

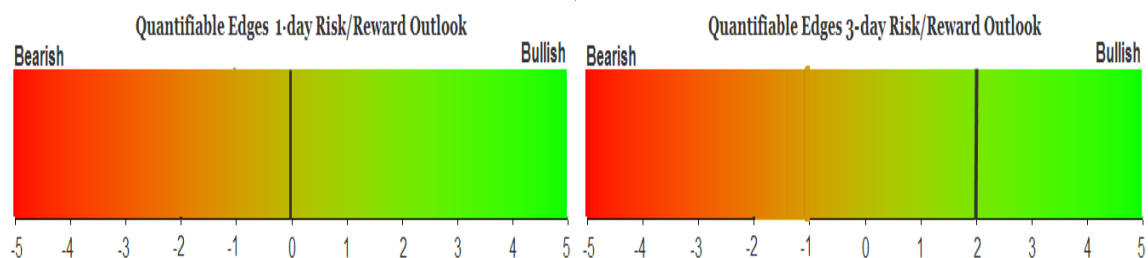
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 10, 2017

Volume 10 Issue 218

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Long	100% Long XIV

Tonight's Research Points

- Relatively strong drops from 50-day highs have consistently been followed by bounces.
- 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 bullish. I will look to take advantage of the upside edge if SPX closes down again on Friday.

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 10, 2017	Relatively large drop from 50-high	1-3 days	Bullish			
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 10, 2017	1st 5-low in 10 days. 20-high yesterday	1-11 days	Bullish			
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			

