

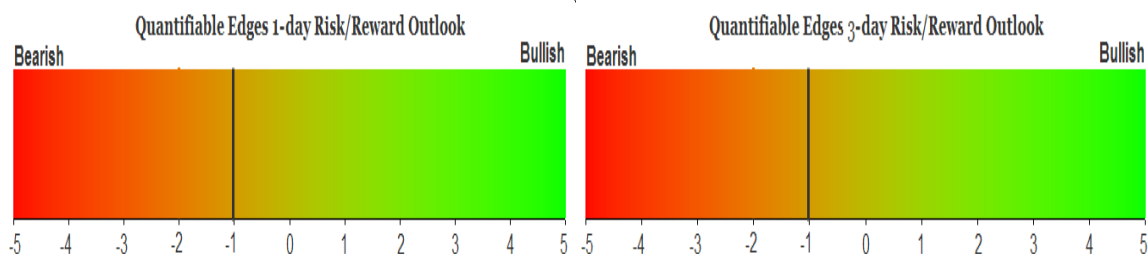
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 29, 2017

Volume 10 Issue 230

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Short	100% Short SPY

Tonight's Research Points

- SPX is quite stretched on an intermediate-term basis, but that has led to more intermediate-term upside in the past.

Short-term Outlook

The Bottom Line

The Aggregator flipped to bearish, but without new evidence emerging, that is only slated to last 1 day. I do not feel the edge is strong and am not inclined to get involved in new index trades.

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 27, 2017	50-high, inside day, 50-high	1-3 days	Bearish			
Active - Long Term						
November 29, 2017	SPX breaks 50-day Upper Bollinger Band	1-50 days	Bullish	4.85%	-4.10%	-7.80%
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			
April 26, 2016	Golden Cross	int term	Bullish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			

The Evidence

Tuesday was a day of new highs for the market. The SPX rallied 1.0%, the NASDAQ gained 0.5%, and the Russell 2000 rose 1.5%. Breadth was positive as the NYSE Up Issues % was 67% and the Up Volume % came in at 78%. NYSE volume rose from Monday's level.

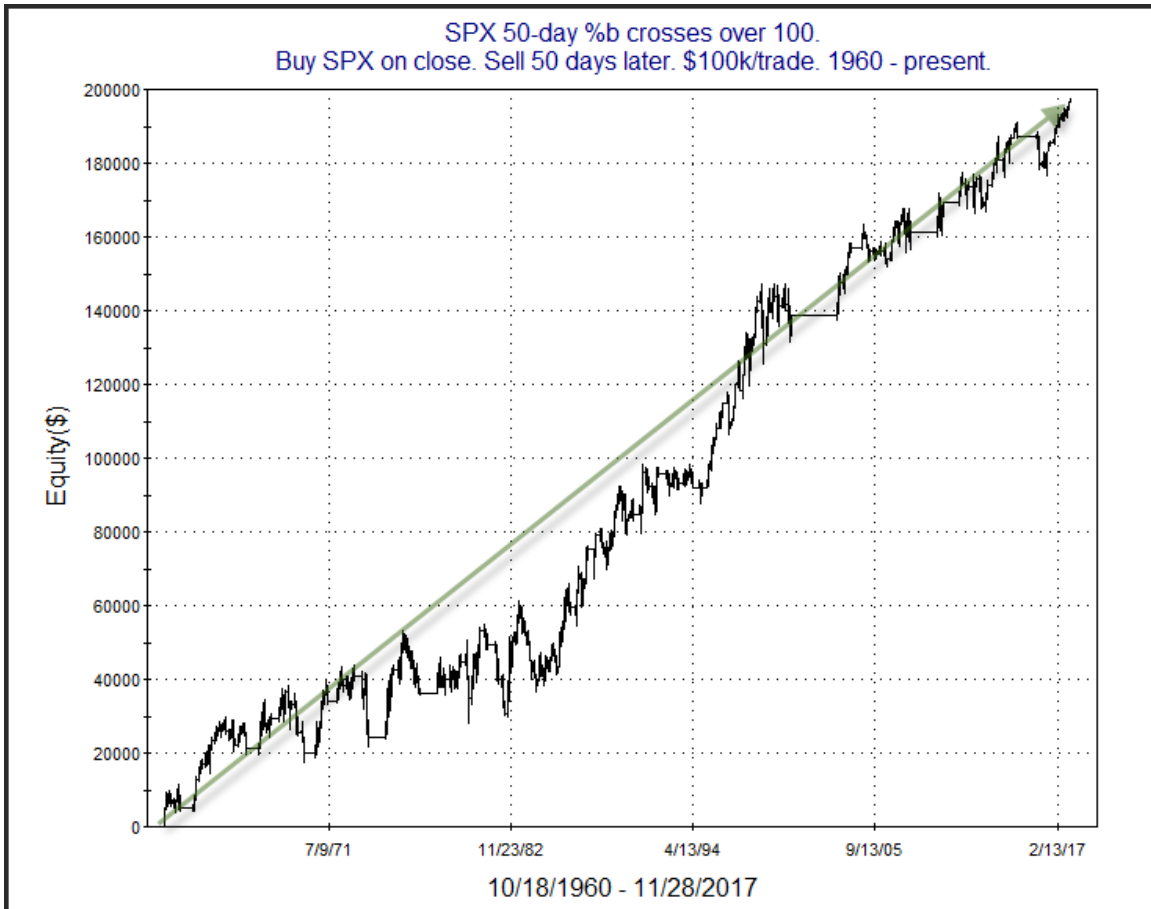
Despite the rally there was nothing compelling that triggered with short-term implications. There were a few studies that looked at the VIX/SPX action, but they have struggled a bit recently, so I elected not to place them under consideration tonight.

