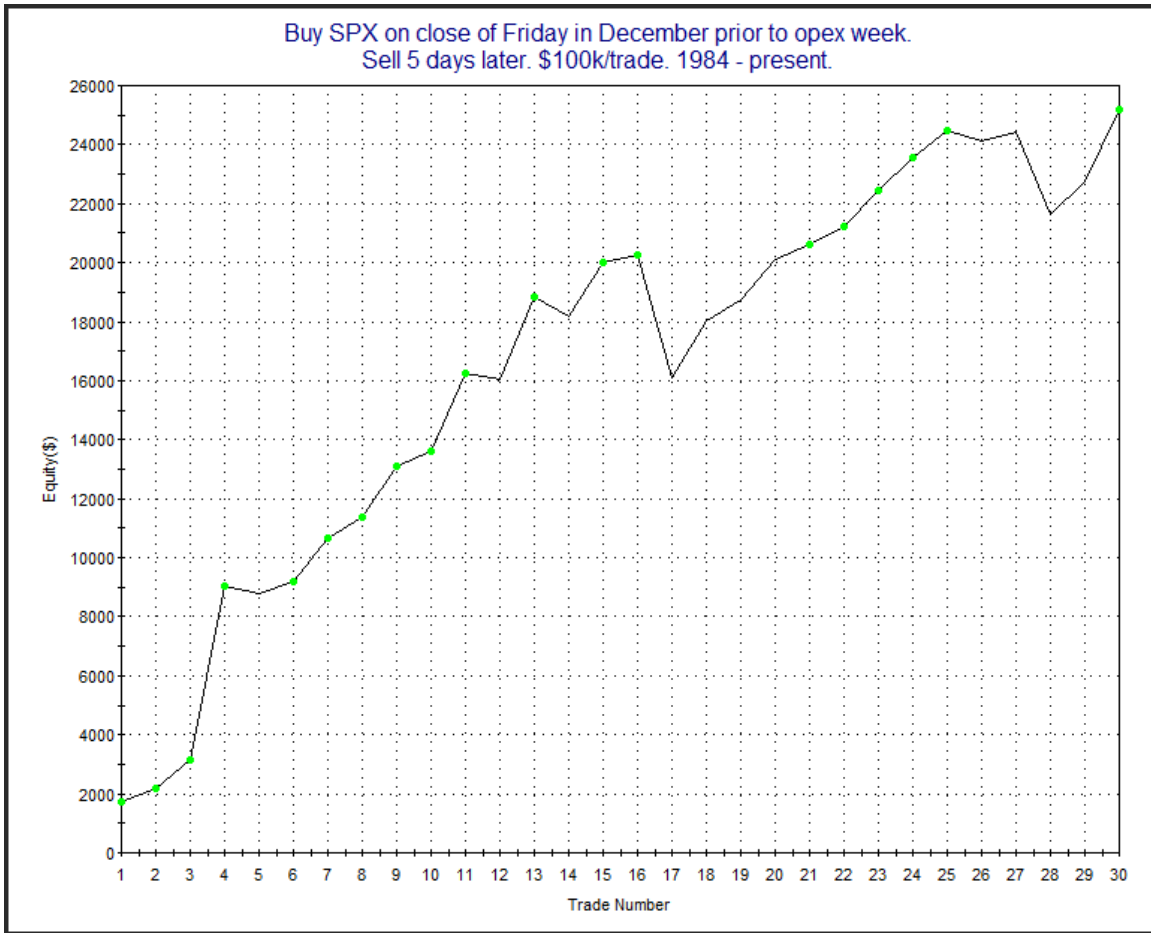
Over several time horizons op-ex week in December has been the most bullish week of the year for the SPX. The positive seasonality actually has persisted for up to 3 weeks. I demonstrated this most recently in the 12/16/13 letter. There I looked back to 1984, which was the first year that SPX options traded. I've updated that study below to include last year's stats.

Buy SPX on close of Friday in December prior to opex week.
Sell X days later. \$100k/trade. 1984 - present.

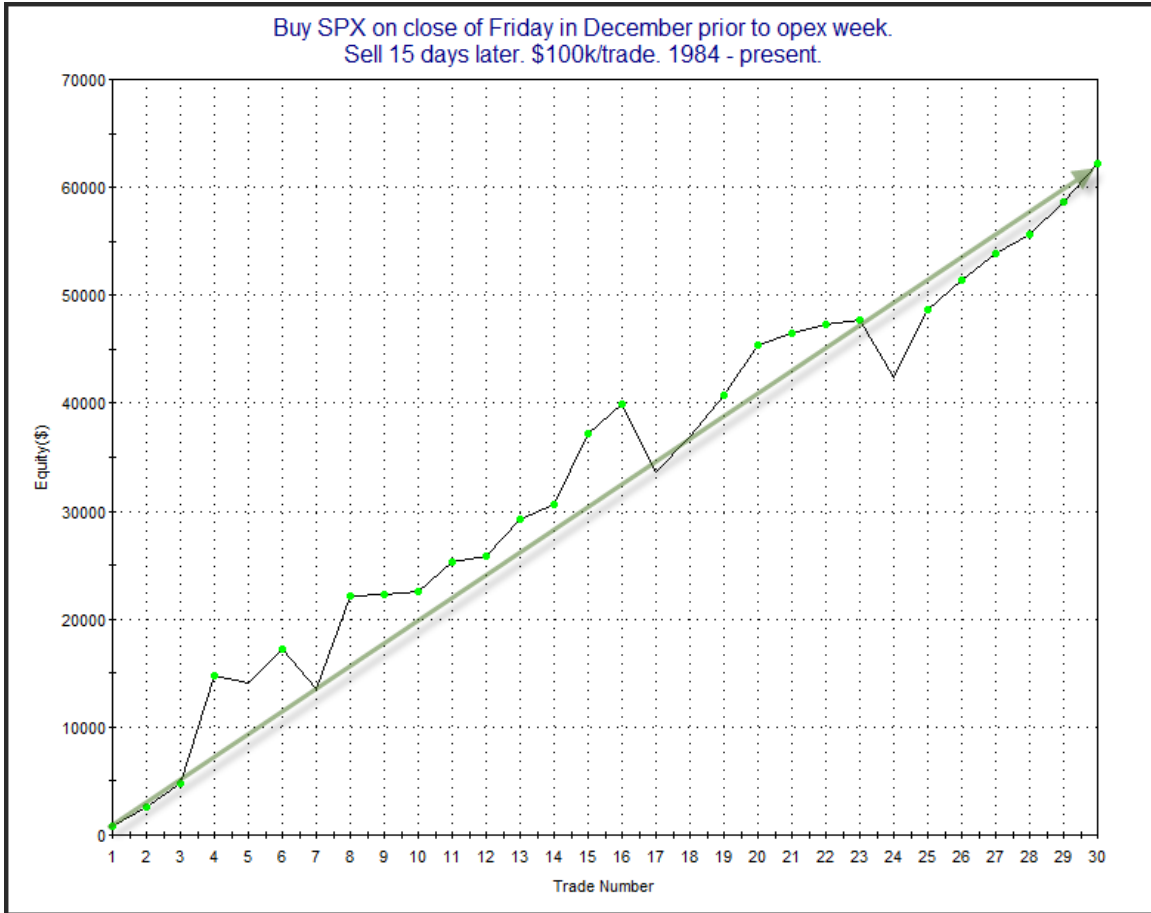
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: /Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
15	62,164.35	30	26	4	86.67	3,000.32	9,879.20	-3,960.98	-6,297.71	0.76	4.92	2,072.15
14	59,052.63	30	25	5	83.33	2,829.97	8,742.88	-2,339.35	-3,579.92	1.21	6.05	1,968.42
13	53,678.17	30	24	6	80.00	2,631.83	9,068.80	-1,580.96	-3,830.44	1.66	6.66	1,789.27
12	48,503.67	30	22	8	73.33	2,620.89	8,528.00	-1,144.49	-2,965.26	2.29	6.30	1,616.79
11	45,348.51	30	21	9	70.00	2,613.32	8,483.80	-1,059.03	-3,966.09	2.47	5.76	1,511.62
10	40,885.01	30	23	7	76.67	2,181.01	7,974.20	-1,325.44	-4,640.61	1.65	5.41	1,362.83
9	33,899.28	30	19	11	63.33	2,549.33	7,080.80	-1,321.63	-6,909.45	1.93	3.33	1,129.98
8	28,670.67	30	22	8	73.33	2,078.37	7,564.16	-2,131.69	-7,650.40	0.97	2.68	955.69
7	26,839.69	30	22	8	73.33	1,835.88	6,198.88	-1,693.70	-4,669.81	1.08	2.98	894.66
6	25,068.33	30	24	6	80.00	1,547.23	6,025.04	-2,010.88	-3,937.36	0.77	3.08	835.61
5	25,180.37	30	24	6	80.00	1,402.31	5,868.16	-1,412.53	-4,176.33	0.99	3.97	839.35
4	15,110.94	30	20	10	66.67	1,215.34	3,243.60	-919.58	-3,115.76	1.32	2.64	503.70
3	18,571.37	30	19	11	63.33	1,403.38	5,410.24	-735.72	-3,426.23	1.91	3.29	619.05
2	18,402.32	30	21	9	70.00	1,162.25	3,779.85	-667.21	-2,327.34	1.74	4.06	613.41
1	6,160.12	30	18	12	60.00	830.86	2,912.88	-732.95	-2,147.10	1.13	1.70	205.34

