

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 8, 2015

Volume 8 Issue 66

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Continued chop is failing to generate action suggesting strong short-term edges.

### *Short-term Outlook*

#### *The Bottom Line*

Same as last night. 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
<b>Active - Short Term</b>						
April 1, 2015	Pullback into month end	1-5 days	Bullish			
March 26, 2015	1% drop on weak breadth	1-9 days	Bullish	3.00%	-2.50%	-5.40%
<b>Active - Long Term</b>						
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			
<b>Dropped Tonight</b>						
April 1, 2015	Early April bullish	1-4 days	Bullish	0.90%	-0.60%	-1.30%

***The Evidence***

After being positive for most of the day, the market took a late tumble and the indices finished lower. The SPX closed down 0.2%, the NASDAQ fell 0.1%, and the Russell 2000 lost 0.6%. Breadth was negative as the NYSE Up Issues % came in at 45% and the Up Volume % was 44%. Total NYSE volume came in at the lightest level in a long while.

The mild down closed left SPX almost exactly in the middle of its 10-day range. Sideways chop continues to rule. This is keeping the number of compelling edges low and is starting to act as a test of patience for short-term traders. (That is a test I always pass.) So there is nothing new to add to the Short-Term Active List tonight.

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 stayed a little 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 remained 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 2076.63* on Wednesday. That is less than  $\frac{1}{2}$  SPX point *above* Tuesday'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 "overbought" versus recent expectations, SPX is going to need to close up at least 0.32 points on Wednesday.

Not only are both lines on opposite sides of zero, but they are both very close to it. In other words expectations are just mildly positive and SPX is overbought to a very minor degree. And with SPX trading in the middle of its short-term range, and experiencing a choppy, sideways consolidation period, there really is no strong short-term directional

index edge for me to try and take advantage of. Therefore, I will remain sidelined until a more favorable opportunity arises.

I will note that I remain long the XIV trade idea. As long-term subscribers know, XIV benefits greatly from contango between the 1<sup>st</sup> and 2<sup>nd</sup> month VIX futures. The contango at this point is extremely steep – over 11%. If it remained at this level for the next month then XIV would benefit about 11% from the futures roll. That is a sizable edge, especially when the overall market is locked in a sideways consolidation. So even if the VIX (and more accurately VIX futures) fail to decline over the next month, the steep contango could result in a nice gain for XIV. I intend to maintain this position until either 1) the contango shrinks substantially, or 2) there appears to be a strong bearish outlook for the market. Because XIV can be so volatile, I have placed a stop below a recent consolidation. I will move this stop higher over time if XIV manages to continue to make its way higher.

***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***

*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.

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	\$36.22	12.31%	\$32.69	Aggressive VIX
UPS(1/3)	3/27/2015	\$96.64	\$96.74	0.10%		stopped out intraday
SPY(1/4)	4/2/2015	\$205.50	\$207.85	1.14%		sold on open

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.