

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 4, 2016

Volume 9 Issue 85

Market Overview



Signals Overview

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

Tonight's Research Points

- The unfilled gaps over the last couple of days set up a bearish pattern.

Short-term Outlook

The Bottom Line

Expectations remain slightly negative and the market remains oversold. This does not suggest a strong edge.

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						
May 4, 2016	Unfill gap up. Unfill gap down.	1-2 days	Bearish	-1.30%	0.70%	1.30%
May 3, 2016	SPY gap and bounce just right	1-4 days	Bullish	1.80%	-1.15%	-2.20%
May 3, 2016	1st of May closes higher	1-4 days	Bearish	-2.25%	1.00%	2.30%
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 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 3, 2014	Quantitative Easing Ends	int term	Bearish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			

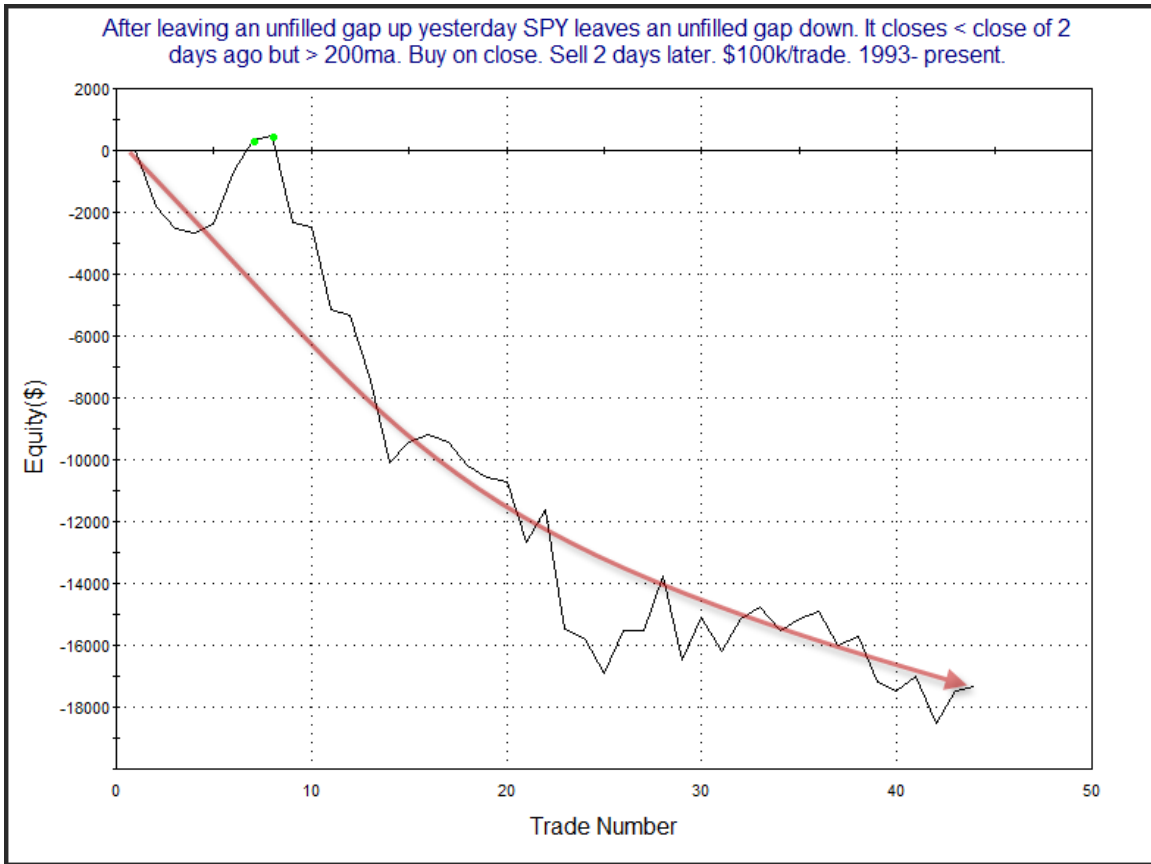
The Evidence

The market took a dive on Tuesday. The SPX fell 0.9%, the NASDAQ lost 1.1%, and the Russell 2000 dropped 1.7%. Breadth was negative as the NYSE Up Issues % was 25% and the Up Volume % came in at 15%. NYSE volume rose some from Monday's level.

With the back and forth chop the last few days not much triggered in the Quantifinder. The study below seemed worth looking at. It was last seen in the 12/15/14 letter. It examines 2-day moves like SPY has just encountered.

