

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 22, 2016

Volume 9 Issue 14

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Closing well off the highs on an up day has typically been followed by a rise in the next few days.
- The declining volume from the 50-day low does not appear to be a positive.

## *Short-term Outlook*

### *The Bottom Line*

Evidence is still pointing to more of a bounce, and I am looking to take advantage of it.

***The Evidence***

The fever is mostly down but I still have almost no energy. So it will be another abbreviated report tonight unfortunately. I anticipate being back in action over the weekend.

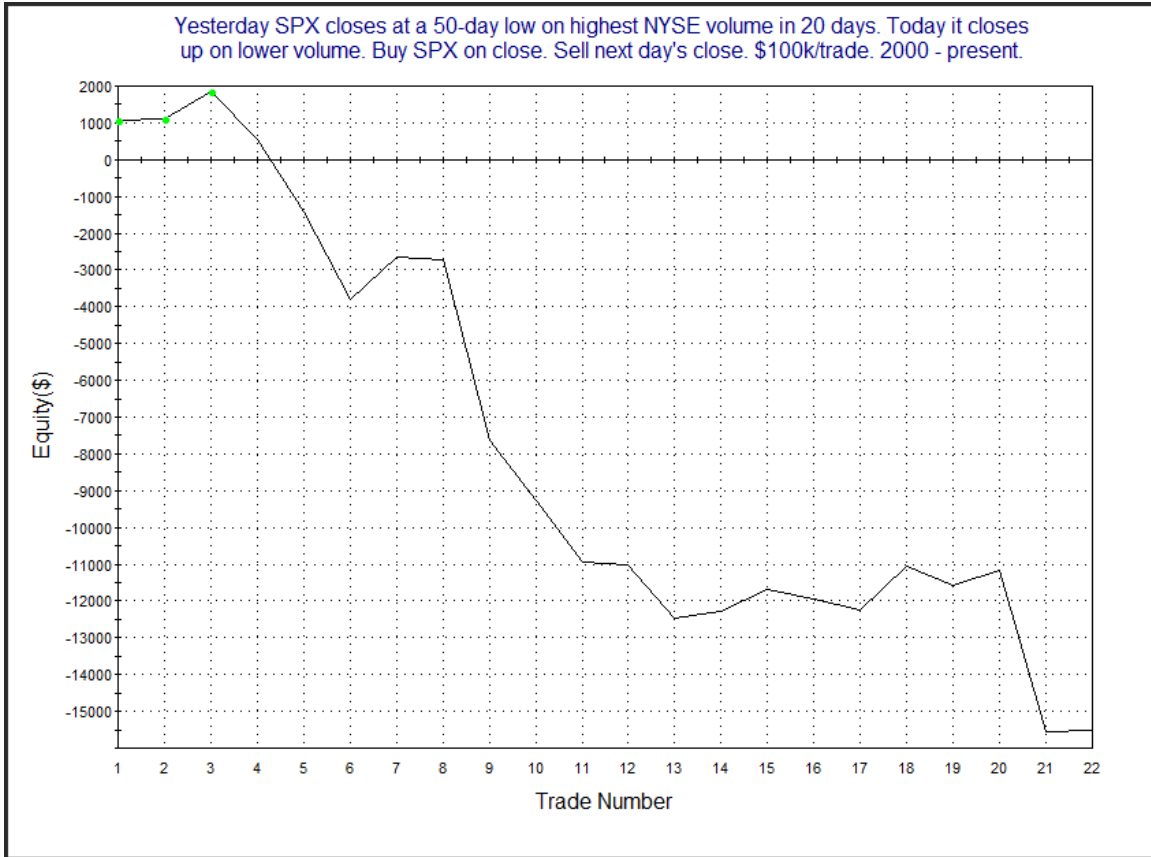
There were two studies that appeared in the Quantifinder tonight. One bearish and 1 bullish. I look at both of them below.

First, from way back on 3/18/11 we have this study which looks at the volume pattern the last two days in conjunction with the bounce off the intermediate-term low.

Yesterday SPX closes at a 50-day low on highest NYSE volume in 20 days. Today it closes up on lower volume. Buy SPX on close. Sell next day's close. \$100k/trade. 2000 - present.

TradeStation Performance Summary <span>Expand ▾</span>			
All Trades			
Total Net Profit	(\$15,503.36)	Profit Factor	0.26
Gross Profit	\$5,400.30	Gross Loss	(\$20,903.66)
Total Number of Trades	22	Percent Profitable	40.91%
Winning Trades	9	Losing Trades	13
Even Trades	0		
Avg. Trade Net Profit	(\$704.70)	Ratio Avg. Win:Avg. Loss	0.37
Avg. Winning Trade	\$600.03	Avg. Losing Trade	(\$1,607.97)
Largest Winning Trade	\$1,192.80	Largest Losing Trade	(\$4,893.07)

Stats certainly appear bearish. Below is the profit curve.



