

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 6, 2017

Volume 10 Issue 128

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr / SOMA Swing
Long	100% 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 evidence still appears bullish, but the market is now a little overbought. I am mostly neutral.

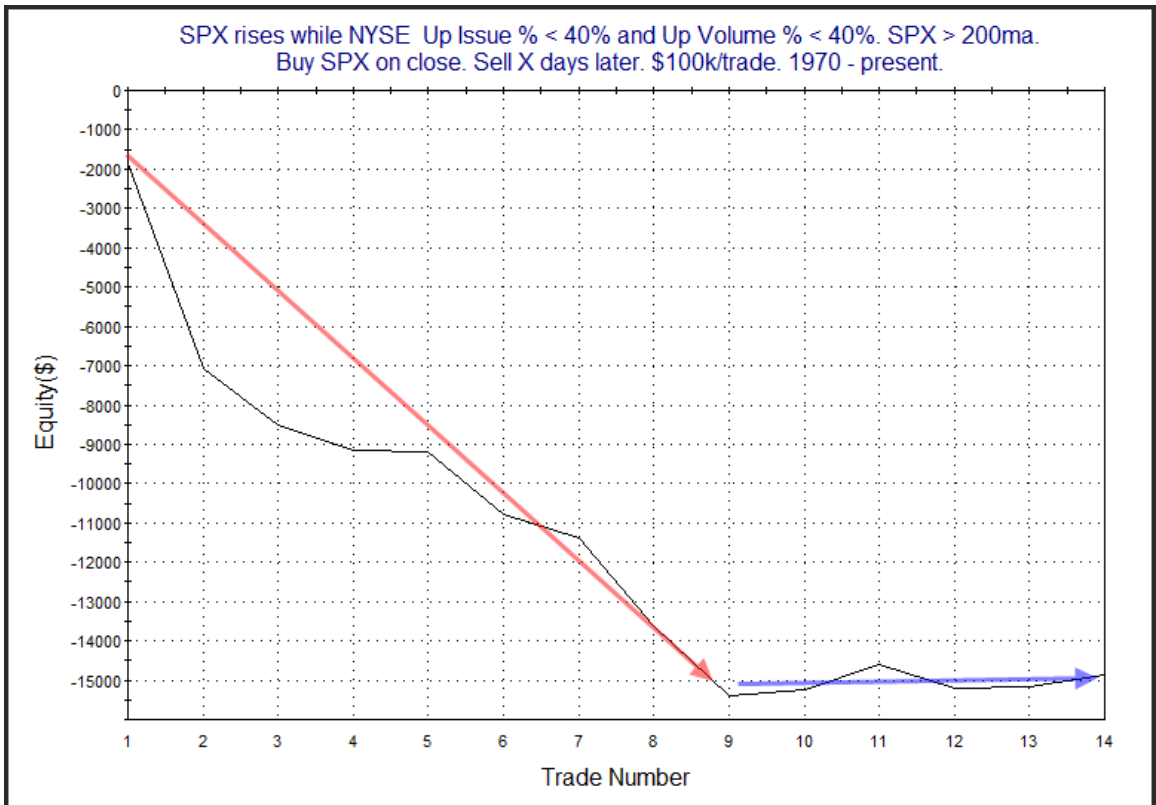
*Summary of Recent Active Studies (see Letters from listed dates for details)*

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
July 6, 2017	SPY up 4 < 4 ago	1 day	Bullish			
July 5, 2017	Bottom 10% Range on Up Day	1-3 days	Bullish			
July 5, 2017	SPY up 2 < 3 ago	1-2 days	Bullish			
July 3, 2017	SPX<10>200 end of month	1-5 days	Bullish			
<b>Active - Long Term</b>						
June 24, 2017	Hindenburg Omen cluster	1-35 days	Bearish	-7.00%		
June 2, 2017	SPX closes above 50-day Bollinger Band	1-50 days	Bullish	4.90%	-4.10%	-7.80%
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			
<b>Dropped Tonight</b>						
June 28, 2017	5-day low, weak close, > 200	1-5 days	Bullish			

**The Evidence**

Wednesday was another day that finished mixed. The SPX rose 0.2%, the NASDAQ gained 0.7%, but the Russell 2000 lost 0.5%. Breadth was negative as the NYSE Up Issues % was 39% and the Up Volume % came in at 34%. NYSE rose some from Monday’s holiday-light level.

