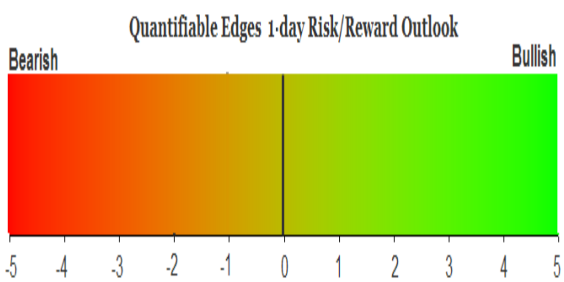
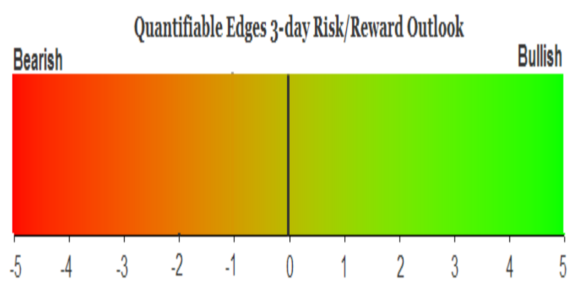
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 24, 2015 Volume 8 Issue 120

Market Overview





Signals Overview

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

Tonight's Research Points

- The VIX is stretched to the downside, but that does not appear to be problematic for the bulls under similar circumstances.

Short-term Outlook

The Bottom Line

Evidence is still bearish but the market is no longer short-term overbought. This is leaving the Aggregator neutral. I am also neutral.

Hanna Capital Management, LLC 16 Hillcrest Rd., Medfield, Massachusetts 02052 781-956-6952

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 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			
Active - Long Term						
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 very mild gains on Tuesday. The SPX and NASDAQ each rose 0.1%, and the Russell 2000 gained 0.3%. Breadth was positive as the NYSE Up Issues % came in at 58% and the Up Volume % was 60%. Total NYSE volume rose slightly from Monday.

The mild action on Tuesday did nothing to generate strong edges. While I looked at a few things, nothing compelling emerged. The extremely low VIX has raised some eyebrows and I saw several notes about it. So I ran a few VIX-related studies. The one below is representative of what I saw.

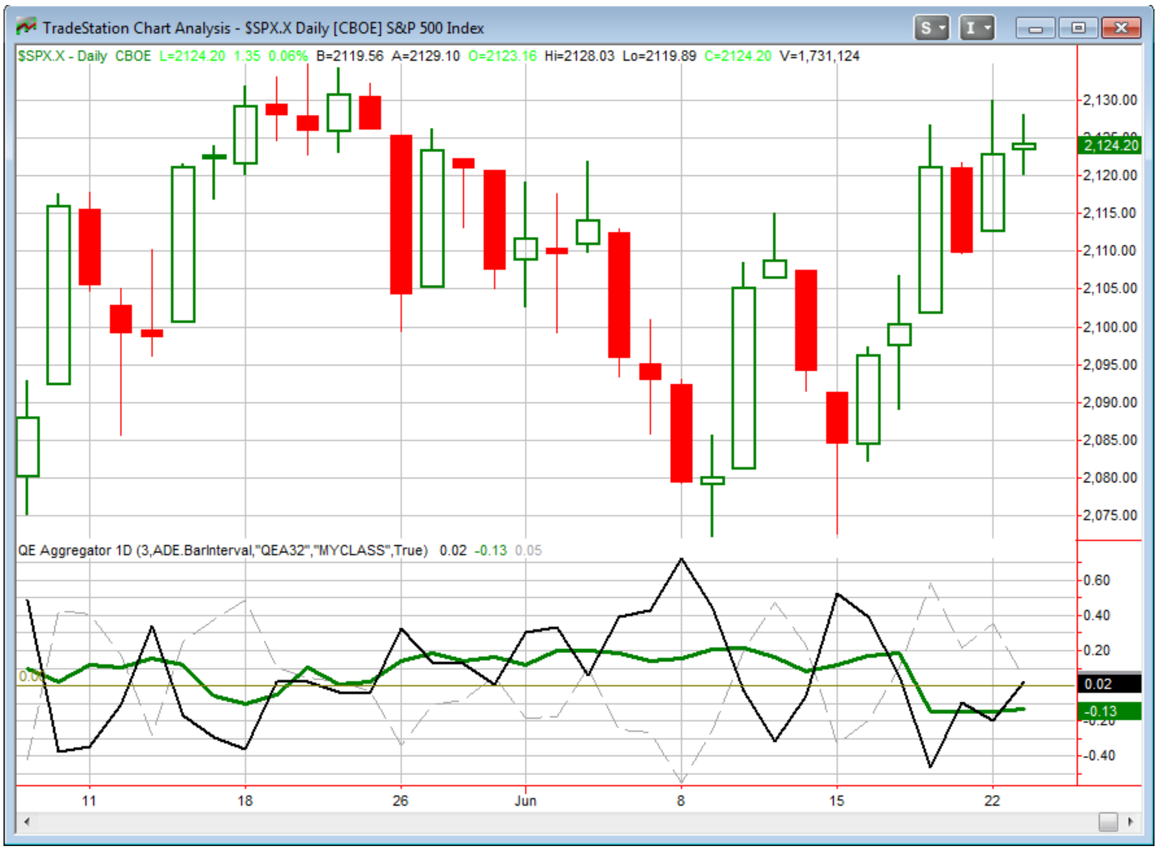
VIX closes 10% below its 10ma and at a 20-day low. SPX closes at a 20-day high and > 200ma.
Buy SPX on close. Sell X days later. $100k/trade. 1991 - present.

