

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 23, 2016

Volume 9 Issue 56

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- The very light NYSE volume on the pullback Friday could suggest more selling soon.

### *Short-term Outlook*

#### *The Bottom Line*

Expectations are negative and the market is 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
<b>Active - Short Term</b>						
March 22, 2016	NASDAQ up 4 < 200ma	1-6 days	Bearish			
March 21, 2016	Opex week 1%-2% gain	1-5 days	Bearish			
March 18, 2016	Top 10% 10-day range before Opex	1-4 days	Bearish			
<b>Active - Long Term</b>						
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	290% 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			
<b>Dropped Tonight</b>						
March 22, 2016	50-high. Inside Day. Another 50 high.	1 day	Bearish			

**The Evidence**

The market was mixed again on Tuesday. The SPX fell 0.1%, the NASDAQ gained 0.3%, and the Russell 2000 declined 0.1%. Breadth was negative as the NYSE Up Issues % was 47% and the Up Volume % came in at 40%. NYSE volume came in at the lightest level of 2016.

The study below is one that was last seen in the 8/25/14 letter. It looks at light volume occurring on down days after a 50-day high. Stats have all been updated.

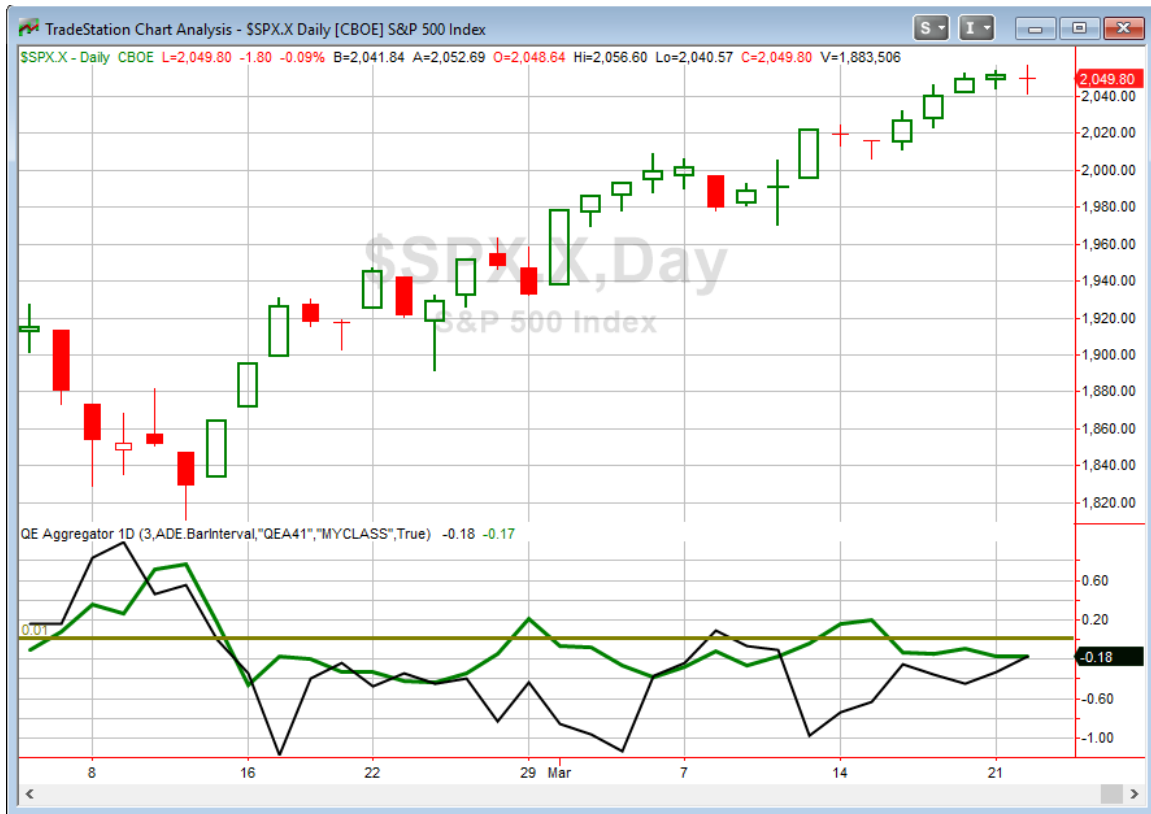
After closing at a 50-day high yesterday SPX declines today. NYSE volume is the lightest in 10 days. Buy on close. Sell X days later. \$100k/trade. 1970 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-29,748.67	70	35	35	50.00	1,700.38	5,104.00	-2,550.34	-6,121.74	0.67	0.67	-424.98
9	-24,308.66	71	36	35	50.70	1,666.58	3,955.23	-2,408.73	-6,236.87	0.69	0.71	-342.38
8	-34,968.21	71	33	38	46.48	1,462.74	3,521.07	-2,190.49	-6,661.66	0.67	0.58	-492.51
7	-44,455.26	71	32	39	45.07	1,261.29	3,732.48	-2,174.78	-7,193.64	0.58	0.48	-626.13
6	-41,262.30	72	33	39	45.83	1,055.00	2,563.47	-1,950.70	-5,426.99	0.54	0.46	-573.09
5	-27,100.07	73	34	39	46.58	938.68	2,273.04	-1,513.21	-4,288.68	0.62	0.54	-371.23
4	-24,298.46	76	37	39	48.68	831.05	2,457.84	-1,411.47	-4,263.60	0.59	0.56	-319.72
3	-5,855.66	79	43	36	54.43	795.06	2,169.48	-1,112.31	-3,726.24	0.71	0.85	-74.12
2	-1,587.46	79	42	37	53.16	680.53	2,328.05	-815.39	-4,049.40	0.83	0.95	-20.09
1	-4,710.42	79	41	38	51.90	487.37	2,235.13	-649.80	-3,068.81	0.75	0.81	-59.63

The first few days don't show much of an edge, but once you get out 6-7 days there appears to be a possible downside inclination. To confirm this I took a look at the equity curve. In this case I decided to show time on the x-axis rather than instances to demonstrate how consistent the edge has been over the years.



For a study without strongly lopsided statistics, the steadiness is impressive. But with no real edge appearing for the first several days, I again decided not to include this study on the active list. Still, it may be worth keeping in mind.

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



Without any new studies tonight 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.

With all the short-term studies bearish, expectations on Wednesday are set to remain negative. But this could change if new bullish evidence emerges. The Differential Pivot will be 2042.16 on Wednesday. That is 0.4% below Tuesday's close. So for SPX to move from overbought to oversold versus recent expectations it will need to close down at least 0.4% on Wednesday.

Tonight's study suggests this pullback could have further to go. And that is what other evidence from the past several days has indicated as well. The market is still overbought. So there still appears to be a bearish opportunity here. I remain partially short and looking to benefit from a drop in the next few days.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 3/21 – 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	\$205.61	-0.48%		price dividend adjusted

*I will cover the SPY trade idea on close if SPX closes  $\leq 2042.16$  (the Differential Pivot).*

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