

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 13, 2017

Volume 10 Issue 219

## Market Overview



## Signals Overview

<b>Aggregator</b>	<b>Aggressive VIX</b>
<b>Long</b>	<b>100% Long XIV</b>

## Tonight's Research Points

- A CBI of 7 when the SPX is undergoing a short-term pullback during a long-term uptrend.
- A couple of intermediate-term bullish studies triggered in the last few days.
- A 4<sup>th</sup> Hindenburg Omen Triggered this week, which could be a prelude to an intermediate-term selloff.
- The Fed's SOMA account came in near breakeven this past week, and it still does not appear to be shrinking at the stated rate.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bullish, and I believe the edge is strong enough to look to take on some long exposure if I can get a favorable fill.

*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
<b>Active - Short Term</b>						
November 13, 2017	CBI >= 7. SPX < 10ma and > 200ma	1-6 days	Bullish			
November 10, 2017	Relatively large drop from 50-high	1-3 days	Bullish			
November 8, 2017	5 higher 50-day, 1 day down	1-4 days	Bullish			
<b>Active - Long Term</b>						
November 13, 2017	Hindenburg Omen Cluster	1-35 days	Bearish			
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			

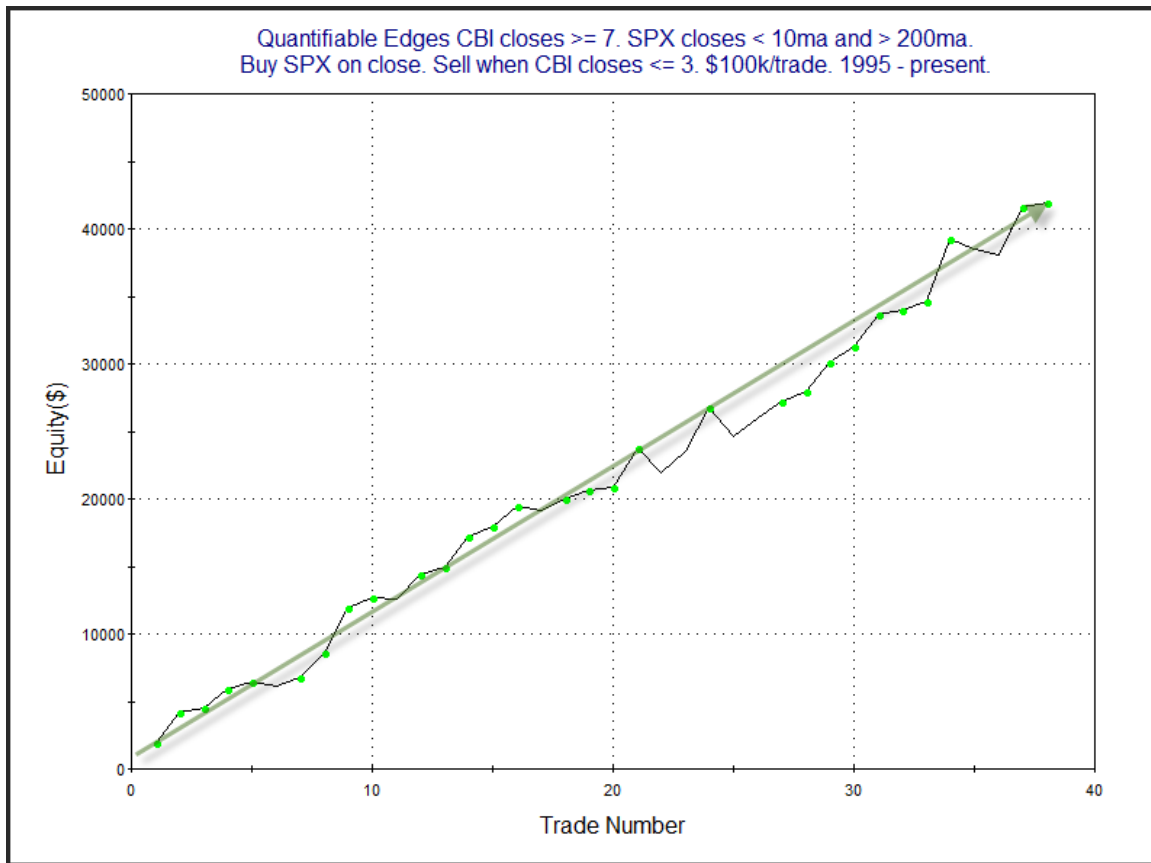
**The Evidence**

Friday was quiet trading with results near breakeven. The SPX fell 0.09%, the NASDAQ rose 0.01% and Russell 2000 gained 0.02%. Breadth was negative as the NYSE Up Issues % was 42% and the Up Volume % came in at 48%. NYSE volume came in light.

The quiet action left us without anything very compelling triggering in the Quantifinder. But one indicator that is providing us interesting readings right now is the Quantifiable Edges Capitulative Breadth Index (CBI). Two more Catapults triggered on Friday and that caused the number to rise to 7. Seven is a fairly high reading, and such readings have often led to short-term market rallies – especially when the market is undergoing a short-term pullback during a long-term uptrend. The results of the backtest below demonstrate this.

