

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 22, 2015

Volume 8 Issue 98

Market Overview



Signals Overview

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

Tonight's Research Points

- The gap down and reversal to a 10-day high hinted at a pullback over the next couple of days.

Short-term Outlook

The Bottom Line

Despite some bearish evidence tonight, overall expectations are still slightly bullish. But SPX is at new highs and a little overbought. This leaves me with a neutral bias.

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 21, 2015	Gap & Reverse 2x. 10-high > 200ma.	1-2 days	Bearish			
May 20, 2015	3 up high,low, close. Dn close others up	1-4 days	Bullish			
May 18, 2015	QE Buying Power Index short	1-5 days	Bearish			
Active - Long Term						
May 18, 2015	NASDAQ leading SPX	int term	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			
Dropped Tonight						
May 15, 2015	Low volume breakout to 50-high	1-5 days	Bullish			
May 18, 2015	SPY low vol. VIX low close. OpEx Fri.	1-4 days	Bearish			

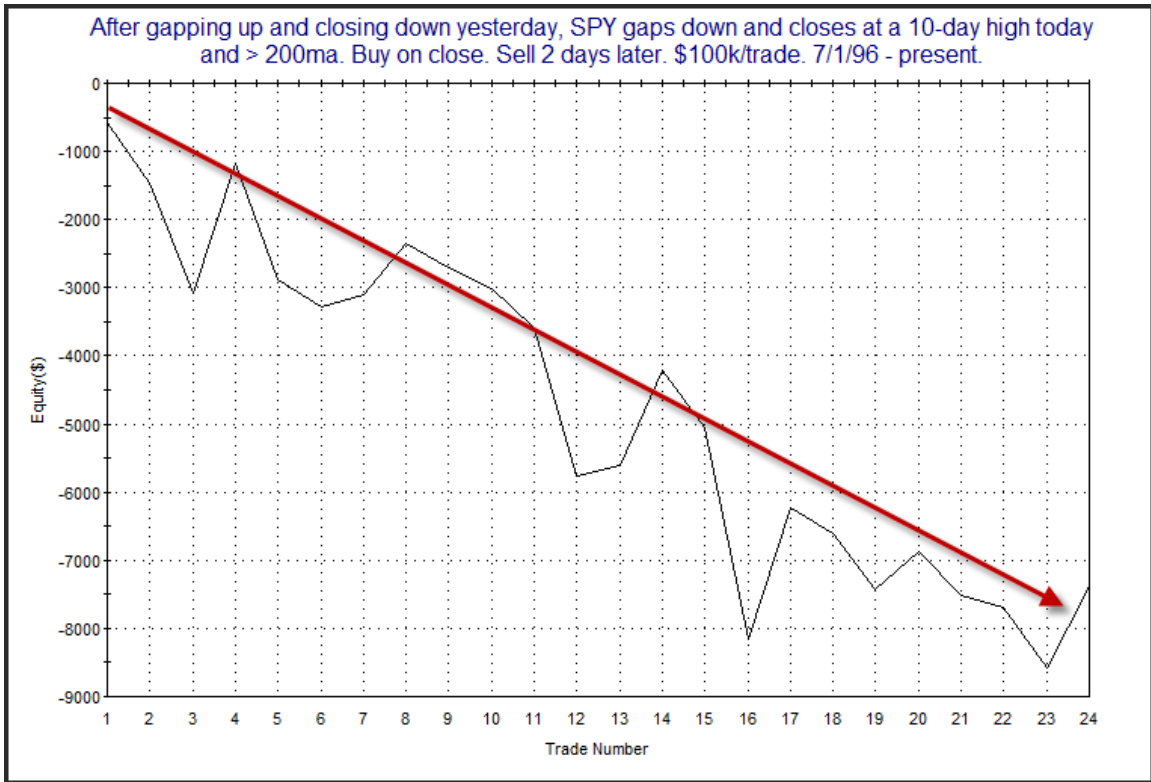
The Evidence

The market was quiet and mixed on Thursday. The SPX rose 0.2%, the NASDAQ gained 0.4% and the Russell 2000 declined 1 point. Breadth was positive as the NYSE Up Issues % came in at 55% and the Up Volume % was 60%. Total NYSE volume rose a little from Wednesday's level.

While the market managing to recover from a gap down and closing at a new high may seem like a positive, the study below saw Thursday's "gap and reverse" as a potential negative. The study was last seen in the 10/31/14 Subscriber Letter. I have updated the results.

