

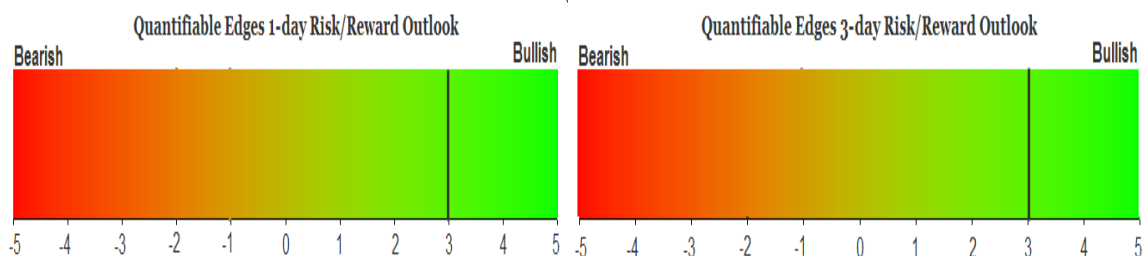
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 22, 2017

Volume 10 Issue 161

Market Overview



Signals Overview

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

Tonight's Research Points

- The reversal pattern from the 20-day low suggests the bounce could last a few more days.

Short-term Outlook

The Bottom Line

Evidence is pointing higher, and the SPX is still oversold. This suggests an upside edge. I continue to be partially long and looking to take advantage of a bounce.

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 22, 2017	20-lo close then 20-intraday lo & up cls.	1-4 days	Bullish	1.70%	-1.30%	-2.30%
August 21, 2017	20-low yest. Gap dn & lower close > 200	1-5 days	Bullish	2.80%	-0.90%	-2.00%
August 18, 2017	SPY 5-low & bottom 10% daily rng	1-4 days	Bullish			
August 18, 2017	Sysem 110524	1-7 days	Bullish			
Active - Long Term						
August 22, 2017	20-lo close then 20-intraday lo & up cls.	1-10 days	Bullish	2.80%	-1.80%	-3.30%
August 11, 2017	VIX 100-day high. SPX no 100-day low.	1-15 days	Bullish			
July 17, 2017	NASDAQ Leading	int term	Bullish			
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

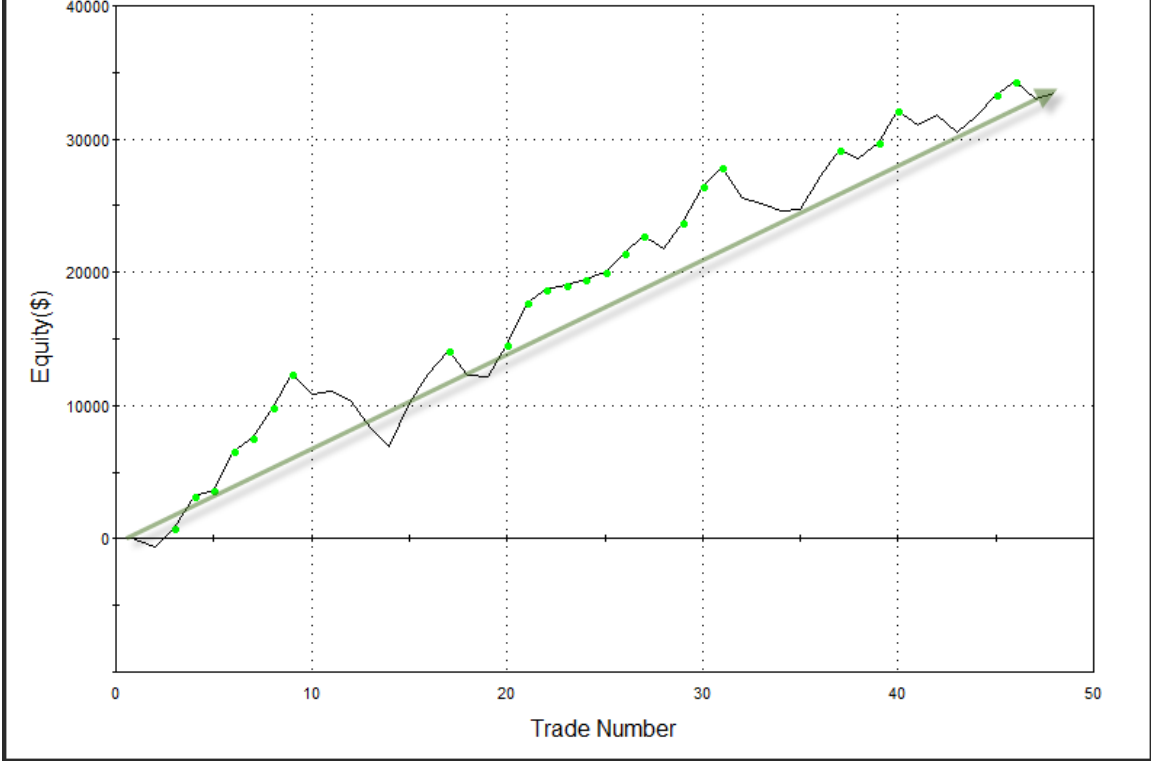
The market was mixed and mild on Monday. The SPX closed up 0.12%, the NASDAQ dropped 0.05%, and the Russell 2000 declined 0.07%. Breadth was negative as the NYSE Up Issues % was 49.9% and the Up Volume % came in at 47.3%. NYSE volume declined some from Friday's level.

