

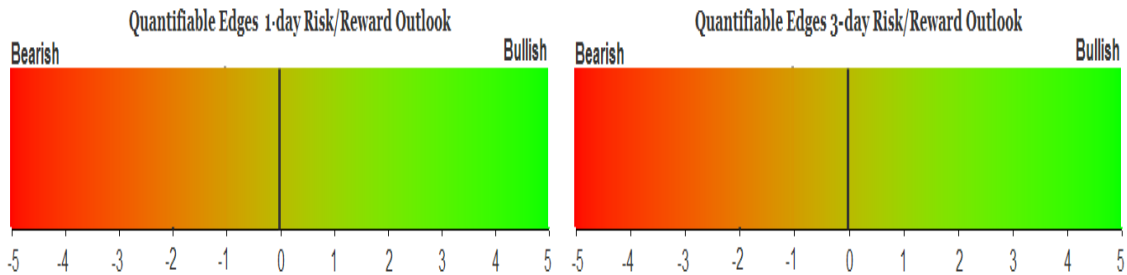
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 17, 2015

Volume 8 Issue 136

Market Overview



Signals Overview

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

Tonight's Research Points

- High closes on the Thursday prior to opex have routinely been followed by a pullback over the next few days.

Short-term Outlook

The Bottom Line

Evidence remains net bullish but the SPX is still short-term overbought. This again 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 17, 2015	SPX top 1-% 10-day range opex Thurs	1-5 days	Bearish	-1.60%	0.90%	1.75%
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			
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 9, 2015	VIX 100 high. SPX 20-low < 100-lo	1-7 days	Bullish	3.10%		

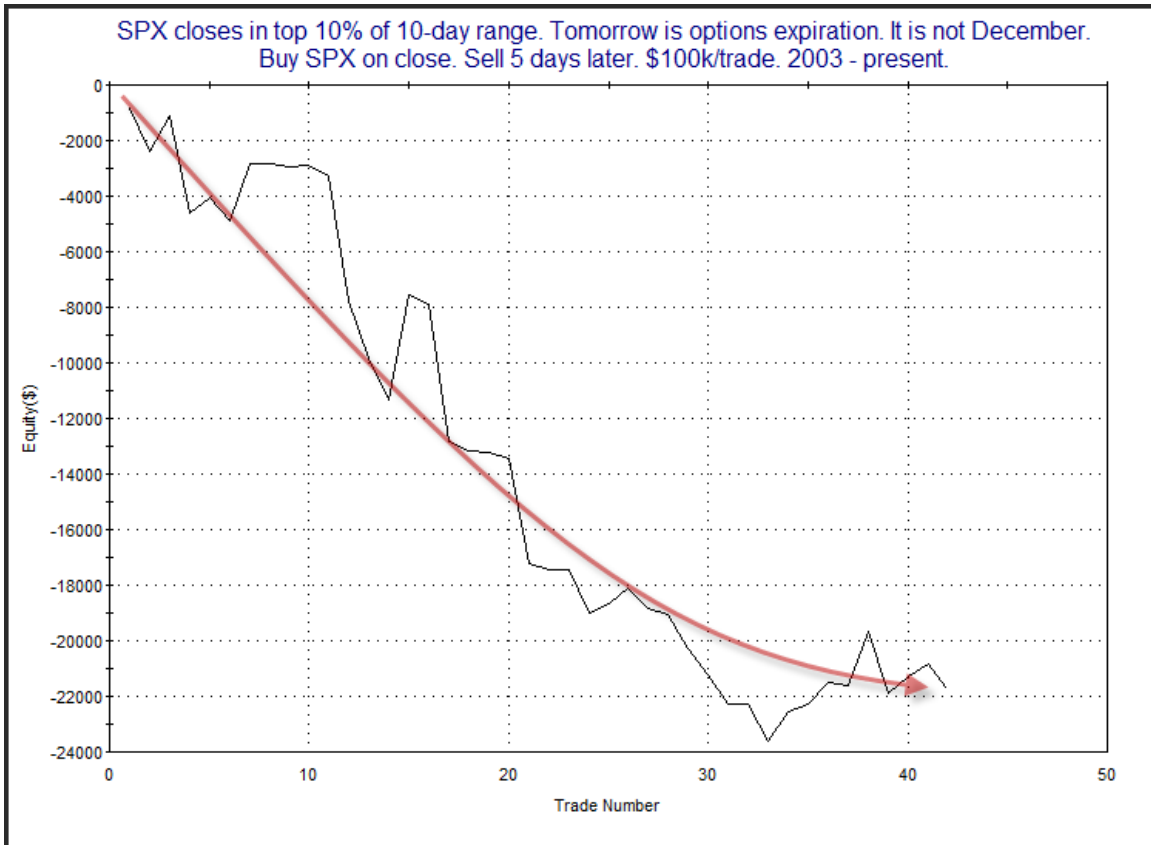
The Evidence

Thursday was a strong day for the market. The SPX rose 0.8%, the NASDAQ rallied 1.3%, and the Russell 2000 gained 0.6%. Breadth was positive as the NYSE Up Issues % came in at 69% and the Up Volume % was 64%. Total NYSE volume declined a little from Wednesday's level.

