

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 29, 2017

Volume 10 Issue 124

Market Overview



Signals Overview

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

Tonight's Research Points

- The bounce was strong enough that much of the upside edge has been realized and the potential for further gains is reduced.

Short-term Outlook

The Bottom Line

The Aggregator is still bullish but Wednesday may have taken much of the upside potential out of the next few days.

The Evidence

Wednesday was a strong rally day for the market. The SPX rose 0.9%, the NASDAQ gained 1.4%, and the Russell 2000 climbed 1.6%. Breadth was positive as the NYSE Up Issues % was 72% and the Up Volume % came in at 77%. NYSE volume declined some from Tuesday's level.

After being squarely oversold the market bounced back quite strongly on Wednesday. The effect has basically been to work off the oversold condition and leave the major indices back above their 10-day moving averages. Had the reversal not been so strong then the current upside potential would be a little better. But since the move was so good, it took out much of the upside edge. I demonstrated this just recently in the 6/20/17 subscriber letter.

There I looked at patterns similar to the current one where SPY made a 10-day intraday low yesterday and then posted an unfilled gap up today along with a close above the open (and above the 200ma). I broke it down by instances that closed above the 10ma versus instances that closed below it. I have copied those tables again below.

After making a 10-day intraday low yesterday SPY leaves an unfilled gap up today and closes above the open. It closes < 10ma and closes > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1993 - present.

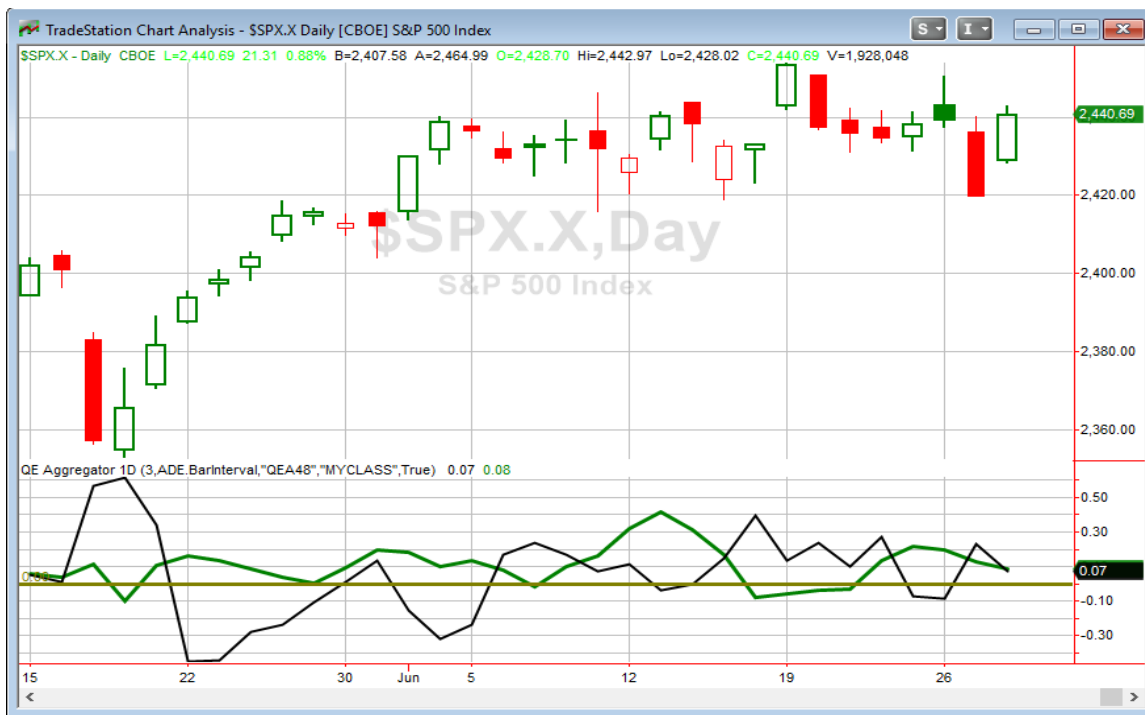
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	23,179.43	60	37	23	61.67	1,525.92	4,106.63	-1,446.95	-3,739.32	1.05	1.70	386.32
4	24,481.98	62	39	23	62.90	1,407.94	3,904.83	-1,322.95	-2,744.82	1.06	1.80	394.87
3	12,645.36	66	38	28	57.58	1,136.63	3,914.92	-1,090.95	-3,070.92	1.04	1.41	191.60
2	6,105.93	68	38	30	55.88	1,055.47	3,089.76	-1,133.40	-2,818.42	0.93	1.18	89.79
1	906.46	68	30	37	44.12	910.28	2,470.05	-713.57	-2,895.33	1.28	1.03	13.33

After making a 10-day intraday low yesterday SPY leaves an unfilled gap up today and closes above the open. It closes > 10ma and closes > 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	3,029.68	33	17	16	51.52	1,217.34	3,113.39	-1,104.07	-3,691.98	1.10	1.17	91.81
4	3,274.78	33	18	15	54.55	913.10	2,584.17	-877.40	-2,586.55	1.04	1.25	99.24
3	-2,717.38	33	16	17	48.48	958.56	2,533.50	-1,062.02	-2,475.20	0.90	0.85	-82.34
2	-1,578.14	33	18	15	54.55	720.70	1,514.87	-970.05	-2,293.20	0.74	0.89	-47.82
1	-2,973.04	33	16	16	48.48	516.23	1,238.60	-702.04	-2,591.68	0.74	0.74	-90.09

So the current situation falls into the 2nd category. Most of the stats are basically breakeven. Had we not bounced so much, we would have a better chance of seeing more follow-through. As is, it appears some caution / profit-taking is warranted.

I have updated the Aggregator chart below.



With tonight's evidence to consider the green Aggregator line held 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 stayed long at the close.

Based on the current active studies, expectations are set to remain bullish on Thursday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2452.25 on Thursday. That is 0.5% above Wednesday's close. So SPX will need to close up at least 0.5% in order to move from oversold to overbought as of Thursday's close.

The unfortunate thing about the unfilled gap higher for SPY was that I was not filled on my SPY trade idea. There still may be an upside edge, but tonight's study suggests Wednesday action may have worked off much of it. I am not inclined to chase the market higher under these circumstances. I'll stand aside for Thursday and see how things unfold.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/26 –neutral

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

COST – 1/3 @ \$159.79 (bought @ limit)

COST – 1/3 @ \$157.13 (buy @ limit) – not filled – cancel for now

Broad Market Large Cap CBI – 2(COST-2)

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.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
COST(1/3)	6/23/2017	\$159.40	\$160.17	0.48%		Catapult

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