

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 22, 2016

Volume 9 Issue 77

Market Overview



Signals Overview

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

Tonight's Research Points

- Relatively strong drops from 50-day highs have consistently been followed by bounces.

Short-term Outlook

The Bottom Line

Evidence is hinting at a bounce but the SPX is still a bit overbought. The leaves me 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 22, 2016	Big drop from 50-day high	1-4 days	Bullish	1.10%	-0.80%	-1.60%
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			
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	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			
Dropped Tonight						
April 21, 2016	SPX 50-high. VIX up. Midweek.	1 day	Bearish			
April 14, 2016	QE Buying Power Short	1-6 days	Bearish			

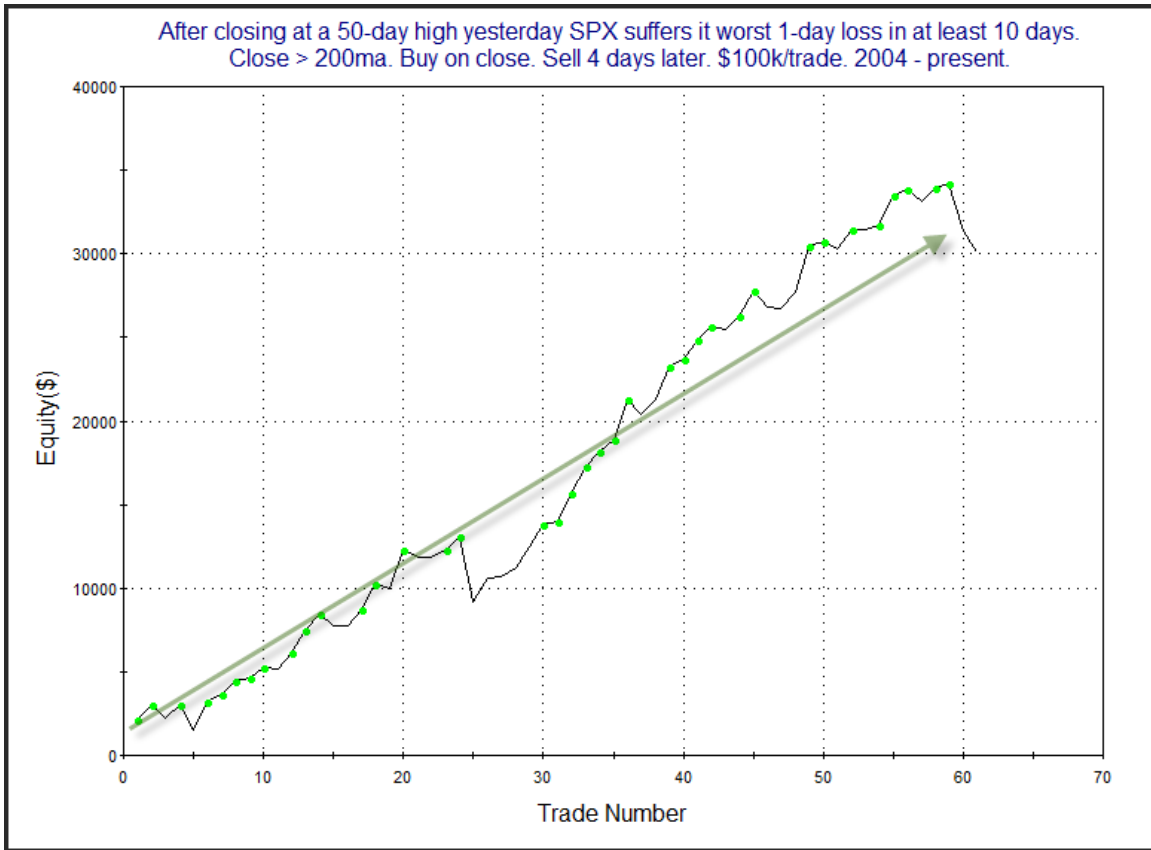
The Evidence

Thursday was a down day. The SPX finished down 0.5%, the NASDAQ fell 0.5%, and the Russell 2000 lost 0.6%. Breadth was negative as the NYSE Up Issues % was 37% and the Up Volume % came in at 31%. NYSE volume came in at the highest level in over a month.

The pullback did not trigger much, but it did trigger the study below. It was last seen in the 3/4/15 Letter. It looks at relatively large drops from intermediate-term highs. I have updated all the stats.

After closing at a 50-day high yesterday SPX suffers it worst 1-day loss in at least 10 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 2004 - 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	24,938.59	57	40	17	70.18	1,265.57	3,149.37	-1,510.84	-3,454.00	0.84	1.97	437.52
4	30,069.66	61	43	18	70.49	1,052.50	2,725.38	-843.76	-3,895.76	1.25	2.98	492.95
3	22,435.37	62	44	18	70.97	829.37	2,192.40	-780.95	-1,808.21	1.06	2.60	361.86
2	13,127.18	63	35	28	55.56	816.28	2,437.50	-551.53	-1,777.55	1.48	1.85	208.37
1	5,322.59	63	35	28	55.56	543.62	1,521.72	-489.43	-1,354.59	1.11	1.39	84.49

Over the last 12+ years the stats are impressive. And the 3-4 day consistency is strong. Below is a profit curve that assumes a 4-day holding period.



Despite the struggles in the last few instances, the steady upslope seems to confirm the bullish inclination.

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



With tonight's study being added the green Aggregator Line zigged 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 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 sides of 0. Therefore, the Aggregator signal turned flat at the close.

Based on the current active studies, expectations are slated to remain positive on Friday. This could change if more bearish evidence emerges. The Differential Pivot will be *inverted at 2098.87* on Friday. That is 0.35% *above* Thursday's close. An inverted pivot means that the differential line will cross though 0 if SPX closes flat. So in this case SPX will need to close up at least 0.35% in order to remain overbought. Anything less than that and it will be considered "oversold" versus recent expectations as of Friday's close.

The Aggregator is neutral and so am I. I do not see strong enough evidence to get me interested in jumping in to a long trade just one day off a new high. I would prefer to see a deeper pullback that would also create a clearly oversold condition. Further selling on Friday could perhaps be enough to get me thinking about a long position on Monday.

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

None

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