

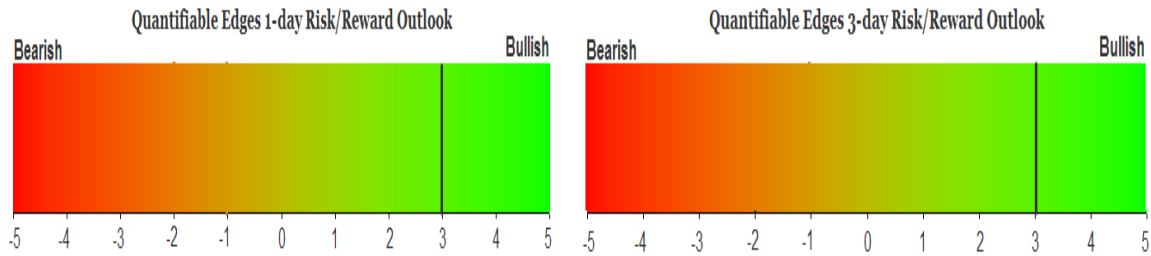
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 6, 2016

Volume 9 Issue 65

Market Overview



Signals Overview

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

Tonight's Research Points

- The first drop below the 10ma in quite a while will often be followed by another leg up.

Short-term Outlook

The Bottom Line

Evidence is back to bullish and SPX is squarely oversold. I believe there is an upside edge over the next few days.

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						
April 6, 2016	1st SPX close < 10ma in 15 days	1-3 days	Bullish	1.70%	-0.50%	-1.30%
April 5, 2016	Dn < 1% from 50-high. Decl 2x Adv	1-2 days	Bearish			
April 1, 2016	Early April bullish	1-4 days	Bullish			
Active - Long Term						
March 28, 2016	1st close < 10ma in 25 days	1-19 days	Bullish	4.10%	-0.90%	-2.25%
March 28, 2016	2 unfilled gaps dn. 5 low. Close > 200ma	1-10 days	Bullish	2.50%	-1.70%	-3.40%
March 24, 2016	1st 5-low in 10 days, but > 10ma	1-10 days	Bullish			
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			