The only 2 instances that failed to close above the entry price at some point during opex week occurred in 1988 and 2011. Both did so within 10 trading days.

The stats here are extremely strong. Below is an equity curve using a 5-day holding period.



2011 was a bad year, but the curve has quickly recovered new highs in the last couple of years. Next is a look at the 15-day curve.



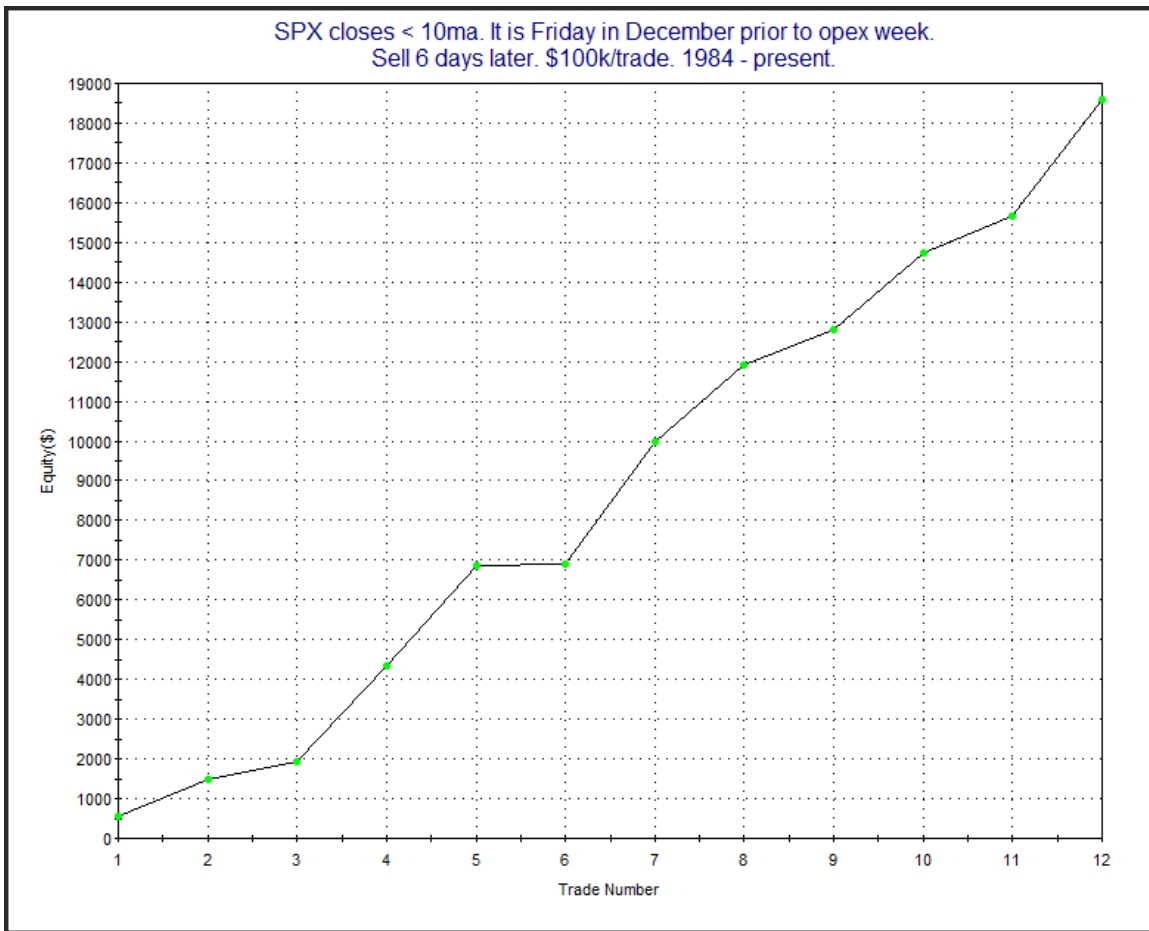
They don't get much better looking than that.

With the market now in a pullback I also examined the 10ma as a filter, as I did in the 12/16/13 letter. Below are results showing years like now when SPX has closed under its 10-day moving average.

SPX closes < 10ma. It is Friday in December prior to opex week.
Sell X days later. \$100k/trade. 1984 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
6	18,595.00	12	12	0	100.00	1,549.58	3,092.30	0.00	0.00	100.00	100.00	1,549.58
5	16,881.75	12	11	1	91.67	1,597.20	2,771.51	-687.44	-687.44	2.32	25.56	1,406.81
4	10,620.59	12	8	4	66.67	1,512.23	2,346.81	-369.30	-585.76	4.09	8.19	885.05
3	8,782.44	12	9	3	75.00	1,181.05	2,357.61	-615.66	-1,017.28	1.92	5.76	731.87
2	8,490.02	12	8	4	66.67	1,277.90	2,324.70	-433.29	-882.64	2.95	5.90	707.50
1	2,538.39	12	8	4	66.67	934.53	2,343.04	-1,234.47	-2,147.10	0.76	1.51	211.53

These stats look even better. Below is a profit curve that assumes a 6-day exit.



Oversold going into a strong seasonal period is often a good setup. December opex week appears to be a solid example of this.

