

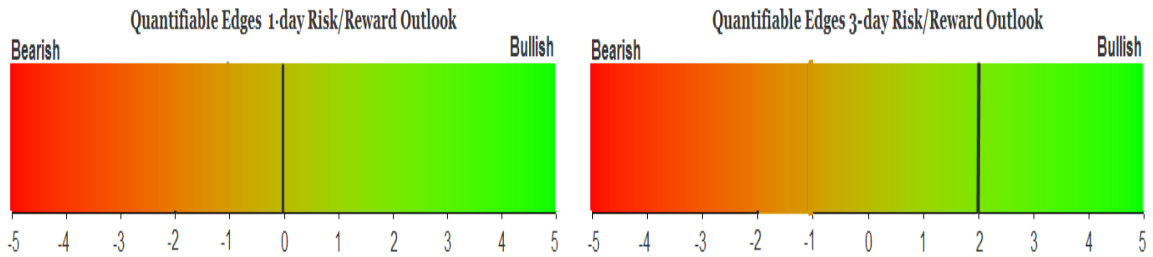
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 12, 2016

Volume 9 Issue 198

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- The unfilled gap pattern over the last couple of days set up a bearish trigger.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is now bullish, but there is some evidence that the market could have further selling over the next day or two before the bounce occurs.

*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>						
October 12, 2016	Unfilled up then unfilled down < 2 ago	1-2 days	Bearish			
October 10, 2016	3 high. 3 low. 3 low close > 200ma	1-5 days	Bullish	2.00%	-1.30%	-2.60%
<b>Active - Long Term</b>						
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			

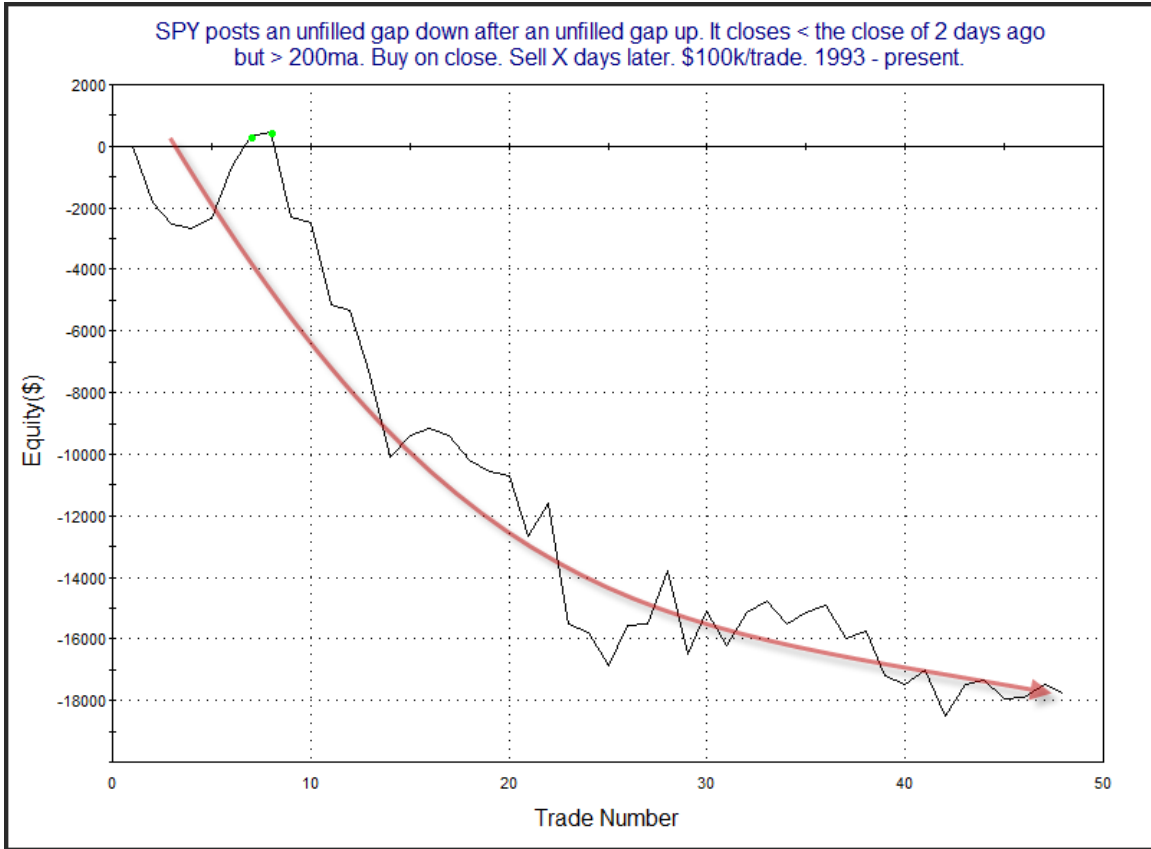
**The Evidence**

The market had a rough day on Tuesday. The SPX finished the day down 1.2%, the NASDAQ fell 1.5%, and the Russell 2000 declined 1.9%. Breadth was negative as the NYSE Up Issues % was 14% and the Up Volume % came in at 12%. NYSE volume rose from Monday's holiday levels.

Despite the big selloff there was not a lot that triggered in the Quantifinder. And the bullish studies were not terribly compelling. There was one bearish study worth discussion though. It was last seen in the 8/25/16 letter. It examines 2-day moves like SPY has just encountered, and it is updated below.

