

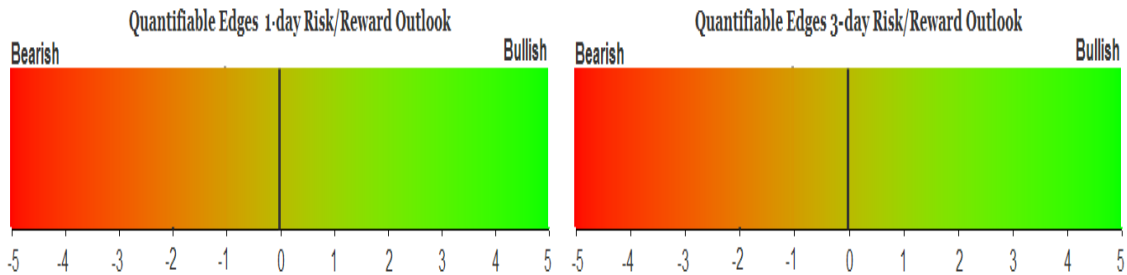
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 16, 2015

Volume 8 Issue 135

Market Overview



Signals Overview

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

Tonight's Research Points

- While SPY closed down, its series of higher highs and higher lows continued, suggesting a rally in the coming days.

Short-term Outlook

The Bottom Line

Evidence remains net bullish but the SPX is still short-term overbought. For the 3rd night in a row 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 16, 2015	3+ Higher hi, low, close. Dn close.	1-4 days	Bullish	1.45%	-0.75%	-1.50%
July 15, 2015	3+ up from 50-low. Narrow range 7.	1-3 days	Bullish	2.10%	-1.00%	-2.80%
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 10, 2015	VIX 100 high. SPX not 100low. 2x	1-4 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 13, 2015	2 up from 20-day < 3 days ago.	1-3 days	Bullish	1.50%	-1.00%	-1.90%
July 9, 2015	VIX 100 high. SPX 20-low < 100-low	1-7 days	Bullish			
July 15, 2015	Nas Adv 1.5x Decl for 3 days	1 day	Bearish			

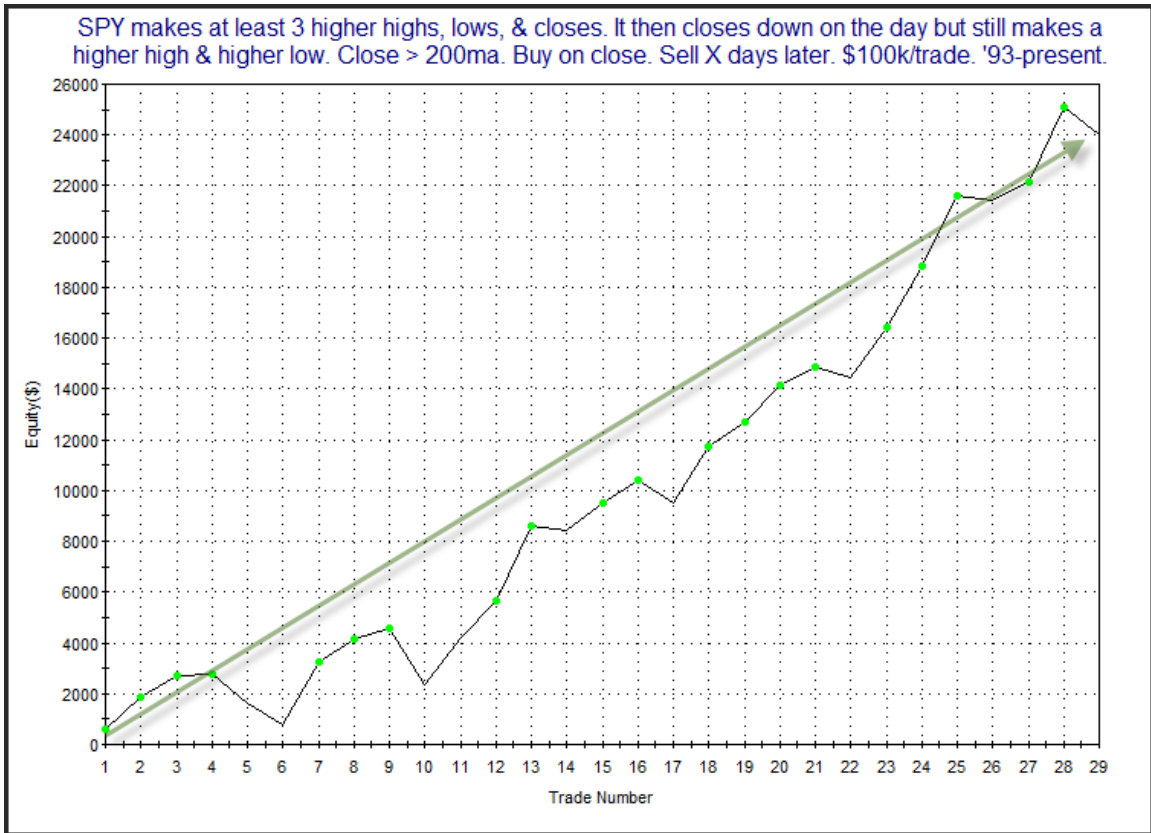
The Evidence

Wednesday was a day of mostly mild losses for the indices. The SPX and NASDAQ each declined 0.1% while the Russell 2000 dropped 0.7%. Breadth was negative as the NYSE Up Issues % came in at 40% and the Up Volume % was 35%. Total NYSE volume rose a little from Tuesday's level.

