

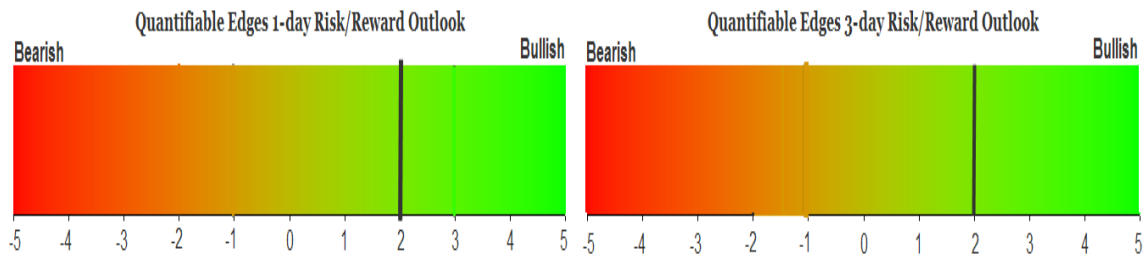
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 21, 2018

Volume 11 Issue 35

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	4

Tonight's Research Points

- After over 5 days higher the market pulled back Tuesday. When the market has been in a similar position in the past, the 1-2 week timeframe has been strong.

Short-term Outlook

The Bottom Line

The Aggregator is suggesting a short-term upside edge. I don't view reward/risk as terribly favorable with the market still near short-term highs. I would like to see more of a pullback before committing to new long positions.

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 20, 2018	5 up < 50-high > 20ma	1-10 days	Bullish	2.00%	-1.10%	-2.30%
February 16, 2018	5 up < 50-high > 20ma	1-10 days	Bullish	2.30%	-1.30%	-2.65%
February 15, 2018	Up 4 with 3 > 1%	1-4 days	Bullish	2.10%	-0.90%	-1.60%
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 \$2obillion	int term	Bearish			
April 26, 2016	Golden Cross	int term	Bullish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			

The Evidence

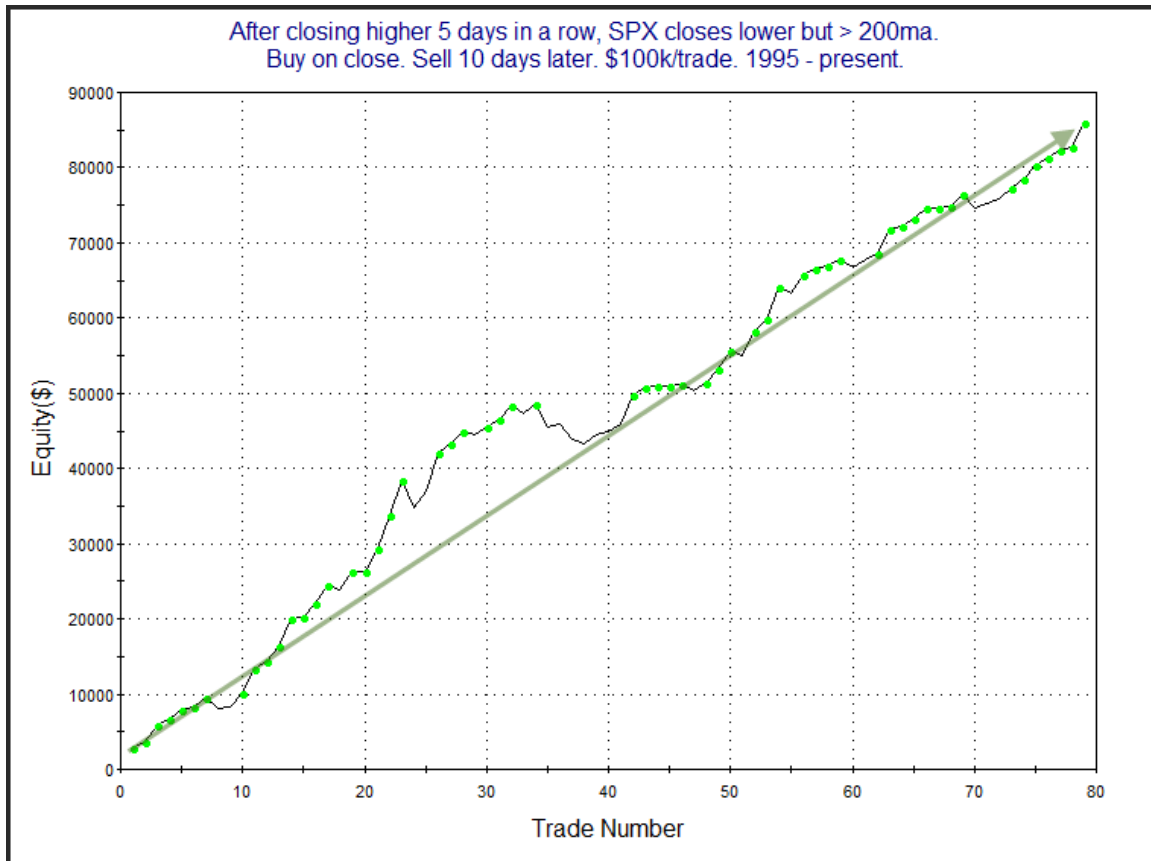
Tuesday saw the market dip a little. The SPX was declined 0.6%, the NASDAQ fell 0.1%, and the Russell 2000 dropped 0.9%. Breadth was negative as the NYSE Up Issues % was 33% and the Up Volume % came in at 30%. NYSE volume declined a little from Friday's level.

