

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 20, 2017

Volume 10 Issue 74

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Intermediate-term lows in HV without highs in price are often followed by a price decline.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is now neutral, and I am too.

**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>						
April 20, 2017	HV 3x 20-day lows. No SPX 20-high	1-5 days	Bearish	-2.20%	1.15%	2.05%
April 19, 2017	20-low. 1-day bounce, then inside down	1-3 days	Bullish	2.75%	-1.60%	-3.60%
April 18, 2017	Unfill up close < 10 > 200ma	1-4 days	Bullish			
April 17, 2017	System 110524	1-7 days	Bullish			
April 13, 2017	Gap to 5-day low. More selling.	1-6 days	Bullish			
April 12, 2017	VIX 100-high. SPX no 100-low.	1-7 days	Bullish	2.90%	-2.25%	-4.85%
<b>Active - Long Term</b>						
April 19, 2017	20-low. 1-day bounce, then inside down	1-10 days	Bullish	4.80%	-2.50%	-6.30%
March 29, 2017	20-low to 4-day high	1-20 days	Bullish	3.40%	-2.70%	-5.40%
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			

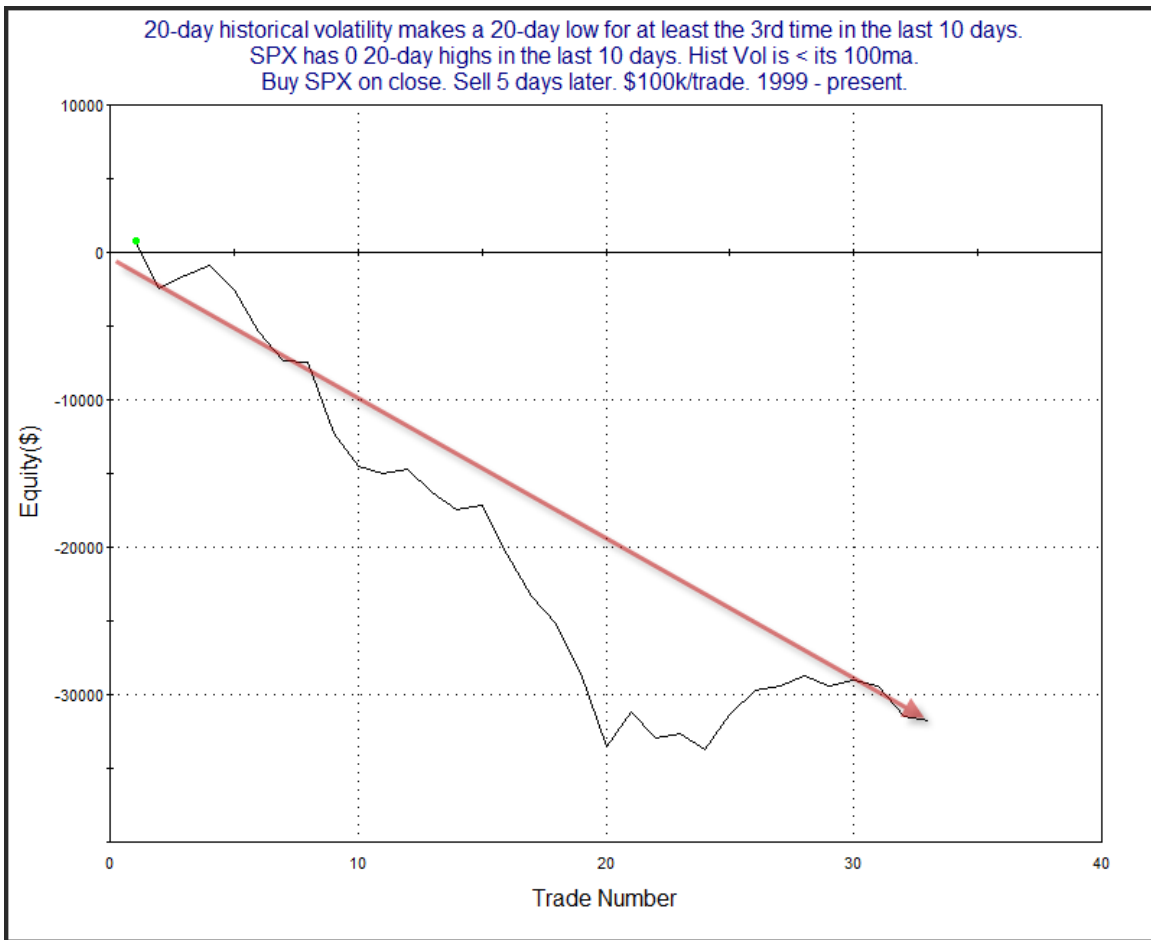
**The Evidence**

Wednesday started off well, but the market finished mixed. The SPX fell 0.2%, the NASDAQ rose 0.2%, and the Russell 2000 gained 0.4%. Breadth was negative as the NYSE Up Issues % was 46% and the Up Volume % came in at 36%. NYSE volume rose some from Tuesday's level.

Despite choppy action lately, SPX posted a 20-day low in historical volatility (HV) on Wednesday. HV often makes lows when the market is making new highs and participants are getting complacent. It is unusual to have historical volatility so low without SPX highs. The study below was last seen just recently in the 4/10/17 letter and it looks at repeated instances of 20-day lows in HV without price highs. It triggered again on Wednesday and I have updated the results.

20-day historical volatility makes a 20-day low for at least the 3rd time in the last 10 days. SPX has 0 20-day highs in the last 10 days. Hist Vol is < its 100ma. Buy SPX on close. Sell X days later. \$100k/trade. 1999 - 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	-32,784.60	27	13	14	48.15	1,609.58	4,090.31	-3,836.37	-9,248.46	0.42	0.39	-1,214.24
9	-29,608.21	27	12	15	44.44	1,509.57	3,967.48	-3,181.54	-5,844.30	0.47	0.38	-1,096.60
