

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 5, 2015

Volume 8 Issue 214

## 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

- Inside days after a 50-day high that close down have been followed by gains recently, but not on a long-term basis.

## *Short-term Outlook*

### *The Bottom Line*

The bearish inclinations and overbought nature of the market remain, but both could expire as soon as Thursday afternoon.

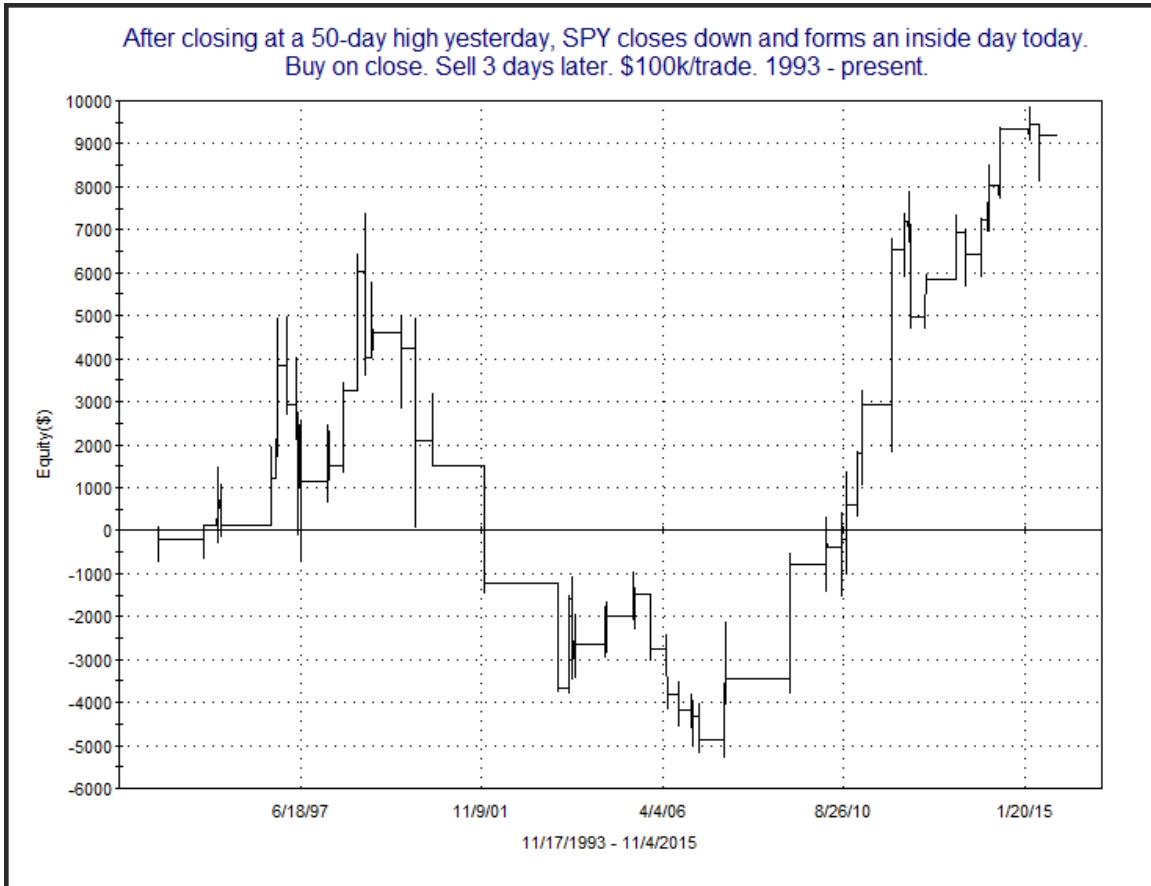
**Summary of Recent Active Studies (see Letters from listed dates for details)**

| Study Date                 | Description                         | Time span | Bias    | Avg Run-up | Avg DrawDn | Avg DrawDn - 1 Std Dev |
|----------------------------|-------------------------------------|-----------|---------|------------|------------|------------------------|
| <b>Active - Short Term</b> |                                     |           |         |            |            |                        |
| November 4, 2015           | VIX up 2.5%. SPX up. Midweek        | 1-2 days  | Bearish |            |            |                        |
| <b>Active - Long Term</b>  |                                     |           |         |            |            |                        |
| November 2, 2015           | Best 6 months                       | Nov-Apr   | Bullish |            |            |                        |
| October 26, 2015           | NASDAQ leading SPX                  | int term  | Bullish |            |            |                        |
| October 9, 2015            | Zweig Breadth Thrust                | 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**

