

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 24, 2018

Volume 11 Issue 16

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Short	100% Short SPY

Tonight's Research Points

- The rising VIX and 50-day high in SPX used to signal a short-side edge, but that has not played out during the recent run-up.

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.

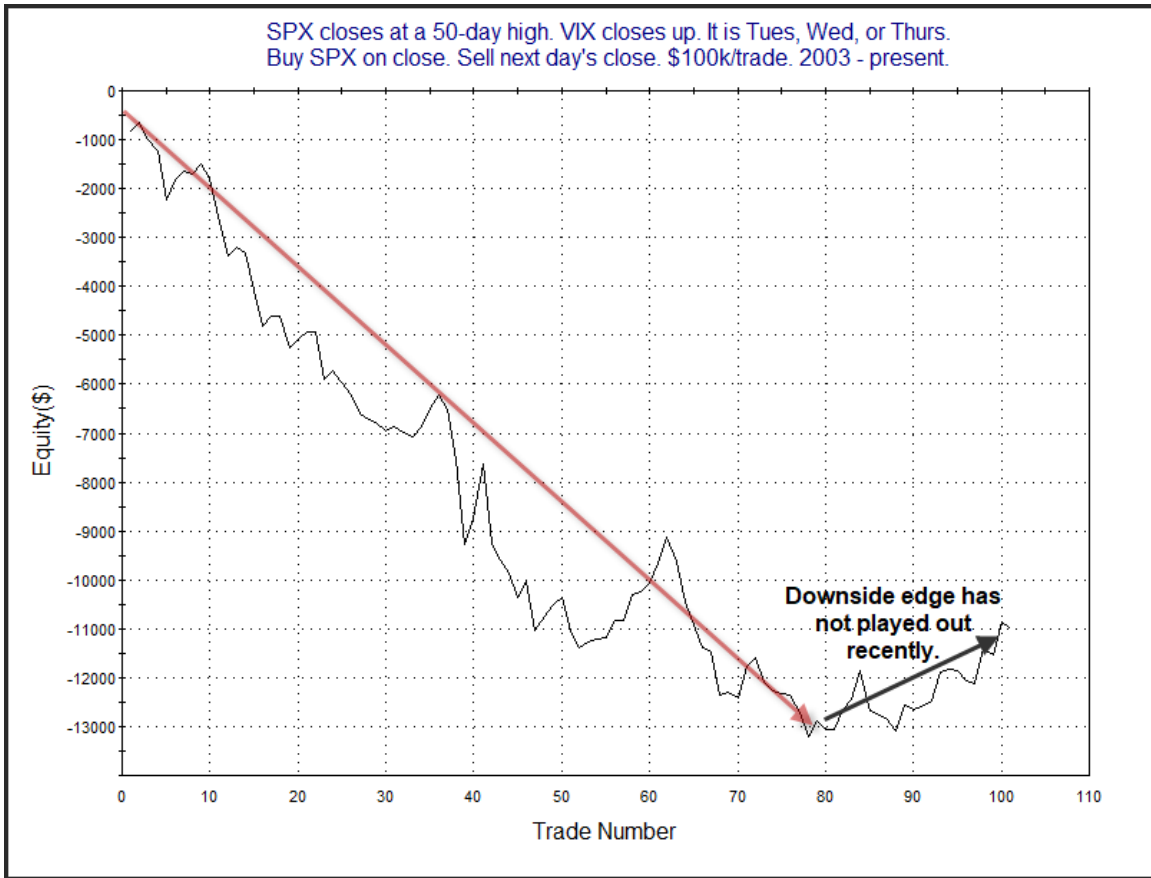
Summary of Recent Active Studies (see Letters from listed dates for details)

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			
Active - Long Term						
January 16, 2018	NASDAQ Leading	int term	Bullish			
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 \$20 billion	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			

