

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 28, 2016

Volume 9 Issue 210

Market Overview



Signals Overview

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

Tonight's Research Points

- Weak closes at 5-day lows often lead to a bounce.

Short-term Outlook

The Bottom Line

Evidence is pointing higher and the SPX is oversold. This has the Aggregator in a bullish formation. I am now interested in the long side.

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 28, 2016	SPX bottom 10% range. 5-low & > 200	1 day	Bullish			
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			

The Evidence

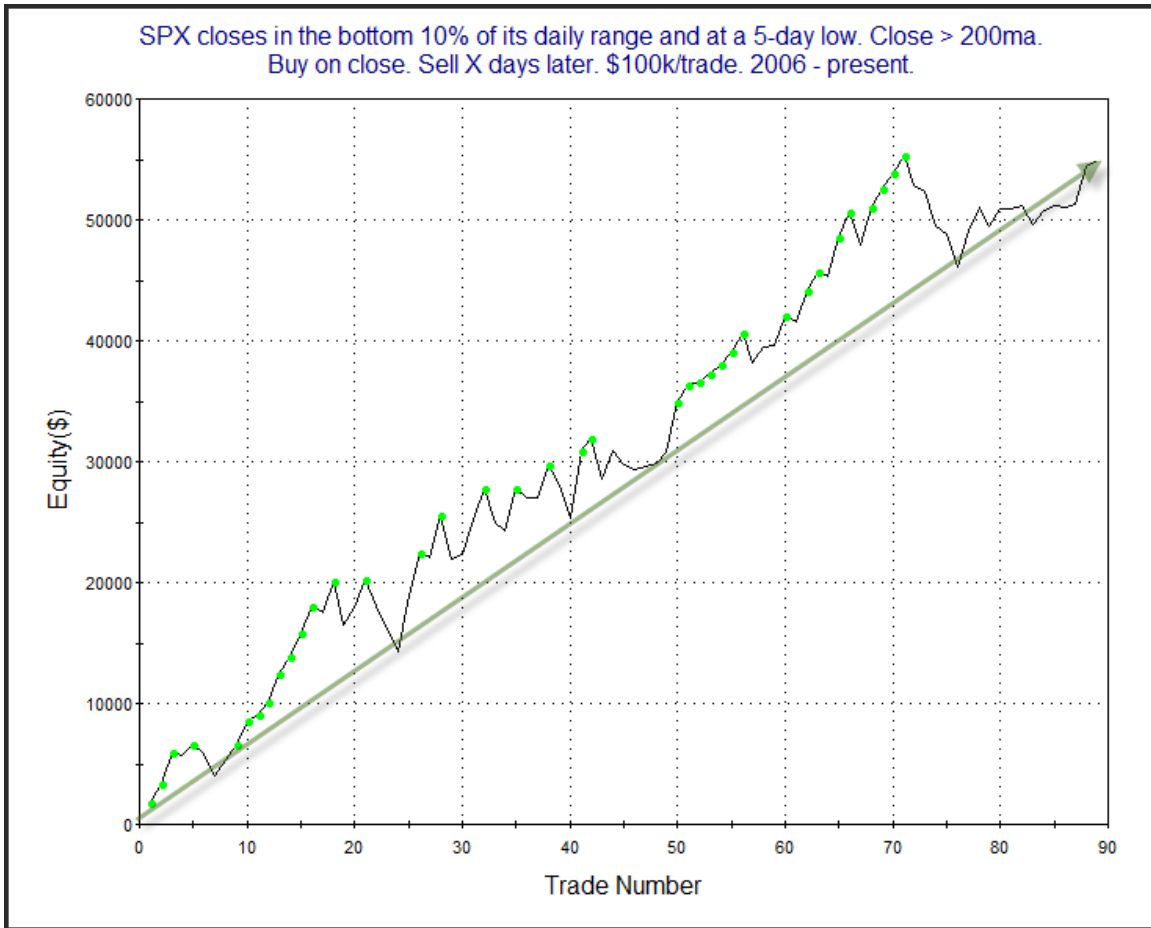
Thursday was a difficult day for the market. The SPX lost 0.3%, the NASDAQ fell 0.65%, and the Russell 2000 declined 1.2%. Breadth was weak as the NYSE Up Issues % was 28% and the Up Volume % came in at 42%. NYSE volume rose quite a bit and reached the highest level since September.

This was the 3rd day in a row that SPX declined. Often 3-day pullbacks will yield compelling results. But the studies I looked at tonight with regards to 3-day pullbacks were pretty weak.

The selling did put SPX at a short-term closing low. Over the last several years when SPX has closed near the bottom of its range and at a 5-day low, it has typically been followed by a bounce in the next few days. This can be seen in the study below, which was last seen in the 12/31/14 letter.

SPX closes in the bottom 10% of its daily range and at a 5-day low. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 2006 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	54,997.33	89	58	31	65.17	1,796.43	5,555.16	-1,586.96	-3,680.82	1.13	2.12	617.95
4	42,352.59	92	58	34	63.04	1,581.79	5,290.00	-1,452.69	-3,863.84	1.09	1.86	460.35
3	33,350.97	99	62	37	62.63	1,243.02	4,895.50	-1,181.52	-3,437.94	1.05	1.76	336.88
2	28,814.07	108	61	47	56.48	1,120.97	4,424.50	-841.81	-2,726.97	1.33	1.73	266.80
1	27,667.18	118	75	43	63.56	763.72	2,230.60	-688.64	-2,200.08	1.11	1.93	234.47

Odds seem to favor a rally over the next week. Here is the profit curve.



The strong upslope seems to act as a nice confirmation of the bullish numbers.

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 Friday. Some compelling new bearish evidence would need to emerge in order to change this. The Differential Pivot will be 2152.22 on Friday. That is 0.9% above Thursday's close. So SPX would need to close up 0.9% on Friday to flip from oversold to overbought versus expectations.

The Aggregator has been bullish for a while now. But the evidence was not compelling enough to get me interested in taking on any long index exposure. And while tonight's study is not the strongest we have ever seen, it does provide some new evidence that a bounce is near. With plenty of room to the upside before SPX would turn overbought, reward/risk seems favorable. So I will look to begin scaling into a long SPY position on Friday.

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)

New

SPG @ \$183.23 (buy 1/3@limit)

Broad Market Large Cap CBI – 4/2(T-3, SPG)

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.

SPG – buy 1/3 Catapult position @ \$183.23 LIMIT. This is from the Catapult section above. It is the 1st of 3 possible lots for SPG.

SPY – buy ¼ index position @ \$213.17 LIMIT. Based on the short-term outlook above, I will look to begin a long index position.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>PFE(1/3)</i>	<i>10/17/2016</i>	<i>\$32.58</i>	<i>\$32.58</i>	<i>0.00%</i>		<i>sold on open</i>
<i>PFE(1/3)</i>	<i>10/24/2016</i>	<i>\$32.18</i>	<i>\$32.58</i>	<i>1.24%</i>		<i>sold on open</i>
T(1/3)	10/24/2016	\$36.51	\$36.52	0.03%		Catapult
T(1/3)	10/25/2016	\$36.86	\$36.52	-0.92%		Catapult
T(1/3)	10/26/2016	\$36.64	\$36.52	-0.33%		Catapult
VZ(1/3)	10/26/2016	\$47.74	\$48.54	1.68%		<i>sell on open</i>
VZ(1/3)	10/27/2016	\$47.63	\$48.54	1.91%		<i>sell on open</i>

VZ reached its exit trigger. I will exit it at the open on Friday.

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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