

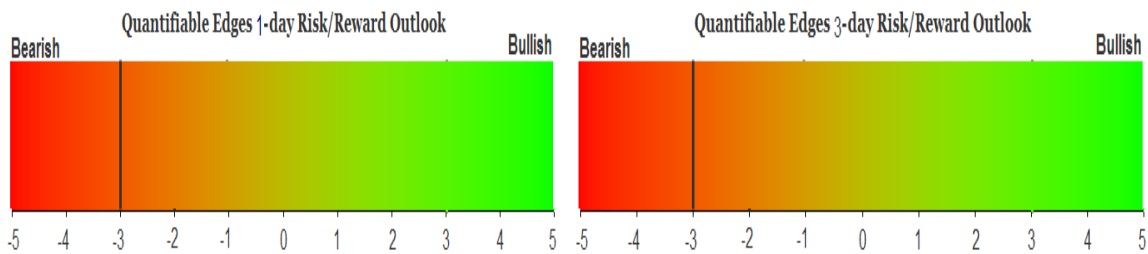
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 18, 2016

Volume 9 Issue 53

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Short	100% Short SPY	Short

Tonight's Research Points

- High closes on the Thursday prior to opex have routinely been followed by a pullback over the next few days.

Short-term Outlook

The Bottom Line

Expectations are now negative and the market is now overbought. This suggests a bearish short-term edge.

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 18, 2016	Top 10% 10-day range before Opex	1-4 days	Bearish			
March 17, 2016	Fed day 10-high < 100-high	1-2 days	Bearish			
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 14, 2016	March opex week bullish	1-4 days	Bullish			

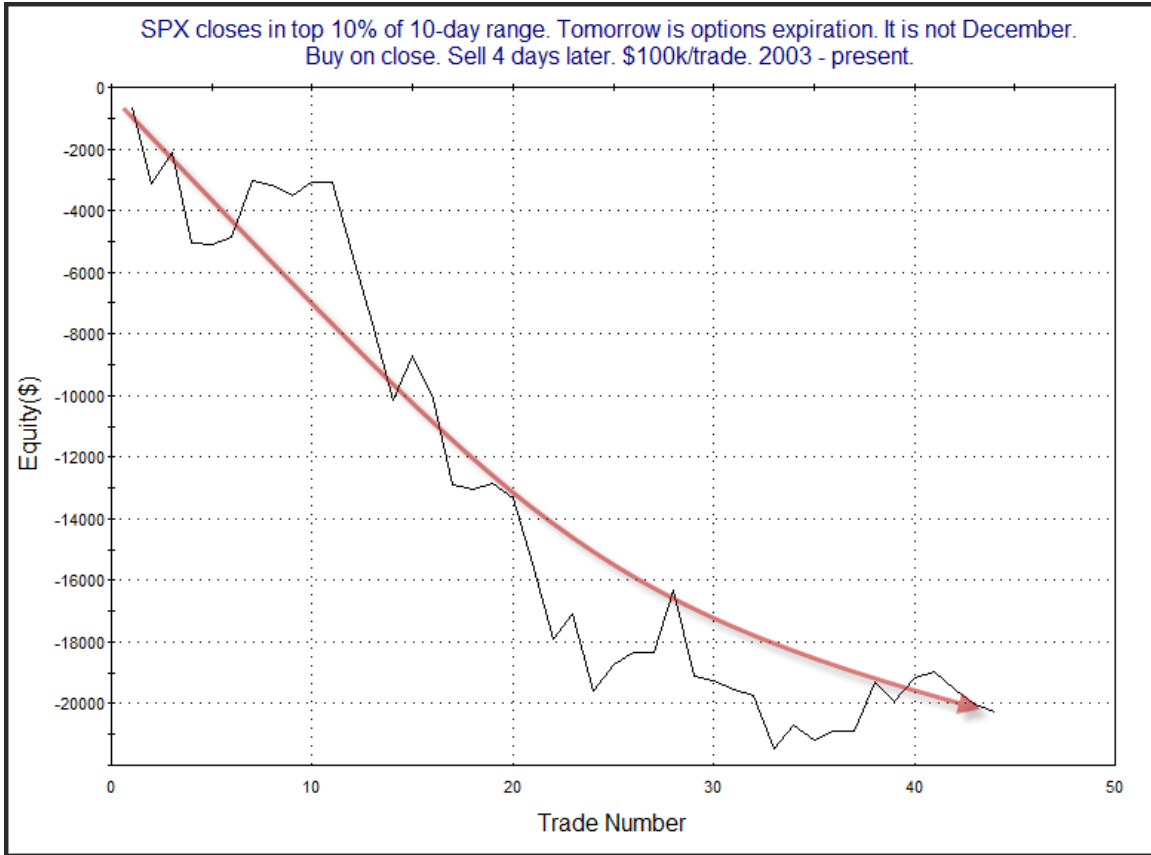
The Evidence

Thursday was another rally day for the market. The SPX rose 0.7%, the NASDAQ gained 0.2%, and the Russell 2000 rallied 1.6%. Breadth was positive as the NYSE Up Issues % was 78% and the Up Volume % came in at 79%. Total NYSE volume rose quite a bit from Wednesday's level.

March opex week has lived up to its bullish reputation. But it is nearly over. The study below most recently appeared in the 7/17/15 Letter. It looks at times the market closed at a high level just before options expiration. (It also excludes December since the 2nd half of December is a seasonally strong period.) Opex Friday and the days that follow have generally been a bad time for an overbought market. The results below are all updated.

