

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 30, 2015

Volume 8 Issue 230

Market Overview



Signals Overview

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

Tonight's Research Points

- Monday after Thanksgiving has shown a bearish tendency over the years.
- The SOMA lost some ground over the last week.

Short-term Outlook

The Bottom Line

Evidence is just slightly bullish. The SPX is oversold as measured by the Differential Line, but at a 10-day high and overbought by most other measures. If there is an upside edge it does not appear to be a substantial one.

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

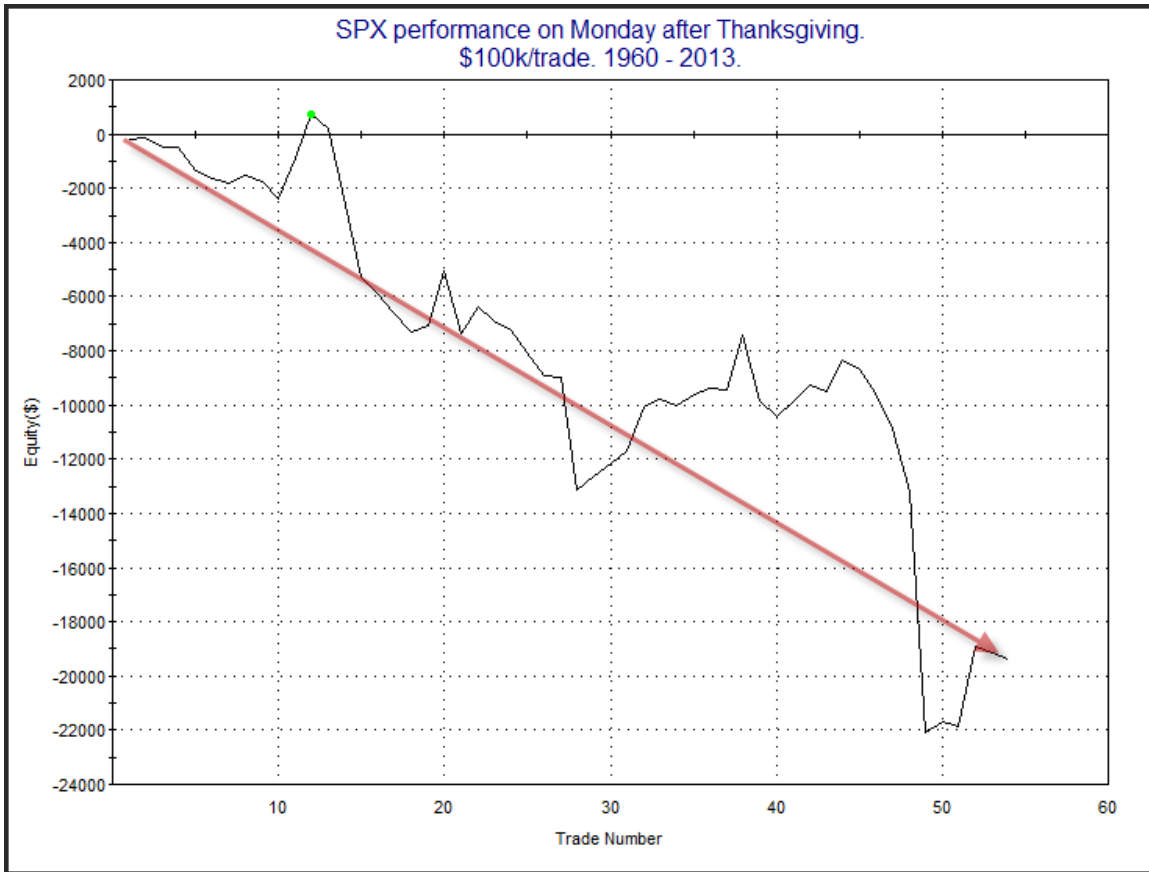
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
November 27, 2015	Low volume Thanksgiving Wed	1-2 days	Bearish	-1.70%	0.40%	0.90%
November 23, 2015	VIX 10% above 10ma to 10% below	1-8 days	Bullish	2.40%	-1.10%	-2.20%
Active - Long Term						
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			
Dropped Tonight						
November 25, 2015	Gap and reverse 2x	1-2 days	Bearish			

The Evidence

The shortened day on Friday was very quiet as most shortened days are. The SPX rose 0.1%, the NASDAQ rose 0.2%, and the Russell 2000 gained 0.4%. Breadth was mixed as the NYSE Up Issues % came in at 58% but the Up Volume % was 42%. Total NYSE volume came in very light.