There was one study from the 9/19/17 Subscriber Letter that has some potential intermediate-term implications, and it is fairly interesting, so I figured I would talk a little about it. This study looked at the SPX closing price in relation to its 50-day Bollinger Bands. In it I used 2 standard deviations in the Bollinger Band calculation. I used %b to measure where we fell. For those unaware, %b simply measures the distance between the 2 bands. So a reading of 0 means price is right at the lower band. A reading of 100 is right at the upper band. A reading of 50 would be right at the moving average being used – in this case the 50ma. So a move 2 standard deviations above the 50ma would be a %b reading of 100. An updated results table for this study is below.

SPX 50-day %b crosses over 100.
Buy SPX on close. Sell X days later. \$100k/trade. 1960 - present.

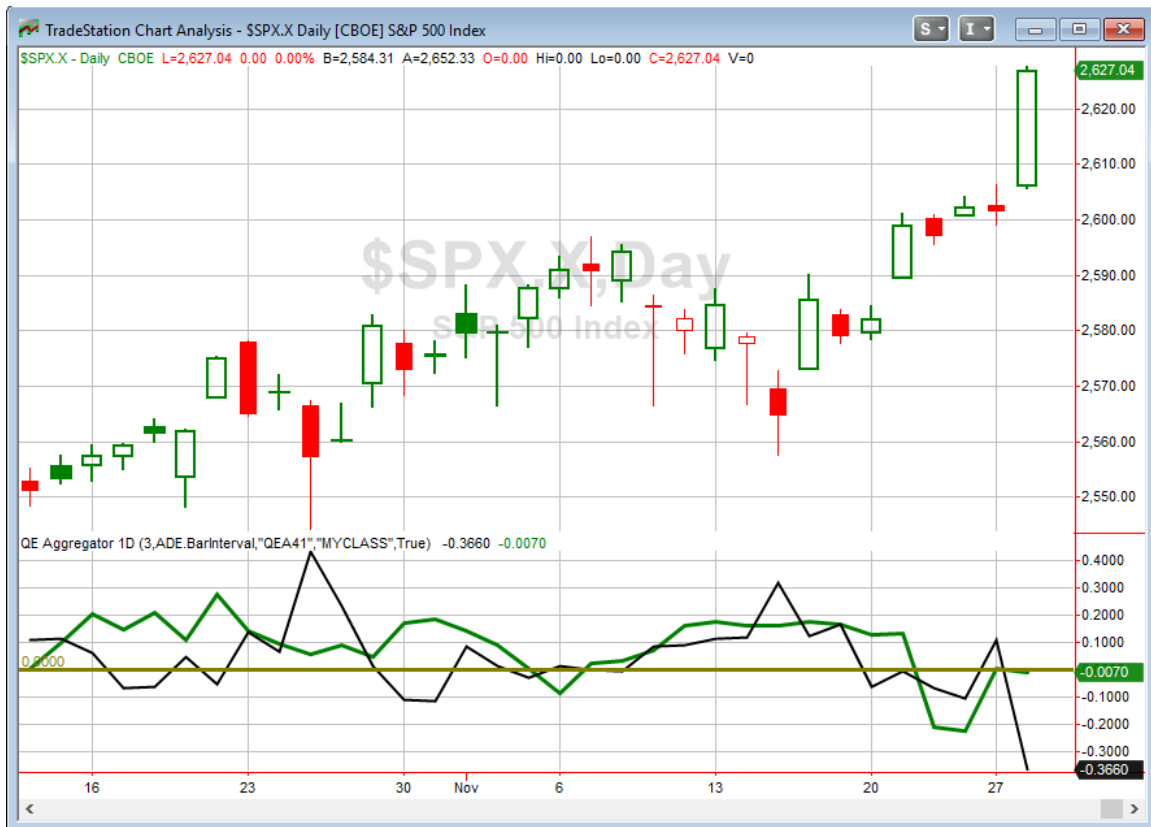
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
50	197,801.25	139	85	54	61.15	4,886.44	18,408.18	-4,028.63	-15,795.00	1.21	1.91	1,423.03
45	154,646.97	146	84	62	57.53	4,852.70	15,816.57	-4,080.32	-25,812.76	1.19	1.61	1,059.23
40	166,301.02	149	90	59	60.40	4,339.51	17,624.67	-3,800.93	-15,540.70	1.14	1.74	1,116.11
35	149,425.58	157	95	62	60.51	3,965.75	15,782.13	-3,666.46	-13,617.00	1.08	1.66	951.76
30	100,533.44	163	97	66	59.51	3,294.37	11,920.74	-3,318.49	-10,485.00	0.99	1.46	616.77
25	75,986.98	170	97	73	57.06	3,060.76	10,859.94	-3,026.12	-8,732.16	1.01	1.34	446.98
20	69,098.17	180	101	79	56.11	2,724.98	9,501.30	-2,609.18	-10,205.38	1.04	1.34	383.88
15	76,272.88	197	115	82	58.38	2,328.71	7,843.46	-2,335.72	-9,763.44	1.00	1.40	387.17
10	72,577.88	220	141	79	64.09	1,693.61	8,239.16	-2,104.06	-9,133.53	0.80	1.44	329.90
5	40,679.53	264	158	105	59.85	1,115.00	5,030.81	-1,290.39	-5,817.77	0.86	1.30	154.09

Results generally appear moderately bullish. They seem to suggest that the kind of strong momentum that would have SPX closing above its 50-day Bollinger Band favors more upside over a possible reversal. The “% Profitable” is not terribly high, but I produced a profit curve below to see how the edge has played out over time.



