

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 24, 2017

Volume 10 Issue 56

Market Overview



Signals Overview

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

Tonight's Research Points

- The strong breadth on a day the SPX declines bodes well for the next day.

Short-term Outlook

The Bottom Line

More bullish evidence emerged and the market is still oversold. This suggests an upside edge.

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 24, 2017	Up Issues > 55%. SPX down	1 day	Bullish			
March 23, 2017	20-low yest. 20-low then up today	1-4 days	Bullish			
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 23, 2017	20-low yest. 20-low then up today	1-10 days	Bullish			
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			

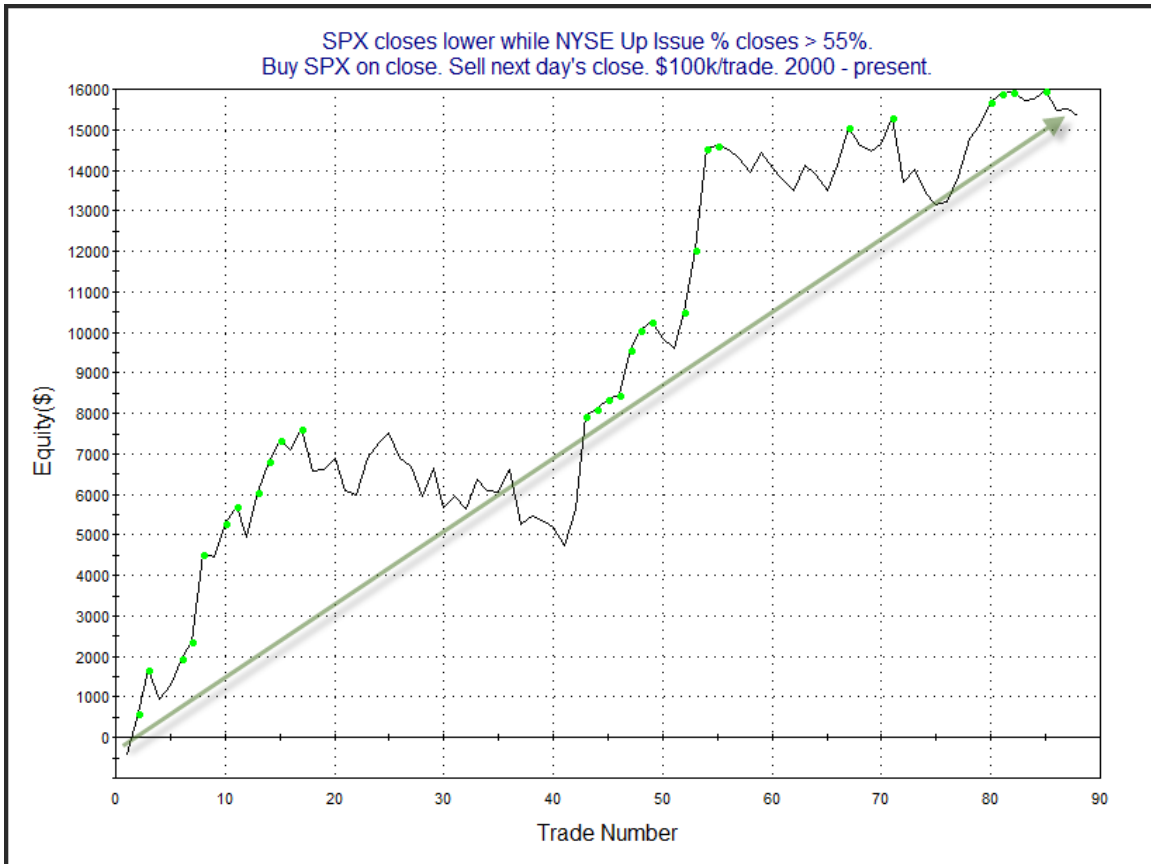
The Evidence

Thursday was in positive territory for much of the day, but an afternoon swoon left several indices colored red. The SPX finished down 0.1%, the NASDAQ also fell 0.1%, and the Russell 2000 gained 0.6%. Breadth was positive as the NYSE Up Issues % was 65% and the Up Volume % came in at 53%. NYSE volume declined from Wednesday's level.

There was not much of note from the Quantifinder. The study below last appeared in the a few days ago in the 3/20/17 letter, and I did find it worth another look. It considered the fact that despite the selloff in the SPX, Up Issue % breadth was fairly strong.

