

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 21, 2016

Volume 9 Issue 247

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- A 2-day rise in SPY that fails to make up the losses of the previous day has often been followed by more short-term buying when the market has been in an uptrend.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral and so am I.

**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 21, 2016	SPY up 2 < 3 ago	1-2 days	Bullish			
<b>Active - Long Term</b>						
December 16, 2016	Russell strong after Dec opex Thurs	1-10 days	Bullish			
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			

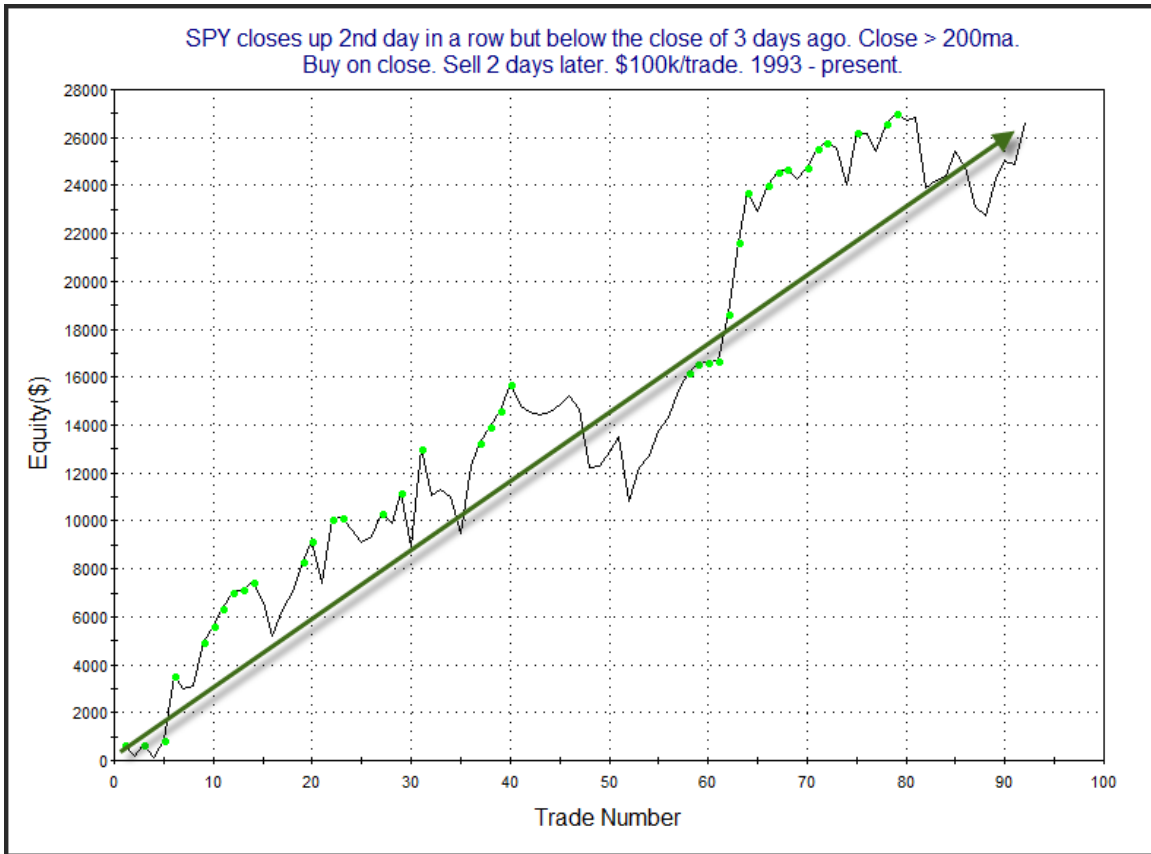
**The Evidence**

Tuesday was a mild rally day. SPX posted a gain of 0.4%, the NASDAQ rose 0.5%, and the Russell 2000 rallied 0.9%. Breadth was positive as the NYSE Up Issues % was 64% and the Up Volume % came in at 70%. NYSE volume rose a little from Monday’s level.

The mild action did not trigger much in the way of new evidence. There was one bullish study worth some discussion though. It was last seen in the 8/19/16 Letter. It looked at times that SPY bounced up 2 days in a row but still failed to close above the close of 3 days ago. I have updated the study below.

