

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 23, 2018

Volume 11 Issue 15

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Short	100% Short SPY

Tonight's Research Points

- Other years that have seen the market close up at least 11 of their first 14 days have seen the good times continue over the next couple of weeks.

Short-term Outlook

The Bottom Line

The Aggregator is bearish. While there might be a downside edge, I think believe the market is too strong to try and short. And there is one study tonight that agrees, though on a very low number of instances.

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 22, 2018	Opex Fri. SPX up 1%-2% last 5 days.	1-4 days	Bearish	-1.10%	0.75%	1.50%
January 17, 2018	VIX up > 10%. SPX down < 1%	1-5 days	Bullish			
Active - Long Term						
January 16, 2018	NASDAQ Leading	int term	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%
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 gains for the market. The SPX rose 0.8%, the NASDAQ rallied 1.0%, and the Russell 2000 gained 0.5%. Breadth was positive as the NYSE Up Issues % was 63% and the Up Volume % came in at 70%. NYSE volume declined some from Friday's level.

The start to 2018 has been fairly remarkable. The SPX has only closed down 3 days so far, while closing up 11 days. That is a substantial hot streak, and one might think that such a strong run to start the year would almost certainly have to pullback soon. So I checked.

SPX closes higher on at least 11 of the 1st 14 trading days of the year. Buy on close. Sell X days later. \$100k/trade. 1960 - 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	12,714.75	6	5	1	83.33	2,593.05	4,397.67	-250.50	-250.50	10.35	51.76	2,119.13
9	10,452.43	6	6	0	100.00	1,742.07	3,036.22	0.00	0.00	100.00	100.00	1,742.07
8	8,385.98	6	6	0	100.00	1,397.66	3,207.80	0.00	0.00	100.00	100.00	1,397.66
7	8,751.90	6	6	0	100.00	1,458.65	2,664.54	0.00	0.00	100.00	100.00	1,458.65
6	7,705.05	6	5	1	83.33	1,595.01	2,383.47	-270.00	-270.00	5.91	29.54	1,284.18
5	6,215.09	6	5	1	83.33	1,287.72	2,816.15	-223.50	-223.50	5.76	28.81	1,035.85
4	5,033.61	6	5	1	83.33	1,067.09	2,204.43	-301.86	-301.86	3.54	17.68	838.94
3	2,948.94	6	5	1	83.33	640.87	1,464.48	-255.42	-255.42	2.51	12.55	491.49
2	4,339.21	6	6	0	100.00	723.20	986.49	0.00	0.00	100.00	100.00	723.20
1	2,730.15	6	4	2	66.67	759.08	2,260.38	-153.07	-203.40	4.96	9.92	455.03

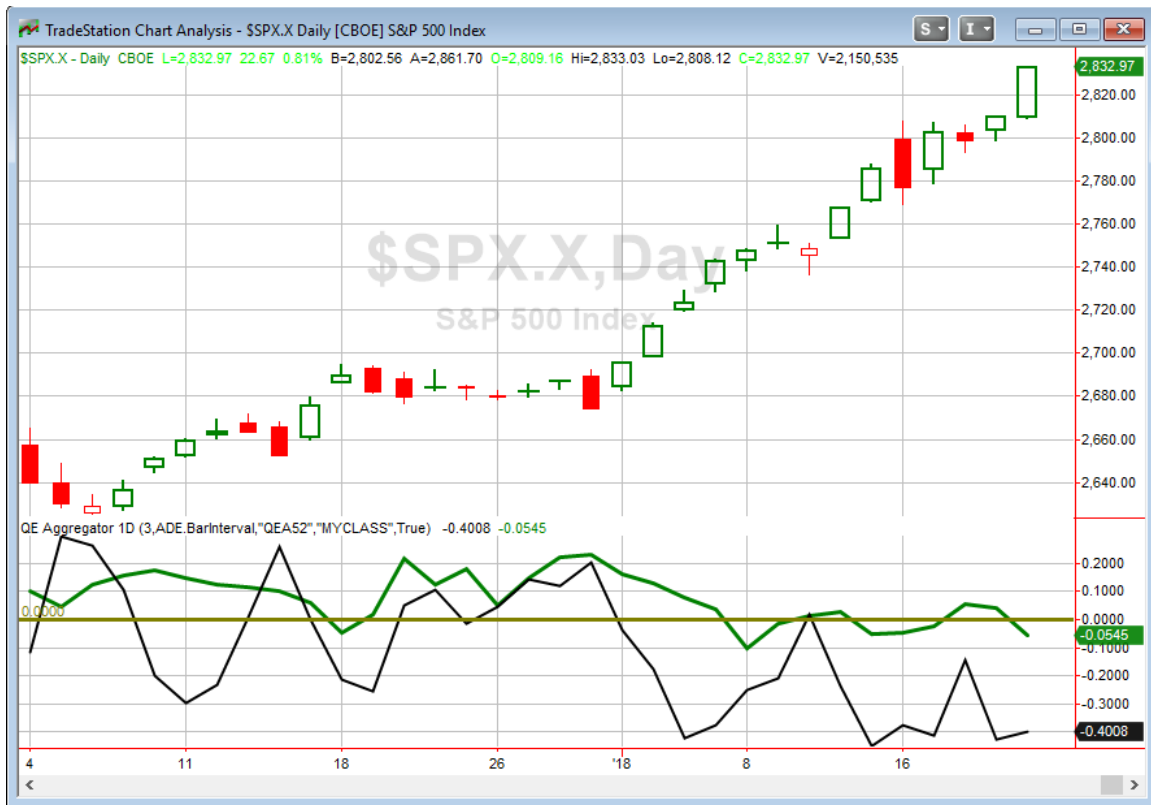
The imminent pullback theory certainly does not seem to work here. All 6 previous instances were higher 2, 7, 8, and 9 days higher. And the worst loser over the 1-10 day period was only 0.3%. The kind of early-year strength we are currently seeing has always been followed by more upside in the past. Below is the list of trades with their 9-day exits.

