

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 11, 2017

Volume 10 Issue 131

Market Overview



Signals Overview

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

Tonight's Research Points

- The reversal pattern from the 20-day low suggests the bounce could last a few more days.

Short-term Outlook

The Bottom Line

Evidence is again bullish, but we may only have one more day until the market makes overbought territory.

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						
July 11, 2017	Up 2 from 20 low < 3 days ago	1-3 days	Bullish			
July 7, 2017	System 100524	1-7 days	Bullish			
Active - Long Term						
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			
Dropped Tonight						
July 3, 2017	SPX<10>200 end of month	1-5 days	Bullish			

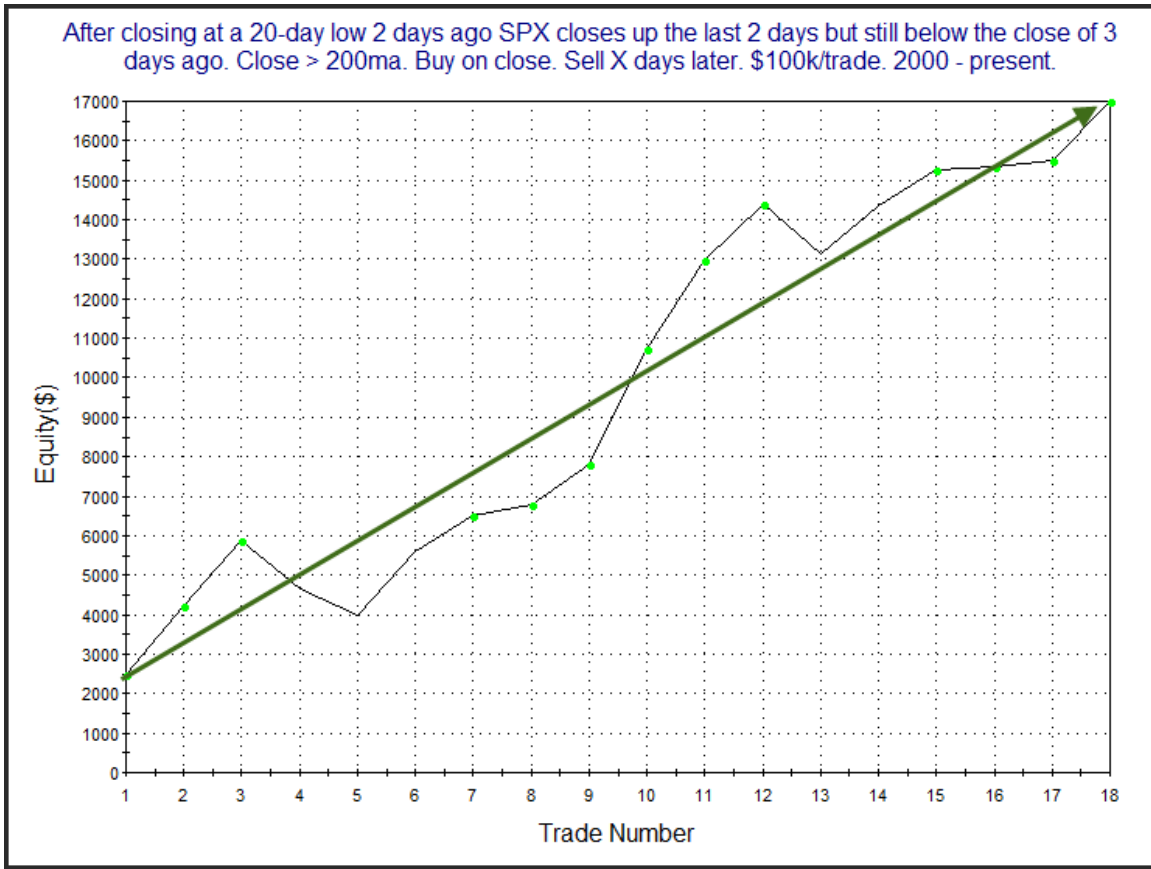
The Evidence

Monday was a mixed day for the major indices. The SPX closed up 0.1%, the NASDAQ gained 0.4%, but the Russell 2000 declined 0.5%. Breadth was positive as the NYSE Up Issues % was 51% and the Up Volume % came in at 56%. NYSE volume rose some from Friday's level.

SPX has closed up 2 days in a row now, but has not yet managed to recover the full loss from Thursday. I have looked at situations like this in the past. The study below is from the 10/6/14 letter. The stats are all updated.

