

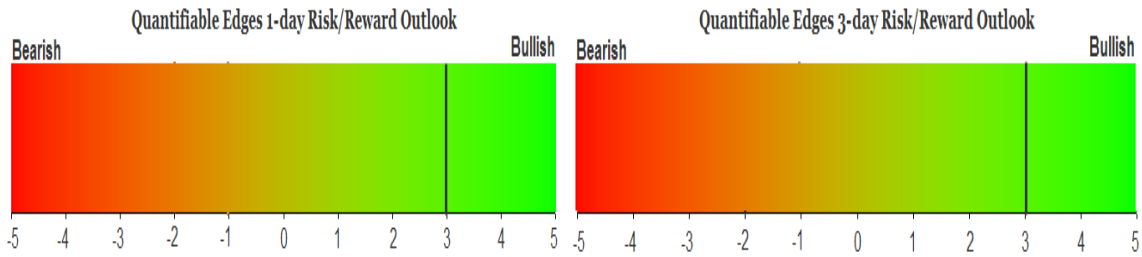
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 1, 2018

Volume 11 Issue 22

Market Overview



Signals Overview

Aggregator	Aggressive VIX
Long	100% Long XIV

Tonight's Research Points

- The January Barometer suggests 2018 should be a good year.
- 1st of the month is often bullish, and the current setup appears especially so.

Short-term Outlook

The Bottom Line

The Aggregator is again bullish, and so am I.

Summary of Recent Active Studies (see Letters from listed dates for details) - not updated tonight

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
January 31, 2018	1% drop ahead of Fed	1 day	Bullish			
January 31, 2018	1st close < 10ma in over 15 days	1-5 days	Bullish			
January 31, 2018	Gap < 5-low. Close < open. Close > 200ma	1-6 days	Bullish			
