

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 7, 2016

Volume 9 Issue 66

Market Overview



Signals Overview

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

Tonight's Research Points

- The QE Buying Power Swing System triggered short.

Short-term Outlook

The Bottom Line

Evidence is now leaning bearish, but the SPX is still oversold versus recent expectations. This leaves me short-term 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						
April 7, 2016	QE Buying Power Short Signal	1-6 days	Bearish			
April 6, 2016	1st SPX close < 10ma in 15 days	1-3 days	Bullish	1.70%	-0.50%	-1.30%
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			
Dropped Tonight						
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			

The Evidence

Wednesday was a strong bounce-back day. The SPX gained 1.1%, the NASDAQ rose 1.6%, and the Russell 2000 rallied 1.2%. Breadth was also positive as the NYSE Up Issues % was 74% and the Up Volume % came in at 75%. NYSE volume declined a bit from Tuesday's level.

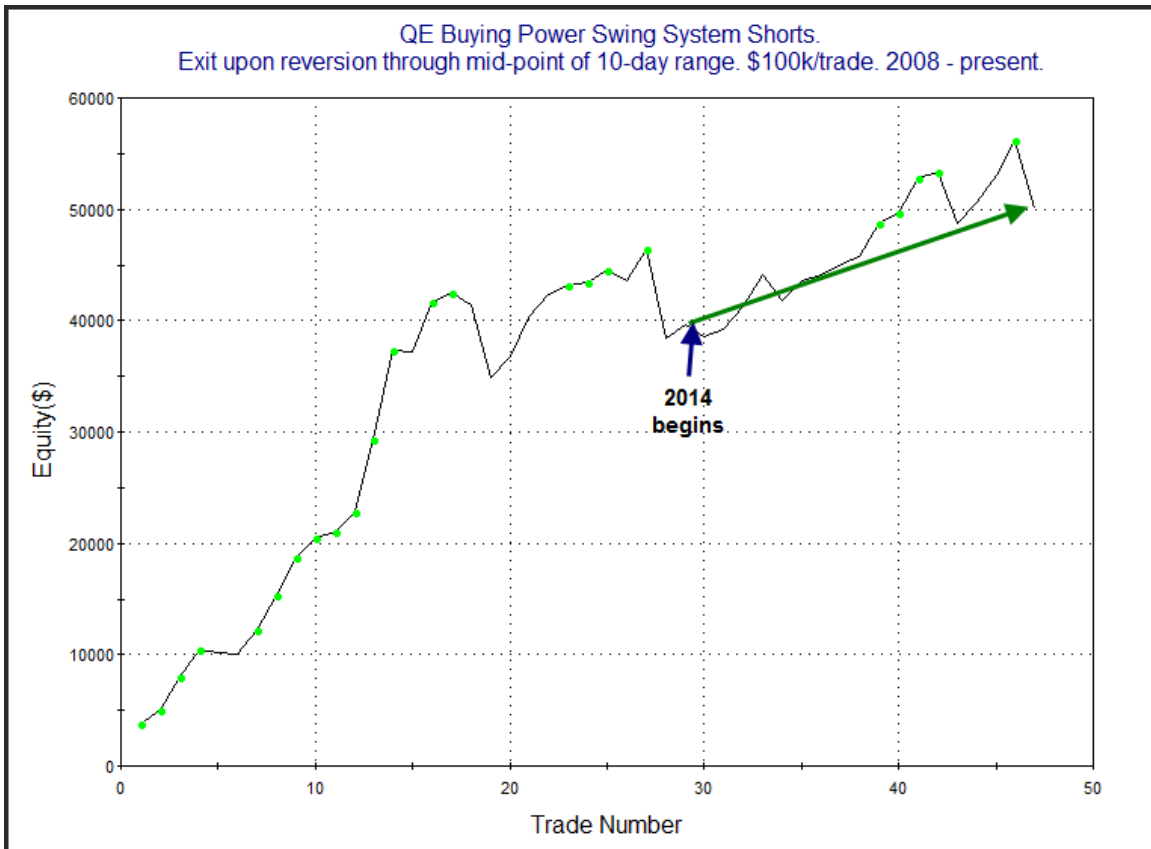
The last 6 days have seen some real back and forth chop, with the market making some strong 1-day moves but achieving no real progress overall. Wednesday's close in the upper part of the 10-day range triggered a new short signal in the QE Buying Power System. The performance table below shows updated hypothetical results of having taken all short signals since 2008, and then exiting upon a reversion to the lower half of the recent range. (A short signal simply requires the QE Buying Power Index ≤ 0 and the SPX closes in the top 20% of its 10-day range.) With no active Fed QE purchase plans currently the Buying Power Index has been locked at 0 since early November 2014.

