

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 28, 2017

Volume 10 Issue 38

Market Overview



Signals Overview

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

Tonight's Research Points

- A rising VIX at a 50-day SPX high (on the first day of the week) suggests a pullback.

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
Active - Short Term						
February 28, 2017	VIX up. Monday. SPX 50-high.	1-2 days	Bearish			
February 27, 2017	RUT down 3. SPX 3-day high.	1-4 days	Bullish	2.35%	-0.60%	-1.35%
February 23, 2017	SOMA Swing Short	1-6 days	Bearish			
February 23, 2017	Relatively big drop from 50-day high	1-4 days	Bullish			
February 16, 2017	SPX > Bollinger Band 4 days in a row	1-8 days	Bullish			
Active - Long Term						
February 27, 2017	RUT down 3. SPX 3-day high.	1-10 days	Bullish	3.90%	-1.00%	-2.10%
February 17, 2017	SPX up 5 to 50 high then down 1	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			

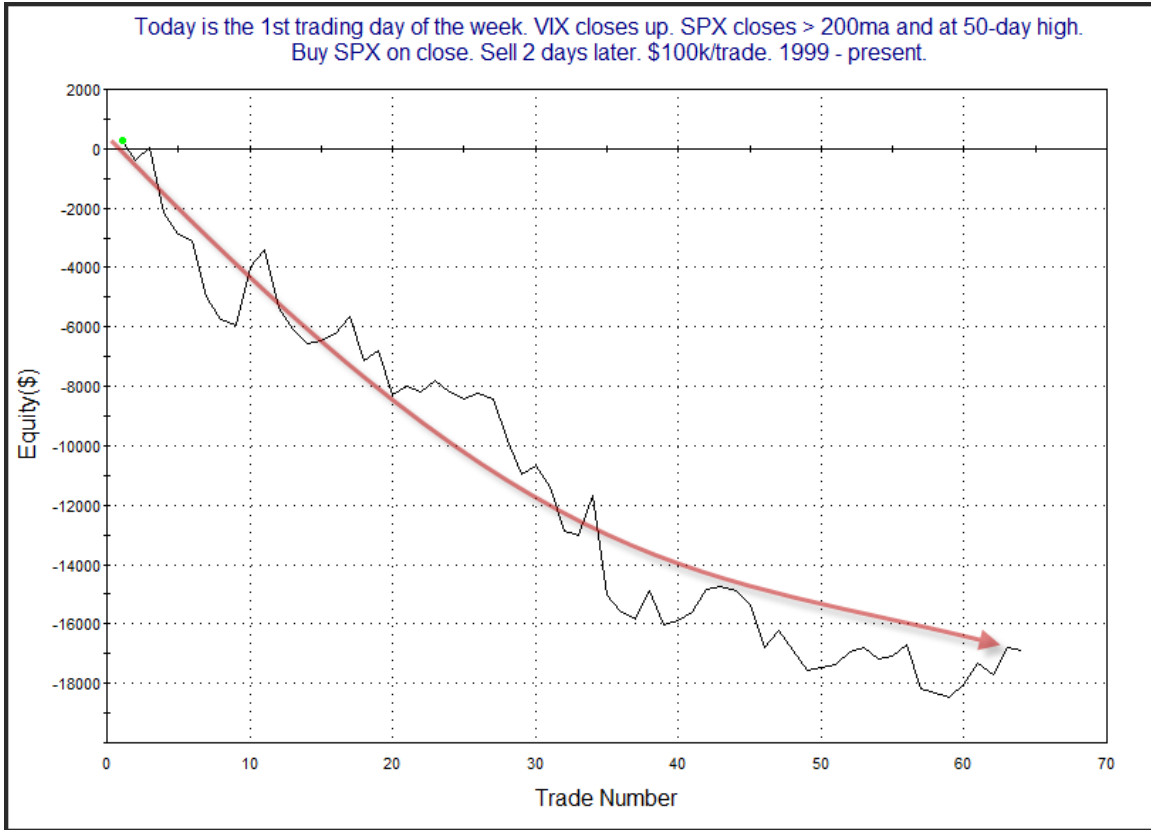
The Evidence

Monday was a day of moderate gains. The SPX climbed 0.1%, the NASDAQ rose 0.28%, and the Russell 2000 finished up 0.96%. Breadth was positive as the NYSE Up Issues % was 58% and the Up Volume % came in at 63%. NYSE volume declined some from Friday's level.

While the SPX closed up the VIX also rose. Most often they trade opposite each other, so this kind of action is somewhat unusual. But VIX has a tendency to decline going into the weekend (Friday afternoons), and then rise when it returns from the weekend. So to see this action on the first trading day of the week is less unusual than at any other time. Still, combined with the SPX 50-day high, it has been often followed by a dip in the next few days. This can be seen in the study below, which was last seen in the 2/14/17 letter. Results are all updated.