Quantifiable Edges CBI closes >= 7. SPX closes < 10ma and > 200ma. Buy SPX on close. Sell when CBI closes <= 3. \$100k/trade. 1995 - present.			
TradeStation Performance Summary			Expand ▾
All Trades			
Total Net Profit	\$41,976.61	Profit Factor	8.16
Gross Profit	\$47,841.35	Gross Loss	(\$5,864.74)
Total Number of Trades	38	Percent Profitable	81.58%
Winning Trades	31	Losing Trades	7
Even Trades	0		
Avg. Trade Net Profit	\$1,104.65	Ratio Avg. Win:Avg. Loss	1.84
Avg. Winning Trade	\$1,543.27	Avg. Losing Trade	(\$837.82)
Largest Winning Trade	\$4,627.00	Largest Losing Trade	(\$2,178.16)
Max. Consecutive Winning Trades	9	Max. Consecutive Losing Trades	2
Avg. Bars in Winning Trades	5.77	Avg. Bars in Losing Trades	10.00
Avg. Bars in Total Trades	6.55		

The numbers are quite impressive. Below you can find the profit curve.



Equity curves don't get much straighter or more appealing than this. This confirms the edge suggested by the numbers.

I have updated the Aggregator chart below.



With tonight's study 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 also remained 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 Monday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2593.59 on Monday. That 0.4% above Friday's close. Therefore, SPX will need to close up at least 0.4% in order to move from oversold to overbought vs expectations.

SPY closed just above my entry point on Friday, so I did not get filled. With the new bullish evidence, I continue to believe there is a decent upside edge. I will look to take advantage of it if I can get a favorable fill on Monday.

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

Combo #1	Combo #2	Combo #3
Long	Long	Long

Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the [Quantifiable Edges Market Timing Course](#), which is included with all annual subscriptions. Detailed descriptions of these combination approaches can be found in [Lesson 8](#). Subscribers may also download detailed hypothetical historical performance reports covering 12/31/71 – 3/7/14 in [Lesson 11, Course Downloads](#). (You must go through the course first in order to access the Downloads.) *This week all 3 Combo Systems are “Long”.*

New highs were again made this week, though the SPX and NASDAQ declined some after peaking on Wednesday. Still, the long-term trend appears decidedly up. We did have some mixed signals arrive this week.

One notable is that Wednesday marked the 4<sup>th</sup> Hindenburg Omen signal that triggered in the last few weeks. I last discussed the Hindenburg Omen in detail in the 6/26/17 letter, and have updated the research and my thoughts below.

The Hindenburg Omen was created by Jim Miekka in 1995. It looks to identify times when there is a split market developing, which could signal trouble ahead. Friday marked the 6<sup>th</sup> recent Hindenburg Omen signal. Note, there have been some discrepancy in the rules over the years. To get larger sample sizes, I have used the less-strict rules in my testing. The rules I use are below.

1. The daily number of NYSE new 52 week highs and the daily number of new 52 week lows are both greater than or equal to 2.8 percent (typically about 84) of the sum of NYSE issues that advance or decline that day (typically, around 3000). The original version of the indicator used 2.2%. When I originally researched the Hindenburg Omens a few years ago, 2.2% was the number I used, and it is the number I again use in the studies below. (Two side notes: 1) If I use 2.8% rather than 2.2% there have only been 6 instances since 1980 where there has been a cluster of 3 or more triggers. Five saw lower prices ahead, but this does not give us a sample size that is really workable. 2) Over time I have also seen published different places levels of 2.4% and 2.5%, so there is often some confusion over this requirement.)
2. The NYSE index is greater in value than it was 50 trading days ago. Originally, this was expressed as a rising 10 week moving average, but the new rule is more relevant to the daily data used to look at new highs and lows.
3. The McClellan Oscillator is negative on the same day.

4. New 52 week highs cannot be more than twice the new 52 week lows (though new 52 week lows may be more than double new highs).

It is generally viewed that a single Hindenburg Omen signal is not a reliable indication of a market top, but that numerous signals provide a more reliable indication of danger. This is something I explored in the past and updated today. So let's look at some numbers. This first table shows results of entering the market when the 1<sup>st</sup> signal triggers.

