

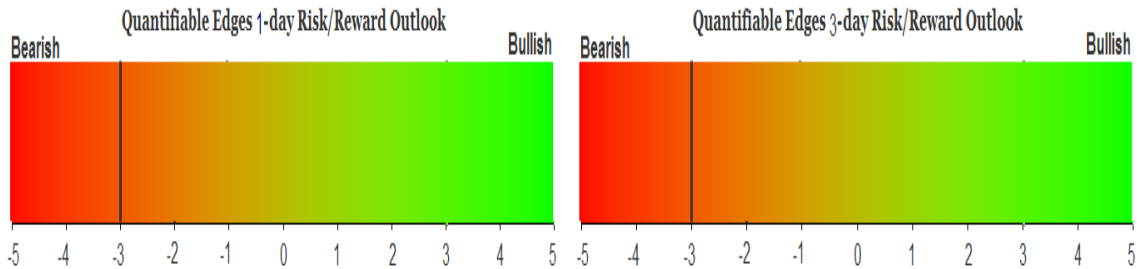
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 14, 2015

Volume 8 Issue 198

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Short	100% Long VXX	Short

Tonight's Research Points

- No new compelling evidence emerged on Tuesday.

Short-term Outlook

The Bottom Line

Evidence still points downward and the SPX remains overbought. I still believe there is a short-side edge.

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						
October 12, 2015	Nasdaq up 4 days < 200ma	1-2 days	Bearish			
October 12, 2015	Up 3 > 10 < 200, 2day smallest rise	1-4 days	Bearish	-2.90%	1.30%	2.70%
October 12, 2015	Low vol & low range 10 > 10 < 200	1-4 days	Bearish	-2.90%	1.50%	3.00%
Active - Long Term						
October 9, 2015	Zweig Breadth Thrust	1-20 days	Bullish			
October 6, 2015	SPX up 3+ days. Up Vol % > 90%	1-14 days	Bullish			
September 29, 2015	CBI >= 11	1-20 days	Bullish			
September 9, 2015	FTD on mild breadth & volume	int term	Bearish			
November 3, 2014	Quantitative Easing Ends	int term	Bearish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			
Dropped Tonight						
October 9, 2015	Vol 5-low, SPX 10-high < 200	1-3 days	Bearish			
October 6, 2015	QE Buying Power Swing Short	1-6 days	Bearish			

