

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 29, 2015

Volume 8 Issue 81

Market Overview



Signals Overview

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

Tonight's Research Points

- Wednesday's Fed Day does not appear as compelling as most Fed Days.

Short-term Outlook

The Bottom Line

Evidence is still bullish and the market is still oversold. But evidence is set to turn on Wednesday and the Fed announcement is a wildcard.

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

A dive in the morning was followed by an afternoon recovery that left the indices mostly positive. The SPX closed up 0.3%, the NASDAQ fell 0.1%, and the Russell 2000 gained 0.5%. Breadth was positive as the NYSE Up Issues % came in at 62% and the Up Volume % was also 62%. Total NYSE volume rose some from Monday's level.

I've looked at Fed Days many different ways over the years. In general they tend to have a strong bullish tendency. But not all Fed Days are created equal. On the whole, weakness going into a Fed Day has been better than strength going in to a Fed Day. One way in which I broke this down in the past was to consider whether the market closed at a 20-day high the day before a Fed Day. Such instances showed no real edge, while closes below a 20-day high were very strong. Tuesday did not close at a 20-day high, but it was very close. So rather than concerning myself with this filter, I decided to examine the day's closing range, which has also been a strong indicator of Fed Day potential.

Tuesday saw the market close right near its highs. So let's look at instances that closed in the top 25% of the day's range versus days that did not.

Tomorrow is a Fed Day. SPY closes in top 25% of daily range.
Buy SPY on close. Sell next day's close. \$100k/trade. 1993 - present.

TradeStation Performance Summary Collapse ▲			
All Trades			
Total Net Profit	\$7,905.35	Profit Factor	1.35
Gross Profit	\$30,206.06	Gross Loss	(\$22,300.71)
Total Number of Trades	71	Percent Profitable	47.89%
Winning Trades	34	Losing Trades	35
Even Trades	2		
Avg. Trade Net Profit	\$111.34	Ratio Avg. Win:Avg. Loss	1.39
Avg. Winning Trade	\$888.41	Avg. Losing Trade	(\$637.16)
Largest Winning Trade	\$2,238.25	Largest Losing Trade	(\$2,739.69)

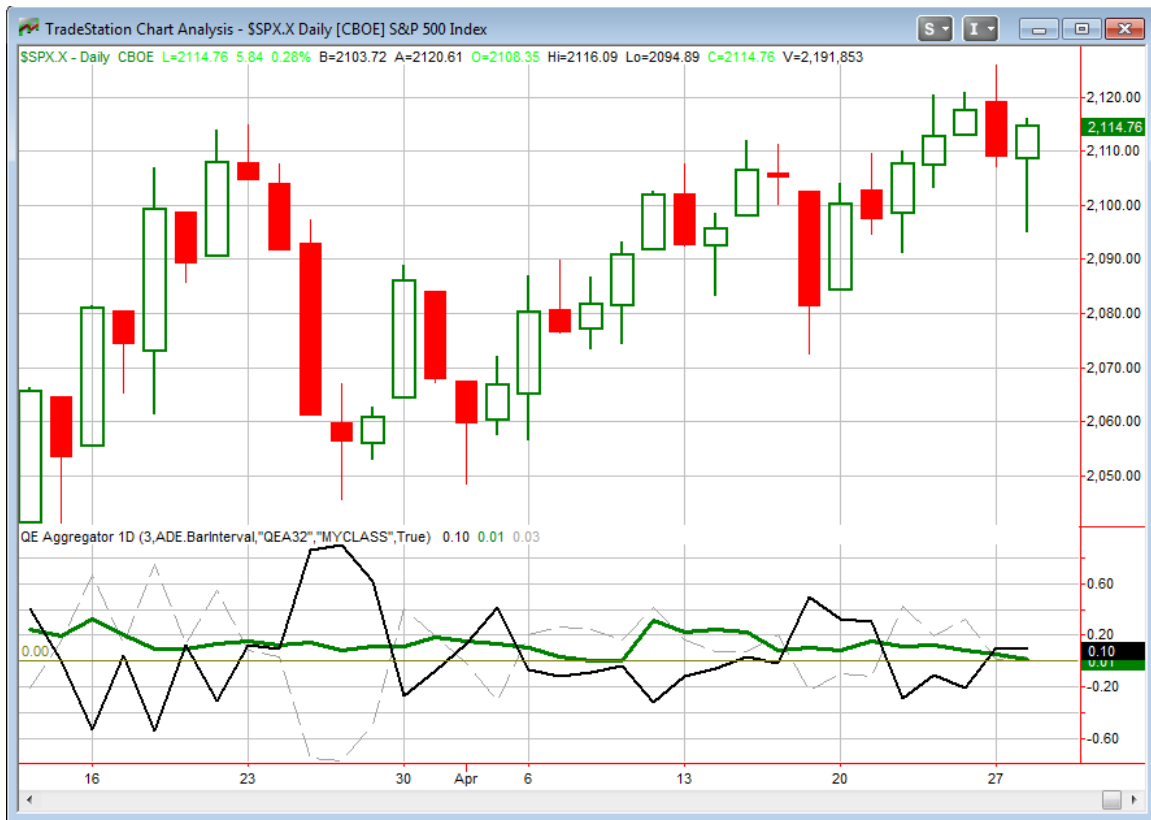
Times like now have not shown a strong Fed Day edge. For comparison, below are instances that did not close strongly.

Tomorrow is a Fed Day. SPY closes below the top 25% of daily range.
Buy SPY on close. Sell next day's close. \$100k/trade. 1993 - present.

TradeStation Performance Summary Collapse ▲			
All Trades			
Total Net Profit	\$48,377.48	Profit Factor	2.75
Gross Profit	\$76,015.92	Gross Loss	(\$27,638.44)
Total Number of Trades	106	Percent Profitable	67.92%
Winning Trades	72	Losing Trades	33
Even Trades	1		
Avg. Trade Net Profit	\$456.39	Ratio Avg. Win:Avg. Loss	1.26
Avg. Winning Trade	\$1,055.78	Avg. Losing Trade	(\$837.53)
Largest Winning Trade	\$4,704.07	Largest Losing Trade	(\$2,945.28)

The average trade here is over 4x as strong. And other stats like % Profitable and Profit Factor are much stronger as well. Tomorrow's Fed Day may be providing a mild bullish edge, but it is not much of one. So I have not included the Fed Day study on the Active List tonight.

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 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 turn negative on Wednesday. Of course that could change if additional bullish evidence emerges. The Differential Pivot will be 2124.30 on Wednesday. That is 0.45% above Tuesday's close. So SPX will need to close up at least 0.45% in order to move back to overbought on Wednesday.

Evidence remains bullish but that will only last until tomorrow unless new evidence emerges. The Fed Day may be carrying a small upside edge, but Fed Days have historically seen their edge play out prior to the announcement. After the announcement there has not been a consistent tendency. The reaction is often volatile and unpredictable. Post announcement risk along with evidence being set to turn bearish leaves me looking to take profits before 2pm on my current index position. I'll re-asses after Wednesday is done with.

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.

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	\$42.16	30.73%	\$32.69	Aggressive VIX
SPY(1/4)	4/28/2015	\$210.25	\$211.44	0.57%		bought @ limit

I will look to sell SPY @ \$211.50 LIMIT. If not filled by 1:45pm EST, I will lower the limit price to \$211.25.

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