Buy SPX when 1st Hindenburg Omen triggers. Sell X days later. \$100k/trade. 1980 - 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
100	38,173.44	29	18	11	62.07	6,126.89	13,171.60	-6,555.51	-19,079.85	0.93	1.53	1,316.33
95	36,170.46	30	19	11	63.33	5,880.11	17,946.48	-6,868.34	-22,416.88	0.86	1.48	1,205.68
90	17,286.00	31	17	14	54.84	6,088.93	15,961.92	-6,158.98	-20,572.65	0.99	1.20	557.61
85	27,501.23	32	19	13	59.38	6,264.01	16,670.24	-7,039.61	-21,465.22	0.89	1.30	859.41
80	11,467.20	32	18	14	56.25	6,234.77	16,583.84	-7,197.05	-21,552.30	0.87	1.11	358.35
75	5,142.10	32	18	14	56.25	5,798.12	14,501.70	-7,087.43	-22,917.59	0.82	1.05	160.69
70	7,020.93	32	17	15	53.13	6,724.70	17,714.32	-7,153.26	-20,289.64	0.94	1.07	219.40
65	-5,956.48	32	17	15	53.13	6,142.40	16,609.84	-7,358.48	-21,508.76	0.83	0.95	-186.14
60	-18,667.74	33	17	16	51.52	5,630.43	17,197.44	-7,149.06	-24,323.31	0.79	0.84	-565.69
55	-38,997.55	34	18	16	52.94	4,866.81	14,306.24	-7,912.50	-27,246.71	0.62	0.69	-1,146.99
50	-19,623.61	34	17	17	50.00	5,103.04	14,509.04	-6,257.37	-29,846.67	0.82	0.82	-577.16
45	-8,311.57	35	20	15	57.14	4,264.36	13,151.98	-6,239.92	-23,971.88	0.68	0.91	-237.47
40	-17,969.24	35	17	18	48.57	4,734.31	12,520.58	-5,469.59	-23,520.93	0.87	0.82	-513.41
35	-14,574.33	37	20	17	54.05	4,103.71	12,021.20	-5,685.21	-24,659.19	0.72	0.85	-393.90
30	-13,011.84	39	21	18	53.85	3,717.98	9,855.58	-5,060.52	-22,460.42	0.73	0.86	-333.64
25	-11,409.50	41	21	20	51.22	3,962.08	9,781.64	-4,730.66	-27,340.01	0.84	0.88	-278.28
20	-11,311.55	43	24	19	55.81	3,109.35	9,257.67	-4,522.94	-19,533.91	0.69	0.87	-263.06
15	4,831.79	46	23	23	50.00	2,556.76	9,103.68	-2,346.68	-8,166.80	1.09	1.09	105.04
10	-9,944.43	54	26	28	48.15	2,061.98	9,012.33	-2,269.85	-7,899.90	0.91	0.84	-184.16
5	-20,841.10	70	30	40	42.86	1,346.37	4,926.56	-1,530.81	-5,775.12	0.88	0.66	-297.73

The numbers here certainly aren't encouraging for the bull case, but they don't appear to be terribly dire either.

Let's now look at results if instead of entering after the 1<sup>st</sup> trigger, you purchase only if the trigger is at least the 2<sup>nd</sup> one in a 30-day period, which is a common time-period that Hindenburg watchers look for.

Buy SPX when 2nd Hindenburg Omen triggers.  
Sell X days later. \$100k/trade. 1980 - 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
100	45,172.43	18	13	5	72.22	6,351.16	17,883.98	-7,478.53	-18,879.12	0.85	2.21	2,509.58
95	41,938.42	19	14	5	73.68	6,092.17	17,605.78	-8,670.38	-21,212.88	0.70	1.97	2,207.29
90	39,282.67	19	15	4	78.95	5,263.29	20,476.59	-9,916.68	-20,011.68	0.53	1.99	2,067.51
85	19,516.45	21	12	9	57.14	6,535.77	20,455.19	-6,545.87	-21,883.68	1.00	1.33	929.35
80	13,958.33	21	13	8	61.90	5,471.25	18,961.47	-7,145.99	-21,961.68	0.77	1.24	664.68
75	16,159.23	21	13	8	61.90	6,129.58	17,861.51	-7,940.67	-23,181.60	0.77	1.25	769.49
70	6,769.36	21	14	7	66.67	5,274.75	21,700.67	-9,582.46	-19,060.08	0.55	1.10	322.35
65	-15,981.32	21	12	9	57.14	5,315.39	20,504.41	-8,862.89	-23,131.68	0.60	0.80	-761.02
60	-11,637.56	21	12	9	57.14	4,798.82	19,457.95	-7,691.48	-22,011.60	0.62	0.83	-554.17
55	-25,480.15	22	13	9	59.09	4,081.76	18,625.49	-8,727.00	-26,329.68	0.47	0.68	-1,158.19
50	-14,775.50	24	14	10	58.33	4,469.22	17,961.02	-7,734.46	-29,889.60	0.58	0.81	-615.65
45	-9,622.59	25	13	12	52.00	4,389.34	16,345.32	-5,557.00	-24,766.56	0.79	0.86	-384.90
40	-15,052.11	25	12	13	48.00	4,451.30	14,615.13	-5,266.74	-24,853.92	0.85	0.78	-602.08
35	-13,804.68	25	13	12	52.00	3,843.24	13,303.31	-5,313.90	-22,211.28	0.72	0.78	-552.19
30	-19,839.65	25	14	11	56.00	3,242.43	11,007.09	-5,930.33	-20,354.88	0.55	0.70	-793.59
25	-25,747.32	29	16	13	55.17	3,090.10	10,173.56	-5,783.76	-23,381.28	0.53	0.66	-887.84
20	-30,366.14	30	14	16	46.67	2,589.30	8,886.35	-4,163.52	-22,295.52	0.62	0.54	-1,012.20
15	-6,539.68	31	15	16	48.39	2,007.64	8,305.02	-2,290.89	-6,748.56	0.88	0.82	-210.96
10	-15,086.53	38	12	26	31.58	2,387.19	9,247.23	-1,682.03	-5,748.21	1.42	0.66	-397.01
5	-5,410.21	51	21	30	41.18	1,630.71	6,245.73	-1,321.84	-4,179.84	1.23	0.86	-106.08

Some of these numbers look a little worse, but you'd probably need to squint to notice. I next checked instances that triggered a 3<sup>rd</sup> signal in a 30-day period.

