

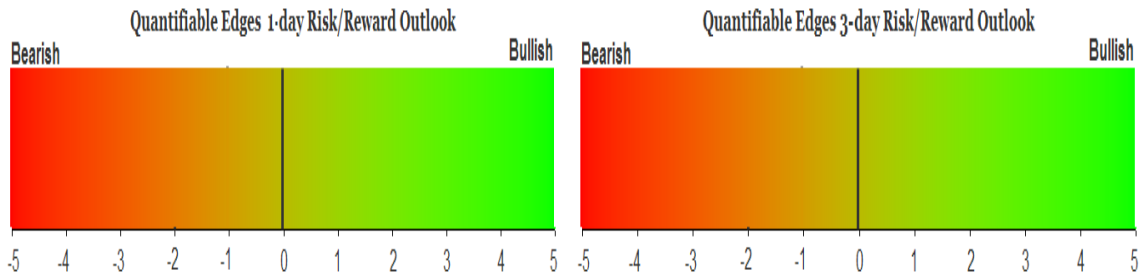
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 5, 2015

Volume 8 Issue 85

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- The combination of a 2-day rally, low volume, and a close below a short-term high has historically leaned short-term bullish.

## *Short-term Outlook*

### *The Bottom Line*

Evidence remains moderately bullish but SPX is now a little overbought. This leaves the Aggregator neutral, and I am neutral as well.

*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>						
May 4, 2015	SPX rises 1st day in May	1-4 days	Bearish	-2.30%	1.00%	2.40%
May 1, 2015	SPX < 10ma & > 200ma end of month	1-5 days	Bullish			
May 1, 2015	2 unfilled gaps down > 200. 5-day low	1-6 days	Bullish	1.90%	-1.30%	-2.40%
April 28, 2015	20-high poor close	1-10 days	Bullish	2.10%	-1.35%	-2.70%
<b>Active - Long Term</b>						
May 1, 2015	2 unfilled gaps down > 200. 5-day low	1-10 days	Bullish	2.50%	-1.70%	-3.40%
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 27, 2015	NDX up 1% & SOX down.	1-6 days	Bearish	-3.20%	1.90%	4.10%

**The Evidence**

The market tacked on further gains Monday. The SPX rose 0.3%, the NASDAQ gained 0.2%, and the Russell 2000 rallied 0.4%. Breadth was positive as the NYSE Up Issues % came in at 57% and the Up Volume % was 62%. Total NYSE volume came in at the lowest level in the last 2 weeks.

The low volume and mild gains did not generate much action of interest. There was one study in the Quantifinder tonight that is worth discussion. It was last seen in the 3/31/15 letter and it examined the fact that volume came in very light while SPX posted a multi-day rise that has failed to close at a new short-term high. An updated stats table is below.

