

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 13, 2014

Volume 7 Issue 216

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- 5 days higher to a 50-day high rarely sees the move up end abruptly.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is now suggesting a very mild upside edge. But the QE Buying Power Swing System and the lengthy time SPY has spent extended above its short-term moving averages look like sizable caveats. I have no interest in getting involved at this point.

**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 12, 2014	SPX 50-high. VIX up midweek.	1 day	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 10, 2014	10 days > 5ma. 10-day high	1-2 days	Bearish			

**The Evidence**

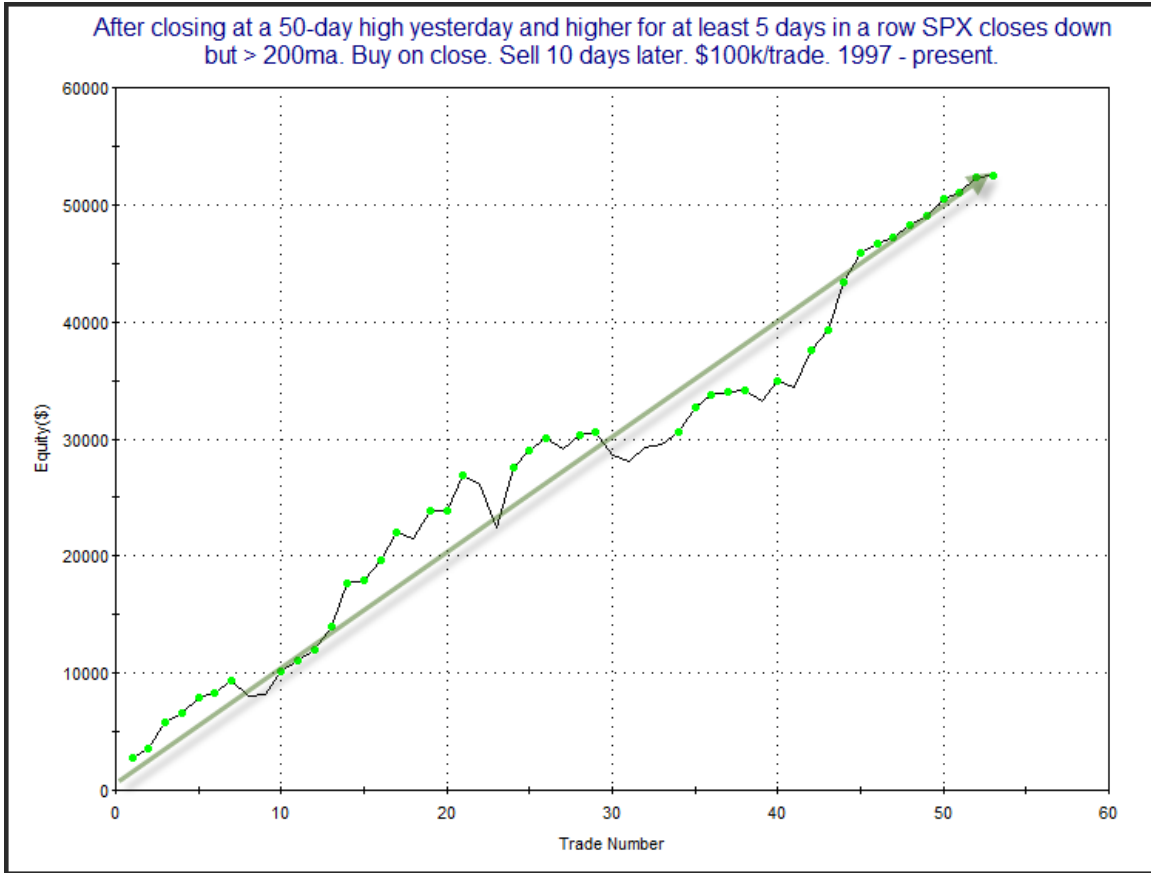
Wednesday was a mixed day for the market. The SPX fell 0.1%, but the NASDAQ gained 0.3% and the Russell 2000 closed up 0.5%. Breadth was just below breakeven as the NYSE Up Issues % came in at 49% and the Up Volume % was 48%. Total NYSE volume rose a bit from Tuesday's Veterans Day.

One study that triggered tonight suggested the recent persistent upmove is unlikely to abruptly end. (This is a theme we have seen many times over the years.) It considers what happens after the market moves up at least 5 days in a row to a 50-day high, and then pulls back. It was last seen in the 6/24/14 Letter. I have updated the stats in the table below.

