

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 4, 2017

Volume 10 Issue 84

Market Overview



Signals Overview

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

Tonight's Research Points

- The tight trading recently suggests we could see a big move soon, but directional evidence is somewhat lacking.
- A couple of Catapults triggered.

Short-term Outlook

The Bottom Line

Evidence is now leaning a little bullish but the SPX is still overbought. I am basically 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
Active - Short Term						
May 2, 2017	1st of May closes up	1-4 days	Bearish	-2.20%	0.90%	2.30%
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%
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 28, 2017	SPY 10-high low vol, high, & low.	1-3 days	Bearish			

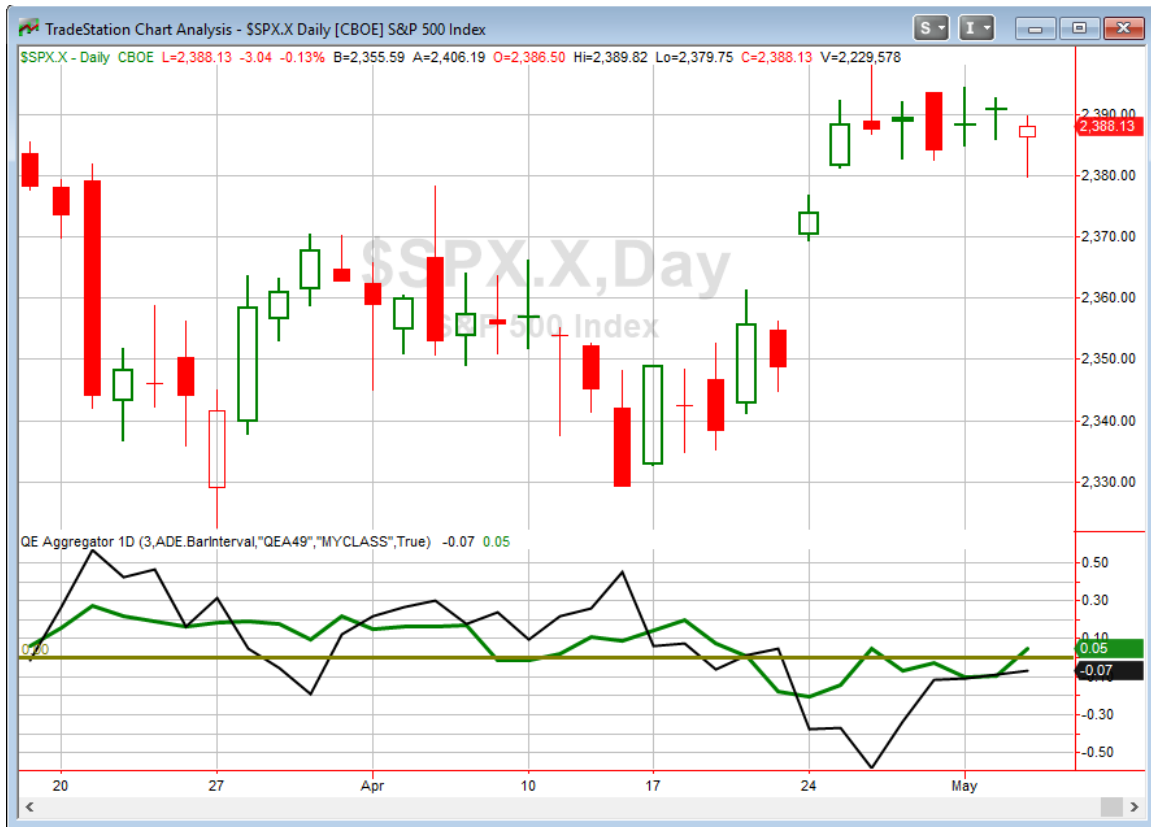
The Evidence

Wednesday was mostly lower. The SPX fell 0.1%, the NASDAQ dropped 0.4%, and the Russell 2000 lost 0.6%. Breadth was weak as the NYSE Up Issues % was 39% and the Up Volume % came in at 41%. NYSE volume declined some from Tuesday's level.

The 3/10 Offset HV indicator for SPX ([found here on the charts page](#)) has shown very low readings over the last few days. Historically a very low reading has commonly been followed by an expansion in volatility. I've discussed this indicator and this tendency in the Subscriber Letter many times over the years. Traders that would like to learn more about it may check out the Quantifiable Edges ORBs study on [the Special Reports page in the Downloads area](#).

There was a study from the 12/30/14 letter that looked at very low 3/10 Offset HV readings when the market was above its 10 and 200-day moving averages. It suggesting the tight consolidation in an uptrend was more likely to lead to an upside breakout. But this has not played out in the last several instances, and the curve is now a bit of a mess. One thing I can say about the current consolidation is that it is unusually tight, and I expect we may break out of it (either up or down) in a big way in the next several days. For now, the quiet sideways chop is failing to produce any strong new directional edges.

I have updated the Aggregator chart below.



Without any new compelling evidence to consider the green Aggregator Line inched 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 remained 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. This could change if compelling new bearish evidence emerges. The Differential Pivot will be 2383.69 on Thursday. That is 0.2% below Wednesday's close. So SPX would need to close down 0.2% in order to move from overbought to oversold as of Thursday's close.

The Aggregator is neutral and I am not seeing anything to make me think differently than that. The combination of mildly bullish evidence and a mildly overbought market is not appealing. So I will continue to stand aside and wait for the next compelling setup to emerge before taking on new index positions. Interestingly, there were a couple of Catapults that triggered and I will look to take advantage of them.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/1 –bullish

The intermediate-term outlook was last updated in the 5/1 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

New

T – 1/3 @ \$38.40 (buy @ limit)

DIS – 1/3 @ \$111.62 (buy @ limit)

Broad Market Large Cap CBI – 2(T, DIS)

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.

T – Buy 1/3 Catapult position @ \$38.40 LIMIT. This is from the Catapult section above. It is the 1st of up to 3 possible lots for T.

DIS – Buy 1/3 Catapult position @ \$111.62 LIMIT. This is from the Catapult section above. It is the 1st of up to 3 possible lots for DIS.

Current Open Trade Ideas

None.

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