

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 19, 2015

Volume 8 Issue 53

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Extremely high volume on an up day suggests bullish implications.

### *Short-term Outlook*

#### *The Bottom Line*

The high volume up move on Wednesday appears bullish, but the market is already overbought. This leaves the outlook neutral and me temporarily on the sideline.

**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>						
March 19, 2015	High volume up day > 200ma. No opex	1-10 days	Bullish	2.50%	-1.50%	-3.10%
<b>Active - Long Term</b>						
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			
<b>Dropped Tonight</b>						
March 16, 2015	March op-ex week bullish	1-4 days	Bullish	1.70%	-1.10%	-2.50%
March 12, 2015	5 low & bottom of daily range 2x	1-5 days	Bullish	2.10%	-0.70%	-1.70%

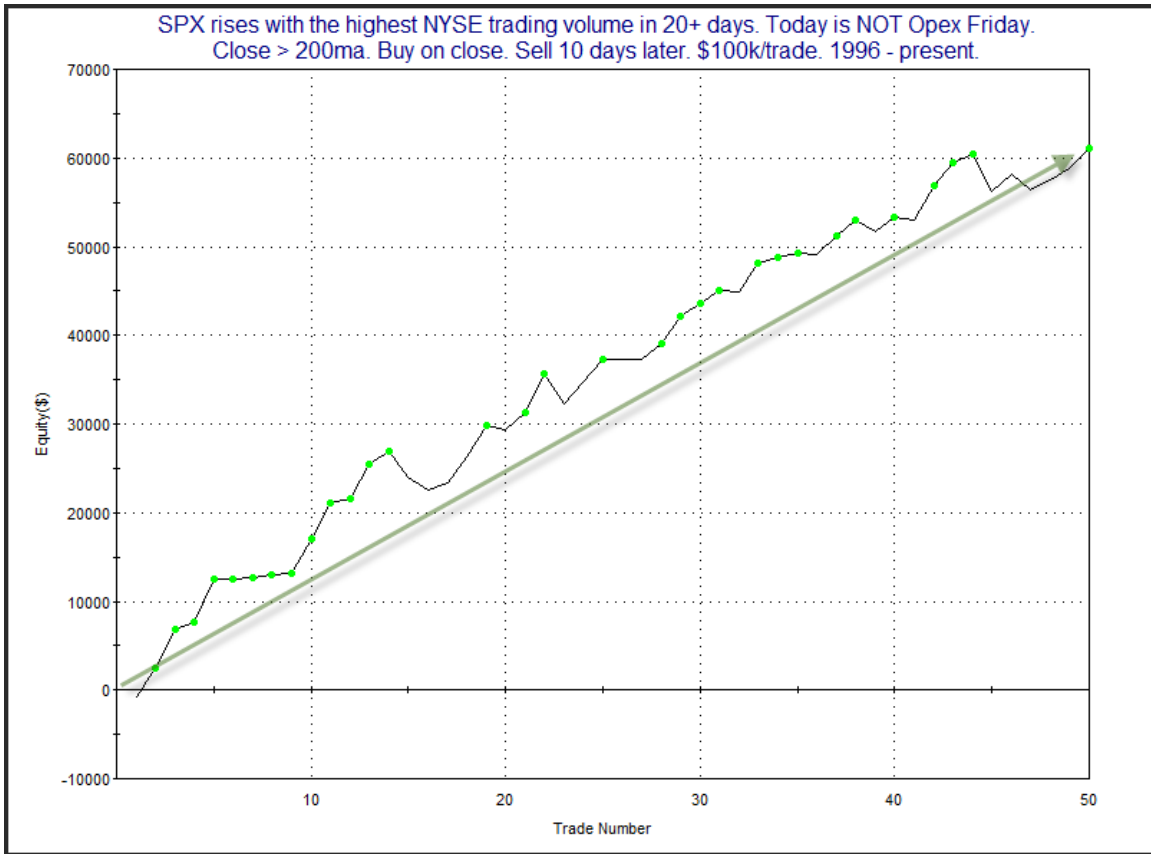
**The Evidence**

The market reacted to the Fed announcement with strong afternoon buying that left the major indices squarely higher. The SPX closed up 1.2%, the NASDAQ gained 0.9% and Russell 2000 rose 0.8%. Breadth was strongly positive as the NYSE Up Issues % came in at 80% and the Up Volume % was 84%. Total NYSE volume spiked to the highest level in a while.

The high volume provided an interesting bit of evidence. When the market has risen on extremely high volume on a day other than op-ex Friday, that has typically been a good sign. Below is a study last shown in the 12/18/14 subscriber letter that demonstrates this.

