

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 6, 2015

Volume 8 Issue 25

Market Overview



Signals Overview

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

Tonight's Research Points

- Employment days have been on a hot streak over the last 2.5 years.

Short-term Outlook

The Bottom Line

Evidence is still leaning slightly bullish but the SPX is overbought. I am waiting for a better entry opportunity before putting new 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
Active - Short Term						
February 6, 2015	Employment Day hot streak	1 day	Bullish			
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			

The Evidence

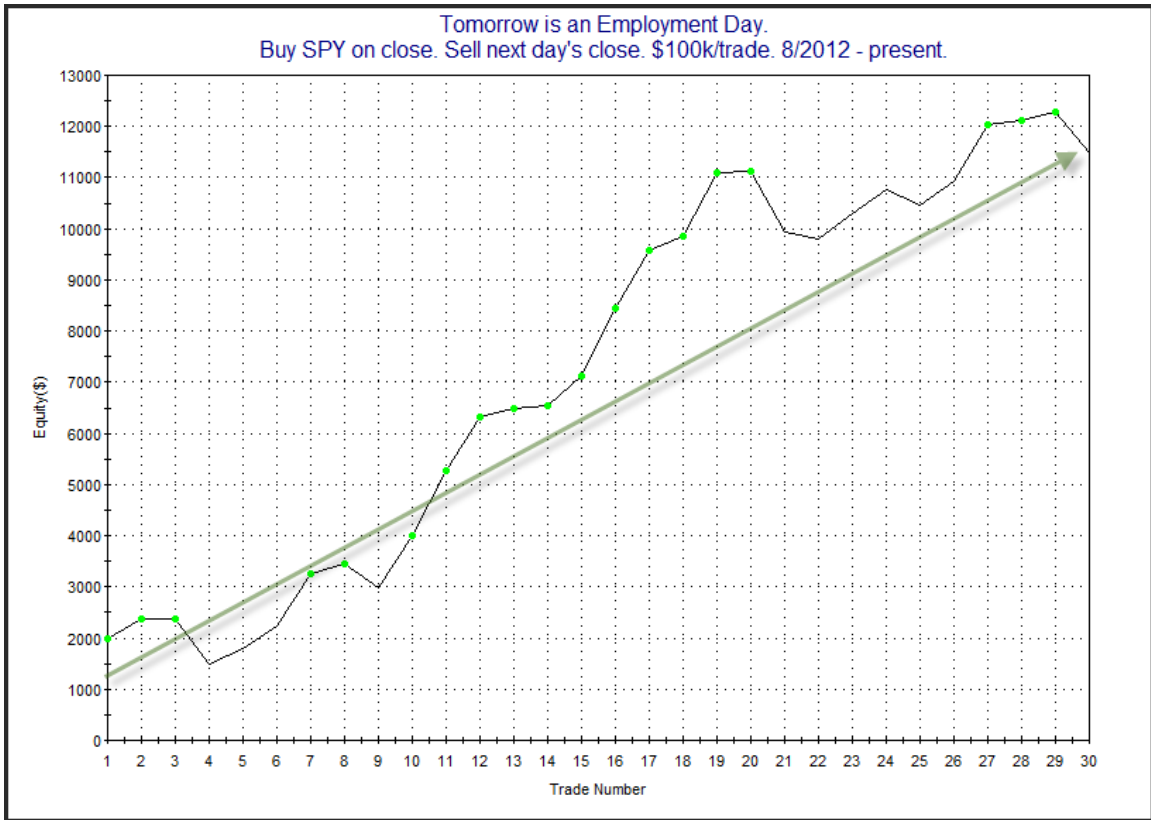
Thursday was a strong day for the market. The SPX and NASDAQ each gained 1.0%, and the Russell 2000 rallied 1.5%. Breadth was strongly positive as the NYSE Up Issues % came in at 75% and the Up Volume % was 80%. Total NYSE volume declined from Wednesday’s level.

One bit of information to consider for Friday is that the BLS is due to release the employment report at 8:30am EST. This report tends to be the most highly watched monthly economic report each month, and it will often be followed by a strong market reaction. In the last 2.5 years this reaction has been consistently bullish. On the Overnight Edges blog last month I showed the overnight implications of the report. Below are the results since August 2012 measuring from the close before the Employment Day to the close of the Employment Day.

Tomorrow is an Employment Day.
Buy SPY on close. Sell next day's close. \$100k/trade. 8/2012 - present.

TradeStation Performance Summary		Collapse ^	
All Trades			
Total Net Profit	\$11,478.22	Profit Factor	4.05
Gross Profit	\$15,241.16	Gross Loss	(\$3,762.94)
Total Number of Trades	30	Percent Profitable	80.00%
Winning Trades	24	Losing Trades	6
Even Trades	0		
Avg. Trade Net Profit	\$382.61	Ratio Avg. Win:Avg. Loss	1.01
Avg. Winning Trade	\$635.05	Avg. Losing Trade	(\$627.16)
Largest Winning Trade	\$1,981.01	Largest Losing Trade	(\$1,181.90)

It has really been a hot streak since the summer of 2012. This is not the kind of edge that I would expect to last forever. There have been both bullish and bearish streaks like this with regards to employment days over the years. But it is certainly something to be aware of and to take into account for as long as the hot-streak lasts. Below is a profit curve.



January did not play out but the curve still appears to be in strong shape.

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



With tomorrow's employment seasonality helping, the green Aggregator Line is again 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 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 remained flat at the close.

Expectations will again be largely dependent on new studies that emerge, but they would remain positive if nothing new emerges on Friday. The Differential Pivot will be 2061.93 on Friday. That's less than 1 point below Thursday's close. This means that SPX will be considered "oversold" versus expectations on just about any down close, but will remain "overbought" versus expectations if it closes flat or up.

I am still not seeing a compelling reason to take on new exposure. Mildly positive expectations and a mildly overbought market don't equate to a strong edge. So I will wait to see how the dust settles after the employment report on Friday, and then look to possibly get involved in a trade early next week.

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	\$27.83	-18.22%		Aggressive VIX

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