

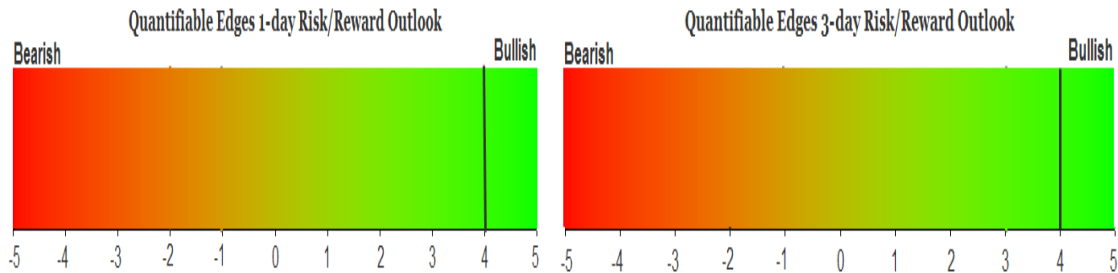
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 10, 2015

Volume 8 Issue 110

Market Overview



Signals Overview

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

Tonight's Research Points

- Four lower lows and a 20-day low in an uptrend has often been followed by a bounce.

Short-term Outlook

The Bottom Line

Studies still continue to favor the bulls. The market is oversold and appears poised for a bounce. .

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 10, 2015	4 Lower lows. 20-day low > 200ma	1-8 days	Bullish	2.40%	-1.50%	-2.70%
June 9, 2015	Lower High, Low, Close 3x. Monday	1-3 days	Bullish			
June 9, 2015	3down, 20-low, > 200 on Monday	1-4 days	Bullish			
June 5, 2015	Gap to 5-low and close < open	1-4 days	Bullish			
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			

