

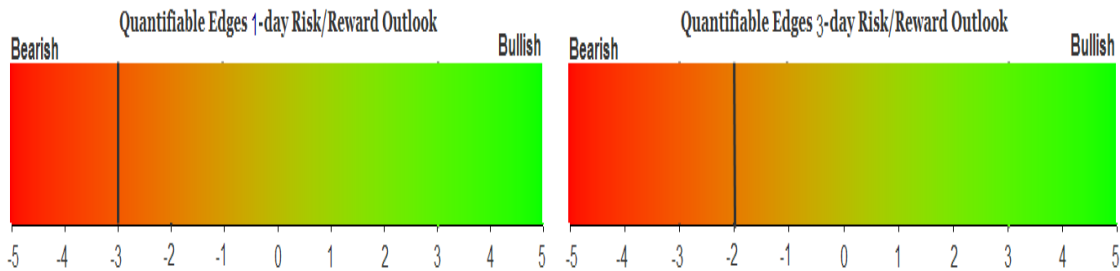
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 23, 2015

Volume 8 Issue 119

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Short	100% Short SPY	Short

## Tonight's Research Points

- The Russell has consistently outperformed the SPX in late June over the last 14 years.

### *Short-term Outlook*

#### *The Bottom Line*

The market remains short-term overbought and the evidence is still pointing south. But the overbought condition will expire on Tuesday afternoon unless SPX rallies. So while there appears to be a mild downside edge, I am not sure it is a strongly favorable reward/risk opportunity.

**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 22, 2015	June post-opex weak	1-5 days	Bearish	-2.00%	1.00%	1.80%
June 19, 2015	QE Buy Pwr Short / Opex overbought	1-5 days	Bearish			
<b>Active - Long Term</b>						
June 23, 2015	Russell late June strength vs SPX	until July	neutral			
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			

**The Evidence**

The market put in some solid gains on Monday. The SPX rose 0.6%, the NASDAQ rallied 0.7%, and the Russell 2000 tacked on 0.6%. Breadth was positive as the NYSE Up Issues % came in at 59% and the Up Volume % was 67%. Total NYSE volume came in light.

The back and forth action over the last few days has the Quantifinder quiet, without any compelling studies triggering.

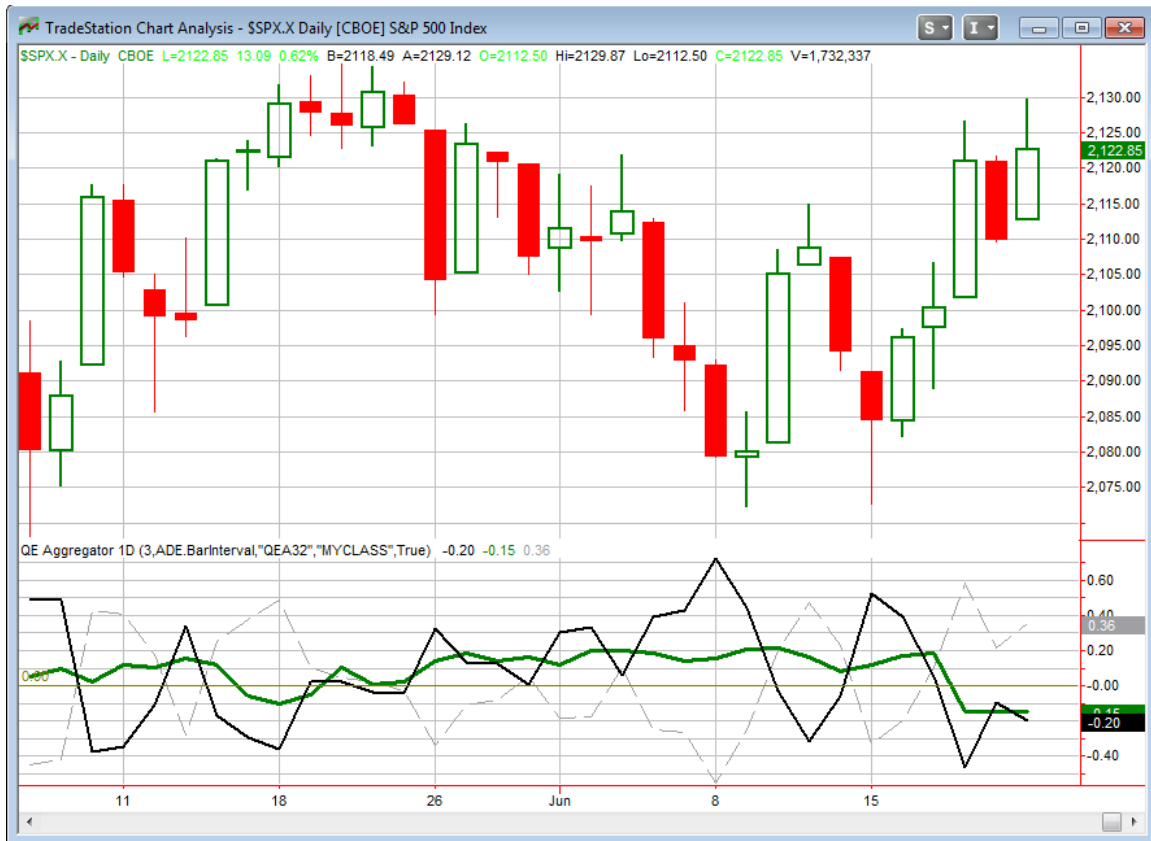
In last night's letter I published a study that showed the week after June opex has exhibited weakness in recent years. An astute subscriber suggested to me that this could be partially due to Russell rebalancing, which always happens at the end of June. His comments led me to wonder how the Russell 2000 might have performed versus the SPX during late June. I looked at a few different entry points. The table below shows how the Russell 2000 has done versus the SPX from the close the Tuesday after June Opex until the close on the last trading day of June.