Buy SPX when 3rd Hindenburg Omen triggers.  
Sell X days later. \$100k/trade. 1980 - 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
100	37,203.91	14	10	4	71.43	5,795.62	18,512.90	-5,188.08	-16,085.07	1.12	2.79	2,657.42
95	27,039.70	14	9	5	64.29	5,762.23	16,070.66	-4,964.07	-16,770.54	1.16	2.09	1,931.41
90	10,605.16	14	8	6	57.14	5,941.39	18,595.58	-6,154.33	-19,277.67	0.97	1.29	757.51
85	16,494.91	14	9	5	64.29	5,869.45	18,884.96	-7,266.03	-21,362.25	0.81	1.45	1,178.21
80	-5,462.43	15	7	8	46.67	6,302.30	16,528.58	-6,197.32	-19,449.82	1.02	0.89	-364.16
75	923.17	15	7	8	46.67	7,885.59	18,289.24	-6,784.49	-22,758.23	1.16	1.02	61.54
70	-10,503.85	15	8	7	53.33	5,865.69	19,119.22	-8,204.19	-21,021.08	0.71	0.82	-700.26
65	-26,633.48	15	6	9	40.00	5,438.40	17,909.76	-6,584.88	-23,731.66	0.83	0.55	-1,775.57
60	-24,592.51	15	7	7	46.67	4,162.88	17,209.10	-7,676.10	-22,576.69	0.54	0.54	-1,639.50
55	-26,767.74	15	6	9	40.00	5,057.81	17,905.52	-6,346.06	-20,673.65	0.80	0.53	-1,784.52
50	-18,759.82	16	6	10	37.50	5,842.99	17,255.74	-5,381.78	-22,263.69	1.09	0.65	-1,172.49
45	-24,325.72	17	8	9	47.06	4,026.99	15,507.80	-6,282.41	-25,143.29	0.64	0.57	-1,430.92
40	-32,185.55	17	7	10	41.18	4,231.98	13,700.50	-6,180.94	-26,846.01	0.68	0.48	-1,893.27
35	-27,819.04	17	5	12	29.41	5,112.56	11,461.78	-4,448.49	-22,795.79	1.15	0.48	-1,636.41
30	-27,974.93	18	10	8	55.56	3,266.58	10,991.14	-7,580.09	-23,844.34	0.43	0.54	-1,554.16
25	-35,935.27	20	10	10	50.00	3,000.81	9,841.04	-6,594.34	-25,105.73	0.46	0.46	-1,796.76
20	-36,567.96	21	9	12	42.86	2,858.58	8,458.80	-5,191.27	-21,406.07	0.55	0.41	-1,741.33
15	-32,260.09	23	11	12	47.83	2,319.56	7,078.68	-4,814.60	-26,924.26	0.48	0.44	-1,402.61
10	-42,593.15	26	9	17	34.62	1,667.15	3,400.10	-3,388.09	-25,784.94	0.49	0.26	-1,638.20
5	-12,034.23	34	13	21	38.24	1,192.87	4,174.28	-1,311.50	-3,509.22	0.91	0.56	-353.95

Between 35 and 55 days out there appears to be somewhat weak returns on a small sample size.

I also updated the stats when 4 signals occur.

Buy SPX when 4th Hindenburg Omen triggers. Sell X days later. \$100k/trade. 1980 - 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
100	24,172.94	10	8	2	80.00	3,874.03	7,362.09	-3,409.63	-3,671.20	1.14	4.54	2,417.29
95	19,124.12	10	6	4	60.00	4,938.85	6,207.97	-2,627.24	-4,635.15	1.88	2.82	1,912.41
90	9,441.51	10	5	5	50.00	3,912.17	5,450.48	-2,023.87	-6,882.20	1.93	1.93	944.15
85	15,315.64	10	6	4	60.00	4,213.99	7,141.18	-2,492.08	-6,553.95	1.69	2.54	1,531.56
80	10,111.12	10	5	5	50.00	4,297.90	7,248.39	-2,275.68	-6,169.80	1.89	1.89	1,011.11
75	3,554.91	11	5	6	45.45	4,980.30	8,515.03	-3,557.76	-9,034.35	1.40	1.17	323.17
70	838.14	11	7	4	63.64	2,616.79	5,115.04	-4,369.85	-9,322.50	0.60	1.05	76.19
65	-20,856.37	11	4	7	36.36	2,196.09	4,280.64	-4,234.39	-10,467.60	0.52	0.30	-1,896.03
60	-22,848.31	11	6	5	54.55	1,569.02	4,358.48	-6,452.49	-11,602.80	0.24	0.29	-2,077.12
55	-21,432.24	11	5	6	45.45	2,157.76	5,385.52	-5,370.17	-8,851.04	0.40	0.33	-1,948.39
50	-22,562.71	12	6	6	50.00	2,198.12	3,934.12	-5,958.57	-9,484.48	0.37	0.37	-1,880.23
45	-28,046.50	12	3	9	25.00	2,821.99	3,730.16	-4,056.94	-14,483.52	0.70	0.23	-2,337.21
40	-25,152.71	12	4	8	33.33	2,090.17	3,315.35	-4,189.17	-11,881.28	0.50	0.25	-2,096.06
35	-41,527.30	12	3	9	25.00	2,014.82	3,328.16	-5,285.75	-14,149.68	0.38	0.13	-3,460.61
30	-23,384.43	13	6	7	46.15	2,212.35	5,262.60	-5,236.93	-13,730.24	0.42	0.36	-1,798.80
25	-21,636.01	14	7	7	50.00	2,425.14	6,253.80	-5,516.00	-12,334.96	0.44	0.44	-1,545.43
20	-22,642.04	14	4	10	28.57	2,858.89	4,796.40	-3,407.76	-9,664.24	0.84	0.34	-1,617.29
15	-13,651.97	15	6	9	40.00	2,347.37	4,301.89	-3,081.80	-8,405.92	0.76	0.51	-910.13
10	-12,486.55	19	7	12	36.84	1,596.34	2,854.88	-1,971.75	-6,566.95	0.81	0.47	-657.19
5	-16,154.77	21	6	15	28.57	1,371.40	2,929.92	-1,625.55	-4,884.75	0.84	0.34	-769.27

