

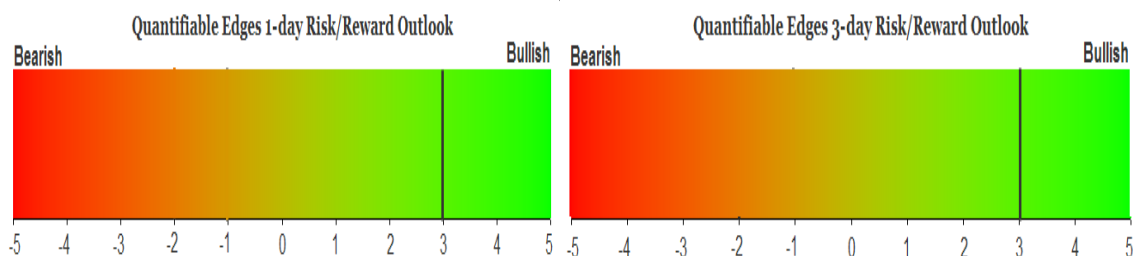
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 3, 2017

Volume 10 Issue 148

Market Overview



Signals Overview

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

Tonight's Research Points

- The SPY gap and partial reversal pattern over the last few days have almost always led to higher prices a week later.
- Such weak breadth when the SPX has risen could be a problem during a long-term downtrend, but it does not seem to be so during uptrends.

Short-term Outlook

The Bottom Line

The Aggregator remains bullish. I still believe the bounce could have a little further to go. I am partially long. I will look to take profits if SPX closes substantially higher on Thursday

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						
August 3, 2017	Partial gap up and reverse 2x.	1-5 days	Bullish	1.80%	-0.75%	-1.30%
August 1, 2017	1st close < 10ma in > 15 days	1-5 days	Bullish			
July 28, 2017	3-high, 3-low, 3-low close	1-5 days	Bullish	1.90%	-1.20%	-2.50%
July 27, 2017	100-day high on a Fed Day	1-6 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			
Dropped Tonight						
August 1, 2017	<i>End of month, poor close < 10ma</i>	<i>1-2 days</i>	<i>Bullish</i>			
August 1, 2017	<i>3 down from 20-high. Low offset H</i>	<i>1-2 days</i>	<i>Bullish</i>			

