

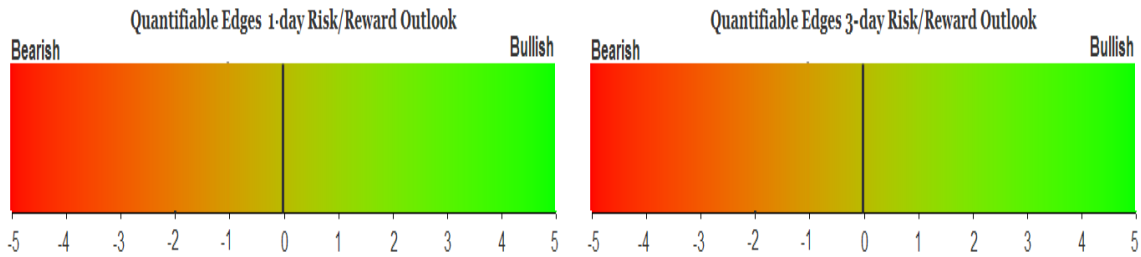
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 15, 2017

Volume 10 Issue 31

Market Overview



Signals Overview

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

Tonight's Research Points

- NDX momentum like we are seeing has historically led to more upside.

Short-term Outlook

The Bottom Line

Once again, expectations remain positive but the market is overbought. This is leaving me with a neutral short-term outlook.

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 14, 2017	VIX up SPX 50-high on Monday	1-2 days	Bearish			
February 13, 2017	2 unfilled gaps & 50-high	1-2 days	Bullish			
February 10, 2017	SPY Breakaway Gap	1-5 days	Bullish			
February 6, 2017	4 down then 3 up days	1-7 days	Bullish	2.35%	-1.10%	-2.15%
Active - Long Term						
February 14, 2017	RSI(2) crosses over 99	1-11 days	Bullish			
February 9, 2017	RUT down 3. SPX 3-day high.	1-10 days	Bullish			
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			

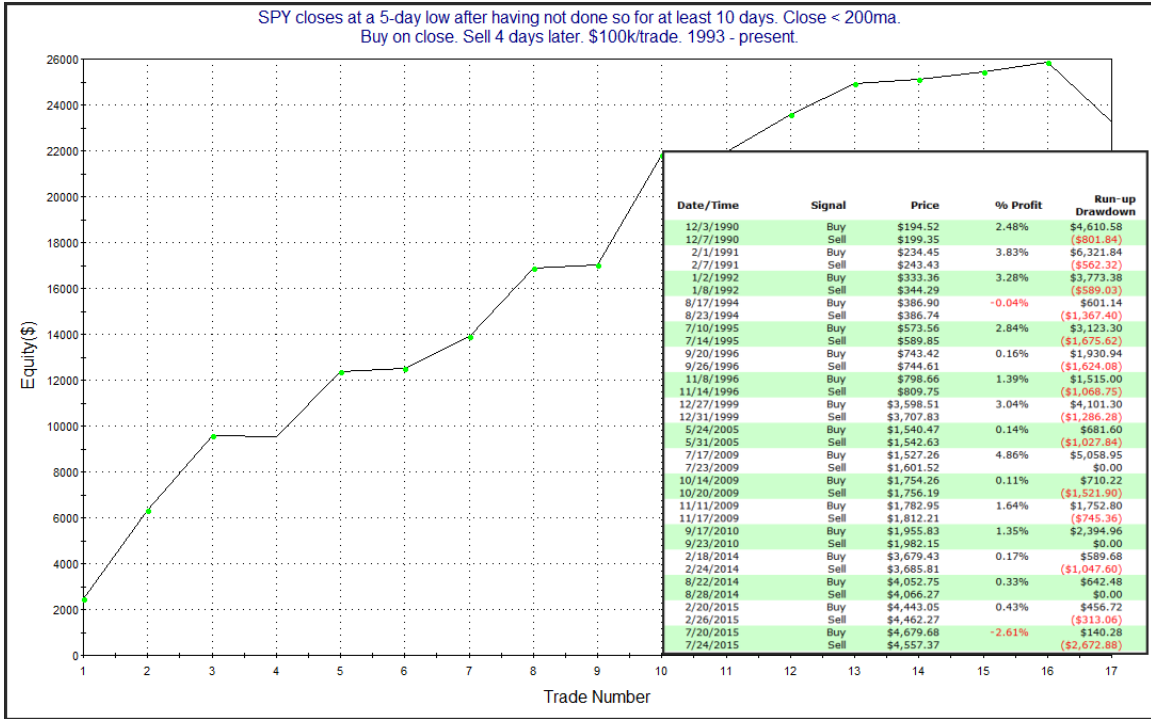
The Evidence

Tuesday was more gains for the market. The SPX closed up 0.4%, the NASDAQ gained 0.3%, and the Russell 2000 climbed 0.3%. Breadth was positive as the NYSE Up Issues % was 51% and the Up Volume % came in at 65%. NYSE volume rose a little from Monday's level.