There are only 11 instances when looking out 35-50 days, but with 9 of them being down 35 days later these results warrant closer investigation. Below are the individual instances.

Buy SPX when 4th Hindenburg Omen triggers.  
Sell 35 days later. \$100k/trade. 1980 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
2/14/1980	Buy	\$116.72	-14.16%	\$1,010.08
4/7/1980	Sell	\$100.19		(\$19,251.44)
7/24/1986	Buy	\$237.94	-3.06%	\$6,846.00
9/12/1986	Sell	\$230.66		(\$3,864.00)
12/8/1999	Buy	\$1,403.88	-3.11%	\$5,262.52
1/28/2000	Sell	\$1,360.16		(\$3,385.28)
4/24/2006	Buy	\$1,308.11	-6.45%	\$1,412.84
6/13/2006	Sell	\$1,223.69		(\$6,504.84)
7/20/2007	Buy	\$1,534.10	-5.37%	\$853.45
9/10/2007	Sell	\$1,451.70		(\$10,627.50)
10/25/2007	Buy	\$1,514.39	-3.07%	\$2,532.42
12/14/2007	Sell	\$1,467.95		(\$7,147.14)
6/4/2013	Buy	\$1,631.38	3.34%	\$4,111.40
7/24/2013	Sell	\$1,685.94		(\$4,334.05)
8/9/2013	Buy	\$1,691.42	-0.58%	\$2,267.96
9/30/2013	Sell	\$1,681.55		(\$3,773.05)
12/17/2013	Buy	\$1,781.00	0.90%	\$3,911.04
2/7/2014	Sell	\$1,797.02		(\$2,412.48)
12/5/2014	Buy	\$2,075.37	-3.53%	\$872.64
1/28/2015	Sell	\$2,002.16		(\$4,934.88)
7/21/2015	Buy	\$2,119.21	-8.36%	\$0.00
9/9/2015	Sell	\$1,942.04		(\$11,853.40)
6/15/2017	Buy	\$2,432.46	1.82%	\$2,114.78
8/4/2017	Sell	\$2,476.83		(\$1,097.16)

The last instance actually posted a small gain over the next 35 days, but the two prior to that saw some fairly sizable drops. And the average drawdown for the 12 instances is about 2.5x the size of the average run-up. So the numbers seem to favor the bears. In my opinion the setup does not appear as menacing as the name might suggest, but there has been enough market damage following these signals that it is probably worth remaining cognizant of it. I have therefore listed it on the Intermediate-term Active List.

I would also note that Tom McClellan wrote an interesting piece on the history of the indicator a while back. You may find a link to that write-up below.