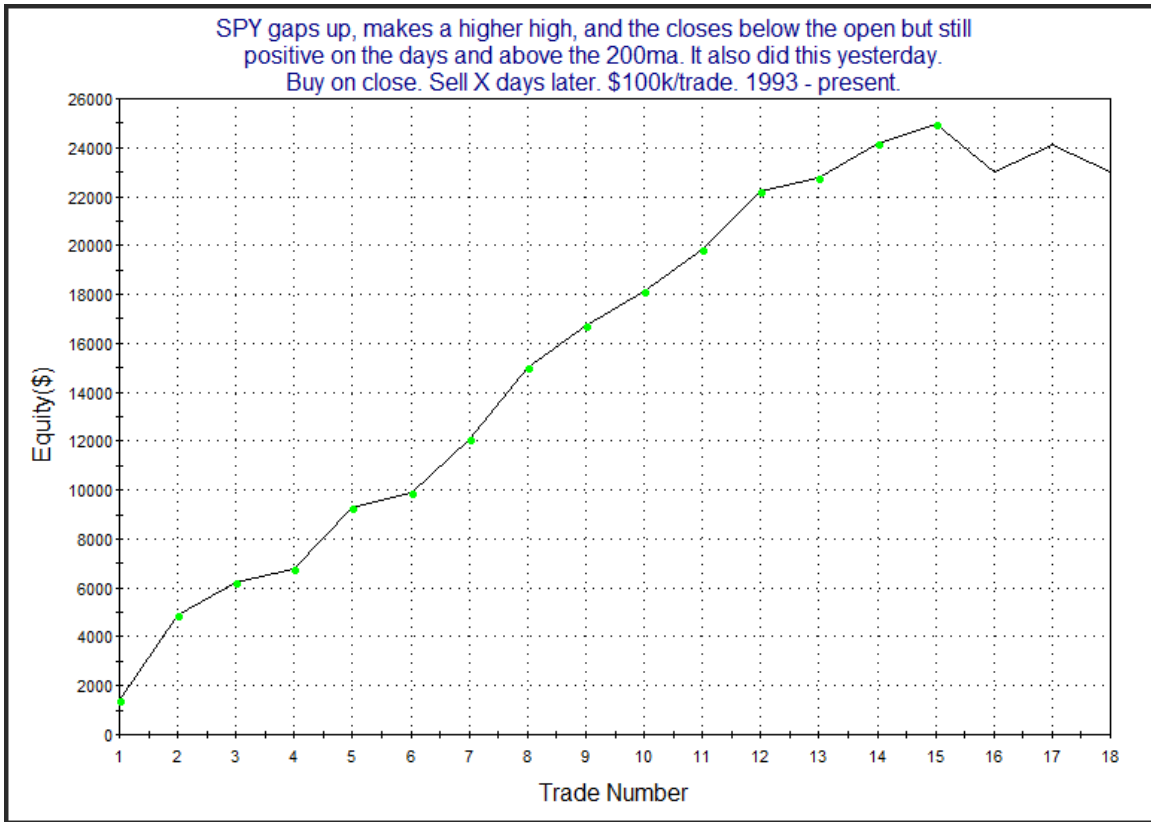
The Evidence

Wednesday was mixed and mostly mild. The SPX closed up just over 1 point, the NASDAQ declined 0.29 points, and the Russell 2000 made the only substantial move with a 1.1% decline. Breadth was negative as the NYSE Up Issues % was 39% and the Up Volume % came in at 40%. NYSE volume rose some from Tuesday's level.

One study that stood out tonight looked at the gap and partial reverse SPY pattern of the last 2 days. Both days had a gap higher, a move up above the previous day's high, and then a reversal that led the SPY to close below its open but still in positive territory. I looked at this 2-day setup in the 12/26/14 subscriber letter using a long-term trend filter. I have updated that study below.

SPY gaps up, makes a higher high, and the closes below the open but still positive on the days and above the 200ma. It also did this yesterday. 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	22,996.99	18	16	2	88.89	1,627.13	3,458.95	-1,518.57	-1,911.60	1.07	8.57	1,277.61
4	16,228.82	18	14	4	77.78	1,414.77	3,132.80	-894.50	-1,635.48	1.58	5.54	901.60
3	15,528.66	18	12	6	66.67	1,401.48	3,282.40	-214.85	-520.38	6.52	13.05	862.70
2	12,283.78	18	14	4	77.78	1,044.05	2,640.00	-583.23	-855.50	1.79	6.27	682.43
1	8,352.09	20	14	6	70.00	743.62	2,570.70	-343.10	-721.00	2.17	5.06	417.60

The results have been very positive. Below is the 5-day the profit curve.



Despite 2 of the last 3 instances floundering, the edge still appears strong enough to warrant consideration. I have added it to the short-term active list.

The weak breadth on Wednesday triggered the study below, from the 1/21/15 letter. It examined other instances where both the NYSE Up Issues % and the NASDAQ Up Issues % came in less than 40%, yet SPX rose on the day. I took a new look at the results.

SPX closes up while NYSE Up Issues % < 40% and NASDAQ Up Issues % < 40%.
Buy SPX on close. Sell X days later. \$100k/trade. 1999 - 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	-13,665.09	22	10	12	45.45	1,485.14	5,057.80	-2,376.38	-11,533.34	0.62	0.52	-621.14
4	-17,815.86	22	6	16	27.27	1,547.45	3,754.08	-1,693.78	-9,828.00	0.91	0.34	-809.81
3	-7,022.52	23	10	13	43.48	1,417.15	3,564.00	-1,630.31	-6,956.04	0.87	0.67	-305.33
2	-6,173.09	23	12	11	52.17	1,303.90	2,788.70	-1,983.63	-6,510.90	0.66	0.72	-268.40
1	-7,020.15	24	11	13	45.83	780.88	1,526.28	-1,200.75	-4,893.07	0.65	0.55	-292.51