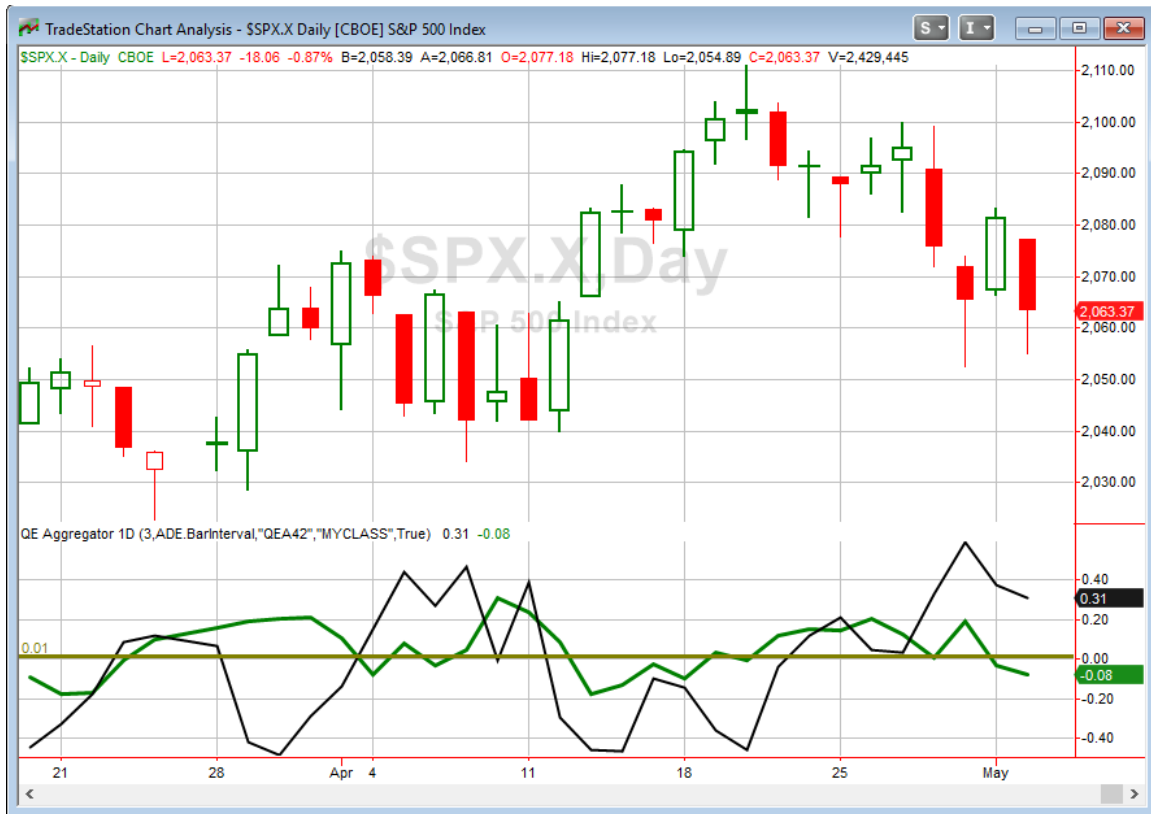
After leaving an unfilled gap up yesterday SPY leaves an unfilled gap down. It closes < close of 2 days ago but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993- present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-527.89	41	19	22	46.34	1,449.41	3,949.59	-1,275.76	-3,791.20	1.14	0.98	-12.88
4	2,122.66	42	19	23	45.24	1,554.14	3,637.58	-1,191.56	-4,926.08	1.30	1.08	50.54
3	-20,215.86	44	19	25	43.18	827.72	2,463.47	-1,437.70	-5,321.00	0.58	0.44	-459.45
2	-17,356.49	44	19	24	43.18	713.95	1,754.40	-1,288.40	-3,893.00	0.55	0.44	-394.47
1	-2,474.94	44	19	24	43.18	549.84	1,325.15	-538.41	-1,564.50	1.02	0.81	-56.25

The suggestion here is that more downside appears likely over the next few days. Of course I also examined the profit curves. Below is the 2-day.



While the curve has been a bit choppy, it still appears to be trending downwards. I believe this study is worth taking into consideration and have included it in the Aggregator.

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



With tonight's study included the green Aggregator Line held below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line is still well above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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 stayed flat at the close.

Based on the current active studies, expectations are slated to remain a little negative on Wednesday. This could change if convincing bullish evidence emerges. The Differential Pivot will be 2071.80 on Wednesday. That is 0.4% above Tuesday's close. So for SPX to move from oversold to overbought versus expectations on Wednesday it will need to close up at least 0.4%.

There does not appear to be a strong directional edge. We could see more downside in the next few days if the current studies play out as they typically have historically. But the market is somewhat oversold in the short-term, and it could certainly bounce at any time. I have not yet exited my small long SPY position because I did not get a fill on Tuesday since the gap down never came remotely close to filling. I will again look to exit it on Wednesday. I do still have several Catapult positions active and I am still looking to profit

from bounces in those. Interestingly, even with the strong selling on Tuesday, the CBI held steady at 6.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/2 – neutral

The intermediate-term outlook was last updated in the 5/2 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

ABT @ \$40.42 (bought 1/3)

ABT @ \$38.90 (bought @ limit) – 2nd lot

AMGN @ \$158.30 (bought @ limit)

GILD @ \$88.21 (bought @ limit)

ABT @ \$38.85 (bought @ limit) – 3rd lot

AAPL @ \$93.64 (buy 1/3 @ limit) – not filled – cancel for now

Broad Market Large Cap CBI – 6 (ABT-3, AMGN, GILD, AAPL)

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	\$206.16	-1.01%		sell at \$206.00 limit
ABT(1/3)	4/29/2016	\$40.37	\$38.55	-4.51%		Catapult
ABT(1/3)	5/2/2016	\$38.85	\$38.55	-0.77%		Catapult
AMGN(1/3)	5/2/2016	\$158.30	\$156.35	-1.23%		Catapult
GILD(1/3)	5/2/2016	\$88.21	\$87.17	-1.18%		Catapult
ABT(1/3)	5/3/2016	\$38.80	\$38.55	-0.64%		Catapult

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