

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 7, 2017

Volume 10 Issue 215

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Flat	50% Long XIV

Tonight's Research Points

- A rising VIX at a 50-day SPX high (on the first day of the week) suggests a pullback.

Short-term Outlook

The Bottom Line

Evidence is weak and the Aggregator is neutral. I do not see a strong directional edge for the next few days.

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						
November 7, 2017	VIX up. SPX 50-high. Monday	1-2 days	Bearish			
Active - Long Term						
October 24, 2017	SPX 20-high. NDX big drop	1-50 days	Bullish	6.30%	-2.80%	-5.50%
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			

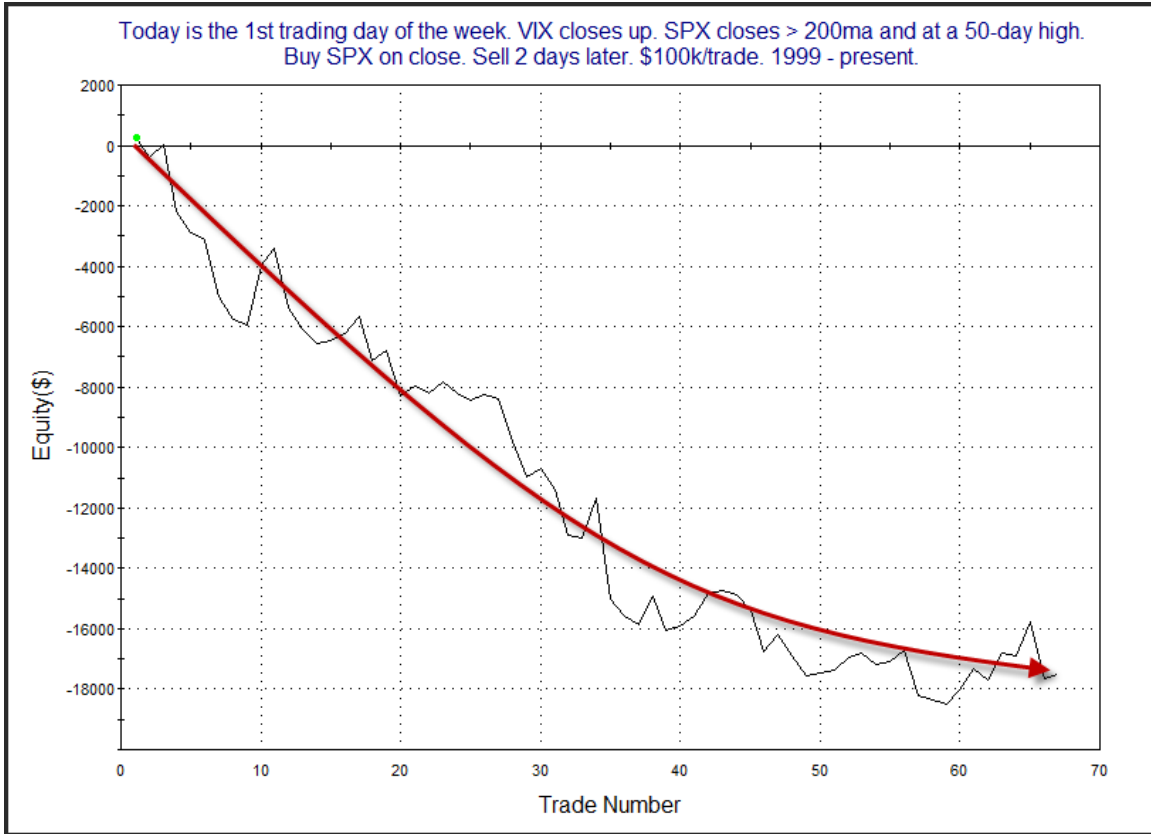
The Evidence

The market posted mild gains on Monday. The SPX rose 0.1%, the NASDAQ gained 0.3% and Russell 2000 climbed 0.2%. Breadth was positive as the NYSE Up Issues % was 58% and the Up Volume % came in at 61%. NYSE volume rose some from Friday's level.

While the SPX closed up the VIX also rose. Most often they trade opposite each other, so this kind of action is somewhat unusual. But VIX has a tendency to decline going into the weekend (Friday afternoons), and then rise when it returns from the weekend. So to see this action on the first trading day of the week is less unusual than at any other time. Still, combined with the SPX 50-day high, it has been often followed by a dip in the next few days. This can be seen in the study below, which was last seen in the 10/17/16 letter. Results are all updated.

