

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 8, 2017

Volume 10 Issue 216

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Long	100% Long XIV

Tonight's Research Points

- 5 days higher to a 50-day high rarely sees the move up end abruptly.

Short-term Outlook

The Bottom Line

The Aggregator is in a bullish formation, but it is a very weak signal. I would prefer to see a further pullback before putting much faith in 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						
November 8, 2017	5 higher 50-day, 1 day down	1-4 days	Bullish			
November 7, 2017	VIX up. SPX 50-high. Monday	1-2 days	Bearish			
Active - Long Term						
November 8, 2017	5 higher 50-day, 1 day down	1-10 days	Bullish			
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			

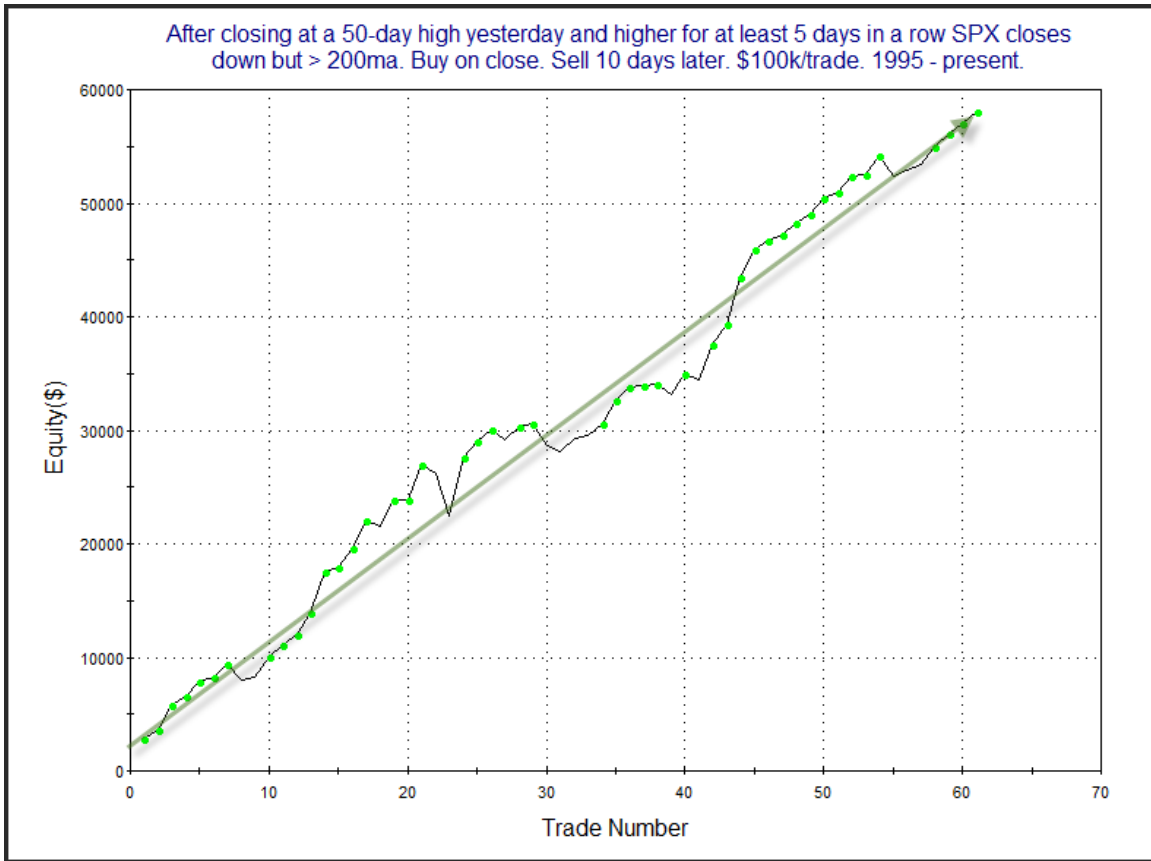
The Evidence

The market was mostly lower on Tuesday. The SPX declined 0.02%, the NASDAQ lost 0.3% and Russell 2000 dropped 1.3%. Breadth was negative as the NYSE Up Issues % was 41.2% and the Up Volume % came in at 40.8%. NYSE volume rose some from Monday's level.

