

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 14, 2017

Volume 10 Issue 48

Market Overview



Signals Overview

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

Tonight's Research Points

- SPY's mild up close near the top of its range suggests a bearish 1-day edge.

Short-term Outlook

The Bottom Line

Though expectations remain positive, SPX is now slightly overbought. This leaves me overall neutral.

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 14, 2017	SPY up < 0.25%. Top 10% range	1 day	Bearish			
March 13, 2017	March Opex Week Bullish	1-4 days	Bullish	1.70%	-1.10%	-2.40%
March 10, 2017	McClellan Osc 50-low 4 days in row	1-3 days	Bullish			
March 9, 2017	SPY system 11111	1-4 days	Bullish			
March 9, 2017	1st 10-low in 30+ days	1-6 days	Bullish	2.35%	-1.40%	-3.10%
March 8, 2017	1st close < 10ma in > 15 days	1-5 days	Bullish	1.50%	-1.00%	-2.00%
Active - Long Term						
March 9, 2017	1st 10-day low in 30+ days	1-10 days	Bullish	3.10%	-1.95%	-4.40%
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

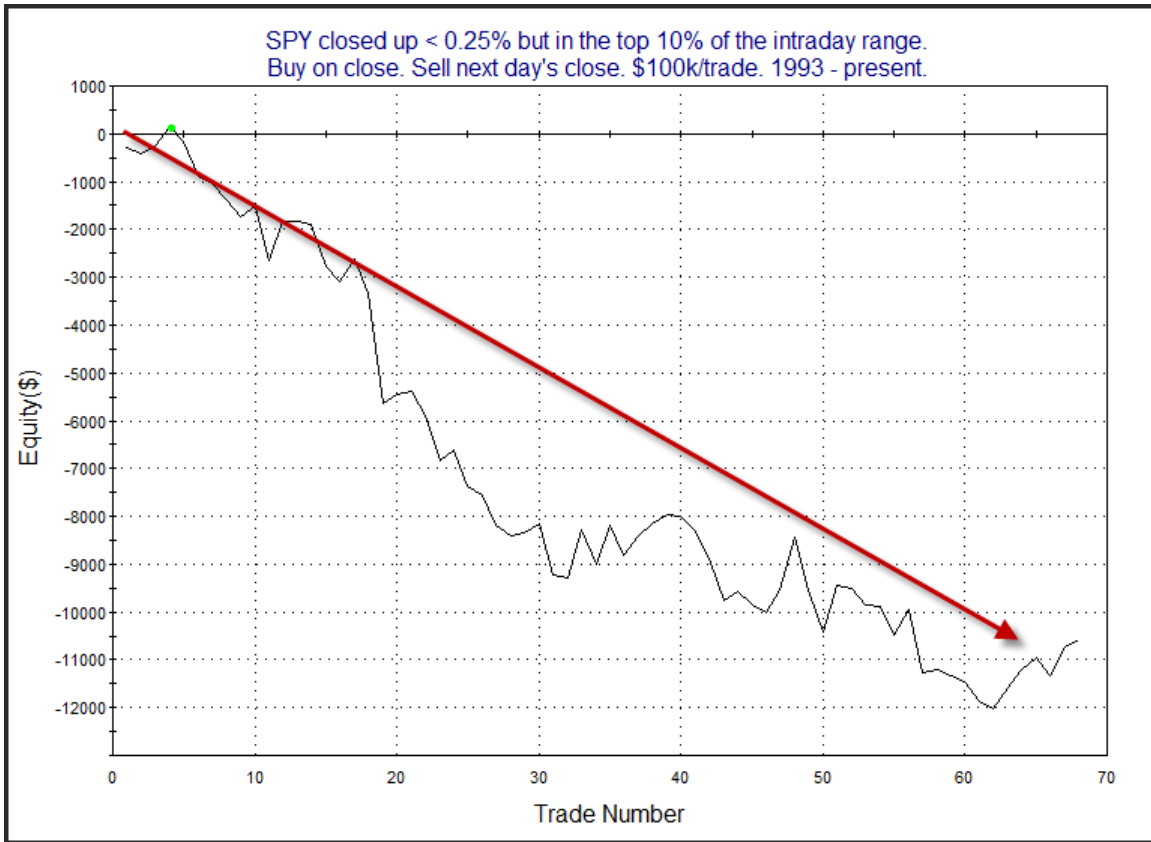
Monday was mostly higher for the market. The SPX gained 0.04%, the NASDAQ rose 0.24%, and the Russell 2000 climbed 0.37%. Breadth was negative as the NYSE Up Issues % was 55% and the Up Volume % came in at 57%. NYSE volume fell a little from Friday's level.

One interesting study to appear in the Quantifinder was the one below, which was last seen just last week in the 2/27/17 subscriber letter. It suggests that when SPY closes strong (in the top 10% of its range) but still only manages a small gain on the day, that the next day has a downside tendency. Stats are updated.

SPY closed up < 0.25% but in the top 10% of the intraday range.
Buy on close. Sell next day's close. \$100k/trade. 1993 - present.

