

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 23, 2016

Volume 9 Issue 228

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr / SOMA Swing
Flat	50% Long XIV	Flat

## Tonight's Research Points

- The Wednesday before Thanksgiving has been incredibly bullish when the market has been in a long-term uptrend.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral. I am not inclined to look to the long side until the market pull back some.

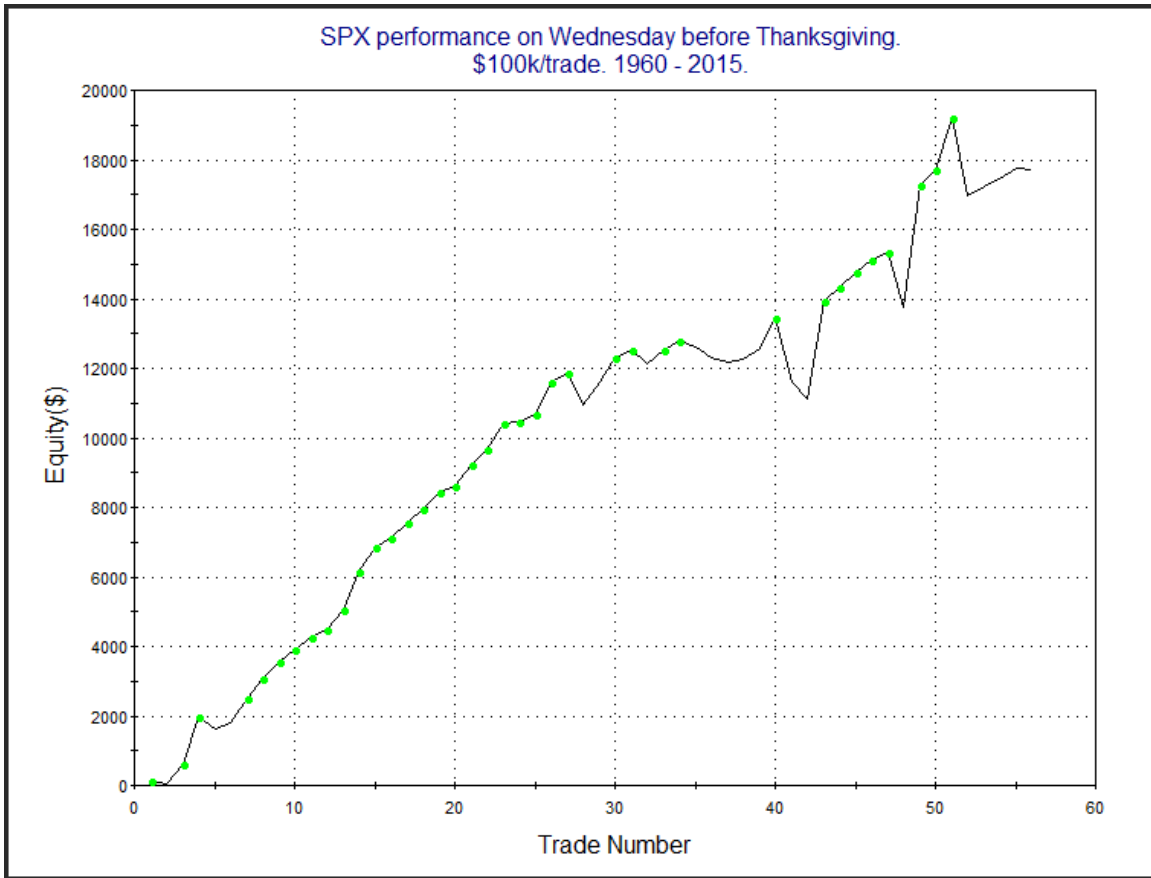
*Summary of Recent Active Studies (see Letters from listed dates for details)*

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
November 23, 2016	Thanksgiving Wed > 200ma	1 day	Bullish			
November 22, 2016	20 low volume. SPX up 0.5% > 10ma	1-3 days	Bearish			
November 21, 2016	Relatively big drop from 50-day high	1-4 days	Bullish			
November 18, 2016	50-low to 50-high in 10 days	1-6 days	Bullish			
November 18, 2016	Opex Tomorrow. SPX top 10% range	1-4 days	Bearish			
November 18, 2016	50 high with an unfilled gap up	1-5 days	Bullish			
<b>Active - Long Term</b>						
November 11, 2016	SPX 20-high. NDX biggest drop in 20.	1-50 days	Bullish			
November 8, 2016	20 low yesterday. 4 high today.	1-20 days	Bullish	3.80%	-2.10%	-4.50%
April 26, 2016	Golden Cross	int term	Bullish			
November 3, 2014	Quantitative Easing Ends	int term	Bearish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			

***The Evidence***

Tuesday was another rally day. The SPX gained 0.2%, the NASDAQ rallied 0.3%, and the Russell 2000 was rose 0.9%. Breadth was positive as the NYSE Up Issues % was 70% and the Up Volume % came in at 61%. NYSE volume rose some from Tuesday's level.

