

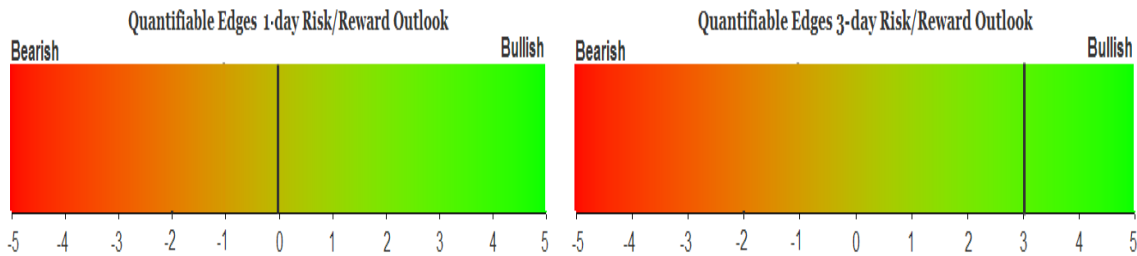
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 15, 2015

Volume 8 Issue 241

Market Overview



Signals Overview

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

Tonight's Research Points

- Monday's weak breadth does not bode well for Tuesday.

Short-term Outlook

The Bottom Line

Tuesday looks questionable but the market is still quite oversold and more upside is expected over the next few days..

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						
December 15, 2015	SPX up. NYSE Up Issues < 33.3%	1 day	Bearish			
December 14, 2015	Opex Week in Decmber next. SP<10ma	1-6 days	Bullish			
December 14, 2015	Fri drop 1.5x 20ATR	1-6 days	Bullish			
December 11, 2015	Inside day < 200ma	1-6 days	Bearish			
December 10, 2015	3 days dn. 3/10 Offset HV < 0.25	1-3 days	Bullish			
Active - Long Term						
December 14, 2015	Santa Rally	Nov-Apr	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						
December 14, 2015	Bottom 1/2 range 5 days	1 day	Bullish			
December 14, 2015	VIX 35%>10ma	1 day	Bullish			

The Evidence

The market looked like it was going to have another difficult day for a while but a sizable turnaround left the major indices mixed. The SPX finished up 0.5%, and the NASDAQ rose 0.4%, but the Russell 2000 dropped 0.7%. Breadth was squarely negative as the NYSE Up Issues % came in at 25% and the Up Volume % was 39%. Total NYSE volume rose some from Friday's level.

There were a substantial number of studies that appeared that were related to the weak breadth on Monday. But none really captured how extremely poor the breadth was on a day that SPX closed up. So I created study that more closely resembled Monday's action.

SPX closes up on a day where the NYSE Up Issues % < 33.3%. Buy SPX on close. Sell next day's close. \$100k/trade. 1970 - present.			
TradeStation Performance Summary			Expand ▾
All Trades			
Total Net Profit	(\$12,292.15)	Profit Factor	0.46
Gross Profit	\$10,601.10	Gross Loss	(\$22,893.25)
Total Number of Trades	19	Percent Profitable	15.79%
Winning Trades	3	Losing Trades	16
Even Trades	0		
Avg. Trade Net Profit	(\$646.96)	Ratio Avg. Win:Avg. Loss	2.47
Avg. Winning Trade	\$3,533.70	Avg. Losing Trade	(\$1,430.83)
Largest Winning Trade	\$9,089.88	Largest Losing Trade	(\$8,783.02)
Max. Consecutive Winning Trades	2	Max. Consecutive Losing Trades	7

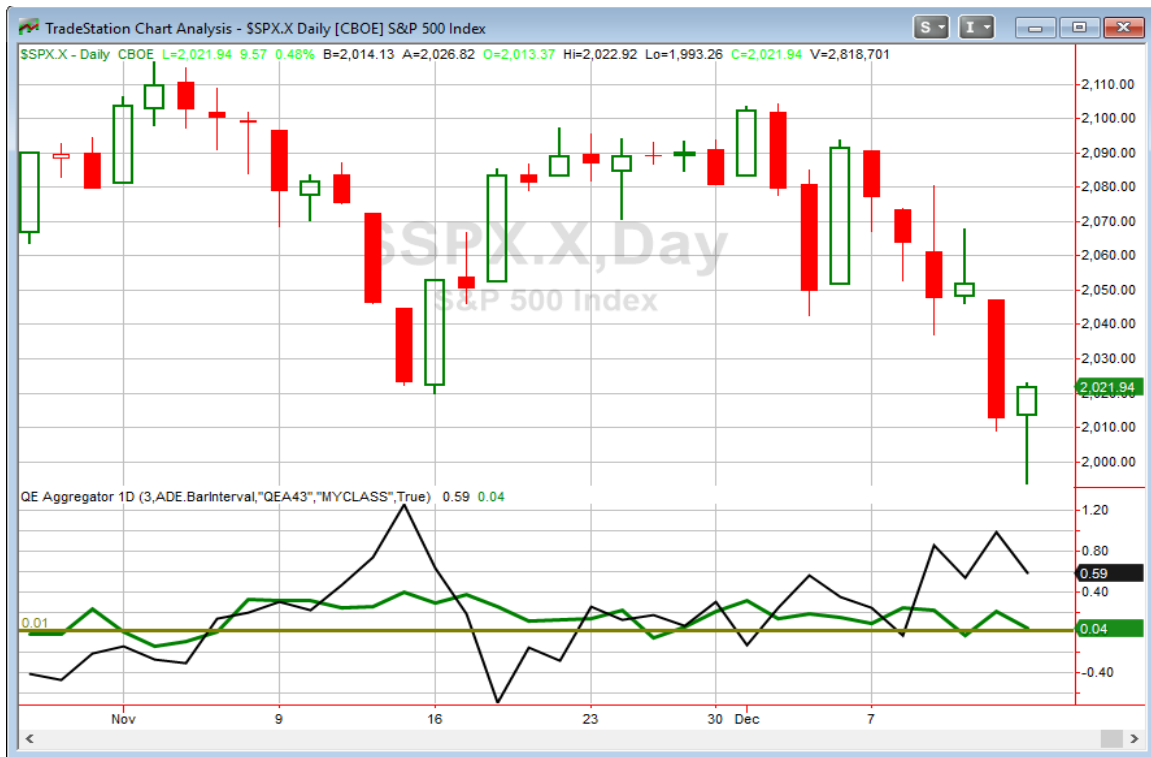
The numbers look squarely bearish. Below is a look at all the individual instances.

