

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 14, 2016

Volume 9 Issue 135

Market Overview



Signals Overview

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

Tonight's Research Points

- While SPY closed down, its series of higher highs and higher lows continued, suggesting a rally in the coming days.

Short-term Outlook

The Bottom Line

Evidence continues to point higher, but the market remains overbought. There does not appear to be a strong 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						
July 13, 2016	3 unfilled up gaps	1 day	Bearish			
July 13, 2016	VIX up. SPX up 2x	1 day	Bearish			
July 12, 2016	2 unfilled up gaps & 50-day high	1-2 days	Bullish			
July 12, 2016	VIX up. SPX 50-high on a Monday	1-2 days	Bearish			
July 11, 2016	SPX 50-low to 50-high in 2 weeks	1-6 days	Bullish			
July 11, 2016	SPY unfilled gap up breakout	1-5 days	Bullish			
Active - Long Term						
July 11, 2016	NASDAQ leading	int term	Bullish			
July 11, 2016	SPX 50-low to 50-high in 2 weeks	1-17 days	Bullish			
July 11, 2016	SPX 50-high breakout 90% up volume	1-35 days	Bullish			
July 1, 2016	Up Issue % > 70% 3x	1-85 days	Bullish	10.70%	-4.90%	-11.70%
April 26, 2016	Golden Cross	int term	Bullish			
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						
July 11, 2016	SPX 50-high breakout 90% up volume	1-2 days	Bullish			
June 30, 2016	VIX 10% 10ma from 10% below	1-8 days	Bullish	1.90%	-1.10%	-2.20%

