

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 16, 2018

Volume 11 Issue 33

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	8

Tonight's Research Points

- 5 higher closes in an uptrend that is not making new 50-day highs has historically suggested a strong market that is likely to continue higher over the next few weeks.

Short-term Outlook

The Bottom Line

Evidence is suggesting more upside, but the market is overbought to the point that I am not interested. I will remain ready for the next favorable reward/risk setup.

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						
February 16, 2018	5 up < 50-high > 20ma	1-10 days	Bullish	2.30%	-1.30%	-2.65%
February 15, 2018	FTD with moderate breadth & volume	1-2 days	Bearish			
February 15, 2018	Up 4 with 3 > 1%	1-4 days	Bullish	2.10%	-0.90%	-1.60%
February 9, 2018	1.5% drop 2x. 10-low > 200	1-7 days	Bullish			
Active - Long Term						
February 16, 2018	5 up < 50-high > 20ma	1-15 days	Bullish	3.00%	-1.60%	-3.20%
February 15, 2018	FTD with moderate breadth & volume	int term	Bearish			
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 \$20billion	int term	Bearish			
April 26, 2016	Golden Cross	int term	Bullish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			
Dropped Tonight						
February 14, 2018	50-low. Up 3+. NR7.	1-3 days	Bullish	1.80%	-1.20%	-3.00%
February 14, 2018	20-low then 3 closes inside dn day	1-5 days	Bullish	1.85%	-1.40%	-2.80%

The Evidence

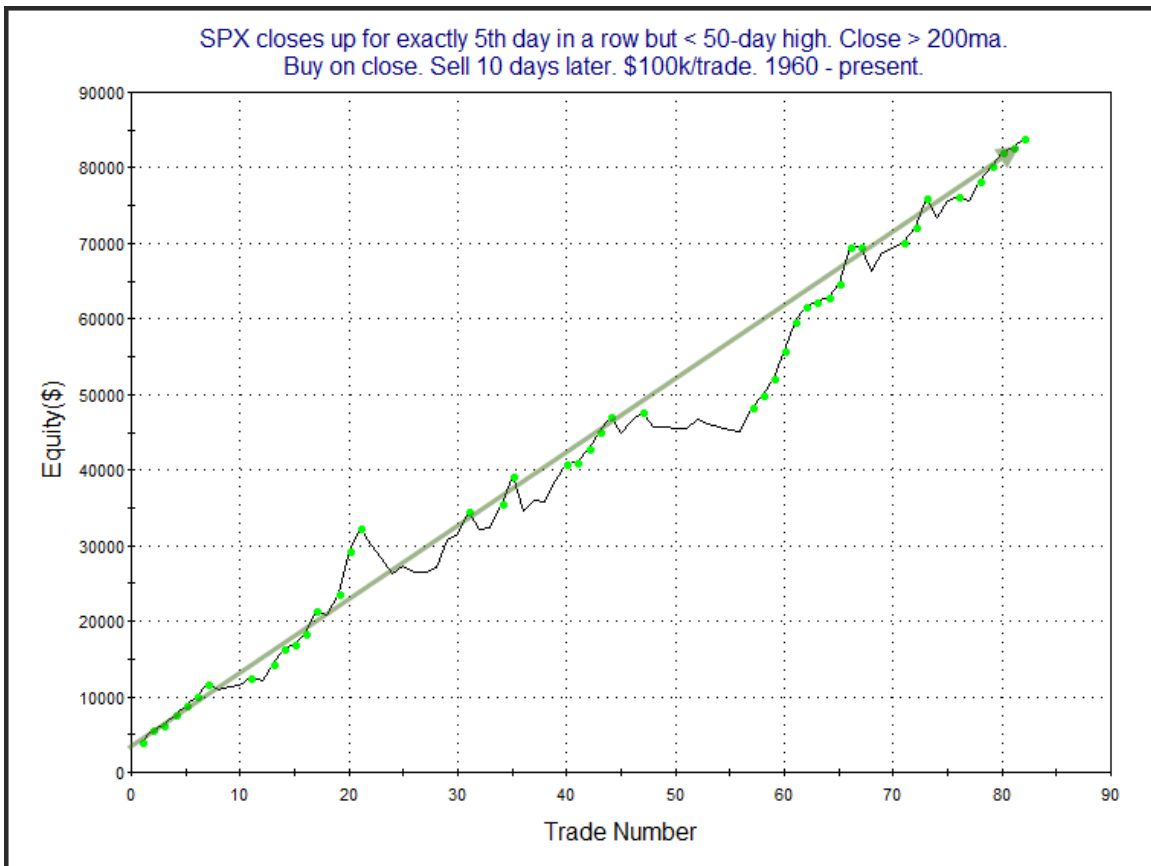
Thursday saw the market push higher for the 5th day in a row. The SPX finished up 1.2%, the NASDAQ rose 1.6%, and the Russell 2000 gained 1.0%. Breadth was positive as the NYSE Up Issues % was 67% and the Up Volume % came in at 73%. NYSE volume declined some from Wednesday's level.

