

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 1, 2015

Volume 8 Issue 62

Market Overview



Signals Overview

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

Tonight's Research Points

- Early April has typically been a bullish time for the market.
- Oversold into a new month has often been followed by gains.

Short-term Outlook

The Bottom Line

Evidence remains bullish. Despite Tuesday's selling the market remains overbought. This is leaving me with a neutral short-term outlook.

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						
April 1, 2015	Pullback into month end	1-5 days	Bullish			
April 1, 2015	Early April bullish	1-4 days	Bullish			
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%
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

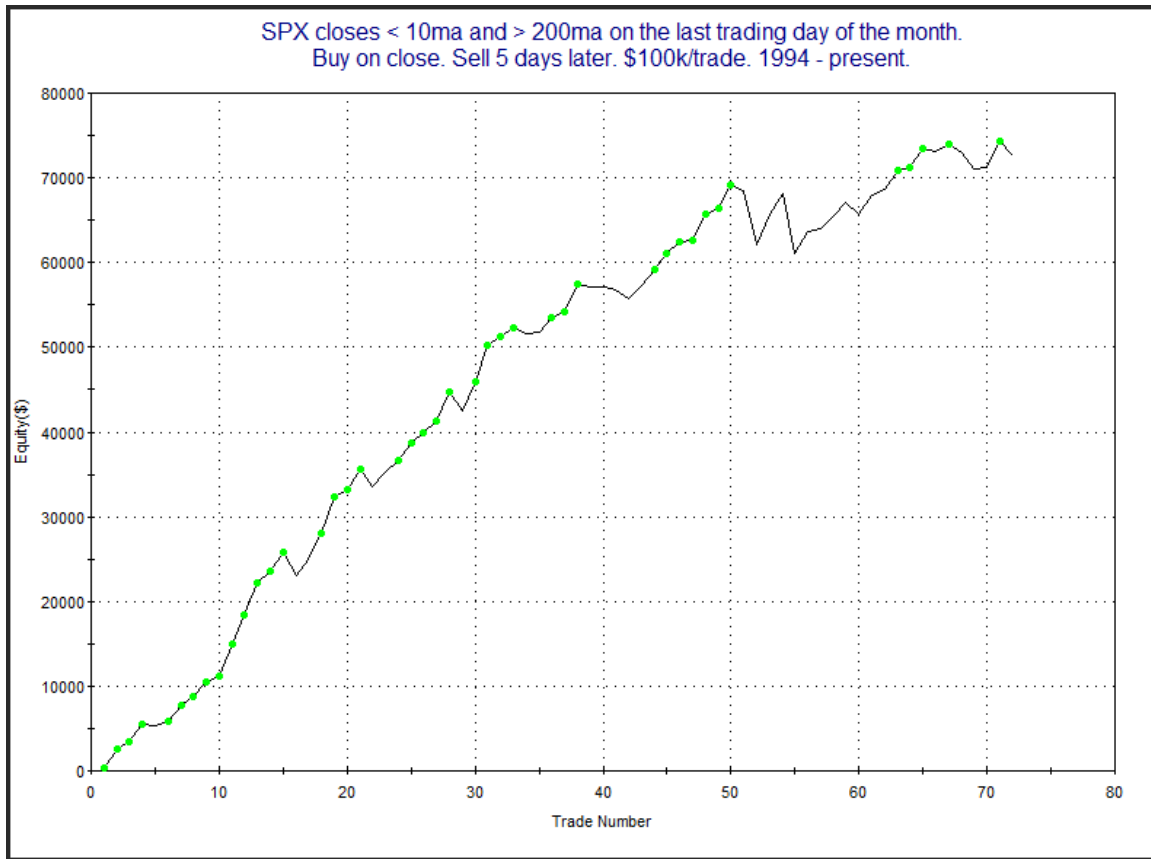
The market got knocked down a bit on Tuesday. The SPX and NASDAQ each dropped 0.9%, and the Russell 2000 lost 0.4%. Breadth was negative as the NYSE Up Issues % came in at 41% and the Up Volume % was 32%. Total NYSE volume rose from Monday's low level..

