

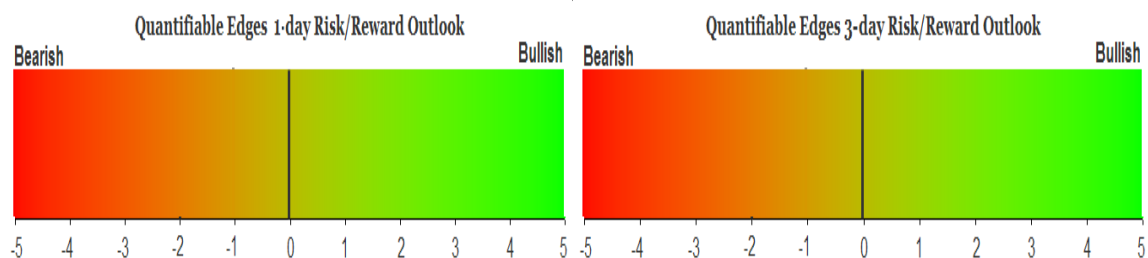
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 19, 2017

Volume 10 Issue 202

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- SPY's strong (unfilled) gap up, high volume and close below the open appears to be bullish for the next few days.

## *Short-term Outlook*

### *The Bottom Line*

Expectations remain bullish, but the market is persistently overbought. I am not inclined to take on new index exposure until this changes.

*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 19, 2017	Unfill up. 20-high. Close < open.	1-3 days	Bullish			
October 18, 2017	VIX up 2.5%. SPX 50-day high.	1-2 days	Bearish			
October 17, 2017	RUT down 3 days. SPX 3-day high	1-4 days	Bullish			
October 16, 2017	October Opex Week Bullish	1-4 days	Bullish	1.80%	-1.30%	-2.80%
<b>Active - Long Term</b>						
October 17, 2017	RUT down 3 days. SPX 3-day high	1-10 days	Bullish			
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			

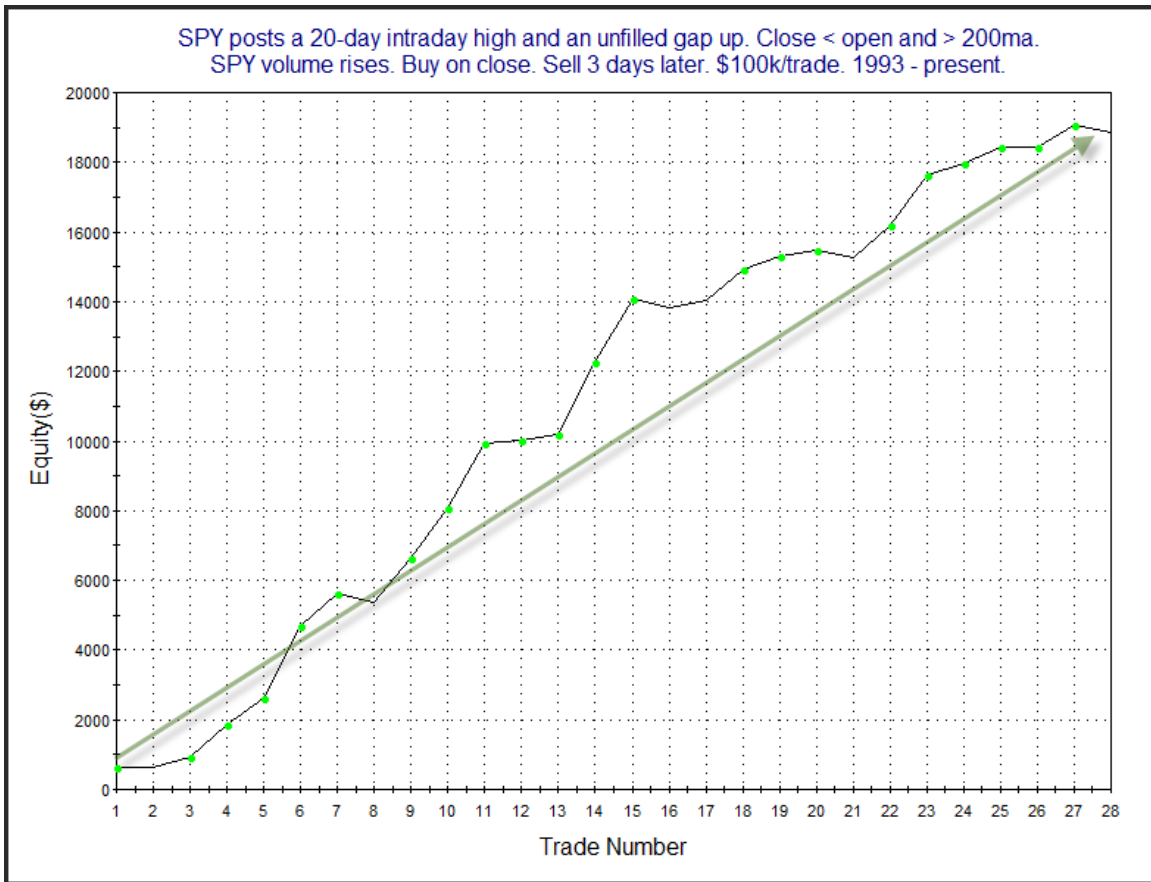
**The Evidence**

Wednesday's action was again a tight range and mild change. For the 2<sup>nd</sup> day in a row, SPY's 5-day and 10-day ATRs on a % basis came it at the lowest level ever. The SPX finished up 0.1%, the NASDAQ inched up 0.01%, and the Russell 2000 gained 0.5%. Breadth was mixed as the NYSE Up Issues % was 52% and the Up Volume % came in at 49%. NYSE volume declined some from Tuesday's level.

