

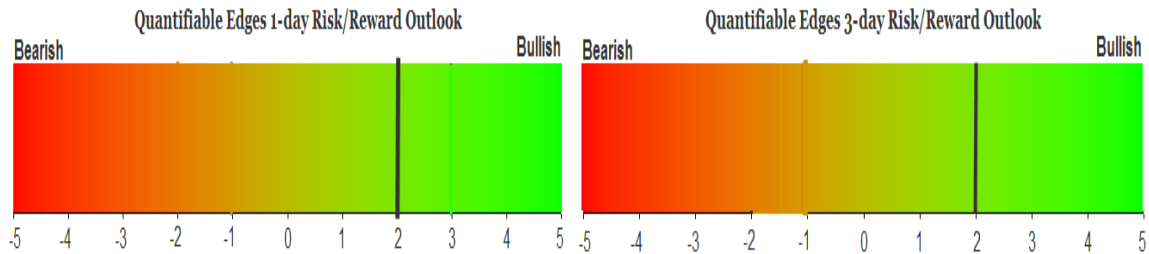
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 12, 2017

Volume 10 Issue 197

## Market Overview



## Signals Overview

<b>Aggregator</b>	<b>Aggressive VIX</b>
<b>Long</b>	<b>100% Long XIV</b>

## 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*

Like last night, 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
<b>Active - Short Term</b>						
October 12, 2017	SPY up < 0.25%. Top 10% daily range/	1 day	Bearish			
October 9, 2017	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%
<b>Active - Long Term</b>						
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			

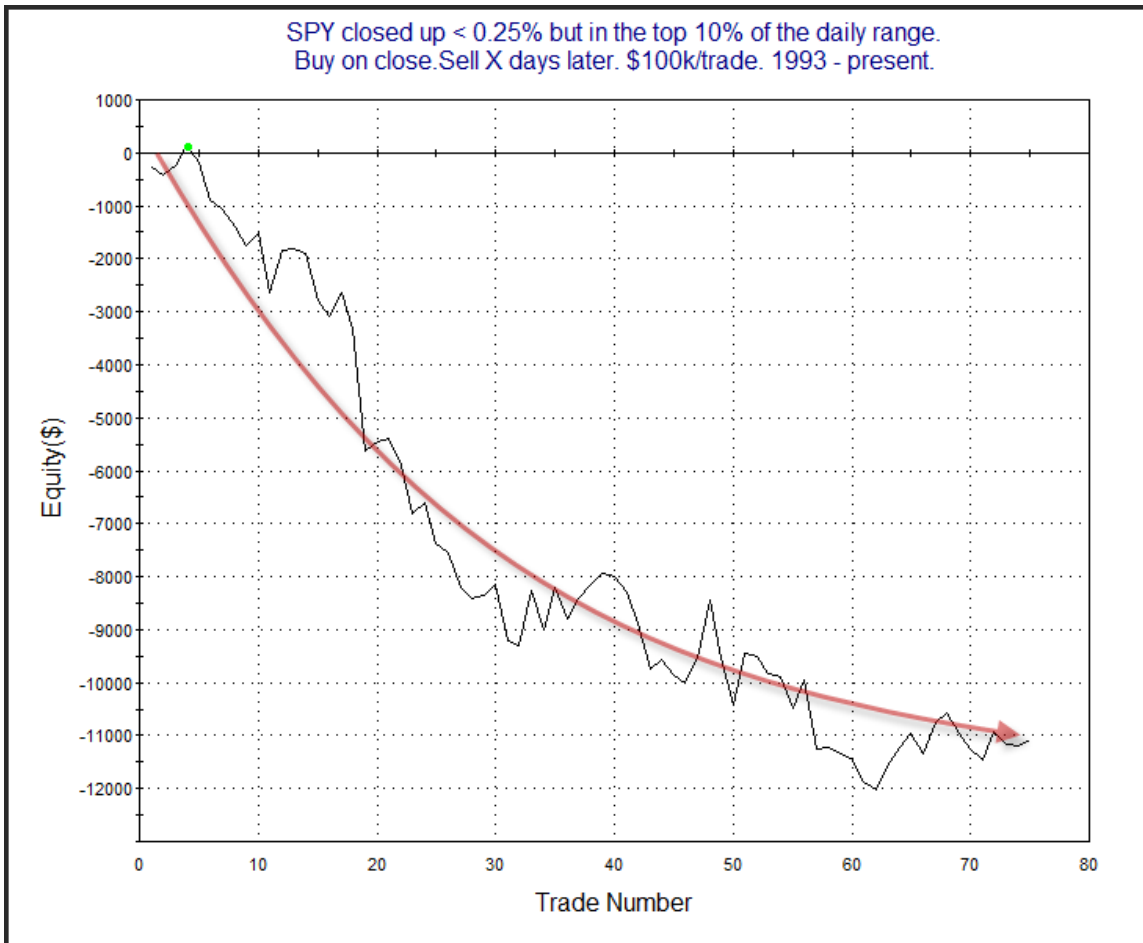
**The Evidence**

Wednesday was mixed and somewhat mild. The SPX finished up 0.2%, the NASDAQ rose 0.25%, and the Russell 2000 dipped 0.1%. Breadth was positive as the NYSE Up Issues % was 59% and the Up Volume % came in at 53%. 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 10/4/17 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.

