

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 17, 2015

Volume 8 Issue 179

Market Overview



Signals Overview

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

Tonight's Research Points

- Fed Days are generally bullish, though this one does not appear to have as strong of an upside edge as most.

Short-term Outlook

The Bottom Line

The market is still overbought and expectations are again for some downside. Bears appear to have the edge over the next few days.

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 14, 2015	Lowest volume in 10. SPX >10ma < 200	1-5 days	Bearish			
Active - Long Term						
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			
Dropped Tonight						
September 9, 2015	QE Buying Power System short signal	1-6 days	Bearish			

The Evidence

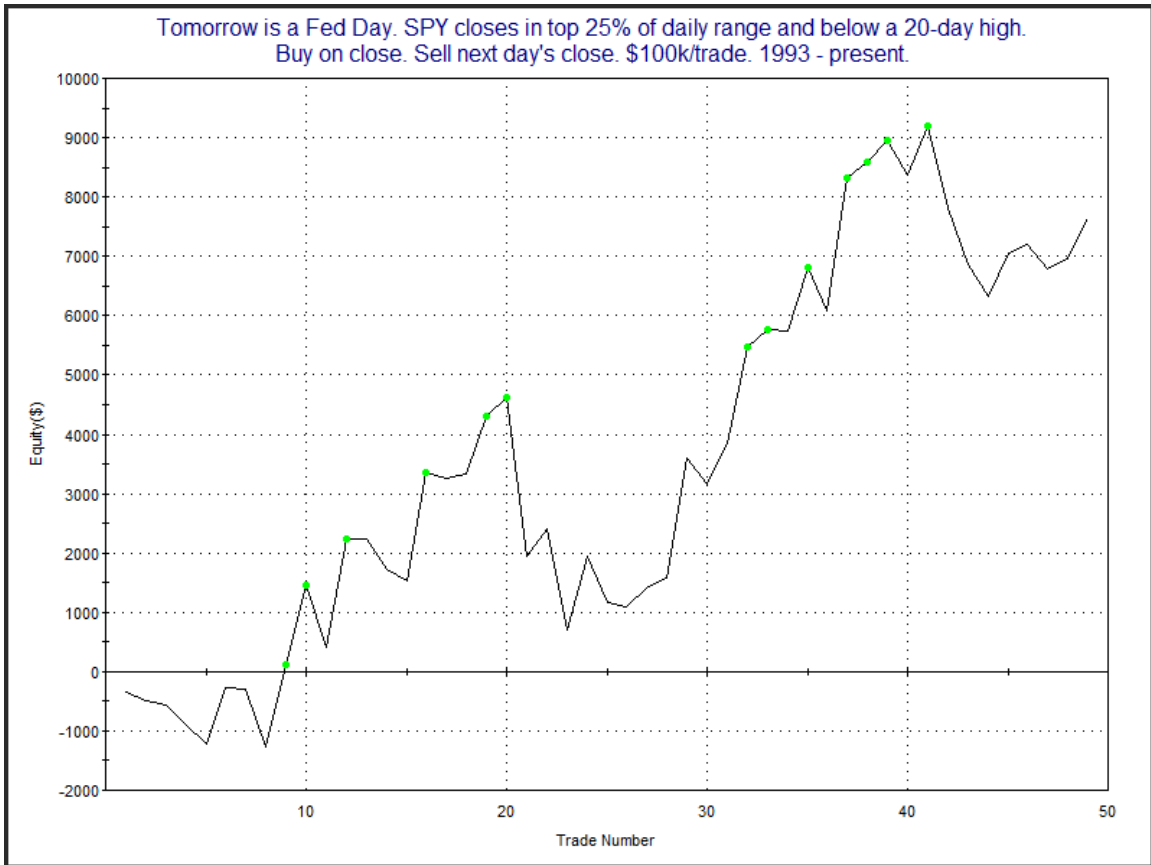
The market put in more gains on Wednesday. The SPX rose 0.9%, the NASDAQ rallied 0.6%, and the Russell 2000 gained 0.8%. Breadth was strong as the NYSE Up Issues % came in at 75% and the Up Volume % was 90%. Total NYSE volume rose a little from Tuesday's level.

Most notable about Thursday is that it is a Fed Day. Fed Days are known for their bullish tendencies. But I've shown in the past that the upside Fed Day edge has not held nearly as well over the years when the market has closed the day strongly. And while it is generally good to close < a 20-day high, the strong close could still be a little problem. Below is a study that shows this, which was last seen in the 7/29/15 Letter. Stats are updated.

Tomorrow is a Fed Day. SPY closes in top 25% of daily range and below a 20-day high. Buy on close. Sell next day's close. \$100k/trade. 1993 - present.

TradeStation Performance Summary				Collapse ^
All Trades				
Total Net Profit	\$7,632.38	Profit Factor		1.53
Gross Profit	\$21,989.67	Gross Loss	(\$14,357.29)	
Total Number of Trades	49	Percent Profitable		51.02%
Winning Trades	25	Losing Trades		23
Even Trades	1			
Avg. Trade Net Profit	\$155.76	Ratio Avg. Win:Avg. Loss		1.41
Avg. Winning Trade	\$879.59	Avg. Losing Trade	(\$624.23)	
Largest Winning Trade	\$2,238.25	Largest Losing Trade	(\$2,683.80)	

The average win to loss ratio isn't bad but the winning percentage is only breakeven. Below is a profit curve showing how the trades have played out over time.



Not a terribly smooth curve. It seems there may be a mild bullish seasonal edge, but not a reliable one. I am not including this study on the Active List tonight. Results simply don't appear worthy.

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



Once again tonight 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 also held 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 stayed 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 be 1937.85 on Thursday. That is a whopping 2.9% below Wednesday's close. So for SPX to move from overbought to oversold on Thursday it would need to close down at least 2.9%. That would be a hefty 1-day decline. A more likely scenario for working off the overbought condition would be a multi-day decline or consolidation.

The Aggregator is still short. With the Fed announcement due to arrive on Thursday I would expect some volatility. I have a small amount of short index exposure. I am not inclined to build a big position here ahead of the announcement. Instead I will wait to see how Thursday plays out and what new evidence emerges. If the short side still looks solid on Thursday night I may look to add to my position on Friday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/14– 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

MON 1/3 @ \$89.42 limit (not filled and was cancelled)

Broad Market Large Cap CBI – 1

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
<i>PG(1/3)</i>	<i>8/21/2015</i>	<i>\$73.55</i>	<i>\$70.12</i>	<i>-4.66%</i>		<i>sold on open</i>
<i>PG(1/3)</i>	<i>8/24/2015</i>	<i>\$68.57</i>	<i>\$70.12</i>	<i>2.26%</i>		<i>sold on open</i>
<i>PG(1/3)</i>	<i>8/25/2015</i>	<i>\$69.14</i>	<i>\$70.12</i>	<i>1.42%</i>		<i>sold on open</i>
SPY(1/4)(s)	9/15/2015	\$198.46	\$200.18	-0.87%		Aggregator

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.