

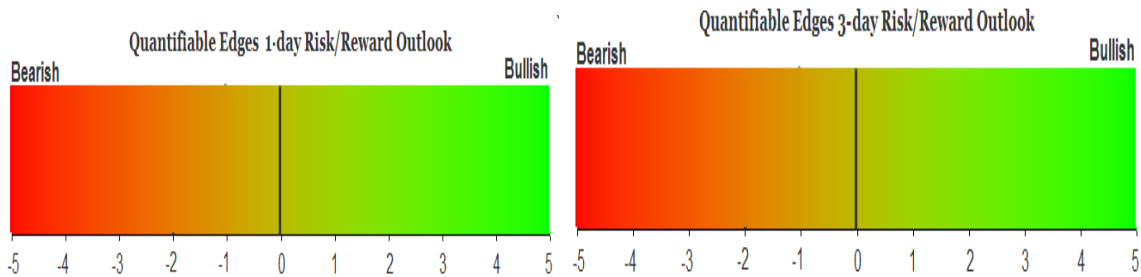
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 12, 2015

Volume 8 Issue 90

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Employment Day gaps that go 2 days without filling often see a pullback in the following days – but not under circumstances similar to current.

## *Short-term Outlook*

### *The Bottom Line*

Evidence is mildly bullish but the market remains overbought. The Aggregator is neutral and I don't see a compelling edge in either direction.

*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 6, 2015	1% drop on 2:1 negative breadth > 200	1-9 days	Bullish	3.00%	-2.50%	-5.40%
<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 28, 2015	20-high poor close	1-10 days	Bullish	2.10%	-1.35%	-2.70%
May 11, 2015	VXO declines 20% in 1 day	1 day	Bearish			

**The Evidence**

Monday was a mixed day for the market. The SPX lost 0.5%, and the NASDAQ fell 0.2%, but the Russell 2000 posted a small gain of less than 1 point. Breadth was negative as the NYSE Up Issues % came in at 35% and the Up Volume % was 36%. Total NYSE volume declined from the level of the last few days.

The Quantifinder did not uncover anything compelling, which is not unusual when the market is chopping back and forth. But I did do some other research. While it did not uncover any great edges, I still thought it was worth some discussion.

I examined other times the market left an unfilled up gap on an Employment Day and then still did not fill that gap the next day. The initial results can be found below.

Yesterday was an Employment Day and SPY left an unfilled gap higher. Today the gap still doesn't fill. Buy on close. Sell X days later. \$100k/trade. 1993 - 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
5	-26,089.80	51	24	27	47.06	1,201.25	2,745.12	-2,034.06	-9,046.24	0.59	0.52	-511.56
4	-29,107.55	51	20	31	39.22	1,109.75	2,808.96	-1,654.92	-6,338.18	0.67	0.43	-570.74
3	-20,954.65	51	25	26	49.02	896.21	2,279.64	-1,667.69	-5,298.80	0.54	0.52	-410.88
2	-21,353.36	51	23	28	45.10	777.78	1,691.58	-1,401.51	-6,063.05	0.55	0.46	-418.69
1	-8,640.25	51	25	25	49.02	609.23	1,800.48	-954.84	-4,580.52	0.64	0.64	-169.42

These stats paint a bearish picture. But the more filters I used to more closely replicate the current market environment the less bearish (and more bullish) the results appeared. Simply adding a 200ma filter took a good chunk out of the bearish inclination. And after adding a 10-day high close on the Employment Day and a down close today here is what the results looked like.

Yesterday was an Employment Day. SPY left an unfilled gap higher and closed at a 10-day high. Today it closes down but the gap still doesn't fill. Buy on close. Sell X days later. \$100k/trade. 1993 - 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
5	1,318.14	13	7	6	53.85	1,278.46	2,604.25	-1,271.85	-2,653.20	1.01	1.17	101.40
4	3,715.56	13	8	5	61.54	916.59	2,305.16	-723.43	-2,355.60	1.27	2.03	285.81
3	5,094.29	13	9	4	69.23	837.98	1,780.36	-611.87	-1,064.55	1.37	3.08	391.87
2	1,285.86	13	8	5	61.54	709.64	1,477.32	-878.25	-2,052.05	0.81	1.29	98.91
1	554.44	13	9	4	69.23	553.94	1,070.11	-1,107.76	-1,930.50	0.50	1.13	42.65

With the added filters that more closely mirror the current setup this study now shows bullish stats. Of course instances are low. And I don't find the stats and profit curves compelling enough to take this under consideration as a bullish setup. But I do find it compelling enough to stop me from looking at the 1<sup>st</sup> study as a "bearish" setup under current circumstances.

So with everything I looked at tonight, there will not be any new studies added to the Active List.

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



With just 1 (bullish) study left on the Short-Term Active List 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 remained below 0. The negative Differential Line reading means the SPX is overbought versus recent expectations. So expectations are positive but the SPX is 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 stayed flat at the close.

Based on the current active studies, expectations are set to remain bullish on Tuesday. This could easily change if new bearish evidence emerges. The Differential Pivot will be 2092.39 on Tuesday. That is 0.6% below Monday's close. So SPX would need to close down at least this much in order to be considered "oversold" versus expectations.

The Aggregator is neutral and I am not seeing anything to get me excited about taking on new index positions here. I'll continue to wait for reward/risk to turn more favorable before putting additional capital to work.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 5/11– neutral**

The intermediate-term outlook was last updated in the 5/11 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**

HAL @ \$46.35 (bought 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.

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	\$40.96	27.01%	\$37.90	Aggressive VIX
HAL(1/3)	5/8/2015	\$46.35	\$47.19	1.81%		Catapult

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