

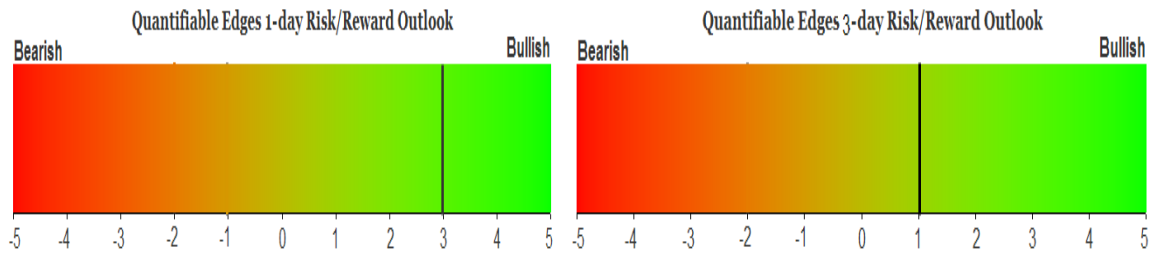
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 9, 2016

Volume 9 Issue 26

Market Overview



Signals Overview

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

Tonight's Research Points

- Two weak breadth days going into Turnaround Tuesday has often been followed by gains.
- A strong selloff to a 50-day low leading up to a Turnaround Tuesday has seen strong gains.

Short-term Outlook

The Bottom Line

There appears to be a good chance of a move higher on Tuesday, but evidence beyond that is murky. I am not inclined to act on current evidence with just 1 day to try and take advantage.

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						
February 9, 2016	1% drop. Decl 2x Adv. 50-low.	1 day	Bullish			
February 9, 2016	Up Issue % < 33.3% 2x. Monday. < 200	1 day	Bullish			
February 8, 2016	SPY 5 low 1st time in over 10 days/	1-2 days	Bullish			
Active - Long Term						
February 1, 2016	2 90% up days in 1 week	1-9 months	Bullish	23.10%	-6.60%	-15.10%
February 1, 2016	FTD on strong breadth and weak vol	1-10 days	Bullish			
January 19, 2016	NASDAQ 100-day low. UpIss EMA < 37.5	1-19 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						
February 5, 2016	NDX down 3. SPX 3-day high.	1-2 days	Bullish			
February 5, 2016	VIX up. SPX up < 0.25%. Midweek.	1-2 days	Bearish			

