

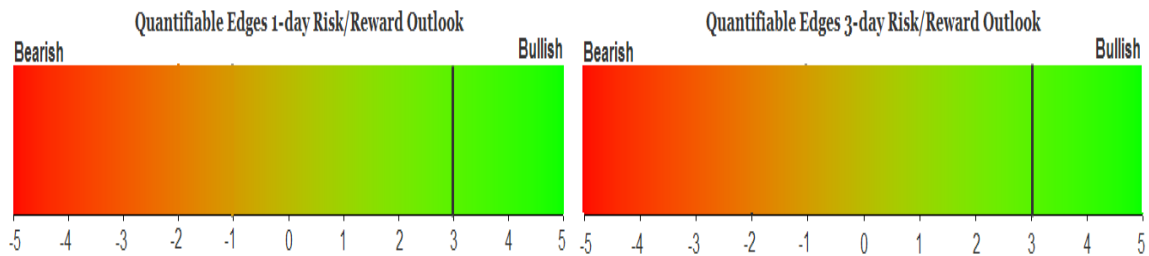
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 16, 2017

Volume 10 Issue 222

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- 2 unfilled down gaps under similar circumstances has commonly been followed by a bounce over the next few days.
- VIX spikes to new high when SPX > 200 have been short-term bullish for SPX.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is again bullish. I am partially long and looking to take advantage of a bounce.

*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 15, 2017	1st 10-low in 30 days	1-6 days	Bullish	2.30%	-1.40%	-3.10%
November 13, 2017	CBI >= 7 . SPX < 10ma and > 200ma	1-6 days	Bullish			
<b>Active - Long Term</b>						
November 15, 2017	1st 10-low in 30 days	1-10 days	Bullish	3.10%	-1.90%	-4.30%
November 14, 2017	SPX top 25% 20day rng. RUT bottom 25	1-40 days	Bullish	5.60%	-2.80%	-5.50%
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**

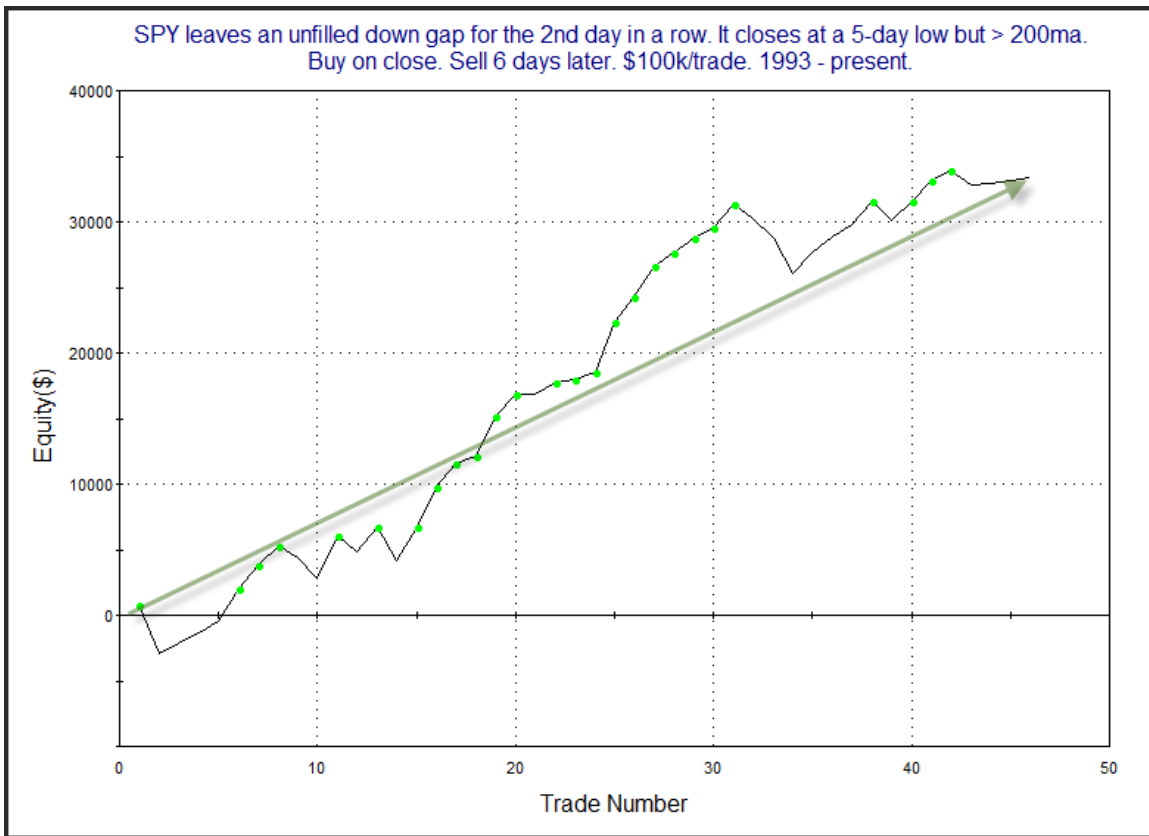
Wednesday saw the market decline a bit further. The SPX finished down 0.6%, while the NASDAQ and Russell 2000 lost 0.5%. Breadth was negative as the NYSE Up Issues % was 35% and the Up Volume % came in at 41%. NYSE volume rose a little from Tuesday's level.