Tuesday's decline did trigger some bullish studies that looked at pullbacks after at least 5 consecutive up days. The studies below were last seen in the 9/6/17 Subscriber Letter. I have updated the results.

After closing higher 5 days in a row, SPX closes lower but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - 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	85,940.14	79	66	13	83.54	1,566.39	5,131.35	-1,341.68	-3,672.90	1.17	5.93	1,087.85
9	84,220.32	85	69	16	81.18	1,534.44	5,196.49	-1,353.52	-4,151.40	1.13	4.89	990.83
8	77,849.98	86	64	22	74.42	1,663.22	4,878.08	-1,299.82	-4,874.10	1.28	3.72	905.23
7	59,654.17	87	64	23	73.56	1,427.40	3,874.76	-1,378.23	-3,970.62	1.04	2.88	685.68
6	58,362.06	90	66	24	73.33	1,346.62	4,307.20	-1,271.45	-3,637.71	1.06	2.91	648.47
5	48,717.46	90	62	28	68.89	1,190.06	4,252.50	-895.23	-3,188.16	1.33	2.94	541.31
4	47,922.36	90	61	29	67.78	1,153.79	3,843.00	-774.45	-3,003.39	1.49	3.13	532.47
3	29,053.65	90	59	31	65.56	915.72	2,797.08	-805.60	-2,852.01	1.14	2.16	322.82
2	20,646.28	90	60	30	66.67	755.91	2,480.28	-823.61	-2,614.95	0.92	1.84	229.40
1	10,364.70	90	59	30	65.56	468.58	1,751.19	-576.05	-2,531.86	0.81	1.60	115.16

90% of instances closed above the entry price at some point in the next week.

Initially there appears to be a moderate inclination for a move higher. Once you get out 9-10 days the upside edge appears very substantial. Below is an equity curve using a 10-day exit strategy.



There's some wiggle here but the periods of pullback have been short and mild. This appears to confirm the bullish edge.

