

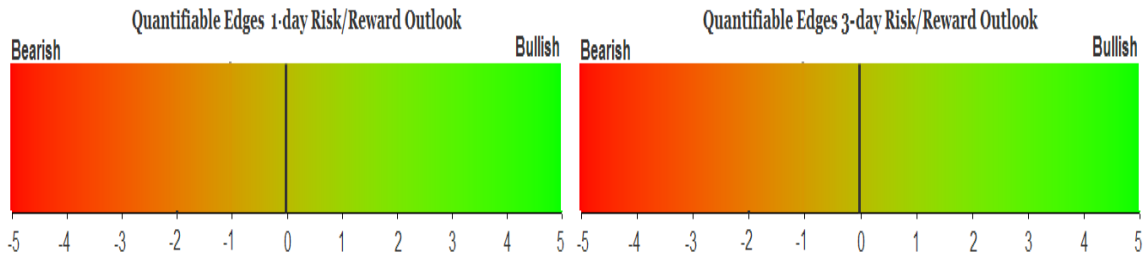
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 27, 2017

Volume 10 Issue 79

Market Overview



Signals Overview

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

Tonight's Research Points

- 3 days of strong Nasdaq breadth are often followed by a down day.
- A 20-day high and poor close are often followed by a move up.

Short-term Outlook

The Bottom Line

Evidence is mixed, the Aggregator is neutral, and I view reward/risk potential as pretty weak. I do not see a strong, compelling 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						
April 27, 2017	20-low. 1-day bounce, then inside down	1-8 days	Bullish	2.00%	-1.20%	-2.50%
April 27, 2017	NASDAQ Adv:Decl 3:2 3 days in a row	1 day	Bearish			
Active - Long Term						
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			
Dropped Tonight						
April 20, 2017	HV 3x 20-day lows. No SPX 20-high	1-5 days	Bearish	-2.20%	1.15%	2.05%

