

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 23, 2017

Volume 10 Issue 97

Market Overview



Signals Overview

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

Tonight's Research Points

- SPX up 3 days but below the close of 4 days ago is often followed by more upside.

Short-term Outlook

The Bottom Line

The studies suggest more upside is likely but the market is already short-term overbought. This leaves me 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 23, 2017	Up 3 but < 4 ago. Close > 200ma	1 day	Bullish			
May 22, 2017	10 Intra-Low yest. Unfill gap. Cls<10m.	1-5 days	Bullish			
May 22, 2017	1.75% drop. Then up 2 < 3 ago.	1-5 days	Bullish			
May 19, 2017	17.5% drop then small bounce	1-3 days	Bearish			
Active - Long Term						
May 15, 2017	Gap dn from 5-low and close < open	1-10 days	Bullish	2.90%	-1.60%	-3.40%
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			

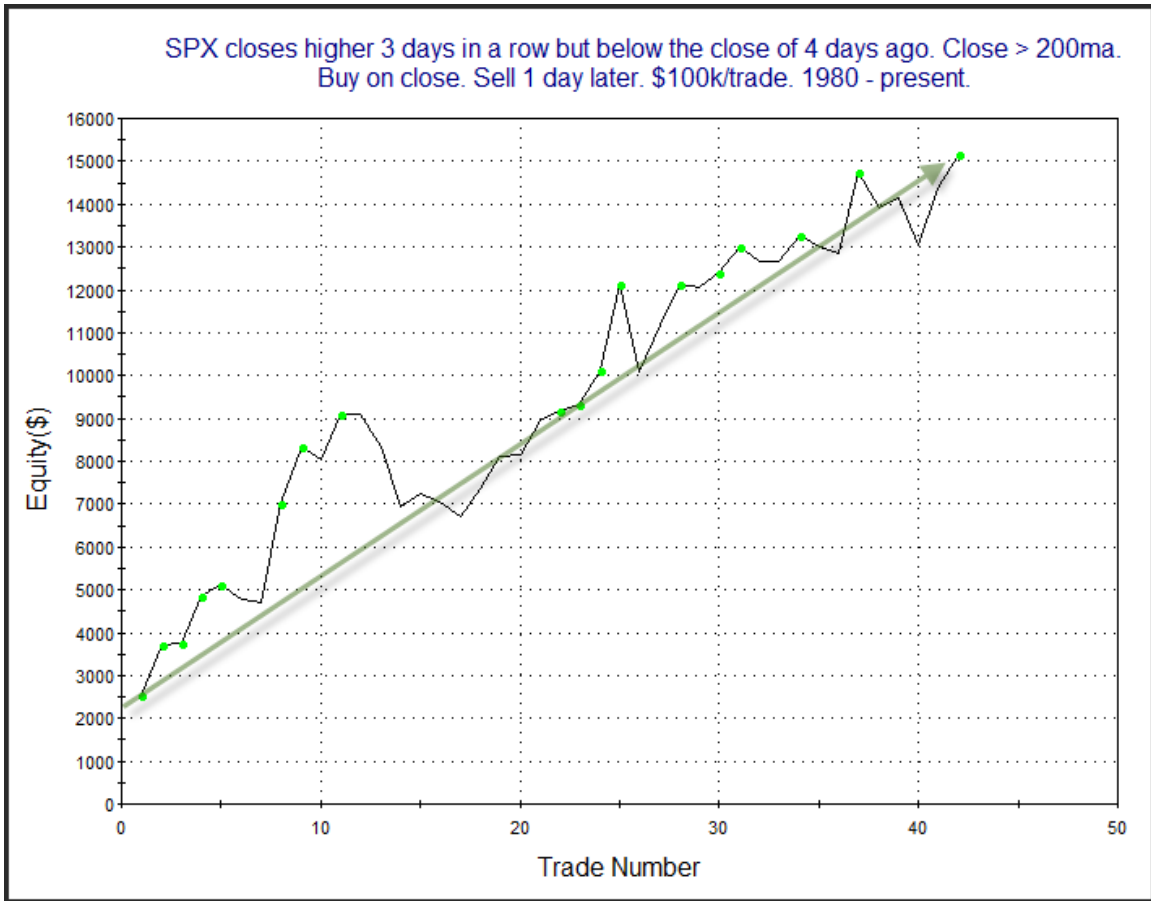
The Evidence

Monday saw a further continuation of the bounce that began on Thursday. The SPX finished up 0.5%, the NASDAQ gained 0.8%, and the Russell 2000 rose 0.7%. Breadth was positive as the NYSE Up Issues % was 67% and the Up Volume % came in at 61%. NYSE volume declined some from Friday's level.

One study from the Quantifinder tonight that I thought was worth revisiting was last shown in the 6/21/11 Subscriber Letter. It looked at 3-day rallies that could not overcome the 1-day drop that occurred 4 days ago. I have updated the results below.

