

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 8, 2015

Volume 8 Issue 88

Market Overview



Signals Overview

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

Tonight's Research Points

- Employment days are often volatile.

Short-term Outlook

The Bottom Line

While new evidence is a bit lacking, previous studies suggest more upside. The market is still oversold but that won't be the case if SPX closes up much on Friday. I remain moderately bullish but ready to change to short-term neutral if Friday posts solid gains.

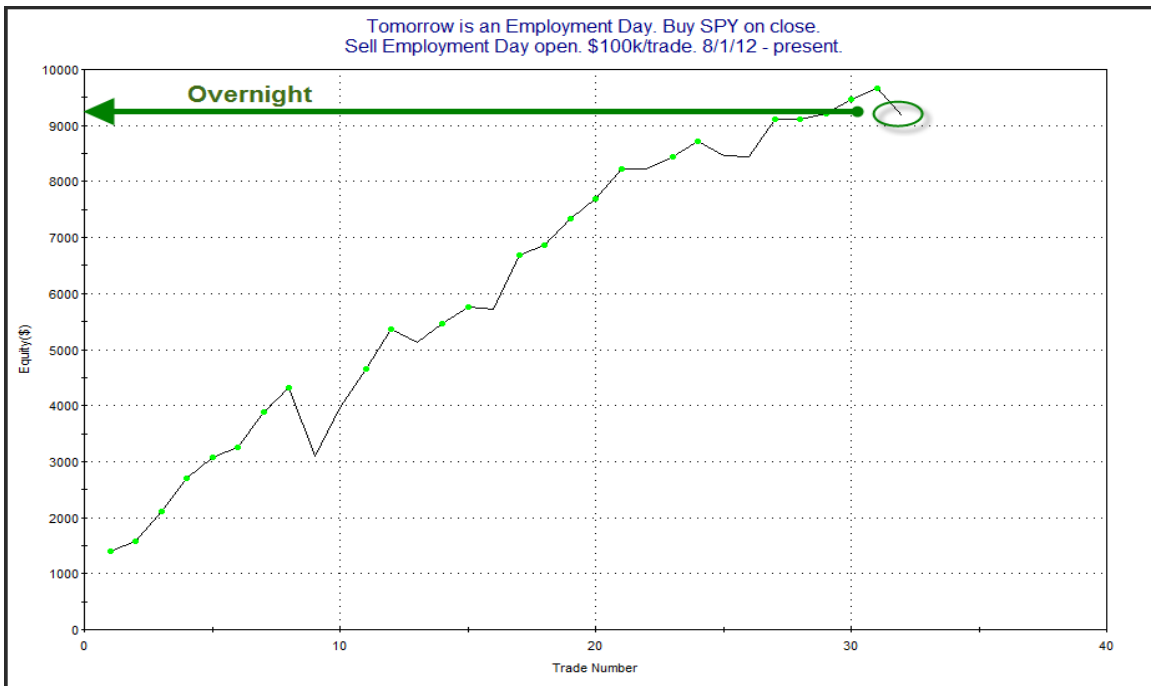
Summary of Recent Active Studies (see Letters from listed dates for details) –

