

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 8, 2017

Volume 10 Issue 237

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- A 2-day rise in SPY that fails to make up the losses of the previous day has often been followed by more short-term buying when the market has been in an uptrend.

## *Short-term Outlook*

### *The Bottom Line*

Expectations remain bullish. SPX is oversold. But it will not remain oversold unless it closes down a bit on Friday. This tempers my enthusiasm and has me looking to take profits if my position puts in some gains on Friday.

**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 8, 2017	2 up < 3 ago for SPY	1-2 days	Bullish			
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%
<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			

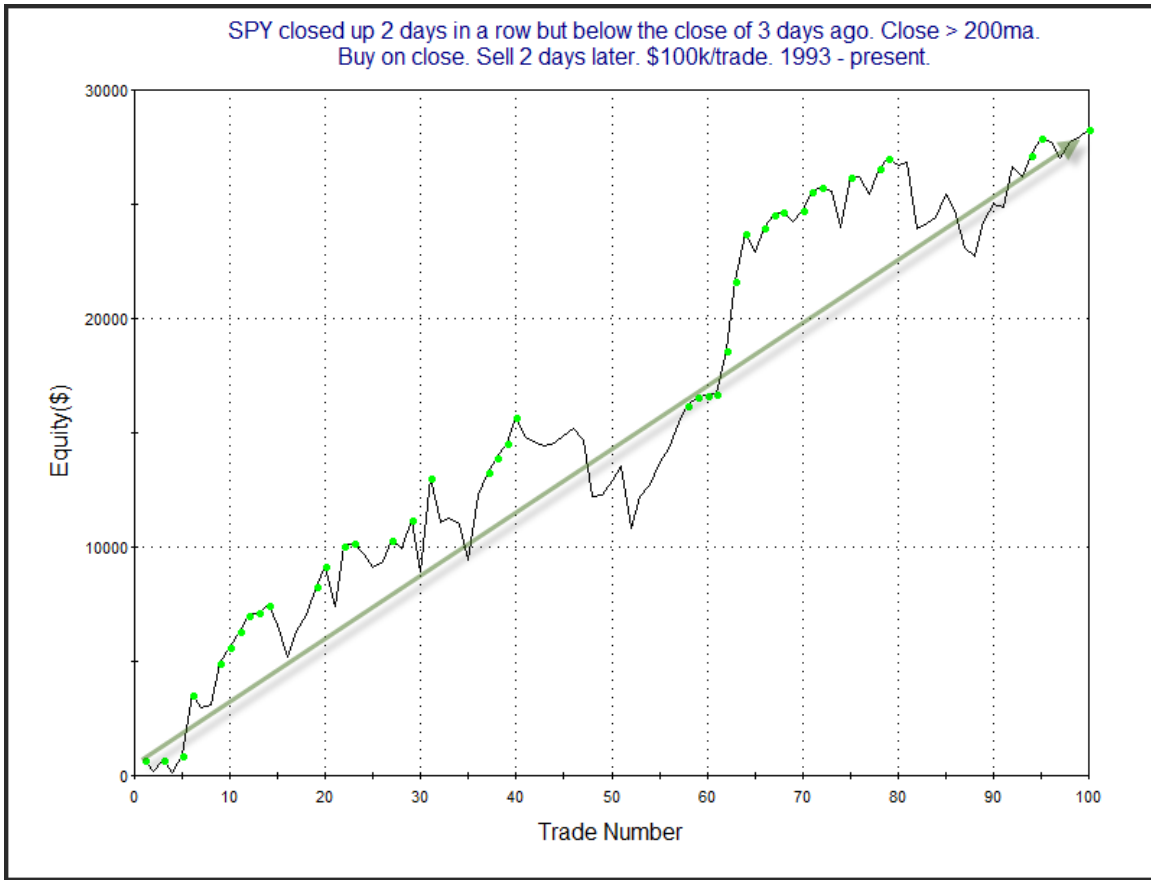
**The Evidence**

Thursday saw the market post gains. The SPX rose 0.3%, the NASDAQ gained 0.5%, and the Russell 2000 rallied 0.8%. Breadth was positive as the NYSE Up Issues % was 62% and the Up Volume % came in at 64%. NYSE volume rose some from Wednesday’s level.

The study below is from the 7/5/17 subscriber letter. It looked at times that SPY rose 2 days in a row but still failed to close above the close of 3 days ago. I have updated the study below.

