

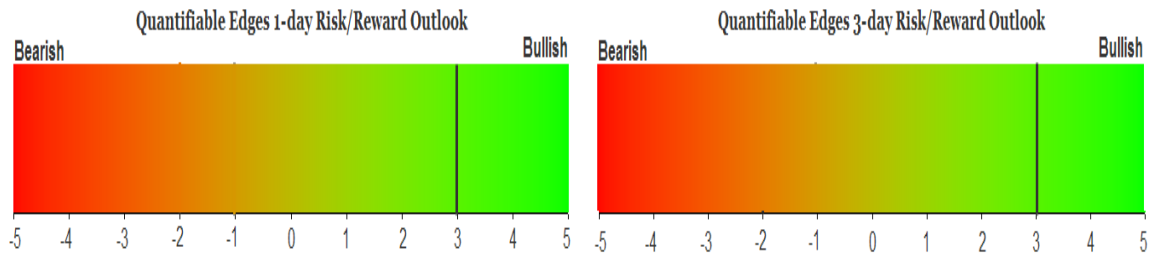
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 4, 2015

Volume 8 Issue 234

Market Overview



Signals Overview

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

Tonight's Research Points

- 2 days of broad selling have the market setup to bounce

Short-term Outlook

The Bottom Line

Evidence is still leaning bullish and the market is now strongly oversold. There appears to be an solid upside edge, and I will look to position myself to take advantage of it.

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 - 1Std Dev
Active - Short Term						
December 4, 2015	Up Issue % < 33.3% 2 days in row	1-2 days	Bullish			
December 3, 2015	10-high to 10-low in 1 day	1-3 days	Bearish			
December 3, 2015	5-day low bottom 10% of range	1-5 days	Bullish			
December 1, 2015	3 hi-3 low 3low close	1-5 days	Bullish	2.10%	-1.30%	-2.70%
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

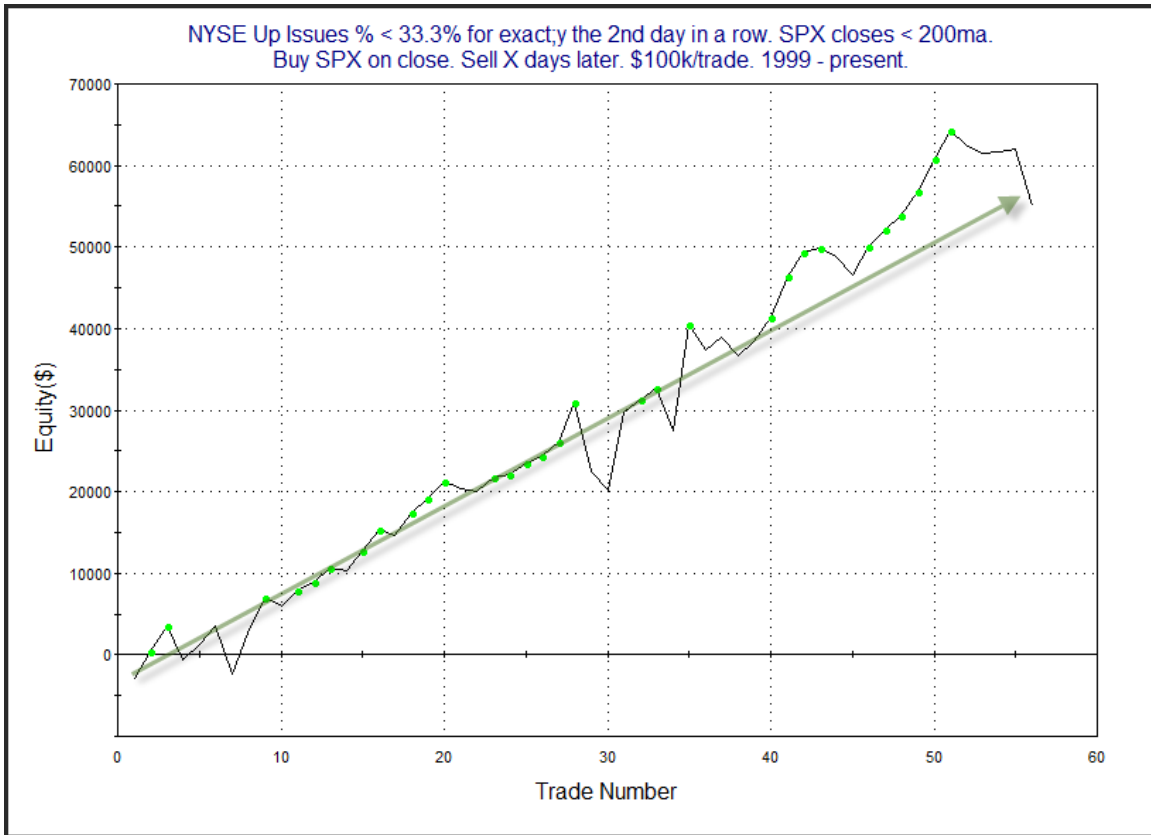
Thursday was another big market decline. The SPX closed down 1.4%, the NASDAQ lost 1.7%, and the Russell 2000 fell 1.8%. Breadth was negative as the NYSE Up Issues % came in at 20% and the Up Volume % was 24%. Total NYSE volume rose from Tuesday's level.

Thursday was the 2nd day in a row of lopsided negative breadth. Thursday also crossed under and closed below the 200ma. This brought about the following study from the 8/21/15 letter. Results are updated.