There were a few studies related to the SPX positive close on poor breadth. But the recent performance of those studies has me inclined to ignore them for now. Below is an example from the 11/14/14 letter.

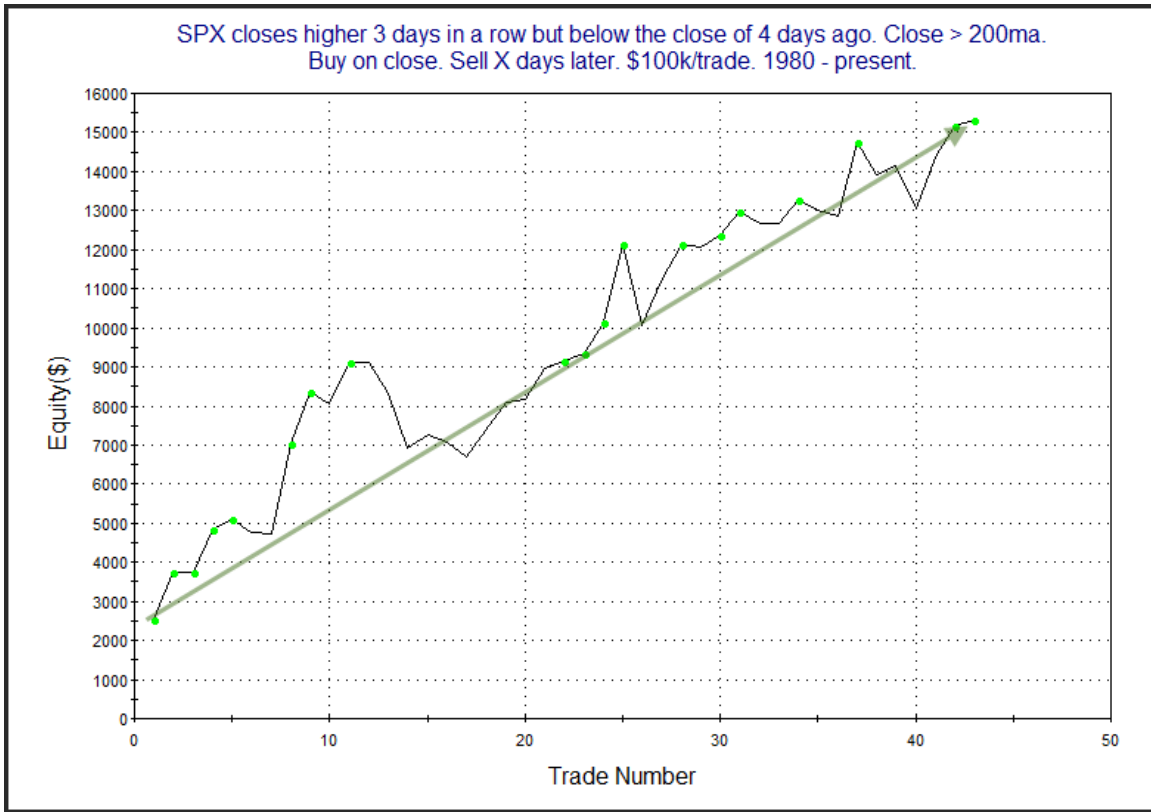


The curve has flattened. And even the broader studies have seen this same thing happen. So I placed this study on double-secret probation for the time being.

One study from the Quantifinder tonight that I thought was worth considering was last shown in the 5/23/17 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.

