

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 26, 2015

Volume 8 Issue 122

Market Overview



Signals Overview

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

Tonight's Research Points

- Weak closes at 5-day lows often lead to a bounce.

Short-term Outlook

The Bottom Line

Evidence is slightly bullish and the SPX is now slightly oversold. This suggests a mild upside edge. I may look to take advantage of it if the market sells off a bit more on Friday.

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 25, 2015	Weak close. 5-low, >200ma	1-4 days	Bullish			
June 22, 2015	June post-opex weak	1-5 days	Bearish	-2.00%	1.00%	1.80%
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			
Dropped Tonight						
June 25, 2015	Low TICK. 5-day low SPX.	1 day	Bullish			
June 19, 2015	QE Buy Pwr Short / Opex overboug	1-5 days	Bearish			

The Evidence

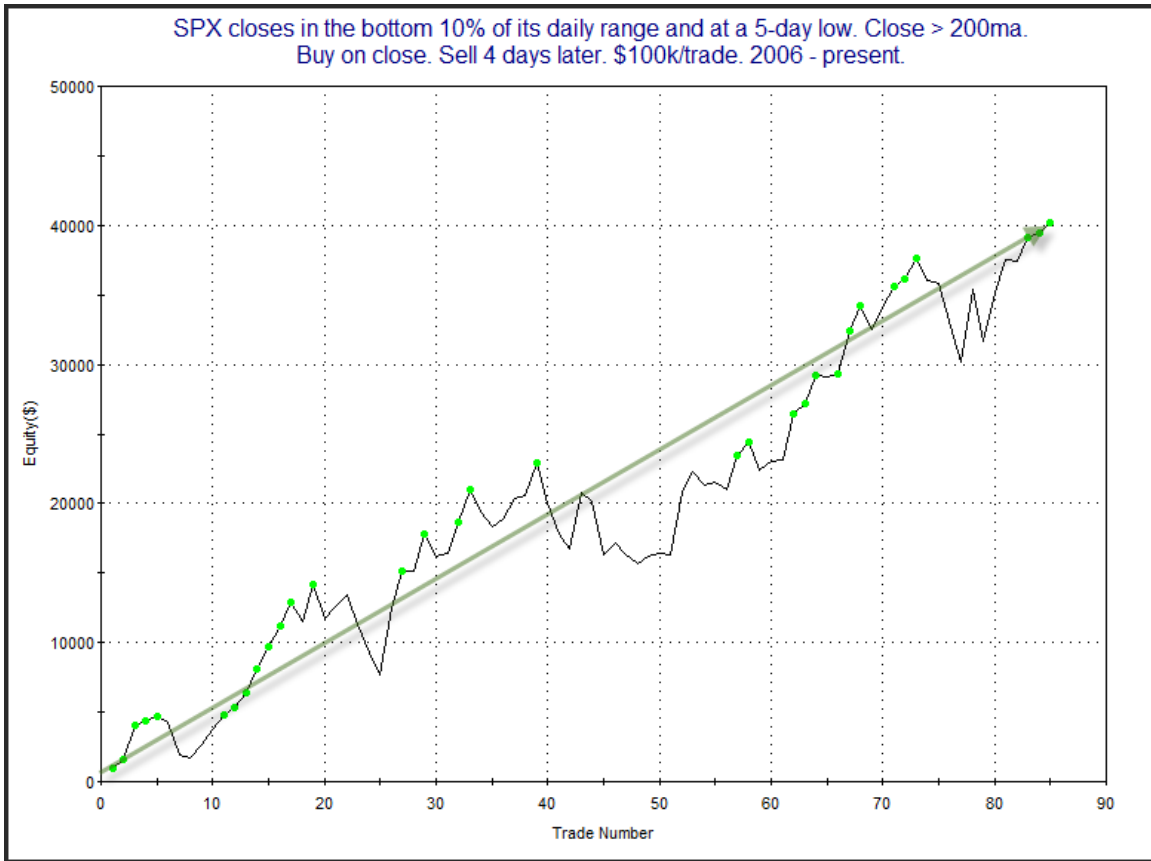
The market saw some more selling on Thursday. The SPX declined 0.3%, the NASDAQ fell 0.2%, and the Russell 2000 dropped less than 1 point. Breadth was negative as the NYSE Up Issues % came in at 36% and the Up Volume % was 31%. Total NYSE volume rose a little for the 3rd day in a row.

