

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 17, 2017

Volume 10 Issue 51

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- The SPY gap and reversal on Thursday after an unfilled gap up on Wednesday suggests an upside edge for Friday.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator bullish, but the Differential Pivot is inverted, which limits potential reward. This suggests a mild upside edge that is also likely to be short-lived.

**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
<b>Active - Short Term</b>						
March 17, 2017	Unfilled gap up. Then gap up and reverse	1 day	Bullish			
March 16, 2017	10-high but < 100-high on Fed Day	1-2 days	Bearish	-1.30%	0.60%	1.20%
<b>Active - Long Term</b>						
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			
<b>Dropped Tonight</b>						
March 13, 2017	March Opex Week Bullish	1-4 days	Bullish	1.70%	-1.10%	-2.40%
March 9, 2017	1st 10-low in 30+ days	1-6 days	Bullish	2.35%	-1.40%	-3.10%

**The Evidence**

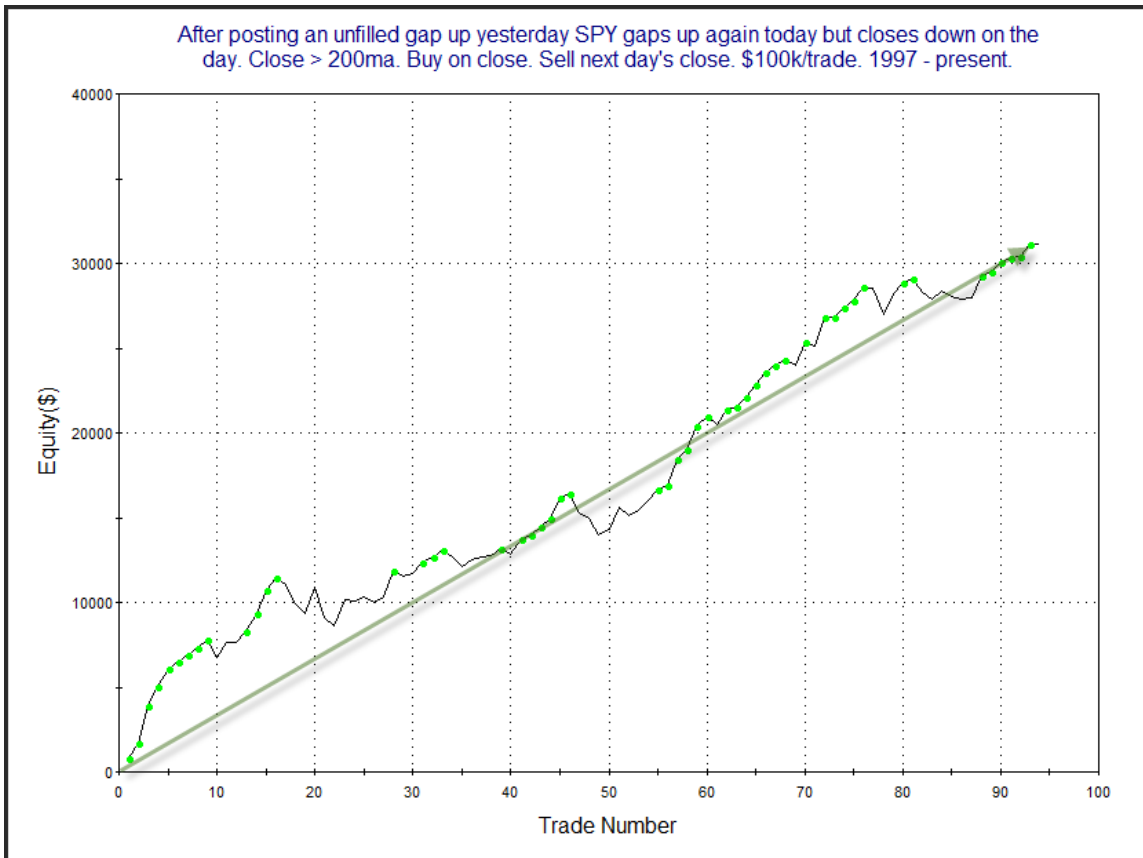
Thursday was a mixed day for the market. The SPX lost 0.16%, the NASDAQ rose 0.01%, and the Russell 2000 climbed 0.23%. Breadth was mixed as the NYSE Up Issues % was 54% and the Up Volume % came in at 48%. NYSE volume declined some from Wednesday’s level.

SPY gapped up and closed lower Thursday after leaving an unfilled up gap on Wednesday. In the 12/29/16 letter I examined similar price action in SPY with regards to how it gapped and finished. I found that gains had been pretty consistent the next day after similar action. The study is updated below.

After posting an unfilled gap up yesterday SPY gaps up again today but closes down on the day. Close > 200ma. Buy on close. Sell next day's close. \$100k/trade. 1997 - present.