The price and volume action in SPY on Wednesday triggered a study from the 7/26/17 letter. It considered the fact that while the market opened strong and held its morning gap on rising SPY volume, it failed to add to its morning gains by the end of the day. This failure to add to the gains during the day may sound discouraging, but it has actually been a bullish sign in the past. Below is an updated version of the study.

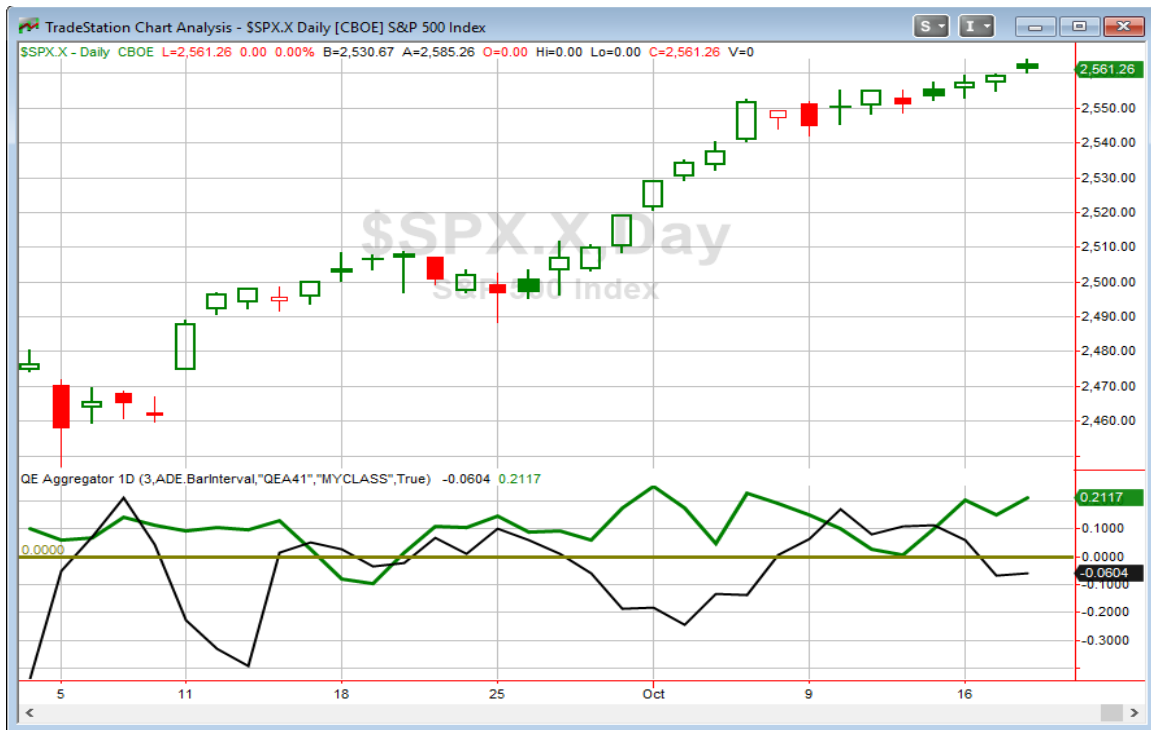
SPY posts a 20-day intraday high and an unfilled gap up. Close < open and > 200ma. SPY volume rises. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	28,065.45	26	16	10	61.54	2,261.22	3,751.11	-811.40	-2,117.20	2.79	4.46	1,079.44
9	22,388.35	26	20	6	76.92	1,449.43	3,384.84	-1,100.05	-1,837.44	1.32	4.39	861.09
8	20,204.18	26	18	7	69.23	1,478.16	3,352.48	-914.66	-1,581.20	1.62	4.16	777.08
7	19,599.02	26	17	9	65.38	1,604.44	3,310.89	-852.94	-1,451.12	1.88	3.55	753.81
6	20,525.26	26	19	7	73.08	1,427.35	3,008.79	-942.06	-2,000.96	1.52	4.11	789.43
5	15,352.58	27	15	12	55.56	1,357.77	3,754.17	-417.83	-1,879.20	3.25	4.06	568.61
4	17,654.61	27	22	5	81.48	877.24	3,436.02	-328.94	-628.68	2.67	11.73	653.87
3	18,845.51	28	23	4	82.14	859.65	2,056.39	-231.61	-252.60	3.71	21.34	673.05
2	12,910.65	29	20	9	68.97	804.63	1,998.70	-353.56	-926.12	2.28	5.06	445.19
1	9,015.38	29	23	6	79.31	458.25	1,708.92	-254.05	-479.96	1.80	6.91	310.88
<b>28 of 29 instances (97%) closed above the entry price at some point in the next 3 days.</b>												

The stats here all point strongly to the bulls for the short-term. Below is a profit curve.



The strong, steady upslope appears to confirm the bullish edge.

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 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 list of 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 *inverted* at 2565.63 on Thursday. That is 0.2% *above* Wednesday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case, SPX will need to close up at least 0.2% in order to remain overbought. Anything less than that and it will be considered "oversold" vs expectations as of Thursday's close.

With the Aggregator again neutral I do not have any interest in taking on new index exposure. Things appear to be setting up for a possible long formation if SPX declines or fails to rise much on Thursday. I am unlikely to rush into anything even if that happens. SPY has been persistently overbought. It has now closed in the top 20% of its moving 10-day range for 16 days in a row. I would like to see something more substantial than a mild 1-day pullback at this point before considering a long position. So I am sidelined tonight, and probably tomorrow night as well.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 10/16– 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.**

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
C(1/3)	10/16/2017	\$71.38	\$73.12	2.44%		<i>sell on open</i>

C reached its exit target. It will be sold at the open on Thursday.

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.