That's a pretty steady upslope for a study without a very high "% Profitable". Overall, I like this study enough to add it to the intermediate-term active list. Interestingly, it was just about to come off the list, since it has been exactly 50 trading days since the 9/18/17 instance.

I have updated the Aggregator chart below.



With just the intermediate-term study emerging, the green Aggregator Line inched slightly below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile, the black Differential Line fell below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below 0. Therefore, the Aggregator signal turned short at the close.

With the last of the bearish short-term studies set to expire on Wednesday, expectations are primed to flip back to positive. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2594.28 on Wednesday. That is 1.25% below Tuesday's close. So SPX would need to close down a sizable 1.25% on Wednesday in order to flip from overbought to oversold versus expectations. A drop that large seems unlikely. A more likely scenario for working off the overbought condition would be a multi-day decline or consolidation.

So there appears to be a very mild and fragile downside edge. And it is not likely to last for more than a day unless new bearish evidence emerges. So I am not compelled to get involved in a counter-trend trade here. I will continue to wait for a more favorable reward/risk opportunity to emerge. I will also note that all the Catapults have now reached their exit triggers. This leaves the CBI at 0 for the 1st time in a while.

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

None

Broad Market Large Cap CBI – 0

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
UTX(1/3)	11/14/2017	\$117.07	\$117.71	0.55%		sell on open
AIG(1/3)	11/28/2017	\$58.76	\$59.82	1.80%		sell on open

Both open Catapults reached their exit triggers and will be sold at the NYSE open on Wednesday.

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