

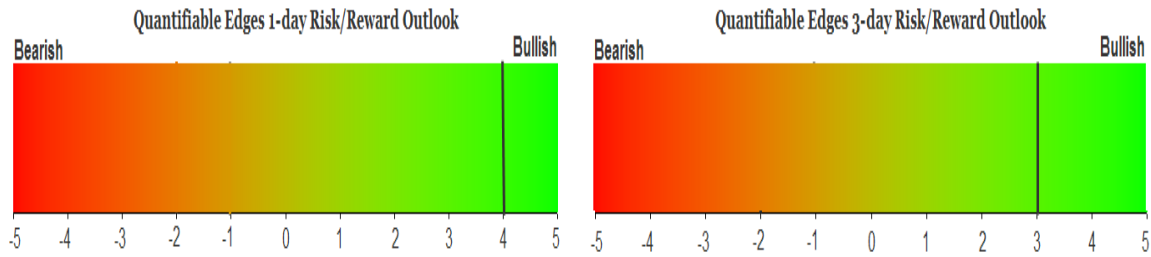
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 1, 2016

Volume 9 Issue 212

Market Overview



Signals Overview

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

Tonight's Research Points

- 20-day lows have often been followed by bounces – especially if the low occurs on Monday.
- The week after the 4th Friday in October has typically shown seasonal strength.
- 3 days down into the end of the month during uptrends has commonly been followed by a strong start to the next month.

Short-term Outlook

The Bottom Line

Evidence is pointing higher and the SPX is oversold. Reward/risk appears favorable for the bulls over the next few days.

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						
November 1, 2016	3 down days into month end	1 day	Bullish			
November 1, 2016	20-low close on a Monday > 200ma	1-4 days	Bullish			
November 1, 2016	Day after 4th Fri of October is bearish	1-4 days	Bullish			
October 31, 2016	SPY gpa down close lower after 5-low	1-3 days	Bullish			
October 28, 2016	SPX bottom 10% range. 5-low & > 200	1-5 days	Bullish			
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

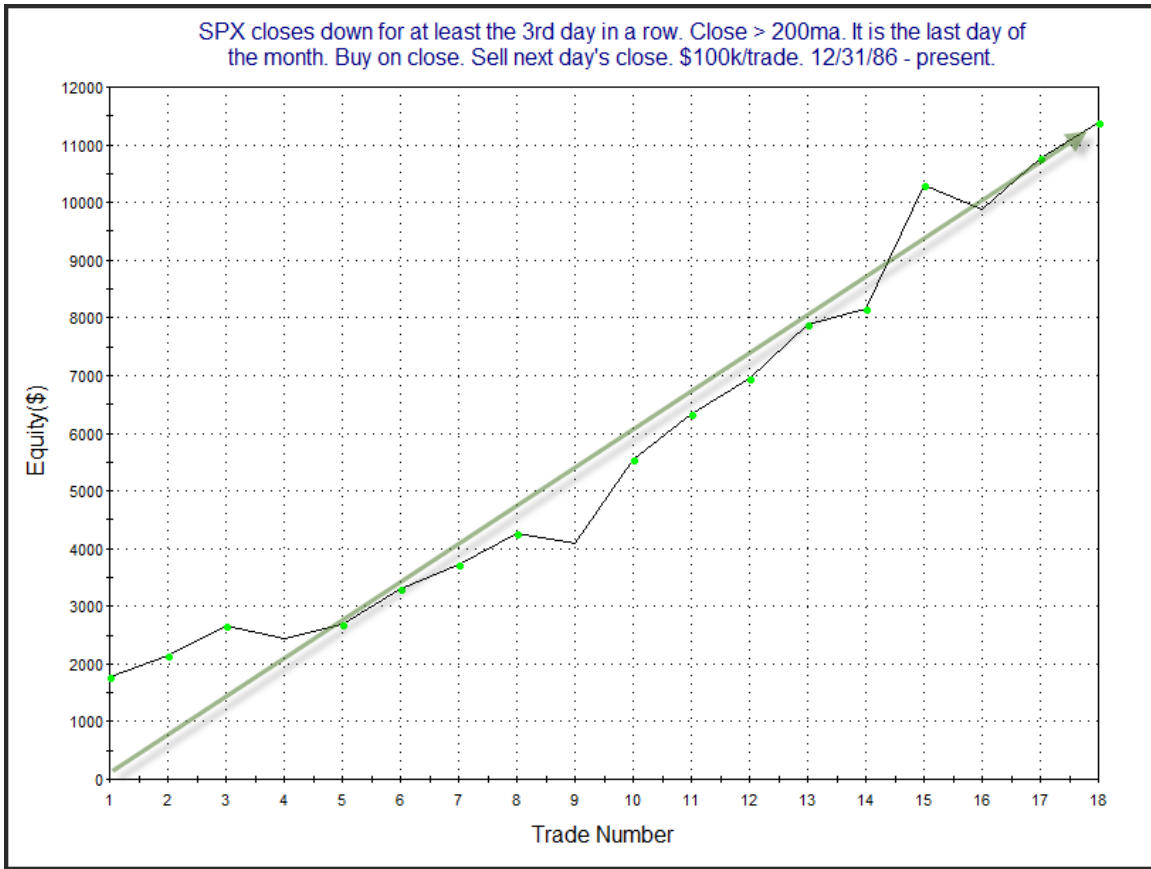
The market traded higher for much of Monday, but finished mixed. The SPX lost 0.25 points and the NASDAQ fell 0.97 points, but the Russell 2000 rose 0.3%. Breadth was just above breakeven as the NYSE Up Issues % was 51% and the Up Volume % also came in at 51%. NYSE volume declined from Friday's level.

