

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 13, 2015

Volume 8 Issue 155

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Short	100% Short SPY	Flat

Tonight's Research Points

- Wednesday's mild up close near the top of its range suggests a bearish 1-day edge.

Short-term Outlook

The Bottom Line

More short-term bearish evidence emerged on Wednesday. The market is mildly overbought but that is not scheduled to last beyond Thursday without further rallying. Overall, there appears to be a downside edge, but perhaps not one that is strong enough to deem "trade-able".

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						
August 13, 2015	SPY up < 0.25%. Top 10% range.	1 day	Bullish			
August 10, 2015	HV low. SPX not high.	1-5 days	Bullish	-2.30%	1.20%	2.20%
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			

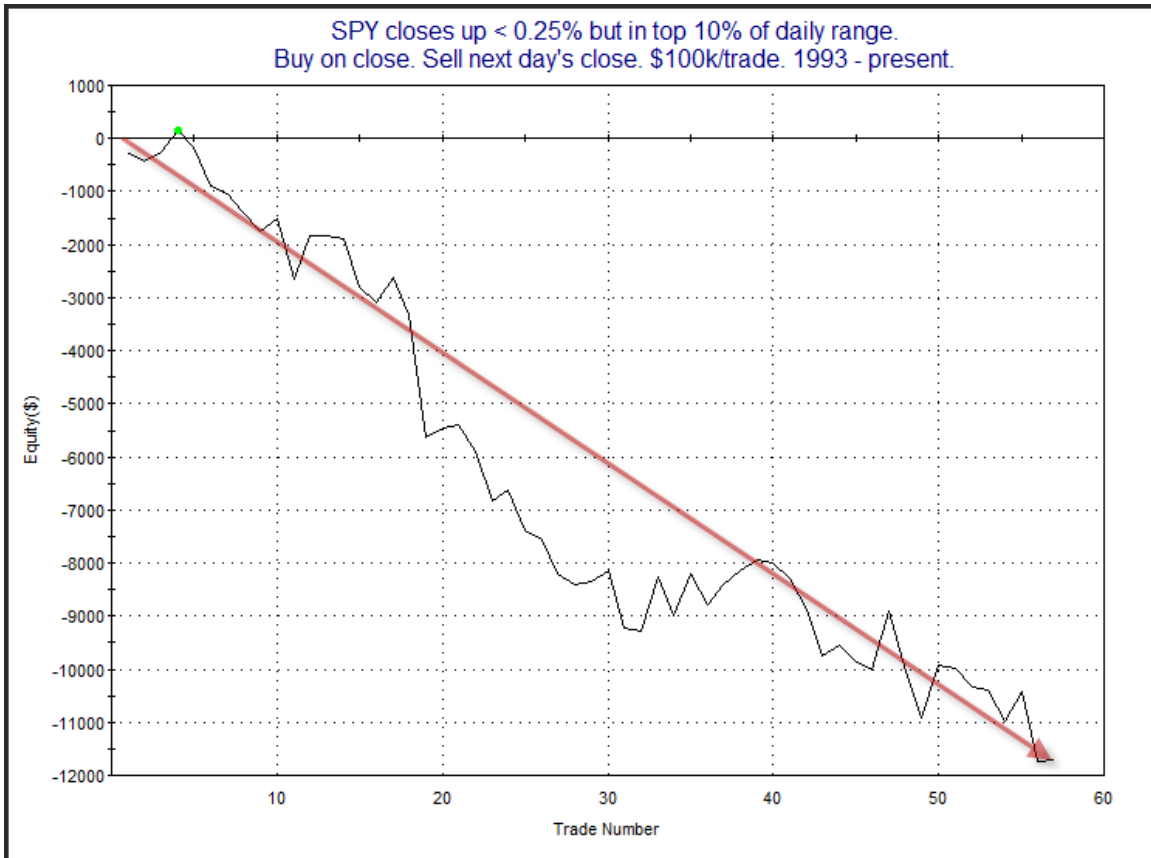
The Evidence

After a big morning selloff the market reversed and finished mixed. The SPX rose 0.1%, the NASDAQ gained 0.15%, and the Russell 2000 declined 0.2%. Breadth was mixed as the NYSE Up Issues % came in at 43% and the Up Volume % was 54%. Total NYSE volume rose some from Tuesday.

The study below appeared in the Quantifinder and was fairly compelling. It was last seen in the 1/27/15 letter. It suggests that when SPY closes strong (in the top 10% of its range) but still only manages a small gain on the day, that the next day has a downside tendency. Stats are updated.

