

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 8, 2018

Volume 11 Issue 27

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	27

## Tonight's Research Points

- The “failed” bounce off Friday’s 20-day low appears to be another opportunity to take long exposure.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator remains bullish, and so do 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>						
February 7, 2018	VXO drops 20%+	1 day	Bearish			
February 7, 2018	Bounce from low, TICK very high	1 day	Bearish			
February 7, 2018	20-low, 20 intra low, up close	1-4 days	Bullish			
February 6, 2018	CBI > 10	1-5 days	Bullish			
February 6, 2018	20-low Big drop. Monday	1-4 days	Bullish			
February 5, 2018	Dn 1.5x 20-day ATR	1-6 days	Bullish			
February 5, 2018	VIX 20% up on Fri	1-4 days	Bullish			
February 5, 2018	Down 1.5%+ 1st 2 days of month > 200	1-5 days	Bullish			
January 31, 2018	Gap < 5-low. Close < open. Close > 200ma	1-6 days	Bullish			
January 26, 2018	SPX 17 days > 5ma & 50-day high	1-12 days	Bullish	2.10%	-1.15%	-1.70%
<b>Active - Long Term</b>						
February 7, 2018	20-low, 20 intra low, up close	1-10 days	Bullish			
February 6, 2018	CBI > 10	1-17 days	Bullish			
February 5, 2018	Hindenburg Omen Cluster	1-35 days	Bearish			
January 29, 2018	VIX 100-day high. SPX > 100-day low	1-15 days	Bullish			
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 \$20 billion	int term	Bearish			
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			

