

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 12, 2015

Volume 8 Issue 112

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Thursday's action provided mixed hints, depending on how you viewed it.

### *Short-term Outlook*

#### *The Bottom Line*

Evidence is still leaning bullish and the market is still overbought. This leaves the Aggregator neutral and me without any strong bias.

*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
<b>Active - Short Term</b>						
June 10, 2015	4 lower lows, 20-day low > 200ma	1-8 days	Bullish	2.40%	-1.50%	-2.70%
June 9, 2015	3-down, 20-low > 200 on Monday	1-4 days	Bullish			
<b>Active - Long Term</b>						
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			
<b>Dropped Tonight</b>						
June 9, 2015	Lower high, low, close 3x. Monday	1-3 days	Bullish			

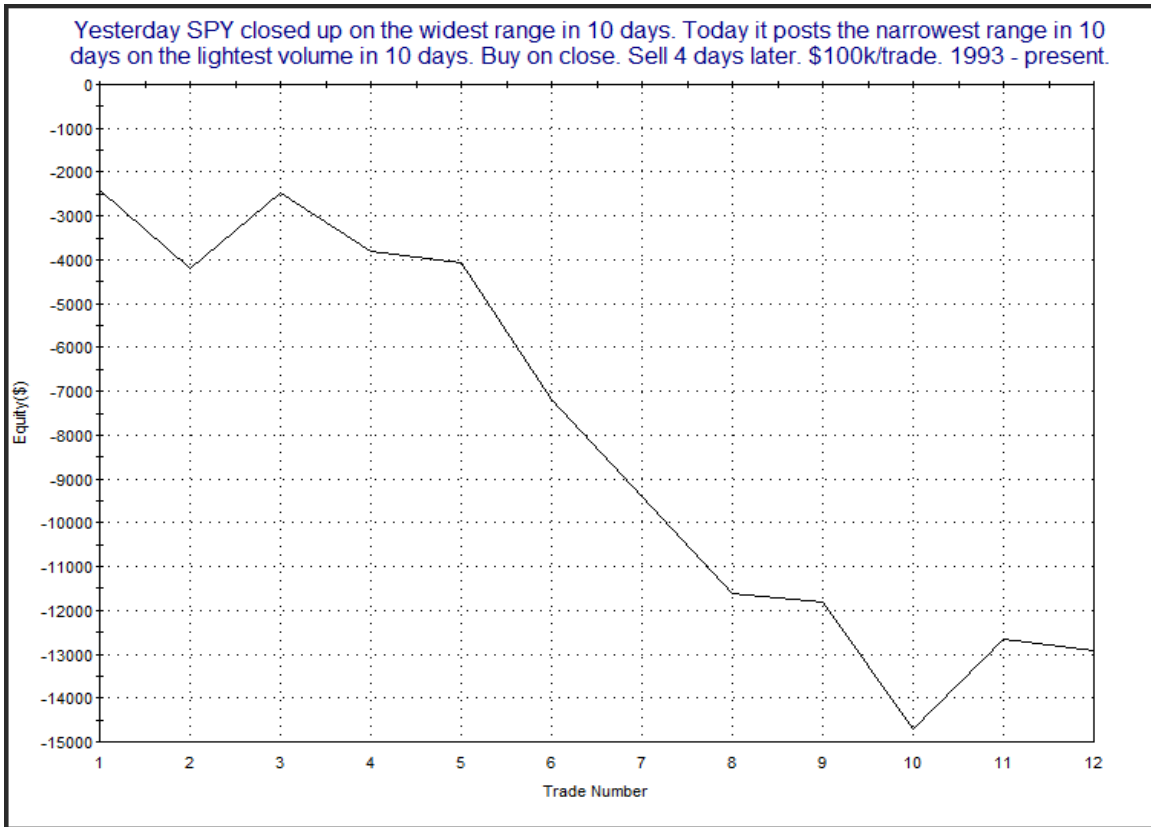
**The Evidence**

Wednesday's bounce was added to in a very modest way on Thursday. The SPX, NASDAQ and Russell 2000 all rose between 0.1% and 0.2%. Breadth was also modestly positive as the NYSE Up Issues % came in at 56% and the Up Volume % was 53%. Total NYSE volume declined some from Wednesday's level.

