

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 15, 2015

Volume 8 Issue 71

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Tax Day and the day after have carried seasonal bullishness over the years.

### *Short-term Outlook*

#### *The Bottom Line*

The outlook remains mostly neutral with the market still overbought. But a failure to rally on Wednesday would likely leave the Aggregator bullish.

**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 15, 2015	Tax day and day after bullish	1-2 days	Bullish			
April 14, 2015	VIX up 10%. SPX no 1% drop	1-5 days	Bullish			
April 13, 2015	April opex bullish	1-3 days	Bullish	1.80%	-0.90%	-2.10%
<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			

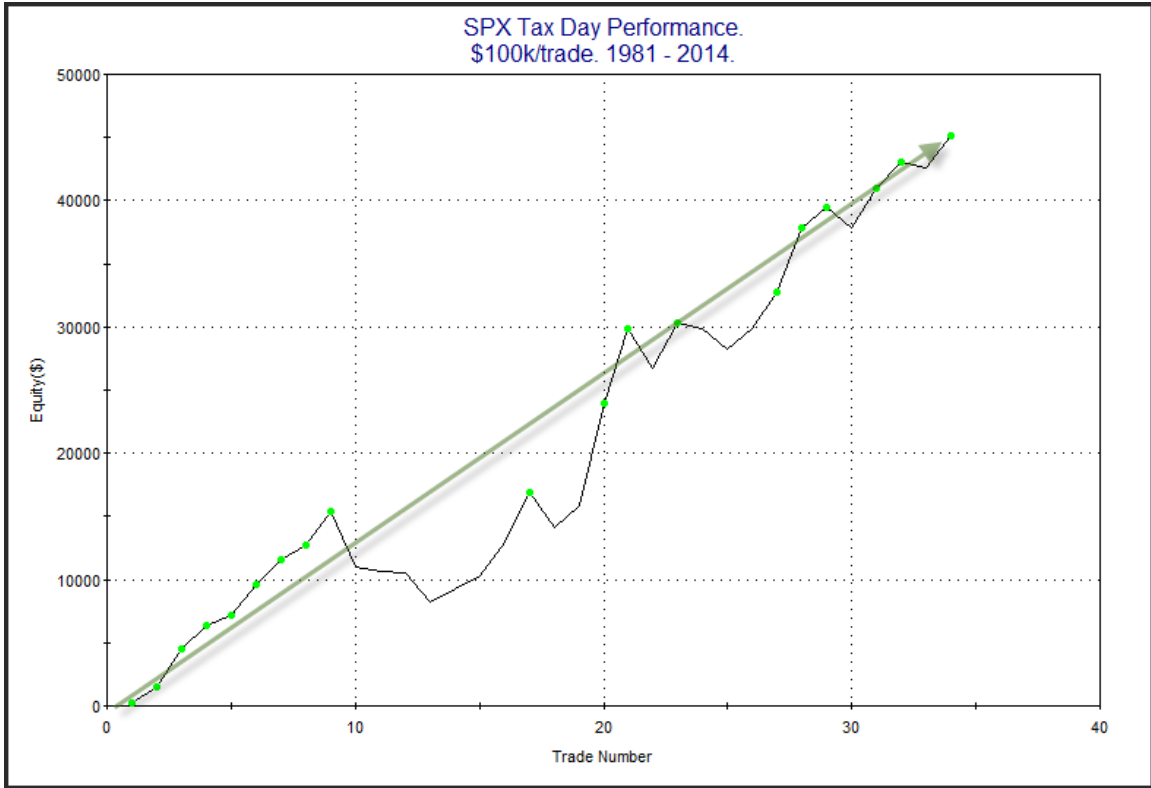
**The Evidence**

Tuesday was another mixed and mild day for the market. The SPX rose 0.2% while the NASDAQ fell 0.2%, and the Russell 2000 nearly broke even with a loss of 0.24 points (0.02%). Breadth was positive as the NYSE Up Issues % came in at 62% and the Up Volume % was 68%. Total NYSE volume rose some from Monday's level.

In Sunday night's letter I showed how tax day (and the day after), have been bullish market days over the years. The reason tax day may be important is that it is the last day that people can make IRA contributions to count for the previous tax year. This can create a last-minute rush and you will often have an inflow of funds heading into the market right around and on April 15th. Fund managers will often put this money to work immediately and it creates a positive bias for the market. Below is the stats table that I showed on Sunday night.