January 29, 2018	Unfill gap dn from 20-high aft unfill up	1-3 days	Bearish			
January 29, 2018	VIX 100-day high. SPX > 100-day low	1-5 days	Bullish			
January 26, 2018	SPX 17 days > 5ma & 50-day high	1-12 days	Bullish	2.10%	-1.15%	-1.70%
Active - Long Term						
January 29, 2018	VIX 100-day high. SPX > 100-day low	1-15 days	Bullish			
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 \$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

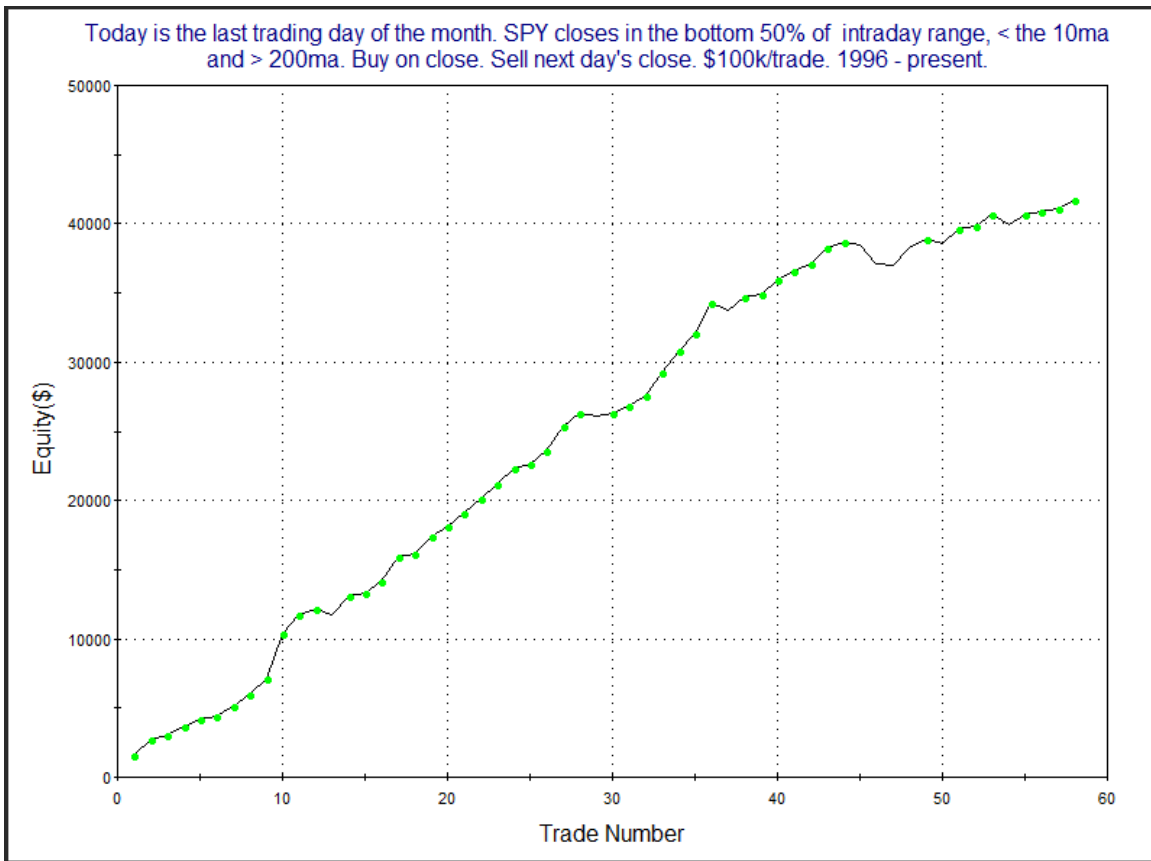
Wednesday saw a lot of back and forth which left the indices mixed. The SPX and NASDAQ rose 0.1%, and the Russell 2000 lost 0.5%. Breadth was positive as the NYSE Up Issues % was 53% and the Up Volume % came in at 53%. NYSE volume rose to the highest level of January.