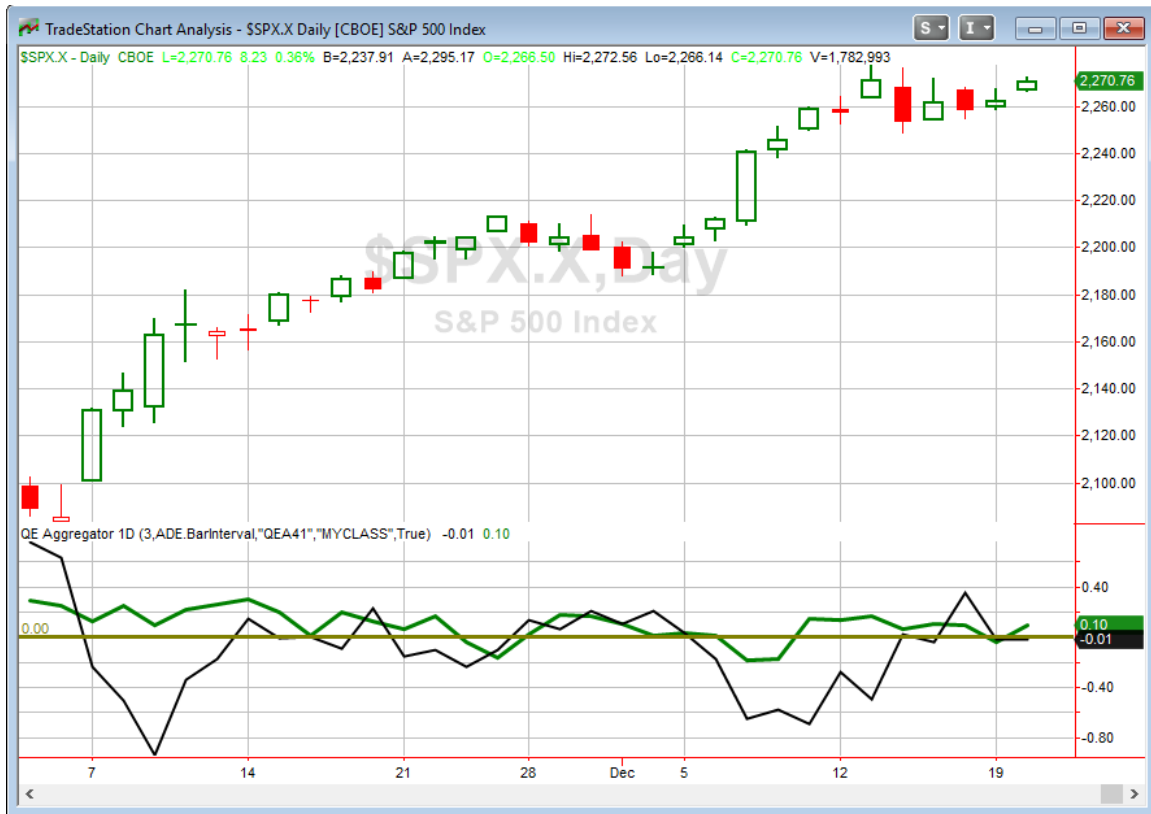
SPY closes up 2nd day in a row but below the close of 3 days ago. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: /Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	17,205.07	90	53	36	58.89	1,466.40	4,717.70	-1,680.94	-6,549.84	0.87	1.28	191.17
4	20,746.16	91	58	33	63.74	1,301.03	4,698.60	-1,657.99	-4,384.89	0.78	1.38	227.98
3	19,002.58	92	59	33	64.13	1,141.70	3,000.00	-1,465.39	-4,092.24	0.78	1.39	206.55
2	26,638.07	92	61	31	66.30	927.58	4,088.25	-965.94	-2,932.22	0.96	1.89	289.54
1	9,382.12	92	52	38	56.52	650.36	3,732.75	-643.07	-1,777.90	1.01	1.38	101.98

The stats appear to suggest a bit of an upside edge over the 1<sup>st</sup> 2 days. Below is an equity curve using a 2-day exit strategy.



There have been a few dips in the curve but overall it seems good enough to include the study on the Active List.

I have updated the Aggregator chart below.



With tonight's study considered the green Aggregator Line rose back above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line held 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 changed from short to flat at the close.

Based on the current active studies, expectations are set to remain bullish on Wednesday. Of course this could easily change if new bearish evidence emerges. The Differential Pivot will be 2264.15 on Wednesday. That is 0.3% below Tuesday's close. Therefore, SPX will need to close down at least 0.3% in order to move from overbought to oversold versus expectations.

So the Aggregator is neutral. I am too. Evidence is mild and with the market extended up I do not love potential reward/risk. I'll stand aside for now and await the next favorable opportunity.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 12/19 – 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**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>IWM(1/4)</i>	<i>12/15/2016</i>	<i>\$135.15</i>	<i>\$137.28</i>	<i>1.58%</i>		<i>sold on open</i>

IWM was sold at the open as per last night’s letter.

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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