

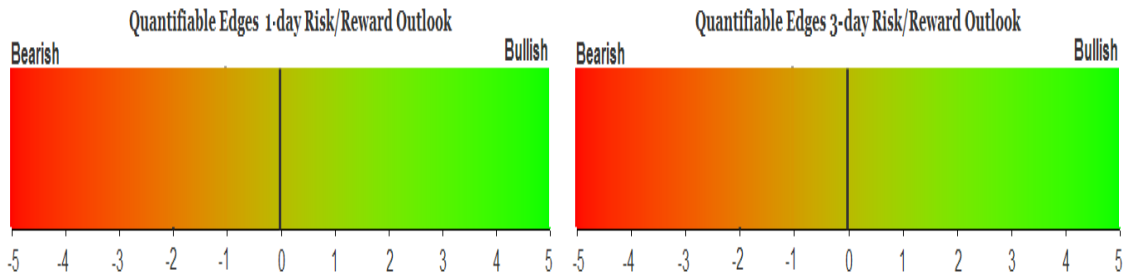
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 28, 2015

Volume 8 Issue 208

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Flat	50% Long XIV	Short

Tonight's Research Points

- Wednesday's Fed Day is providing a moderate 1-day edge.

Short-term Outlook

The Bottom Line

Positive expectations in an overbought market have the Aggregator still neutral. I am neutral as well.

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 28, 2015	Fed Day Wednesday	1 day	Bullish			
October 27, 2015	Tues-Fri after 4th Fri in October bullish	1-4 days	Bullish			
October 27, 2015	Unfill gap dn from 10-high. Opn&cls high	1-3 days	Bearish	-1.50%	0.80%	1.80%
October 26, 2015	VIX up. SPX up. Friday.	1-3 days	Bearish			
Active - Long Term						
October 26, 2015	NASDAQ leading SPX	int term	Bullish			
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 27, 2015	Unfilled gap up to 20-high then unfill dn	1 day	Bearish			
October 23, 2015	Gap up. Close top 10% daily & 10-day	1-3 days	Bearish			

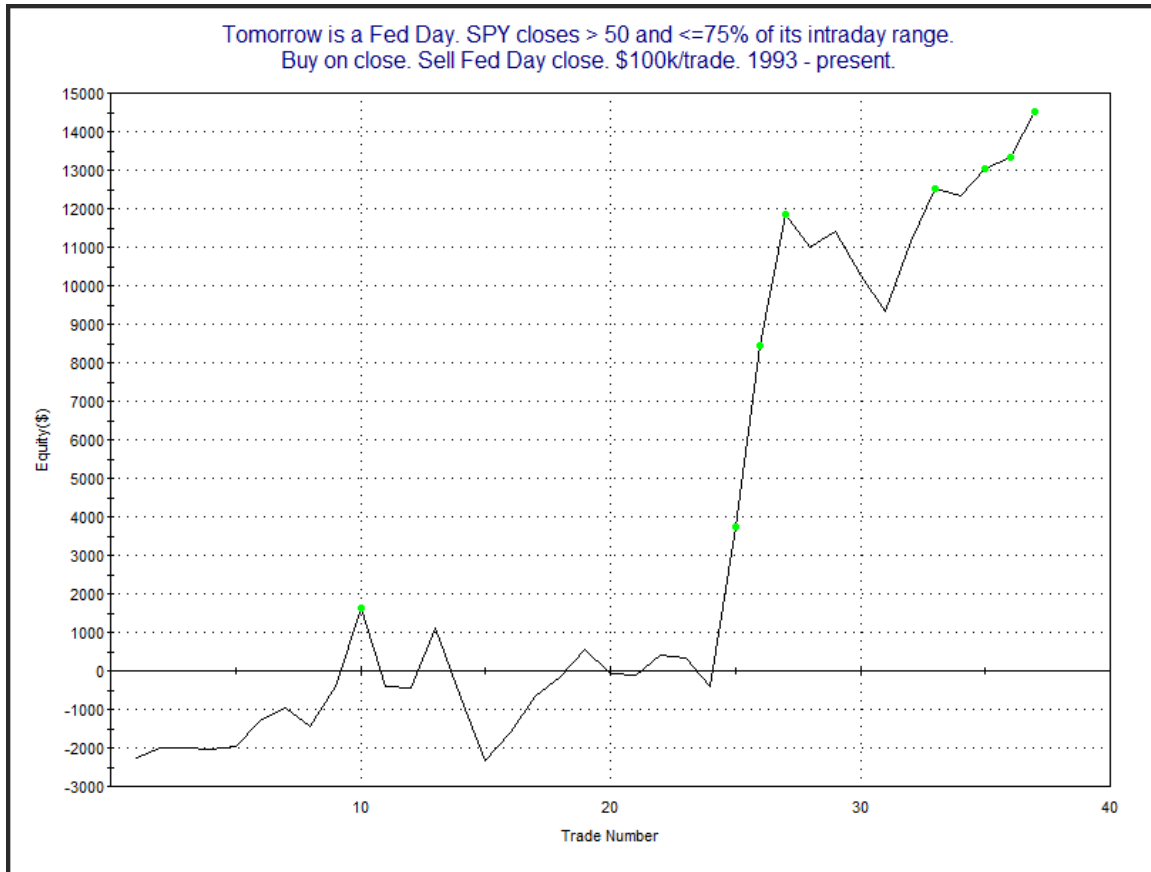
The Evidence

Tuesday saw some selling occur. The SPX fell 0.3%, the NASDAQ dropped 0.1%, and the Russell 2000 lost 1.2%. Breadth was negative as the NYSE Up Issues % came in at 26% and the Up Volume % was 27%. Total NYSE volume rose some from Monday's level.