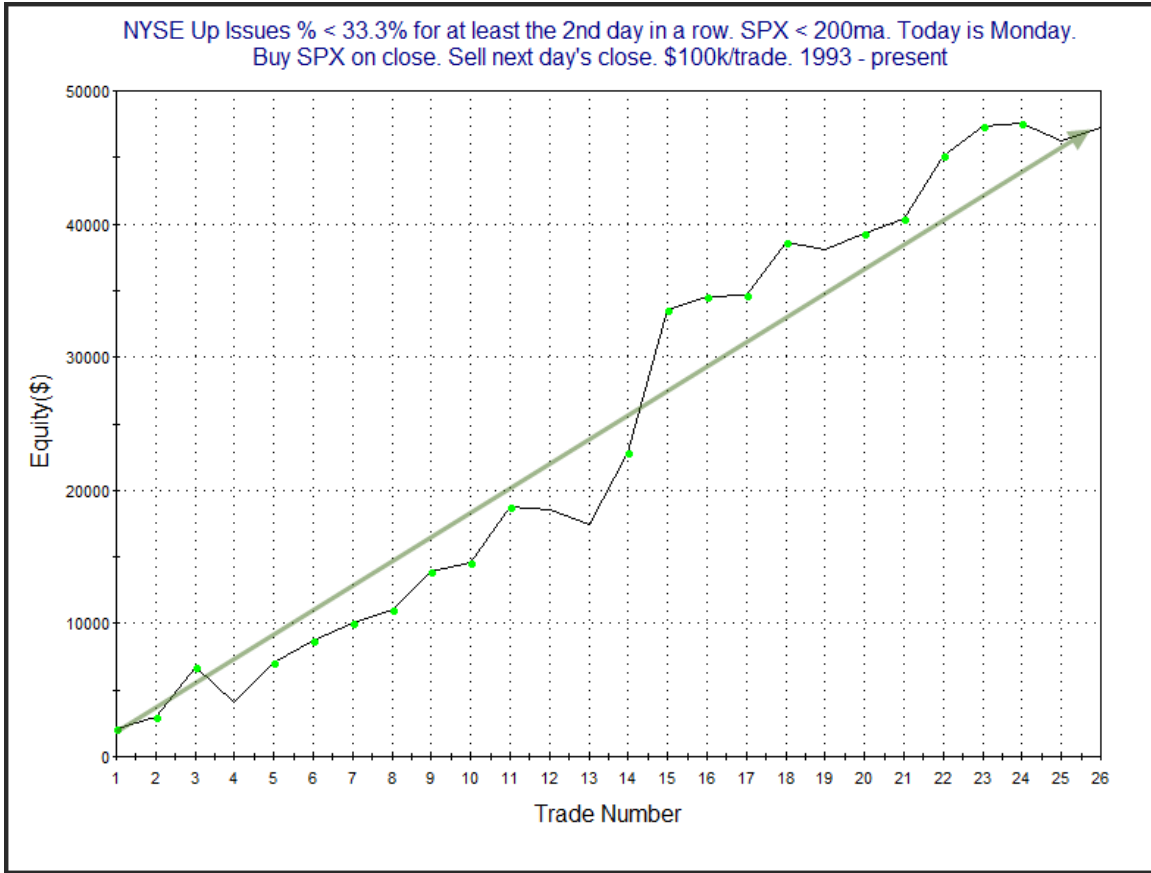
The Evidence

Even a strong afternoon bounce could not keep the end numbers from looking fairly ugly on Monday. The SPX lost 1.4%, the NASDAQ fell 1.8%, and the Russell 2000 declined 1.65%. Breadth was negative as the NYSE Up Issues % was 19% and the Up Volume % also came in at 19%. Total NYSE volume rose some from Friday's level.

There were a few "turnaround Tuesday" studies that emerged in the Quantifinder tonight. In the 10/14/14 letter I showed a Turnaround Tuesday related study that required the Up Issues % close below 33.3% for AT LEAST the 2nd day in a row. Results are updated.

NYSE Up Issues % < 33.3% for at least the 2nd day in a row. SPX < 200ma. Today is Monday. Buy SPX 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	71,497.82	26	19	7	73.08	5,042.82	13,733.46	-3,473.68	-7,414.56	1.45	3.94	2,749.92
4	62,642.56	26	19	7	73.08	4,151.04	14,020.11	-2,318.18	-5,934.24	1.79	4.86	2,409.33
3	48,194.40	26	20	6	76.92	3,444.75	12,304.89	-3,450.10	-11,502.27	1.00	3.33	1,853.63
2	43,714.08	26	21	5	80.77	2,569.13	9,496.89	-2,047.54	-5,167.89	1.25	5.27	1,681.31
1	47,251.64	26	21	5	80.77	2,536.40	10,716.03	-1,202.55	-2,680.15	2.11	8.86	1,817.37
All 26 instances closed above the entry price on either Day 1 or Day 2.												

This appears to have been a powerful combination. The curve below assumes a 1-day holding period (Turnaround Tuesday.)