Over the next 1-4 days the market has often shown weakness. When I first ran this study several years ago, there were not enough instances to break it down much further. But

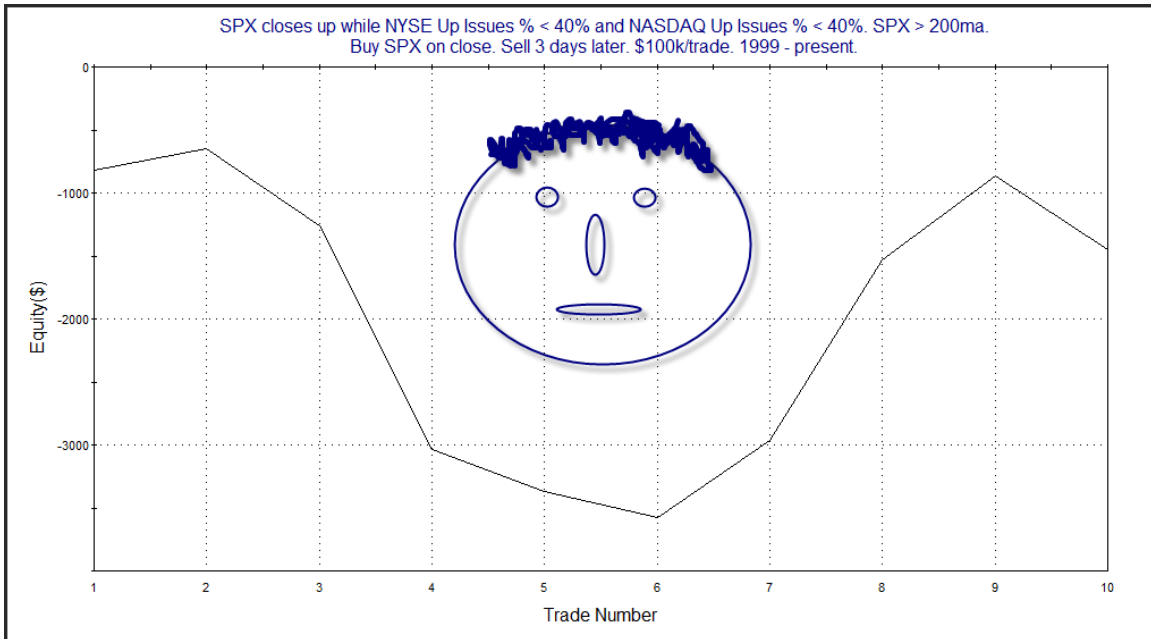
tonight I decided to examine performance above and below the 200ma. First let's look at the stats below the 200ma.

SPX closes up while NYSE Up Issues % < 40% and NASDAQ Up Issues % < 40%. SPX < 200ma.
Buy SPX on close. Sell X days later. \$100k/trade. 1999 - 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	-11,160.98	12	4	8	33.33	2,906.19	5,057.80	-2,848.22	-11,533.34	1.02	0.51	-930.08
4	-16,019.32	12	2	10	16.67	3,085.94	3,754.08	-2,219.12	-9,828.00	1.39	0.28	-1,334.94
3	-5,572.08	13	6	7	46.15	1,881.20	3,564.00	-2,408.47	-6,956.04	0.78	0.67	-428.62
2	-8,025.63	13	6	7	46.15	1,775.53	2,788.70	-2,668.40	-6,510.90	0.67	0.57	-617.36
1	-7,777.21	13	5	8	38.46	859.12	1,526.28	-1,509.10	-4,893.07	0.57	0.36	-598.25

