

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 19, 2015

Volume 8 Issue 224

Market Overview



Signals Overview

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

Tonight's Research Points

- No new compelling evidence emerged tonight.

Short-term Outlook

The Bottom Line

Evidence is a little bullish but the market is now overbought. This leaves the Aggregator neutral – and me too..

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 16, 2015	Dn 3. 1% drop. >20-low. < 200ma	1-4 days	Bullish			
November 16, 2015	Unfilled gap down 2x. Close <200ma	1-5 days	Bullish			
November 13, 2015	Unfilled gap down. Low close in ranges	1-5 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			

The Evidence

Wednesday was a strong day for the market. The SPX and Russell 2000 each rallied 1.6% while the NASDAQ gained 1.8%. Breadth was strongly positive as the NYSE Up Issues % came in at 74% and the Up Volume % was 90%. Total NYSE volume declined some from Tuesday's level

This was the second strong move higher in the last 3 days – with yesterday being a consolidation day for SPX. I decided to look back at other instances that showed similar behavior over a 3-day period. What I found was interesting. The 2 studies below examine a 3-day pattern of 1) strong gain, 2) consolidation, and 3) strong gain. The only difference between the two is that one examined instances above the 200ma and the other looked at instances below it.

After closing up > 1% 2 days ago, SPX consolidates yesterday and closes within 0.25% of the day before. Today it again rises > 1%. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1960 - present.

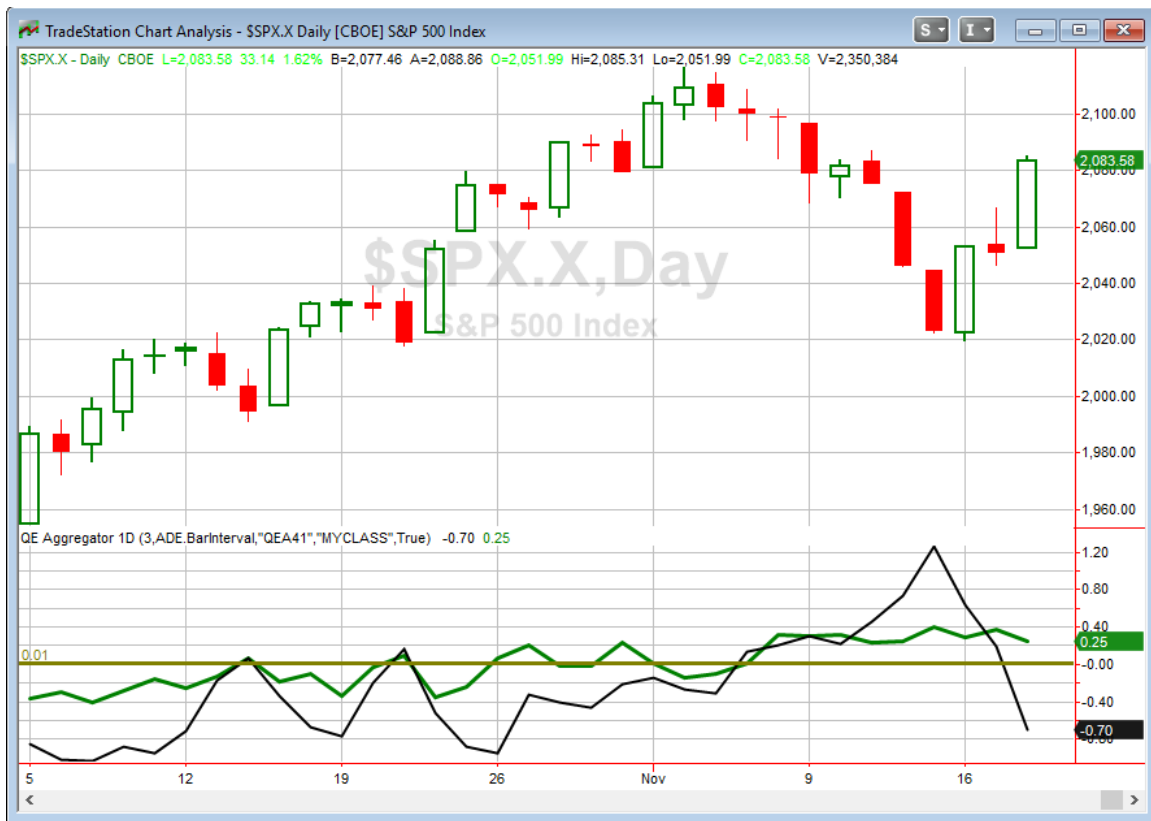
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	6,814.51	36	21	15	58.33	1,442.13	3,885.84	-1,564.68	-3,653.28	0.92	1.29	189.29
4	-126.55	37	19	18	51.35	1,213.07	4,077.36	-1,287.49	-4,420.80	0.94	0.99	-3.42
3	-7,342.94	37	18	19	48.65	912.19	2,034.90	-1,250.65	-4,250.56	0.73	0.69	-198.46
2	-4,201.66	37	20	17	54.05	576.53	2,065.50	-925.42	-3,151.01	0.62	0.73	-113.56
1	-789.92	37	17	20	45.95	573.65	1,962.36	-527.10	-1,578.96	1.09	0.93	-21.35

After closing up > 1% 2 days ago, SPX consolidates yesterday and closes within 0.25% of the day before. Today it again rises > 1%. Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 1960 - 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	33,197.61	21	17	4	80.95	2,299.88	5,758.76	-1,475.07	-4,417.60	1.56	6.63	1,580.84
4	37,407.07	21	16	5	76.19	2,623.44	6,474.02	-913.59	-3,036.80	2.87	9.19	1,781.29
3	29,916.25	21	16	5	76.19	2,218.76	7,222.60	-1,116.78	-3,692.00	1.99	6.36	1,424.58
2	17,247.75	21	14	7	66.67	1,636.09	4,864.20	-808.21	-2,043.70	2.02	4.05	821.32
1	9,555.92	21	10	11	47.62	1,409.14	2,874.30	-412.32	-1,395.45	3.42	3.11	455.04

Wednesday's rally saw SPX cross above its 200ma. According to the above studies, that is not necessarily a good thing. Below the 200ma there has been an upside tendency to follow through over the next few days. But above the 200ma there has been no such tendency. This does not give us anything to add to the Active List tonight, but I did find the results interesting and thought I would share them.

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



With no new studies to add tonight the green Aggregator Line held above 0. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line dove down below zero. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is now short-term 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 changed from long to flat at the close.

Expectations are set to remain bullish on Thursday based on the current active studies. Of course this could change if strong bearish evidence emerges. The Differential Pivot will be 2072.21 on Thursday. That is 0.5% below Wednesday's close. So SPX would need to close down at least 0.5% in order to move from overbought to oversold versus expectations on Thursday.

The Aggregator is back to neutral and so am I. I have taken profits on my index positions and I will look to exit my Catapult trade idea in the morning. There does not appear to be a strong edge right now so I will wait until the next favorable opportunity emerges before putting my capital back to work.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/16 –slightly bullish

The intermediate-term outlook was last updated in the 11/16 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)	11/9/2015	\$208.08	\$208.73	0.31%		sold on close
SPY(1/4)	11/14/2015	\$204.35	\$206.04	0.83%		sold on open
SPG(1/3)	11/16/2015	\$185.39	\$190.24	2.62%		sell on open

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