

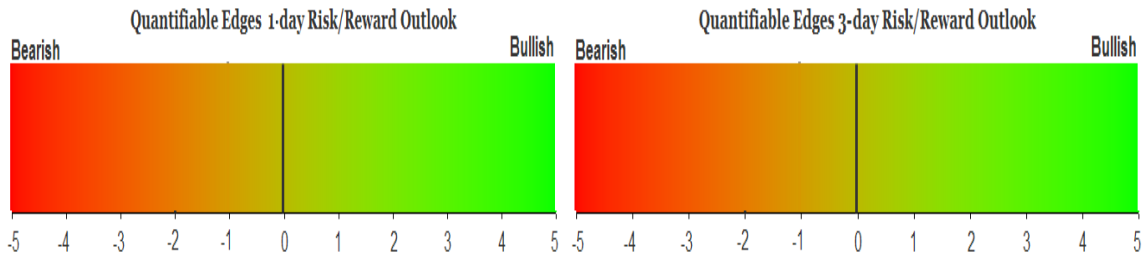
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 5, 2017

Volume 10 Issue 192

## Market Overview



## Signals Overview

|                   |                       |
|-------------------|-----------------------|
| <b>Aggregator</b> | <b>Aggressive VIX</b> |
| <b>Flat</b>       | <b>50% Long XIV</b>   |

## Tonight's Research Points

- VIX up / SPX up for the 2<sup>nd</sup> day in a row is potentially short-term bearish.

## *Short-term Outlook*

### *The Bottom Line*

Expectations are weakly positive. The market is slightly overbought. Either of these conditions could easily change on Thursday. But for now, there is not a compelling case for either direction.

