

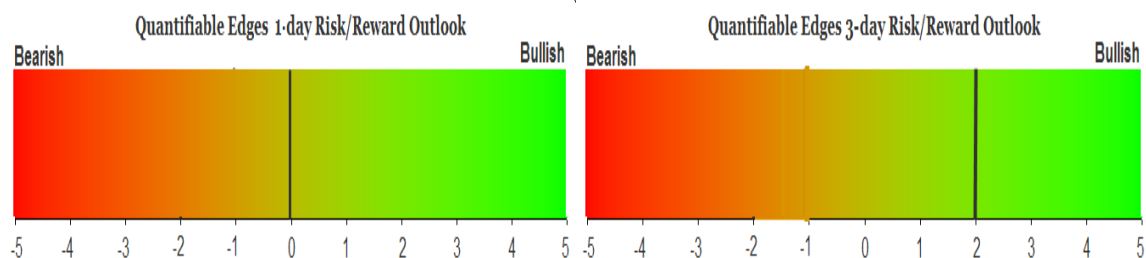
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 7, 2017

Volume 10 Issue 172

Market Overview



Signals Overview

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

Tonight's Research Points

- Wednesday's unfilled gap up along with it being an inside day suggests a 1-day bearish edge for Thursday.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but 1-day expectations are negative. This is keeping me from getting excited just yet.

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						
September 7, 2017	Unfilled up inside day. C>Open & 200ma	1 day	Bearish			
September 6, 2017	5+ days up. Close < 50-high, 1 down day	1-10 days	Bullish			
September 6, 2017	Unfilled up, unfilled dn < 2 ago	1-2 days	Bearish			
September 1, 2017	5 days up. Close < 50-high.	1-10 days	Bullish	2.30%	-1.30%	-2.70%
Active - Long Term						
September 1, 2017	5 days up. Close < 50-high.	1-15 days	Bullish	3.05%	-1.60%	-3.20%
August 22, 2017	20-lo close then 20-intraday lo & up cls.	1-10 days	Bullish	2.80%	-1.80%	-3.30%
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			
Dropped Tonight						
September 5, 2017	Post Labor when SPX < 20 days ago	1-2 days	Bullish			

The Evidence

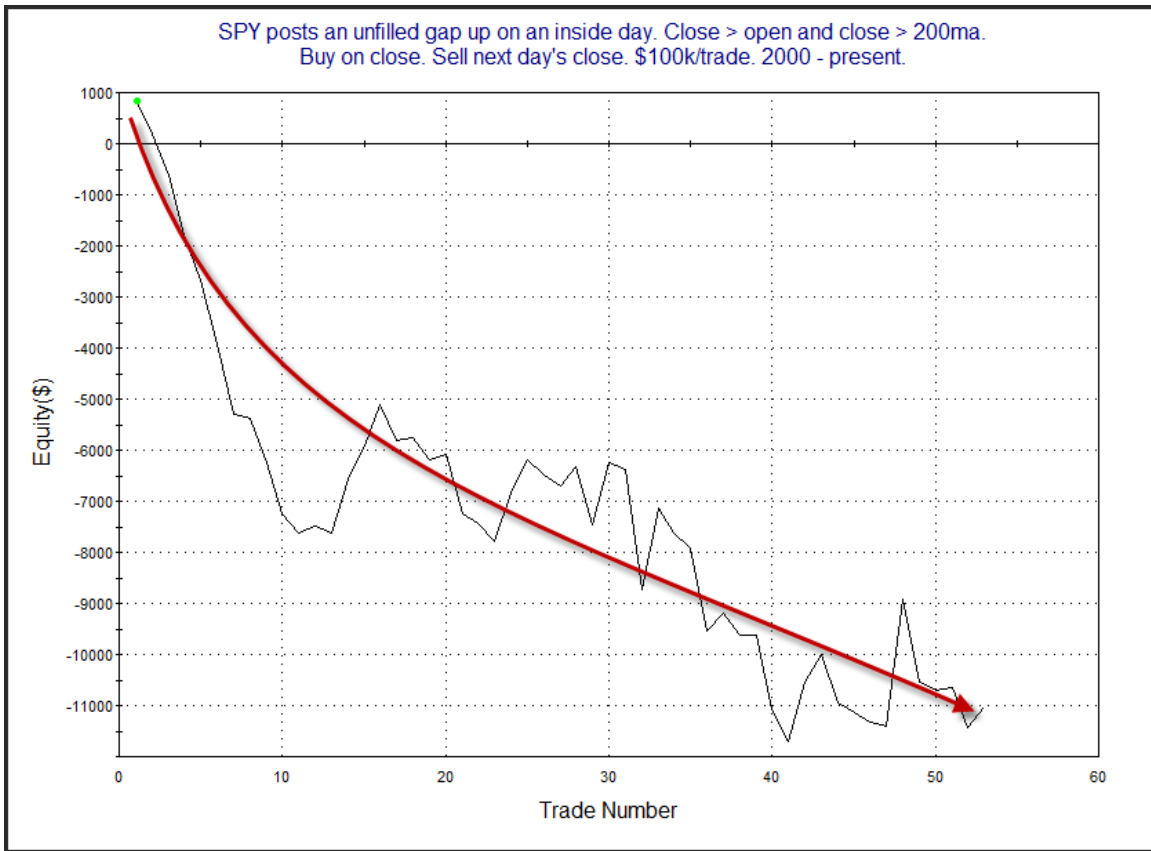
Wednesday saw the major indices post mild gains. The SPX gained 0.3%, the NASDAQ rose 0.3%, and the Russell 2000 climbed 0.2%. Breadth was positive as the NYSE Up Issues % was 62% and the Up Volume % came in at 70%. NYSE volume dipped a little from Tuesday's level.

