

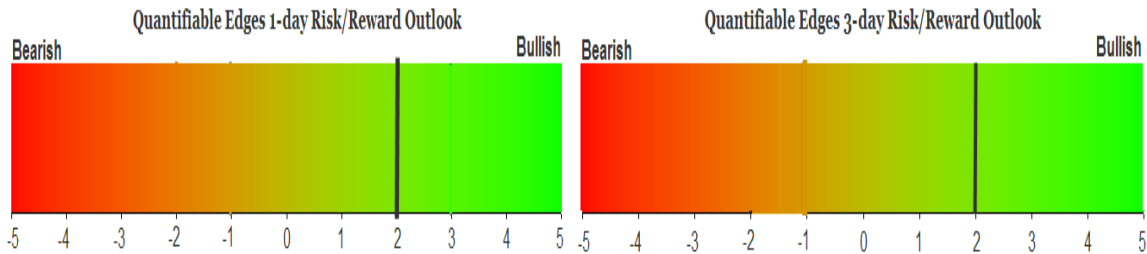
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 27, 2017

Volume 10 Issue 143

Market Overview



Signals Overview

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

Tonight's Research Points

- 100-day highs on Fed Days have often led to follow-on buying.
- VIX rising on a day that SPX hits a new 50-day has often led to a decline the next day.

Short-term Outlook

The Bottom Line

The Aggregator suggests a bullish edge, but I am still not enthused about reward/risk potential with the market already sitting at new highs.

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 27, 2017	100-day high on a Fed Day	1-6 days	Bullish			
July 27, 2017	VIX up midweek. SPX 50-day high	1 day	Bearish			
July 26, 2017	Unfill gap up. 20-high. Close<open. V up	1-3 days	Bullish			
Active - Long Term						
July 26, 2017	SPX rises. Highest volume in 20 days	1-10 days	Bullish			
July 20, 2017	RSI2 crosses over 99. SPX > 200ma.	1-15 days	Bullish	2.30%	-1.40%	-2.70%
July 17, 2017	NASDAQ Leading	int term	Bullish			
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			