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
20	72,731.54	59	42	17	71.19	2,950.80	9,196.28	-3,011.88	-9,695.84	0.98	2.42	1,232.74
19	81,561.43	60	44	16	73.33	2,860.73	8,993.64	-2,769.41	-9,455.60	1.03	2.84	1,359.36
18	84,029.75	60	44	16	73.33	2,832.37	9,044.30	-2,537.17	-7,434.35	1.12	3.07	1,400.50
17	89,189.57	62	46	16	74.19	2,668.39	10,310.80	-2,097.27	-7,053.97	1.27	3.66	1,438.54
16	78,811.54	65	45	20	69.23	2,575.14	10,215.44	-1,853.50	-5,308.38	1.39	3.13	1,212.49
15	72,568.01	66	47	19	71.21	2,366.49	8,770.14	-2,034.57	-5,271.42	1.16	2.88	1,099.52
14	71,111.05	66	49	17	74.24	2,168.87	10,203.52	-2,068.43	-4,555.46	1.05	3.02	1,077.44
13	75,307.54	66	49	17	74.24	2,094.60	9,154.56	-1,607.52	-4,963.53	1.30	3.76	1,141.02
12	59,314.39	66	47	19	71.21	1,976.92	10,072.40	-1,768.46	-7,830.22	1.12	2.77	898.70
11	59,508.30	68	50	18	73.53	1,953.67	7,321.86	-2,120.85	-8,317.94	0.92	2.56	875.12
10	54,826.58	69	47	22	68.12	1,987.54	6,478.52	-1,754.00	-7,891.63	1.13	2.42	794.59
9	48,677.87	72	53	19	73.61	1,723.69	6,940.42	-2,246.18	-7,594.37	0.77	2.14	676.08
8	33,642.17	72	49	23	68.06	1,429.25	4,911.04	-1,582.21	-6,657.20	0.90	1.92	467.25
7	30,183.98	75	44	31	58.67	1,537.11	4,655.00	-1,208.02	-4,200.84	1.27	1.81	402.45
6	21,964.91	76	46	30	60.53	1,243.56	5,002.50	-1,174.63	-4,586.40	1.06	1.62	289.01
5	15,012.76	77	45	32	58.44	1,067.33	4,482.50	-1,031.78	-4,362.12	1.03	1.45	194.97
4	12,362.77	80	49	31	61.25	999.21	4,440.00	-1,180.60	-3,595.13	0.85	1.34	154.53
3	7,537.11	86	54	32	62.79	844.03	3,950.00	-1,188.77	-5,105.87	0.71	1.20	87.64
2	10,846.14	93	57	36	61.29	602.04	2,257.84	-651.95	-2,409.33	0.92	1.46	116.63
1	10,424.85	118	61	57	51.69	503.33	2,119.29	-355.76	-2,447.06	1.41	1.51	88.35

Hanna Capital Management, LLC 16 Hillcrest Rd., Medfield, Massachusetts 02052 781-956-6952

The worry I was hearing was that the low VIX is indicative of a likely pullback. While there may be a pullback (and other Active Studies are pointing that way), the VIX/SPX action does not appear concerning to me. In fact, the stats actually lean somewhat bullish, though I do not consider them strong enough to add to the study to 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 inched just above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but the SPX is oversold. 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 negative on Wednesday. Of course this could change if strong bullish evidence emerges. The Differential Pivot will be *inverted at* 2107.55 on Wednesday. That is 0.8% *below* Tuesday'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 "oversold" versus recent expectations, SPX will need to close down at least 0.8% on Wednesday. Anything less than that and it will again be considered short-term overbought.

Evidence remains bearish, and I am more inclined to believe we will see a pullback in the next few days than a continuation upwards. But without SPX being overbought potential reward/risk just isn't there to take on a short position – especially with the intermediate-term outlook leaning bullish. So I will wait another day and see what emerges tomorrow.

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

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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	$49.68	54.05%	$42.95	Aggressive VIX

I have moved the XIV stop up a little further tonight, so that is a little below both recent swing lows and the 50-day moving average.

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