

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 1, 2016

Volume 9 Issue 40

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Flat	50% Long XIV	Short

## Tonight's Research Points

- Turnaround Tuesday could be in effect and help the bulls.
- Turn of the month just ain't what it used to be.

### *Short-term Outlook*

#### *The Bottom Line*

Evidence is now tilting bullish – at least for 1 day. But the market is overbought, leaving me short-term neutral. So while I am partially short, I will be looking to exit that position and get flat.

*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
<b>Active - Short Term</b>						
March 1, 2016	Turnaround Tuesday	1 day	Bullish			
February 26, 2016	SPY closes top 10% 1-day & 10-day rng	1-3 days	Bearish			
<b>Active - Long Term</b>						
February 18, 2016	Up Issue % > 70% 3x	1-85 days	Bullish	10.70%	-5.10%	-12.10%
February 1, 2016	2 90% up days in 1 week	1-9 months	Bullish	23.10%	-6.60%	-15.10%
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			

**The Evidence**

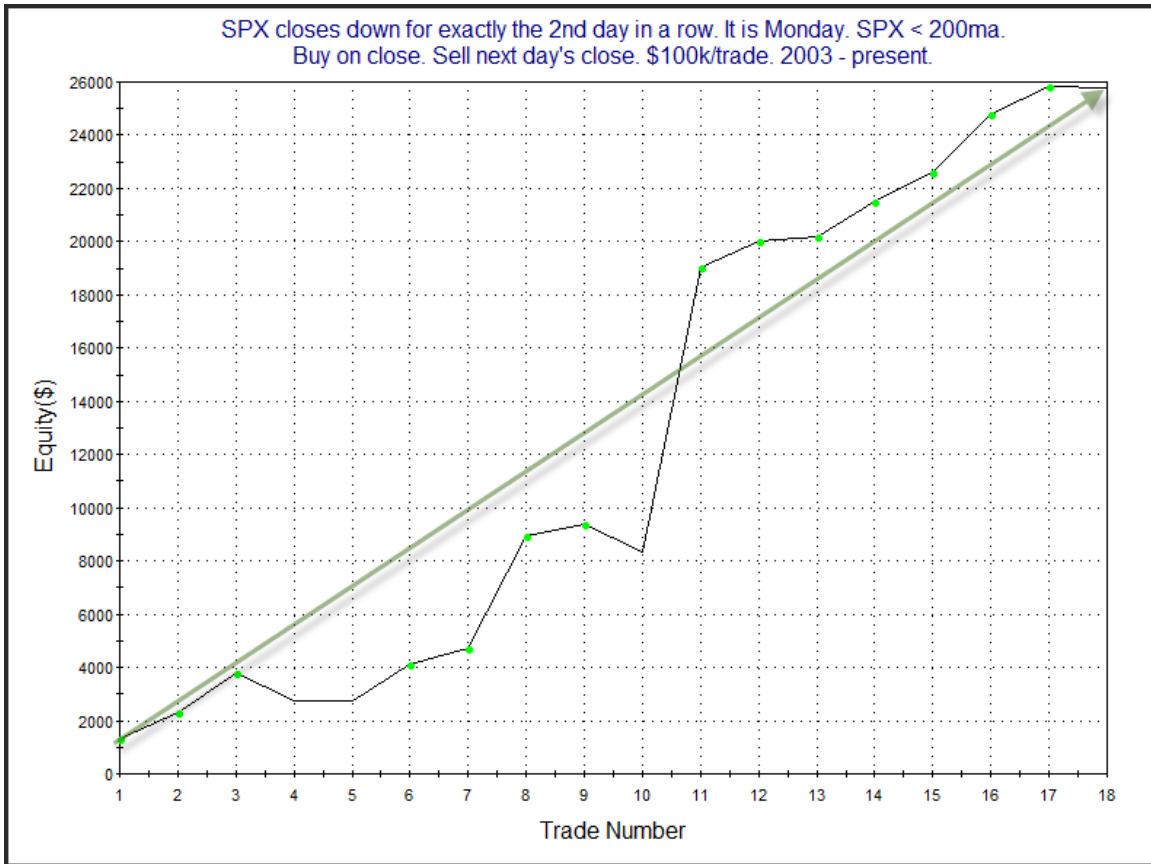
Monday started off strong but afternoon selling placed stocks mostly lower. The SPX closed down 0.8%, and the NASDAQ lost 0.9%, but the Russell 2000 finished up 0.14 points. Breadth was mixed as the NYSE Up Issues % was 54% and the Up Volume % came in at 45%. Total NYSE volume rose some from Friday's level.