QE Buying Power Swing System Shorts.
Exit upon reversion through mid-point of 10-day range. \$100k/trade. 2008 - present.

TradeStation Performance Summary			Expand ▾
All Trades			
Total Net Profit	\$50,119.10	Profit Factor	2.62
Gross Profit	\$81,099.85	Gross Loss	(\$30,980.75)
Total Number of Trades	47	Percent Profitable	76.60%
Winning Trades	36	Losing Trades	11
Even Trades	0		
Avg. Trade Net Profit	\$1,066.36	Ratio Avg. Win:Avg. Loss	0.80
Avg. Winning Trade	\$2,252.77	Avg. Losing Trade	(\$2,816.43)
Largest Winning Trade	\$8,004.64	Largest Losing Trade	(\$8,003.49)

Results here are strong.

Below is a look at the profit curve, with a demarcation where QE3 ended and the 2014 - 2016 trades began.



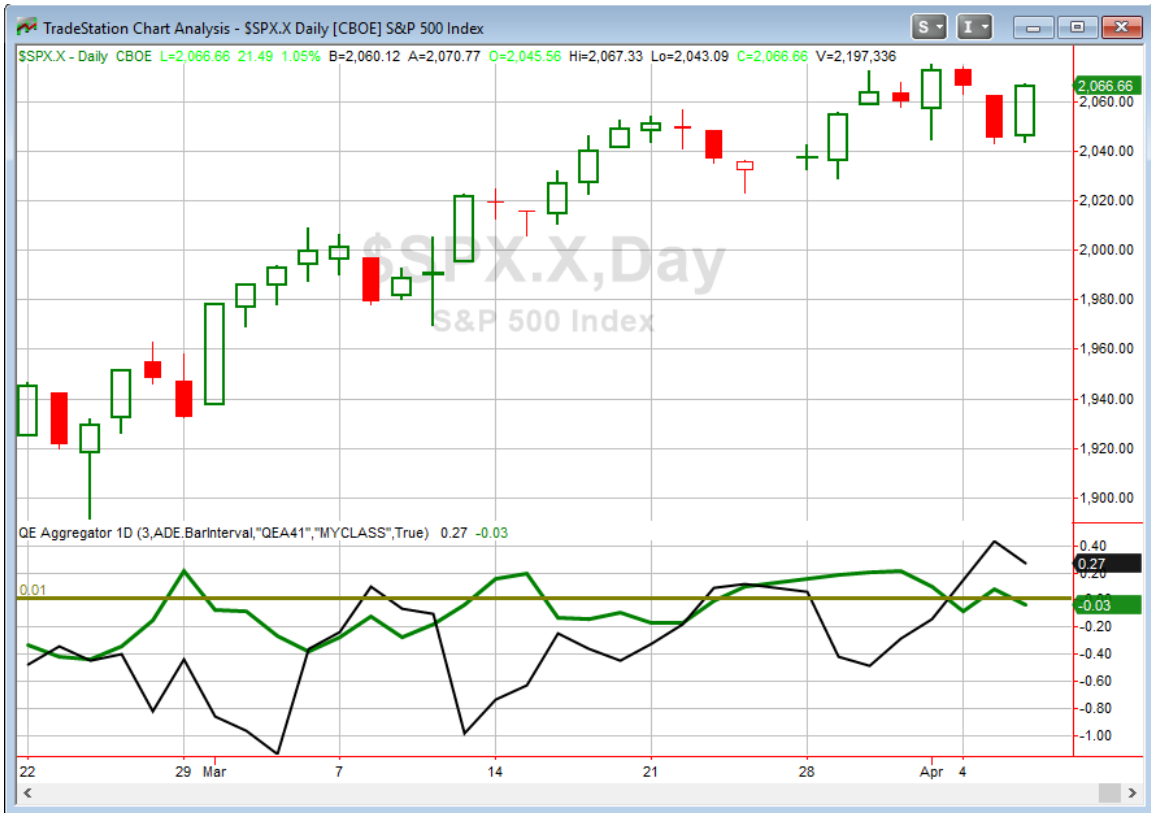
Not as steep as it was during bear market environments, but still nice results for the shorts. The last instance was a sizable pullback. Below is the list of individual triggers since 2014.

