

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 31, 2015

Volume 8 Issue 61

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- The combination of a 2-day rally, low volume, and a close below a short-term high seems to suggest more upside is likely over the next few days.
- [Like the old grey mare](#), the first of the month just ain't what she used to be.

## *Short-term Outlook*

### *The Bottom Line*

Evidence remains somewhat bullish, but the market is now short-term overbought. This has the Aggregator neutral and me looking to take some profits.

**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 31, 2015	SPX up 2+ days low vol 10. Close > 200	1-3 days	Bullish	1.20%	-0.90%	-1.70%
March 26, 2015	1% drop on weak breadth	1-9 days	Bullish	3.00%	-2.50%	-5.40%
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			

**The Evidence**

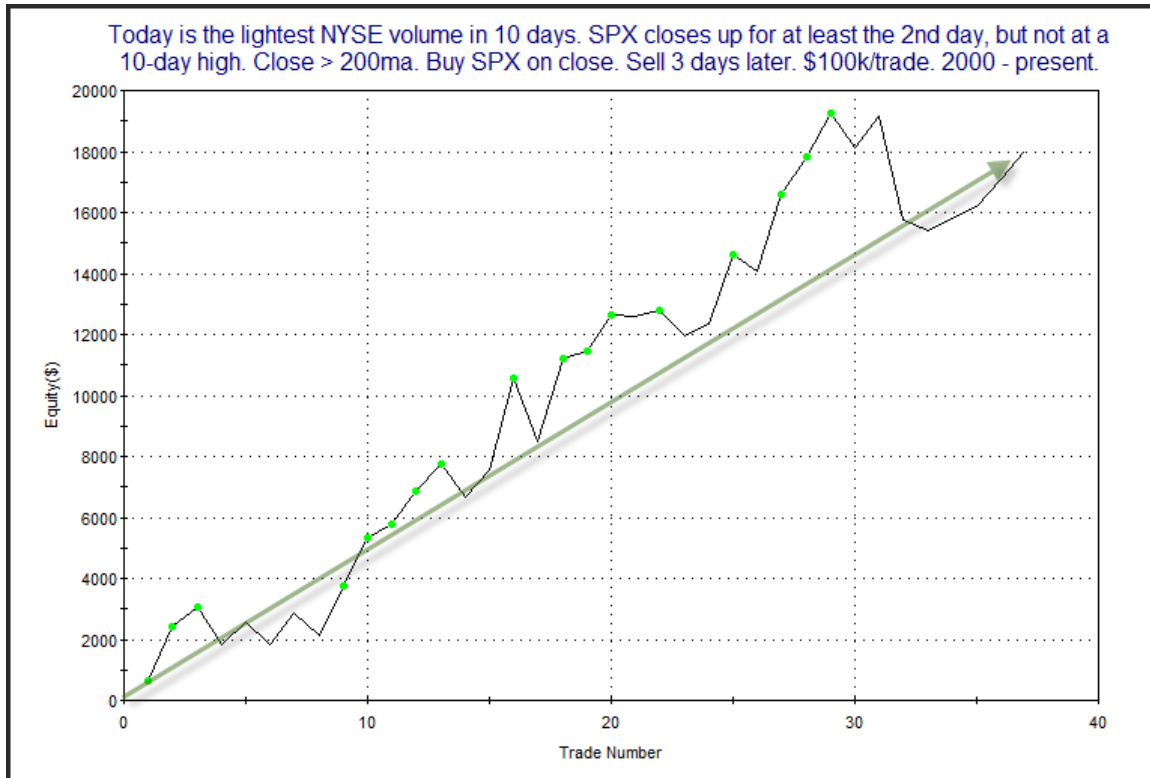
Monday was a good day for bulls. The SPX and NASDAQ each gained 1.2%, and the Russell 2000 rose 1.4%. Breadth was strongly positive as the NYSE Up Issues % came in at 72% and the Up Volume % was 84%. But even with the strong move up, NYSE volume hit the lowest level in quite a while.

There was one compelling study that appeared in the Quantifinder tonight. It was from the 11/5/13 letter and it examined the fact that volume came in very light while SPX posted a multi-day rise that has failed to close at a new short-term high. An updated stats table is below.

