

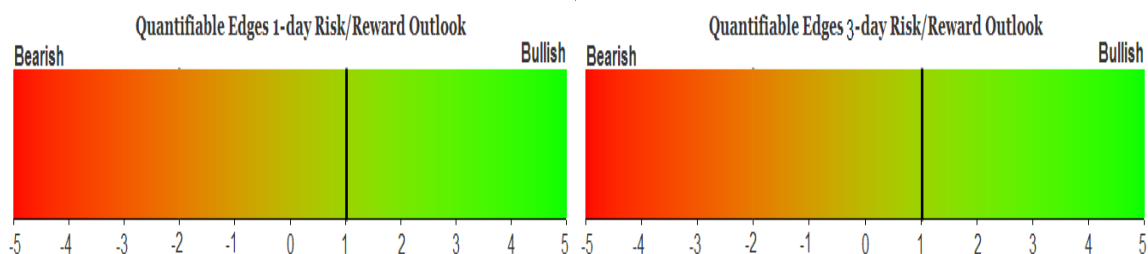
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 5, 2017

Volume 10 Issue 234

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Flat	50% Long XIV

Tonight's Research Points

- When SPX has posted a 20-day high and a poor close in the past it has led to short-term gains.

Short-term Outlook

The Bottom Line

The Aggregator is neutral but poised to turn bullish unless SPX rallies on Tuesday. NDX is already oversold, and I may look to take on some exposure there if I can get a favorable fill.

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						
December 5, 2017	SPX 20-high and close in bottom 10%	1-8 days	Bullish	1.90%	-1.20%	-2.40%
December 4, 2017	SPX > Upper Boll Band 4 days in row	1-8 days	Bullish	2.05%	-1.30%	-2.80%
December 1, 2017	VIX up 2.5%. SPX 50-day high.	1-5 days	Bearish			
December 1, 2017	SPY closes month at high of month	1-5 days	Bullish			
Active - Long Term						
November 30, 2017	SPX 50-intraday high. NDX big down 50	1-50 days	Bullish			
November 29, 2017	SPX breaks 50-day Upper Bollinger Band	1-50 days	Bullish	4.85%	-4.10%	-7.80%
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			
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

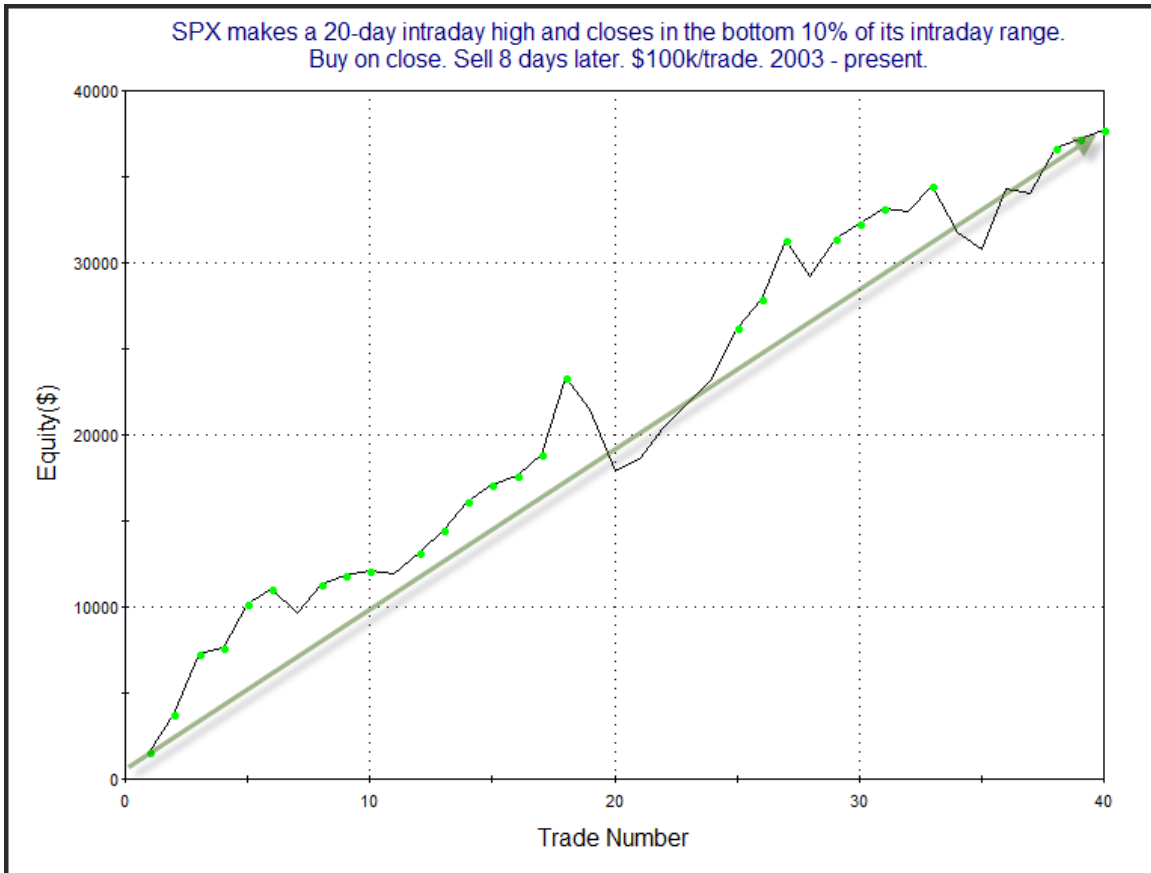
Monday started off strong, but fell apart as the day went on. SPX made a new intraday high, and the Dow hold on to close at a new high, but the NASDAQ 100 finished at a 10-day low. The SPX closed the day down 0.1%, the NASDAQ lost 1.1%, and the Russell 2000 dropped 0.3%. Breadth was surprisingly positive as the NYSE Up Issues % was 51.5% and the Up Volume % came in at 60%. NYSE volume rose a little from Friday's level.