QE Buying Power Swing System Shorts. Exit upon reversion through mid-point of 10-day range. \$100k/trade. 2014 - present.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/7/2014	Short	\$2,031.92	-1.06%	\$85.75
12/1/2014	Cover	\$2,053.44		(\$2,148.16)
12/3/2014	Short	\$2,074.33	0.68%	\$962.88
12/8/2014	Cover	\$2,060.31		(\$246.72)
12/18/2014	Short	\$2,061.23	1.97%	\$2,106.72
1/5/2015	Cover	\$2,020.58		(\$1,551.36)
1/22/2015	Short	\$2,063.15	2.96%	\$2,959.68
1/28/2015	Cover	\$2,002.16		\$0.00
2/3/2015	Short	\$2,050.03	-2.37%	\$638.88
3/4/2015	Cover	\$2,098.53		(\$3,338.88)
3/18/2015	Short	\$2,099.42	1.83%	\$1,803.39
3/25/2015	Cover	\$2,061.05		(\$725.68)
4/9/2015	Short	\$2,091.18	0.48%	\$884.07
4/17/2015	Cover	\$2,081.18		(\$974.31)
4/22/2015	Short	\$2,107.96	1.07%	\$1,427.39
4/30/2015	Cover	\$2,085.51		(\$844.12)
5/8/2015	Short	\$2,116.10	0.56%	\$1,434.91
5/26/2015	Cover	\$2,104.20		(\$875.14)
6/18/2015	Short	\$2,121.24	3.00%	\$3,036.20
6/29/2015	Cover	\$2,057.64		(\$405.61)
7/13/2015	Short	\$2,099.60	0.95%	\$1,057.97
7/24/2015	Cover	\$2,079.65		(\$1,561.34)
8/17/2015	Short	\$2,102.44	3.17%	\$3,135.37
8/20/2015	Cover	\$2,035.73		(\$48.41)
9/8/2015	Short	\$1,969.41	0.58%	\$1,611.00
9/18/2015	Cover	\$1,958.08		(\$2,572.50)
10/5/2015	Short	\$1,987.05	-4.61%	\$753.00
11/9/2015	Cover	\$2,078.58		(\$6,471.50)
11/20/2015	Short	\$2,089.17	1.89%	\$2,200.54
12/3/2015	Cover	\$2,049.62		(\$709.70)
12/23/2015	Short	\$2,064.29	2.50%	\$3,581.28
1/4/2016	Cover	\$2,012.66		(\$828.96)
1/29/2016	Short	\$1,940.24	3.10%	\$3,468.51
2/5/2016	Cover	\$1,880.02		(\$354.96)
2/17/2016	Short	\$1,926.82	-6.14%	\$1,826.82
4/5/2016	Cover	\$2,045.17		(\$7,560.75)

We have seen a couple of instances in the last 6 months that went very strongly against the short position. The trades overall have done quite well. I still believe the system signals deserve some consideration within the Active List. Of course I will keep an eye on this to

see if these runaway up moves continue to happen, and perhaps whether the system signals should be reconsidered.

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



With tonight's bearish study being added the green Aggregator Line slipped back 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 above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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.

Based on the current list of studies, expectations on Thursday are set to remain negative. But this could easily change if additional bullish evidence emerges. The Differential Pivot will be 2070.80 on Thursday. That is 0.2% above Wednesday's close. So for SPX to turn from oversold to overbought versus expectations it will only need to close up 0.2% on Thursday.

I took on some long exposure Wednesday. But evidence is now tilting a little lower for the short-term. At the least, the pop on Wednesday seems to be enough that reward/risk is no longer there for a long position. So I will look to take profits on Thursday and await the next favorable opportunity before jumping back in to any position.

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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	4/6/2016	\$204.19	\$206.42	1.09%		<i>sell at \$206.25 limit</i>

Based on the short-term outlook above, I will be looking to take profits on my SPY position. I have a set a limit price a bit below Wednesday's close. This will give me a better chance at a fill if there is a gap down on Thursday. If I am NOT filled within the first 30 min of trading I MAY send out an intraday update in which I could look to lower my limit price, or perhaps put a sell stop below the low of the early morning range.

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