

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 13, 2016

Volume 9 Issue 241

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- While SPY closed down, its series of higher highs and higher lows continued, suggesting a rally in the coming days.

## *Short-term Outlook*

### *The Bottom Line*

Evidence is bullish, but the market is still short-term overbought. This has me neutral and awaiting a more favorable reward/risk opportunity.

*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>						
December 13, 2016	Higher Hi, Lo, Cl 3x. Dn cls but hi lo up	1-4 days	Bullish	1.40%	-0.70%	-1.50%
December 12, 2016	Dec opex	1-5 days	Bullish	2.00%	-1.10%	-2.20%
December 8, 2016	SPX 50-high. VIX up 2.5% +	1-4 days	Bearish	-1.50%	0.70%	1.40%
<b>Active - Long Term</b>						
December 12, 2016	Dec opex	1-15 days	Bullish	3.60%	-1.70%	-3.50%
December 12, 2016	RSI(2) crosses over 99. Close > 200ma	1-15 days	Bullish	2.30%	-1.40%	-2.70%
December 1, 2016	20-high then poor close	1-10 days	Bullish			
November 11, 2016	SPX 20-high. NDX biggest drop in 20.	1-50 days	Bullish			
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			

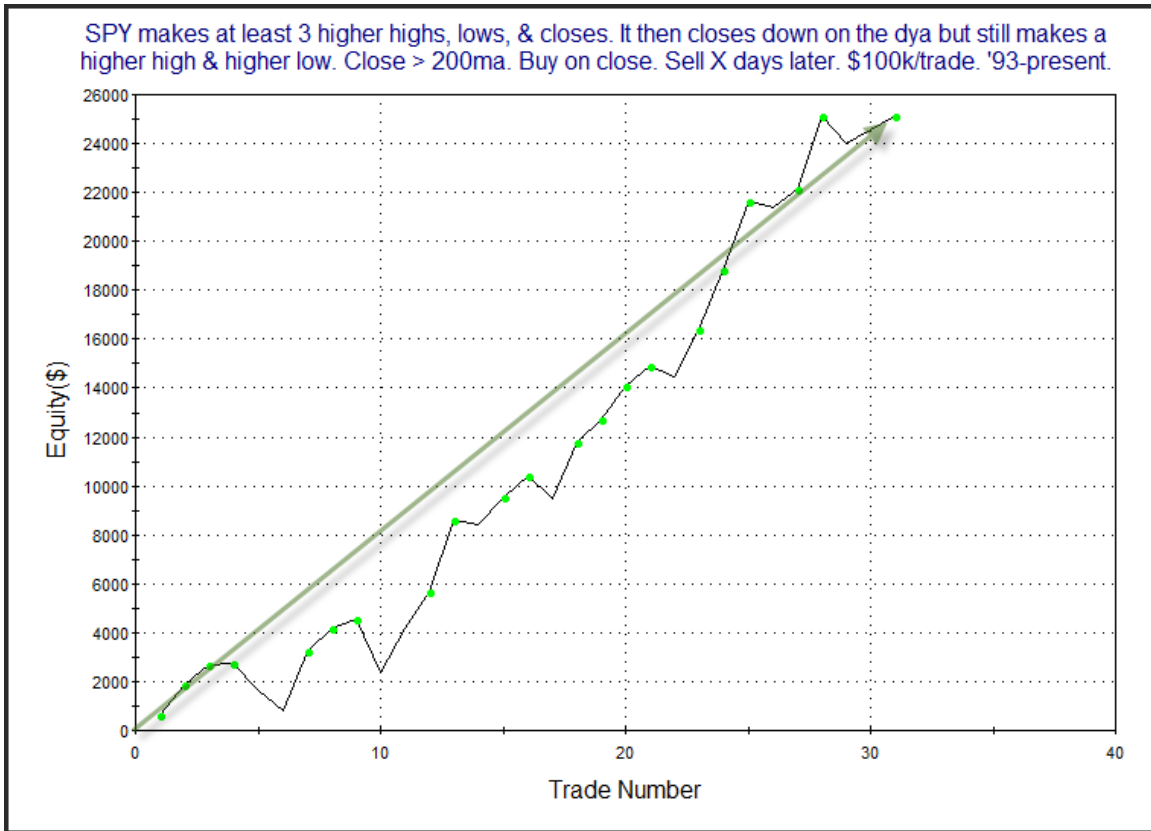
**The Evidence**

Monday saw the major indices close mostly lower. The SPX fell 0.1%, the NASDAQ lost 0.4%, and the Russell 2000 sold off 1.1%. Breadth was negative as the NYSE Up Issues % was 36% and the Up Volume % came in at 38%. NYSE volume rose some from Friday's level.

While SPY closed lower on Monday, it did manage to register a higher high and a higher low. The study below was last seen in the 7/14/16 letter and examines other times a pullback of this sort followed a series of higher highs, lows, and closes. I've updated the results.