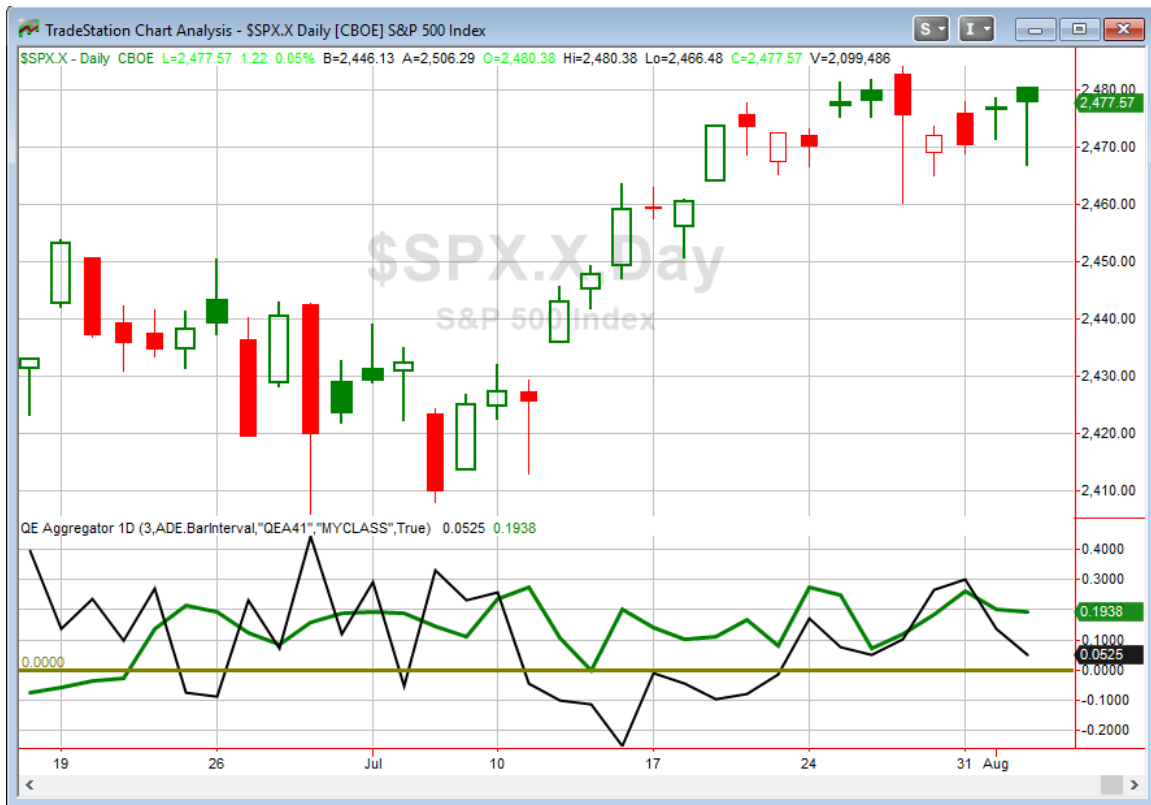
Numbers here are even more impressive, which makes the edge above the 200ma a bit suspect. In fact, you'll note basically ALL of the losses came under this scenario.

And when I examined profit curves above the 200ma, as we now stand, I saw several "shrug formations" like below.



When the profit curve is shrugging at you, it does not instill confidence. I have not included this study on the active list for tonight.

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. It would take some compelling new bearish evidence to change this. The Differential Pivot will be 2484.40 on Thursday. That is 0.3% above Wednesday's close. So SPX would need to close up 0.3% on Thursday in order to move from oversold to overbought versus expectations.

Another nearly flat close did nothing to greatly change the outlook from the last few nights. I still believe there is an upside edge. I have some long exposure to try and take advantage of that edge. I am not inclined to up my position at this point. I will look to take profits if SPX moves through the Differential Pivot and closes "overbought" on Thursday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/31 – bullish

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

ABT – 1/3 @ \$49.18 (bought @ limit)

ABT – 1/3 @ \$49.15 (buy @ limit)

Broad Market Large Cap CBI – 2(ABT-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
SPY(1/4)	7/31/2017	\$246.77	\$247.44	0.27%		Aggregator
ABT(1/3)	8/1/2017	\$49.18	\$49.23	0.10%		Catapult
ABT(1/3)	8/2/2017	\$49.14	\$49.23	0.18%		Catapult

I will look to sell SPY at the close if SPX finishes ≥ 2484.40 (the Differential Pivot).

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