

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 29, 2016

Volume 9 Issue 82

Market Overview



Signals Overview

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

Tonight's Research Points

- The 1st 10-day low in a while is often buyable, but it has been less reliable at times like the present.

Short-term Outlook

The Bottom Line

Not a lot to bank on short-term, but the market still looks more likely to bounce than to sell off further.

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						
none						
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	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 28, 2016	SOX up 0.75%. NDX down 0.75%.	1 day	Bullish			
April 27, 2016	SPX 3-day high. NDX down 3 days.	1-2 days	Bullish			
April 25, 2016	1st 5 low in 10 days. Close > 10ma	1-4 days	Bullish	1.40%	-1.00%	-2.10%

The Evidence

There was some hard selling on Thursday afternoon, which caused losses in all the major indices. The SPX declined 0.9%, while the Russell 2000 and the NASDAQ sold off 1.2%. Breadth was negative as the NYSE Up Issues % was 35% and the Up Volume % came in at 31%. NYSE volume rose for the 3rd day in a row.

Notable about the close on Thursday is that it was the 1st 10-day low close since 2/8/16. Before today SPX had gone 53 trading days without posting a 10-day low. That is a long time. Historically the 1st pullback to a 10-day low after such a long time without one has provided an upside edge. In the 11/12/15 letter I also found that the edge is more prevalent when SPX has been in a strong trend. In the past I used ADX to determine trend strength. I found readings above and below 20 seemed to be a decent delineator. Below we can see updated results of both.

After going at least 30 days without closing at a 10-day low, SPX closes at a 10-day low but > 200ma.
14-day ADX closes > 20. Buy on close. Sell X days later. \$100k/trade. 1980 - 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
10	70,936.17	44	30	14	68.18	2,975.25	12,395.76	-1,308.66	-5,362.24	2.27	4.87	1,612.19
9	69,276.61	44	33	11	75.00	2,575.85	10,529.82	-1,429.67	-3,753.36	1.80	5.41	1,574.47
8	66,857.40	44	34	10	77.27	2,444.69	10,554.48	-1,626.20	-6,117.72	1.50	5.11	1,519.49
7	47,504.99	44	32	12	72.73	2,339.87	7,743.24	-2,280.90	-8,141.12	1.03	2.74	1,079.66
6	46,987.93	44	33	11	75.00	1,975.72	5,893.74	-1,655.54	-4,111.40	1.19	3.58	1,067.91
5	40,431.55	44	30	14	68.18	1,913.15	4,608.35	-1,211.64	-3,502.11	1.58	3.38	918.90
4	39,078.11	44	34	10	77.27	1,613.71	4,690.50	-1,578.80	-2,616.60	1.02	3.48	888.14
3	19,162.65	44	30	14	68.18	1,262.33	3,940.55	-1,336.23	-4,464.88	0.94	2.02	435.51
2	9,607.56	44	28	16	63.64	1,030.05	3,744.45	-1,202.11	-7,559.56	0.86	1.50	218.35
1	6,565.64	44	27	17	61.36	702.00	2,287.60	-728.72	-1,922.40	0.96	1.53	149.22

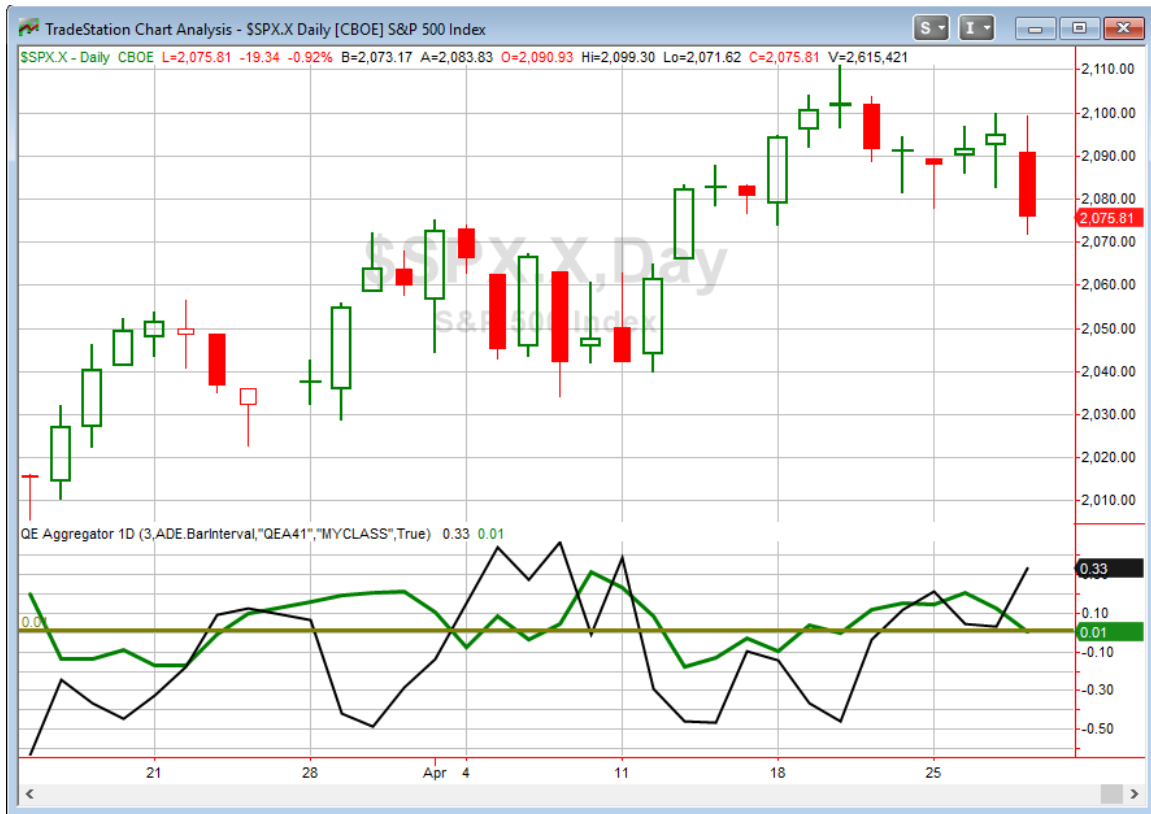
41 of 44 instances (93%) closed above the entry price at some point in the next week.

