

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 2, 2015

Volume 8 Issue 169

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Flat	50% Long VXX	Flat

Tonight's Research Points

- Tuesday's strongly negative breadth suggests a probable bounce on Wednesday.

Short-term Outlook

The Bottom Line

Evidence is mixed but leaning bearish. The market is now strongly oversold. This does not appear to be a great setup for new entries.

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						
September 2, 2015	Up Vol < 5%. SPX < 200ma	1 day	Bullish			
August 31, 2015	NR7 & 3up from 50-day low.	1-3 days	Bullish			
August 28, 2015	2% Rally. Low Volume 5 days.	1-5 days	Bearish			
August 27, 2015	1% drop, 50-low. Big reversal.	1-5 days	Bullish			
August 24, 2015	CBI > 10. SPX < 200.	1-8 days	Bullish			
Active - Long Term						
August 31, 2015	NASDAQ leading SPX	int term	Bullish			
August 21, 2015	CBI reaches 11+	1-20 days	Bullish	6.60%	-3.70%	-7.60%
November 3, 2014	Quantitative Easing Ends	int term	Bearish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			

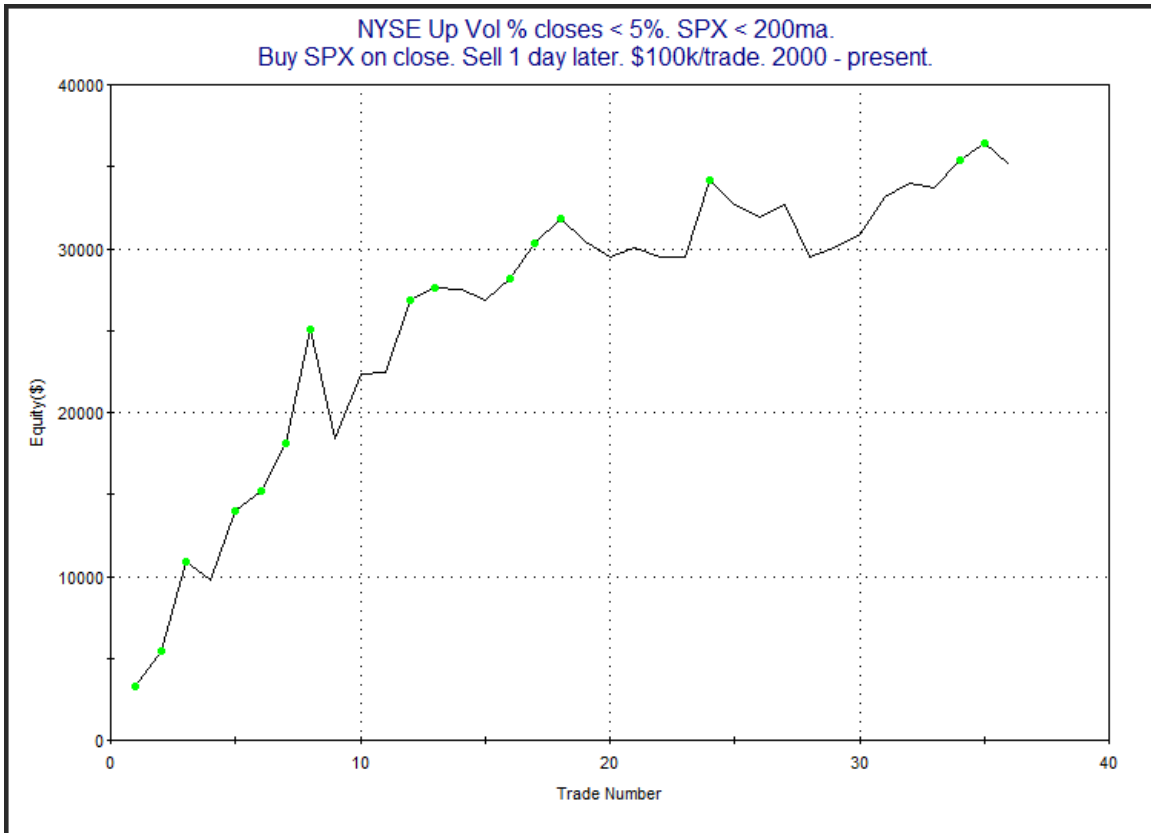
The Evidence

The market suffered another large selloff on Tuesday. The SPX fell just under 3.0%, the NASDAQ declined 2.9%, and the Russell 2000 lost 2.7%. Breadth was extremely negative as the NYSE Up Issues % came in at 14% and the Up Volume % was 3%. Total NYSE volume rose for the 2nd day in a row.

The strongly negative breadth triggered some studies from the Quantifinder that deserved a fresh look. The 1st one below was last seen in the 9/29/11 letter. It examined other instances when SPX was below its 200ma and the NYSE Up Vol % came in < 5%. I have updated the results.

NYSE Up Vol % closes < 5%. SPX < 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 2000 - 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	48,065.78	29	19	10	65.52	3,702.01	11,405.78	-2,227.25	-4,648.80	1.66	3.16	1,657.44
4	42,725.45	32	20	12	62.50	3,813.46	7,324.62	-2,795.31	-6,582.73	1.36	2.27	1,335.17
3	25,620.07	34	19	15	55.88	3,276.41	8,531.60	-2,442.11	-9,701.00	1.34	1.70	753.53
2	28,417.33	35	24	11	68.57	2,346.47	6,652.66	-2,536.19	-8,631.00	0.93	2.02	811.92
1	35,126.66	36	23	13	63.89	2,329.61	6,901.83	-1,419.56	-6,659.22	1.64	2.90	975.74

Numbers appear solid 1-5 days out, but much of the gains were realized in the 1st day. Below is a profit curve that assumes a 1-day holding period.



