

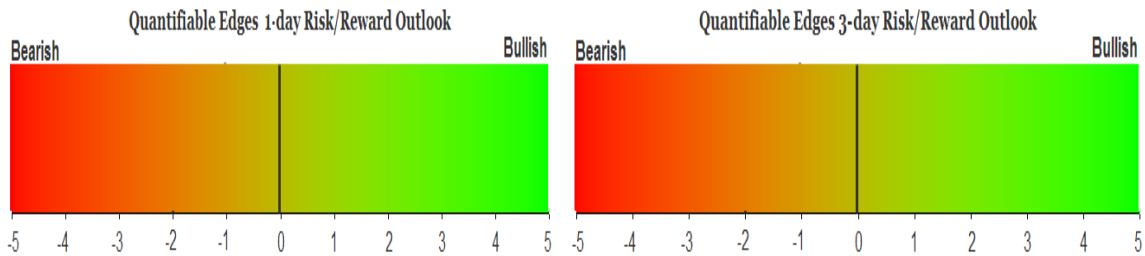
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 28, 2016

Volume 9 Issue 18

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Flat	Flat	Flat

Tonight's Research Points

Short-term Outlook

The Bottom Line

That Aggregator and the CBI both turned neutral on Wednesday. I don't see a good reason to get involved with new positions.

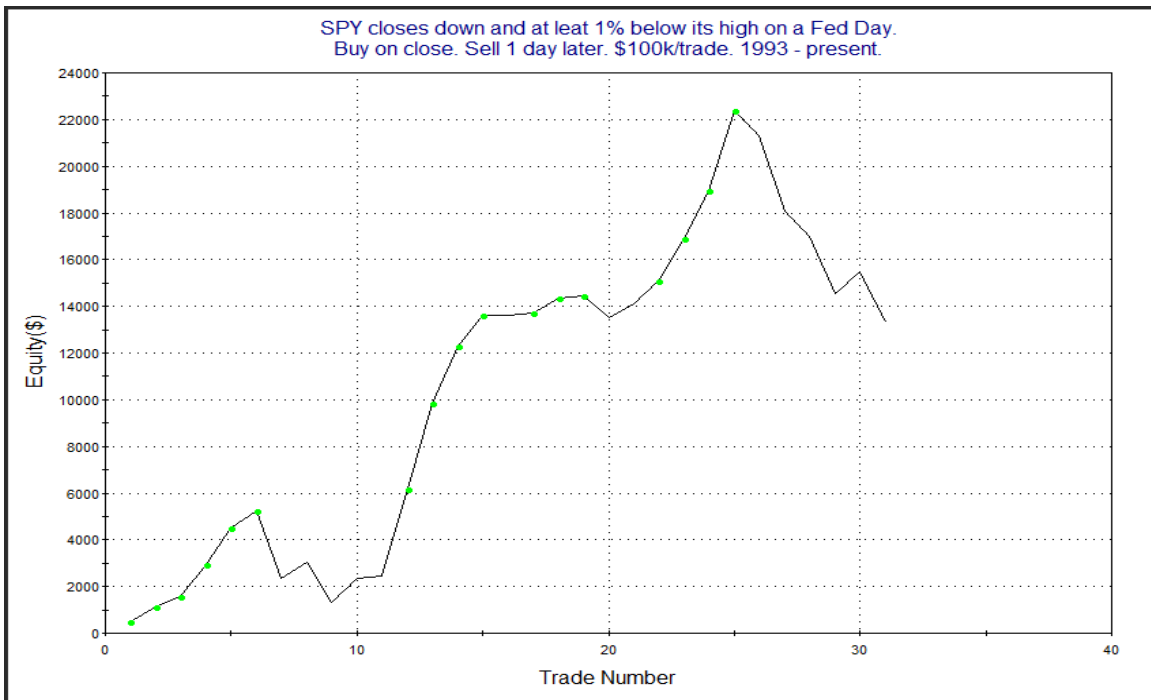
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
January 26, 2016	Unfilled Gap Up. Unfilled Gap dn. <200	1-4 days	Bearish			
Active - Long Term						
January 19, 2016	NASDAQ 100-day low. UpIss EMA < 37.5	1-19 days	Bullish			
January 5, 2016	Down 3 < 200 but > 20-low. 1% drop	1-17 days	Bullish			
January 4, 2016	Down last 2 days of positive quarter	1-15 days	Bullish			
November 2, 2015	Best 6 months	Nov-Apr	Bullish			
November 3, 2014	Quantitative Easing Ends	int term	Bearish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			
Dropped Tonight						
January 27, 2016	1% up 1% dn 1% up.	1 day	Bullish			
January 21, 2016	SPX dn 1%. SOX up.	1-5 days	Bullish			

