

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 29, 2015

Volume 8 Issue 102

Market Overview



Signals Overview

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

Tonight's Research Points

- Turn of the month isn't as bullish as it used to be.

Short-term Outlook

The Bottom Line

Evidence remains bullish but the market is set to turn overbought on Friday unless it sees a bit of a decline. I have a mild bullish bias that will strengthen if the market does pull back a decent amount on Friday.

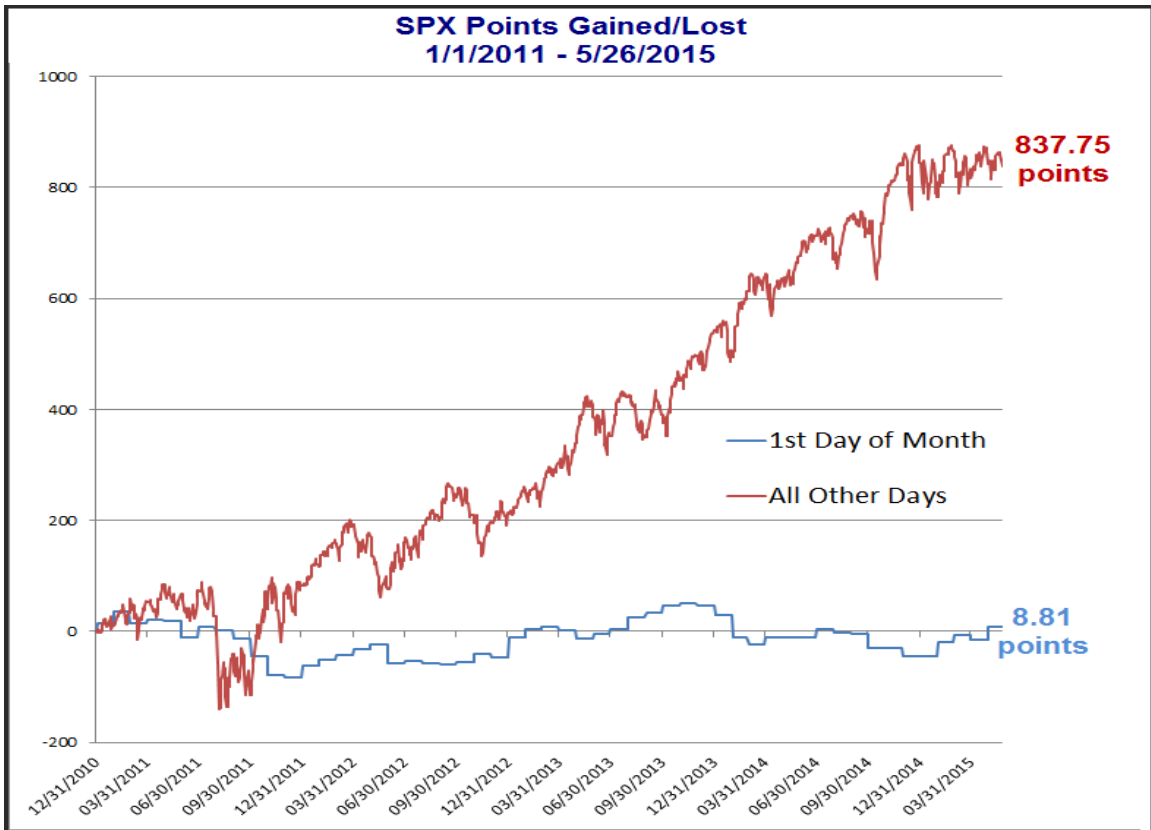
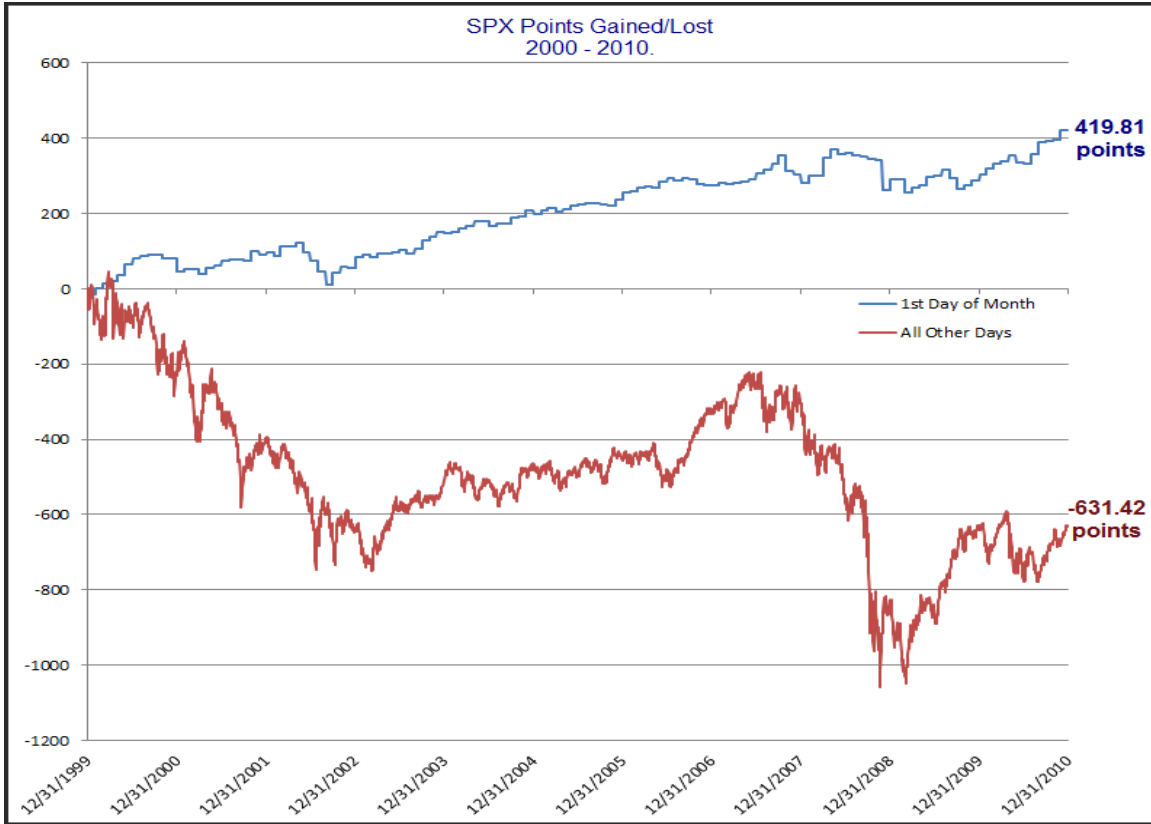
Summary of Recent Active Studies (see Letters from listed dates for details) –

