

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 13, 2017

Volume 10 Issue 176

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr / SOMA Swing
Flat	50% Long XIV	Flat

## Tonight's Research Points

- The breakout to a new 50-day high from congestion in an uptrend suggest bullish implications.
- 2 unfilled up gaps and a 50-day high are a short-term positive.

## *Short-term Outlook*

### *The Bottom Line*

Similar to last night, evidence is pointing higher, but the market is overbought. This is leaving the Aggregator neutral. I am neutral, also.

*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>						
September 13, 2017	Intraday high brkt from base.	1-4 days	Bullish			
September 13, 2017	SPY 2x unfilled gaps. 50-day high.	1-3 days	Bullish			
September 12, 2017	Unfilled gap up to 50-day high brkt	1-5 days	Bullish			
September 6, 2017	1 dn after 5+ up days	1-10 days	Bullish			
September 1, 2017	5 days up. Close < 50-high.	1-10 days	Bullish	2.30%	-1.30%	-2.70%
<b>Active - Long Term</b>						
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			

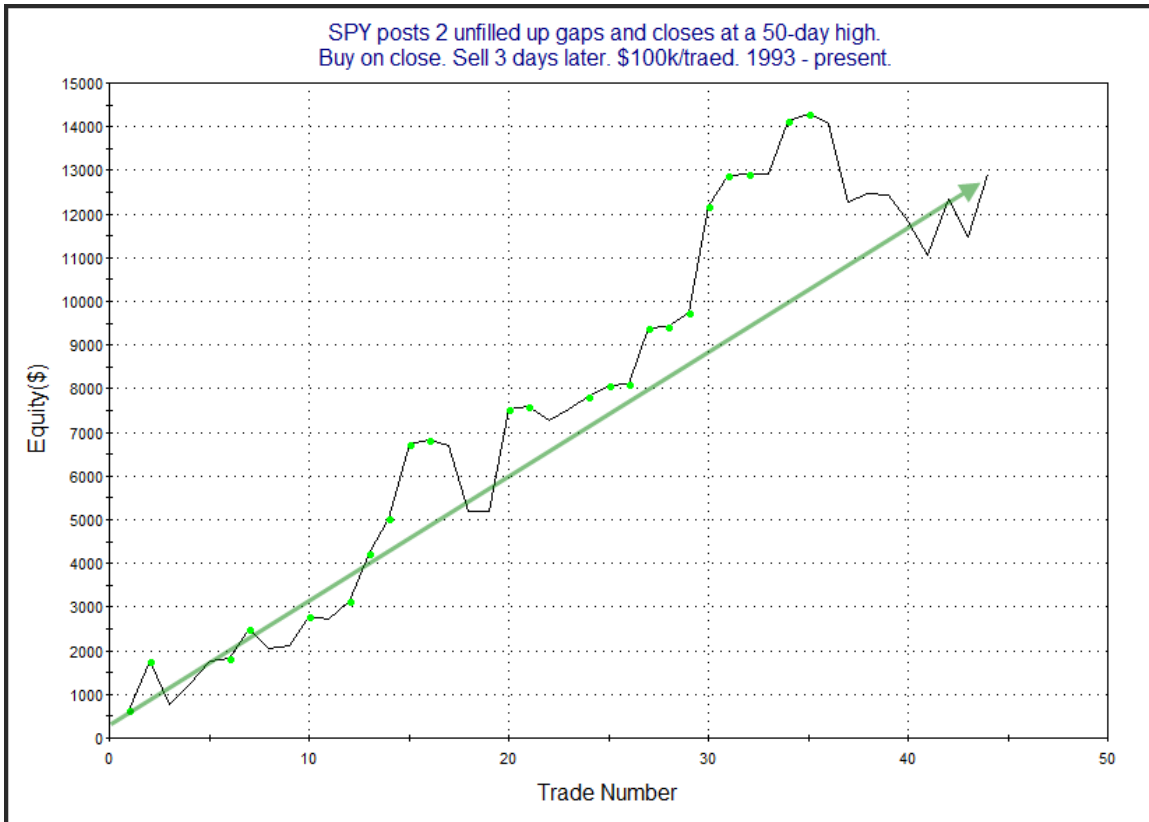
**The Evidence**

Tuesday saw follow through on Monday's strong up day. The SPX, and the NASDAQ each rose 0.3% while the Russell 2000 rallied about 0.6%. Breadth was positive as the NYSE Up Issues % was 60% and the Up Volume % came in at 71%. NYSE volume declined a fair amount from Monday's level.

It is notable that Wednesday was this 2nd day in a row with an unfilled up gap. The study below was from in the 6/8/16 letter. It examined other times SPY left 2 unfilled up gaps and closed at a 50-day high.