In past years I discussed the January Effect, which is a tendency that I believe was first published in the Stock Traders Almanac. It suggests that from mid-December into early January smallcap stocks tend to outperform largecaps. My research in 2008 looked back to 1988 and used the Russell 2000 versus the SPX. I found that the bulk of this tendency was realized in the end of December and the 1st day of January. I measured from the 15th of December (or the 1st trading day afterwards if the 15th was a weekend) through the 1st trading day in January. This tendency has continued over the last several years. Since 1988 we have now seen the Russell outperform 21 of 26 years, or 81% of the time. And years of outperformance have greatly outsized years when the Russell underperformed. Gains in the years of outperformance have totaled 41.12%, while the 5 years of

underperformance have only total 5.15% in losses. That's nearly 8 to 1. And the only losing year to post a loss of greater than 1% was 1991 when the SPX outperformed the Russell by 2.82%. Below is a table that breaks it all down by year.

	Dec 15 - 1st Trading Day of Jan		
	<i>SPX</i>	<i>Rut</i>	<i>RUT - SPX</i>
<i>Year</i>	<i>% Return</i>	<i>% Return</i>	<i>% Difference</i>
1988	0.38%	2.53%	2.15%
1989	2.73%	2.08%	-0.65%
1990	0.13%	1.96%	1.83%
1991	8.53%	5.71%	-2.82%
1992	0.65%	2.83%	2.18%
1993	0.78%	2.68%	1.90%
1994	0.83%	2.50%	1.67%
1995	0.71%	2.06%	1.35%
1996	2.22%	2.42%	0.20%
1997	1.21%	3.75%	2.54%
1998	5.61%	8.60%	2.99%
1999	2.96%	7.61%	4.65%
2000	-2.21%	0.97%	3.18%
2001	1.79%	1.51%	-0.28%
2002	-0.15%	-0.59%	-0.44%
2003	3.79%	4.78%	0.99%
2004	-0.30%	-1.26%	-0.96%
2005	-0.17%	-0.10%	0.07%
2006	-0.74%	-0.68%	0.06%
2007	0.09%	1.94%	1.85%
2008	7.28%	11.65%	4.37%
2009	2.26%	5.53%	3.27%
2010	2.97%	3.89%	0.92%
2011	5.04%	5.08%	0.04%
2012	2.24%	4.60%	2.36%
2013	2.54%	2.76%	0.22%

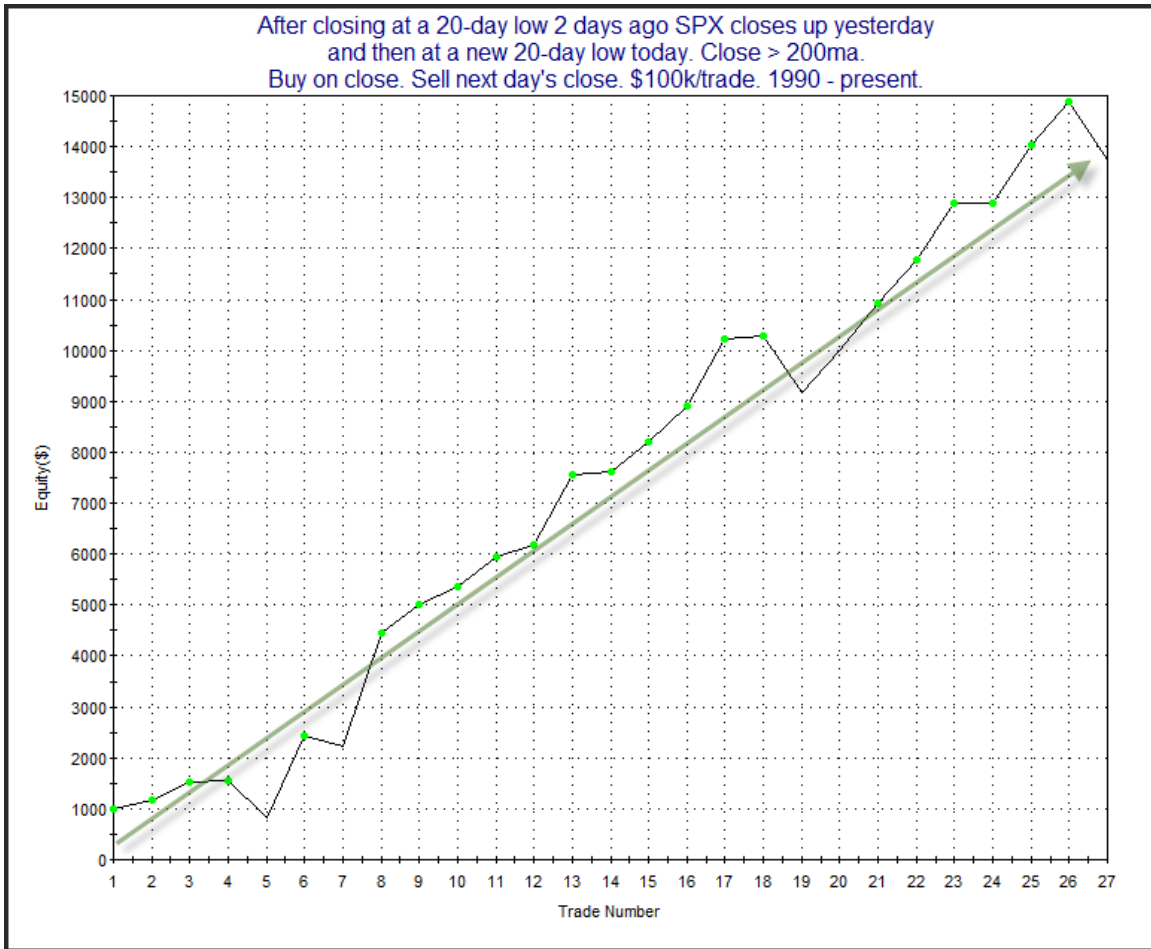
Bottom line from a seasonality standpoint is that there should be some strong winds at the markets' back through the end of the year. Traders could look to take advantage of this a number of ways. Going forward I will consider using IWM (the Russell 2000 etf) instead of SPY for my long index trades to take advantage of the probable Russell outperformance.

Thursday also quickly undercut the closing low established on Tuesday and put an end to Wednesday's bounce attempt. How has the market responded under similar circumstances in the past? For the study below, I look at times when a 20-day low was followed by a 1-day bounce and then another 20-day low (when above the 200ma). It was last seen just recently in the 10/10/14 Letter. Results are all updated.

After closing at a 20-day low 2 days ago SPX closes up yesterday and then at a new 20-day low today. Close > 200ma.
Buy on close. Sell next day's close. \$100k/trade. 1990 - present.

TradeStation Performance Summary Collapse ^			
All Trades			
Total Net Profit	\$13,750.89	Profit Factor	5.37
Gross Profit	\$16,895.71	Gross Loss	(\$3,144.82)
Total Number of Trades	27	Percent Profitable	85.19%
Winning Trades	23	Losing Trades	4
Even Trades	0		
Avg. Trade Net Profit	\$509.29	Ratio Avg. Win:Avg. Loss	0.93
Avg. Winning Trade	\$734.60	Avg. Losing Trade	(\$786.21)
Largest Winning Trade	\$2,225.00	Largest Losing Trade	(\$1,126.08)

The numbers here look very solid and suggest a bullish edge for Monday. Below is a profit curve to see how the edge has played out over time.



The strong, steady upslope is impressive and appears to confirm the upside edge. It has been especially strong since 2000 (after instance #6). Below I listed all of those trades.

After closing at a 20-day low 2 days ago SPX closes up yesterday
and then at a new 20-day low today. Close > 200ma.
Buy on close. Sell next day's close. \$100k/trade. 2000 - present.