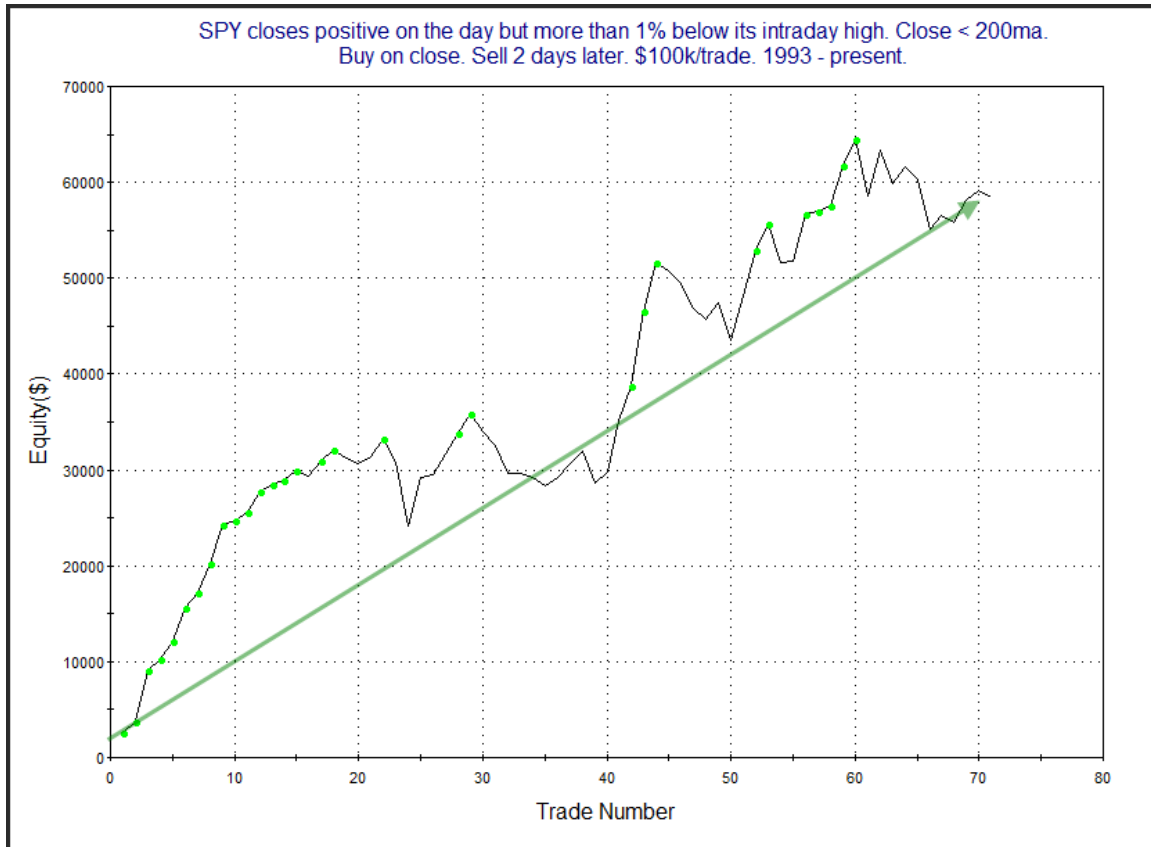
Not the most consistent curve, but it has continued to move from upper left to lower right. I did include this on the Active List tonight.

The next study was bullish – and it was last seen 2 days ago. The fact that the SPY managed to close up, and yet so far below its intraday high, suggests it could head back up there in the next few days. Results have been updated.

SPY closes positive on the day but more than 1% below its intraday high. Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