SPY posts 2 unfilled up gaps and closes at a 50-day high. 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	9,306.25	44	29	15	65.91	927.83	2,013.72	-1,173.38	-4,508.40	0.79	1.53	211.51
4	13,142.09	44	30	14	68.18	921.29	2,475.56	-1,035.47	-2,720.25	0.89	1.91	298.68
3	12,930.46	44	30	14	68.18	691.09	2,419.84	-557.31	-1,801.77	1.24	2.66	293.87
2	8,645.06	44	30	13	68.18	519.75	1,858.87	-534.42	-1,476.68	0.97	2.24	196.48
1	1,522.36	53	27	26	50.94	366.10	1,156.32	-321.63	-1,942.24	1.14	1.18	28.72
<b>47 of 53 instances (89%) closed above the entry price at some point in the next week.</b>												

The size of the follow-through isn't terribly large, but it has been very consistent that some follow through was achieved in the next few days. Below is the 3-day profit curve.



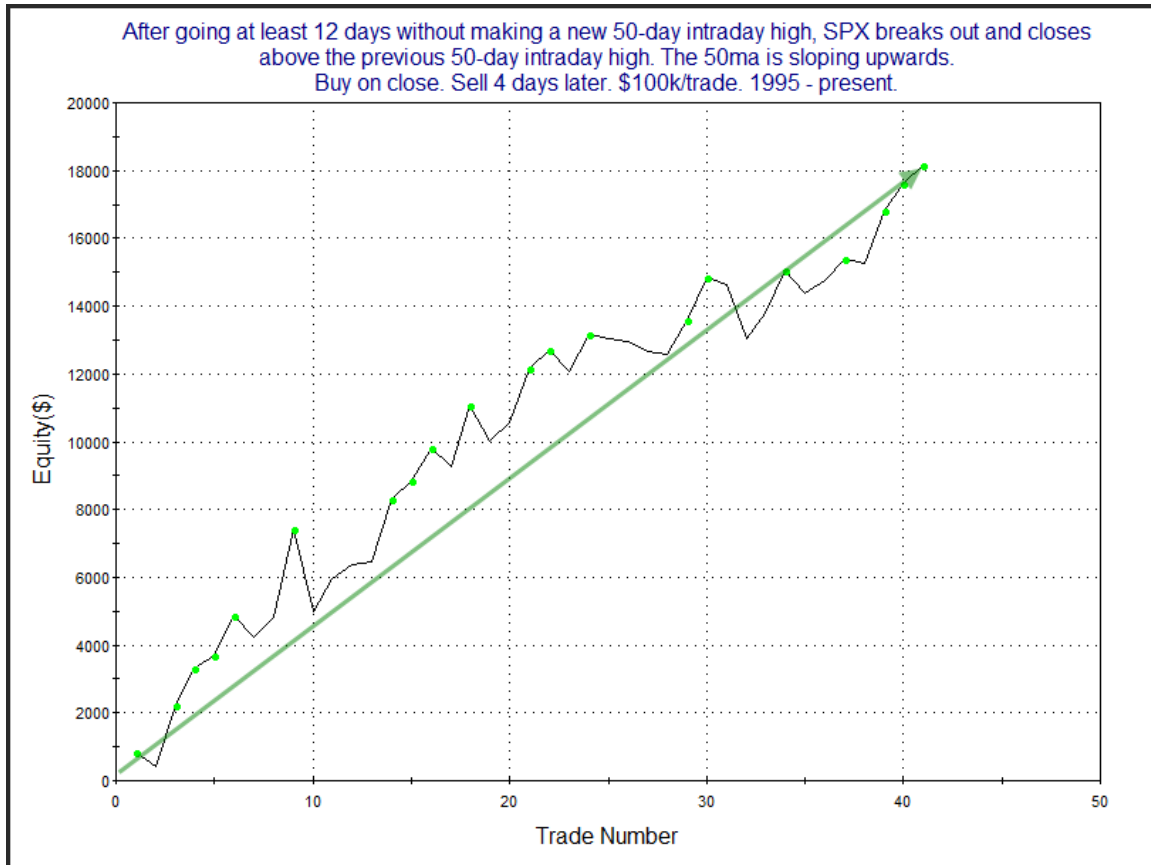
Despite the recent dip the upward inclination appears to be in place. This study seems worth consideration, and I have included on the Active List.

And while I showed some studies last night related to SPX breaking out to a new closing high, it wasn't until Tuesday that a new intraday high was reached. The study below looks at times a new intraday high has been exceeded after a basing period, and the SPX manages to close above the old intraday high. I last showed it in the 7/19/13 Letter. I have updated it below, though I have shortened the look-back period a bit. I did this because accurate intraday data did not exist prior to the mid-90s.

After going at least 12 days without making a new 50-day intraday high, SPX breaks out and closes above the previous 50-day intraday high. The 50ma is sloping upwards.  
Buy on close. Sell X days later. \$100k/trade. 1995 - present.