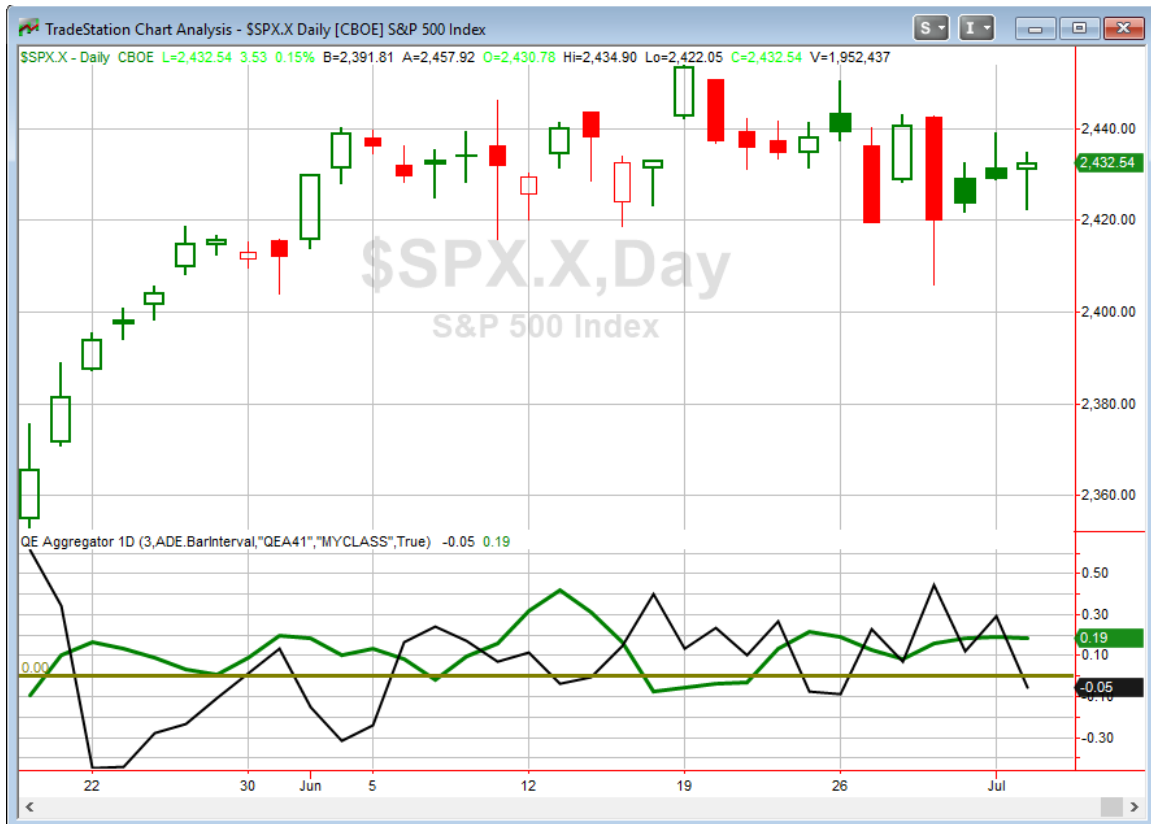
SPX closes higher 3 days in a row but below the close of 4 days ago. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1980 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	16,964.63	43	25	18	58.14	1,674.95	6,422.84	-1,383.84	-3,864.28	1.21	1.68	394.53
4	19,364.05	43	29	14	67.44	1,477.47	4,938.89	-1,677.33	-4,304.58	0.88	1.82	450.33
3	14,142.98	43	26	17	60.47	1,432.11	4,482.29	-1,358.35	-4,052.24	1.05	1.61	328.91
2	13,954.55	43	28	15	65.12	1,007.27	3,980.03	-949.94	-2,257.55	1.06	1.98	324.52
1	15,330.68	43	28	14	65.12	841.98	2,534.13	-588.92	-2,068.30	1.43	2.86	356.53

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 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 dipped 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 Thursday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be *slightly inverted* at 2433.89 on Thursday. That is less than 0.1% point *above* Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close about 0.1% point higher in order to remain "overbought" versus expectations. Otherwise it will be considered "oversold" as of Thursday's close.

Evidence seems to be suggesting more upside. But with SPX now up 3 days in a row, it is a little overbought short-term. That could easily change on Thursday, but I am inclined to also see what new evidence emerges before considering new index positions. Of note, there was 1 new Catapult that triggered on Wednesday.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 7/3 –neutral**

The intermediate-term outlook was last updated in the 7/3 Letter. It can be found in the most recent weekly letter on the website.

<http://quantifiableedges.com/current-weekly-letter/>

**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

*New*

KHC – 1/3 @ \$82.79 (buy @ limit)

***Broad Market Large Cap CBI – 3(COST-2, KHC)***

**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.*

***KHC – buy 1/3 Catapult position @ \$83.79 LIMIT.*** This is from the Catapult section above. It is the 1<sup>st</sup> of 3 possible lots for KHC.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
COST(1/3)	6/23/2017	\$159.40	\$158.02	-0.87%		Catapult

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