

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 14, 2015

Volume 8 Issue 156

Market Overview



Signals Overview

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

Tonight's Research Points

- The reversal attempt Wednesday that failed to follow through Thursday suggests a short-term upside edge.

Short-term Outlook

The Bottom Line

Evidence tonight is pointing bullish and the market is now short-term oversold. But the oversold condition is only set up to last one day. I am mildly bullish but would prefer a better entry point.

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 14, 2015	SPY 1% reversal from 20-low. Then dn.	1-4 days	Bullish	2.50%	-0.90%	-1.80%
August 10, 2015	HV low. SPX not high.	1-5 days	Bearish	-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			
Dropped Tonight						
August 13, 2015	SPY up < 0.25%. Top 10% range.	1 day	Bearish			

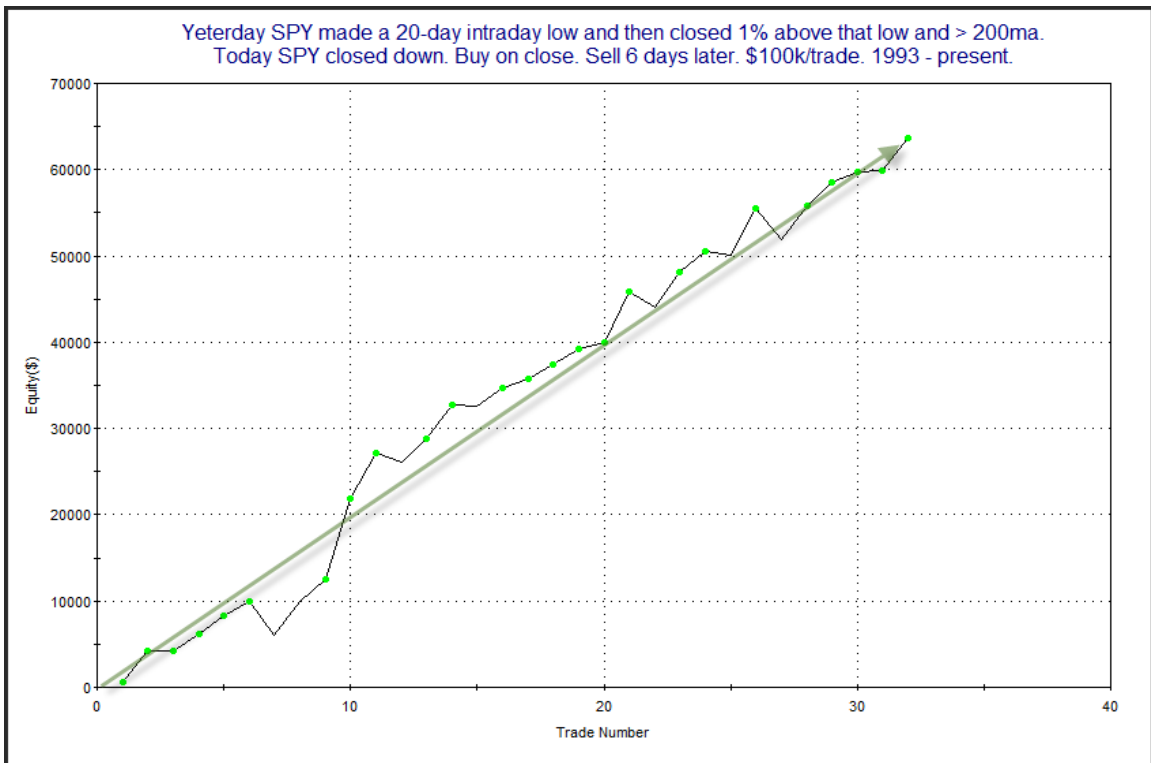
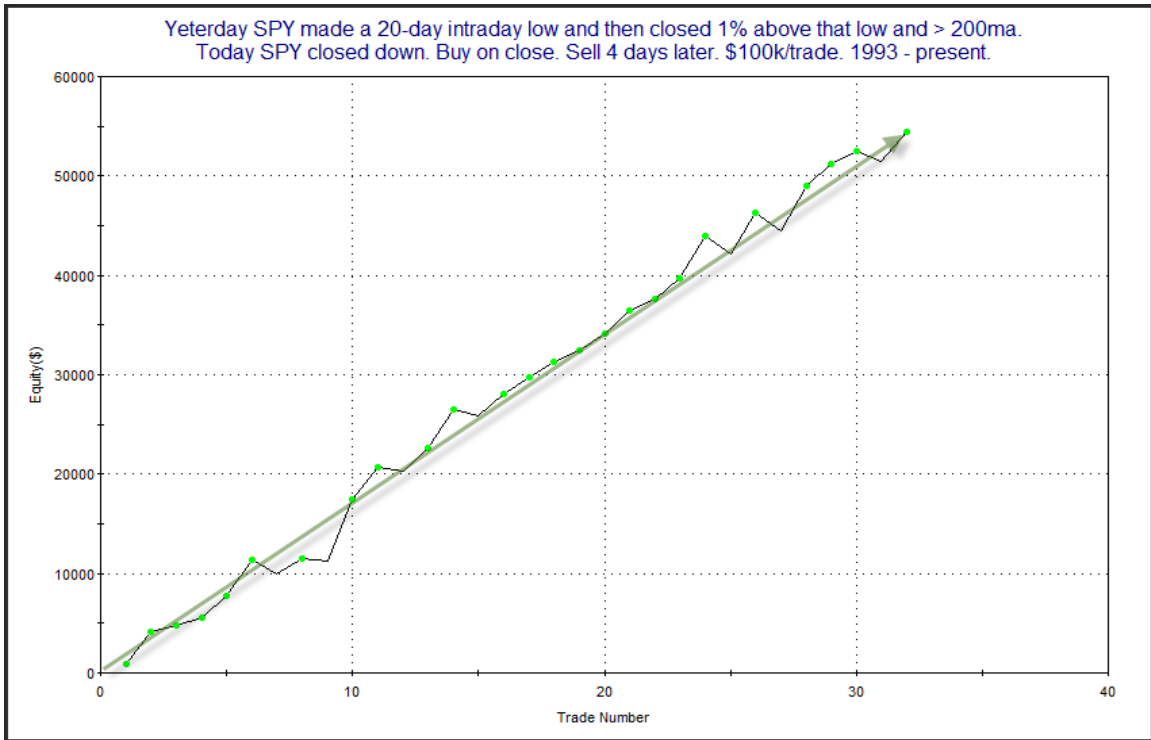
The Evidence