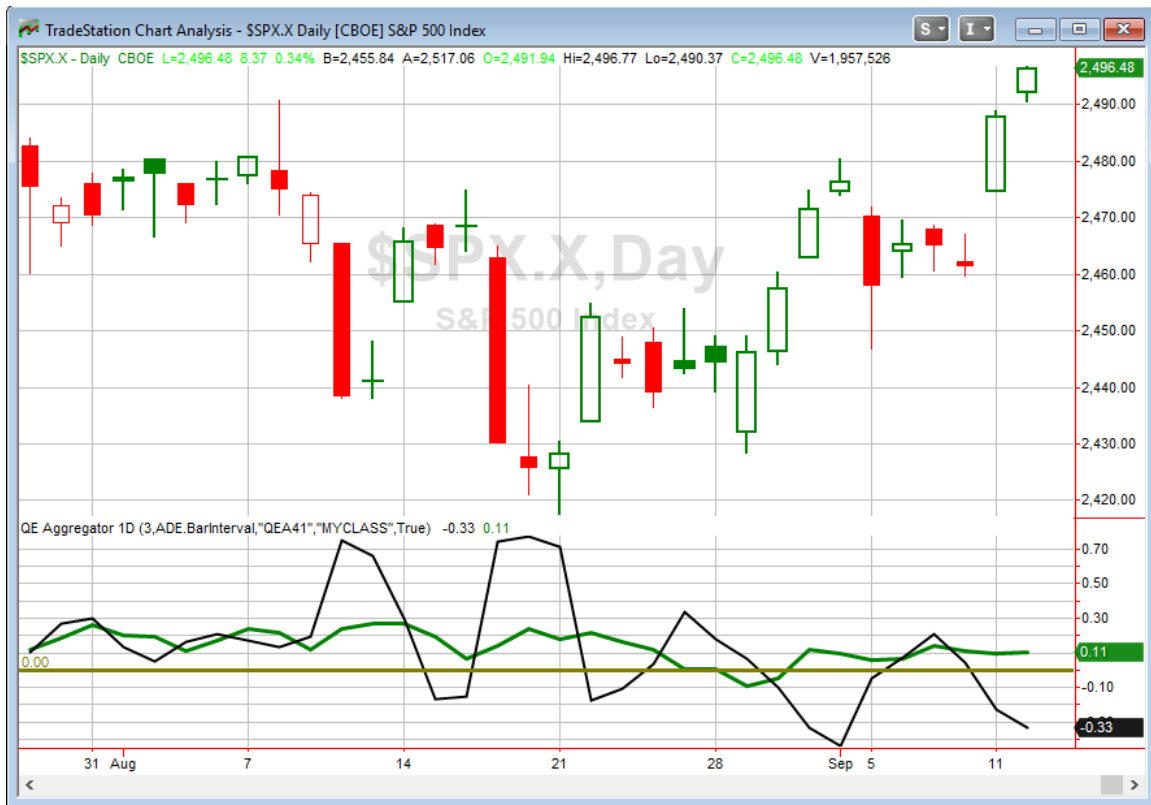
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	13,582.87	41	30	11	73.17	880.29	2,553.28	-1,165.98	-3,138.72	0.75	2.06	331.29
4	18,175.99	41	27	14	65.85	1,001.87	2,616.60	-633.88	-2,429.70	1.58	3.05	443.32
3	15,714.22	41	30	11	73.17	810.02	2,142.91	-780.58	-2,188.15	1.04	2.83	383.27
2	7,134.55	41	27	14	65.85	637.26	1,998.39	-719.40	-1,749.60	0.89	1.71	174.01
1	8,149.04	41	26	15	63.41	473.25	1,606.89	-277.04	-921.94	1.71	2.96	198.76

Stats are not overwhelming, but they appear solid and worth closer examination. So below is the profit curve for a 4-day holding strategy.



The upslope looks appealing and it is continuing to make new highs. I have included this study on the Active List as well.

I have updated the Aggregator chart below.



With tonight's evidence under consideration, 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 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 stayed flat at the close.

Based on the current active studies, expectations are set to remain positive on Wednesday. It would take very compelling new bearish evidence to change this. The Differential Pivot will be 2469.11 on Wednesday. That is 1.1% below Tuesday's close. Therefore, SPX would need to close down at least 1.1% on Wednesday in order to move from short-term overbought to oversold versus recent expectations. That is a sizable amount, and appears to be unlikely to happen in just 1 day. A more likely scenario for working off the overbought condition would be a multi-day pullback or consolidation.

Despite being overbought, the market is continuing to provide bullish short-term indications. I don't fancy buying into such overbought conditions, and there is certainly no way I would sell short with the short-term studies all pointing higher. I will remain sidelined and awaiting the next favorable reward/risk setup to put new capital to work.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 9/11– 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

This report has been prepared by Hanna Capital Management, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Hanna Capital Management, LLC or clients of Hanna Capital Management, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Hanna Capital Management, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Hanna Capital Management, LLC nor any officer or employee of Hanna Capital Management, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Hanna Capital Management, LLC.

Copyright © 2017 Hanna Capital Management, LLC.