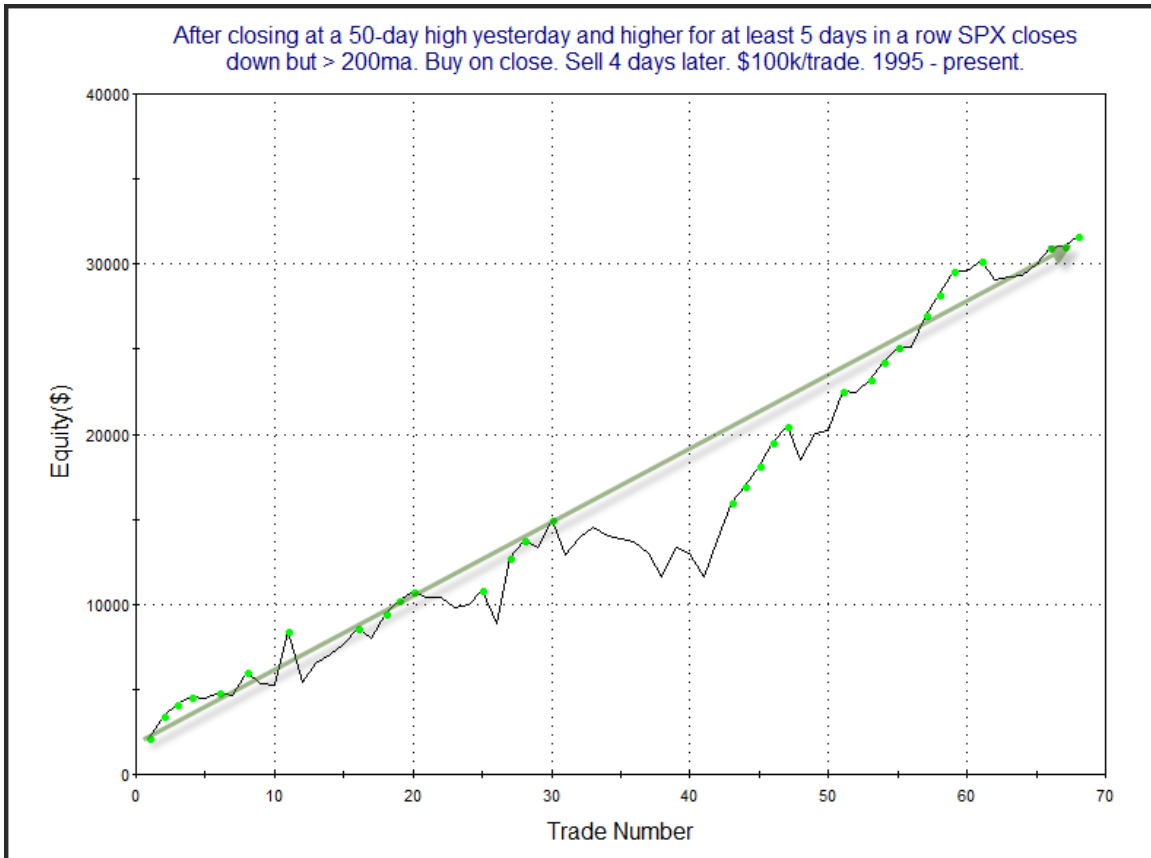
One compelling study that triggered tonight suggested the recent persistent upmove is unlikely to abruptly end. (This is a theme we have seen many times over the years.) It considers what happens after the market moves up at least 5 days in a row to a 50-day high, and then pulls back. It was last seen recently in the 10/24/17 Letter. I have updated the stats in the table below.

After closing at a 50-day high yesterday and higher for at least 5 days in a row SPX closes down but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - 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	58,072.92	61	51	10	83.61	1,392.13	5,131.35	-1,292.59	-3,672.90	1.08	5.49	952.02
9	57,286.35	64	53	11	82.81	1,367.28	5,023.20	-1,379.97	-4,151.40	0.99	4.77	895.10
8	49,938.99	65	47	18	72.31	1,538.11	4,878.08	-1,241.79	-4,874.10	1.24	3.23	768.29
7	38,088.73	66	46	20	69.70	1,380.01	3,874.76	-1,269.59	-3,912.48	1.09	2.50	577.10
6	38,396.53	68	48	20	70.59	1,265.87	4,307.20	-1,118.27	-3,637.71	1.13	2.72	564.65
5	29,641.23	68	44	24	64.71	1,107.60	4,252.50	-795.56	-2,466.75	1.39	2.55	435.90
4	31,637.54	68	44	24	64.71	1,128.18	3,843.00	-750.09	-3,003.39	1.50	2.76	465.26
3	19,957.79	68	44	24	64.71	862.44	2,472.85	-749.57	-1,992.34	1.15	2.11	293.50
2	18,414.25	68	47	21	69.12	727.74	2,437.50	-751.87	-2,614.95	0.97	2.17	270.80
1	10,631.28	68	44	23	64.71	503.08	1,751.19	-500.18	-1,744.10	1.01	1.92	156.34

We see here a decent edge that becomes stronger and more consistent as you look out over the next several days. The 9-10 day time frame shows exceptional stats. The 4-day timeframe suggests a short-term boost is also likely. Let's take a look below at both the 10-day and 4-day exit profit curves. First, the 10 day:

