

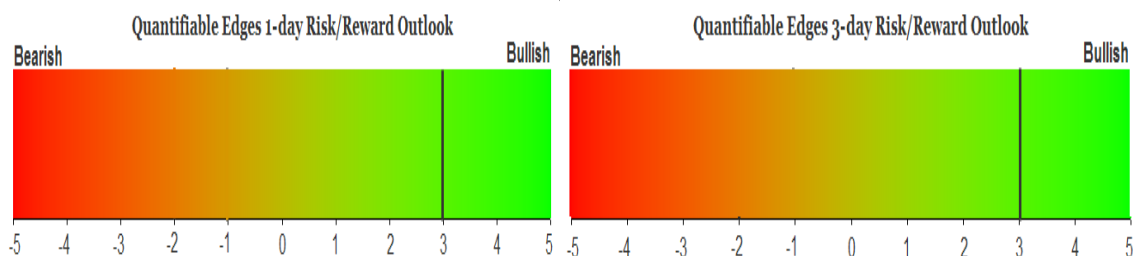
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 9, 2017

Volume 10 Issue 152

Market Overview



Signals Overview

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

Tonight's Research Points

- SPY's big outside day reversal pattern suggests a short-term upside edge.
- Relatively strong drops from 50-day highs have consistently been followed by bounces.

Short-term Outlook

The Bottom Line

Very similar to last night. The Aggregator remains bullish. Up still appears to be the likely direction. I am partially long.

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 9, 2017	3-high, 3-low, 3-low close	1-5 days	Bullish			
August 9, 2017	Relativley big drop from 50-high	1-3 day	Bullish			
August 3, 2017	Partial gap up and reverse 2x	1-5 days	Bullish	1.80%	-0.75%	-1.30%
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			