There were a sizable number of bullish studies that triggered in the Quantifinder. Most of them with a seasonal tilt. I chose the most compelling ones to discuss tonight. The one below examines 3+ day pullbacks that come at the end of the month. It was last seen in the 3/2/15 letter.

SPX closes down for at least the 3rd day in a row. Close > 200ma. It is the last day of the month. Buy on close. Sell next day's close. \$100k/trade. 12/31/86 - present.

TradeStation Performance Summary				Expand ▾
All Trades				
Total Net Profit	\$11,372.04	Profit Factor	15.20	
Gross Profit	\$12,172.96	Gross Loss	(\$800.92)	
Total Number of Trades	18	Percent Profitable	83.33%	
Winning Trades	15	Losing Trades	3	
Even Trades	0			
Avg. Trade Net Profit	\$631.78	Ratio Avg. Win:Avg. Loss	3.04	
Avg. Winning Trade	\$811.53	Avg. Losing Trade	(\$266.97)	
Largest Winning Trade	\$2,143.68	Largest Losing Trade	(\$411.18)	

The numbers here are very strong. And while the edge did seem to persist even for the next few days, the Day 1 profit curve was by far the strongest and most consistent. It can be seen below.



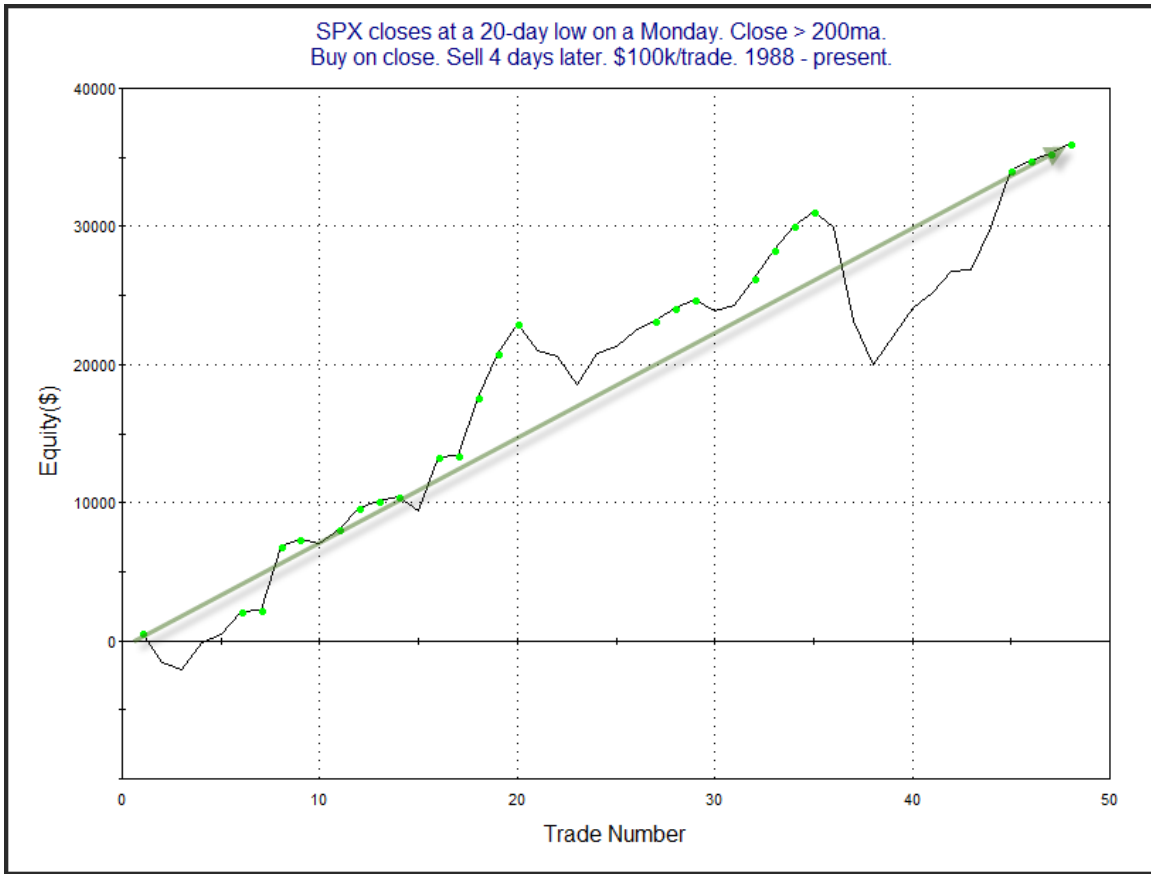
This certainly suggests an upside tendency for Tuesday. I have included this study on the Active List.