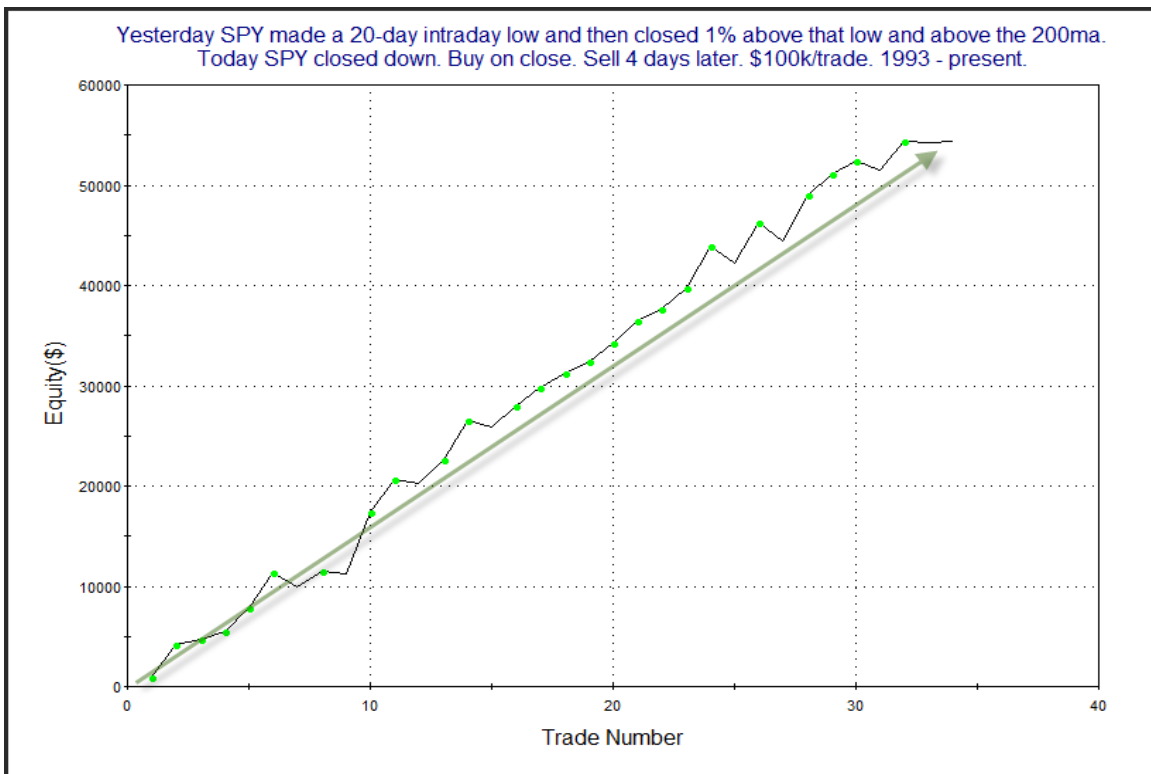
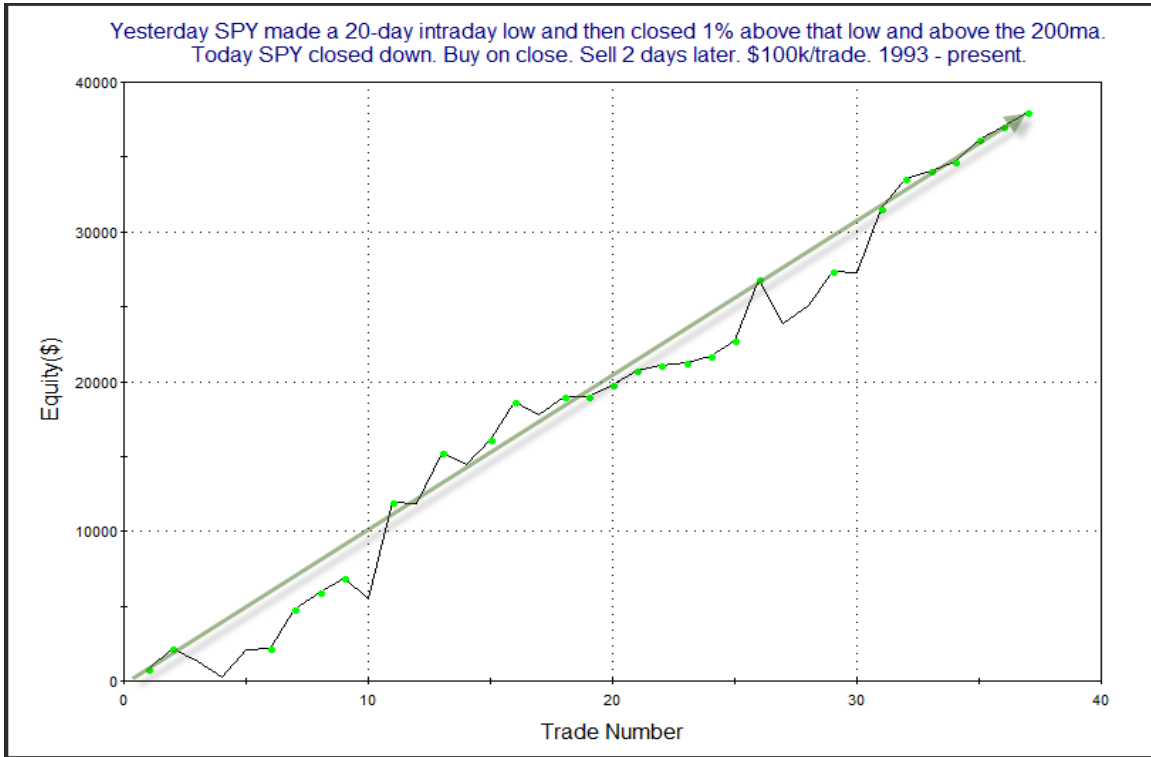
**The Evidence**

Wednesday was back and forth before an afternoon selloff left things mostly negative.. The SPX finished down 0.5%, the NASDAQ lost 0.9%, but the Russell 2000 gained 0.05%. Breadth was positive as the NYSE Up Issues % was 52% and the Up Volume % came in at 44%. NYSE volume declined some from Tuesday's high level.

If you were a bull, and were watching the market this afternoon, then the late selloff felt very disappointing. But is the failure to rally today really a problem? We saw last night with a couple of studies that Wednesday had the potential to be a tough day. It was. What does that mean going forward? The study below was from the 9/14/16 letter. Stats are updated.

