

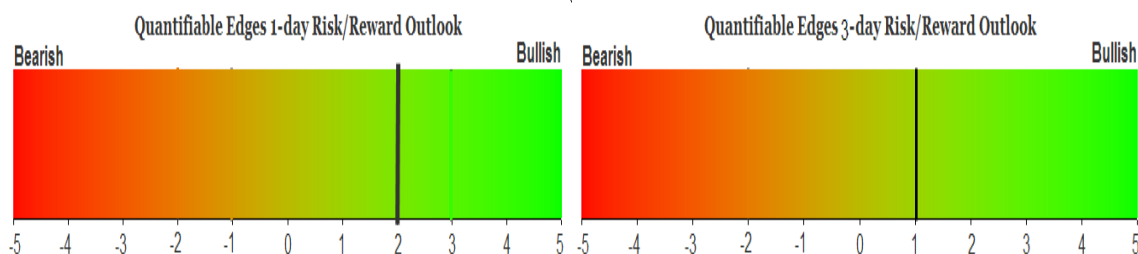
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 28, 2017

Volume 10 Issue 229

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- The SPY gap and reversal on Monday after an unfilled gap up on Friday suggests an upside edge for Tuesday.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator flipped from bearish to bullish. But the edge does not appear very strong. In fact, it is set up to flip back to bearish on Tuesday. So I do not view reward/risk as terribly favorable.

*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 28, 2017	Unfill gap up. Gap up close down > 200	1 day	Bullish			
November 27, 2017	50-high, inside day, 50-high	1-3 days	Bearish			
<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 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**

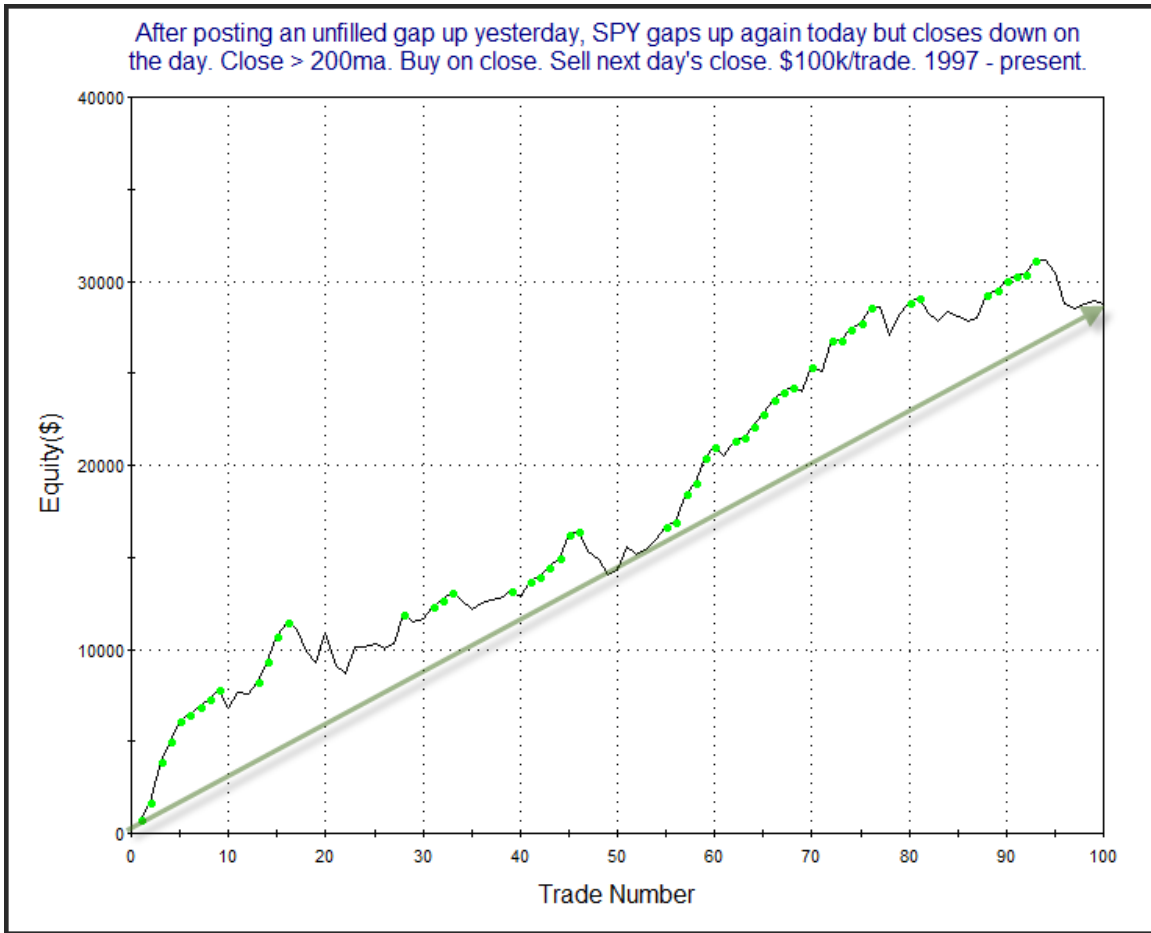
Monday was a quiet consolidation for the market. The SPX declined 0.04%, the NASDAQ lost 0.15%, and the Russell 2000 dropped 0.39%. Breadth was negative as the NYSE Up Issues % was 38% and the Up Volume % came in at 35%. NYSE volume rose from Friday's extremely low level.

SPY gapped up and closed lower Monday after leaving an unfilled up gap on Friday. In the 9/8/17 letter I examined similar price action in SPY with regards to how it gapped and finished. I found that gains had been pretty consistent the next day after similar action. The study is updated below.

