

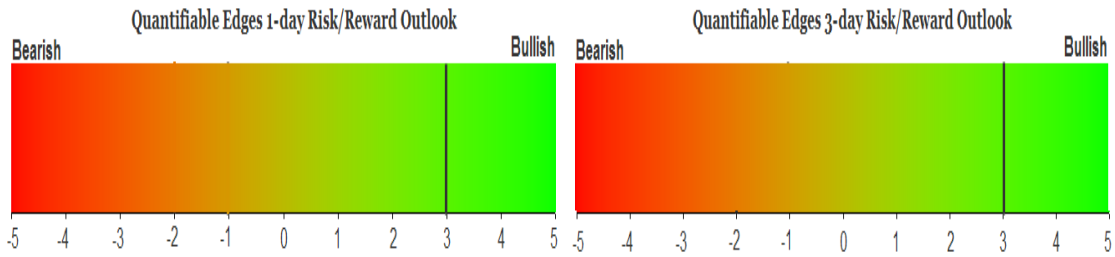
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 6, 2017

Volume 10 Issue 65

Market Overview



Signals Overview

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

Tonight's Research Points

- Weak closes at 5-day lows often lead to a bounce.

Short-term Outlook

The Bottom Line

Evidence is pointing to a swing higher. I am still leaning bullish.

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						
April 6, 2017	Weak close. 5-day low.	1-5 days	Bullish	1.70%	-1.25%	-2.45%
April 3, 2017	Early April bullish	1-4 days	Bullish	1.80%	-1.15%	-2.75%
March 29, 2017	20-low to 4-day high	1-8 days	Bullish	2.25%	-1.60%	-3.30%
Active - Long Term						
March 29, 2017	20-low to 4-day high	1-20 days	Bullish	3.40%	-2.70%	-5.40%
March 28, 2017	Turn Tues 3 dn & 20-low	1-10 days	Bullish			
March 23, 2017	20-low yest. 20-low then up today	1-10 days	Bullish			
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			
Dropped Tonight						
April 5, 2017	SPY up < 0.25%. Top 10% range.	1 day	Bearish			
April 5, 2017	Down 2 days then up < 0.2%	1 day	Bearish			

