

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 22, 2015

Volume 8 Issue 76

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- The SPY gap and reversal on Tuesday after an unfilled gap up on Monday suggests an upside edge for Wednesday.

## *Short-term Outlook*

### *The Bottom Line*

Evidence is still leaning bullish and SPX remains oversold versus recent expectations. But SPX will turn overbought if it does not manage to close down a fair amount on Wednesday.

**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 22, 2015	Unfilled gap up then gap up close dn.	1 day	Bullish			
April 20, 2015	1st 5 low in 10 days	1-4 days	Bullish	1.50%	-1.25%	-2.60%
April 20, 2015	1% drop on 2:1 negative breadth	1-9 days	Bullish	3.00%	-2.50%	-5.40%
<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**

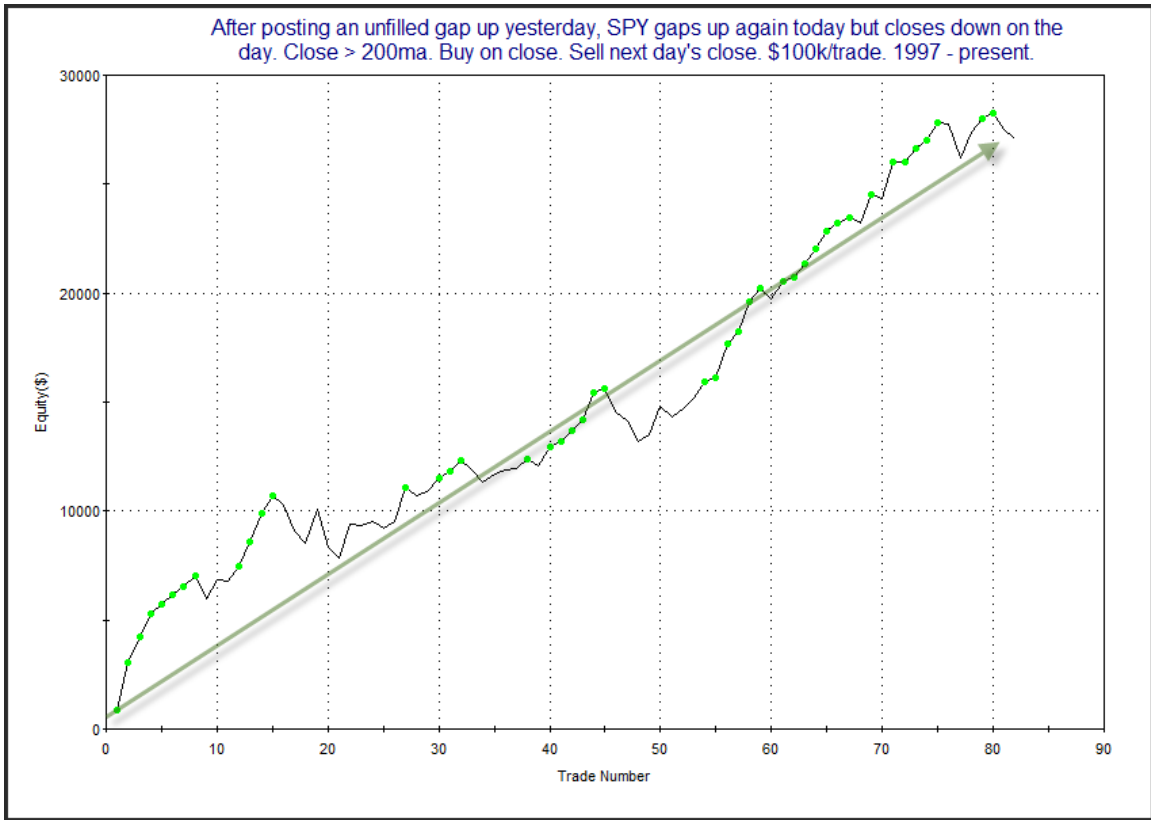
Tuesday opened strongly with a gap up but could not hold onto those gains. In the end the market finished mixed. The SPX declined 0.15%, the NASDAQ rose 0.4%, and the Russell 2000 closed down less than 1 point. Breadth was negative as the NYSE Up Issues % came in at 49% and the Up Volume % was 38%. Total NYSE volume rose a little from Monday's level.

I decided to examine the action over the last 2 days with regards to how it gapped and finished, and found that gains had been pretty consistent the next day after similar action. The study I devised can be found below.

After posting an unfilled gap up yesterday, SPY gaps up again today but closes down on the day. Close > 200ma. Buy on close. Sell next day's close. \$100k/trade. 1997 - present.

