

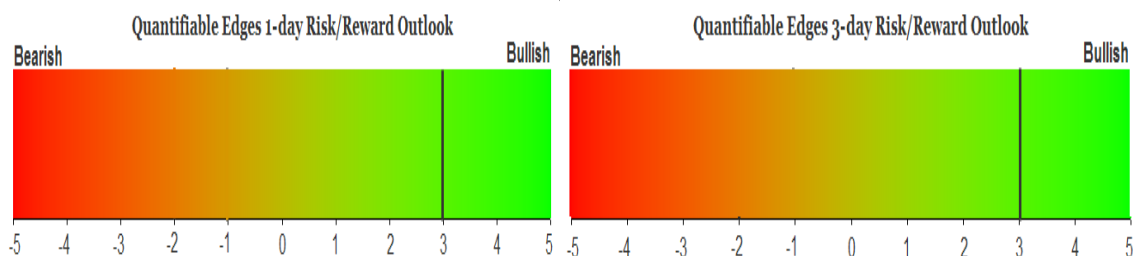
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 7, 2017

Volume 10 Issue 150

Market Overview



Signals Overview

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

Tonight's Research Points

- No new short-term evidence emerged on Friday.
- The SOMA could see a rise after Wednesday.

Short-term Outlook

The Bottom Line

The Aggregator remains bullish. I still believe a short-term move higher appears likely. I am partially long and looking to maintain my current position.

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

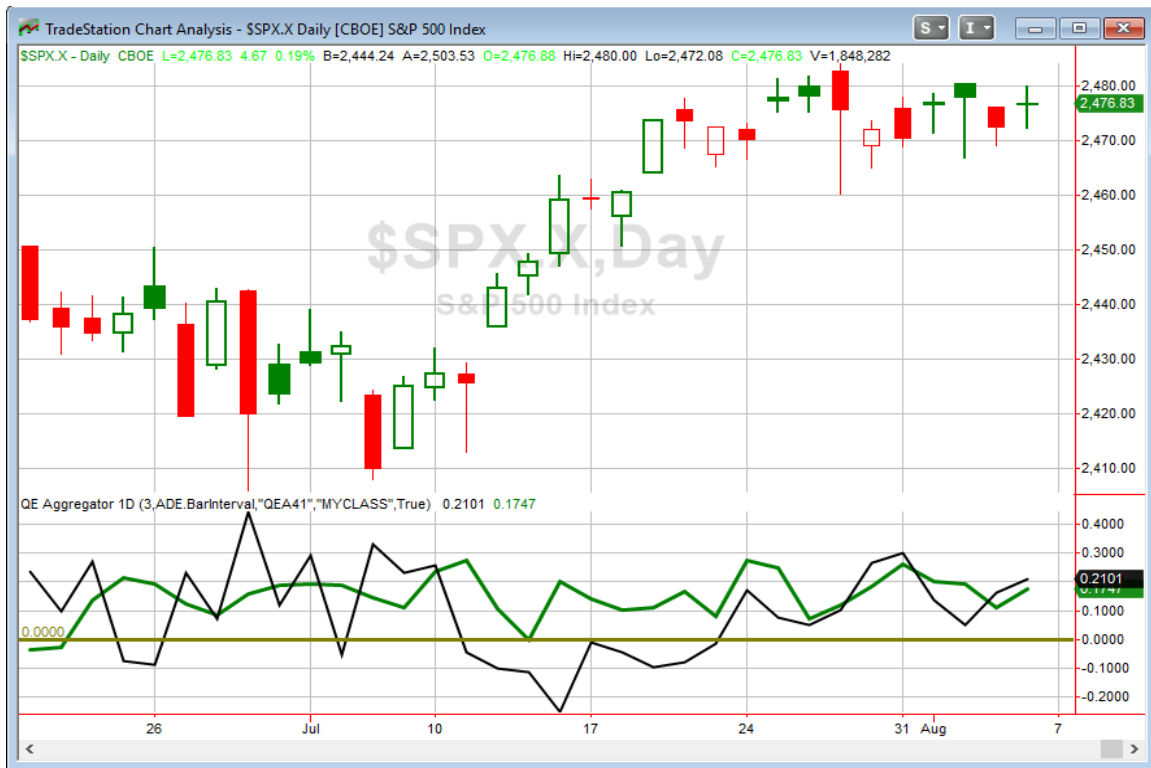
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
August 3, 2017	Partial gap up and reverse 2x	1-5 days	Bullish	1.80%	-0.75%	-1.30%
August 1, 2017	1st close < 10ma in > 15 days	1-5 days	Bullish			
Active - Long Term						
July 26, 2017	SPX rises. 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