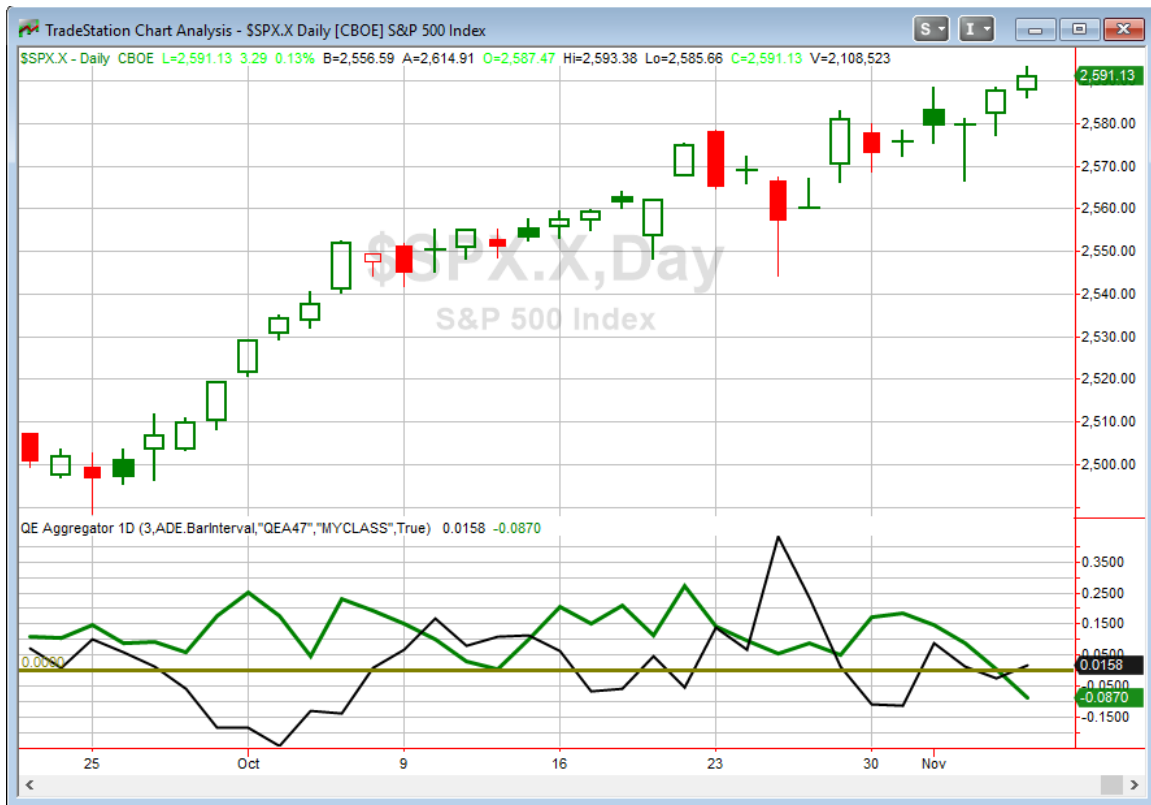
Today is the 1st trading day of the week. VIX closes up. SPX closes > 200ma and at a 50-day high. Buy SPX on close. Sell X days later. \$100k/trade. 1999 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-12,298.39	61	29	32	47.54	1,067.79	3,260.25	-1,352.01	-5,048.68	0.79	0.72	-201.61
4	-6,334.89	67	33	34	49.25	910.97	2,953.65	-1,070.49	-4,271.52	0.85	0.83	-94.55
3	-8,674.25	67	32	35	47.76	708.79	2,641.80	-895.87	-3,887.84	0.79	0.72	-129.47
2	-17,489.14	67	30	37	44.78	478.64	1,981.72	-860.77	-3,372.16	0.56	0.45	-261.03
1	-7,356.44	67	25	42	37.31	326.95	769.70	-369.77	-1,580.04	0.88	0.53	-109.80

Results here appear fairly bearish. Below is a profit curve that assumes a 2-day exit strategy.



The profit curve has flattened out a bit lately, but the downward edge still appears intact. This study seems worthy of consideration and I have included it on the Active List.

I have updated the Aggregator chart below.



With tonight's study considered, the green Aggregator Line dipped below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile, the black Differential Line inched above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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 slated to remain negative on Tuesday. Of course, this could easily change if new bullish evidence emerges. The Differential Pivot will be *inverted* at 2590.71 on Tuesday. That is less than ½ point below Monday'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 down some in order to remain oversold versus expectations. Anything shy of that and it will be considered "overbought" at the close on Tuesday as measured by the differential.

Of course the only way SPX could be considered "oversold" is in comparison to expectations over the last few days. This means that it rose, but not as much as the studies suggested. Still, with the Aggregator neutral, I do not see a strong edge to look to take advantage of. And while short-term expectations are bearish, evidence is still pretty light. I remain in "wait and see" mode from an index standpoint.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/6– somewhat bullish

The intermediate-term outlook was last updated in the 11/6 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

PM @ \$103.75 (bought 1/3 @ limit)

PM @ \$102.80 (buy 1/3 @ limit)

PM @ \$102.66 (buy 1/3 @ limit)

MON @ \$119.87 (buy 1/3 @ limit)

Broad Market Large Cap CBI – 4(PM-3, MON)

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
CELG(1/3)	10/27/2017	\$99.64	\$101.64	2.01%		<i>sell on open</i>
CVX(1/3)	10/30/2017	\$113.17	\$117.04	3.42%		<i>sell on open</i>
<i>LLY(1/3)</i>	<i>10/31/2017</i>	<i>\$82.65</i>	<i>\$83.29</i>	<i>0.77%</i>		<i>sold on open</i>
<i>ABT(1/3)</i>	<i>11/1/2017</i>	<i>\$53.89</i>	<i>\$55.32</i>	<i>2.65%</i>		<i>sold on open</i>
<i>ABT(1/3)</i>	<i>11/2/2017</i>	<i>\$54.00</i>	<i>\$55.32</i>	<i>2.44%</i>		<i>sold on open</i>
PM(1/3)	11/2/2017	\$103.71	\$102.14	-1.51%		Catapult
PM(1/3)	11/3/2017	\$103.00	\$102.14	-0.83%		Catapult
PM(1/3)	11/6/2017	\$102.62	\$102.14	-0.47%		Catapult
MON(1/3)	11/6/2017	\$119.87	\$119.53	-0.28%		Catapult

CELG and CVX reached their exit triggers and will be closed out at the open on Tuesday.

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