

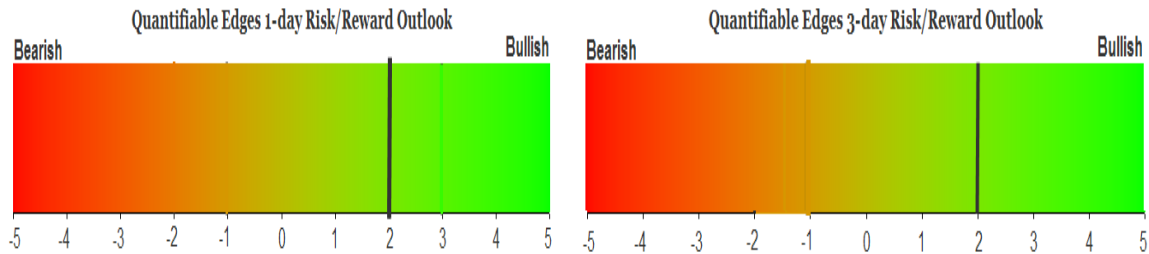
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 24, 2016

Volume 9 Issue 99

Market Overview



Signals Overview

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

Tonight's Research Points

- Inside days with down closes that follow attempted bounces from 20-day lows have often been followed by gains in the coming days and weeks.

Short-term Outlook

The Bottom Line

Evidence is slightly bullish with the market a little oversold. This suggests a mild upside edge. But oversold may turn to overbought on Tuesday unless the SPX closes down a bit.

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 24, 2016	Bounce from 20-low then inside day dn.	1-3 days	Bullish	2.90%	-1.80%	-3.90%
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%
Active - Long Term						
May 24, 2016	Bounce from 20-low then inside day dn.	1-10 days	Bullish	5.00%	-2.85%	-6.75%
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			
April 26, 2016	Golden Cross	int term	Bullish			
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			
Dropped Tonight						
May 16, 2016	Down 3 going into opex week	1-5 days	Bullish	1.90%	-1.20%	-2.20%

The Evidence

Quiet trading ended with a small pullback on Monday. The SPX fell 0.2%, while the NASDAQ and the Russell 2000 each lost 0.1%. Breadth was mixed as the NYSE Up Issues % was 51% and the Up Volume % came in at 40%. NYSE volume came in very light.

Action today was a continuation of the recent chop. Monday marked the 6th day in a row that SPX reversed direction on a closing basis. Friday's bounce off a 20-day low on Thursday did not get any follow through today. But bulls should not be too discouraged by this. The study below last appeared in the 8/11/11 subscriber letter. It considers similar situations in the past. I have updated all the stats.

SPY either closes at a 20-day low 2 days ago or makes a 20-day intraday low yesterday. Yesterday it closed up. Today is an inside day with a down close. 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
10	55,711.01	15	15	0	100.00	3,714.07	20,713.48	0.00	0.00	100.00	100.00	3,714.07
9	40,126.92	15	12	3	80.00	3,658.92	12,624.80	-1,260.02	-2,882.00	2.90	11.62	2,675.13
8	29,020.78	15	12	3	80.00	3,142.64	15,898.44	-2,896.97	-5,475.84	1.08	4.34	1,934.72
7	21,785.84	15	10	5	66.67	3,734.88	17,351.76	-3,112.60	-7,242.24	1.20	2.40	1,452.39
6	17,209.09	15	10	5	66.67	3,301.69	14,782.76	-3,161.55	-6,447.36	1.04	2.09	1,147.27
5	6,822.46	15	9	6	60.00	3,704.74	11,377.00	-4,420.03	-11,713.44	0.84	1.26	454.83
4	20,274.14	15	10	5	66.67	3,935.74	11,714.64	-3,816.66	-9,229.44	1.03	2.06	1,351.61
3	19,086.27	15	11	4	73.33	3,084.86	10,848.52	-3,711.79	-6,458.40	0.83	2.29	1,272.42
2	12,354.35	15	11	4	73.33	2,076.91	6,650.04	-2,622.92	-3,047.04	0.79	2.18	823.62
1	6,482.90	15	9	5	60.00	1,483.64	5,960.08	-1,373.98	-1,883.84	1.08	1.94	432.19

The stats certainly appear bullish and the edge seems to occur both right off the bat and after a couple of weeks. In the tables below I show dates and stats for both 3-day and 10-day holding periods.

SPY either closes at a 20-day low 2 days ago or makes a 20-day intraday low yesterday.
 Yesterday it closed up. Today is an inside day with a down close.
 Buy on close. Sell 3 days later. \$100k/trade. 1993 - present.

