

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 21, 2017

Volume 10 Issue 75

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr / SOMA Swing
Flat	50% Long XIV	Flat

## Tonight's Research Points

- Opex Friday mornings during uptrends have typically seen selling.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bullish, but the signal is weak and likely to change on Friday. I am therefore leaning more neutral.

**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			

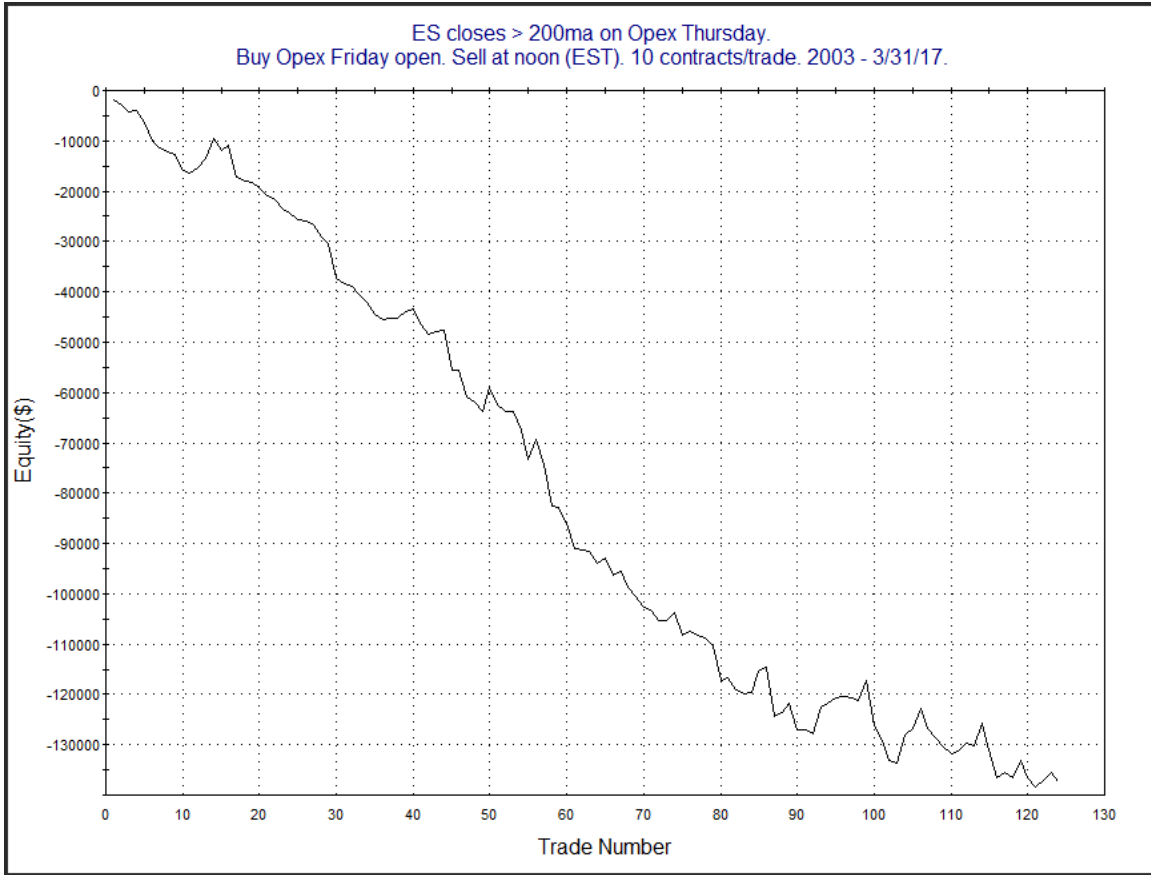
**The Evidence**

Thursday saw the market put in a solid rally. The SPX gained 0.8%, the NASDAQ rose 0.9% and posted a new all-time closing high, and the Russell 2000 climbed 1.2%. Breadth was positive as the NYSE Up Issues % was 71% and the Up Volume % came in at 72%. NYSE volume rose for the 3<sup>rd</sup> day in a row.

One seasonal factor that could come into play on Friday is that the market has often struggled after the open on opex Friday. Below is a study showing results of purchasing 10 ES contracts (which is the mini-futures contract for the S&P 500) at the open and then exiting at different times during the day.

ES closes > 200ma on Opex Thursday. Buy Opex Friday open. Sell at time shown on left (EST). 10 contracts/trade. 2003 - 3/31/17.												
OE Op-Ex Fri Intra Short2: timeofday	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
1,600	-120,625.00	124	52	69	41.94	2,449.52	13,875.00	-3,594.20	-16,125.00	0.68	0.51	-972.78
1,500	-133,000.00	124	41	80	33.06	2,533.54	9,875.00	-2,960.94	-11,625.00	0.86	0.44	-1,072.58
1,400	-146,000.00	124	36	82	29.03	2,201.39	9,875.00	-2,746.95	-10,750.00	0.80	0.35	-1,177.42
1,300	-140,000.00	124	37	86	29.84	2,064.19	9,625.00	-2,515.99	-10,000.00	0.82	0.35	-1,129.03
1,200	-137,375.00	124	38	86	30.65	1,815.79	5,625.00	-2,399.71	-9,750.00	0.76	0.33	-1,107.86
1,100	-94,750.00	124	45	77	36.29	1,483.33	7,250.00	-2,097.40	-7,625.00	0.71	0.41	-764.11
1,000	-74,875.00	124	35	87	28.23	967.86	3,625.00	-1,250.00	-3,625.00	0.77	0.31	-603.83

As you can see, the bearish implications primarily play themselves out during the morning. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) Below is a profit curve that assumes the trade is sold at noon each time.



The downward slope has been in effect and fairly steady for a long time. So caution seems warranted on the long side during the morning on Friday.

Other than the opex seasonal post-open weakness, there is nothing else compelling that emerged tonight.

I have updated the Aggregator chart below.



Without any new studies making the Active List, 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 moved back 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 0. Therefore, the Aggregator signal changed from flat to long at the close.

Based on the current list of studies, expectations are set to flip to negative on Friday. Of course, this could change if new bullish evidence emerges. The Differential Pivot will be *inverted at 2352.18* on Thursday. 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 will need to close down at least 0.2% in order to remain oversold versus recent expectations. Anything other than that will see SPX turn overbought as of Friday's close.

So the Aggregator is suggesting an upside edge. But we see there is a decent chance of weakness after the open on Friday. Additionally, expectations are set to turn negative, and the SPX will turn overbought unless it sells off. This all greatly limits the upside potential of this long Aggregator signal. And as you might suspect, it is not one that I intend to try and take advantage of. I will wait for a more favorable reward/risk scenario to emerge before taking on new trades.

*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**

None.

This report has been prepared by Hanna Capital Management, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Hanna Capital Management, LLC or clients of Hanna Capital Management, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Hanna Capital Management, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Hanna Capital Management, LLC nor any officer or employee of Hanna Capital Management, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Hanna Capital Management, LLC.

Copyright © 2017 Hanna Capital Management, LLC.