

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 9, 2017

Volume 10 Issue 110

Market Overview



Signals Overview

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

Tonight's Research Points

- A 2-day rise in SPY that fails to make up the losses of the previous day has often been followed by more short-term buying when the market has been in an uptrend.

Short-term Outlook

The Bottom Line

The Aggregator is in a bullish formation, but evidence is light and the market is only marginally oversold. This leaves me only slightly bullish and looking to wait for a more favorable entry.

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						
June 9, 2017	SPY up 2 < 3 ago.	1-2 days	Bullish			
Active - Long Term						
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			

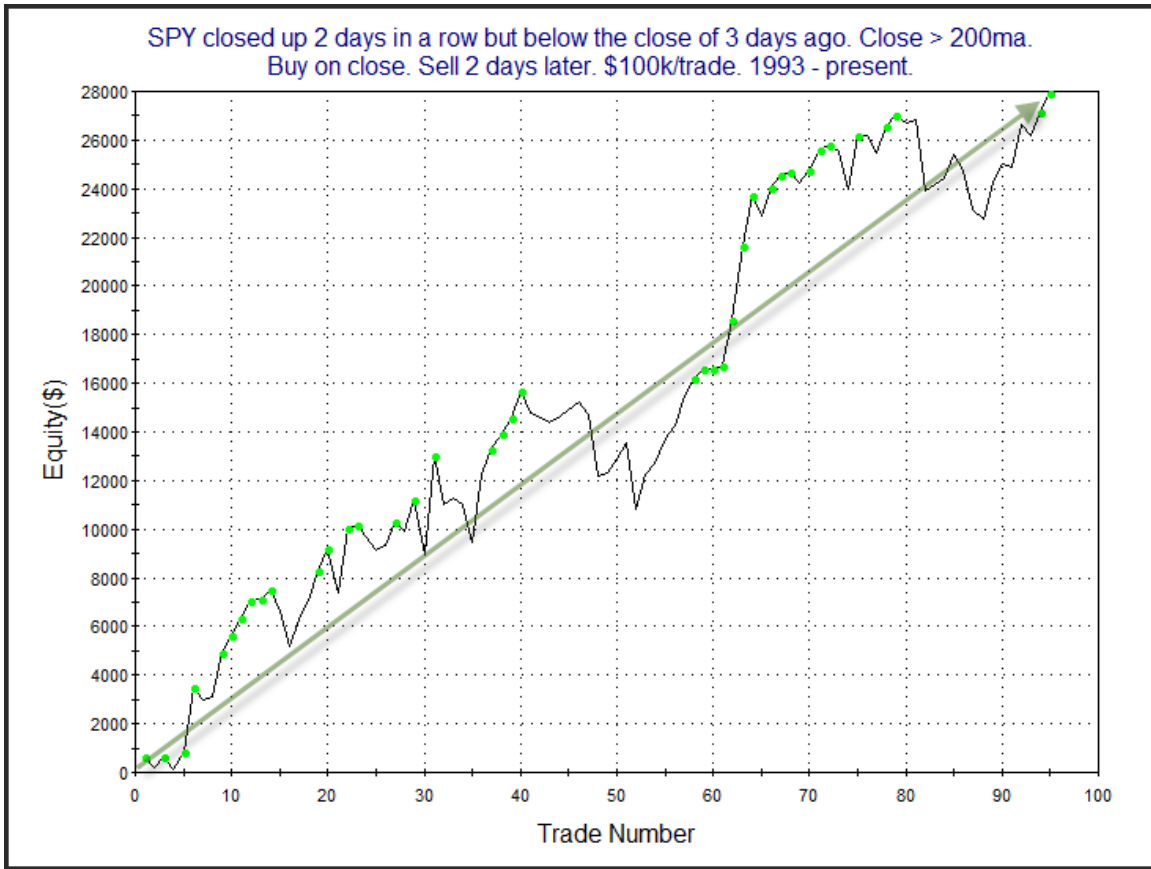
The Evidence

The market saw some additional gains on Thursday. The SPX gained 0.03%, the NASDAQ rose 0.4%, and the Russell 2000 climbed 1.4%. Breadth was mixed as the NYSE Up Issues % was 57% and the Up Volume % came in at 48%. NYSE volume rose for the 3rd day in a row.

Not much appeared in the Quantifinder, but there was a bullish price action-based study. It was last seen in the 9/12/14 Letter. It looked at times that SPY bounced up 2 days in a row but still failed to close above the close of 3 days ago. I have updated the study below.