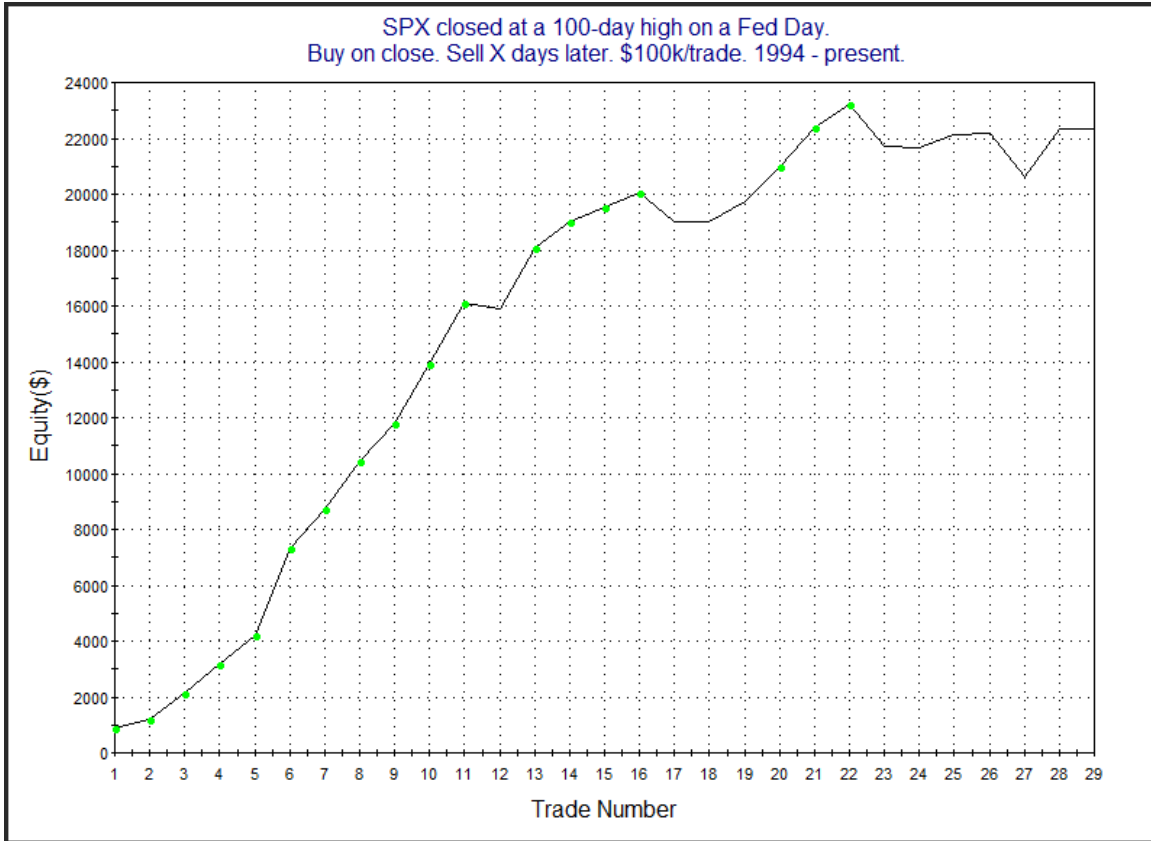
The Evidence

Wednesday finished mixed. The SPX closed up 0.03%, the NASDAQ rose 0.2%, and the Russell 2000 lost 0.6%. Breadth was also mixed as the NYSE Up Issues % was 50.4% and the Up Volume % came in at 44.8%. NYSE volume came in light.

In “The Quantifiable Edges Guide to Fed Days” I discussed Fed Days that close at new highs. The basic finding was that when the market closed at a short-term high on a Fed Day, then it was likely to pull back over the next few days. But when it closed at a long-term high, then the rally was likely to continue. Below is a study from the guide that last appeared in the 9/19/13 Subscriber Letter.

SPX closed at a 100-day high on a Fed Day. Buy on close. Sell X days later. \$100k/trade. 1994 - 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
10	25,574.96	29	21	8	72.41	1,724.93	5,492.11	-1,331.08	-2,161.08	1.30	3.40	881.90
9	26,617.64	29	22	7	75.86	1,741.47	5,708.74	-1,670.67	-2,346.69	1.04	3.28	917.85
8	27,669.58	29	23	6	79.31	1,441.66	3,995.65	-914.77	-2,506.29	1.58	6.04	954.12
7	21,943.23	29	22	7	75.86	1,243.17	3,198.09	-772.34	-1,924.89	1.61	5.06	756.66
6	22,335.22	29	24	5	82.76	1,111.81	3,147.85	-869.64	-1,530.45	1.28	6.14	770.18
5	18,937.45	29	23	6	79.31	1,034.08	2,353.88	-807.73	-1,866.75	1.28	4.91	653.02
4	15,525.23	29	20	9	68.97	1,111.07	3,173.92	-744.01	-1,601.70	1.49	3.32	535.35
3	8,645.47	29	18	11	62.07	859.66	2,227.50	-620.76	-1,349.76	1.38	2.27	298.12
2	9,853.59	29	19	10	65.52	848.11	2,314.87	-626.05	-1,562.33	1.35	2.57	339.78
1	5,730.23	29	18	11	62.07	577.43	2,073.34	-423.96	-1,393.26	1.36	2.23	197.59
27 of 29 instances (93%) closed above the entry price at some point in the next week.												

This suggests further upside is likely over the next 1-2 weeks. Below is the profit curve assuming a 6-day holding strategy.