Friday was another day of moderate movement, with the major indices closing higher. The SPX rose 0.2%, the NASDAQ gained 0.2%, and the Russell 2000 rallied 0.5%. Breadth was positive as the NYSE Up Issues % was 56% and the Up Volume % came in at 63%. NYSE volume declined from Thursday's level.

The NASDAQ and SPX both continue to chop around in the middle of their ranges of the last 3 weeks. Choppy, rangebound action is typically the type that sees a dearth of studies. And that is the case right now, with nothing appearing on the Quantifinder. We do still have some studies active from past days, and all those that are short-term are currently pointing higher.

I have updated the Aggregator chart below.



Without any substantial new evidence tonight 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 Monday. Of course this could easily change if we see some compelling bearish evidence emerge. The Differential Pivot will be 2493.89 on Monday. That is 0.7% above Friday's close. So SPX would need to close up 0.7% on Monday in order to move from oversold to overbought versus expectations.

My outlook is much the same as it was Thursday night. There still appears to be a bullish edge. And there is room to the upside, so we could see some decent gains on the current positions. But I am not inclined to up my exposure any further just yet. While SPX is oversold versus expectations, it is continually floundering around the middle of its recent range. I don't love mid-range chop as an entry point. I prefer to keep some powder dry in case the move starts to go against me and the studies continue to point long. So I won't be upping my index exposure just yet. But there was a new Catapult trade that triggered, and I will look to take advantage of a long position there.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/7– bullish

Combo #1	Combo #2	Combo #3
Flat	Long	Long

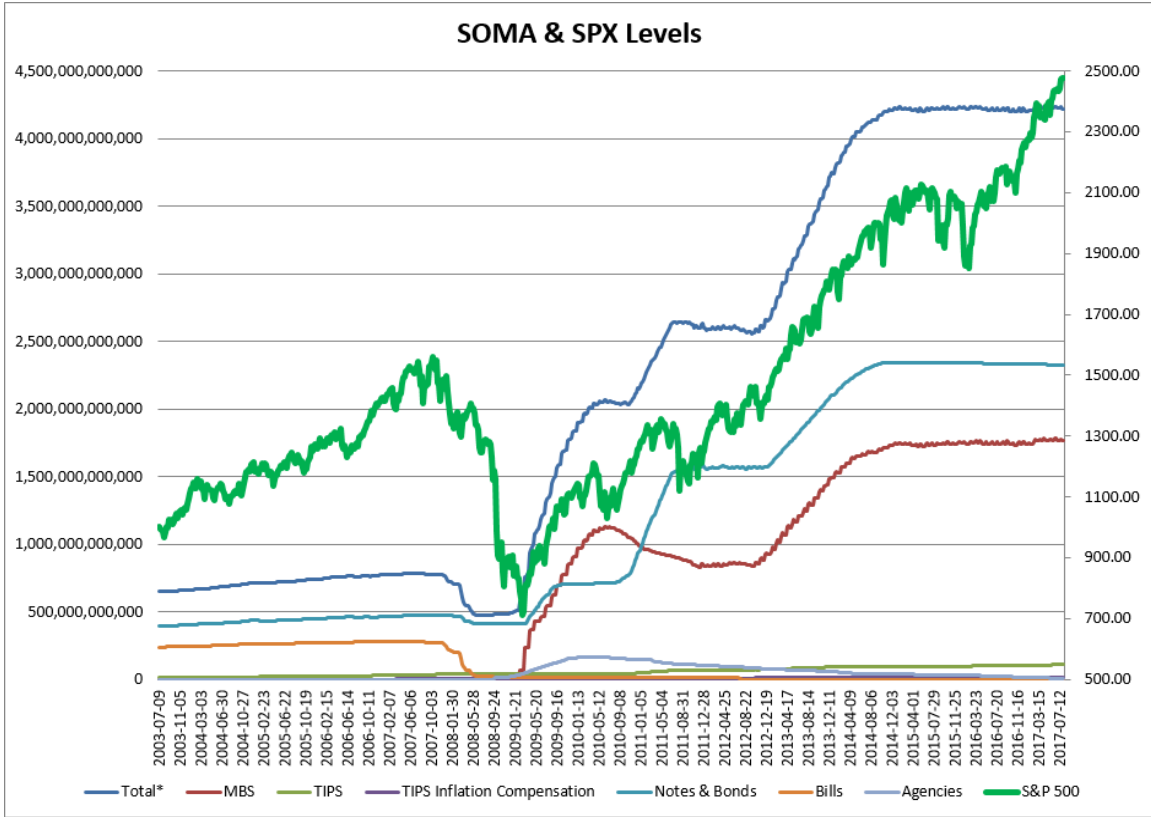
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the [Quantifiable Edges Market Timing Course](#), which is included with all annual subscriptions. Detailed descriptions of these combination approaches can be found in [Lesson 8](#). Subscribers may also download detailed hypothetical historical performance reports covering 12/31/71 – 3/7/14 in [Lesson 11, Course Downloads](#). (You must go through the course first in order to access the Downloads.) *This week there was no change in the Combo Systems. Combo Systems #2 & #3 both remained “Long” while #1 is “Flat”.*

