

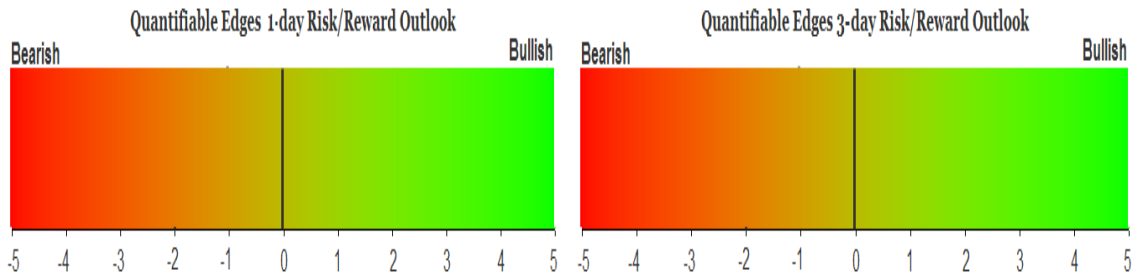
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 18, 2015

Volume 8 Issue 180

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Flat	Flat	Short

## Tonight's Research Points

- A big reversal and poor close on a Fed Day suggests a short-term bounce.

### *Short-term Outlook*

#### *The Bottom Line*

Expectations are now slightly bullish. The market remains overbought. This leaves the Aggregator neutral and me looking to get flat.

**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 18, 2015	Reversal down & selloff on a Fed Day	1 day	Bullish			
September 14, 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			