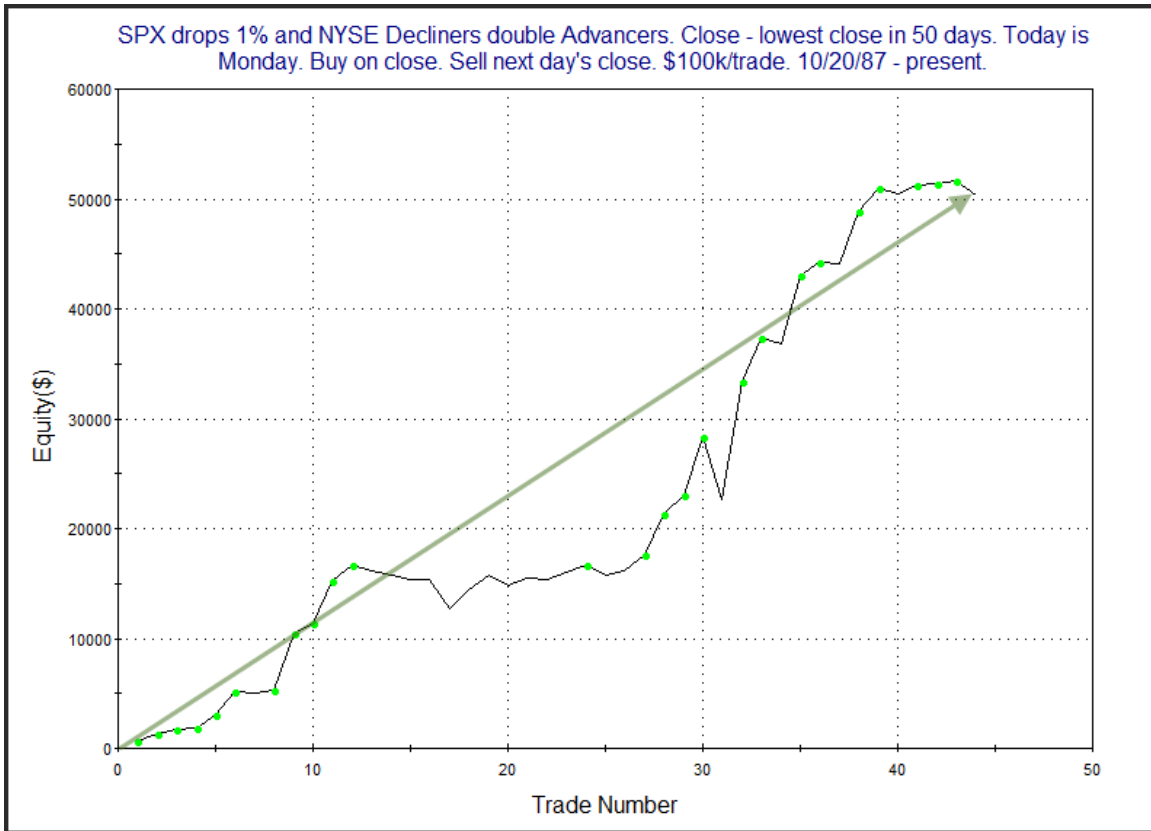
Here again we see a strong, consistent upslope that confirms the bullish tendency.

Another interesting study was from the 5/15/12 letter. It examined strong selloffs to new lows on Mondays.

SPX drops 1% and NYSE Decliners double Advancers. Close - lowest close in 50 days. Today is Monday. Buy on close. Sell X days later. \$100k/trade. 10/20/87 - present.

