

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 17, 2015

Volume 8 Issue 115

Market Overview



Signals Overview

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

Tonight's Research Points

- Fed Days are generally bullish, though this one does not appear to have as strong of an upside edge as most.

Short-term Outlook

The Bottom Line

Bullish evidence is still winning out and the market is not yet overbought. The bounce should have more upside.

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 16, 2015	2x unfilled gap down > 200ma	1-6 days	Bullish			
June 16, 2015	VIX spike 50-high. SPX > 200ma	1-2 days	Bullish			
June 10, 2015	4 lower lows. 20-day low > 200ma	1-8 days	Bullish	2.40%	-1.50%	-2.70%
Active - Long Term						
June 16, 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 15, 2015	Unfilled gap down after unfilled gap up.	1-2 days	Bearish			

The Evidence

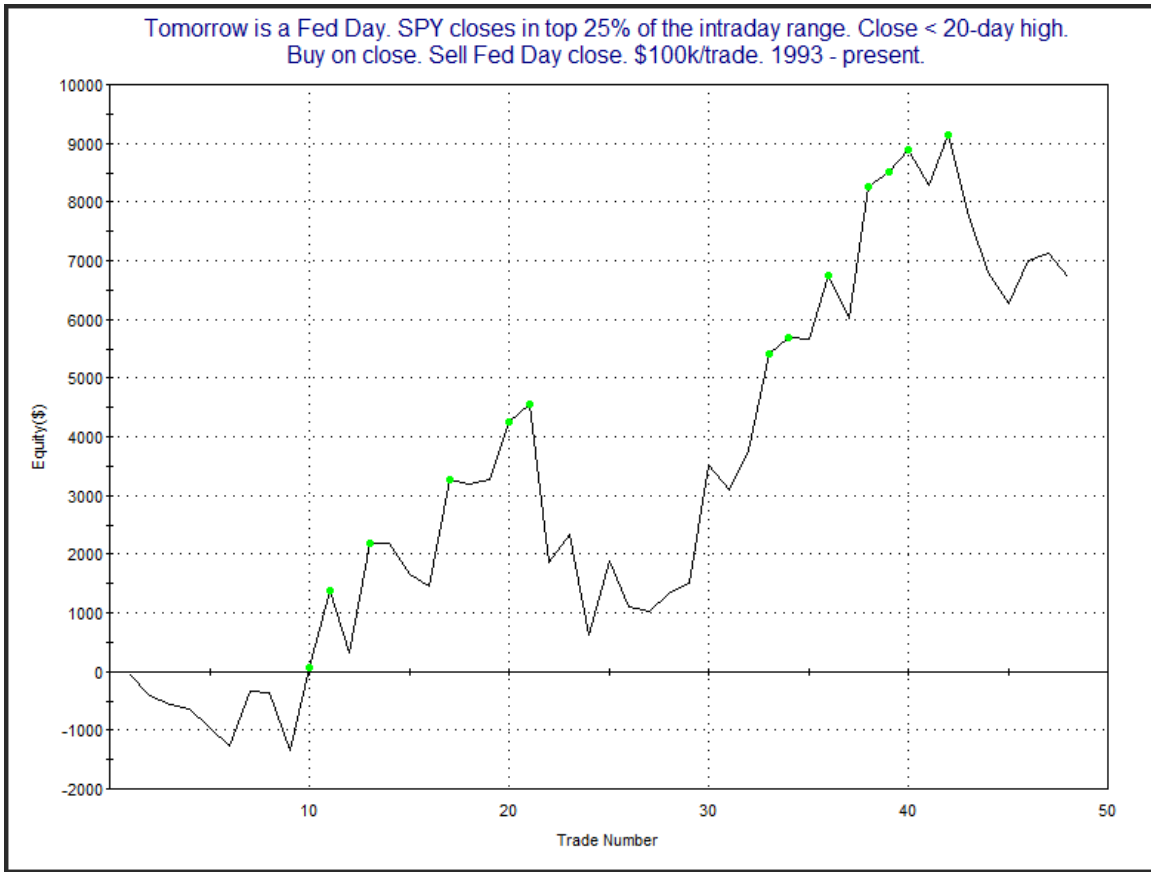
The market put in a bit of a bounce on Tuesday. The SPX gained 0.6%, the NASDAQ rose 0.5%, and the Russell 2000 rallied 0.7%. Breadth was positive as the NYSE Up Issues % came in at 63% and the Up Volume % was 67%. Total NYSE volume declined from Monday's level.

Fed Days are known for their bullish tendencies. But I've shown in the past that the upside Fed Day edge has not held nearly as well over the years when the market has closed the day strongly. And while it is generally good to close < a 20-day high, the strong close could still be a little problem. Below is a study that shows this, which was last seen in the 9/17/14 Letter. Stats are updated.

Tomorrow is a Fed Day. SPY closes in top 25% of the intraday range. Close < 20-day high. Buy on close. Sell Fed Day close. \$100k/trade. 1993 - present.