There were a few studies that examined the strong move we have seen over the last several days. While many measures (including our own Differential tool) will consider the market short-term overbought at this point, that does NOT mean it is primed for an immediate pullback. There were a few studies that recognized the move higher over the last few days and suggested the momentum is likely to continue. The one I liked the best was perhaps the simplest. It was from the 9/1/17 letter, and it looked at 5 up days that closed above the 200ma, but failed to close at a 50-day high. I have updated the results below.

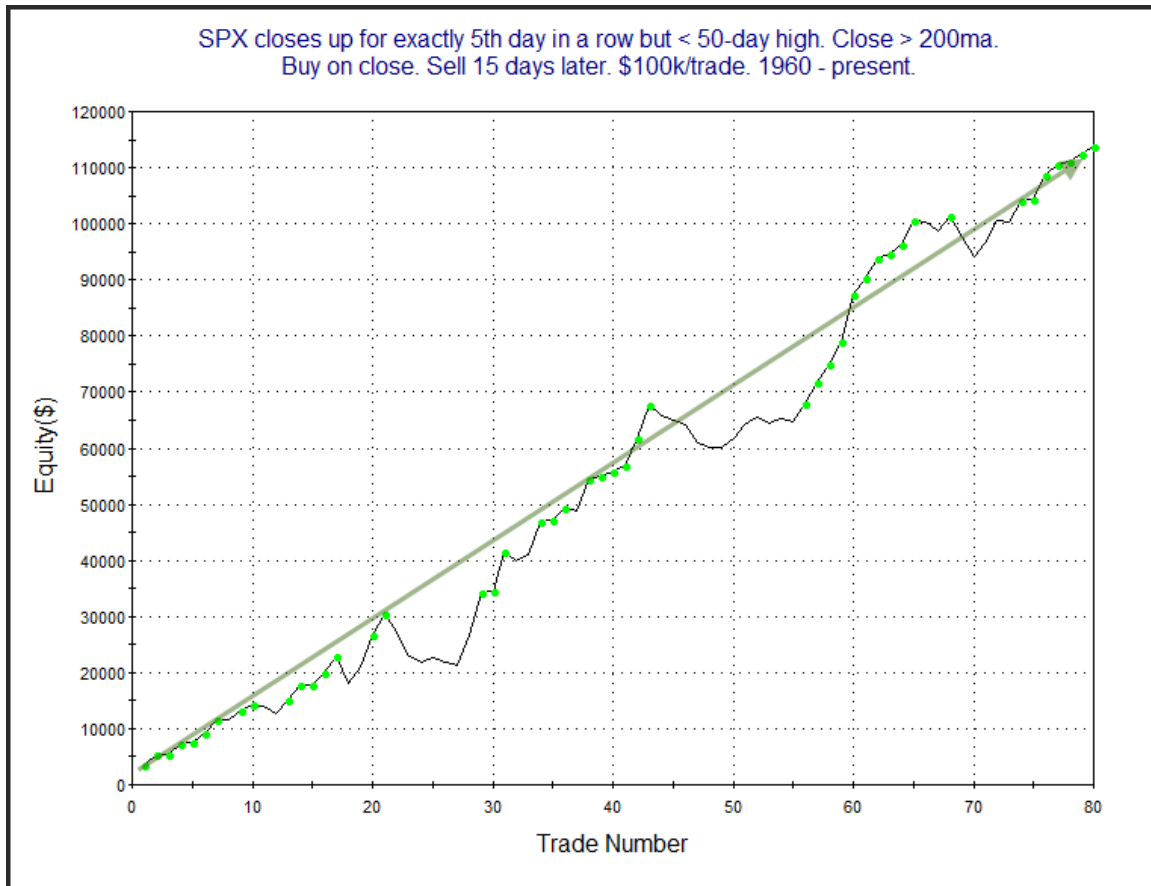
SPX closes up for exactly 5th day in a row but < 50-day high. Close > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1960 - present.

