

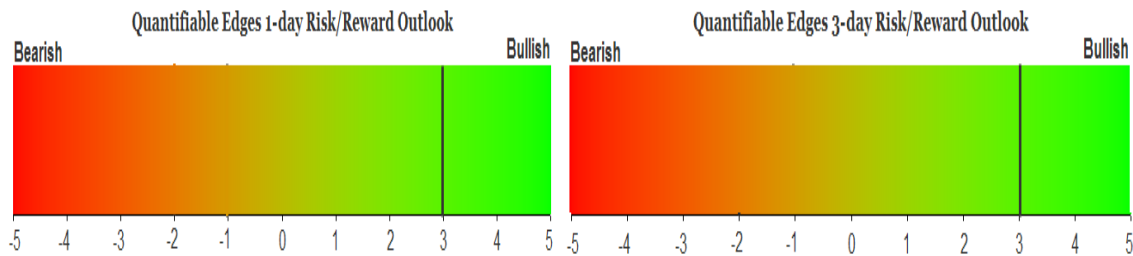
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 8, 2017

Volume 10 Issue 151

Market Overview



Signals Overview

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

Tonight's Research Points

- SPY's mild up close near the top of its range suggests a bearish 1-day edge.
- SPX new closing high on very low volume appears short-term positive.

Short-term Outlook

The Bottom Line

The Aggregator remains bullish. Up still appears to be the likely direction. I am partially long. If SPY gains much on Tuesday I will look to sell at the close.

Summary of Recent Active Studies (see Letters from listed dates for details) – not updated tonight

