

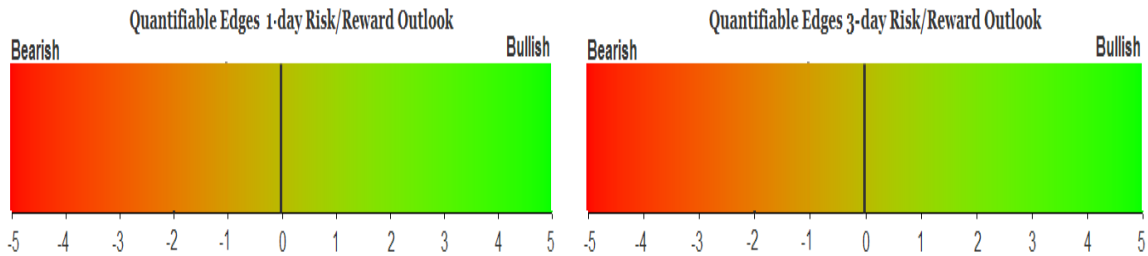
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 20, 2016

Volume 9 Issue 75

Market Overview



Signals Overview

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

Tonight's Research Points

- Back to back outside days for QQQ has often been followed by short-term market gains.

Short-term Outlook

The Bottom Line

New bullish evidence has evidence mixed and now leaning a little bullish. But with the market quite overbought, I am generally 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 20, 2016	Back to back outside days for QQQ	1-3 days	Bullish			
April 18, 2016	Opex Week up 1%-2%	1-5 days	Bearish			
April 15, 2016	Top of range prior to opex Fri	1-4 days	Bearish			
April 14, 2016	QE Buying Power Short	1-6 days	Bearish			
Active - Long Term						
March 28, 2016	1st close < 10ma in 25 days	1-19 days	Bullish	4.10%	-0.90%	-2.25%
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 18, 2016	Tax Days Bullish	1-2 days	Bullish			

The Evidence

Tuesday was a day of mixed results. The SPX finished up 0.3%, the NASDAQ fell 0.4% and the Russell 2000 gained 0.1%. Breadth was positive as the NYSE Up Issues % was 69% and the Up Volume % came in at 79%. NYSE volume rose some from Monday's level.

An interesting study that triggered tonight considered the fact that QQQ made an outside day for the second day in a row. When QQQ has made back-to-back outside days in the past, it has often led to a short-term rally. I last showed this in the 3/10/14 subscriber letter, and have updated the study below.