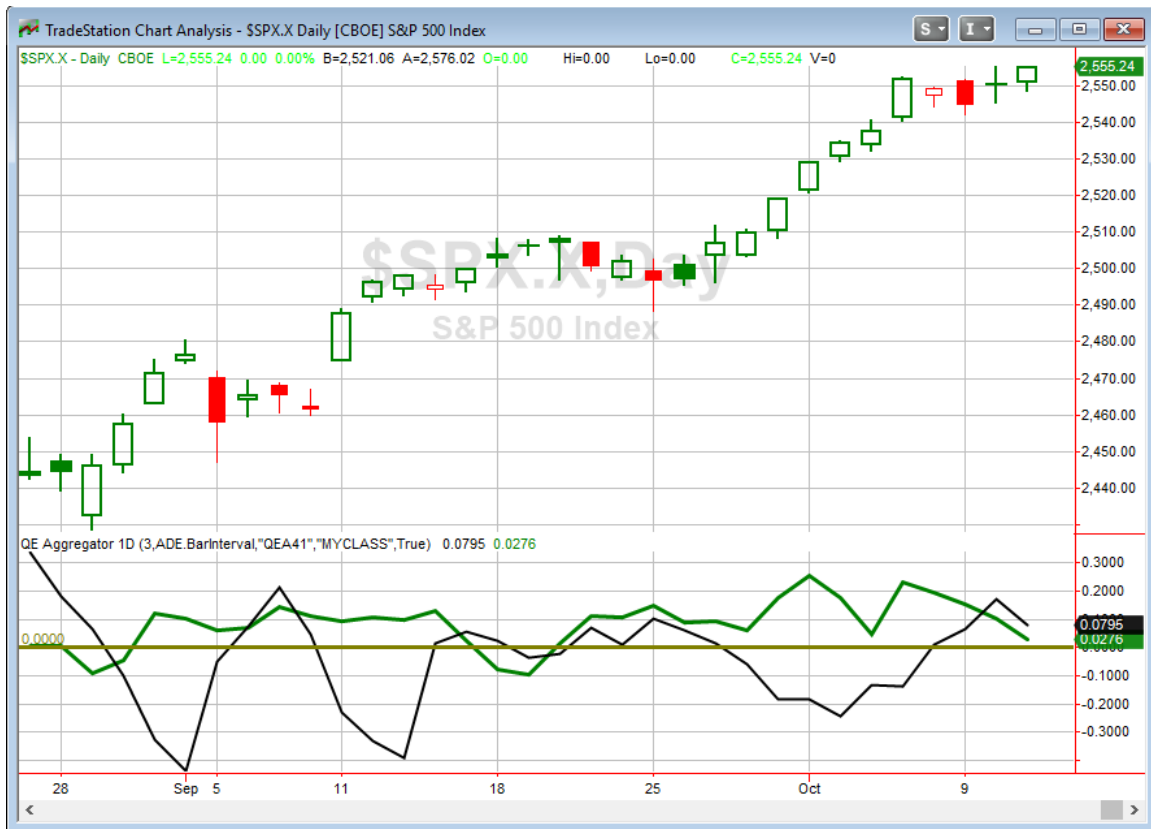
SPY closed up < 0.25% but in the top 10% of the daily range. Buy on close. Sell X days later. \$100k/trade. 1993 - present.			
TradeStation Performance Summary			Expand ▾
All Trades			
Total Net Profit	(\$11,086.24)	Profit Factor	0.50
Gross Profit	\$11,237.70	Gross Loss	(\$22,323.94)
Total Number of Trades	75	Percent Profitable	38.67%
Winning Trades	29	Losing Trades	46
Even Trades	0		
Avg. Trade Net Profit	(\$147.82)	Ratio Avg. Win:Avg. Loss	0.80
Avg. Winning Trade	\$387.51	Avg. Losing Trade	(\$485.30)
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 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 Thursday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2559.42 on Thursday. That is 0.2% above Wednesday's close. Therefore, SPX would need to close up at least 0.2% in order to move from oversold to overbought versus expectations on Thursday.

Even with SPX at all-time highs, there still appears to be a bit of a short-term bullish edge. I probably should have gotten in a few days ago, but I wanted a little more of a pullback and felt reward/risk was not great. I don't think reward/risk is any better now. I am not inclined to chase a market that is already at new highs. So I will continue to wait for more favorable reward/risk before looking to take on new exposure.

*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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