Today is the lightest NYSE volume in 10 days. SPX closes up for at least the 2nd day, but not at a 10-day high. Close > 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
10	27,371.42	35	27	8	77.14	2,024.14	4,729.48	-3,410.04	-6,514.56	0.59	2.00	782.04
9	30,854.33	35	23	12	65.71	2,333.21	5,835.78	-1,900.79	-5,586.56	1.23	2.35	881.55
8	26,200.59	35	25	10	71.43	1,920.55	6,090.44	-2,181.31	-5,560.38	0.88	2.20	748.59
7	18,623.79	35	24	11	68.57	1,761.76	5,673.14	-2,150.78	-4,337.84	0.82	1.79	532.11
6	16,742.05	35	23	12	65.71	1,575.09	4,102.38	-1,623.75	-3,187.50	0.97	1.86	478.34
5	11,641.86	36	22	14	61.11	1,543.89	3,614.46	-1,594.55	-4,134.88	0.97	1.52	323.38
4	16,667.23	36	23	13	63.89	1,418.60	3,249.59	-1,227.73	-2,827.44	1.16	2.04	462.98
3	18,007.74	37	26	11	70.27	1,165.09	3,000.26	-1,116.78	-3,418.20	1.04	2.47	486.70
2	15,629.11	37	27	10	72.97	948.24	2,380.51	-997.34	-2,946.78	0.95	2.57	422.41
1	4,493.58	40	21	19	52.50	737.47	1,953.82	-578.59	-1,611.60	1.27	1.41	112.34
<b>37 of 40 instances (93%) closed above the entry price at some point in the next week.</b>												

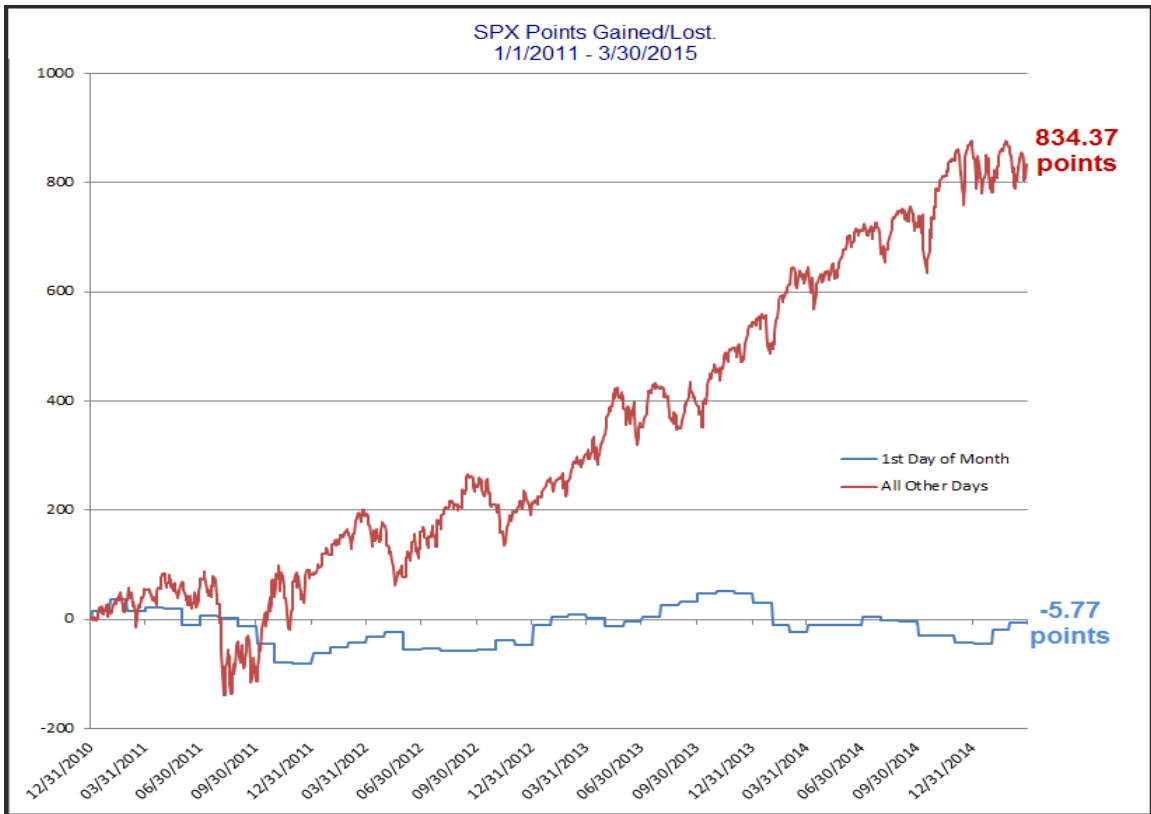
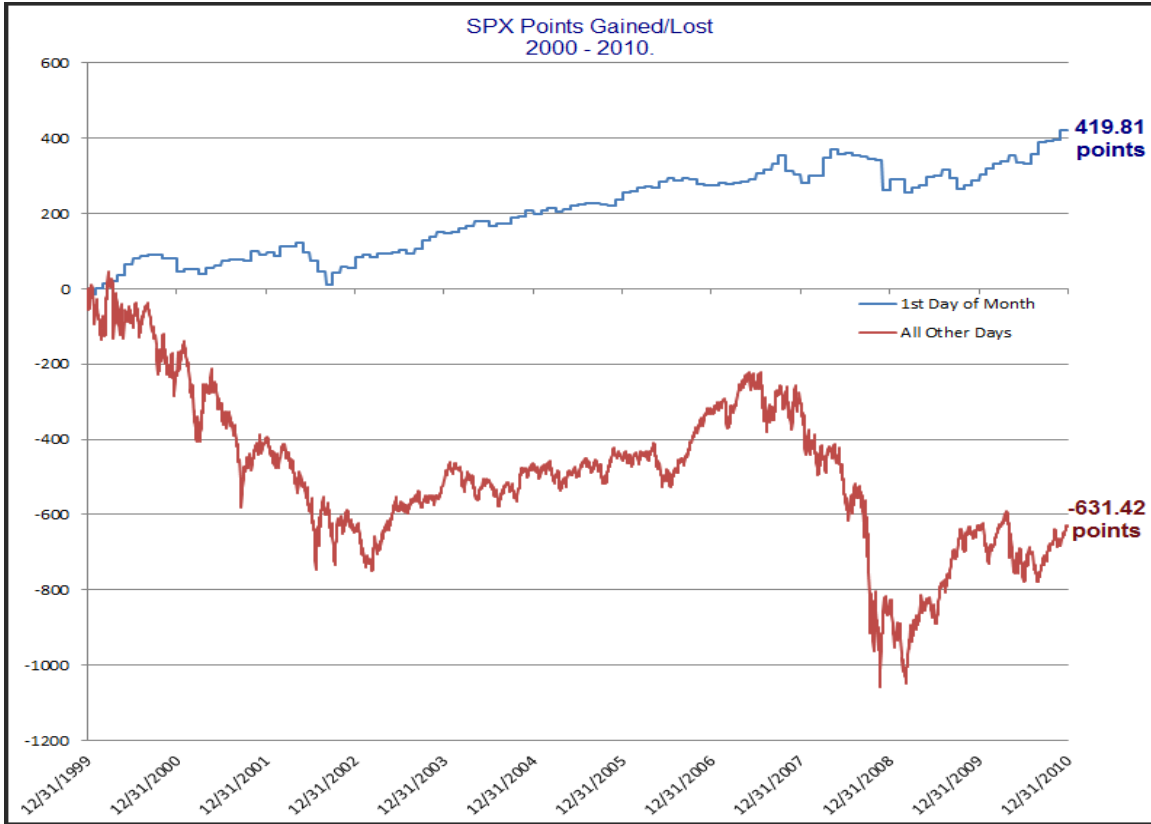
These results may appear a little surprising. The weak volume and the fact that the market has already risen in the short-term may seem like it would suggest a downside

