

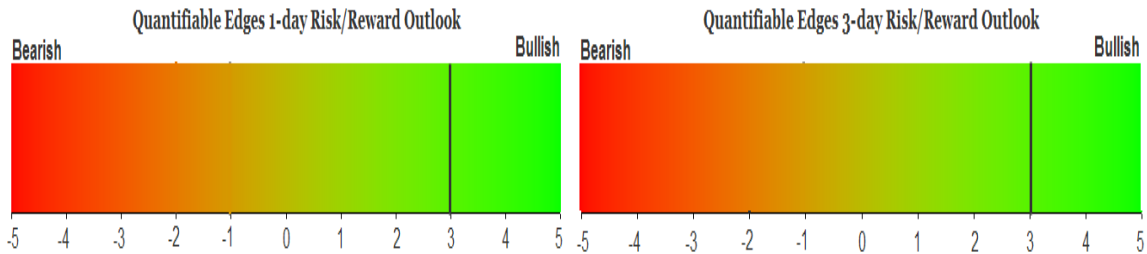
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 13, 2017

Volume 10 Issue 112

Market Overview



Signals Overview

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

Tonight's Research Points

- Tuesday's action could have a substantial impact on the Fed Day edge for Wednesday.

Short-term Outlook

The Bottom Line

The Aggregator is in a bullish formation and we have a Fed Day approaching. I believe there is an upside edge and I will look to trade it on Tuesday if I can get a 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 12, 2017	50-high then 5-days sideways	1-3 days	Bullish	1.10%	-0.70%	-1.40%
June 12, 2017	3-high, 3-low, 3-low close > 200	1-5 days	Bullish			
June 9, 2017	SPY up 2 < 3 ago.	1-2 days	Bullish			
Active - Long Term						
June 12, 2017	50-high then 5-days sideways	1-10 days	Bullish	2.20%	-1.20%	-2.40%
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 got off to a bad start but an afternoon rally reduced much of the damage. The SPX lost 0.1%, the NASDAQ declined 0.5%, and the Russell 2000 fell 0.2%. Breadth was mixed as the NYSE Up Issues % was 49% and the Up Volume % came in at 55%. NYSE volume rose for the 5th day in a row.

The mild decline did not trigger any strong edges. But it is notable that Wednesday is a Fed Day. Fed Days have historically shown a bullish inclination. One of the more compelling studies I featured in The Quantifiable Edges Guide to Fed Days examined Fed Day performance based on the quartile that the SPY closed in of the daily range on the day before the Fed Day. The basic finding was that the worse the close, the better the Fed Day edge. I last updated the studies by quartile in the 9/20/16 letter. Below are the 4 quartiles from highest to lowest in the daily range. All are updated.

TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	\$7,649.28	Profit Factor	1.32
Gross Profit	\$31,671.93	Gross Loss	(\$24,022.65)
Total Number of Trades	78	Percent Profitable	48.72%
Winning Trades	38	Losing Trades	38
Even Trades	2		
Avg. Trade Net Profit	\$98.07	Ratio Avg. Win:Avg. Loss	1.32
Avg. Winning Trade	\$833.47	Avg. Losing Trade	(\$632.18)
Largest Winning Trade	\$2,238.25	Largest Losing Trade	(\$2,739.69)

Tomorrow is a Fed Day. SPY closes > 50% and <= 75% of the daily range.
Buy on close. Sell next day's close. \$100k/trade. 1993 - present.

TradeStation Performance Summary				Expand ▾
All Trades				
Total Net Profit	\$15,899.23	Profit Factor		2.13
Gross Profit	\$29,912.99	Gross Loss		(\$14,013.76)
Total Number of Trades	45	Percent Profitable		55.56%
Winning Trades	25	Losing Trades		19
Even Trades	1			
Avg. Trade Net Profit	\$353.32	Ratio Avg. Win:Avg. Loss		1.62
Avg. Winning Trade	\$1,196.52	Avg. Losing Trade		(\$737.57)
Largest Winning Trade	\$4,704.07	Largest Losing Trade		(\$2,246.40)

Tomorrow is a Fed Day. SPY closes > 25% and <= 50% of the daily range.
Buy on close. Sell next day's close. \$100k/trade. 1993 - present.