The study below most recently appeared just last month in the 6/19/15 Letter. It looks at times the market closed at a high level just before options expiration. (It also excludes December since the 2nd half of December is a seasonally strong period.) Opex Friday and the days that follow have generally been a bad time for an overbought market. The results below are all updated.

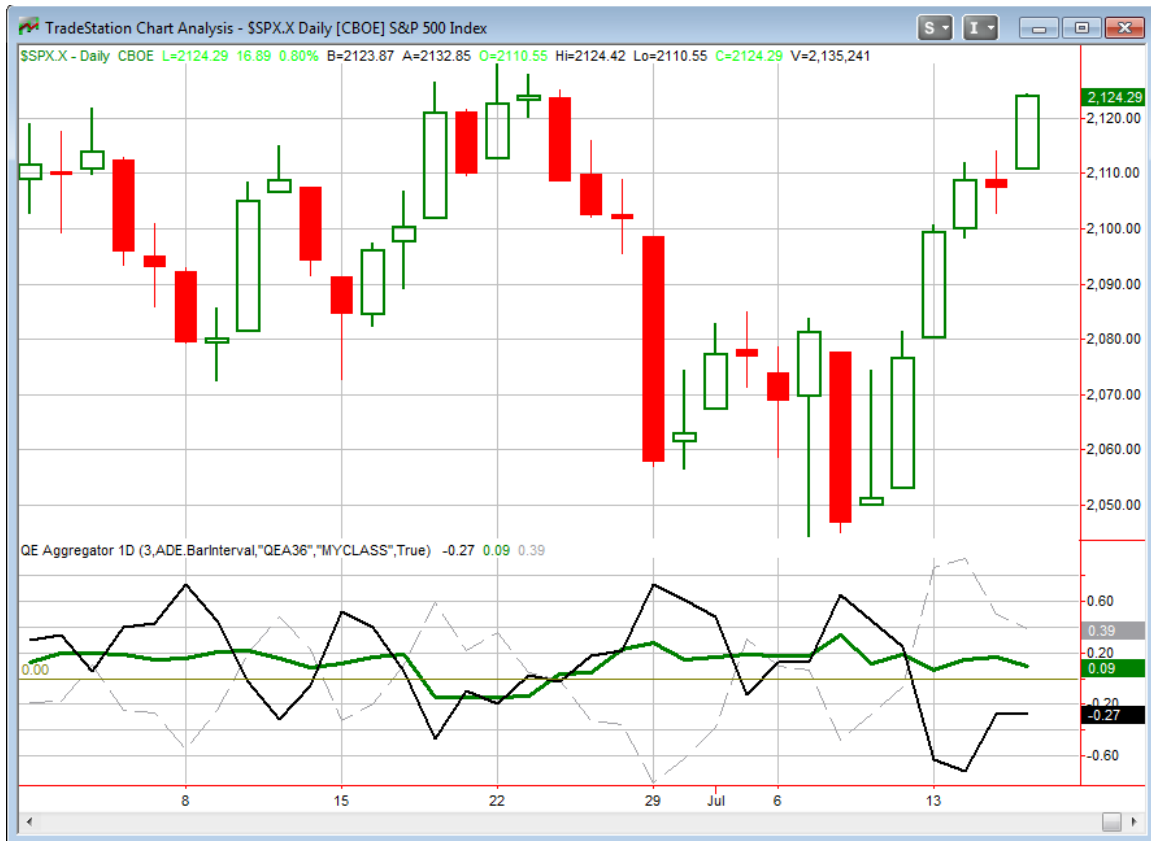
SPX closes in top 10% of 10-day range. Tomorrow is options expiration. It is not December. Buy SPX on close. Sell X days later. \$100k/trade. 2003 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: /Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-21,724.80	42	16	26	38.10	860.58	3,768.30	-1,365.16	-4,932.90	0.63	0.39	-517.26
4	-19,553.15	42	17	25	40.48	755.57	1,994.25	-1,295.91	-2,899.20	0.58	0.40	-465.55
3	-10,833.73	42	21	21	50.00	666.11	2,166.00	-1,182.00	-2,828.70	0.56	0.56	-257.95
2	-8,920.38	42	27	15	64.29	440.73	1,588.40	-1,388.01	-3,784.65	0.32	0.57	-212.39
1	-3,096.67	42	23	19	54.76	376.21	2,286.84	-618.39	-2,875.60	0.61	0.74	-73.73

Numbers here appear squarely bearish. Below is a profit curve that assumes a 5-day holding period.



The curve has turned up/sideways recently. This warrants watching, but I still believe the long-term bearish inclination is worth consideration.

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



Even with tonight's bearish evidence 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 Friday. Of course this could change if additional bearish evidence emerges. The Differential Pivot will be 2117.32 on Friday. That is 0.3% below where SPX closed on Thursday. So SPX will need to close down at least this much on Friday to move from overbought to oversold versus expectations.

My outlook is again neutral tonight. Tonight's study is bearish, but not enough to shift the weight of the evidence to the downside. And with the market still overbought, potential reward is reduced – negatively impacting the reward/risk potential. So I'll stay sidelined, see what emerges on Friday, and then consider taking on positions after the weekend.

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

None

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