

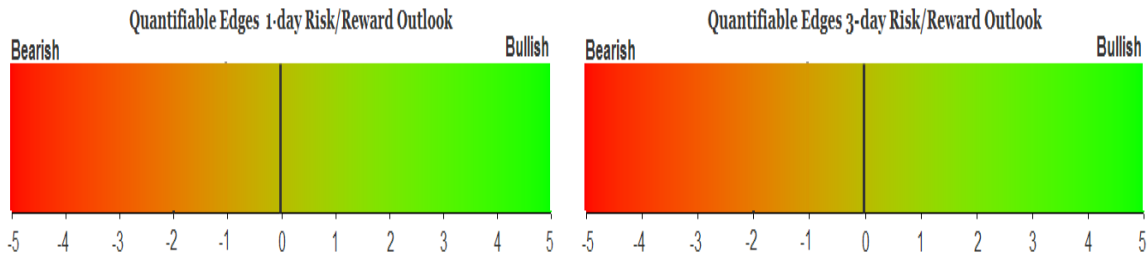
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 30, 2016

Volume 9 Issue 126

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- When the VIX moves from 10% above the 10ma to 10% below the 10ma in less than a week it has been typically followed by gains.

## *Short-term Outlook*

### *The Bottom Line*

Tuesday's bounce was strong, and that appears to be a good thing. There is a good chance the market will continue to rise in the next few days.

*Summary of Recent Active Studies (see Letters from listed dates for details)* - not updated tonight