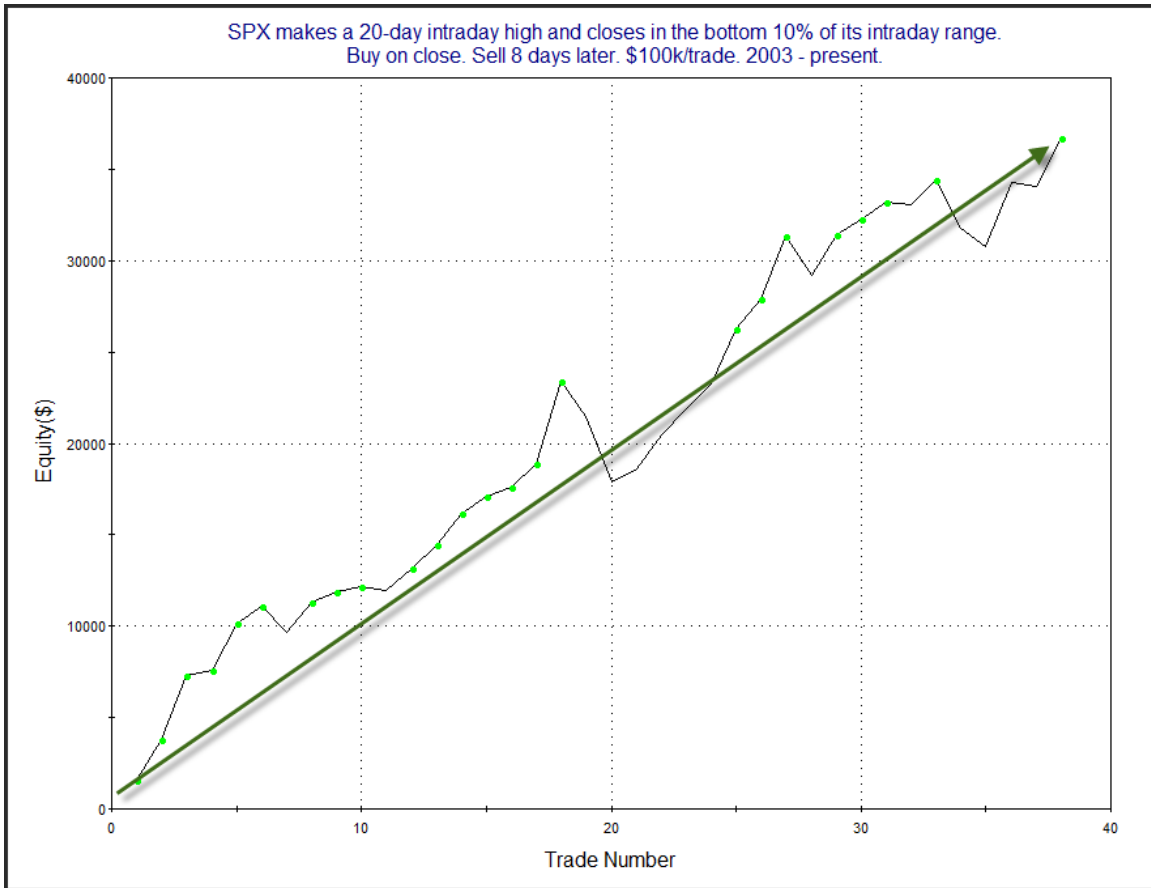
The Evidence

Wednesday spent most of the day in the green, but some late selling arrived and the indices finished mostly down. The SPX lost 0.05%, the NASDAQ fell less than 1 point, and the Russell 2000 climbed 0.6%. Breadth was also mixed as the NYSE Up Issues % was 56% and the Up Volume % came in at 49%. NYSE volume came in at the highest level since March opex.

Before selling off, the SPX managed to make a new 20-day intraday high. The new high followed by a poor and downward close triggered the study below, which was last seen in the 4/28/15 subscriber letter. Results are all updated.

SPX makes a 20-day intraday high and closes in the bottom 10% of its intraday range. Buy on close. Sell X days later. \$100k/trade. 2003 - 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	37,297.73	37	27	10	72.97	1,884.65	4,119.18	-1,358.78	-3,210.80	1.39	3.74	1,008.05
9	36,314.04	37	28	9	75.68	1,735.28	3,613.36	-1,363.77	-3,775.10	1.27	3.96	981.46
8	36,673.54	38	29	9	76.32	1,719.43	4,483.84	-1,465.54	-3,543.84	1.17	3.78	965.09
7	27,159.71	38	29	9	76.32	1,549.10	3,761.94	-1,973.81	-4,159.32	0.78	2.53	714.73
6	26,013.66	39	30	9	76.92	1,334.72	3,331.38	-1,558.67	-2,942.40	0.86	2.85	667.02
5	15,123.09	39	27	12	69.23	1,028.61	2,693.34	-1,054.11	-3,566.84	0.98	2.20	387.77
4	10,476.42	41	26	15	63.41	978.65	2,531.61	-997.90	-2,332.44	0.98	1.70	255.52
3	13,250.94	41	27	14	65.85	868.43	2,159.82	-728.33	-2,091.82	1.19	2.30	323.19
2	9,128.59	41	24	17	58.54	805.33	3,288.48	-599.96	-1,575.22	1.34	1.90	222.65
1	6,247.15	42	28	14	66.67	510.85	1,710.72	-575.47	-1,194.83	0.89	1.78	148.74
<p>40 of 42 instances closed above the entry price at some point in the next week. The 2 that failed triggered on 12/30/04 and 12/31/04.</p>												

Results here seem to suggest an upside edge over the next 1-2 weeks. Below is a profit curve assuming a 10-day holding period.



