

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 3, 2015

Volume 8 Issue 105

Market Overview



Signals Overview

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

Tonight's Research Points

- The last 5 days have now closed within the previous day's range. After a 1% selloff in an uptrend this type of consolidation has often been followed by a pop.

Short-term Outlook

The Bottom Line

Similar to yesterday, the Aggregator remains bullish and there still appears to be room to the upside. I remain partially long.

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						
June 3, 2015	1% drop then 5-day consolidation	1-3 days	Bullish			
June 1, 2015	2x unfilled gap down > 200ma	1-6 days	Bullish	2.00%	-1.40%	-2.50%
Active - Long Term						
June 1, 2015	2x unfilled gap down > 200ma	1-10 days	Bullish	2.50%	-1.70%	-3.00%
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						
June 1, 2015	End of month pullback	1-2 Days	Bullish	1.50%	-0.40%	-0.80%
May 27, 2015	50-high to 8 low in 2 days	1-5 days	Bullish	1.80%	-1.20%	-2.25%

The Evidence

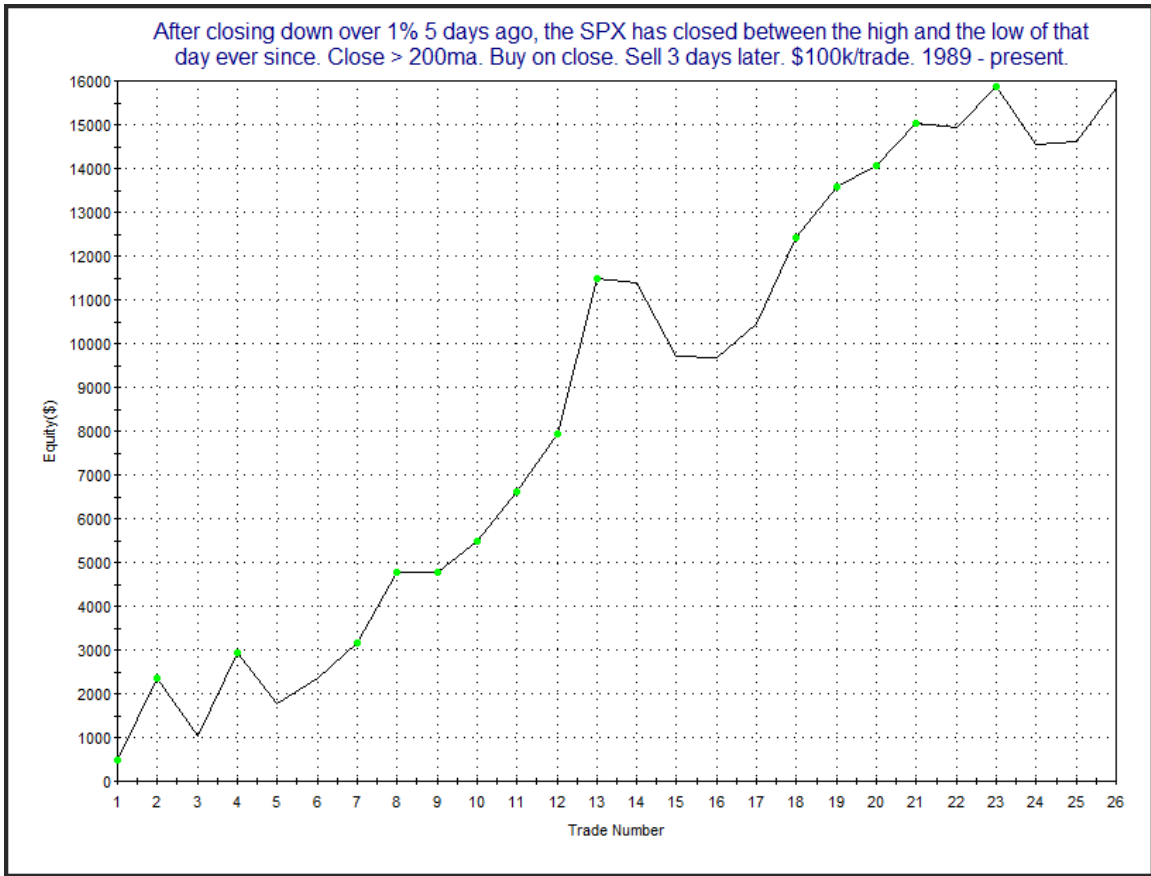
Tuesday was mixed and mild. The SPX and NASDAQ each declined 0.1% while the Russell 2000 finished up 0.2%. Breadth was positive as the NYSE Up Issues % came in at 54% and the Up Volume % was 62%. Total NYSE volume rose some from Monday's level.

After the big down day last Tuesday the market has not done a lot. In fact, it has closed within the true range of that 1 bar every day for the last week. The bears failed to follow through on that selloff, but the bulls have not managed to move the SPX back out of the range either. This triggered the study below, which I last discussed in the 3/5/13 Letter.