There were a few "turnaround Tuesday" studies that emerged in the Quantifinder tonight. In the 8/4/15 letter I showed a Turnaround Tuesday related study that required SPX close below the 200ma. I have updated those results a little below.

SPX closes down for exactly the 2nd day in a row. It is Monday. SPX < 200ma.  
Buy on close. Sell next day's close. \$100k/trade. 2003 - present.

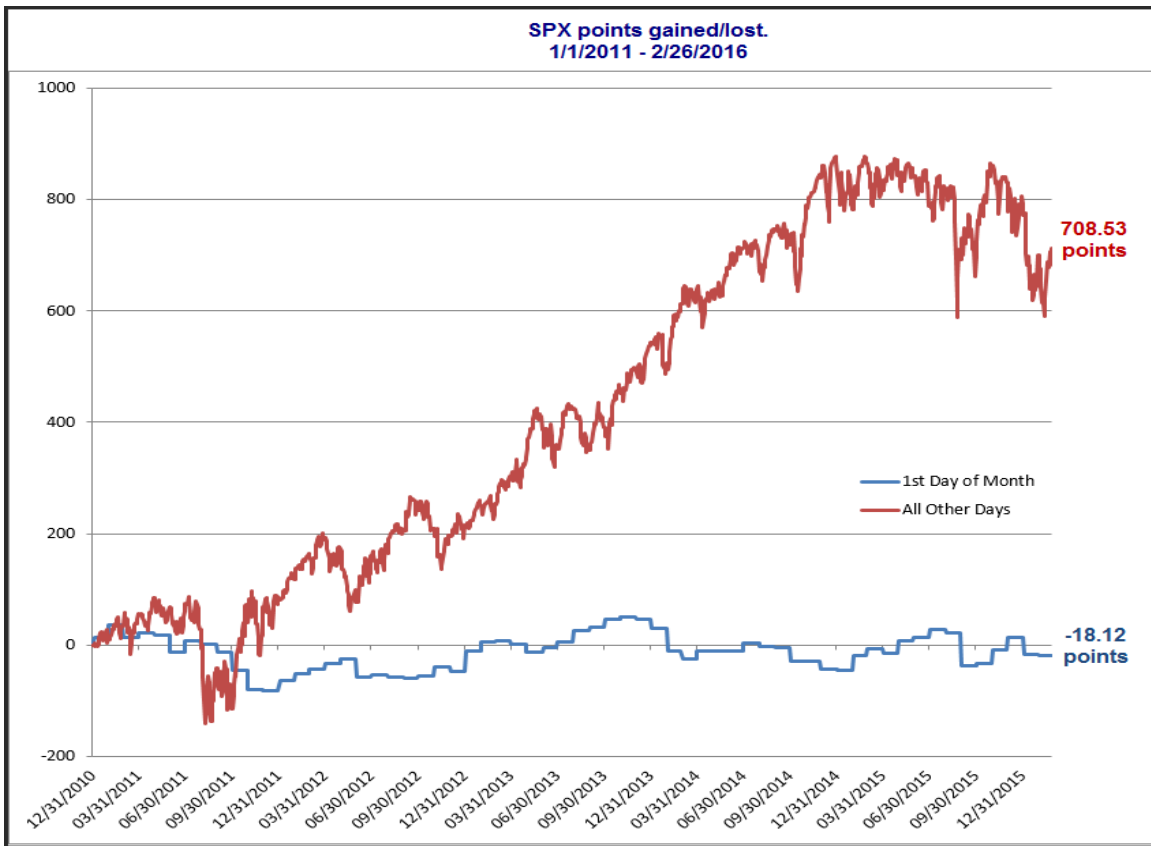
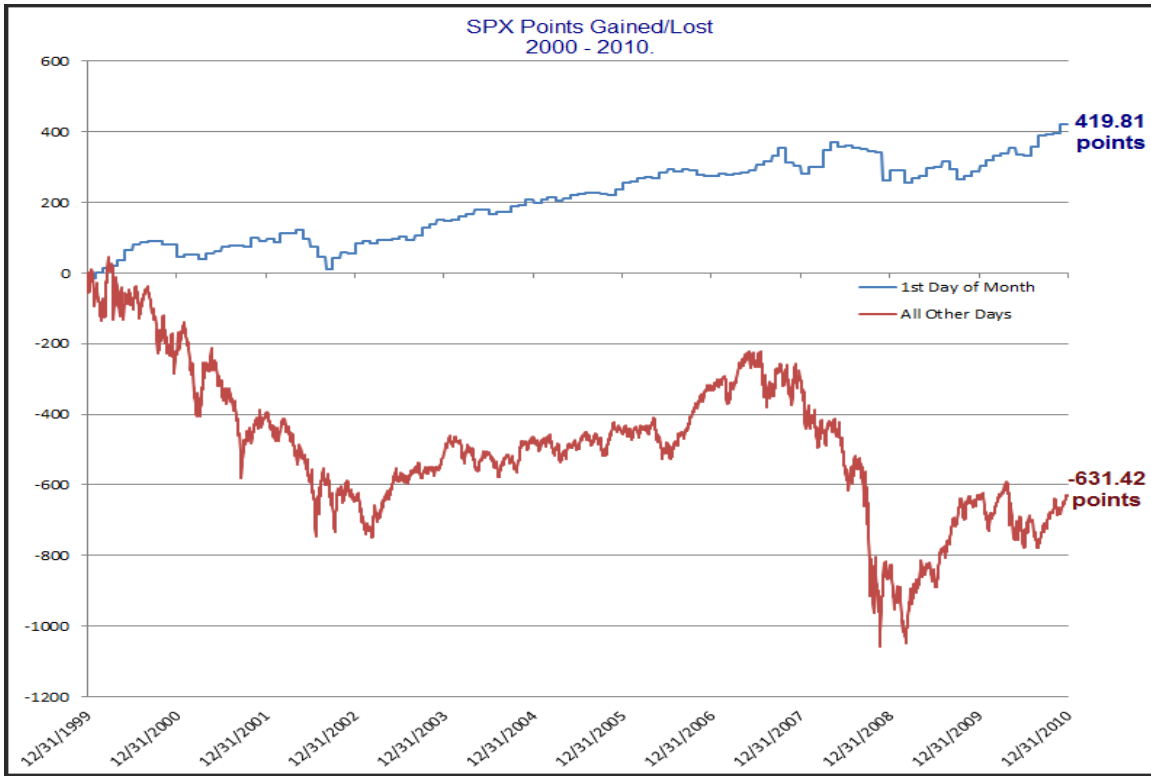
TradeStation Performance Summary <span style="float: right;">Expand ▾</span>			
All Trades			
Total Net Profit	\$25,789.05	Profit Factor	12.89
Gross Profit	\$27,958.03	Gross Loss	(\$2,168.98)
Total Number of Trades	18	Percent Profitable	77.78%
Winning Trades	14	Losing Trades	4
Even Trades	0		
Avg. Trade Net Profit	\$1,432.72	Ratio Avg. Win:Avg. Loss	3.68
Avg. Winning Trade	\$1,997.00	Avg. Losing Trade	(\$542.24)
Largest Winning Trade	\$10,716.03	Largest Losing Trade	(\$1,084.59)

