

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 27, 2015

Volume 8 Issue 229

Market Overview



Signals Overview

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

Tonight's Research Points

- Low volume on Thanksgiving Wednesday has often been followed by a pullback in the few days.

Short-term Outlook

The Bottom Line

Evidence favors the long side, the market is not very overbought.

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 25, 2015	Thanksgiving Wed > 200ma	1 day	Bullish			
November 25, 2015	Gap and reverse 2x	1-2 days	Bearish			
November 23, 2015	VIX 10% above 10ma to 10% below	1-8 days	Bullish	2.40%	-1.10%	-2.20%
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 very quiet and the indices finished mixed. The SPX was nearly breakeven with a 0.26 point loss, the NASDAQ rose 0.26%, and the Russell 2000 rallied 0.77%. Breadth was positive as the NYSE Up Issues % came in at 59% and the Up Volume % was 47%. Total NYSE volume came in very light.

Low volume on up days can be a sign of complacency, so it will commonly trigger studies with bearish edges. But Wednesday's volume came one day ahead of Thanksgiving. So perhaps it wasn't so much a sign of complacency, but rather a sign of people taking off early ahead of the holiday. Often when volume comes in extremely light on or just in front of a holiday I will simply dismiss low-volume studies. But there was one low-volume study from the 11/28/14 letter that specifically examined low volume on the day before Thanksgiving. And it had interesting results. So I updated it below.

Wednesday before Thanksgiving posts the lowest NYSE volume in 20 days. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - 2013.													
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	-3,925.59	12	6	6	50.00	1,473.59	3,685.24	-2,127.85	-7,726.01	0.69	0.69	-327.13	
4	-262.20	12	6	6	50.00	1,243.49	3,610.64	-1,287.19	-4,359.94	0.97	0.97	-21.85	
3	-7,044.87	12	3	9	25.00	1,647.26	3,468.90	-1,331.85	-4,948.90	1.24	0.41	-587.07	
2	-12,293.13	12	2	10	16.67	664.12	1,096.98	-1,362.14	-5,644.20	0.49	0.10	-1,024.43	
1	-3,913.22	12	4	8	33.33	356.81	746.00	-667.56	-1,721.70	0.53	0.27	-326.10	

The 1st instance (1982) was the only one that did not close below Wednesday's close on either Friday or Monday.

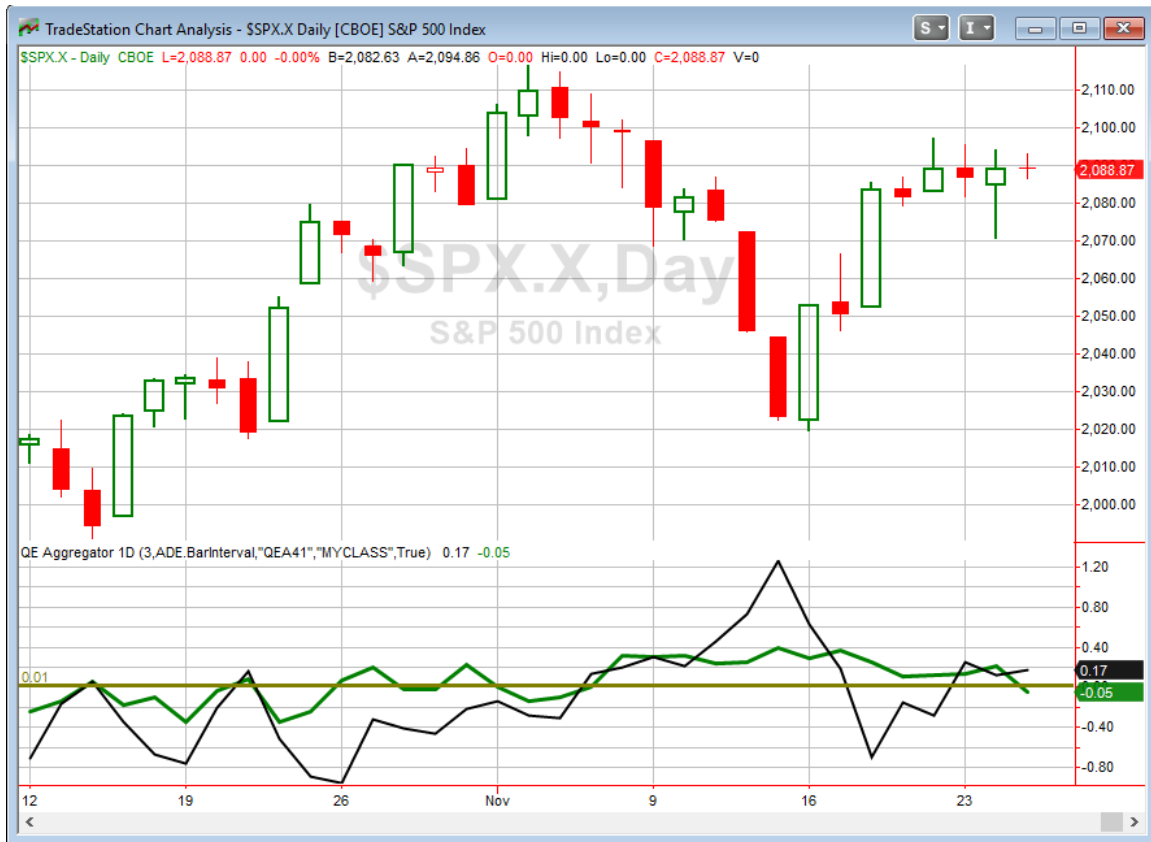
In the last 45 years there have been 12 instances where Wednesday marked a 20-day volume low. This isn't as common as some might suspect but it's about 4 times higher than you'd get looking at any random day. Interesting is how poorly the SPX has performed over

