

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 28, 2017

Volume 10 Issue 80

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr / SOMA Swing
Short	100% Short SPY	Short

Tonight's Research Points

- Low volume, a 10-day closing high, and a lower high and lower low in the SPY suggest downside.
- The high NYSE volume and 20-day high for SPX appear intermediate-term bullish.

Short-term Outlook

The Bottom Line

The Aggregator is now bearish. But that is against the larger trend, and with month-end here we will likely see bullish seasonality as of Monday. So I am not inclined to try and take advantage of this moderate bearish 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 28, 2017	SPY 10-high low vol, high, & low.	1-3 days	Bearish			
April 27, 2017	20-low. 1-day bounce, then inside down	1-8 days	Bullish	2.00%	-1.20%	-2.50%
Active - Long Term						
April 28, 2017	20-high. High volume.	1-16 days	Bullish	2.80%	-1.80%	-3.20%
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 27, 2017	NASDAQ Adv:Decl 3:2 3 days in a row	1 day	Bearish			

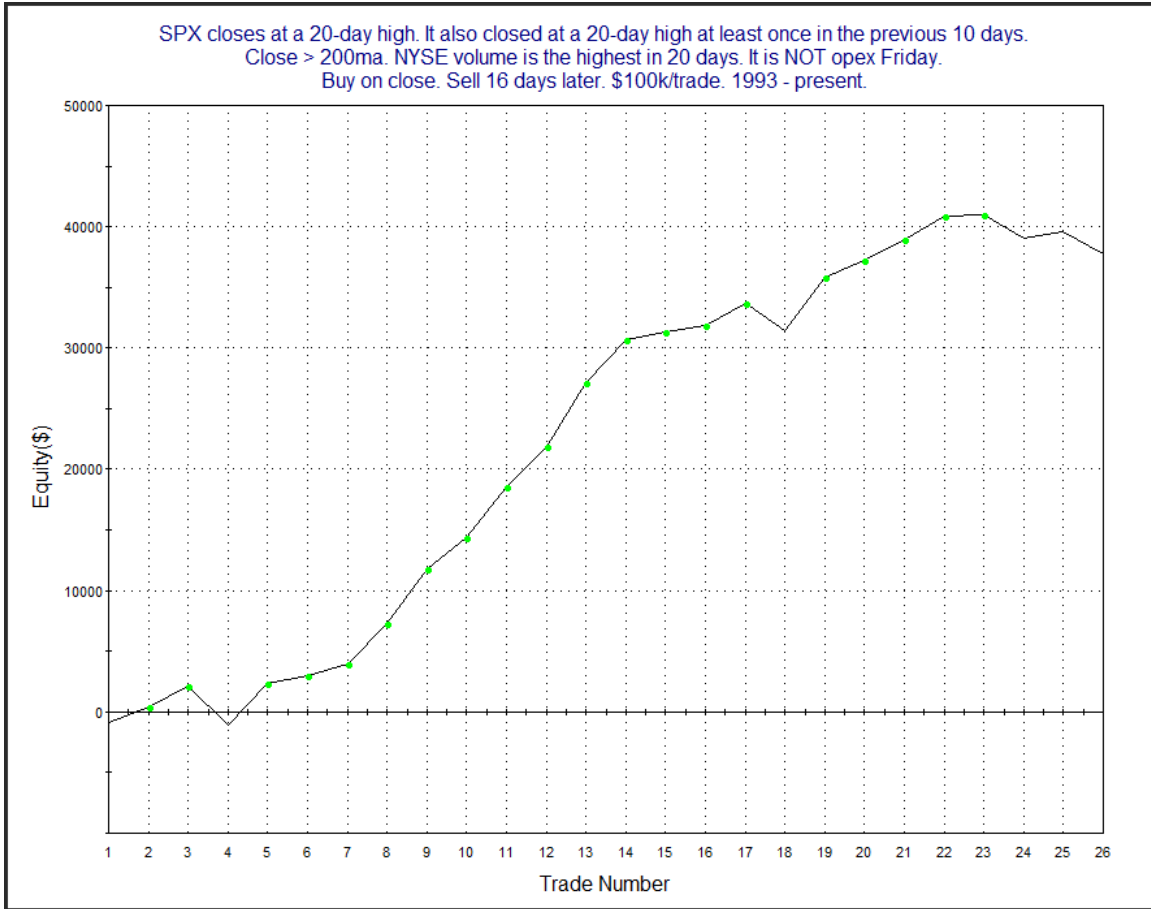
The Evidence

Thursday was another mixed day for the market. The SPX gained 0.06%, the NASDAQ rose 0.4%, and the Russell 2000 lost 0.2%. Breadth was negative as the NYSE Up Issues % was 49.8% and the Up Volume % came in at 37.1%. NYSE volume came in at the highest level since March opex.

