

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 4, 2015

Volume 8 Issue 148

Market Overview



Signals Overview

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

Tonight's Research Points

- Under similar circumstances "Turnaround Tuesday" has failed to live up to its reputation.

Short-term Outlook

The Bottom Line

The market is strongly oversold versus expectations, but short-term evidence is weak. This amounts to a mild upside edge.

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						
None						
Active - Long Term						
July 27, 2015	CBI reaches 11+	1-20 days	Bullish	6.60%	-3.70%	-7.60%
July 22, 2015	4th Hindenburg Signal	1-35 days	Bearish	-6.40%	2.70%	4.80%
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 31, 2015	Weak close on last day of month	1 day	Bullish			
July 29, 2015	Unfillgap up from 10lo. C>O. C<10ma	1-4 days	Bullish	1.80%	-1.20%	-2.30%
July 27, 2015	1% drop 4th Fri.	1-6 days	Bullish			

The Evidence

The market suffered some selling on Monday. The SPX declined 0.3%, the NASDAQ fell 0.25%, and the Russell 2000 dropped 0.6%. Breadth was also negative as the NYSE Up Issues % came in at 38% and the Up Volume % was 29%. Total NYSE volume declined some from Friday’s level.

The action did not trigger much in the way of Quantifinder studies. But as I laid out in the “Turnaround Tuesday” study from the 9/25/12 blog, Tuesday has generally been the best day under many circumstances for the market to begin to mount a bounce. Unfortunately, as I showed in the 7/7/15 Subscriber Letter, circumstances like the present have not shown the bullish tendency. In that letter I broke down 2-day pullbacks by whether they closed above or below the 200ma.

First I looked at all instances since 2000 where SPX had closed down for exactly 2 days in a row and it was Monday. Here are those results.

SPX closes down for the 2nd day in a row. Today is Monday. Buy on close. Sell next day's close. \$100k/trade. 2000 - present.			
TradeStation Performance Summary			Collapse ↕
All Trades			
Total Net Profit	\$23,644.81	Profit Factor	1.82
Gross Profit	\$52,485.95	Gross Loss	(\$28,841.14)
Total Number of Trades	81	Percent Profitable	54.32%
Winning Trades	44	Losing Trades	37
Even Trades	0		
Avg. Trade Net Profit	\$291.91	Ratio Avg. Win:Avg. Loss	1.53
Avg. Winning Trade	\$1,192.86	Avg. Losing Trade	(\$779.49)
Largest Winning Trade	\$10,716.03	Largest Losing Trade	(\$2,190.26)

The win rate is just above 50/50, but the winners have been quite a bit bigger on average, so the net expectation is bullish. But now let's break it down based on the long-term trend. First let's look at times when SPX has closed *under* its 200ma (*unlike* now).

SPX closes down for exactly the 2nd day in a row. Today is Monday. SPX < 200ma.
Buy on close. Sell next day's close. \$100k/trade. 2000 - present.

TradeStation Performance Summary			
All Trades			
Total Net Profit	\$23,315.03	Profit Factor	2.83
Gross Profit	\$36,050.39	Gross Loss	(\$12,735.36)
Total Number of Trades	33	Percent Profitable	63.64%
Winning Trades	21	Losing Trades	12
Even Trades	0		
Avg. Trade Net Profit	\$706.52	Ratio Avg. Win:Avg. Loss	1.62
Avg. Winning Trade	\$1,716.69	Avg. Losing Trade	(\$1,061.28)

We see here under half of the total instances, but very positive numbers, and almost 100% of the previous study's total gains. Of course what is good news for one segment is bad for the other. Here are the results under circumstances similar to the present where the SPX is above its 200ma.