There were several studies that triggered in the Quantifinder. Below are the two that I found most compelling.

Notable about the price action over the last 2 days is that both Tuesday and Wednesday SPY posted unfilled gaps down – never reaching breakeven at any point during the day. This helped trigger the study below, which I last featured in the 5/1/15 letter. Results are updated.

SPY leaves an unfilled down gap for the 2nd day in a row. It closes at a 5-day low but > 200ma. Buy on close. Sell 6 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
10	47,254.44	45	33	12	73.33	2,037.00	5,325.39	-1,663.87	-4,353.36	1.22	3.37	1,050.10
9	47,127.12	46	36	10	78.26	1,849.79	4,882.41	-1,946.55	-6,273.96	0.95	3.42	1,024.50
8	41,553.11	46	34	11	73.91	1,801.56	4,574.25	-1,790.89	-4,801.50	1.01	3.11	903.33
7	24,190.60	46	30	15	65.22	1,744.26	4,429.74	-1,875.82	-5,057.58	0.93	1.86	525.88
6	33,414.55	46	35	11	76.09	1,456.38	3,828.72	-1,596.24	-3,734.50	0.91	2.90	726.40
5	29,307.16	46	33	13	71.74	1,320.56	3,940.02	-1,097.79	-2,721.75	1.20	3.05	637.11
4	22,785.15	46	33	13	71.74	1,127.95	4,388.28	-1,110.55	-2,583.00	1.02	2.58	495.33
3	11,335.37	46	27	19	58.70	929.59	3,325.14	-724.40	-1,795.80	1.28	1.82	246.42
2	8,132.64	46	28	18	60.87	804.28	2,948.14	-799.29	-2,436.12	1.01	1.57	176.80
1	7,256.55	47	29	18	61.70	675.93	1,974.15	-685.86	-1,849.26	0.99	1.59	154.39

The numbers appear to suggest a strong tendency for a bounce in the next few days. Below is the profit curve assuming a 6-day holding period.