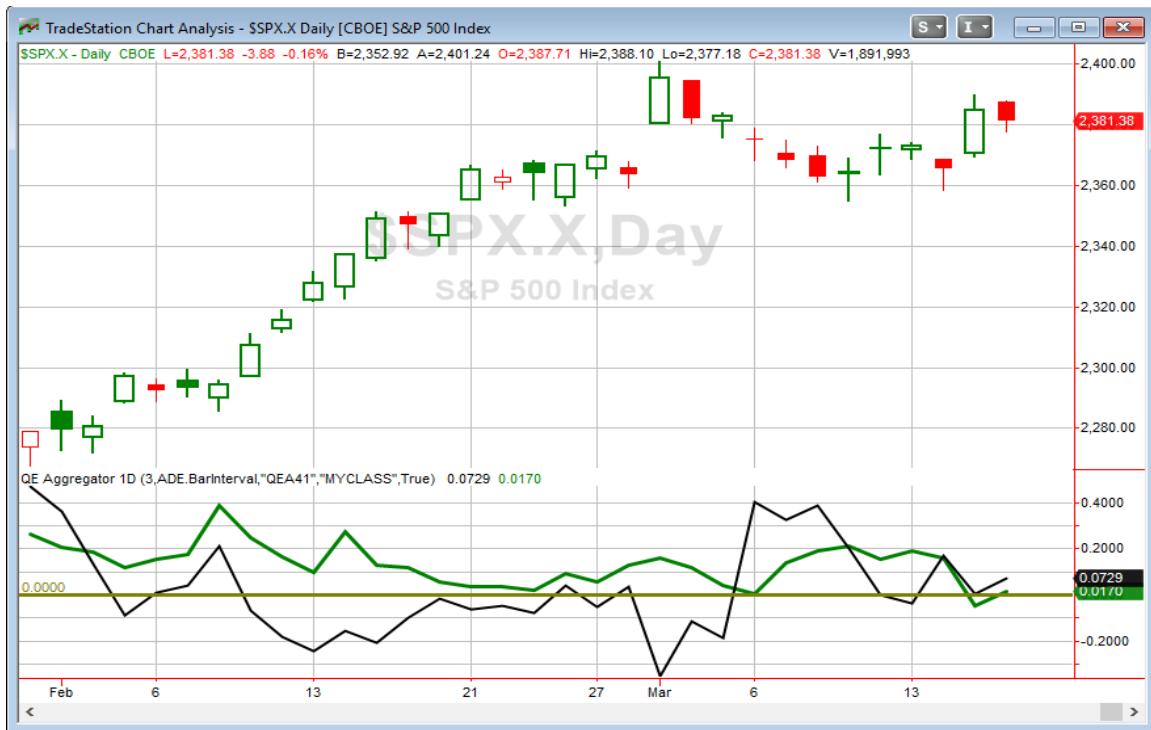
TradeStation Performance Summary				Expand
<b>All Trades</b>				
Total Net Profit	\$31,115.60	Profit Factor		3.11
Gross Profit	\$45,892.86	Gross Loss		(\$14,777.26)
Total Number of Trades	94	Percent Profitable		71.28%
Winning Trades	67	Losing Trades		27
Even Trades	0			
Avg. Trade Net Profit	\$331.02	Ratio Avg. Win:Avg. Loss		1.25
Avg. Winning Trade	\$684.97	Avg. Losing Trade		(\$547.31)
Largest Winning Trade	\$2,194.38	Largest Losing Trade		(\$1,764.00)

The numbers here all look solidly bullish. Below is a look at profit curve.



The strong, steady upslope is encouraging. Based on the action of the last 2 days, it appears an up day on Friday is fairly likely. 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 inched back 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 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 turned long at the close.

The remaining short-term studies are all set to expire on Friday. This would leave expectations slightly positive based on the intermediate-term evidence. Of course any new studies that emerge could have a significant influence on short-term expectations. The Differential Pivot will be *inverted* at 2377.31 on Friday. That is 0.2% below Thursday'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 down at least 0.2% in order to remain oversold. Anything other than that and it will be considered "overbought" versus expectations at Friday's close.

I generally do not view inverted pivots as opportune times to take on new trades. Rather I prefer to take profits on open positions if I have them and an inverted pivot occurs. This is because while there appears to be an upside edge, the edge only has 1 day to play out. This greatly limits potential upside reward. So while there appears to be an upside edge on Friday, it is not strong enough to interest me in taking on new positions. I'll instead wait for a more compelling reward/risk opportunity to emerge.

**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
TGT(1/3)	3/8/2017	\$55.14	\$54.59	-1.00%		Catapult
TGT(1/3)	3/9/2017	\$55.00	\$54.59	-0.75%		Catapult

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