

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 12, 2018

Volume 11 Issue 9

## Market Overview



## Signals Overview

Aggregator	Aggressive VIX
Flat	50% Long XIV

## Tonight's Research Points

- VIX rising on a day that SPX hits a new 50-day has often led to a decline the next day.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral and so am I.

*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>						
January 12, 2018	SPX 50-high. VIX up. MOnday	1-2 days	Bearish			
January 11, 2018	5 up 50 high. Down 1.	1-4 days	Bullish			
January 11, 2018	Unfill up 20 high. Unfilled gap down	1-3 days	Bearish			
January 10, 2018	1st 4 days of year close higher	1-8 days	Bullish	2.00%	-1.30%	-2.70%
<b>Active - Long Term</b>						
January 11, 2018	5 up 50 high. Down 1.	1-10 days	Bullish			
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			

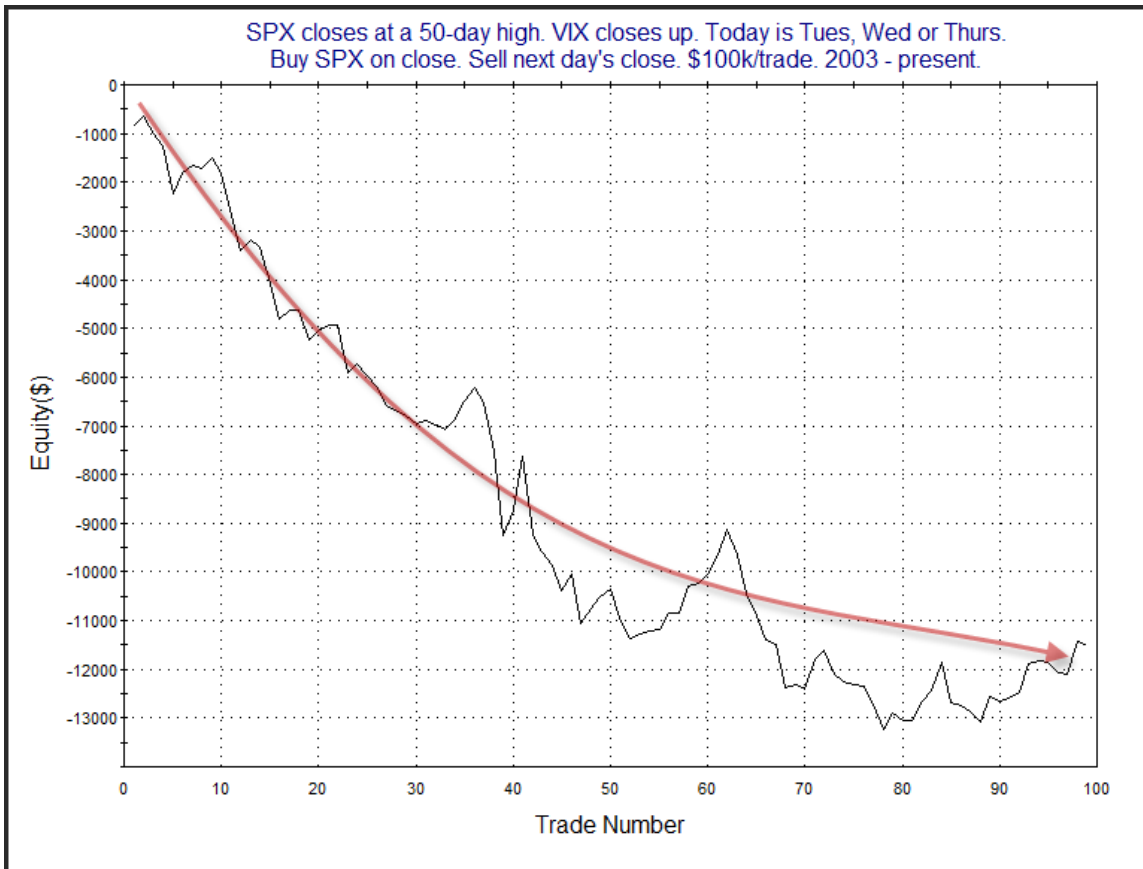
**The Evidence**

Thursday was another strong day for the market that brought it to new highs after just one down day. The SPX rose 0.7%, the NASDAQ gained 0.8%, and the Russell 2000 rallied 1.7%. Breadth was positive as the NYSE Up Issues % was 75% and the Up Volume % came in at 82%. NYSE volume rose for the 2<sup>nd</sup> day in a row.

The study below was seen recently in the 1/5/18 letter. It examines other times where the VIX rose midweek while SPX was closing at a 50-day high. I often segregate VIX studies by mid-week vs. Monday or Friday because the VIX has a natural tendency to decline on Friday afternoons and rise on Mondays. Results below are updated.