On another note, [Tuesday's have a well-earned reputation for being days where bounces tend to begin](#). The study below is from just a couple of weeks ago in the 10/18/16 letter. It examined other times that the SPX closed at a 20-day low on a Monday. Results have been updated.

SPX closes at a 20-day low on a Monday. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1988 - 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	36,270.55	48	33	15	68.75	2,167.40	7,070.28	-2,350.25	-12,895.96	0.92	2.03	755.64
4	35,953.54	48	37	11	77.08	1,522.68	4,690.50	-1,853.22	-6,742.12	0.82	2.76	749.03
3	30,730.10	48	36	12	75.00	1,395.47	3,940.55	-1,625.58	-6,688.99	0.86	2.58	640.21
2	22,902.39	48	32	16	66.67	1,185.88	4,809.66	-940.36	-2,760.78	1.26	2.52	477.13
1	10,530.75	48	31	17	64.58	813.47	5,117.46	-863.93	-3,588.48	0.94	1.72	219.39

Stats here appear strongly bullish. Below is a profit curve using a 4-day exit strategy.



There were 3 trades that failed miserably in 2011-2012. But since that time there have been 10 winning trades in a row, which got the curve right back on track. So the study seems worth taking into consideration, and I have done so.

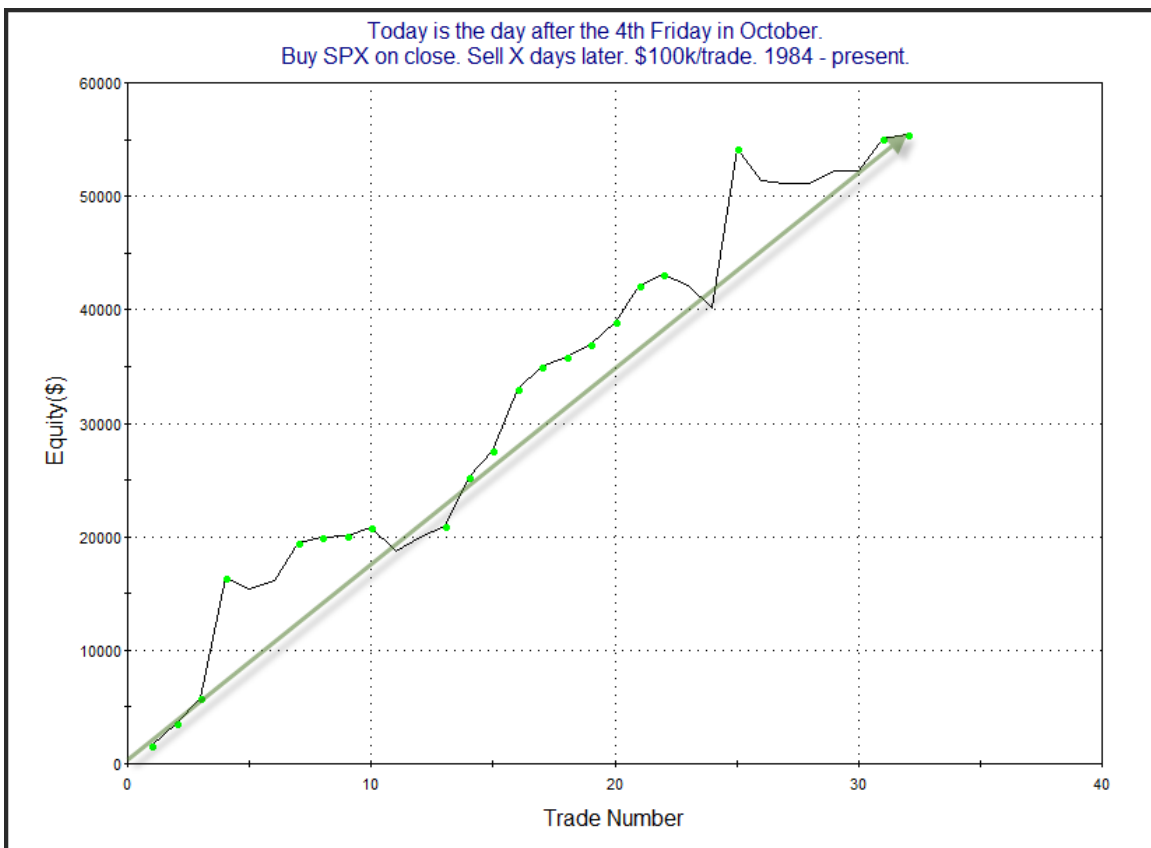
Another seasonal study that is set to kick in is the one I showed last night that examined performance the week after the 4th Friday in October. There we saw Monday was sketchy, but the rest of the week look impressive. Below is the rest of the week as copied from last night's letter.

