

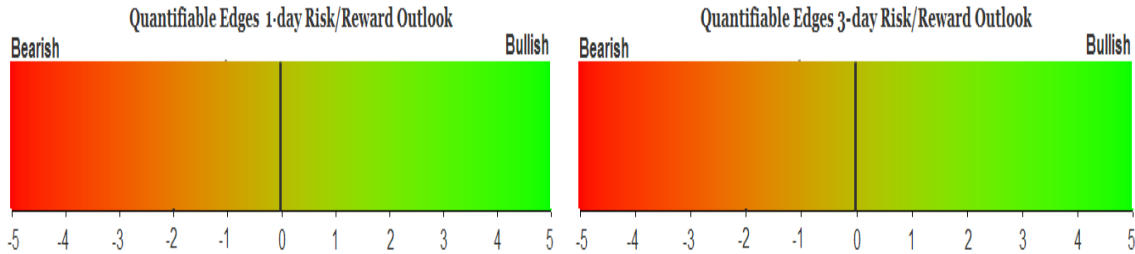
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 16, 2016

Volume 9 Issue 51

Market Overview



Signals Overview

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

Tonight's Research Points

- Wednesday's Fed Day seems to be providing a mild bullish edge.

Short-term Outlook

The Bottom Line

Expectations are a little bullish but the market is overbought. This has me neutral.

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						
March 16, 2016	Fed Day	1 day	Bullish			
March 14, 2016	March opex week bullish	1-4 days	Bullish			
Active - Long Term						
March 2, 2016	FTD & 20-day high	int term	Bullish			
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			
Dropped Tonight						
March 15, 2016	QQQ 10-high < 200 on low volume	1 day	Bearish			

The Evidence

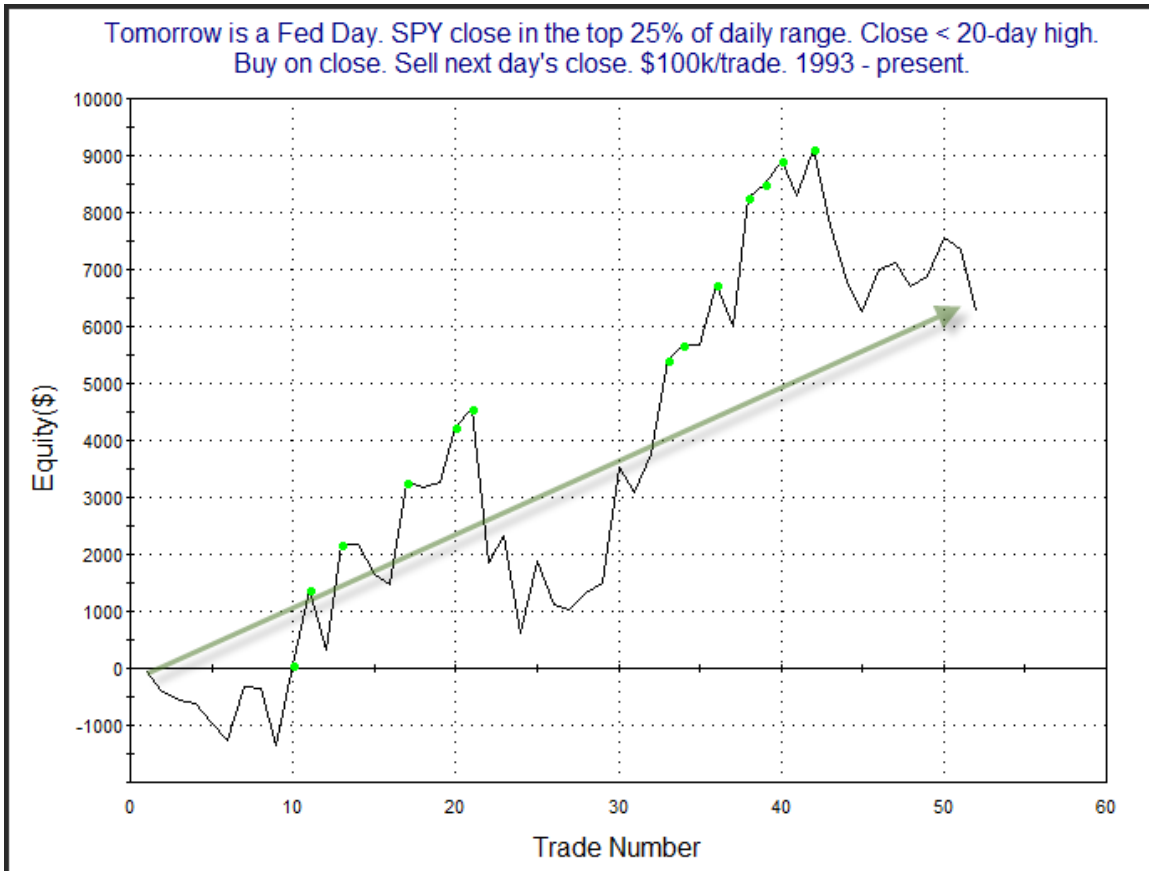
Tuesday was mostly lower. The SPX finished down 0.2%, the NASDAQ dropped 0.5%, and the Russell 2000 lost 1.6%. Breadth was negative as the NYSE Up Issues % was 26% and the Up Volume % came in at 25%. Total NYSE volume again came in at the lightest level in weeks.

One notable is that Wednesday is a Fed Day. Fed Days have been notoriously bullish over the years. This is something I have documented in detail in the subscriber letter, the Quantifiable Edges Blog, and the book, "The Quantifiable Edges Guide to Fed Days". Two factors that tend to impact the potential success of a Fed Day are 1) whether the day before closes at a 20-day high, and 2) where in the intraday range SPY closes the day before. With SPY closing in the top 25% of its intraday range, but below a 20-day high, the study below from the 1/27/16 letter triggered. I have updated the results.