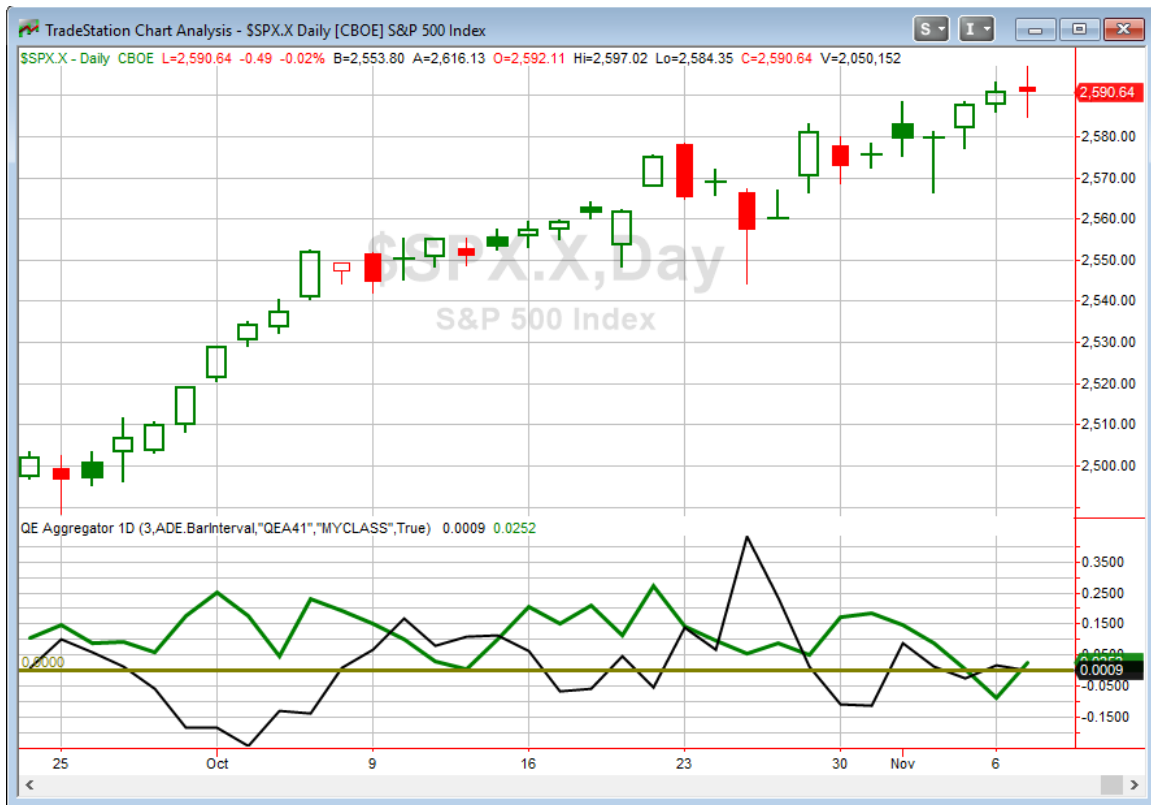


The strong upslope appears to confirm the bullish edge. Next let's look at the 2-day curve.



Results are choppier. But even with more whipsaws this one appears worthy of consideration. I have included this study on both the short-term and intermediate-term active lists.

I have updated the Aggregator chart below.



With tonight's study considered, the green Aggregator Line inched back 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 just barely 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 turned long at the close.

Based on the current list of active studies, expectations are slated to remain positive on Wednesday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2594.06 on Wednesday. That 0.1% above Tuesday's close. So SPX will only need to close up 0.1% in order to move from oversold to overbought vs expectations.

The two lines being so close to zero do not inspire great confidence. And neither does the small amount of evidence I am seeing. And despite SPX being oversold vs expectations, most every other measure would view it as overbought, since it is only down slightly from all-time highs. So I am still not getting excited about taking on new index positions. Give me a bit more selling and I may look to get long. I would prefer to see a close below the 10ma before getting too enthused. For now...more patience.

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
<i>CELG(1/3)</i>	<i>10/27/2017</i>	<i>\$99.64</i>	<i>\$101.51</i>	<i>1.88%</i>		<i>sold on open</i>
<i>CVX(1/3)</i>	<i>10/30/2017</i>	<i>\$113.17</i>	<i>\$117.38</i>	<i>3.72%</i>		<i>sold on open</i>
PM(1/3)	11/2/2017	\$103.71	\$103.02	-0.67%		Catapult
PM(1/3)	11/3/2017	\$103.00	\$103.02	0.02%		Catapult
PM(1/3)	11/6/2017	\$102.62	\$103.02	0.39%		Catapult
MON(1/3)	11/6/2017	\$119.87	\$119.54	-0.28%		Catapult

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