Wednesday before Thanksgiving did appear in the Quantifinder. As a quick reminder, here is the chart of all Wednesdays before Thanksgiving since 1960, as shown in Sunday night's letter just 2 days ago.

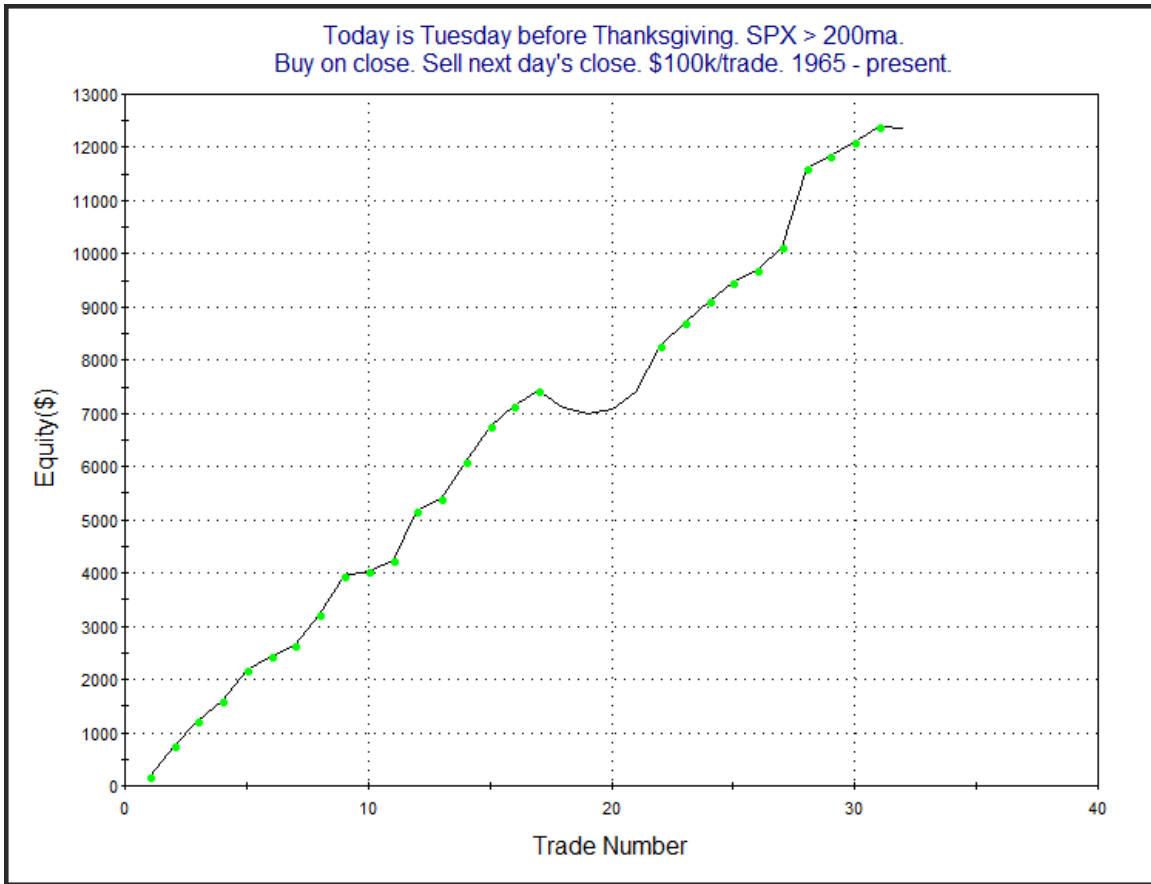


As I discussed on Sunday, there appears to be a solid upside seasonal edge. In the 11/25/15 letter I broke it down further. I examined all such days when the SPX closed above its 200ma. Below I have updated those results.

Today is Tuesday before Thanksgiving. SPX > 200ma.  
Buy on close. Sell next day's close. \$100k/trade. 1965 - present.