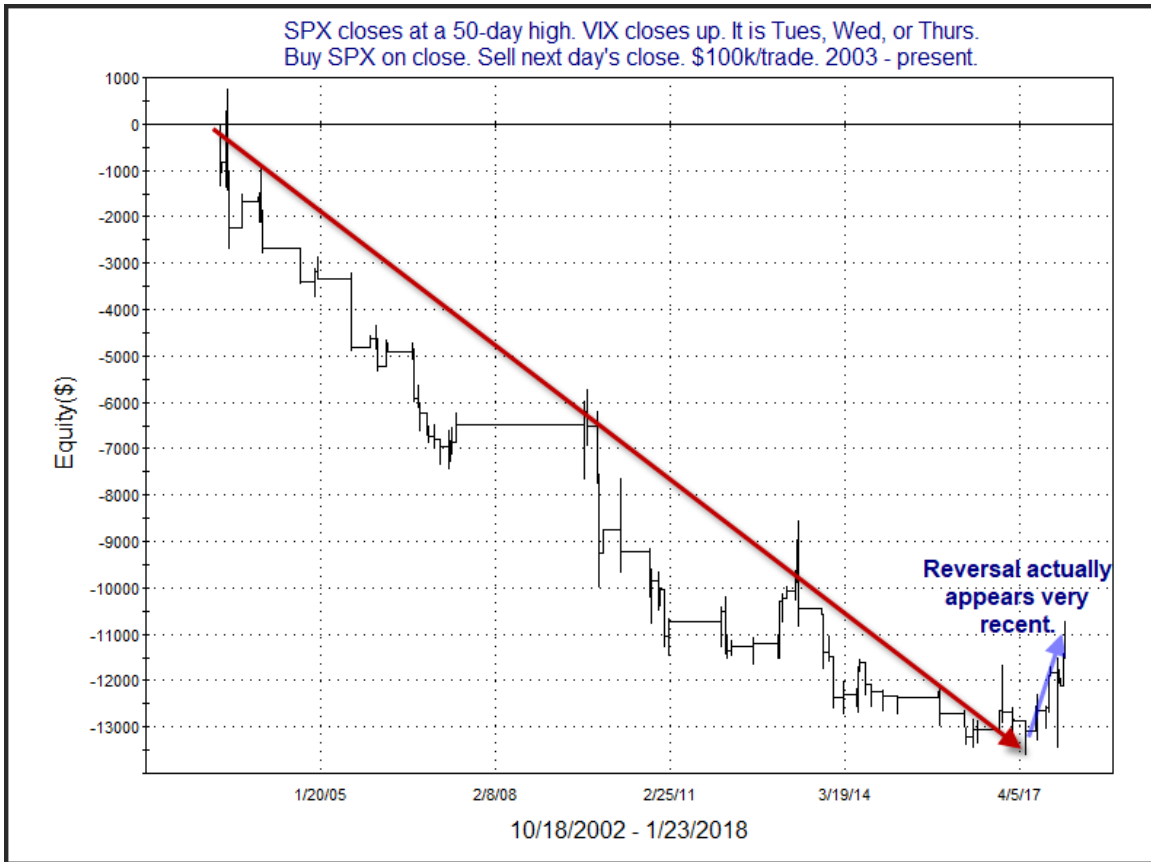
The Evidence

Tuesday was another day of gains for the market. The SPX rose 0.2%, the NASDAQ rallied 0.7%, and the Russell 2000 gained 0.35%. Breadth was positive as the NYSE Up Issues % was 59% and the Up Volume % came in at 51%. NYSE volume came in light and the range was tight.

So the market finds itself at new highs yet again today. I am not terribly enthused about the evidence I am seeing tonight. One thing that keeps popping up lately is VIX action. As the market has moved higher over the last few weeks, the VIX as also had numerous up days. And that has been triggering some studies repeatedly. One of them examines times the VIX rose mid-week while the SPX closed at a 50-day high. The 1-day results had previously appeared bearish. But as you can see below, the curve has not persisted downwards.



