

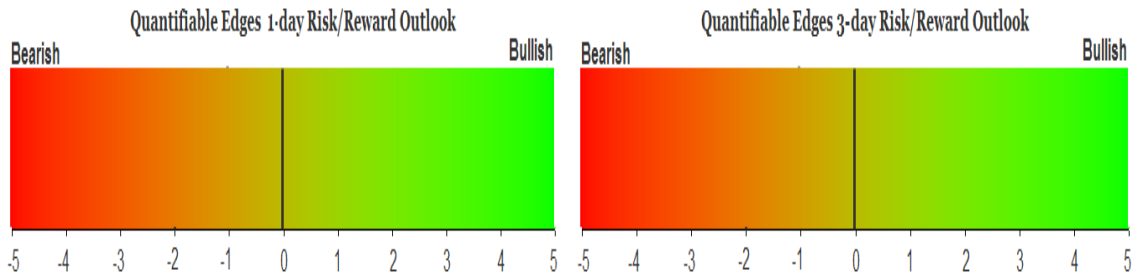
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 23, 2015

Volume 8 Issue 183

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Flat	Flat	Flat

Tonight's Research Points

- 1st 5 day closing low in QQQ in over 10 days is typically bullish below 200ma.

Short-term Outlook

The Bottom Line

Again expectations are bearish but the market is oversold for the short-term. This leaves me neutral.

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 21, 2015	September post-opex weakest week	1-4 days	Bearish			
September 21, 2015	1st 5-low in 10 days	1-4 days	Bullish			
Active - Long Term						
September 9, 2015	FTD on mild breadth & volume	int term	Bearish			
August 31, 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			

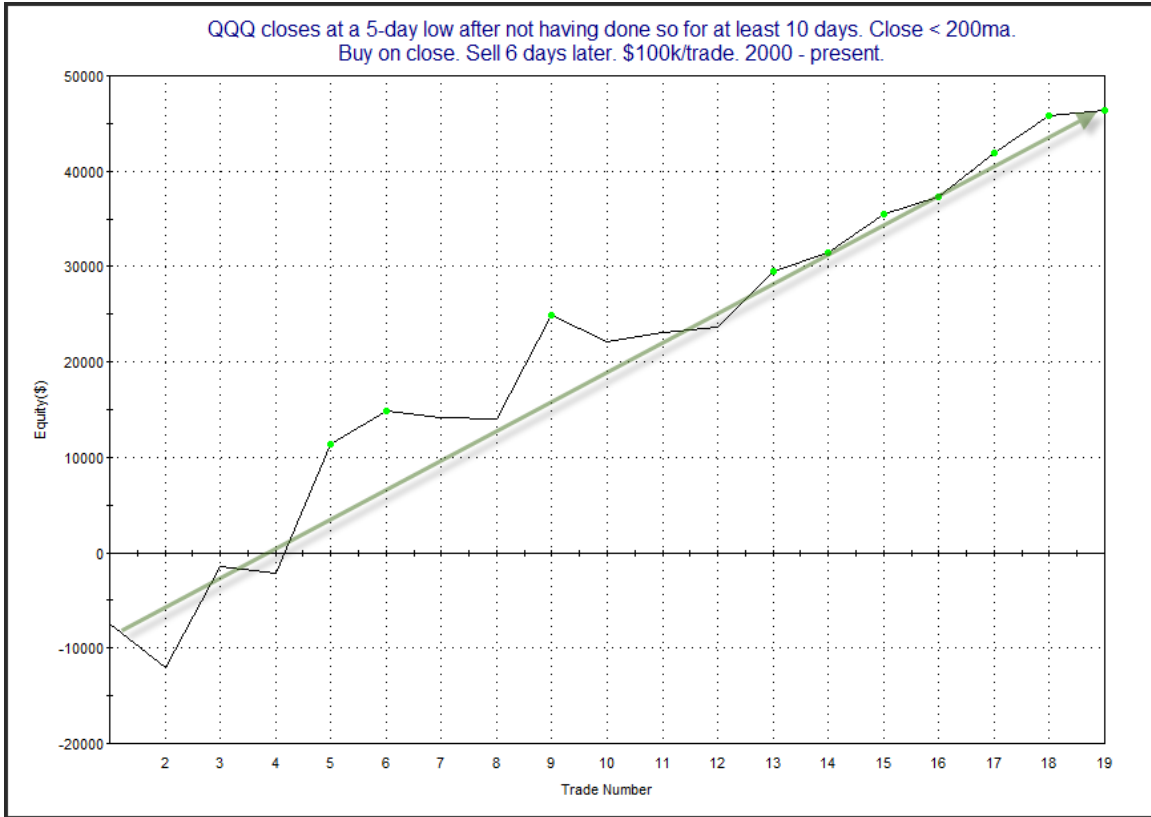
The Evidence

Tuesday opened with a big gap down, and while the indices closed near their highs for the day, losses were still large. The SPX fell 1.2%, the NASDAQ lost 1.5%, and the Russell 2000 dropped 1.6%. Breadth was negative as the NYSE Up Issues % came in at 21% and the Up Volume % was 13%. Total NYSE volume rose from Monday's level.

Interestingly, after seeing SPY trigger the study on Friday where it made the 1st 5-day low in over 2 weeks, QQQ triggered its own version on Tuesday. I showed the QQQ version last in the 12/6/12 subscriber letter. Previously I found that the edge played out favorably below the 200ma but above it the edge was not apparent. Results below are updated.

