

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 26, 2016

Volume 9 Issue 79

Market Overview



Signals Overview

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

Tonight's Research Points

- Monday's Golden Cross suggests we could be in a bull phase.

Short-term Outlook

The Bottom Line

Evidence is hinting at a bounce and the SPX is again a little oversold. This leaves me somewhat bullish and looking for profit from a possible bounce.

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 25, 2016	1st 5 low in 10 days. Close > 10ma	1-4 days	Bullish	1.40%	-1.00%	-2.10%
April 22, 2016	Big drop from 50-high	1-4 days	Bullish			
Active - Long Term						
April 26, 2016	Golden Cross	int term	Bullish			
April 25, 2016	1st 5 low in 10 days. Close > 10ma	1-10 days	Bullish	2.20%	-1.30%	-2.70%
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			

The Evidence

Despite a late-day rally, the market could not recover completely from its poor start on Monday. The SPX dropped 0.2%, the NASDAQ sold off 0.2%, and the Russell 2000 lost 0.75%. Breadth was negative as the NYSE Up Issues % was 33% and the Up Volume % came in at 23%. NYSE declined a fair amount from Friday's reading.

Of possible significance is the fact that SPX posted a Golden Cross on Monday afternoon. A Golden Cross occurs when the 50ma crosses over the 200ma. Having the 50ma above the 200ma is commonly considered a bullish market condition – and generally it is. I covered Golden Crosses in great detail in the Quantifiable Edges Market Timing Course (Lesson 2). Here are updated stats on SPX Golden Crosses since 1961.

Buy SPX on close when 50ma crosses over 200ma. Sell on close when 50ma crosses back below 200ma. \$100k/trade. 1961 - present.			
TradeStation Performance Summary			Expand ▾
All Trades			
Total Net Profit	\$441,985.80	Profit Factor	16.44
Gross Profit	\$470,616.67	Gross Loss	(\$28,630.87)
Total Number of Trades	29	Percent Profitable	79.31%
Winning Trades	23	Losing Trades	6
Even Trades	0		
Avg. Trade Net Profit	\$15,240.89	Ratio Avg. Win:Avg. Loss	4.29
Avg. Winning Trade	\$20,461.59	Avg. Losing Trade	(\$4,771.81)
Largest Winning Trade	\$120,579.90	Largest Losing Trade	(\$8,795.58)

Below is a list of all Golden Crosses since 1961.