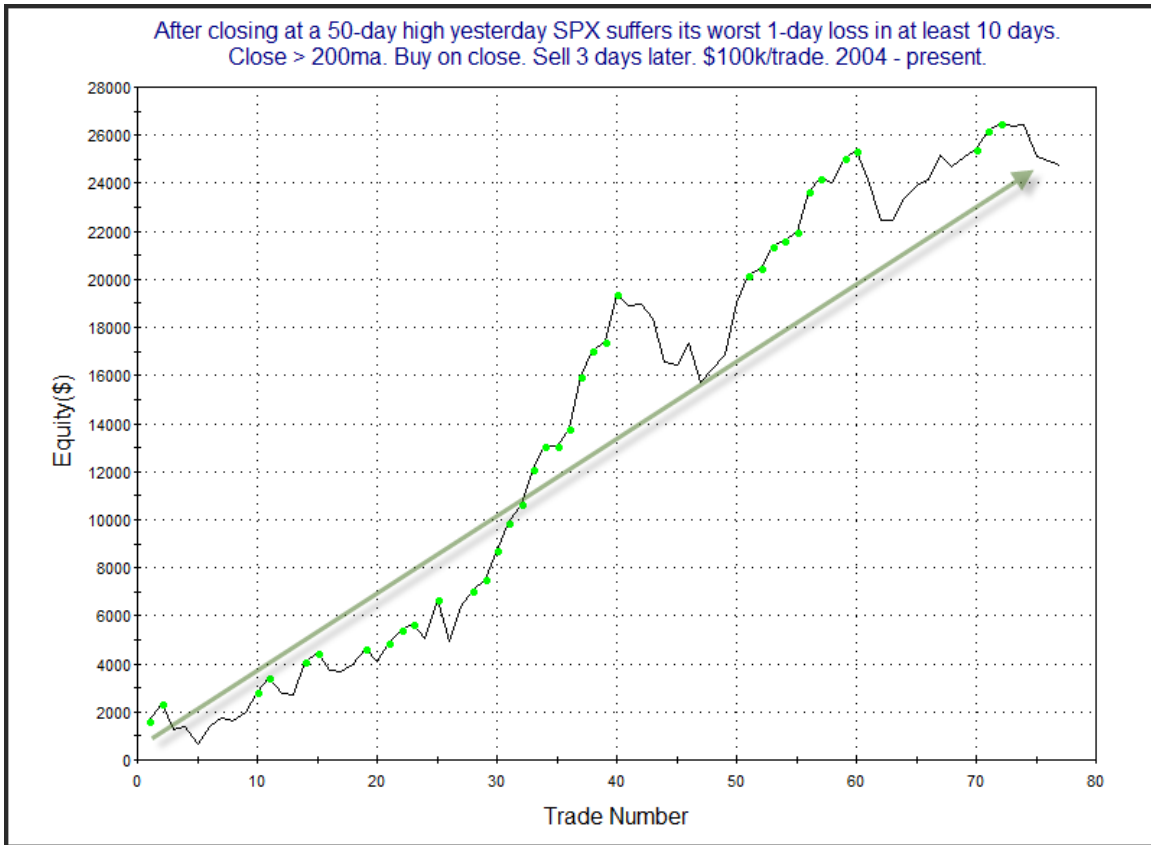
The Evidence

Thursday was a down day for the market. The SPX fell 0.4%, the NASDAQ lost 0.6% and Russell 2000 dropped 0.5%. Breadth was negative as the NYSE Up Issues % was 37% and the Up Volume % came in at 47%. NYSE volume rose some from Wednesday's level.

There were a couple of studies that emerged in the Quantifinder that I felt worth consideration. This 1st one looked at relatively large drops from intermediate-term highs. It was last seen in the 9/22/17 letter. I have updated all the stats.

After closing at a 50-day high yesterday SPX suffers its worst 1-day loss in at least 10 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 2004 - 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	25,021.87	72	48	24	66.67	1,143.21	3,149.37	-1,243.85	-3,454.00	0.92	1.84	347.53
4	32,569.83	76	54	22	71.05	930.96	2,725.38	-804.63	-3,895.76	1.16	2.84	428.55
3	24,771.73	77	54	23	70.13	760.50	2,192.40	-708.49	-1,808.21	1.07	2.52	321.71
2	14,071.69	80	44	36	55.00	732.60	2,437.50	-504.52	-1,777.55	1.45	1.77	175.90
1	9,274.27	80	48	32	60.00	489.49	1,521.72	-444.41	-1,354.59	1.10	1.65	115.93

The stats are impressive. And the 3-4 day consistency is strong. Below is a profit curve that assumes a 3-day holding period.



The strong upslope seems to confirm the bullish inclination. This study is on the Active List tonight.

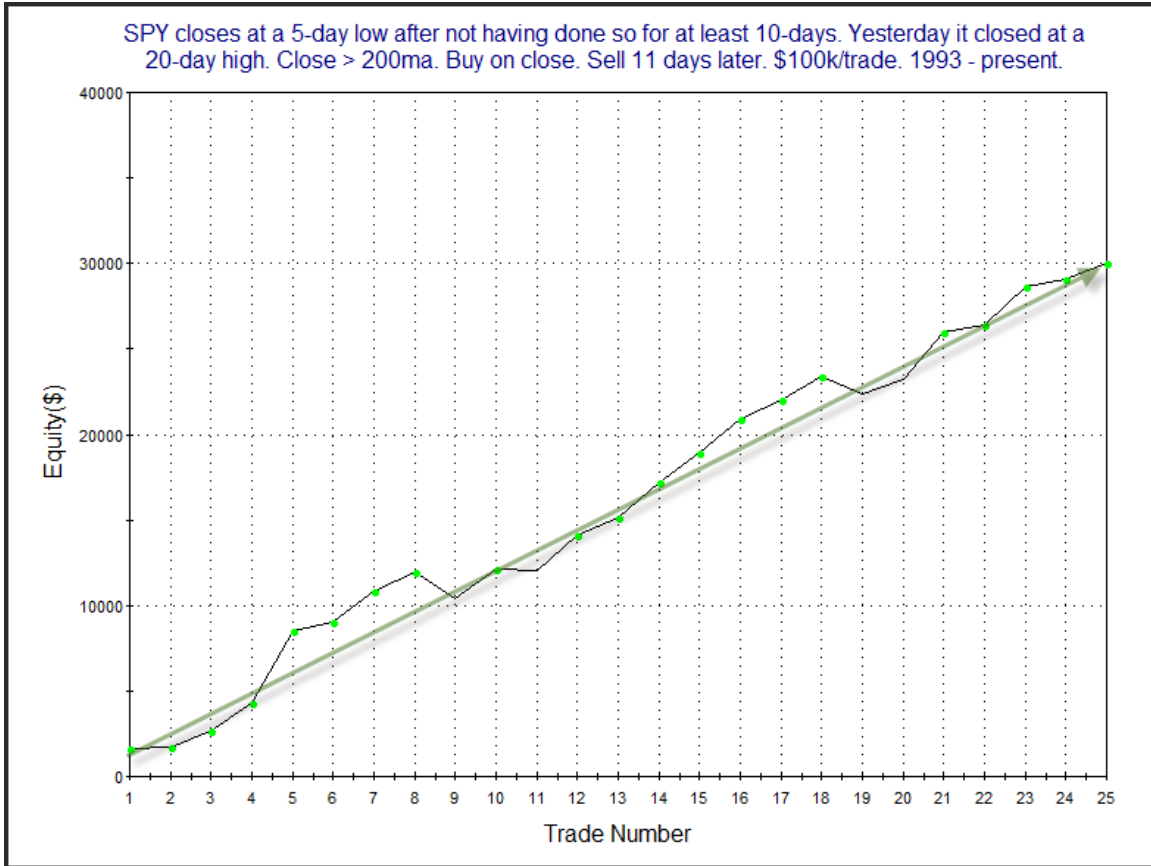
One thing the current market has going for it is that prior to Thursday's drop it had been locked in a persistent uptrend. I've shown numerous studies in the past that suggest uptrends often become choppy before they ultimately end. It is highly unusual for an uptrend that is showing strong persistence to abruptly top out. The study below demonstrates this concept beautifully. It was last shown in a 2/23/11 subscriber letter.

