

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 9, 2018

Volume 11 Issue 6

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Short	100% Short SPY

Tonight's Research Points

- A rising VIX at a 50-day SPX high (on the first day of the week) suggests a pullback.

Short-term Outlook

The Bottom Line

The Aggregator is now bearish. But I do not feel evidence nor reward/risk is strong enough to warrant a substantial short-side bet.

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 9, 2018	SPX 50-high. VIX up. Monday	1-2 days	Bearish			
Active - Long Term						
January 8, 2018	1st 4 days of year close higher	1-250 days	Bullish	15.90%	-5.70%	-11.10%
January 8, 2018	SOMA reduction intensifies to \$20billion	int term	Bearish			
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%
April 26, 2016	Golden Cross	int term	Bullish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			
Dropped Tonight						
January 4, 2018	2 unfilled gaps & 50-day highs	1-3 days	Bullish	0.80%	-0.65%	-1.20%
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			

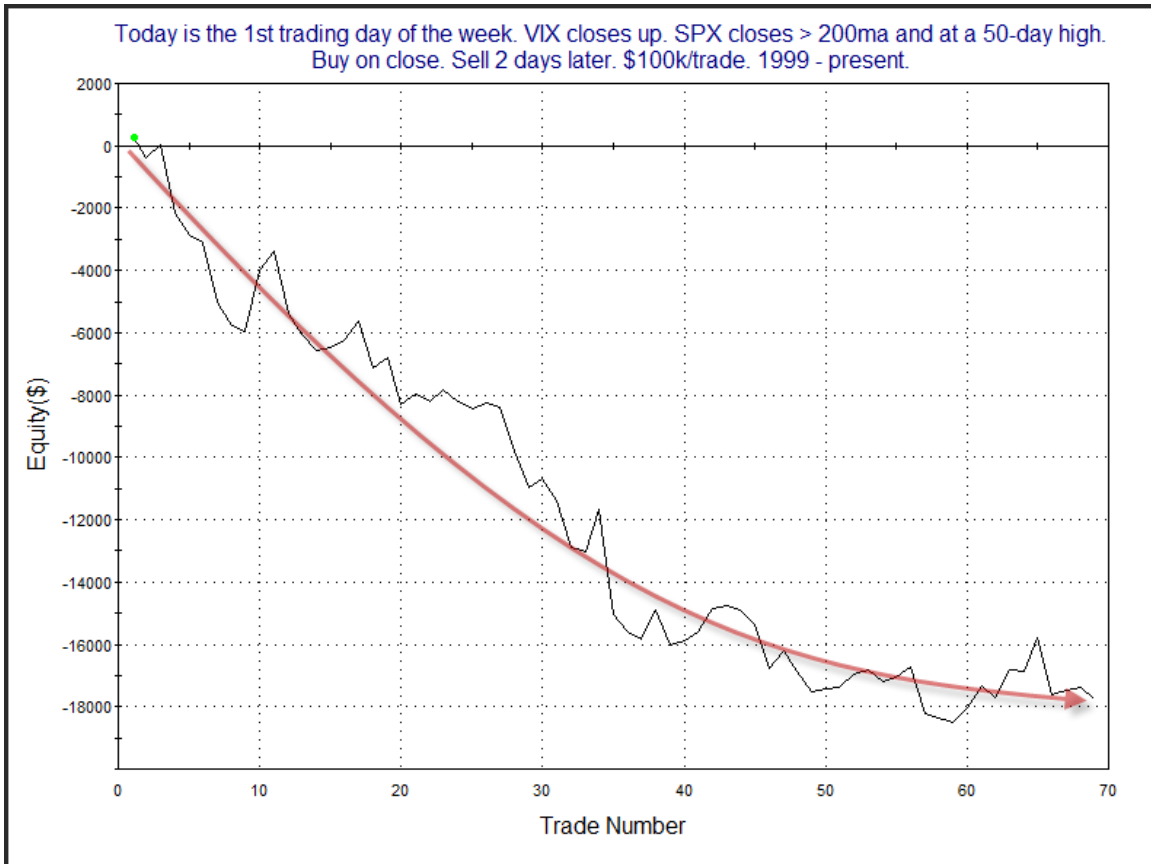
The Evidence

Monday saw further gains. The SPX finished up 0.2%, the NASDAQ gained 0.3%, and the Russell 2000 climbed 0.1%. Breadth was positive as the NYSE Up Issues % was 57% and the Up Volume % came in at 53%. NYSE volume rose some from Friday's level.

While the SPX closed up the VIX also rose. Most often they trade opposite each other, so this kind of action is somewhat unusual. But VIX has a tendency to decline going into the weekend (Friday afternoons), and then rise when it returns from the weekend. So to see this action on the first trading day of the week is less unusual than at any other time. Still, combined with the SPX 50-day high, it has been often followed by a dip in the next few days. This can be seen in the study below, which was last seen in the 12/19/17 letter. Results are all updated.