Buy SPX on close when 50ma crosses over 200ma.
 Sell on close when 50ma crosses back below 200ma. \$100k/trade. 1961 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
1/4/1961	Buy	\$58.36	13.50%	\$24,461.64
5/4/1962	Sell	\$66.24		\$0.00
1/3/1963	Buy	\$63.72	31.59%	\$42,300.24
7/22/1965	Sell	\$83.85		(\$235.35)
9/17/1965	Buy	\$90.05	1.20%	\$5,183.70
4/28/1966	Sell	\$91.13		(\$3,729.60)
2/3/1967	Buy	\$87.36	3.63%	\$12,526.80
2/27/1968	Sell	\$90.53		(\$2,002.00)
5/17/1968	Buy	\$96.90	1.54%	\$12,856.57
3/13/1969	Sell	\$98.39		(\$1,144.41)
5/27/1969	Buy	\$103.57	-7.09%	\$675.50
6/23/1969	Sell	\$96.23		(\$8,067.40)
10/22/1970	Buy	\$83.38	17.71%	\$26,641.78
9/24/1971	Sell	\$98.15		(\$1,378.85)
1/26/1972	Buy	\$102.50	8.82%	\$18,759.00
4/18/1973	Sell	\$111.54		(\$292.50)
3/7/1975	Buy	\$84.30	21.58%	\$28,962.12
12/1/1976	Sell	\$102.49		(\$5,503.04)
1/4/1977	Buy	\$105.70	-4.56%	\$350.02
3/3/1977	Sell	\$100.88		(\$6,508.48)
5/22/1978	Buy	\$99.08	-3.06%	\$9,050.73
12/13/1978	Sell	\$96.05		(\$7,506.96)
3/22/1979	Buy	\$101.66	1.73%	\$18,244.48
4/22/1980	Sell	\$103.42		(\$4,099.11)
6/18/1980	Buy	\$116.25	10.65%	\$22,110.60
7/2/1981	Sell	\$128.63		(\$2,700.40)
9/28/1982	Buy	\$123.24	30.57%	\$40,436.46
2/3/1984	Sell	\$160.91		(\$3,333.21)
9/12/1984	Buy	\$164.67	43.78%	\$54,368.99
11/18/1986	Sell	\$236.77		(\$2,822.55)
11/25/1986	Buy	\$248.16	2.54%	\$36,067.44
11/5/1987	Sell	\$254.47		(\$12,743.40)
6/28/1988	Buy	\$272.31	20.69%	\$32,398.76
2/26/1990	Sell	\$328.66		(\$5,791.26)
5/25/1990	Buy	\$354.58	-8.80%	\$4,286.40
9/7/1990	Sell	\$323.39		(\$13,651.62)
2/15/1991	Buy	\$369.06	19.91%	\$30,723.30
4/19/1994	Sell	\$442.54		(\$1,857.60)
9/15/1994	Buy	\$474.81	120.93%	\$150,311.70
9/29/1998	Sell	\$1,049.00		(\$6,705.30)
12/8/1998	Buy	\$1,181.38	15.99%	\$20,055.84
11/5/1999	Sell	\$1,370.23		(\$3,738.00)
11/10/1999	Buy	\$1,373.46	1.83%	\$12,917.52
10/30/2000	Sell	\$1,398.65		(\$4,872.24)
5/14/2003	Buy	\$939.28	16.60%	\$23,738.70
8/18/2004	Sell	\$1,095.17		(\$2,886.38)
11/5/2004	Buy	\$1,166.17	8.03%	\$13,645.05
7/19/2006	Sell	\$1,259.81		(\$2,551.70)
9/12/2006	Buy	\$1,313.12	13.05%	\$19,985.72
12/21/2007	Sell	\$1,484.50		(\$165.68)
6/23/2009	Buy	\$895.10	14.24%	\$36,041.70
7/2/2010	Sell	\$1,022.58		(\$2,861.58)
10/22/2010	Buy	\$1,183.08	-0.36%	\$15,750.00
8/12/2011	Sell	\$1,178.81		(\$6,849.36)
1/31/2012	Buy	\$1,312.40	51.54%	\$62,496.32
8/28/2015	Sell	\$1,988.87		(\$3,470.16)
12/21/2015	Buy	\$2,021.15	-4.82%	\$2,960.09
1/11/2016	Sell	\$1,923.67		(\$5,882.45)

A few things really stand out here. First, the winning percentage is terrific with 23 winners and only 6 losers. Also with the winners substantially larger than the losers risk/reward is very good.