Today is the day after the 4th Friday in October.
Buy SPX on close. Sell X days later. \$100k/trade. 1984 - 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
4	55,467.59	32	24	8	75.00	2,692.38	14,020.11	-1,143.68	-2,860.68	2.35	7.06	1,733.36
3	46,779.10	32	25	7	78.13	2,064.15	12,304.89	-689.25	-2,081.28	2.99	10.70	1,461.85
2	26,234.49	32	25	7	78.13	1,361.38	9,496.89	-1,114.28	-2,261.76	1.22	4.36	819.83
1	22,388.72	32	21	11	65.63	1,524.15	10,716.03	-874.40	-2,766.58	1.74	3.33	699.65

30 of 32 instances (94%) closed above the entry price at some point in the next 4 days.

The stats here are very strong across the board and suggestive of an upside edge. Below is a look at the 4-day profit curve.



The curve has headed upwards for a long time and hit a new high again last year. Long-term seasonality will see some changes as we enter November (Best 6 months & new

Presidential Cycle year). But this short-term look at seasonality suggests the market could have some wind at its back this week.

I have updated the Aggregator chart below.



With tonight's 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 Tuesday. It would take extremely compelling new bearish evidence in order to change this. The Differential Pivot will be 2146.64 on Tuesday. That is 1.0% above Monday's close. So SPX would need to close up 1.0% on Tuesday to flip from oversold to overbought versus expectations.

With strong short-term seasonality kicking in from multiple angles and the market short-term oversold there certainly appears to be an upside edge. I am partially long already. I looked to add another lot at the close on Monday but my SPY limit price was missed by \$0.02. So I will again look to add more exposure on Tuesday if I can get a decent fill. I believe there is a good chance of a bounce in the next few days and I would like to take advantage of it with additional long exposure.

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

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

SPG @ \$182.88 (bought 1/3@limit)

Broad Market Large Cap CBI – 2(SPG-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.

SPY – buy ¼ index position @ \$212.55 LIMIT. Based on the short-term outlook above, I will look to add more long index exposure if I can get a decent fill on Tuesday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
T(1/3)	10/24/2016	\$36.51	\$36.79	0.77%		<i>sell on open</i>
T(1/3)	10/25/2016	\$36.86	\$36.79	-0.19%		<i>sell on open</i>
T(1/3)	10/26/2016	\$36.64	\$36.79	0.41%		<i>sell on open</i>
SPG(1/3)	10/28/2016	\$183.23	\$185.96	1.49%		Catapult
SPY(1/4)	10/28/2016	\$213.14	\$212.55	-0.28%		Aggregator
SPG(1/3)	10/31/2016	\$182.88	\$185.96	1.68%		Catapult

T reached its Catapult exit trigger. It will therefore be sold at the open on Tuesday.

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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