

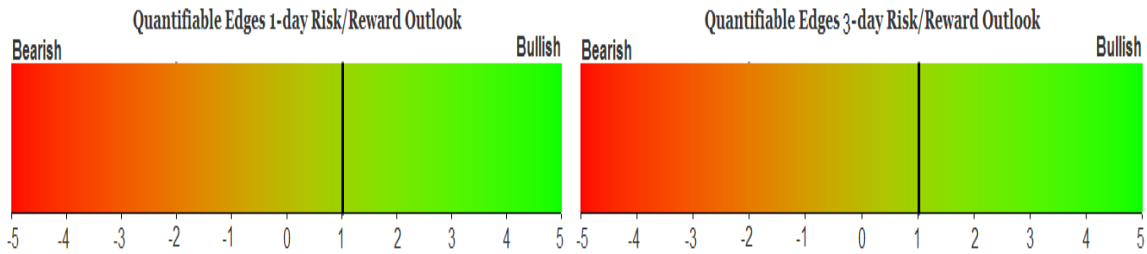
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 16, 2017

Volume 10 Issue 92

Market Overview



Signals Overview

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

Tonight's Research Points

- Monday's move from a 5-day low to a 50-day high suggests a pullback is now likely.

Short-term Outlook

The Bottom Line

The Aggregator is still slightly bullish, but the oversold nature won't last any longer unless the market declines on Tuesday. This leaves me unenthusiastic about taking in new positions.

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 16, 2017	5 low to 50 high	1-4 days	Bearish			
May 15, 2017	Close < 10ma after 15+ days above	1-5 days	Bullish	1.50%	-1.00%	-2.00%
May 15, 2017	Gap dn from 5-low and close < open	1-6 days	Bullish	2.20%	-1.30%	-2.60%
May 12, 2017	Relatively big drop from 50-high	1-4 days	Bullish			
May 5, 2017	High volume up days	1-10 days	Bullish			
Active - Long Term						
May 15, 2017	Gap dn from 5-low and close < open	1-10 days	Bullish	2.90%	-1.60%	-3.40%
April 28, 2017	20-high. High volume.	1-16 days	Bullish	2.80%	-1.80%	-3.20%
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			