With choppy action and mild moves the last few days, there was only 1 compelling study that appeared in the Quantifinder. It was last seen in the 12/20/16 letter. It looks at days like Wednesday where the market gaps higher, never fills, and moves higher from open to close without making a higher high. I've updated the results below.

SPY posts an unfilled gap up on an inside day. Close > open and close > 200ma.
Buy on close. Sell next day's close. \$100k/trade. 2000 - present.

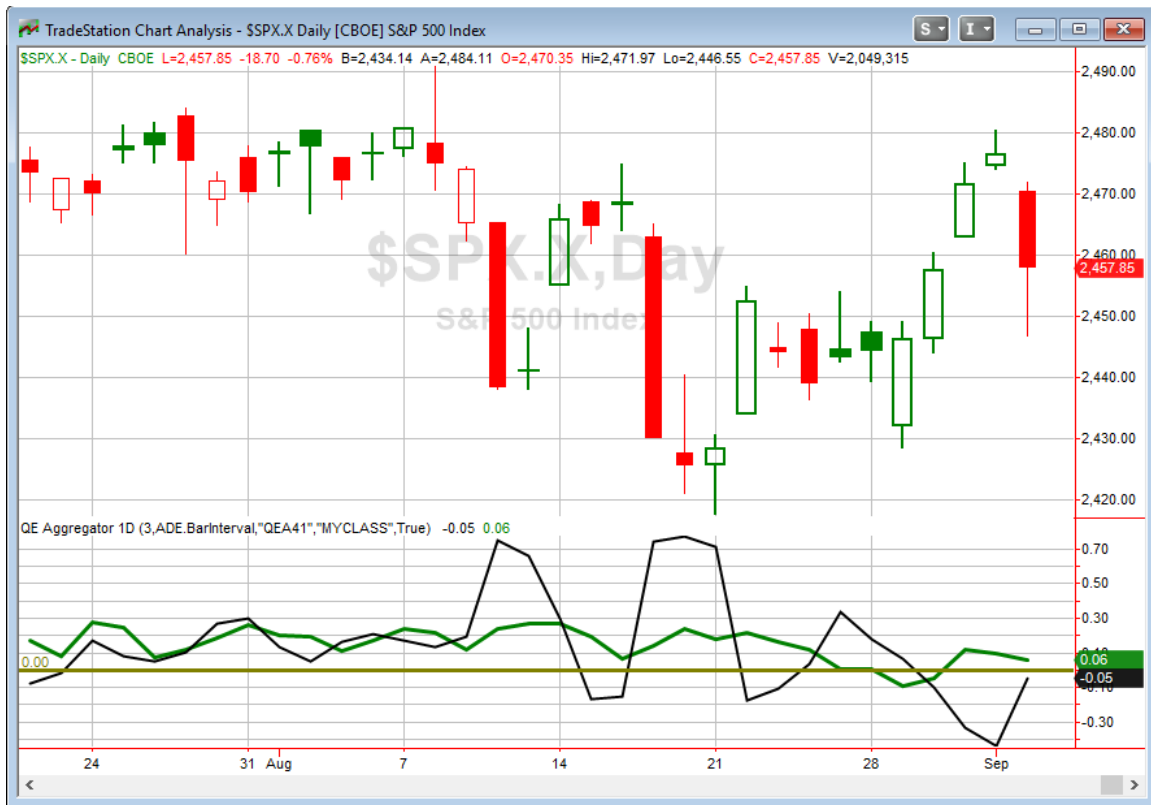
TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	(\$11,037.27)	Profit Factor	0.55
Gross Profit	\$13,412.16	Gross Loss	(\$24,449.43)
Total Number of Trades	53	Percent Profitable	33.96%
Winning Trades	18	Losing Trades	34
Even Trades	1		
Avg. Trade Net Profit	(\$208.25)	Ratio Avg. Win:Avg. Loss	1.04
Avg. Winning Trade	\$745.12	Avg. Losing Trade	(\$719.10)
Largest Winning Trade	\$2,470.05	Largest Losing Trade	(\$2,348.90)

Implications here appear somewhat bearish. I'd also note that 47 of 53 instances (89%) closed below the entry price at some point in the next week. Below is a profit curve that shows how the downside edge has played out over time.



This is not an ideal profit curve but it still appears to suggest a downside edge.

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 moved 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 changed from flat to long at the close.

Based on the current active studies, expectations are set to remain positive on Thursday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2480.71 on Thursday. That is 0.5% above Wednesday's close. This means that SPX would need to close up over 0.5% on order to mov.

So the Aggregator has turned bullish. And this is reflected some in the 3-day risk/reward at the top of the letter. But tonight's study, and the 1-day expectations, are actually negative. With the SPX oversold this is leaving 1-day risk/reward neutral (0). I am not inclined to take on new long index exposure with 1-day evidence pointing down. I will wait to see how tomorrow plays out, and then consider possible trades for Friday if things set up well.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/5– bullish

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

None

Broad Market Large Cap CBI – 0

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

None

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