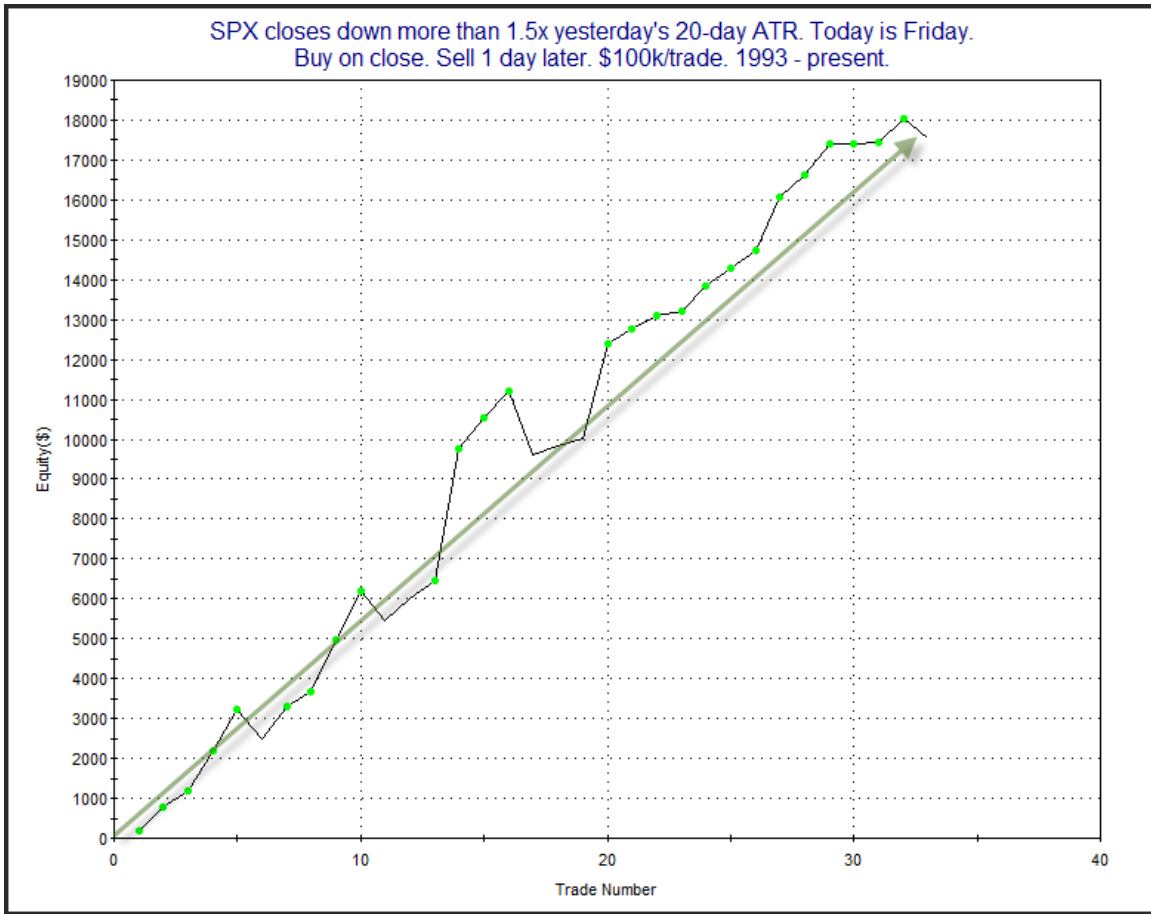
Date/Time	Signal	Price	% Profit	Run-up Drawdown
09/30/03	Buy	\$995.97	2.23%	\$2,225.00
10/01/03	Sell	\$1,018.22		\$0.00
03/15/04	Buy	\$1,104.43	0.57%	\$845.10
03/16/04	Sell	\$1,110.70		(\$163.80)
07/08/04	Buy	\$1,109.10	0.33%	\$582.30
07/09/04	Sell	\$1,112.81		\$0.00
01/13/05	Buy	\$1,177.44	0.60%	\$652.68
01/14/05	Sell	\$1,184.51		\$0.00
03/24/05	Buy	\$1,171.42	0.24%	\$721.65
03/28/05	Sell	\$1,174.28		\$0.00
03/29/05	Buy	\$1,165.36	1.38%	\$1,375.30
03/30/05	Sell	\$1,181.41		\$0.00
08/18/05	Buy	\$1,219.02	0.06%	\$496.92
08/19/05	Sell	\$1,219.71		\$0.00
08/26/05	Buy	\$1,205.10	0.60%	\$752.76
08/29/05	Sell	\$1,212.28		(\$292.74)
07/31/07	Buy	\$1,455.27	0.72%	\$891.48
08/01/07	Sell	\$1,465.81		(\$1,066.24)
02/08/10	Buy	\$1,056.74	1.30%	\$2,118.76
02/09/10	Sell	\$1,070.52		\$0.00
06/10/11	Buy	\$1,270.98	0.07%	\$472.68
06/13/11	Sell	\$1,271.83		(\$416.52)
05/11/12	Buy	\$1,353.39	(1.11%)	\$0.00
05/14/12	Sell	\$1,338.35		(\$1,224.94)
10/12/12	Buy	\$1,428.59	0.81%	\$877.68
10/15/12	Sell	\$1,440.13		(\$93.15)
06/24/13	Buy	\$1,573.09	0.95%	\$1,304.10
06/25/13	Sell	\$1,588.03		\$0.00
08/21/13	Buy	\$1,642.80	0.86%	\$1,005.00
08/22/13	Sell	\$1,656.96		\$0.00
01/29/14	Buy	\$1,774.20	1.13%	\$1,375.92
01/30/14	Sell	\$1,794.19		\$0.00
08/05/14	Buy	\$1,920.21	0.00%	\$400.40
08/06/14	Sell	\$1,920.24		(\$455.52)
08/07/14	Buy	\$1,909.57	1.15%	\$1,186.12
08/08/14	Sell	\$1,931.59		(\$29.12)
09/25/14	Buy	\$1,965.99	0.86%	\$1,019.00
09/26/14	Sell	\$1,982.85		\$0.00
10/09/14	Buy	\$1,928.21	(1.15%)	\$447.27
10/10/14	Sell	\$1,906.13		(\$1,130.16)

There was quite a hot streak leading up to the last instance in October, which took it on the chin. I have included this study on the Active List tonight. I will also note that the stats have been substantially less impressive when SPX has been below its 200ma. This edge has only been prevalent during long-term uptrends.