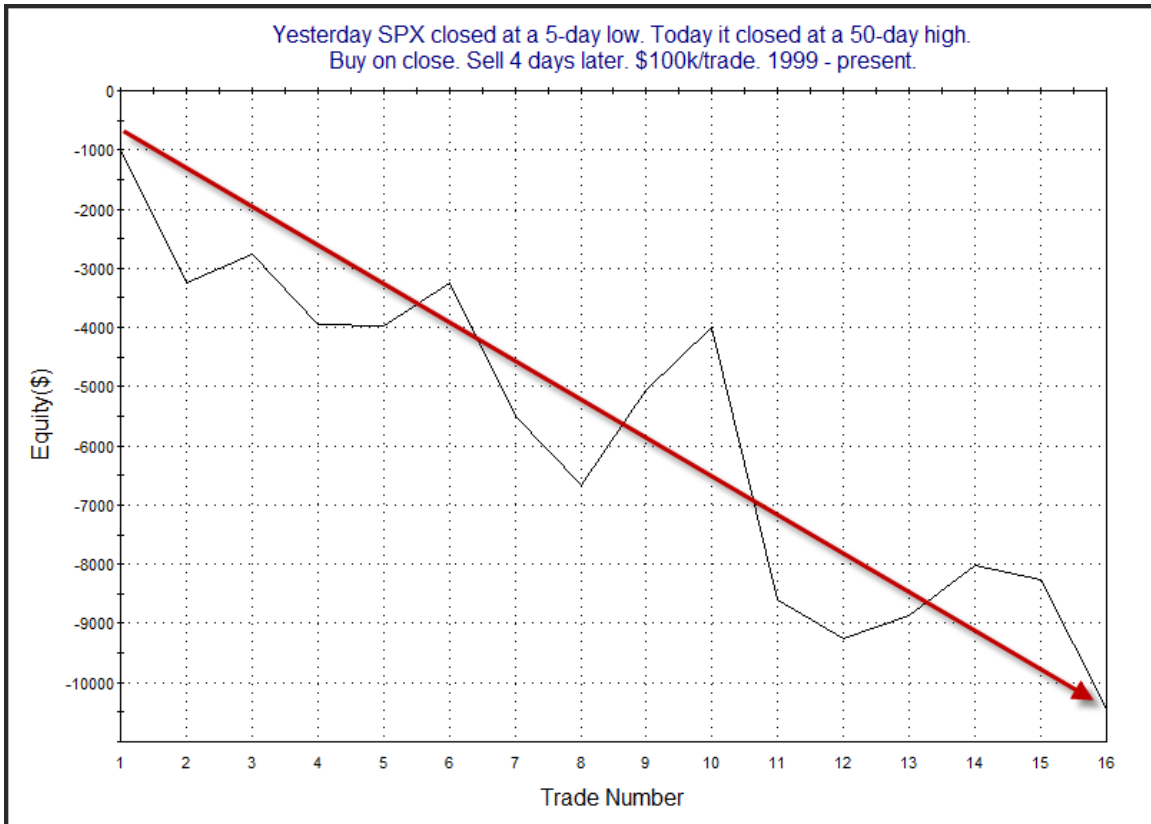
The Evidence

Monday was a strong day for the market. Unfortunately, it gapped away from my entry limit and never looked back. The SPX finished with a gain of 0.5%, the NASDAQ rose 0.5%, and the Russell 2000 climbed 0.8%. Breadth was positive as the NYSE Up Issues % was 74% and the Up Volume % came in at 77%. NYSE volume rose some from Friday's level.

The strong move up caused SPX to move from a 5-day low close to an all-time high close. That is fairly unusual. In the 12/18/12 Letter I looked at moves from 5-day lows to 10-day highs. Tonight I made the criteria a little stricter to better represent the current state. Results can be seen below.

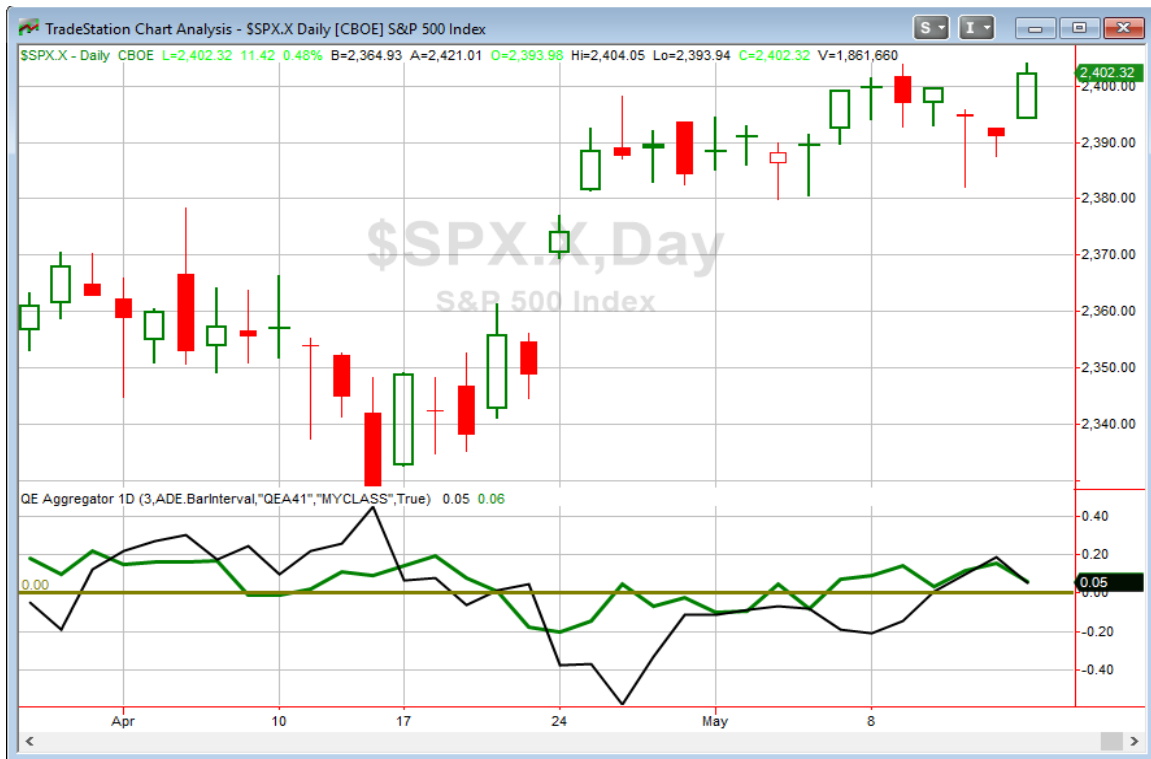
Yesterday SPX closed at a 5-day low. Today it closed at a 50-day high. Buy on close. Sell X days later. \$100k/trade. 1999 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-11,330.04	16	8	8	50.00	826.24	1,671.21	-2,242.49	-4,993.16	0.37	0.37	-708.13
4	-10,434.89	16	6	10	37.50	849.98	1,612.97	-1,553.48	-4,596.70	0.55	0.33	-652.18
3	-6,411.22	16	8	8	50.00	768.55	1,908.90	-1,569.96	-5,028.42	0.49	0.49	-400.70
2	-3,266.14	16	4	12	25.00	867.78	1,603.88	-561.44	-2,902.50	1.55	0.52	-204.13
1	-2,224.52	16	8	8	50.00	329.21	747.75	-607.28	-1,214.72	0.54	0.54	-139.03

