

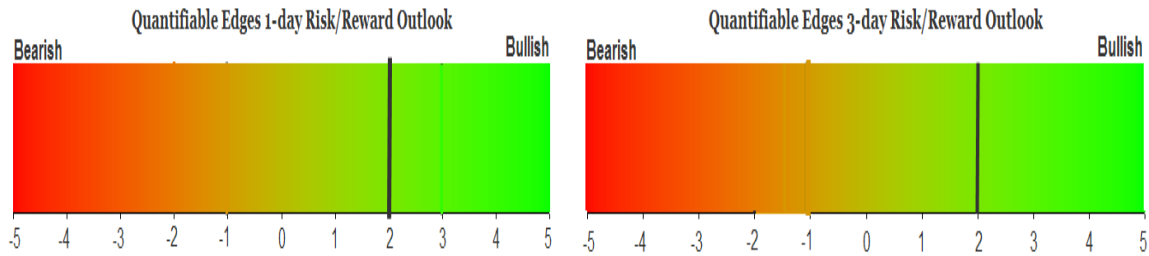
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 20, 2016

Volume 9 Issue 97

Market Overview



Signals Overview

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

Tonight's Research Points

- Opex Friday mornings during uptrends have typically seen selling.

Short-term Outlook

The Bottom Line

Evidence is slightly bullish with the market oversold. This suggests a mild upside 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 19, 2016	20-low and 3-day consolidation	1-5 days	Bullish			
May 19, 2016	SPX up. Breadth < 40%.	1-4 days	Bearish	-2.30%	0.55%	0.95%
May 17, 2016	20-low to 4-high	1-8 days	Bullish	2.40%	-1.50%	-3.10%
May 16, 2016	Down 3 going into opex week	1-5 days	Bullish	1.90%	-1.20%	-2.20%
Active - Long Term						
May 17, 2016	20-low to 4-high	1-20 days	Bullish	3.80%	-2.10%	-4.55%
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			

