

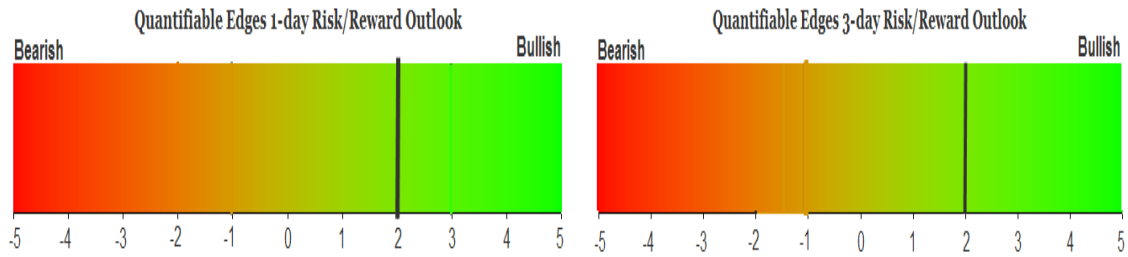
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 30, 2016

Volume 9 Issue 190

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- A strong move up by the SOX while the Nasdaq declined hints at strength for Thursday.

## *Short-term Outlook*

### *The Bottom Line*

Evidence is leaning higher and the SPX is still oversold. There again appears to be an upside 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
<b>Active - Short Term</b>						
September 27, 2016	2 unfilled dan gaps > 200ma	1-6 days	Bullish			
September 22, 2016	VIX 10% above to 10% below 10ma	1-6 days	Bullish			
<b>Active - Long Term</b>						
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			

