

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 21, 2017

Volume 10 Issue 225

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Flat	50% Long XIV

Tonight's Research Points

- A poor close Tuesday could set up Wed-Fri quite nicely.

Short-term Outlook

The Bottom Line

The Aggregator is now neutral. But a poor close on Tuesday could leave it oversold going into a strong seasonal period.

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 20, 2017	5-day high then down on ++ breadth	1-3 days	Bullish			
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%
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

Monday was a mostly positive day for the indices. The SPX and the NASDAQ gained 0.1%, while the Russell 2000 rose 0.7%. Breadth was positive as the NYSE Up Issues % was 59% and the Up Volume % came in at 55%. NYSE volume declined a little from Friday's level.

Last night I explored some Thanksgiving week tendencies. Big picture is that Wednesday and Friday have a bullish tendency and the following Monday has generally been bearish. I did note that Wed-Fri have done better when SPY has closed poorly on Tuesday. I thought I would expand on that and show the full related study tonight.

Today is Tuesday before Thanksgiving. SPY closes in lower half of intraday range.
Buy on close. Sell Friday's close. \$100k/trade. 1993 - present.

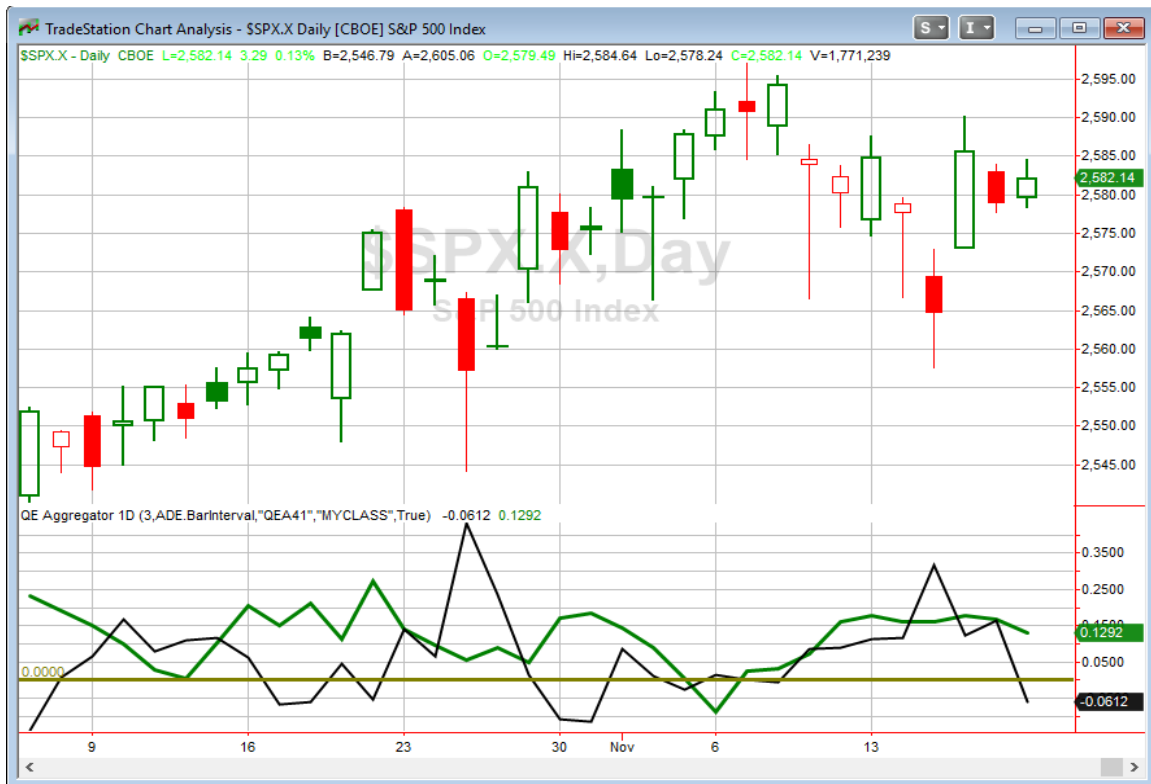
TradeStation Performance Summary				Expand ▾
All Trades				
Total Net Profit	\$8,638.30	Profit Factor	4.62	
Gross Profit	\$11,026.60	Gross Loss	(\$2,388.30)	
Total Number of Trades	11	Percent Profitable	90.91%	
Winning Trades	10	Losing Trades	1	
Even Trades	0			
Avg. Trade Net Profit	\$785.30	Ratio Avg. Win:Avg. Loss	0.46	
Avg. Winning Trade	\$1,102.66	Avg. Losing Trade	(\$2,388.30)	
Largest Winning Trade	\$5,169.81	Largest Losing Trade	(\$2,388.30)	

Here we see the inclination for gains has been quite strong Wed-Fri over Thanksgiving when Tuesday afternoon has not done well. Below is list of all the instances.

