

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 7, 2015

Volume 8 Issue 65

Market Overview



Signals Overview

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

Tonight's Research Points

- Complete engulfing days similar to Monday used to suggest a short-term downside edge, but that no longer is apparent.

Short-term Outlook

The Bottom Line

Evidence is moderately bullish, but the market is no longer oversold. There does not appear to be a strong short-term directional edge.

Summary of Recent Active Studies (see Letters from listed dates for details)

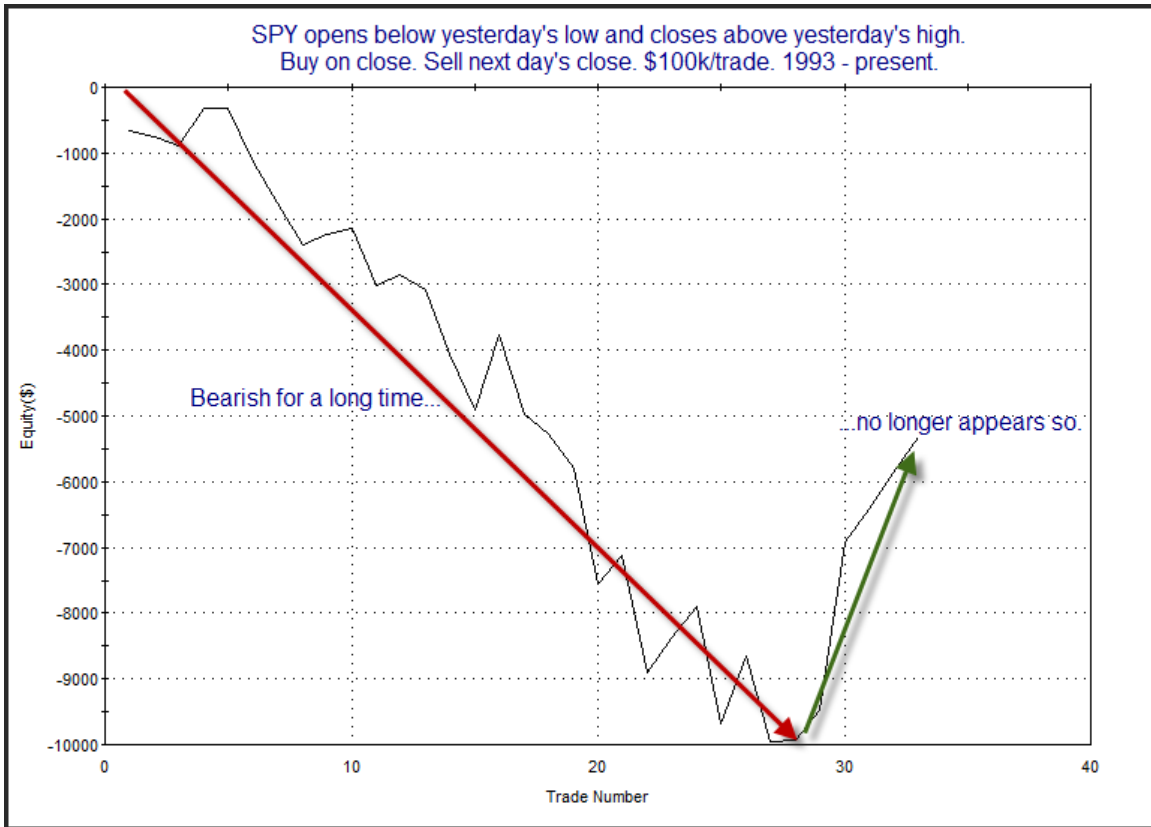
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
April 1, 2015	Pullback into month end	1-5 days	Bullish			
April 1, 2015	Early April bullish	1-4 days	Bullish			
March 26, 2015	1% drop on weak breadth	1-9 days	Bullish	3.00%	-2.50%	-5.40%
Active - Long Term						
April 2, 2015	2 unfilled gaps down > 200ma	1-9 days	Bullish	2.40%	-1.60%	-3.00%
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			
Dropped Tonight						
April 2, 2015	<i>Holy Thursday bullish</i>	<i>1 day</i>	<i>Bullish</i>			
March 31, 2015	SPX up 2+ days low vol 10. Close > 200	1-3 days	Bullish	1.20%	-0.90%	-1.70%

The Evidence

After a sizable gap down the market rebounded strongly on Monday. The SPX finished up 0.7%, the NASDAQ gained 0.6%, and the Russell 2000 rose 0.4%. Breadth was strongly positive as the NYSE Up Issues % came in at 71% and the Up Volume % was 76%. Total NYSE volume rose from Thursday's holiday-light level.