After closing down over 1% 5 days ago, the SPX has closed between the high and the low of that day ever since. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1989 - 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	-2,830.76	26	13	13	50.00	2,017.30	3,757.60	-2,235.06	-5,937.53	0.90	0.90	-108.88
4	632.71	26	16	10	61.54	1,263.45	3,706.56	-1,958.25	-3,003.89	0.65	1.03	24.34
3	15,836.77	26	19	7	73.08	1,135.19	3,552.64	-818.84	-1,683.76	1.39	3.76	609.11
2	12,365.66	26	17	9	65.38	1,059.15	2,111.20	-626.66	-2,003.25	1.69	3.19	475.60
1	10,077.56	26	20	6	76.92	691.49	1,760.80	-625.38	-937.30	1.11	3.69	387.60

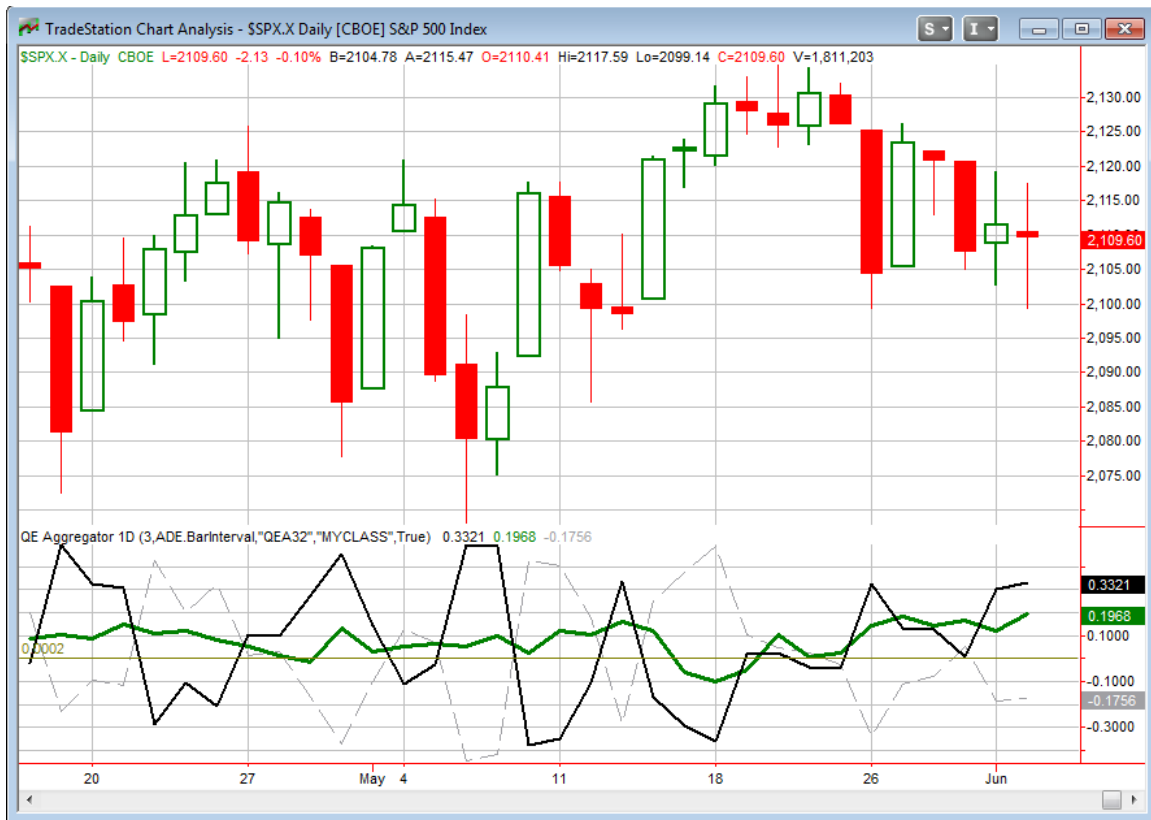
Over the last 25 ½ years or so the SPX has burst higher out of this “failed selloff” and consolidation on a consistent basis. But the implications are only bullish for a few short days. After that there does not appear to be a decided edge for either the bulls or the bears.

Below I have produced an equity curve using a 3-day exit strategy.



This is a pretty steady equity curve and it appears to serve as confirmation of the edge. I have added this study to the Active List tonight.

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



With tonight's new study included 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 well 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 Wednesday. Of course this could change if strong bearish evidence emerges. The Differential Pivot will be 2117.80 on Wednesday. That is 0.4% above Monday's close. This means that SPX would need to close up at least 0.4% on Wednesday for the Differential Line to close below zero and signal an overbought condition.

A few studies expired today, but the 2 remaining on the short-term list are both bullish. The bounce over the last few days has not been nearly as good as expected based on the studies. But the market is still oversold, and tonight's study suggests that similar failures to bounce strongly have typically done well over the next 1-3 days. So I still like the long side. I have some long exposure and I intend to hold onto it a little longer. But I am not so enthralled with the evidence that I am looking to add to my position just yet.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/1– slightly bullish

The intermediate-term outlook was last updated in the 6/1/15 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

None

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 0

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	\$44.87	39.13%	\$37.90	Aggressive VIX
HAL(1/3)	5/8/2015	\$46.35	\$45.92	-0.93%		<i>sell on open</i>
SPY(1/4)	5/29/2015	\$211.14	\$211.36	0.10%		Aggregator

HAL reached its exit trigger on Tuesday and will be sold on Wednesday's open.

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