The past week was mixed and mild as the SPX gained 0.2% and the NASDAQ lost 0.4%. Daily action was basically back and forth as well. A lot of nothing, which is not unusual this time of year. No new studies emerged with intermediate-term implications.

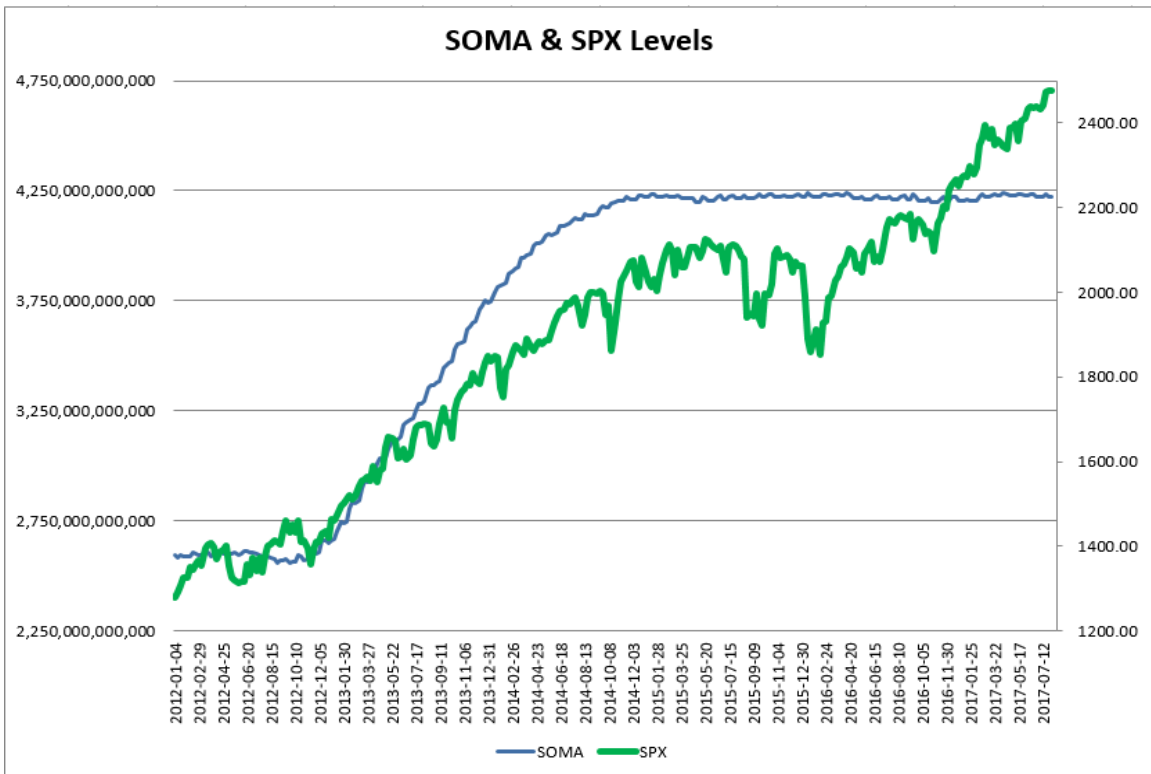
As I do each week, I have updated our Fed SOMA charts below. Below is a description for those who are new to these charts or who may want a refresher.