Today is Tuesday before Thanksgiving. SPY closes in lower half of intraday range. Buy on close. Sell Friday's close. \$100k/trade. 1993 - present.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/22/1994	Buy	\$45.00	1.04%	\$1,177.66
11/25/1994	Sell	\$45.47		(\$844.36)
11/26/1996	Buy	\$75.88	0.18%	\$447.78
11/29/1996	Sell	\$76.02		(\$316.08)
11/24/1998	Buy	\$118.63	0.73%	\$917.78
11/27/1998	Sell	\$119.50		(\$345.22)
11/23/1999	Buy	\$141.22	0.16%	\$1,175.28
11/26/1999	Sell	\$141.44		(\$863.76)
11/20/2001	Buy	\$114.80	0.77%	\$827.45
11/23/2001	Sell	\$115.68		(\$1,123.59)
11/26/2002	Buy	\$91.70	2.49%	\$3,542.50
11/29/2002	Sell	\$93.98		\$0.00
11/25/2008	Buy	\$85.66	5.17%	\$5,216.49
11/28/2008	Sell	\$90.09		(\$1,657.14)
11/23/2010	Buy	\$118.45	0.30%	\$1,502.32
11/26/2010	Sell	\$118.80		\$0.00
11/22/2011	Buy	\$119.19	-2.39%	\$0.00
11/25/2011	Sell	\$116.34		(\$2,505.62)
11/26/2013	Buy	\$180.68	0.15%	\$591.71
11/29/2013	Sell	\$180.95		(\$16.59)
11/25/2014	Buy	\$207.11	0.04%	\$366.32
11/28/2014	Sell	\$207.20		(\$96.40)

One possible reason that a strong Tuesday afternoon could impede Wed-Fri results is that it might be due to people front-running the strong seasonal edge. So times where such front-running is obviously absent set up better for the Wed-Fri period. These results are impressive and I think they are worth keeping in mind as we approach the close on Tuesday.

I have updated the Aggregator chart below.



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 dropped 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 Tuesday. With all the short-term evidence bullish, it would take some very compelling bearish studies to change this. The Differential Pivot will be *inverted at 2598.54* on Tuesday. That is 0.6% *above* Monday’s close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case, SPX will need to close up 0.6% in order to remain overbought. Anything less than that and it will be considered “oversold” as of Tuesday’s close.

So the Aggregator is not showing a bullish edge right now since the market is considered overbought. But I expect that will change if SPY struggles on Tuesday. Oversold going into a bullish seasonal period is my kind of setup. I will be looking for an opportunity to enter near the close on Tuesday. And if the opportunity does not look good, I might try again on Wednesday morning.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 11/20– somewhat bullish***

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)

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

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

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

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

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

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

Broad Market Large Cap CBI – 8(MON-2, UTX, COP-3, 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.

SPY – buy ¼ index position at \$258.29 LIMIT ON CLOSE, or if it closes at or below the midpoint of its intraday range. Based on the short-term outlook above, I would like to start scaling into a long position as we enter the bullish Thanksgiving period.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
MON(1/3)	11/6/2017	\$119.87	\$118.09	-1.48%		Catapult
MON(1/3)	11/10/2017	\$117.02	\$118.09	0.91%		Catapult
AXP(1/3)	11/13/2017	\$93.00	\$93.95	1.02%		sell on open
SPY(1/4)	11/13/2017	\$257.31	\$258.14	0.32%		sold on open
UTX(1/3)	11/14/2017	\$117.07	\$116.38	-0.59%		Catapult
COP(1/3)	11/15/2017	\$50.74	\$50.08	-1.30%		Catapult
MET(1/3)	11/15/2017	\$51.50	\$51.97	0.91%		sell on open
COP(1/3)	11/16/2017	\$50.40	\$50.08	-0.63%		Catapult
EMR(1/3)	11/16/2017	\$58.05	\$60.26	3.81%		Catapult
COP(1/3)	11/17/2017	\$50.22	\$50.08	-0.28%		Catapult
EMR(1/3)	11/17/2017	\$58.86	\$60.26	2.38%		Catapult

AXP and MET reached their exit targets and will be closed out at Tuesday's open.

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