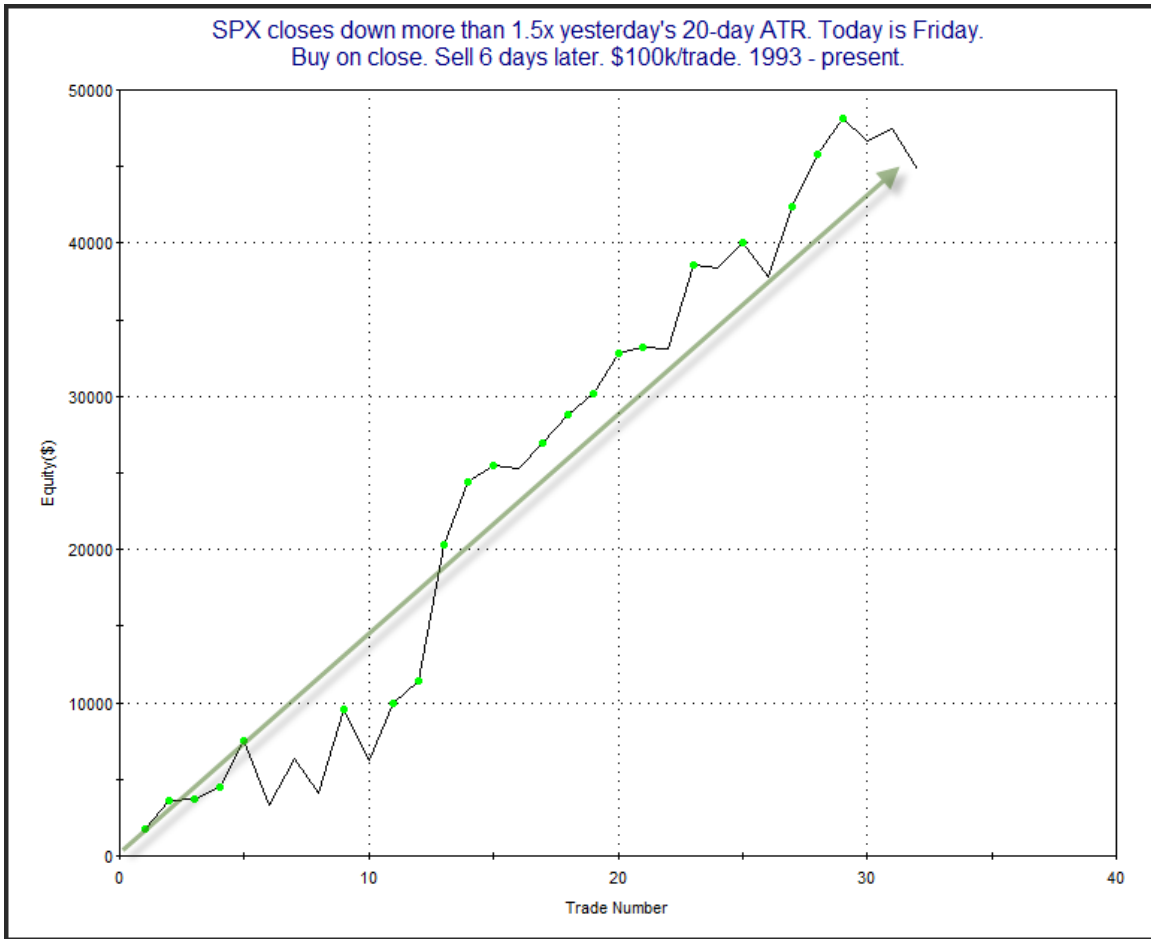
Another very compelling study that appeared in the Quantifinder examined large drops on Fridays. Both the Crash of '29 and the Crash of '87 happened on Monday. The Crash of '87 is still remembered by many traders that are active today. There was a strong selloff on Friday and then all hell broke loose on Monday. But since then strong Friday selloffs have commonly been followed by bounces on Mondays. Perhaps this is due to the fact that fear of a crash causes what might otherwise be an ordinary selloff to become exaggerated and overdone on Fridays. Or perhaps it is just that people don't want to hold over the weekend. Whatever the reason, the tendency to bounce has been very strong. The study below looks at strong drops on Fridays and was last discussed in the 1/27/14 subscriber letter.

SPX closes down more than 1.5x yesterday's 20-day ATR. Today is Friday. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: /Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	30,011.78	32	20	12	62.50	3,000.33	9,241.60	-2,499.57	-6,049.40	1.20	2.00	937.87
9	32,152.73	32	20	12	62.50	2,866.11	7,602.40	-2,097.45	-5,483.80	1.37	2.28	1,004.77
8	38,332.07	32	21	11	65.63	2,820.21	7,949.70	-1,899.30	-3,550.72	1.48	2.83	1,197.88
7	38,338.81	32	20	12	62.50	2,943.80	7,662.81	-1,711.44	-4,599.52	1.72	2.87	1,198.09
6	44,792.51	32	23	9	71.88	2,667.20	8,870.96	-1,839.24	-4,202.80	1.45	3.71	1,399.77
5	32,403.09	33	23	10	69.70	2,248.38	5,393.97	-1,930.96	-6,368.04	1.16	2.68	981.91
4	23,274.92	33	22	11	66.67	1,855.10	5,731.96	-1,594.30	-4,917.36	1.16	2.33	705.30
3	24,372.39	33	21	12	63.64	1,830.80	5,215.85	-1,172.87	-3,492.36	1.56	2.73	738.56
2	21,330.34	33	23	10	69.70	1,394.69	6,245.15	-1,074.74	-4,320.06	1.30	2.98	646.37
1	17,569.44	33	29	4	87.88	729.09	3,322.23	-893.57	-1,614.72	0.82	5.92	532.41

The numbers here are all very impressive and suggest a strong bullish bias. I decided to look at the 1-day and 6-day returns in a little more detail. First, below is the profit curve for a 1-day holding period.



The Monday inclination has been strong, and I see no red flags here. For the 6-day I also produced a profit curve.



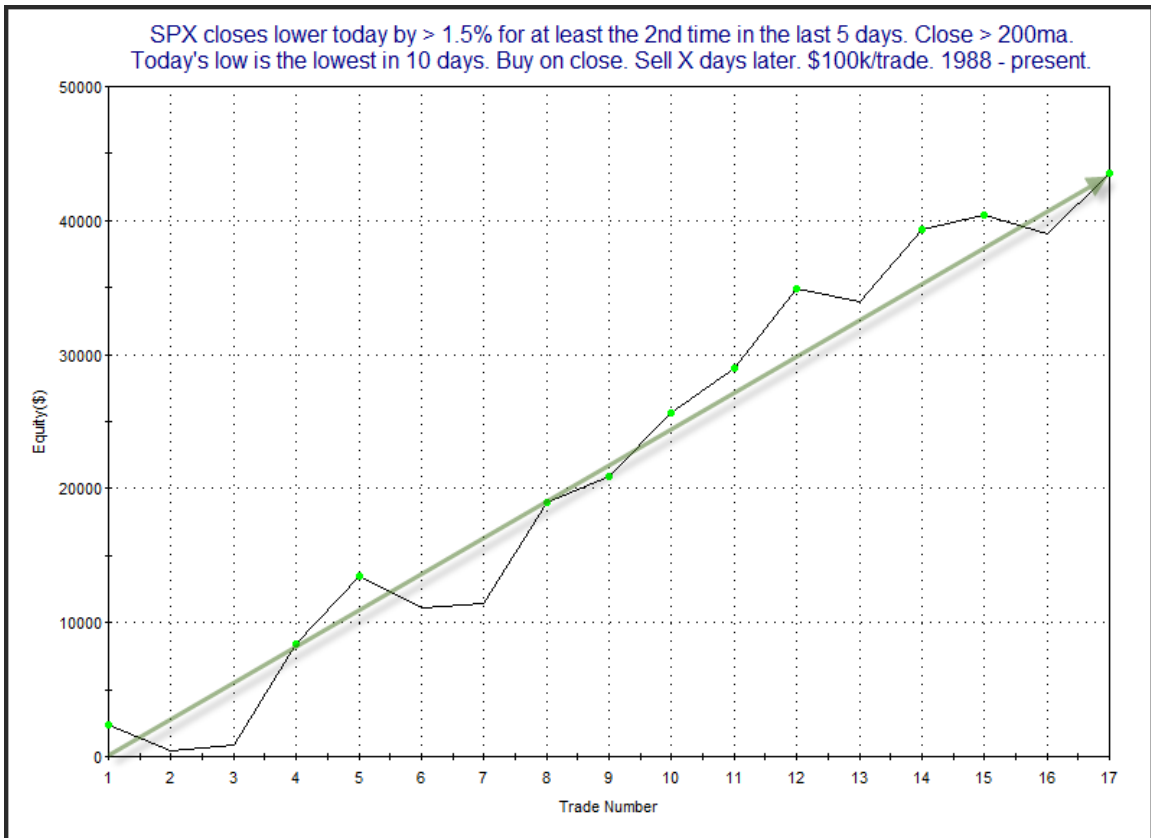
Here too the results remain impressive. This certainly seems to be a study worth taking under consideration.

