

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 3, 2016

Volume 9 Issue 149

Market Overview



Signals Overview

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

Tonight's Research Points

- SPY has closed at a 5-day low for the 1st time in a long time. This suggests a short-term upside edge.

Short-term Outlook

The Bottom Line

Evidence is suggesting a solid bullish edge. I have some long exposure and am looking to take advantage of the bullish outlook.

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						
August 3, 2016	1st 5 low in over 10 days	1-4 days	Bullish	1.40%	-1.30%	-2.60%
July 28, 2016	3-High 3-Low Close 3-low	1-5 days	Bullish			
July 18, 2016	5 up to 50-high then 1 down day	1-10 days	Bullish	2.00%	-1.10%	-2.20%
Active - Long Term						
August 1, 2016	Highest volume 20 on up day. Not opex.	1-10 days	Bullish	2.40%	-1.60%	-3.10%
July 18, 2016	5 up to 50-high then 1 down day	1-10 days	Bullish	2.00%	-1.10%	-2.20%
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			

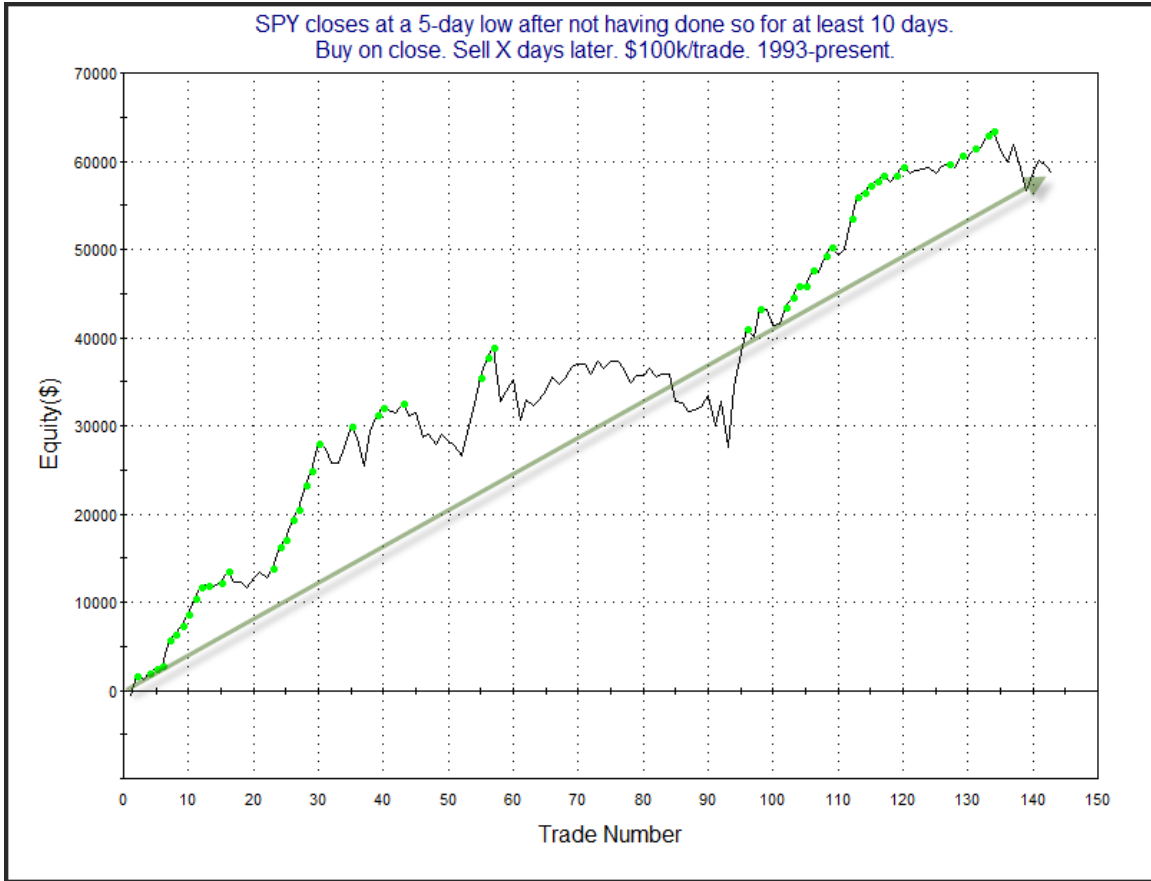
The Evidence

The market took a bit of a hit on Tuesday but a late rally took it well of its lows. The SPX finished down 0.6%, the NASDAQ lost 0.9% and the Russell 2000 declined 1.4%. Breadth was negative as the NYSE Up Issues % was 23% and the Up Volume % came in at 26%. NYSE volume rose some from Monday's level.

Friday was the 1st time SPY has closed at even a 5-day low since 6/27. In the 4/20/15 subscriber letter I showed a study that examined results when the SPY closed at a 5-day low for the 1st time in over 2 weeks. I have updated that study below.