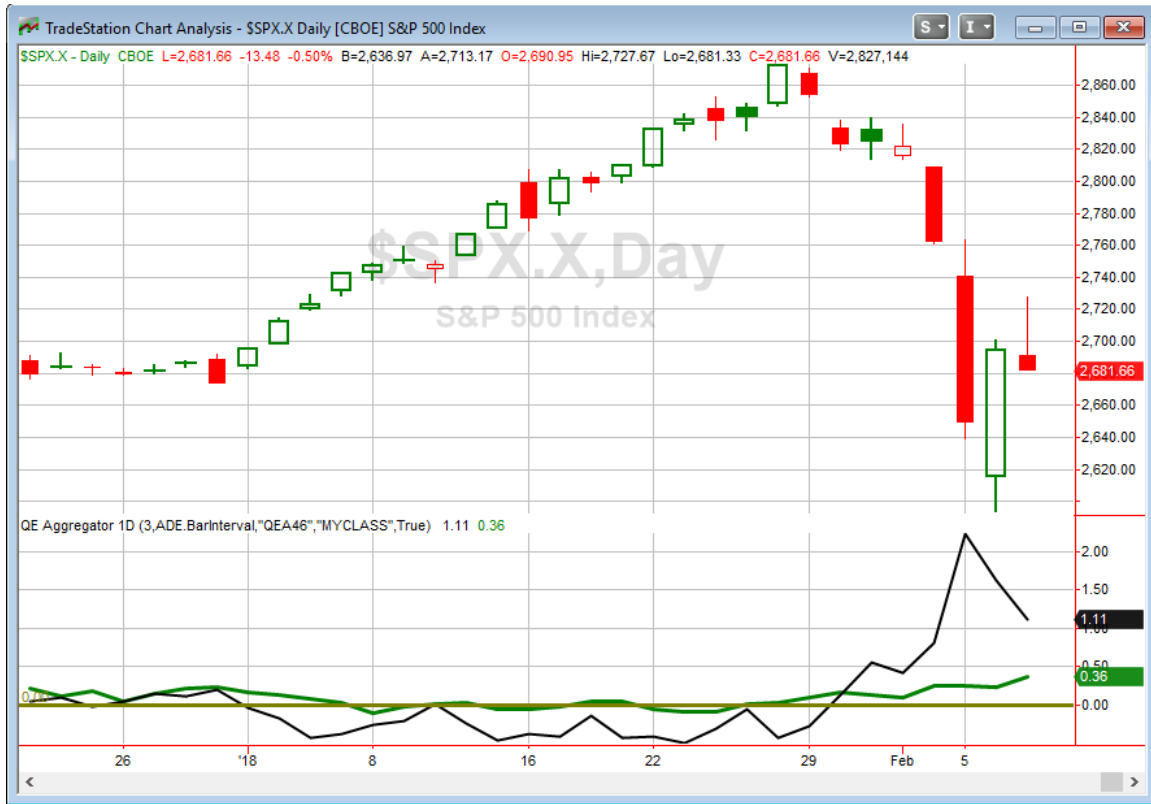
Yesterday SPY made a 20-day intraday low and then closed 1% above that low and above the 200ma. Today SPY closed down. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	46,463.75	34	23	11	67.65	2,663.44	5,602.68	-1,345.04	-5,283.45	1.98	4.14	1,366.58
4	54,361.36	34	26	8	76.47	2,376.90	6,132.78	-929.75	-1,766.40	2.56	8.31	1,598.86
3	45,520.56	34	25	8	73.53	2,049.25	5,630.94	-713.84	-1,689.60	2.87	8.97	1,338.84
2	38,019.66	37	29	8	78.38	1,583.75	6,435.36	-988.64	-2,972.16	1.60	5.81	1,027.56
1	19,570.17	37	26	11	70.27	1,059.80	4,400.20	-725.87	-2,206.61	1.46	3.45	528.92
<b>3/4/11 was the only instance NOT to close above the entry price at some point in the next week.</b>												

The stats here are suggestive of a bullish edge. Below are curves for the 2 and 4-day holding periods.



The curves are as impressive as the numbers, and support the idea of a short-term upside edge. I have included this study on the active list tonight,

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



With tonight's study considered, 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 is still far 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. This is unlikely to change. The Differential Pivot will be *inverted* at 2664.53 on Wednesday. That is a 0.6% *below* Wednesday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case, for SPX to remain oversold it will need to close down over 0.6%. Anything other than that and it will be considered overbought as of Thursday's close. It is notable, though, that due to the wild

swings the last several days, Friday's pivot level is set to jump way up to over 2700. So it could easily be inverted in the other direction tomorrow night.

