

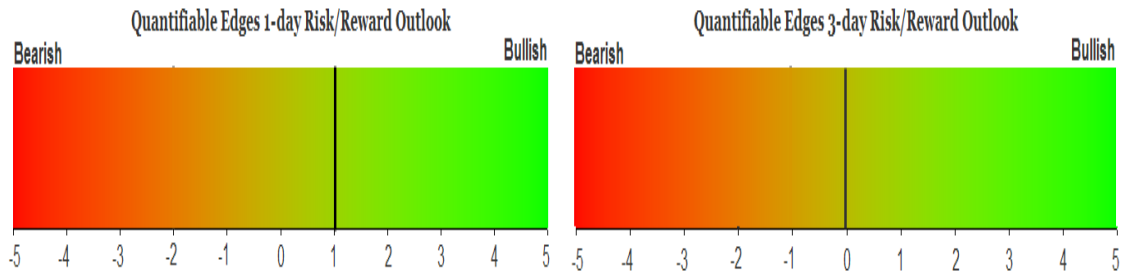
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 26, 2014

Volume 7 Issue 225

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Wednesday before Thanksgiving has been very strong when the market has been in an uptrend.

## *Short-term Outlook*

### *The Bottom Line*

Seasonality is very strong, but the market remains overbought, and that means reward/risk isn't great. I remain neutral.

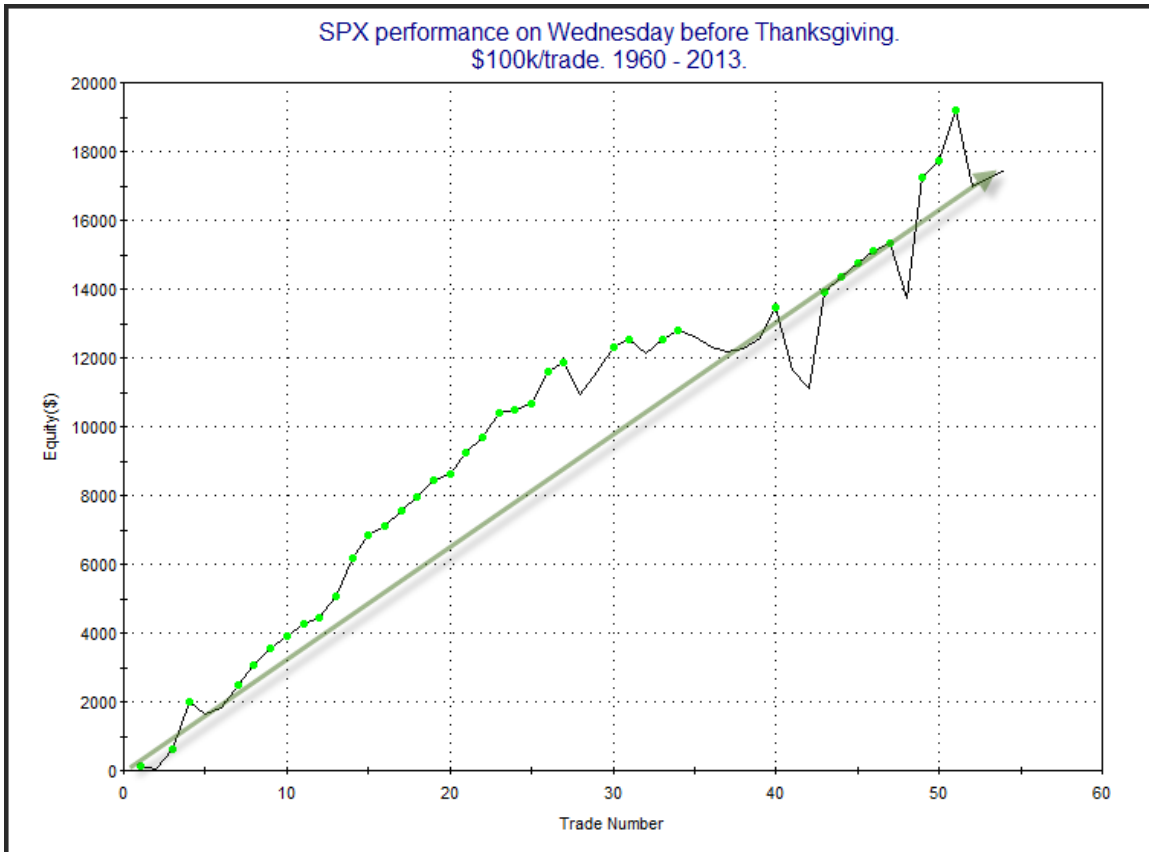
**Summary of Recent Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
November 25, 2014	2 unfilled up gaps and close@ 50-day high	1-3 days	Bullish	0.90%	-0.65%	-1.20%
November 25, 2014	Unfill gap inside day. Close>open.	1 day	Bearish			
November 24, 2014	Thanksgiving Week	Wed-Fri	Bullish			
November 24, 2014	1-2% gain opex week	1-4 days	Bearish			
November 24, 2014	Unfill gap 20-day close< open	1-3 days	Bullish			
November 21, 2014	Gap dn then 50-high	1-2 days	Bearish			
November 20, 2014	Big drop from 50-high	1-4 days	Bullish	1.20%	-0.80%	-1.60%
<b>Active - Long Term</b>						
November 19, 2014	RSI2 > 99	1-10 days	Bullish			
November 18, 2014	SPX 3-high. Russell dn 3 in row	1-10 days	Bullish			
November 13, 2014	5 up to 50 high then down day	1-10 days	Bullish			
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			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			
February 1, 2012	Golden Cross	int term	Bullish			