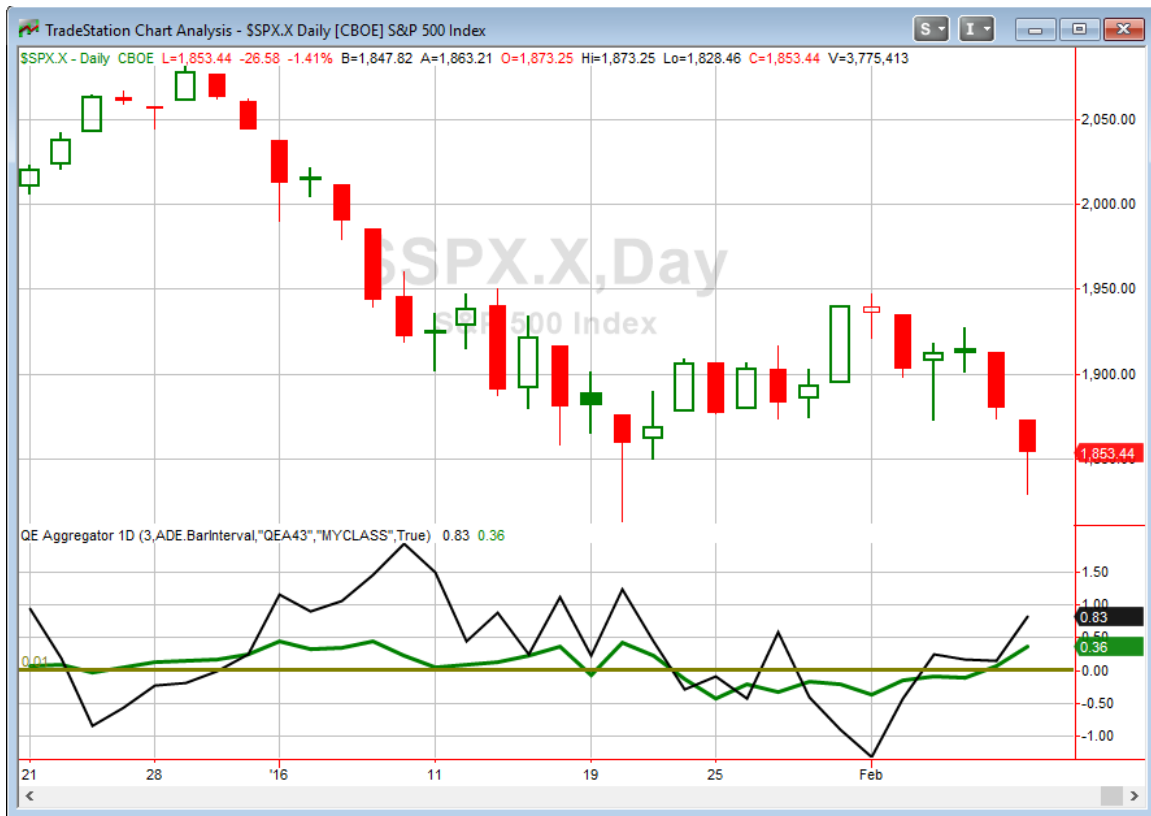
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	85,522.40	43	29	14	67.44	3,990.16	13,733.46	-2,156.58	-5,696.34	1.85	3.83	1,988.89
4	57,691.74	44	33	11	75.00	2,880.19	14,020.11	-3,395.87	-14,820.98	0.85	2.54	1,311.18
3	57,299.18	44	32	12	72.73	2,772.47	12,304.89	-2,618.33	-13,815.18	1.06	2.82	1,302.25
2	50,313.76	44	29	15	65.91	2,452.34	9,496.89	-1,386.94	-6,763.30	1.77	3.42	1,143.49
1	50,325.26	44	31	13	70.45	2,091.30	10,716.03	-1,115.77	-5,702.04	1.87	4.47	1,143.76

Results are very strong across the board, but most of the edge is realized on day one. Below is a profit curve using a 1-day exit strategy.



While it is not the straightest line I have ever shown, it has moved persistently higher. The study does seem worth consideration.

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



With tonight's study being considered the green Aggregator Line moved further 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 Tuesday are primed to come in just slightly negative if nothing new emerges. This would be based on the intermediate-term entirely since all 3 short-term studies are set to expire at the close on Tuesday. Of course this could change if new evidence emerges. The Differential Pivot will be 1907.22 on Tuesday. That is a whopping 2.9% above Monday's close. A 2.9% one-day rally is highly unlikely. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

So evidence is bullish, but it is also all very short term. We are going to need to see more bullish evidence emerge on Tuesday in order for the short-term outlook to remain bullish. With this in mind, I am not inclined to jump in right here. I would rather wait another day and see what evidence arises.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/8 – neutral

The intermediate-term outlook was last updated in the 2/8 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.

None tonight.

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
<i>AXP(1/3)</i>	<i>1/25/2016</i>	<i>\$54.46</i>	<i>\$53.24</i>	<i>-2.24%</i>		<i>sold on open</i>
<i>AXP(1/3)</i>	<i>1/26/2016</i>	<i>\$55.02</i>	<i>\$53.24</i>	<i>-3.24%</i>		<i>sold on open</i>

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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