

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 14, 2017

Volume 10 Issue 177

Market Overview



Signals Overview

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

Tonight's Research Points

- SPY's mild up close near the top of its range suggests a bearish 1-day edge.

Short-term Outlook

The Bottom Line

Same story. 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 |
|----------------------------|---|-----------|---------|------------|------------|------------------------|
| Active - Short Term | | | | | | |
| September 14, 2017 | SPY up < 0.25%, top of intraday range | 1 day | Bearish | | | |
| 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% |
| 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 | | | |

The Evidence

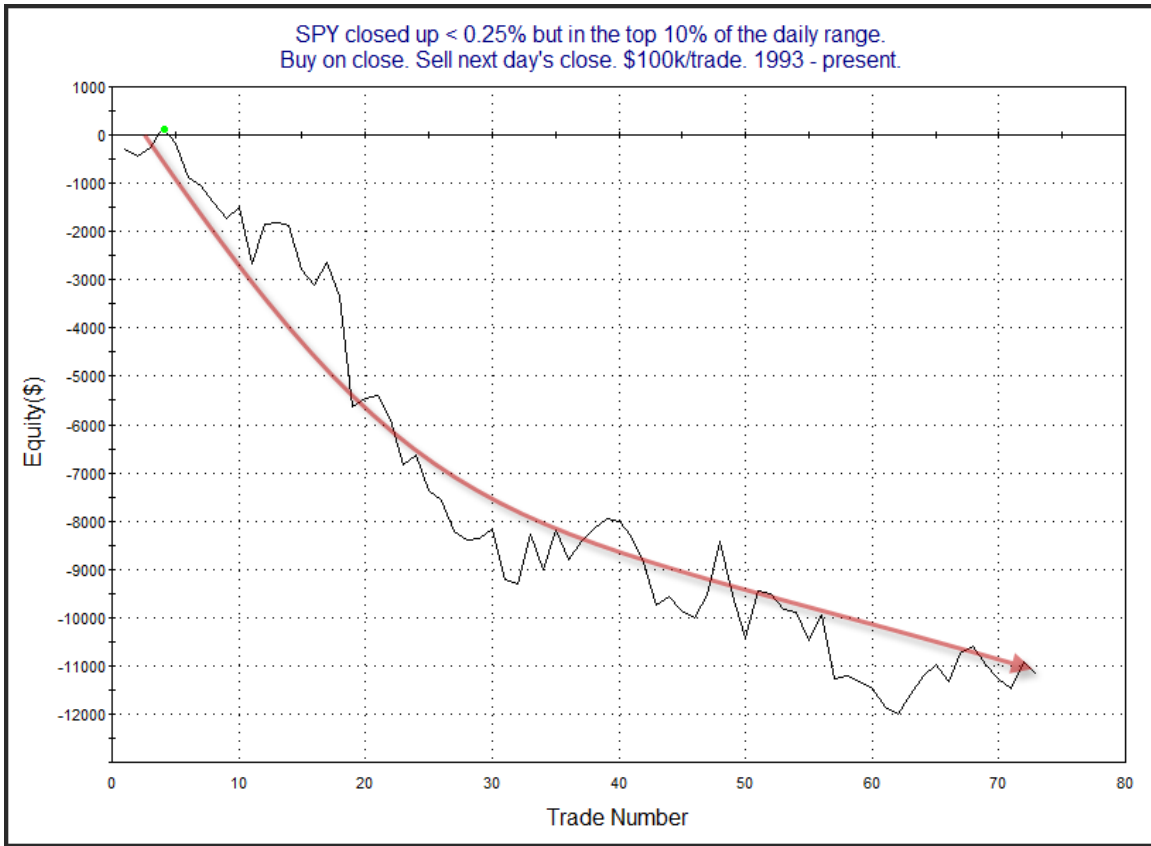
The market was down for much of the day on Wednesday, but finished well to end with mild gains. The SPX and the NASDAQ each rose 0.1% while the Russell 2000 rallied 0.2%. Breadth was positive as the NYSE Up Issues % was 51% and the Up Volume % came in at 61%. NYSE volume rose some from Tuesday's level.

The only really interesting study to appear in the Quantifinder was the one below, which was last seen in the 8/8/17 subscriber letter. It suggests that when SPY closes strong (in the top 10% of its range) but still only manages a small gain on the day, that the next day has a downside tendency. Stats are updated.

SPY closed up < 0.25% but in the top 10% of the daily range.
Buy on close. Sell next day's close. \$100k/trade. 1993 - present.