There were a few studies tonight related to turn of the month bullishness. In last night's letter I showed that the start of new months has not exhibited the kind of bullish behavior over the last 4 years that it had previously. But there were a couple of turn of the month studies that appeared tonight that still seemed worth examination. They were both also seen in the 10/1/14 letter.

The first study uses moving averages to examine times where the market is undergoing a short-term pullback during a long-term uptrend as a new month is entered. All stats are updated.

SPX closes < 10ma and > 200ma on the last trading day of the month. Buy on close. Sell X days later. \$100k/trade. 1994 - 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	72,678.75	72	56	16	77.78	1,836.55	4,435.97	-1,885.51	-7,153.30	0.97	3.41	1,009.43
4	66,722.22	72	54	18	75.00	1,688.48	3,838.00	-1,358.65	-7,100.17	1.24	3.73	926.70
3	45,151.83	72	47	25	65.28	1,642.19	3,709.44	-1,281.25	-3,492.36	1.28	2.41	627.11
2	39,081.14	72	53	19	73.61	1,212.81	3,442.32	-1,326.20	-4,320.06	0.91	2.55	542.79
1	40,105.00	72	54	18	75.00	968.29	3,119.10	-676.82	-2,559.62	1.43	4.29	557.01
66 of 72 instances (92%) closed above the entry price at some point in the next week.												

Day 1 has obviously provided strong numbers, but even beyond that there appears to be some follow through over the next few days. Below is a profit curve for the 5-day holding period.



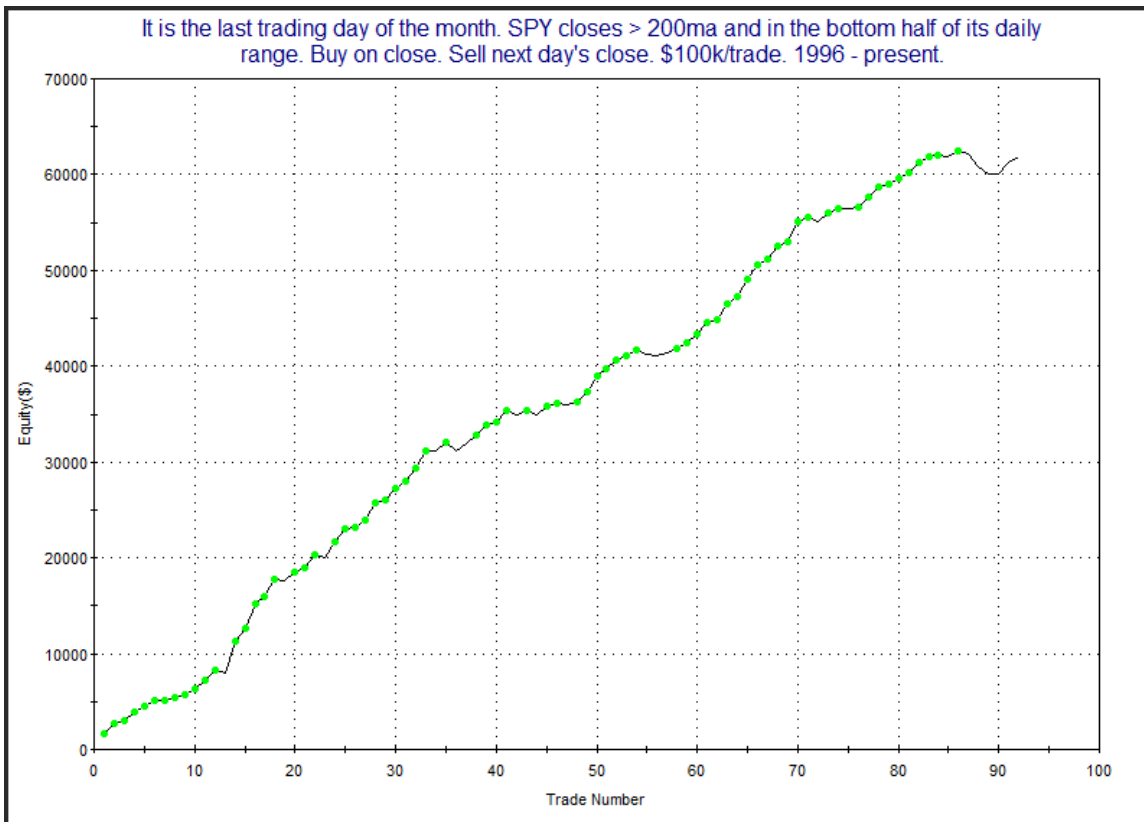
The curve has struggled a bit more recently, but the recent new highs suggest the bullish inclination remains intact.