Before spending much of the day selling off, the SPX managed to make a new intraday all-time high. The new high followed by a poor and downward close triggered the study below, which was last seen in the 10/24/17 subscriber letter. Results are all updated.

SPX makes a 20-day intraday high and closes in the bottom 10% of its intraday range. Buy on close. Sell X days later. \$100k/trade. 2003 - 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
10	38,790.81	39	29	10	74.36	1,806.16	4,119.18	-1,358.78	-3,210.80	1.33	3.85	994.64
9	37,570.99	39	30	9	76.92	1,661.50	3,613.36	-1,363.77	-3,775.10	1.22	4.06	963.36
8	37,727.73	40	31	9	77.50	1,642.50	4,483.84	-1,465.54	-3,543.84	1.12	3.86	943.19
7	28,191.59	40	31	9	77.50	1,482.45	3,761.94	-1,973.81	-4,159.32	0.75	2.59	704.79
6	26,489.17	41	32	9	78.05	1,266.16	3,331.38	-1,558.67	-2,942.40	0.81	2.89	646.08
5	15,449.27	41	29	12	70.73	968.92	2,693.34	-1,054.11	-3,566.84	0.92	2.22	376.81
4	11,240.36	43	28	15	65.12	936.03	2,531.61	-997.90	-2,332.44	0.94	1.75	261.40
3	13,112.98	43	28	15	65.12	838.70	2,159.82	-691.38	-2,091.82	1.21	2.26	304.95
2	8,697.80	43	24	19	55.81	805.33	3,288.48	-559.48	-1,575.22	1.44	1.82	202.27
1	6,458.97	44	30	14	68.18	483.85	1,710.72	-575.47	-1,194.83	0.84	1.80	146.79

42 of 44 instances (95%) closed above the entry price at some point in the next week. The 2 that failed triggered on 12/30/04 and 12/31/04.

Results here seem to suggest an upside edge over the next 1-2 weeks. Below is a profit curve assuming an 8-day holding period.



The persistent upslope appears to confirm the upside edge suggested by the statistics. I have added this study to the Active List.

I have updated the Aggregator chart below.



With tonight's study considered, 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 remained 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 active list, expectations are slated to remain bullish on Tuesday. It would take very compelling new bearish evidence in order to change this. The Differential Pivot will be *inverted at 2653.09* on Tuesday. That is 0.5% *above* Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up over 0.5% in order to remain overbought. Anything shy of that and it will be considered oversold vs expectations as of Tuesday's close.

So expectations remain bullish, but SPX being overbought has the Aggregator in a neutral configuration. It is poised to turn bullish if SPX fails to rally much on Tuesday. One index that is already oversold is the NASDAQ 100, which closed at a 10-day low on Monday. With overall expectations positive and the NASDAQ 100 already oversold, I will look for some long QQQ exposure on Tuesday if I can get a favorable entry.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/4– somewhat bullish

The intermediate-term outlook was last updated in the 12/4 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.

QQQ – buy ¼ index position @ \$152.70 LIMIT ON OPEN. If not filled on open, cancel order and look to enter @ \$152.70 LIMIT ON CLOSE. With the Aggregator not quite bullish yet, I won't go for a straight limit buy. But I will look to gain a favorable entry into QQQ if it gaps down or closes lower on Tuesday.

Current Open Trade Ideas

None.

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