There were a few studies that triggered in the Quantifinder tonight. I chose the most compelling and interesting ones to discuss tonight. The setup below was last seen in the 9/14/12 letter. It examined breakouts to new highs on the highest volume in a month. Opex Fridays were excluded because they typically have very high volume. There is also a filter showing that no lengthy base has been built. Results are updated.

SPX closes at a 20-day high. It also closed at a 20-day high at least once in the previous 10 days. Close > 200ma. NYSE volume is the highest in 20 days. It is NOT opex Friday. Buy on close. Sell X days later. \$100k/trade. 1993 - 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
20	45,767.10	26	20	6	76.92	2,859.66	6,447.84	-1,904.35	-4,137.71	1.50	5.01	1,760.27
19	44,304.12	26	20	6	76.92	2,891.05	6,379.16	-2,252.80	-4,532.28	1.28	4.28	1,704.00
18	40,088.92	26	20	6	76.92	2,590.38	5,997.88	-1,953.12	-5,186.38	1.33	4.42	1,541.88
17	39,723.83	26	20	6	76.92	2,645.26	5,665.56	-2,196.89	-4,998.59	1.20	4.01	1,527.84
16	37,744.97	26	21	5	80.77	2,274.88	5,316.64	-2,005.50	-3,266.28	1.13	4.76	1,451.73
15	37,695.75	27	19	8	70.37	2,599.12	5,280.54	-1,460.95	-3,939.84	1.78	4.23	1,396.14
14	35,341.89	27	21	6	77.78	2,220.46	4,999.68	-1,881.29	-3,993.99	1.18	4.13	1,308.96
13	33,925.90	27	20	7	74.07	2,307.20	4,789.50	-1,745.44	-2,815.80	1.32	3.78	1,256.51
12	27,835.48	27	19	8	70.37	2,166.29	4,951.21	-1,665.51	-2,992.08	1.30	3.09	1,030.94
11	22,156.18	27	19	8	70.37	1,979.94	5,026.96	-1,932.84	-3,677.70	1.02	2.43	820.60
10	19,380.12	27	17	10	62.96	2,076.47	4,304.04	-1,591.98	-3,411.90	1.30	2.22	717.78
9	20,237.77	27	18	9	66.67	1,946.13	3,941.96	-1,643.63	-3,097.47	1.18	2.37	749.55
8	20,163.65	27	18	9	66.67	1,934.45	4,503.68	-1,628.50	-2,963.67	1.19	2.38	746.80
7	17,712.01	28	19	9	67.86	1,452.11	2,907.80	-1,097.56	-2,268.24	1.32	2.79	632.57
6	17,019.32	28	21	7	75.00	1,385.54	2,721.95	-1,725.29	-4,691.70	0.80	2.41	607.83
5	10,449.28	28	18	10	64.29	1,257.52	2,489.51	-1,218.60	-2,959.32	1.03	1.86	373.19
4	11,986.05	29	18	11	62.07	1,253.04	3,276.08	-960.79	-2,560.74	1.30	2.13	413.31
3	13,083.15	31	19	12	61.29	1,183.01	3,578.64	-782.84	-1,553.21	1.51	2.39	422.04
2	6,038.05	32	21	11	65.63	644.86	1,593.78	-682.18	-1,421.00	0.95	1.80	188.69
1	-469.08	38	18	20	47.37	396.00	1,109.66	-379.85	-1,099.82	1.04	0.94	-12.34

The numbers here suggest a decent long-side inclination for the intermediate-term. Short-term numbers are ok, but the curves are not great. Below is the 16-day profit curve.



The last few instances have not panned out, but the overall upslope still appears to be intact. I have added this to the Intermediate-Term Active List.