The Aggregator remains bullish. I like the long-side here as well. But the inverted pivot has me wary of taking on much more long exposure just yet. I already have a fair amount of index exposure, along with a large number of Catapults. I'll stick with that for now, and reevaluate tomorrow night.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 2/5– somewhat bullish***

**Catapult and Capitulative Breadth Statistics**

[\*Catapult & CBI Presentation Link\*](#)

***Open Catapult Triggers***

Ticker	Trigger Price
UNP	\$133.60
UPS	\$119.51
PCLN	\$1,859.10
F	\$10.71
HD	\$193.97
LOW	\$101.50
CVS	\$73.32
HON	\$150.17
WMT	\$100.09
FDX	\$248.50
WFC	\$58.16
GOOGL	\$1,062.39
UNP	\$124.14
ABT	\$58.73
CAT	\$151.08
MMM	\$231.44
CVX	\$112.62
TGT	\$70.77
UNH	\$220.02
COST	\$182.77
LOW	\$97.58
UPS	\$113.30
HD	\$183.11
F	\$10.24
PCLN	\$1,825.93
UPS	\$112.71
WFC	\$57.28

**Broad Market Large Cap CBI – 27(UNP-2, UPS-3, PCLN-2, F-2, HD-2, LOW-2, CVS, HON, WMT, FDX, WFC-2, GOOGL, ABT, CAT, MMM, CVX, TGT, UNH, COS)**

***Other Catapult notes:***

- SPY's Catapult trigger, that I mentioned in the 2/6 letter, remains active.
- No Catapults reached their exit trigger on Wednesday. Many could if the market rallies on Thursday.

**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.** See next page for current open trade ideas

## Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
UNP(1/3)	1/26/2018	\$133.60	\$128.96	-3.47%		Catapult
SPY(1/4)	1/31/2018	\$281.90	\$267.67	-5.05%		Aggregator
UPS(1/3)	2/2/2018	\$118.99	\$111.91	-5.95%		Catapult
SPY(1/4)	2/5/2018	\$273.45	\$267.67	-2.11%		Aggregator
HD(1/3)	2/5/2018	\$190.07	\$191.29	0.64%		Catapult
LOW(1/3)	2/5/2018	\$101.38	\$99.92	-1.44%		Catapult
F(1/3)	2/5/2018	\$10.71	\$10.76	0.47%		Catapult
PCLN(1/3)	2/5/2018	\$1,841.30	\$1,882.68	2.25%		Catapult
ABT(1/3)	2/6/2018	\$57.67	\$58.67	1.73%		Catapult
CAT(1/3)	2/6/2018	\$148.07	\$154.34	4.23%		Catapult
COST(1/3)	2/6/2018	\$178.91	\$183.19	2.39%		Catapult
CVS(1/3)	2/6/2018	\$72.50	\$74.35	2.55%		Catapult
CVX(1/3)	2/6/2018	\$111.20	\$115.29	3.68%		Catapult
F(1/3)	2/6/2018	\$10.24	\$10.76	5.08%		Catapult
FDX(1/3)	2/6/2018	\$244.44	\$251.15	2.75%		Catapult
GOOGL(1/3)	2/6/2018	\$1,033.98	\$1,055.41	2.07%		Catapult
HD(1/3)	2/6/2018	\$178.62	\$191.29	7.09%		Catapult
HON(1/3)	2/6/2018	\$147.68	\$151.19	2.38%		Catapult
LOW(1/3)	2/6/2018	\$95.29	\$99.92	4.86%		Catapult
MMM(1/3)	2/6/2018	\$227.51	\$233.19	2.50%		Catapult
PCLN(1/3)	2/6/2018	\$1,800.01	\$1,882.68	4.59%		Catapult
TGT(1/3)	2/6/2018	\$69.54	\$73.25	5.34%		Catapult
UNH(1/3)	2/6/2018	\$212.20	\$222.33	4.77%		Catapult
UNP(1/3)	2/6/2018	\$122.28	\$128.96	5.46%		Catapult
UPS(1/3)	2/6/2018	\$112.19	\$111.91	-0.25%		Catapult
WFC(1/3)	2/6/2018	\$56.90	\$57.54	1.12%		Catapult
WMT(1/3)	2/6/2018	\$97.64	\$102.85	5.34%		Catapult
WFC(1/3)	2/7/2018	\$56.94	\$57.54	1.05%		Catapult
UPS(1/3)	2/7/2018	\$112.39	\$111.91	-0.43%		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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