

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 28, 2015

Volume 8 Issue 80

Market Overview



Signals Overview

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

Tonight's Research Points

- A 20-day high and poor close are often followed by a move up.

Short-term Outlook

The Bottom Line

Evidence is bullish and the market is no longer overbought versus expectations. There appears to be a bit of an upside 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 28, 2015	20-high poor close	1-10 days	Bullish	2.10%	-1.35%	-2.70%
April 27, 2015	NDX up 1% & SOX down.	1-6 days	Bearish	-3.20%	1.90%	4.10%
April 27, 2015	Breakout. 3up & Low vol.	1-5 days	Bullish	1.90%	-0.90%	-2.00%
April 20, 2015	1% drop on 2:1 negative breadth	1-9 days	Bullish	3.00%	-2.50%	-5.40%
Active - Long Term						
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

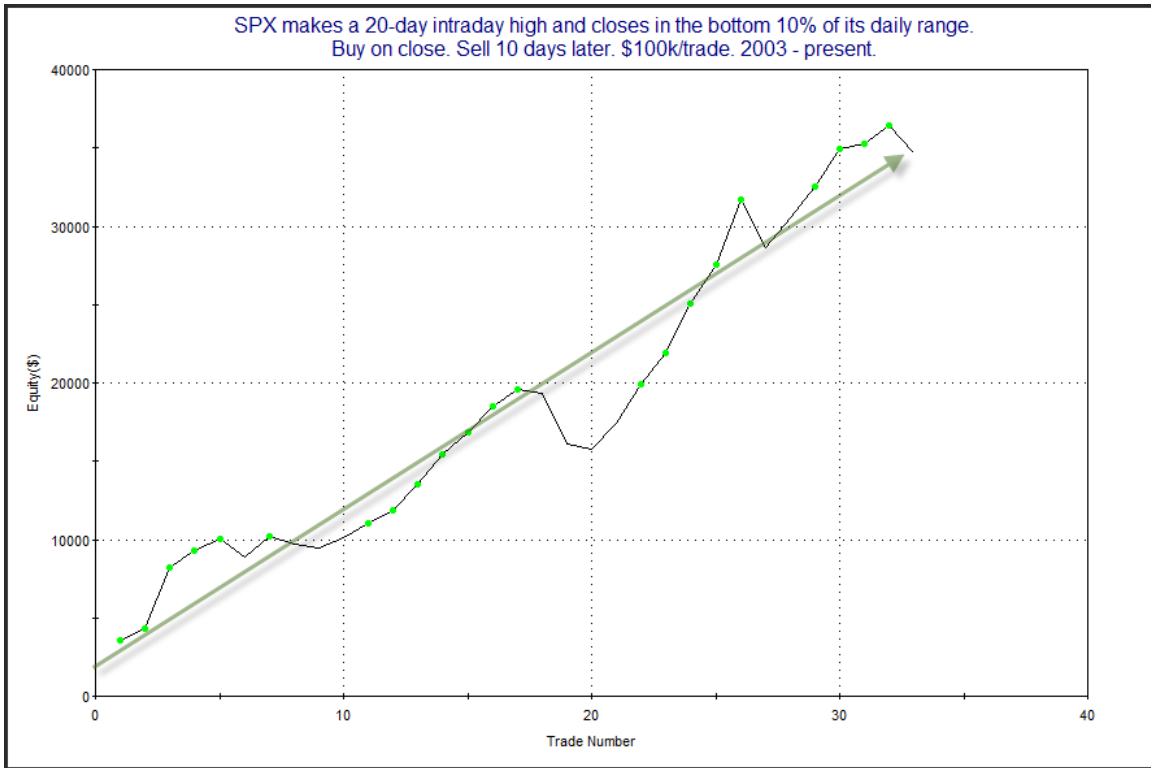
Monday was a pullback day. The SPX closed down 0.4%, the NASDAQ fell 0.6%, and the Russell 2000 declined 1.2%. Breadth was negative as the NYSE Up Issues % came in at 37% and the Up Volume % was 40%. Total NYSE volume rose some from Friday's level.

Before spending much of the day selling off, the SPX managed to make a new intraday all-time high. The new high followed by a poor and downward close triggered the study below, which was last seen in the 6/25/14 subscriber letter. Results are all updated.

SPX makes a 20-day intraday high and closes in the bottom 10% of its daily range. Buy on close. Sell X days later. \$100k/trade. 2003 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	34,670.87	33	25	8	75.76	1,815.46	4,119.18	-1,339.46	-3,210.80	1.36	4.24	1,050.63
9	30,991.34	33	25	8	75.76	1,666.50	3,613.36	-1,333.90	-3,775.10	1.25	3.90	939.13
8	31,747.77	34	27	7	79.41	1,620.19	4,483.84	-1,713.91	-3,543.84	0.95	3.65	933.76
7	23,274.04	34	26	8	76.47	1,526.39	3,761.94	-2,051.51	-4,159.32	0.74	2.42	684.53
6	24,086.37	35	28	7	80.00	1,327.23	3,331.38	-1,868.00	-2,942.40	0.71	2.84	688.18
5	10,667.76	35	23	12	65.71	1,013.78	2,693.34	-1,054.11	-3,566.84	0.96	1.84	304.79
4	7,446.24	37	23	14	62.16	973.27	2,531.61	-1,067.07	-2,332.44	0.91	1.50	201.25
3	11,542.53	37	24	13	64.86	859.95	2,159.82	-699.72	-2,091.82	1.23	2.27	311.96
2	7,085.61	37	22	15	59.46	767.22	3,288.48	-652.89	-1,575.22	1.18	1.72	191.50
1	5,598.45	38	26	12	68.42	494.01	1,710.72	-603.81	-1,194.83	0.82	1.77	147.33