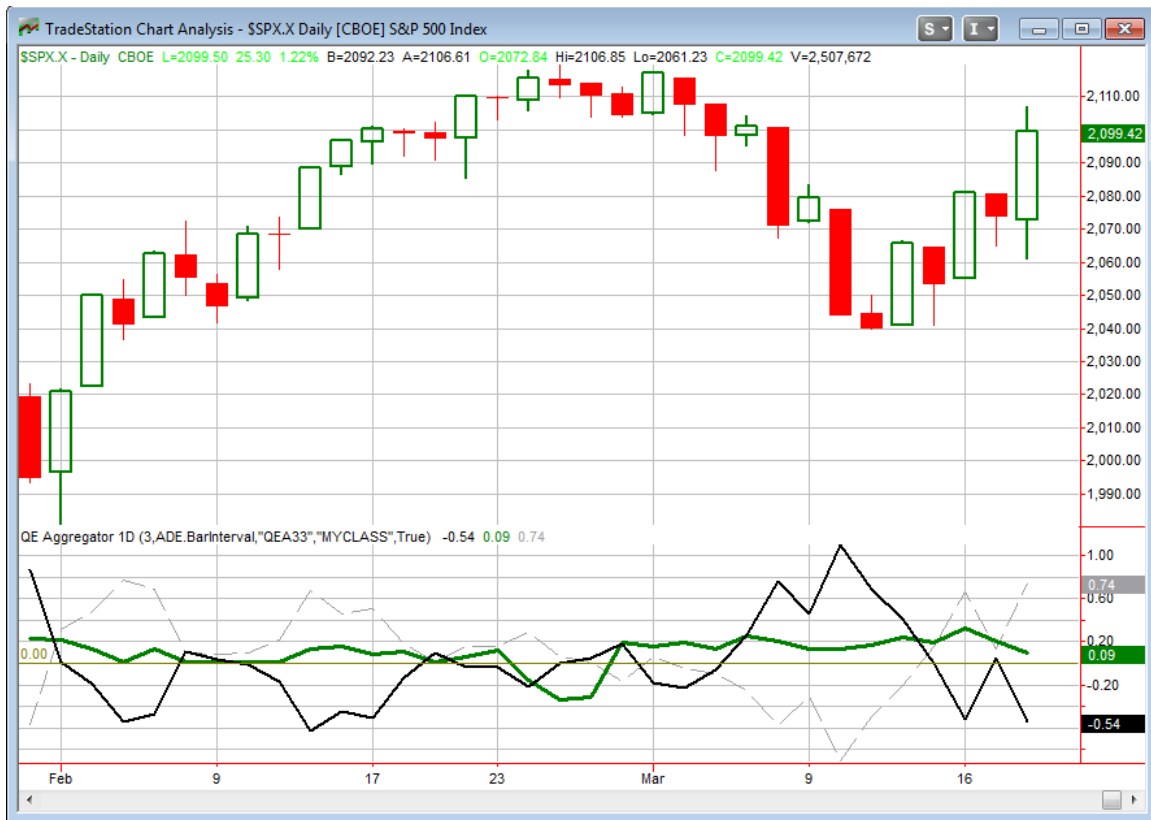
SPX rises with the highest NYSE trading volume in 20+ days. Today is NOT Opex Friday. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1996 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	61,122.09	50	37	13	74.00	2,115.98	4,885.00	-1,320.71	-4,242.42	1.60	4.56	1,222.44
9	53,146.80	50	37	13	74.00	1,972.28	5,451.25	-1,525.21	-5,429.38	1.29	3.68	1,062.94
8	50,758.67	50	39	11	78.00	1,837.42	4,174.09	-1,900.05	-5,492.28	0.97	3.43	1,015.17
7	40,983.16	52	38	14	73.08	1,817.51	4,869.18	-2,005.88	-5,526.30	0.91	2.46	788.14
6	39,201.55	55	37	18	67.27	1,858.36	5,552.91	-1,642.11	-4,857.36	1.13	2.33	712.76
5	28,130.69	55	37	18	67.27	1,570.13	4,683.84	-1,664.68	-4,459.24	0.94	1.94	511.47
4	24,536.04	58	37	21	63.79	1,417.50	4,518.75	-1,329.11	-4,368.22	1.07	1.88	423.04
3	16,523.29	60	39	21	65.00	1,142.48	3,216.85	-1,334.92	-3,332.96	0.86	1.59	275.39
2	6,598.88	61	37	24	60.66	846.44	2,830.24	-1,029.98	-3,844.10	0.82	1.27	108.18
1	9,318.42	74	43	31	58.11	633.76	2,368.66	-578.49	-2,302.95	1.10	1.52	125.92

The statistics appear to suggest a solid bullish edge over the next couple of weeks. Below is an equity curve using a 10-day exit strategy that shows how the edge has played out over time.



After a little bit of a struggle for a couple of instances the profit curve is again making new highs and looks impressive. I found the study compelling enough to include it on the Active List.

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



With tonight's study factored in the green Aggregator Line held a bit above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile, the black Differential Line dropped sharply below 0. The negative Differential Line reading means the SPX is overbought versus recent expectations. So expectations are positive but the SPX is now 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 changed from long to flat at the close.

Based on the current active studies, expectations are set to remain positive on Thursday. Of course that could change if new bearish evidence emerges. The Differential Pivot will be 2096.99 on Thursday. That is just 0.1% below Wednesday's close. So it won't take much of a closer lower at all in order for SPX to move back to "oversold versus expectations".

For now the Aggregator remains neutral, and I am not seeing a sizable edge. It could easily turn bullish on Thursday with a move lower. I am not quite willing to anticipate that with a standing order, but a close lower on Thursday along with additional bullish evidence emerging could certainly get me interested in taking on new index exposure as early as Friday.

**Intermediate-term Outlook (2 weeks – 2 months) – *updated 3/16 – somewhat bullish***

The intermediate-term outlook was last updated in the 3/16 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**

MO – 1/3 at \$53.37 (filled @ \$53.20)

**Catapult for ETF's Trades**

None

**Broad Market Large Cap CBI – 1(MO)**

**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)	3/9/2015	\$32.25	\$34.12	5.80%		Aggressive VIX
MO(1/3)	3/11/2015	\$53.20	\$51.34	-3.50%		Catapult

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