Thursday saw the market pull back a little bit. The SPX fell 0.1%, the NASDAQ dropped 0.2%, and the Russell 2000 declined 0.35%. Breadth was mixed as the NYSE Up Issues % came in at 40% and the Up Volume % was 35%. Total NYSE volume fell quite a bit on Thursday.

We have a bit of an interesting 2-day pattern that has emerged. On Wednesday, SPY dropped to a new intermediate-term low before attempting a rebound and closing more than 1% above its intraday low. Wednesday's intraday reversal failed to follow through on Thursday, as SPY closed down on the day. In the past this has actually been a fairly reliable pattern suggesting an upside edge over the next few days. Below is a study that examines the setup.

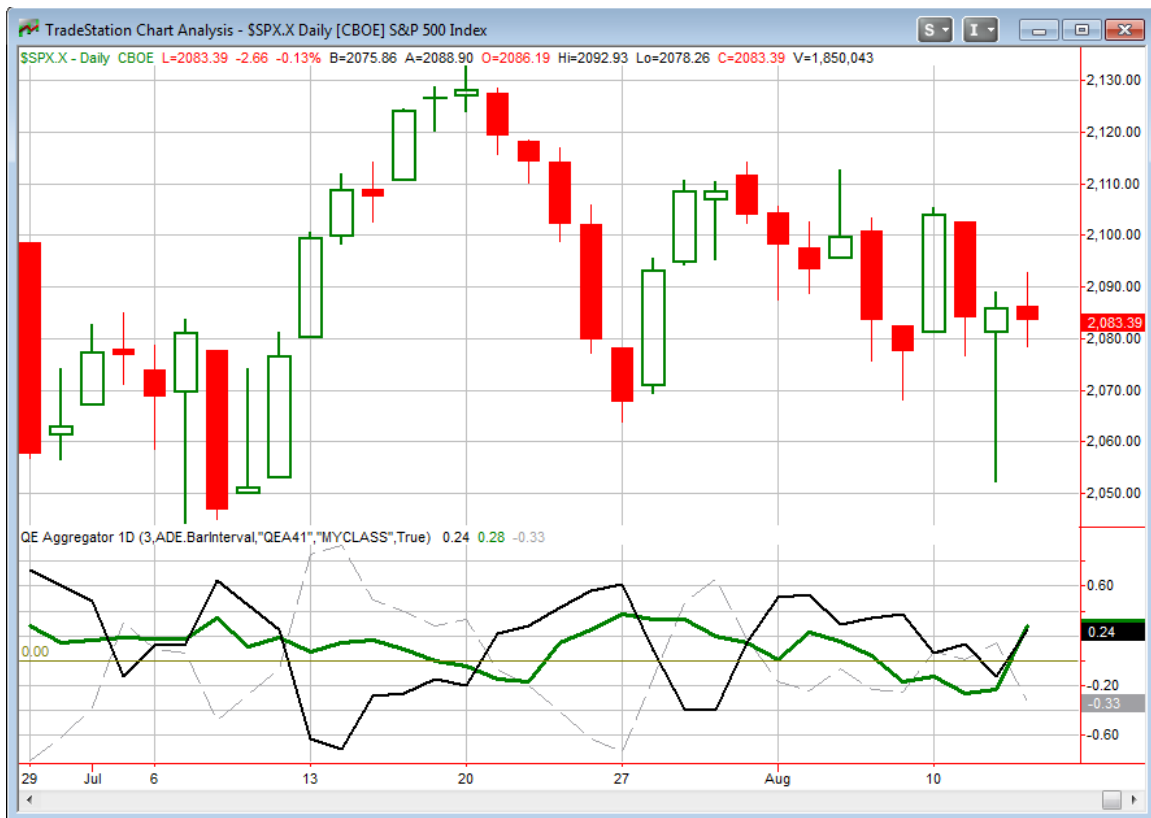
Yeterday SPY made a 20-day intraday low and then closed 1% above that low and > 200ma. Today SPY closed down. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	50,366.21	31	21	10	67.74	3,483.50	8,531.28	-2,278.73	-5,755.75	1.53	3.21	1,624.72
9	54,561.35	31	25	6	80.65	2,886.95	8,024.45	-2,935.41	-4,035.35	0.98	4.10	1,760.04
8	62,252.80	31	25	6	80.65	3,043.42	7,749.00	-2,305.46	-4,807.00	1.32	5.50	2,008.15
7	61,078.80	32	24	8	75.00	3,130.78	8,103.24	-1,757.49	-4,416.00	1.78	5.34	1,908.71
6	63,687.52	32	26	6	81.25	2,880.41	9,343.08	-1,867.21	-3,982.50	1.54	6.68	1,990.24
5	48,621.33	32	22	10	68.75	2,780.47	5,602.68	-1,254.90	-5,283.45	2.22	4.87	1,519.42
4	54,439.98	32	25	7	78.13	2,468.60	6,132.78	-1,039.30	-1,766.40	2.38	8.48	1,701.25
3	44,822.76	32	23	8	71.88	2,197.11	5,630.94	-713.84	-1,689.60	3.08	8.85	1,400.71
2	36,135.79	35	27	8	77.14	1,631.29	6,435.36	-988.64	-2,972.16	1.65	5.57	1,032.45
1	19,243.57	35	25	10	71.43	1,087.63	4,400.20	-794.71	-2,206.61	1.37	3.42	549.82
<p style="text-align: center;">3/14/11 was the only instance NOT to close above the entry price at some point in the next week.</p>												

Obviously these numbers look very strong, especially over the 4 and 6-day periods. Below are profit curves for both the 4-day and 6-day holds.



