

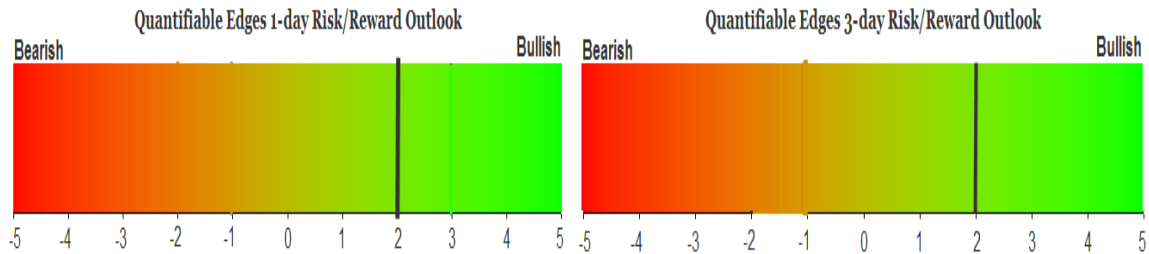
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 11, 2017

Volume 10 Issue 196

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Long	100% Long XIV

Tonight's Research Points

- Persistency like the Russell 2000 is showing has been rare this century.

Short-term Outlook

The Bottom Line

The Aggregator is still bullish, but I am in search of a lower-risk entry point.

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						
	3 higher Hi Low Close. Lower close only	1-4 days	Bullish	1.40%	-0.70%	-1.40%
October 9, 2017	5 up & 50-high, then 1 down	1-4 days	Bullish	1.15%	-0.80%	-1.60%
October 6, 2017	Up 6 days. High 50. Big up today.	1-4 days	Bullish			
Active - Long Term						
October 9, 2017	5 up & 50-high, then 1 down	1-10 days	Bullish	1.90%	-1.00%	-2.20%
October 4, 2017	RSI(2) crosses over 99	1-15 days	Bullish	2.30%	-1.40%	-2.70%
October 2, 2017	NASDAQ leading	int term	Bullish			
October 2, 2017	SOMA reduction begins	int term	Bearish			
September 19, 2017	SPX breaks 50-day Upper Bollinger Band	1-50 days	Bullish	4.85%	-4.10%	-7.80%
April 26, 2016	Golden Cross	int term	Bullish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			

The Evidence

Monday was a day of mild gains The SPX finished up 0.2%, the NASDAQ rose 0.1%, and the Russell 2000 rallied 0.3%. Breadth was positive as the NYSE Up Issues % was 65% and the Up Volume % came in at 61%. NYSE volume rose some from Monday's very low level.

The persistency of the move higher remains impressive. For instance, the Russell has now finished in the top 20% of its moving 10-day range for 22 trading days in a row. That is over a month. I looked back at other times this has happened. Results are below.

Russell 2000 close in top 20% of 10-day range for 22nd day in a row. Buy on close. Sell X days later. \$100k/trade. 1987 - 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	8,792.50	8	7	1	87.50	1,272.84	2,264.95	-117.40	-117.40	10.84	75.89	1,099.06
4	6,182.39	8	7	1	87.50	978.80	1,746.00	-669.18	-669.18	1.46	10.24	772.80
3	2,999.18	8	5	3	62.50	981.09	1,765.40	-635.42	-843.78	1.54	2.57	374.90
2	2,446.58	8	6	2	75.00	597.40	1,236.75	-568.92	-885.43	1.05	3.15	305.82
1	2,511.76	8	5	3	62.50	578.14	824.50	-126.32	-187.84	4.58	7.63	313.97