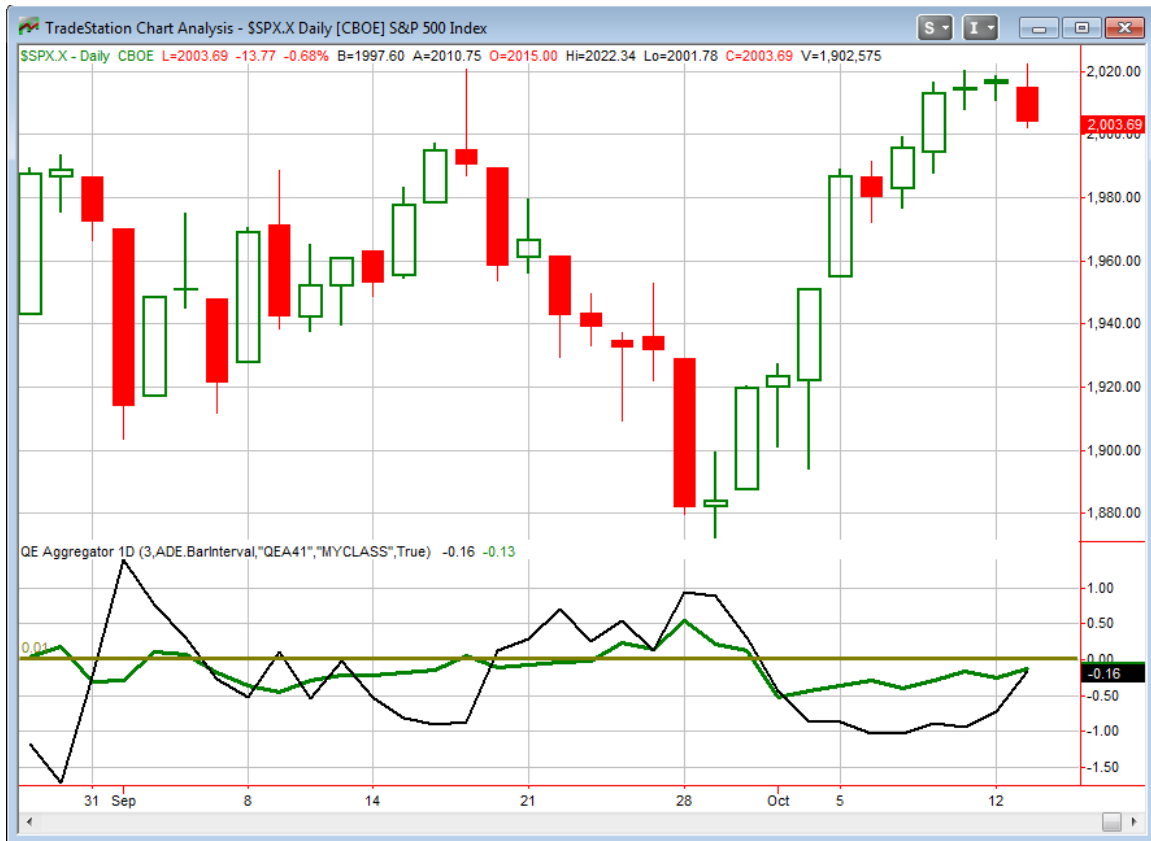
The Evidence

The market swung back and forth on Tuesday before an afternoon dive left everything negative. The SPX closed down 0.7% and the NASDAQ dropped 0.9%, and the Russell 2000 declined 1.4%. Breadth was negative as the NYSE Up Issues % came in at 26% and the Up Volume % was 18%. Total NYSE volume rose some from Monday's holiday level.

I have been expecting a pullback for a while. And perhaps it is finally arriving. The action did very little to inspire Quantifinder studies with strong edges. There was one that appeared in green. It examined times when SPX posted a 20-day high and then closed in the bottom 10% of its daily range. I looked at it tonight with the extra filter of the 200-day moving average. There have only been 4 instances since 2003 when SPX has been below the 200ma. Going back to 1995 there have only been 8 instances and results were not consistent for either bulls or bears. So the study did not seem worthy of inclusion on the Active List.

There were a couple of Short-Term Active List studies that expired. The 3 that remain are all bearish. The Intermediate-Term Active List remains mixed.

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



Without any new studies tonight the green Aggregator Line again closed 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 remained below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and the 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.

Based on the current Active Studies, expectations are slated to remain bearish on Wednesday. Of course this could change if strong new bullish evidence emerges. The Differential Pivot will be 1997.94 on Tuesday. That is 0.3% below Tuesday's close. This means that for SPX to turn from overbought to oversold versus expectations on Wednesday it will need to close down just 0.3%.

The studies suggest we should see further downside. And nothing new and bullish emerged on Tuesday to refute that. I believe the pullback over the next few days could be fairly substantial, and at least take the SPX into the lower end of its recent range. Part of me is inclined to try for more downside and wait for a low close – like the QE Buying Power system does for short signals. But the environment is volatile and choppy. So I don't think it is wise to press my luck here – especially with the strong intermediate-term

breadth signals we have had in the last week or so. So I will look to cover 2 of my 3 lots at the close on Wednesday IF SPX manages to close below the Differential Pivot of 1997.94. I'll hold on to the 3rd lot and decide what to do with that after examining the evidence tomorrow night. Of course I'll still hold all 3 lots if SPX fails to close below the Differential Pivot. In any case, I expect some more downside in the coming days.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/12 – neutral

The intermediate-term outlook was last updated in the 10/12 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

None

Broad Market Large Cap CBI – 0

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)	10/2/2015	\$192.13	\$200.25	-4.23%		cover if SPX closes < 1997.94
SPY(1/4)(s)	10/5/2015	\$196.46	\$200.25	-1.93%		cover if SPX closes < 1997.94
SPY(1/4)(s)	10/6/2015	\$198.47	\$200.25	-0.90%		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.

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