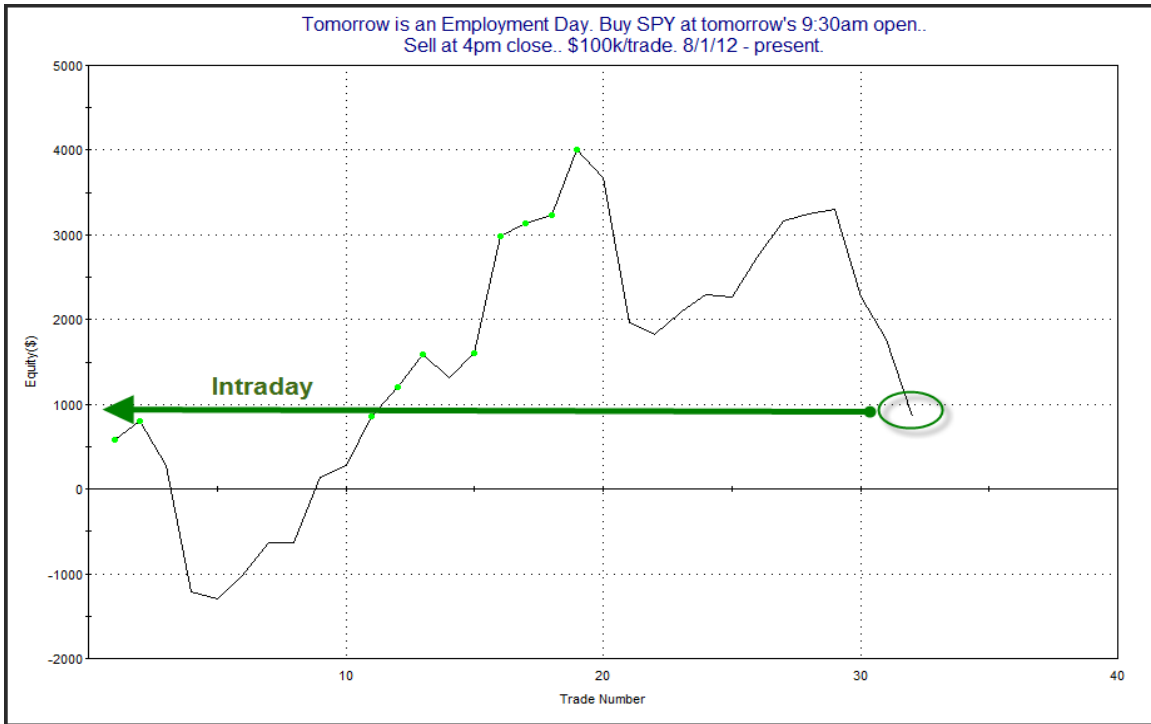
| Study Date | Description | Time span | Bias | Avg Run-up | Avg DrawDn | Avg DrawDn - 1 Std Dev |
|----------------------------|---------------------------------------|-----------|---------|------------|------------|------------------------|
| Active - Short Term | | | | | | |
| May 6, 2015 | 1% drop on 2:1 negative breadth > 200 | 1-9 days | Bullish | 3.00% | -2.50% | -5.40% |
| 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% |
| Active - Long Term | | | | | | |
| 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 | | | |
| Dropped Tonight | | | | | | |
| 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 | | | |

The Evidence

The market bounced some on Thursday. The SPX rose 0.4%, and the NASDAQ and each Russell 2000 gained 0.5%. Breadth was positive as the NYSE Up Issues % came in at 57% and the Up Volume % was 55%. Total NYSE volume declined some from Wednesday’s level.

The mild gains after the selloff of the last few days did not seem to generate strong edges. One factor that will likely have a substantial impact on market movement on Friday is the reaction to the Employment Report about an hour before the open. Employment days have done fairly well over the last few years but most of the gains are thanks to the overnight session. This can be seen in the 2 profit curves below.

