

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 16, 2015

Volume 8 Issue 72

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Long	100% Long XIV	Short

## Tonight's Research Points

- The day after tax day is giving us more seasonal bullishness.

## *Short-term Outlook*

### *The Bottom Line*

Evidence is bullish and SPX is no longer overbought. This has the Aggregator bullish. But the reading will change to overbought with even a flat close on Thursday. So I personally am more neutral than 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			
<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			
<b>Dropped Tonight</b>						
April 13, 2015	April opex bullish	1-3 days	Bullish	1.80%	-0.90%	-2.10%

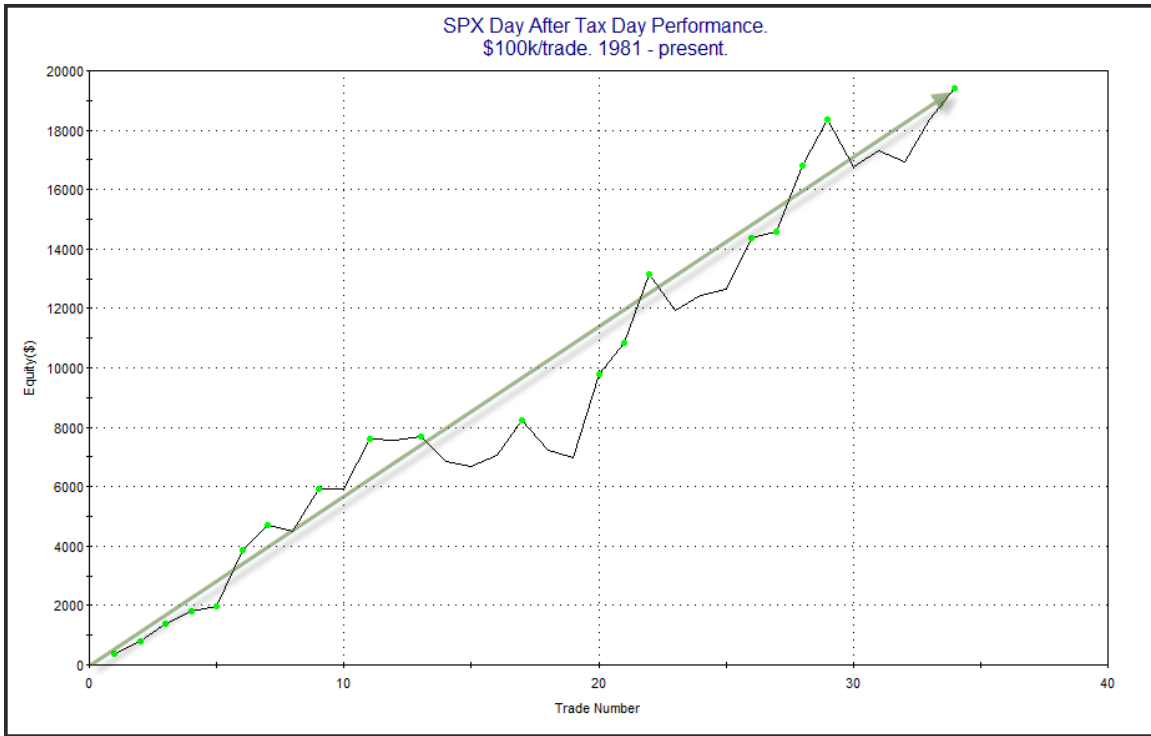
**The Evidence**

The market put in gains on Wednesday. The SPX rose 0.5%, the NASDAQ rallied 0.7%, and the Russell 2000 tacked on 0.8%. Breadth was positive as the NYSE Up Issues % came in at 65% and the Up Volume % was 67%. Total NYSE volume rose to the highest level in over 3 weeks.

I discussed last night that the day after tax day has exhibited seasonal strength over the years. Below is a stats table copied from Sunday night's report that shows just how strong the edge has been.

SPX day after Tax Day Performance. \$100k/trade. 1981 - 2014.			
TradeStation Performance Summary			Collapse ^
All Trades			
Total Net Profit	\$19,391.41	Profit Factor	4.36
Gross Profit	\$25,170.51	Gross Loss	(\$5,779.10)
Total Number of Trades	34	Percent Profitable	70.59%
Winning Trades	24	Losing Trades	10
Even Trades	0		
Avg. Trade Net Profit	\$570.34	Ratio Avg. Win:Avg. Loss	1.81
Avg. Winning Trade	\$1,048.77	Avg. Losing Trade	(\$577.91)
Largest Winning Trade	\$2,842.84	Largest Losing Trade	(\$1,602.28)

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



The curve looks very compelling with the strong steady upslope.

Other than the seasonality I did not see anything tonight that suggested a strong short-term edge. We saw one study expire from the Active List, leaving just 2 active – and they are both bullish.

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



Once again 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 inched above 0. The positive Differential Line reading means the SPX is oversold versus recent expectations. So expectations are positive and the SPX is now oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above 0. Therefore the Aggregator signal tuned long at the close.

Based on the current active studies, expectations are set to remain positive on Thursday. Of course that could change if new bearish evidence emerges. The Differential Pivot will be *inverted at 2103.88* on Thursday. That is 0.1% *below* Wednesday'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 close down at least 0.1% in order to remain oversold. Otherwise it will be considered overbought versus expectations as of Thursday's close.

So the Aggregator is now bullish and suggesting an upside edge for at least Thursday. But I am not overly excited about it. When there is an inverted pivot that generally suggests a lower reward/risk scenario. In this case any up close would mean the end of the trade – so potential reward is limited. And it is the limited reward that hurts the risk/reward ratio. Certainly if the market gets off to a bad start tomorrow traders could consider buying low and taking advantage of the bullish 1-day outlook. But I don't like trying to be that nimble in a newsletter format. So there will be no trade ideas tonight.

**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.

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	\$39.94	23.84%	\$32.69	Aggressive VIX

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