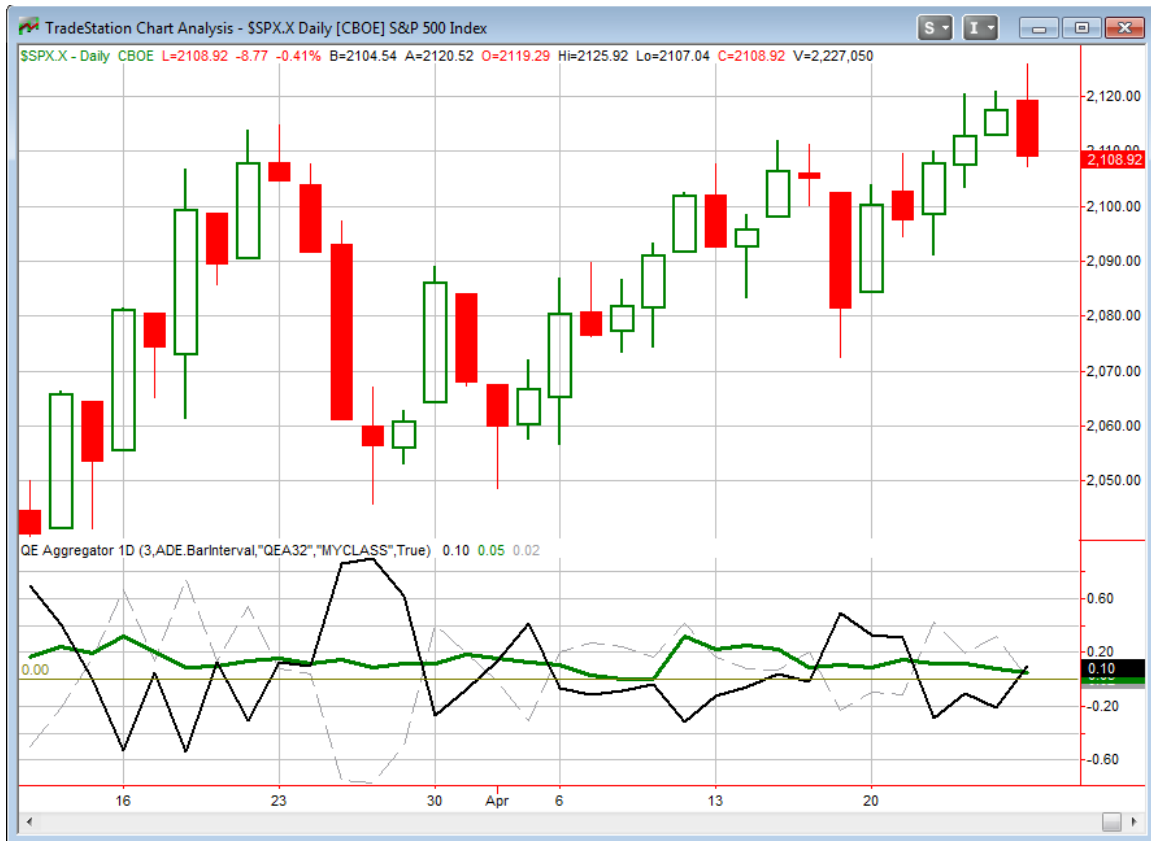
36 of 38 instances (95%) closed above the entry price at some point in the next week. The 2 that failed triggered on 12/30/04 and 12/31/04.

Results here seem to suggest an upside edge over the next 1-2 weeks. Below is a profit curve assuming a 10-day holding period.



The persistent upslope appears to confirm the upside edge suggested by the statistics.

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



The green Aggregator Line tonight again stayed above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile, the selloff caused the black Differential Line to rise back 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 turned long at the close.

Based on the current active studies, expectations are set to remain positive on Tuesday. Of course that could change if additional bearish evidence emerges. The Differential Pivot will be 2121.01 on Tuesday. That is 0.6% above Monday's close. So SPX will need to close up at least 0.6% in order to move back to overbought on Tuesday.

There is decent evidence suggesting an upside edge and the market is no longer overbought versus expectations. So this could be a place to begin scaling into a long position. But the market is just down one day here and still near the upper end of the recent range. I think the combination of evidence is strong enough to put on a small amount of exposure, but I will only do so if I can get a bargain entry on Tuesday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/27– somewhat bullish

The intermediate-term outlook was last updated in the 4/27/14 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 @ \$210.25 LIMIT. If not filled by the close I will look to buy @ \$210.76 LIMIT ON CLOSE IF IT ALSO CLOSSES IN THE BOTTOM HALF OF ITS INTRADAY RANGE. Based on the short-term outlook above, I will look to take on some SPY exposure if it moves down near its 10-day moving average. I am also willing to loosen the criteria for a LIMIT ON CLOSE fill because I anticipate a down day in the bottom half of the range would set up Wednesday's Fed Day nicely.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
XIV(1/2)	3/9/2015	\$32.25	\$40.75	26.36%	\$32.69	Aggressive VIX

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