The action was mild enough that almost nothing triggered in the Quantifinder. The one study that did appear is a repeat from last night, which I have copied below:

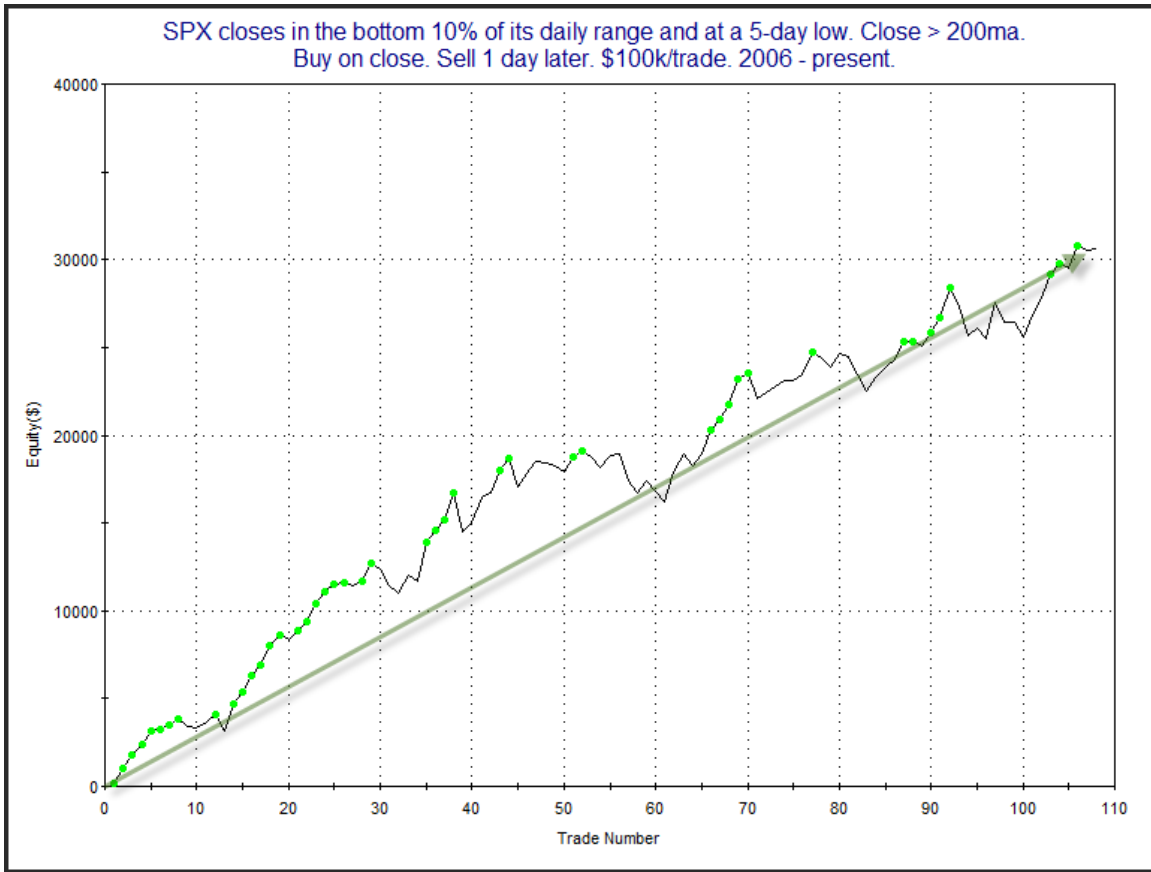
Over the last several years when SPX has closed near the bottom of its range and at a 5-day low, it has typically been followed by a bounce in the next few days. This can be seen in the study below.

SPX closes in the bottom 10% of its daily range and at a 5-day low. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 2006 - 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	51,105.30	82	53	29	64.63	1,861.82	5,555.16	-1,640.38	-3,680.82	1.13	2.07	623.24
4	40,200.80	85	54	31	63.53	1,590.75	5,290.00	-1,474.18	-3,863.84	1.08	1.88	472.95
3	34,468.25	91	59	32	64.84	1,239.33	4,895.50	-1,207.88	-3,437.94	1.03	1.89	378.77
2	29,950.57	99	58	41	58.59	1,141.25	4,424.50	-883.94	-2,726.97	1.29	1.83	302.53
1	30,613.99	108	72	36	66.67	757.12	2,230.60	-663.85	-2,200.08	1.14	2.28	283.46
91% of instances closed above the entry price at some point in the next week.												

The stats here appear to suggest a pretty solid upside tendency over the last 8 1/2 years. Below is a look at the profit curve assuming a 4-day holding period.

