

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 15, 2017

Volume 10 Issue 242

## Market Overview



## Signals Overview

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

## Tonight's Research Points

- Russell 2000 seasonal strength is kicking in.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is again bullish. I still would prefer a bit more of a pullback. But I will be looking towards the Russell 2000 for entry if I can get the desired pullback.

*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 14, 2017	3 higher hi, low, close, Dn close.	1-4 days	Bullish			
December 13, 2017	VIX up 6%. SPX up.	1-5 days	Bullish			
November 13, 2017	VIX up 2.5%. SPX 50-high	1-5 days	Bearish			
December 11, 2017	Dec opex Seasonality bullish	1-5 days	Bullish	1.95%	-1.10%	-2.20%
<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**

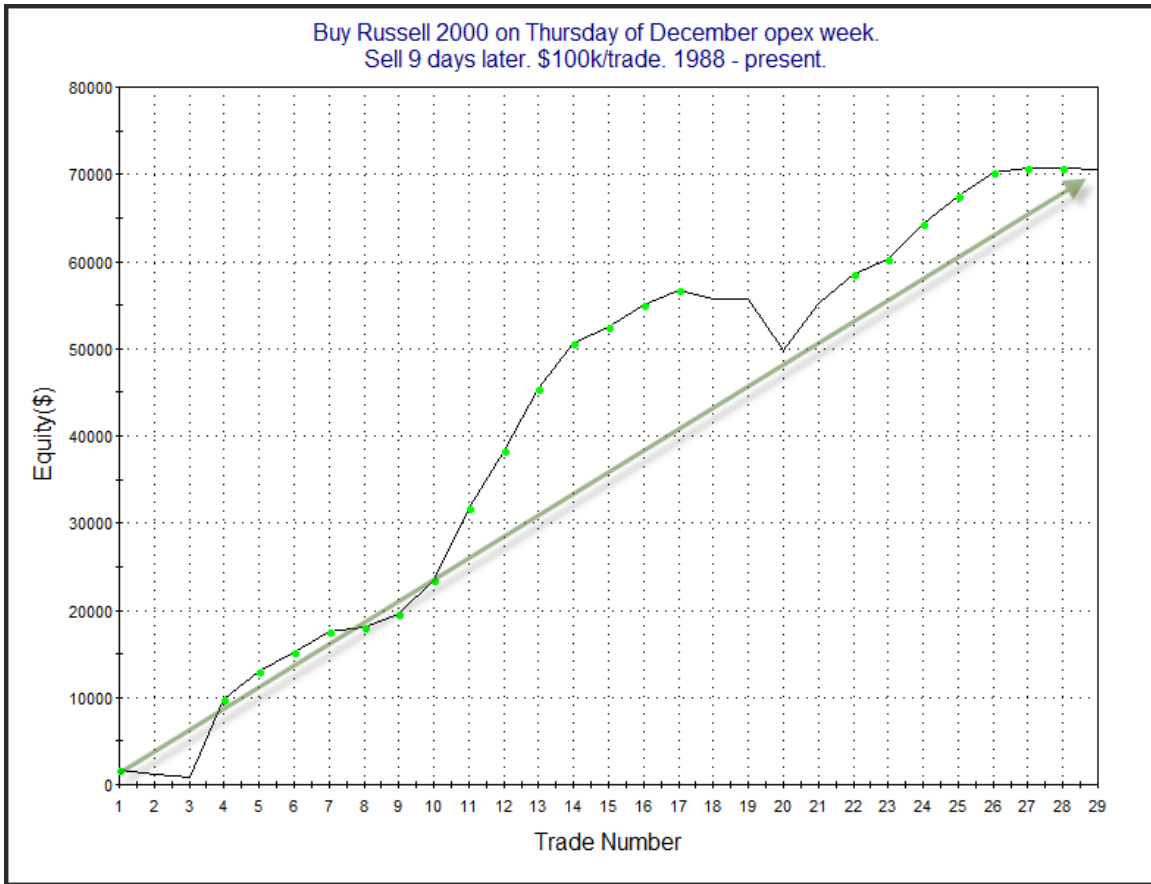
Thursday was a down day for the market. The SPX finished lost 0.4%, the NASDAQ dropped 0.3%, and the Russell 2000 declined 1.2%. Breadth was weak as the NYSE Up Issues % was 33% and the Up Volume % came in at 26%. NYSE volume declined from Wednesday's level.

There was one study that triggered tonight that I covered in the letter this past Sunday. I copied it below.