edge. But the numbers are solidly bullish. The size of the gains over the 3-day period is impressive. Below is a profit curve using a 3-day exit strategy.



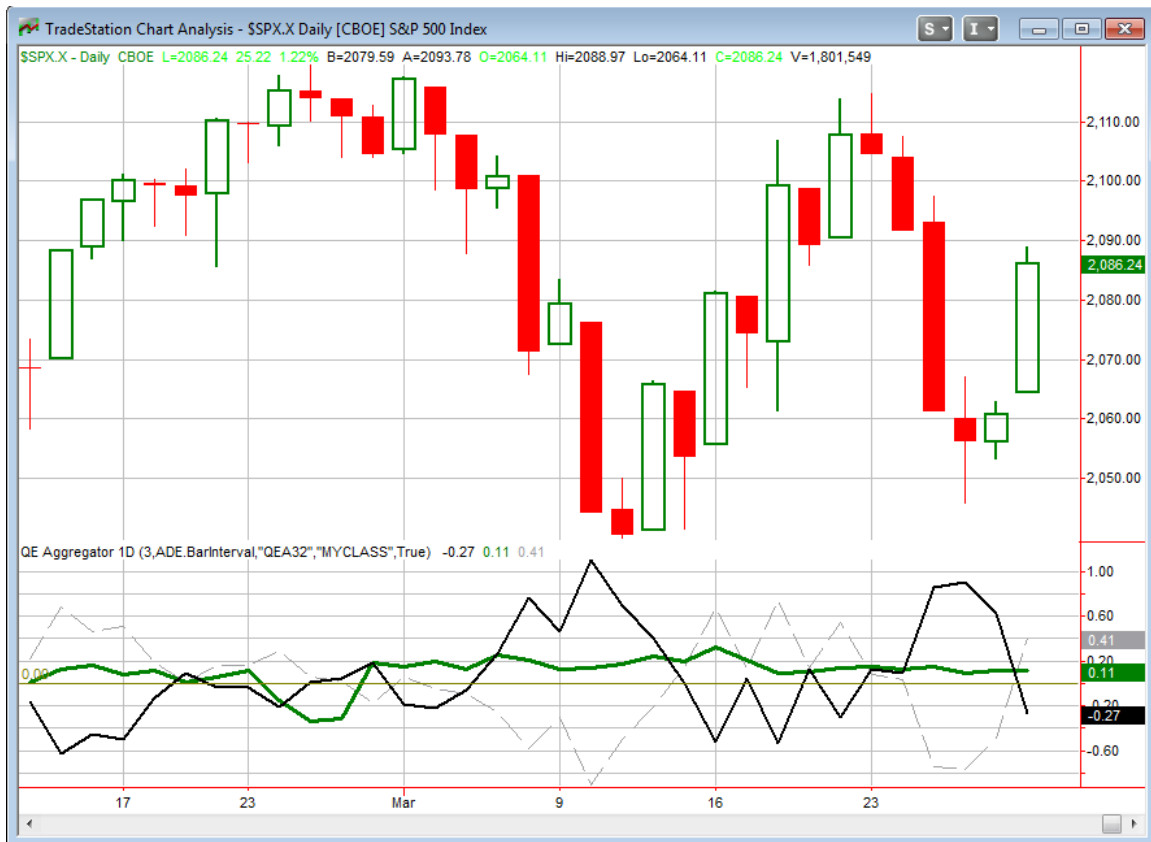
The strong upslope serves as confirmation of the bullish edge. After a quick dip the curve seems to be getting back on track as well. I have decided to include this study on the active list tonight.