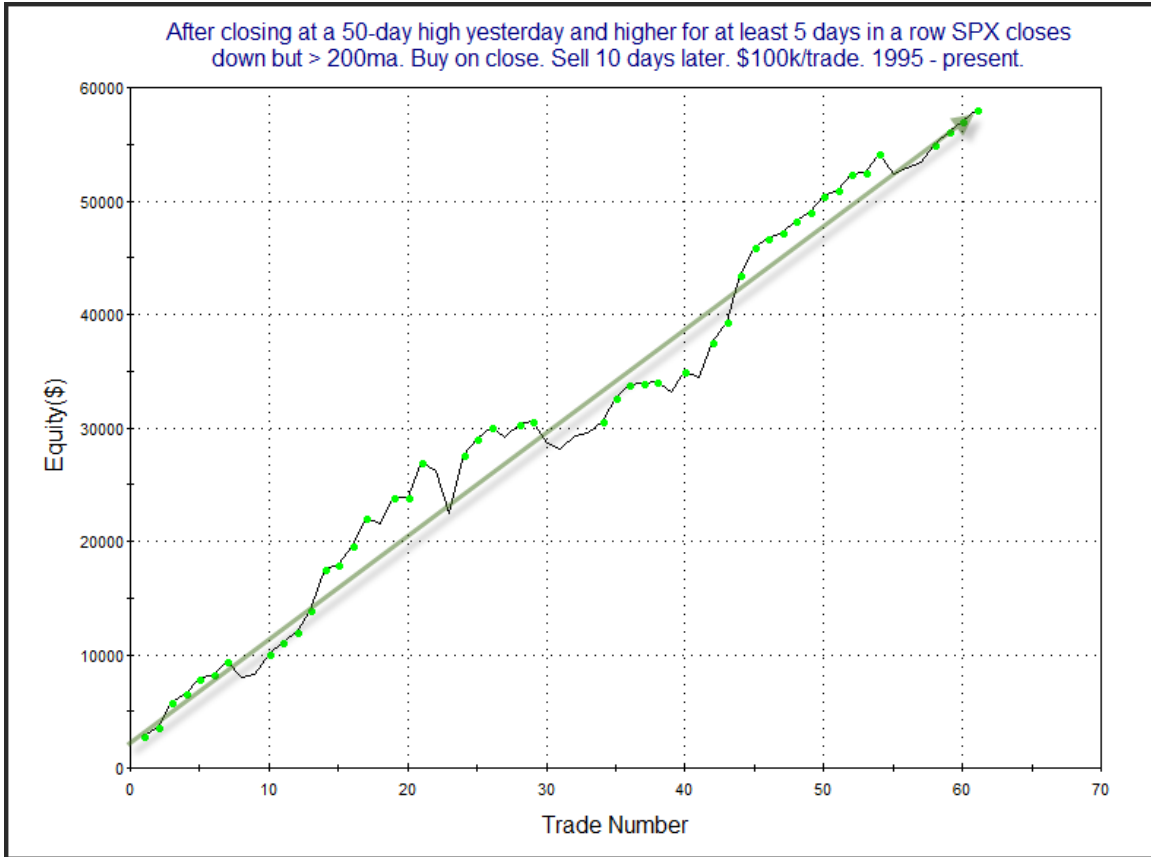
[http://www.mcoscillator.com/learning\\_center/kb/special\\_market\\_reports/hindenburg\\_omen\\_signaled\\_but\\_also\\_not/](http://www.mcoscillator.com/learning_center/kb/special_market_reports/hindenburg_omen_signaled_but_also_not/)

On a positive note, there were a couple of bullish studies that emerged and appeared in the 11/8 and 11/10 letters. I have copied them below. First, from the 11/8 letter.

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, from the 11/10 letter:

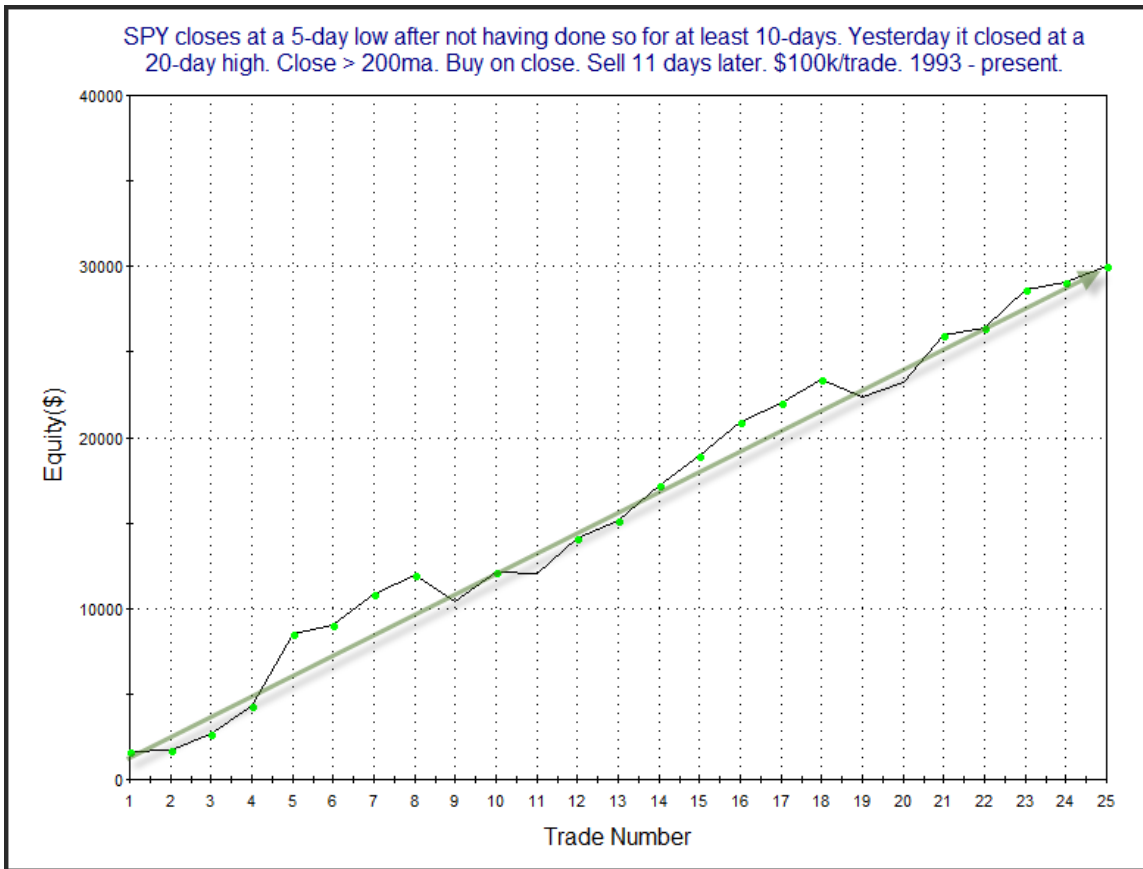
*One thing the current market has going for it is that prior to Thursday's drop it had been locked in a persistent uptrend. I've shown numerous studies in the past that suggest uptrends often become choppy before they ultimately end. It is highly unusual for an uptrend that is showing strong persistence 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 crash. 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.*