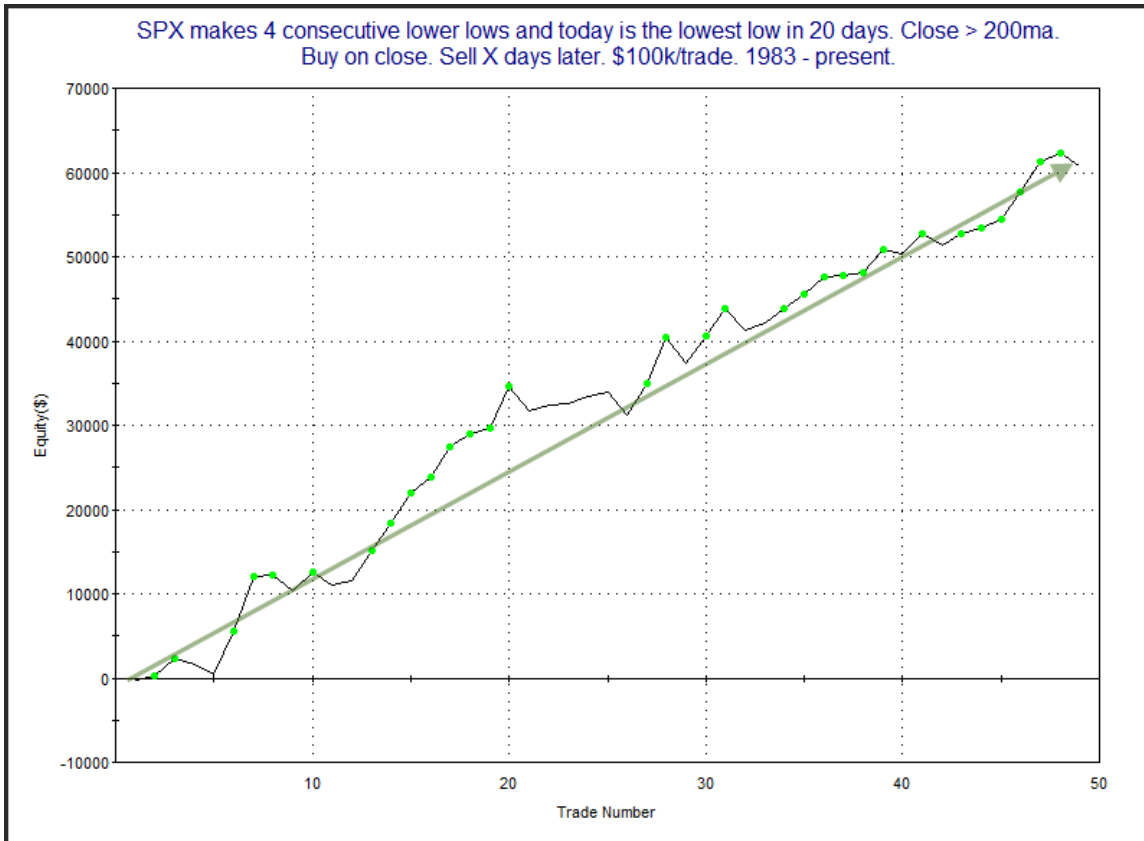
The Evidence

Up and down action Tuesday left the market pretty much where it started. The SPX rose less than 1 point, the NASDAQ declined 0.15% and the Russell 2000 fell 0.3%. Breadth was negative as the NYSE Up Issues % came in at 36% and the Up Volume % was 47%. Total NYSE volume rose some from Monday's level.

Action was mostly unremarkable on Tuesday. There were a few bearish studies that emerged in the Quantifinder, but when I examined them they had not played out as bearish recently. The profit curves were in doubt and I decided not to include them among the Active Studies. The one study I did feel was worth including is the one below. It was last seen in the 9/26/14 Subscriber Letter. It examines times when SPX posted four consecutive lower lows and a 20-day low as it did on Tuesday. I have updated the stats table below.

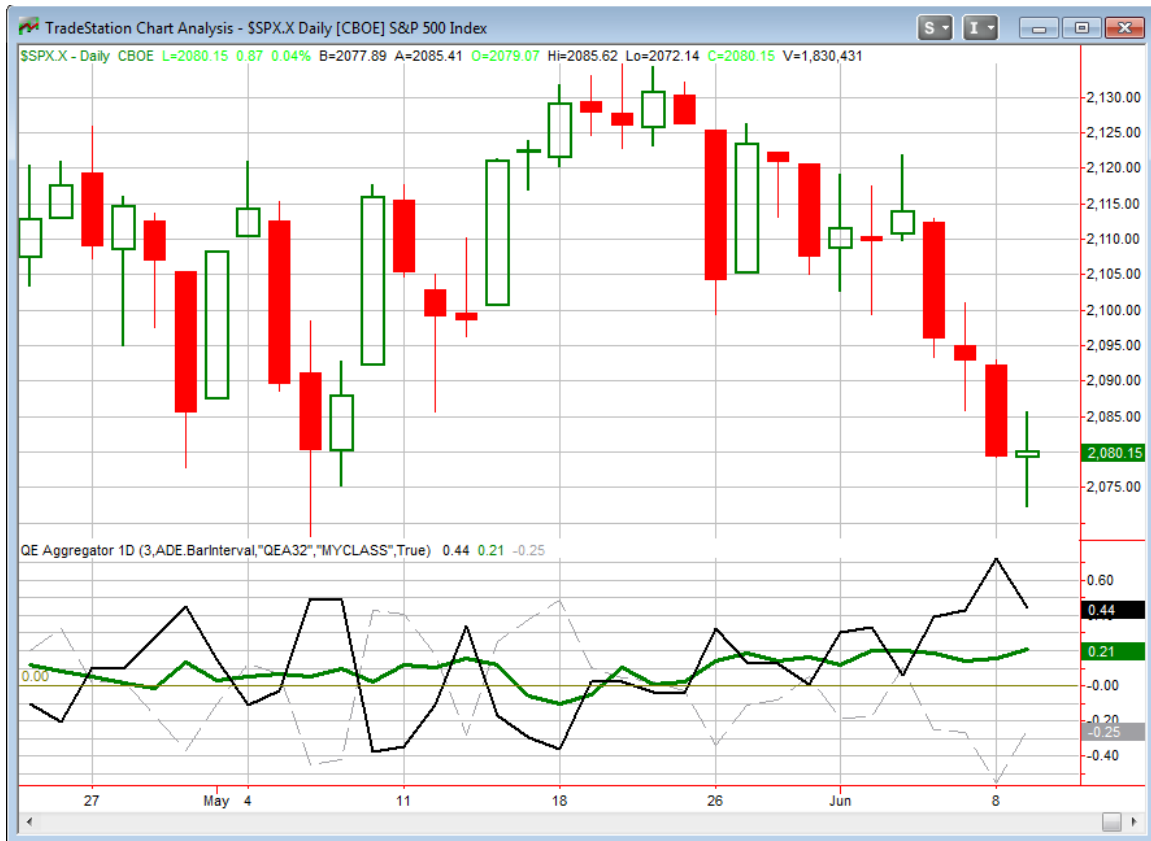
SPX makes 4 consecutive lower lows and today is the lowest low in 20 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1983 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	52,595.22	49	33	16	67.35	2,289.37	5,268.12	-1,434.62	-3,910.79	1.60	3.29	1,073.37
9	56,964.04	49	36	13	73.47	2,170.57	6,263.40	-1,628.96	-3,859.20	1.33	3.69	1,162.53
8	60,843.92	49	37	12	75.51	2,188.98	6,529.38	-1,679.02	-3,075.97	1.30	4.02	1,241.71
7	55,926.98	49	33	16	67.35	2,116.71	5,954.52	-870.29	-2,637.75	2.43	5.02	1,141.37
6	46,786.21	50	38	12	76.00	1,600.08	5,148.00	-1,168.08	-3,084.00	1.37	4.34	935.72
5	33,110.29	50	31	19	62.00	1,698.88	3,689.40	-1,029.21	-3,056.25	1.65	2.69	662.21
4	28,332.75	50	29	21	58.00	1,647.27	3,847.77	-925.62	-1,828.50	1.78	2.46	566.65
3	15,489.96	50	27	23	54.00	1,326.07	3,939.79	-883.22	-2,708.81	1.50	1.76	309.80
2	14,364.60	50	28	22	56.00	1,099.02	2,794.56	-745.81	-2,218.50	1.47	1.88	287.29
1	6,352.48	50	32	18	64.00	702.73	2,536.10	-896.38	-1,949.22	0.78	1.39	127.05
44 of 50 instances (88%) closed above the entry price at some point in the next week.												