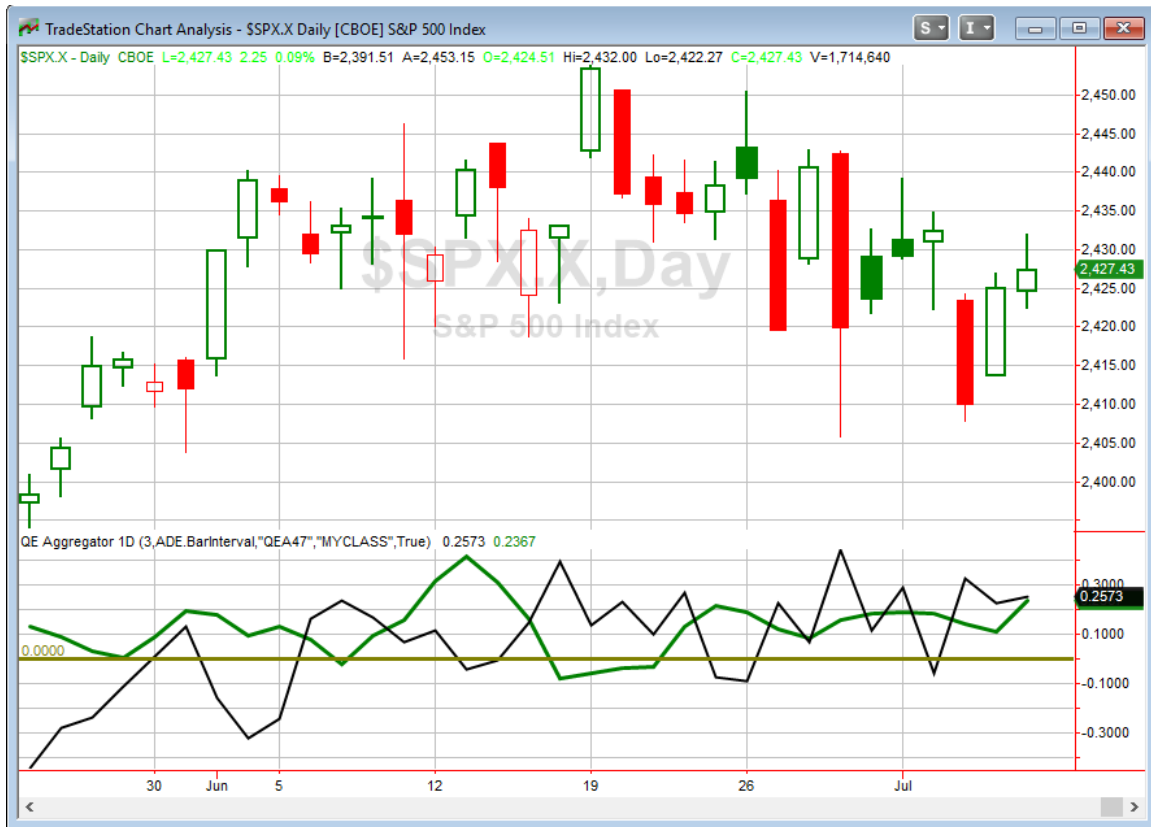
After closing at a 20-day low 2 days ago SPX closes up the last 2 days but still below the close of 3 days ago. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: 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	18,045.72	17	12	5	70.59	2,137.14	4,522.00	-1,520.00	-3,088.50	1.41	3.37	1,061.51
4	18,642.03	17	12	5	70.59	2,043.28	4,528.65	-1,175.47	-1,984.50	1.74	4.17	1,096.59
3	16,994.83	18	15	3	83.33	1,342.43	2,891.90	-1,047.20	-1,260.49	1.28	6.41	944.16
2	11,355.49	18	11	7	61.11	1,455.66	3,844.65	-665.26	-1,640.00	2.19	3.44	630.86
1	2,008.12	18	9	9	50.00	947.54	2,699.42	-724.42	-2,621.71	1.31	1.31	111.56

The stats above appear compelling. Below is the 3-day profit curve.



This is an impressive looking curve that supports the bullish inclinations suggested by the numbers.

I have updated the Aggregator chart below.



With tonight's study 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 also 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 Tuesday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be *inverted* at 2422.38 on Tuesday. That is 0.2% below Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX would need to close down at least 0.2% in order to remain "oversold". Anything less than that and it will be considered "overbought" versus recent expectations.

This bounce appears that it could still have a bit more to go. But I generally view inverted pivots as opportune times to take profits – rather than taking on new index positions. This is because any move in the anticipated direction (up, in this case) would mean the end of the Aggregator formation with the Differential Line crossing through zero. As you'll note

below, there were a couple of more Catapults that triggered on Monday, and I will look to take advantage of them.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/10 –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

KHC – 1/3 @ \$83.79 (bought @ limit)

KHC – 1/3 @ \$82.82 (bought @ limit)

SO – 1/3 @ \$47.40 (bought @ limit)

SO – 1/3 @ \$47.36 (bought @ limit)

New

SO – 1/3 @ \$47.28 (buy @ limit)

COST – 1/3 @ \$151.00 (buy @ limit)

Broad Market Large Cap CBI – 6(KHC-2, SO-3, COST)

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.

SO – buy 1/3 Catapult position @ \$47.28 LIMIT. This is from the Catapult section above. It is the 3rd of 3 possible lots for SO.

COST – buy 1/3 Catapult position @ \$151.00 LIMIT. This is from the Catapult section above. It is the 1st of 3 possible lots for COST.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
KHC(1/3)	7/6/2017	\$83.30	\$82.77	-0.64%		Catapult
KHC(1/3)	7/7/2017	\$82.58	\$82.77	0.23%		Catapult
SO(1/3)	7/7/2017	\$47.40	\$47.28	-0.25%		Catapult
SO(1/3)	7/10/2017	\$47.36	\$47.28	-0.17%		Catapult

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