

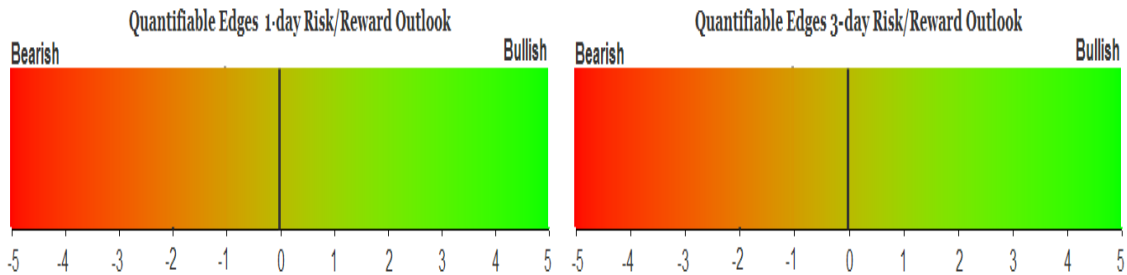
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 15, 2015

Volume 8 Issue 134

Market Overview



Signals Overview

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

Tonight's Research Points

- Tuesday's relatively narrow range day after this move off the lows appears to have bullish implications.
- 3 days of strong Nasdaq breadth are often followed by a down day.

Short-term Outlook

The Bottom Line

Evidence remains net bullish but the SPX is still short-term overbought. For the 2nd night, this leaves me neutral on the short-term.

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						
July 15, 2015	3+ up from 50-low. Narrow range 7.	1-3 days	Bullish	2.10%	-1.00%	-2.80%
July 15, 2015	Nas Adv 1.5x Decl for 3 days	1 day	Bearish			
July 14, 2015	VIX 10% to 10% below 10ma	1-8 days	Bullish			
July 14, 2015	QE Buying Power Short	1-6 days	Bearish			
July 13, 2015	2 up from 20-day < 3 days ago.	1-3 days	Bullish	1.50%	-1.00%	-1.90%
July 10, 2015	VIX 100 high. SPX not 100low. 2x	1-4 days	Bullish			
July 9, 2015	VIX 100 high. SPX 20-low < 100-low	1-7 days	Bullish			
Active - Long Term						
July 9, 2015	VIX 100 high. SPX 20-low < 100-low	1-20 days	Bullish	3.10%	-1.60%	-3.20%
July 1, 2015	20 low reversal bar	1-10 days	Bullish	2.90%	-1.85%	-3.40%
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						
July 14, 2015	VXO drops 20% in 1 day	1 day	Bearish			
July 10, 2015	SPY close bottom 10% but + on day	1-3 days	Bullish			

The Evidence

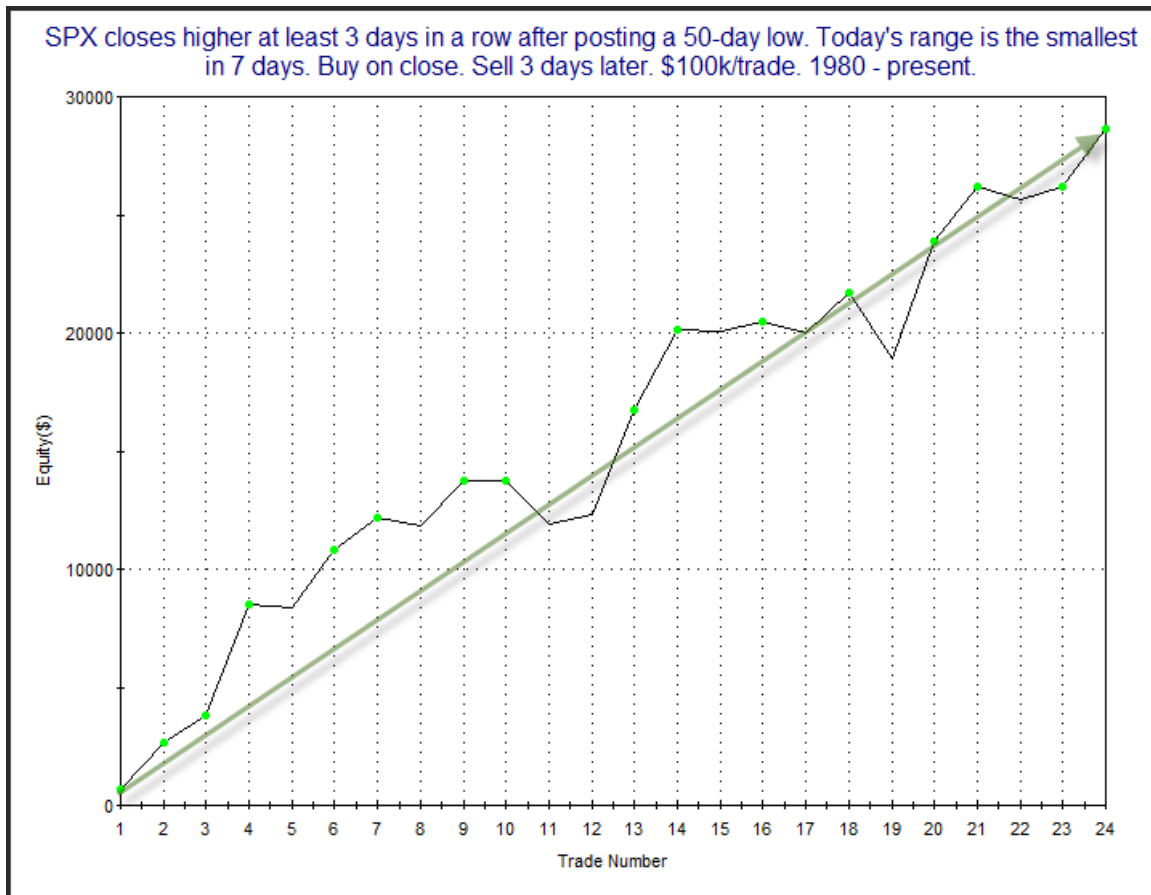
Tuesday saw the bounce follow through even further. The SPX rose 0.5%, the NASDAQ gained 0.7%, and the Russell 2000 closed up 0.6%. Breadth was positive as the NYSE Up Issues % came in at 62% and the Up Volume % was 70%. Total NYSE volume declined some from Monday's level.

