

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 23, 2017

Volume 10 Issue 55

Market Overview



Signals Overview

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

Tonight's Research Points

- The reversal pattern from the 20-day low suggests the bounce could last a few more days.
- The moderate bounce after 4 down days looks primed for another up day.

Short-term Outlook

The Bottom Line

More bullish evidence emerged and the market is still oversold. It appears the bounce has begun and has further to go.

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 22, 2017	Down 4 into Wednesday	1-6 days	Bullish			
March 22, 2017	Down 4+ and today largest drop	1-5 days	Bullish			
March 22, 2017	Outside day low close > 200	1-8 days	Bullish			
March 21, 2017	Down 3 into Turnaround Tuesday	1-8 days	Bullish	2.15%	-1.30%	-2.40%
Active - Long Term						
March 9, 2017	1st 10-day low in 30+ days	1-10 days	Bullish	3.10%	-1.95%	-4.40%
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			

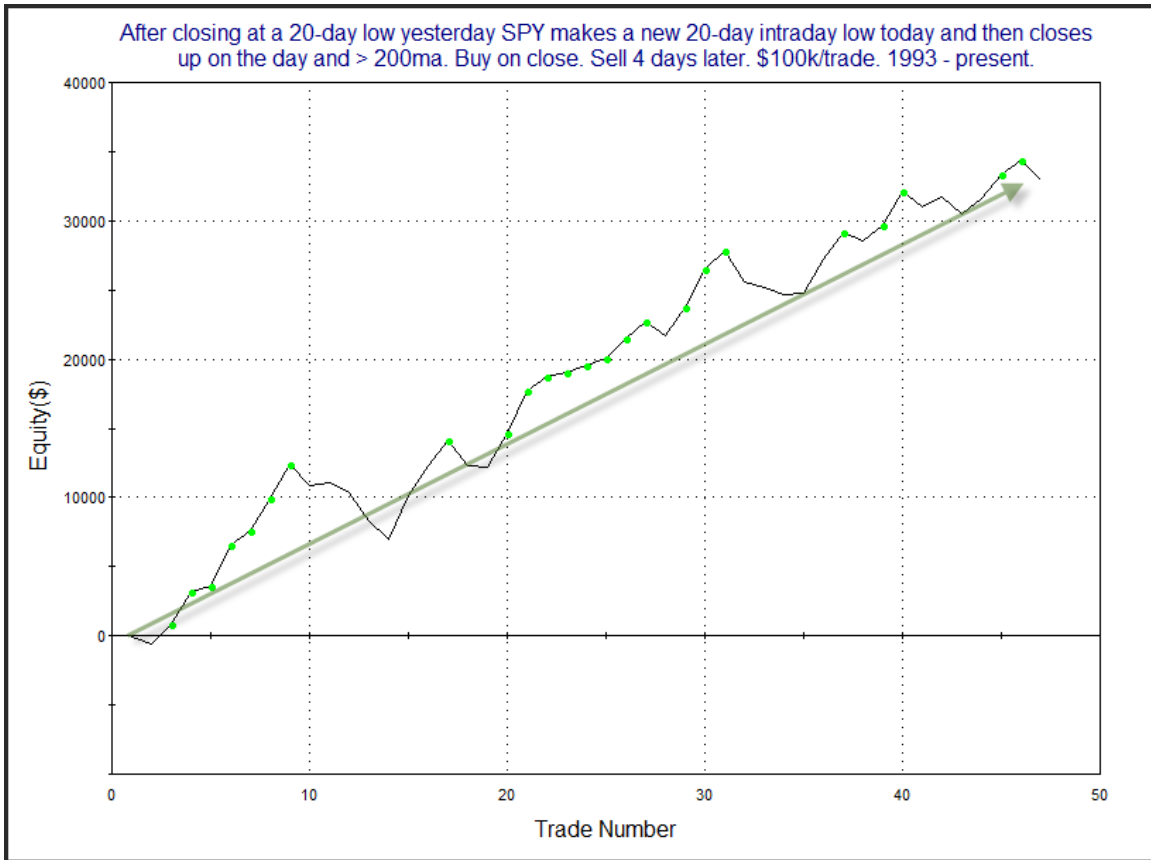
The Evidence

Wednesday saw a bit of a bounce with most of the indices. The SPX finished up 0.2%, the NASDAQ rose 0.5%, and the Russell 2000 declined 0.1%. Breadth was mixed as the NYSE Up Issues % was 52% and the Up Volume % came in at 48%. NYSE volume fell some from Tuesday's level.

There were a number of studies that triggered in the Quantifinder tonight. Several of them had similar themes around bounces from 20-day lows. I have updated 2 of the most compelling ones. This first one was last seen in the 10/3/14 Letter. It looks at reversals off a 20-day low. All stats are updated.