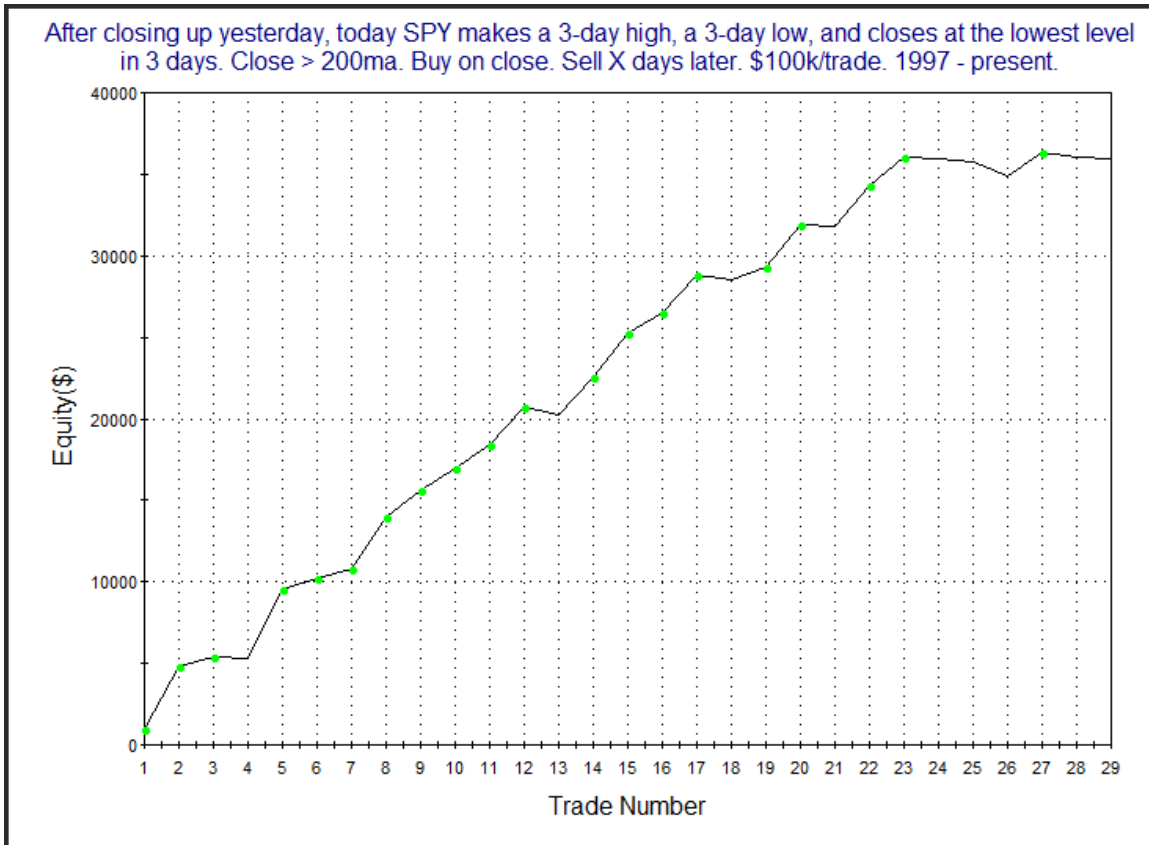
The Evidence

Tuesday started off strong, but a scare from North Korea caused a reversal and some losses. The SPX closed down 0.2%, the NASDAQ fell 0.2%, and the Russell 2000 dropped 0.3%. Breadth was negative as the NYSE Up Issues % was 36% and the Up Volume % came in at 33%. NYSE volume rose some from Monday’s level.

SPY traded in a relatively wide range and closed down on Thursday. The study below was last shown in the 7/28/17 subscriber letter. It looks for the reversal day to engulf both of the last two days, close at a three-day low, and still be above the 200ma. All results are updated.

After closing up yesterday, today SPY makes a 3-day high, a 3-day low, and closes at the lowest level in 3 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1997 - 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	35,972.42	29	20	9	68.97	1,925.41	4,273.50	-281.75	-892.80	6.83	15.19	1,240.43
4	22,826.51	29	20	9	68.97	1,502.75	4,533.98	-803.17	-2,123.52	1.87	4.16	787.12
3	8,241.67	29	19	10	65.52	1,259.46	3,903.34	-1,568.80	-3,393.78	0.80	1.53	284.20
2	5,828.51	30	17	13	56.67	1,174.85	3,244.78	-1,088.00	-3,737.28	1.08	1.41	194.28
1	997.70	30	18	12	60.00	635.42	2,359.84	-869.99	-3,909.03	0.73	1.10	33.26

After the first couple of days there appears to be a strong and consistent upside edge. It is notable that with 29 instances, the biggest loser when looking out 5 days was less than 0.9%. Below is a profit curve that assumes a 5-day holding period.



