

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 11, 2015

Volume 8 Issue 111

Market Overview



Signals Overview

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

Tonight's Research Points

- The bounce was strong enough over the last 2 days that much of the upside edge has been realized and the potential for further gains is reduced.

Short-term Outlook

The Bottom Line

The strong bounce has quickly turned the market overbought and left short-term direction in doubt. I have turned neutral and will look to take profits on Thursday.

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	3-down, 20-low > 200 on Monday	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			
Dropped Tonight						
June 9, 2015	Gap down to 5-low and close < open	1-4 days	Bullish			

The Evidence

The bounce we have been expecting arrived on Wednesday. The SPX rose 1.2%, the NASDAQ gained 1.25% and the Russell 2000 rallied 1.4%. Breadth was positive as the NYSE Up Issues % came in at 71% and the Up Volume % was 83%. Total NYSE volume hit its highest level so far in June.

After being oversold the market has bounced back quite nicely the last 1½ days. The effect has basically been to work off the oversold condition and leave several indices back above their 10-day moving averages. In other words, it has been a quick trip from intermediate-term lows to fairly neutral. Had the reversal not been so strong then the current upside potential would be a little better. But since the move was so good (and I'm not complaining), it took out much of the upside edge. I demonstrated this a little in the 6/10/13 subscriber letter.

There I looked at patterns similar to the current one where SPY made a 10-day intraday low yesterday and then posted an unfilled gap up today along with a close above the open (and above the 200ma). I broke it down by instances that closed above the 10ma versus instances that closed below it. I have updated those tables below.

After making a 10-day intraday low yesterday SPY leaves an unfilled gap up today and closes above the open. It **closes < 10ma** and closes > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

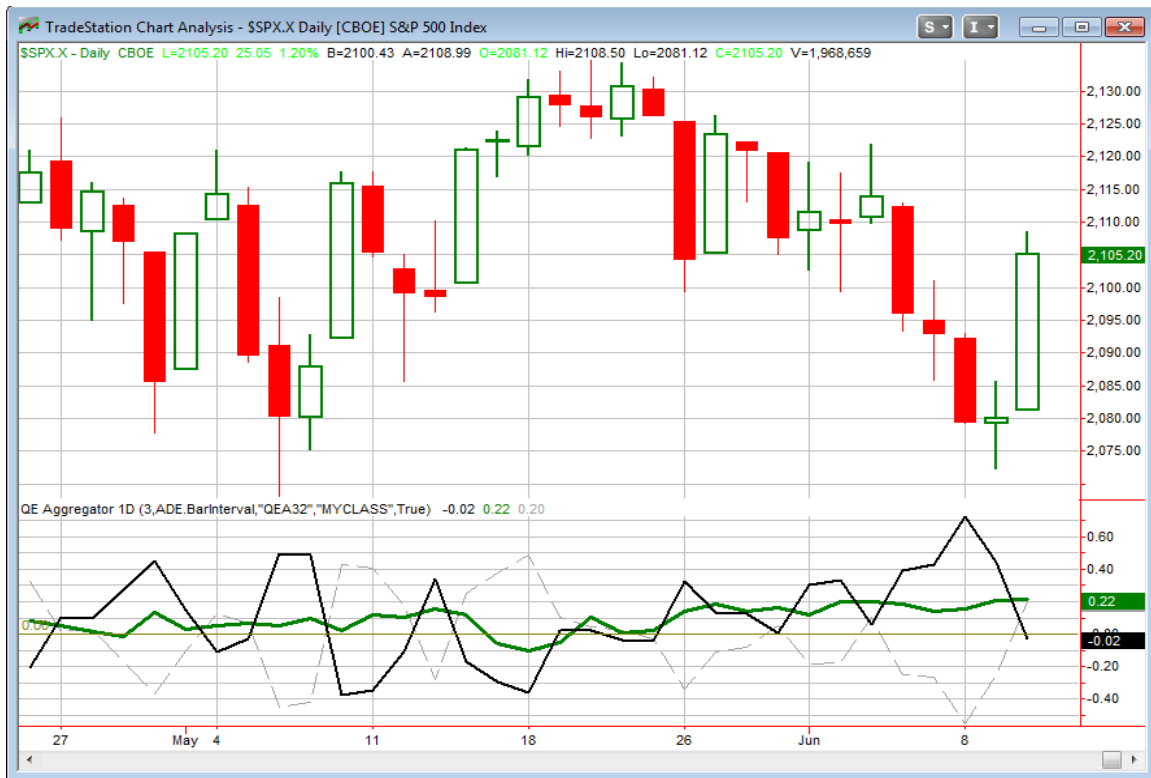
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: /Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	26,917.36	48	29	19	60.42	2,089.77	5,666.72	-1,772.95	-4,060.20	1.18	1.80	560.78
9	30,507.92	49	25	24	51.02	2,479.15	6,522.72	-1,311.28	-3,329.90	1.89	1.97	622.61
8	32,416.20	49	31	18	63.27	1,910.72	5,468.09	-1,489.78	-5,654.80	1.28	2.21	661.56
7	33,440.44	50	30	19	60.00	2,115.28	5,136.00	-1,579.89	-9,172.30	1.34	2.11	668.81
6	21,334.22	52	27	25	51.92	1,945.81	5,589.68	-1,248.10	-3,309.80	1.56	1.68	410.27
5	15,594.50	53	31	22	58.49	1,544.38	4,106.63	-1,467.33	-3,739.32	1.05	1.48	294.24
4	18,913.60	55	33	22	60.00	1,462.47	3,904.83	-1,333.99	-2,744.82	1.10	1.64	343.88
3	6,214.66	59	32	27	54.24	1,103.79	3,914.92	-1,078.02	-3,070.92	1.02	1.21	105.33
2	1,808.00	61	33	28	54.10	1,027.51	2,828.00	-1,146.42	-2,818.42	0.90	1.06	29.64
1	-1,280.28	61	26	34	42.62	916.10	2,470.05	-738.20	-2,895.33	1.24	0.95	-20.99