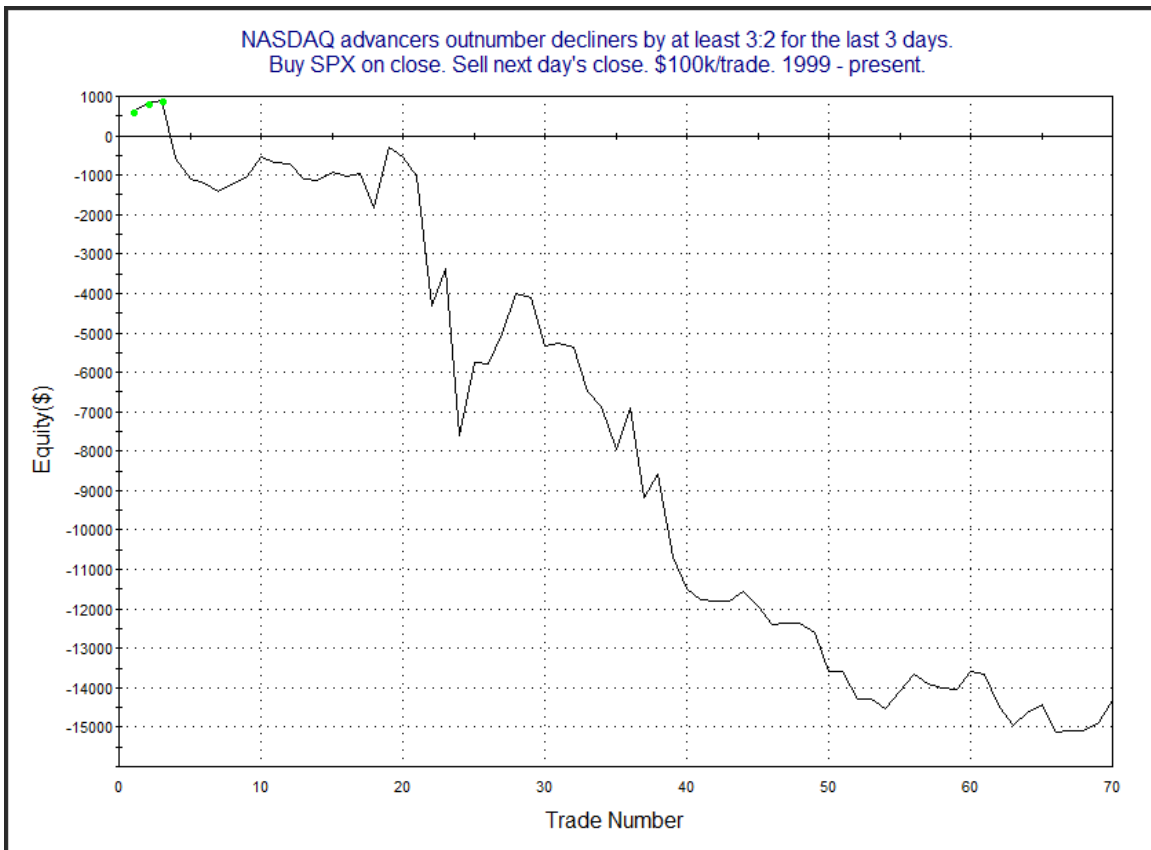
The persistent upslope appears to confirm the upside edge suggested by the statistics. I have added this study to the intermediate-term Active List.

Another study that appeared in the Quantifinder tonight looked at times Nasdaq advancers outnumbered decliners by more than 3:2 for 3 days in a row. It suggested a possible 1-day downside edge. I last showed it in the 7/14/15 letter and have updated the results below.

NASDAQ advancers outnumber decliners by at least 3:2 for the last 3 days.
Buy SPX on close. Sell next day's close. \$100k/trade. 1999 - present.

TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	(\$14,307.75)	Profit Factor	0.47
Gross Profit	\$12,903.45	Gross Loss	(\$27,211.20)
Total Number of Trades	70	Percent Profitable	41.43%
Winning Trades	29	Losing Trades	41
Even Trades	0		
Avg. Trade Net Profit	(\$204.40)	Ratio Avg. Win:Avg. Loss	0.67
Avg. Winning Trade	\$444.95	Avg. Losing Trade	(\$663.69)
Largest Winning Trade	\$1,857.24	Largest Losing Trade	(\$4,241.94)

The numbers imply a bit of a downside edge. I also produced an equity curve.



It's definitely choppy, but it has moved from upper left to lower right for a long time. I decided to also include this study on the active list.

I have updated the Aggregator chart below.



The mixed of evidence tonight caused the green Aggregator Line to move back above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line held 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 turned flat at the close.

Based on the current active studies, expectations are set to remain bullish on Thursday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2366.42 on Thursday. That is 0.9% below Wednesday's close. So SPX would need to close down at least 0.9% in order to move from overbought to oversold as of Thursday's close.

A neutral Aggregator and no real consensus among tonight's short-term studies leaves me no more excited about taking on new positions than I was last night. Reward/risk still appears poor. I will continue to wait for a better opportunity before putting new capital to work.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/24 – bullish

The intermediate-term outlook was last updated in the 4/24 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

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.

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