**The Evidence**

Tuesday saw mixed and quiet action. The SPX fell 0.1%, the NASDAQ gained 0.1%, and the Russell 2000 declined less than 1 point. Breadth was mixed as the NYSE Up Issues % came in at 52% and the Up Volume % was 48%. Total NYSE volume rose a little from Monday's level.

The chop failed to trigger any new price action based studies, but some studies regarding the Wednesday before Thanksgiving did appear in the Quantifinder. As a quick reminder, here is the chart of all Wednesdays before Thanksgiving since 1960, as shown in Sunday night's letter just 2 days ago.

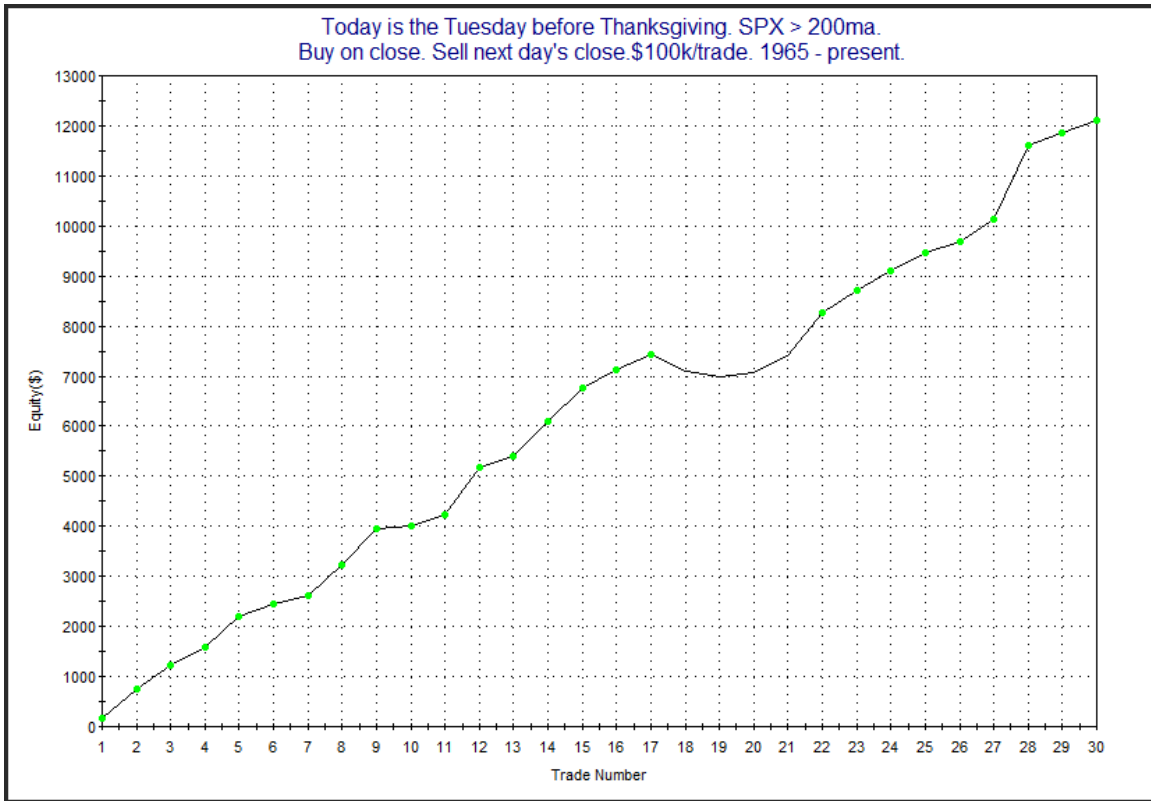


As I discussed on Sunday, there appears to be a solid upside seasonal edge. In the 11/26/13 letter I broke it down further. I examined all such days when the SPX closed above its 200ma. Below I have updated those results.

Today is the Tuesday before Thanksgiving. SPX > 200ma.  
Buy on close. Sell next day's close. \$100k/trade. 1965 - present.

TradeStation Performance Summary <span style="float: right;">Collapse ^</span>			
All Trades			
Total Net Profit	\$12,098.54	Profit Factor	28.70
Gross Profit	\$12,535.34	Gross Loss	(\$436.80)
Total Number of Trades	30	Percent Profitable	93.33%
Winning Trades	28	Losing Trades	2
Even Trades	0		
Avg. Trade Net Profit	\$403.28	Ratio Avg. Win:Avg. Loss	2.05
Avg. Winning Trade	\$447.69	Avg. Losing Trade	(\$218.40)
Largest Winning Trade	\$1,480.08	Largest Losing Trade	(\$308.76)

These results appear very impressive. Below is a profit curve.



Interestingly, the 2 losers happened right in a row, in '95 and '96. Since then there have been 11 winners in a row. It has not gotten much better from a seasonality standpoint than the day before Thanksgiving when the market has been locked in an uptrend.

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