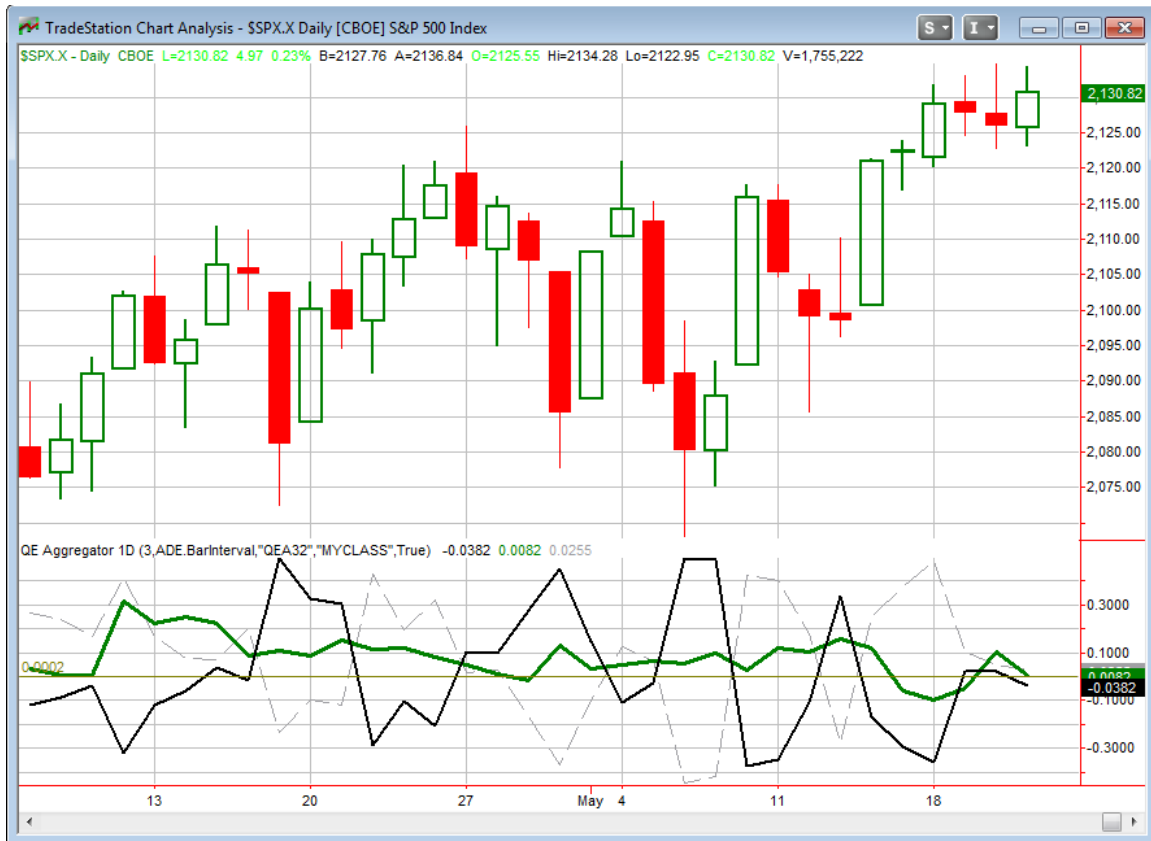
After gapping up and closing down yesterday, SPY gaps down and closes at a 10-day high today and > 200ma. Buy on close. Sell X days later. \$100k/trade. 7/1/96 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-10,665.99	23	11	12	47.83	1,080.06	1,888.77	-1,878.88	-6,714.00	0.57	0.53	-463.74
4	-11,451.95	23	10	13	43.48	966.59	1,803.51	-1,624.45	-4,267.12	0.60	0.46	-497.91
3	-6,340.98	24	12	12	50.00	905.83	2,657.93	-1,434.24	-4,244.74	0.63	0.63	-264.21
2	-7,383.00	24	8	16	33.33	1,006.91	1,935.96	-964.89	-3,107.14	1.04	0.52	-307.63
1	-2,295.95	24	10	14	41.67	575.89	2,409.00	-575.35	-1,388.76	1.00	0.71	-95.66

The numbers here look somewhat bearish, with much of the damage being done by day 2. I also produced a profit curve assuming a 2-day holding period.



There is a bit of chop in this curve but the overall slope seems good enough to warrant consideration. I also included this study on the Short-Term Active List.

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



Despite tonight's bearish study the green Aggregator Line managed to hold just barely 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 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 turned flat at the close.

Based on the current active studies, expectations are set to remain positive on Friday. This could change if more bearish evidence emerges. The Differential Pivot will be 2123.34 on Friday. That is 0.35% below Thursday's close. So for SPX to move from overbought to oversold on Friday it will need to close up at least 0.35%

The market is at new highs, evidence remains mixed, and the Aggregator is neutral. This is not the kind of setup that I generally get excited about putting on new positions. Next week being Memorial Day week there generally is some bullishness. I will detail it more in this weekend's letter. A pullback in the next day or so could be a nice buying opportunity going into seasonal strength. But we are not there yet. I'll wait to see if it happens like tonight's study suggests, and I'll be ready to pounce if the market does decline and more bullish evidence emerges.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 5/18– slightly bullish*

The intermediate-term outlook was last updated in the 5/18 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	\$46.18	43.19%	\$37.90	Aggressive VIX
HAL(1/3)	5/8/2015	\$46.35	\$46.16	-0.41%		sell @ \$46.30 limit on close

A close \geq \$46.30 would see HAL reach its exit trigger. Rather than hold over the 3-day weekend and exit at the open on Tuesday, I will look to get out at the close on Friday if it does reach its trigger.

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