If there had been a longer base-building period before Thursday's breakout then the short-term results would have been more attractive. That can be seen in this study from the 11/14/13 letter.

SPX closes at a 20-day high after not having done so for at least 10 days. Close > 200ma.
 NYSE volume is the highest in 20 days. It is NOT opex Friday.
 Buy on close. Sell X days later. \$100k/trade. 1993 - 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
20	32,056.71	13	11	2	84.62	3,163.29	6,645.00	-1,369.75	-1,518.22	2.31	12.70	2,465.90
19	33,621.38	13	11	2	84.62	3,271.72	6,957.50	-1,183.76	-2,336.29	2.76	15.20	2,586.26
18	37,010.57	13	11	2	84.62	3,527.63	6,622.50	-896.69	-1,503.48	3.93	21.64	2,846.97
17	37,704.03	13	12	1	92.31	3,291.13	6,003.20	-1,789.57	-1,789.57	1.84	22.07	2,900.31
16	38,274.28	13	11	2	84.62	3,619.46	5,887.44	-769.89	-1,470.65	4.70	25.86	2,944.18
15	37,064.27	13	11	2	84.62	3,631.65	6,105.00	-1,441.92	-2,393.24	2.52	13.85	2,851.10
14	33,628.90	13	11	2	84.62	3,246.22	6,007.40	-1,039.77	-1,680.36	3.12	17.17	2,586.84
13	32,057.71	13	12	1	92.31	2,724.62	5,741.66	-637.78	-637.78	4.27	51.26	2,465.98
12	29,270.12	13	12	1	92.31	2,444.65	5,978.75	-65.66	-65.66	37.23	446.78	2,251.55
11	31,532.74	13	13	0	100.00	2,425.60	5,250.00	0.00	0.00	100.00	100.00	2,425.60
10	27,762.25	13	12	1	92.31	2,384.88	4,885.00	-856.26	-856.26	2.79	33.42	2,135.56
9	28,866.55	13	13	0	100.00	2,220.50	5,451.25	0.00	0.00	100.00	100.00	2,220.50
8	24,724.08	13	11	2	84.62	2,292.58	3,842.50	-247.17	-450.24	9.28	51.01	1,901.85
7	22,558.71	13	11	2	84.62	2,172.21	4,443.12	-667.79	-811.65	3.25	17.89	1,735.29
6	20,065.73	13	11	2	84.62	2,025.63	4,698.80	-1,108.11	-2,094.42	1.83	10.05	1,543.52
5	19,717.46	13	11	2	84.62	1,931.39	4,683.84	-763.91	-1,360.77	2.53	13.91	1,516.73
4	15,744.18	13	11	2	84.62	1,538.30	4,518.75	-588.55	-1,043.86	2.61	14.38	1,211.09
3	10,500.65	13	11	2	84.62	1,115.00	2,403.80	-882.17	-1,369.04	1.26	6.95	807.74
2	5,363.07	13	8	5	61.54	930.97	1,998.39	-416.94	-1,301.14	2.23	3.57	412.54
1	9,075.51	13	11	2	84.62	908.90	1,606.89	-461.21	-645.21	1.97	10.84	698.12