8	-42,661.06	29	11	18	37.93	1,257.62	4,100.25	-3,138.61	-7,573.44	0.40	0.24	-1,471.07
7	-30,114.23	31	13	18	41.94	1,153.92	4,425.43	-2,506.40	-5,959.52	0.46	0.33	-971.43
6	-22,733.09	32	14	18	43.75	1,127.70	4,015.05	-2,140.05	-5,678.64	0.53	0.41	-710.41
5	-31,727.75	33	12	21	36.36	927.23	2,351.52	-2,040.69	-4,943.40	0.45	0.26	-961.45
4	-20,235.44	36	14	22	38.89	1,473.39	3,291.12	-1,857.40	-5,769.55	0.79	0.50	-562.10
3	-21,027.16	39	15	24	38.46	1,380.76	2,634.92	-1,739.11	-4,463.68	0.79	0.50	-539.16
2	-16,679.03	48	21	27	43.75	925.69	2,957.13	-1,337.72	-3,551.76	0.69	0.54	-347.48
1	-6,928.92	68	29	39	42.65	923.18	2,861.10	-864.13	-3,006.10	1.07	0.79	-101.90

The stats all suggest a downside edge. Below is a profit curve using a 5-day exit strategy.



Recent instances have seen the curve flatten out a bit. I'll be keeping a close eye to see if the downside edge continues to flail or whether it reasserts itself. For tonight I have included it on the Short-Term Active List.

I have updated the Aggregator chart below.



With tonight's study 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 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 0. Therefore, the Aggregator signal changed from long to flat 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 *highly inverted* at 2357.00 on Thursday. That is 0.8% *above* Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up at least 0.8% in order to remain overbought versus recent expectations. Anything shy of that will see SPX turn oversold as of Thursday's close.

I exited my long index position at the open on Wednesday, so I am now flat. With the neutral Aggregator I am not inclined to get back in just yet. With the large inverted pivot there is a decent chance that the Aggregator formation will turn back to bullish. But I am not going to jump the gun and look to buy anytime tomorrow, especially with tonight's study being bearish. For now, I will wait and be ready for when the next favorable reward/risk opportunity arises.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 4/17 – 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
<i>SPY(1/4)</i>	<i>4/13/2017</i>	<i>\$233.64</i>	<i>\$234.52</i>	<i>0.38%</i>		<i>sold on open</i>

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