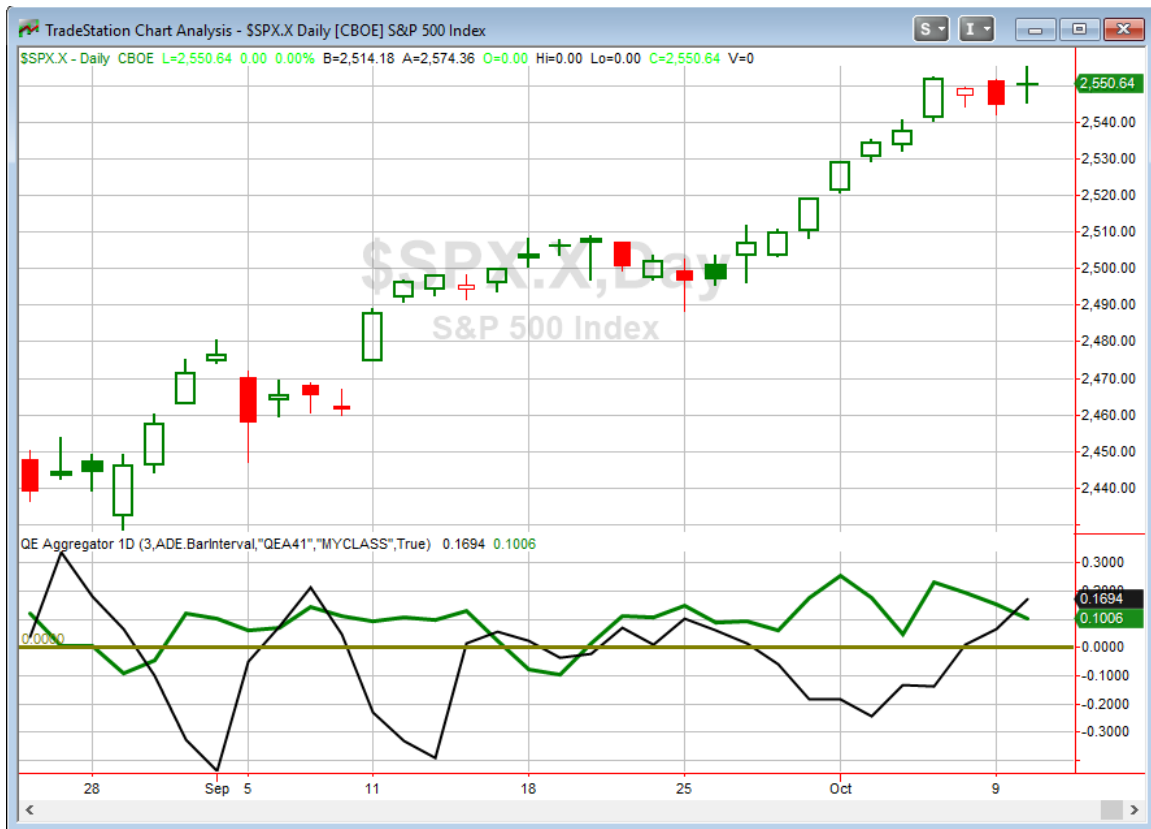
This suggests that the kind of persistency we are currently seeing has most often led to further gains in the coming days. Below is a list of all the instances.

Russell 2000 close in top 20% of 10-day range for 22nd day in a row.
Buy on close. Sell 5 days later. \$100k/trade. 1987 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
5/2/1989	Buy	\$164.55	0.46%	\$1,007.62
5/9/1989	Sell	\$165.31		(\$24.28)
6/5/1990	Buy	\$170.23	-0.12%	\$35.22
6/12/1990	Sell	\$170.03		(\$1,068.34)
2/15/1991	Buy	\$156.83	1.03%	\$1,516.06
2/25/1991	Sell	\$158.44		(\$993.72)
11/17/1992	Buy	\$206.13	2.27%	\$2,298.90
11/24/1992	Sell	\$210.80		(\$4.85)
8/30/1993	Buy	\$244.82	0.53%	\$1,595.28
9/7/1993	Sell	\$246.12		\$0.00
5/30/1997	Buy	\$380.76	1.67%	\$1,689.90
6/6/1997	Sell	\$387.13		(\$44.54)
9/24/1997	Buy	\$448.58	1.36%	\$1,489.62
10/1/1997	Sell	\$454.69		(\$248.64)
3/16/2010	Buy	\$679.51	1.60%	\$1,666.98
3/23/2010	Sell	\$690.41		(\$1,766.94)

It is an impressive list, with the only loser being very small. But with only 1 instance since 2000, I have decided not to include it on the Active List of studies for tonight. Still, it does underline the fact that the Russell's move is quite impressive and it is showing persistency that has rarely been seen since the 90s.

I have updated the Aggregator chart below.



With tonight's evidence considered, the green Aggregator Line remained 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 above 0. The positive Differential Line reading means SPX is "oversold" versus recent expectations. So expectations are positive but 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 stayed long 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 2561.33 on Wednesday. That is 0.4% above Tuesday's close. Therefore, SPX would need to close up at least 0.4% in order to move from oversold to overbought versus expectations on Wednesday.

While persistency says the move is likely to continue, and the Aggregator is in a bullish formation, I still do not love reward/risk with the market so extended. Personally, an entry at this point feels like simply losing patience and chasing the market higher. So while the bulls still appear to have the advantage, it does not appear strong enough to me to warrant jumping into new positions with the SPX already near the top of its range.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/9– somewhat 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. The trade idea from last night did not receive a fill and is cancelled.

Current Open Trade Ideas

None.

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