The Evidence

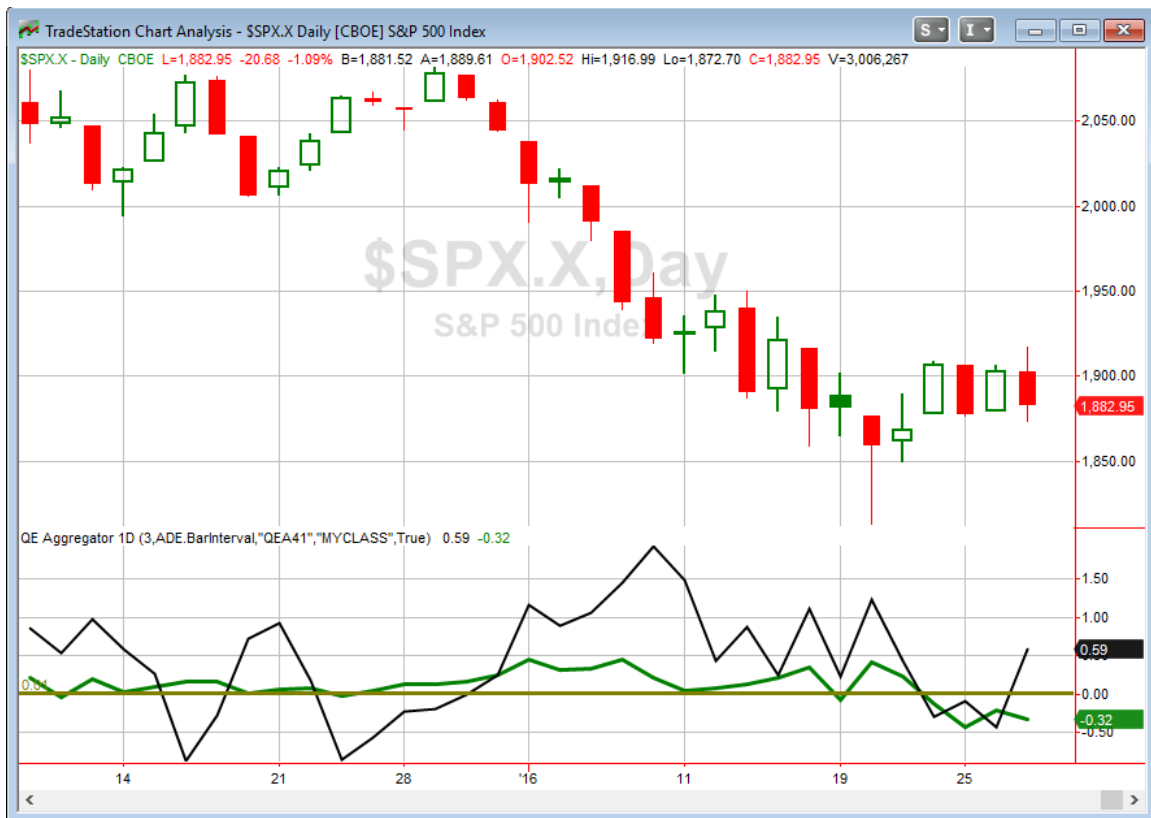
The market was positive at the time of the Fed announcement on Wednesday, but reaction to that was negative and the major averages all finished lower. SPX declined 1.1%, the NASDAQ lost 2.2%, and the Russell 2000 dropped 1.5%. Breadth was negative as the NYSE Up Issues % was 40% and the Up Volume % came in at 45%. Total NYSE volume rose for the 2nd day in a row.

The only study to trigger in the Quantifinder tonight was from the 9/18/15 letter. It looked at bad closes on Fed Days. Previously, the study had seemed to suggest bullish implications, with the vast majority of the gains coming over the next day. Below is an updated look at the 1-day profit curve.



The once nice-looking curve has taken a turn south recently. Five of the last six instances have seen SPY decline > 1% the next day. With that in mind, I have decided to put this study on hold for the time being.

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



Tonight the green Aggregator Line remained below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line popped above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but SPX is 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 changed from short to flat at the close.

Expectations on Thursday are primed to remain negative if nothing new emerges. Of course this could easily change if new bullish evidence emerges. The Differential Pivot will be inverted at 1870.81 on Thursday. That is 0.6% *below* Wednesday's close. An

inverted pivot means the differential line will cross through zero if SPX closes flat. In this case SPX is going to need to close down about 0.6% in order to remain “oversold” versus recent expectations. Anything short of that will see SPX change to overbought.

Things are looking quite neutral tonight. The Aggregator formation is flat. And the CBI fell from 8 to 3 on Wednesday with COF and NSC both putting in good days and reaching their exit targets. Three is considered a neutral reading for the CBI. So I do not see a good reason to get involved here with new trades. There is very little that is less appealing to me than a neutral outlook in a volatile market environment. So I will patiently await the next favorable reward/risk opportunity to emerge before taking on new exposure.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/25 – neutral

Catapult and Capitulative Breadth Statistics

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

Open Catapult Triggers

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

AXP - 1/3 @ \$55.06 (buy @ limit) (filled)

AXP - 1/3 @ \$55.02 (buy @ limit) (filled)

Broad Market Large Cap CBI – 3(C, AXP-2)

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
COF(1/3)	1/8/2016	\$65.08	\$63.30	-2.74%		<i>sell on open</i>
COF(1/3)	1/11/2016	\$64.23	\$63.30	-1.45%		<i>sell on open</i>
NSC(1/3)	1/13/2016	\$75.93	\$69.89	-7.95%		<i>sell on open</i>
NSC(1/3)	1/19/2016	\$71.44	\$69.89	-2.17%		<i>sell on open</i>
NSC(1/3)	1/25/2016	\$68.59	\$69.89	1.90%		<i>sell on open</i>
AXP(1/3)	1/25/2016	\$54.46	\$54.52	0.11%		Catapult
AXP(1/3)	1/26/2016	\$55.02	\$54.52	-0.91%		Catapult
C(1/3)	1/26/2016	\$39.55	\$40.56	2.55%		Catapult

COF and NSC both hit their exit targets on Wednesday. They will be sold at the open on Thursday.

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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