

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 25, 2016

Volume 9 Issue 207

Market Overview



Signals Overview

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

Tonight's Research Points

- No new compelling evidence emerged on Monday.

Short-term Outlook

The Bottom Line

Evidence is pointing higher and the SPX is slightly oversold. This has the Aggregator in a bullish formation – but it is a pretty weak bull case. I am not interested in trading it right here.

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						
October 24, 2016	VIX 10% above to 10% below 10ma in 4	1-5 days	Bullish			
October 19, 2016	20 low yesterday. 4 high today.	1-8 days	Bullish	2.30%	-1.50%	-3.10%
Active - Long Term						
October 19, 2016	20 low yesterday. 4 high today.	1-20 days	Bullish	3.80%	-2.10%	-4.50%
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	290% 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			
Dropped Tonight						
October 24, 2016	SPY up < 0.25% but top 10% of range	1 day	Bearish			

The Evidence

Monday got off to a strong start, but most indices did not make it much farther after the open. The SPX finished with a 0.5% rise, the NASDAQ gained 1.0%, and the Russell 2000 climbed 0.7%. Breadth was positive as the NYSE Up Issues % was 59% and the Up Volume % came in at 55%. NYSE volume pulled back some from Friday's opex-infused level.

The quiet day did very little to generate new studies. The Quantifinder did identify two of them, but neither is compelling – for different reasons. There is a bearish one that looks at the recent HV contraction without seeing the market posting new intermediate-term highs. It simply has not performed as well in recent years. So I have ignored it and will be putting it on “probation” for the time being. The bullish one looked at quiet trading after a down day that posted big volume. But Friday's big volume day was attributable to opex – not to a big reversal or selloff. So I determined this study was not worth consideration at this time. While that leaves us without anything new tonight, there are still studies on the QE Active List.

I have updated the Aggregator chart below.



Without any new short-term evidence to consider tonight 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 Tuesday, net expectations will remain positive. It would take some new bearish evidence on Tuesday to change this. The Differential Pivot will be 2151.36 on Tuesday. That is only 0.03 points above Monday's close...almost dead even. So SPX will be considered oversold on any down close, and it will be considered overbought versus recent expectations on basically any up close.

With the Differential Pivot right here there is not any room for gains before the SPX would turn overbought and the long Aggregator signal would turn off. And though evidence is leaning bullish, Monday's action did not help any. Another point to consider is that while 3-day expectations are positive, 1-day are slightly bearish. This is leaving the 1-day Risk/Reward Outlook at the top of the letter with a zero reading, as opposed to the "2" reading for the 3-day outlook. So I am not enthused about taking on new exposure right here. I would rather wait for a more favorable reward/risk scenario to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 10/24 – bullish*

The intermediate-term outlook was last updated in the 10/24 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

PFE @ \$32.66 (bought 1/3 at limit)

PFE @ \$32.50 (bought 1/3 at limit)

T @ \$37.49 (bought 1/3 at limit)

New

T @ \$36.86 (buy 1/3 at limit)

Broad Market Large Cap CBI – 4(PFE-2, T-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.

T – buy 1/3 Catapult position @ \$36.86 LIMIT. This is from the Catapult section above. It is the 2nd of 3 possible lots for T.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
PFE(1/3)	10/17/2016	\$32.58	\$32.13	-1.38%		Catapult
PFE(1/3)	10/24/2016	\$32.18	\$32.13	-0.16%		Catapult
T(1/3)	10/24/2016	\$36.51	\$36.86	0.96%		Catapult

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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