Another study, from the 5/5/10 subscriber letter, also suggested a sizable bullish edge based on the price action the last few days. It looked for at least 2 days where SPX lost 1.5% or more within a 5-day span. It also required a close at a short-term low. I have updated the results below.

SPX closes lower today by > 1.5% for at least the 2nd time in the last 5 days. Close > 200ma.
 Today's low is the lowest in 10 days. Buy on close. Sell X days later. \$100k/trade. 1988 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	28,106.58	16	10	6	62.50	4,526.20	8,752.20	-2,859.24	-4,488.00	1.58	2.64	1,756.66
9	29,873.10	16	11	5	68.75	4,197.35	7,332.36	-3,259.55	-5,073.84	1.29	2.83	1,867.07
8	35,499.78	17	12	5	70.59	4,064.34	7,400.22	-2,654.47	-5,882.94	1.53	3.67	2,088.22
7	43,542.98	17	13	4	76.47	3,863.51	7,598.58	-1,670.66	-2,375.10	2.31	7.52	2,561.35
6	37,912.92	17	12	5	70.59	3,696.97	7,272.06	-1,290.14	-3,322.53	2.87	6.88	2,230.17
5	30,712.32	17	12	5	70.59	2,930.87	7,070.28	-891.62	-1,627.99	3.29	7.89	1,806.61
4	25,783.50	17	12	5	70.59	2,649.93	5,187.49	-1,203.13	-1,784.86	2.20	5.29	1,516.68
3	15,369.17	17	11	6	64.71	2,447.79	5,339.18	-1,926.10	-5,331.20	1.27	2.33	904.07
2	20,977.83	19	14	5	73.68	2,073.35	4,809.66	-1,609.81	-3,863.25	1.29	3.61	1,104.10
1	16,823.49	20	17	3	85.00	1,211.11	5,117.46	-1,255.13	-1,588.57	0.96	5.47	841.17

The numbers here all look bullish. Day 1 has an impressive record, but the edge appears to persist up to 7 days. Below is a look at a 7-day curve.



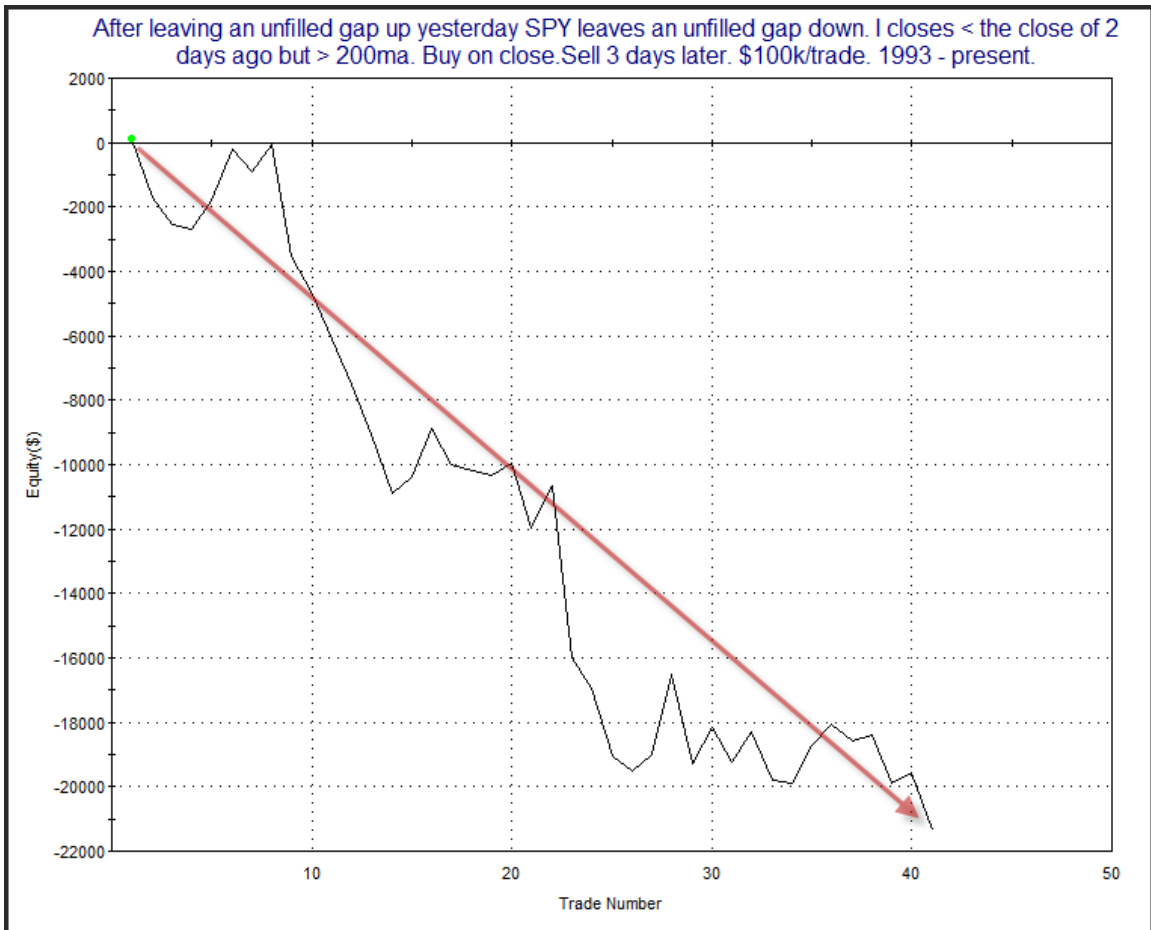
The strong, steady upslope seems to confirm the bullish inclination.

But not everything pointed higher. The study below was last seen in the 1/30/14 letter. It examines 2-day moves like SPY has just encountered.

After leaving an unfilled gap up yesterday SPY leaves an unfilled gap down. I closes < the close of 2 days ago but > 200ma. Buy on close.Sell X days later. \$100k/trade. 1993 - present.