The price action failed to generate any compelling studies. The big notable for Wednesday is that it is a Fed Day. A number of times in the past I have broken down the Fed Day edge by examining where in the daily range SPY closed the day before. I have used 4 quartiles. The results have shown that the lower the close, the more substantial the upside edge for the Fed Day. On Tuesday SPY close about 2/3 up in its daily range. The stats below are updated from the 12/16/14 letter and examine instances like Tuesday where SPY closed in the 2nd quartile.

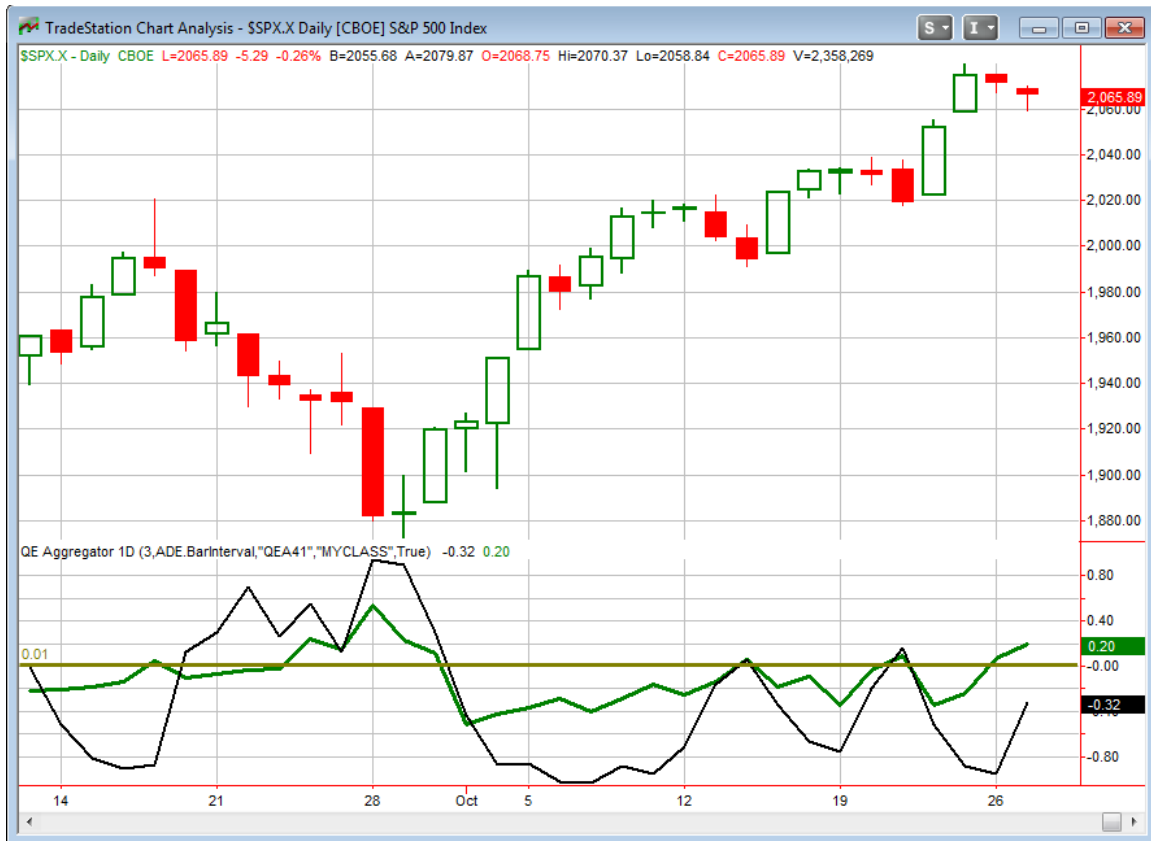
TradeStation Performance Summary				Collapse ^
All Trades				
Total Net Profit	\$15,088.50	Profit Factor	2.18	
Gross Profit	\$27,910.49	Gross Loss	(\$12,821.99)	
Total Number of Trades	39	Percent Profitable	58.97%	
Winning Trades	23	Losing Trades	15	
Even Trades	1			
Avg. Trade Net Profit	\$386.88	Ratio Avg. Win:Avg. Loss	1.42	
Avg. Winning Trade	\$1,213.50	Avg. Losing Trade	(\$854.80)	
Largest Winning Trade	\$4,704.07	Largest Losing Trade	(\$2,246.40)	

There seems to be a decent upside edge. It is not nearly as strong as if the SPY closed in the lower part of its daily range. But the numbers are still pretty good. Here is a look at the profit curve.



While recent instances have done very well the edge has not been a consistent one over time. Since it has done so well lately I have included it on the Active List. But my confidence level in this one is not very high.

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



With the Fed Day on tap Wednesday the green Aggregator Line moved a little further above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line stayed 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 held flat at the close.

Based on the current active studies expectations are slated to remain positive on Wednesday. Of course this could change if new bearish evidence emerges. The Differential Pivot will be 2064.55 on Wednesday. That is just over 1 point below Tuesday's close. This means that SPX would move from overbought to oversold if it closes down a little more than 1 point. So any up close would leave it overbought, and *almost* any down close would turn SPX oversold.

The Aggregator is neutral for the 2nd day in a row. Expectations are positive but the SPX is a little overbought. And while the Fed Day is generally a positive thing, the reaction to the Fed announcement is difficult to anticipate and adds an element of increased risk to the equation. I see no reason to get involved here. I will see how things play out on Wednesday while I wait for a more substantial edge to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/26 –slightly bullish

The intermediate-term outlook was last updated in the 10/26/15 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

ABBV – 1/3@ \$48.27(buy @ limit) – not filled – cancel order for now

Broad Market Large Cap CBI – 1(ABBV)

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

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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