

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 22, 2017

Volume 10 Issue 226

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Flat	50% Long XIV

Tonight's Research Points

- Thanksgiving Wednesday has made gains on a very consistent basis during long-term uptrends.

Short-term Outlook

The Bottom Line

Seasonality and other studies are pointing higher, but the market is now overbought and the seasonality may have been front-run on Tuesday. This leaves me neutral.

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 22, 2017	Thanksgiving Wed-Fri bullish	1-2 days	Bullish			
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 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			
Dropped Tonight						
November 17, 2017	VIX up big to 50-day high	1-4 days	Bullish			

The Evidence

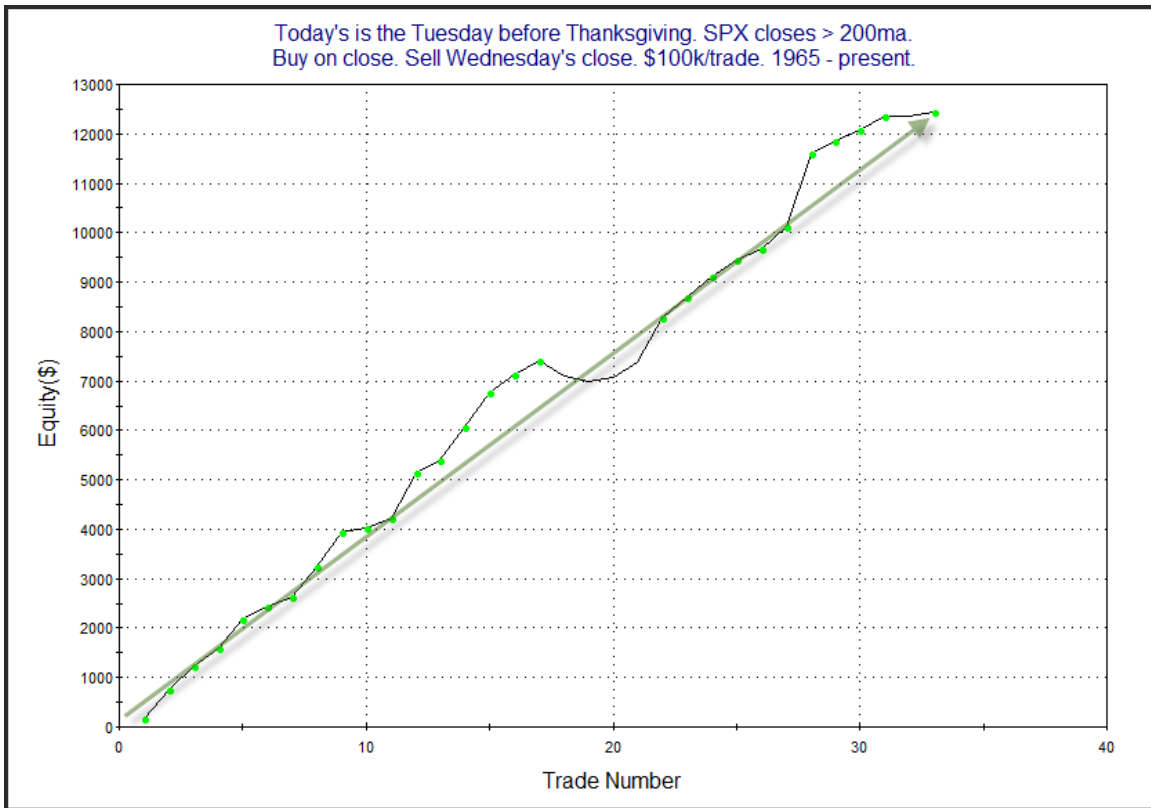
Tuesday was a big up day for the indices. The SPX gained 0.7%, the NASDAQ rose 1.1%, while the Russell 2000 rallied 1.0%. All three also made new all-time highs. Breadth was positive as the NYSE Up Issues % was 66% and the Up Volume % came in at 59%. NYSE volume rose some from Monday's level.

I have discussed the last few days that Wednesday and Friday surrounding Thanksgiving have been seasonally bullish. In the 11/26/13 letter I noted that Wednesday has done especially well when the SPX has been in a long-term uptrend. I decided to update those results tonight.

Today's is the Tuesday before Thanksgiving. SPX closes > 200ma.
Buy on close. Sell Wednesday's close. \$100k/trade. 1965 - present.