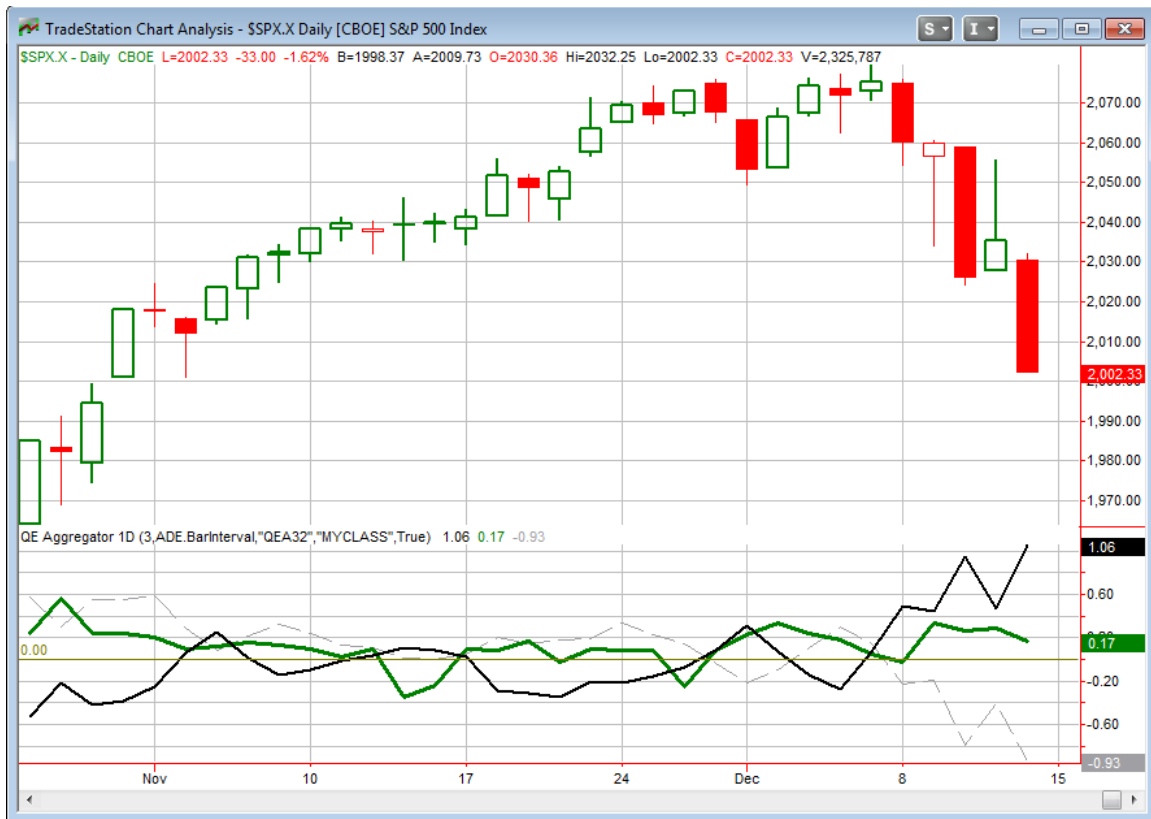
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: /Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-5,158.06	38	16	22	42.11	1,431.79	3,949.59	-1,275.76	-3,791.20	1.12	0.82	-135.74
4	-3,876.39	39	16	23	41.03	1,470.60	3,637.58	-1,191.56	-4,926.08	1.23	0.86	-99.39
3	-21,353.19	41	16	25	39.02	911.83	2,463.47	-1,437.70	-5,321.00	0.63	0.41	-520.81
2	-17,022.11	41	17	23	41.46	730.49	1,754.40	-1,280.02	-3,893.00	0.57	0.42	-415.17
1	-1,126.92	41	19	21	46.34	549.84	1,325.15	-551.14	-1,564.50	1.00	0.90	-27.49

The suggestion here is that more downside appears likely over the next few days. Of course I also examined the profit curves. Below is the 3-day.



While the curve has been a bit choppy, it is again making new lows. Overall, this setup appears to suggest a downside edge. I believe it is worth taking into consideration and have included it in the Aggregator.

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



With tonight's studies taken into account the green Aggregator Line stayed far 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 also strongly above 0. The positive Differential Line reading means the SPX is considered oversold versus recent expectations. So expectations are positive and the SPX is 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.

Based on the current active studies, expectations are set to remain bullish on Monday. This is highly unlikely to change. The Differential Pivot will be 2037.44 on Monday. This is 1.75% above Friday's close. So for SPX to move from "oversold" to "overbought" it is going to need to close up strongly on Monday. A more likely scenario to work off the oversold condition would be a multi-day rally or consolidation.

There is a good amount of evidence suggesting a bounce. The market is oversold, and not only are we going into a strong seasonal period, but most pattern studies also suggest upside. I am partially long already. I will continue to add long exposure here. It appears a bounce should be coming soon, and I hope to take advantage of it, or at least offset a good portion of the unrealized losses I have in open positions. On Monday I will look to add both index exposure as well as some individual oversold stocks.

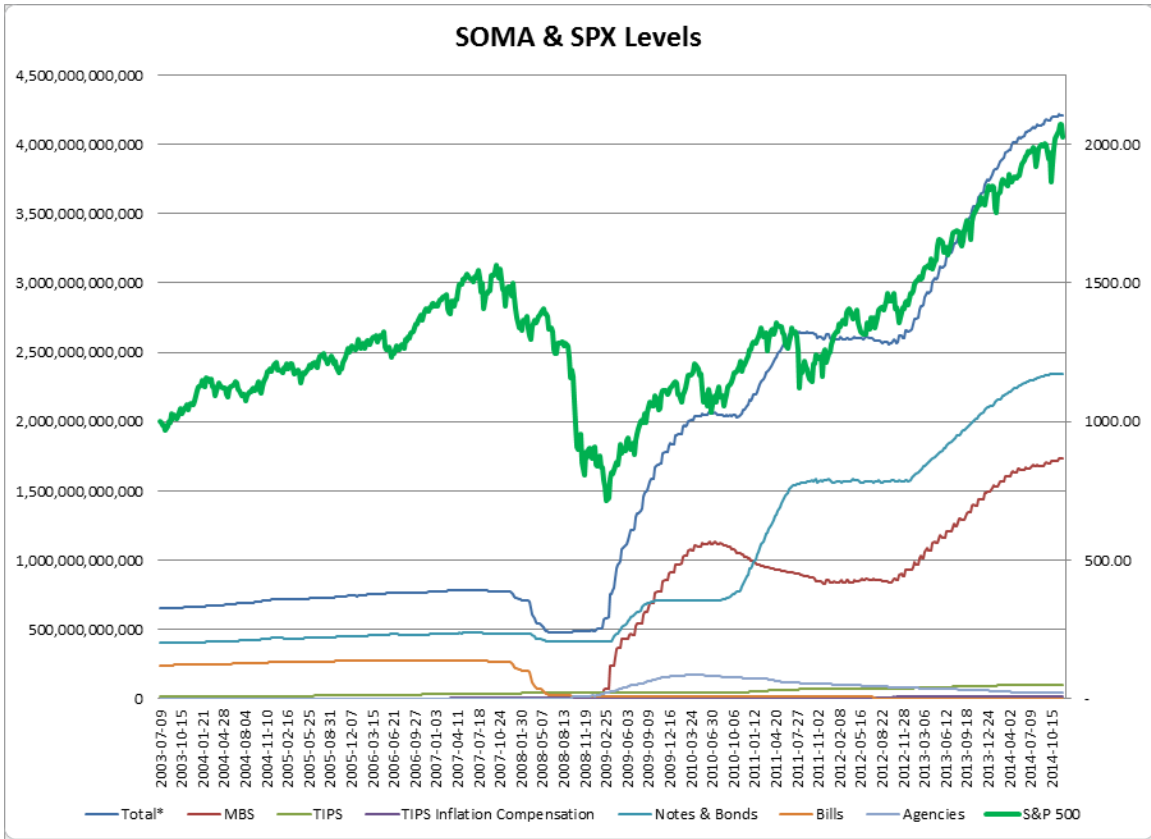
Intermediate-term Outlook (2 weeks – 2 months) – updated 12/15 – somewhat bullish

