

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 9, 2017

Volume 10 Issue 217

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Flat	50% Long XIV

Tonight's Research Points

- The gap down and reversal to a 10-day high hinted at a pullback over the next couple of days.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I.

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 9, 2017	Gap up close down. Gap dn close 10-hi	1-2 days	Bearish			
November 8, 2017	5 higher 50-day, 1 day down	1-4 days	Bullish			
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			

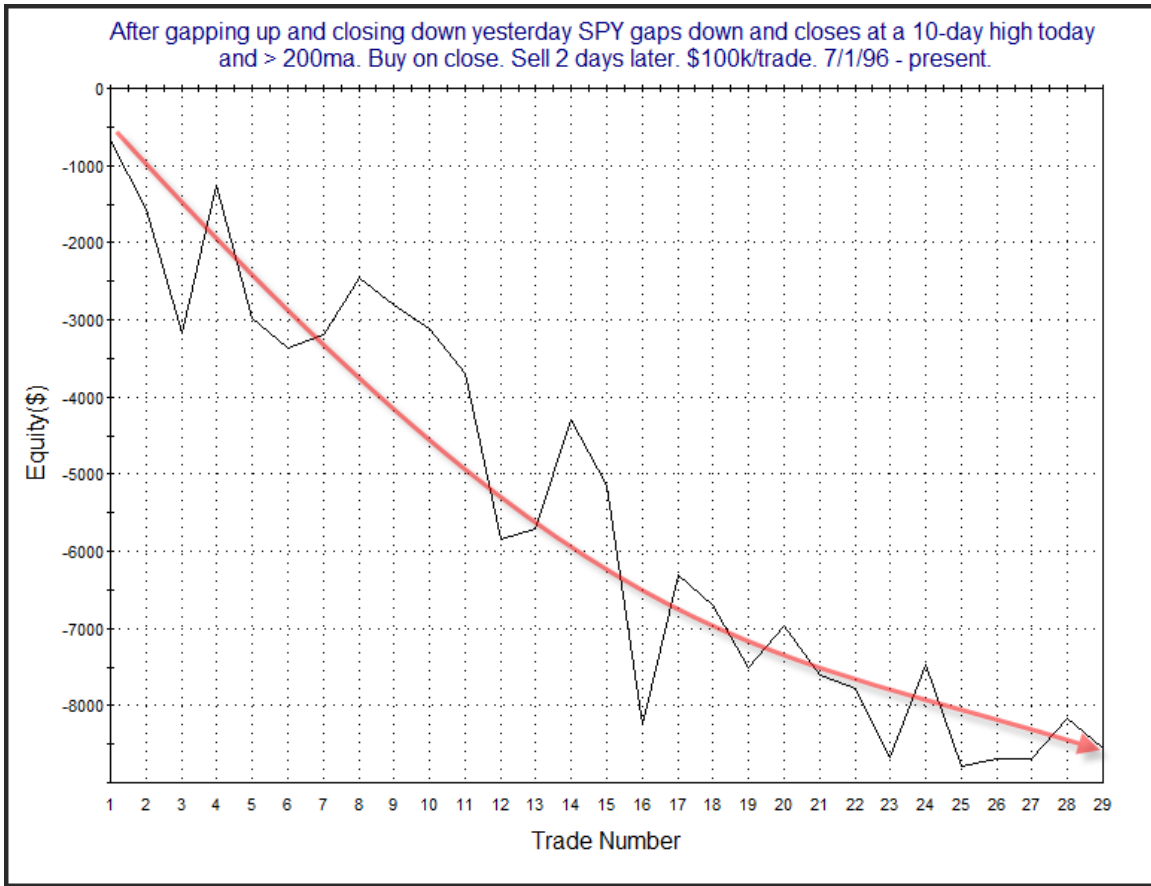
The Evidence

More gains and more all-time highs on Wednesday. The SPX rose 0.1%, the NASDAQ climbed 0.3% and Russell 2000 rallied 0.2%. Breadth was positive as the NYSE Up Issues % was 51% and the Up Volume % came in at 52%. NYSE volume fell some from Tuesday's level.

While the market managing to recover from a gap down and closing at a new high may seem like a positive, the study below saw Thursday's "gap and reverse" as a potential negative. The study was last seen in the 5/22/15 Subscriber Letter. I have updated the results.