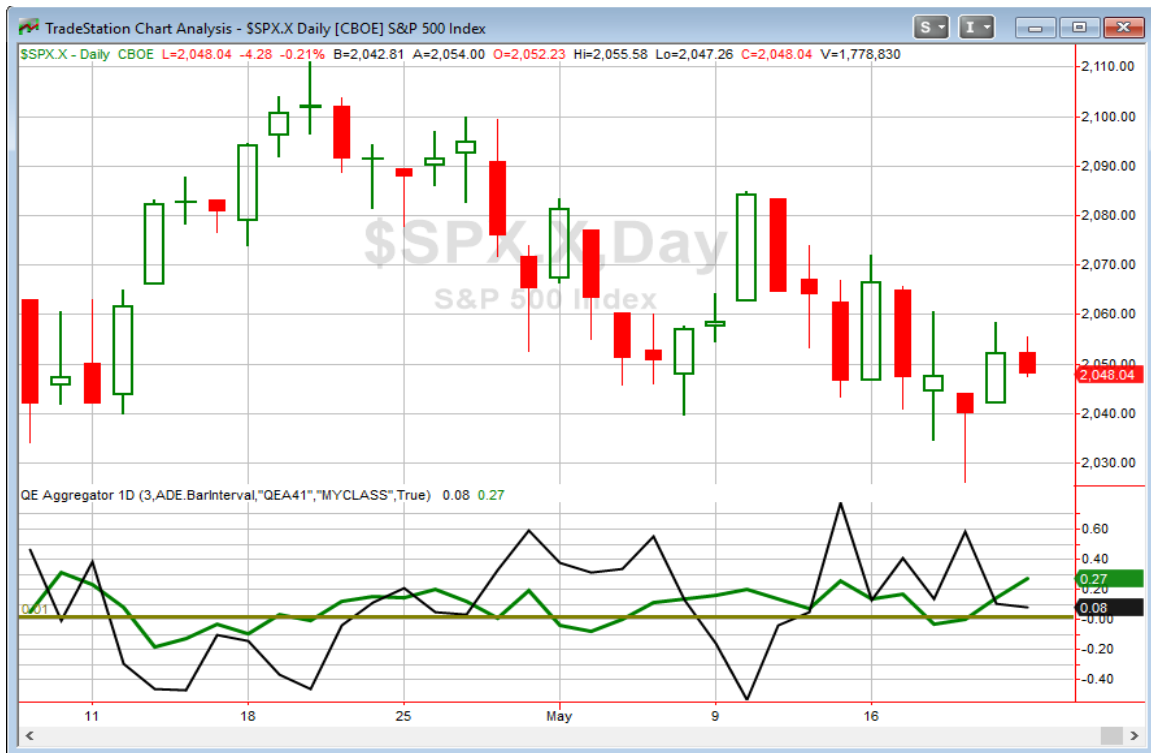
Date/Time	Signal	Price	% Profit	Run-up Drawdown
3/3/1994	Buy	\$46.56	0.41%	\$944.68
3/8/1994	Sell	\$46.75		(\$300.58)
5/9/2002	Buy	\$107.75	2.29%	\$2,431.36
5/14/2002	Sell	\$110.22		(\$1,995.20)
7/16/2002	Buy	\$90.56	-6.46%	\$3,024.96
7/19/2002	Sell	\$84.71		(\$6,911.04)
10/2/2002	Buy	\$83.15	-4.83%	\$1,742.90
10/7/2002	Sell	\$79.13		(\$5,529.20)
12/17/2002	Buy	\$90.85	-0.95%	\$0.00
12/20/2002	Sell	\$89.99		(\$2,475.00)
8/30/2005	Buy	\$121.05	1.01%	\$1,734.60
9/2/2005	Sell	\$122.27		(\$256.06)
1/22/2009	Buy	\$82.75	2.15%	\$3,152.88
1/27/2009	Sell	\$84.53		(\$2,633.44)
3/9/2009	Buy	\$68.11	10.85%	\$11,215.52
3/12/2009	Sell	\$75.50		\$0.00
5/28/2010	Buy	\$109.37	1.23%	\$1,544.66
6/3/2010	Sell	\$110.71		(\$1,828.00)
8/30/2010	Buy	\$105.31	3.95%	\$3,966.82
9/2/2010	Sell	\$109.47		(\$778.18)
6/17/2011	Buy	\$127.05	1.28%	\$2,172.12
6/22/2011	Sell	\$128.67		(\$369.89)
8/10/2011	Buy	\$112.29	7.42%	\$7,520.50
8/15/2011	Sell	\$120.62		\$0.00
12/19/2013	Buy	\$181.49	0.81%	\$836.00
12/24/2013	Sell	\$182.96		(\$506.00)
10/9/2014	Buy	\$192.74	-2.61%	\$471.38
10/14/2014	Sell	\$187.70		(\$2,952.60)
7/8/2015	Buy	\$204.53	2.56%	\$2,620.56
7/13/2015	Sell	\$209.77		\$0.00