SPY did post a higher close, but not before making a new intermediate-term intraday low. The study below was last seen in the 3/23/17 letter. It looks at similar reversals from intermediate-term lows. All stats are updated.

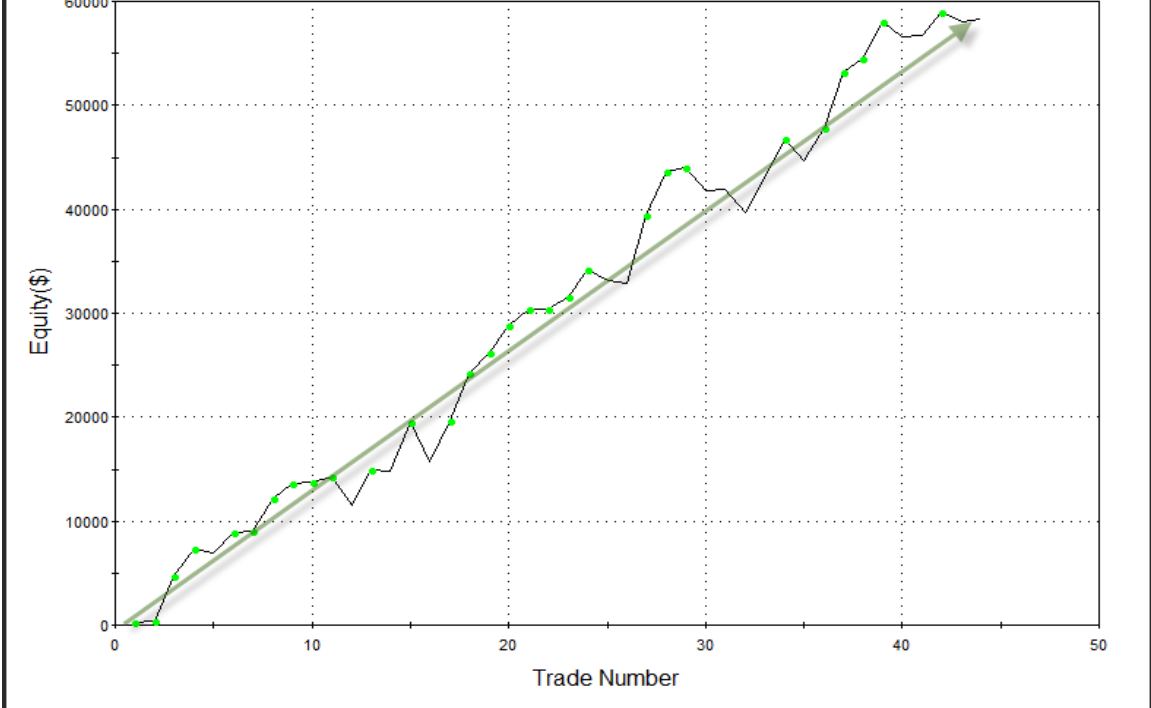
After closing at a 20-day low yesterday SPY made a new 20-day intraday low today and then closed up and > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	58,248.07	44	33	11	75.00	2,291.11	6,600.62	-1,578.04	-3,844.83	1.45	4.36	1,323.82
9	53,517.60	45	31	14	68.89	2,522.61	5,915.43	-1,763.10	-4,258.20	1.43	3.17	1,189.28
8	47,417.82	46	33	13	71.74	2,289.62	5,306.40	-2,164.58	-4,268.86	1.06	2.69	1,030.82
7	50,367.51	47	32	15	68.09	2,285.36	5,585.14	-1,517.61	-3,531.11	1.51	3.21	1,071.65
6	44,048.91	48	34	14	70.83	2,037.77	5,411.67	-1,802.52	-3,952.19	1.13	2.75	917.69
5	40,554.62	48	33	14	68.75	1,814.29	5,029.50	-1,379.78	-3,450.35	1.31	3.10	844.89
4	33,433.16	48	32	16	66.67	1,570.23	3,213.00	-1,050.89	-2,284.36	1.49	2.99	696.52
3	20,378.68	51	30	21	58.82	1,361.07	4,462.50	-973.98	-3,560.24	1.40	2.00	399.58
2	21,246.88	53	33	20	62.26	1,295.04	4,105.50	-1,074.47	-2,471.52	1.21	1.99	400.88
1	13,736.18	53	32	21	60.38	939.60	2,562.30	-777.66	-1,792.48	1.21	1.84	259.17