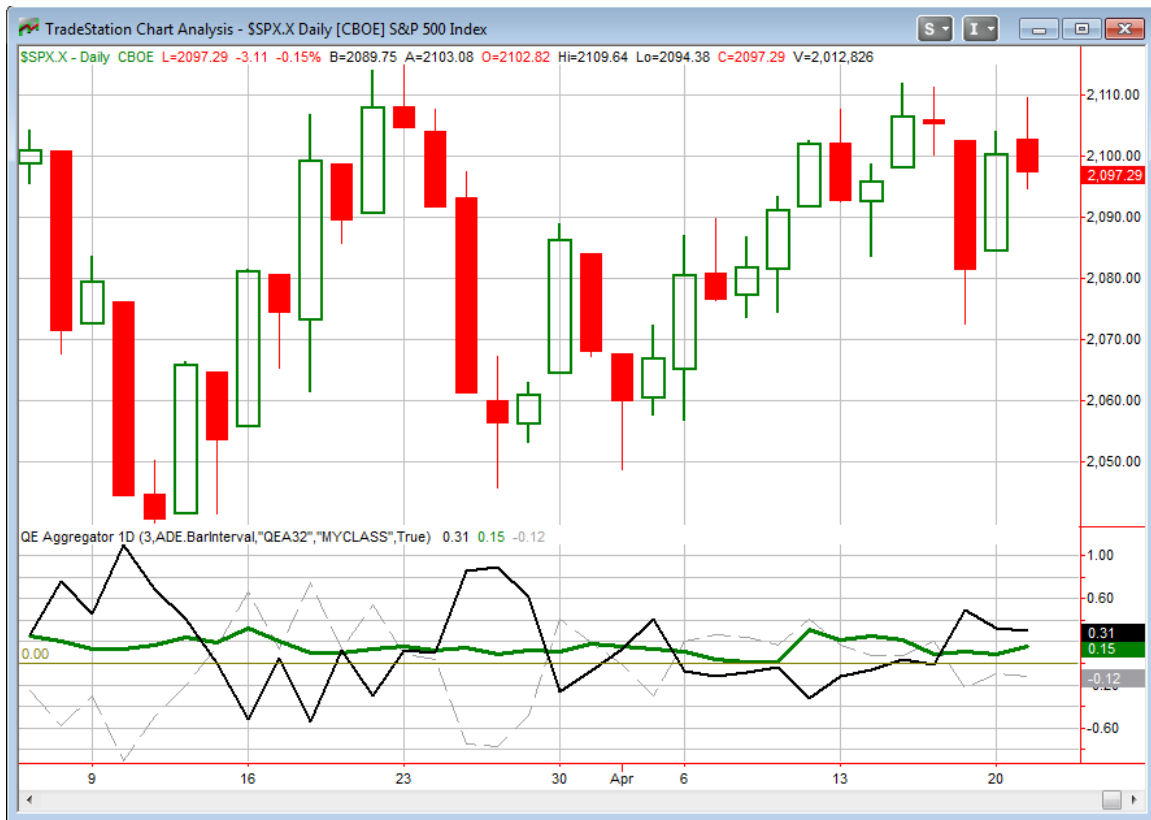
TradeStation Performance Summary				Collapse ^
All Trades				
Total Net Profit	\$27,050.51	Profit Factor	2.89	
Gross Profit	\$41,329.54	Gross Loss	(\$14,279.03)	
Total Number of Trades	82	Percent Profitable	70.73%	
Winning Trades	58	Losing Trades	24	
Even Trades	0			
Avg. Trade Net Profit	\$329.88	Ratio Avg. Win:Avg. Loss	1.20	
Avg. Winning Trade	\$712.58	Avg. Losing Trade	(\$594.96)	
Largest Winning Trade	\$2,194.38	Largest Losing Trade	(\$1,764.00)	

The numbers here all look solidly bullish. Below is a look at profit curve.



Despite the last few instances, the strong, steady upslope is encouraging. Based on the action of the last 2 days, it appears an up day on Wednesday is fairly likely. I have included this study on the Active List tonight.

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



With tonight's study considered the green Aggregator Line stayed above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile, the black Differential Line also held above 0. The positive Differential Line reading means the SPX is oversold versus recent expectations. So expectations are positive and the SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above 0. Therefore the Aggregator signal stayed long at the close.

Based on the current active studies, expectations are set to remain positive on Wednesday. That could change if compelling bearish evidence emerges. The Differential Pivot will be *inverted* at 2089.81 on Wednesday. That is 0.4% *below* Tuesday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case SPX is going to need to close down at least 0.4% if it is going to remain oversold versus expectation. If it fails to decline at least that much it will flip to an overbought state.

Inverted pivots generally make for weaker than normal reward/risk scenarios. This is because any up close would mean an end to the long signal. This of course limits reward and makes entering new positions less appealing. I am not going to look to take on new index exposure on Wednesday, but a close below the Differential Pivot and there is a good chance I will look to start a long index position on Thursday.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 4/20– somewhat bullish**

The intermediate-term outlook was last updated in the 4/20 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**

WMT – 1/3 @ \$77.88 (buy @ limit) (not filled)

**Catapult for ETF's Trades**

None

**Broad Market Large Cap CBI – 1 (WMT)**

**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.

**WMT – buy 1/3 Catapult position @ \$77.88 LIMIT ON CLOSE.** This Catapult trade idea did not receive a fill on Monday or Tuesday. I have changed it from the original “limit” order to a more conservative “limit on close” order for Wednesday. Catapults do tend to be quite volatile. More about Catapults can be found on the [Catapult System page](#).

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
XIV(1/2)	3/9/2015	\$32.25	\$40.71	26.23%	\$32.69	Aggressive VIX

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