I also showed another compelling turn of the month study in that 10/1/14 letter. It broke out stats when SPY closed in the top half of its daily range versus the bottom half, and found that weak closes on the last day of the month led to much better returns on the 1st day of the next month. Below are stats for this scenario.

It is the last trading day of the month. SPY closes > 200ma and in the bottom half of its daily range. Buy on close. Sell next day's close. \$100k/trade. 1996 - present.

TradeStation Performance Summary				Collapse ^
All Trades				
Total Net Profit	\$61,932.25	Profit Factor	10.55	
Gross Profit	\$68,416.29	Gross Loss	(\$6,484.04)	
Total Number of Trades	92	Percent Profitable	81.52%	
Winning Trades	75	Losing Trades	17	
Even Trades	0			
Avg. Trade Net Profit	\$673.18	Ratio Avg. Win:Avg. Loss	2.39	
Avg. Winning Trade	\$912.22	Avg. Losing Trade	(\$381.41)	
Largest Winning Trade	\$3,295.88	Largest Losing Trade	(\$1,353.69)	

The stats here are very strong. Gains blow away losses in every category. Gross gains are over 10x the size of gross losses. That's an impressive stat when you are looking at a sample size of 92 instances. Here is a look at the profit curve.



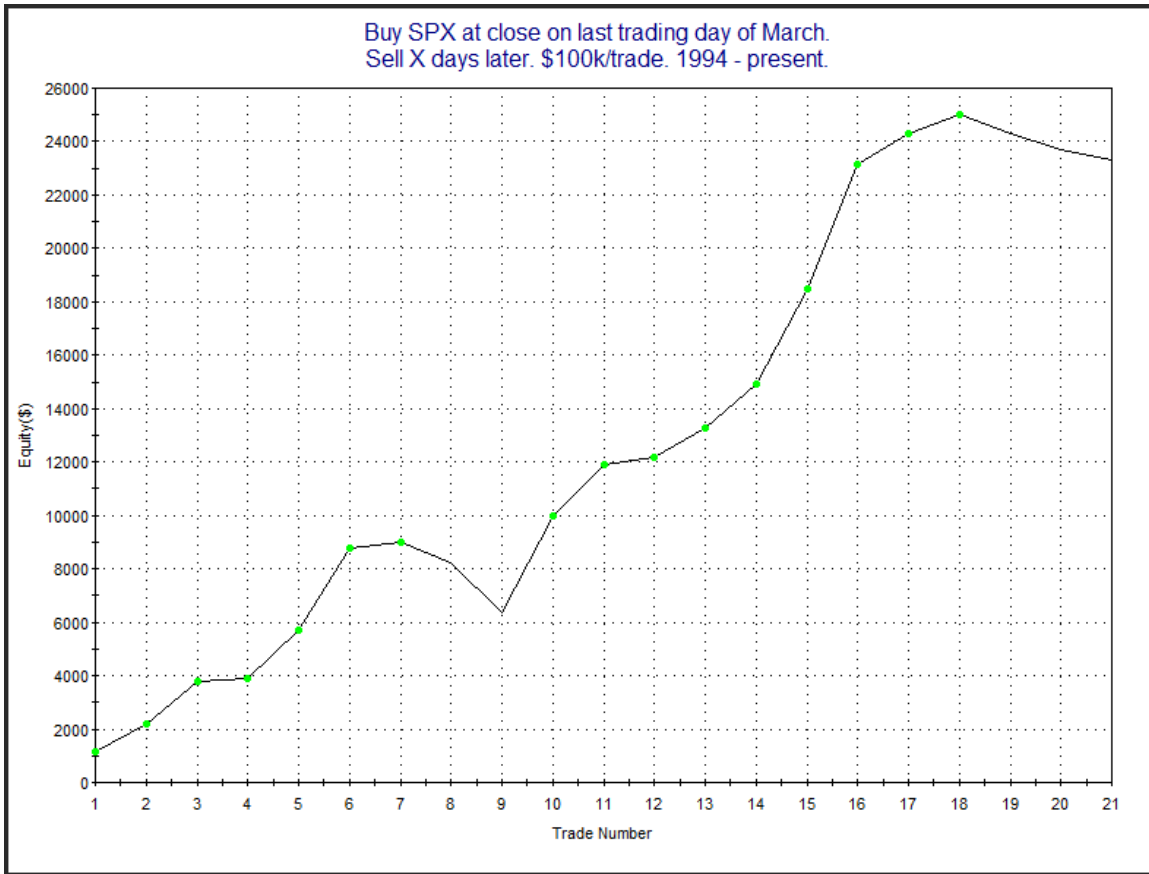
Like the previous study, there was a little dip in the curve recently, but it seems to be trying to get back on track and the overall picture looks quite impressive. So it seems turn-of-the-month seasonality may be worth taking into consideration based on the recent pullback.

Of course we aren't entering just any month. We are entering April. In Sunday night's letter I discussed the bullish seasonality that early April has exhibited over the last 21 years. I have copied the excerpt from that letter below.

As we near April Fools Day on Wednesday it is worth noting that early April has been an especially strong period over the years. The table below is updated from the 4/1/13 letter.