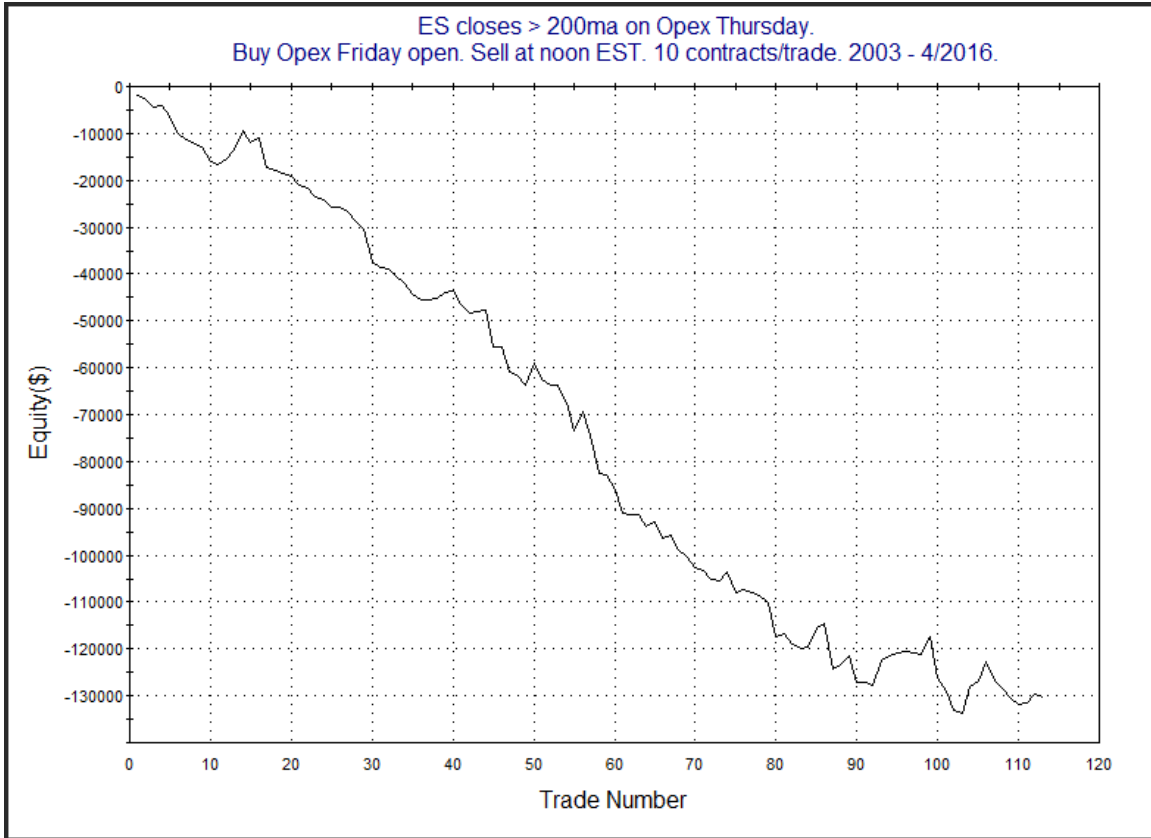
The Evidence

Thursday was a down day for the market but it looked a lot worse in the morning than where it closed at the end of the day. The SPX lost 0.4%, the NASDAQ fell 0.6%, and the Russell 2000 declined 0.7%. Breadth was negative as the NYSE Up Issues % was 30% and the Up Volume % came in at 36%. NYSE volume rose some from Wednesday's level.

One seasonal factor that could come into play on Friday is that the market has often struggled after the open on opex Friday. Below is a study showing results of purchasing 10 ES contracts (which is the mini-futures contract for the S&P 500) at the open and then exiting at different times during the day.

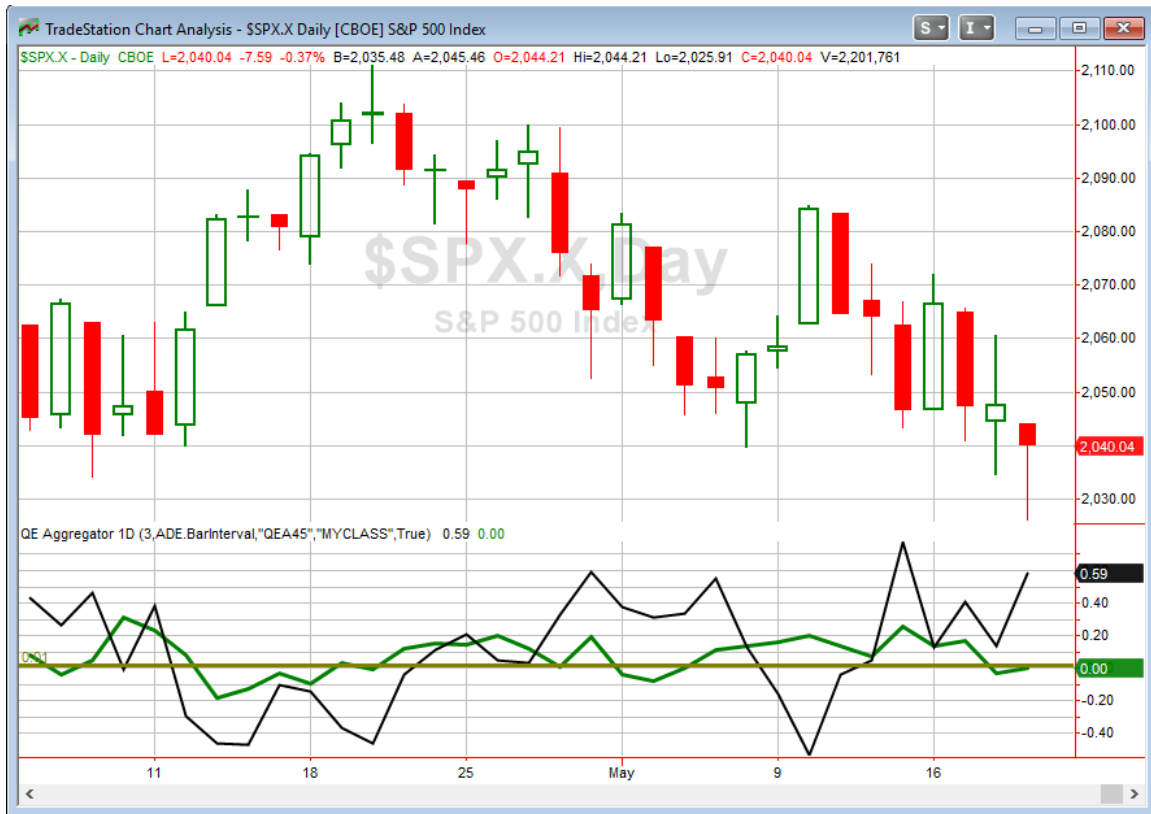
ES closes > 200ma on Opex Thursday. Buy Opex Friday open. Sell at time shown on left (EST). 10 contracts/trade. 2003 - 4/2016.												
OE Op-Ex Fri Intra Short2: timeofday	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
1,600	-116,500.00	113	48	62	42.48	2,351.56	13,875.00	-3,699.60	-16,125.00	0.64	0.49	-1,030.97
1,500	-128,125.00	113	37	73	32.74	2,459.46	9,875.00	-3,001.71	-11,625.00	0.82	0.42	-1,133.85
1,400	-134,250.00	113	32	75	28.32	2,191.41	9,875.00	-2,725.00	-10,750.00	0.80	0.34	-1,188.05
1,300	-126,375.00	113	34	78	30.09	1,955.88	9,625.00	-2,472.76	-10,000.00	0.79	0.34	-1,118.36
1,200	-130,125.00	113	33	80	29.20	1,731.06	5,625.00	-2,340.63	-9,750.00	0.74	0.31	-1,151.55
1,100	-89,125.00	113	40	71	35.40	1,450.00	7,250.00	-2,072.18	-7,625.00	0.70	0.39	-788.72
1,000	-73,750.00	113	31	80	27.43	810.48	3,250.00	-1,235.94	-3,625.00	0.66	0.25	-652.65