In last night's letter I showed a study that indicated strong momentum can sometimes beget further gains. Just because a market is overbought does not mean it is providing a favorable opportunity to short. When looking at momentum, the NASDAQ 100 is the index that seems to be carrying the most of it right now. Tuesday marked the 29th day in a row that NDX closed above its 10-day moving average. Additionally, Tuesday was the 8th day in a row that NDX closed higher on the day. And it also closed at a new high. So despite the short-term overbought nature, there were signs of strong momentum. I decided tonight to look at other times the NDX rose for 8 days in a row and closed at a 50-day high. Results in the days that followed can be seen below.

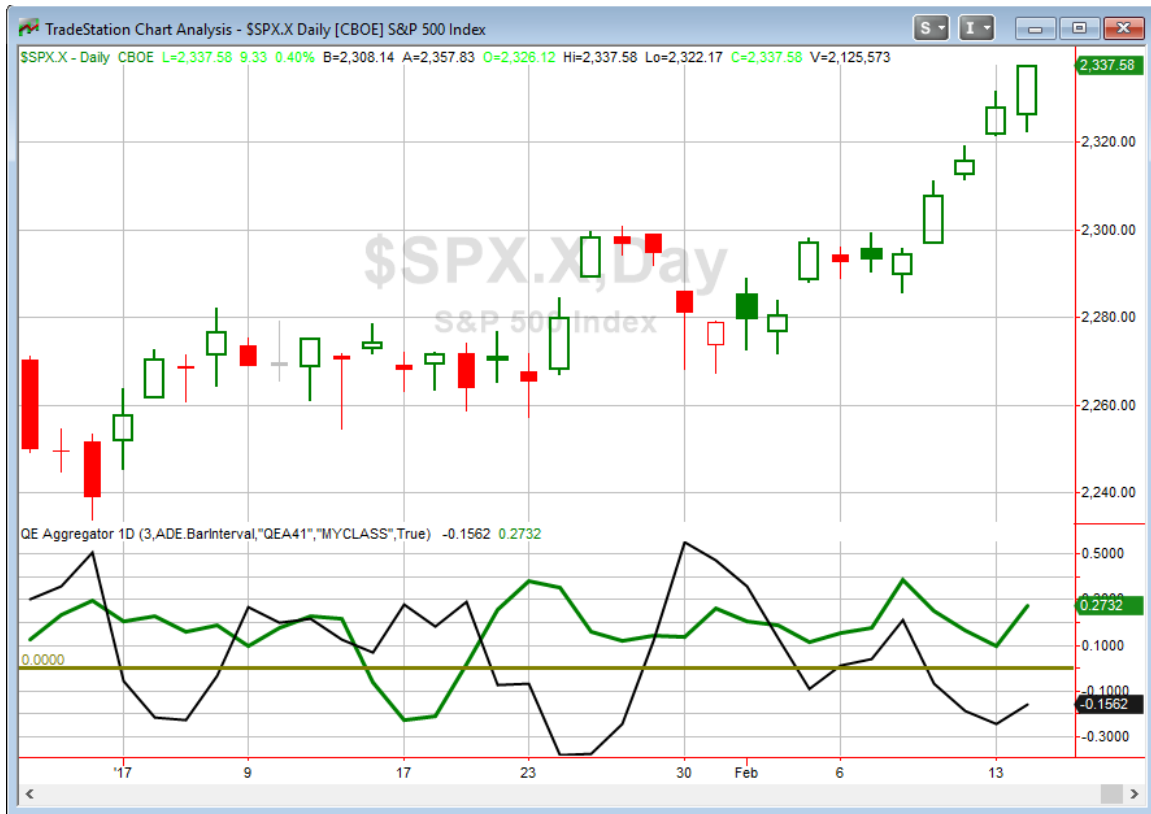
NDX closes higher for the 8th day in a row and finishes at a new 50-day high. Buy on close. Sell X days later. \$100k/trade. 1990 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	29,439.67	17	13	4	76.47	2,531.70	5,185.08	-868.12	-3,372.39	2.92	9.48	1,731.75
4	23,273.80	17	15	2	88.24	1,725.57	4,826.90	-1,304.90	-2,568.51	1.32	9.92	1,369.05
3	17,346.93	17	13	4	76.47	1,578.81	5,367.60	-794.40	-1,613.85	1.99	6.46	1,020.41
2	10,343.68	17	11	6	64.71	1,344.00	3,033.12	-740.06	-1,185.24	1.82	3.33	608.45
1	317.03	17	8	9	47.06	760.00	1,713.60	-640.33	-1,666.92	1.19	1.06	18.65

After the 1st day, numbers turn very strong. Below is a look at the curve and individual instances.



I do not find anything here alarming. And while a similar test on the SPX would not turn out nearly as good, this study is worth keeping in mind. NDX has strong momentum right now, and that kind of momentum in the NDX has typically led to more upside. I have included this study on the Active List tonight.

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 remained 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 active studies, expectations are set to remain bullish on Wednesday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2334.71 on Wednesday. That is 0.1% below Tuesday's close. Therefore, SPX will need to close down just 0.1% in order to move back to "oversold" versus recent expectations.

Nothing really changed since last night or the night before. The market looks strong and is suggesting more upside. But it is already overbought. I intend to wait until a more favorable entry opportunity emerges.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 2/13 – 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](#).

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