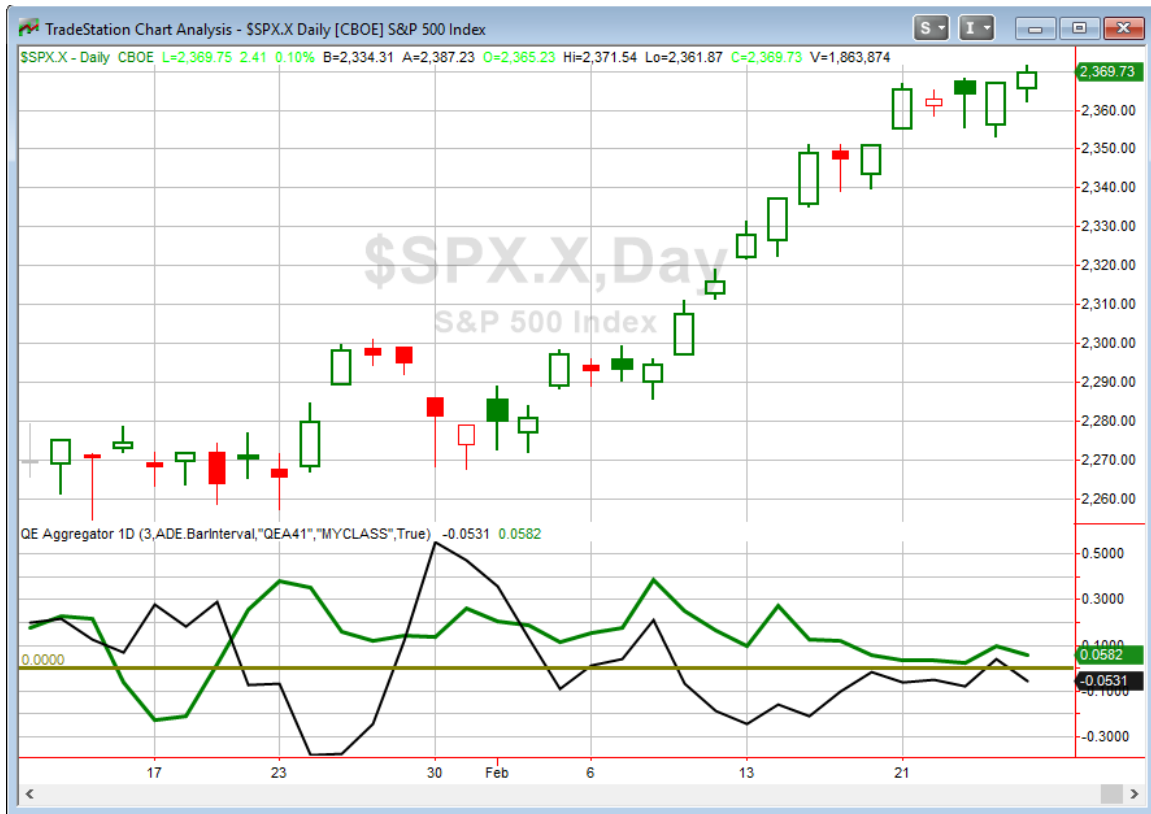
Today is the 1st trading day of the week. VIX closes up. SPX closes > 200ma and at 50-day high. Buy SPX on close. Sell X days later. \$100k/trade. 1999 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-12,171.27	58	28	30	48.28	1,095.70	3,260.25	-1,428.36	-5,048.68	0.77	0.72	-209.85
4	-6,738.31	64	31	33	48.44	929.49	2,953.65	-1,077.35	-4,271.52	0.86	0.81	-105.29
3	-7,859.57	64	30	34	46.88	733.18	2,641.80	-878.09	-3,887.84	0.83	0.74	-122.81
2	-16,875.09	64	28	36	43.75	468.44	1,981.72	-833.10	-3,372.16	0.56	0.44	-263.67
1	-7,100.09	64	24	40	37.50	337.78	769.70	-380.17	-1,580.04	0.89	0.53	-110.94

Results here appear somewhat bearish. Below is a profit curve that assumes a 2-day exit strategy.



The profit curve has had a long and fairly steady decline. This study seems worthy of consideration and I have included it on the Active List.

I have updated the Aggregator chart below.



With tonight's studies considered 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 dipped back 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 turned flat at the close.

Based on the current active studies, expectations are set to remain modestly bullish on Tuesday. Of course, this could change if new bearish evidence emerges. The Differential Pivot will be 2366.11 on Tuesday. That is 0.15% below Monday's close. So SPX would only need to close down 0.15% in order to move from overbought to oversold versus expectations on Tuesday.

So the Aggregator is back to neutral. I was there anyway. The market remains too strong to short and too overbought to go long. I will continue to wait for the net favorable reward/risk opportunity before committing new capital.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 2/27 – 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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