The green Aggregator Line tonight again held above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile, the black Differential Line stayed below 0. The negative Differential Line reading means the SPX is considered 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 stayed flat at the close.

Expectations are set to remain bullish on Wednesday. Of course this could change if more bearish evidence emerges. The Differential Pivot will be *slightly inverted* at 2068.62 on Wednesday. This is 0.1% *above* Tuesday's close. An inverted pivot means that the Differential Line will cross 0 if SPX closes flat. So in this case, in order for SPX to remain overbought versus expectations, it is going to need to close up at least 0.1%. If it fails to do that, then it will be considered "oversold" versus expectations as of Wednesday's close.

There is certainly a case to be made for a long position on Wednesday and Friday based on the exceptional seasonality studies I've shown the last few days. But when considering swing trades, it simply is not my style to take on new positions in a market that is already overbought. And this market has been stretched for so long at this point that I feel it is justified to wait for a bit of a pullback. SPY has now gone 28 days without closing below its 5-day moving average, surpassing the old record of 21 days. I'd like to see it close below there, and even below the 10-day before taking on new long exposure.

A pullback on Wednesday could get me interested in getting long Friday. Friday is another seasonally bullish day. And while the Monday after Thanksgiving has been bearish, Monday is also the 1<sup>st</sup> trading day of the month, which is seasonally bullish. So I again will wait and see how things unfold in the next few days. And I will be ready to pounce when a favorable opportunity arises.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 11/24 – somewhat bullish***

The intermediate-term outlook was last updated in the 11/24 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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