

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 27, 2016

Volume 9 Issue 209

## 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 Wednesday.

### *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 still 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
<b>Active - Short Term</b>						
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%
<b>Active - Long Term</b>						
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			
<b>Dropped Tonight</b>						
October 24, 2016	SPY up < 0.25% but top 10% of range	1 day	Bearish			

***The Evidence***

Wednesday saw the indices mostly lower. The SPX lost 0.2%, the NASDAQ fell 0.6%, and the Russell 2000 declined 0.9%. Breadth was weak as the NYSE Up Issues % was 36% and the Up Volume % came in at 46%. NYSE volume rose some from Tuesday's level.

The moderate action again failed to trigger anything compelling in the Quantifinder. But the Quantifiable Edges Capitulative Breadth Indicator (CBI) remains interesting. As I discussed last night it has rarely risen to high levels without an index selloff. It moved from 6 back down to 5 tonight. But it could spike quickly if selling intensifies. This suggests to me that a selloff from here is unlikely to persist for long, and it would most likely be followed by a quick bounce.

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.

Based on the current active studies, expectations are primed to remain positive on Thursday. Some new bearish evidence would need to emerge in order to change this. The Differential Pivot will be 2156.39 on Thursday. That is 0.8% above Wednesday's close. So SPX would need to close up 0.8% on Thursday to flip from oversold to overbought versus expectations.

Wednesday did not change much for me. The Aggregator is still bullish, but nothing new emerged and I still feel the evidence is somewhat weak – especially with nothing confirming in the last few days. So despite the bullish Aggregator reading I am still not interested in taking on new index positions. I will wait another day or more for that. There is more action in the Catapults though.

***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***

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

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

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

VZ @ \$47.84 (bought 1/3 at limit)

***New***

VZ @ \$47.63 (buy 1/3 at limit)

***Broad Market Large Cap CBI – 5/2(T-3, VZ-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.*

**VZ – buy 1/3 Catapult position @ \$47.63 LIMIT.** This is from the Catapult section above. It is the 2<sup>nd</sup> of 3 possible lots for VZ.

### Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
PFE(1/3)	10/17/2016	\$32.58	\$32.40	-0.55%		<i>sell on open</i>
PFE(1/3)	10/24/2016	\$32.18	\$32.40	0.68%		<i>sell on open</i>
T(1/3)	10/24/2016	\$36.51	\$36.43	-0.22%		Catapult
T(1/3)	10/25/2016	\$36.86	\$36.43	-1.17%		Catapult
T(1/3)	10/26/2016	\$36.64	\$36.43	-0.57%		Catapult
VZ(1/3)	10/26/2016	\$47.74	\$47.63	-0.23%		Catapult

*PFE reached its exit trigger. I will exit it at the open on Thursday.*

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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