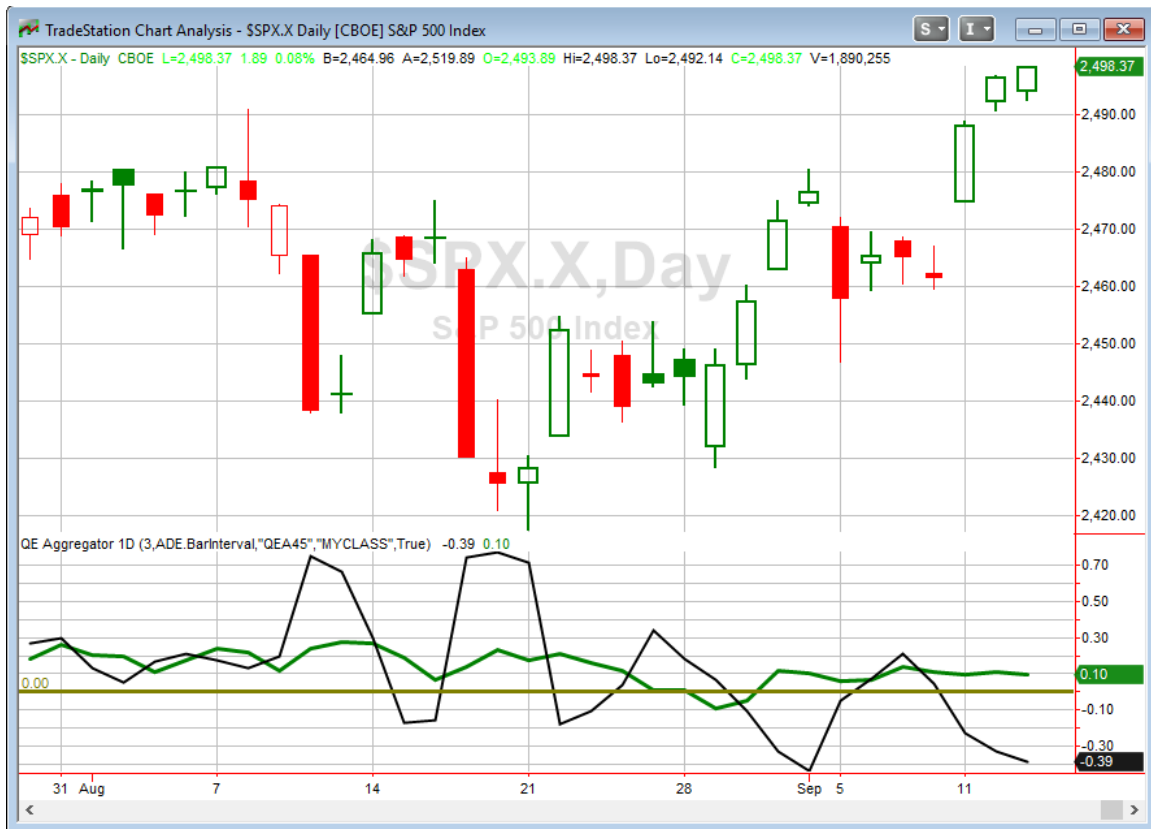
| TradeStation Performance Summary | | | | Expand ▾ |
|----------------------------------|---------------|--------------------------|--|---------------|
| All Trades | | | | |
| Total Net Profit | (\$11,172.82) | Profit Factor | | 0.50 |
| Gross Profit | \$11,119.20 | Gross Loss | | (\$22,292.02) |
| Total Number of Trades | 73 | Percent Profitable | | 38.36% |
| Winning Trades | 28 | Losing Trades | | 45 |
| Even Trades | 0 | | | |
| Avg. Trade Net Profit | (\$153.05) | Ratio Avg. Win:Avg. Loss | | 0.80 |
| Avg. Winning Trade | \$397.11 | Avg. Losing Trade | | (\$495.38) |
| Largest Winning Trade | \$1,093.35 | Largest Losing Trade | | (\$2,290.72) |

As you can see there appears to be a bit of a bearish inclination. Below is a profit curve showing how the edge has played out over time.



It appears that when the market needs to expend a fair amount of energy just to squeak out a small gain, that its lack of momentum is often followed by a swing back in the opposite direction the next day.

I have updated the Aggregator chart below.



Even with tonight's bearish study, 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 Thursday. It would take very compelling new bearish evidence to change this. The Differential Pivot will be 2496.75 on Thursday. That is just 0.1% below Wednesday's close. Therefore, SPX would only need to close down 0.1% on Thursday to move from overbought to oversold versus recent expectations.

It is not terribly surprising that the mild move up did little to change the overall outlook. I am still not interested in buying into this overbought condition, and am waiting for a more favorable reward/risk opportunity to emerge before taking on new positions. So I will wait, observe, study, and be ready to pounce when the next compelling setup arrives.

*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

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