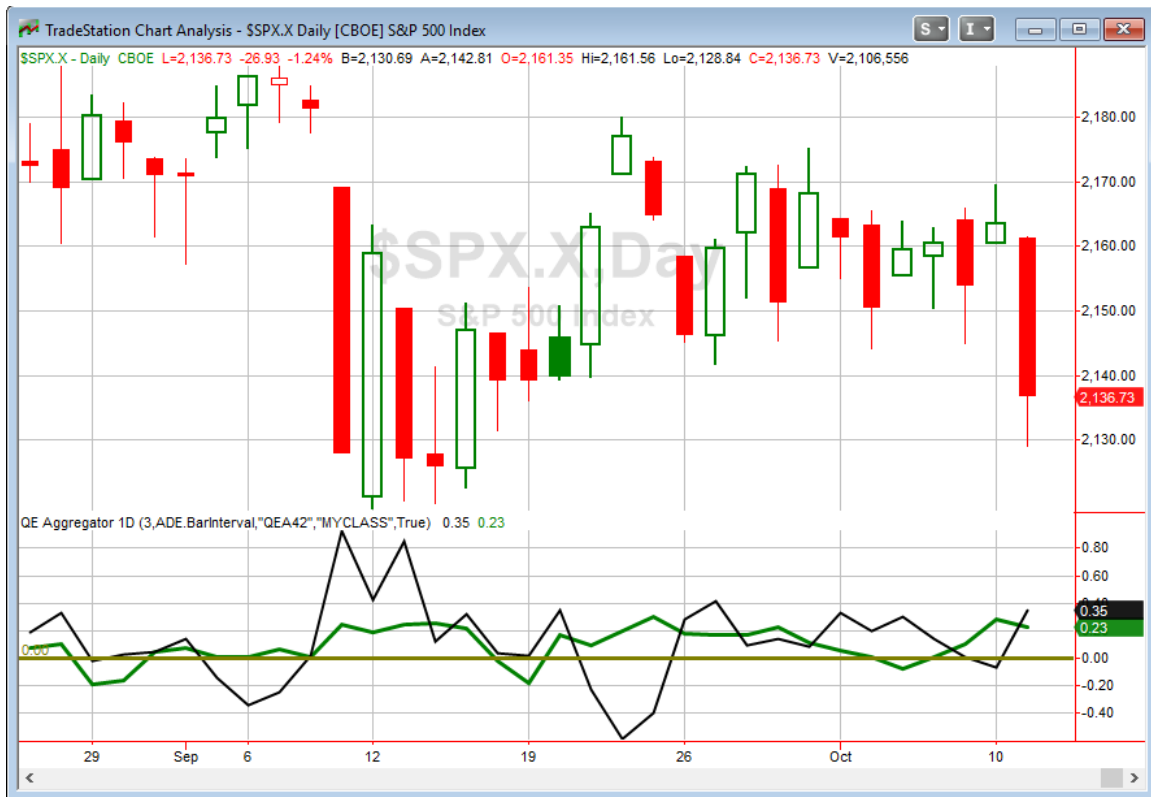
SPY posts an unfilled gap down after an unfilled gap up. It closes < the close of 2 days ago but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	4,170.29	45	22	23	48.89	3,949.59	-3,791.20	1,475.12	-1,229.67	1.20	1.15	92.67
4	5,445.82	46	22	24	47.83	3,637.58	-4,926.08	1,499.22	-1,147.37	1.31	1.20	118.39
3	-18,192.77	48	22	26	45.83	2,463.47	-5,321.00	816.50	-1,390.61	0.59	0.50	-379.02
2	-17,744.04	48	21	26	43.75	1,754.40	-3,893.00	667.22	-1,221.37	0.55	0.44	-369.67
1	-4,650.52	48	20	27	41.67	1,325.15	-1,736.76	531.74	-566.12	0.94	0.70	-96.89

The suggestion here is that more downside appears likely over the next few days. Of course I also examined the profit curves. Below is the 2-day.



While the curve has been a bit choppy, it still appears to be trending downwards. I believe this study is worth taking into consideration and have included it in the Aggregator.

I have updated the Aggregator chart below.



With tonight's bearish study to consider the green Aggregator Line still 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 spiked back 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. Therefore, the Aggregator signal changed from flat to long at the close.

If nothing new emerges on Wednesday, net expectations will remain positive. Of course this could change if more bearish studies emerge. The Differential Pivot will be 2154.29 on Wednesday. That is 0.8% above Tuesday's close. Therefore, SPX would need to close up at least 0.8% on Wednesday in order to move from oversold to overbought versus recent expectations.

While 3-day expectations used by the Aggregator do remain positive, the bearish study above did turn 1-day expectations just slightly negative. With this in mind I am not inclined to jump in just yet at these levels. Instead I will look to take on some index exposure if Wednesday falters and closes lower.

**Intermediate-term Outlook (2 weeks – 2 months) – *updated 10/10 – somewhat bullish***

The intermediate-term outlook was last updated in the 10/3 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***

GE @ \$28.86 (bought 1/3 at limit)

***Broad Market Large Cap CBI – 1(GE)***

**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 @ \$213.25 LIMIT ON CLOSE.** Based on the short-term section above, I will look to start building a SPY position if it closes down much on Wednesday.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>CVS(1/3)</i>	<i>10/5/2016</i>	<i>\$86.22</i>	<i>\$86.55</i>	<i>0.38%</i>		<i>sold on open</i>
GE(1/3)	10/11/2016	\$28.75	\$28.92	0.59%		<b>bought on open</b>

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

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