% Change from Tuesday After June Opex Until Last Day of June. 2001 - 2014.			
Year	RUT	SPX	Difference
2001	4.89%	0.97%	3.92%
2002	2.25%	1.40%	0.85%
2003	1.70%	-0.91%	2.61%
2004	3.43%	0.56%	2.87%
2005	-0.22%	-1.84%	1.62%
2006	6.75%	2.45%	4.30%
2007	-1.76%	-1.98%	0.22%
2008	-2.56%	-2.61%	0.05%
2009	3.76%	2.71%	1.05%
2010	-5.64%	-5.90%	0.26%
2011	2.62%	1.94%	0.68%
2012	1.53%	0.31%	1.22%
2013	1.69%	1.15%	0.54%
2014	1.68%	0.53%	1.15%

For the last 14 years the Russell 2000 has outperformed the SPX during this late June period. The average outperformance was 1.52%. This would seem worth keeping in mind over the next week. A spread trade is one way to play it. I don't generally suggest spread trades here in the letter. But I might consider taking a long in the RUT rather than the SPX if we have a pullback in the next few days that generates bullish evidence.

For tonight there were no directional studies that made it onto the Active List.

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



Once again tonight the green Aggregator Line held below 0. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line also remained below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and the SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below 0. Therefore the Aggregator signal stayed short at the close.

Based on the current active studies, expectations are set to remain negative on Tuesday. Of course this could change if strong bullish evidence emerges. The Differential Pivot will be *slightly inverted* at 2125.54 on Tuesday. That is just 0.1% above Monday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case, or order to remain "overbought" versus recent expectations, SPX will need to close up a little on Tuesday. A flat or down close will cause it to turn short-term oversold.

My bias tonight is basically the same as last night. There still seems to be a bit of a downside edge. But with the Differential Pivot inverted, I am a bit wary of taking on a short. This is because my only opportunity to profit would be between the open and the close on Tuesday. Potential reward is limited because SPX will turn oversold if it moves

lower as anticipated. But risk is not nearly as limited, and I could have a short position move against me for several days. So I will stand pat again on Tuesday and wait for a better reward/risk scenario to emerge before taking on new positions.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 6/22– slightly bullish***

The intermediate-term outlook was last updated in the 6/22 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	\$48.46	50.26%	\$41.95	Aggressive VIX

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