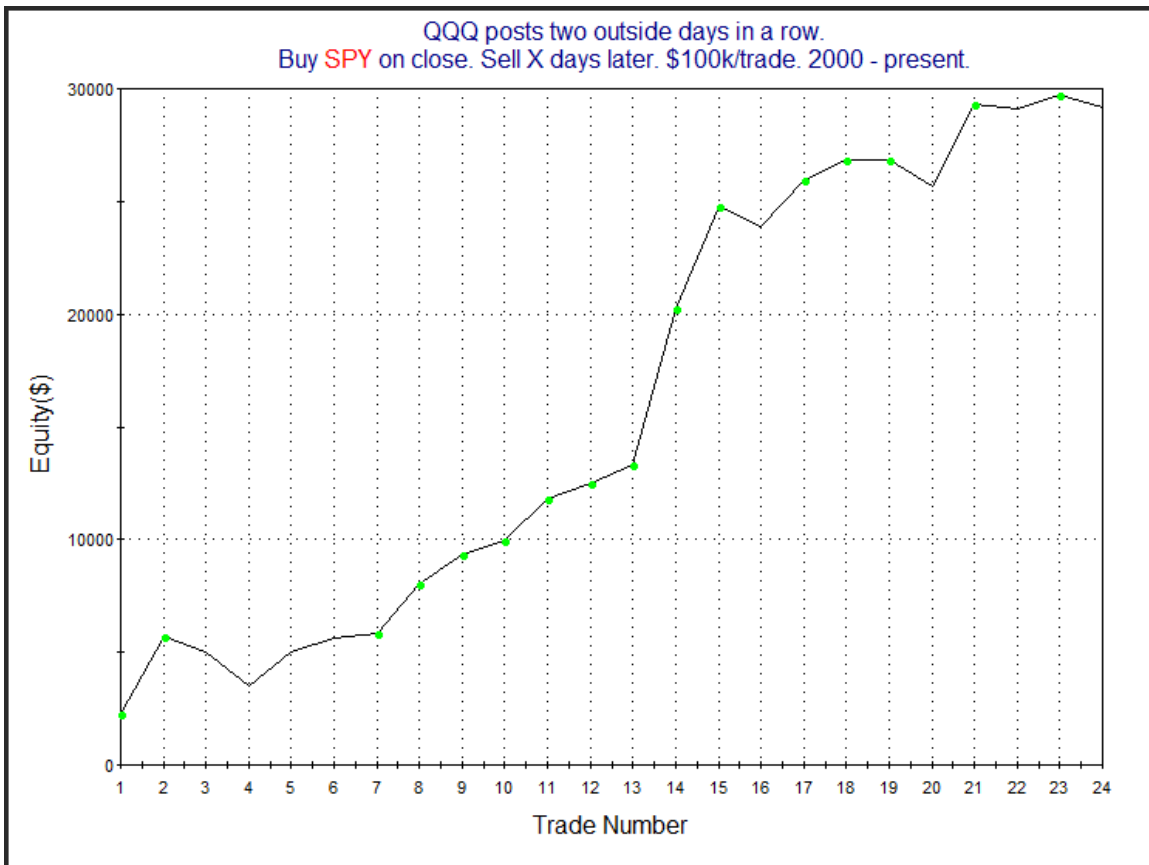
QQQ posts two outside days in a row. Buy on close. Sell X days later. \$100k/trade. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	29,072.44	23	16	7	69.57	2,539.29	8,554.64	-1,650.89	-3,766.00	1.54	3.52	1,264.02
4	32,609.68	23	17	6	73.91	2,452.89	7,467.78	-1,514.91	-2,994.30	1.62	4.59	1,417.81
3	35,424.93	24	17	7	70.83	2,515.71	7,502.84	-1,048.87	-2,461.98	2.40	5.82	1,476.04
2	20,434.31	24	17	7	70.83	1,681.39	3,775.87	-1,164.18	-2,875.08	1.44	3.51	851.43
1	19,502.51	24	19	5	79.17	1,153.01	3,179.66	-480.92	-1,134.42	2.40	9.11	812.60

Results here appear strongly positive. I also looked at how SPY performed when QQQ had back to back outside days.

QQQ posts two outside days in a row.
Buy SPY on close. Sell X days later. \$100k/trade. 2000 - 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	22,206.34	23	15	8	65.22	2,061.74	7,544.00	-1,089.97	-2,835.90	1.89	3.55	965.49
4	23,502.77	23	14	9	60.87	2,268.61	6,831.00	-917.52	-2,487.51	2.47	3.85	1,021.86
3	29,193.47	24	18	6	75.00	1,897.39	6,957.50	-826.59	-1,498.50	2.30	6.89	1,216.39
2	16,315.58	24	16	8	66.67	1,506.68	3,829.50	-973.91	-1,655.64	1.55	3.09	679.82
1	18,770.79	24	19	5	79.17	1,081.47	2,871.33	-355.44	-733.92	3.04	11.56	782.12

The positive results seem to translate to SPY as well. Using the 3-day exit criteria, I generated the profit curve below.



The strong upslope acts as some confirmation of the upside edge.

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



With the double outside day study being added tonight the green Aggregator Line inched 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 side of 0. Therefore, the Aggregator signal turned flat at the close.

Based on the current active studies, expectations are slated to remain positive on Wednesday. This could change if more bearish evidence emerges. The Differential Pivot will 2073.58 on Wednesday. That is 1.3% below Tuesday's close. So for SPX to move from overbought to oversold versus expectations, it is going to need to close down at least 1.3% on Wednesday.

Tonight's study creates a bit of an interesting twist. I placed a short trade idea last night in anticipation that the short signal would remain intact if SPX closed up on Tuesday. But that is not the case, and things are looking quite neutral right now. So I'll look to get out of that short on Wednesday. With the market as overbought as it is and the evidence mixed, I am not going to panic and cover into a gap up. I will instead cover into a gap down or on a fill of a gap up. And then I will be on the lookout for the next favorable trading opportunity.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/18 – slightly bullish

The intermediate-term outlook was last updated in the 4/18 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)(s)	4/19/2016	\$209.90	\$209.90	0.00%		Shorted on close

I will look to cover my SPY position <= \$209.88 on Wednesday.

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