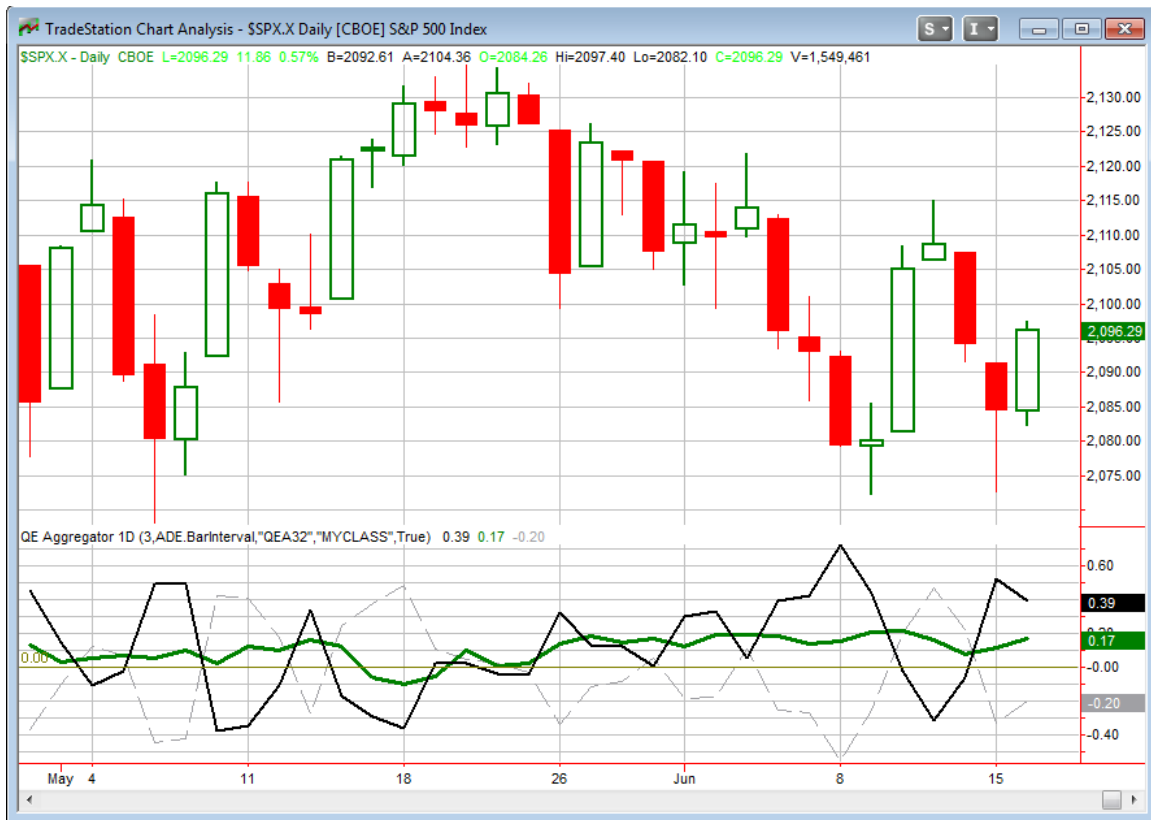
TradeStation Performance Summary				Collapse ^
All Trades				
Total Net Profit	\$6,716.08	Profit Factor	1.47	
Gross Profit	\$21,141.29	Gross Loss	(\$14,425.21)	
Total Number of Trades	48	Percent Profitable	47.92%	
Winning Trades	23	Losing Trades	24	
Even Trades	1			
Avg. Trade Net Profit	\$139.92	Ratio Avg. Win:Avg. Loss	1.53	
Avg. Winning Trade	\$919.19	Avg. Losing Trade	(\$601.05)	
Largest Winning Trade	\$2,238.25	Largest Losing Trade	(\$2,683.80)	

The average win to loss ratio isn't bad but the winning percentage is below breakeven. Below is a profit curve showing how the trades have played out over time.



Not a terribly smooth curve, and recent instances have not helped the cause at all. It seems there may be a mild bullish seasonal edge, but not a reliable one. I am not including this study on the Active List tonight. Results simply don't appear worthy.

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



Even without the Fed Day study looking strong the green Aggregator Line stayed above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line also remained 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 could change if strong bearish evidence emerges. The Differential Pivot will be 2103.70 on Wednesday. That is 0.4% above Tuesday's close. So SPX would need to close up at least this much on Wednesday in order to turn overbought.

With evidence still pointing higher and SPX not yet overbought I would like to let my new SPY long run a little. Of course the Fed Day increases risk. There is no telling what the reaction will be after the announcement. In general, the positive Fed Day inclinations have all been realized prior to the 2pm announcements. After 2pm has been much less predictable and has netted very little since the turn of the century. So I will make a little adjustment to my normal plan. If SPX is trading above the Differential Pivot of 2103.70 at 1:50pm, I will exit my position there. Otherwise, I will hold at least until the end of the day.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 6/15– slightly bullish*

The intermediate-term outlook was last updated in the 6/15 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	\$44.72	38.67%	\$40.40	Aggressive VIX
SPY(1/4)	6/16/2015	\$208.93	\$210.25	0.63%		bought on open

SPY - I will exit SPY at 1:50pm EST if SPX > 2103.70. Else I will hold until the end of the day, and then I will look to sell SPY if SPX closes > 2103.70.

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.