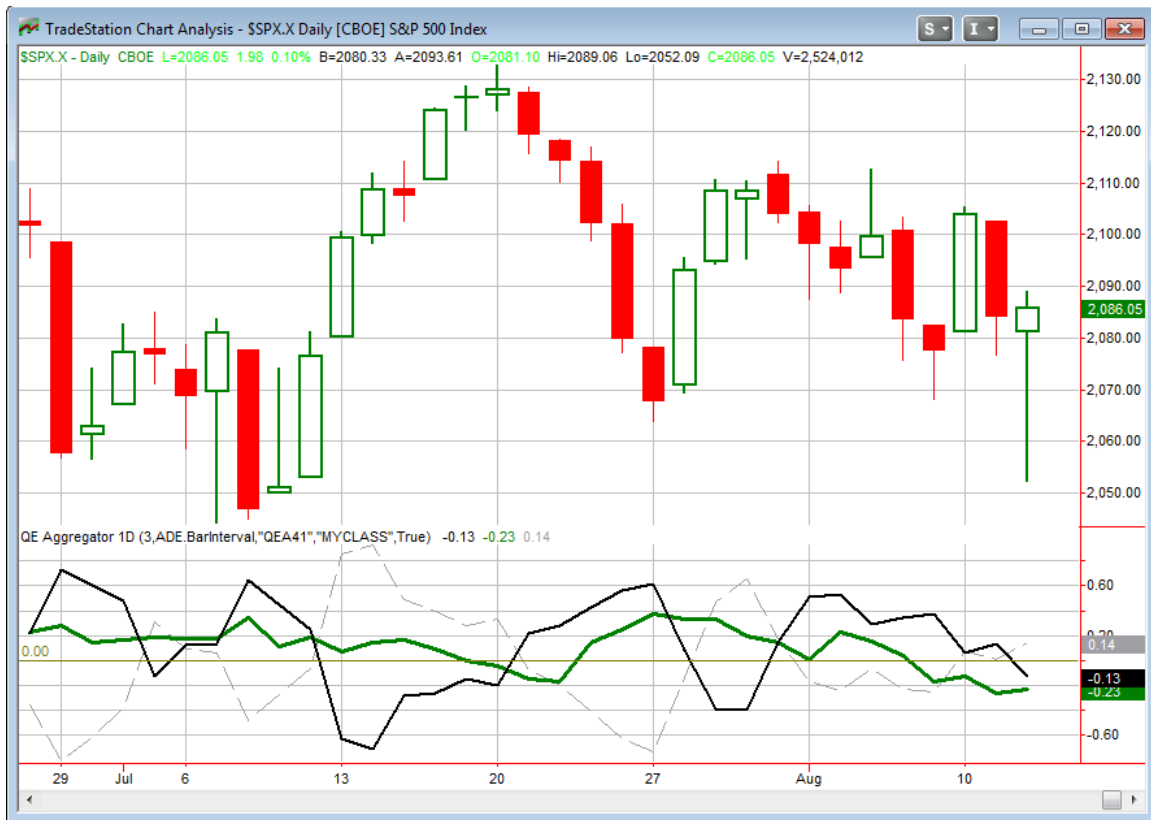
SPY closes up < 0.25% but in top 10% of daily range. Buy on close. Sell next day's close. \$100k/trade. 1993 - present.			
TradeStation Performance Summary			Collapse ^
All Trades			
Total Net Profit	(\$11,696.15)	Profit Factor	0.41
Gross Profit	\$8,296.30	Gross Loss	(\$19,992.45)
Total Number of Trades	57	Percent Profitable	36.84%
Winning Trades	21	Losing Trades	36
Even Trades	0		
Avg. Trade Net Profit	(\$205.20)	Ratio Avg. Win:Avg. Loss	0.71
Avg. Winning Trade	\$395.06	Avg. Losing Trade	(\$555.35)
Largest Winning Trade	\$1,093.35	Largest Losing Trade	(\$2,290.72)

As you can see there appears to be a bit of a bearish inclination. Below is a profit curve showing how the edge has played out over time.



It appears that when the market needs to expend a fair amount of energy just to squeak out a small gain, that its lack of momentum is often followed by a swing back in the opposite direction the next day.

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



With tonight's study factored in the green Aggregator Line again remained below 0. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line dropped down below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and the SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below 0. Therefore the Aggregator signal tuned short at the close.

Expectations are currently set to remain bearish on Thursday. Of course this could change if new bullish evidence emerges. The Differential Pivot will again be *inverted at* 2098.71 on Thursday. That is 0.6% *above* 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 up at least 0.6% on Thursday in order to remain overbought. Anything other than a 0.6%+ rally and it will be considered "oversold" versus recent expectations.

So there appears to be a mild downside edge. But with the Differential Pivot inverted the edge is very short-term in nature. Agile traders could consider trying to make some money on the short side here. But between the bullish intermediate-term outlook and the inverted pivot, reward/risk potential here for a short just doesn't seem all that great. So I'll continue to exercise patience and wait for a more favorable entry opportunity to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/10 – slightly bullish

The intermediate-term outlook was last updated in the 8/10 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

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.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
COP(1/3)	7/23/2015	\$55.10	\$51.54	-6.46%		sell on open
COP(1/3)	7/24/2015	\$53.95	\$51.54	-4.47%		sell on open
COP(1/3)	7/27/2015	\$51.34	\$51.54	0.39%		sell on open
DD(1/3)	7/27/2015	\$56.83	\$53.28	-6.25%		Catapult
DD(1/3)	7/28/2015	\$53.38	\$53.28	-0.19%		Catapult
DD(1/3)	7/29/2015	\$55.90	\$53.28	-4.69%		Catapult

COP hit its exit trigger on Wednesday and will be sold at the open on Thursday.

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.

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