Results here seem to suggest a solid upside edge. Below are the profit curves for the 4-day and 10-day exit strategies.

After closing at a 20-day low yesterday SPY made a new 20-day intraday low today and then closed up and > 200ma. Buy on close. Sell 4 days later. \$100k/trade. 1993 - present.



After closing at a 20-day low yesterday SPY made a new 20-day intraday low today and then closed up and > 200ma. Buy on close. Sell 10 days later. \$100k/trade. 1993 - present.



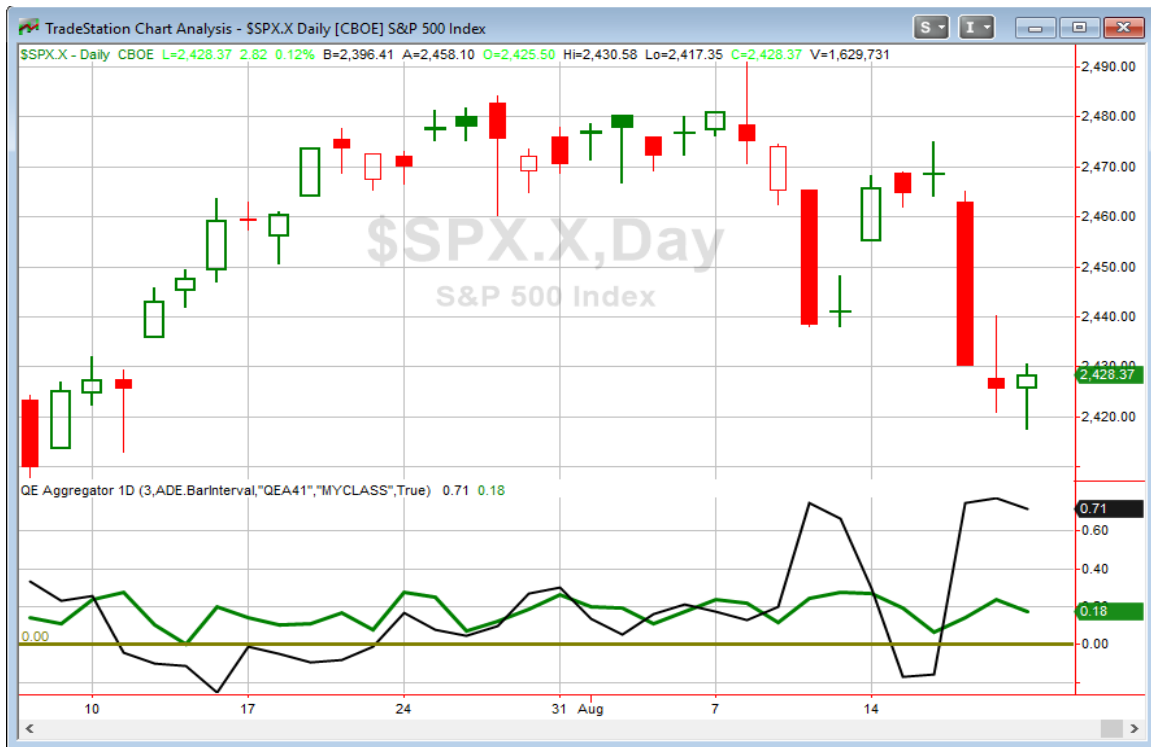
The impressive upslops serve as some confirmation of the upside edge.

