

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 24, 2015

Volume 8 Issue 56

Market Overview



Signals Overview

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

Tonight's Research Points

- When SPX closes down but breadth is strong, it has often led to gains over the next few days.

Short-term Outlook

The Bottom Line

There again appears to be a mild upside edge. SPX is short-term oversold versus expectations, but will only remain that way if it closes down again on Tuesday.

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						
March 24, 2015	SPX down. Up Issue % >55%	1-2 days	Bullish	0.90%	-0.60%	-1.30%
March 19, 2015	High volume up day > 200ma. No opex	1-10 days	Bullish	2.50%	-1.50%	-3.10%
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			

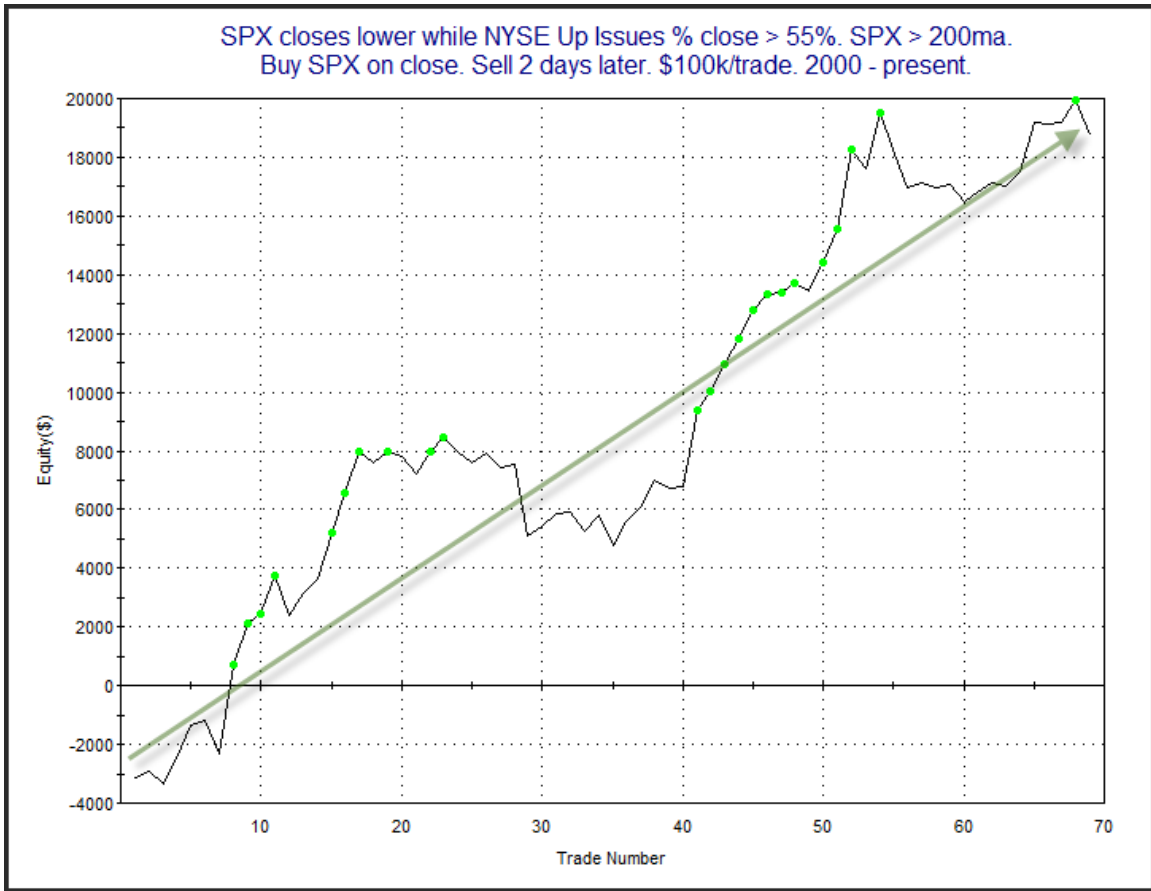
The Evidence

The market was quiet and positive for much of the day on Monday, but sellers came in just before the bell and pushed the indices into negative territory. The SPX finished down 0.2%, the NASDAQ lost 0.3%, and the Russell 2000 declined 0.1%. Breadth was positive though as the NYSE Up Issues % came in at 58% and the Up Volume % was 60%. Total NYSE volume came in very light

It was notable that the Up Issues % was unusually strong for a day that the SPX declined. The study below was last seen in the 12/10/14 Letter. It looks at days like Monday where SPX declined despite strong breadth. Results are updated.