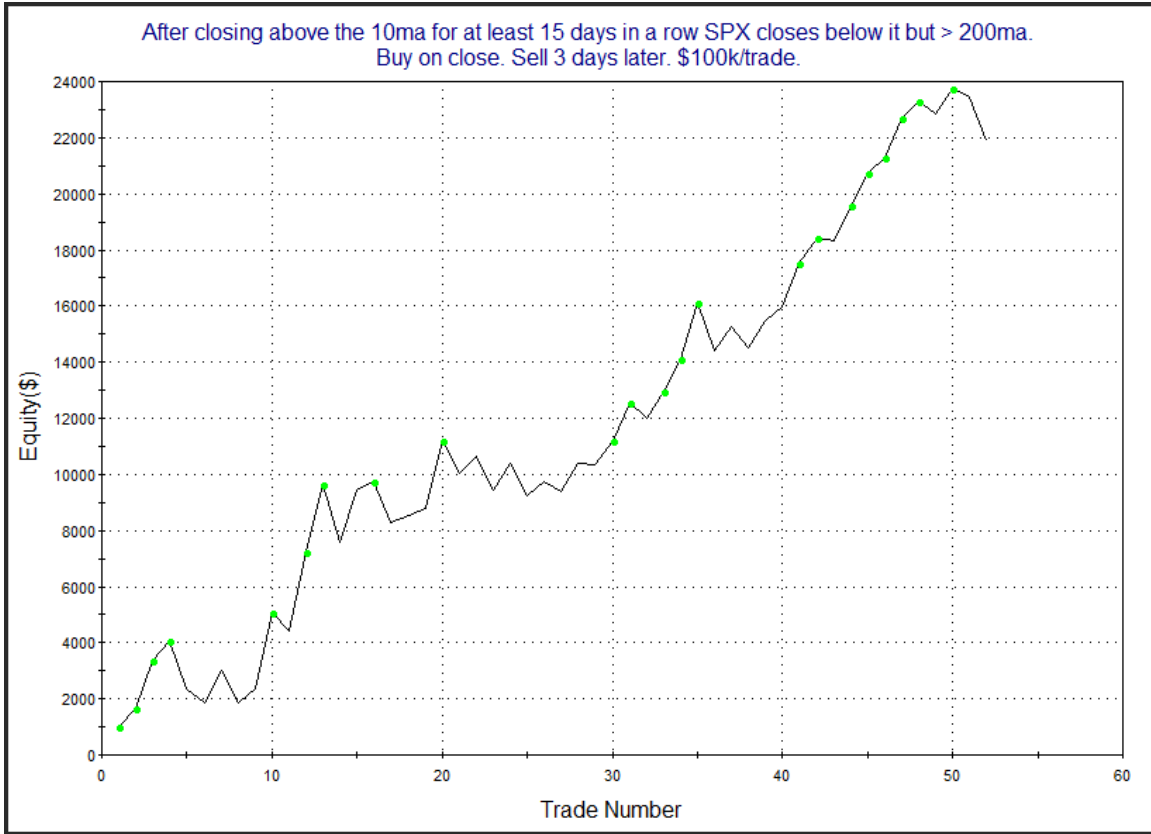
The Evidence

Tuesday was a day of strong selling. The SPX and NASDAQ lost 1.0%, and the Russell 2000 fell 1.1%. Breadth was also negative as the NYSE Up Issues % was 30% and the Up Volume % came in at 30%. NYSE volume roses some from Monday's level.

The persistent uptrend of late has kept SPX above its short-term moving averages for an extended period. Tuesday, after 34 consecutive closes above the 10ma, SPX sliced down and closed below it. In the 9/5/14 letter I looked at performance following other instances where SPX closed below its 10ma for the first time over 15 days. Results are updated below.

After closing above the 10ma for at least 15 days in a row SPX closes below it but > 200ma. Buy on close. Sell X days later. \$100k/trade.													
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	27,872.96	52	31	21	59.62	1,531.52	3,505.74	-933.54	-2,959.70	1.64	2.42	536.02	
4	27,424.23	52	34	18	65.38	1,402.98	3,206.40	-1,126.50	-3,078.40	1.25	2.35	527.39	
3	21,885.73	52	34	18	65.38	1,140.86	2,805.12	-939.09	-2,062.10	1.21	2.29	420.88	
2	14,465.77	52	32	20	61.54	1,041.97	2,682.72	-943.86	-2,185.60	1.10	1.77	278.19	
1	14,223.09	52	32	20	61.54	732.64	2,097.92	-461.07	-1,542.24	1.59	2.54	273.52	

The numbers here all look solidly bullish over the next week. I highlighted the 3-day holding period because it had a more appealing equity curve than the four or five-day. You can see its profit curve below.



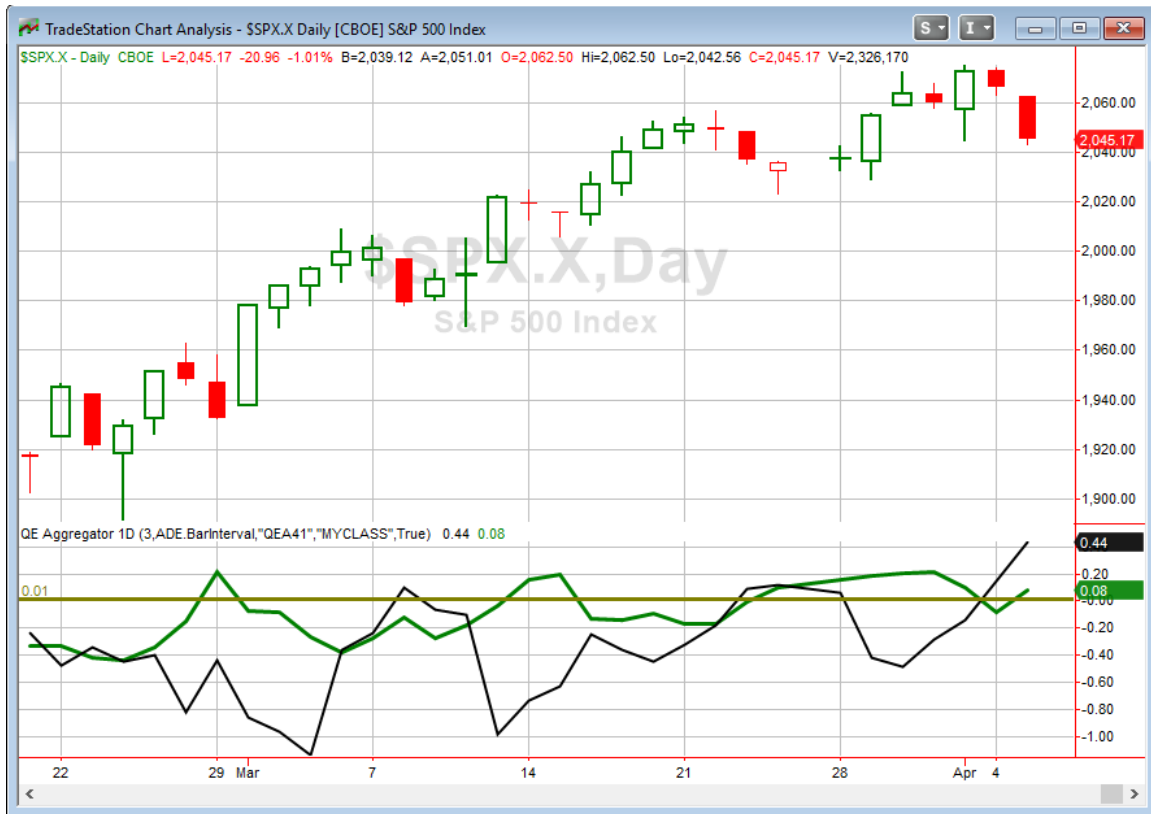
The strong upslope serves as some confirmation of the bullish edge. Of course this study only requires 15 days above the 10ma, and SPX had gone much longer than that. Below I also decided to look at 3-day results for times the streak had reached at least 25 days before the dip came.