After posting an unfilled gap up yesterday, SPY gaps up again today but closes down on the day. Close > 200ma. Buy on close. Sell next day's close. \$100k/trade. 1997 - present.

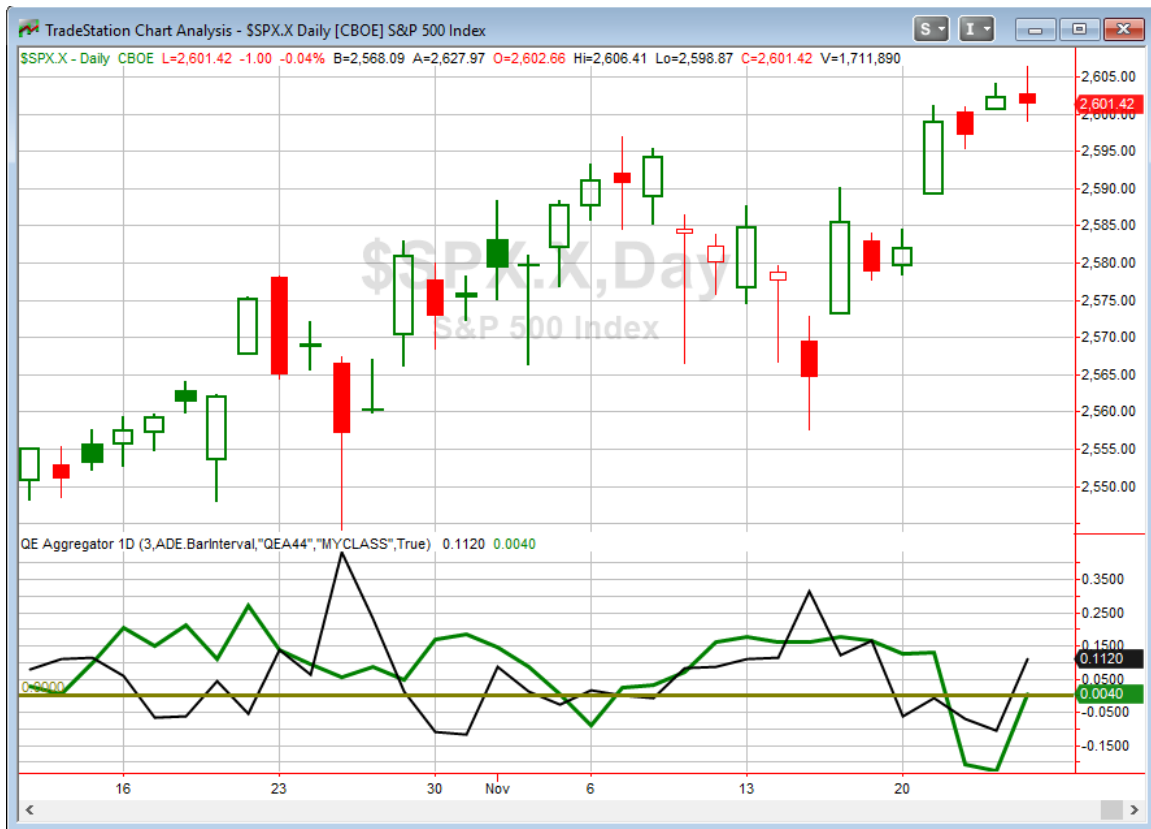
TradeStation Performance Summary				Expand
All Trades				
Total Net Profit	\$28,786.66	Profit Factor		2.65
Gross Profit	\$46,253.31	Gross Loss	(\$17,466.65)	
Total Number of Trades	100	Percent Profitable		69.00%
Winning Trades	69	Losing Trades		31
Even Trades	0			
Avg. Trade Net Profit	\$287.87	Ratio Avg. Win:Avg. Loss		1.19
Avg. Winning Trade	\$670.34	Avg. Losing Trade	(\$563.44)	
Largest Winning Trade	\$2,194.38	Largest Losing Trade	(\$1,772.16)	

The numbers here all look solidly bullish. Below is the profit curve.



Despite the recent dip, the strong, long-term upslope is fairly encouraging. Based on the action of the last 2 days, it appears an up day on Tuesday is fairly likely. I have included this study on the Active List tonight.

I have updated the Aggregator chart below.



With tonight's bullish study, the green Aggregator Line inched slightly 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 moved 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 flip to negative on Tuesday. Of course, this could change if compelling new bullish evidence emerges. The Differential Pivot will be *inverted* at 2598.48 on Tuesday. That is 0.1% *below* Monday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case, SPX is going to need to close down over 0.1% on Tuesday in order to remain "oversold" versus expectations. Anything less than that and it will be considered "overbought".

So there appears to be a very mild upside edge that is also likely to be short-lived. I do not find this a compelling setup. With the Differential Pivot inverted and expectations set to turn negative, the Aggregator formation is currently set to flip from bullish to bearish on Tuesday. I will continue to wait for an opportunity with more favorable reward/risk.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 11/27– somewhat bullish***

The intermediate-term outlook was last updated in the 11/27 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***

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

*New*

AIG @ \$58.76 (buy 1/3 @ limit)

***Broad Market Large Cap CBI – 2(UTX, AIG)***

**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.*

**AIG – buy 1/3 Catapult position @ \$58.76 LIMIT.** This is from the Catapult section above. It is the 1<sup>st</sup> of up to 3 possible lots for AIG.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
UTX(1/3)	11/14/2017	\$117.07	\$117.12	0.04%		near exit...see below

*UTX will trigger an exit if it closes  $\geq$  \$117.14 or trades  $>$  \$117.21 intraday. In either case, the standard exit would be at the open Wednesday morning. Traders could consider taking earlier exits if they see fit.*

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