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
May 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			
Dropped Tonight						
May 28, 2015	Thurs after Memorial Day bullish	1 day	Bullish			

The Evidence

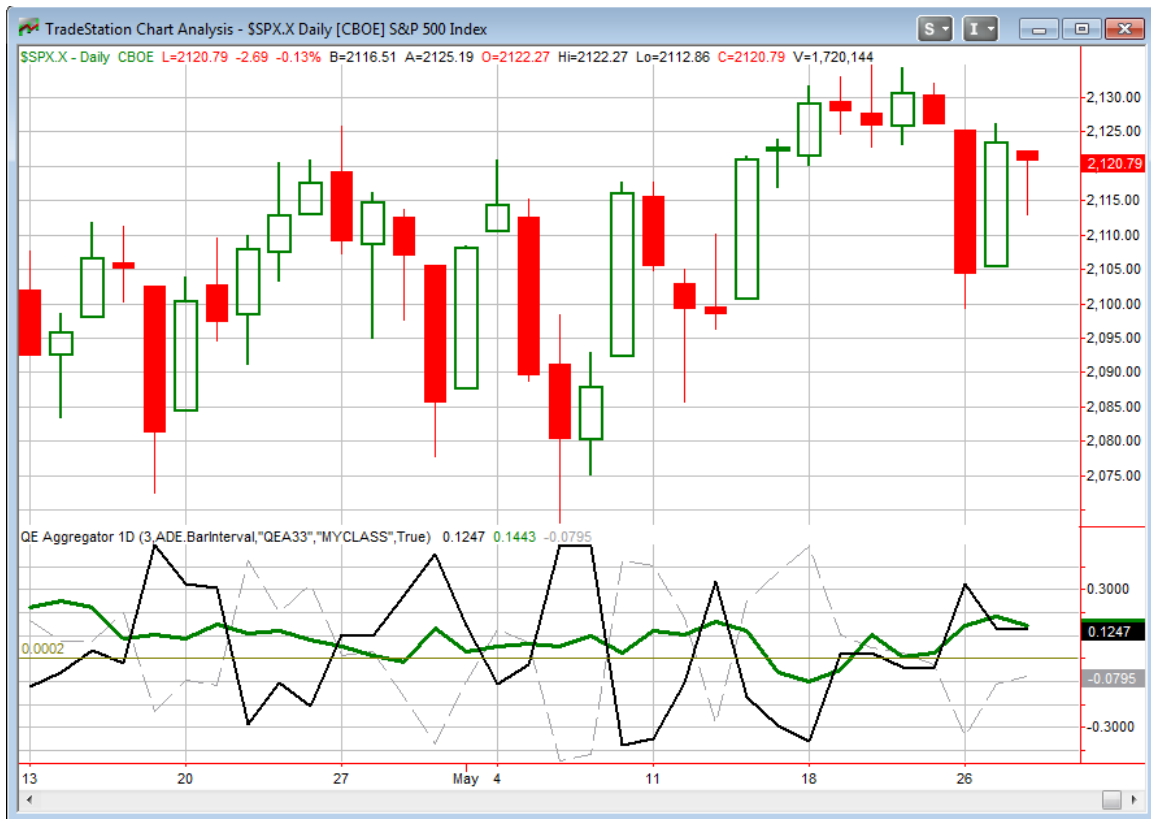
The market saw mild declines on Thursday. The SPX, NASDAQ, and Russell 2000 all closed down 0.1%-0.2%. Breadth was negative as the NYSE Up Issues % came in at 40% and the Up Volume % was 38%. Total NYSE volume declined some from Wednesday’s level.

Friday is the last day of May. In Friday’s Quantifinder we are sure to see a number of bullish studies related to the 1st trading day of the month. I’ll examine whatever ones arise, but I thought I would note that on a broad basis, the first day of the month has weakened substantially in recent years. In the 3/31/15 subscriber letter I showed a couple of charts that demonstrated just how drastic the change in the “1st of the Month versus All Other Days” has been. I have updated that study below. The charts show SPX points gained (or lost) for 2 time periods. The first one looks at 2000-2010. The 2nd one shows 2011 – present.



Quite the contrast. The first of the month just ain't what it used to be. I'll be sure to carefully examine any 1st of the month studies that trigger on Friday to see if the edge suggested has waned significantly.

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



With nothing substantial triggering tonight the green Aggregator Line remained 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 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 Friday. Of course this could change if new bearish evidence emerges. The Differential Pivot will be *inverted at 2107.79* on Friday. That is 0.6% *below* Thursday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case, SPX

will change from oversold to overbought versus expectations unless it closes down at least 0.6%.

So the Aggregator is still suggesting an upside edge. But unless SPX declines on Friday, the bullish Aggregator signal will expire. I will sometimes use inverted pivots as opportunities to take partial or full profits on positions. But since I do not have index exposure at the moment, that is not an option. While month-end on its own is not bullish as it once was, pullbacks into month end still will often see a bounce. If SPX does decline and close under the Differential Pivot on Friday, I expect we will likely see more upside evidence emerge, and the bullish configuration will remain in place. Therefore, I will look to start scaling into a position on Friday afternoon if SPX closes below the Differential Pivot.

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.

SPY – buy ¼ index on close IF SPX CLOSES <= 2107.79. Based on the short-term outlook above I will begin scaling into a long trade on Friday if SPX closes below the Differential Pivot.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
XIV(1/2)	3/9/2015	\$32.25	\$45.47	40.99%	\$37.90	Aggressive VIX
HAL(1/3)	5/8/2015	\$46.35	\$45.35	-2.16%		Aggregator

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