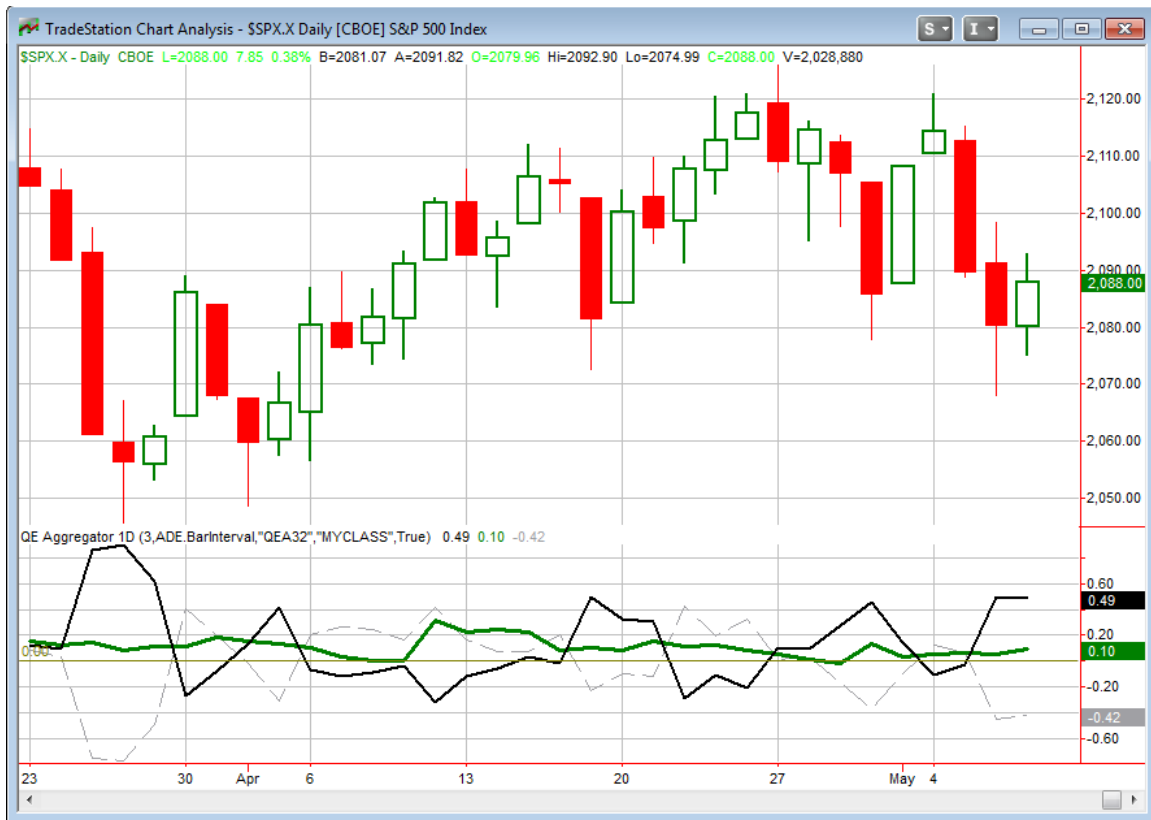




As you can see, the overnight has generated more than 9x the profits of the day. Day profits have been less reliable and more volatile.

We had one bullish and one bearish study from the Short-Term Active List expire Thursday afternoon. This left that list with just 3 bullish studies.

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



Tonight again 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 also remained 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 bullish on Friday. This could change if compelling bearish evidence emerges. The Differential Pivot will be 2092.59 on Friday. That is just 0.2% above Thursday's close. So it will not take much of a close higher for SPX to change from oversold to overbought versus expectations on Friday.

There still appears to be a moderate upside edge. But it is not overwhelming, and it does not seem to warrant further scaling in to my long position at this point. If this bounce fails, then we could see further bullish evidence emerge and I might get longer. But a continued bounce on Friday seems the more likely scenario. And if it plays out then I will be looking to take profits assuming SPX also closes above the Differential Pivot.

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

New

HAL @ \$46.35 (buy 1/3 @ limit)

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 1(HAL)

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.

HAL – buy 1/3 Catapult position @ \$46.35 limit. This is from the Catapult section above. Catapults have done well over time but can be very volatile and are traded without stops. More on Catapults can be learned 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 | \$39.90 | 23.72% | \$37.90 | Aggressive VIX |
| SPY (1/4) | 5/6/2015 | \$208.04 | \$208.87 | 0.40% | | Aggregator |
| | | | | | | |
| | | | | | | |

SPY - I will look to sell my SPY position if SPX closes above the Differential Pivot of 2092.59.

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