Results above suggest a solid bullish short-term edge. To see how it has played out over the years I have included below an equity curve assuming an 8-day exit strategy.



The strong, steady rise helps to confirm the upside edge suggested by the stats table.

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



With tonight's bullish study being added 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 far 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. This is highly unlikely to change. The Differential Pivot will be 2103.65 on Wednesday. That is 1.1% above Tuesday's close. This means that SPX would need to close up at least 1.1% on Wednesday for the Differential Line to close below zero and signal an overbought condition.

I still like the bull side. I think there is a good chance the market rises in the next few days and reward/risk appears quite favorable. I have a good amount of long exposure at the moment. I am not looking to add more on Wednesday but I am planning to hold my current positions to try and take advantage of a short-term bounce.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/8– slightly bullish

The intermediate-term outlook was last updated in the 6/8/15 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

BAX - \$65.62 (bought 1/3 @ limit)

BAX - \$65.02 (bought 1/3 @ limit) – 2nd lot

BAX - \$64.54 (buy 1/3 @ limit) – 3rd lot

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 3(BAX-3)

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	\$44.41	37.71%	\$37.90	Aggressive VIX
SPY(1/4)	5/29/2015	\$211.14	\$208.45	-1.27%		Aggregator
SPY(1/4)	6/5/2015	\$209.95	\$208.45	-0.71%		Aggregator
BAX(1/3)	6/5/2015	\$65.50	\$64.08	-2.17%		Catapult
BAX(1/3)	6/8/2015	\$65.02	\$64.08	-1.45%		Catapult
BAX(1/3)	6/9/2015	\$64.50	\$64.08	-0.65%		Catapult
SPY(1/4)	6/9/2015	\$208.45	\$208.45	0.00%		Aggregator

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