SPY closed up 2 days in a row but below the close of 3 days ago. Close > 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	19,368.17	97	56	40	57.73	1,468.72	4,717.70	-1,572.06	-6,549.84	0.93	1.31	199.65
4	24,554.44	99	64	35	64.65	1,263.70	4,698.60	-1,609.21	-4,384.89	0.79	1.44	248.02
3	21,450.61	100	64	36	64.00	1,117.99	3,000.00	-1,391.68	-4,092.24	0.80	1.43	214.51
2	28,261.07	100	66	34	66.00	901.68	4,088.25	-919.12	-2,932.22	0.98	1.90	282.61
1	10,235.75	100	56	42	56.00	628.36	3,732.75	-594.11	-1,777.90	1.06	1.41	102.36

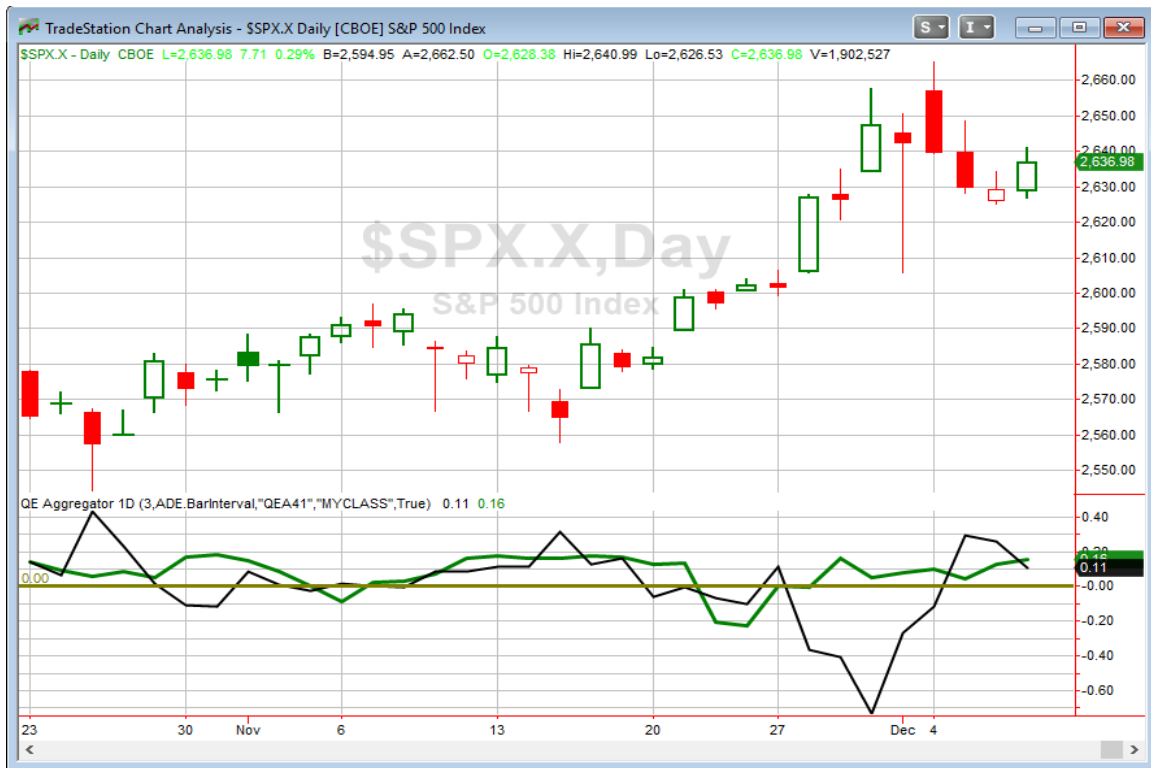
The stats appear to suggest a bit of an upside edge over the 1<sup>st</sup> 2 days. Below is an equity curve using a 2-day exit strategy.



There have been a few dips in the curve but overall it seems good enough to include the study on the Active List. One caveat is that while SPY did close higher on Wednesday, SPX did not. So SPX has only seen one positive close, while SPY has two.

It is also worth noting that the BLS employment report is due out on Friday morning an hour before the open. This often causes volatility prior to the open. It has not provided a reliable seasonal edge over an extended period, though.

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 Friday. It would take very compelling new bearish evidence in order to change this. The Differential Pivot will be *slightly inverted* at 2645.56 on Friday. That is a little over 1 point below Thursday'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 a little bit in order to remain oversold. Any flat close, or even a very slight down close, will cause SPX to flip to overbought versus recent expectations.

I generally view inverted pivots as opportune times to take profits on positions. I maintain this view because potential reward is now fairly limited, being that any close higher for SPX will result in an end to the long signal. Of course, I am not in an SPX position currently. I do have long exposure via QQQ. So I will look to exit my QQQ during the day if I can get a favorable exit price.

**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	\$154.02	0.90%		see note below

**Sell QQQ position @ \$154.30 LIMIT. If not filled before the close, sell @ \$154.00 LIMIT ON CLOSE.** With the inverted pivot, I will look to sell QQQ if it approaches Thursday’s highs. If I am not filled during the day, I will exit at the close using a limit price of \$154.00, which is just under Thursday’s close.

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