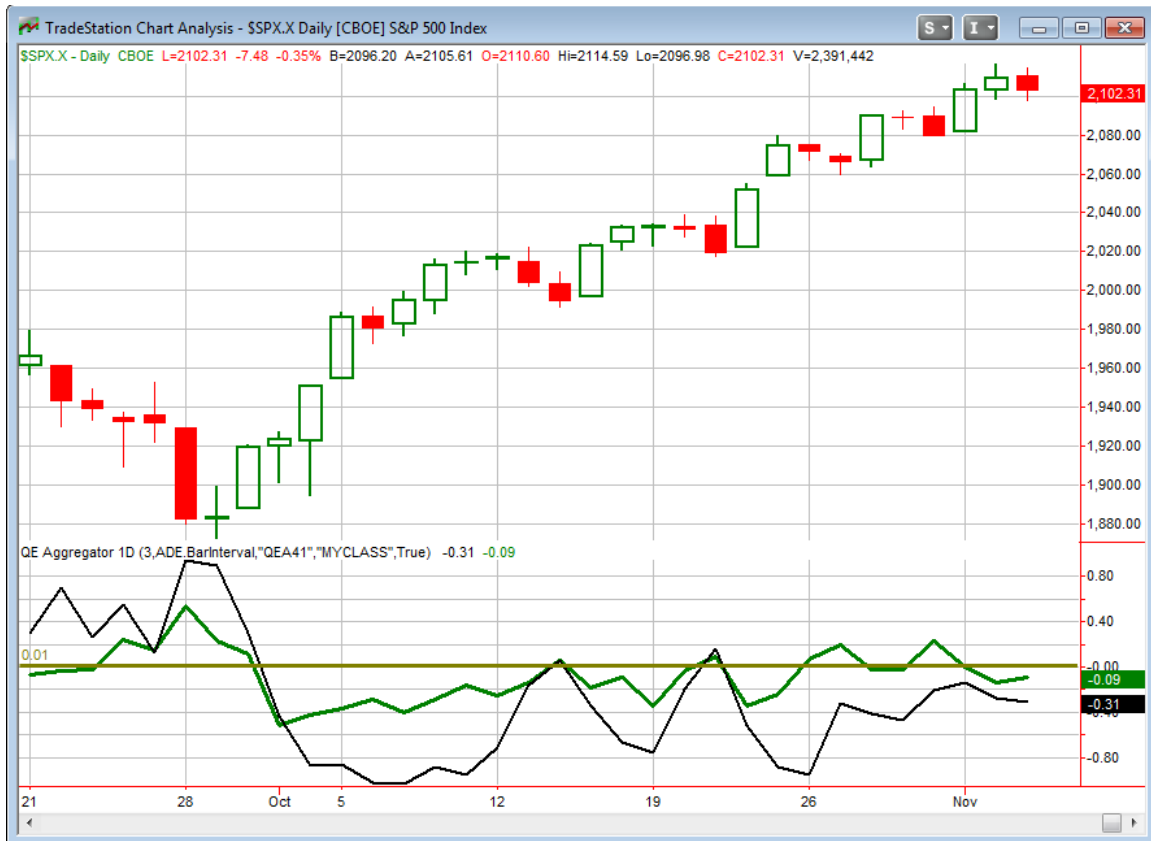
Wednesday was a day of mild declines. The SPX closed down 0.4% while the Russell 2000 and the NASDAQ fell 0.1%. Breadth was negative as the NYSE Up Issues % came in at 40% and the Up Volume % was 28%. Total NYSE volume declined some from Tuesday’s level.

The modest pullback did not trigger any strong studies in the Quantifinder nor did it inspire anything new and compelling. One thing I did look at was inside-day pullbacks following 50-day highs. I have placed below a 3-day profit curve based on the study.



During the QE-infused bull market of the last several years this setup has been prone to gains. But over the longer term the inclinations were not reliable. It is not something I felt was worth consideration when formulating my market bias. So that means there are no new studies to add to the Active List tonight.

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



With nothing new being added tonight the green Aggregator Line remained 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 held 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.

With our bearish VIX study from last night set to expire on Thursday, expectations will be largely dependent on any new evidence that emerges. If nothing emerges, then the intermediate-term evidence would tilt things bullish. The Differential Pivot will be *inverted at 2108.54* on Thursday. That is 0.3% *above* Wednesday's close. An inverted pivot means that the Differential Line will cross 0 if SPX closes flat. In this case SPX will need to close up at least 0.3% in order to remain overbought. Otherwise it will be considered "oversold" versus expectations as of Thursday's close.

There still appears to be some more time and space left for the SPX to pull back. But the opportunity for the bears does not appear to extend beyond just Thursday. With the trend bullish and the bearish window tight I am not interested in taking on new positions here. I'll wait and see what unfolds in the next day or so.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 11/2 –slightly bullish***

The intermediate-term outlook was last updated in the 11/2/15 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***

*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**

*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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