

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 7, 2017

Volume 10 Issue 236

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- The pullback is now showing some bullish inclinations.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bullish. I am partially long looking to take advantage of this edge. I will only look to take profits on Thursday if further gains are realized and certain targets are reached.

*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>						
December 7, 2017	3+ lower from high. Today mild.	1-3 days	Bullish			
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			
<b>Active - Long Term</b>						
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			

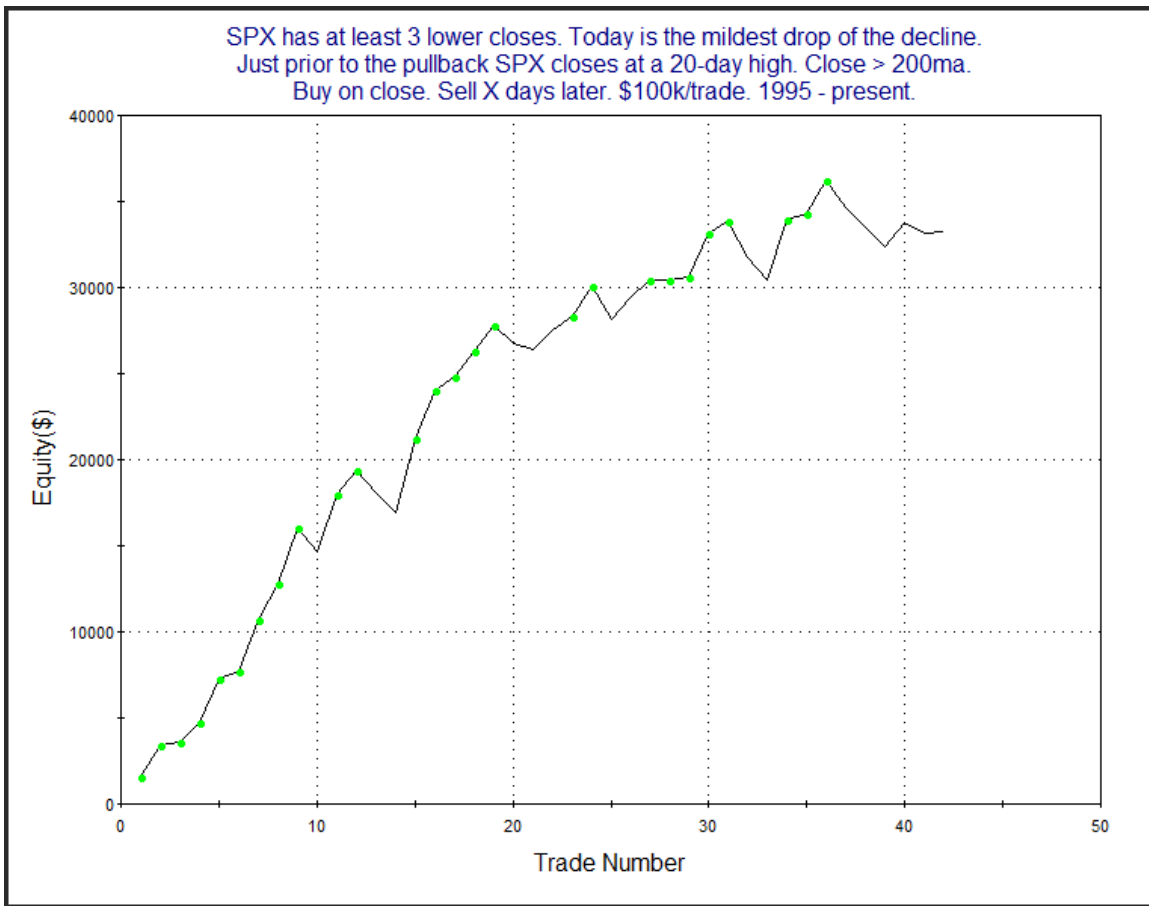
**The Evidence**

Wednesday saw mixed results for the market. The SPX closed the day down 0.01%, the NASDAQ gained 0.45%, and the Russell 2000 dropped 0.52%. Breadth was negative as the NYSE Up Issues % was 42% and the Up Volume % came in at 35%. NYSE volume declined some from Tuesday's level.

One interesting study that appeared was from the 3/28/16 letter. It takes into consideration both that the SPX is coming off a 20-day high and that today's drop was the smallest of the decline. This can suggest the sellers are running out of steam. I have updated the stats below.

