

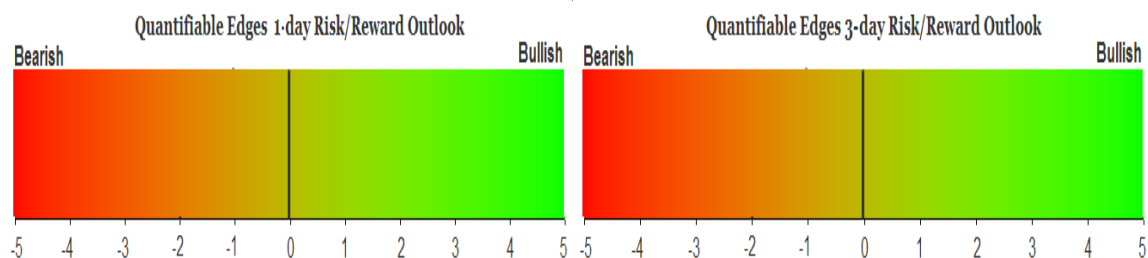
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 23, 2017

Volume 10 Issue 162

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr / SOMA Swing
Flat	500% Long XIV	Flat

## Tonight's Research Points

- The bounce was strong enough over the last 2 days that much of the upside edge has been realized and the potential for further gains is reduced.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator has turned neutral. This appears like a good time to take profits on open index swing positions.

*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
<b>Active - Short Term</b>						
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			
<b>Active - Long Term</b>						
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 put in a strong move higher on Tuesday. The SPX closed up 1.0%, the NASDAQ gained 1.4%, and the Russell 2000 rose 1.1%. Breadth was positive as the NYSE Up Issues % was 71% and the Up Volume % came in at 75%. NYSE volume came in light and declined for the 2<sup>nd</sup> day in a row.

After being squarely oversold the market has bounced back quite nicely the last 1½ days. The effect has basically been to work off the oversold condition and leave several indices back above their 10-day moving averages. Had the reversal not been so strong then the current upside potential would be a little better. But since the move was so good (and that has helped our SPY position nicely), it took out much of the upside edge. I demonstrated this in the 2/4/15 subscriber letter.

There I looked at patterns similar to the current one where SPY made a 10-day intraday low yesterday and then posted an unfilled gap up today along with a close above the open (and above the 200ma). I broke it down by instances that closed above the 10ma versus instances that closed below it. I have updated those tables below.