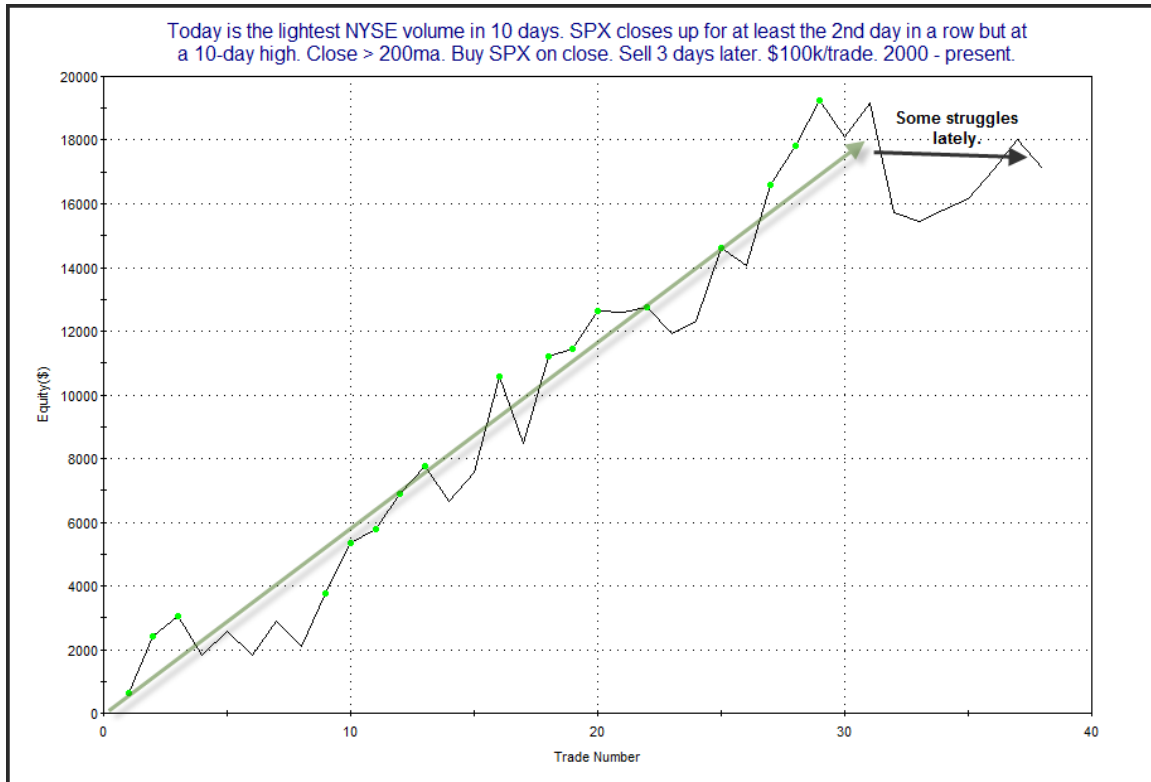
Today is the lightest NYSE volume in 10 days. SPX closes up for at least the 2nd day in a row but at a 10-day high. Close > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 2000 - present.

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	27,822.62	36	28	8	77.78	1,967.96	4,729.48	-3,410.04	-6,514.56	0.58	2.02	772.85
9	31,145.26	36	24	12	66.67	2,248.11	5,835.78	-1,900.79	-5,586.56	1.18	2.37	865.15
8	26,944.13	36	26	10	72.22	1,875.28	6,090.44	-2,181.31	-5,560.38	0.86	2.24	748.45
7	18,855.96	36	25	11	69.44	1,700.58	5,673.14	-2,150.78	-4,337.84	0.79	1.80	523.78
6	16,538.07	36	23	13	63.89	1,575.09	4,102.38	-1,514.54	-3,187.50	1.04	1.84	459.39
5	11,176.09	37	22	15	59.46	1,543.89	3,614.46	-1,519.30	-4,134.88	1.02	1.49	302.06
4	16,403.09	37	23	14	62.16	1,418.60	3,249.59	-1,158.90	-2,827.44	1.22	2.01	443.33
3	17,101.58	38	26	12	68.42	1,165.09	3,000.26	-1,099.23	-3,418.20	1.06	2.30	450.04
2	14,381.26	38	27	11	71.05	948.24	2,380.51	-1,020.11	-2,946.78	0.93	2.28	378.45
1	3,631.13	41	21	20	51.22	737.47	1,953.82	-592.78	-1,611.60	1.24	1.31	88.56