Thursday's mild action was interesting in a few ways, but I am not sure it was terribly predictive. The narrow range immediately followed Wednesday's wide-range day. This triggered the study below, which was last shown in the 9/6/13 letter.

Yesterday SPY closed up on the widest range in 10 days. Today it posts the narrowest range in 10 days on the lightest volume in 10 days. 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
5	-16,170.77	12	3	9	25.00	1,291.00	1,799.98	-2,227.08	-3,596.51	0.58	0.19	-1,347.56
4	-12,904.07	12	2	10	16.67	1,898.17	2,070.88	-1,670.04	-3,118.08	1.14	0.23	-1,075.34
3	-1,538.93	12	6	6	50.00	1,001.68	1,818.15	-1,258.17	-2,768.92	0.80	0.80	-128.24
2	364.27	12	7	5	58.33	955.41	3,112.40	-1,264.72	-2,293.20	0.76	1.06	30.36
1	-1,845.72	12	7	5	58.33	561.04	1,054.00	-1,154.60	-2,591.68	0.49	0.68	-153.81

Instances are too low to provide strong confidence. And while the 4-day returns certainly seem to point south, the 1<sup>st</sup> 3 days are a toss-up. So I am not sure this is a study that I would want to add to the Active List. But I still ran the 4-day profit curve below.



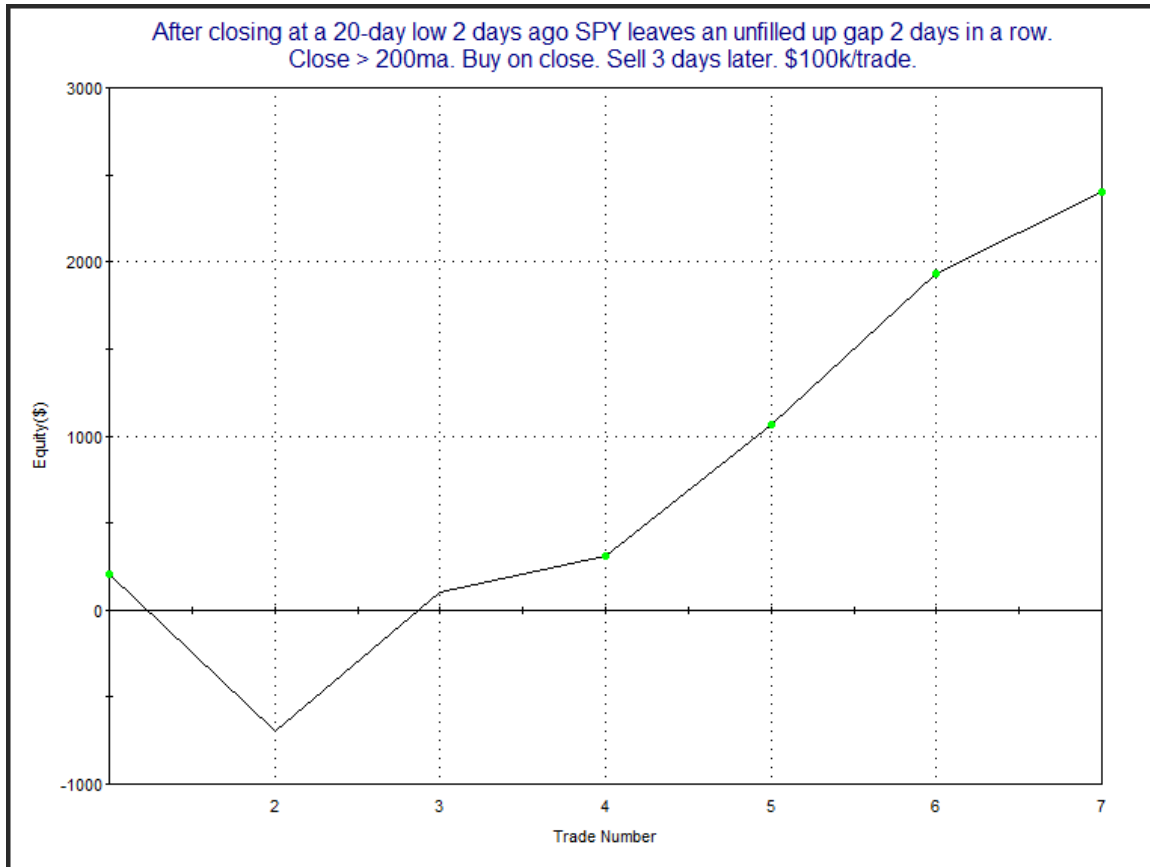
This isn't bad. Overall, I don't find the results compelling enough to include on the Active List, but they do appear good enough to continue to monitor this setup.

