

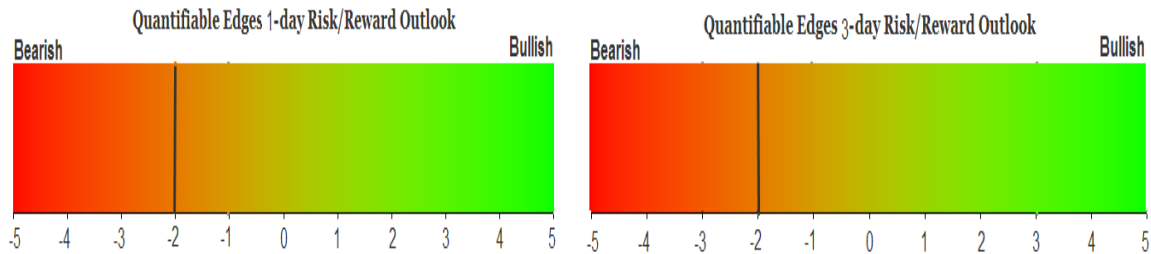
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 21, 2016

Volume 9 Issue 76

Market Overview



Signals Overview

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

Tonight's Research Points

- VIX rising on a day that SPX hits a new 50-day has often led to a decline the next day.

Short-term Outlook

The Bottom Line

I am seeing more hint that a pullback is likely, but the downside edge may be short-lived. It does not appear powerful enough to compel me to take a counter-trend position.

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 21, 2016	SPX 50-high. VIX up. Midweek.	1 day	Bearish			
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 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 15, 2016	Top of range prior to opex Fri	1-4 days	Bearish			

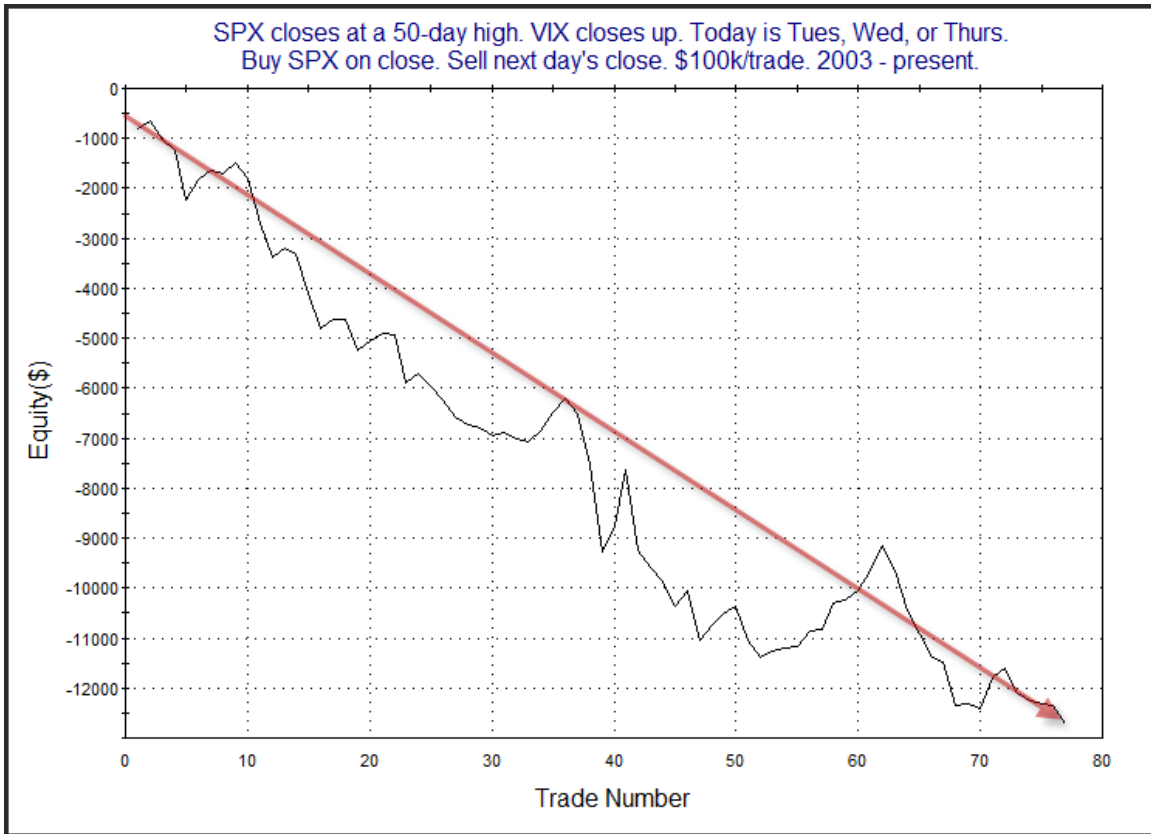
The Evidence

Wednesday saw small gains for the market. The SPX finished up 0.1%, while the Russell 2000 and the NASDAQ each rose 0.2%. Breadth was positive as the NYSE Up Issues % was 55% and the Up Volume % came in at 62%. NYSE volume came in at the highest level in over a month.

The study below was last seen in the 11/12/14 letter. It examines other times where the VIX rose midweek while SPX was closing at a 50-day high. I often segregate VIX studies by mid-week vs. Monday or Friday because the VIX has a natural tendency to decline on Friday afternoons and rise on Mondays. Results below are updated.