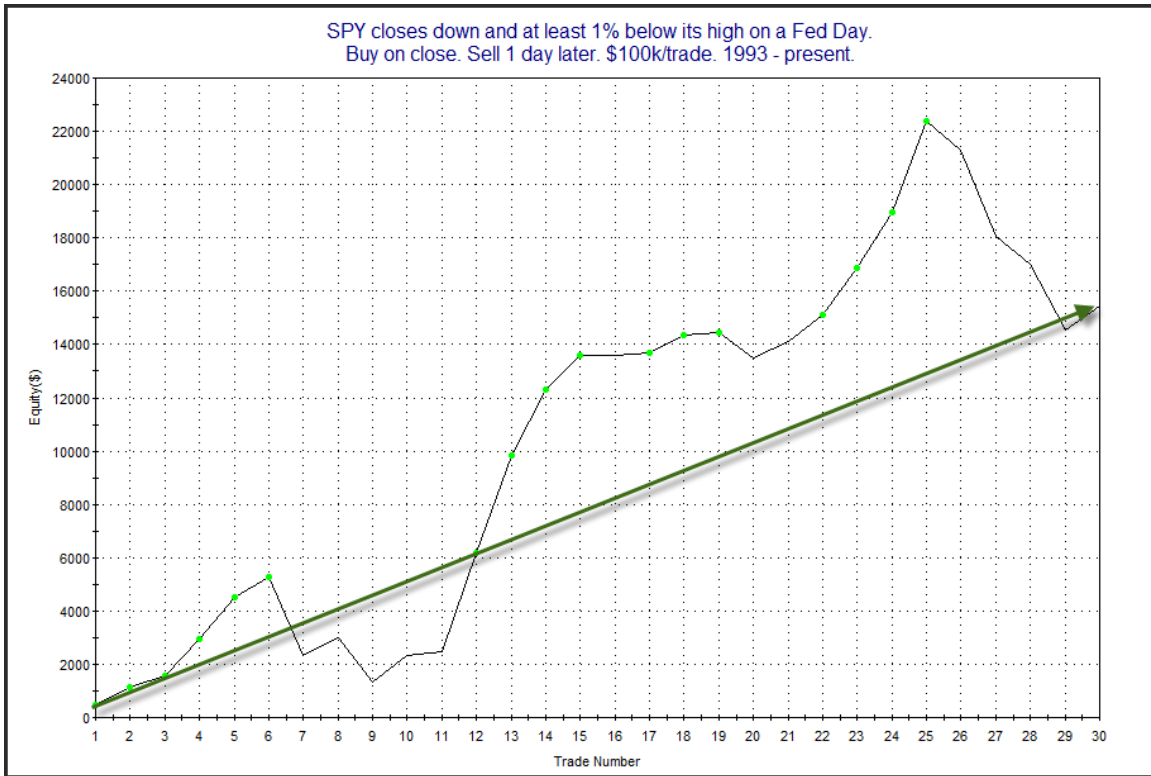
**The Evidence**

The Fed announcement made for some wild back and forth action on Thursday, but the end result was mostly mixed and moderate. The SPX fell 0.3% while the NASDAQ rose 0.1%, and the Russell 2000 gained 0.5%. Breadth was also mixed as the NYSE Up Issues % came in at 63% and the Up Volume % was 47%. Total NYSE volume came in heavy.

There were a few studies that triggered in the Quantifinder tonight. Several were related in that they looked at Fed Days or big reversals or both. The one below was the one I felt was most applicable to our current situation. It was last seen in the 6/20/13 letter. All stats have been updated.

SPY closes down and at least 1% below its high on a Fed Day. 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
5	28,912.60	30	19	11	63.33	2,535.10	6,086.66	-1,750.39	-5,393.25	1.45	2.50	963.75
4	22,291.58	30	18	12	60.00	2,283.03	7,872.42	-1,566.92	-3,667.41	1.46	2.19	743.05
3	15,317.28	30	20	10	66.67	1,544.27	4,772.75	-1,556.82	-4,441.50	0.99	1.98	510.58
2	13,947.12	30	18	12	60.00	1,852.76	5,087.19	-1,616.88	-2,695.00	1.15	1.72	464.90
1	15,457.12	30	22	8	73.33	1,312.48	3,718.41	-1,677.18	-3,230.89	0.78	2.15	515.24
<b>28 of 30 instances (93%) closed above the entry price at some point in the next week.</b>												

There appears to be a strong tendency to bounce – and much of the tendency has played out on day 1. Below is a profit curve.



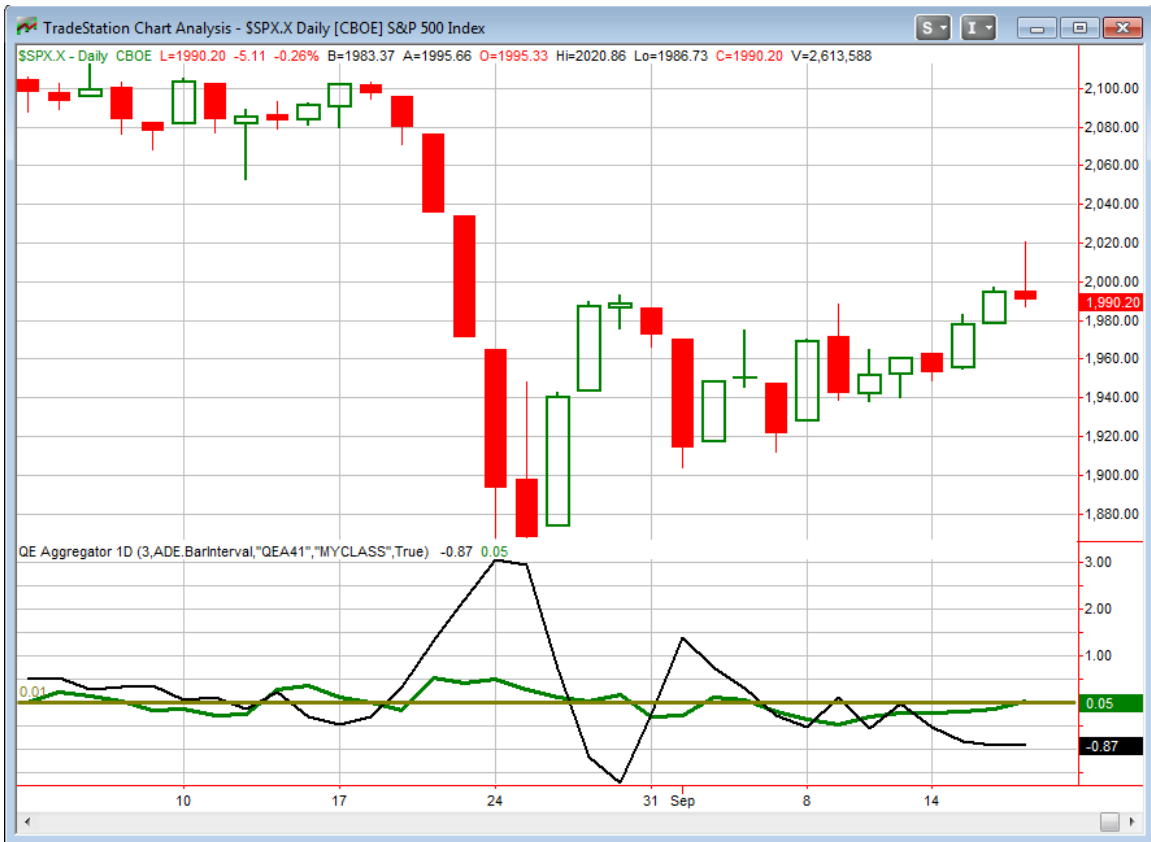
The recent instances have not fared well for the 1-day holding period. But I am not going to eliminate it because of just 4 trades. Helping my confidence are the results below, where I added a 5-day high filter to the study tonight.