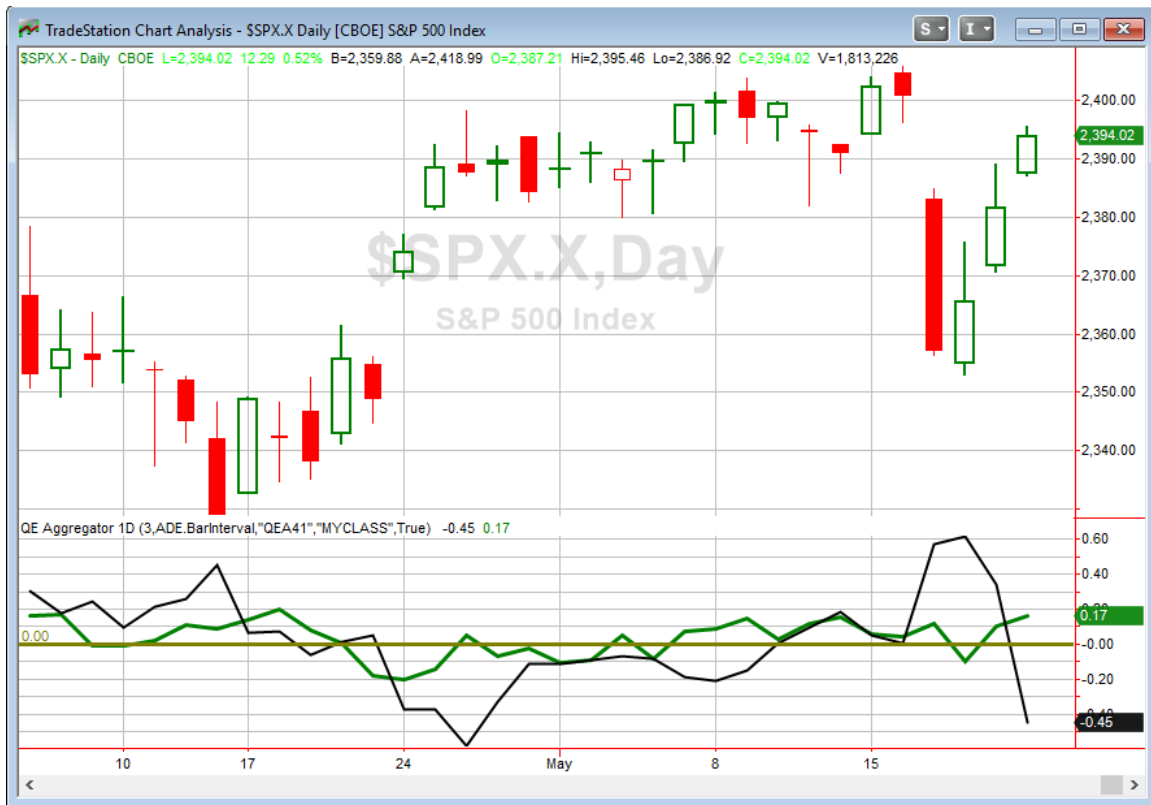
SPX closes higher 3 days in a row but below the close of 4 days ago. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1980 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	16,190.14	42	24	18	57.14	1,712.47	6,422.84	-1,383.84	-3,864.28	1.24	1.65	385.48
4	18,470.25	42	28	14	66.67	1,498.32	4,938.89	-1,677.33	-4,304.58	0.89	1.79	439.77
3	13,279.93	42	25	17	59.52	1,454.87	4,482.29	-1,358.35	-4,052.24	1.07	1.58	316.19
2	13,529.38	42	27	15	64.29	1,028.83	3,980.03	-949.94	-2,257.55	1.08	1.95	322.13
1	15,150.28	42	27	14	64.29	866.49	2,534.13	-588.92	-2,068.30	1.47	2.84	360.72

I found it interesting that despite the fact the market had already risen for 3 days in a row, the fourth day showed gains nearly 2/3 of the time. This even held true over the 1-4 day period, although most of the gains were realized on day 1. To see how this potential edge has played out over time I ran an equity curve using a 1-day hold.



The equity curve appears fairly steady and solid. 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 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 dove down 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 Tuesday. This could change if compelling new bearish evidence emerges. The Differential Pivot will be 2366.86 on Tuesday. That is 1.1% below Monday's close. So for SPX to move from overbought to oversold versus expectations on Tuesday it will need to close down at least 1.1%.

The Aggregator is neutral and so am I. While expectations are now positive, the overbought nature of the market is leaving reward/risk potential less than desirable. I am not inclined to take on new index positions at this point. I will wait for the next favorable opportunity to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/22 –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)

DIS – 1/3 @ \$106.31 (bought @ limit)

FB – 1/3 @ \$144.85 (bought @ limit)

Broad Market Large Cap CBI – 4(DIS-3, FB)

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
DIS(1/3)	5/4/2017	\$110.58	\$107.63	-2.67%		Catapult
DIS(1/3)	5/5/2017	\$111.17	\$107.63	-3.18%		Catapult
DIS(1/3)	5/18/2017	\$105.98	\$107.63	1.56%		Catapult
FB(1/3)	5/18/2017	\$144.72	\$148.24	2.43%		Catapult
VZ(1/3)	5/18/2017	\$44.48	\$45.48	2.25%		sell on open

VZ hit its exit trigger, It will be sold at the open.

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.