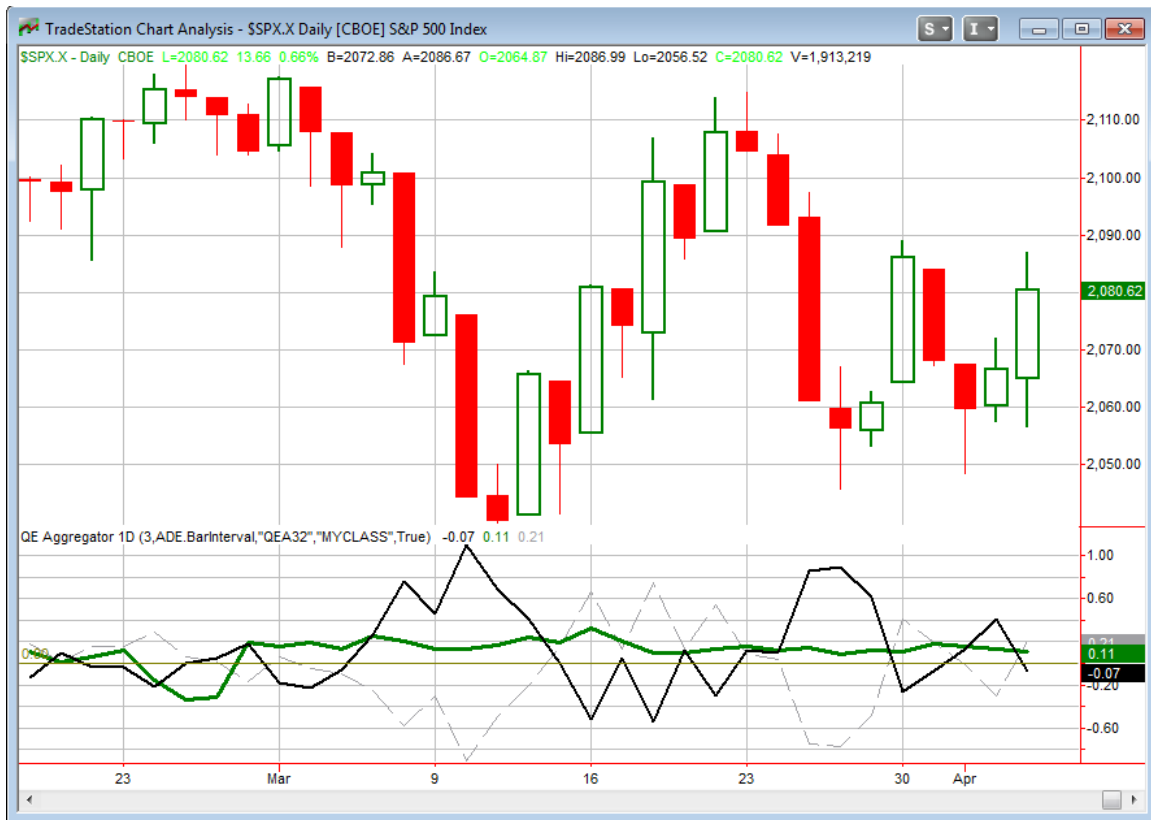
The rally caused SPX to cross above its 10ma and finish right near the midpoint of its 10-day range. Choppy, range-bound trading still appears to be in effect. Action Monday did little to inspire strong, compelling studies in the Quantifinder.

It was somewhat interesting that SPY opened below Thursday's low and closed above Thursday's high. This kind of total engulfing triggered a study I last featured a few years ago in the 8/27/12 letter. It suggested a pullback often occurs after such action. But the updated results looked much different. Below is a profit curve for a 1-day holding period, which was representative of all of the first few days.



The last 6 instances have all closed higher, and they have recovered nearly half the losses that were seen over the 1st 27 instances. This study no longer appears to be providing the kind of edge it once did, so I will be removing it from the Quantifinder.

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



Without any new studies being added to the Active List, the green Aggregator Line again 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 dipped 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 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 2068.94 on Tuesday. That is 0.6% below Monday's close. So SPX will need to close down at least 0.6% on Tuesday in order to move back to "oversold" versus expectations.

Like the Aggregator, I am overall market-neutral at the moment. New evidence is lacking and the market is moderately overbought. I don't see a reason to hang on to my long index position any longer. My general philosophy with regards to short-term trading is, "If I see a strong edge, I need to get into a position to take advantage of that edge. When the edge is no longer present, I need to get out." The edge is no longer present so it is time for me to exit my SPY position and wait for the next favorable setup to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/6– somewhat bullish

The intermediate-term outlook was last updated in the 4/6 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	\$36.09	11.91%	\$32.69	Aggressive VIX
UPS(1/3)	3/27/2015	\$96.64	\$96.84	0.21%		sell @ \$96.95 limit on close
SPY(1/4)	4/2/2015	\$205.50	\$207.83	1.13%		sell @ \$207.00 limit

If UPS closes \geq \$96.95, it will reach its exit target. With the market already overbought, I will close it out instead of holding until Wednesday morning.

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