

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 12, 2017

Volume 10 Issue 8

Market Overview



Signals Overview

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

Tonight's Research Points

- NASDAQ up 7 days in a row and at a new high is not suggesting a strong edge.

Short-term Outlook

The Bottom Line

Expectations are still positive and SPX is a little oversold versus recent expectations. This has the Aggregator in a bullish formation. But I would still prefer to see a pullback before taking on new long exposure. So I will not yet look to take advantage of what appears to be a mild upside edge.

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

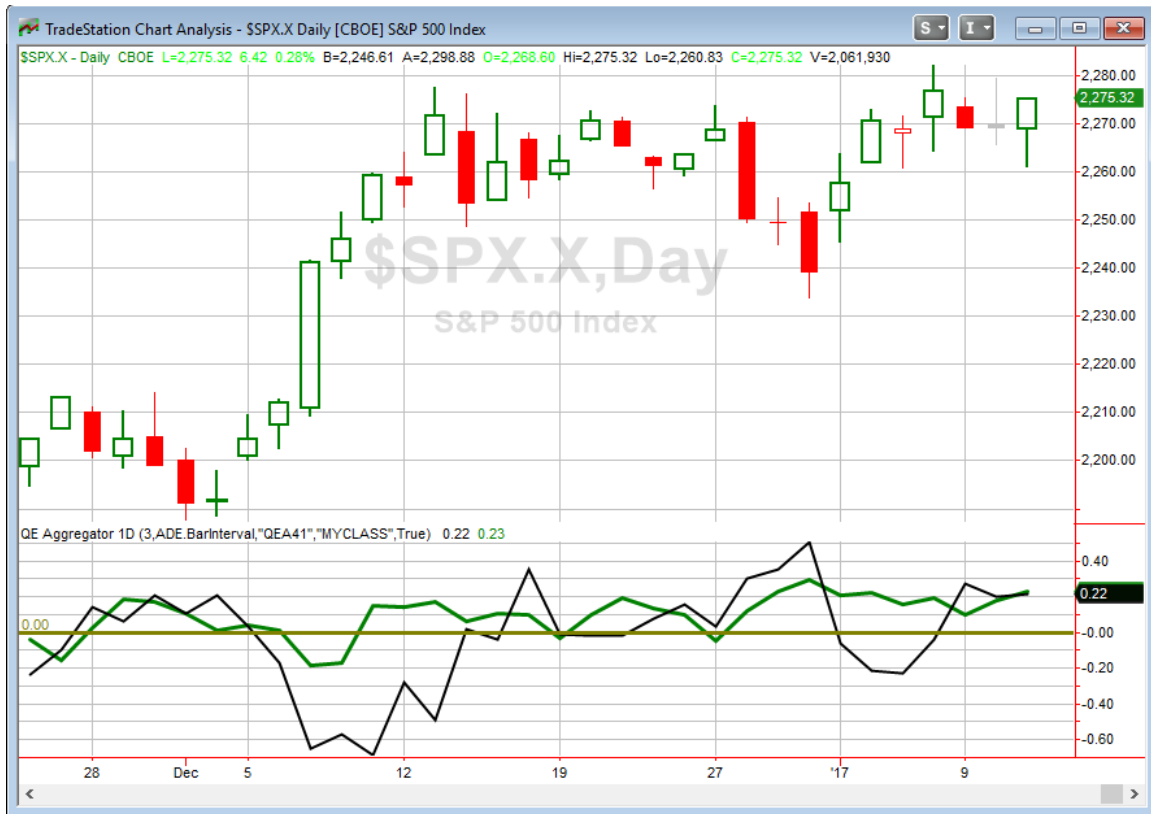
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
January 10, 2017	Breakout then inside day	1-5 days	Bullish			
January 9, 2017	50-day high breakout on lower volume	1-5 days	Bullish			
Active - Long Term						
January 9, 2017	NASDAQ Leading	int term	Bullish			
December 29, 2017	1st 10-low in 30+ days	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

Wednesday was a solid day for the bulls. SPX closed up 0.3%, the NASDAQ gained 0.2%, and the Russell 2000 rose 0.2%. Breadth was positive as the NYSE Up Issues % was 65% and the Up Volume % came in at 66%. NYSE volume declined some from Tuesday's level.

The mild drift is leading to a continued lack of new and compelling evidence. The Quantifinder today showed no new studies for the 2nd day in a row. My efforts did not uncover anything substantial either. This included a look at the NASDAQ, which has now closed higher for the 7th day in a row. I looked at other such streaks, including ones that put the NASDAQ at new highs. From 1971 – 1997 it often led to more upside. From mid-97 until 2006 it appeared bearish. And since then it is unclear. Bottom line is that the setup has not shown a strong or consistent edge historically. So there are no new studies to make the Active List tonight.

I have updated the Aggregator chart below.



With no new compelling studies emerging the green Aggregator Line remained 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 held 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 zero. Therefore, the Aggregator signal stayed long at the close.

Based on the current active studies, expectations are set to remain bullish on Thursday. Of course this could change if strong new bearish evidence emerges. The Differential Pivot will be 2279.15 on Thursday. That is 0.2% above Wednesday's close. So SPX will need to close up at least 0.2% in order to flip from oversold to overbought versus expectations on Thursday.

Wednesday's action really changed nothing for me. Evidence remains favorable. And the Aggregator is long because the Differential Line is showing that the gains have fallen short of expectations. But SPX is near a new high, and the NASDAQ is already at a new high. So reward/risk seems reduced from typical long Aggregator setups. I would still prefer a pullback if I am going to take on new long exposure. I'll wait another day and re-evaluate tomorrow night.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/9 – 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.