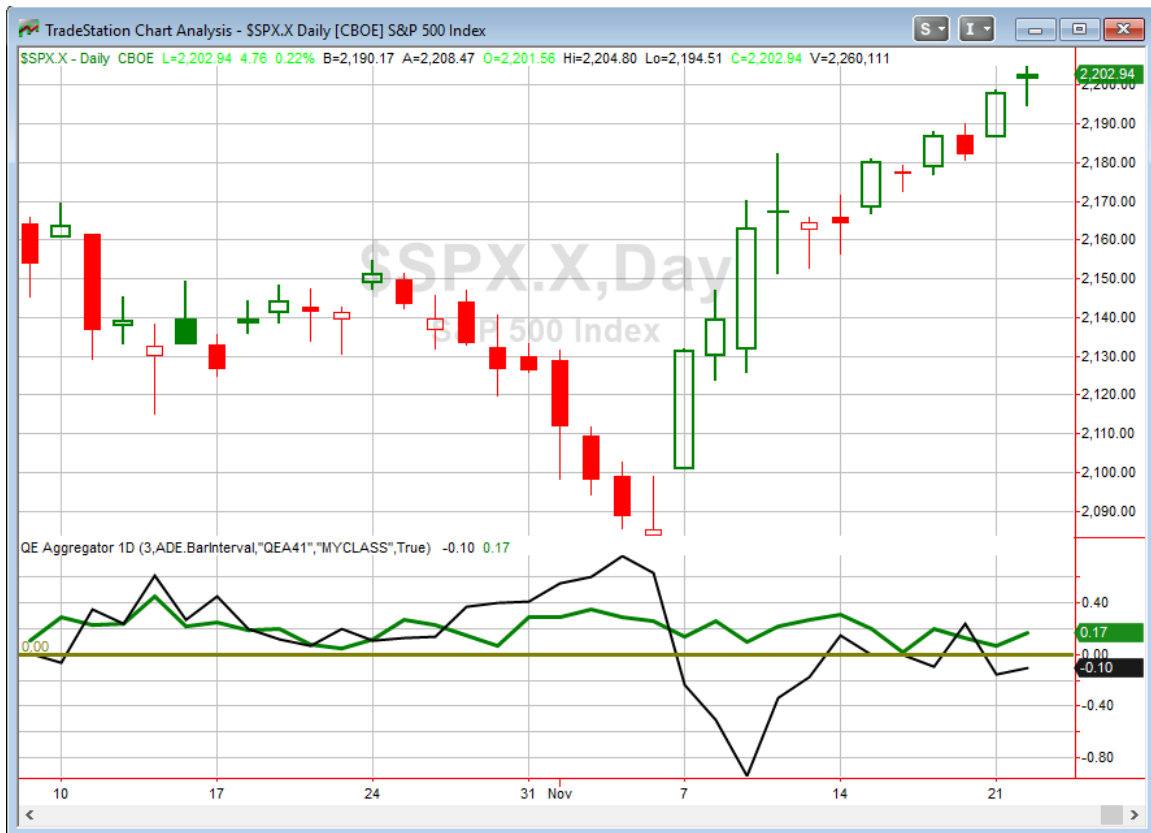
TradeStation Performance Summary <span style="float: right;">Expand ▾</span>			
All Trades			
Total Net Profit	\$12,364.25	Profit Factor	28.51
Gross Profit	\$12,813.74	Gross Loss	(\$449.49)
Total Number of Trades	32	Percent Profitable	90.63%
Winning Trades	29	Losing Trades	3
Even Trades	0		
Avg. Trade Net Profit	\$386.38	Ratio Avg. Win:Avg. Loss	2.95
Avg. Winning Trade	\$441.85	Avg. Losing Trade	(\$149.83)
Largest Winning Trade	\$1,480.08	Largest Losing Trade	(\$308.76)

These results appear very impressive. Below is a profit curve.



Interestingly, 2 of the losers happened right in a row, in '95 and '96. Since then there were 12 winners in a row until last year's 0.01% decline. It has not gotten much better from a seasonality standpoint than the day before Thanksgiving when the market has been locked in an uptrend.

I have updated the Aggregator chart below.



With tonight's study to consider, the green Aggregator Line moved further above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line stayed below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator signal remained flat at the close.

Based on the current active studies, expectations are primed to remain positive on Wednesday. Of course this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2189.33 on Wednesday. That is 0.6% below Tuesday's close. Therefore, SPX will need to close down at least 0.6% to move from overbought to oversold versus expectations.

I love holding positions going into strong seasonal periods. But I have seen again and again that seasonality influences are greatly reduced when the market is overbought. SPX is at new highs and is now in an extended run above it 10ma. So I am inclined to wait until SPX has pulled back some before putting new capital to work. Only in the unlikely case of a strong pullback on Wednesday would I be looking to go long at the close. Otherwise, I'll wait until reward/risk improves.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 11/20 – somewhat bullish***

### **Catapult and Capitulative Breadth Statistics**

*[Catapult & CBI Presentation Link](#)*

#### ***Open Catapult Triggers***

None

***Broad Market Large Cap CBI – 0***

### **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 if SPX closes < 2180.00.** This would put the SPX below its 10ma set up a potential Thanksgiving rally.

### **Current Open Trade Ideas**

None

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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