

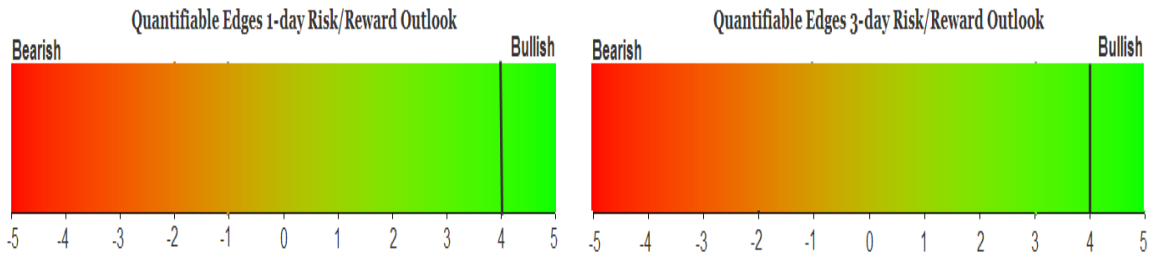
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 4, 2016

Volume 9 Issue 215

Market Overview



Signals Overview

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

Tonight's Research Points

- SPX is on a losing streak we have not seen in a long time.
- The spiking VIX is suggesting a bounce.
- The Quantifiable Edges CBI is at 8 and near the 10 level that would strongly suggest a bounce.

Short-term Outlook

The Bottom Line

Similar to last night. Evidence is pointing higher and the SPX is oversold. Reward/risk appears favorable for the bulls over the next few days. I am long and looking to get longer.

Summary of Recent Active Studies (see Letters from listed dates for details) – not updated tonight

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	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

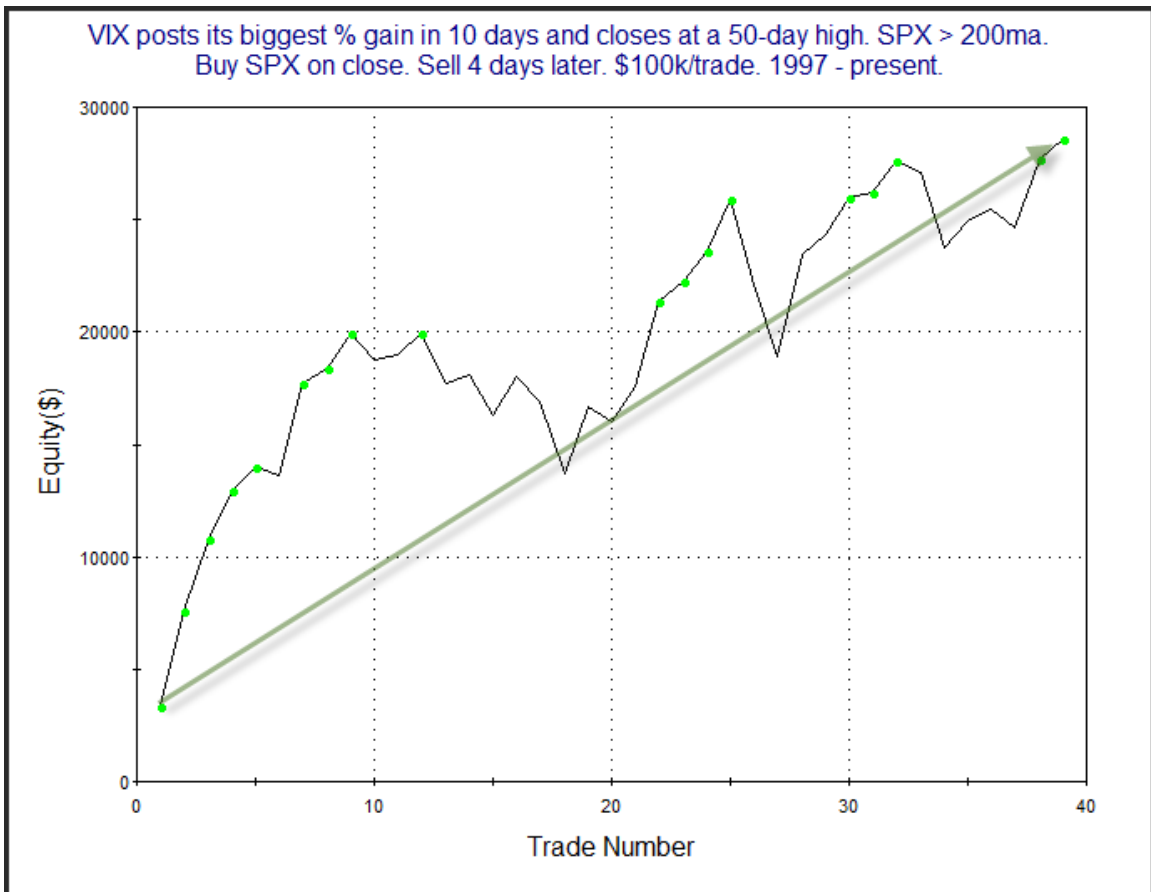
Despite evidence suggesting a bounce is overdue, the market has not been able to manage one. Thursday the SPX lost 0.4%, the NASDAQ fell 0.9%, and the Russell 2000 declined 0.5%. Breadth was negative as the NYSE Up Issues % was 40% and the Up Volume % came in at 43%. NYSE volume fell from Wednesday’s level.

