

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 4, 2018

Volume 11 Issue 3

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Flat	50% Long XIV

Tonight's Research Points

- 2 unfilled up gaps and a 50-day high are a short-term positive.

Short-term Outlook

The Bottom Line

The Aggregator is again neutral. I do not see a strongly favorable reward/risk scenario.

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						
January 4, 2018	2 unfilled gaps & 50-day highs	1-3 days	Bullish	0.80%	-0.65%	-1.20%
January 3, 2018	Up close on 1st day of year	1-2 days	Bullish			
January 3, 2018	5-day low to 50-day high	1-4 days	Bearish			
January 2, 2018	3-day high, 3-day low 3-low close	1-5 days	Bullish			
January 2, 2018	SPY 1st close < 10ma in 25+ days	1-4 days	Bullish			
December 29, 2017	Gap up and partial reverse 2x	1-5 days	Bullish	1.70%	-0.70%	-1.30%
Active - Long Term						
January 2, 2018	SPY 1st close < 10ma in 25+ days	1-19 days	Bullish	4.10%	-0.90%	-2.15%
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			
Dropped Tonight						
January 2, 2018	EOM<10ma, Down, Bottom 1/2 range	1-2 days	Bullish			
December 20, 2017	Twas 3 Nights Before Christmas	1-8 days	Bullish	2.50%	-1.10%	-2.20%

The Evidence

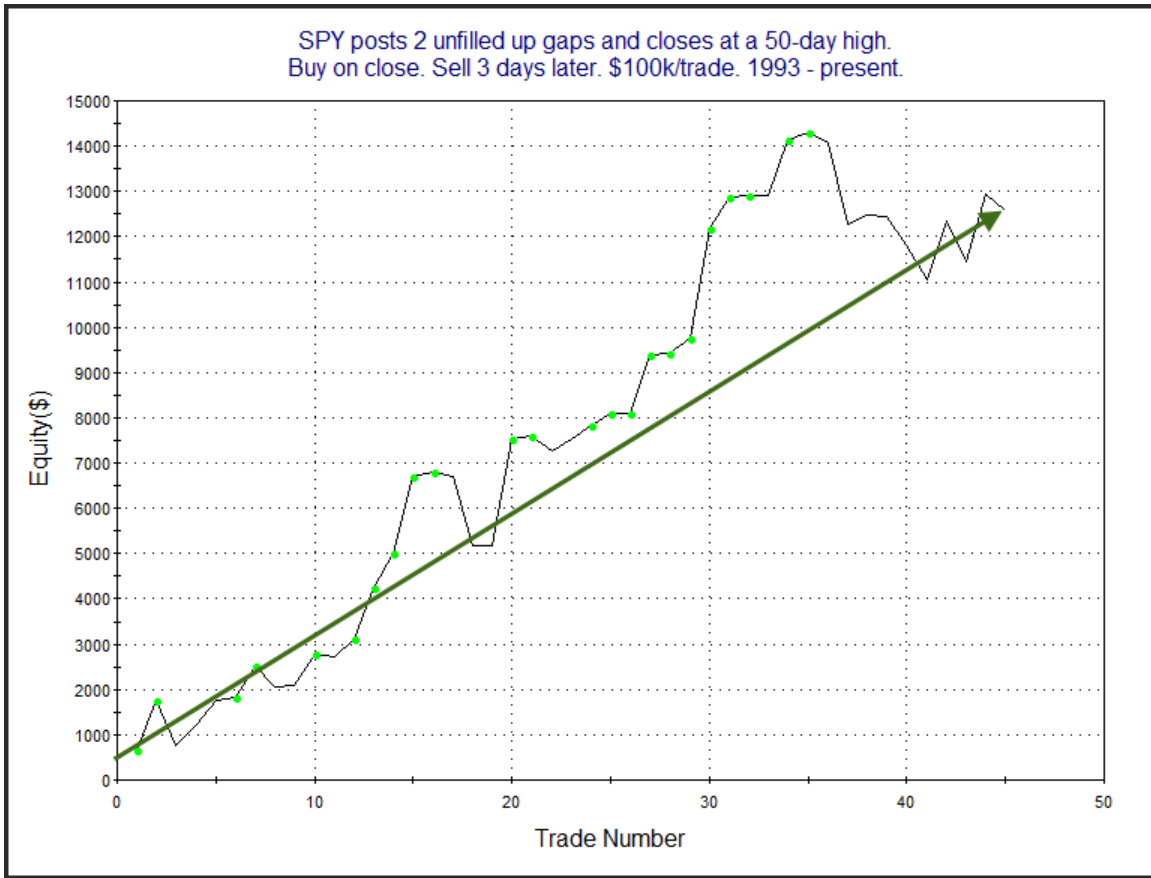
The market put in more gains on Wednesday. The SPX rose 0.6%, the NASDAQ gained 0.8%, and the Russell 2000 climbed 0.2%. Breadth was positive as the NYSE Up Issues % was 58% and the Up Volume % came in at 62%. NYSE volume declined some from Tuesday's level.

It is notable that Wednesday was the 2nd day in a row with an unfilled up gap. The study below was from in the 10/30/17 letter. It examined other times SPY left 2 unfilled up gaps and closed at a 50-day high.