SPX closes up on a day where the NYSE Up Issues % < 33.3%.
Buy SPX on close. Sell next day's close. \$100k/trade. 1970 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
5/25/1976	Buy	\$99.49	-0.15%	\$653.25
5/26/1976	Sell	\$99.34		(\$844.20)
10/23/1978	Buy	\$98.17	-0.69%	\$783.86
10/24/1978	Sell	\$97.49		(\$1,058.72)
10/30/1978	Buy	\$95.05	-2.01%	\$789.00
10/31/1978	Sell	\$93.14		(\$2,451.16)
3/4/1980	Buy	\$112.77	-1.45%	\$1,036.62
3/5/1980	Sell	\$111.13		(\$1,940.34)
3/27/1980	Buy	\$101.23	-0.55%	\$187.53
3/28/1980	Sell	\$100.67		(\$3,464.37)
7/21/1981	Buy	\$129.64	-1.94%	\$61.68
7/22/1981	Sell	\$127.13		(\$2,274.45)
1/25/1982	Buy	\$115.41	-0.19%	\$1,030.54
1/26/1982	Sell	\$115.19		(\$796.72)
4/27/1987	Buy	\$281.83	0.24%	\$1,454.94
4/28/1987	Sell	\$282.51		\$0.00
10/20/1987	Buy	\$236.83	9.10%	\$9,465.46
10/21/1987	Sell	\$258.37		\$0.00
3/31/1994	Buy	\$445.76	-1.53%	\$0.00
4/4/1994	Sell	\$438.92		(\$2,217.60)
10/4/1994	Buy	\$461.77	-1.79%	\$0.00
10/5/1994	Sell	\$453.52		(\$2,700.00)
6/7/1996	Buy	\$673.30	-0.17%	\$45.88
6/10/1996	Sell	\$672.16		(\$466.20)
7/27/1998	Buy	\$1,147.26	-1.48%	\$0.00
7/28/1998	Sell	\$1,130.24		(\$2,420.34)
9/16/1999	Buy	\$1,318.48	1.28%	\$1,429.50
9/17/1999	Sell	\$1,335.42		\$0.00
3/23/2005	Buy	\$1,172.53	-0.09%	\$644.30
3/24/2005	Sell	\$1,171.42		(\$94.35)
12/13/2007	Buy	\$1,488.42	-1.38%	\$0.00
12/14/2007	Sell	\$1,467.95		(\$1,382.88)
6/23/2008	Buy	\$1,318.02	-0.28%	\$600.00
6/24/2008	Sell	\$1,314.29		(\$1,020.00)
9/26/2008	Buy	\$1,213.53	-8.83%	\$0.00
9/29/2008	Sell	\$1,106.42		(\$8,783.02)
7/20/2015	Buy	\$2,128.28	-0.43%	\$9.66
7/21/2015	Sell	\$2,119.21		(\$592.48)

It is interesting that there were 2 huge outliers with a trade with so low a sample size. Other than those there appears to be a pretty steady downside edge. I have added this study to the Active List.

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



With tonight's study being considered the green Aggregator Line held just above zero. 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 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 stayed long at the close.

Based on the current studies, evidence is set to remain positive on Tuesday. This could change if strong bearish evidence emerges. The Differential Pivot will be 2060.21 on Tuesday. That is 1.9% above Monday's close. So for SPX to move from oversold to overbought on Monday it is going to need to close up at least 1.9%. That is highly unlikely for a 1-day gain. A more likely scenario to work off the oversold condition would be a multi-day rally or consolidation.

Tonight's study puts Tuesday in question. And it actually turned 1-day expectations slightly negative. But the 3-day remain bullish. And if Tuesday does struggle ahead of the Fed meeting then that might set up things for an even more bullish outlook Tuesday night or Wednesday. I have some long exposure already and am looking to hold onto it for another day.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/14 –slightly bullish

The intermediate-term outlook was last updated in the 12/14 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

KMI – 1/3 @ \$16.82 (bought @ limit)

KMI – 1/3 @ \$16.42 (bought @ limit)

KMI – 1/3 @ \$15.72 (not filled – cancel for now)

Broad Market Large Cap CBI – 3(KMI)

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
KMI(1/3)	12/7/2015	\$15.66	\$16.00	2.17%		Catapult
KMI(1/3)	12/8/2015	\$15.29	\$16.00	4.64%		Catapult
SPY(1/4)	12/10/2015	\$205.34	\$202.90	-1.19%		Aggregator
SPY(1/4)	12/15/2015	\$201.88	\$202.90	0.51%		Aggregator

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