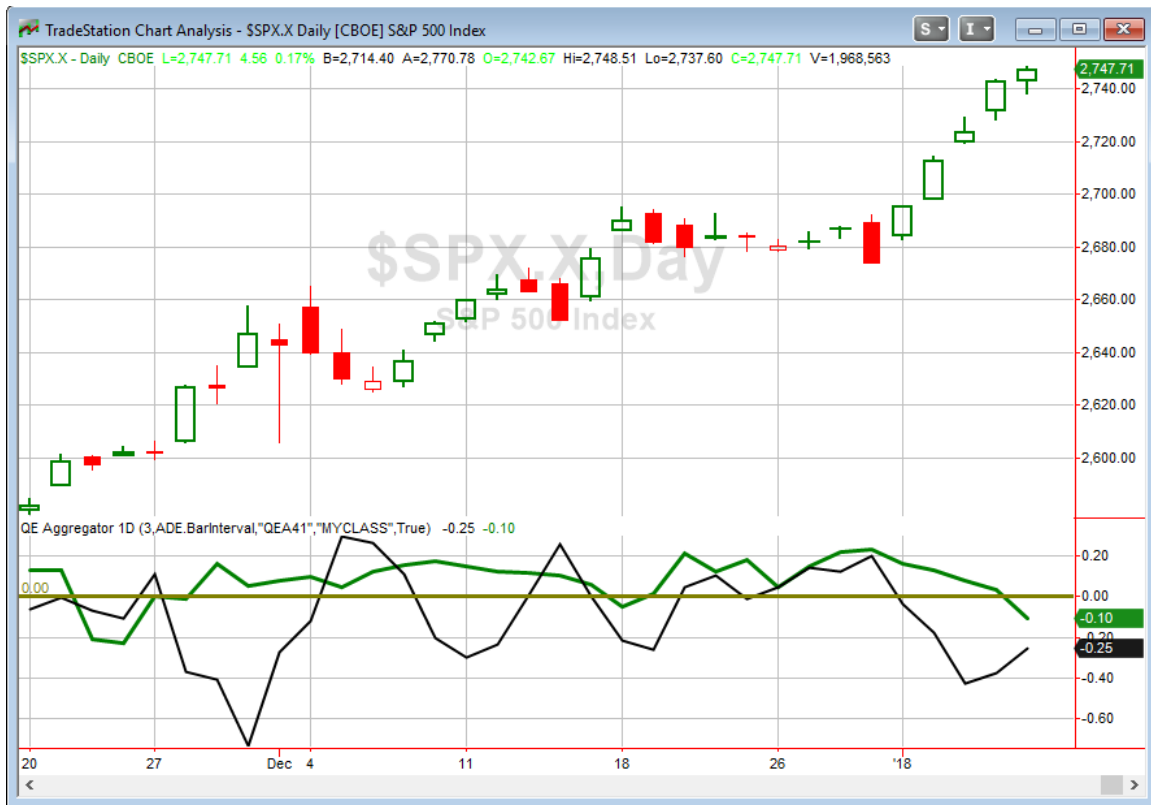
Today is the 1st trading day of the week. VIX closes up. SPX closes > 200ma and at a 50-day high. Buy on close. Sell X days later. \$100k/trade. 1999 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-12,894.83	63	29	34	46.03	1,067.79	3,260.25	-1,290.02	-5,048.68	0.83	0.71	-204.68
4	-6,922.77	69	33	36	47.83	910.97	2,953.65	-1,027.35	-4,271.52	0.89	0.81	-100.33
3	-9,128.46	69	32	37	46.38	708.79	2,641.80	-859.72	-3,887.84	0.82	0.71	-132.30
2	-17,769.31	69	31	38	44.93	467.19	1,981.72	-848.74	-3,372.16	0.55	0.45	-257.53
1	-7,696.59	69	25	44	36.23	326.95	769.70	-360.69	-1,580.04	0.91	0.52	-111.54

Results here appear somewhat bearish. Below is a profit curve that assumes a 2-day exit strategy.



The profit curve has had a long decline. We did see a recent bump up, which has flattened out the current look of the curve some. Still, this study seems worthy of consideration and I have included it on the Active List.

I have updated the Aggregator chart below.



With tonight's study considered, and several bullish studies expiring the green Aggregator Line dropped below zero. Negative readings mean net expectations from the Active List are for downside 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 negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below 0. Therefore, the Aggregator signal turned short at the close.

Based on the current active list, expectations are slated to remain bearish on Tuesday. This could easily change if new bullish evidence emerges. The Differential Pivot will be 2733.96 on Tuesday. That is 0.5% below Monday's close. Therefore SPX will need to close down at least 0.5% on Tuesday to flip from overbought to oversold.

So the Aggregator has turned bearish. I am not inclined to take action based on this signal, though. The bearish expectations are the result of just the one active short-term study, so evidence is not overwhelming. And with the intermediate-term outlook bullish, I'd be looking at a counter-trend trade if I was to take the short. I do think there is a bit of a downside edge. I just do not think it offers favorable enough reward/risk to justify the counter-trend trade.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 1/8– somewhat bullish*

The intermediate-term outlook was last updated in the 1/8/18 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

DUK – buy 1/3 @ \$81.94

Broad Market Large Cap CBI – 1(DUK)

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
DUK(1/3)	1/8/2018	\$81.94	\$82.20	0.32%		Catapult

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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