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			

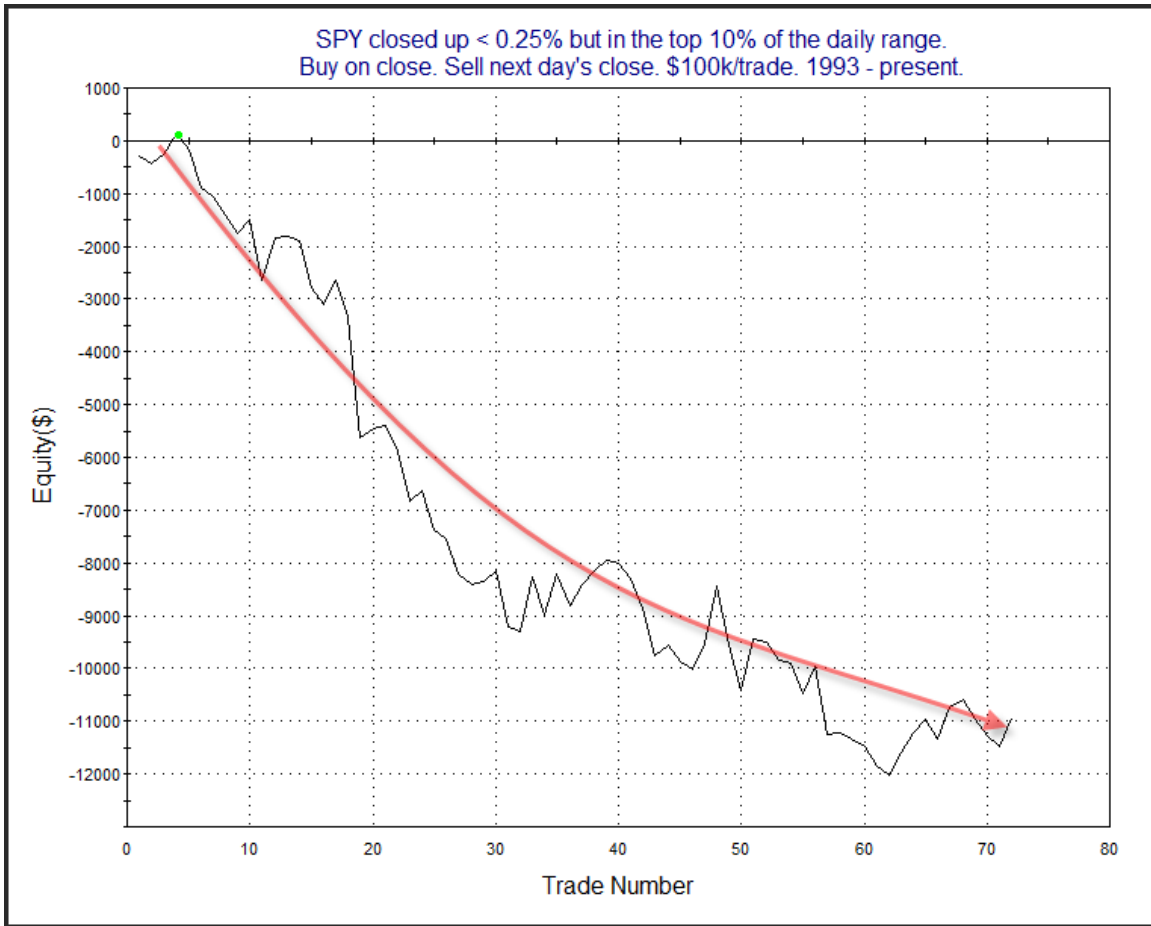
The Evidence

Monday saw more moderate gains. The SPX rose 0.2%, the NASDAQ gained 0.5%, and the Russell 2000 inched up 0.1%. Breadth was a little negative as the NYSE Up Issues % was 48% and the Up Volume % came in at 47%. NYSE volume came in at the lightest level in 2 weeks.

One interesting study to appear in the Quantifinder was the one below, which was last seen in the 7/19/17 subscriber letter. It suggests that when SPY closes strong (in the top 10% of its range) but still only manages a small gain on the day, that the next day has a downside tendency. Stats are updated.

SPY closed up < 0.25% but in the top 10% of the daily range. Buy on close. Sell next day's close. \$100k/trade. 1993 - present.			
TradeStation Performance Summary			Expand ▾
All Trades			
Total Net Profit	(\$10,926.99)	Profit Factor	0.50
Gross Profit	\$11,119.20	Gross Loss	(\$22,046.19)
Total Number of Trades	72	Percent Profitable	38.89%
Winning Trades	28	Losing Trades	44
Even Trades	0		
Avg. Trade Net Profit	(\$151.76)	Ratio Avg. Win:Avg. Loss	0.79
Avg. Winning Trade	\$397.11	Avg. Losing Trade	(\$501.05)
Largest Winning Trade	\$1,093.35	Largest Losing Trade	(\$2,290.72)

As you can see there appears to be a bit of a bearish inclination. Below is a profit curve showing how the edge has played out over time.