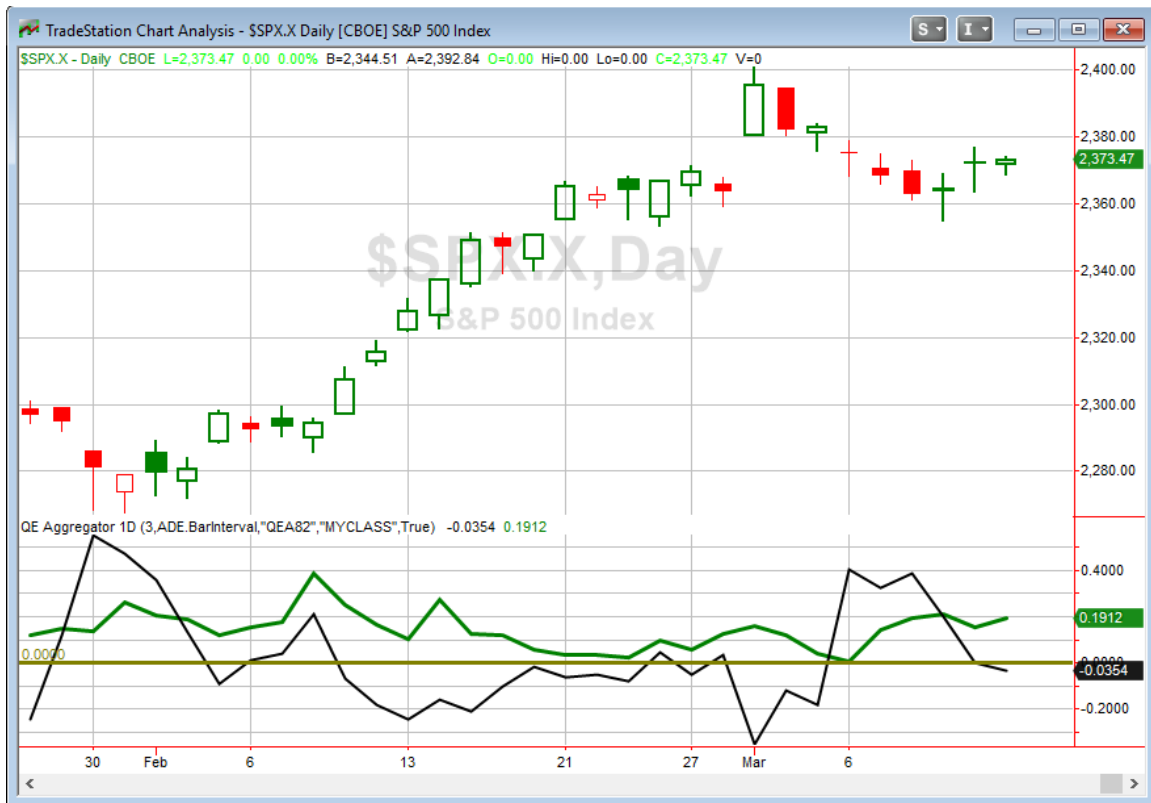
TradeStation Performance Summary				Expand ▾
All Trades				
Total Net Profit	(\$10,585.46)	Profit Factor	0.50	
Gross Profit	\$10,577.89	Gross Loss	(\$21,163.35)	
Total Number of Trades	68	Percent Profitable	39.71%	
Winning Trades	27	Losing Trades	41	
Even Trades	0			
Avg. Trade Net Profit	(\$155.67)	Ratio Avg. Win:Avg. Loss	0.76	
Avg. Winning Trade	\$391.77	Avg. Losing Trade	(\$516.18)	
Largest Winning Trade	\$1,093.35	Largest Losing Trade	(\$2,290.72)	

As you can see there appears to be a bit of a bearish inclination. Below is a profit curve showing how the edge has played out over time.



It appears that when the market needs to expend a fair amount of energy just to squeak out a small gain, that its lack of momentum is often followed by a swing back in the opposite direction the next day. While the last few instances have gone the opposite way, I am not yet concerned that the edge no longer persists.

I have updated the Aggregator chart below.



Even with tonight's bearish 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 dipped 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 positive on Tuesday. Of course, that could change if strong new bearish evidence emerges. The Differential Pivot will be *mildly inverted* at 2377.73 on Tuesday. That is 0.2% *above* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up about 0.2% in order to remain "overbought". Otherwise SPX will be considered "oversold" versus recent expectations as of Tuesday's close.

So while tonight's study suggests Tuesday could struggle, there is not much else supporting it. The Aggregator formation could easily turn back to bullish on Tuesday, especially if SPX closes down. I took off my index position on Monday. My Catapults still remain active. I will not be looking to enter anything new on Tuesday, but I certainly could add back index exposure on Wednesday if SPX closes below its Differential Pivot on Tuesday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/13 – bullish

The intermediate-term outlook was last updated in the 3/13/17 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

TGT – 1/3 @ \$55.14 (bought @ limit)

TGT – 1/3 @ \$55.02 (bought @ limit)

Broad Market Large Cap CBI – 2(TGT-2)

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	3/8/2017	\$237.00	\$237.69	0.29%		<i>sold @ limit</i>
TGT(1/3)	3/8/2017	\$55.14	\$55.19	0.09%		Catapult
TGT(1/3)	3/9/2017	\$55.00	\$55.19	0.35%		Catapult

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