The numbers are not overwhelming but they do suggest a possible downside edge. Below is a look at the 4-day profit curve.



The move from upper left to lower right is impressive. I have included this study on the Active List tonight.

I have updated the Aggregator chart below.



With tonight's study to consider the green Aggregator Line held a little 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 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 stayed long at the close.

Based on the current active studies, expectations are set to remain bullish on Tuesday. This could change if compelling new bearish evidence emerges. The Differential Pivot will be *slightly inverted at 2401.39* on Tuesday. That is less than 1 point *below* Monday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case, SPX is going to need to close down about 1 point in order to remain "oversold" versus recent expectations. If it does not close down at least that much then it will be considered "overbought" at the close on Tuesday.

The Aggregator is still in a bullish formation. But the inverted pivot sets up a situation where I would be looking to take profits if I had been filled on last night's trade idea. I don't favor setups with inverted pivots because potential reward is quite limited. And tonight's evidence looking at past moves from 5-day lows to 50-day highs is not encouraging for the bulls, either. So I will not be looking to take on new exposure on Tuesday despite the fact that there may be a small overall upside edge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/15 –bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

DIS – 1/3 @ \$111.62 (bought @ limit)

DIS – 1/3 @ \$111.17 (bought @ limit)

IBM – 1/3 @ \$151.25 (bought @ limit)

IBM – 1/3 @ \$150.65 (bought @ limit)

IBM – 1/3 @ \$150.37 (buy @ limit) – not filled – cancel for now

Broad Market Large Cap CBI – 5(DIS-2, IBM-3)

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>T(1/3)</i>	<i>5/4/2017</i>	<i>\$38.40</i>	<i>\$38.52</i>	<i>0.31%</i>		<i>sold on open</i>
DIS(1/3)	5/4/2017	\$110.58	\$109.13	-1.31%		Catapult
DIS(1/3)	5/5/2017	\$111.17	\$109.13	-1.84%		Catapult
IBM(1/3)	5/11/2017	\$151.05	\$151.51	0.30%		Catapult
IBM(1/3)	5/11/2017	\$150.30	\$151.51	0.81%		Catapult

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