After closing at a 20-day low yesterday SPY makes a new 20-day intraday low today and then closes up on the day and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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
10	58,035.07	43	32	11	74.42	2,356.05	6,600.62	-1,578.04	-3,844.83	1.49	4.34	1,349.65
9	53,006.39	44	30	14	68.18	2,589.66	5,915.43	-1,763.10	-4,258.20	1.47	3.15	1,204.69
8	46,970.52	45	32	13	71.11	2,347.19	5,306.40	-2,164.58	-4,268.86	1.08	2.67	1,043.79
7	49,745.55	46	31	15	67.39	2,339.02	5,585.14	-1,517.61	-3,531.11	1.54	3.19	1,081.42
6	43,192.65	47	33	14	70.21	2,073.57	5,411.67	-1,802.52	-3,952.19	1.15	2.71	918.99
5	40,017.86	47	32	14	68.09	1,854.21	5,029.50	-1,379.78	-3,450.35	1.34	3.07	851.44
4	32,990.12	47	31	16	65.96	1,606.59	3,213.00	-1,050.89	-2,284.36	1.53	2.96	701.92
3	20,659.84	50	30	20	60.00	1,361.07	4,462.50	-1,008.62	-3,560.24	1.35	2.02	413.20
2	21,425.80	52	33	19	63.46	1,295.04	4,105.50	-1,121.60	-2,471.52	1.15	2.01	412.03
1	13,842.68	52	32	20	61.54	939.60	2,562.30	-811.22	-1,792.48	1.16	1.85	266.21

Results here seem to suggest a solid upside edge. Below is a profit curve using a 4-day exit strategy.



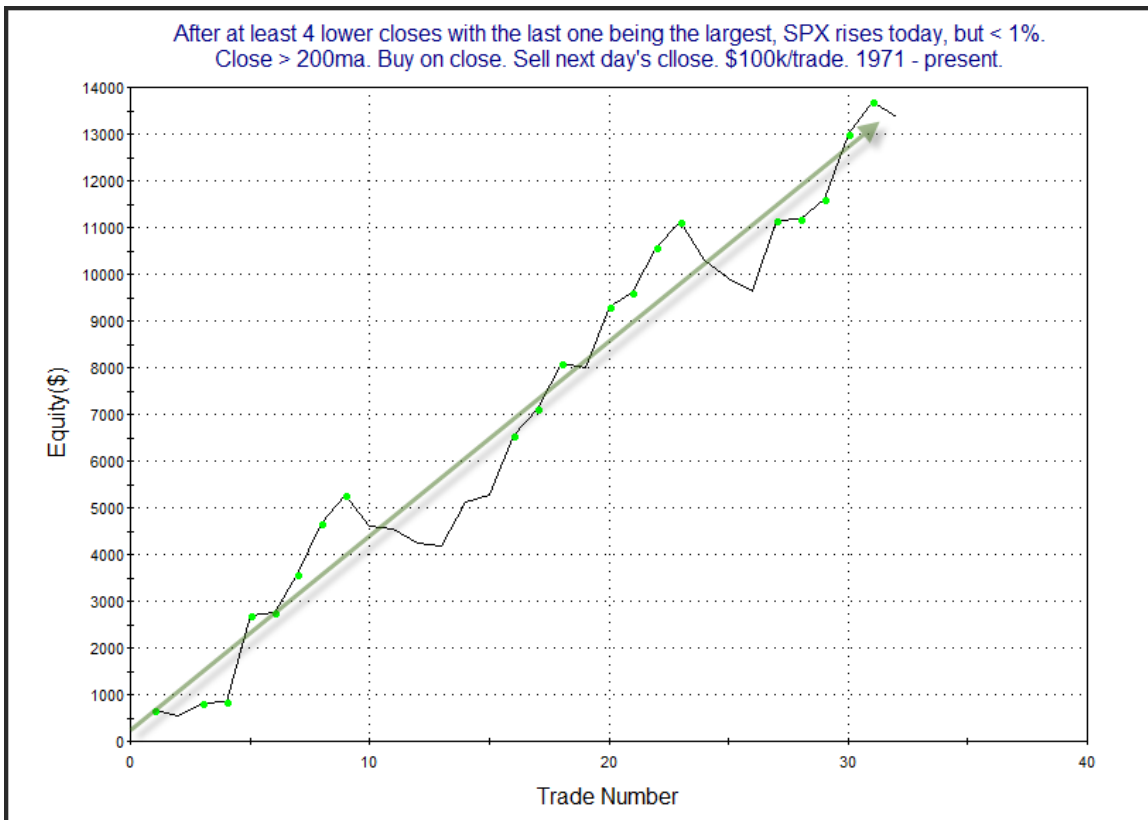
While the last instance did not work out, this curve appears strong and steady, providing greater confidence in the results.

This first one looked at moderate bounces after extended drops a bit differently. It was last seen in the 7/1/15 letter. Results are updated.

After at least 4 lower closes with the last one being the largest, SPX rises today, but < 1%.
 Close > 200ma. Buy on close. Sell next day's close. \$100k/trade. 1971 - present.

