

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 10, 2016

Volume 9 Issue 89

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Monday's weak breadth could have suggested a downside edge under different circumstances, but does not appear to be a substantial event this time.

### *Short-term Outlook*

#### *The Bottom Line*

Evidence remains bullish, but the SPX is now short-term overbought versus expectations. This leaves the Aggregator neutral. I am looking to flatten my index position but am still seeing edges via individual trades.

**Summary of Recent Active Studies (see Letters from listed dates for details)**

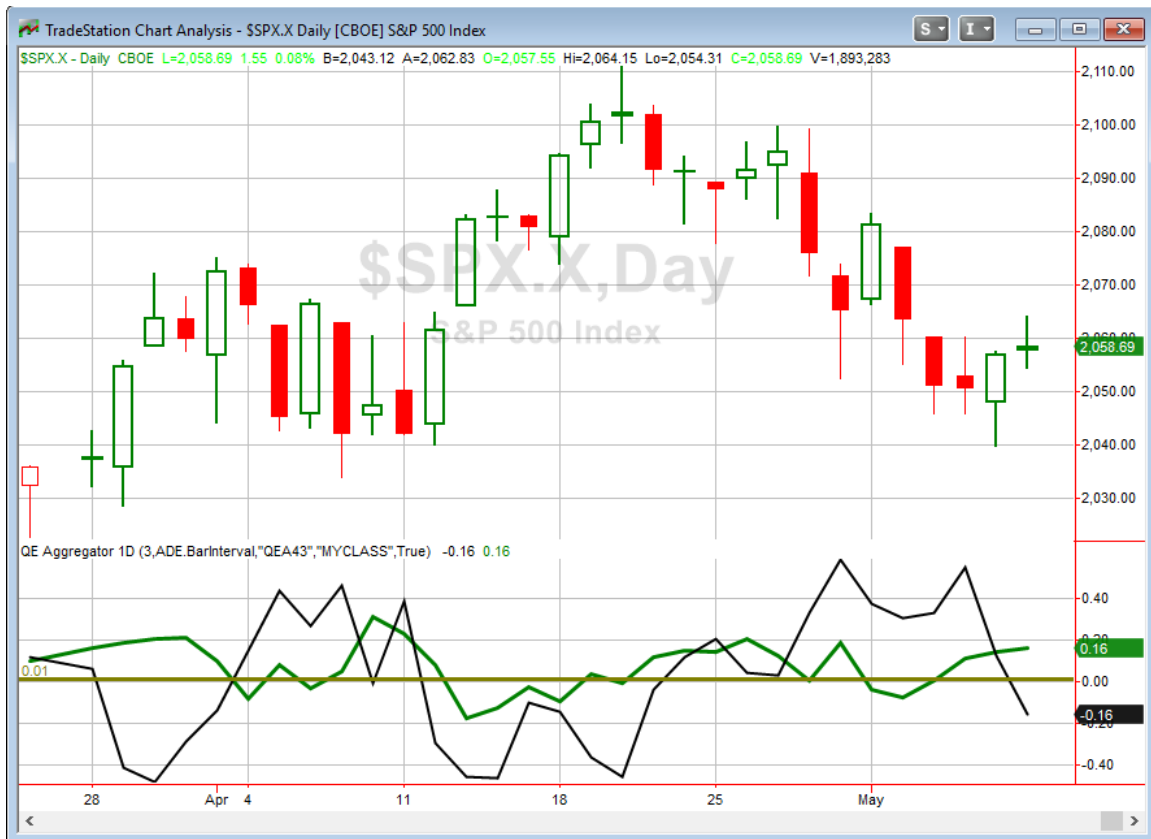
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
May 9, 2016	CBI >= 7. SPX < 200.	1-5 days	Bullish			
May 6, 2016	3 day pullback	1-5 days	Bullish			
May 5, 2016	Unfilled gap 2x. 5-low > 200ma	1-6 days	Bullish	1.90%	-1.30%	-2.40%
<b>Active - Long Term</b>						
May 9, 2016	CBI >= 7. SPX < 200.	1-15 days	Bullish			
May 5, 2016	Unfilled gap 2x. 5-low > 200ma	1-10 days	Bullish	2.50%	-1.70%	-3.35%
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**

Monday was a day of mostly mild gains. The SPX rose 0.1%, the NASDAQ gained 0.3%, and the Russell 2000 also closed up 0.3%. Breadth was negative as the NYSE Up Issues % was 46% and the Up Volume % came in at 39%. NYSE volume declined for the 4<sup>th</sup> day in a row.

The negative breadth on a day the SPX closed higher was noted by the Quantifinder. But when SPX has been above its 200ma it has not generated an edge. If SPX is below its 200ma and a day of negative breadth occurs in conjunction with a high SPX close, then that has often led to losses in the following days. But SPX is currently above the 200ma and that leaves us without much to consider based on negative breadth. There really was not anything else of substance that I identified tonight. The choppy & moderate action of the last few days has failed to generate strong edges for tonight. So the evidence being considered is what we have seen over the past few days. And the current Active Studies all suggested more upside is possible.

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



Without anything new being added tonight the green Aggregator Line remained above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line dipped 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.

With all the short-term studies currently bullish, expectations are slated to remain positive on Tuesday. This could change if convincing bearish evidence emerges. The Differential Pivot will be 2051.50 on Tuesday. That is 0.35% below Monday's close. So for SPX to move from overbought to oversold versus expectations on Monday it is going to need to close down at least 0.35%.

I took part of my index position off on Monday and I will look to take the 2<sup>nd</sup> part off on Tuesday. But even without any SPY, between the Aggressive VIX trade and the Catapults I will still hold a fair amount of long exposure. The Catapults I always hold until they trigger an exit. The Aggressive VIX trade idea I still like. I won't be looking to scale out of that yet. Expectations still call for a rise in the market over the next few days. This is one positive for the XIV trade idea. Another is that contango remains very strong, at over

15%. So XIV has a strong wind at its back and could gain nicely in the coming days and weeks even if the VIX and VIX futures barely budge.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 5/9 – slightly bullish***

The intermediate-term outlook was last updated in the 5/9 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) – 2<sup>nd</sup> lot

AMGN @ \$158.30 (bought @ limit)

GILD @ \$88.21 (bought @ limit)

ABT @ \$38.85 (bought @ limit) – 3<sup>rd</sup> lot

AAPL @ \$93.64 (buy 1/3 @ limit)

AGN – buy @ \$201.65 (buy 1/3 at limit) – not filled – cancel for now

***Broad Market Large Cap CBI – 7 (ABT-3, AMGN, GILD, AAPL, AGN)***

**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	\$205.89	-1.14%		sell@ \$206.00 limit
ABT(1/3)	4/29/2016	\$40.37	\$37.98	-5.92%		Catapult
ABT(1/3)	5/2/2016	\$38.85	\$37.98	-2.24%		Catapult
AMGN(1/3)	5/2/2016	\$158.30	\$155.41	-1.83%		Catapult
GILD(1/3)	5/2/2016	\$88.21	\$85.67	-2.88%		Catapult
ABT(1/3)	5/3/2016	\$38.80	\$37.98	-2.11%		Catapult
XIV(1/2)	5/5/2016	\$26.20	\$28.06	7.10%		Aggressive VIX
<b>SPY(1/4)</b>	<b>5/6/2016</b>	<b>\$204.06</b>	<b>\$205.57</b>	<b>0.74%</b>		<b>sold on open</b>
AAPL(1/3)	5/6/2016	\$93.21	\$92.79	-0.45%		Catapult

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