But on Thursday SPY only closed up a small amount. In the 10/3/14 letter I decided to further filter the results above to examine instances that only closed up a small amount. I chose 0.25% as my limit. Those results are updated below.

After closing at a 20-day low yesterday SPY made a new 20-day intraday low today and then closed up < 0.25% and > 200ma. 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
10	27,316.69	13	12	1	92.31	2,623.77	5,408.91	-4,168.54	-4,168.54	0.63	7.55	2,101.28
9	28,635.16	13	11	2	84.62	3,038.03	5,915.43	-2,391.58	-4,086.30	1.27	6.99	2,202.70
8	24,802.26	13	11	2	84.62	2,766.25	5,306.40	-2,813.22	-3,433.52	0.98	5.41	1,907.87
7	20,434.01	13	11	2	84.62	2,377.22	5,300.37	-2,857.71	-3,582.58	0.83	4.58	1,571.85
6	15,800.47	13	10	3	76.92	2,153.94	4,594.86	-1,912.97	-3,304.40	1.13	3.75	1,215.42
5	13,047.86	13	9	3	69.23	1,862.39	3,901.41	-1,237.88	-2,230.47	1.50	4.51	1,003.68
4	14,817.25	13	11	2	84.62	1,576.26	3,213.00	-1,260.82	-2,012.68	1.25	6.88	1,139.79
3	11,588.49	14	9	5	64.29	1,566.52	4,462.50	-502.03	-938.75	3.12	5.62	827.75
2	9,210.13	14	10	4	71.43	1,223.75	4,105.50	-756.83	-1,824.93	1.62	4.04	657.87
1	4,905.68	14	8	6	57.14	994.92	2,152.71	-508.94	-1,023.00	1.95	2.61	350.41

A bit low on instances, but the results with the extra filter are very strong. They suggest at the very least that the mild gains on Monday do not reduce the apparent edge.

I have updated the Aggregator chart below.



With tonight's study included, 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 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 positive on Tuesday. Of course this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2439.72 on Tuesday. That is 0.5% above Monday's close. So SPX will need to close up at least 0.5% in order to change from oversold to overbought.

So there still appears to be a solid upside edge. I am partially long and looking to take advantage of the possible bounce. I considered adding further to my current position, but decided to simply maintain my current exposure for 1 day. I'll see how things play out on Tuesday and what new evidence emerges before committing to further positions.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/21– bullish

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

AGN– 1/3 @ \$239.74 (bought @ limit)

AGN– 1/3 @ \$242.65 (bought @ limit)

AGN– 1/3 @ \$241.22 (bought @ limit)

AIG– 1/3 @ \$63.00 (bought @ limit)

AIG– 1/3 @ \$62.65(buy @ limit) – not filled

Broad Market Large Cap CBI – 5(AGN-3, AIG-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 tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
AGN(1/3)	8/7/2017	\$242.65	\$222.97	-8.11%		Catapult
AGN(1/3)	8/8/2017	\$241.22	\$222.97	-7.57%		Catapult
AGN(1/3)	8/9/2017	\$239.74	\$222.97	-7.00%		Catapult
AIG(1/3)	8/11/2017	\$63.00	\$61.29	-2.71%		Catapult
AIG(1/3)	8/18/2017	\$61.46	\$61.29	-0.28%		Catapult
SPY(1/4)	8/18/2017	\$242.90	\$242.90	0.00%		Aggregator

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