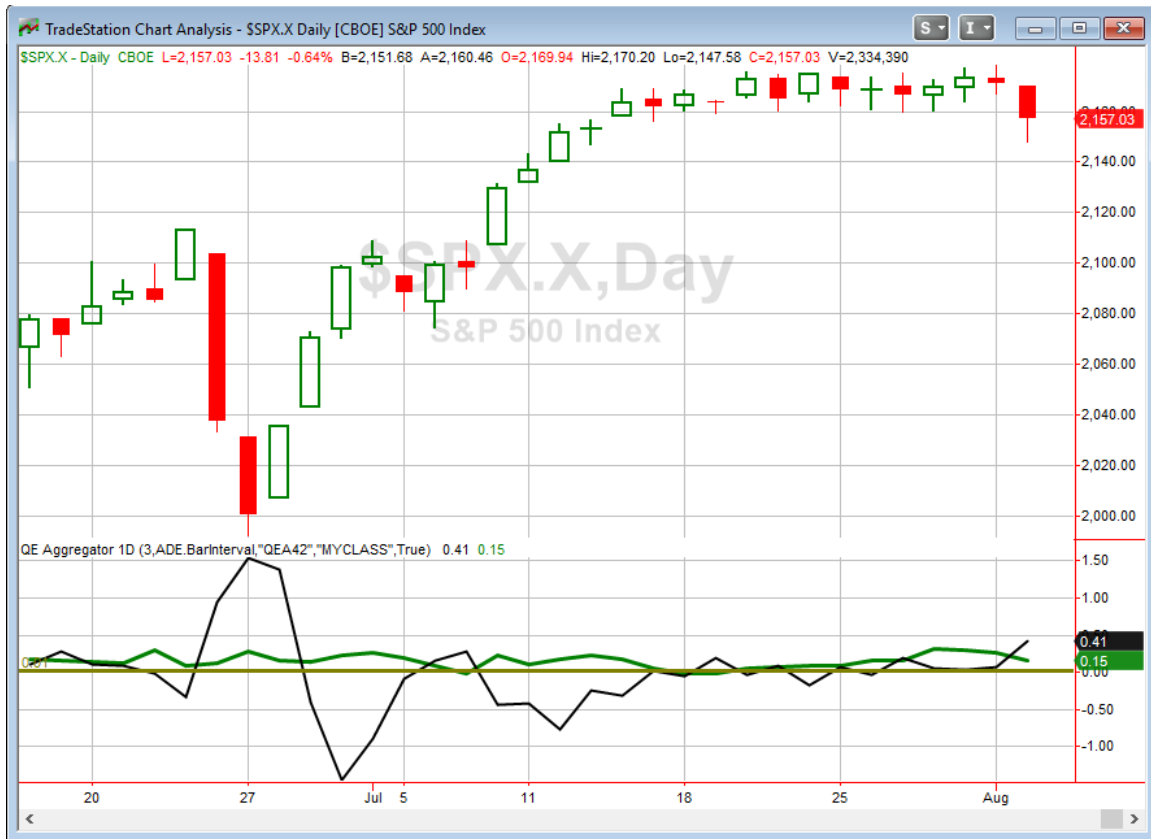
SPY closes at a 5-day low after not having done so for at least 10 days. Buy on close. Sell X days later. \$100k/trade. 1993-present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: Profit Factor	All: Avg Trade
5	42,507.42	143	86	56	60.14	1,497.89	6,103.89	-1,541.28	-4,906.44	0.97	1.49	297.25
4	58,553.51	143	92	51	64.34	1,366.53	6,941.43	-1,317.00	-6,244.56	1.04	1.87	409.47
3	37,038.06	143	85	58	59.44	1,238.99	5,888.16	-1,177.18	-5,295.84	1.05	1.54	259.01
2	23,311.25	143	80	62	55.94	1,033.72	3,809.72	-957.84	-3,737.28	1.08	1.39	163.02
1	15,900.38	143	79	64	55.24	803.82	2,812.20	-743.77	-3,909.03	1.08	1.33	111.19

Results here suggest a moderate upside edge. With the 4-day exit appearing to be compelling from a % Profitable, Avg Trade, and Profit Factor standpoint I ran an equity curve with it.



This curve has struggled at times, and recent instances have not been great. While it obviously is not one of my favorite studies, I do think it is worth some consideration.

I have updated the Aggregator chart below.



Still without any short-term bearish evidence to consider 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 also remained 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.

Based on the current active list, expectations are poised to remain positive on Wednesday. This could change if strong new bearish evidence emerges. The Differential Pivot will be 2190.14 on Tuesday. That is 1.5% above Tuesday's close. So SPX would need to close up at least 1.5% on Wednesday in order to move from oversold to overbought. That is a large gain for just one day. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

So there certainly appears to be an upside edge. And I began to scale into an index position as of Tuesday's close. But with tonight's evidence weak and nothing really from last night I am not inclined to get heavily involved just yet. So rather than continue to up my exposure on Wednesday I will first wait to see what additional evidence emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/1 – bullish

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	\$32.91	33.24%		Aggressive VIX
MO(1/3)	7/28/2016	\$66.75	\$67.34	0.88%		sell on open
SPY(1/4)	8/2/2016	\$215.55	\$215.55	0.00%		bought on close

MO hit its intraday target on Tuesday before rolling over a bit. I will look to sell it at the open on Wednesday.

Market expectations are bullish and contango is again extremely high at over 16%. Those things continue to favor XIV. I'll look to ride it until the outlook worsens.

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.