

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 20, 2015

Volume 8 Issue 202

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
<b>Short</b>	<b>100% Short SPY</b>	<b>Short</b>

## Tonight's Research Points

- Strong breadth on a down day is often followed with buying in the next few days.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator remains short, but expectations are set to turn bullish as soon as Wednesday at the close. The short-term bearish edge is evaporating.

**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>						
October 21, 2015	Up Issue > 60%. SPX down & < 200ma	1-2 days	Bullish			
October 20, 2015	Up 3 < 200. smallest rise	1-2 days	Bearish			
October 20, 2015	Up Vol % < 45%. SPX up < 200ma	1-2 days	Bearish			
<b>Active - Long Term</b>						
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			

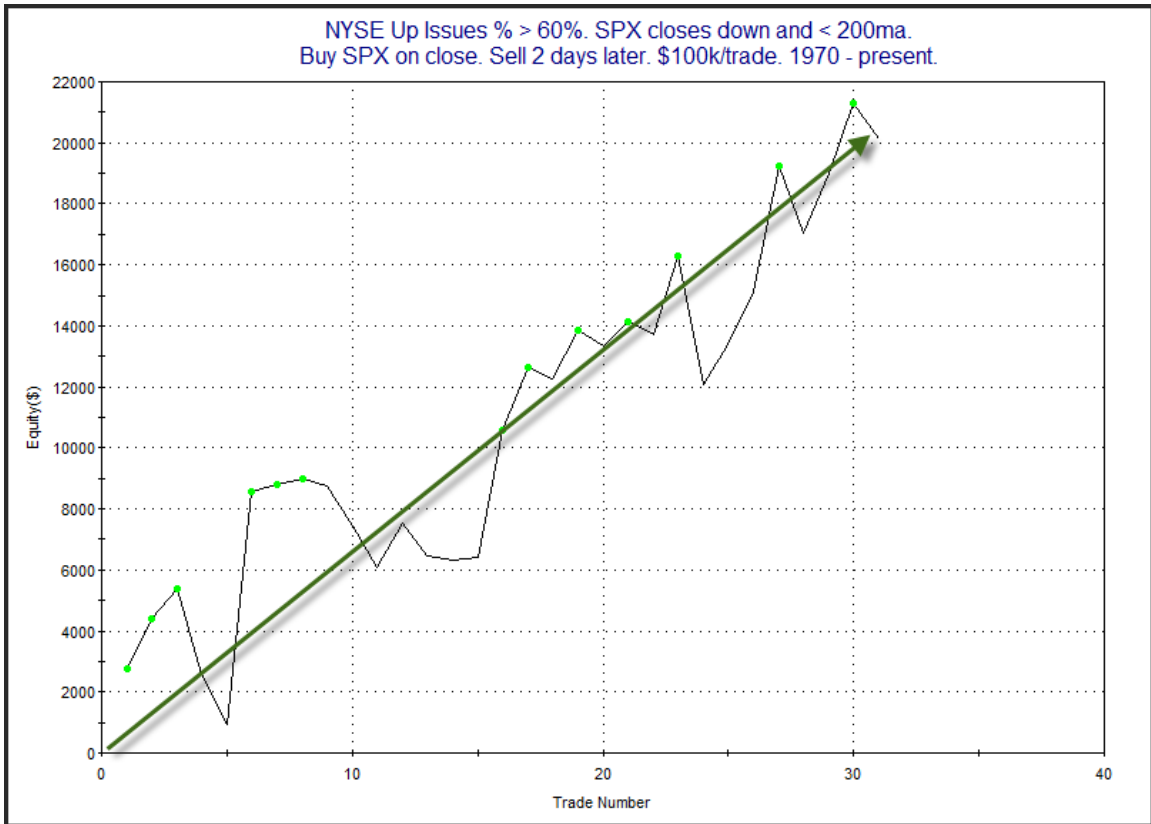
**The Evidence**

After quite a bit of bearish evidence emerged on Monday, there was only a small market decline on Tuesday. The SPX and Russell 2000 each fell 0.1% while the NASDAQ lost 0.5%. But breadth was positive as the NYSE Up Issues % came in at 60% and the Up Volume % was 57%. Total NYSE declined for the 2<sup>nd</sup> day in a row.

The mild movement did not trigger a lot of studies in the Quantifinder. There was one that looked at the down close despite continued higher highs and higher lows. But when I looked closer at it this was the just 5<sup>th</sup> time the setup had triggered below the 200ma. And the other 4 times showed mixed results. Another study noted the strong breadth despite the decline. This led me to wonder what had happened under similar circumstances below the 200ma. I concocted the study below.