SPY either closes at a 20-day low 2 days ago or makes a 20-day intraday low yesterday.
 Yesterday it closed up. Today is an inside day with a down close.
 Buy on close. Sell 10 days later. \$100k/trade. 1993 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
3/3/1994	Buy	\$46.56	1.48%	\$1,631.72
3/17/1994	Sell	\$47.25		(\$300.58)
5/9/2002	Buy	\$107.75	2.18%	\$3,248.00
5/23/2002	Sell	\$110.10		(\$1,995.20)
7/16/2002	Buy	\$90.56	0.42%	\$3,024.96
7/30/2002	Sell	\$90.94		(\$14,219.52)
10/2/2002	Buy	\$83.15	4.09%	\$6,695.14
10/16/2002	Sell	\$86.55		(\$7,308.16)
12/17/2002	Buy	\$90.85	0.24%	\$495.00
1/2/2003	Sell	\$91.07		(\$4,114.00)
8/30/2005	Buy	\$121.05	1.78%	\$3,047.94
9/14/2005	Sell	\$123.21		(\$256.06)
1/22/2009	Buy	\$82.75	2.20%	\$6,281.60
2/5/2009	Sell	\$84.57		(\$2,633.44)
3/9/2009	Buy	\$68.11	20.72%	\$20,816.24
3/23/2009	Sell	\$82.22		\$0.00
5/28/2010	Buy	\$109.37	0.13%	\$1,599.50
6/14/2010	Sell	\$109.51		(\$4,314.08)
8/30/2010	Buy	\$105.31	6.97%	\$7,573.02
9/14/2010	Sell	\$112.65		(\$778.18)
6/17/2011	Buy	\$127.05	5.41%	\$5,548.35
7/1/2011	Sell	\$133.92		(\$676.82)
8/10/2011	Buy	\$112.29	5.16%	\$7,929.90
8/24/2011	Sell	\$118.08		\$0.00
12/19/2013	Buy	\$181.49	0.48%	\$1,760.00
1/6/2014	Sell	\$182.36		(\$506.00)
10/9/2014	Buy	\$192.74	1.14%	\$1,792.28
10/23/2014	Sell	\$194.93		(\$5,604.76)
7/8/2015	Buy	\$204.53	3.34%	\$4,221.20
7/22/2015	Sell	\$211.37		\$0.00

I don't see any red flags here. This certainly appears to suggest an upside edge. I have included it on both the short and intermediate-term active lists.

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



With tonight's new study under consideration the green Aggregator Line moved a little further 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 stayed long at the close.

With the current list of active studies, expectations are poised to remain positive on Tuesday. Of course this could change if new bearish evidence emerges. The Differential Pivot will be *inverted* at 2042.83 on Tuesday. That is 0.25% *below* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case SPX will need to close down at least 0.25% on Tuesday in order to remain "oversold". Anything short of that and SPX will flip to being "overbought" versus recent expectations.

So there still appears to be a bit of an upside edge. But inverted pivots limit potential reward because an move in the anticipated direction (up in this case) will mean the end of the signal. I generally view inverted pivots as opportune times to take profits. But in this case, with a new bullish study and the market putting in an inside day, we could see a big range expansion on Tuesday. So I will wait until the close to possibly exit my SPY position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/23 – slightly bullish

The intermediate-term outlook was last updated in the 5/23 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

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

Broad Market Large Cap CBI – 3 (ABT-3)

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	\$37.37	-7.43%		Catapult
ABT(1/3)	5/2/2016	\$38.85	\$37.37	-3.81%		Catapult
GILD(1/3)	5/2/2016	\$88.21	\$83.33	-5.53%		<i>sell on open</i>
ABT(1/3)	5/3/2016	\$38.80	\$37.37	-3.69%		Catapult
XIV(1/2)	5/5/2016	\$26.20	\$28.78	9.85%		Aggressive VIX
SPY(1/4)	5/18/2016	\$204.44	\$205.21	0.38%		<i>sell SPX close >= 2042.83</i>

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