These curves are both very impressive, and the steady upslope shows that the gains were not due to just a few outliers. We are finally able to add a short-term bullish study to the Active List tonight.

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



With tonight's study factored in the green Aggregator Line popped above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line also jumped above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are 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 tuned long at the close.

Expectations are currently set to remain bullish on Friday. Of course this could change if new bearish evidence emerges. The Differential Pivot will again be *inverted* at 2072.38 on Friday. That is 0.5% *below* Thursday'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 down at least 0.5% on Friday in order to remain oversold. Anything other than a 0.5%+ selloff and it will be considered “overbought” versus recent expectations.

The Aggregator has moved to a bullish formation, but the inverted pivot limits potential reward. I generally do not view inverted pivots as favorable times to take on new exposure. So despite the solid-looking bullish study tonight I will not be looking to get long Friday morning. But if SPX has another down day on Friday and closes below the pivot, that would get me interested.

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.

SPY - buy ¼ index position ON CLOSE IF SPX CLOSES <= 2072.38. If Friday closes down below the Differential Pivot I will look to begin scaling in to an index position.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>COP(1/3)</i>	<i>7/23/2015</i>	<i>\$55.10</i>	<i>\$51.00</i>	<i>-7.44%</i>		<i>sold on open</i>
<i>COP(1/3)</i>	<i>7/24/2015</i>	<i>\$53.95</i>	<i>\$51.00</i>	<i>-5.47%</i>		<i>sold on open</i>
<i>COP(1/3)</i>	<i>7/27/2015</i>	<i>\$51.34</i>	<i>\$51.00</i>	<i>-0.66%</i>		<i>sold on open</i>
DD(1/3)	7/27/2015	\$56.83	\$53.03	-6.69%		Catapult
DD(1/3)	7/28/2015	\$53.38	\$53.03	-0.66%		Catapult
DD(1/3)	7/29/2015	\$55.90	\$53.03	-5.13%		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.