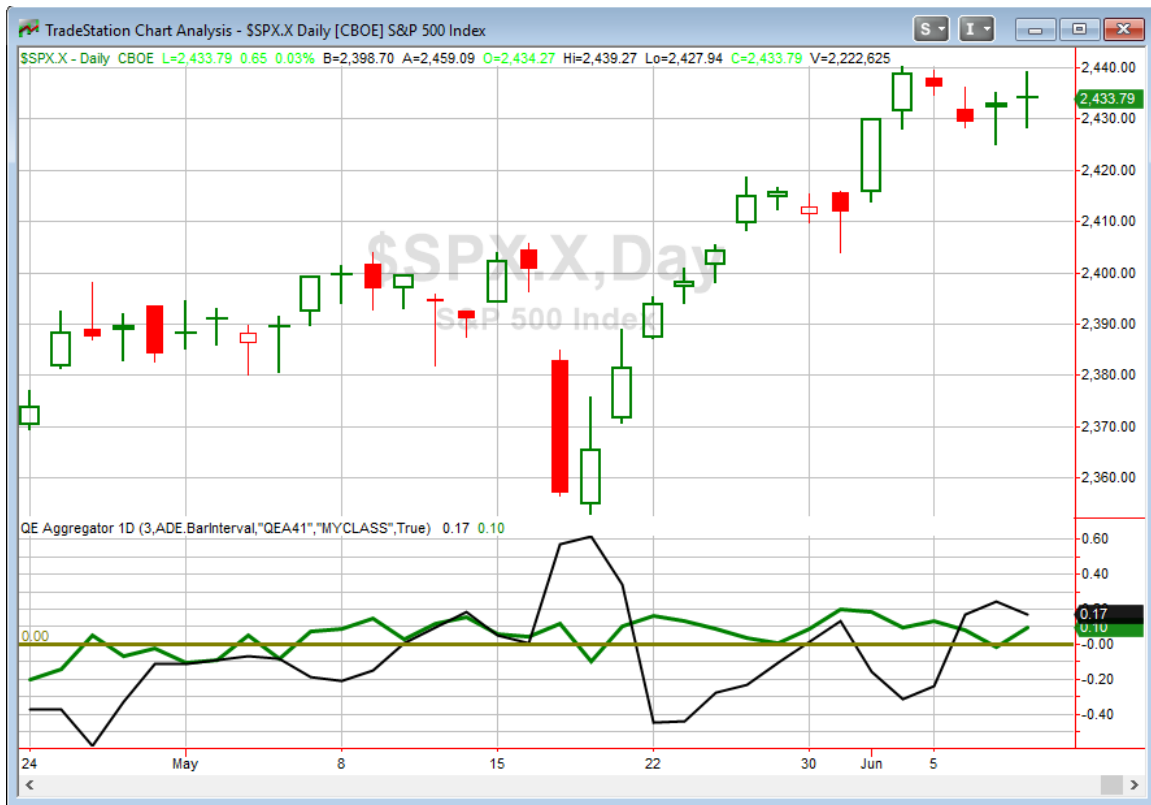
SPY closed up 2 days in a row but below the close of 3 days ago. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	20,224.15	93	55	37	59.14	1,484.00	4,717.70	-1,659.35	-6,549.84	0.89	1.33	217.46
4	24,078.94	94	60	34	63.83	1,314.17	4,698.60	-1,610.91	-4,384.89	0.82	1.44	256.16
3	21,201.07	95	61	34	64.21	1,145.30	3,000.00	-1,431.24	-4,092.24	0.80	1.44	223.17
2	27,907.03	95	63	32	66.32	925.41	4,088.25	-949.81	-2,932.22	0.97	1.92	293.76
1	10,204.24	95	54	39	56.84	646.64	3,732.75	-633.71	-1,777.90	1.02	1.41	107.41

The stats appear to suggest a bit of an upside edge over the 1st 2 days. Below is an equity curve using a 2-day exit strategy.



There have been a few dips in the curve but overall it seems good enough to include the study on the Active List.

I have updated the Aggregator chart below.



With tonight's study to consider the green Aggregator line moved back above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line 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 turned long at the close.

Based on the current active studies, expectations are set to remain bullish on Friday. But with very few studies active, this could easily change if new bearish evidence emerges. The Differential Pivot will be 2436.94 on Friday. That is just 0.1% above Thursday's close. So for SPX to move from oversold to overbought versus expectations on Friday it only will need to close up 0.1%

So we have a bullish Aggregator formation, but it is a pretty weak one. Expectations are based on a low number of studies. And the oversold condition will flip to overbought on basically any up day. This limits the potential reward for the signal. So I am not inclined to take on a long position just yet. I would prefer to see a pullback and a better reward/risk setup.

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	\$18.76	2.07%	\$18.40	Catapult

KMI still has not managed to trigger its exit, though it is very close. Any intraday move >= \$18.94 on Friday will see it reach its exit target. It would then be officially sold at the open on Monday. I will also note that I added a stop to this trade idea. I have been in it long enough that I do not see a point in allowing it to turn into a loser and enduring another leg down.

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