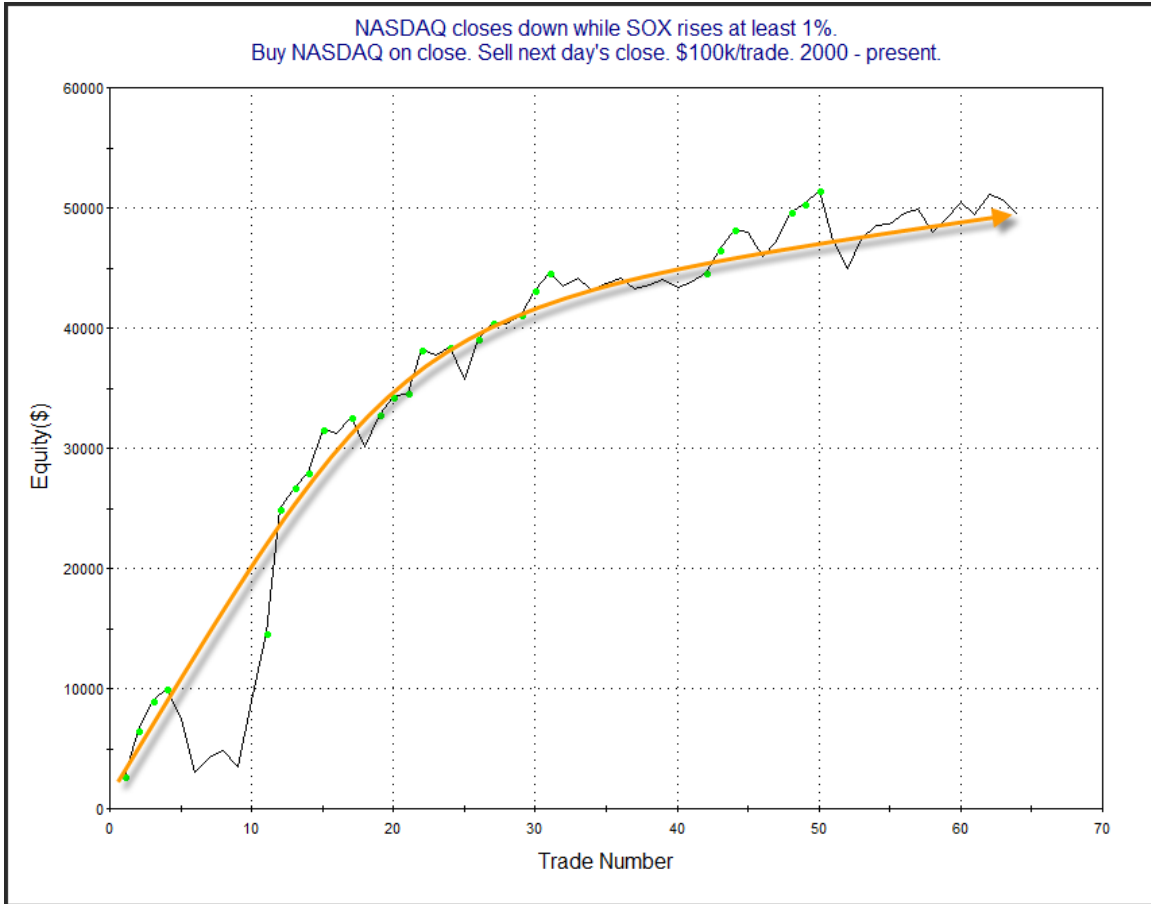
**The Evidence**

Thursday was a down dy. The SPX and NASDAQ each lost 0.9%, and the Russell 2000 dropped 1.4%. Breadth was negative as the NYSE Up Issues % was 21% and the Up Volume % came in at 27%. NYSE volume rose some from for the 3<sup>rd</sup> day in a row.

There were a few studies that triggered in the Quantifinder. The study I found most compelling was from the 10/15/15 subscriber letter. It looked at times where the NASDAQ composite declined while the SOX rose at least 1%. I have updated all the stats below.

NASDAQ closes down while SOX rises at least 1%. Buy NASDAQ on close. Sell next day's close. \$100k/trade. 2000 - present.			
TradeStation Performance Summary			Expand ▾
All Trades			
Total Net Profit	\$49,489.81	Profit Factor	2.58
Gross Profit	\$80,790.27	Gross Loss	(\$31,300.46)
Total Number of Trades	64	Percent Profitable	68.75%
Winning Trades	44	Losing Trades	20
Even Trades	0		
Avg. Trade Net Profit	\$773.28	Ratio Avg. Win:Avg. Loss	1.17
Avg. Winning Trade	\$1,836.14	Avg. Losing Trade	(\$1,565.02)
Largest Winning Trade	\$10,390.72	Largest Losing Trade	(\$4,353.48)

Results here seem to suggest a 1-day upside edge for the Nasdaq. The “% Profitable”, “Profit Factor” and “Avg Trade” are all impressive. Below is a profit curve.



There appears to be some flattening in the curve as some of the biggest winners appeared early on. Still, the slope remains generally up and the study seems to be worth consideration.

