

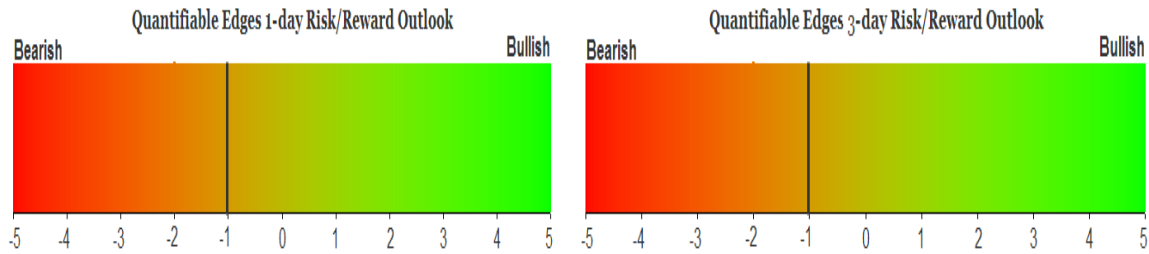
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 30, 2016

Volume 9 Issue 168

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr / SOMA Swing
Short	100% Short SPY	Flat

Tonight's Research Points

- The very low NYSE volume combined with the rising SPX and strong market suggest a short-term bearish edge.

Short-term Outlook

The Bottom Line

There appear to be a small and tenuous downside 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						
August 30, 2016	Volume 20-day low. SPX up 0.5% > 10ma	1-3 days	Bearish	-1.65%	0.60%	1.20%
August 25, 2016	1st 6 low in 10 days	1-4 days	Bullish			
Active - Long Term						
July 11, 2016	NASDAQ leading	int term	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						
August 26, 2016	Dn 3 > 200. Not from 20-day low.	1 day	Bullish			