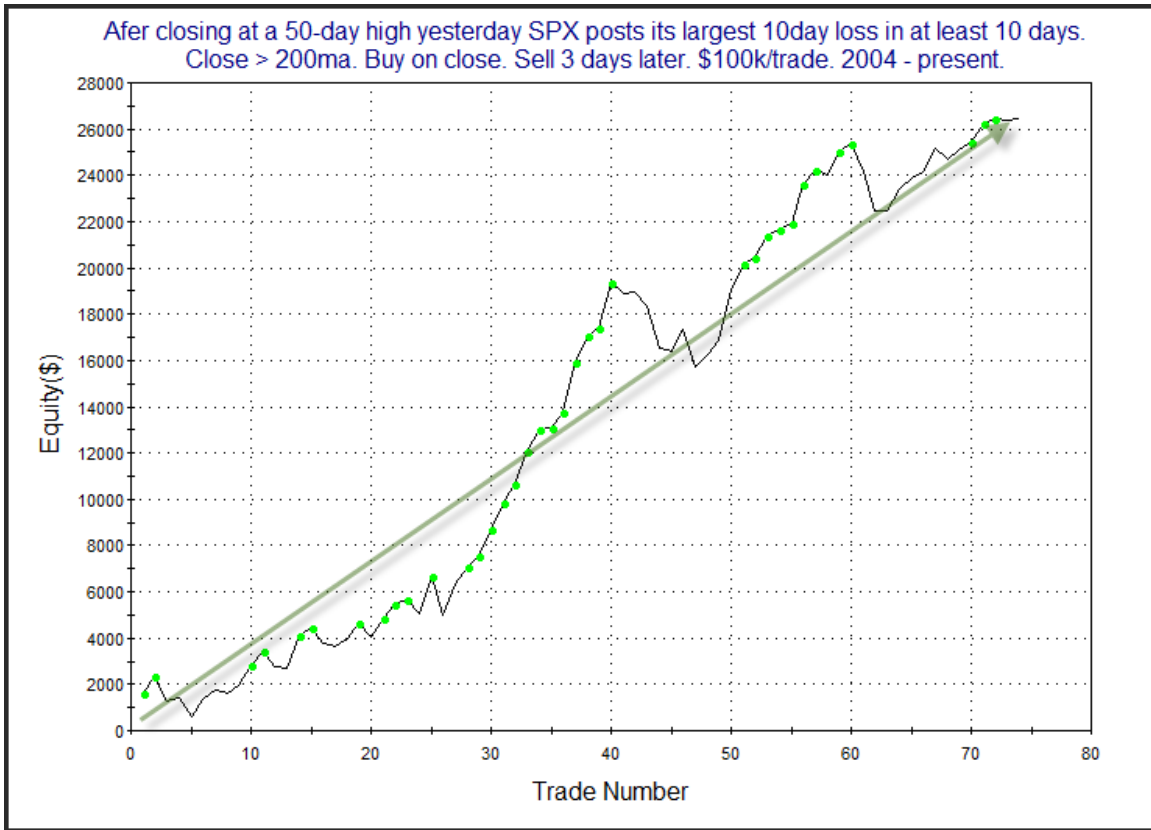
The strong curve appears to be a nice confirmation of the bullish suggestion by the stats table.

This next study looked at *relatively* large drops from intermediate-term highs. It was last seen in the 6/21/17 letter. I have updated all the stats.

Afer closing at a 50-day high yesterday SPX posts its largest 10day loss in at least 10 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 2004 - present.