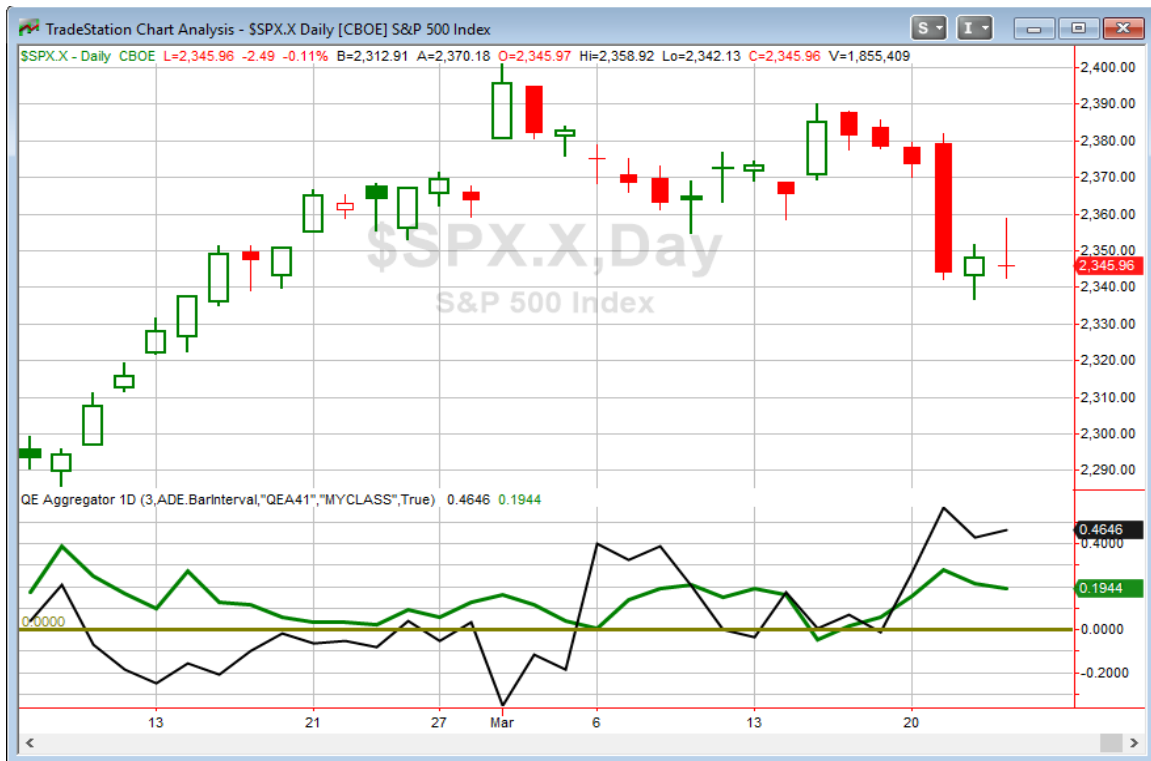
SPX closes lower while NYSE Up Issue % closes > 55%. Buy SPX on close. Sell next day's close. \$100k/trade. 2000 - present.			
TradeStation Performance Summary			Expand
All Trades			
Total Net Profit	\$15,323.97	Profit Factor	1.94
Gross Profit	\$31,619.51	Gross Loss	(\$16,295.54)
Total Number of Trades	88	Percent Profitable	57.95%
Winning Trades	51	Losing Trades	37
Even Trades	0		
Avg. Trade Net Profit	\$174.14	Ratio Avg. Win:Avg. Loss	1.41
Avg. Winning Trade	\$619.99	Avg. Losing Trade	(\$440.42)
Largest Winning Trade	\$2,484.00	Largest Losing Trade	(\$1,616.64)

The numbers suggest a bullish edge. Below is the 1-day profit curve.



Definitely choppy, and not always consistent. But it has made its way from lower left to upper right and is again near new highs. I felt this study was worth some consideration and have included it on the Active List for tonight.

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 Friday. It would take some incredibly bearish new evidence in order to overturn such expectations. The Differential Pivot will be 2355.64 on Friday. That is 0.4% above Thursday's close. So SPX would need to close up at least 0.4% on Friday in order to move from oversold to overbought versus expectations.

The evidence continues to point higher and there is still room to the upside. I still believe there is an upside edge. I am long and looking to take advantage of a bounce.

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	\$53.14	-3.63%		Catapult
TGT(1/3)	3/9/2017	\$55.00	\$53.14	-3.38%		Catapult
BRK.B(1/3)	3/20/2017	\$172.30	\$169.89	-1.40%		Catapult
BRK.B(1/3)	3/21/2017	\$172.07	\$169.89	-1.27%		Catapult
SPY(1/4)	3/21/2017	\$236.77	\$234.03	-1.16%		Aggregator
SPY(1/4)	3/22/2017	\$233.75	\$234.03	0.12%		Aggregator
BRK.B(1/3)	3/22/2017	\$169.10	\$169.89	0.47%		Catapult

I will look to sell 1 lot of SPY at \$235.00 LIMIT ON CLOSE. A close around this level would mean SPX is closing above the Differential Pivot and the Aggregator formation will no longer be bullish. So I will automatically exit one of the two lots if that happens.

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