The pullback is reaching some pretty extreme territory here. The SPX closed down for the 8th day in a row. That is the 1st time that has happened since October of 2008. And the last time it did it while above the 200ma was 1996. So it certainly seems as though some kind of bounce is due.

It is also notable that the VIX spiked up 14% on Thursday and closed at the highest level since June. In the past when it has closed at a high level on a strong move there has been a tendency for the SPX to bounce over the next few days. This can be seen in the study below from the 10/8/13 letter. (Stats are updated.)

VIX posts its biggest % gain in 10 days and closes at a 50-day high. SPX > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1997 - 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	29,599.21	39	22	17	56.41	2,312.62	7,070.28	-1,251.67	-3,385.80	1.85	2.39	758.95
4	28,552.25	39	27	12	69.23	1,883.50	4,546.84	-1,858.53	-3,863.84	1.01	2.28	732.11
3	20,593.26	42	26	16	61.90	1,548.98	4,042.74	-1,230.01	-2,576.01	1.26	2.05	490.32
2	20,799.73	43	26	17	60.47	1,246.28	4,809.66	-682.56	-2,726.97	1.83	2.79	483.71
1	4,401.89	46	27	19	58.70	823.06	5,117.46	-937.93	-1,949.22	0.88	1.25	95.69

The numbers appear compelling. Below is a profit curve using a 4-day hold.



The curve is choppy but is continues to move from lower left to upper right. This seems worth considering tonight.

Also notable is that the Quantifiable Edges Capiulative Breadth Indicator (CBI) spiked up to 8 as of Thursday's close. I generally consider 10 to be a strong indication that a bounce is imminent. But 7+ is an early warning sign, and often that is all it takes, especially when SPX is above the 200ma. Based on the way things are set up, it appears highly likely that another down day for the market would allow the CBI to reach the "10" level.

I have updated the Aggregator chart below.



With even more bullish evidence tonight the green Aggregator Line held far above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line is also elevated above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is strongly 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. It would take extremely compelling new bearish evidence in order to change this. The Differential Pivot will be 2124.91 on Friday. That is 1.7% above Thursday's close. So SPX would need to close up 1.7% on Friday to flip from oversold to overbought versus expectations. That would be a sizable jump for 1 day. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

By several measures the market is about as short-term oversold as it ever gets – especially when trading above its long-term moving averages. While it has resisted the tendency to bounce thus far, that still appears more likely than a continued slide from here. I have a fair amount of long exposure already. I will be adding some to it with new Catapult entries on Friday if I can get fills. And if the SPX closes down again on Friday I will anticipate the CBI reaching 10 and I will take on my 4th and final lot of SPY.

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)

PFE @ \$30.63 (bought 1/3 @ limit)

LLY @ \$72.65 (bought 1/3 @ limit)

New

PFE @ \$29.89 (buy 1/3 @ limit)

LLY @ \$72.11 (buy 1/3 @ limit)

AGN @ \$188.82 (buy 1/3 @ limit)

AMGN @ \$135.22 (buy 1/3 @ limit)

Broad Market Large Cap CBI – 8 (SPG-2, PFE-2, LLY-2, AGN, AMGN)

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.

PFE – buy 1/3 Catapult position @ \$29.89 LIMIT. From the Catapult section above. This is the 2nd of 3 possible lots for PFE.

LLY – buy 1/3 Catapult position @ \$72.11 LIMIT. From the Catapult section above. This is the 2nd of 3 possible lots for LLY.

AGN – buy 1/3 Catapult position @ \$188.82 LIMIT. From the Catapult section above. This is the 1st of 3 possible lots for AGN.

AMGN – buy 1/3 Catapult position @ \$135.22 LIMIT. From the Catapult section above. This is the 1st of 3 possible lots for AMGN.

SPY– buy ¼ index position @ \$208.77 LIMIT ON CLOSE. From the short-term section above, I will complete my SPY buying if it closes down again on Friday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPG(1/3)	10/28/2016	\$183.23	\$179.33	-2.13%		Catapult
SPY(1/4)	10/28/2016	\$213.14	\$208.78	-2.05%		Aggregator
SPG(1/3)	10/31/2016	\$182.88	\$179.33	-1.94%		Catapult
SPY(1/4)	11/1/2016	\$212.55	\$208.78	-1.77%		Aggregator
SPY(1/4)	11/2/2016	\$209.74	\$208.78	-0.46%		Aggregator
PFE(1/3)	11/3/2016	\$30.63	\$29.89	-2.42%		Catapult
LLY(1/3)	11/3/2016	\$72.65	\$72.11	-0.74%		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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