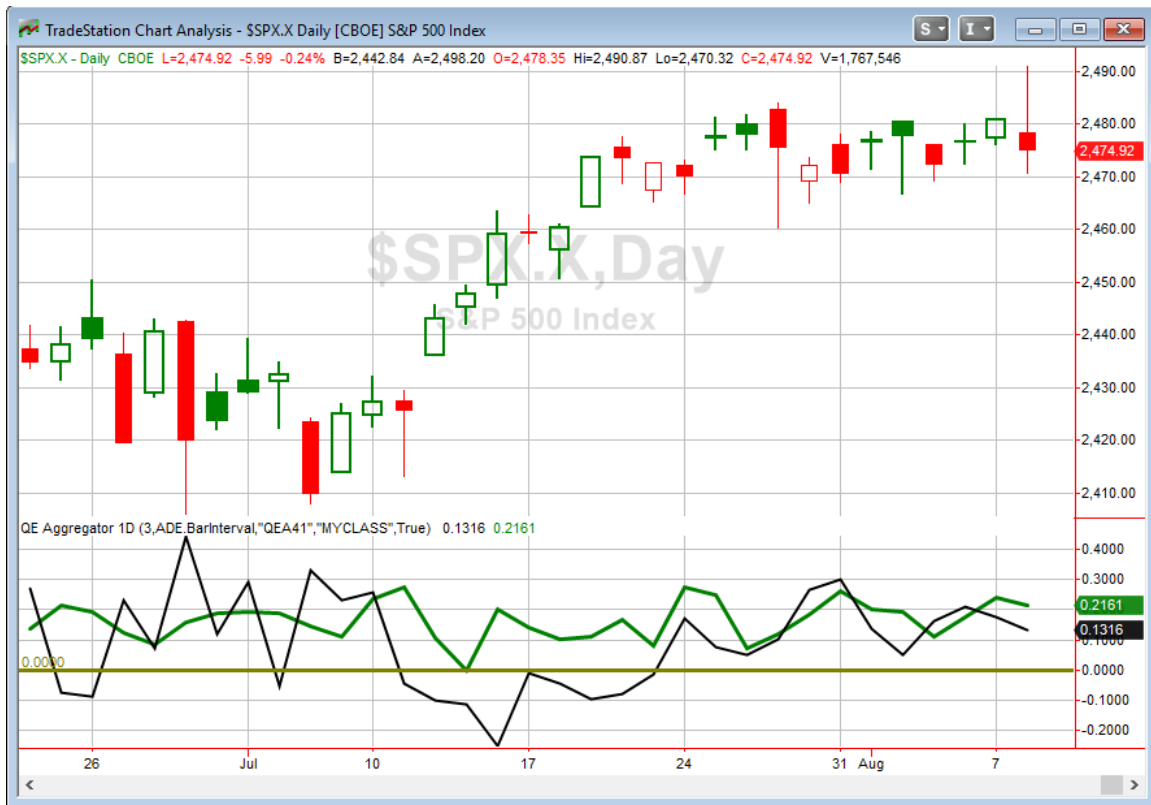
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	24,767.03	69	46	23	66.67	1,178.41	3,149.37	-1,280.00	-3,454.00	0.92	1.84	358.94
4	32,070.45	73	52	21	71.23	950.18	2,725.38	-825.65	-3,895.76	1.15	2.85	439.32
3	26,436.41	74	54	20	72.97	760.50	2,192.40	-731.53	-1,808.21	1.04	2.81	357.25
2	15,991.29	77	44	33	57.14	732.60	2,437.50	-492.22	-1,777.55	1.49	1.98	207.68
1	9,089.39	77	46	31	59.74	505.97	1,521.72	-457.58	-1,354.59	1.11	1.64	118.04

The stats are impressive. And the 3-4 day consistency is strong. Below is a profit curve that assumes a 3-day holding period.



The strong upslope seems to confirm the bullish inclination. This study is on the Active List tonight. I will note that I get questions about this study quite often, because many times the “big” drop is not that big. That is ok. It simply looks at the size of the drop versus the last 10 days.

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 Wednesday. Of course this could easily change if compelling bearish evidence emerges. The Differential Pivot will be 2488.70 on Wednesday. That is 0.6% above Tuesday's close. So SPX would need to close up 0.6% on Wednesday in order to move from oversold to overbought versus expectations.

From a technical standpoint, we are seeing some solid evidence suggesting a bounce. But further N. Korea rhetoric could certainly see the Tuesday pullback extend itself. I am not inclined to add any more index exposure just yet. I will hold on Wednesday and sell at the close if we get a sizable move higher.

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 @ \$239.74 (buy @ limit)

New

AGN– 1/3 @ \$242.65 (bought @ limit)

AGN– 1/3 @ \$241.22 (bought @ limit)

Broad Market Large Cap CBI – 3(AGN-3)

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 @ \$239.74 LIMIT. This is from the Catapult section above. It is the 3rd 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	\$247.26	0.20%		<i>see note below</i>
ABT(1/3)	8/1/2017	\$49.18	\$49.24	0.12%		<i>sold on open</i>
ABT(1/3)	8/2/2017	\$49.14	\$49.24	0.20%		<i>sold on open</i>
AGN(1/3)	8/7/2017	\$242.65	\$239.74	-1.20%		Catapult
AGN(1/3)	8/8/2017	\$241.22	\$239.74	-0.61%		Catapult

I will look to sell SPY at the close if SPX closes >= 2488.70. This would see SPX over its Differential Pivot and the Aggregator signal in a neutral state.

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