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
15	113,703.84	80	56	24	70.00	2,685.65	8,288.00	-1,528.86	-4,879.10	1.76	4.10	1,421.30
14	103,236.10	80	55	25	68.75	2,585.83	8,272.60	-1,559.38	-4,738.50	1.66	3.65	1,290.45
13	104,235.62	80	59	21	73.75	2,421.15	6,401.50	-1,838.68	-3,773.44	1.32	3.70	1,302.95
12	95,406.54	81	60	21	74.07	2,195.24	5,925.50	-1,728.93	-3,661.77	1.27	3.63	1,177.86
11	80,285.92	82	56	26	68.29	2,090.95	6,074.75	-1,415.68	-4,894.24	1.48	3.18	979.10
10	83,925.44	82	60	22	73.17	1,876.23	5,675.25	-1,302.19	-4,684.28	1.44	3.93	1,023.48
9	80,894.42	82	57	25	69.51	1,915.94	5,228.75	-1,132.56	-4,910.55	1.69	3.86	986.52
8	75,306.72	83	61	22	73.49	1,630.36	5,146.50	-1,097.51	-3,376.64	1.49	4.12	907.31
7	67,755.70	83	58	25	69.88	1,646.01	5,698.75	-1,108.52	-3,500.70	1.48	3.44	816.33
6	55,700.03	83	62	21	74.70	1,373.34	5,134.75	-1,402.24	-3,366.60	0.98	2.89	671.08
5	44,329.90	83	59	23	71.08	1,237.97	4,476.75	-1,248.26	-3,716.53	0.99	2.54	534.10
4	29,925.19	83	53	30	63.86	1,089.03	3,983.25	-926.45	-3,494.78	1.18	2.08	360.54
3	28,987.49	83	56	27	67.47	995.48	2,796.50	-991.09	-3,359.36	1.00	2.08	349.25
2	14,704.82	83	54	29	65.06	764.36	2,479.25	-916.23	-3,748.50	0.83	1.55	177.17
1	9,209.35	83	53	30	63.86	514.03	2,211.54	-601.15	-2,200.96	0.86	1.51	110.96

These results appear to suggest a pretty consistent upside edge over the next 1-3 weeks. Below is an equity curve using the highlighted 10-day hold that shows how this edge has played out over time.

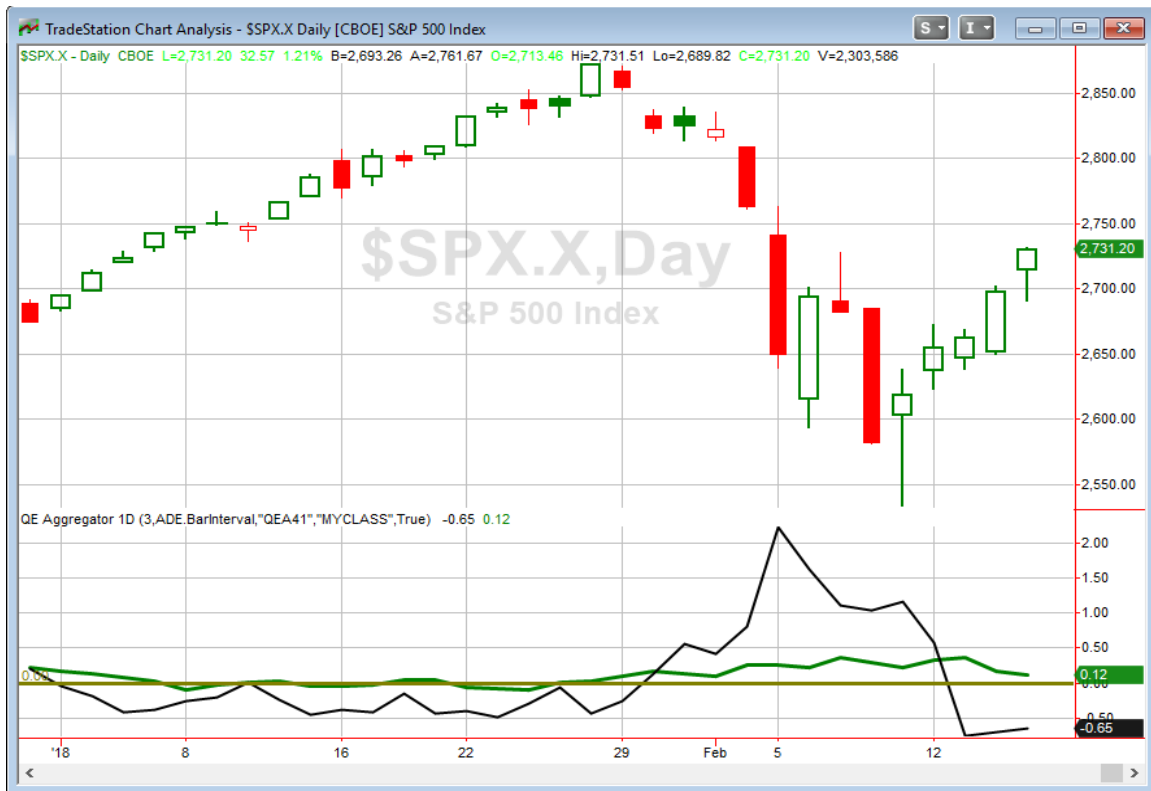


This appears to be quite a consistent curve and makes the study even more compelling. I also ran the 15-day profit curve.