While SPY pulled back some on Wednesday, it did manage to register a higher high and a higher low. The study below was last seen in the 5/20/15 letter and examines other times a pullback of this sort followed a series of higher highs, lows, and closes. I've updated the results.

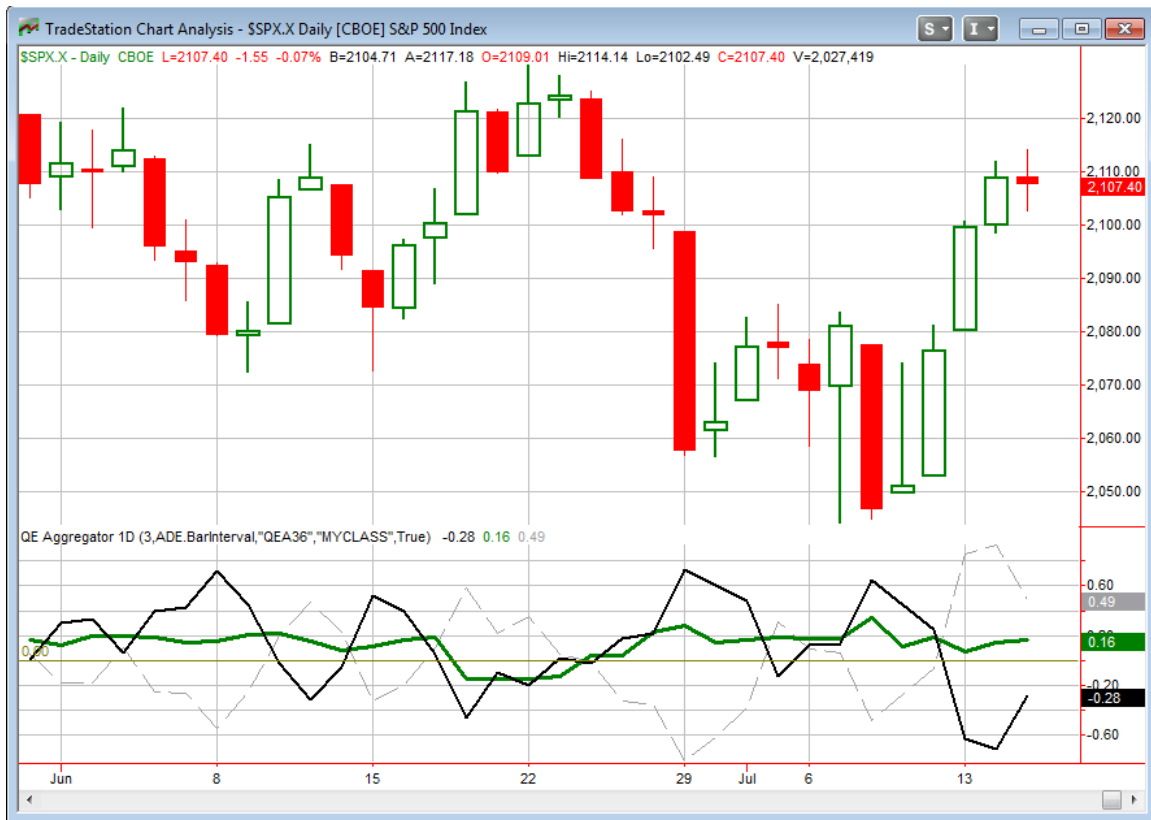
SPY makes at least 3 higher highs, lows, & closes. It then closes down on the day but still makes a higher high & higher low. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. '93-present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	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	20,186.98	29	18	11	62.07	1,645.26	3,602.64	-857.06	-2,800.26	1.92	3.14	696.10
4	24,025.98	29	21	8	72.41	1,480.19	2,962.96	-882.25	-2,191.22	1.68	4.40	828.48
3	14,924.07	29	20	9	68.97	1,073.84	2,762.41	-728.08	-2,640.33	1.47	3.28	514.62
2	11,134.31	29	23	5	79.31	725.40	2,073.28	-1,109.97	-1,804.67	0.65	3.01	383.94
1	7,642.19	29	20	9	68.97	522.25	1,395.93	-311.42	-1,137.92	1.68	3.73	263.52

There appears to be a strong propensity for the move up to reassume. Below is a profit curve assuming a 4-day holding period.



The upslope is impressive. This study certainly appears worthy of consideration and I have included it on the Active List.

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 Thursday. Of course this could change if additional bearish evidence emerges. The Differential Pivot will be 2107.33 on Thursday. That is just 0.07 points below where SPX closed on Wednesday. So it will remain overbought with any up close and turn oversold with just about any down close on Thursday.

Again tonight I am not seeing anything that is changing my overall outlook. Evidence still points higher but the market is again overbought. I'll continue to wait for a lower entry point or for strong bearish evidence to emerge before taking on new exposure.

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	\$95.04	0.67%		<i>sold on open</i>

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

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