SPX closes at a 50-day high. VIX closes up. Today is Tues, Wed, or Thurs. Buy SPX on close. Sell next day's close. \$100k/trade. 2003 - present.			
TradeStation Performance Summary			Expand ▾
All Trades			
Total Net Profit	(\$12,706.59)	Profit Factor	0.40
Gross Profit	\$8,566.83	Gross Loss	(\$21,273.42)
Total Number of Trades	77	Percent Profitable	42.86%
Winning Trades	33	Losing Trades	44
Even Trades	0		
Avg. Trade Net Profit	(\$165.02)	Ratio Avg. Win:Avg. Loss	0.54
Avg. Winning Trade	\$259.60	Avg. Losing Trade	(\$483.49)
Largest Winning Trade	\$1,108.05	Largest Losing Trade	(\$1,721.70)

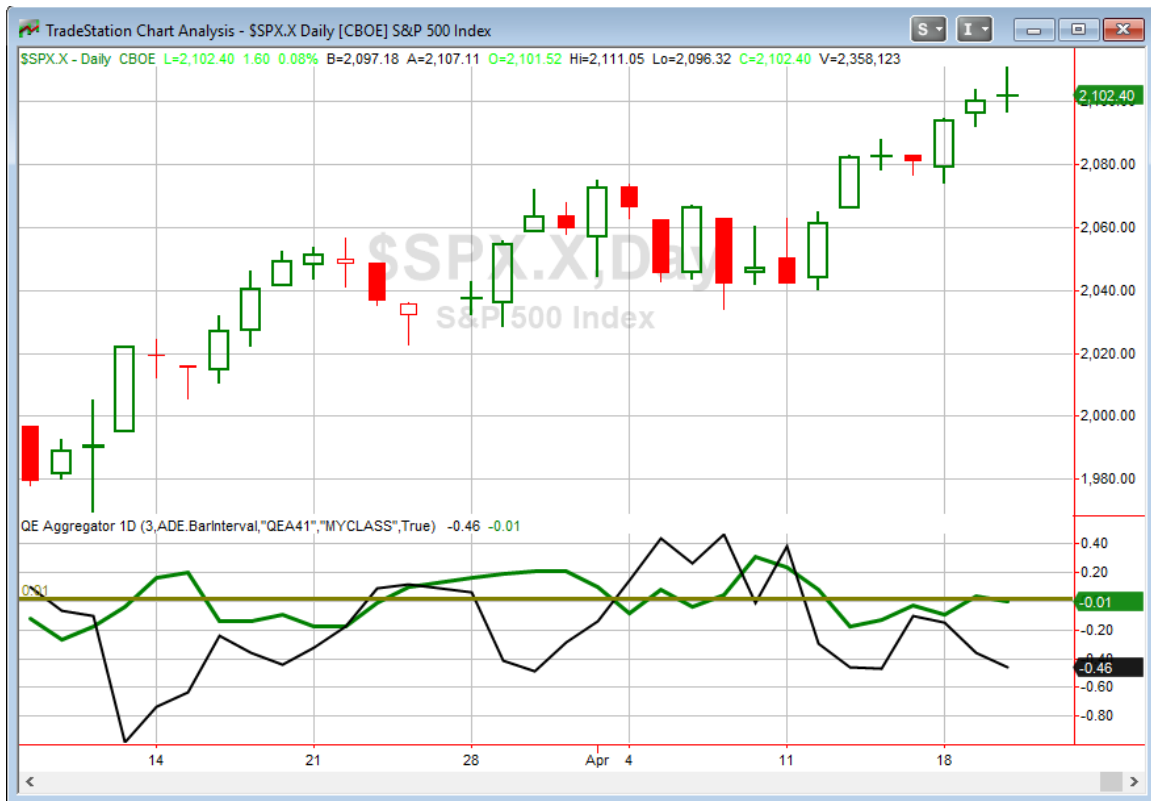
The numbers seem moderately suggestive of a downside edge. Here is the profit curve.



The curve is more impressive than the numbers might suggest. It is a little choppy, but the downside edge seems to have persisted fairly well throughout the last 13+ years. I have included this study on the Active List tonight.

In the 9/14/12 letter I looked at high volume days that saw the market make 20-day highs. I found that when the move was part of a fresh breakout, it showed bullish inclinations both short and intermediate-term. But when it had already been hitting new highs and was not a fresh breakout, then the bullish tendency was not as pronounced. This is the situation we are in now. And while the updated numbers don't look too bad, in examining the profit curves they have not shown much of an edge at all over the last 1/3 of the chart. So I won't cover these studies tonight and I won't include them in the active list.

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



With tonight's study being added the green Aggregator Line inched 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 turned short at the close.

Based on the current active studies, expectations are slated to turn back to positive on Thursday. This could change if more bearish evidence emerges. The Differential Pivot will 2089.02 on Thursday. That is 0.6% below Wednesday's close. So for SPX to move from overbought to oversold versus expectations, it is going to need to close down at least 0.6% on Thursday.

The Aggregator is suggesting a downside edge, but that edge is not expected to last beyond Thursday. I am not inclined to take a counter-trend position here in hopes of a quick 1-day hit. So I will wait for either more substantial bearish evidence to emerge, or for the SPX to sell down to an oversold condition before taking on new exposure. For now, I am flat and patient.

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
<i>SPY(1/4)(s)</i>	<i>4/19/2016</i>	<i>\$209.90</i>	<i>\$209.88</i>	<i>0.01%</i>		<i>covered @ limit</i>

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