

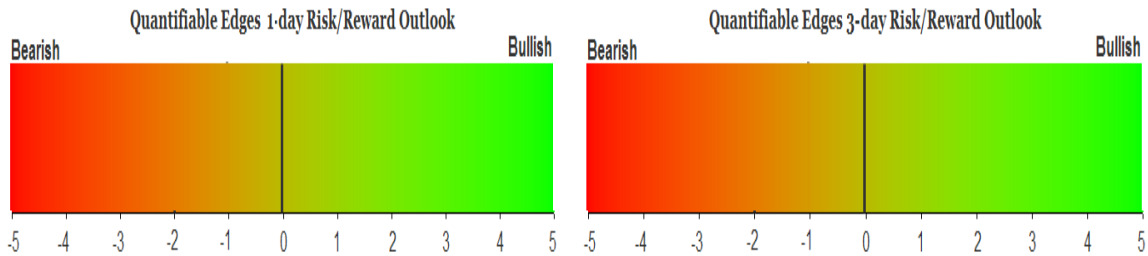
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 23, 2016

Volume 9 Issue 121

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Flat	Flat	Flat

## Tonight's Research Points

- The market appears to be in a holding pattern awaiting Brexit news.

### *Short-term Outlook*

#### *The Bottom Line*

The evidence still points upwards but the market is now a little overbought. Overbought and Brexit uncertainty make for increased risk and an unattractive reward/risk ratio for considering new trading positions.

*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>						
June 21, 2016	SPY closes bottom 10% of day but up	1-3 days	Bullish	1.30%	-0.45%	-0.80%
June 20, 2016	TICK TomOscillator < -250. 5-day low	1-8 days	Bullish	3.50%	-0.60%	-1.40%
June 20, 2016	Week afte June Opex weak	1-5 days	Bearish	-2.00%	1.00%	1.70%
June 17, 2016	Fed tomorrow. SPX down 3+ days	1-5 days	Bullish			
June 16, 2016	Fed Day. SPX down 2+ days	1-6 days	Bullish			
June 15, 2016	SPX down 4. Tuesday.	1-8 days	Bullish	3.00%	-1.25%	-2.35%
<b>Active - Long Term</b>						
June 13, 2016	Bounce from 20-low then inside day dn.	1-10 days	Bullish	5.00%	-2.85%	-6.75%
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			