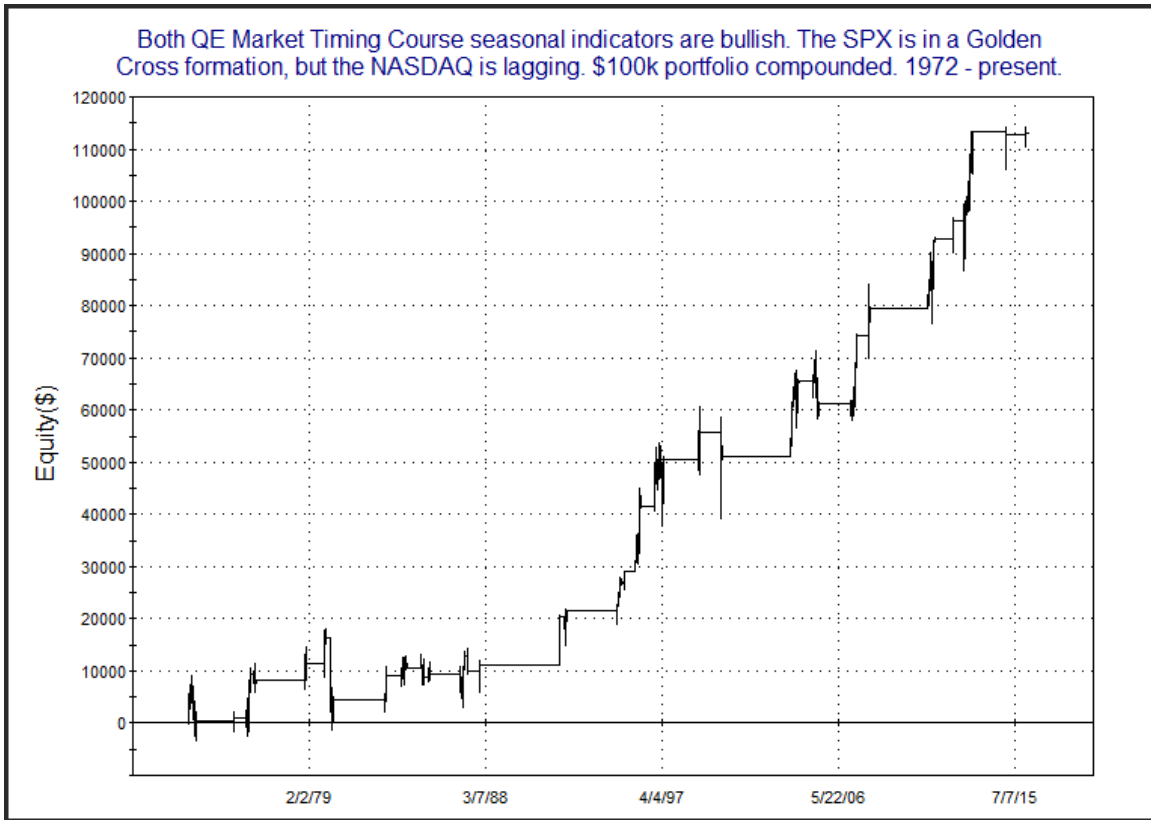
Last night I also looked at implications of the Golden Cross in relation to the other QE Market Timing Course indicators. I have pasted an excerpt below.

So tonight I thought I would review how the market has performed when the Market Timing Course indicators were aligned as I expect them to be as of Monday's close.

Both QE Market Timing Course seasonal indicators are bullish. The SPX is in a Golden Cross formation, but the NASDAQ is lagging. \$100k/trade. 1972 - present.