There were several studies in the Quantifinder that examined the turn of the month. There were two that stood out as especially compelling. One looked at times the SPX closed below the 10ma and above the 200ma on the last day of the month. The other looked at times SPY closed in the bottom half of the day's range on the last day of the month. Tonight I looked at what happened when all of these conditions were present.

Today is the last trading day of the month. SPY closes in the bottom 50% of intraday range, < the 10ma and > 200ma. Buy on close. Sell next day's close. \$100k/trade. 1996 - present.

TradeStation Performance Summary				Expand
All Trades				
Total Net Profit	\$41,766.24	Profit Factor		11.96
Gross Profit	\$45,577.37	Gross Loss		(\$3,811.13)
Total Number of Trades	58	Percent Profitable		86.21%
Winning Trades	50	Losing Trades		8
Even Trades	0			
Avg. Trade Net Profit	\$720.11	Ratio Avg. Win:Avg. Loss		1.91
Avg. Winning Trade	\$911.55	Avg. Losing Trade		(\$476.39)
Largest Winning Trade	\$3,295.88	Largest Losing Trade		(\$1,353.69)

Stats here are outstanding, with 86% of trades making money and a profit factor of nearly 12. Below is a look at the profit curve.



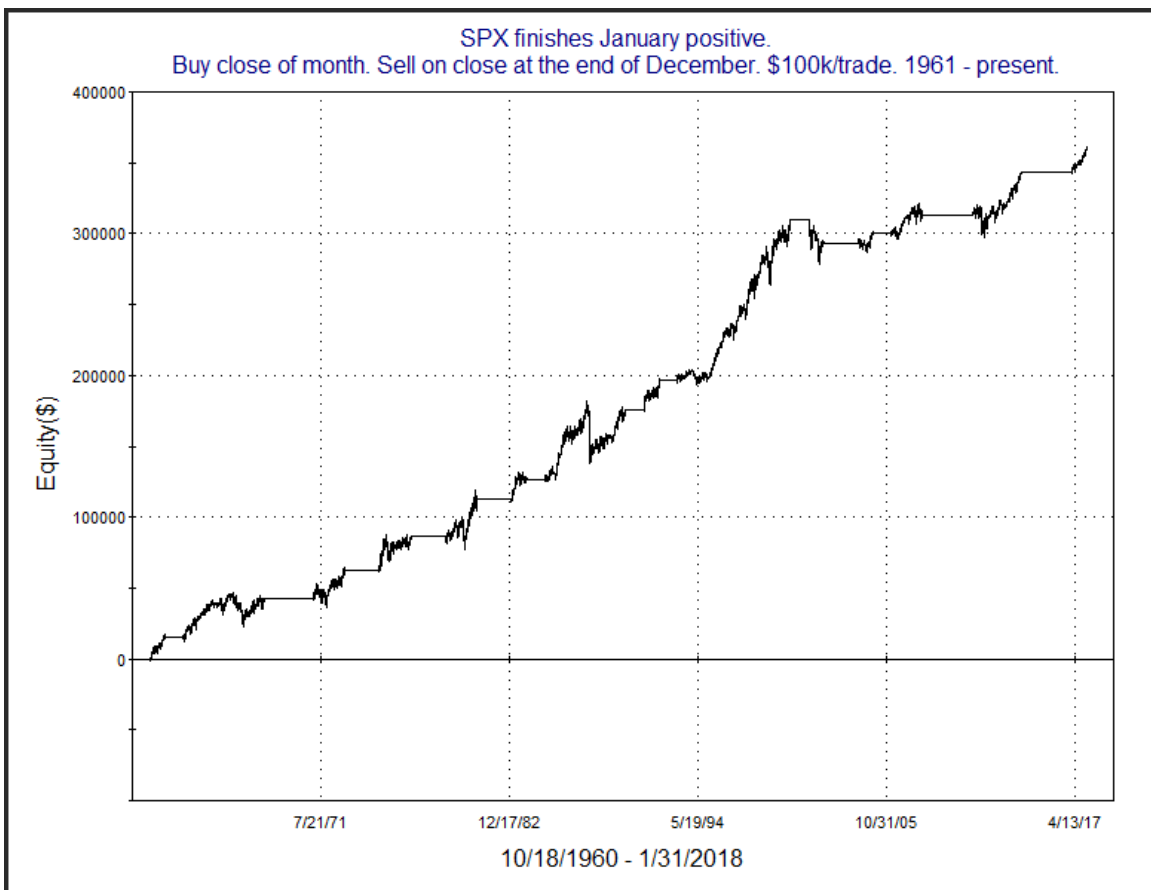
The strong upslope serves as some confirmation of the bullish edge. I have included this study on the active list tonight.

The January Barometer is a fairly famous study from the Stock Traders Almanac. It says that “as goes January, so goes the year”. In other words, a positive January will typically lead to a positive year, while a negative January can be a warning. So, as I did in the 2/6/17 letter, let’s look at how the SPX has done for the remaining 11 months of the year when January has closed higher.

SPX finishes January positive.
Buy close of month. Sell on close at the end of December. \$100k/trade. 1961 - present.

TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	\$359,988.96	Profit Factor	8.82
Gross Profit	\$406,050.07	Gross Loss	(\$46,061.11)
Total Number of Trades	34	Percent Profitable	85.29%
Winning Trades	29	Losing Trades	5
Even Trades	0		
Avg. Trade Net Profit	\$10,587.91	Ratio Avg. Win:Avg. Loss	1.52
Avg. Winning Trade	\$14,001.73	Avg. Losing Trade	(\$9,212.22)
Largest Winning Trade	\$30,848.12	Largest Losing Trade	(\$15,908.89)