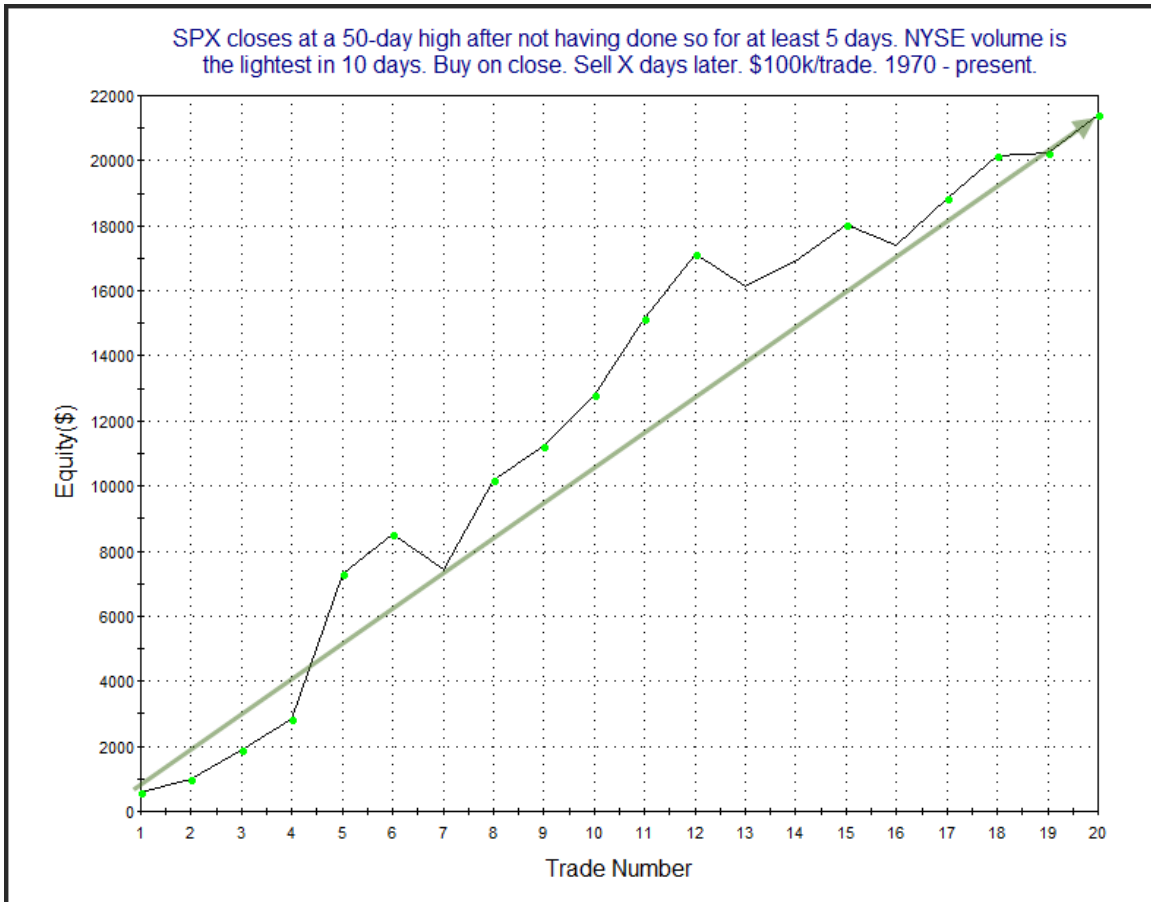
It appears that when the market needs to expend a fair amount of energy just to squeak out a small gain, that its lack of momentum is often followed by a swing back in the opposite direction the next day.

Although the gain was not particularly large for the SPX, it did manage to break out to a new all-time closing high. This was the first new closing high since 7/26/17, and it triggered a few studies in the Quantifinder. Interestingly, new highs that are accompanied by lower volume often fare better over the short-term than those that occur on rising volume. This is something I have shown a number of times over the years. (An exception to this rule is if the volume is extremely high.) But Monday's volume was not just lower, it was actually the lowest volume in 2 weeks. This triggered the study below, which I last featured in the 3/27/13 letter. Results are updated.

SPX closes at a 50-day high after not having done so for at least 5 days. NYSE volume is the lightest in 10 days. Buy on close. Sell X days later. \$100k/trade. 1970 - present.

