

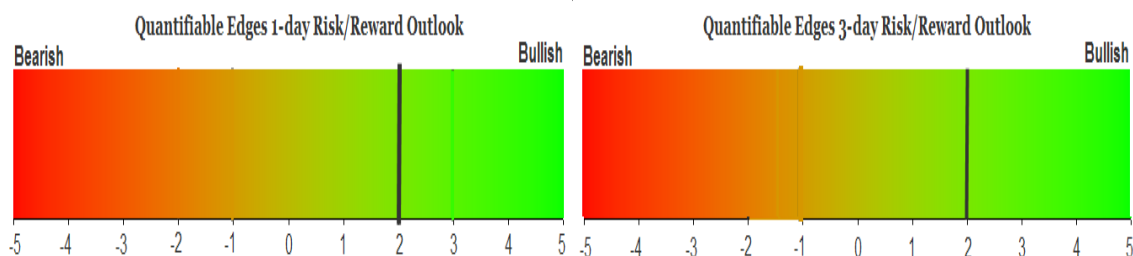
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 25, 2017

Volume 10 Issue 206

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Long	100% Long XIV

Tonight's Research Points

- VIX up / SPX up is a bearish setup during long-term downtrends, but during uptrends it is not terribly predictive.

Short-term Outlook

The Bottom Line

Same as last night. There appears to be a bit of an upside edge. But with the market overdone to the upside I am waiting for a pullback before considering long index positions.

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						
October 24, 2017	5up to 50-high. 1 down day.	1-4 days	Bullish			
October 24, 2017	SPX 20-high then clos bottom 10% rng	1-8 days	Bullish			
October 23, 2017	SPX up 6 days, 50-high. Large gain 2day	1-4 days	Bullish			
Active - Long Term						
October 24, 2017	SPX 20-high. NDX big drop	1-50 days	Bullish	6.30%	-2.80%	-5.50%
October 17, 2017	RUT down 3 days. SPX 3-day high	1-10 days	Bullish			
October 4, 2017	RSI(2) crosses over 99	1-15 days	Bullish	2.30%	-1.40%	-2.70%
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

Tuesday saw the market post some gains. The SPX, NASDAQ and Russell all finished up 0.2%. Breadth was positive as the NYSE Up Issues % was 54% and the Up Volume % came in at 57%. NYSE volume rose some from Monday's level.

Another index that closed up today was the VIX. As many readers are likely aware, VIX is a volatility index. Typically, VIX will trade counter to the SPX. So if SPX rises, VIX will sink and if SPX falls, VIX will most often rise. There are some calculation-induced tendencies around the weekend, so often when I show studies on VIX I will break them down by day of the week. In the 10/13/16 Subscriber Letter I studied other mid-week occurrences of SPX and VIX both closing higher. I found that the long-term trend played a big part in the short-term reaction to this setup. First I'll show VIX up & SPX up when the market is below the 200ma.

SPX and VIX both close higher on a Tues, Wed, or Thurs. Close < 200ma. 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	-33,422.08	32	11	21	34.38	1,963.44	5,674.40	-2,620.00	-7,204.80	0.75	0.39	-1,044.44
4	-54,340.20	33	9	24	27.27	1,485.96	3,696.70	-2,821.41	-7,745.95	0.53	0.20	-1,646.67
3	-38,619.49	33	10	23	30.30	1,389.71	2,766.72	-2,283.33	-5,299.32	0.61	0.26	-1,170.29
2	-30,178.76	34	11	23	32.35	1,649.21	3,181.60	-2,100.87	-6,672.34	0.79	0.38	-887.61
1	-11,888.41	36	17	19	47.22	1,036.55	3,644.16	-1,553.14	-3,035.25	0.67	0.60	-330.23

This obviously seems to suggest a downside edge.