Tomorrow is a Fed Day. SPY close in the top 25% of daily range. Close < 20-day high. Buy on close. Sell next day's close. \$100k/trade. 1993 - present.

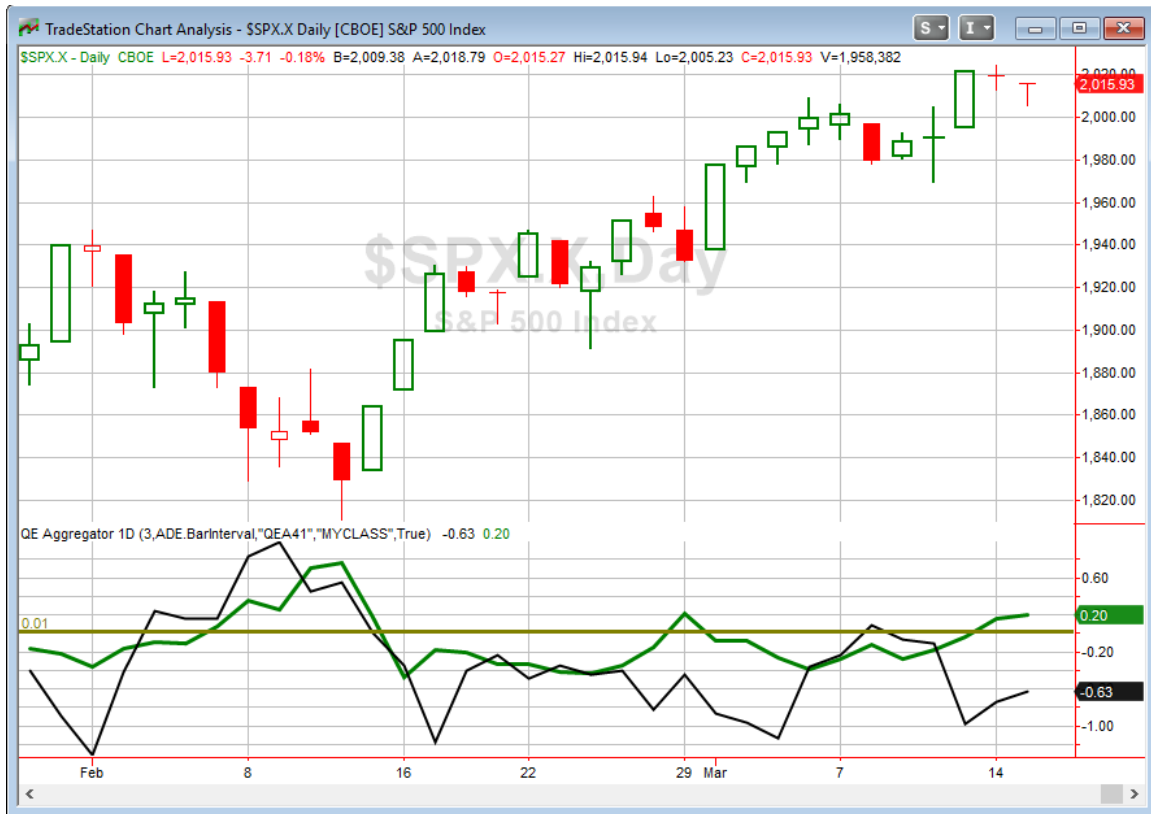
TradeStation Performance Summary				Expand ▾
All Trades				
Total Net Profit	\$6,253.16	Profit Factor	1.40	
Gross Profit	\$21,989.67	Gross Loss	(\$15,736.51)	
Total Number of Trades	52	Percent Profitable	48.08%	
Winning Trades	25	Losing Trades	26	
Even Trades	1			
Avg. Trade Net Profit	\$120.25	Ratio Avg. Win:Avg. Loss	1.45	
Avg. Winning Trade	\$879.59	Avg. Losing Trade	(\$605.25)	
Largest Winning Trade	\$2,238.25	Largest Losing Trade	(\$2,683.80)	

The average win to loss ratio isn't bad but the winning percentage is below 50%. Below is a profit curve showing how the trades have played out over time.



Not a very smooth curve. It seems there may be a mild bullish seasonal edge, but not a terribly reliable one.

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



With tonight's study included the green Aggregator Line held 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 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 stayed flat at the close.

Expectations on Wednesday are slated to remain bullish. But this could change if new bearish evidence emerges. The Differential Pivot will be 2012.50 on Wednesday. That is just 0.2% below Tuesday's close. So for SPX to move from overbought to oversold versus recent expectations it will only need to close down about 0.2%.

The Aggregator is back to neutral, and I am too. I have flattened out my positions. I do not see a strong edge right here. And while Fed Days have generally been bullish, the reaction to the announcement Wednesday could be sharp in either direction. So I will stand aside for now awaiting clarity and a better reward/risk opportunity.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/14 – 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
<i>SPY(1/4)(s)</i>	<i>2/17/2016</i>	<i>\$191.16</i>	<i>\$201.36</i>	<i>-5.34%</i>		<i>covered on open</i>
<i>SPY(1/4)(s)</i>	<i>2/26/2016</i>	<i>\$196.57</i>	<i>\$201.36</i>	<i>-2.44%</i>		<i>covered on open</i>
<i>SPY(1/4)(s)</i>	<i>3/7/2016</i>	<i>\$200.43</i>	<i>\$202.17</i>	<i>-0.87%</i>		<i>covered on close</i>

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