

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 14, 2016

Volume 9 Issue 200

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- The gap down and partial reversal is typically a bullish pattern.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is again bullish. There appears to be a moderate 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>						
October 14, 2016	Gap < 50-low. Partial reversal.	1-2 days	Bullish	3.40%	-1.60%	-3.20%
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**

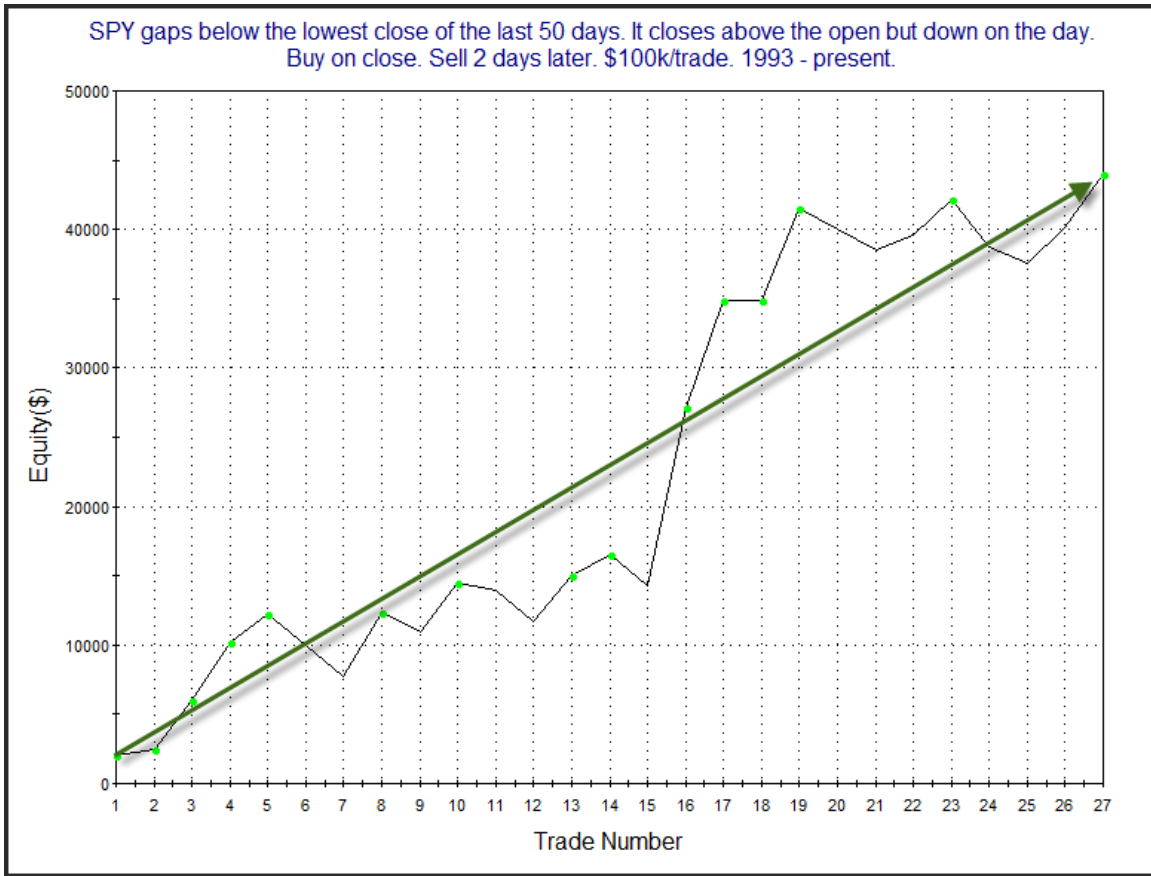
Thursday started off really bad, and then finished “less bad”. The SPX finished the day down 0.3%, the NASDAQ fell 0.5%, and the Russell 2000 declined 0.9%. Breadth was weak as the NYSE Up Issues % was 33% and the Up Volume % came in at 35%. NYSE volume rose some from Wednesday’s level.

Only one of the Quantifinder studies showed very compelling results. It noted that SPY action. SPY gapped down big at the open. It closed above the open but still never got positive on the day. The gap down and partial reversal from a potential 50-day low is something that I have looked at in the past. This study is from the 2/12/16 letter. Results are all updated.

SPY gaps below the lowest close of the last 50 days. It closes above the open but down on the day. 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	41,936.48	25	15	10	60.00	11,377.00	-5,014.98	4,557.89	-2,643.18	1.72	2.59	1,677.46
4	49,863.06	26	16	10	61.54	11,714.64	-6,725.16	4,540.39	-2,278.32	1.99	3.19	1,917.81
3	36,289.50	26	14	12	53.85	10,848.52	-5,355.22	3,950.04	-1,584.25	2.49	2.91	1,395.75
2	43,954.74	27	17	10	62.96	12,814.15	-3,463.80	3,676.71	-1,854.93	1.98	3.37	1,627.95
1	31,284.48	28	18	10	64.29	14,507.65	-3,576.07	2,691.95	-1,717.06	1.57	2.82	1,117.30

**88.5% of instances closed above the entry price at some point in the next week.**

I referred to this as a "partial reversal" because it closed above the open, but not high enough to actually close positive. Results appear to favor the long side, especially over the first two days. Below is a profit curve assuming a 2-day holding period.



There were a few outsized gains which skewed the curve a bit, but the slope has been upwards throughout the entire time. I have therefore included this study on the Short Term Active List.

I have updated the Aggregator chart below.



With tonight's bullish evidence to consider the green Aggregator Line 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 remained 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 stayed long at the close.

If nothing new emerges on Friday, net expectations will remain positive. Of course this could change if strong bearish studies emerge. The Differential Pivot will be 2149.96 on Friday. That is 0.8% above Thursday's close. Therefore, SPX would need to close up at least 0.8% on Friday in order to move from oversold to overbought versus recent expectations.

So we are seeing a little more evidence suggesting a bounce. And with the market still oversold there appears to be an upside edge. I took some long index exposure on Thursday. I am not inclined to add to that exposure just yet. But I will continue to hold it in anticipation of a rally.

**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.*

**None tonight.**

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
GE(1/3)	10/11/2016	\$28.75	\$28.77	0.07%		Catapult
SPY(1/4)	10/14/2016	\$212.16	\$213.01	0.40%		Aggregator

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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