*Next is a study I last showed in the 12/16/16 subscriber letter that looks at buying the Russell 2000 on opex Thursday in December and holding for up to 2 weeks.*

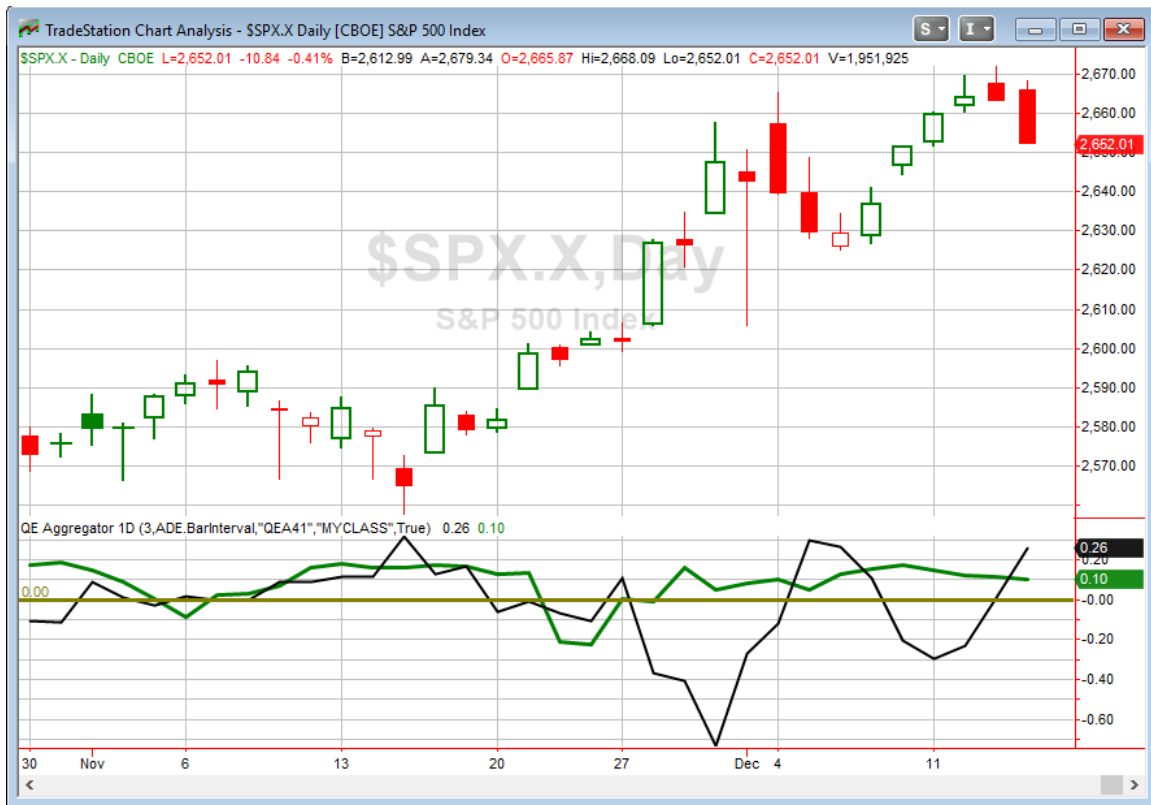
Buy Russell 2000 on Thursday of December opex week. Sell X days later. \$100k/trade. 1988 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	69,791.26	29	22	7	75.86	3,809.35	10,279.71	-2,002.05	-5,643.30	1.90	5.98	2,406.60
9	70,499.30	29	24	5	82.76	3,278.18	9,009.63	-1,635.38	-5,973.50	2.00	9.62	2,431.01
8	61,252.35	29	24	5	82.76	2,762.85	7,115.85	-1,011.23	-2,948.40	2.73	13.11	2,112.15
7	55,515.46	29	24	5	82.76	2,518.81	7,790.58	-987.18	-1,809.60	2.55	12.25	1,914.33
6	41,794.87	29	22	7	75.86	2,198.53	6,599.88	-938.98	-2,720.64	2.34	7.36	1,441.20
5	30,506.19	29	20	9	68.97	2,057.34	4,892.25	-1,182.30	-3,194.64	1.74	3.87	1,051.94
4	24,082.39	29	20	9	68.97	1,861.51	4,413.75	-1,460.86	-3,892.32	1.27	2.83	830.43
3	20,132.85	29	19	10	65.52	1,734.00	3,814.20	-1,281.31	-2,650.68	1.35	2.57	694.24
2	9,351.33	29	17	12	58.62	1,312.28	3,495.70	-1,079.79	-2,810.39	1.22	1.72	322.46
1	10,064.66	29	16	13	55.17	918.13	2,299.70	-355.80	-1,261.92	2.58	3.18	347.06

*Results here are outstanding. But a look at the max loss column shows you that it has not been without risk. Below is an equity curve that assumes a 9-day exit strategy.*



*Last year the Russell showed a very slight decline, marking the 1<sup>st</sup> time it failed to rise over the 9-day period since 2007.*

I have updated the Aggregator chart below.



Once again 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 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 compelling new bearish evidence in order to change this. The Differential Pivot will be 2672.74 on Thursday. That is 0.4% above Wednesday's close. So SPX will need to close up at least 0.4% on Thursday to change from oversold to overbought versus expectations.

Not much has changed from last night. Except now we are in a period where RUT is showing strong seasonality. It has a good chance of outperforming SPX in the coming weeks. SPX is still overdone to the upside, but RUT is not. This leaves me considering taking on some index exposure with IWM rather than SPY. Friday being opex there has historically been a downside edge following the open. So with the setup borderline, I will be looking for a down close on Friday in order to start scaling in.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 12/11– 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.*

**IWM – buy @ \$150.00 LIMIT ON CLOSE.** Based on the short-term outlook above. With the Aggregator bullish and IWM carrying strong seasonality I will look to take advantage of a potential upside edge if it closes down much on Friday.

**Current Open Trade Ideas**

*None.*

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