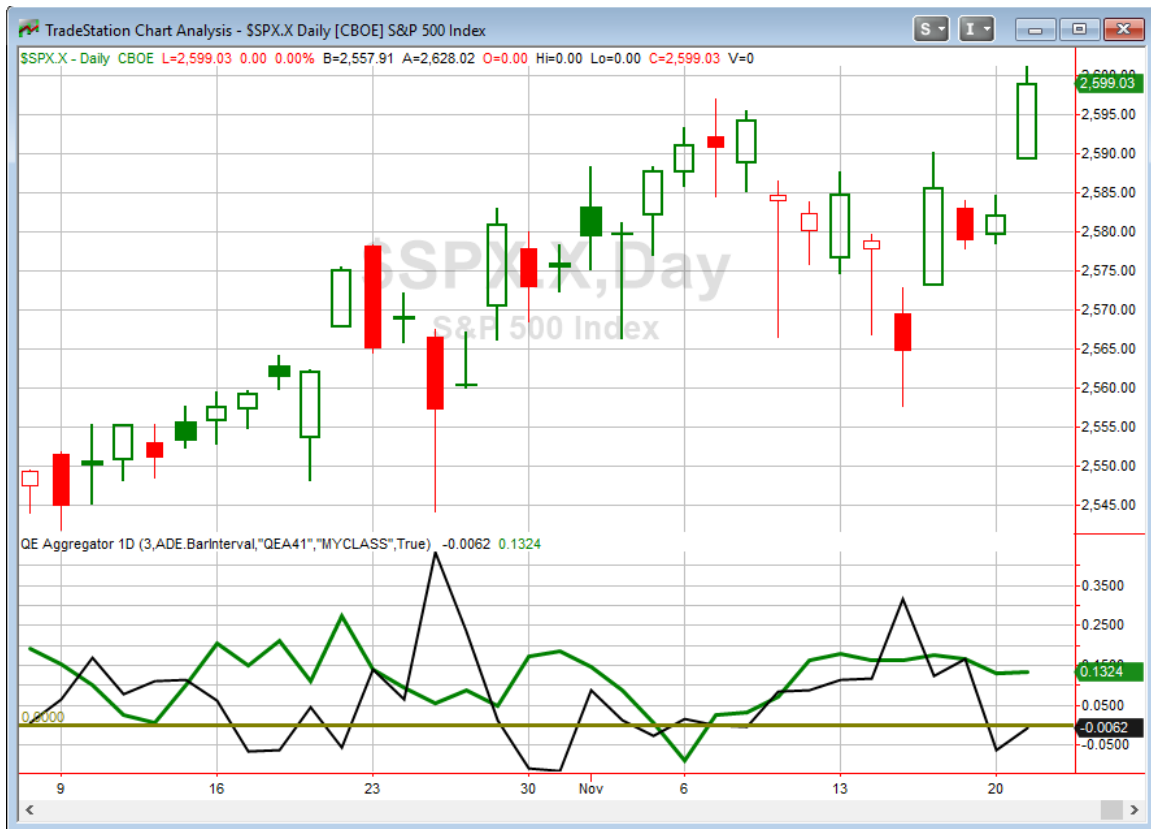
TradeStation Performance Summary				Expand ▾
All Trades				
Total Net Profit	\$12,435.47	Profit Factor		28.67
Gross Profit	\$12,884.96	Gross Loss		(\$449.49)
Total Number of Trades	33	Percent Profitable		90.91%
Winning Trades	30	Losing Trades		3
Even Trades	0			
Avg. Trade Net Profit	\$376.83	Ratio Avg. Win:Avg. Loss		2.87
Avg. Winning Trade	\$429.50	Avg. Losing Trade		(\$149.83)
Largest Winning Trade	\$1,480.08	Largest Losing Trade		(\$308.76)

The numbers here are strong, and the edge has been incredibly consistent. The 3 losing years were 1995, 1996, and 2015. Below is a profit curve that shows how the edge has played out over time.



The upslope is certainly impressive. One caveat for this is that Tuesday already had such strong performance. I am a bit concerned that the seasonal edge has already been front-run, and there may not be a whole lot of upside left. Still, I am viewing Wednesday and Friday as bullish and Monday as bearish at this point.

I have updated the Aggregator chart below.



With positive Thanksgiving seasonality now kicking in, 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 held 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 stayed flat at the close.

Based on the current list of active studies, expectations are slated to remain positive on Wednesday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2591.84 on Wednesday. That is 0.3% below Tuesday’s close. So SPX would need to close down at least 0.3% on Wednesday in order to move from overbought to oversold versus expectations.

It seems unfortunate for my timing that the rally came a day early. This left my SPY trade idea from last night without a fill. It also turned the market overbought. So while there is a seasonal edge for the next couple of days, it may already have been largely front-run. And this negatively impacts potential reward/risk. I am not inclined to try and make a seasonal play with the market already at all-time highs. I will exercise patience and wait for the next favorable reward/risk setup to emerge. I will also note that some more

Catapults reached their exit targets, and the CBI is now down to 4 – a more neutral reading. Have a great Thanksgiving!

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

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

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

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

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

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

Broad Market Large Cap CBI – 4(UTX, COP-3)

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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
MON(1/3)	11/6/2017	\$119.87	\$118.48	-1.16%		sell on open
MON(1/3)	11/10/2017	\$117.02	\$118.48	1.25%		sell on open
AXP(1/3)	11/13/2017	\$93.00	\$94.42	1.53%		sold on open
UTX(1/3)	11/14/2017	\$117.07	\$117.06	-0.01%		Catapult
COP(1/3)	11/15/2017	\$50.74	\$50.01	-1.44%		Catapult
MET(1/3)	11/15/2017	\$51.50	\$52.04	1.05%		sold on open
COP(1/3)	11/16/2017	\$50.40	\$50.01	-0.77%		Catapult
EMR(1/3)	11/16/2017	\$58.05	\$60.34	3.94%		sell on open
COP(1/3)	11/17/2017	\$50.22	\$50.01	-0.42%		Catapult
EMR(1/3)	11/17/2017	\$58.86	\$60.34	2.51%		sell on open

MON and EMR reached their exit targets and will be closed out at Wednesday's open.

This report has been prepared by Hanna Capital Management, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Hanna Capital Management, LLC or clients of Hanna Capital Management, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Hanna Capital Management, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Hanna Capital Management, LLC nor any officer or employee of Hanna Capital Management, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Hanna Capital Management, LLC.

Copyright © 2017 Hanna Capital Management, LLC.