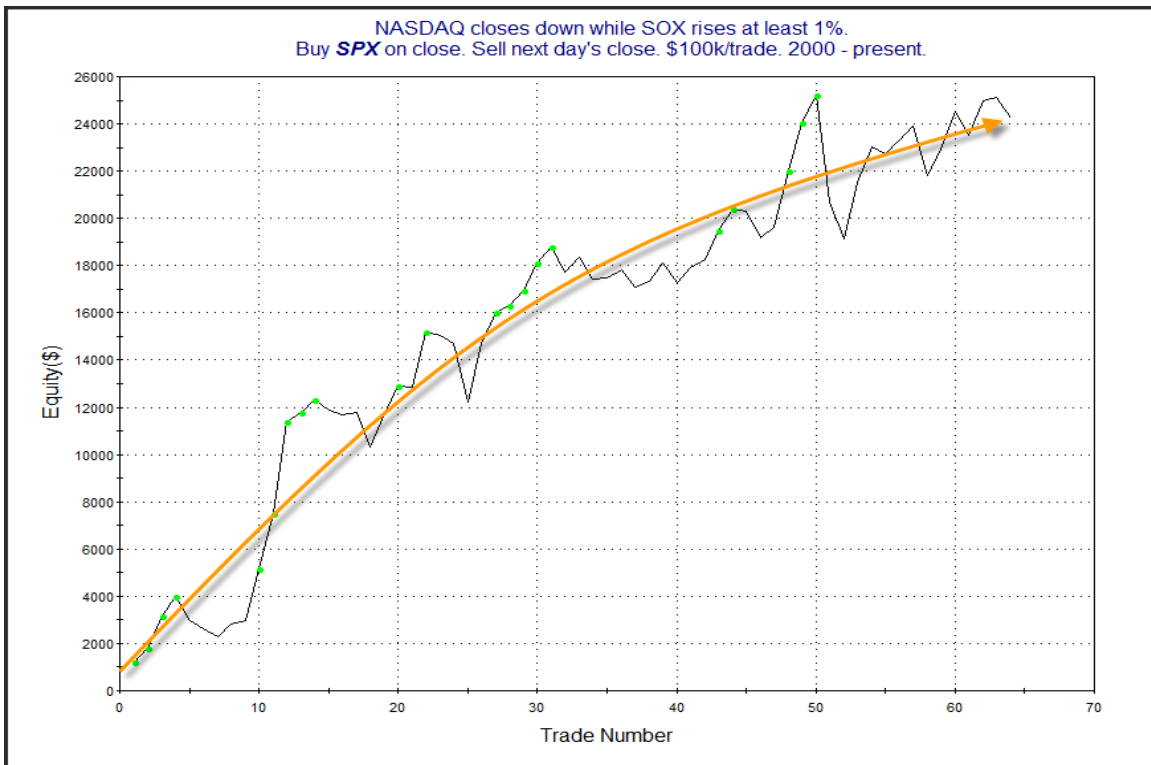
Of course the Aggregator anticipates SPX movement not Nasdaq movement, though the two are highly correlated. I decided to see how the SPX has performed when the setup triggered.

NASDAQ closes down while SOX rises at least 1%.  
Buy **SPX** on close. Sell next day's close. \$100k/trade. 2000 - present.

TradeStation Performance Summary				Expand ▾
<b>All Trades</b>				
Total Net Profit	\$24,226.97	Profit Factor	2.10	
Gross Profit	\$46,214.70	Gross Loss	(\$21,987.73)	
Total Number of Trades	64	Percent Profitable	65.63%	
Winning Trades	42	Losing Trades	22	
Even Trades	0			
Avg. Trade Net Profit	\$378.55	Ratio Avg. Win:Avg. Loss	1.10	
Avg. Winning Trade	\$1,100.35	Avg. Losing Trade	(\$999.44)	
Largest Winning Trade	\$3,863.25	Largest Losing Trade	(\$4,520.40)	

