

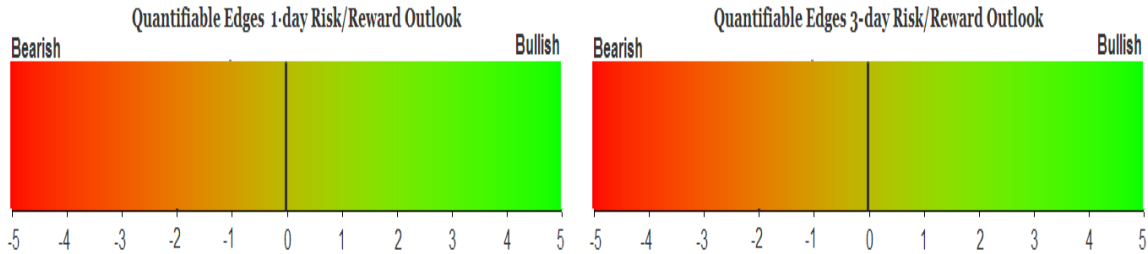
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 8, 2016

Volume 9 Issue 174

Market Overview



Signals Overview

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

Tonight's Research Points

- The strong breadth on a day the SPX declines bodes well for the next day.

Short-term Outlook

The Bottom Line

Sideways chop and very little suggesting a strong directional edge. Neutral. Again.

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						
September 8, 2016	Up Issue % > 55%. SPX down.	1 day	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			

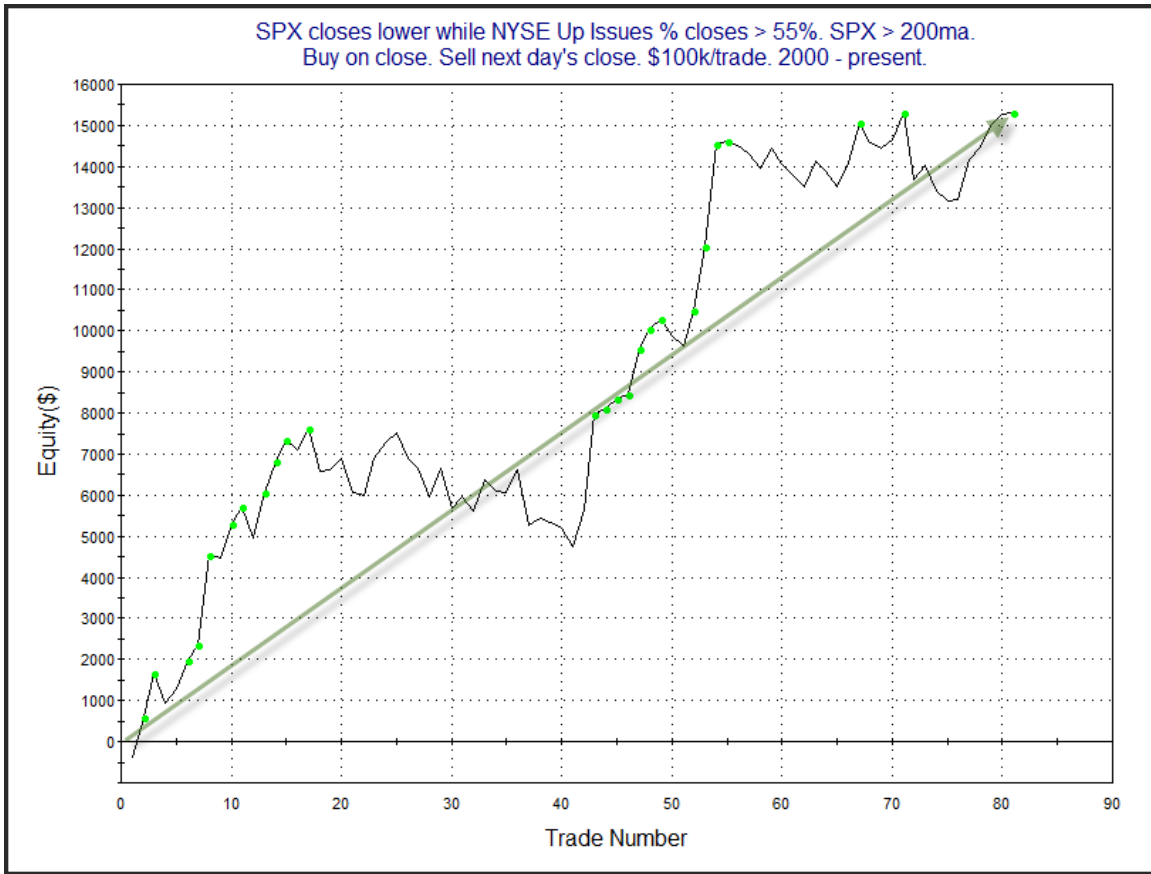
The Evidence

Wednesday was pretty much a nothing day – which continues to be the norm for now. When the day was done the SPX lost 0.32 points, the NASDAQ rose 0.15% and the Russell 200 climbed 0.61%. Breadth was positive as the NYSE Up Issues % was 62% and the Up Volume % came in at 58%. NYSE volume declined from Tuesday’s level and was quite light.