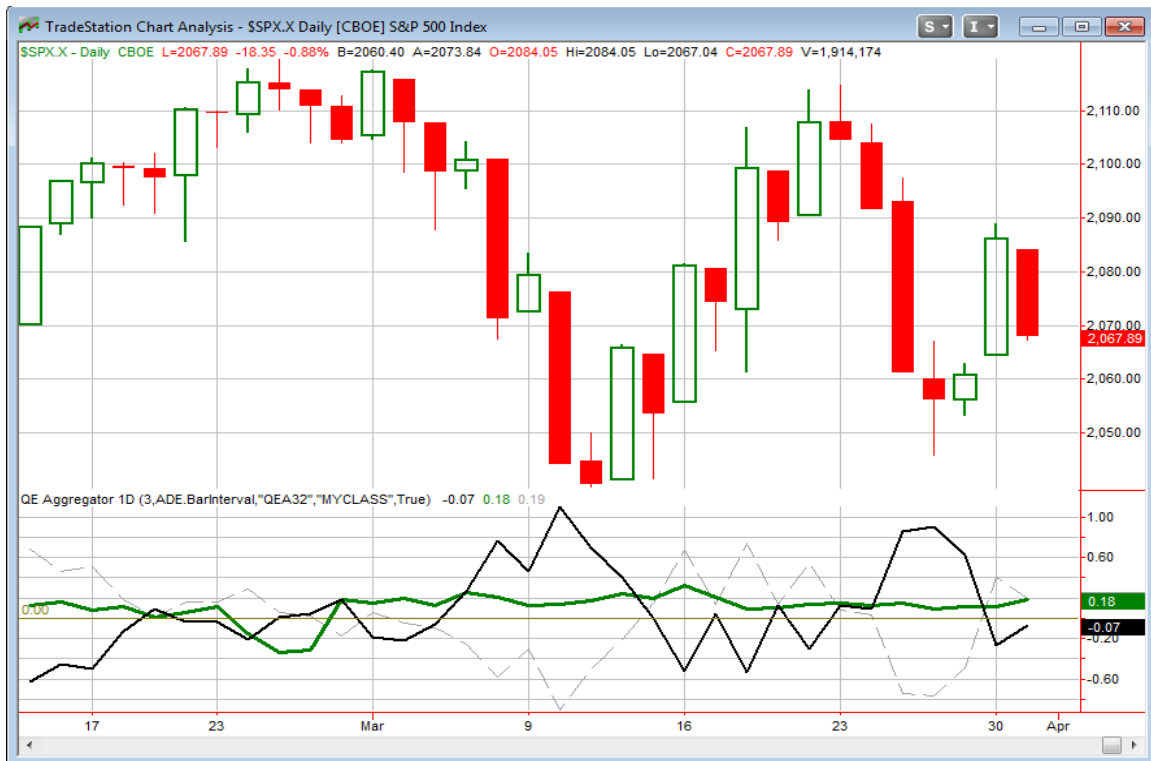
Buy SPX at close on last trading day of March. Sell X days later. \$100k/trade. 1994 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	14,571.21	21	15	6	71.43	1,596.26	4,435.97	-1,562.12	-2,745.12	1.02	2.55	693.87
4	23,315.50	21	16	5	76.19	1,725.14	4,701.25	-857.36	-1,831.35	2.01	6.44	1,110.26
3	18,609.07	21	16	5	76.19	1,748.23	5,578.75	-1,872.53	-4,909.74	0.93	2.99	886.15
2	18,789.33	21	16	5	76.19	1,619.18	4,563.75	-1,423.51	-4,638.84	1.14	3.64	894.73
1	9,600.90	21	16	5	76.19	846.13	3,559.50	-787.42	-1,532.16	1.07	3.44	457.19

The numbers here are quite impressive. The edge seems to max out on day 4. Below is a profit curve for a 4-day holding period.



Sixteen of the 1st eighteen years were higher on day 4, but the last 3 have seen mild declines. I still believe we will see some favorable seasonality in early April. (The 2-day time period has been up all of the last 3 years.) So this is something to keep in mind for later in the week.

So evidence tonight is pointing bullish, and it is primarily due to a positive seasonal environment. I have factored this in to the Aggregator calculation and updated the [Aggregator](#) chart below.



With tonight's studies 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 remained below 0. The negative Differential Line reading means the SPX is overbought versus recent expectations. So expectations are positive but the SPX is still 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 stayed flat at the close.

Based on the current active studies, expectations are set to remain positive on Wednesday. Of course that could change if new bearish evidence emerges. The Differential Pivot will be *slightly inverted* at 2068.11 on Wednesday. That is less than ¼ SPX point above Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, in order to remain overbought versus recent expectations SPX is going to need to close up, but just slightly. Any flat or down close would cause SPX to be considered "oversold versus expectations" as of Wednesday's close.

So evidence continues to point higher, and I have not seen any compelling bearish evidence emerge in the last few days. But the market is overbought and it will remain so if it closes up on Wednesday. That suggests reward/risk is not terribly favorable yet. So I will not be looking to get into any new positions on Wednesday. I may on Thursday if Wednesday turns into another down day.

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.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
XIV(1/2)	3/9/2015	\$32.25	\$34.64	7.41%	\$32.69	Aggressive VIX
SPY(1/4)	3/25/2015	\$205.76	\$208.00	1.09%		<i>sold at limit</i>
BMY(1/3)	3/26/2015	\$64.56	\$65.48	1.43%		<i>sold on open</i>
UPS(1/3)	3/27/2015	\$96.64	\$96.94	0.31%		Catapult

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.