Combo #1	Combo #2	Combo #3
Long	Long	Long

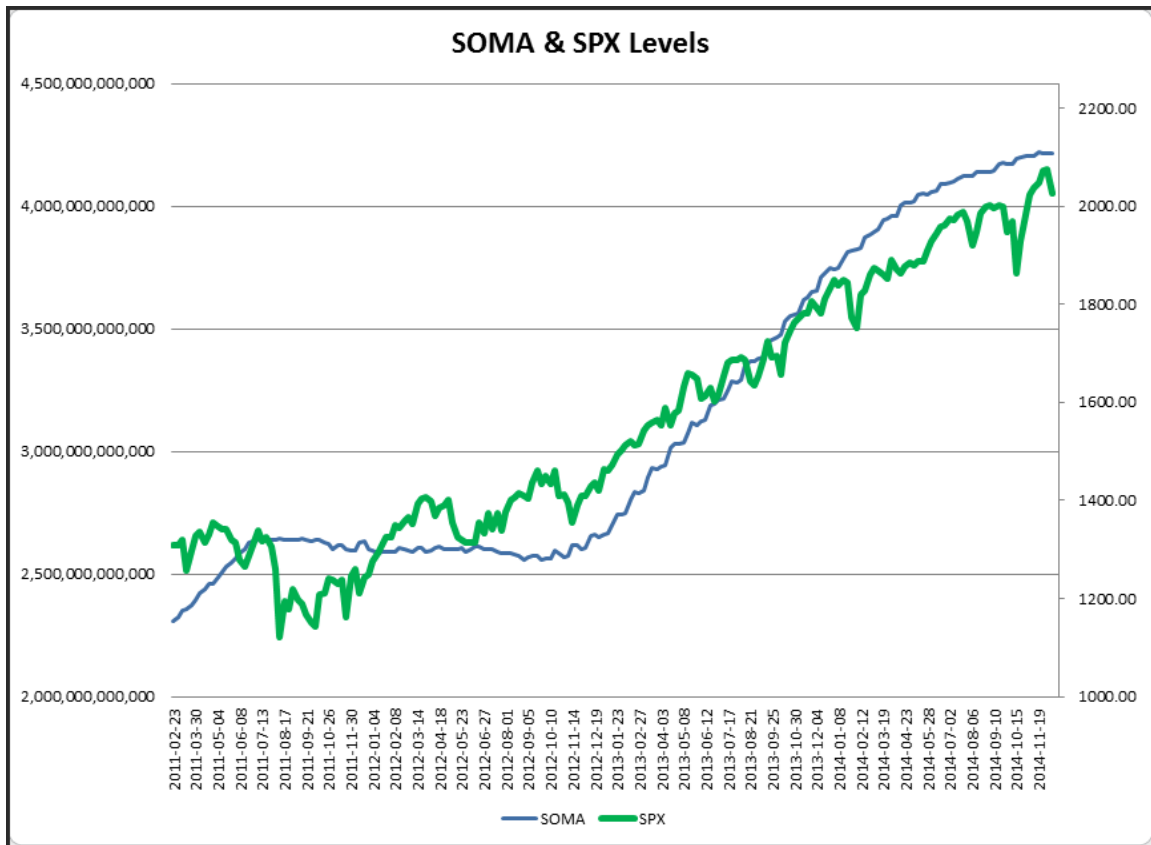
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the [Quantifiable Edges Market Timing Course](#), which is included with all annual subscriptions. Detailed descriptions of these combination approaches can be found in [Lesson 8](#). Subscribers may also download detailed hypothetical historical performance reports covering 12/31/71 – 3/7/14 in [Lesson 11, Course Downloads](#). (You must go through the course first in order to access the Downloads.)

It was a tough week for the market as SPX lost 3.5% and finished at the lowest level since late October. But there was not substantial evidence that emerged suggesting a long-term trend change. As I detailed in the short-term section above, seasonality looks strong over the next 3 weeks or so. Beyond that, new intermediate-term studies were lacking.

With the Fed not making any new purchases since October I have decided to stop showing the QE POMO chart for the time being. The reason is that the QE POMO indicators will just be flatlining at this point. But while the Fed is not making new purchases any longer, it is continuing to reinvest maturities. Therefore, the total assets in their System Open Market Account (SOMA) has not begun to dive like the POMO indicators did. The SOMA chart I have been sharing remains relevant, and I will continue to update it. This week I decided to show both the chart I have been showing, that looks back to 2003, as well as a zoomed-in version that only looks back to 2011 and simply shows Total SOMA vs SPX. Both charts are below. First, the long-term view.



And now the zoomed-in view.



It is tough to see in the above chart, but the SOMA total assets increased slightly from last week. The increase did not get it up to the high it reached 3 weeks ago though. We appear to be seeing a flattening of the blue Total Assets line at this point. The market has continually struggled over the years whenever the SOMA has not been increasing. So I will continue to watch the Total Assets line closely to see whether it begins to roll over and head south, or whether reinvestments can keep it afloat a while longer.

The pullback did very little to change the intermediate-term outlook. Strong seasonality, trend and price action indications continue to side with the bulls. But liquidity (SOMA flattening) and breadth divergences (Hindenburg, Study of Tops) are potentially bearish.

I am still somewhat bullish overall. With reduced liquidity I expect pullbacks may continue to be sharper and scarier than we have seen for much of the last 2 years. The pullback we are experiencing now may seem scary, but I think we will see several more like it in the coming months and years. At this point though, the long-term trend indicators still point long and seasonality is extremely bullish. So for now I will remain more willing to take on longs than shorts for my short-term trades. I believe risk/reward continues to favor the bulls on these short-term trades.

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

F @ \$15.16 (bought 1/3 @ limit)

FCX @ \$22.98 (buy 1/3 @ limit)

New

FCX @ \$21.78 (buy 1/3 @ limit)

PFE @ \$30.95 (buy 1/3 @ limit)

ABBV @ \$65.27 (buy 1/3 @ limit)

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 5(F, FCX-2, PFE, ABBV)

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.

FCX – buy 1/3 Catapult position @ \$21.78 LIMIT. From the Catapult section above. This is the 2nd of 3 possible lots for this Catapult trade.

PFE – buy 1/3 Catapult position @ \$30.95 LIMIT. From the Catapult section above. This is the 1st of 3 possible lots for this Catapult trade.

ABBV – buy 1/3 Catapult position @ \$65.27 LIMIT. From the Catapult section above. This is the 1st of 3 possible lots for this Catapult trade.

More about Catapults can be found on [the Catapult System page](#) on the website..

SPY – buy 1/4 index position @ \$200.89 LIMIT. Based on the short-term outlook above, I will look to take a 2nd lot of SPY (out of 4 possible).

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	12/10/2014	\$205.91	\$200.89	-2.44%		Aggregator
XIV(1/2)	12/10/2014	\$37.21	\$30.11	-19.08%		Aggressive VIX
XIV(1/2)	12/11/2014	\$34.03	\$30.11	-11.52%		Aggressive VIX
F(1/3)	12/11/2014	\$15.16	\$14.99	-1.12%		Catapult
FCX(1/3)	12/12/2014	\$22.98	\$21.78	-5.22%		Catapult

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