

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 13, 2015

Volume 8 Issue 220

Market Overview



Signals Overview

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

Tonight's Research Points

- The unfilled gap down and low close in SPY suggest a bounce over the next few days.

Short-term Outlook

The Bottom Line

More bullish evidence emerged and the market is still oversold. I believe reward/risk squarely favors the bulls.

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						
November 13, 2015	Unfilled gap down. Low close low in range	1-5 days	Bullish			
November 12, 2015	1st 10 low in 30+ days	1-4 days	Bullish			
November 10, 2015	1st close < 10ma in 25 days	1-4 days	Bullish			
November 10, 2015	System 11111	1-4 days	Bullish			
Active - Long Term						
November 10, 2015	1st close < 10ma in 25 days	1-20 days	Bullish			
November 2, 2015	Best 6 months	Nov-Apr	Bullish			
October 26, 2015	NASDAQ leading SPX	int term	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 12, 2015	5-low. Bottom 10% range. > 200	1 day	Bullish			
November 10, 2015	Lower hi, low, close 3x. Monday	1-3 days	Bullish			
November 10, 2015	Dn 4+. Biggest drop. > 200ma	1-3 days	Bullish			

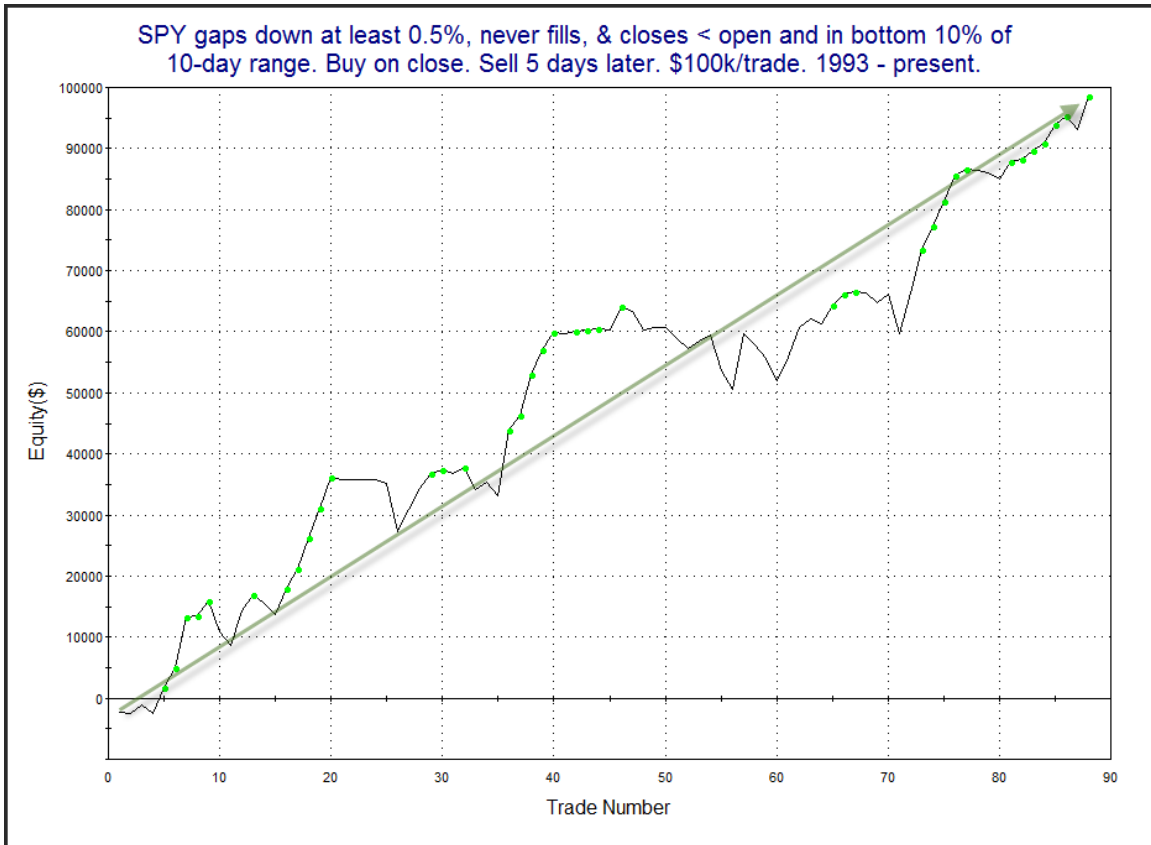
The Evidence

The market had a tough day on Thursday. The SPX declined 1.4%, the NASDAQ fell 1.2% and the Russell 2000 lost 2.0%. Breadth was negative as the NYSE Up Issues % came in at 18% and the Up Volume % was 10%. Total NYSE volume rose some from Wednesday’s level.

A few new studies triggered in the Quantifinder. Nothing was bearish, but some of the bullish ones had struggled some lately. The most compelling study was one I have not discussed in a long time – the 11/12/2008 letter. It looked at unfilled gaps down that sell off further and finish near 10-day lows. The stats table below is updated.