Much like the 10-day curve, the 15-day shows impressive upslope. In addition to the short-term Active List, have also added this study to the intermediate-term list since the bullish impact appears to persist for up to 3 weeks.

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



With tonight's evidence 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 held 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 stayed flat at the close.

Based on the current list of active studies, expectations are slated to remain bullish on Thursday. This could change if compelling new bearish evidence emerges. The Differential Pivot will be 2687.38 on Friday. That is 1.6% below Thursday's close. Therefore, it will take a decline of at least 1.6% in order for SPX to move from overbought to oversold on Friday.

So the Aggregator is neutral, and so am I. The market could certainly continue up. It has strong momentum and tonight's study suggests there is a decent chance it will continue. Also notable is the CBI dropped from 14 to 8 on Thursday. Eight is down greatly from the 31 a few short days ago, but it is still generally considered a somewhat bullish reading. But while further gains appear more probable, the overbought condition increases potential risk, and decreases potential reward. So I will remain sidelined awaiting the next strongly favorable opportunity.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/12– somewhat bullish

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

OpenCatapult Triggers

Ticker	Trigger Price
UPS	\$119.51
LOW	\$101.50
CVS	\$73.32
CVX	\$112.62
LOW	\$97.58
UPS	\$113.30
UPS	\$112.71
XOM	\$75.78

Broad Market Large Cap CBI – 8(UPS-3, LOW-2, CVS, CVX, XOM)

Other Catapult notes:

- Several Catapults reached their exit trigger on Thursday. Others are close, and we could see more exit triggers hit on Friday.

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	\$133.85	0.19%		<i>sold on open</i>
UPS(1/3)	2/2/2018	\$118.99	\$108.31	-8.98%		Catapult
SPY(1/4)	2/5/2018	\$273.45	\$271.57	-0.69%		<i>sold on open</i>
HD(1/3)	2/5/2018	\$190.07	\$185.27	-2.53%		<i>sell on open</i>
LOW(1/3)	2/5/2018	\$101.38	\$96.51	-4.80%		Catapult
F(1/3)	2/5/2018	\$10.71	\$10.76	0.47%		<i>sell on open</i>
PCLN(1/3)	2/5/2018	\$1,841.30	\$1,850.86	0.52%		<i>sold on open</i>
ABT(1/3)	2/6/2018	\$57.67	\$58.72	1.82%		<i>sold on open</i>
CVS(1/3)	2/6/2018	\$72.50	\$70.49	-2.77%		Catapult
CVX(1/3)	2/6/2018	\$111.20	\$112.53	1.20%		Catapult
F(1/3)	2/6/2018	\$10.24	\$10.76	5.08%		<i>sell on open</i>
FDX(1/3)	2/6/2018	\$244.44	\$245.03	0.24%		<i>sell on open</i>
GOOGL(1/3)	2/6/2018	\$1,033.98	\$1,083.45	4.78%		<i>sold on open</i>
HD(1/3)	2/6/2018	\$178.62	\$185.27	3.72%		<i>sell on open</i>
HON(1/3)	2/6/2018	\$147.68	\$153.42	3.89%		<i>sell on open</i>
LOW(1/3)	2/6/2018	\$95.29	\$96.51	1.28%		Catapult
PCLN(1/3)	2/6/2018	\$1,800.01	\$1,850.86	2.82%		<i>sold on open</i>
UNP(1/3)	2/6/2018	\$122.28	\$133.85	9.46%		<i>sold on open</i>
UPS(1/3)	2/6/2018	\$112.19	\$108.31	-3.46%		Catapult
WMT(1/3)	2/6/2018	\$97.64	\$102.55	5.03%		<i>sold on open</i>
UPS(1/3)	2/7/2018	\$112.39	\$108.31	-3.63%		Catapult
ABT(1/3)	2/9/2018	\$56.27	\$58.72	4.35%		<i>sold on open</i>
COP(1/3)	2/9/2018	\$53.24	\$55.64	4.51%		<i>sold on open</i>
XOM(1/3)	2/13/2018	\$75.78	\$76.21	0.57%		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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