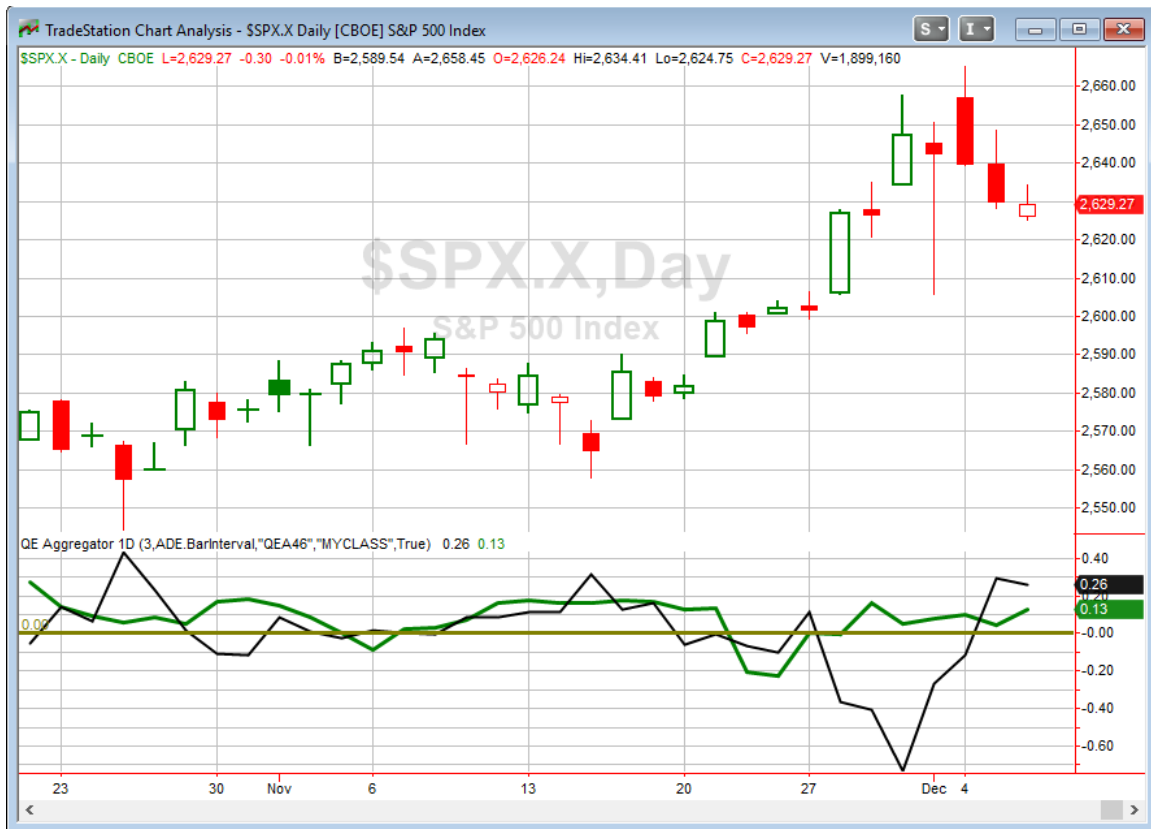
SPX has at least 3 lower closes. Today is the mildest drop of the decline. Just prior to the pullback SPX closes at a 20-day high. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	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	47,453.83	40	26	14	65.00	2,446.01	7,183.08	-1,153.03	-7,026.10	2.12	3.94	1,186.35
9	43,802.19	40	27	13	67.50	2,354.53	6,685.72	-1,520.77	-7,816.60	1.55	3.22	1,095.05
8	41,895.49	40	27	13	67.50	2,336.86	6,017.68	-1,630.75	-4,389.40	1.43	2.98	1,047.39
7	32,626.96	41	26	15	63.41	2,219.06	6,121.80	-1,671.24	-3,690.70	1.33	2.30	795.78
6	35,294.84	41	25	16	60.98	1,983.46	5,533.56	-893.23	-2,162.47	2.22	3.47	860.85
5	31,956.85	42	28	14	66.67	1,815.30	5,769.16	-1,347.96	-3,579.52	1.35	2.69	760.88
4	32,689.03	42	26	16	61.90	1,854.28	4,989.40	-970.14	-2,876.40	1.91	3.11	778.31
3	33,237.20	42	30	12	71.43	1,608.51	4,373.80	-1,251.50	-2,085.27	1.29	3.21	791.36
2	24,750.56	43	31	12	72.09	1,282.92	3,583.44	-1,251.66	-2,803.79	1.02	2.65	575.59
1	9,091.03	46	32	13	69.57	712.55	1,767.00	-1,054.66	-2,214.00	0.68	1.66	197.63
<p style="text-align: center;"><b>90% of instances closed above the entry price at some point in the next week.</b></p>												

Here we see what appears to be a fairly reliable setup with some powerful results. A 3-day profit curve can be found below.



While recent instances have caused the curve to fade a little, it still appears to suggest an upside edge. I have added this study to the Active List for tonight.

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 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 stayed long at the close.

Based on the current active list, expectations are slated to remain bullish on Thursday. It would take very compelling new bearish evidence in order to change this. The Differential Pivot will be 2645.56 on Thursday. That is 0.6% above Wednesday's close. Therefore, SPX would need to close up at least 0.6% on Thursday to flip from oversold to overbought versus expectations.

My outlook remains much the same as last night. There appears to be an upside edge, as indicated by the Aggregator formation. But SPX is still above its 10-day moving average, despite having closed down 4 days in a row. In other words, while it is relatively oversold as measured by the Differential Line, it is not clearly oversold based on some other methods. QQQ did get to an oversold state, and I do have a partial index position there. I am mindful of the fact that the employment report is due to be released on Friday morning

an hour before the NYSE open. This often creates volatility. It also increases potential risk. Considering this, I may look to exit my QQQ position if SPX closes above its Differential Pivot or if QQQ puts in a strong day on Thursday. Details in the open trade ideas section at the bottom of the letter.

***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	\$153.50	0.56%		see note below

With the employment report due out on Friday I will look to take profits on QQQ if it appears that much of the upside edge has been realized as of Thursday afternoon. So I will exit QQQ if either of the following occurs: 1) QQQ closes  $\geq$  \$154.75, or 2) SPX closes  $\geq$  2645.56 AND QQQ closes  $\geq$  \$153.50. If neither of these conditions trigger, then I will continue to hold QQQ into Friday.

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