There were a number of studies that considered the tight range and the low volume. But tight range and low volume the last couple of days is generally expected – especially on Friday. So I am not inclined to take any of these new studies from Friday into account.

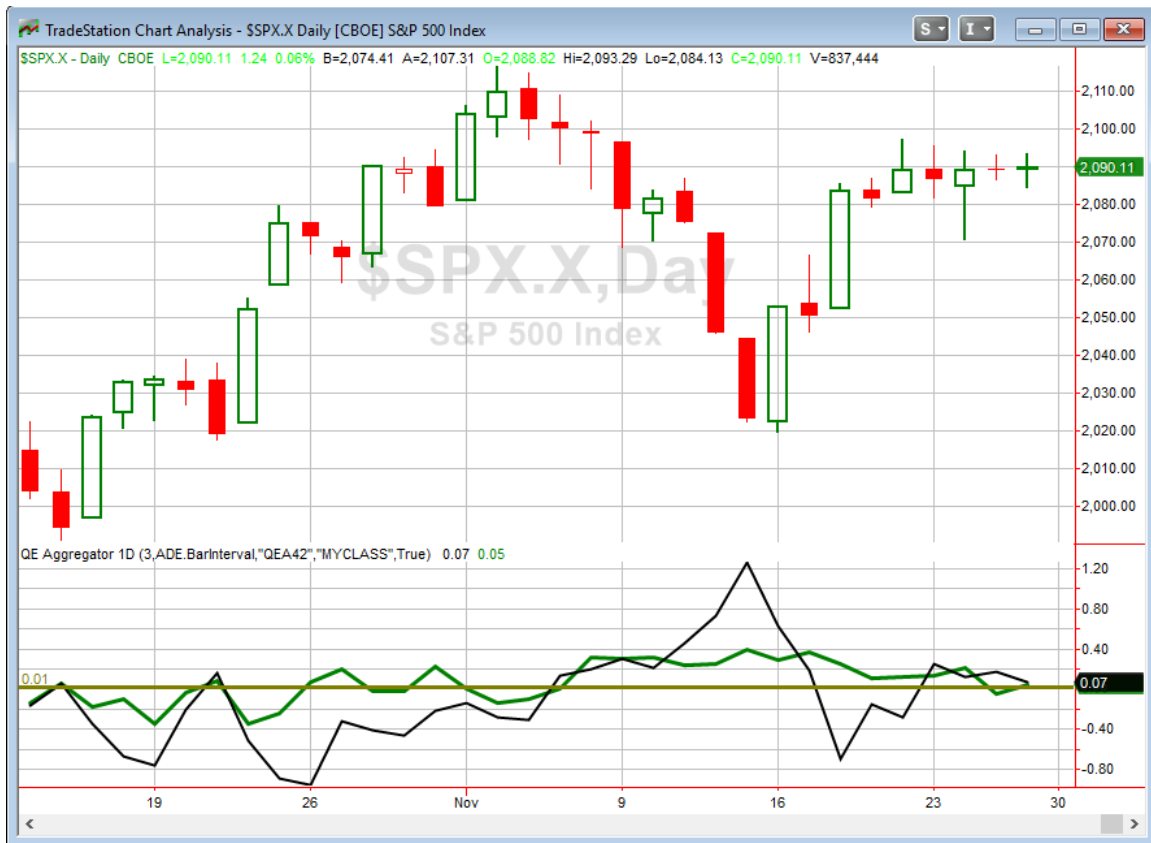
Last weekend in the 11/23 subscriber letter I noted the Monday after Thanksgiving had a bearish tendency. Below is the chart and comments from that letter.



The numbers from the results table were extremely negative, but as you can see the downside edge has not been steady at all. While the trend has been down pretty much the entire time, a large portion of the downside move is thanks to a 9% drop in 2008. This suggests a seasonal downside edge does exist, but it is perhaps not as strong as the raw numbers would suggest.

Of course the Monday weakness is already taken into account with our study from Thursday night's letter that saw Friday-Monday as likely to be weak because of the very low volume the day before Thanksgiving. So I did not double-count the bearish Monday tendency with this study.

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



Without any new studies kicking in tonight the green Aggregator Line inched back above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line remained slightly above zero. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is short-term oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above 0. Therefore, the Aggregator signal turned long at the close.

Based on the current studies, evidence is set to remain positive on Monday. Of course this could change if more bearish evidence emerges. The Differential Pivot will be 2099.18 on Monday. That is 0.4% above Friday's close. So SPX would need to close up at least 0.4% in order to move from oversold to overbought.

