

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 6, 2015

Volume 8 Issue 215

Market Overview



Signals Overview

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

Tonight's Research Points

- Employment days tend to be volatile.

Short-term Outlook

The Bottom Line

Expectations are now slightly bullish. And the Differential Line suggests it is oversold, though it is overbought by other measures. The evidence is weak and the employment report is elevating risk, so I do not have a strong conviction about a direction edge at this point.

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						
None						
Active - Long Term						
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			
Dropped Tonight						
November 4, 2015	VIX up 2.5%. SPX 50-hi. Midweek	1-2 days	Bearish			

The Evidence

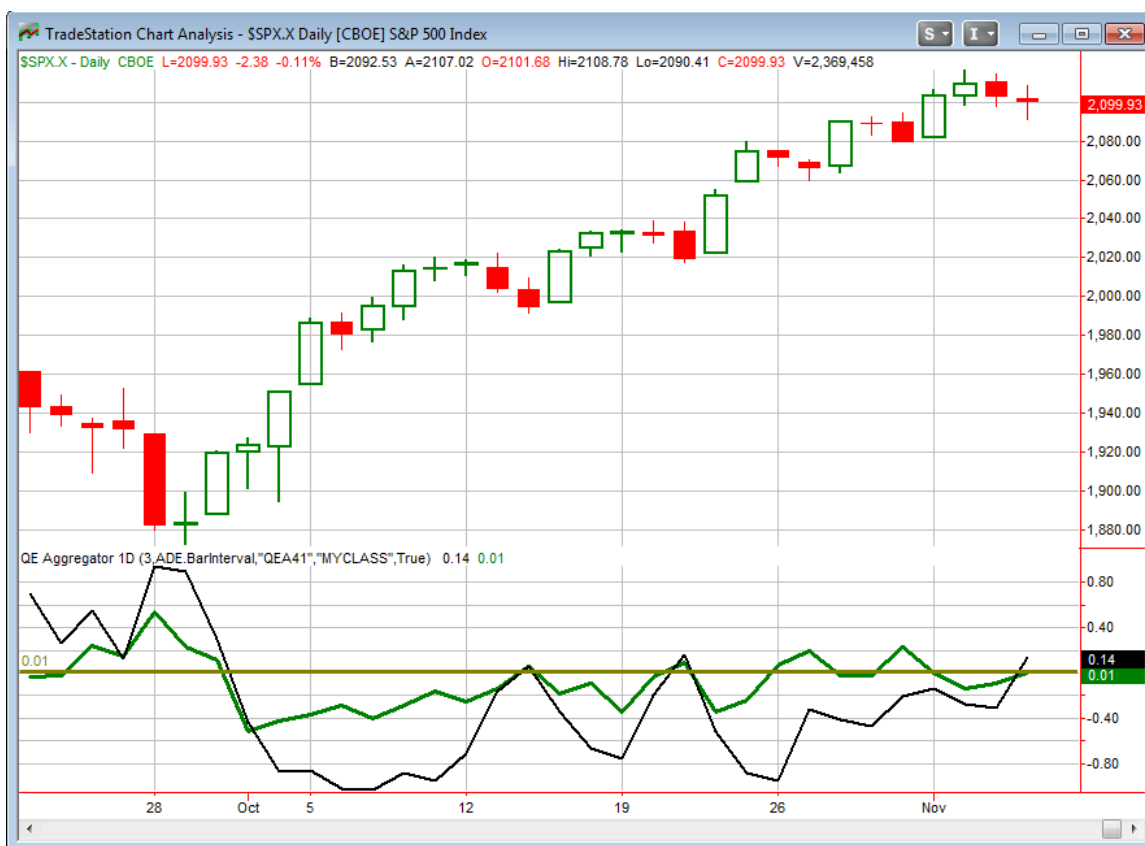
Thursday saw mild and mixed returns. The SPX closed down 0.1%, the NASDAQ fell 0.3% and the Russell 2000 closed up 0.30 points. Breadth was negative as the NYSE Up Issues % came in at 47% and the Up Volume % was 44%. Total NYSE volume declined some from Wednesday's level.

The action Thursday did not generate anything in the way of strong edges from the Quantifinder. One factor that will likely have a substantial impact on market movement on Friday is the reaction to the Employment Report about an hour before the open. From mid-2012 through 2014 Employment Days showed strong gains. But 2015 has not been particularly kind. Seven of the nine instances have shown declines this year. (Note that the employment report in April was released on Good Friday when the market was closed.)

Tomorrow is an Employment Day. Buy SPY on close. Sell Employment Day close. \$100k/trade. Jan - Oct 2015.					
01/08/15	Buy	\$205.90	(0.80%)		\$252.20
01/09/15	Sell	\$204.25			(\$1,159.15)
02/05/15	Buy	\$206.12	(0.28%)		\$543.20
02/06/15	Sell	\$205.55			(\$582.00)
03/05/15	Buy	\$210.46	(1.41%)		\$0.00
03/06/15	Sell	\$207.50			(\$1,596.00)
05/07/15	Buy	\$208.87	1.32%		\$1,429.22
05/08/15	Sell	\$211.62			\$0.00
06/04/15	Buy	\$210.13	(0.17%)		\$213.75
06/05/15	Sell	\$209.77			(\$546.25)
07/01/15	Buy	\$207.50	(0.09%)		\$370.37
07/02/15	Sell	\$207.31			(\$331.89)
08/06/15	Buy	\$208.35	(0.19%)		\$0.00
08/07/15	Sell	\$207.95			(\$708.92)
09/03/15	Buy	\$195.55	(1.51%)		\$0.00
09/04/15	Sell	\$192.59			(\$2,013.34)
10/01/15	Buy	\$192.13	1.49%		\$1,508.00
10/02/15	Sell	\$195.00			(\$1,565.20)

Employment Days are not reliable direction-wise, but they do provide volatility on a fairly reliable basis. Five of the nine Employment Days above have seen SPX close up or down at least 0.8% (and four of those had 1.3% or greater moves). So while I am not seeing strong evidence tonight suggesting a directional edge, it is worth keeping in mind that whatever direction the market moves, it could be a sharp move.

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



Without any active short-term studies, the intermediate-term ones have the green Aggregator Line back above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line also rose above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and the SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close below 0. Therefore the Aggregator signal changed from short to long at the close.

With the short-term list blank expectations will be largely dependent on any new evidence that emerges. If nothing emerges, then the intermediate-term evidence would keep expectations bullish. The Differential Pivot will be 2111.74 on Friday. That is 0.6% above Thursday's close. So SPX would need to close up at least 0.6% on Friday in order to move from oversold to overbought versus expectations.

The Aggregator is bullish, but I am not so enthused. Friday's employment day increases potential risk. And the market has gone an unusually long period of time without a much of a pullback. In fact, Thursday marked the 25th day in a row in which SPY closed above its 10ma. In the 12/2/14 letter I looked at other instances that went that long and then closed below the 10ma. Often that first pullback is buyable but at this point it is overdue. So I will wait until there is a bit more of a pullback before considering longs trades.

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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