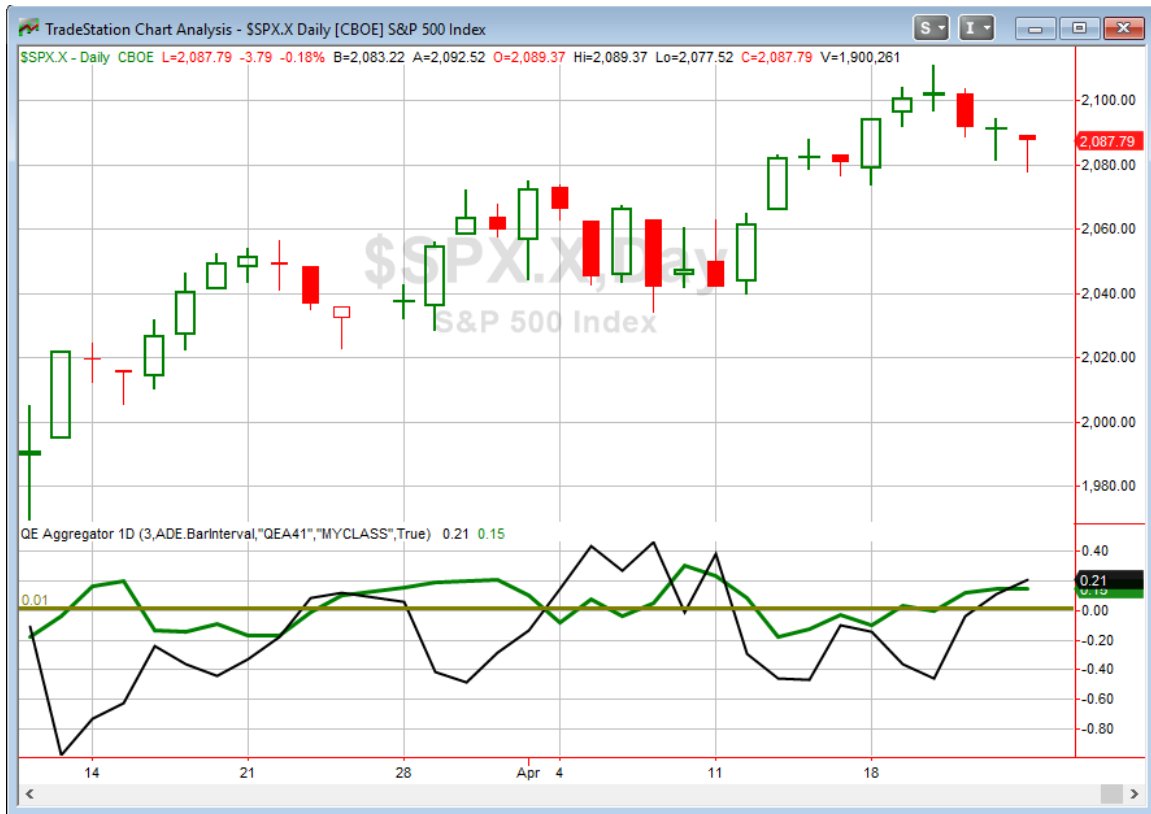
TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	\$79,070.62	Profit Factor	3.22
Gross Profit	\$114,654.56	Gross Loss	(\$35,583.94)
Total Number of Trades	52	Percent Profitable	73.08%
Winning Trades	38	Losing Trades	14
Even Trades	0		
Avg. Trade Net Profit	\$1,520.59	Ratio Avg. Win:Avg. Loss	1.19
Avg. Winning Trade	\$3,017.23	Avg. Losing Trade	(\$2,541.71)
Largest Winning Trade	\$8,333.40	Largest Losing Trade	(\$10,089.09)

Stats here appear solidly bullish. I also looked at a profit curve that assumed the portfolio was 100% in when the configuration was in place and 100% out otherwise. No commissions or interest on cash positions were included. This can be seen below.



No red flags here, as the formation appears to have produced intermediate-term gains on a pretty consistent basis over the years.

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



Tonight again the green Aggregator Line held 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 above 0. Therefore, the Aggregator signal turned long at the close.

Based on the current active studies, expectations are slated to remain positive on Tuesday. This could change if more bearish evidence emerges. The Differential Pivot will be 2094.61 on Tuesday. That is 0.3% above Monday's close. So for SPX to move from oversold to overbought versus expectations on Tuesday it is going to have to close up at least 0.3%.

No new short-term evidence emerged, and nothing really changed from a short-term perspective. There still seems to be a pretty good chance of a move up in the next few days. I took advantage of the gap down on Monday to enter a small long position. I'll hang onto that position on Tuesday. The Differential Pivot is not that far off, though. So I will look to sell at the close on Tuesday if SPY moves nicely upwards.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/25 – slightly bullish

The intermediate-term outlook was last updated in the 4/25 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)	4/25/2016	\$208.26	\$208.61	0.17%		bought on open

I will look to sell my SPY position at the close if SPX closes \geq the Differential Pivot of 2094.61 on Tuesday.

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