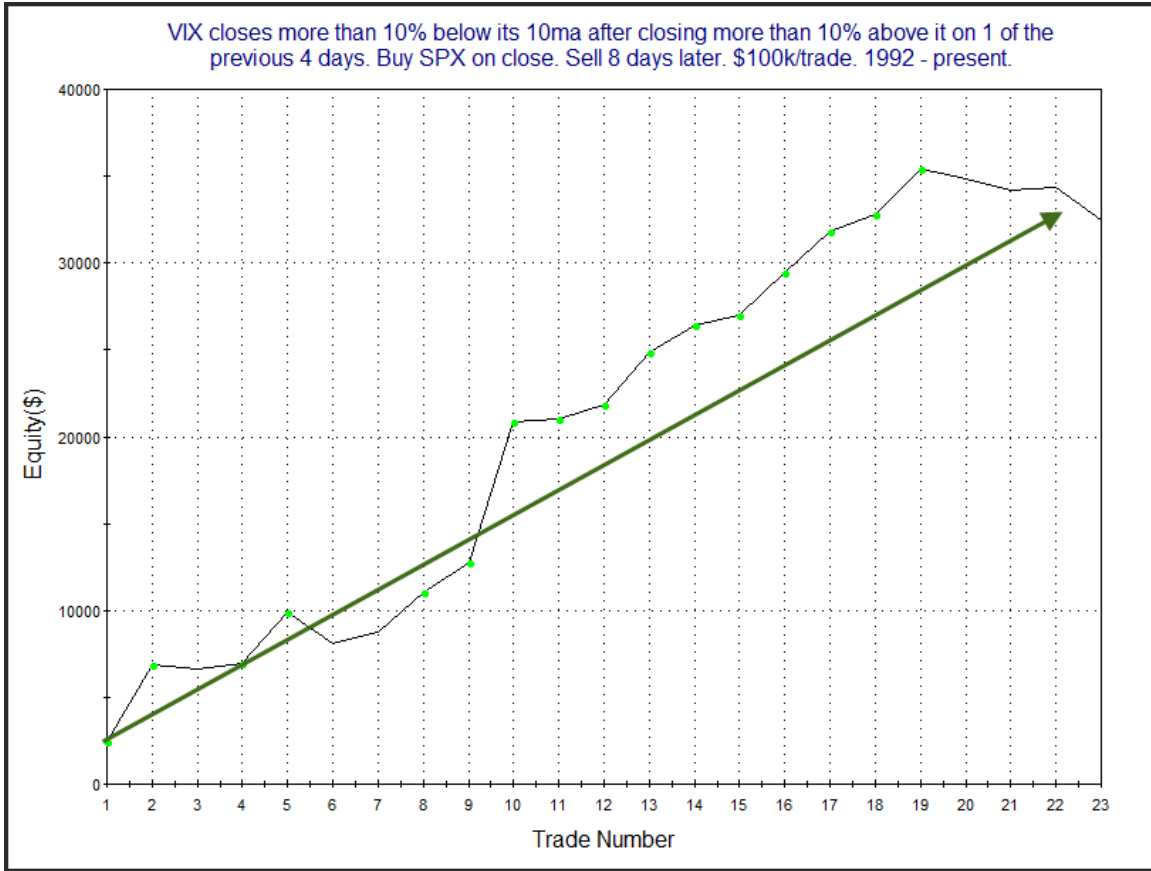
***The Evidence***

Wednesday was a 2<sup>nd</sup> strong day for the market. The SPX rose 1.7%, the NASDAQ gained 1.9%, and the Russell 2000 rallied 2.2%. Breadth was strongly positive as the NYSE Up Issues % was 84% and the Up Volume % came in at 90%. NYSE volume declined some from Monday’s level.

After closing at 25.76 last Friday, the VIX closed Wednesday at 16.64. The VIX is a measure of expected volatility in the market, and it tends to move up and down counter to the SPX. The Quantifinder study below considered the sharp drop in the VIX over the last few days after previously being extended upwards. Amazingly, it was last seen just a few days ago in the 11/23/15 subscriber letter. The results are updated.