Another observation I had about the action was that it marked the 2<sup>nd</sup> unfilled up gap in a row. I wondered how other instances like this performed when moving off a 20-day low.

After closing at a 20-day low 2 days ago SPY leaves an unfilled up gap 2 days in a row. Close > 200ma. Buy on close. Sell X days later. \$100k/trade.

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	7,653.74	7	5	2	71.43	2,454.22	4,555.20	-2,308.68	-2,443.98	1.06	2.66	1,093.39
9	5,974.94	7	5	2	71.43	1,912.80	3,151.20	-1,794.53	-2,937.00	1.07	2.66	853.56
8	5,650.94	7	4	3	57.14	2,344.18	3,113.76	-1,241.92	-2,061.24	1.89	2.52	807.28
7	6,896.22	7	6	1	85.71	1,389.37	2,559.00	-1,440.00	-1,440.00	0.96	5.79	985.17
6	5,605.58	7	5	2	71.43	1,446.06	1,797.12	-812.37	-1,019.94	1.78	4.45	800.80
5	4,279.22	7	5	2	71.43	1,295.08	1,955.46	-1,098.09	-1,425.78	1.18	2.95	611.32
4	3,077.11	7	5	2	71.43	706.49	1,433.04	-227.67	-325.74	3.10	7.76	439.59
3	2,402.24	7	6	1	85.71	549.87	865.08	-897.00	-897.00	0.61	3.68	343.18
2	-679.49	7	5	2	71.43	347.88	998.58	-1,209.45	-1,252.80	0.29	0.72	-97.07
1	147.84	7	4	3	57.14	432.63	662.16	-527.56	-1,188.00	0.82	1.09	21.12