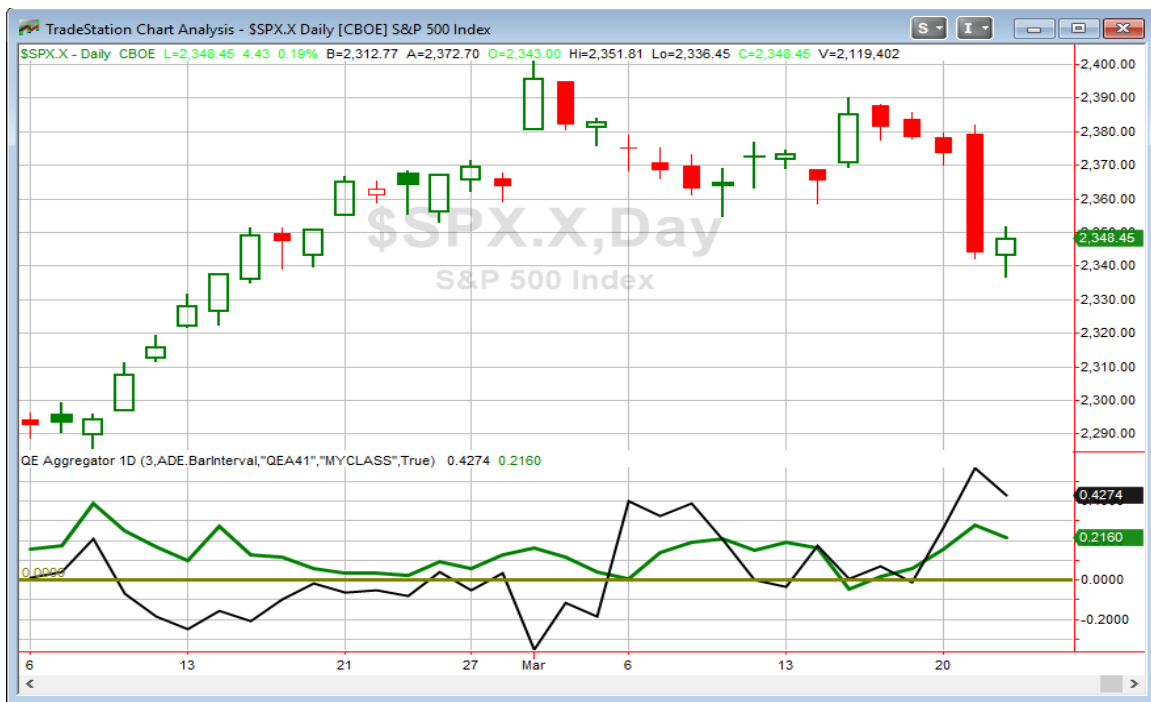
TradeStation Performance Summary				Expand
All Trades				
Total Net Profit	\$13,361.40	Profit Factor		5.28
Gross Profit	\$16,483.80	Gross Loss		(\$3,122.40)
Total Number of Trades	32	Percent Profitable		68.75%
Winning Trades	22	Losing Trades		10
Even Trades	0			
Avg. Trade Net Profit	\$417.54	Ratio Avg. Win:Avg. Loss		2.40
Avg. Winning Trade	\$749.26	Avg. Losing Trade		(\$312.24)
Largest Winning Trade	\$1,863.54	Largest Losing Trade		(\$835.05)

Below is a profit curve that assumes a one day holding period.



No complaints about that curve. I have added this study to the active list tonight as well.

I have updated the Aggregator chart below.



With tonight's evidence to consider, the green Aggregator Line remained above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line is also well above 0. The positive Differential Line reading means SPX is squarely 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.

The current list of studies is set to leave expectations positive on Thursday. It would take some incredibly bearish new evidence in order to overturn such expectations. The Differential Pivot will be 2378.70 on Thursday. That is 1.3% above Wednesday's close. So SPX would need to close up at least 1.3% on Thursday in order to move from oversold to overbought. A gain that large is very unlikely. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

Evidence was suggesting a bounce coming into today. And a small one arrived for the SPX. At this point the evidence is still all bullish. The studies that appeared suggested the bounce is likely to continue. And with the market still oversold, the upside edge appears to be intact. I have a fair amount of long exposure. At this point I intend to hold it and re-evaluate on Thursday night.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/20 – bullish

The intermediate-term outlook was last updated in the 3/20/17 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)

BRK.B – 1/3 @ \$172.82 (bought @ limit)

BRK.B – 1/3 @ \$172.07 (bought @ limit)

BRK.B – 1/3 @ \$172.07 (buy @ limit)

Broad Market Large Cap CBI – 5(TGT-2, BRK.B-3)

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	\$53.58	-2.83%		Catapult
TGT(1/3)	3/9/2017	\$55.00	\$53.58	-2.58%		Catapult
BRK.B(1/3)	3/20/2017	\$172.30	\$169.30	-1.74%		Catapult
BRK.B(1/3)	3/21/2017	\$172.07	\$169.30	-1.61%		Catapult
SPY(1/4)	3/21/2017	\$236.77	\$234.28	-1.05%		Aggregator
SPY(1/4)	3/22/2017	\$233.75	\$234.28	0.23%		Aggregator
BRK.B(1/3)	3/22/2017	\$169.10	\$169.30	0.12%		Catapult

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