

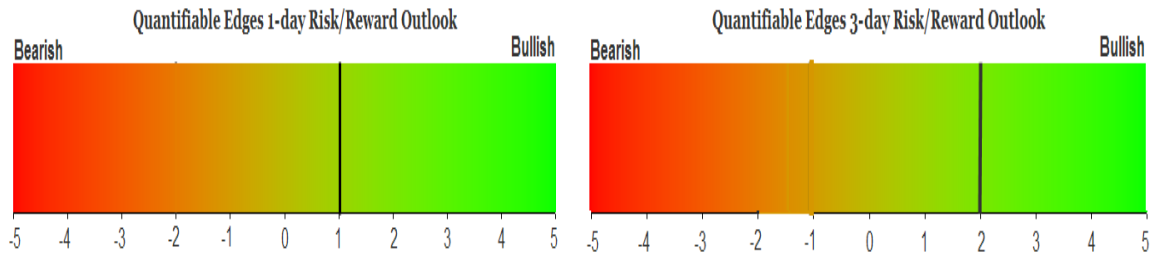
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 16, 2016

Volume 9 Issue 180

Market Overview



Signals Overview

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

Tonight's Research Points

- Opex Friday often suffers selling during the day.

Short-term Outlook

The Bottom Line

Evidence continues to point higher. But the market will not remain oversold unless SPX has a bad day on Friday. So I will be looking to take profits.

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 14, 2016	Failed reversal from 20-day low(3x)	1-5 days	Bullish			
September 14, 2016	VIX crosses 25% above 10ma	1-2 days	Bullish			
September 13, 2016	1.75% drop then Sweet Spot bounce	1-5 days	Bullish	3.00%	-0.95%	-1.90%
September 13, 2016	Reversal from 20-day low	1-4 days	Bullish	1.80%	-1.30%	-2.30%
September 12, 2016	System 110524	1-7 days	Bullish			
September 12, 2016	Drop 1.5x 20-day ATR on a Friday	1-6 days	Bullish			
September 12, 2016	2 unfilled dn gaps, 5-low > 200ma.	1-6 days	Bullish			
Active - Long Term						
September 14, 2016	"Failed" reversal from 20-day low	1-10 days	Bullish			
September 13, 2016	Reversal from 20-day low	1-10 days	Bullish	2.90%	-1.80%	-3.30%
September 12, 2016	2 unfilled dn gaps, 5-low > 200ma.	1-10 days	Bullish			
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			