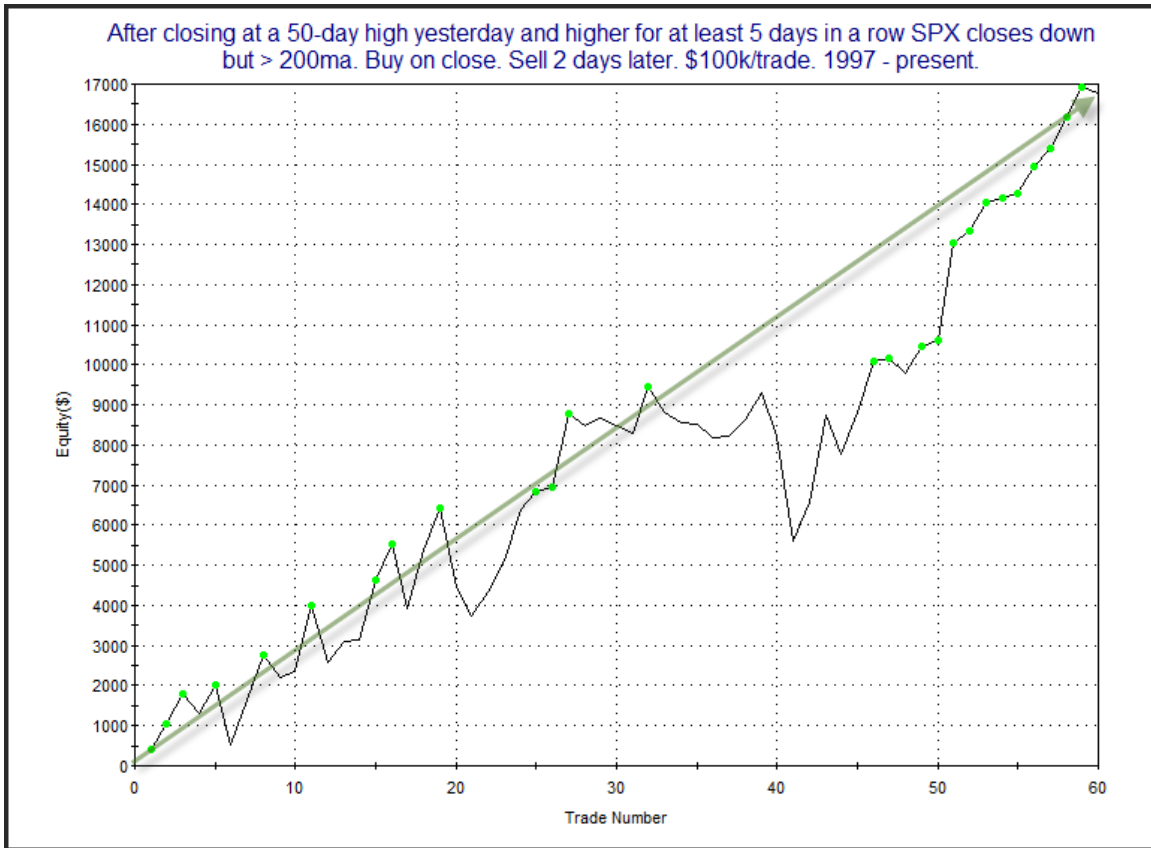
After closing at a 50-day high yesterday and higher for at least 5 days in a row SPX closes down but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1997 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	52,451.96	53	44	9	83.02	1,445.42	5,131.35	-1,238.51	-3,672.90	1.17	5.71	989.66
9	52,640.62	56	46	10	82.14	1,453.76	5,023.20	-1,423.22	-4,151.40	1.02	4.70	940.01
8	46,849.87	57	40	17	70.18	1,662.88	4,878.08	-1,156.77	-4,874.10	1.44	3.38	821.93
7	37,469.20	58	39	19	67.24	1,514.26	3,874.76	-1,136.15	-3,912.48	1.33	2.74	646.02
6	37,221.61	60	41	19	68.33	1,381.58	4,307.20	-1,022.26	-3,637.71	1.35	2.92	620.36
5	27,442.10	60	37	23	61.67	1,226.99	4,252.50	-780.73	-2,466.75	1.57	2.53	457.37
4	29,548.62	60	37	23	61.67	1,255.34	3,843.00	-734.74	-3,003.39	1.71	2.75	492.48
3	17,354.64	60	38	22	63.33	923.60	2,472.85	-806.46	-1,992.34	1.15	1.98	289.24
2	16,768.86	60	41	19	68.33	782.90	2,437.50	-806.84	-2,614.95	0.97	2.09	279.48
1	9,263.03	60	38	21	63.33	540.59	1,751.19	-537.11	-1,744.10	1.01	1.82	154.38

We see here a decent edge that becomes stronger and more consistent as you look out over the next several days. The 9-10 day time frame shows exceptional stats. The 2-day

timeframe suggests a quick little boost is also likely. Let's take a look below at both the 10-day and 2-day exit profit curves. First, the 10 day.