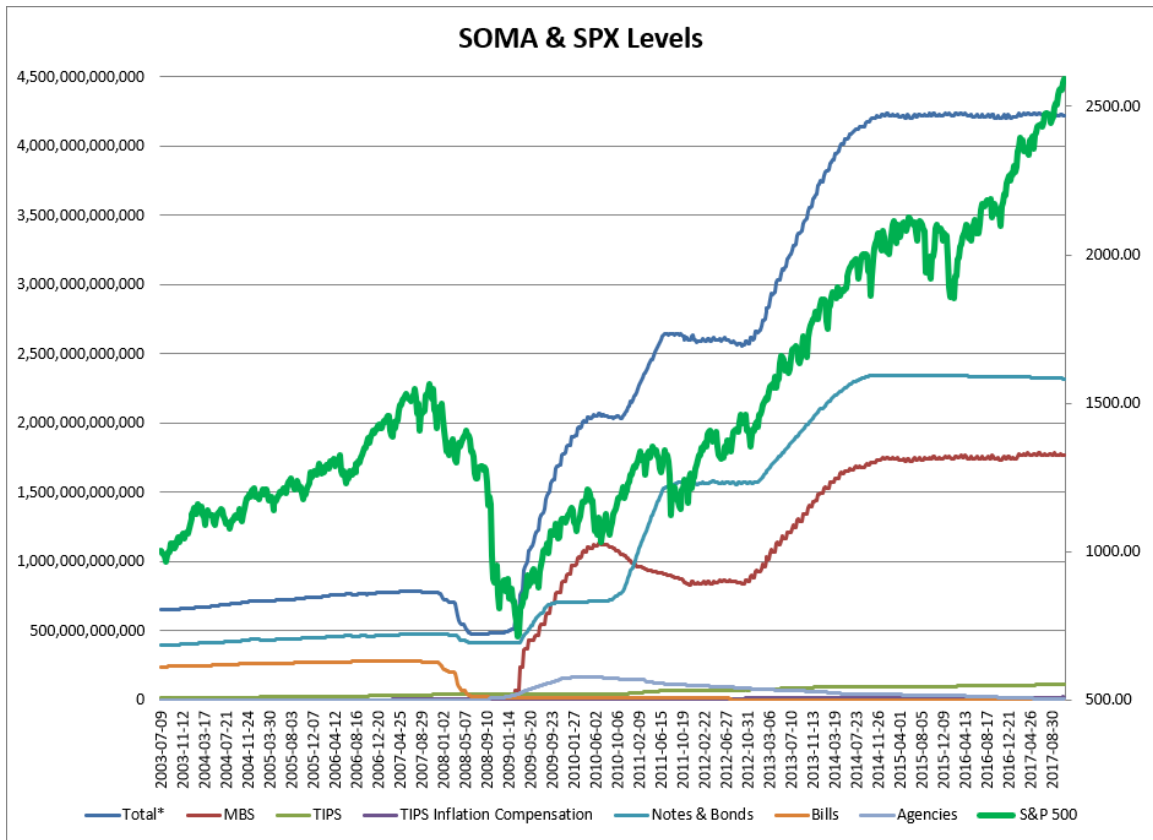
*Profit curves don't get much straighter and more impressive than this. This study is not in the short-term active list but I have included it in the intermediate-term list. Results were nearly the same if instead of requiring a 20-day high I required the day before close at a 100-day high.*

As I do each week, I have updated our Fed SOMA charts below. Below is a description for those who are new to these charts or who may want a refresher.