There was one bullish study that appeared tonight. It was last seen in the 11/23/12 letter. It examined what happened other times the SPX moved off its 50-day low and underwent a volatility contraction.

SPX closes higher at least 3 days in a row after posting a 50-day low. Today's range is the smallest in 7 days. Buy on close. Sell X days later. \$100k/trade. 1980 - 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	24,962.75	24	17	7	70.83	2,307.66	6,877.04	-2,038.20	-3,446.97	1.13	2.75	1,040.11
4	21,947.25	24	17	7	70.83	1,963.22	5,068.10	-1,632.49	-5,663.22	1.20	2.92	914.47
3	28,648.29	24	17	7	70.83	2,055.43	4,989.60	-899.15	-2,830.50	2.29	5.55	1,193.68
2	13,553.02	25	18	7	72.00	1,353.02	2,947.84	-1,543.05	-5,264.73	0.88	2.25	542.12
1	3,392.58	30	20	10	66.67	898.80	4,699.94	-1,458.34	-8,883.33	0.62	1.23	113.09

29 of 30 instances (97%) closed above the entry price at some point in the next week. All 30 did so within 6 days.

Results here appear quite compelling. The incredible consistency noted at the bottom of the table is especially impressive. Below is a profit curve that assumes a 3-day holding strategy.



The consistency of the curve serves as confirmation of the bullish edge.

We also had a bearish study that was a repeat from last night. It looked at times Nasdaq advancers outnumbered decliners by more than 3:2 for 3 days in a row. It suggested a possible 1-day downside edge. Results below are again updated.

NASDAQ Advancers outnumber decliners by at least 3:2 for the last 3 days.
 Buy SPX on close. Sell next day's close. \$100k/trade. 1999 - present.

TradeStation Performance Summary Collapse ^			
All Trades			
Total Net Profit	(\$14,028.05)	Profit Factor	0.44
Gross Profit	\$11,129.01	Gross Loss	(\$25,157.06)
Total Number of Trades	59	Percent Profitable	38.98%
Winning Trades	23	Losing Trades	36
Even Trades	0		
Avg. Trade Net Profit	(\$237.76)	Ratio Avg. Win:Avg. Loss	0.69
Avg. Winning Trade	\$483.87	Avg. Losing Trade	(\$698.81)
Largest Winning Trade	\$1,857.24	Largest Losing Trade	(\$4,241.94)

The numbers imply a bit of a downside edge. I have kept this study on the Active List again tonight.

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



With the new evidence taken into account the green Aggregator line remained above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line held below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but the SPX is overbought. 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 stayed flat at the close.

Based on the current active studies, expectations are set to remain positive on Wednesday. Of course this could change if additional bearish evidence emerges. The Differential Pivot will be 2089.68 on Wednesday. That is 0.9% below Tuesday's close. So for SPX to move back to oversold on Wednesday it will need to close down at least 0.9%.

Tuesday's action really did nothing to change my short-term outlook. Evidence is still mixed but leaning bullish, and the market is still overbought. This is not a situation presenting highly favorable reward/risk. Therefore, I remain neutral and awaiting a better entry opportunity.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/13– slightly bullish

The intermediate-term outlook was last updated in the 7/13 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
CVX(1/3)	7/7/2015	\$94.41	\$95.55	1.21%		sell on open
DD(1/3)	7/9/2015	\$58.16	\$59.41	2.15%		sold on open

CVX hit its target and will be exited at Wednesday's open.

DD was exited at the open as indicated in last night's letter.

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