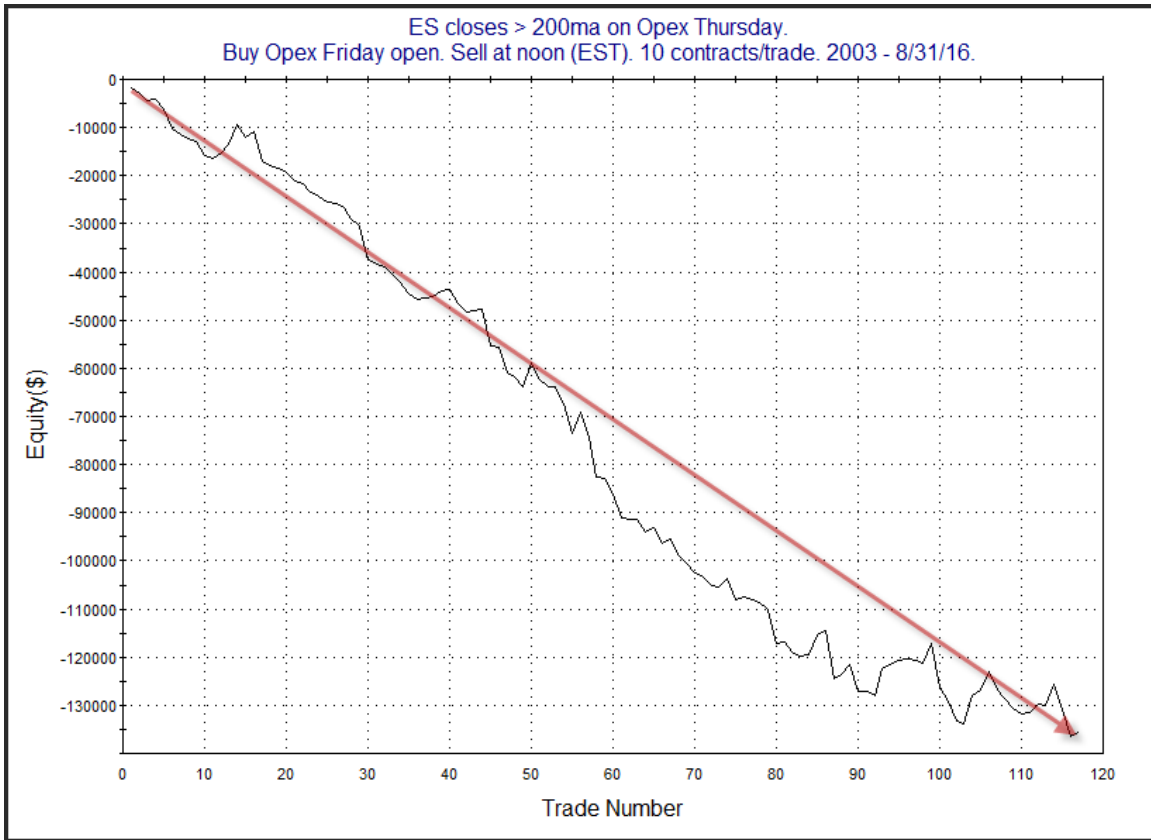
The Evidence

The market put in strong gains on Thursday. The SPX rose 1.0%, the NASDAQ gained 1.5%, and the Russell 2000 rallied 1.3%. Breadth was negative as the NYSE Up Issues % was 47% and the Up Volume % came in at 35%. NYSE volume declined from Tuesday's level.

One seasonal factor that could come into play on Friday is that the market has often struggled after the open on opex Friday. Below is a study from the 6/17/16 letter showing results of purchasing 10 ES contracts (which is the mini-futures contract for the S&P 500) at the open and then exiting at different times during the day.

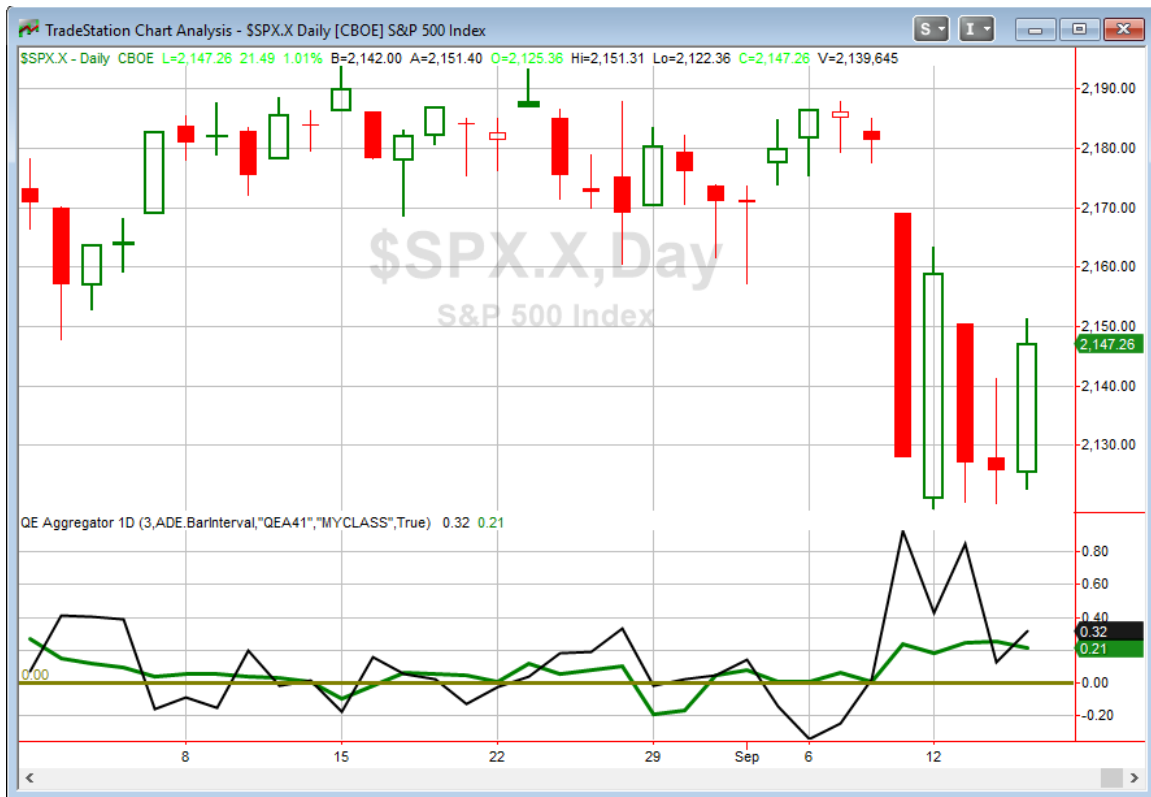
ES closes > 200ma on Opex Thursday. Buy Opex Friday open. Sell at time shown on left (EST). 10 contracts/trade. 2003 - 8/31/16.												
OE Op-Ex Fri Intra Short2: timeofday	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
1,600	-120,250.00	117	50	64	42.74	2,337.50	13,875.00	-3,705.08	-16,125.00	0.63	0.49	-1,027.78
1,500	-130,375.00	117	39	75	33.33	2,442.31	9,875.00	-3,008.33	-11,625.00	0.81	0.42	-1,114.32
1,400	-140,125.00	117	34	77	29.06	2,139.71	9,875.00	-2,764.61	-10,750.00	0.77	0.34	-1,197.65
1,300	-134,375.00	117	35	81	29.91	2,021.43	9,625.00	-2,532.41	-10,000.00	0.80	0.34	-1,148.50
1,200	-135,625.00	117	35	82	29.91	1,789.29	5,625.00	-2,417.68	-9,750.00	0.74	0.32	-1,159.19
1,100	-92,125.00	117	42	73	35.90	1,473.21	7,250.00	-2,109.59	-7,625.00	0.70	0.40	-787.39
1,000	-76,250.00	117	32	83	27.35	898.44	3,625.00	-1,265.06	-3,625.00	0.71	0.27	-651.71