Numbers here appear strongly bullish. Let's also take a look at the profit curve.



Instances are lower than I would generally prefer, but the streak since 2003 has been strong enough that the study seems to warrant some consideration.

Tuesday is the 1<sup>st</sup> day of March. While first of the month often triggers some bullish seasonal studies the first day of the month has weakened substantially in recent years. In the 10/1/15 subscriber letter I showed a couple of charts that demonstrated just how drastic the change in the “1<sup>st</sup> of the Month versus All Other Days” has been. I have updated that study below. The charts show SPX points gained (or lost) for 2 time periods. The first one looks at 2000-2010. The 2<sup>nd</sup> one shows 2011 – present.



Quite the contrast. The first of the month just ain't what it used to be. And there were no 1<sup>st</sup> of month studies that emerged on Monday suggesting the current setup was very compelling as compared to other starts to the month.

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



With tonight's study being added the green Aggregator Line moved above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line remained below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are now positive but SPX is overbought. 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 turned flat at the close.

Expectations on Tuesday are primed to turn back slightly bearish. But this could easily change if new bullish evidence emerges. The Differential Pivot will be 1928.45 on Tuesday. That is 0.2% below Monday's close. That means that SPX would need to close down 0.2% on Tuesday in order to move from overbought to oversold versus recent expectations.

Tonight's study shows a possible upside edge for Tuesday. But there is very little clarity beyond Tuesday. By virtue of the intermediate-term outlook, the Aggregator would turn

very slightly bearish on Tuesday if nothing new emerged. I've been carrying some short exposure. I intend to close it out on Tuesday as long as the market does not gap higher and run away from me.

**Intermediate-term Outlook (2 weeks – 2 months) – *updated 2/29 – neutral***

**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.**

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)(s)	2/17/2016	\$191.16	\$193.56	-1.26%		Aggregator
SPY(1/4)(s)	2/26/2016	\$196.57	\$193.56	1.53%		Aggregator

*Cover both lots at \$193.70 LIMIT. In case of a gap up I will look to exit if SPY narrows the gap, but I will not require a fill. If I am not filled within the 1<sup>st</sup> half-hour or so, I may send out an intraday update that would place a stop above the high of the day.*

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