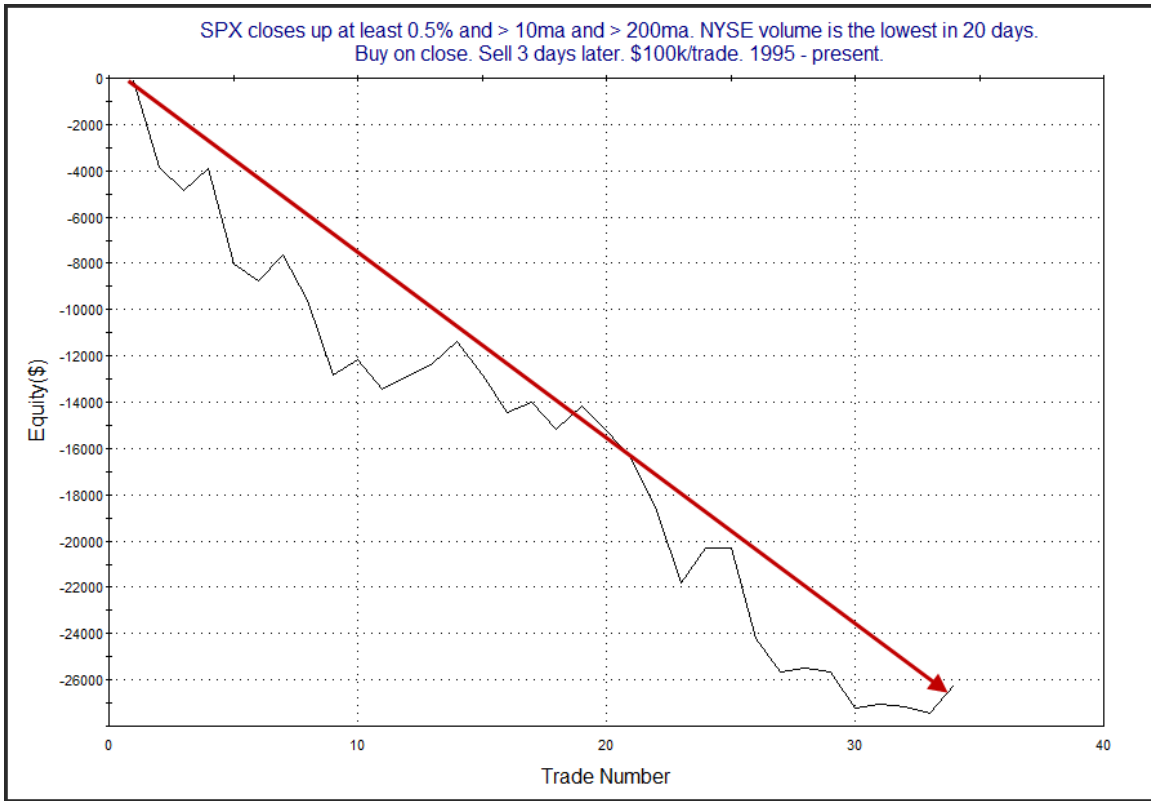
The Evidence

Monday went to the bulls. The SPX gained 0.5%, the NASDAQ rose 0.3%, and the Russell 2000 rallied 0.5%. Breadth was negative as the NYSE Up Issues % was 71% and the Up Volume % came in at 82%. NYSE volume came in at the lightest level in a long time.

There were a few studies that examined the 20-day low in volume while SPX was posting a good day. One study looked at instances of 20-day low volume days that saw the SPX rise at least 0.5%. Another looked at low volume days where SPX closed above the 10-day and 200-day moving averages. I combined them tonight to find the following results.

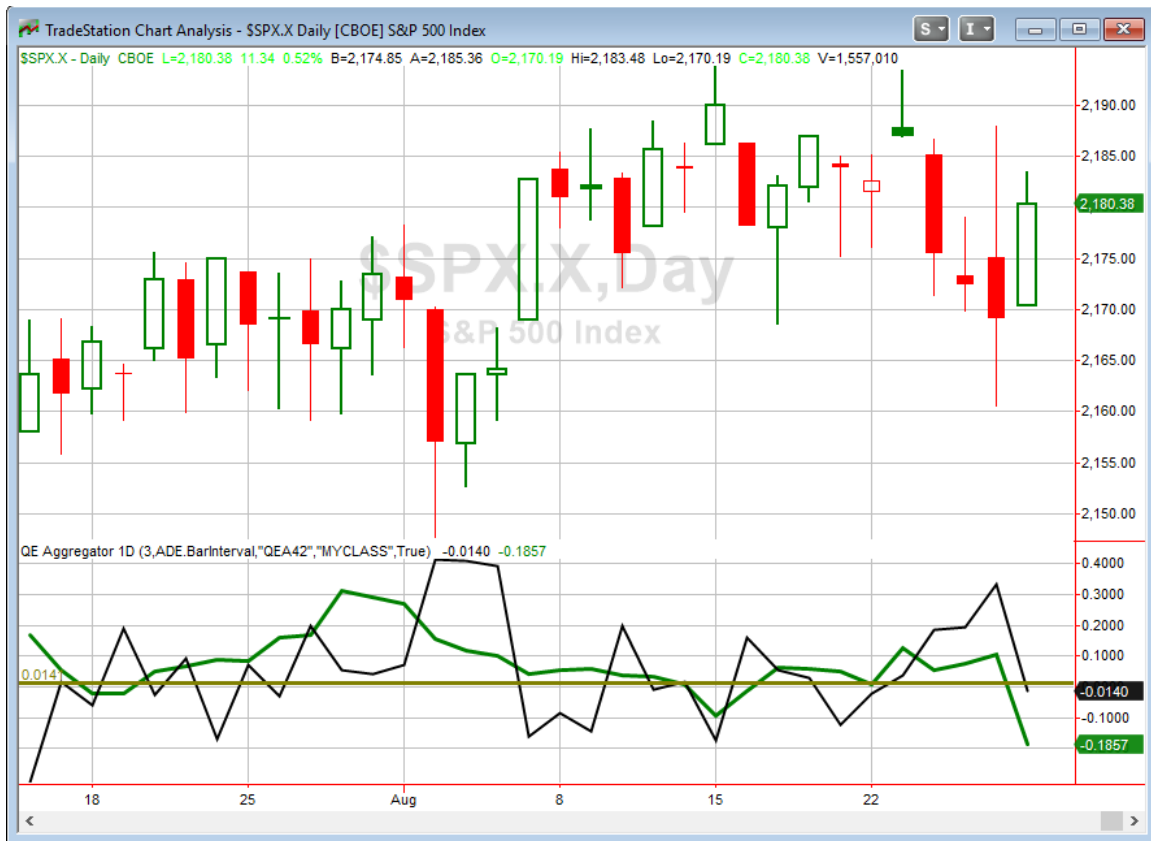
SPX closes up at least 0.5% and > 10ma and > 200ma. NYSE volume is the lowest in 20 days. Buy on close. Sell X days later. \$100k/trade. 1995 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-23,738.21	34	15	19	44.12	1,243.23	2,927.68	-2,230.88	-11,883.69	0.56	0.44	-698.18
4	-23,225.68	34	15	19	44.12	928.88	1,909.60	-1,955.73	-5,540.99	0.47	0.37	-683.11
3	-26,215.37	34	12	22	35.29	771.85	1,485.12	-1,612.62	-4,145.96	0.48	0.26	-771.04
2	-17,285.56	34	12	22	35.29	592.73	1,532.44	-1,109.02	-3,372.16	0.53	0.29	-508.40
1	-9,795.19	35	13	22	37.14	441.72	1,439.62	-706.25	-1,939.20	0.63	0.37	-279.86