After closing above the 10ma for at least **25** days in a row SPX closes below it but > 200ma. Buy on close. Sell 3 days later. \$100k/trade.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
4/18/1995	Buy	\$505.37	0.62%	\$614.64
4/21/1995	Sell	\$508.49		(\$823.46)
6/4/1997	Buy	\$840.11	2.72%	\$2,978.57
6/9/1997	Sell	\$862.93		\$0.00
3/5/1998	Buy	\$1,035.06	2.82%	\$2,834.88
3/10/1998	Sell	\$1,064.28		(\$0.96)
1/28/2004	Buy	\$1,128.48	0.60%	\$1,240.80
2/2/2004	Sell	\$1,135.26		(\$536.80)
11/1/2006	Buy	\$1,367.81	0.88%	\$992.07
11/6/2006	Sell	\$1,379.78		(\$498.59)
4/16/2010	Buy	\$1,192.13	1.16%	\$1,565.38
4/21/2010	Sell	\$1,205.94		(\$701.35)
1/20/2011	Buy	\$1,280.26	0.85%	\$910.26
1/25/2011	Sell	\$1,291.18		\$0.00
1/30/2012	Buy	\$1,313.02	0.95%	\$1,330.00
2/2/2012	Sell	\$1,325.54		(\$481.08)
12/1/2014	Buy	\$2,053.44	0.90%	\$1,147.20
12/4/2014	Sell	\$2,071.92		\$0.00
11/9/2015	Buy	\$2,078.58	-1.57%	\$401.28
11/12/2015	Sell	\$2,045.97		(\$1,580.16)

The 9-1 record is very impressive and acts as further confirmation of the bullish tendency.

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



Tonight's bullish study helped the green Aggregator Line to rise back 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 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 on opposite sides of 0. Therefore, the Aggregator signal turned long at the close.

Based on the current list of studies, expectations on Wednesday are set to remain positive. But this could change if additional bearish evidence emerges. The Differential Pivot will be 2083.14 on Wednesday. That is a very large 1.9% above Tuesday's close. So for SPX to turn from oversold to overbought versus expectations it will need to close up at least 1.9% on Tuesday. That's quite improbable for a 1-day move. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

So evidence, while a little mixed, is leaning bullish. And SPX is now squarely oversold with plenty of room to the upside in the coming days before it would flip to overbought. This is leaving the Aggregator bullish, and has me leaning that way as well. With short-term reward/risk looking favorable, and my intermediate-term outlook currently bullish I think this is a spot where I would like to start scaling into a long position. So I will look to do so on Wednesday if I can get a decent fill.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/4 – bullish

The intermediate-term outlook was last updated in the 4/4 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.

SPY – buy ¼ index position @ \$204.19 LIMIT. Based on the short-term section above, I will look to start scaling into a long position if I can get filled at Tuesday's closing price of better.

Current Open Trade Ideas

None

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