SOMA stands for System Open Market Account. It is the account at the Fed that contains all of its bond purchase holdings. We have tracked Fed purchases for several years, and as is evident in the charts below, the stock market has consistently reacted positively when the Fed has been buying securities in the open market and increasing the size of its account. When the account has declined, the market has struggled. The obvious takeaway has been “don’t fight the Fed”. As far as intermediate-term indicators go, this has been as good as anything in recent years.

While the Fed is not making new QE purchases any longer, it is continuing to reinvest maturities. Therefore, the total assets in their System Open Market Account (SOMA) has not begun to dive like the old Quantifiable Edges POMO indicators did. Below are long and short-term views of SOMA and SPX. First, the long-term view (back to 2003).



And now the zoomed-in view (2012 – present).



The Fed's SOMA this past week (Wednesday to Wednesday) came in basically breakeven with a rise of less than 0.01%. This was in line with expectations based on the Fed's SOMA schedule. The 0.01% loss for the SPX over this same period was fairly typical. Since the beginning of 2015 SPX has risen 66% of the time for a sum total of 14.04% during the 44 weeks in which SOMA expanded at least 0.01%. During the 91 other weeks (like this one) SPX has only risen 51% of the time and has gained a sum total of just 6.12%. That's less than half the gains in over twice the time. Based on the reinvestment schedule the Fed has stuck to over the last two+ years, this current week is likely to see the SOMA again come in about flat. But the next week we should see should likely see the SOMA rise. So bulls may get a bit of a liquidity boost after Wednesday.

It continues to be important to monitor SOMA activity, including the monthly reinvestment schedule so that we may quickly identify any change in policy and take steps to adjust our strategies. To this point the Fed has kept to their schedule of the last two and a half years and we have not seen any strong derivations. That is expected to change at some point this year. In the last several days, I have seen a few reports suggesting we could see the SOMA begin to shrink substantially as early as September or October. Whenever it begins, it could throw some very cold water on the rally.

At this point the bulls still appear to be in control. Two of the three Market Timing Course Combo Systems are "Long". There are also several active studies on the intermediate-term list suggesting an upside edge. Bears can point to overall weak Fed support, weak seasonality, a long-term divergence of new highs, and an active Hindenburg Omen cluster. I still think the bullish evidence is trumping the bearish for the time being, and don't see that immediately ending. So I will continue to favor the long side, and will be extra selective with any short trades until the bullish outlook changes.

Catapult and Capitulative Breadth Statistics

[*Catapult & CBI Presentation Link*](#)

Open Catapult Triggers

ABT – 1/3 @ \$49.18 (bought @ limit)

ABT – 1/3 @ \$49.15 (bought @ limit)

New

AGN– 1/3 @ \$242.65 (buy @ limit)

Broad Market Large Cap CBI – 3(ABT-2, AGN)

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.

AGN – buy 1/3 Catapult position @ \$242.65 LIMIT. This is from the Catapult section above. It is the 1st of 3 possible lots for AGN.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	7/31/2017	\$246.77	\$247.41	0.26%		Aggregator
ABT(1/3)	8/1/2017	\$49.18	\$49.26	0.16%		Catapult
ABT(1/3)	8/2/2017	\$49.14	\$49.26	0.24%		Catapult

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