Choppy but still moving up. Another related study that appeared was from the 9/22/11 letter. It examined the same criteria but also demanded that the SPX did NOT close at a 10-day low. I have also updated those results.

NYSE Up Vol % closes < 5%. SPX < 200ma and > 10-day low.
Buy SPX on close. Sell 1 day later. \$100k/trade. 2000 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
08/28/07	Buy	\$1,432.36	2.19%	\$2,166.60
08/29/07	Sell	\$1,463.76		\$0.00
10/15/08	Buy	\$907.84	4.25%	\$4,385.70
10/16/08	Sell	\$946.43		(\$4,621.10)
11/06/08	Buy	\$904.88	2.89%	\$2,923.80
11/07/08	Sell	\$930.99		\$0.00
12/01/08	Buy	\$816.21	3.99%	\$4,188.26
12/02/08	Sell	\$848.81		\$0.00
02/10/09	Buy	\$827.16	0.80%	\$1,327.20
02/11/09	Sell	\$833.74		(\$583.20)
03/30/09	Buy	\$787.53	1.31%	\$2,891.70
03/31/09	Sell	\$797.87		\$0.00
04/20/09	Buy	\$832.39	2.13%	\$2,124.00
04/21/09	Sell	\$850.08		(\$667.20)
07/16/10	Buy	\$1,064.88	0.60%	\$913.26
07/19/10	Sell	\$1,071.25		(\$350.61)
08/18/11	Buy	\$1,140.65	(1.50%)	\$1,208.43
08/19/11	Sell	\$1,123.53		(\$1,618.20)
09/02/11	Buy	\$1,173.97	(0.74%)	\$0.00
09/06/11	Sell	\$1,165.24		(\$2,876.40)
09/21/11	Buy	\$1,166.76	(3.19%)	\$0.00
09/22/11	Sell	\$1,129.56		(\$4,465.90)
09/28/11	Buy	\$1,151.06	0.81%	\$2,133.66
09/29/11	Sell	\$1,160.40		(\$957.18)
11/09/11	Buy	\$1,229.10	0.86%	\$1,386.72
11/10/11	Sell	\$1,239.70		(\$113.40)
12/08/11	Buy	\$1,234.35	1.69%	\$1,935.90
12/09/11	Sell	\$1,255.19		\$0.00
12/28/11	Buy	\$1,249.64	1.07%	\$1,112.00
12/29/11	Sell	\$1,263.02		\$0.00

2011 saw a hiccup with 3 losers in a row, but finished up on the winning track. The strongly negative volume appears worth some consideration.

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



Despite the bullish study tonight the green Aggregator Line 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 is now above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but the SPX is oversold. 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 turned flat at the close.

Expectations are currently set to remain bearish on Wednesday. Of course this could change if more strong bullish evidence emerges. The Differential Pivot will be 1992.74 on Wednesday. That is a whopping 4.1% above Tuesday's close. A rally of that magnitude on Wednesday is highly unlikely. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

The overall picture appears a bit muddled. Decent evidence is pointing in both directions. And while 3-day expectations are negative, the 1-day net expectations are actually positive. Of course the market is extremely oversold. So we could see a bit of a bounce back on Wednesday. But I am not seeing the kind of clear, compelling evidence emerge that would get me excited about buying into the market at this point. So I will continue to play the waiting game for at least 1 more day.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/31 – neutral

The intermediate-term outlook was last updated in the 8/31 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

PG – 1/3 @ \$73.91 (bought @ 73.55)

PG – 1/3 @ \$71.84 – 2nd lot

UTX – 1/3 @ \$93.01

ALL – 1/3 @ \$61.25

ALL 1/3 @ \$58.39 limit

IBM 1/3 @ \$143.47 limit

PG 1/3 @ \$69.14 limit – 3rd lot

SPG 1/3 @ \$182.07 limit

UTX 1/3 @ \$90.87 limit

ALL 1/3 @ \$56.99 limit

IBM 1/3 @ \$140.96 limit

MON 1/3 @ \$89.42 limit

QCOM 1/3 @ \$53.88 limit

SPG 1/3 @ \$177.09 limit

UTX 1/3 @ \$88.80 limit

Broad Market Large Cap CBI – 15

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
PG(1/3)	8/21/2015	\$73.55	\$68.90	-6.32%		Catapult
PG(1/3)	8/24/2015	\$68.57	\$68.90	0.48%		Catapult
UTX(1/3)	8/24/2015	\$88.67	\$89.72	1.18%		Catapult
ALL(1/3)	8/24/2015	\$60.11	\$57.14	-4.94%		Catapult
ALL(1/3)	8/25/2015	\$58.39	\$57.14	-2.14%		Catapult
IBM(1/3)	8/25/2015	\$143.47	\$142.68	-0.55%		Catapult
PG(1/3)	8/25/2015	\$69.14	\$68.90	-0.35%		Catapult
SPG(1/3)	8/25/2015	\$182.07	\$175.01	-3.88%		Catapult
UTX(1/3)	8/25/2015	\$90.87	\$89.72	-1.27%		Catapult
ALL(1/3)	8/26/2015	\$56.99	\$57.14	0.26%		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.

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