After making a 5-day intraday high, SPY closes down and at least 1% below its high on a Fed Day. Buy on close. Sell next day's close. \$100k/trade. 1993 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
02/05/97	Buy	\$77.64	0.67%	\$720.72
02/06/97	Sell	\$78.16		(\$296.01)
03/25/97	Buy	\$78.75	0.43%	\$1,154.79
03/26/97	Sell	\$79.09		(\$469.53)
01/31/01	Buy	\$137.02	0.66%	\$677.97
02/01/01	Sell	\$137.93		(\$561.33)
12/11/07	Buy	\$147.91	0.99%	\$2,609.36
12/12/07	Sell	\$149.37		(\$479.96)
01/30/08	Buy	\$134.91	1.77%	\$2,689.83
01/31/08	Sell	\$137.30		(\$1,267.11)
04/30/08	Buy	\$138.26	2.07%	\$2,067.78
05/01/08	Sell	\$141.12		\$0.00
10/29/08	Buy	\$93.08	3.46%	\$3,716.04
10/30/08	Sell	\$96.30		(\$193.32)

All previous 7 instances have been followed by a close higher the next day.

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



With tonight's bullish study the green Aggregator Line rose just slightly above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line held below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but the SPX is overbought. 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.

With both Active studies set to expire on Friday, expectations would be slightly negative if no new evidence emerges. This would be thanks to the intermediate-term studies. The Differential Pivot will be 1965.81 on Friday. That is a 1.2% below Thursday's close. Therefore, for SPX to move from overbought to oversold on Thursday it would need to close down at least 1.2%.

So mixed evidence is leaning bullish but the shelf life of the remaining active short-term studies is 1 day. With the Aggregator neutral and evidence largely lacking, I do not have strong directional conviction. If I was flat, I would remain flat. So I will look to get flat and cover my short on Friday. But I will not cover into a gap up. Unless short-term bullish evidence emerges on Friday, expectations are set to turn negative. And the market will continue to be overbought unless there is a strong selloff. So a short Aggregator signal is a solid possibility – especially if the market gaps up and closes higher, since that would more likely generate short-term bearish evidence than bullish. This is especially true since the SPX is under its 200ma. On top of that, it is opex Friday. Opex Friday has shown a solid propensity to sell off during the day – primarily between 9:30am and noon EST. So I am not interested in covering my short on a gap higher. But I will exit the position (at least temporarily) if I can get a decent fill 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
SPY(1/4)(s)	9/15/2015	\$198.46	\$199.73	-0.64%		<i>cover @ \$199.73 LIMIT</i>

*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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