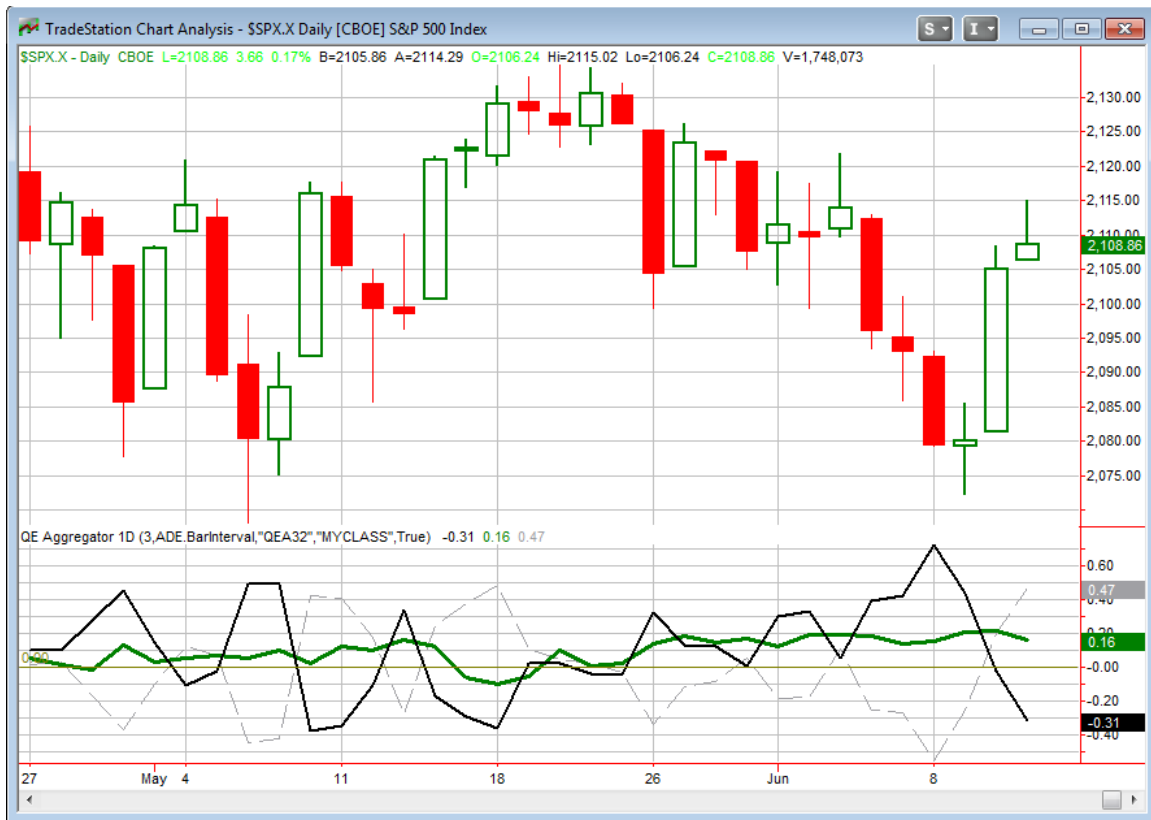
Results here point to a possible bullish inclination. Of course instances here are even smaller. For me there just is not enough evidence to get excited about any of the results. I did run a 3-day profit curve though.



This one has been on a hot streak lately. Still, it is too early to tell whether this is just a streak, or whether it is a real edge.

So we have 2 questionable studies that point in different directions. Clear as mud. For me, they are both showing results interesting enough that they are perhaps worth keeping an eye on over time, but I am not going to be utilizing them to set my bias tonight. Therefore, there will be no new studies added to the Active List tonight.

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. Meanwhile the black Differential Line fell further below 0. The negative Differential Line reading means SPX is 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 stayed flat at the close.

Based on the current active studies, expectations are set to remain positive on Friday. This could change if strong bearish evidence emerges. The Differential Pivot will be 2090.37 on Friday. That is 0.9% below Thursday's close. This means that SPX would need to close down at least 0.9% on Friday in order to turn oversold.

Thursday did nothing to really tilt me in either direction. I am still neutral on the short-term. I don't feel reward/risk is great here, and new evidence is somewhat underwhelming. So rather than put hard-earned money at risk, I'll wait for the next favorable opportunity to arise – and I will be ready to pounce when it does.

**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	\$47.34	46.79%	\$40.40	Aggressive VIX
SPY(1/4)	5/29/2015	\$211.14	\$211.48	0.16%		<i>sold on open</i>
SPY(1/4)	6/5/2015	\$209.95	\$211.48	0.73%		<i>sold on open</i>
BAX(1/3)	6/5/2015	\$65.50	\$66.03	0.81%		<i>sold on open</i>
BAX(1/3)	6/8/2015	\$65.02	\$66.03	1.55%		<i>sold on open</i>
BAX(1/3)	6/9/2015	\$64.50	\$66.03	2.37%		<i>sold on open</i>
SPY(1/4)	6/9/2015	\$208.45	\$211.48	1.45%		<i>sold on open</i>

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