After going at least 30 days without closing at a 10-day low, SPX closes at a 10-day low but > 200ma.
14-day ADX closes < 20. Buy on close. Sell X days later. \$100k/trade. 1980 - 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
10	-6,832.36	13	6	7	46.15	1,867.51	2,991.12	-2,576.77	-4,749.93	0.72	0.62	-525.57
9	-1,435.44	13	7	6	53.85	1,885.85	3,201.66	-2,439.40	-4,227.31	0.77	0.90	-110.42
8	-1,712.46	13	7	6	53.85	1,495.06	3,107.28	-2,029.65	-4,508.89	0.74	0.86	-131.73
7	1,606.03	13	7	6	53.85	1,428.14	2,849.55	-1,398.49	-2,877.17	1.02	1.19	123.54
6	-3,279.07	13	6	7	46.15	1,270.92	2,432.10	-1,557.80	-3,792.29	0.82	0.70	-252.24
5	-4,227.89	13	8	5	61.54	721.05	1,836.78	-1,999.26	-3,032.40	0.36	0.58	-325.22
4	-1,735.45	13	6	7	46.15	1,188.37	2,054.58	-1,266.52	-1,949.36	0.94	0.80	-133.50
3	-317.67	13	6	7	46.15	1,314.70	1,942.05	-1,172.27	-2,320.47	1.12	0.96	-24.44
2	-1,115.31	13	6	7	46.15	1,099.00	1,725.60	-1,101.33	-1,753.30	1.00	0.86	-85.79
1	-2,319.29	13	6	7	46.15	739.26	1,491.93	-964.98	-2,200.08	0.77	0.66	-178.41

Obviously the preference here would be to have an ADX > 20. Unfortunately, Thursday's ADX reading came in at 19. So the current situation is reflected in the second table, which does not indicate a strong or consistent edge. Therefore, there was no study added to the Active List tonight.

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



Tonight the green Aggregator Line barely 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 moved further 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 stayed long at the close.

The recent chop has left the Active List without any short-term studies. Current studies are all intermediate-term. This is leaving expectations slightly bullish. Of course any new short-term studies that emerge in the next few days will have a strong impact on expectations. The Differential Pivot will be 2102.00 on Friday. That is 1.3% above Thursday's close. So for SPX to move from oversold to overbought versus expectations on Friday it is going to have to close up at least 1.3%.

With the Aggregator formation still bullish there appears to be a bit of an upside edge. But the lack of short-term evidence is not terribly encouraging. I have a small amount of long exposure already. I am not interested in taking on any more index exposure until new evidence emerges. But I will still hold my current SPY position in the hopes of profiting from a potential bounce. Additionally, there was one Catapult trade that triggered.

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

NEW

ABT @ \$40.42 (buy 1/3)

Broad Market Large Cap CBI – 1 (ABT)

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.

ABT – Buy 1/3 Catapult position @ \$40.42 LIMIT. This is from the Catapult section above. It will be the 1st of 3 possible lots of ABT.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	4/25/2016	\$208.26	\$207.45	-0.39%		Aggregator

I will look to sell my SPY position at the close if SPX closes \geq the Differential Pivot of 2102.00 on Friday.

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