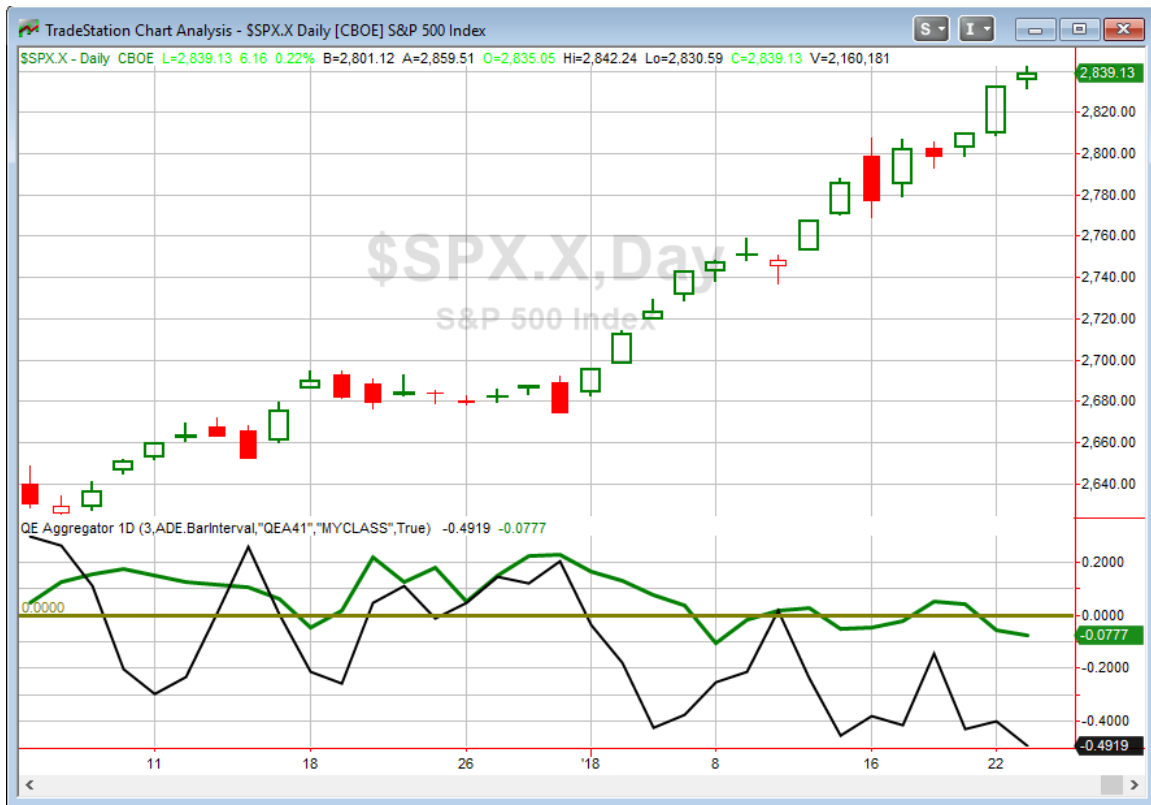
Based on this chart, it appears the downside edge has not exerted itself for a while now. But this chart, which is based on instances, is a little misleading. The chart below is the same study, but it looks at it on a calendar basis.



As you can see here, it is really only in recent months that the downside tendency has not persisted. And with the market having been as strong as it has, seeing a short-side edge get run over is not a surprise. On this chart the bump does not look much different than the one about 4 years ago. So rather than throw the study out, I intend to keep an eye on it. I suspect it will begin to work again when the current, extremely strong move higher is over, or perhaps weakens.

So there are no new studies being added to the Active List tonight.

I have updated the Aggregator chart below.



Without any new studies being added tonight the green Aggregator Line remained 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 stayed short at the close.

Based on the current active list, expectations are set to remain bearish on Wednesday. This could change if compelling new bullish evidence emerges. The Differential Pivot will be 2812.17 on Wednesday. That is 0.95% below Tuesday's close. So SPX would need to close down at least 0.95% in order to flip from overbought to oversold versus recent expectations on Wednesday.

My outlook remains basically the same as last night. 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 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

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
DUK(1/3)	1/8/2018	\$81.94	\$77.71	-5.16%		<i>sell on open</i>
DUK(1/3)	1/12/2018	\$79.00	\$77.71	-1.63%		<i>sell on open</i>
DUK(1/3)	1/16/2018	\$78.90	\$77.71	-1.51%		<i>sell on open</i>

DUK reached its exit trigger and will be sold at the open on Wednesday.

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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