NYSE Up Issues % < 33.3% for exact;y the 2nd day in a row. SPX closes < 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1999 - 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	63,002.36	49	34	15	69.39	3,163.89	8,609.40	-2,971.34	-9,314.08	1.06	2.41	1,285.76
4	36,142.63	53	31	22	58.49	3,117.98	8,810.76	-2,750.67	-6,869.52	1.13	1.60	681.94
3	43,335.76	56	33	23	58.93	3,534.38	13,853.40	-3,186.90	-11,502.27	1.11	1.59	773.85
2	55,092.70	56	38	18	67.86	2,783.46	13,116.84	-2,815.50	-8,631.00	0.99	2.09	983.80
1	38,860.10	56	35	21	62.50	1,951.96	10,716.03	-1,402.79	-6,633.36	1.39	2.32	693.93

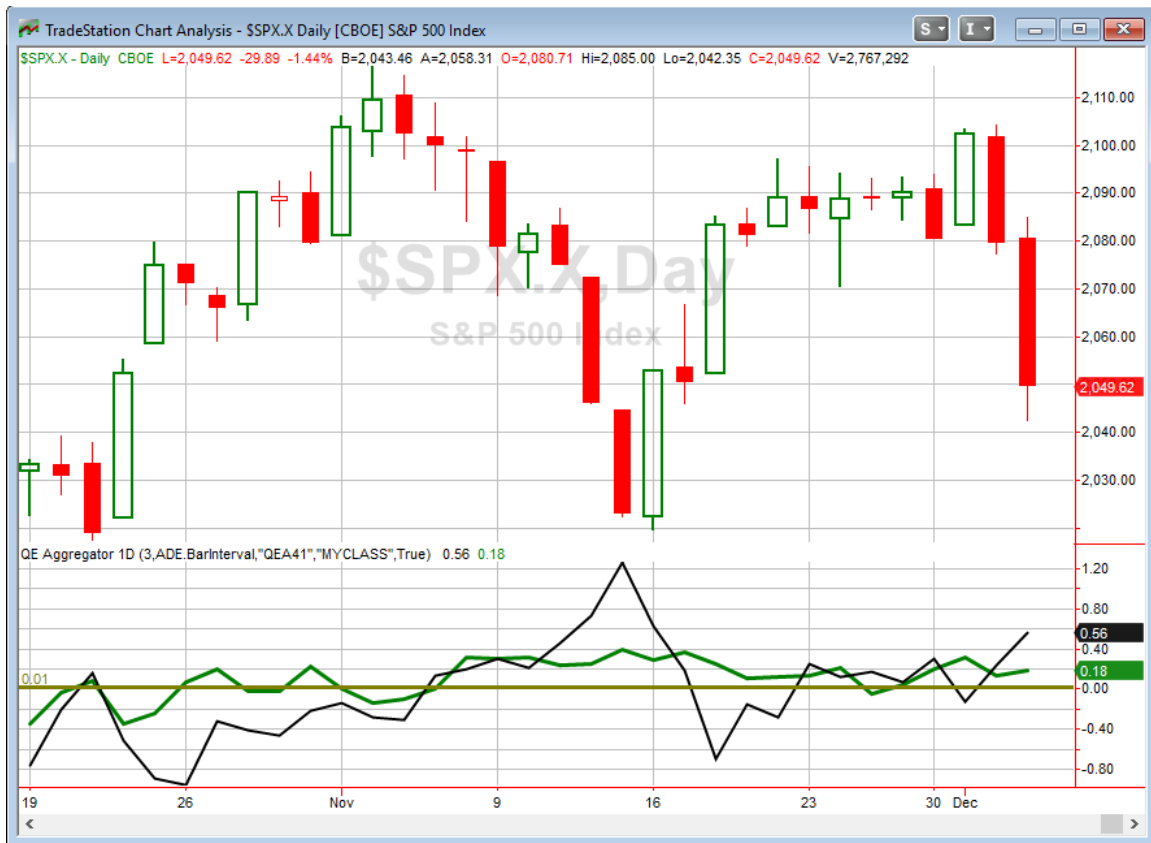
52 of 56 instances (93%) closed above the entry price at some point in the next week.

For the considerable sample size and low number of criteria these results are astonishingly consistent. The stat at the bottom of the table is what seems most striking. Below is an equity curve using a 2-day exit.



Despite the “downtrend” filter this setup has generated some impressive returns. The last one was one of a very few big losses. It does not concern me at this point, and I believe this study is worth consideration on the Active List.

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



With tonight's studies considered the green Aggregator Line held above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line rose further 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 on above 0. Therefore, the Aggregator signal stayed long at the close.

Based on the current studies, evidence is set to remain positive on Friday. Of course this could change if compelling bearish evidence emerges. The Differential Pivot will be 2113.22 on Friday. That is a whopping 3.1% above Thursday's close. So SPX would need to close up at least 3.1% in order to move from oversold to overbought on Friday. That is extremely unlikely. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

Evidence is becoming more bullish. And there is plenty of room to the upside before the market would be considered overbought. So potential reward is quite high and evidence favors that direction. This setup appears strong enough to me that I will look to get long on Friday if I can get a good entry price.

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

The intermediate-term outlook was last updated in the 11/30/14 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.

SPY – buy ¼ index position @ \$205.61 LIMIT. Based on the short-term outlook above I will begin scaling into an index position in anticipation of a bounce.

Current Open Trade Ideas

None

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