SPY closes at a 5-day low after not having done so for at least 10-days. Yesterday it closed at a 20-day high. Close > 200ma. 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
12	26,504.16	25	19	6	76.00	1,699.49	4,765.00	-964.36	-1,635.30	1.76	5.58	1,060.17
11	30,017.19	25	22	3	88.00	1,479.49	4,250.38	-843.84	-1,490.40	1.75	12.86	1,200.69
10	24,185.48	25	20	5	80.00	1,465.55	3,812.00	-1,025.11	-2,049.18	1.43	5.72	967.42
9	19,297.45	25	20	5	80.00	1,264.42	3,507.04	-1,198.18	-2,546.10	1.06	4.22	771.90
8	15,568.68	25	19	6	76.00	1,134.27	3,240.20	-997.06	-2,628.90	1.14	3.60	622.75
7	12,264.91	25	18	7	72.00	1,345.70	2,442.09	-1,708.23	-3,581.10	0.79	2.03	490.60
6	6,431.90	25	17	8	68.00	1,144.51	2,466.15	-1,628.09	-6,120.30	0.70	1.49	257.28
5	8,617.09	25	15	10	60.00	1,327.68	2,419.41	-1,129.82	-3,895.12	1.18	1.76	344.68
4	9,112.11	25	16	9	64.00	1,019.38	1,937.25	-799.77	-2,718.60	1.27	2.27	364.48
3	497.49	25	16	9	64.00	818.21	2,470.84	-1,399.33	-3,393.78	0.58	1.04	19.90
2	-3,721.60	25	14	11	56.00	874.43	2,328.12	-1,451.24	-3,737.28	0.60	0.77	-148.86
1	-3,393.69	25	13	12	52.00	624.67	1,291.50	-959.53	-3,909.03	0.65	0.71	-135.75