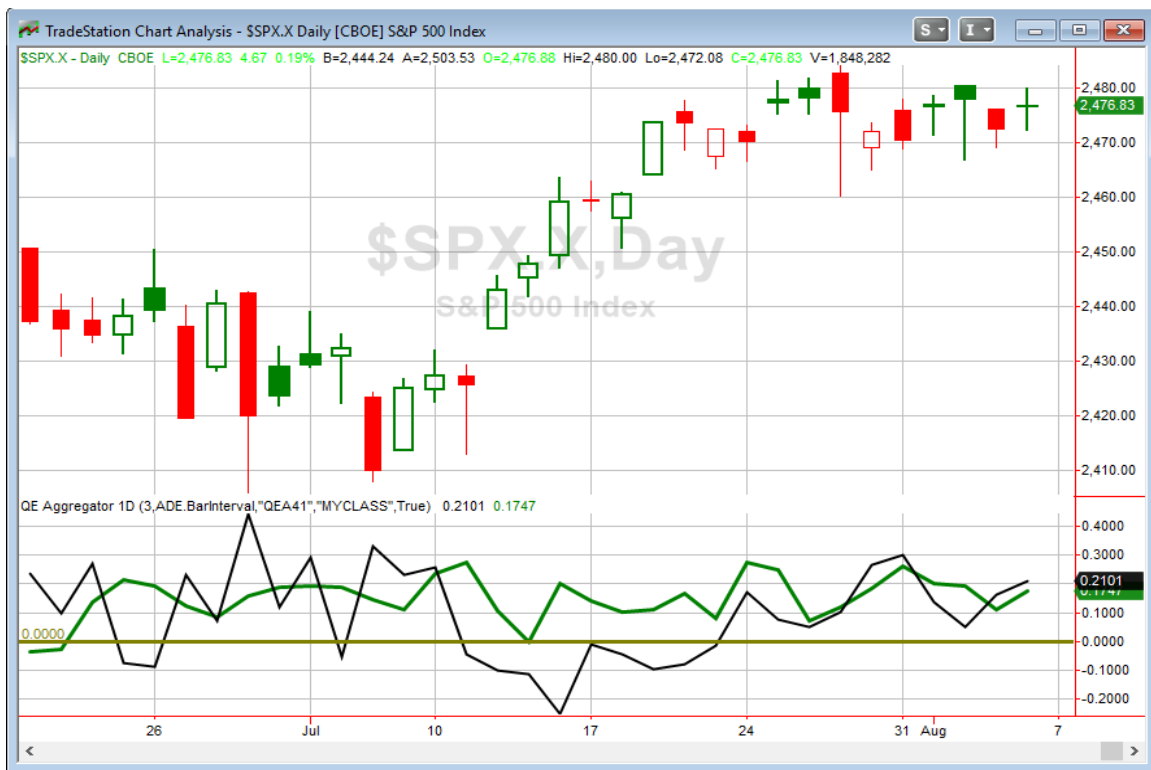
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	21,400.63	20	17	3	85.00	1,416.52	4,482.50	-893.38	-1,081.20	1.59	8.98	1,070.03
4	18,798.64	20	16	4	80.00	1,325.34	4,440.00	-601.69	-867.08	2.20	8.81	939.93
3	18,768.75	20	14	6	70.00	1,503.03	3,950.00	-378.95	-1,190.70	3.97	9.25	938.44
2	13,292.22	20	17	3	85.00	916.21	1,888.00	-761.11	-1,350.00	1.20	6.82	664.61
1	3,895.30	20	14	6	70.00	593.45	1,384.02	-735.49	-1,921.32	0.81	1.88	194.77

As you can see, the low volume has not in any way seemed to hinder a continuation of the breakout. Looking out 1-5 days the numbers all appear strong. Below is a look at the 5-day profit curve.



That is an impressive upslope, which serves as some confirmation of the upside edge. I have added this study to the Active List as well.

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 Tuesday. Of course this could easily change if we see some compelling bearish evidence emerge. The Differential Pivot will be 2484.72 on Tuesday. That is just 0.15% above Monday's close. So SPX would only need to close up 0.15% on Tuesday in order to move from oversold to overbought versus expectations.

There still appears to be a bit of an upside edge. With the market at new highs I typically prefer to take profits. But the low-volume breakout suggests a good chance of a continuation higher, and the SPX is not yet overbought versus expectations. So I will hold onto my SPY another day here, hoping to take profits if it closes up much on Tuesday. I also note that there was some Catapult activity.

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

The intermediate-term outlook was last updated in the 8/7 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

AGN– 1/3 @ \$242.65 (buy @ limit)

New

AGN– 1/3 @ \$241.22 (bought @ limit)

Broad Market Large Cap CBI – 2(AGN-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.

AGN – buy 1/3 Catapult position @ \$241.22 LIMIT. This is from the Catapult section above. It is the 2nd 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	\$247.84	0.43%		<i>see note below</i>
ABT(1/3)	8/1/2017	\$49.18	\$49.30	0.24%		<i>sell on open</i>
ABT(1/3)	8/2/2017	\$49.14	\$49.30	0.33%		<i>sell on open</i>
AGN(1/3)	8/7/2017	\$242.65	\$241.22	-0.59%		Catapult

I will look to sell SPY @ \$248.23 LIMIT ON CLOSE. This would likely see SPX over its Differential Pivot and the Aggregator signal in a neutral state.

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