The high Up Issues % on a day that the SPX declined is notable and it triggered the old study below, which I have updated.

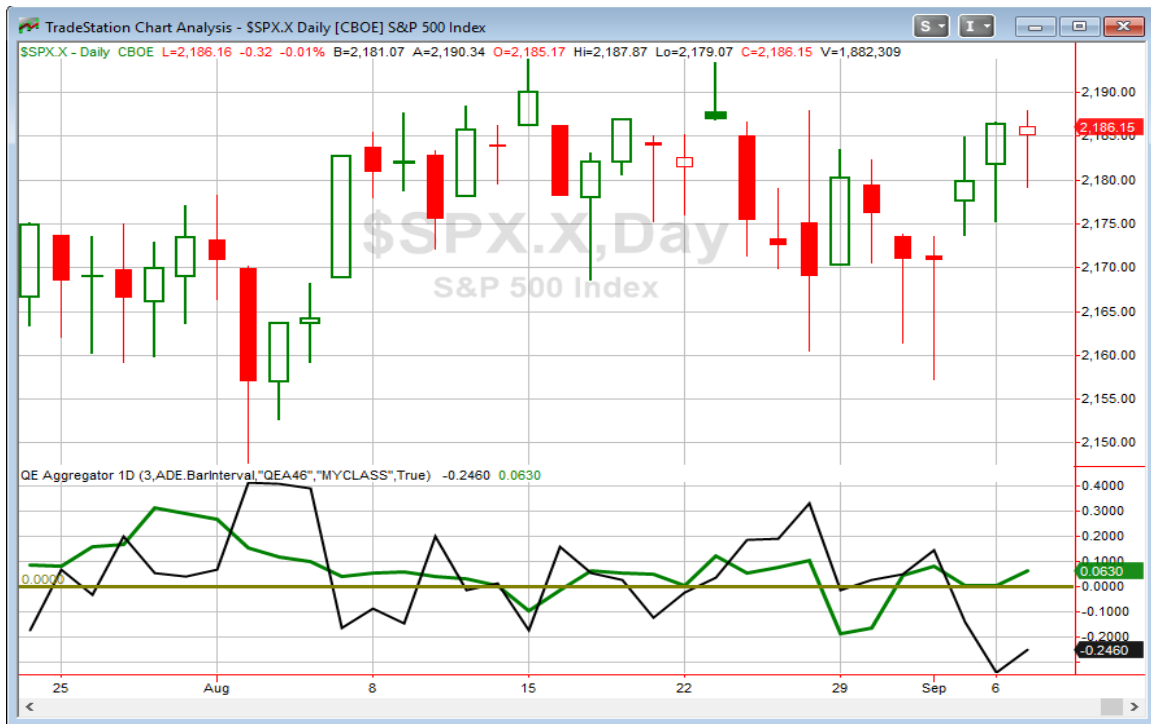
SPX closes lower while NYSE Up Issues % closes > 55%. SPX > 200ma. Buy on close. Sell X days later. \$100k/trade. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	14,207.25	72	41	31	56.94	1,317.04	3,616.92	-1,283.59	-4,179.84	1.03	1.36	197.32
4	15,341.62	74	42	32	56.76	1,238.03	3,429.00	-1,145.49	-3,369.12	1.08	1.42	207.32
3	19,131.23	76	47	29	61.84	989.77	3,373.50	-944.41	-2,852.01	1.05	1.70	251.73
2	18,874.07	78	50	28	64.10	811.43	3,025.12	-774.90	-3,119.03	1.05	1.87	241.98
1	15,321.06	81	47	34	58.02	654.01	2,484.00	-453.46	-1,616.64	1.44	1.99	189.15

I don’t see a huge edge here, but the numbers are strong enough to examine the profit curves. And the 1-day curve was the most appealing, and as you can see below, it is also no hitting new highs.



Not my favorite chart, but it continues to meander from lower left to upper right, so I have included this on the Active List for tonight.

I have updated the Aggregator chart below.



With tonight's study included 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 is still 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 list of active studies, expectations are poised to remain positive on Thursday. Of course any new short-term studies that emerge will have a strong influence. The Differential Pivot will be 2182.91 on Thursday. That is 0.15% below Wednesday's close. So SPX would need to close down 0.15% or more on Thursday in order to move from overbought to oversold versus recent expectations.

The current market action just is not providing strong directional edges. So I am going to have to remain patient. The Aggregator is neutral. And I see no reason to be making strong directional bets right here. The one position I have held for a while now is XIV. And while the VIX is low and that might seem an odd time to have a short volatility play, the 1-2 month contango remains too strong to ignore. (It is currently about 19%.) That means sizable profits could be made if the VIX moved sideways or even inched its way a little higher. The position is vulnerable if there is a strong spike in the VIX. I am not yet seeing evidence suggesting such a spike is imminent. So I will look to ride this position a little further.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/6 – 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)

Broad Market Large Cap CBI – 2 (ABT-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.

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	\$40.47	63.85%	\$35.00	Aggressive VIX
ABT(1/3)	8/25/2016	\$43.17	\$41.90	-2.94%		Catapult
ABT(1/3)	8/26/2016	\$42.84	\$41.90	-2.19%		Catapult

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