SPY posts two unfilled up gaps and closes at a 50-day high. 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	9,561.45	46	30	16	65.22	906.47	2,013.72	-1,102.04	-4,508.40	0.82	1.54	207.86
4	12,963.86	46	30	16	65.22	921.29	2,475.56	-917.18	-2,720.25	1.00	1.88	281.82
3	12,501.96	46	30	16	65.22	691.09	2,419.84	-514.43	-1,801.77	1.34	2.52	271.78
2	8,443.74	46	31	14	67.39	503.50	1,858.87	-511.77	-1,476.68	0.98	2.18	183.56
1	1,197.76	55	28	27	50.91	354.73	1,156.32	-323.51	-1,942.24	1.10	1.14	21.78

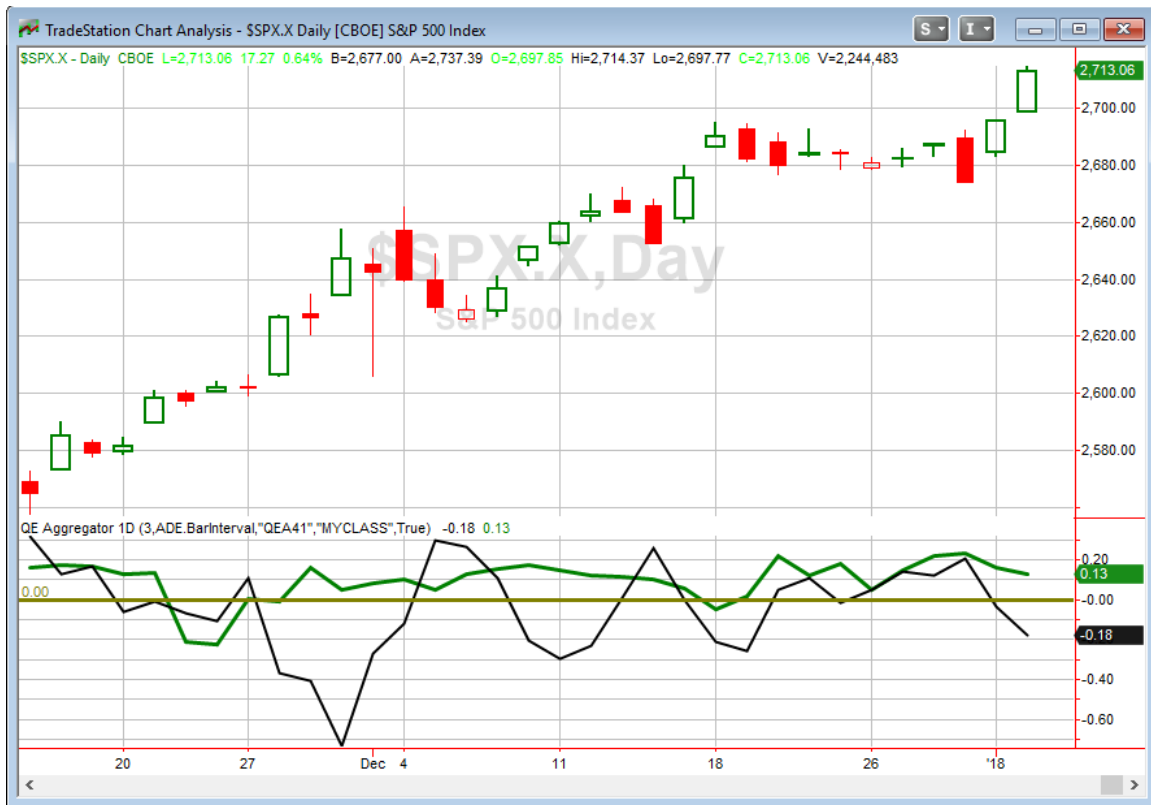
49 of 55 instances (89%) closed above the entry price at some point in the next week.

The size of the follow-through isn't terribly large, but it has been very consistent that some follow through was achieved in the next few days. Below is the 3-day profit curve.



Despite the recent dip the upward inclination appears to be in place. This study seems worth some consideration, and I have included on the Active List.

I have updated the Aggregator chart below.



With tonight's study considered, the green Aggregator Line again remained above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile, the black Differential Line held below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of 0. Therefore, the Aggregator signal stayed flat at the close.

Based on the current active list, expectations are slated to remain bullish on Thursday. For this to change would take some compelling bearish new evidence. The Differential Pivot will be 2689.52 on Thursday. That is 0.9% below Wednesday's close. So SPX will need to close down at least 0.9% on Thursday to flip from overbought to oversold.

The Aggregator is again neutral and so am I. While evidence is pointing higher, and momentum could easily lead to further gains, the easy money on this bounce has already been made. I'll wait for the next favorable reward/risk setup before putting new capital to work.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 1/2– somewhat bullish*

The intermediate-term outlook was last updated in the 1/2/18 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
<i>SPY(1/4)</i>	<i>12/29/2017</i>	<i>\$266.86</i>	<i>\$268.96</i>	<i>0.79%</i>		<i>sold on open</i>

A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 can be found [here](#).

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