

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 2, 2015

Volume 8 Issue 126

Market Overview



Signals Overview

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

Tonight's Research Points

- The poor close on Tuesday's last day of the month set up Wednesday for a rise.
- Mild bounces from strong drops have shown mixed results over the years.

Short-term Outlook

The Bottom Line

Evidence continues to lean bullish and the market is still oversold. I expect a bounce in the next few days.

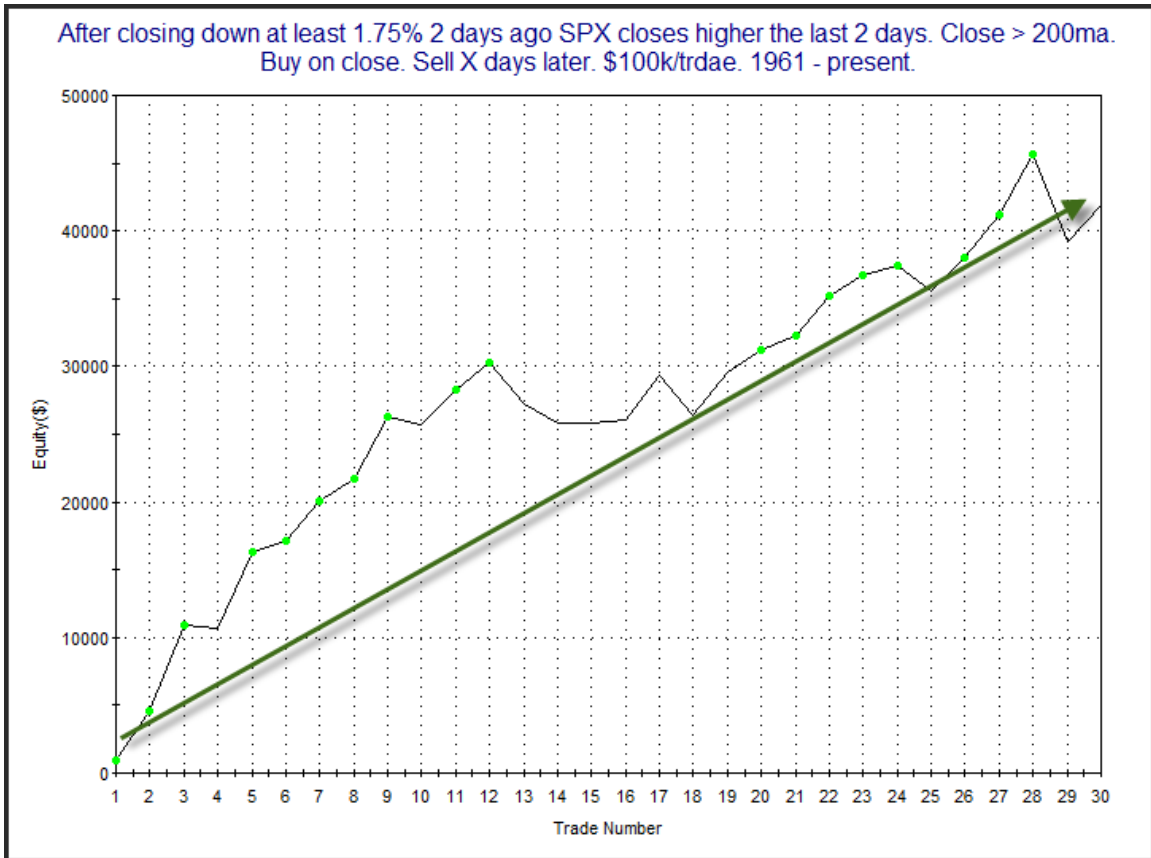
The Evidence

The bounce continued on Wednesday. The SPX rose 0.7%, the NASDAQ gained 0.5%, and the Russell 2000 closed up 0.2%. Breadth was positive as the NYSE Up Issues % came in at 62% and the Up Volume % was 54%. Total NYSE volume declined some from Tuesday 's level.

The Quantifinder tonight showed a few studies related to 2-day bounces that failed to close above the close of 3 days ago. The most compelling one, which also most closely matched the current setup was found in the 3/21/11 subscriber letter. It required a big drop 2 days earlier of at least 1.75%. I have updated the stats below.

After closing down at least 1.75% 2 days ago SPX closes higher the last 2 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trdae. 1961 - 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	41,928.35	30	22	8	73.33	2,659.68	6,392.16	-2,073.08	-6,447.66	1.28	3.53	1,397.61
4	34,200.82	30	23	7	76.67	2,087.23	5,921.24	-1,972.21	-3,541.48	1.06	3.48	1,140.03
3	29,203.31	30	23	7	76.67	1,852.67	5,419.44	-1,915.44	-3,973.16	0.97	3.18	973.44
2	25,781.41	30	20	10	66.67	1,786.47	3,944.92	-994.80	-2,848.17	1.80	3.59	859.38
1	8,285.76	30	17	13	56.67	1,080.65	2,699.42	-775.79	-1,647.38	1.39	1.82	276.19

The numbers here are strong and suggest a bullish edge over the next week. Below is a look at the profit curve.



The persistent move higher serves as confirmation of the bullish tendency. I have included this study on the Active List.

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



Tonight study helped the green Aggregator line to inch a little further 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 held 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 Thursday. It would take strongly bearish evidence to change that. The Differential Pivot will be *inverted* at 2068.82 on Thursday. That is 0.4% *below* Wednesday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case SPX will need to close down at least 0.4% in order to remain oversold versus expectations on Thursday. Otherwise it will be considered "overbought".

Inverted pivots generally get me thinking about taking profits. That is because any up close would mean the end of the long signal. This limits profit potential. So I will look to take some profits if we get a boost in the morning. (And there is a chance the employment report could provide that.) But if we don't get a boost and end up closing below the pivot on Thursday, then I will continue to hold this position thanks to the continued bullish evidence.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/29– slightly bullish

The intermediate-term outlook was last updated in the 6/29/15 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

RTN - \$97.79 (bought 1/3 @ limit)

RTN - \$97.92 (bought 1/3 @ limit)

RTN - \$95.68 (no fill) – cancel order for now

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 3(RTN-3)

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
RTN(1/3)	6/29/2015	\$96.52	\$96.34	-0.19%		Catapult
SPY(1/4)	6/29/2015	\$208.04	\$207.50	-0.26%		Aggregator
SPY(1/4)	6/30/2015	\$205.67	\$207.50	0.89%		Aggregator
RTN(1/3)	6/30/2015	\$95.92	\$96.34	0.44%		Catapult

I will look to sell 1 lot of SPY at \$208.00 LIMIT. I will sell the 2nd lot at a \$209.00 limit during the day. If not completely out by the close, I will sell 1 lot at a \$207.00 LIMIT ON CLOSE.

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