As you can see, the bearish implications primarily play themselves out during the morning. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) Below is a profit curve that assumes the trade is sold at noon each time.



The downward slope has been in effect and fairly steady for a long time. So caution seems warranted on the long side during the morning on Friday.

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



Without any new studies being added to the Active List tonight the green Aggregator Line inched just above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line is still 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.

With the current list of active studies, expectations are poised to remain positive on Friday's close. Of course this could change if new bearish evidence emerges. The Differential Pivot will be 2058.69 on Friday. That is 0.9% above Friday's close. So SPX would need to close up at least 0.9% in order to move from oversold to overbought versus expectations on Friday.

So the Aggregator turned back to bullish. But evidence really did not improve any – and perhaps it got a little worse when you consider the Opex Friday morning study. I already have a bit of long exposure. I am not inclined to add more yet. I would rather see how things play out over the next few days.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/16 – slightly bullish

The intermediate-term outlook was last updated in the 12/15 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

GILD @ \$88.21 (bought @ limit)

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

Broad Market Large Cap CBI – 4 (ABT-3, GILD)

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
ABT(1/3)	4/29/2016	\$40.37	\$37.24	-7.75%		Catapult
ABT(1/3)	5/2/2016	\$38.85	\$37.24	-4.14%		Catapult
GILD(1/3)	5/2/2016	\$88.21	\$82.14	-6.88%		Catapult
ABT(1/3)	5/3/2016	\$38.80	\$37.24	-4.02%		Catapult
XIV(1/2)	5/5/2016	\$26.20	\$27.66	5.57%		Aggressive VIX
SPY(1/4)	5/18/2016	\$204.44	\$204.20	-0.12%		Aggregator

I will sell my SPY position if SPX closes \geq 2058.69 (Differential Pivot level).

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