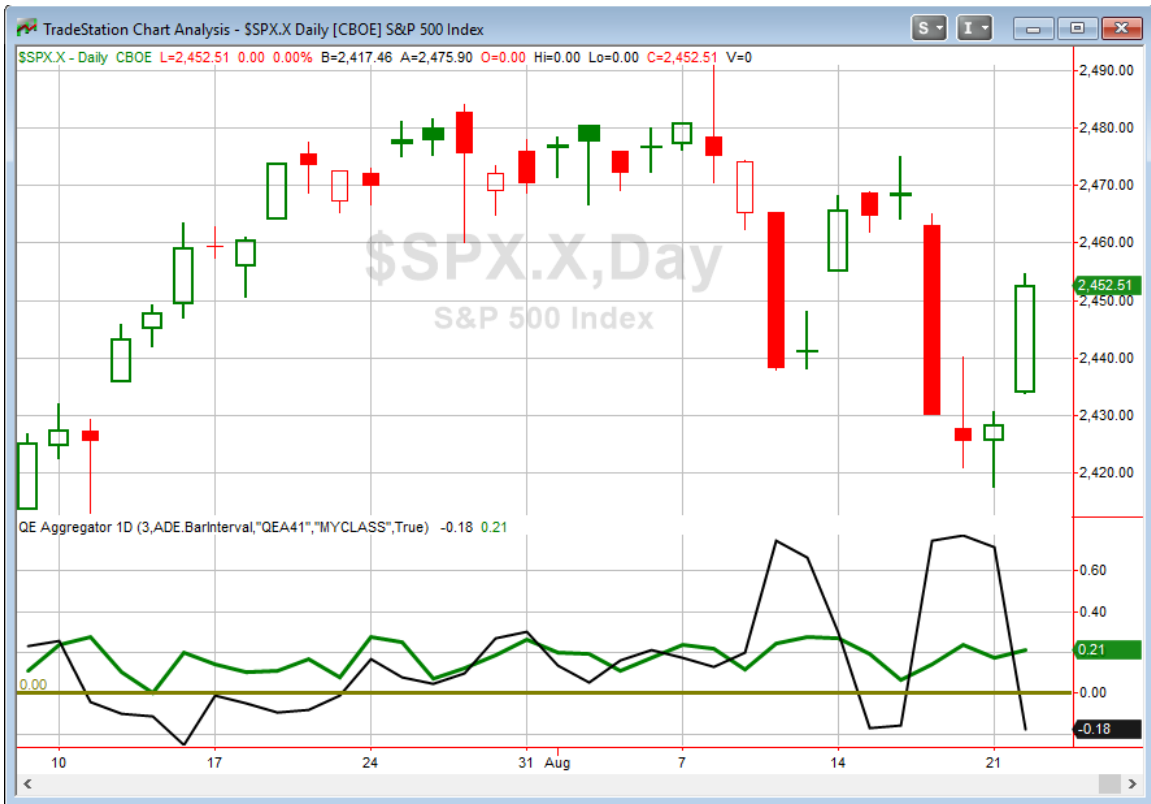
After making a 10-day intraday low yesterday SPY leaves an unfilled gap up today and closes above the open. It <b>closes &lt; 10ma</b> and closes > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present													
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing 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	
5	23,179.43	60	37	23	61.67	1,525.92	4,106.63	-1,446.95	-3,739.32	1.05	1.70	386.32	
4	24,481.98	62	39	23	62.90	1,407.94	3,904.83	-1,322.95	-2,744.82	1.06	1.80	394.87	
3	12,645.36	66	38	28	57.58	1,136.63	3,914.92	-1,090.95	-3,070.92	1.04	1.41	191.60	
2	6,105.93	68	38	30	55.88	1,055.47	3,089.76	-1,133.40	-2,818.42	0.93	1.18	89.79	
1	906.46	68	30	37	44.12	910.28	2,470.05	-713.57	-2,895.33	1.28	1.03	13.33	

After making a 10-day intraday low yesterday SPY leaves an unfilled gap up today and closes above the open. It **closes > 10ma** and closes > 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
5	1,265.31	35	17	18	48.57	1,217.34	3,113.39	-1,079.41	-3,691.98	1.13	1.07	36.15
4	2,355.34	35	18	17	51.43	913.10	2,584.17	-828.26	-2,586.55	1.10	1.17	67.30
3	-3,984.74	35	16	19	45.71	958.56	2,533.50	-1,016.93	-2,475.20	0.94	0.79	-113.85
2	-2,968.72	35	18	17	51.43	720.70	1,514.87	-937.72	-2,293.20	0.77	0.81	-84.82
1	-4,523.64	35	16	18	45.71	516.23	1,238.60	-710.18	-2,591.68	0.73	0.65	-129.25

So the current situation falls into the 2<sup>nd</sup> category. Most of the stats are basically breakeven. Had we not bounced so much, we would have a better chance of seeing more follow-through. As is, it appears some caution and some profit-taking is warranted.

I have updated the Aggregator chart below.



The green Aggregator line held above zero tonight. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile, the strong move higher in SPX caused the black Differential Line to dive down below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of 0. Therefore, the Aggregator signal changed from long to flat at the close.

Based on the current active studies, expectations are set to remain positive on Wednesday. Of course this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2436.18 on Wednesday. That is 0.7% below Tuesday's close. So SPX will need to close up at least 0.7% in order to change from overbought to oversold.

So this bounce may have further to go, but the easy money appears to have been made. The Aggregator is neutral, and I am also. This means I will be looking to exit my current SPY position. Unfortunately, the Catapult positions have not participated in this bounce nearly as well to this point. So the CBI will remain at 5 and I will stay in those positions a little longer.

***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	\$223.75	-7.79%		Catapult
AGN(1/3)	8/8/2017	\$241.22	\$223.75	-7.24%		Catapult
AGN(1/3)	8/9/2017	\$239.74	\$223.75	-6.67%		Catapult
AIG(1/3)	8/11/2017	\$63.00	\$61.22	-2.83%		Catapult
AIG(1/3)	8/18/2017	\$61.46	\$61.22	-0.39%		Catapult
SPY(1/4)	8/18/2017	\$242.90	\$245.44	1.05%		<b>sell on open</b>

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