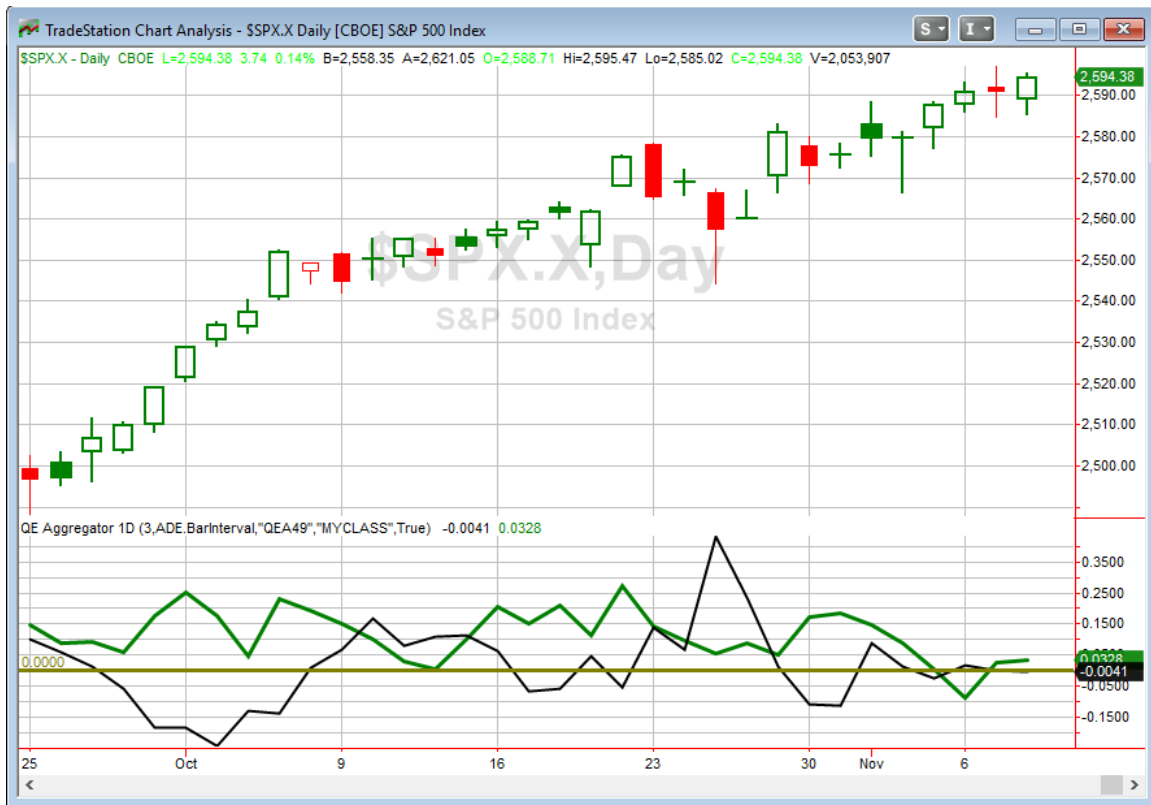
After gapping up and closing down yesterday SPY gaps down and closes at a 10-day high today and > 200ma. Buy on close. Sell X days later. \$100k/trade. 7/1/96 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-14,139.09	28	12	16	42.86	1,128.48	1,888.77	-1,730.05	-6,714.00	0.65	0.49	-504.97
4	-12,290.51	28	13	15	46.43	888.37	1,803.51	-1,589.29	-4,267.12	0.56	0.48	-438.95
3	-7,208.72	29	15	14	51.72	809.04	2,657.93	-1,381.74	-4,244.74	0.59	0.63	-248.58
2	-8,545.17	29	11	18	37.93	787.81	1,935.96	-956.17	-3,107.14	0.82	0.50	-294.66
1	-349.75	29	13	16	44.83	556.35	2,409.00	-473.90	-1,388.76	1.17	0.95	-12.06

The numbers here look somewhat bearish, with much of the damage being done by day 2. I also produced a profit curve assuming a 2-day holding period.



There is a bit of chop in this curve but the overall slope seems good enough to warrant consideration. I also included this study on the Short-Term Active List.

I have updated the Aggregator chart below.



Even with tonight's bearish study considered, the green Aggregator Line still held above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile, the black Differential Line dipped 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 turned flat at the close.

Based on the current list of active studies, expectations are slated to remain positive on Thursday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2591.32 on Thursday. That 0.1% below Wednesday's close. Therefore, SPX will only need to close down 0.1% in order to move from overbought to oversold vs expectations.

So the Aggregator is neutral, and both lines are very close to zero. In other words the market is only a little overbought and expectations are just slightly positive. This does not change my outlook much at all. I am still looking to exercise patience, and I would like to see a pullback before considering new long index positions.

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
PM(1/3)	11/2/2017	\$103.71	\$103.09	-0.60%		Catapult
PM(1/3)	11/3/2017	\$103.00	\$103.09	0.09%		Catapult
PM(1/3)	11/6/2017	\$102.62	\$103.09	0.46%		Catapult
MON(1/3)	11/6/2017	\$119.87	\$117.38	-2.08%		Catapult

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