

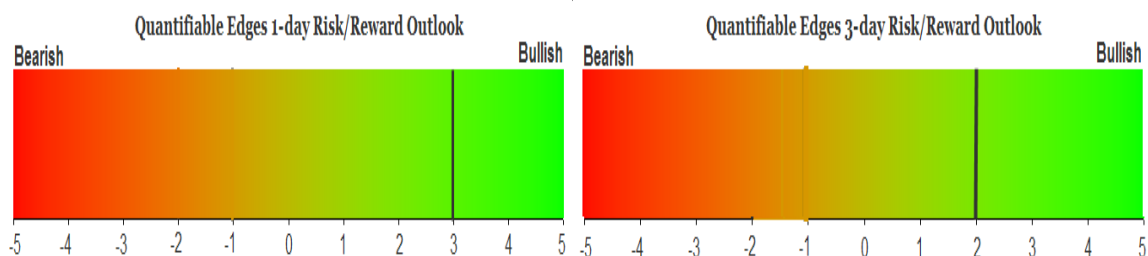
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 14, 2017

Volume 10 Issue 220

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Long	100% Long XIV

Tonight's Research Points

- The strong SPX and weak RUT suggests the SPX should continue to rally over the intermediate-term.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but SPX is nearing overbought. I will look to take profits if SPX closes up much on Tuesday.

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						
November 13, 2017	CBI >= 7 . SPX < 10ma and > 200ma	1-6 days	Bullish			
November 10, 2017	Relatively large drop from 50-high	1-3 days	Bullish			
Active - Long Term						
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			
November 10, 2017	1st 5-low in 10 days. 20-high yesterday	1-11 days	Bullish			
November 8, 2017	5 higher 50-day, 1 day down	1-10 days	Bullish			
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			
September 19, 2017	SPX breaks 50-day Upper Bollinger Band	1-50 days	Bullish	4.85%	-4.10%	-7.80%
April 26, 2016	Golden Cross	int term	Bullish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			

The Evidence

Monday was another day of near-breakeven trading. The SPX and NASDAQ rose 0.1% and Russell 2000 lost 0.01%. Breadth was negative as the NYSE Up Issues % was 44% and the Up Volume % came in at 41%. NYSE volume declined some from Friday's level.

The mild action did not trigger anything new and compelling in the Quantifinder. There was one study that looked at mild rises after 2 down days. But the edge there has looked questionable lately. One observation I found interesting is that the Russell 2000 is near 1-month lows while SPX is near 1-month highs. I decided to examine other similar instances.

RUT closes in bottom 25% of 20-day range while SPX closes in top 25% of 20-day range. Buy SPX at 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
50	53,273.58	16	11	5	68.75	5,575.41	17,360.82	-1,611.18	-2,450.72	3.46	7.61	3,329.60
45	55,826.33	17	13	4	76.47	5,174.33	15,231.03	-2,859.98	-5,633.12	1.81	5.88	3,283.90
40	62,582.90	18	16	2	88.89	4,109.36	15,916.02	-1,583.41	-2,953.44	2.60	20.76	3,476.83
35	53,162.23	18	14	4	77.78	4,346.38	15,668.34	-1,921.77	-3,769.92	2.26	7.92	2,953.46
30	56,691.34	18	16	2	88.89	3,587.73	11,907.99	-356.13	-707.88	10.07	80.59	3,149.52
25	42,336.15	18	14	4	77.78	3,271.14	9,355.08	-864.96	-2,245.18	3.78	13.24	2,352.01
20	31,893.05	18	13	5	72.22	3,450.85	9,900.75	-2,593.61	-6,058.36	1.33	3.46	1,771.84
15	30,884.97	18	14	4	77.78	2,957.57	7,779.99	-2,630.26	-5,109.23	1.12	3.94	1,715.83
10	21,256.11	22	15	7	68.18	2,387.93	8,346.30	-2,080.40	-6,893.04	1.15	2.46	966.19
5	13,534.87	23	10	13	43.48	2,666.78	7,383.96	-1,010.22	-2,806.44	2.64	2.03	588.47

It appears the lagging RUT in similar circumstances has not been a drag going forward, and that SPX has continued to flourish. Below is a look at a profit curve with a 40-day holding period.