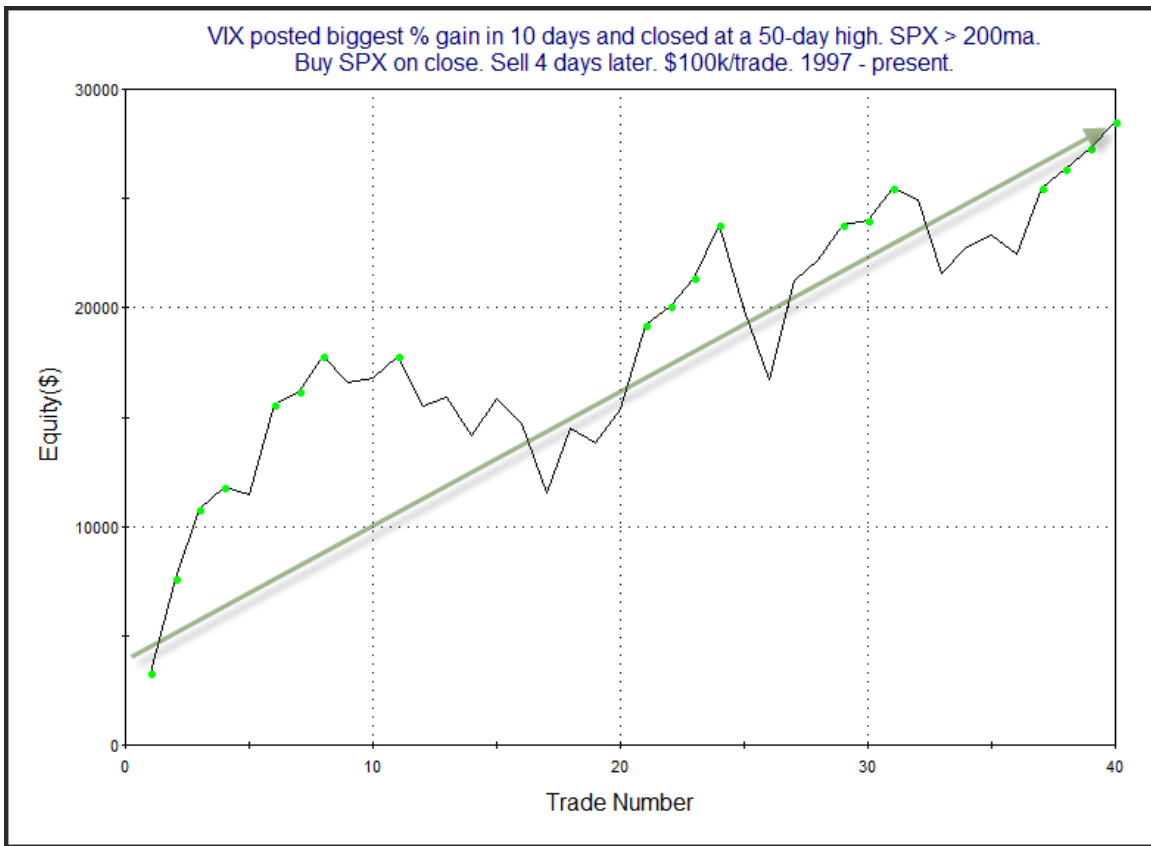
The solid upslope acts as confirmation of the bullish edge.

It is also notable that the VIX spiked up 13.3% on Wednesday and closed at the highest level since March. In the past when it has closed at a high level on a strong move there has been a tendency for the SPX to bounce over the next 1-4 days. This can be seen in the study below from the 6/16/15 letter. (Stats are updated.)

VIX posted biggest % gain in 10 days and closed at a 50-day high. SPX > 200ma.  
Buy SPX on close. Sell X days later. \$100k/trade. 1997 - present.

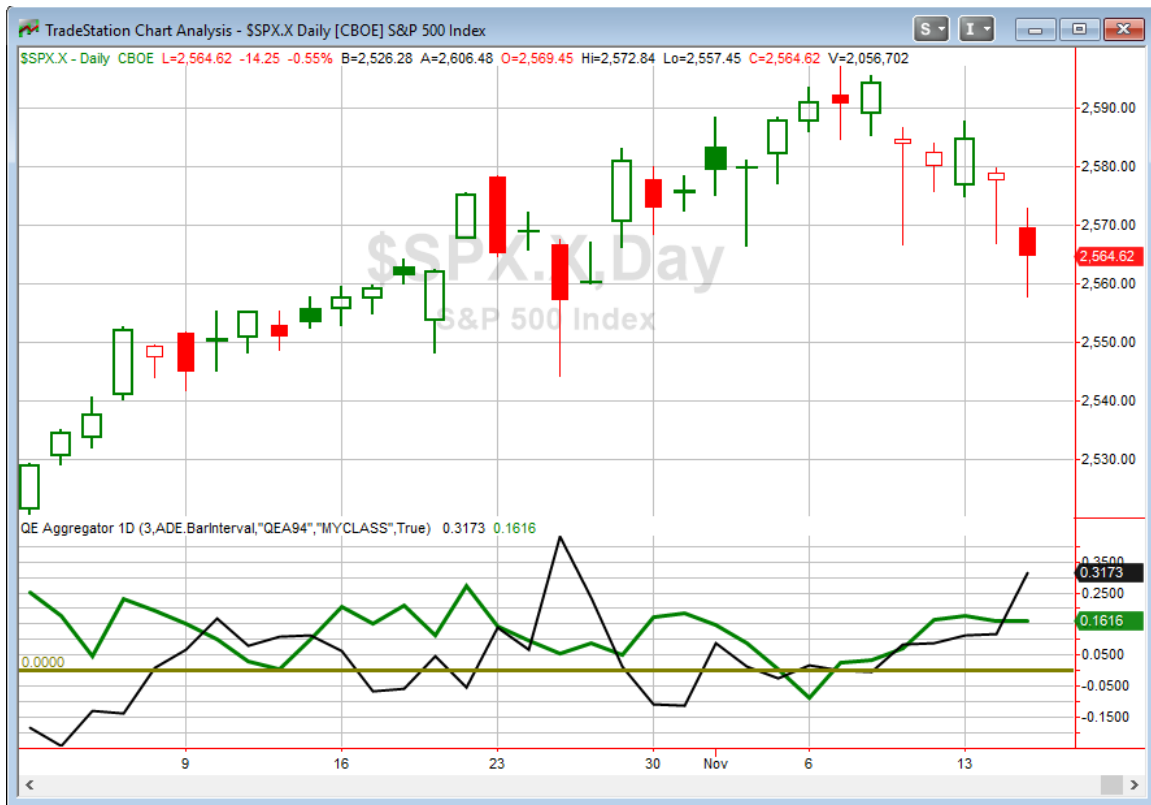
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	28,162.44	40	22	18	55.00	2,262.59	7,070.28	-1,200.81	-3,385.80	1.88	2.30	704.06
4	28,534.79	40	28	12	70.00	1,815.61	4,546.84	-1,858.53	-3,863.84	0.98	2.28	713.37
3	17,727.16	43	26	17	60.47	1,486.72	4,042.74	-1,231.03	-2,576.01	1.21	1.85	412.26
2	21,175.02	44	27	17	61.36	1,214.02	4,809.66	-682.56	-2,726.97	1.78	2.82	481.25
1	3,393.40	47	27	20	57.45	791.76	5,117.46	-899.21	-1,949.22	0.88	1.19	72.20