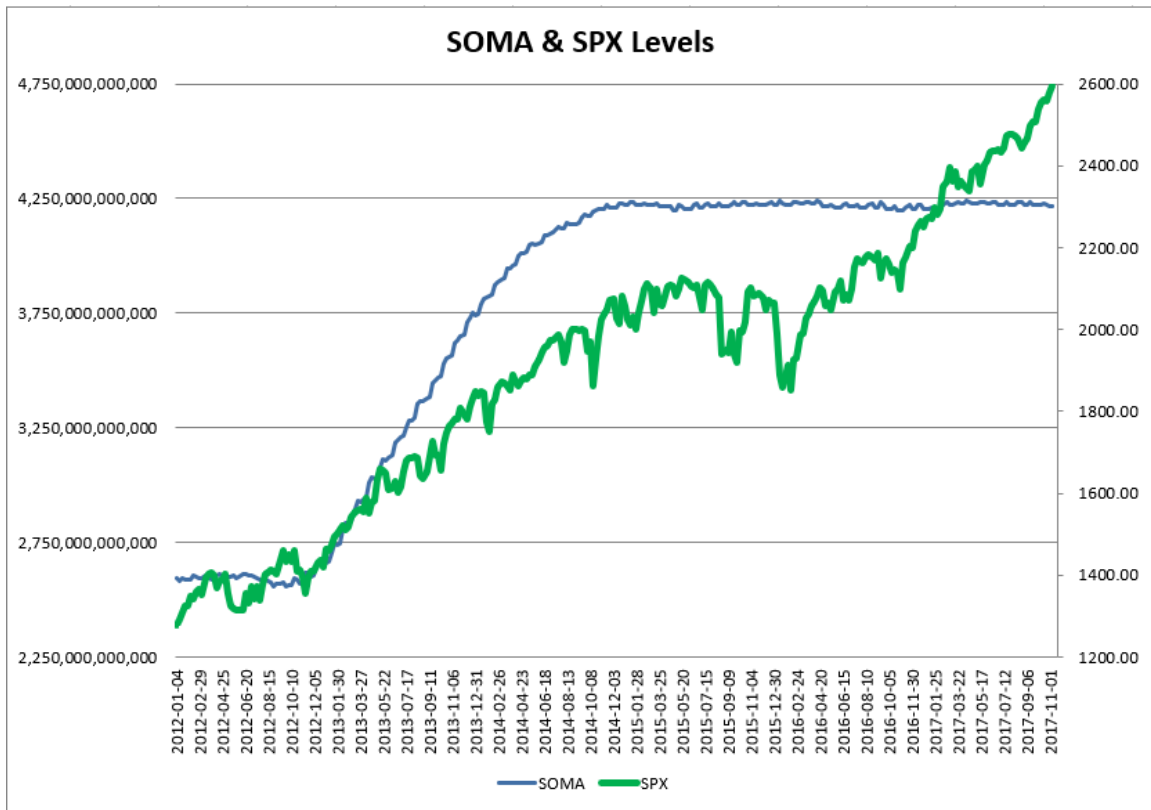
*SOMA stands for System Open Market Account. It is the account at the Fed that contains all of its bond purchase holdings. We have tracked Fed purchases for several years, and as is evident in the charts below, the stock market has consistently reacted positively when the Fed has been buying securities in the open market and increasing the size of its account. When the account has declined, the market has struggled. The obvious takeaway has been "don't fight the Fed". As far as intermediate-term indicators go, this has been as good as anything in recent years.*

*While the Fed is not making new QE purchases any longer, it is continuing to reinvest maturities. Therefore, the total assets in their System Open Market Account (SOMA) has*

not begun to dive like the old Quantifiable Edges POMO indicators did. Below are long and short-term views of SOMA and SPX. First, the long-term view (back to 2003).



And now the zoomed-in view (2012 – present).



The Fed's SOMA this past week (Wednesday to Wednesday) came in basically breakeven with a decline of less than 0.01% (about \$300). The Fed announced at their September meeting that they were switching to a new policy of a \$10 billion per month SOMA reduction at the start of October. But October only saw a decline of \$3.5 billion, and November so far is breakeven. Historically, and through many policy periods, the market has performed better when the SOMA was expanding, and struggled when it has contracted. For some reason, the new policy has not yet seemed to kick in completely. Things may worsen when it does. I'll continue to monitor actual flows. As I have stated repeatedly, a steady shrinking of the SOMA could create a real headwind for the bulls.

Evidence still appears to be somewhat favoring the bulls. There were a couple of new bullish intermediate-term studies that emerged this week. Additionally, the NASDAQ continues to lead, the trend is clearly up, and all 3 Market Timing Course Combo Systems are "long". On the downside, the Hindenburg Omen signals are somewhat troubling. But Fed policy, and its implications, remain my biggest concern. There are no signs of a market correction starting just yet. My outlook is again somewhat bullish. I will therefore be a bit more aggressive with long trades and a bit more conservative when considering short trades.

## **Catapult and Capitulative Breadth Statistics**

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

### ***Open Catapult Triggers***

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

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

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

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

MON @ \$117.34 (bought 1/3 @ limit)

***NEW***

AXP @ \$93.52 (buy 1/3 @ limit)

MMM @ \$227.50 (buy 1/3 @ limit)

***Broad Market Large Cap CBI – 7(PM-3, MON-2, AXP, MMM)***

### **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.*

**AXP – Buy 1/3 Catapult position @ \$93.52 LIMIT.** This is from the Catapult section above. It is the 1<sup>st</sup> of up to 3 possible lots for AXP.

**MMM – Buy 1/3 Catapult position @ \$227.50 LIMIT.** This is from the Catapult section above. It is the 1<sup>st</sup> of up to 3 possible lots for MMM.

**SPY – Buy ¼ index position @ \$258.00 LIMIT.** Based on the short-term outlook above, I will look to start scaling into an index position if SPY allows for entry at \$258.00 at any time on Monday.

### Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
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	\$118.30	-1.31%		Catapult
MON(1/3)	11/10/2017	\$117.02	\$118.30	1.09%		Catapult

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