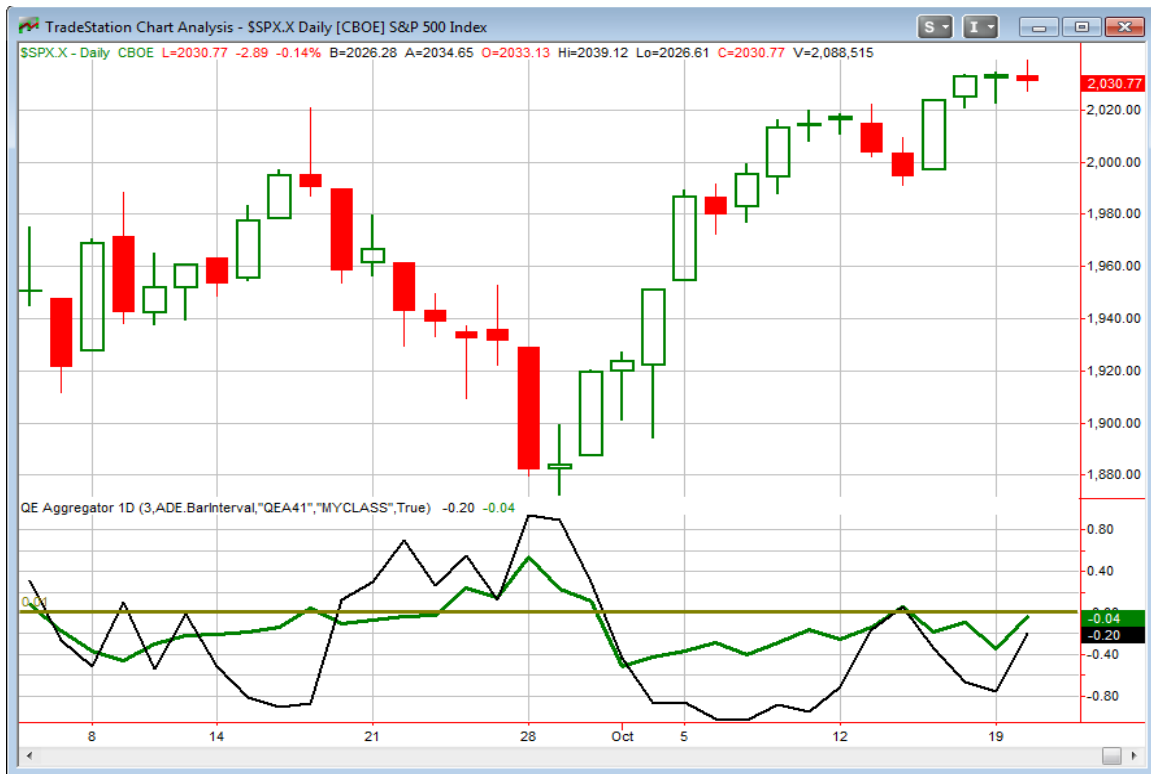
NYSE Up Issues % > 60%. SPX closes down and < 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	11,430.61	29	16	13	55.17	2,676.21	8,344.26	-2,414.51	-6,119.33	1.11	1.36	394.16
4	31,801.01	30	16	14	53.33	3,775.77	12,181.80	-2,043.66	-6,581.61	1.85	2.11	1,060.03
3	21,067.94	31	16	15	51.61	2,912.75	9,714.60	-1,702.40	-5,540.28	1.71	1.83	679.61
2	20,131.21	31	18	13	58.06	2,092.05	7,632.90	-1,348.13	-4,214.73	1.55	2.15	649.39
1	11,940.58	31	17	14	54.84	1,491.74	4,595.16	-958.50	-2,138.17	1.56	1.89	385.18

Numbers here suggest an upside edge over the next few days. The 2-day profit curve appeared to be the most appealing. That can be seen below.



While it has chopped around a bit, it has maintained its strong upslope for a long time. I have included this study on the Active List tonight.

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



With tonight's bullish study factored in the green Aggregator Line still 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 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 flip to bullish on Wednesday. Of course this could change if new bearish evidence emerges. The Differential Pivot will be 2028.75 on Wednesday. That is just 2 points (0.1%) below Tuesday's close. This means that for SPX to turn from overbought to oversold versus expectations on Wednesday it will only need to close down 2 points.

The move up has been stubborn. Despite repeatedly seeing bearish studies emerge the market has only given very minor pullbacks over the last few weeks. And now we see that time may be running out on this downside edge. With expectations set to swing to the bullish side, a close lower on Wednesday could see the whole Aggregator formation turn bullish. The only way the bearish edge persists is if more bearish evidence emerges while the market holds or rises. I currently hold some short exposure. And while there does still seem to be a bit of a downside edge present, I will look to exit that position on Wednesday if SPY closes down at all.

**Intermediate-term Outlook (2 weeks – 2 months) – *updated 10/19 – 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)	10/16/2015	\$202.83	\$203.09	-0.13%		<i>cvr @\$203.08 LMT on close</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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