

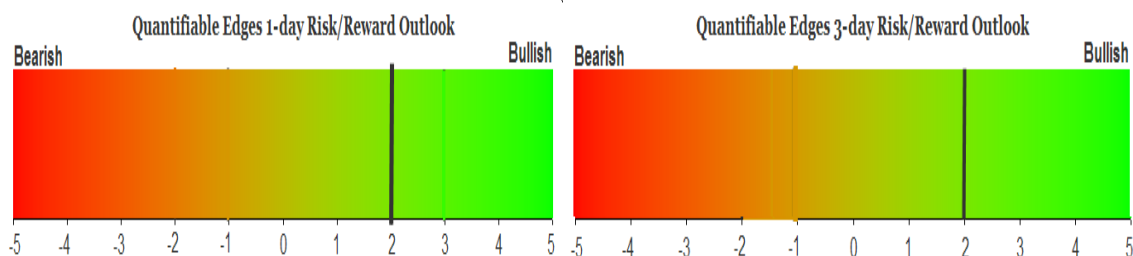
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 17, 2017

Volume 10 Issue 223

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Long	100% Long XIV

Tonight's Research Points

- The bounce was strong enough over the last 2 days that much of the upside edge has been realized and the potential for further gains is reduced.

Short-term Outlook

The Bottom Line

The Aggregator is again bullish. I am partially long and looking to hold on just a little longer.

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 17, 2017	Unfilled gap dn 2x. 5-low > 200ma.	1-6 days	Bullish			
November 17, 2017	VIX up big to 50-day high	1-4 days	Bullish			
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			
Active - Long Term						
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

Thursday saw a nice little rally for the indices. The SPX finished up 0.8%, while the NASDAQ gained 1.3% and the Russell 2000 rose 1.6%. Breadth was positive as the NYSE Up Issues % was 74% and the Up Volume % came in at 71%. NYSE volume declined a little from Wednesday's level.

After being squarely oversold the market has bounced back quite nicely the last 1½ days. The effect has basically been to work off the oversold condition and leave several indices back above their 10-day moving averages. Had the reversal not been so strong then the current upside potential would be a little better. But since the move was so good (and that has helped our SPY position nicely), it took out much of the upside edge. I demonstrated this in the 8/23/17 subscriber letter.

There I looked at patterns similar to the current one where SPY made a 10-day intraday low yesterday and then posted an unfilled gap up today along with a close above the open (and above the 200ma). I broke it down by instances that closed above the 10ma versus instances that closed below it. I have updated those tables below.

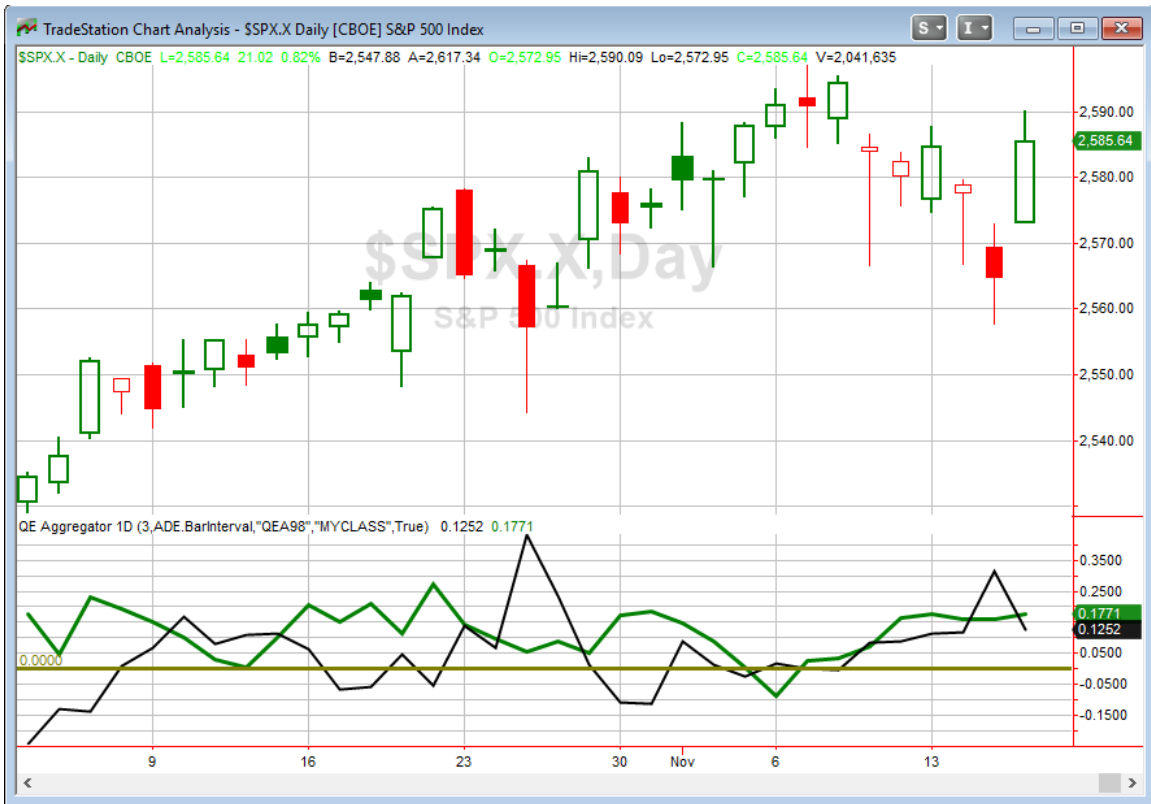
After making a 10-day intraday low yesterday SPY leaves an unfilled gap up today and closes above the open. It closes < 10ma and closes > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % 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
5	23,179.43	60	37	23	61.67	1,525.92	4,106.63	-1,446.95	-3,739.32	1.05	1.70	386.32
4	24,481.98	62	39	23	62.90	1,407.94	3,904.83	-1,322.95	-2,744.82	1.06	1.80	394.87
3	12,645.36	66	38	28	57.58	1,136.63	3,914.92	-1,090.95	-3,070.92	1.04	1.41	191.60
2	6,105.93	68	38	30	55.88	1,055.47	3,089.76	-1,133.40	-2,818.42	0.93	1.18	89.79
1	906.46	68	30	37	44.12	910.28	2,470.05	-713.57	-2,895.33	1.28	1.03	13.33