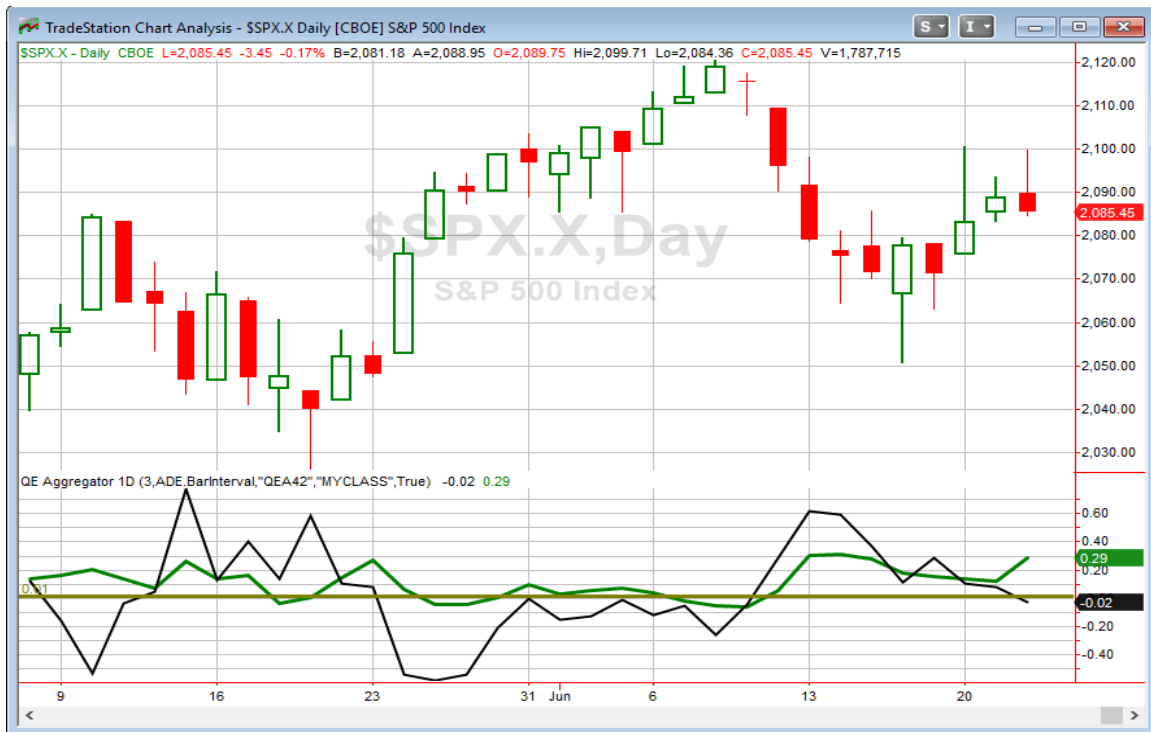
***The Evidence***

Wednesday was another pretty quiet day for the market as participants seem to be sidelined awaiting Brexit fireworks. The SPX fell 0.2%, the NASDAQ dropped 0.2%, and the Russell 2000 declined 0.4%. Breadth was negative as the NYSE Up Issues % was 44% and the Up Volume % came in at 36%. NYSE volume came in light.

There was only one study that emerged in the Quantifinder tonight that looked interesting. But I do not believe the current setup represents the spirit of the strategy. The study looked at times that Historical Volatility was repeatedly hitting new lows but price was not hitting new highs. The low historical volatility suggests perhaps complacency while the failure to post new highs suggests perhaps things are not quite right. But the current low HV is not due to any real complacency. In fact, the market is very nervous as measured by implied volatility and the VIX. But price movement the last few days has been moderate because institutions seem unwilling to make large bets ahead of the Brexit announcement. So it is not a complacent quietness, but rather a nervous anticipation that has kept recent price action mild. So I am not inclined to concern myself with that study tonight.

It is difficult to anticipate how the market will react to the Brexit vote. There is good chance that the reaction could be very strong one way or the other. And a strong reaction will very likely generate some favorable trading opportunities.

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



Without any new studies 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 slightly below 0. The negative Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive but SPX is now 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.

Based on the current active list, expectations are poised to remain positive on Thursday. It would take very strong bearish evidence to change this. The Differential Pivot will be *inverted* at 2093.23 on Thursday. That is 0.4% *above* Wednesday'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 up at least 0.4% in order to remain overbought versus expectations. Anything less than that and SPX will be considered "oversold" as of Thursday's close.

So with the market now overbought, reward/risk no longer appears strong. And Brexit uncertainty is skewing that reward/risk ratio even more. I do not see a compelling reason to take on new positions just yet. At this point, I will probably wait until the news is released before looking to add new positions.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 6/20 – slightly bullish**

The intermediate-term outlook was last updated in the 6/20 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**

none

**Broad Market Large Cap CBI – 0**

**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
XIV(1/2)	5/5/2016	\$26.20	\$29.00	10.69%		<i>sold @ limit</i>
SPY(1/4)	6/13/2016	\$209.36	\$209.73	0.18%		<i>Div adj price - sold@open</i>
XIV(1/2)	6/14/2016	\$24.70	\$27.34	10.69%		Aggressive VIX
SPY(1/4)	6/15/2016	\$208.00	\$209.73	0.83%		<i>Div adj price - sold@open</i>

I plan to hold the XIV trade for now. The VIX will typically rise when news approaches. Once the outcome is known, the uncertainty will be gone. The market may or may not “like” the result but the VIX will likely tumble as the uncertainty disappears. Even with a “bad” result, the market participants will know what they are dealing with and will be able to more accurately price in risks. So I believe there is a good chance the VIX, and the front futures, see a drop in the next few days.

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