

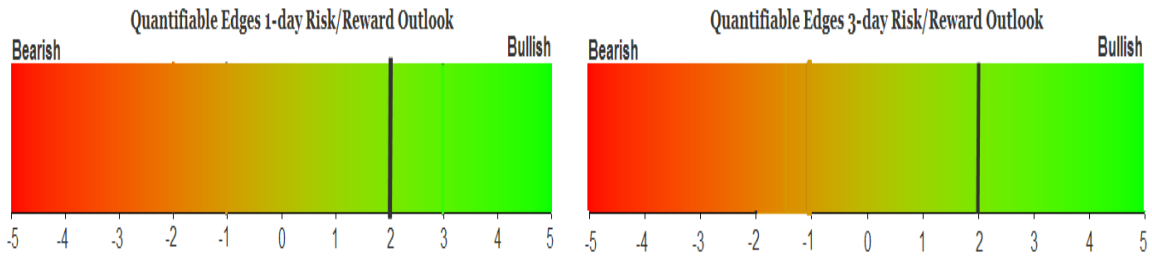
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 8, 2017

Volume 10 Issue 26

Market Overview



Signals Overview

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

Tonight's Research Points

- No new compelling evidence emerged tonight.

Short-term Outlook

The Bottom Line

The Aggregator is bullish but the SPX is only slightly oversold. I don't view reward/risk as solid here and am still sidelined.

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

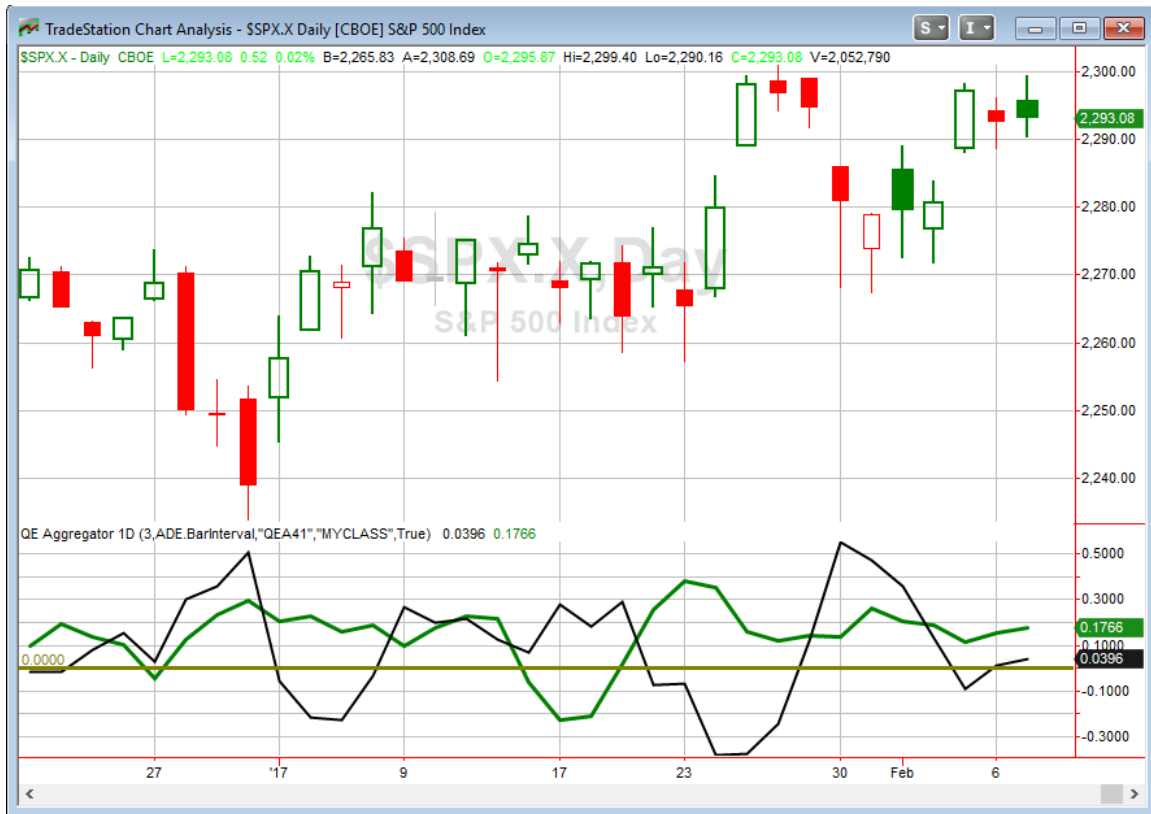
| Study Date | Description | Time span | Bias | Avg Run-up | Avg DrawDn | Avg DrawDn - 1 Std Dev |
|----------------------------|-------------------------------------|-----------|---------|------------|------------|------------------------|
| Active - Short Term | | | | | | |
| February 6, 2017 | 4 down then 3 up days | 1-7 days | Bullish | 2.35% | -1.10% | -2.15% |
| February 6, 2017 | New High Divergence (Study of Tops) | 1-3 days | Bearish | | | |
| February 1, 2017 | 4 days down. Tuesday | 1-6 days | Bullish | 2.50% | -1.20% | -2.50% |
| January 31, 2017 | 3 down days > 20 oma. Turn Tues | 1-8 days | Bullish | 2.20% | -1.30% | -2.40% |
| Active - Long Term | | | | | | |
| January 9, 2017 | NASDAQ Leading | int term | 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 saw the market finish mixed and mild. The SPX closed up 0.02%, the NASDAQ gained 0.35%, and the Russell 2000 declined 0.41%. Breadth was negative as the NYSE Up Issues % was 46% and the Up Volume % came in at 35%. NYSE volume rose some from Monday's level.

The quiet action did not generate any new evidence suggesting a compelling edge. As I discussed in some detail last night, price changes have been relatively small in recent months. I noted that there have been no 1% down days for SPX since October 11th. This is unusual in our modern market. The streak now sits at 81 days. There has only been 1 streak that was longer in the last 20 years. But if we look back to the 60s, there were 2 such streaks in that decade that lasted 154 days. So volatility is low, and it will certainly increase at some point here. But that does not mean the increase is imminent. Of course, when volatility does increase, we have tools and research to take advantage of it. But tonight is another slow one on the research front.

I have updated the Aggregator chart below.



Without any new evidence 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 held just above 0. The positive Differential Line reading means SPX is slightly oversold versus recent expectations. So expectations are positive and SPX is a little 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 Wednesday. Strongly bearish evidence would need to emerge in order to change this. The Differential Pivot will be 2309.15 on Wednesday. That is 0.7% above Tuesday's close. Therefore, SPX will need to closed up at least 0.7% in order to move back to "overbought" versus recent expectations.

My view is not much different than last night. I believe upside is more likely in the next few days. The Active studies suggest SPX has more to rise. We could see new highs in the coming days. But I am not seeing this as a great entry point. I'll give it one more day to see how things unfold and what new evidence emerges. If we get a pullback on Wednesday, then there is a decent chance I'll be looking to take on some long exposure Thursday. I am just not quite convinced yet.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/6 – bullish

The intermediate-term outlook was last updated in the 2/6 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

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](#).

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