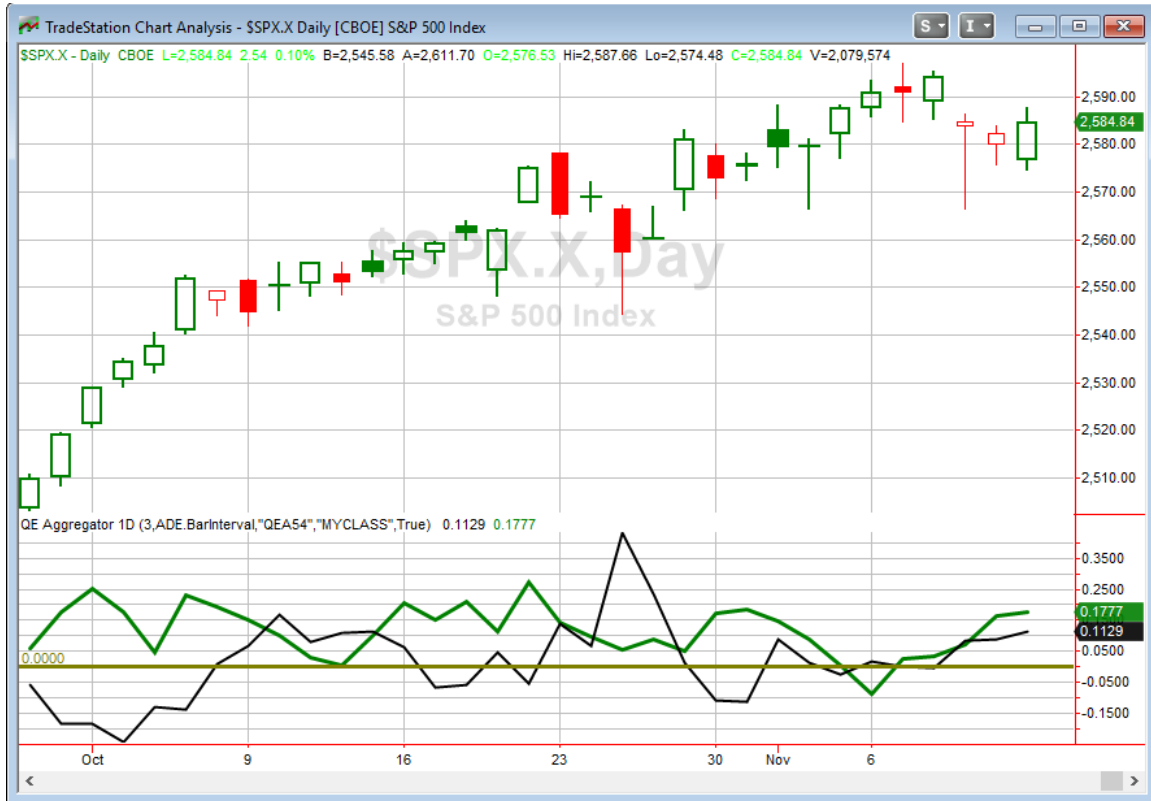
The strong, steady upslope serves as some confirmation of the upside edge. I also checked to see how the Russell 2000 did going forward.

RUT closes in bottom 25% of 20-day range while SPX closes in top 25% of 20-day range.
Buy RUT at 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
50	24,468.61	16	11	5	68.75	5,614.89	18,203.13	-7,459.03	-13,291.46	0.75	1.66	1,529.29
45	29,207.91	17	12	5	70.59	5,115.75	17,231.94	-6,436.23	-16,401.84	0.79	1.91	1,718.11
40	51,154.69	18	12	6	66.67	5,621.63	16,988.40	-2,717.48	-7,866.04	2.07	4.14	2,841.93
35	40,458.16	18	13	5	72.22	4,855.94	16,765.65	-4,533.82	-10,617.88	1.07	2.78	2,247.68
30	48,301.77	18	12	6	66.67	5,404.87	15,209.37	-2,759.44	-7,982.52	1.96	3.92	2,683.43
25	28,253.13	18	11	7	61.11	4,587.15	14,012.46	-3,172.22	-10,952.76	1.45	2.27	1,569.62
20	15,023.55	18	12	6	66.67	4,150.38	12,067.11	-5,796.83	-16,370.90	0.72	1.43	834.64
15	17,743.42	18	11	7	61.11	4,173.88	11,066.88	-4,024.19	-8,143.20	1.04	1.63	985.75
10	-1,358.75	22	10	12	45.45	3,597.98	8,215.02	-3,111.55	-10,958.54	1.16	0.96	-61.76
5	3,515.80	23	12	11	52.17	2,347.89	7,817.04	-2,241.71	-4,524.56	1.05	1.14	152.86

Numbers here also favor the long side. But the performance does not appear as impressive as for SPX. I have added the SPX version of this study to the intermediate-term 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 also 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 list of active studies, expectations are slated to remain positive on Tuesday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2587.97 on Tuesday. That is just 0.1% above Monday's close. Therefore, SPX will only need to close up 0.1% in order to move from oversold to overbought vs expectations.

So there still appears to be a bit of an upside edge. But short-term evidence is a little light with just 2 active short-term studies. I currently have a small SPY position from Monday's open. I am not inclined to add to it at this point. I will look to let it run more on Tuesday,

but if the SPX closes above the Differential Pivot, I will take my profits at the close. I'll also note there is some action for Catapult traders, as PM reached its exit trigger and UTX became the newest Catapult to trigger on Monday. This lowered the CBI from 7 to 5.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/13– somewhat bullish

The intermediate-term outlook was last updated in the 11/6 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

MON @ \$119.87 (bought 1/3 @ limit)

MON @ \$117.34 (bought 1/3 @ limit)

AXP @ \$93.52 (bought 1/3 @ limit)

MMM @ \$227.50 (bought 1/3 @ limit)

NEW

UTX @ \$117.07 (buy 1/3 @ limit)

Broad Market Large Cap CBI – 5(MON-2, AXP, MMM, UTX)

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.

UTX – Buy 1/3 Catapult position @ \$117.07 LIMIT. This is from the Catapult section above. It is the 1st of up to 3 possible lots for UTX.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
PM(1/3)	11/2/2017	\$103.71	\$103.51	-0.19%		<i>sell on open</i>
PM(1/3)	11/3/2017	\$103.00	\$103.51	0.50%		<i>sell on open</i>
PM(1/3)	11/6/2017	\$102.62	\$103.51	0.87%		<i>sell on open</i>
MON(1/3)	11/6/2017	\$119.87	\$118.15	-1.43%		Catapult
MON(1/3)	11/10/2017	\$117.02	\$118.15	0.97%		Catapult
AXP(1/3)	11/13/2017	\$93.00	\$93.90	0.97%		Catapult
MMM(1/3)	11/13/2017	\$226.73	\$228.22	0.66%		Catapult
SPY(1/4)	11/13/2017	\$257.31	\$258.33	0.40%		<i>sell on SPX close=>2587.97</i>

PM reached its exit trigger and will be sold at the open.

SPY will be sold at the close if it closes up much, per the short-term outlook above.

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