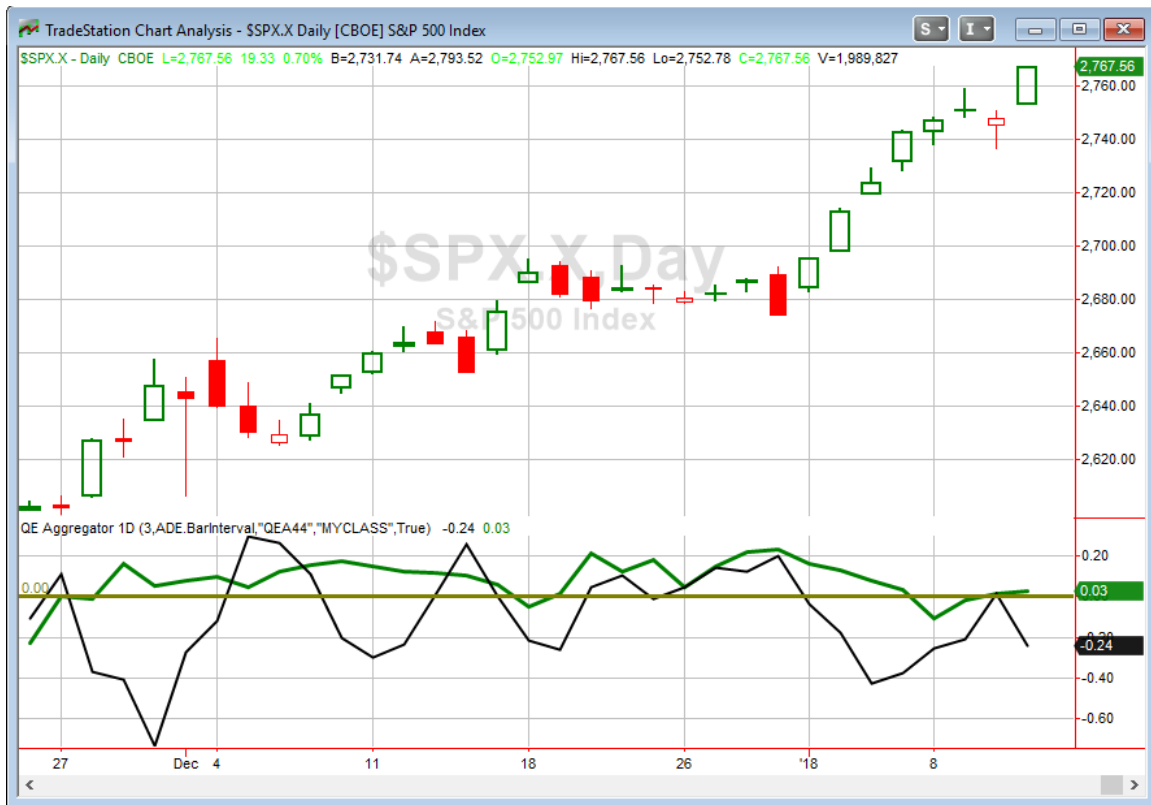
SPX closes at a 50-day high. VIX closes up. Today is Tues, Wed or Thurs. Buy SPX on close. Sell next day's close. \$100k/trade. 2003 - present.			
TradeStation Performance Summary			Expand ▾
All Trades			
Total Net Profit	(\$11,529.28)	Profit Factor	0.51
Gross Profit	\$12,133.75	Gross Loss	(\$23,663.03)
Total Number of Trades	99	Percent Profitable	44.44%
Winning Trades	44	Losing Trades	55
Even Trades	0		
Avg. Trade Net Profit	(\$116.46)	Ratio Avg. Win:Avg. Loss	0.64
Avg. Winning Trade	\$275.77	Avg. Losing Trade	(\$430.24)
Largest Winning Trade	\$1,108.05	Largest Losing Trade	(\$1,721.70)

The numbers seem moderately suggestive of a downside edge. Here is the profit curve.



The curve has flattened some, and is a little choppy, but the downside edge seems to have persisted fairly well throughout the last 15 years. I have included this study on the Active List tonight.

I have updated the Aggregator chart below.



Even with tonight's study considered the green Aggregator Line held a little above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile, the black Differential Line dropped back 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 turned flat at the close.

Based on the current active list, expectations would remain bullish on Friday. But next week is both MLK and January Opex. And that will bring about some bearish seasonality studies. And unless more bullish evidence emerges, those studies will turn expectations negative. You can find those studies in the 1/17/17 letter. ([Link here.](#)) I will update them this weekend. The Differential Pivot will be 2748.83 on Friday. That is 0.7% below Thursday's close. So SPX would need to close down a fairly sizable 0.7% on Friday to turn from overbought to oversold.

Like the Aggregator, I too am neutral. The market remains too overbought to buy and too strong to short. So I will remain sidelined awaiting a more favorable entry opportunity. Catapult traders will notice that DUK had a 2<sup>nd</sup> trigger occur on Thursday.

**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 – bought 1/3 @ \$81.94

*New*

DUK – buy 1/3 @ \$79.28

***Broad Market Large Cap CBI – 2(DUK-2)***

**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.*

**DUK – buy 1/3 Catapult position @ \$79.28 LIMIT.** From the Catapult section above. This would be the 2<sup>nd</sup> of 3 possible lots for DUK.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
DUK(1/3)	1/8/2018	\$81.94	\$79.28	-3.25%		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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