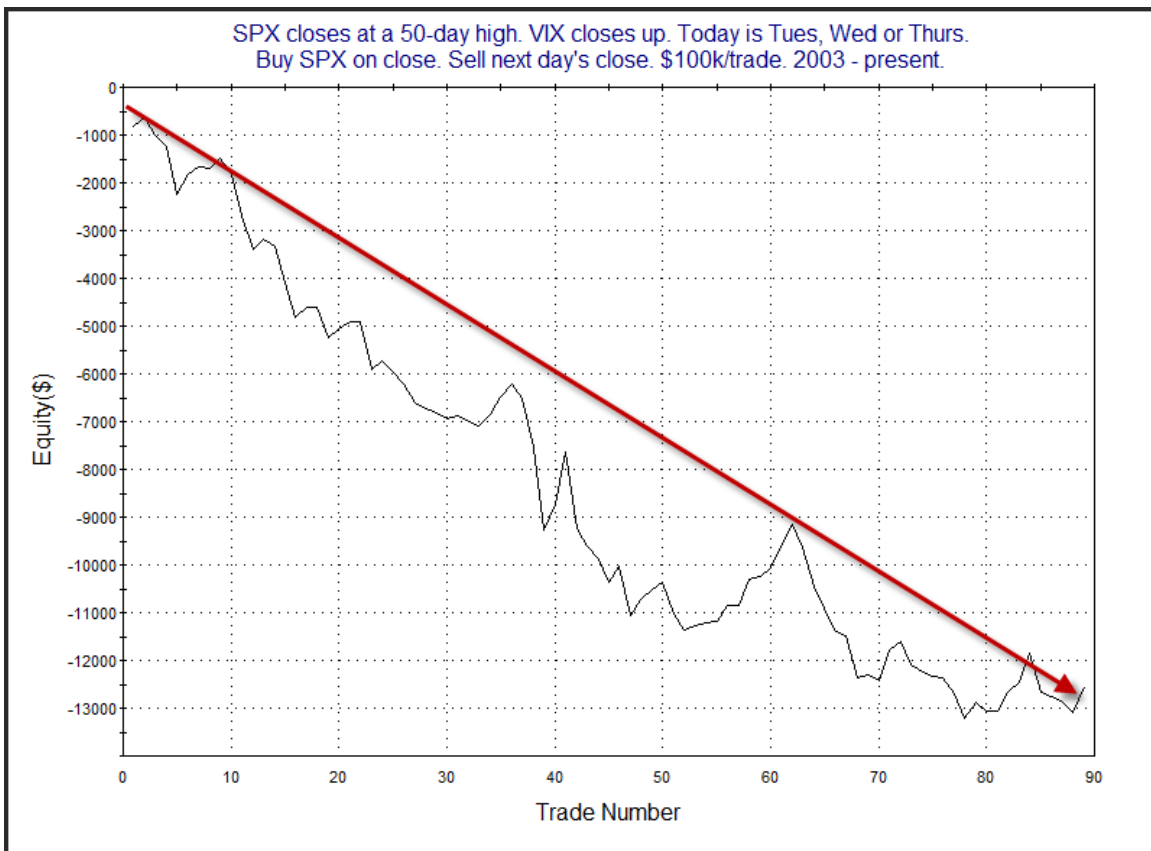
The bullish edge seems to have taken a bit of a hit in recent instances, but I still believe it is worth some consideration.

The study below was seen just recently in the 7/19/17 letter. It examines other times where the VIX rose midweek while SPX was closing at a 50-day high. I often segregate VIX studies by mid-week vs. Monday or Friday because the VIX has a natural tendency to decline on Friday afternoons and rise on Mondays. For a while it appeared that the setup below carried bearish influence for several days. But a strong bull market seems to have changed that. Still, the 1-day results appear to be worth examination. Results below are updated.

SPX closes at a 50-day high. VIX closes up. Today is Tues, Wed or Thurs.
 Buy SPX on close. Sell next day's close. \$100k/trade. 2003 - present.