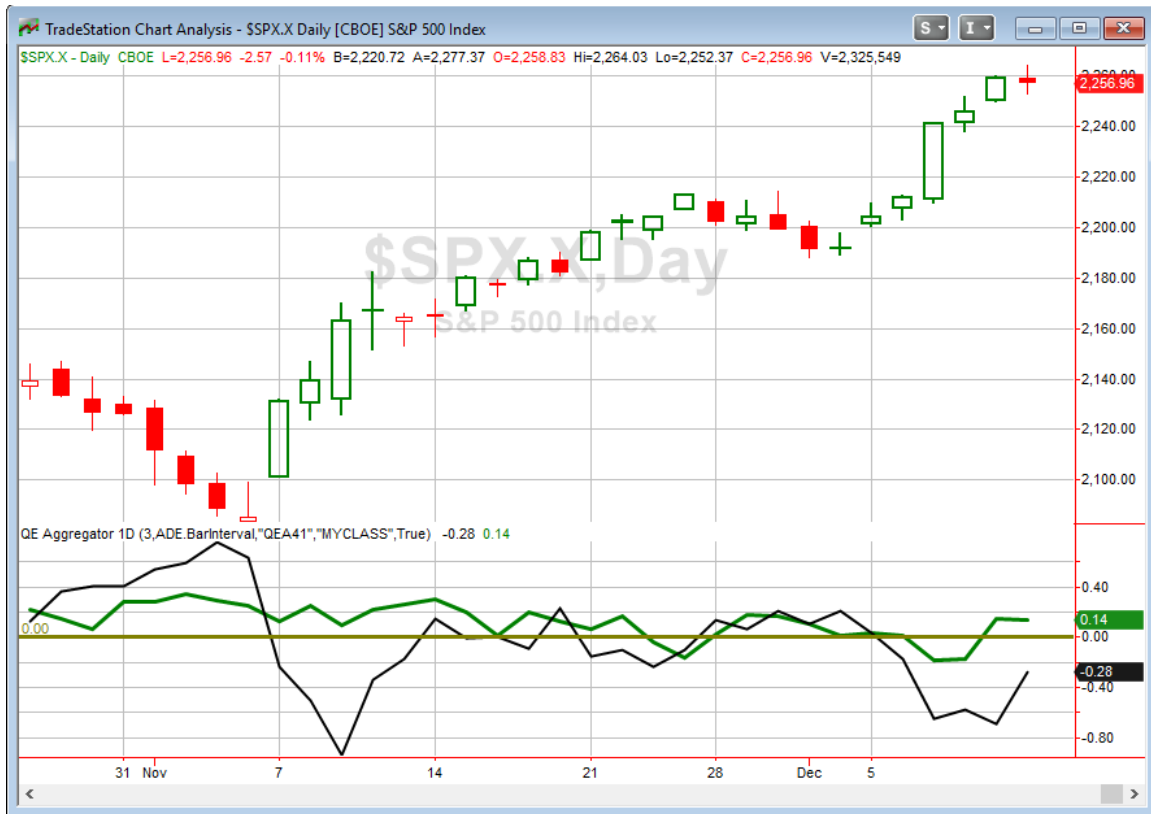
SPY makes at least 3 higher highs, lows, & closes. It then closes down on the dya but still makes a higher high & higher low. Close > 200ma. Buy on close. Sell X days later. '93-present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: 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	21,556.27	31	20	11	64.52	1,549.20	3,602.64	-857.06	-2,800.26	1.81	3.29	695.36
4	25,156.89	31	23	8	74.19	1,400.65	2,962.96	-882.25	-2,191.22	1.59	4.56	811.51
3	16,555.44	31	22	9	70.97	1,050.37	2,762.41	-728.08	-2,640.33	1.44	3.53	534.05
2	12,443.84	31	25	5	80.65	719.75	2,073.28	-1,109.97	-1,804.67	0.65	3.24	401.41
1	9,001.25	31	22	9	70.97	536.55	1,395.93	-311.42	-1,137.92	1.72	4.21	290.36

There appears to be a strong propensity for the move up to reassume. Below is a profit curve assuming a 4-day holding period.



The upslope is impressive. This study certainly seems worthy of consideration and I have included it on the Active List.

I have updated the Aggregator chart below.



With tonight's study to consider 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 is still 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 stayed flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Tuesday. Of course, this could change if new bearish evidence emerges. The Differential Pivot will be 2238.47 on Tuesday. That is 0.8% below Monday's close. So SPX would need to close down at least 0.8% on Tuesday in order to move from overbought to oversold versus expectations.

Despite the solid bullish evidence the market remains too overbought for my interest. Give me another day or two lower – especially in IWM, and I will become substantially more interested. But at this point reward/risk still does not appear favorable enough for me.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 12/12 – 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.*

**None tonight.**

### **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](#).

This report has been prepared by Hanna Capital Management, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Hanna Capital Management, LLC or clients of Hanna Capital Management, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Hanna Capital Management, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Hanna Capital Management, LLC nor any officer or employee of Hanna Capital Management, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Hanna Capital Management, LLC.

Copyright © 2016 Hanna Capital Management, LLC.