The Aggregator is suggesting a small upside edge. In my eyes the edge is so small it is not worth putting capital at risk. Expectations are just barely bullish. And SPX is just barely oversold. Additionally, by most traditional reading it is actually overbought. For instance it closed at a 10-day high on Friday. I don't generally consider new highs as low-risk entry areas. So I will wait for a more substantial edge to emerge before looking to take on new positions.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/30 –slightly bullish

Combo #1	Combo #2	Combo #3
Long	Long	Long

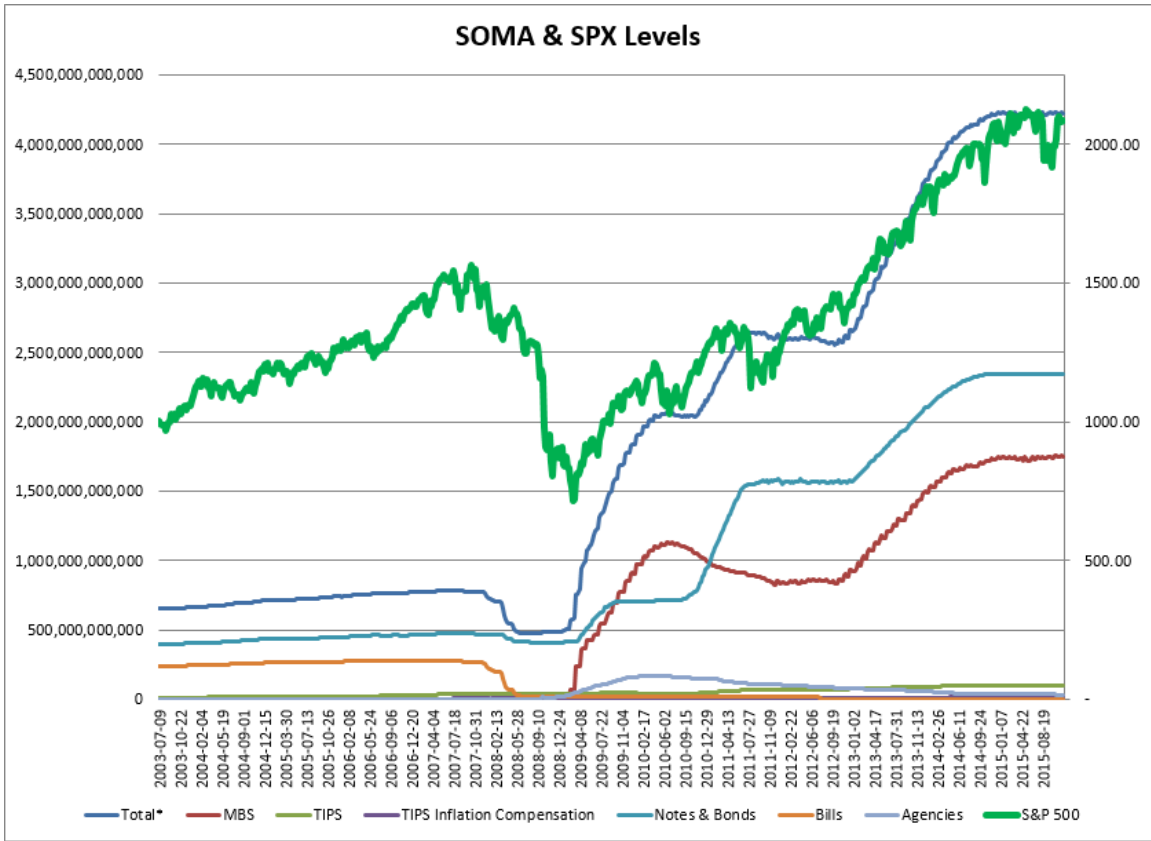
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the [Quantifiable Edges Market Timing Course](#), which is included with all annual subscriptions. Detailed descriptions of these combination approaches can be found in [Lesson 8](#). Subscribers may also download detailed hypothetical historical performance reports covering 12/31/71 – 3/7/14 in [Lesson 11, Course Downloads](#). (You must go through the course first in order to access the Downloads.) *There were no changes this week and the combo systems are all still positive.*

The market was basically flat this past week. SPX traded sideways for much of the week and ended up gaining a net total of less than 1 point. The sideways drift did nothing to inspire new intermediate-term evidence.