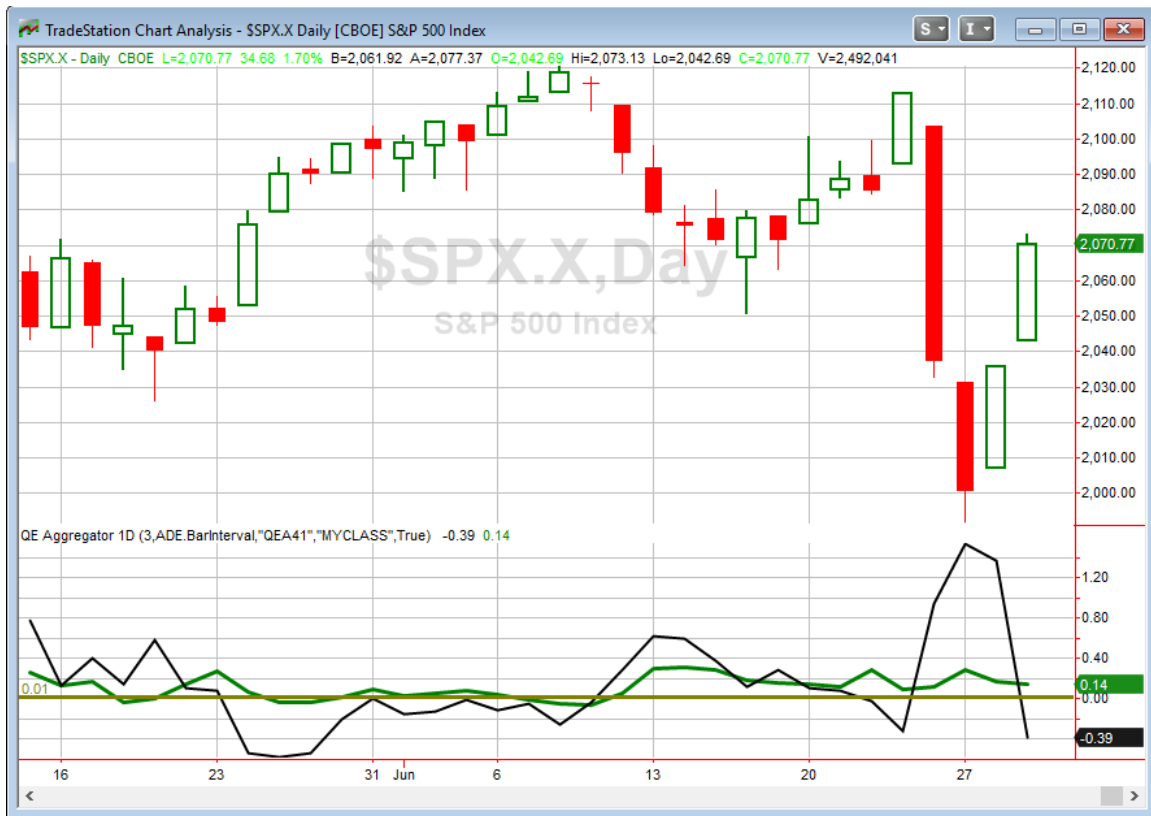
VIX closes more than 10% below its 10ma after closing more than 10% above it on 1 of the previous 4 days. Buy SPX on close. Sell X days later. \$100k/trade. 1992 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	28,612.00	23	16	7	69.57	2,575.93	8,115.80	-1,800.42	-3,412.50	1.43	3.27	1,244.00
9	29,665.12	23	16	7	69.57	2,294.07	8,397.40	-1,005.71	-2,403.36	2.28	5.21	1,289.79
8	32,473.29	23	18	5	78.26	2,082.54	8,076.20	-1,002.48	-1,858.85	2.08	7.48	1,411.88
7	30,591.72	23	17	6	73.91	2,130.84	7,749.50	-938.76	-2,030.40	2.27	6.43	1,330.07
6	27,799.56	23	17	6	73.91	2,007.09	5,305.30	-1,053.48	-3,271.68	1.91	5.40	1,208.68
5	26,228.45	23	15	8	65.22	2,151.97	5,361.40	-756.39	-2,011.20	2.85	5.33	1,140.37
4	15,893.90	23	18	5	78.26	1,354.99	4,981.90	-1,699.19	-2,927.52	0.80	2.87	691.04
3	6,006.51	25	15	10	60.00	1,123.08	3,799.40	-1,083.97	-3,629.81	1.04	1.55	240.26
2	2,646.74	25	13	12	52.00	1,058.42	3,839.00	-926.06	-5,300.66	1.14	1.24	105.87
1	2,942.19	25	14	11	56.00	727.09	2,952.40	-657.91	-3,572.94	1.11	1.41	117.69

The market condition that would typically accompany such VIX movement is one where you see a strong rebound from a sharp decline during a long-term uptrend. Results appear especially strong and consistent between days 4 and 8. Below I have provided the profit curve assuming an 8 day holding period.



Despite recent struggles this curve appears solid. It seems to support the idea of an upside edge. I have added this study back to the Active List tonight.

I have updated the Aggregator chart below.



With tonight's study included the green Aggregator Line held above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line dove down below 0. The negative Differential Line reading means SPX is now 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 side of 0. Therefore, the Aggregator changed from long to flat at the close.

Based on the current active list, expectations are poised to remain positive on Thursday. This is highly unlikely to change. The Differential Pivot will be 2008.96 on Thursday. That is a whopping 3.0% below Wednesday's close. So for SPX to move from oversold to overbought versus expectations on Thursday it will need to close down at least 3.0%. That's highly unlikely to happen in 1 day. A more likely scenario for working off the overbought condition would be a multi-day decline or consolidation.

The bounce has been strong. And evidence suggests it could have further to go. But after such a strong 2-day move, the market is certainly short-term overbought. This leaves me neutral on the market. With the upside edge no longer prevalent, I will look to take profits on my index position and wait for the next strong edge to emerge.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 6/27 – neutral**

The intermediate-term outlook was last updated in the 6/27/16 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)	6/14/2016	\$24.70	\$24.33	-1.50%		Aggressive VIX
SPY(1/4)	6/27/2016	\$201.59	\$206.66	2.52%		sell on open

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