The numbers appear compelling. Below is a profit curve using a 4-day hold.



The curve is a bit choppy, but it does make its way from lower left to upper right. I have added it to the Short-Term Active List tonight.

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 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 stayed long 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 2595.27 on Thursday. That is 1.2% above Wednesday's close. Therefore, SPX will need to close up at least 1.2% in order to move from oversold to overbought vs expectations on Thursday. A gain that large is fairly unlikely. It will more likely require a multi-day rally or consolidation to work off the oversold condition.

The short-term studies are all pointing long, the market is short-term oversold, and there is plenty of room to the upside before SPX would turn overbought. I like reward/risk here. The market appears poised to bounce. I also like the fact that VIX is stretched and the VIX futures are showing strong contango. The Aggressive VIX system is also "100% Long XIV". So rather than add to my SPY position, I will look to take a partial position in XIV.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 11/13– 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***

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

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

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

UTX @ \$117.07 (bought 1/3 @ limit)

COP @ \$51.23(bought 1/3 @ limit)

MET @ \$52.00 (bought 1/3 @ limit)

***NEW***

COP @ \$50.49 (buy 1/3 @ limit)

EMR @ \$59.59 (buy 1/3 @ limit)

***Broad Market Large Cap CBI – 8(MON-2, AXP, UTX, COP-2, MET, EMR)***

**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.*

**COP – Buy 1/3 Catapult position @ \$50.49 LIMIT.** This is from the Catapult section above. It is the 2<sup>nd</sup> of up to 3 possible lots for COP.

**EMR – Buy 1/3 Catapult position @ \$59.59 LIMIT.** This is from the Catapult section above. It is the 1<sup>st</sup> of up to 3 possible lots for EMR.

**XIV – Buy 1/2 position @ \$103.50 LIMIT.** From the short-term section above, I will look to take on some XIV exposure. Note these XIV trades tend to be extremely volatile. Traders looking to play this idea should size their trades with this in mind.

### Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
MON(1/3)	11/6/2017	\$119.87	\$117.26	-2.18%		Catapult
MON(1/3)	11/10/2017	\$117.02	\$117.26	0.21%		Catapult
AXP(1/3)	11/13/2017	\$93.00	\$93.26	0.28%		Catapult
<b>MMM(1/3)</b>	<b>11/13/2017</b>	<b>\$226.73</b>	<b>\$227.40</b>	<b>0.30%</b>		<b><i>sold on open</i></b>
SPY(1/4)	11/13/2017	\$257.31	\$256.44	-0.34%		Aggregator
UTX(1/3)	11/14/2017	\$117.07	\$117.57	0.43%		Catapult
COP(1/3)	11/15/2017	\$50.74	\$50.49	-0.49%		Catapult
MET(1/3)	11/15/2017	\$51.50	\$51.84	0.66%		Catapult

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