

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 3, 2015

Volume 8 Issue 22

Market Overview



Signals Overview

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

Tonight's Research Points

- SPY's gap up, false breakdown, and then afternoon rally suggests we could see further rallying in the next few days.

Short-term Outlook

The Bottom Line

Bullish evidence is still dominating the short-term. And even with Monday's rally, SPX is still not overbought. The Aggregator remains bullish and I do as well.

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						
February 3, 2015	False breakdown 20-low	1-2 days	Bullish			
January 29, 2015	Fed Day. SPY dwn 2 in row.	1-6 days	Bullish			
January 29, 2015	Dn 2% from high on Fed Day	1-4 days	Bullish			
January 23, 2015	VIX 10% up to 10% dn blow ma	1-8 days	Bullish	2.50%	-1.00%	-1.95%
Active - Long Term						
January 26, 2015	NASDAQ leading SPX	int term	Bullish			
November 3, 2014	Best 6 Months	6 months	Bullish			
November 3, 2014	Quantitative Easing Ends	int term	Bearish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			
February 1, 2012	Golden Cross	int term	Bullish			
Dropped Tonight						
February 2, 2015	Selloff at end of month	1 day	Bullish			

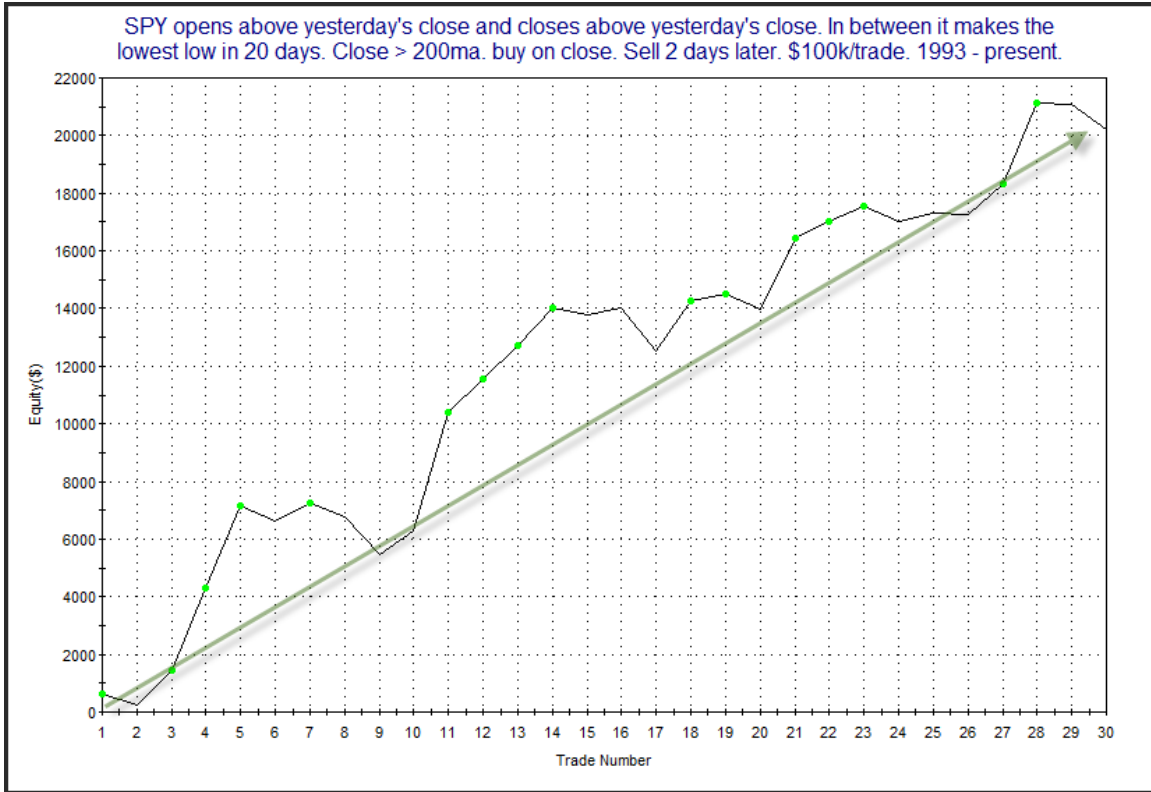
The Evidence

The market bounced back nicely on Monday. The SPX rose 1.3%, the NASDAQ rallied 0.9%, and the Russell 2000 gained 0.9%. Breadth was positive as the NYSE Up Issues % came in at 72% and the Up Volume % was 82%. Total NYSE volume declined some from Friday's high level.

The Quantifinder was fairly quiet, but I found the action in SPY to be interesting. It gapped up to open the day, and closed with strong gains, but in between it made new intermediate-term lows. I decided to look back at other instances where SPY behaved this way while it was trade above the 200ma. Results are below.

SPY opens above yesterday's close and closes above yesterday's close. In between it makes the lowest low in 20 days. Close > 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	16,375.30	28	16	11	57.14	1,997.23	5,029.50	-1,416.40	-3,450.35	1.41	2.05	584.83
4	16,467.10	28	17	10	60.71	1,576.81	3,213.00	-1,033.86	-1,913.16	1.53	2.59	588.11
3	17,714.97	30	18	12	60.00	1,460.58	4,462.50	-714.62	-2,387.70	2.04	3.07	590.50
2	20,229.75	30	19	11	63.33	1,409.63	4,105.50	-595.75	-1,516.98	2.37	4.09	674.33
1	7,828.71	30	19	11	63.33	839.64	2,152.71	-738.58	-1,719.00	1.14	1.96	260.96

The false breakdown appears to discourage the bears and the bulls will often carry the momentum for the next few days. Below is a profit curve for a 2-day holding period.



A bit choppy, but it has headed higher almost the entire time. This seems worthy of consideration, and I have added it to the Active List tonight.

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



Once again tonight the green Aggregator Line held strongly 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 slightly above 0. The positive Differential Line reading means the SPX is oversold versus recent expectations. So expectations are positive and the SPX is still marginally 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 Tuesday. That could change if compelling bearish evidence emerges. The Differential Pivot will be 2038.50 on Tuesday. That is 0.9% above Monday's close. This means that in order for the Differential Line to cross below 0 (signaling SPX moving from "oversold" to "overbought") it would need to close up at least 0.9% on Tuesday.

It appears that Monday afternoon's momentum could carry through into the next few days. All the short-term studies are still pointing bullish and the market is not yet overbought on a short-term basis. So I still like the bull case. I have a partial long position that I intend to ride a little longer here. Of course I will re-evaluate my decision tomorrow night and each night after as I always do.

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

The intermediate-term outlook was last updated in the 1/26 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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
XIV(1/2)	12/11/2014	\$34.03	\$26.45	-22.27%		Aggressive VIX
SPY(1/4)	1/29/2015	\$200.14	\$201.92	0.89%		Aggregator

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