SPX closes higher on at least 11 of the 1st 14 trading days of the year.
Buy on close. Sell 9 days later. \$100k/trade. 1960 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
1/21/1965	Buy	\$86.52	1.28%	\$1,928.85
2/3/1965	Sell	\$87.63		(\$369.60)
1/20/1967	Buy	\$86.07	0.77%	\$2,438.10
2/2/1967	Sell	\$86.73		(\$1,393.20)
1/21/1976	Buy	\$98.24	2.99%	\$3,813.75
2/3/1976	Sell	\$101.18		(\$1,189.89)
1/19/1979	Buy	\$99.75	0.21%	\$2,845.68
2/1/1979	Sell	\$99.96		(\$851.70)
1/21/1987	Buy	\$267.84	3.04%	\$4,890.03
2/3/1987	Sell	\$275.98		(\$193.96)
1/23/2012	Buy	\$1,316.00	2.20%	\$2,200.50
2/3/2012	Sell	\$1,344.90		(\$1,163.25)

While numbers look good, I decided not to include this study on the Active List tonight. One reason is that there are only 6 instances to draw from. Just as concerning is that only 1 of them has occurred in the last 30 years. So while I find the study interesting, I do not think it is worth substantial consideration. Of course if the tendency holds again this year, my patience may be put to the test, because I will want to see a pullback of some degree before taking on new long exposure.

I have updated the Aggregator chart below.



Without any new studies being added tonight the green Aggregator Line dipped 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 set to remain bearish on Tuesday. This could change if compelling new bullish evidence emerges. The Differential Pivot will be 2797.32 on Tuesday. That is 1.3% below Monday's close. So SPX would need to close down at least 1.3% in order to flip from overbought to oversold versus recent expectations on Tuesday.

While the Aggregator is bearish, I have no interest in a short trade right now. The trend is incredibly strong, my intermediate-term outlook is somewhat bullish, and while I did not include tonight's study on the Active List, it also supports the idea that timing a short trade right here could be a difficult proposition with poor reward/risk. So I will continue to sit on my hands and not take on any new index trades until the next favorable reward/risk setup emerges.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/22– somewhat bullish

The intermediate-term outlook was last updated in the 1/22/18 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 –1/3 @ \$81.94 (bought 1/3 at limit)

DUK –1/3 @ \$79.28 (bought 1/3 at limit)

DUK –1/3 @ \$78.90 (bought 1/3 at limit)

Broad Market Large Cap CBI – 3(DUK-3)

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	\$76.95	-6.09%		Catapult
DUK(1/3)	1/12/2018	\$79.00	\$76.95	-2.59%		Catapult
DUK(1/3)	1/16/2018	\$78.90	\$76.95	-2.47%		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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