After making a 10-day intraday low yesterday SPY leaves an unfilled gap up today and closes above the open. It **closes > 10ma** and also closes > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1993 - 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	-12,997.76	29	14	15	48.28	2,169.60	5,367.32	-2,891.48	-9,339.60	0.75	0.70	-448.20
9	-10,858.65	29	14	15	48.28	1,939.85	3,727.06	-2,534.44	-13,294.45	0.77	0.71	-374.44
8	-5,688.76	29	16	13	55.17	1,615.99	3,687.84	-2,426.51	-6,335.00	0.67	0.82	-196.16
7	-1,001.45	29	17	12	58.62	1,659.21	3,805.88	-2,434.01	-6,000.15	0.68	0.97	-34.53
6	4,581.16	29	16	13	55.17	1,511.45	3,682.02	-1,507.85	-3,947.90	1.00	1.23	157.97
5	4,972.75	29	15	14	51.72	1,251.68	3,113.39	-985.89	-2,249.52	1.27	1.36	171.47
4	3,857.13	29	16	13	55.17	931.10	2,584.17	-849.27	-2,586.55	1.10	1.35	133.00
3	-1,128.50	29	15	14	51.72	904.59	2,533.50	-1,049.81	-2,475.20	0.86	0.92	-38.91
2	-926.00	29	17	12	58.62	673.98	1,424.39	-1,031.97	-2,293.20	0.65	0.93	-31.93
1	-2,975.29	29	14	14	48.28	534.79	1,238.60	-747.31	-2,591.68	0.72	0.72	-102.60

So the current situation falls into the 2nd category. Wins & losses are basically breakeven but the losses were a bit bigger most of the time. I don't view this as a bearish edge, but I think it demonstrates my point fairly well. Had we not bounced so much, we would have a better chance of seeing more follow-through. As is, it appears some caution and some profit-taking is warranted.

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



With bullish studies still on the board the green Aggregator Line remained above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. But the strong Wednesday rally caused the black Differential Line to drop below 0. The negative Differential Line reading means SPX is now 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 Thursday. This could change if strong bearish evidence emerges. The Differential Pivot will be 2089.07 on Thursday. That is 0.8% above Wednesday's close. This means that SPX would need to close down at least 0.8% on Thursday in order to turn back to oversold.

The studies from the last few nights suggest there is normally more of a bounce than just what we saw on Wednesday. So there could certainly be more follow through in the next few days. But tonight's study shows that the sharp move up may have exhausted the bounce already. And this view is confirmed by the flip in the Differential Line. Whether the market continues up and rallies to new highs, or whether it turns and starts a new leg down is unclear. The case now is just not as compelling as it appeared the last few days. So I will look to take profits on my index positions. I'll also be exiting the Catapult trade ideas, since BAX reached its exit trigger on Wednesday.

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

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	\$46.34	43.69%	\$40.40	Aggressive VIX
SPY(1/4)	5/29/2015	\$211.14	\$210.95	-0.09%		sell @ \$210.95 LIMIT
SPY(1/4)	6/5/2015	\$209.95	\$210.95	0.48%		sell on open
BAX(1/3)	6/5/2015	\$65.50	\$66.02	0.79%		sell on open
BAX(1/3)	6/8/2015	\$65.02	\$66.02	1.54%		sell on open
BAX(1/3)	6/9/2015	\$64.50	\$66.02	2.36%		sell on open
SPY(1/4)	6/9/2015	\$208.45	\$210.95	1.20%		sell on open

This report has been prepared by Hanna Capital Management, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Hanna Capital Management, LLC or clients of Hanna Capital Management, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Hanna Capital Management, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Hanna Capital Management, LLC nor any officer or employee of Hanna Capital Management, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Hanna Capital Management, LLC.

Copyright © 2015 Hanna Capital Management, LLC.