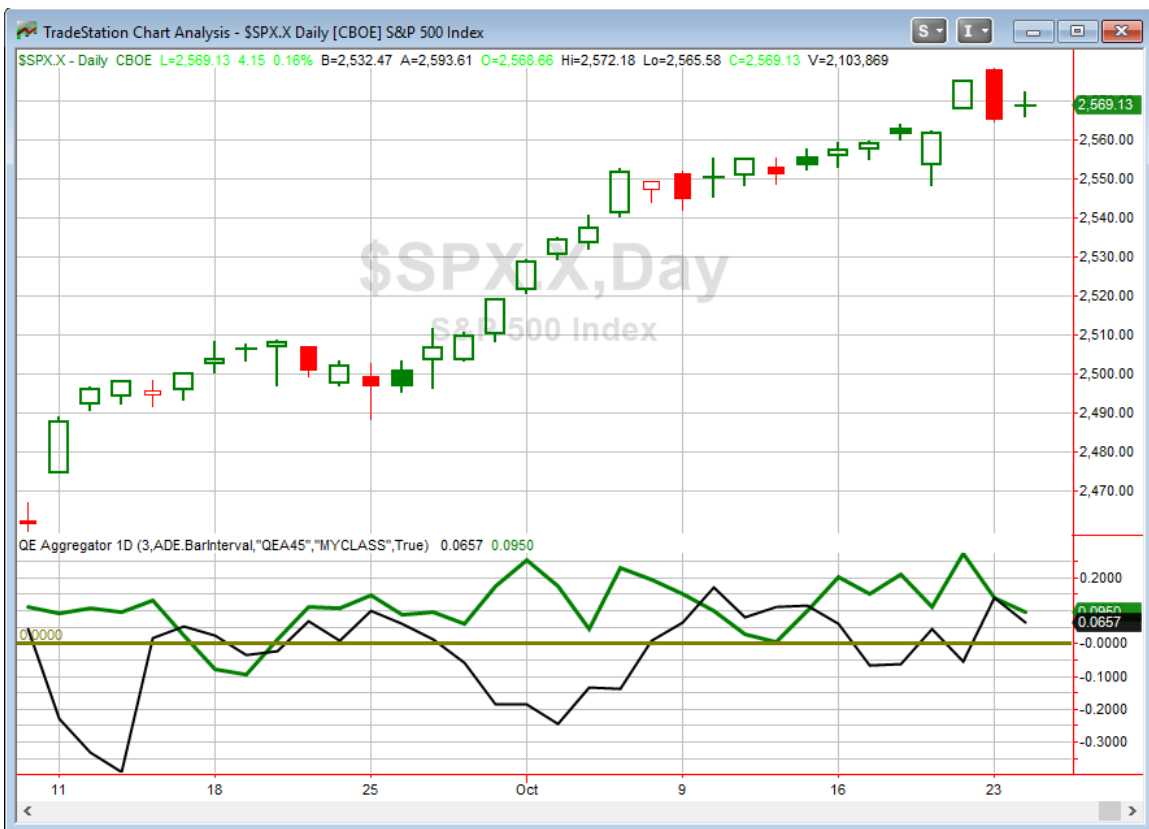
Now let's look at occurrences above the 200ma.

SPX and VIX both close higher on a Tues, Wed or Thurs. Close > 200ma.
Buy 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	6,762.22	167	94	73	56.29	1,004.76	3,549.70	-1,201.17	-4,171.80	0.84	1.08	40.49
4	-59.56	178	98	80	55.06	895.24	3,154.00	-1,097.41	-4,354.72	0.82	1.00	-0.33
3	-11,623.03	184	99	85	53.80	748.74	3,288.60	-1,008.81	-3,671.32	0.74	0.86	-63.17
2	-1,507.94	192	95	97	49.48	662.00	3,962.70	-663.90	-2,848.17	1.00	0.98	-7.85
1	-10,805.83	209	101	108	48.33	453.46	1,970.50	-524.12	-2,079.70	0.87	0.81	-51.70

No strong edge here. This is the kind of situation the market is currently dealing with. So while this is all interesting to me, it isn't terribly predictive today. And nothing else emerged with compelling odds, so I will not be adding any studies to the Active List tonight.

I have updated the Aggregator chart below.



Without any new evidence emerging tonight, 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 and 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 list of active studies, expectations are set to remain positive on Wednesday. It would take some compelling bearish evidence to change this. The Differential Pivot will be 2590.55 on Wednesday. That is 0.8% above Tuesday's close. So SPX would need to close up at least 0.8% on Wednesday in order to flip from oversold to overbought vs expectations.

Nothing occurred on Tuesday to change my outlook. Evidence is still pointing higher, but the run is overdone and overdue for a pullback. I am waiting for that to happen before taking on any new index exposure.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/23– neutral

The intermediate-term outlook was last updated in the 10/23 Letter. It can be found in the most recent weekly letter on the website.

<http://quantifiableedges.com/current-weekly-letter/>

Catapult and Capitulative Breadth Statistics

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

Open Catapult Triggers

HAL @ \$43.42 (bought 1/3 @ limit)

HAL @ \$43.33 (bought 1/3 @ limit)

Broad Market Large Cap CBI – 2(HAL-2)

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)	10/20/2017	\$76.47	\$77.22	0.98%		<i>sell on open</i>
HAL(1/3)	10/20/2017	\$43.42	\$41.37	-4.72%		Catapult
HAL(1/3)	10/23/2017	\$42.51	\$41.37	-2.68%		Catapult

KHC reached its exit target and will be sold at the open.

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