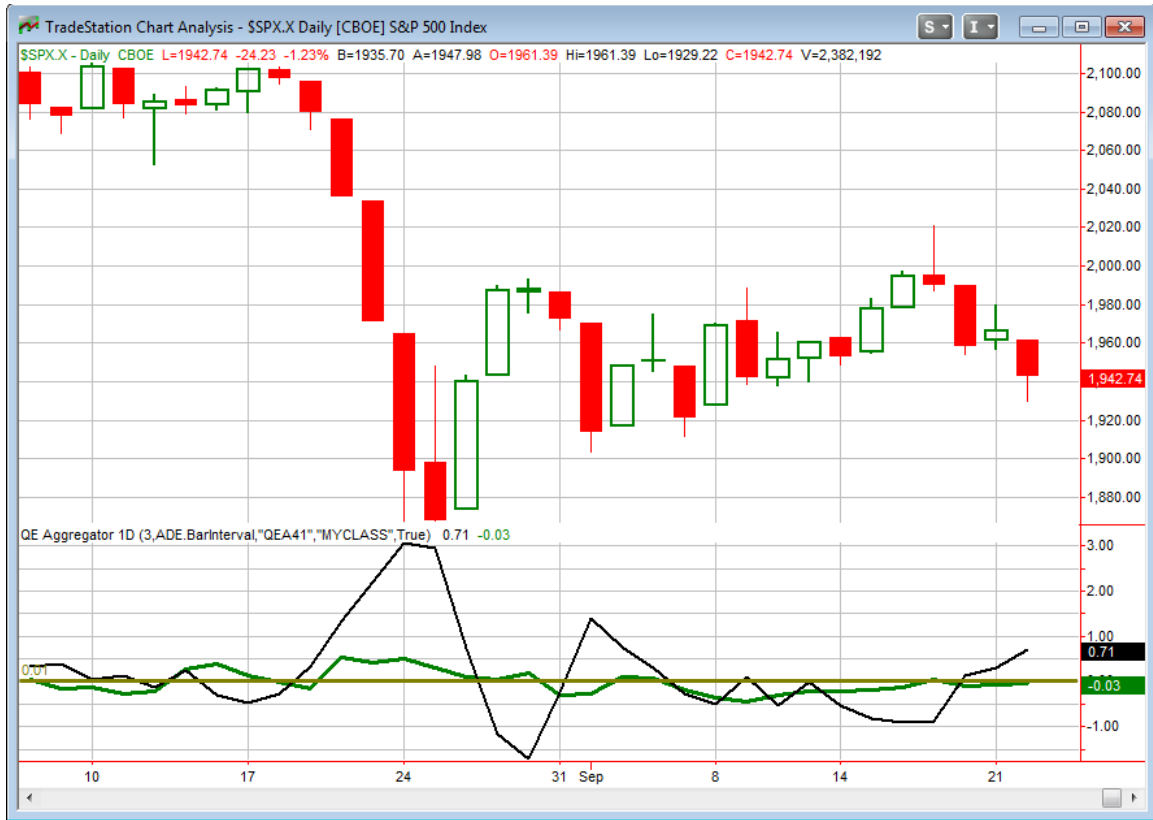
QQQ closes at a 5-day low after not having done so for at least 10 days. Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	39,881.99	19	14	5	73.68	4,998.23	11,057.22	-6,018.64	-10,766.00	0.83	2.33	2,099.05
9	39,859.21	19	14	5	73.68	4,418.62	9,531.44	-4,400.28	-6,080.10	1.00	2.81	2,097.85
8	45,806.84	19	13	6	68.42	4,892.43	9,699.84	-2,965.78	-5,859.78	1.65	3.57	2,410.89
7	39,833.55	19	12	7	63.16	5,196.23	11,096.52	-3,217.31	-6,921.00	1.62	2.77	2,096.50
6	46,384.36	19	13	6	68.42	4,827.17	13,558.95	-2,728.14	-7,490.06	1.77	3.83	2,441.28
5	29,726.17	19	15	4	78.95	3,501.93	9,256.28	-5,700.68	-14,318.78	0.61	2.30	1,564.54
4	18,748.07	19	13	6	68.42	3,499.81	8,407.08	-4,458.25	-14,841.70	0.79	1.70	986.74
3	17,942.60	19	14	5	73.68	2,938.00	6,234.00	-4,637.87	-9,612.50	0.63	1.77	944.35
2	13,157.57	19	13	6	68.42	1,653.21	3,897.50	-1,389.03	-3,342.24	1.19	2.58	692.50
1	4,966.22	19	13	6	68.42	1,082.23	2,742.96	-1,517.13	-4,177.80	0.71	1.55	261.38

The numbers here appear very strong. Below is an equity curve that assumes a 6-day holding period.



After the 1st 2 losers this curve looks terrific. Straight and strong. I did not include this study in the Aggregator since it is basically a repeat of the one we still have active for SPY.

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



Without any new studies making the Active List 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 remained 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 stayed flat at the close.

Based on the current active studies, expectations are currently set to remain negative on Wednesday. Of course this could change if more bullish evidence emerges. The Differential Pivot will be 1953.94 on Wednesday. That is 0.6% above Tuesday's close. Therefore, for SPX to move from oversold to overbought on Wednesday it would need to close up at least 0.9%.

This market remains volatile and choppy and it has not yet reached a point where there seems to be a strong edge. I am not interested in taking on big positions until a more substantial edge emerges. There was one Catapult that triggered at the close on Tuesday, and I will look to take on a small position with that.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/21– slightly bearish

The intermediate-term outlook was last updated in the 9/21 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)

New!

MON 1/3 @ \$86.50 limit

Broad Market Large Cap CBI – 2

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.

MON – buy 1/3 Catapult position @ \$86.50 LIMIT. Though they have done well over time, Catapults tend to be quite volatile and are traded without initial stops. Those new to Catapults should examine the information on the [Catapult System page](#).

Current Open Trade Ideas

None

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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