It is also notable that Tuesday is the last day of March. And in Tuesday's Quantifinder we are sure to see a number of bullish studies related to the 1<sup>st</sup> trading day of the month. I'll examine whatever ones arise, but I thought I would note that on a broad basis, the first day of the month has weakened substantially in recent years. In the subscriber letter last month I showed a couple of charts that demonstrated just how drastic the change in the "1<sup>st</sup> of the Month versus All Other Days" has been. I updated that study tonight. The charts below show SPX points gained (or lost) for 2 time periods. The first one looks at 2000-2010. The 2<sup>nd</sup> one shows 2011 – present.



Quite the contrast. The first of the month just ain't what it used to be. I'll be sure to carefully examine any 1<sup>st</sup> of the month studies that trigger on Tuesday to see if the edge suggested has waned significantly.

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



With tonight's study factored in the green Aggregator Line remained 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 down 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 Tuesday. Of course that could change if new bearish evidence emerges. The Differential Pivot will be 2063.21 on Tuesday. That is 1.1% below Monday's close. So for SPX to change back to oversold versus expectations it will need to close down at least 1.1% on Tuesday. That would be a big reversal of Monday's move, and fairly unlikely. A more likely scenario for working off the overbought conditions would be a multi-day pullback or consolidation.

So the bounce that the studies were looking for has arrived. There appears to be a decent chance that there still may be more to go in this bounce, but with the market already short-term overbought this appears to be a good place to take some profits. That is what I intend to do on Tuesday. I am looking to exit my SPY position if I can get a decent fill. Additionally, one of the Catapults hit its target and I will be exiting that at the open. Details in the Trade Ideas section down below.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 3/30– somewhat bullish***

The intermediate-term outlook was last updated in the 2/23 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***

*UPS – 1/3 @ \$96.64 (bought)*

*UPS – 1/3 @ \$96.59 (not filled-cancel order)*

***Catapult for ETF's Trades***

*None*

***Broad Market Large Cap CBI – 2 (UPS-2)***

## 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 – note I have also cancelled the orders from last night that did not fill.**

## Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
XIV(1/2)	3/9/2015	\$32.25	\$35.53	10.17%	\$32.69	Aggressive VIX
SPY(1/4)	3/25/2015	\$205.76	\$208.25	1.21%		sell @ \$208.00 limit
BMY(1/3)	3/26/2015	\$64.56	\$65.76	1.86%		sell on open
UPS(1/3)	3/27/2015	\$96.64	\$97.27	0.65%		bought @ limit

Unless SPY gaps down I will look to exit it at the open. In the case of a gap down I have set a limit price of \$208.00, which won't require it to fill its gap, but it will need to come within \$0.25 of doing that.

With contango still very steep I continue to like the XIV position. I have placed a stop below the recent swing low which should help to lock in a small profit if this volatile security takes a dive. I hope to continue to ride this position as long as contango remains steep and expectations remain bullish. Should the short-term SPX outlook turn bearish, then I would likely exit this position – at least temporarily.

This report has been prepared by Hanna Capital Management, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Hanna Capital Management, LLC or clients of Hanna Capital Management, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Hanna Capital Management, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Hanna Capital Management, LLC nor any officer or employee of Hanna Capital Management, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Hanna Capital Management, LLC.

Copyright © 2015 Hanna Capital Management, LLC.