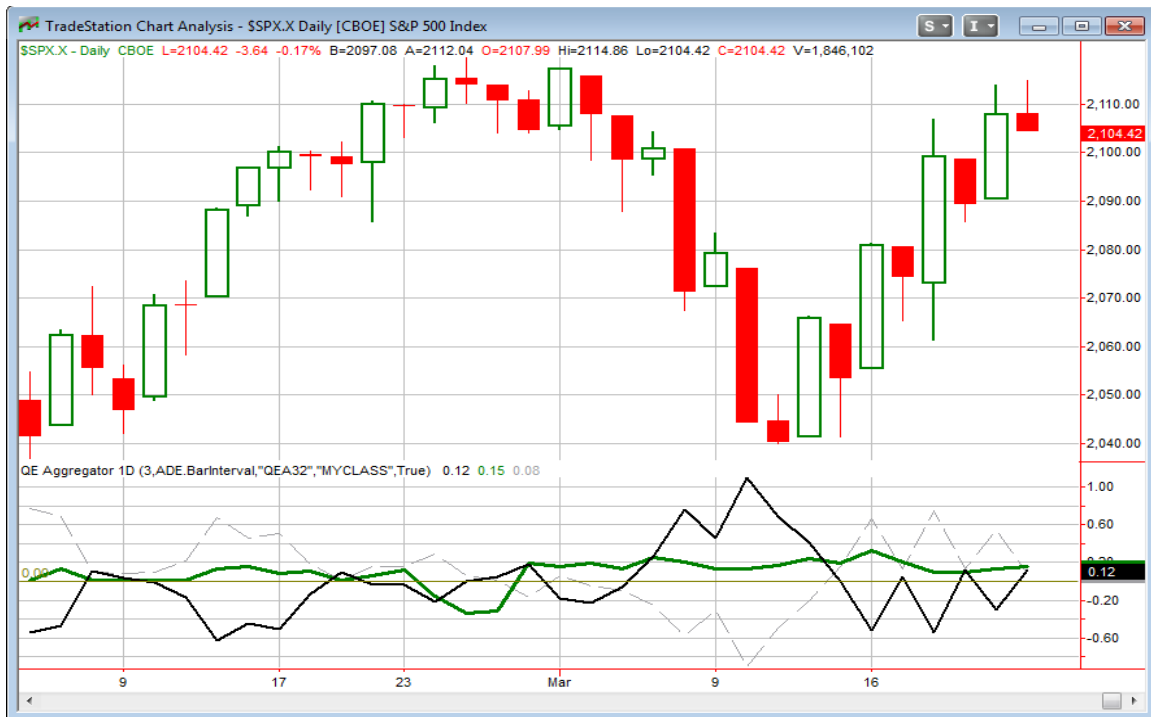
SPX closes lower while NYSE Up Issues % close > 55%. SPX > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	15,071.23	64	37	27	57.81	1,345.80	3,616.92	-1,286.05	-4,179.84	1.05	1.43	235.49
4	16,880.25	66	38	28	57.58	1,289.54	3,429.00	-1,147.22	-3,369.12	1.12	1.53	255.76
3	17,750.74	68	42	26	61.76	1,014.55	3,373.50	-956.16	-2,852.01	1.06	1.71	261.04
2	18,758.12	69	46	23	66.67	810.24	3,025.12	-804.92	-3,119.03	1.01	2.01	271.86
1	13,690.16	72	40	32	55.56	705.76	2,484.00	-454.39	-1,616.64	1.55	1.94	190.14

The edge isn't huge, but it does appear to be worth a closer look. The profit curve below gives a better idea of how it has played out over time.



While the curve certainly appears choppy, it has persisted upwards. I believe this study is worth taking into consideration.

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



With tonight's study now in the mix 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 moved back above 0. The positive Differential Line reading means the SPX is back to oversold versus recent expectations. So expectations are positive and the SPX is now oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above 0. Therefore the Aggregator signal changed from flat to long at the close.

Based on the current active studies, expectations are set to remain positive on Tuesday. Of course that could change if new bearish evidence emerges. The Differential Pivot will be *mildly inverted* at 2097.39 on Tuesday. That is *0.3% below* Monday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case, in order to remain "oversold versus expectations" SPX will need to close down at least 0.3%. Anything short of that and it will be considered "overbought" as of Tuesday's close.

So there seems to be a bit of an upside edge based both on the current evidence and the fact that the market is no longer short-term overbought. But with the Differential Pivot inverted the potential reward is fairly limited. Any up day will leave SPX overbought and it will close out the long Aggregator signal. This hurts the reward/risk scenario. So I am not inclined to get involved in new index long positions right here. If selling is substantial on Tuesday, then I may begin to start scaling into an index position at Tuesday's close. Details on that idea are in the Trade Ideas section lower down.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/23 – somewhat bullish

The intermediate-term outlook was last updated in the 3/23 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.

SPY – buy ¼ index position @ \$207.50 LIMIT ON CLOSE. SPX needs to close down about 25 points to finish below its 10-day moving average. A close below that line would get me interested since it would provide a bit more upside potential than we see right now. \$2.50 is about the SPY equivalent, and that is how I set the limit price here.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
XIV(1/2)	3/9/2015	\$32.25	\$35.25	9.30%		Aggressive VIX
MO(1/3)	3/11/2015	\$53.20	\$51.62	-2.97%		sell on open

MO reached its exit trigger. This trade idea will be exited at Tuesday's open.

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