**37 of 41 instances (90%) closed above the entry price at some point in the next week.**

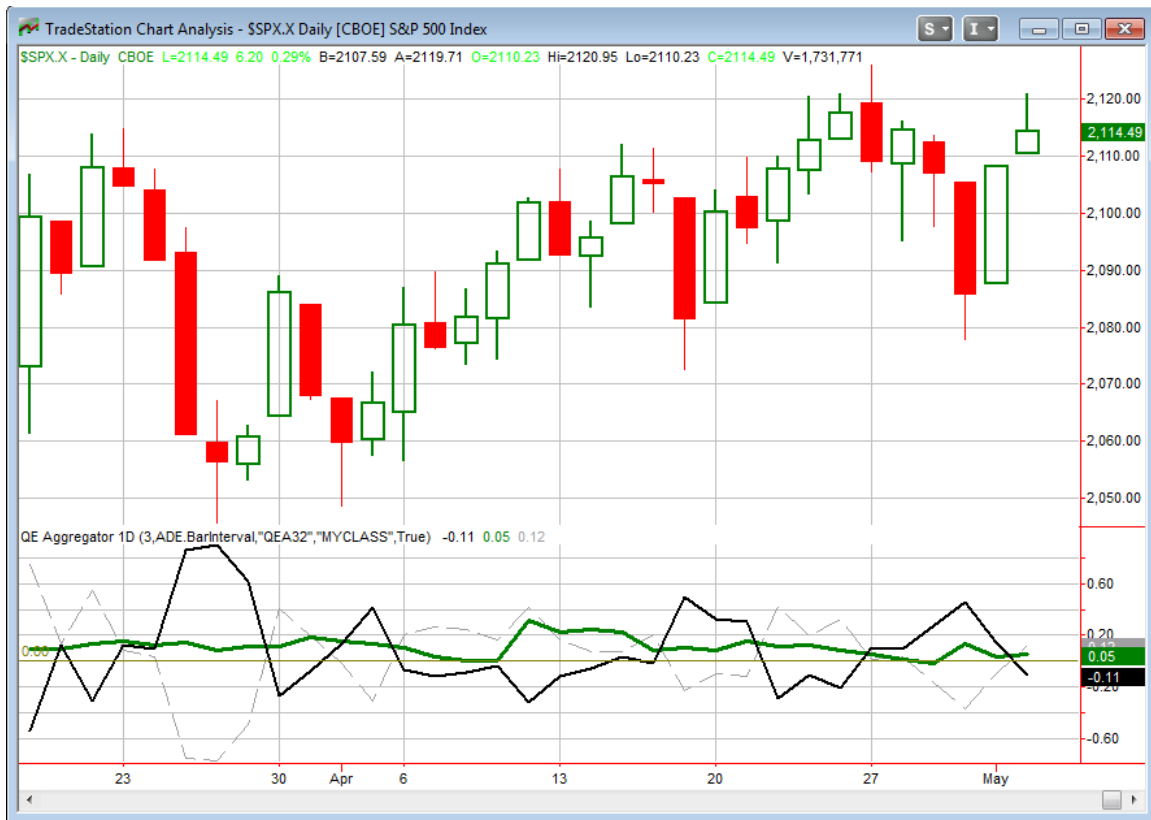
These results may appear a little surprising. The weak volume and the fact that the market has already risen in the short-term may seem like it would suggest a downside

edge. But the numbers are solidly bullish. A good portion of the early gains occur in the first 3 days. Below is a profit curve using a 3-day exit strategy.



We saw a strong upslope for an extended period, but there have been some struggles lately. I am not inclined to throw this study out because of some recent chop, but I am also not inclined to include it on the Active List tonight. I'll instead continue to watch it and see if the line starts moving higher again.

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



With no new studies being added the green Aggregator Line held above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile, the black Differential Line dipped down below 0. The negative Differential Line reading means the SPX is overbought versus recent expectations. So expectations are positive but the SPX is now 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 turned flat at the close.

Based on the current active studies, expectations are set to remain bullish on Tuesday. This could change if compelling bearish evidence emerges. The Differential Pivot will be 2087.88 on Tuesday. That is over 1.25% below Monday's close. This means that SPX would need to close down over 1.25% on Tuesday in order to trigger an "oversold" reading. Anything short of that and it will remain "overbought". A drop that size is fairly unlikely. A more likely scenario for working off the overbought condition would be a multi-day decline or consolidation.

The Aggregator is back to neutral and so am I. I do not see a strong edge, and with the intermediate-term outlook now neutral, I need to see a strong short-term edge in order to take on new positions. I won't be looking to add any positions on Tuesday, but will re-evaluate on Tuesday night as usual.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 5/4– neutral**

The intermediate-term outlook was last updated in the 5/4 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	\$41.69	29.27%	\$37.90	Aggressive VIX

This report has been prepared by Hanna Capital Management, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Hanna Capital Management, LLC or clients of Hanna Capital Management, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Hanna Capital Management, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Hanna Capital Management, LLC nor any officer or employee of Hanna Capital Management, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Hanna Capital Management, LLC.

Copyright © 2015 Hanna Capital Management, LLC.