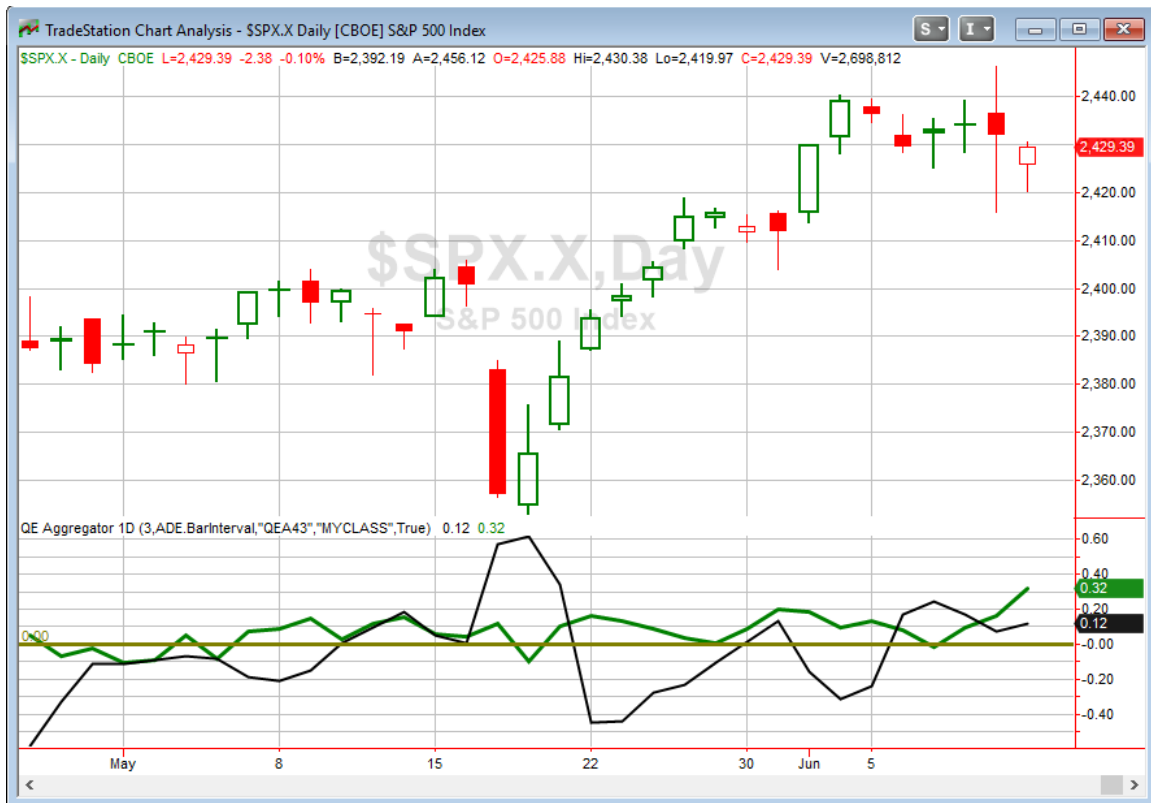
TradeStation Performance Summary				Expand ▾
All Trades				
Total Net Profit	\$11,827.93	Profit Factor		2.35
Gross Profit	\$20,562.40	Gross Loss		(\$8,734.47)
Total Number of Trades	33	Percent Profitable		69.70%
Winning Trades	23	Losing Trades		10
Even Trades	0			
Avg. Trade Net Profit	\$358.42	Ratio Avg. Win:Avg. Loss		1.02
Avg. Winning Trade	\$894.02	Avg. Losing Trade		(\$873.45)
Largest Winning Trade	\$2,943.00	Largest Losing Trade		(\$2,066.62)

Tomorrow is a Fed Day. SPY closes > 25% and <= 50% of the daily range.
Buy on close. Sell next day's close. \$100k/trade. 1993 - present.

TradeStation Performance Summary				Expand ▾
All Trades				
Total Net Profit	\$23,650.08	Profit Factor		4.54
Gross Profit	\$30,332.77	Gross Loss		(\$6,682.69)
Total Number of Trades	38	Percent Profitable		76.32%
Winning Trades	29	Losing Trades		9
Even Trades	0			
Avg. Trade Net Profit	\$622.37	Ratio Avg. Win:Avg. Loss		1.41
Avg. Winning Trade	\$1,045.96	Avg. Losing Trade		(\$742.52)
Largest Winning Trade	\$4,645.80	Largest Losing Trade		(\$2,945.28)

What was true 7 years ago when I first devised this study holds true today: the worse the close, the better the edge. So traders will want to keep this in mind as we approach the close on Tuesday. It should also be noted that the bullish inclinations of Fed Days have basically played out prior to the actual Fed announcement. Additional volatility can be expected after the announcement, which introduces some more risk.

I have updated the Aggregator chart below.



Without new studies to consider tonight 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 also held 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. Of course this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2437.66 on Tuesday. That is just 0.3% above Monday's close. So for SPX

to move from oversold to overbought versus expectations on Tuesday it will need to close up 0.3%

I was looking to get long SPY on Monday if it closed little bit lower. But a late day rally kept that from happening. With the Fed Day now fast approaching I like the setup a bit better now. I will again look to take on some long exposure if I can get a favorable entry on Tuesday. I could potentially take up to 2 lots of SPY. But one of them I would most likely exit by Wednesday afternoon – really only looking to take advantage of the Fed Day edge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/12 –bullish

Catapult and Capitulative Breadth Statistics

[*Catapult & CBI Presentation Link*](#)

Open Catapult Triggers

MA – 1/3 @ \$120.76 (buy @ limit)

Broad Market Large Cap CBI – 1 (MA)

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.

SPY – buy ¼ index position at \$243.00 LIMIT. Based on the short-term outlook above, I will look to start scaling into an index trade on Tuesday if SPY trades down a bit intraday.

SPY – buy ¼ index position at \$243.35 LIMIT ON CLOSE IF IT ALSO CLOSES IN THE BOTTOM 50% OF ITS INTRADAY RANGE. Based on the short-term outlook above. I'll be looking to take advantage of a potential Fed Day edge.

MA – buy 1/3 Catapult position @ \$120.76. This is from the Catapult section above. It is the 1st of up to 3 possible lots for MA.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>KMI(1/3)</i>	<i>5/31/2017</i>	<i>\$18.38</i>	<i>\$19.19</i>	<i>4.41%</i>		<i>sold on open</i>

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