After making a 10-day intraday low yesterday SPY leaves an unfilled gap up today and close above the open. **It closes > 10ma** and closes > 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
5	1,025.18	36	17	19	47.22	1,217.34	3,113.39	-1,035.24	-3,691.98	1.18	1.05	28.48
4	2,001.25	36	18	18	50.00	913.10	2,584.17	-801.92	-2,586.55	1.14	1.14	55.59
3	-4,342.90	36	16	20	44.44	958.56	2,533.50	-984.00	-2,475.20	0.97	0.78	-120.64
2	-3,558.87	36	18	18	50.00	720.70	1,514.87	-918.41	-2,293.20	0.78	0.78	-98.86
1	-4,881.80	36	16	19	44.44	516.23	1,238.60	-691.66	-2,591.68	0.75	0.63	-135.61

So the current situation falls into the 2nd category. Most of the stats are basically breakeven. Had we not bounced so much, we would have a better chance of seeing more follow-through. As is, the study does not appear to be suggesting a substantial edge.

I have updated the Aggregator chart below.



Without any new studies being added to the Active List tonight, 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 Friday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2591.72 on Friday. That is 0.2% above Thursday’s close. Therefore, SPX will need to close up at least 0.2% in order to move from oversold to overbought vs expectations on Friday.

The studies on the active list suggest this market should have a little more to bounce. But the study I showed above suggests much of the bullish edge has already been realized. Much of the time I would be eager to take profits at a time like this. But one thing I find interesting is the high CBI. With two more Catapults triggering on Thursday, the CBI is now 10, which is an extremely high reading when the market is not oversold. In fact, there have only been 5 other times that the CBI was at a level of 10 or more when SPX closed above its 10ma. And only one of them occurred with SPX also above its 200ma. The high CBI suggests that there are still a good number of stocks that have a short-term upside edge. And this breadth could carry through to the broader market. So while I considered taking profits on my open SPY position, I decided to let it ride one more day. I will exit if it closes higher on Friday.

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)

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

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

NEW

COP @ \$50.22 (buy 1/3 @ limit)

EMR @ \$59.02 (buy 1/3 @ limit)

Broad Market Large Cap CBI – 10(MON-2, AXP, UTX, COP-3, MET, EMR-2)

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 @ \$50.22 LIMIT. This is from the Catapult section above. It is 3rd and final lot for COP.

EMR – Buy 1/3 Catapult position @ \$59.02 LIMIT. This is from the Catapult section above. It is the 2nd of up to 3 possible lots for EMR.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
MON(1/3)	11/6/2017	\$119.87	\$118.60	-1.06%		Catapult
MON(1/3)	11/10/2017	\$117.02	\$118.60	1.35%		Catapult
AXP(1/3)	11/13/2017	\$93.00	\$93.56	0.60%		Catapult
SPY(1/4)	11/13/2017	\$257.31	\$258.62	0.51%		Sell on close >= \$258.63
UTX(1/3)	11/14/2017	\$117.07	\$117.89	0.70%		Catapult
COP(1/3)	11/15/2017	\$50.74	\$50.22	-1.02%		Catapult
MET(1/3)	11/15/2017	\$51.50	\$51.54	0.08%		Catapult
COP(1/3)	11/16/2017	\$50.40	\$50.22	-0.36%		Catapult
EMR(1/3)	11/16/2017	\$58.05	\$59.02	1.67%		Catapult

MON is very close to reaching an exit trigger. It will only need to close up \$0.02 on Friday, or reach a high of \$118.85 intraday in order to trigger an exit for Monday morning. With this in mind, traders could consider exiting before Monday if the exit trigger is reached and they prefer to take profits before the weekend.

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