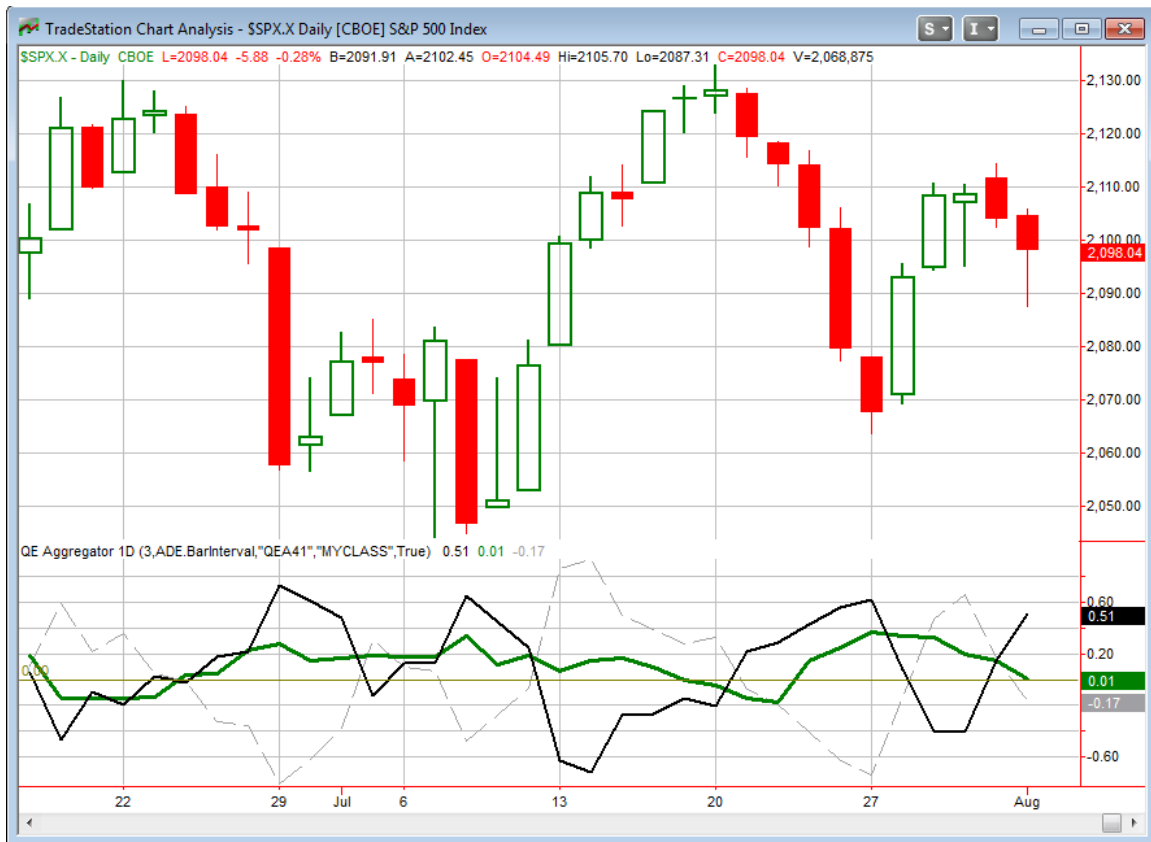
SPX closes down for the 2nd day in a row but > 200ma. Today is Monday.
Buy on close. Sell next day's close. \$100k/trade. 2000 - present.

TradeStation Performance Summary			
All Trades			
Total Net Profit	\$329.78	Profit Factor	1.02
Gross Profit	\$16,435.56	Gross Loss	(\$16,105.78)
Total Number of Trades	48	Percent Profitable	47.92%
Winning Trades	23	Losing Trades	25
Even Trades	0		
Avg. Trade Net Profit	\$6.87	Ratio Avg. Win:Avg. Loss	1.11
Avg. Winning Trade	\$714.59	Avg. Losing Trade	(\$644.23)
Largest Winning Trade	\$1,548.33	Largest Losing Trade	(\$2,190.26)

“Turnaround Tuesday” sure doesn't fit here. In fact, the tendency for a while appeared to slightly favor a continuation of the 2-day pullback. Recent instances have turned the stats close to breakeven, so I am not really convinced of an edge in either direction at this point. But I am convinced that “Turnaround Tuesday” does not seem to provide a strong

bullish edge under these circumstances. Therefore, nothing new will be added to the Active List tonight.

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



With the short-term bullish studies all expiring the green Aggregator Line held just barely 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 well above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are slightly 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.

With no short-term studies left active, expectations Tuesday night will be highly impacted on new evidence that emerges. Of course if nothing new emerges, then expectations will remain positive thanks to the slightly bullish intermediate-term outlook. The Differential Pivot will be 2126.49 on Tuesday. That is 1.4% above Monday's close. So for SPX to turn back to overbought on Tuesday it will need to close up a sizable 1.4%.

The Aggregator formation is still bullish, but the evidence is not very compelling for the short-term. I have some long exposure already. I will let that ride another day. Then, as per usual, I will re-evaluate my position tomorrow night to see if I want to increase or decrease my position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/3 – slightly bullish

The intermediate-term outlook was last updated in the 8/3 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

COP – 1/3 @ \$55.83 (bought @ limit)

COP – 1/3 @ \$55.83 (bought 2nd lot @ limit)

COP – 1/3 @ \$52.09

DD– 1/3 @ \$56.94

DD

DD– 1/3 @ \$55.90

Catapult for ETF's Trades

None

Broad Market Large Cap CBI – 6/2(COP-3, DD-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
COP(1/3)	7/23/2015	\$55.10	\$49.71	-9.78%		Catapult
COP(1/3)	7/24/2015	\$53.95	\$49.71	-7.86%		Catapult
COP(1/3)	7/27/2015	\$51.34	\$49.71	-3.17%		Catapult
DD(1/3)	7/27/2015	\$56.83	\$55.29	-2.71%		Catapult
DD(1/3)	7/28/2015	\$53.38	\$55.29	3.58%		Catapult
SPY(1/4)	7/28/2015	\$207.00	\$209.79	1.35%		Aggregator
DD(1/3)	7/29/2015	\$55.90	\$55.29	-1.09%		Catapult

Note: A full history of closed out trade ideas published in the Subscriber Letter since inception in 2008 can be found on the [QE Trade Ideas Results Sheet](#). It can be downloaded from the website at any time.

This report has been prepared by Hanna Capital Management, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Hanna Capital Management, LLC or clients of Hanna Capital Management, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Hanna Capital Management, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Hanna Capital Management, LLC nor any officer or employee of Hanna Capital Management, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Hanna Capital Management, LLC.

Copyright © 2015 Hanna Capital Management, LLC.