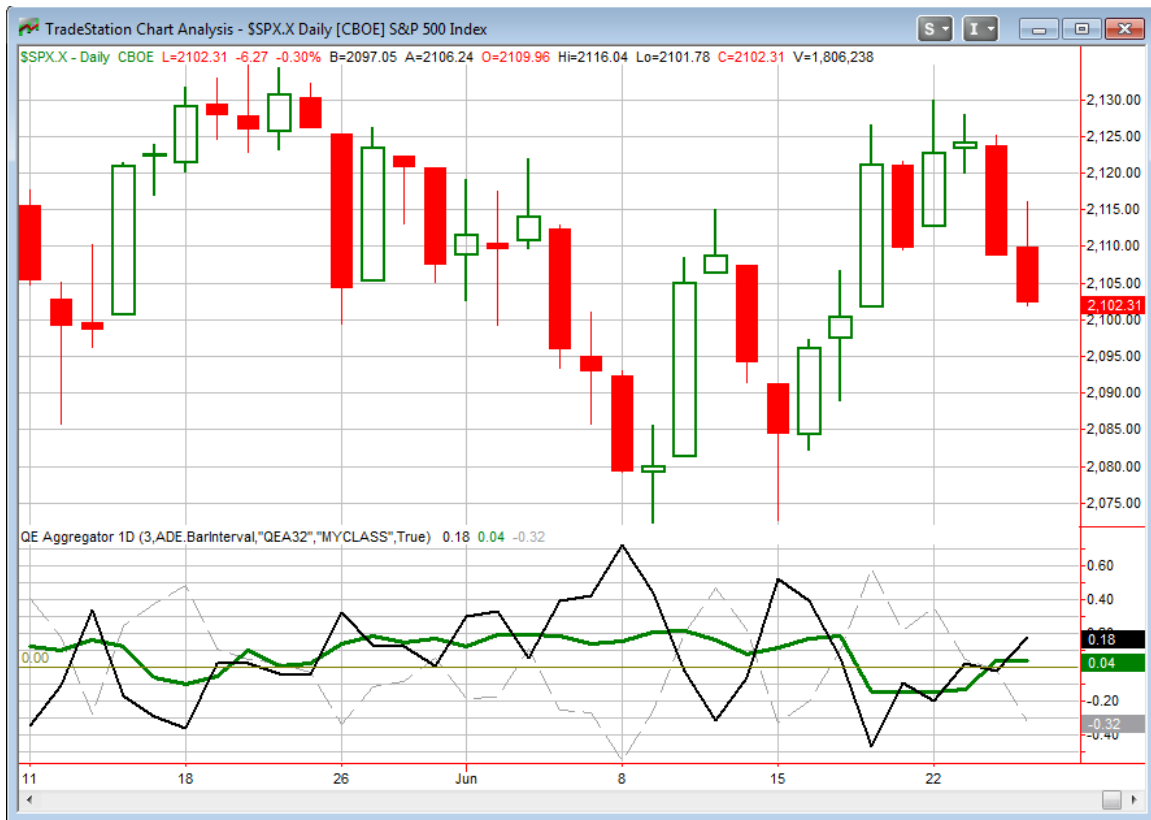


The upslope has persisted the whole time and the curve is again at new highs. The 1-day curve was also appealing. I have published that below.



Here again we see a steady move higher from lower left to upper right. This seems to serve as some confirmation of the short-term upside edge. I have included this study on the Short-Term Active List tonight.

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



Without anything new and substantial tonight the green Aggregator Line held above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line is now also 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 turned long at the close.

Based on the current active studies, expectations are set to remain positive on Friday. Of course this could change if strong bearish evidence emerges. The Differential Pivot will be 2115.06 on Friday. That is 0.6% above Thursday's close. So for SPX to flip from oversold to overbought versus recent expectations it will need to close up at least 0.6% on Friday.

The 2-day pullback has the SPX right in the middle of its recent range. Mid-range is not my favorite place to enter new positions. I typically prefer the pullback to be a bit deeper so as to offer more favorable reward/risk. This is especially true when the evidence is only mildly bullish as it is now. So although the Aggregator has a bullish configuration, I am not inclined to jump in right here. Instead I will demand a close a bit lower on Friday in order to take on more long exposure. Details in the Trade Ideas section down below.

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.

SPY – buy ¼ index position at \$209.36 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to scale in to a long position if SPY closes down at least \$0.50 on Friday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
XIV(1/2)	3/9/2015	\$32.25	\$48.31	49.80%	\$42.95	Aggressive VIX

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