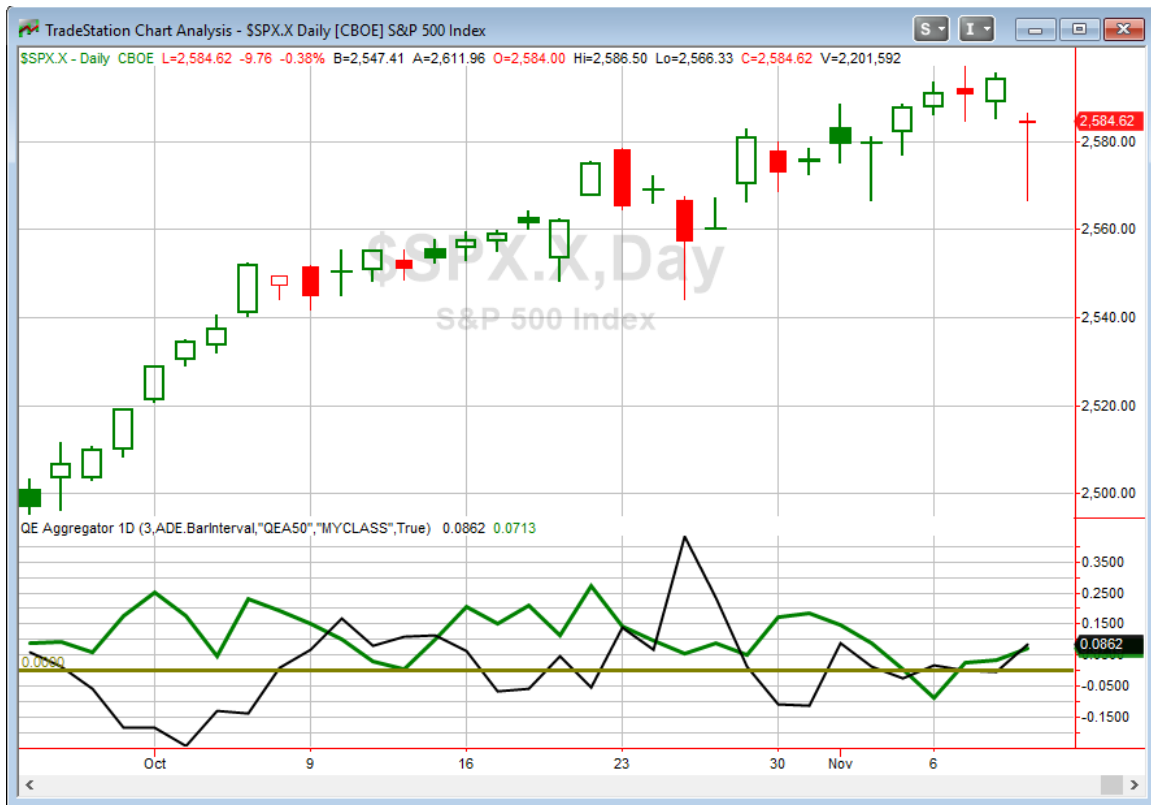
23 of 25 instances (92%) closed above the entry price at some point in the next week.

The first few days are a bit of a crapshoot. While more instances bounced initially, those that didn't got hit pretty hard. Once you get out past the first couple of days though this study is strongly suggestive of an upside edge. 95% of instances posting at least 1 positive close in the next week is impressive. And look at the winning trades column. It rises steadily. When you look out about 2 weeks odds are very strongly suggestive of upside. Below is a look at the 11-day profit curve.



Profit curves don't get much straighter and more impressive than this. This study is not in the short-term active list but I have included it in the intermediate-term list. Results were nearly the same if instead of requiring a 20-day high I required the day before close at a 100-day high.

I have updated the Aggregator chart below.



With tonight's studies considered, the green Aggregator Line 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 rose 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 Friday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2589.17 on Friday. That 0.2% above Thursday's close. Therefore, SPX will need to close up 0.2% in order to move from oversold to overbought vs expectations.

So there appears to be a bit of an upside edge. Personally, after a run like we have seen, I would prefer to see more than just 1 mild down day before looking to take on new index exposure. So I will only look to take a small position tomorrow, and only if SPY closes down a bit. I will also note that another Catapult triggered that I will look to take advantage of.

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)

NEW

MON @ \$117.34 (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.

MON – Buy 1/3 Catapult position @ \$117.34 LIMIT. This is from the Catapult section above. It is the 2nd of up to 3 possible lots for MON.

SPY – Buy ¼ index position @ \$258.00 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to start scaling into an index position if SPY closes down much on Friday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
PM(1/3)	11/2/2017	\$103.71	\$102.46	-1.21%		Catapult
PM(1/3)	11/3/2017	\$103.00	\$102.46	-0.52%		Catapult
PM(1/3)	11/6/2017	\$102.62	\$102.46	-0.16%		Catapult
MON(1/3)	11/6/2017	\$119.87	\$117.34	-2.11%		Catapult

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