

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 11, 2015

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## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Short	75% Long VXX	Short

## Tonight's Research Points

- The choppy action in the middle of the recent range is not inspiring strong edges.

### *Short-term Outlook*

#### *The Bottom Line*

Evidence continues to point bearish and the market is now overbought. But the overbought condition will not persist without a continued rally, and reward/risk does not appear great. So I have just a slight bearish bias.

**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
<b>Active - Short Term</b>						
September 9, 2015	QE Buying Power System short signal	1-6 days	Bearish			
September 8, 2015	SPX dn 1% before 3-day US-only wknd	1-4 days	Bearish	-3.20%	1.00%	1.90%
September 4, 2015	Lowest volume in 10. SPX > 10ma < 200	1-5 days	Bearish			
<b>Active - Long Term</b>						
September 9, 2015	FTD on mild breadth & volume	int term	Bearish			
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			
<b>Dropped Tonight</b>						
September 10, 2015	1% drop but < 3/4 of yesterday's gain	1 day	Bearish			
September 10, 2015	1% Drop The Day After FTD	1 day	Bearish			
September 9, 2015	FTD on mild breadth & volume	1-2 days	Bearish			

**The Evidence**

After lots of zig-zagging the market ended Thursday with some gains. The SPX rose 0.5%, the NASDAQ rallied 0.8%, and the Russell 2000 gained 0.4%. Breadth was positive as the NYSE Up Issues % came in at 53% and the Up Volume % was 58%. Total NYSE volume rose from Wednesday's level.

It was the 4<sup>th</sup> day in a row that the market has closed in a different direction. It certainly seems undecided. With all the action lately I have had a lot to talk about in the subscriber letter. Tonight it appears I will get a little bit of a break. Nothing appeared in the Quantifinder. That is unusual for recent times. But the times when you'll see edges not appearing are those times when 1) the market is trading near the middle of its recent range, or 2) it is chopping back and forth. Both qualify right now, so it is not terribly surprising that no strong edges seemed to emerge based on Thursday's action.

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



Without any new studies emerging the green Aggregator Line held below 0. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line dipped back below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and 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 turned short at the close.

Expectations are currently set to remain bearish on Friday. Of course this could change if strong new bullish evidence emerges. The Differential Pivot will be *inverted* at 1960.18 on Friday. That is 0.4% *above* Thursday's close. An inverted pivot means that the Differential Line would cross through zero if SPX closes flat. In this case SPX would need to close up at least 0.4% on Friday in order to remain overbought versus expectations. Anything short of that and it will be considered oversold as of Friday's close.

While the Aggregator is now suggesting a downside edge, I am still not excited about short possibilities. This is for 2 reasons: 1) the inverted pivot, and 2) the high CBI. I generally view inverted pivots as dangerous times to put money to work. This is because any move in my direction would mean the end of the trade the very next day. So upside reward is limited. But risk is not limited and with current volatility it is fairly large.

I have discussed the high CBI a number of times in recent weeks. There are still 7 open Catapult triggers. That is a far cry from the 73 we had a couple of weeks ago, but it is still comfortably above the level of 3 or lower that I consider neutral.

With those things in mind, I will not be looking to take advantage of this potential short setup. I'd rather wait for a better reward/risk scenario to emerge before putting new capital to work.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 9/8– neutral***

The intermediate-term outlook was last updated in the 9/8/15 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 – 2<sup>nd</sup> lot*

*PG 1/3 @ \$69.14 limit – 3<sup>rd</sup> lot*

*SPG 1/3 @ \$182.07 limit*

*MON 1/3 @ \$89.42 limit*

*QCOM 1/3 @ \$53.88 limit*

*SPG 1/3 @ \$177.09 limit*

***Broad Market Large Cap CBI – 7***

### 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	\$68.32	-7.11%		Catapult
PG(1/3)	8/24/2015	\$68.57	\$68.32	-0.36%		Catapult
<b>ALL(1/3)</b>	<b>8/24/2015</b>	<b>\$60.11</b>	<b>\$57.24</b>	<b>-4.77%</b>		<b>sold on open</b>
<b>ALL(1/3)</b>	<b>8/25/2015</b>	<b>\$58.39</b>	<b>\$57.24</b>	<b>-1.97%</b>		<b>sold on open</b>
<b>IBM(1/3)</b>	<b>8/25/2015</b>	<b>\$143.47</b>	<b>\$145.85</b>	<b>1.66%</b>		<b>sold on open</b>
PG(1/3)	8/25/2015	\$69.14	\$68.32	-1.19%		Catapult
SPG(1/3)	8/25/2015	\$182.07	\$175.06	-3.85%		Catapult
<b>ALL(1/3)</b>	<b>8/26/2015</b>	<b>\$56.99</b>	<b>\$57.24</b>	<b>0.44%</b>		<b>sold on open</b>

*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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