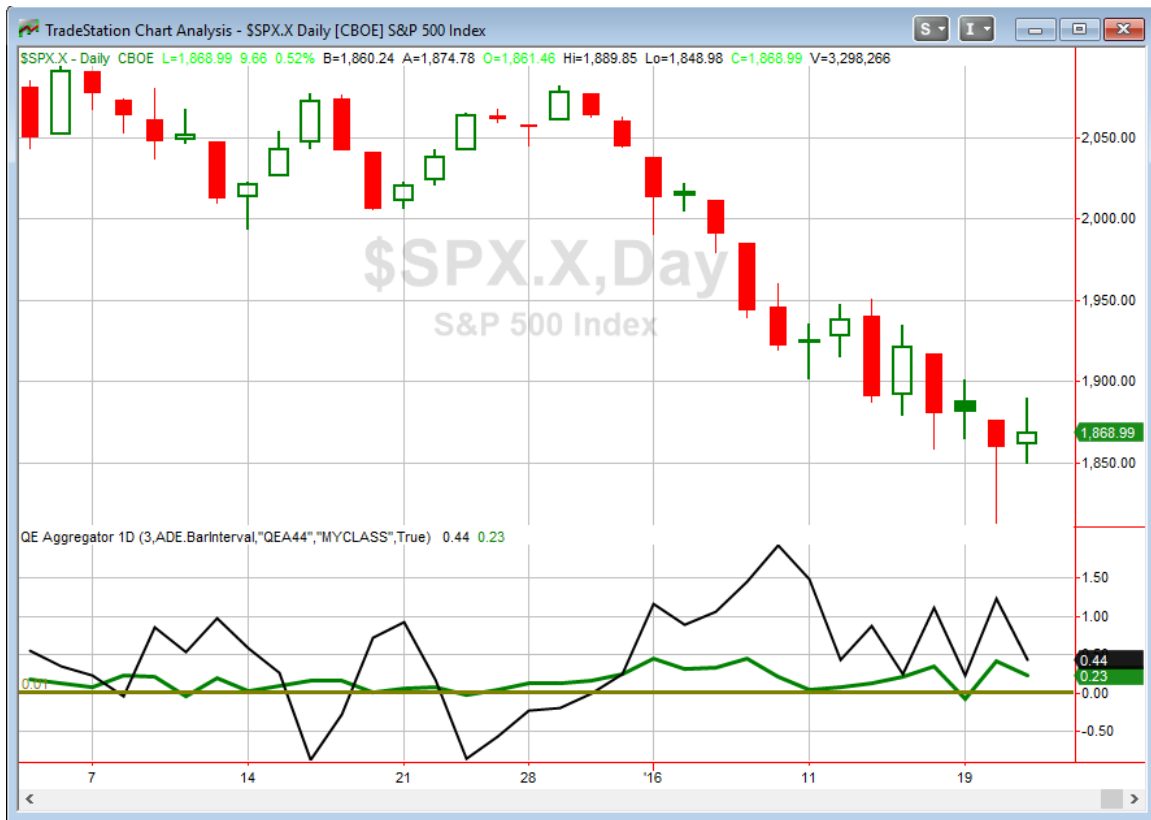
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	44,543.69	60	33	26	55.00	3,593.50	10,362.52	-2,847.76	-6,798.84	1.26	1.60	742.39
4	37,587.17	62	37	25	59.68	3,044.00	13,286.49	-3,001.63	-11,890.58	1.01	1.50	606.24
3	43,183.17	64	37	27	57.81	2,950.42	11,878.65	-2,443.79	-9,411.08	1.21	1.65	674.74
2	58,432.18	71	47	24	66.20	2,371.60	7,717.98	-2,209.71	-6,645.06	1.07	2.10	822.99
1	25,177.09	78	46	32	58.97	1,743.26	6,926.07	-1,719.16	-5,275.75	1.01	1.46	322.78

Based on the stats table this pattern appears to suggest a solid upside edge over the next couple of days. Below I have produced an equity curve to see how the edge has played out over time.



The curve is a bit choppy, but the study seems worthy of consideration.

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



Tonight the green Aggregator Line remained 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 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is 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.

Expectations on Friday are primed to remain positive if nothing new emerges. The Differential Pivot will be 1891.00 on Friday. That is 1.2% above Thursday's close. So for SPX to move from oversold to overbought versus expectations on Friday it will need to close up at least 1.2%.

My outlook remains basically the same. There appears to be a good chance of a further bounce. I already have some long index exposure. I do not intend to add to it in this volatile market without extra-compelling evidence. There was some activity among Catapults, and I will be looking to close out my APC position and add a 1<sup>st</sup> lot of Citigroup.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 1/19 – neutral*

### **Catapult and Capitulative Breadth Statistics**

*[Catapult & CBI Presentation Link](#)*

#### ***Open Catapult Triggers***

COF - 1/3 @ \$65.08 (buy @ limit) (filled)

COF - 1/3 @ \$64.23 (buy @ limit) (filled)

NSC – 1/3 @ \$75.93 (buy @ limit) (filled)

NSC – 1/3 @ \$71.44 (buy @ limit) (filled)

*New*

C - 1/3 @ \$40.15 (buy @ limit)

***Broad Market Large Cap CBI – 5(COF-2, NSC-2, C)***

### **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.*

**C – buy 1/3 Catapult position @ \$40.15 LIMIT.** This is from the Catapult section above. It is the 1<sup>st</sup> of 3 possible lots for C.

**Though they have done well over time, Catapults tend to be quite volatile and are traded without initial stops. Those new to Catapults should examine the information on the [Catapult System page](#).**

### Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	1/4/2016	\$201.02	\$186.69	-7.13%		Aggregator
SPY(1/4)	1/8/2016	\$191.92	\$186.69	-2.73%		Aggregator
COF(1/3)	1/8/2016	\$65.08	\$61.17	-6.01%		Catapult
COF(1/3)	1/11/2016	\$64.23	\$61.17	-4.76%		Catapult
NSC(1/3)	1/13/2016	\$75.93	\$70.06	-7.73%		Catapult
APC(1/3)	1/14/2016	\$34.86	\$33.55	-3.76%		sell on open
NSC(1/3)	1/19/2016	\$71.44	\$70.06	-1.93%		Catapult
APC(1/3)	1/20/2016	\$30.24	\$33.55	10.95%		sell on open
APC(1/3)	1/21/2016	\$30.36	\$33.55	10.51%		sell on open

*APC had a huge day and reached its exit trigger. I will exit this at the open.*

*Note: A full history of closed out trade ideas published in the Subscriber Letter since inception in 2008 can be found on the [QE Trade Ideas Results Sheet](#). It can be downloaded from the website at any time.*

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