

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 6, 2017

Volume 10 Issue 235

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Long	100% Long XIV

Tonight's Research Points

- The current 3-day pullback does not appear to be offering the kind of bullish indications we often see with 3-day pullbacks.

Short-term Outlook

The Bottom Line

While we are not seeing confirming evidence emerge tonight, overall evidence continues to point higher. Meanwhile, Tuesday's decline left the SPX oversold. This all suggests a bit of an upside edge.

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			

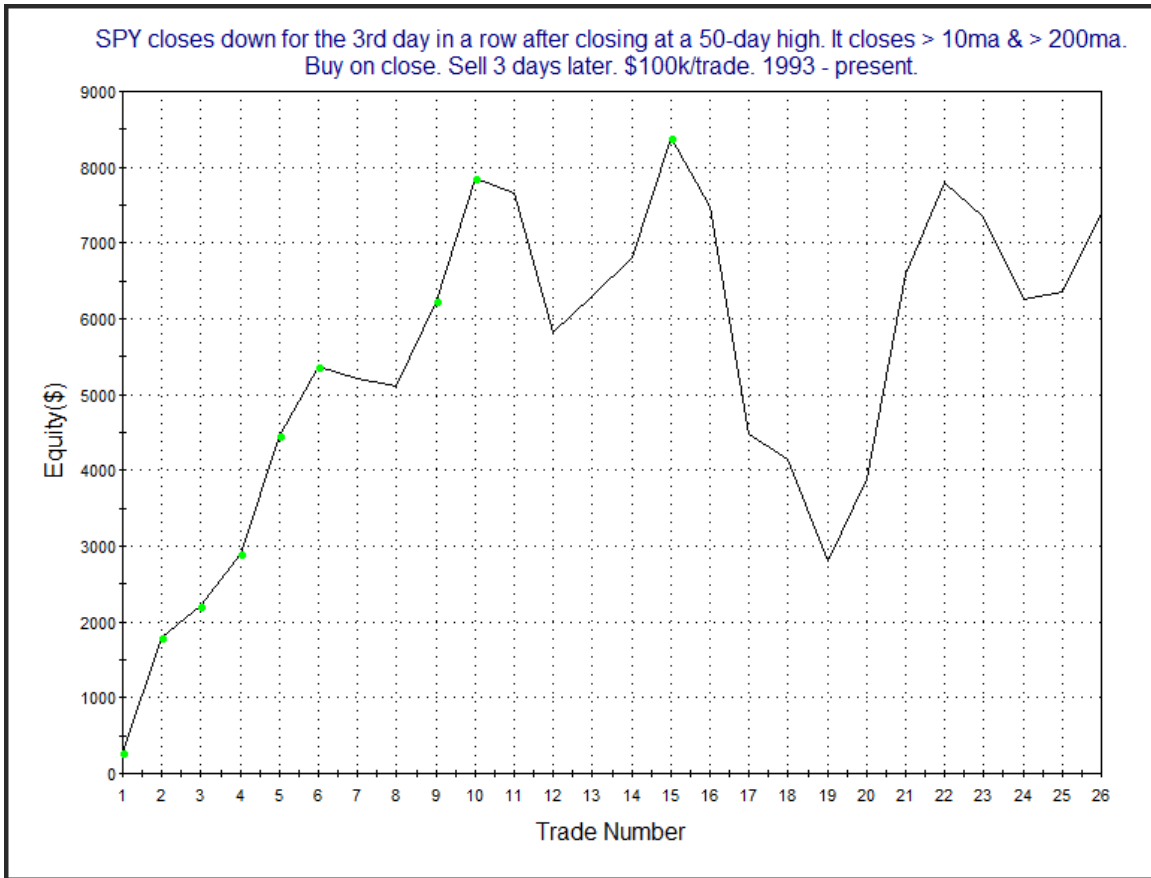
The Evidence

Tuesday saw a strong morning melt away and most indices finished lower. The SPX closed the day down 0.4%, the NASDAQ lost 0.2%, and the Russell 2000 dropped 1.0%. Breadth was negative as the NYSE Up Issues % was 36% and the Up Volume % came in at 26%. NYSE volume declined a little from Monday’s level.

Often when the market experiences a 3-day pullback during a long-term uptrend, we will see a number of bullish studies emerge. But not every 3-day pullback is the same. Some contain more bullish characteristics than others. Unfortunately, this one does not appear to be showing indications of a strong edge. The pullback from the high has been very mild to this point, and there is not a strong triggering indication that the bounce is imminent. The study below demonstrates this. It looks at other 3-day pullbacks from 50-day highs that left the SPY still above its 10ma.