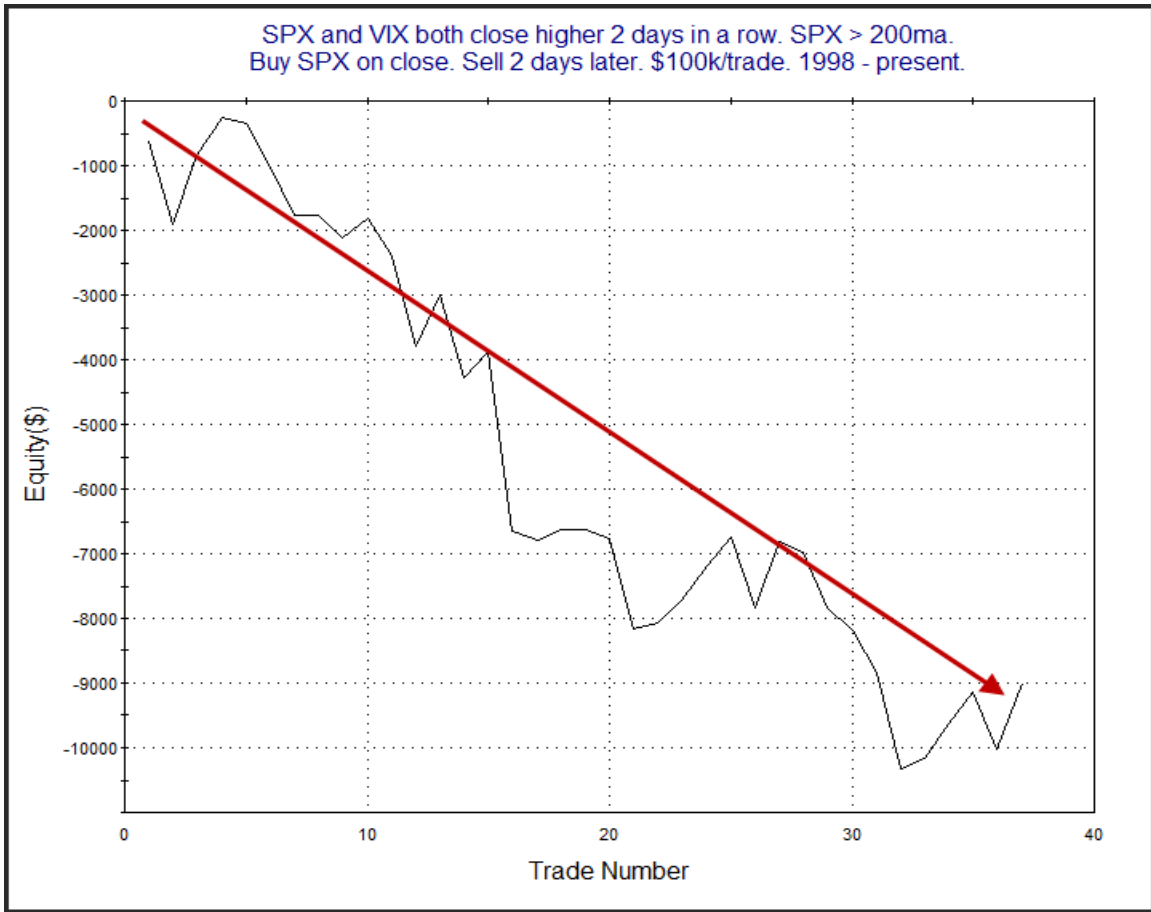
**The Evidence**

Wednesday was mixed and mild for the indices. The SPX rose 0.1%, the NASDAQ gained 0.04%, and the Russell 2000 fell 0.3%. They all made new intraday all-time highs. Breadth was a little negative as the NYSE Up Issues % was 49% and the Up Volume % came in at 48%. NYSE volume rose a little from Tuesday’s level.

It was notable that both SPX and VIX closed higher again on Wednesday. This is unusual and triggered several studies in the Quantifinder. The one below was last seen in the 8/30/16 Letter. It looked at times both SPX and VIX closed up for the 2<sup>nd</sup> day in a row while SPX was in a long-term uptrend. I have updated all the results tonight.

