

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 28, 2015

Volume 8 Issue 101

Market Overview



Signals Overview

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

Tonight's Research Points

- Thursday after Memorial Day has been seasonally bullish for a long time.

Short-term Outlook

The Bottom Line

Wednesday saw bullish implications from Tuesday begin to unfold. At this point it still appears likely the bounce will have further to go.

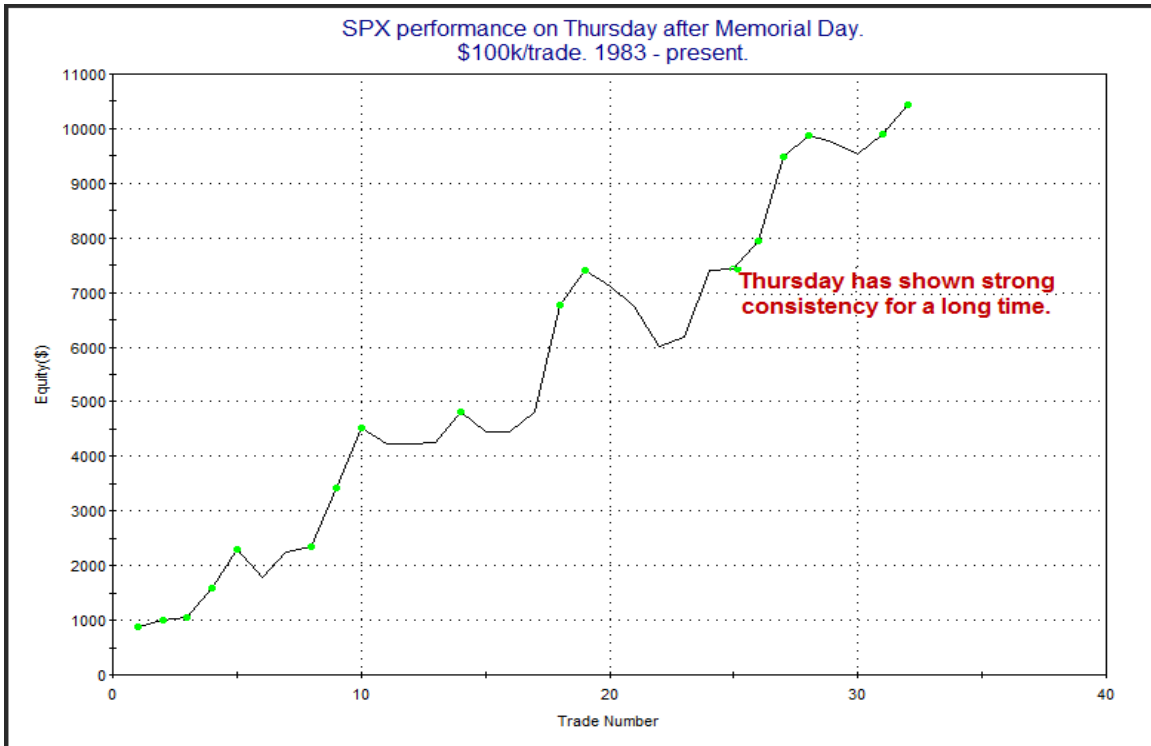
Summary of Recent Active Studies (see Letters from listed dates for details) –

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
May 28, 2015	Thurs after Memorial Day bullish	1 day	Bullish			
May 27, 2015	50-high to 8 low in 2 days	1-5 days	Bullish	1.80%	-1.20%	-2.25%
May 27, 2015	3 up high,low, close. Dn close others up	1-4 days	Bullish	1.80%	-1.20%	-2.35%
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			

The Evidence

The market bounced back nicely on Wednesday. The SPX rose 0.9%, the NASDAQ rallied 1.5%, and Russell 2000 gained 1.3%. Breadth was positive as the NYSE Up Issues % came in at 71% and the Up Volume % was 74%. Total NYSE volume sank some from Tuesday’s selloff level.

In the 5/26/15 letter this past weekend I examined Memorial Day week seasonality. After exhibiting a positive bias for many years, the last few years have struggled a bit. But that has not been the case on the Thursday after Memorial Day. Thursday has maintained a steady upward bias. The chart below is the same one I showed in the letter a few days ago. It illustrates Thursday’s historical strength.