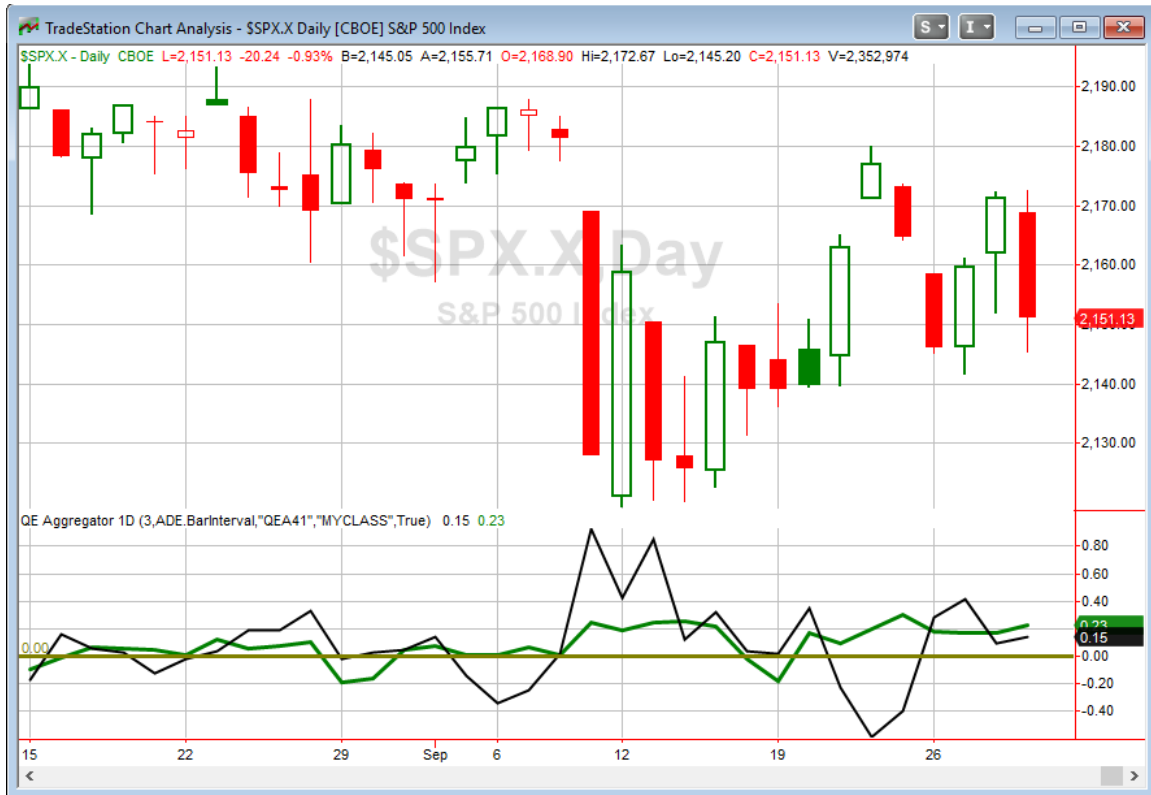
Based on these results it appears the SPX has benefitted as well. The strength of the upside edge isn't quite as strong though. The average instance sees a rise of about 0.4% instead of the 0.8% shown in the Nasdaq results. Traders looking to take advantage of the setup could consider trading the Nasdaq rather than the S&P in cases like this.

I also ran the SPX profit curve and have included it below.



The curve here appears similar to the Nasdaq profit curve without as much flattening. I have added this study to the Active List tonight.

I have updated the Aggregator chart below.



With the NASDAQ & SOX movement on Thursday the green Aggregator Line again 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 held above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are bullish 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 list of active studies, expectations are poised to remain positive on Friday. This could change if compelling new bearish evidence emerges. The Differential Pivot will be 2173.89 on Friday. That is 1.1% above Thursday's close. So for SPX to move from overbought to oversold versus recent expectations on Friday, it will need to close up at least 1.1%.

So with expectations positive and the SPX oversold there appears to be a bit of an upside edge. In addition to the bullish evidence discussed above, Friday is the last day of the month. While the last day does not carry a huge edge, it can set up the start of the next month. I have found in the past that when the SPY closes in the bottom half of its daily range on the last day of the month, that the next day has shown a strong bullish tendency. This tendency is not as evident when SPY has closed strongly. In anticipation of this I will be looking to take on some long exposure if the market struggles on Friday afternoon. Details are in the Trade Ideas section lower down.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 9/26 – bullish***

The intermediate-term outlook was last updated in the 9/26 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.*

**SPY – buy ¼ index position IF IT CLOSES IN THE BOTTOM 50% OF ITS INTRADAY RANGE.** Based on the short-term section above I will be looking to take on some long exposure if I can get a decent fill price.

## Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>SPY(1/4)</i>	<i>9/27/2016</i>	<i>\$214.05</i>	<i>\$216.50</i>	<i>1.14%</i>		<i>sold at limit</i>

A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 [can be found here](#).

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.