

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 6, 2017

Volume 10 Issue 107

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Relatively strong drops from 50-day highs have consistently been followed by bounces.

### *Short-term Outlook*

#### *The Bottom Line*

Evidence is still bullish but the SPX remains overbought. This leaves me neutral and awaiting a better opportunity.

**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
<b>Active - Short Term</b>						
June 6, 2017	Relatively large drop from 50-day high	1-3 days	Bullish			
June 1, 2017	Dn last 2 days of positive month	1-4 days	Bullish			
<b>Active - Long Term</b>						
June 2, 2017	SPX closes above 50-day Bollinger Band	1-50 days	Bullish	4.90%	-4.10%	-7.80%
May 31, 2017	5+ days up to 50-high. Then 1 down.	1-10 days	Bullish	1.90%	-1.05%	-2.20%
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			

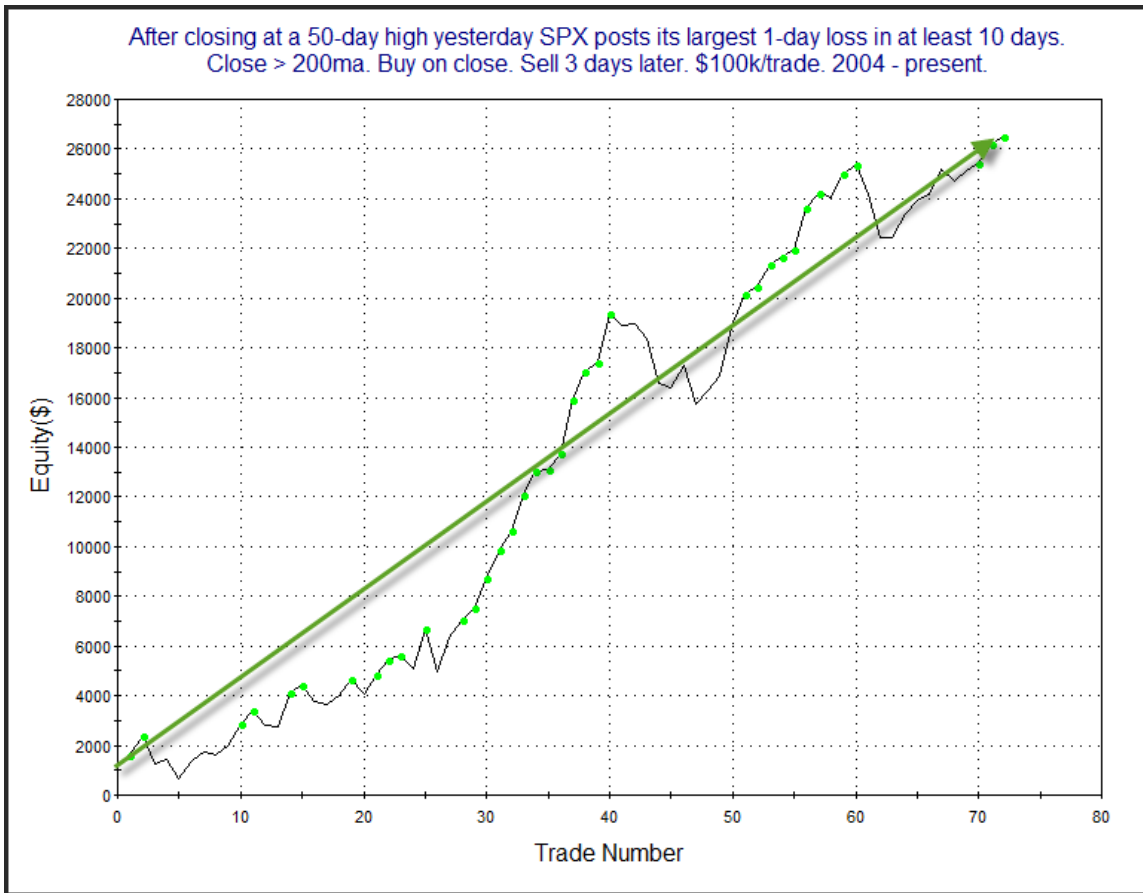
**The Evidence**

Monday saw the market pull back a small amount. The SPX declined 0.1%, the NASDAQ lost 0.2%, and the Russell 2000 dropped 0.6%. Breadth was negative though as the NYSE Up Issues % was 37% and the Up Volume % came in at 42%. NYSE volume came in light with several foreign markets closed.

There was one study worth consideration tonight. It looked at *relatively* large drops from intermediate-term highs. It was last seen in the 5/12/17 letter. I have updated all the stats.

After closing at a 50-day high yesterday SPX posts its largest 1-day loss in at least 10 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 2004 - 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	25,765.79	67	46	21	68.66	1,178.41	3,149.37	-1,354.34	-3,454.00	0.87	1.91	384.56
4	32,164.34	71	51	20	71.83	967.17	2,725.38	-858.06	-3,895.76	1.13	2.87	453.02
3	26,479.05	72	53	19	73.61	773.87	2,192.40	-765.04	-1,808.21	1.01	2.82	367.76
2	16,216.38	75	44	31	58.67	732.60	2,437.50	-516.72	-1,777.55	1.42	2.01	216.22
1	9,425.18	75	46	29	61.33	505.97	1,521.72	-477.56	-1,354.59	1.06	1.68	125.67

The stats are impressive. And the 3-4 day consistency is strong. Below is a profit curve that assumes a 3-day holding period.



The strong upslope seems to confirm the bullish inclination. This study is on the Active List tonight. I will note that I get questions about this study quite often, because many times (like tonight) the “big” drop is not that big. That is ok. It simply looks at the size of the drop versus the last 10 days.

I have updated the Aggregator chart below.



With tonight's study to consider to consider the green Aggregator line remained positive. 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 stayed flat at the close.

Based on the current active studies, expectations are set to remain bullish on Tuesday. But with very few studies active, this could easily change if new bearish evidence emerges. The Differential Pivot will be *inverted* at 2441.53 on Tuesday. That is 0.2% *above* Monday's close. An inverted pivot means that the Differential Line will cross through 0 if SPZ closes flat. In this case, SPX is going to need to close up over 0.2% in order to remain "overbought" versus recent expectations. Anything shy of that and it will be considered oversold as of the close on Tuesday.

The Aggregator is again neutral. We have the potential beginning of a pullback. At this point it appears as though it could be buyable if we pull back further. But it is still too early to tell. I'll continue to watch and see how the market unfolds over the next few days and consider any new evidence that emerges.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 5/30 –bullish*

**Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

***Open Catapult Triggers***

KMI – 1/3 @ \$18.42 (bought at limit)

***Broad Market Large Cap CBI – 1(KMI)***

**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
KMI(1/3)	5/31/2017	\$18.38	\$18.96	3.16%		Catapult

*KMI still has not managed to trigger its exit, though it is very close. Any intraday move >= \$19.07 on Tuesday will see it reach its exit target. It would then be officially sold at the open on Wednesday.*

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