As you can see, the bearish implications primarily play themselves out during the morning. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) Below is a profit curve that assumes the trade is sold at noon each time.



The downward slope has been in effect and fairly steady for a long time. So caution seems warranted on the long side during the morning on Friday.

I have updated the Aggregator chart below.



With nothing new from a swing-term perspective to add tonight the green Aggregator Line held far 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 also above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are very positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines above 0. Therefore, the Aggregator signal stayed long at the close.

Based on the current list of active studies, expectations are poised to remain positive on Friday. This could change if strong short-term bearish evidence emerges. The Differential Pivot will be *inverted* at 2141.37 on Friday. That is 0.3% *below* Thursday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close down over 0.3% in order to remain oversold on Friday. Anything other than a decline of the magnitude would cause SPX to move from oversold to overbought versus recent expectations.

I frequently view inverted pivots as opportune times to take profits. This is because the upside is now limited. The long signal will come off at the end of the day unless SPX declines at least 0.3%. And with opex often suffering weakness after the open, our best sales opportunity may be around the open. So I will be looking to get out of my SPY positions early, especially if they open strong.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/12 – bullish

The intermediate-term outlook was last updated in the 9/12 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

ABT – @ \$43.17 (bought 1/3 @ limit)

ABT – @ \$42.84 (bought 1/3 @ limit)

ABT – @ \$41.01 (buy 1/3 @ limit)

Broad Market Large Cap CBI – 3 (ABT-3)

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
ABT(1/3)	8/25/2016	\$43.17	\$41.12	-4.75%		Catapult
ABT(1/3)	8/26/2016	\$42.84	\$41.12	-4.01%		Catapult
ABT(1/3)	9/12/2016	\$40.85	\$41.12	0.66%		Catapult
SPY(1/4)	9/12/2016	\$212.39	\$215.28	1.36%		<i>sell at \$214.20 limit</i>
SPY(1/4)	9/15/2016	\$212.96	\$215.28	1.09%		<i>sell on open</i>

Note that SPY is going ex-div in the morning. The dividend is expected to be about \$1.08. So I will exit both lots of SPY at the open if SPY does not gap down more than \$1.08. Otherwise, the 2nd lot I will only sell if it hits the limit price, which is equal to Thursday’s close minus the dividend amount.

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