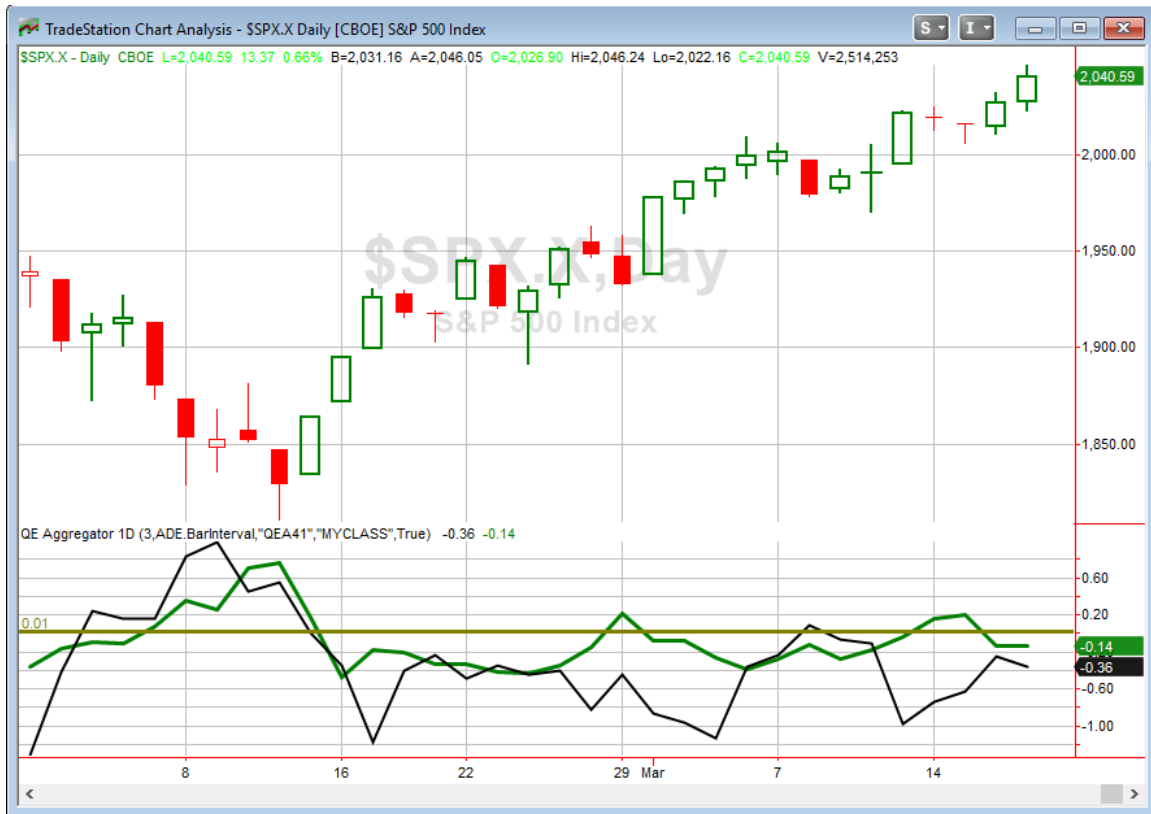
SPX closes in top 10% of 10-day range. Tomorrow is options expiration. It is not December. Buy on close. Sell X days later. \$100k/trade. 2003 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-21,361.53	44	17	27	38.64	892.53	3,768.30	-1,353.13	-4,932.90	0.66	0.42	-485.49
4	-20,270.81	44	17	27	38.64	755.57	1,994.25	-1,226.50	-2,899.20	0.62	0.39	-460.70
3	-10,733.90	44	22	22	50.00	651.22	2,166.00	-1,139.13	-2,828.70	0.57	0.57	-243.95
2	-8,252.65	44	29	15	65.91	433.36	1,588.40	-1,388.01	-3,784.65	0.31	0.60	-187.56
1	-2,532.97	44	25	19	56.82	368.66	2,286.84	-618.39	-2,875.60	0.60	0.78	-57.57

Numbers here appear squarely bearish. Below is a profit curve that assumes a 4-day holding period.



The curve has turned somewhat sideways recently. This warrants watching, but I still believe the long-term bearish inclination is worth consideration.

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



With tonight's study considered the green Aggregator Line held below zero. Negative readings mean net expectations from the Active List are for downside 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 negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below 0. Therefore, the Aggregator signal stayed short at the close.

Expectations on Friday are set to remain bearish. But this could change if new bullish evidence emerges. The Differential Pivot will be 2022.33 on Friday. That is 0.9% below Thursday's close. So for SPX to move from overbought to oversold versus recent expectations it will need to close down a sizable 0.9% or more.

We have not seen a market as upwardly persistent as this one in a long time. It has not been able to work off the "overbought" condition in some time. Meanwhile, studies are continuing to come up bearish. At some point this market is going to pull back. Tonight's study (and last night's study) suggests that is likely to occur in the next few days. I am on board with that idea as well, and I took on some short exposure at the close on Thursday. I won't look to add to it just yet, but hope to take advantage of the probable pullback over the next few days.

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
SPY(1/4)(s)	3/17/2016	\$204.63	\$204.63	0.00%		Shorted on close

This report has been prepared by Hanna Capital Management, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Hanna Capital Management, LLC or clients of Hanna Capital Management, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Hanna Capital Management, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Hanna Capital Management, LLC nor any officer or employee of Hanna Capital Management, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Hanna Capital Management, LLC.

Copyright © 2016 Hanna Capital Management, LLC.