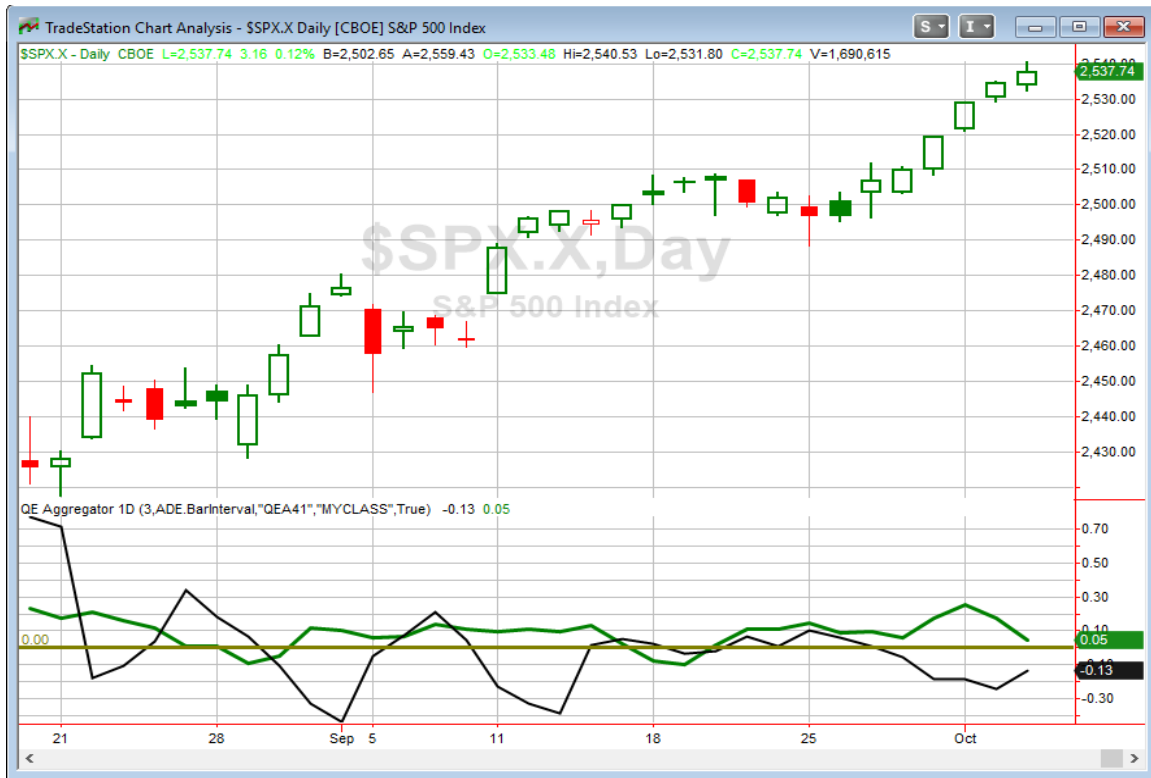
| SPX and VIX both close higher 2 days in a row. SPX > 200ma.<br>Buy SPX on close. Sell X days later. \$100k/trade. 1998 - present. |                 |                   |                     |                    |                   |                        |                        |                       |                       |                     |                   |                |
|---|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|------------------------|-----------------------|-----------------------|---------------------|-------------------|----------------|
| 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   | -8,512.54       | 36                | 21                  | 15                 | 58.33             | 824.24                 | 3,434.08               | -1,721.44             | -4,221.70             | 0.48                | 0.67              | -236.46        |
| 4   | -12,349.26      | 37                | 17                  | 20                 | 45.95             | 662.09                 | 1,907.36               | -1,180.24             | -4,240.48             | 0.56                | 0.48              | -333.76        |
| 3   | -8,341.69       | 37                | 18                  | 19                 | 48.65             | 645.79                 | 1,433.12               | -1,050.83             | -4,423.40             | 0.61                | 0.58              | -225.45        |
| 2   | -8,998.13       | 37                | 15                  | 22                 | 40.54             | 528.90                 | 1,078.48               | -769.62               | -2,752.74             | 0.69                | 0.47              | -243.19        |
| 1   | -5,261.27       | 42                | 16                  | 26                 | 38.10             | 348.76                 | 1,204.08               | -416.97               | -1,411.74             | 0.84                | 0.51              | -125.27        |

The numbers here provide the bears some hope over the next 1-2 days. I also examined the 2-day profit curve and have included that below.



That is a fairly steady downslope, especially for a study that filters out instances below the 200ma. I find this study worth consideration and have included it on the Active List.

I have updated the Aggregator chart below.



With tonight's study considered, the green Aggregator Line still remained a little above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile, the black Differential Line held 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 slightly positive on Thursday. Of course, this could easily change if compelling new bearish evidence emerges. The Differential Pivot will be *inverted* at 2541.54 on Thursday. That is 0.15% *above* Wednesday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case, SPX is going to need to close up at least 0.15% in order to remain "overbought" vs recent expectations. Anything less than that and it will be considered "oversold" vs expectations as of Thursday's close.

There is a lot of uncertainty in the forecast right now. The Aggregator is neutral. The Differential Pivot is inverted, so SPX could actually turn "oversold" even with a slight up close (and a new all-time closing high) on Thursday. Expectations are just barely positive. And the market still appears too strong to short and too overbought to buy. So I will again remained sidelined awaiting a more favorable reward/risk opportunity to emerge.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 10/2– slightly bullish*

**Catapult and Capitulative Breadth Statistics**

*[Catapult & CBI Presentation Link](#)*

***Open Catapult Triggers***

KHC @ \$77.52 (bought @ limit)

***Broad Market Large Cap CBI – 1(KHC)***

**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    |
|----------|------------|-------------|---------------|-------------|------|----------|
| KHC(1/3) | 9/25/2017  | \$77.52     | \$77.77       | 0.32%       |      | Catapult |
|          |            |             |               |             |      |          |
|          |            |             |               |             |      |          |
|          |            |             |               |             |      |          |

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