

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 8, 2017

Volume 10 Issue 44

Market Overview



Signals Overview

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

Tonight's Research Points

- The first drop below the 10ma in quite a while will often be followed by another leg up.

Short-term Outlook

The Bottom Line

Evidence is pointing higher and the market is short-term oversold. This is leaving me bullish and looking to take on some long exposure.

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						
March 8, 2017	1st close < 10ma in > 15 days	1-5 days	Bullish	1.50%	-1.00%	-2.00%
Active - Long Term						
February 27, 2017	RUT down 3. SPX 3-day high.	1-10 days	Bullish	3.90%	-1.00%	-2.10%
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 a down day for the market. The SPX lost 0.3%, the NASDAQ dropped 0.3%, and the Russell 2000 declined 0.7%. Breadth was negative as the NYSE Up Issues % was 30% and the Up Volume % came in at 21%. NYSE volume declined for the 5th day in a row.

The persistent uptrend of late has kept SPX above its short-term moving averages for an extended period. I pointed this out over the last few days and indicated that I was not inclined to take a long position until SPX pulled back a bit. Tuesday, after 21 consecutive closes above the 10ma, SPX sliced down and closed below it. In the 9/5/14 letter I looked at performance following other instances where SPX closed below its 10ma for the first time in a while. Results are updated below.

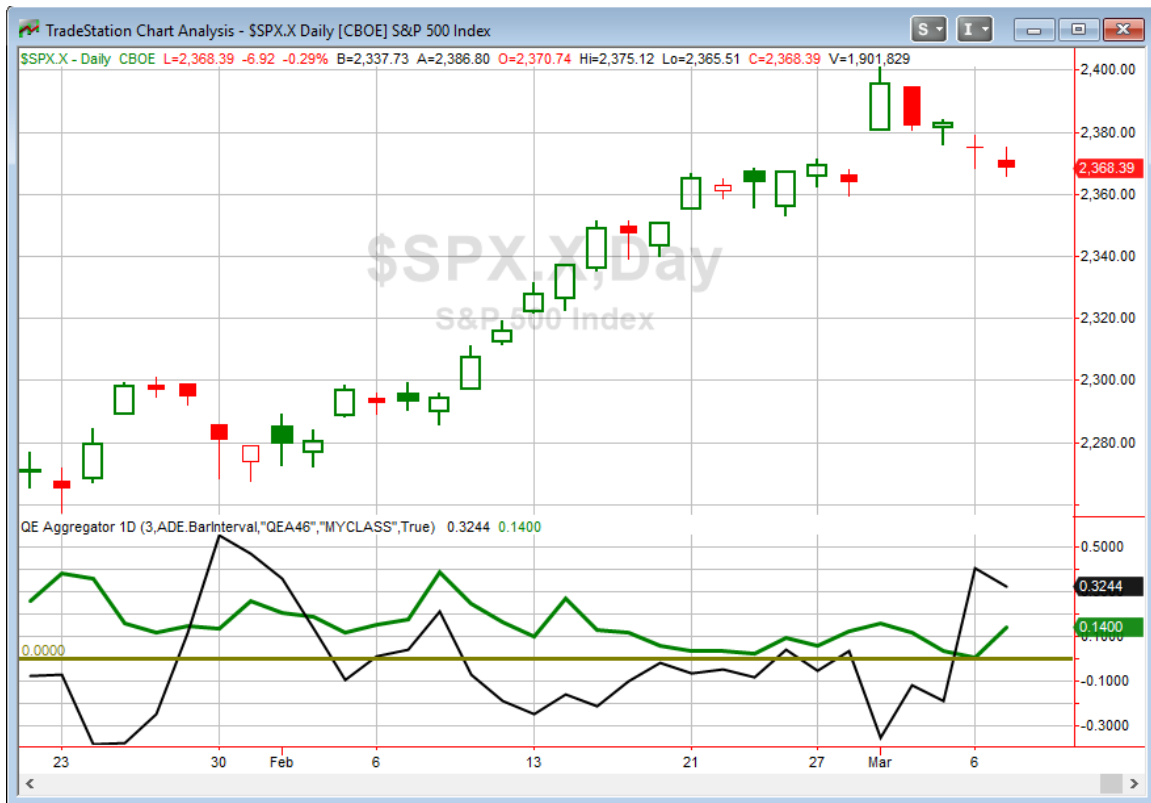
After closing above the 10ma for at least 15 days in a row, SPX closes below it but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	31,018.96	55	33	22	60.00	1,537.93	3,505.74	-896.94	-2,959.70	1.71	2.57	563.98
4	29,094.43	55	35	20	63.64	1,427.53	3,206.40	-1,043.45	-3,078.40	1.37	2.39	528.99
3	23,150.08	55	37	18	67.27	1,082.53	2,805.12	-939.09	-2,062.10	1.15	2.37	420.91
2	15,245.56	55	34	21	61.82	1,008.21	2,682.72	-906.36	-2,185.60	1.11	1.80	277.19
1	15,453.84	55	35	20	63.64	705.01	2,097.92	-461.07	-1,542.24	1.53	2.68	280.98
49 of 55 instances (89%) closed above the entry price at some point in the next week.												

The numbers here all look solidly bullish over the next week. You can see the 5-day profit curve below.



The strong upslope serves as some confirmation of the bullish edge.

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 also remained 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 positive on Wednesday. Of course, that could change if new bearish evidence emerges. The Differential Pivot will be 2390.56 on Wednesday. That is 0.9% above Tuesday's close. So SPX would need to close up at least 0.9% in order to move from oversold to overbought versus recent expectations.

So we finally have a bit of a pullback. We also have some short-term bullish evidence. And there is a decent amount of room to the upside before the market would turn back to overbought. With these three things lined up I am now interested in taking on some long exposure. As you'll see below, there is one Catapult that triggered. In addition to that, I will be looking to start scaling into an index position.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/6 – bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

New

TGT – 1/3 @ \$55.14 (buy @ limit)

Broad Market Large Cap CBI – 1(TGT)

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.

TGT – Buy 1/3 Catapult position @ \$55.14 Limit. From the Catapult section above. This is the 1st of 3 possible lots I could take for TGT.

SPY – buy ¼ index position @ \$237.00 Limit. Based on the short-term outlook above, I will look to start scaling in to an index position.

Current Open Trade Ideas

None.

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