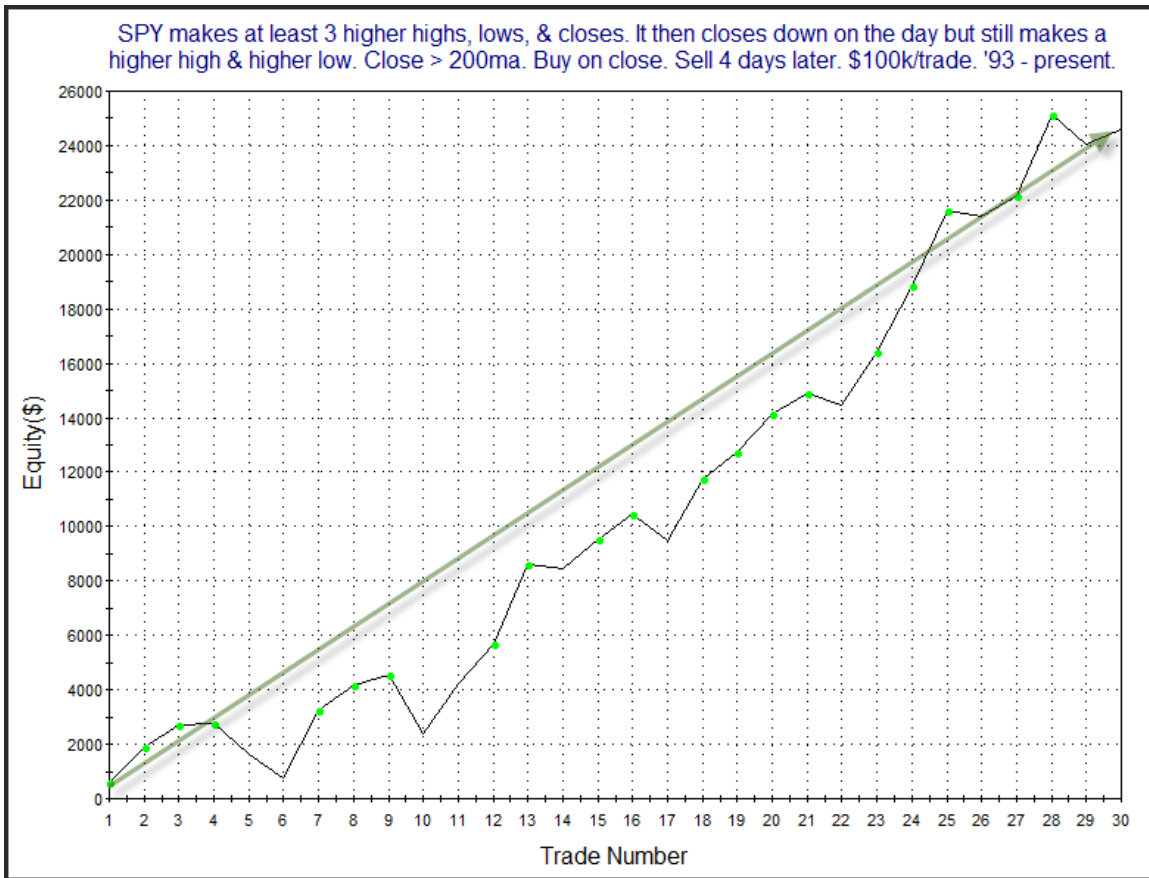
The Evidence

Wednesday was a mixed and mild day for the market. The SPX finished up 0.01%, the NASDAQ declined 0.3% and Russell 2000 fell 0.4%. Breadth was negative as the NYSE Up Issues % was 45% and the Up Volume % came in at 46%. NYSE volume declined some from Tuesday's level.

While SPX scratched out a 0.29 point gain on Wednesday, SPY finished lower. But SPY did manage to register a higher high and a higher low. The study below was last seen in the 7/16/15 letter and examines other times a pullback of this sort followed a series of higher highs, lows, and closes. I've updated the results.

SPY makes at least 3 higher highs, lows, & closes. It then closes down on the day but still makes a higher high & higher low. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. '93 - 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
5	20,547.22	30	19	11	63.33	1,577.62	3,602.64	-857.06	-2,800.26	1.84	3.18	684.91
4	24,566.34	30	22	8	73.33	1,437.47	2,962.96	-882.25	-2,191.22	1.63	4.48	818.88
3	15,862.59	30	21	9	70.00	1,067.40	2,762.41	-728.08	-2,640.33	1.47	3.42	528.75
2	12,020.69	30	24	5	80.00	732.11	2,073.28	-1,109.97	-1,804.67	0.66	3.17	400.69
1	8,443.25	30	21	9	70.00	535.53	1,395.93	-311.42	-1,137.92	1.72	4.01	281.44

There appears to be a strong propensity for the move up to reassume. Below is a profit curve assuming a 4-day holding period.



The upslope is impressive. I am a little put off by the fact that SPX closed up while SPY closed down. I would have preferred if they both closed in the same direction. Still, this study worthy of consideration and I have included it on the Active List.

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 remained 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 stayed flat at the close.

Based on the current active list, expectations are poised to remain positive on Thursday. This could change if compelling new bearish evidence emerges. The Differential Pivot will be 2142.81 on Thursday. That is 0.45% below Tuesday's close. So for SPX to move from overbought to oversold it will need to close down at least 0.45% on Wednesday.

More of the same tonight. Not seeing compelling bearish evidence and the market remains overbought. It will pull back a bit at some point here. As extended as it is short-term, this simply does not appear to be a scenario with strong reward/risk. I will continue to wait for a more favorable opportunity to arise before putting new capital to work.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/11 – bullish

The intermediate-term outlook was last updated in the 7/11/16 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	\$29.38	18.95%		Aggressive VIX

Expectations are positive and 1-2 month futures contango is very big at over 13%. I like my XIV position and will look to ride it a while longer.

This report has been prepared by Hanna Capital Management, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Hanna Capital Management, LLC or clients of Hanna Capital Management, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Hanna Capital Management, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Hanna Capital Management, LLC nor any officer or employee of Hanna Capital Management, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Hanna Capital Management, LLC.

Copyright © 2016 Hanna Capital Management, LLC.