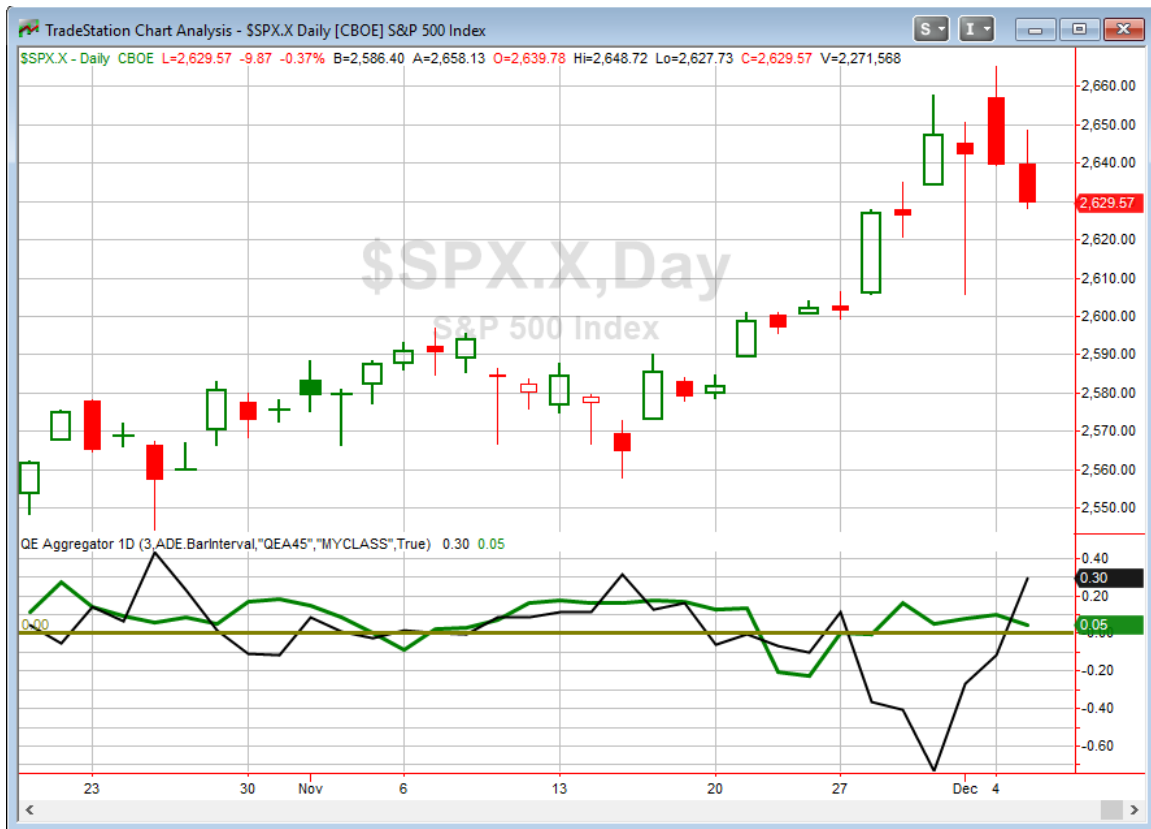
SPY closes down for the 3rd day in a row after closing at a 50-day high. It closes > 10ma & > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	6,989.73	26	17	9	65.38	1,344.04	2,902.07	-1,762.11	-4,561.44	0.76	1.44	268.84
4	4,719.58	26	17	9	65.38	1,158.10	2,814.35	-1,663.13	-3,295.52	0.70	1.32	181.52
3	7,406.09	26	16	10	61.54	1,052.11	2,690.08	-942.77	-3,006.56	1.12	1.79	284.85
2	4,745.23	26	18	8	69.23	634.50	2,178.38	-834.47	-3,990.40	0.76	1.71	182.51
1	4,354.78	26	15	11	57.69	489.54	1,981.01	-271.66	-932.96	1.80	2.46	167.49

As you can see, there does not appear to be a strong inclination. The 3-day holding period saw the most total gains, but as you can see below, the profit curve was a mess.



This does not instill any confidence. I do not view the current 3-day SPX pullback as suggestive of a substantial directional edge. No new studies were added to the Active List tonight.

I have updated the Aggregator chart below.



Without any new compelling studies 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 moved up through 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 active list, expectations are slated to remain bullish on Wednesday. It would take very compelling new bearish evidence in order to change this. The Differential Pivot will be 2650.00 on Wednesday. That is 0.8% above Tuesday's close. Therefore, SPX would need to close up at least 0.8% on Wednesday to flip from oversold to overbought versus expectations.

So the continued pullback has turned SPX to oversold. But while expectations from the open active studies remain bullish, we did not see any confirmation of that with our research tonight. I already took some QQQ in anticipation of a bullish Aggregator and a favorable setup for QQQ. For the time being I intend to let that ride. I will not be looking to increase my long exposure just yet.

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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
QQQ(1/4)	12/5/2017	\$152.64	\$152.81	0.11%		bought on open

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