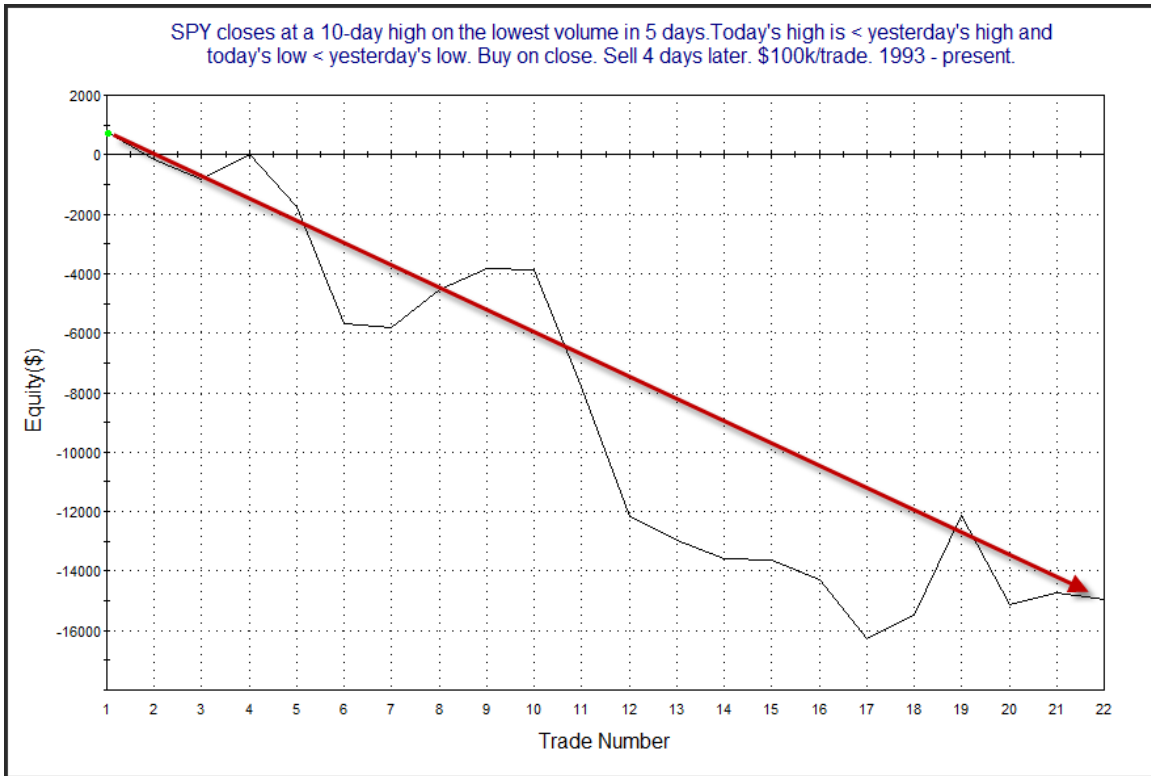
Results here are substantially stronger.

Unusual about Thursday's market was that SPY posted a 5-day low in volume while NYSE volume was coming in at a 20-day high. The 5-day low combined with similar price action has not been favorable in the past. Below I have updated a study from the 3/16/10 Letter that examines similar SPY volume and price action.

SPY closes at a 10-day high on the lowest volume in 5 days. Today's high is < yesterday's high and today's low < yesterday's low. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	-13,737.29	22	9	13	40.91	1,430.64	5,787.33	-2,047.16	-5,526.36	0.70	0.48	-624.42
4	-14,960.95	22	7	15	31.82	1,163.85	3,376.89	-1,540.53	-4,369.68	0.76	0.35	-680.04
3	-11,009.96	22	9	12	40.91	950.47	4,832.25	-1,630.35	-3,710.03	0.58	0.44	-500.45
2	-4,062.35	22	10	12	45.45	828.13	3,047.16	-1,028.63	-3,615.44	0.81	0.67	-184.65
1	709.03	22	9	13	40.91	917.10	3,399.63	-580.37	-2,291.18	1.58	1.09	32.23

The numbers here appear bearish. Below is a look at the 4-day profit curve.



Not perfect, but not bad. I felt this deserved some attention and have added it to the Short-Term Active List.

I have updated the Aggregator chart below.



The mix of evidence tonight caused the green Aggregator Line to dip back below zero. Negative readings mean net expectations from the Active List are for downside 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 negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below 0. Therefore, the Aggregator signal turned short at the close.

Based on the current active studies, expectations are set to remain bearish on Friday. This could easily change if compelling new bullish evidence emerges. The Differential Pivot will be 2376.01 on Friday. That is 0.5% below Thursday's close. So SPX would need to close down at least 0.5% in order to move from overbought to oversold as of Friday's close.

The Aggregator is back to a bearish formation, but I am not completely convinced of the strength of the edge. Evidence is mixed, and the intermediate-term is bullish. This would be a counter-trend trade. Additionally, with Friday being the last day of the month, we could see some bullish seasonal studies for Monday. Generally, when the last day of the month closes poorly, then the 1st day of the next month has had a bullish inclination. So really I would anticipate that expectations will turn positive if Friday sees the bearish edge exert itself. Therefore, if successful, this will be a short-lived bearish setup. Traders may have to be more nimble to take advantage of it than a nightly subscriber letter allows for. Therefore, I will remain sidelined for the time being and will be interested to see what new studies emerge on Friday.

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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