SPY gaps down at least 0.5%, never fills, & closes < open and in bottom 10% of 10-day range. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	98,626.78	88	53	34	60.23	3,130.58	10,816.00	-1,979.23	-7,955.64	1.58	2.47	1,120.76
4	63,913.79	89	50	39	56.18	2,924.06	13,568.00	-2,109.98	10,531.08	1.39	1.78	718.13
3	42,537.08	95	56	39	58.95	2,316.52	8,358.40	-2,235.59	10,567.08	1.04	1.49	447.76
2	48,453.71	99	59	39	59.60	2,083.02	7,756.80	-1,908.84	-7,761.78	1.09	1.65	489.43
1	38,663.17	100	61	39	61.00	1,341.12	5,764.38	-1,106.28	-7,417.30	1.21	1.90	386.63

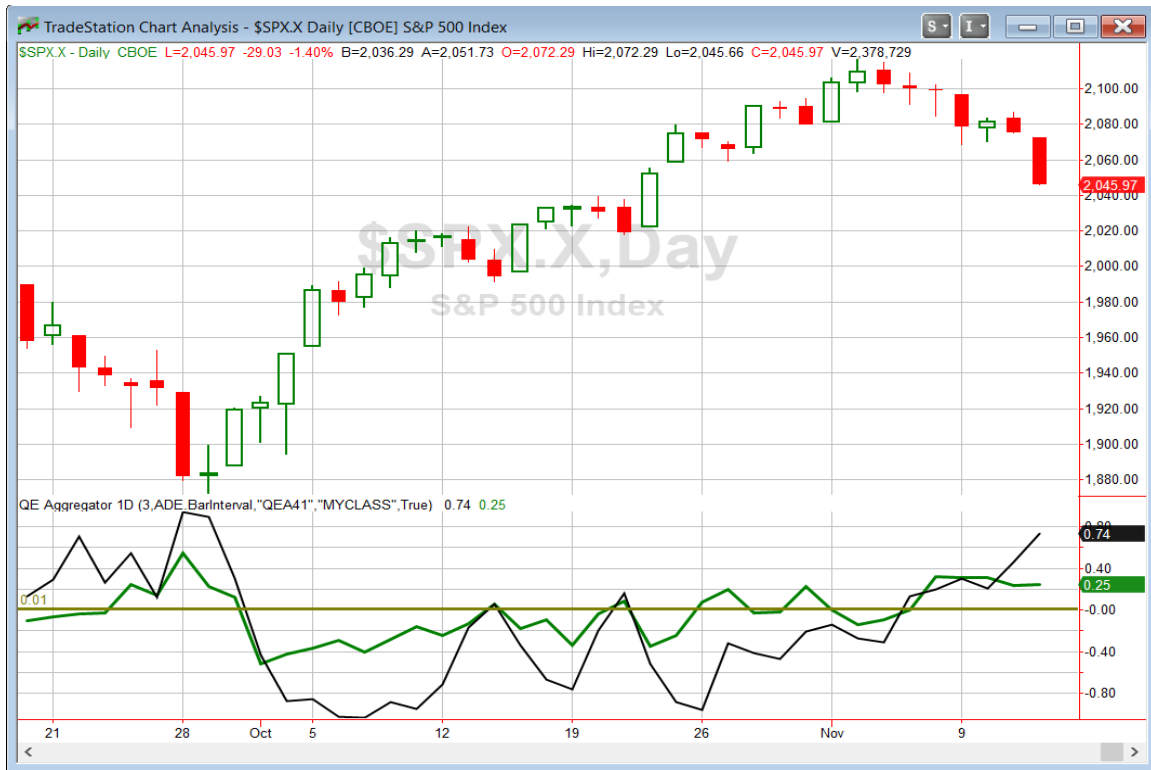
The numbers here look pretty impressive for the bull case. I also examined the profit curve.



Five-day returns have been quite study. This study appears worth consideration and I have added it to the Active List tonight.

I also examined the possible implications of a close down through the 200ma. I looked at all other times SPX crossed down through the 200ma and sold off at least 1% on the day. Over the long-term the numbers were quite bullish over the following 1-10 days. But the profit curves all topped out around 2007 and have not made any progress since then. So while the 200ma is a decent delineator when examining market action, a cross of it does not provide a clear directional edge.

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



With tonight's research taken into account the green Aggregator Line remained 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 held 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 above 0. Therefore, the Aggregator signal stayed long at the close.

Expectations are set to remain bullish on Friday based on the current active studies. A substantial amount of bearish evidence would need to emerge to change this. The Differential Pivot will be 2100.59 on Friday. That is 2.7% above Thursday's close. This means that SPX would need to close up at least 2.7% in order to move from oversold to overbought on Friday. A rise that large is unlikely to occur in just one day. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

The strong move below the 200maa for the SPX and Dow on Thursday did not trigger any bearish studies. And bullish evidence continued to build. The selloff also left SPX as oversold as it has been in a while. So reward/risk appears pretty solid. I already had some long index exposure coming into the day. With evidence still pointing north and the market now even more oversold I will look to scale in a bit further to my long position if I can get a decent fill.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/9 –slightly bullish

The intermediate-term outlook was last updated in the 11/9 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

SPG – 1/3 @ \$191.51 (buy @ limit) – not filled – cancel for now

Broad Market Large Cap CBI – 1(SPG)

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.

SPY – buy ¼ index position @ \$204.84 LIMIT. Based on the short-term outlook above I will look to take on a 2nd (of 4 possible lots) for SPY.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	11/9/2015	\$208.08	\$204.84	-1.56%		Aggregator

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