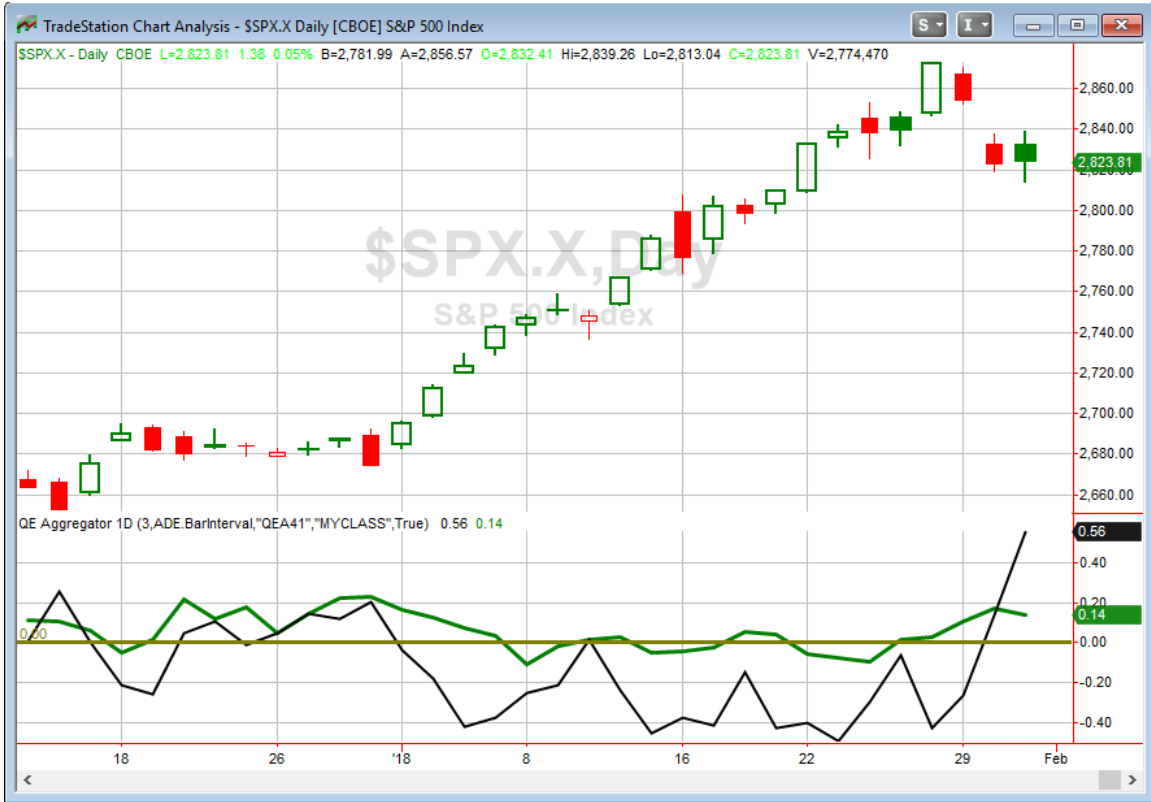
The numbers show that in years that January has done well, the rest of the year has typically fared well also. Below is a profit curve.



That is a nicely steady upslope. So perhaps January momentum will carry some follow through for 2018. This study is one I have always found interesting, but not terribly

compelling. I will not be adding it to the Active List, but I thought readers might want to be aware of it.

I have updated [the Aggregator chart](#) below.



With tonight's studies included, the green Aggregator line 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 moved further above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above 0. Therefore, the Aggregator signal stayed long at the close.

Based on the current list of active studies, expectations are slated to remain bullish on Thursday. It would take some very compelling new bearish evidence to change that. The Differential Pivot will be 2857.64 on Thursday. That is a sizable 1.2% above Wednesday's close. So SPX would need to close up at least 1.2% in order to flip from oversold to overbought. That is a bit of a stretch. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

So the Aggregator is bullish. And Thursday looks especially bullish with the current setup and 1st of the month arriving. There is also ample room to the upside before SPX would turn overbought. So I like the long side from here. I took some long exposure at Wednesday's close as I discussed in last night's letter. I will be looking to hold onto that for now in anticipation of a move up in the next few days..

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/29– somewhat bullish

The intermediate-term outlook was last updated in the 1/29/18 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

UNP – 1/3 @ \$133.60 (bought @ limit)

Broad Market Large Cap CBI – 1(UNP)

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
UNP(1/3)	1/26/2018	\$133.60	\$133.50	-0.07%		Catapult
<i>SPY(1/2)</i>	<i>1/30/2018</i>	<i>\$281.76</i>	<i>\$282.26</i>	<i>0.18%</i>		<i>avg exit price</i>
SPY(1/4)	1/31/2018	\$281.90	\$281.90	0.00%		bought on close

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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