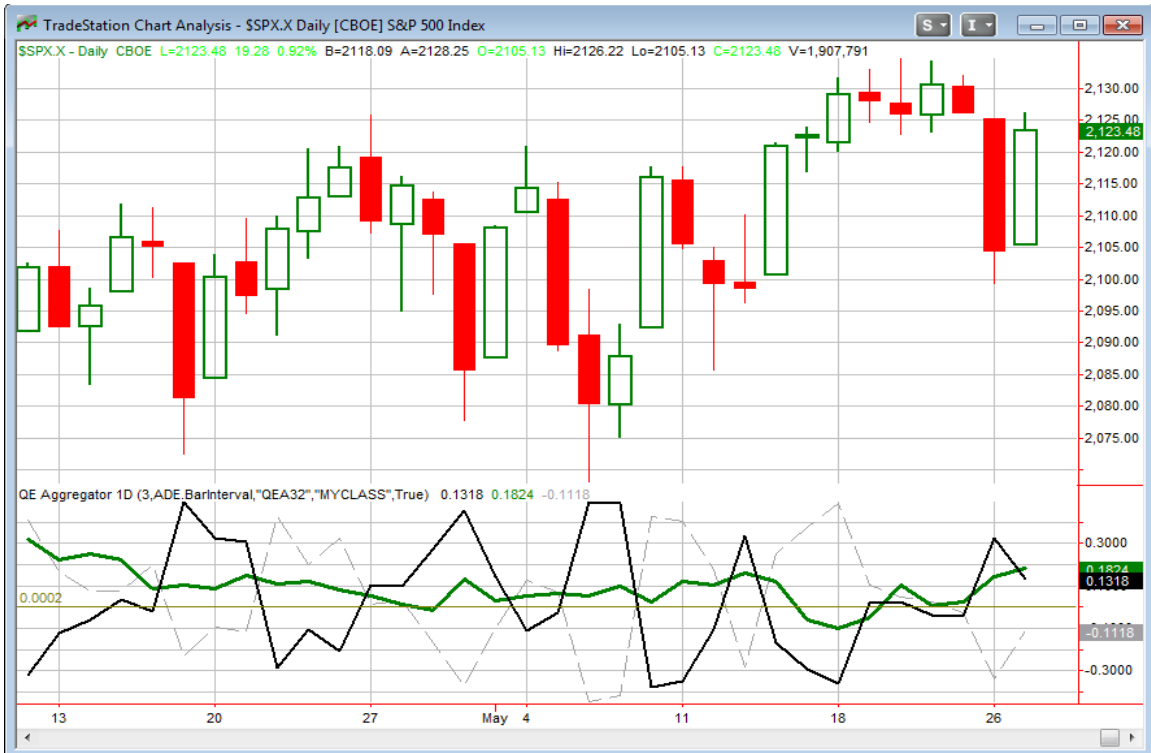


And here are the stats to go along with it.

SPX Performance on Thursday After Memorial Day. \$100k/trade. 1983 - present.			
TradeStation Performance Summary			Collapse ^
All Trades			
Total Net Profit	\$10,433.15	Profit Factor	4.59
Gross Profit	\$13,343.19	Gross Loss	(\$2,910.04)
Total Number of Trades	32	Percent Profitable	71.88%
Winning Trades	23	Losing Trades	8
Even Trades	1		
Avg. Trade Net Profit	\$326.04	Ratio Avg. Win:Avg. Loss	1.59
Avg. Winning Trade	\$580.14	Avg. Losing Trade	(\$363.76)
Largest Winning Trade	\$1,970.50	Largest Losing Trade	(\$735.68)

Nothing alarming here. I will be incorporating these results into the Aggregator for Thursday.

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



With all the short-term studies still bullish the green Aggregator Line moved higher above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile, the black Differential Line is still 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 positive on Thursday. Of course this could change if strong bearish evidence emerges. The Differential Pivot will be 2128.74 on Thursday. That is 0.25% above Wednesday's close. In order for the Differential Line to move back to negative (signaling an overbought market), SPX would need to close up just 0.25%.

Last night's studies played out in a big way. Unfortunately for me, the gap up Wednesday morning never filled (missing by \$0.06). So the trade idea from last night just missed getting filled. Hopefully many subscribers took a bit more aggressive approach and were able to benefit from the setup anyway. The strong move up on Wednesday has taken out a lot of the potential reward. Rather than entering right here I will look for a pullback in the next day or so before getting long.

Missing trade opportunities when your order does not fill can sometimes be frustrating. But it is important to keep in mind that lowering your standards and chasing the price higher after it has already run-up is normally not a good idea. Entry standards are there for a reason. Loosening them out of frustration is something I don't suggest. That said – I if was long – I'd be looking for more upside.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/26– slightly bullish

The intermediate-term outlook was last updated in the 5/26 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	\$45.99	42.60%	\$37.90	Aggressive VIX
HAL(1/3)	5/8/2015	\$46.35	\$45.62	-1.57%		Aggregator

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