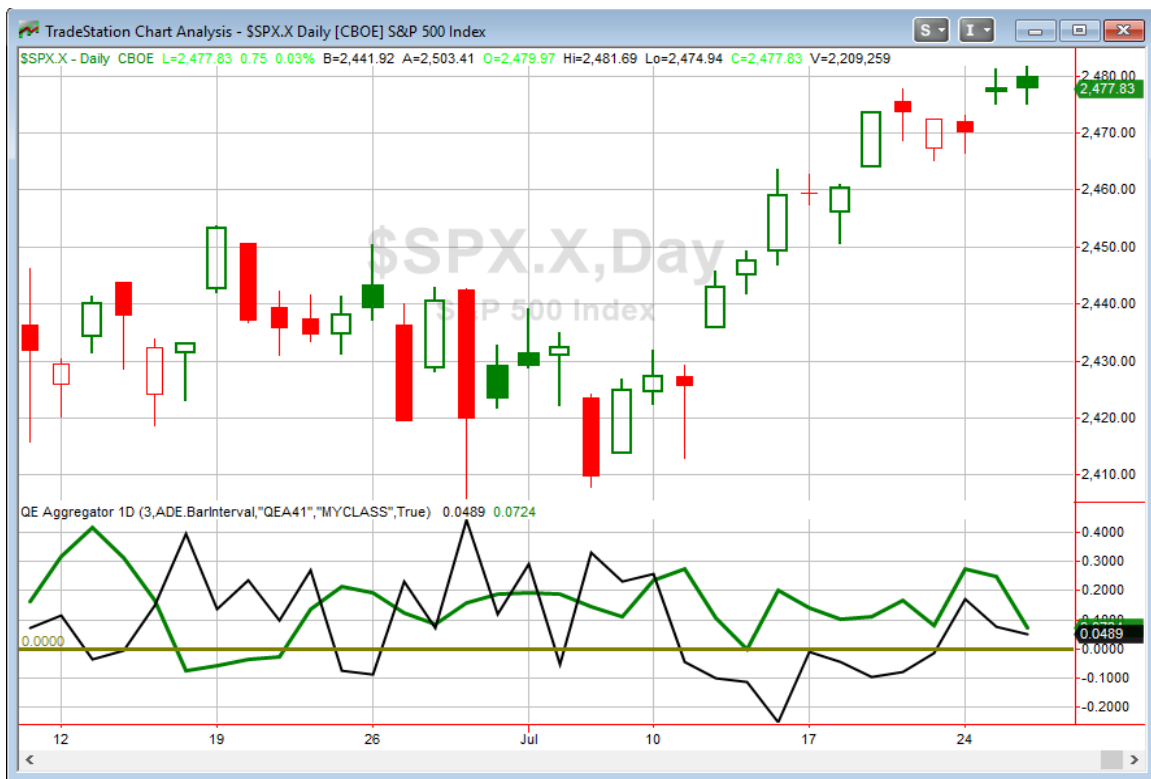
TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	(\$12,548.90)	Profit Factor	0.46
Gross Profit	\$10,625.77	Gross Loss	(\$23,174.67)
Total Number of Trades	89	Percent Profitable	43.82%
Winning Trades	39	Losing Trades	50
Even Trades	0		
Avg. Trade Net Profit	(\$141.00)	Ratio Avg. Win:Avg. Loss	0.59
Avg. Winning Trade	\$272.46	Avg. Losing Trade	(\$463.49)
Largest Winning Trade	\$1,108.05	Largest Losing Trade	(\$1,721.70)

The numbers seem moderately suggestive of a downside edge. Here is the profit curve.



The strong, steady downslope supports the bearish thesis.

I have updated the Aggregator chart below.



With tonight's evidence considered, 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 Thursday. Of course compelling new bearish studies could easily change this. The Differential Pivot will be 2482.90 on Thursday. That is 0.2% above Wednesday's close. So SPX would only need to close up 0.2% on Thursday in order to move from oversold to overbought versus expectations.

Of course "oversold" is relative to expectations here. There is nothing else that would suggest SPX is both at an all-time high and "oversold". With this, along with the limited upside in mind. I am still not inclined to get involved with a new position. If I had to pick a side, I would say the bulls have the edge over the next few days. But the edge does not appear strong enough to enthruse me. So I will continue to wait for a more favorable setup.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/24 – bullish

The intermediate-term outlook was last updated in the 7/24 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

None

Broad Market Large Cap CBI – 0

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

None.

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