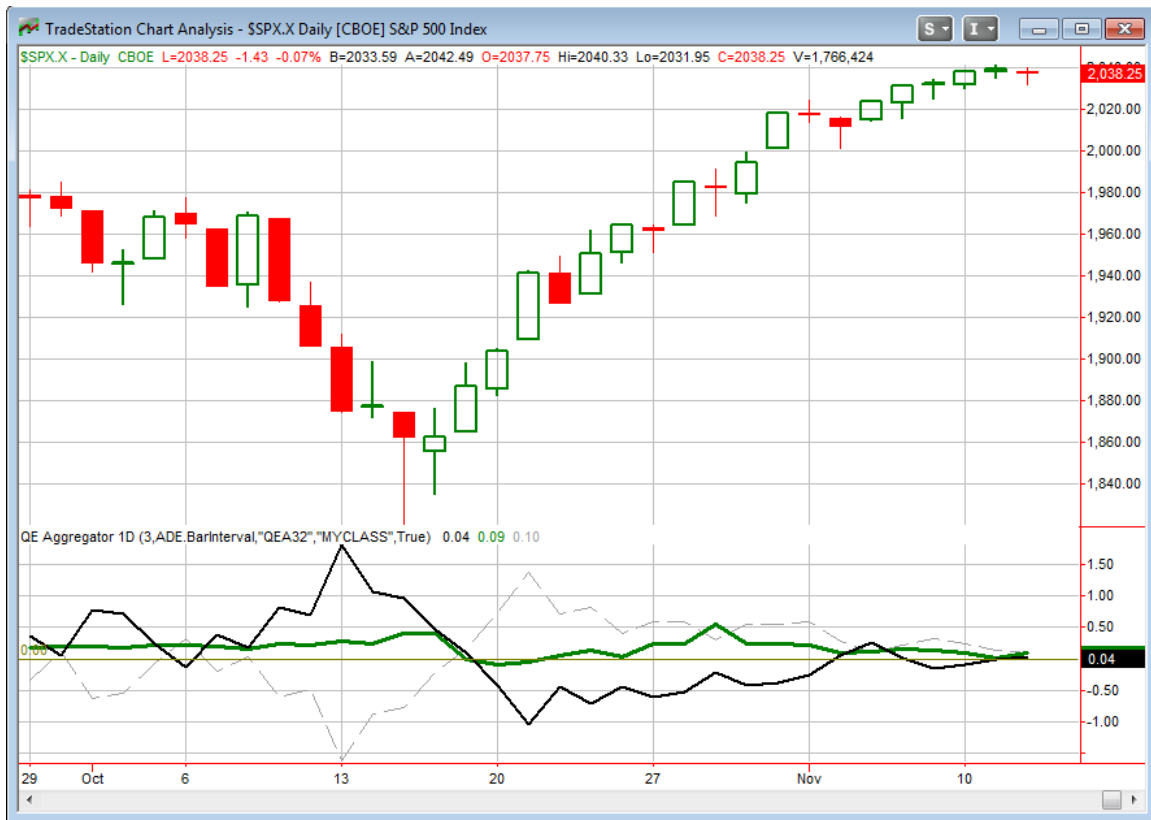


The strong upslope appears to confirm the bullish edge. Next let's look at the 2-day curve.



Results are choppier. But even with more whipsaws this one appears worthy of consideration. I have included this study on both the short-term and intermediate-term active lists.

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



The green Aggregator Line again held slightly above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile, the black Differential Line inched above 0 as well. The positive Differential Line reading means the SPX is already considered oversold versus recent expectations. So expectations are positive and the SPX is 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 turned long at the close.

With just the one bullish study active on the short-term list expectations are slated to remain bullish on Thursday. But new evidence that emerges Thursday and over the next few days will have a large impact on expectations. The Differential Pivot will be 2046.40 on Thursday. This is 0.4% above Wednesday's close. So SPX is going to need to close up at least this much in order to move from oversold to overbought on Thursday.

So the Aggregator is suggesting an upside edge. But it is about as weak as they come. Short-term evidence is underwhelming. Additionally, the QE Buying Power Swing System is short and that is not currently factored into the Aggregator calculation. And while the Differential Line shows the market as "oversold versus expectations", that is probably the only measure on can find suggesting that. Wednesday made the 19<sup>th</sup> close in a row above the 5-day moving average for SPY. The only 2 times 20 days were reached were in December of 1995 and February of 1996.

With all this in mind, I just don't have any enthusiasm about getting long right now. I would much prefer to see a bit more selling (and perhaps a close below some short-term moving averages, like the 5 and the 10), before considering taking on new long positions. So while the bullish case may be just slightly stronger, it does not offer a reward/risk opportunity at the moment that appears favorable enough to interest 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*

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.