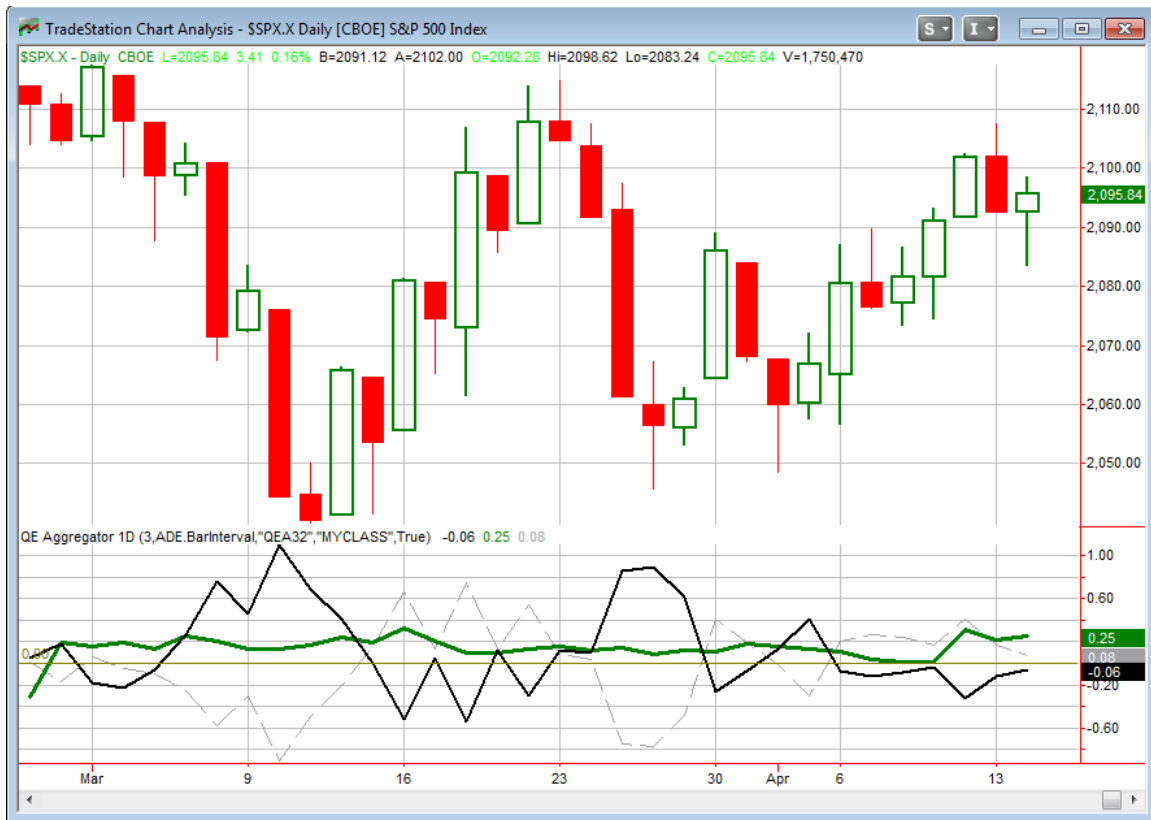
SPX Tax Day Performance. \$100k/trade. 1981 - 2014.						
TradeStation Performance Summary						Collapse ^
All Trades						
Total Net Profit	\$10,610.88	Profit Factor				2.42
Gross Profit	\$18,069.02	Gross Loss				(\$7,458.14)
Total Number of Trades	34	Percent Profitable				70.59%
Winning Trades	24	Losing Trades				10
Even Trades	0					
Avg. Trade Net Profit	\$312.08	Ratio Avg. Win:Avg. Loss				1.01
Avg. Winning Trade	\$752.88	Avg. Losing Trade				(\$745.81)
Largest Winning Trade	\$3,322.23	Largest Losing Trade				2013 (\$2,262.38)

The numbers are strong. Let's also look at the profit curve tonight.



The curve is as impressive as the numbers. I'll show the curve for the day after tax day tomorrow night. I have added the Tax Day studies to the Active List tonight.

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



With tonight's study factored in the green Aggregator Line stayed well 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 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 *inverted* at 2108.94 on Wednesday. That is 0.6% *above* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case SPX is going to need to rise at least 0.6% in order to remain overbought. Otherwise it will be considered oversold versus expectations as of Wednesday's close.

Similar to last night, the Aggregator is looking neutral, but it could easily turn bullish with a down close (or even a moderate up close). I like the evidence enough that I will look to start scaling into a long position if Wednesday does close lower. Details in the Trade Ideas section down below.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 4/13– somewhat bullish**

The intermediate-term outlook was last updated in the 4/13 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 @ \$209.48 LIMIT ON CLOSE.** Based on the short-term outlook above, I'll look to start scaling in on any down close on Wednesday.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
XIV(1/2)	3/9/2015	\$32.25	\$39.10	21.24%	\$32.69	Aggressive VIX

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