Stats here suggest a downside edge. Below is a profit curve assuming a 3-day holding period.



The strong steady downslope serves to confirm the bearish inclinations suggested by the numbers. I am including this study on the Active List tonight. Still, I am not overly excited by it, since the low volume is occurring in the last week of the summer, when volume is typically very low.

I have updated the Aggregator chart below.



With tonight's study included the green Aggregator Line dove below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line also fell below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below 0. Therefore, the Aggregator signal changed from long to short at the close.

Based on the current active list, expectations are poised to remain negative on Tuesday. Of course this could change if compelling new bullish evidence emerges. The Differential Pivot will be 2178.03 on Tuesday. That is 0.1% below Monday's close. So SPX will only need to close down a small amount in order to move from overbought to oversold on Tuesday's close.

So it now appears that the edge may have shifted from short-term bullish to bearish. But it is a bit of a tenuous edge. The study tonight, while impressive, is triggering during a time that volume is typically quite light. Additionally, the SPX will move back to an oversold condition on almost any lower close. So I am not inclined to try and take on any short exposure. I will look to exit my long index exposure. And one of the Catapults also met its exit target, so I will close out that trade idea as well.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 8/29 – bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

ABT – @ \$43.17 (bought 1/3 @ limit)

ABT – @ \$42.84 (bought 1/3 @ limit)

FOXA – @ \$24.57 (bought 1/3 @ limit)

FOXA – @ \$24.57 (bought 1/3 @ limit) – not filled yet

Broad Market Large Cap CBI – 4 (ABT-2, FOXA-2)

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.

FOXA – buy 1/3 Catapult position at \$24.54 LIMIT ON CLOSE. This is a Catapult trade idea from the Catapult & CBI section above. This is the 2nd of 3 possible lots for FOXA. It was not filled on Monday. I will try again if it closes <= the entry trigger on Tuesday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
XIV(1/2)	6/14/2016	\$24.70	\$37.30	51.01%	\$35.00	Aggressive VIX
SPY(1/4)	8/25/2016	\$217.70	\$218.36	0.30%		<i>sell on open</i>
ABT(1/3)	8/25/2016	\$43.17	\$43.25	0.19%		Catapult
ABT(1/3)	8/26/2016	\$42.84	\$43.25	0.96%		Catapult
GOOGL(1/3)	8/26/2016	\$791.30	\$795.82	0.57%		<i>sell on open</i>
FOXA(1/3)	8/26/2016	\$24.57	\$24.74	0.69%		Catapult

With futures contango still up around 14%, the intermediate-term outlook bullish, and SPX primed to turn oversold if it even closes down 0.1% I have decided to try and ride XIV a little further. I have set a stop for it to make sure I keep a big chunk of the profits if things go south quickly.

GOOGL hit its target and will be sold at the open. ABT and FOXA both came close, and will likely reached their exit triggers on Tuesday if they rally even a small amount.

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