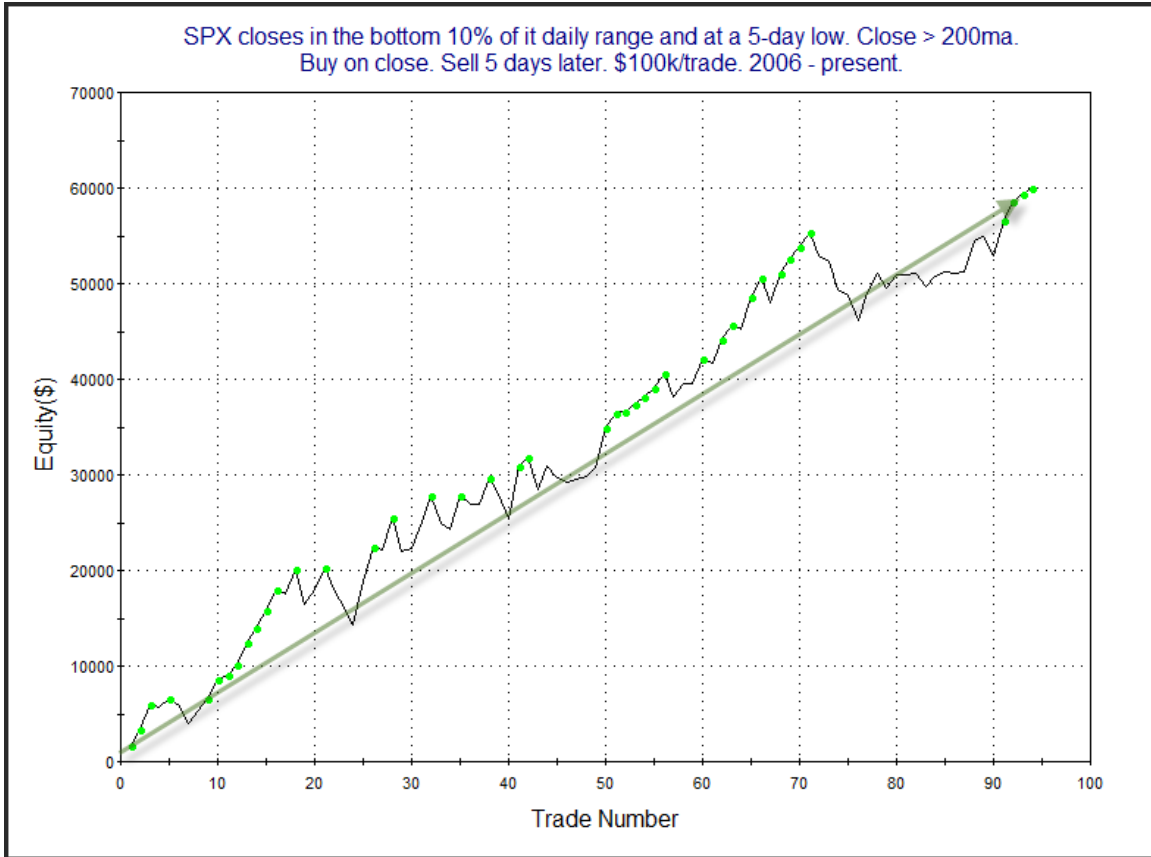
The Evidence

Comments from the Fed sparked an afternoon selloff and a sunny day for the bulls turned stormy. The SPX finished down 0.3%, the NASDAQ lost 0.6%, and the Russell 2000 declined 1.2%. Breadth was negative as the NYSE Up Issues % was 37% and the Up Volume % came in at 27%. NYSE volume rose some from Tuesday's level.

The selling also put SPX at a short-term closing low. Over the last several years when SPX has closed near the bottom of its range and at a 5-day low, it has typically been followed by a bounce in the next few days. This can be seen in the study below.

SPX closes in the bottom 10% of it daily range and at a 5-day low. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 2006 - 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	60,046.46	94	62	32	65.96	1,794.90	5,555.16	-1,601.17	-3,680.82	1.12	2.17	638.79
4	46,024.46	97	61	36	62.89	1,592.34	5,290.00	-1,419.67	-3,863.84	1.12	1.90	474.48
3	36,651.87	104	65	39	62.50	1,251.55	4,895.50	-1,146.12	-3,437.94	1.09	1.82	352.42
2	29,010.52	114	63	51	55.26	1,127.22	4,424.50	-823.62	-2,726.97	1.37	1.69	254.48
1	28,671.14	124	77	47	62.10	774.58	2,230.60	-658.97	-2,200.08	1.18	1.93	231.22
91% of instances closed above the entry price at some point in the next week.												

The stats here appear to suggest a pretty solid upside tendency over the last 11 years. Below is a look at the profit curve assuming a 4-day holding period.



The upslope has persisted the whole time and the curve is again at new highs. This seems to serve as some confirmation of the short-term upside edge. I have included this study on the Short-Term Active List tonight.

I have updated the Aggregator chart below.



With tonight's study to consider the green Aggregator Line still 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 also 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 stayed long at the close.

The current list of studies is set to leave expectations positive on Thursday. Of course this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2369.86 on Wednesday. That is 0.7% above Wednesday's close. Therefore, SPX will need to close at least 0.6% higher in order to move from oversold to overbought versus expectations on Wednesday.

So tonight's study provided another bullish hint and there remains room to the upside before the market turns overbought. This suggests reward/risk remains favorable. I continue to like the long side. I have a small amount of index exposure already. I may consider adding to it in the next few days if the market pulls back further. For now I am content to simply hold on another day and see how things unfold on Thursday. I will also note that the CBI dropped to 0 on Wednesday as all Catapults reached intraday exit trigger levels.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/3 – bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

None

Broad Market Large Cap CBI – 0

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
BRK.B(1/3)	3/20/2017	\$172.30	\$165.83	-3.76%		sell on open
BRK.B(1/3)	3/21/2017	\$172.07	\$165.83	-3.63%		sell on open
BRK.B(1/3)	3/23/2017	\$169.10	\$165.83	-1.93%		sell on open
JNJ(1/3)	3/27/2017	\$125.16	\$124.80	-0.29%		sell on open
SPY(1/4)	4/3/2017	\$235.33	\$234.78	-0.23%		Aggregator

Both BRK.B and JNJ hit their intraday exit trigger levels before selling reversing down in the afternoon. So all the Catapults will be exited at the open on Thursday.

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