the next 2 days when volume has come in low. The number of instances is low, but I also took a deeper look at the results. Below are all the instances.

Wednesday before Thanksgiving posts the lowest NYSE volume in 20 days. Buy SPX on close. Sell 2 days later. \$100k/trade. 1970 - 2013.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/24/1982	Buy	\$133.88	0.23%	\$1,574.06
11/29/1982	Sell	\$134.19		(\$634.10)
11/25/1987	Buy	\$244.10	-5.65%	\$4.09
11/30/1987	Sell	\$230.30		(\$7,496.97)
11/23/1988	Buy	\$269.00	-0.14%	\$0.00
11/28/1988	Sell	\$268.63		(\$942.34)
11/24/1993	Buy	\$462.36	-0.10%	\$533.52
11/29/1993	Sell	\$461.90		(\$114.48)
11/25/1998	Buy	\$1,186.86	-1.96%	\$512.40
11/30/1998	Sell	\$1,163.62		(\$1,952.16)
11/24/1999	Buy	\$1,417.08	-0.65%	\$571.20
11/29/1999	Sell	\$1,407.83		(\$905.10)
11/26/2003	Buy	\$1,058.45	1.10%	\$1,129.88
12/1/2003	Sell	\$1,070.12		(\$157.92)
11/24/2004	Buy	\$1,181.76	-0.27%	\$435.12
11/29/2004	Sell	\$1,178.57		(\$788.76)
11/22/2006	Buy	\$1,406.09	-1.72%	\$0.00
11/27/2006	Sell	\$1,381.96		(\$1,750.15)
11/25/2009	Buy	\$1,110.63	-1.35%	\$0.00
11/30/2009	Sell	\$1,095.63		(\$2,420.10)
11/24/2010	Buy	\$1,198.35	-0.88%	\$0.00
11/29/2010	Sell	\$1,187.76		(\$2,050.93)
11/26/2014	Buy	\$2,072.83	-0.94%	\$140.64
12/1/2014	Sell	\$2,053.44		(\$1,116.48)
Avg Run-up: 0.4% Avg Drawdown: -1.7% Max Run-up 1.6%				

I don't see any red flags here (other than the low number of instances). With the Average Drawdown over 4x the size of the Avg Run-Up, and also larger than the Max Run-up, reward/risk has favored the bears. Results appeared skewed enough to the downside that the study seems worth some consideration. I have included it on the Active List tonight.

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



With tonight's study taken into account the green Aggregator Line dipped a little below 0. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line remained above zero. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but SPX is short-term oversold. 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 turned flat at the close.

Based on the current studies, evidence is set to turn back to positive on Friday. Of course this could change if more bearish evidence emerges. The Differential Pivot will be 2094.54 on Friday. That is 0.3% above Wednesday's close. So SPX would need to close up at least 0.3% in order to move from oversold to overbought.

I took a small long position on Wednesday. But the Aggregator is now neutral. And with the new evidence we see related to Wednesday's low volume and the fact that Monday after Thanksgiving has typically been a down day, I am not inclined to maintain my long position. And while the market is "oversold" versus recent expectations, it still remains near the top of its short-term range. So I will look exit my current SPY position. I don't see a point in selling into a big gap down, since expectations are slated to turn bullish as of Friday's close. But I will exit as long as I can get a half-decent fill.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/23 –slightly bullish

The intermediate-term outlook was last updated in the 11/23 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)	11/25/2015	\$209.25	\$209.32	0.03%		sell @ \$209.30 LIMIT

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