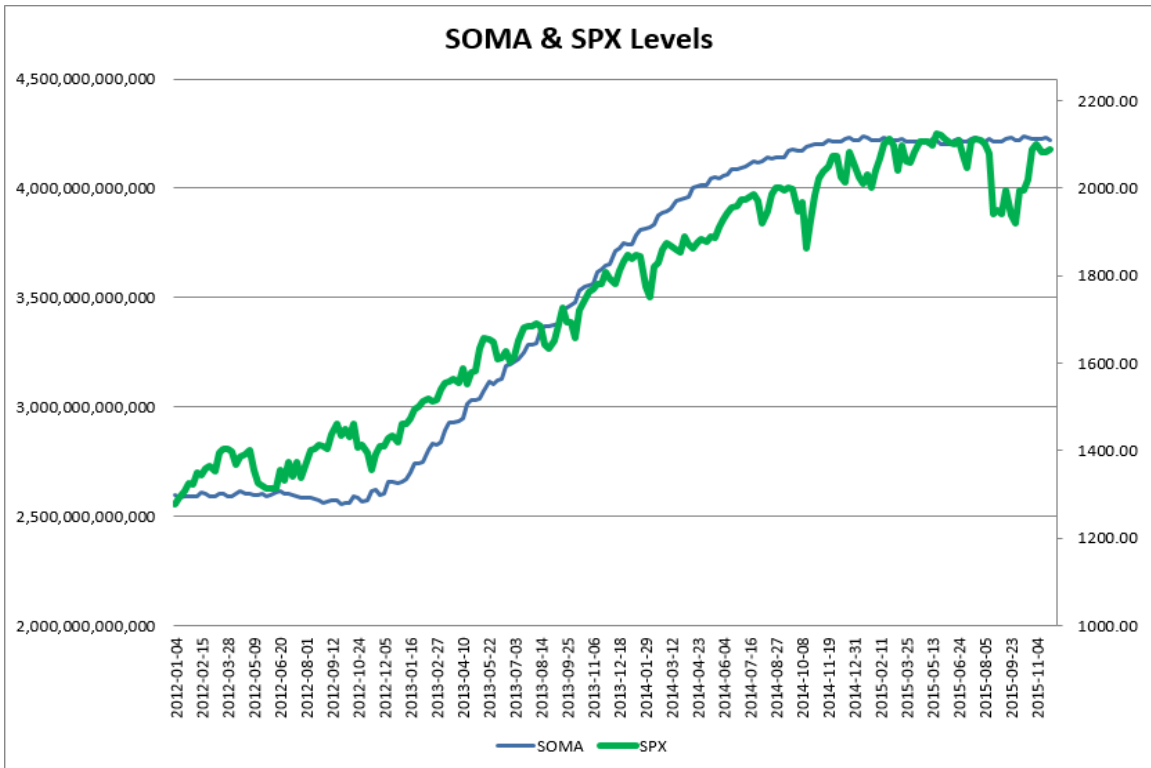
As I do each week, I have updated our Fed SOMA charts below. Below is a description for those who are new to these charts or who may want a refresher.

SOMA stands for System Open Market Account. It is the account at the Fed that contains all of its bond purchase holdings. We have tracked Fed purchases for several years, and as is evident in the charts below, the stock market has consistently reacted positively when the Fed has been buying securities in the open market and increasing the size of its account. When the account has declined, the market has struggled. The obvious takeaway has been “don’t fight the Fed”. As far as intermediate-term indicators go, this has been as good as anything in recent years.

While the Fed is not making new QE purchases any longer, it is continuing to reinvest maturities. Therefore, the total assets in their System Open Market Account (SOMA) has not begun to dive like the old Quantifiable Edges POMO indicators did. Below are long and short-term views of SOMA and SPX. First, the long-term view (back to 2003).



And now the zoomed-in view (2012 – present).



The SOMA suffered a bit of a dip this past week and is now at its lowest level since the beginning of October. Flat or declining SOMA readings over the last few years have led to market struggles. And the SOMA has struggled to gain traction over the last month and a half after briefly breaking out to new highs. If it can get back on track and again start hitting new highs then the stock market would have a good chance to follow. If not, then there could be more trouble ahead for the market. I will continue to keep a close eye to see if the SOMA goes on to new highs (bullish) or whether it continues to fade back into its previous range (bearish).

Intermediate-term indications remain split. Intermediate-term seasonality remains favorable and the NASDAQ is still leading, so the Market Timing Course indicators are mostly bullish. And the persistency study from the 11/10 letter also suggests more upside. The bears can point to the FTD study from a while back, the questionable Fed support, and the old breadth divergence study. Overall, I still think evidence tilts just slightly in favor of the bulls. For now I remain slightly bullish. I will be marginally more aggressive with long trades than shorts, but I am willing to trade both sides of the market if good short-term setups emerge.

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
<i>SPY(1/4)</i>	<i>11/25/2015</i>	<i>\$209.25</i>	<i>\$209.43</i>	<i>0.09%</i>		<i>sold on open</i>

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