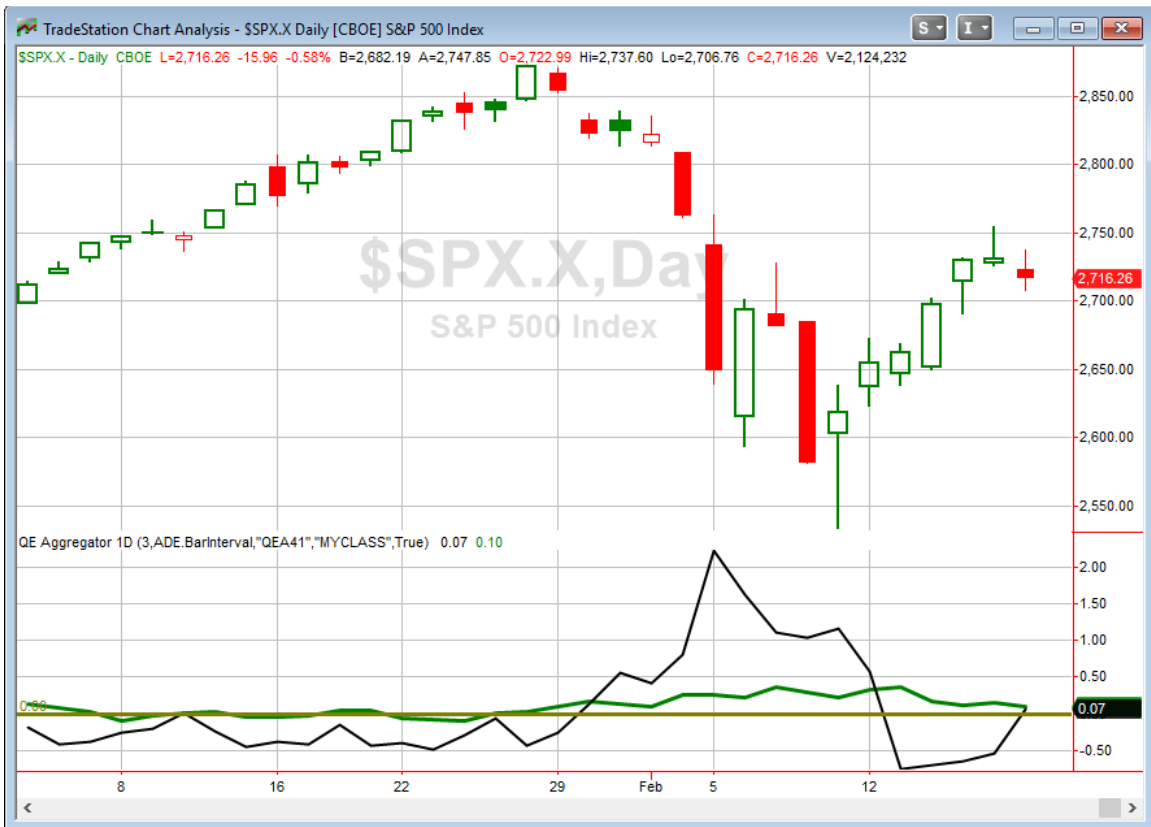
In that 9/6/17 letter I also filtered out times where the SPX had closed a 50-day high the day before. I also applied that filter tonight and updated those stats.

After closing higher 5 days in a row, SPX closes lower but > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1995 - 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	27,995.70	20	16	4	80.00	2,081.57	4,644.11	-1,327.35	-2,964.60	1.57	6.27	1,399.78
9	25,729.54	20	16	4	80.00	1,992.70	5,196.49	-1,538.40	-3,251.34	1.30	5.18	1,286.48
8	26,129.79	20	17	3	85.00	1,877.97	4,770.49	-1,931.92	-4,038.66	0.97	5.51	1,306.49
7	19,484.70	20	18	2	90.00	1,422.34	3,335.92	-3,058.68	-3,970.62	0.47	4.19	974.23
6	18,719.77	20	17	3	85.00	1,522.37	2,736.52	-2,386.86	-3,388.23	0.64	3.61	935.99
5	17,730.69	20	17	3	85.00	1,368.03	2,590.50	-1,841.93	-3,188.16	0.74	4.21	886.53
4	14,549.34	20	16	4	80.00	1,174.12	2,600.40	-1,059.13	-2,494.80	1.11	4.43	727.47
3	8,397.94	20	14	6	70.00	1,076.07	2,797.08	-1,111.18	-2,852.01	0.97	2.26	419.90
2	1,092.43	20	12	8	60.00	815.23	2,480.28	-1,086.29	-2,455.11	0.75	1.13	54.62
1	-1,104.58	20	13	7	65.00	359.44	716.31	-825.34	-2,531.86	0.44	0.81	-55.23

The 1st day or so is iffy, but after that the upside edge appears even stronger than without the filter applied. The market position doesn't appear to raise any red flags. I used the broader study to generate estimates for the Aggregator.

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 inched back 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 turned long at the close.

Based on the current list of active studies, expectations are slated to remain bullish on Wednesday. This could change if compelling new bearish evidence emerges. The Differential Pivot will be 2749.19 on Wednesday. That is 1.2% above Tuesday's close. Therefore, it will take a close up of at least 1.2% in order for SPX to move from overbought to oversold on Wednesday.

So the Aggregator is now bullish, and there appears to be a mild upside edge for the short-term. But I'm not sure I find it very compelling. Despite being "oversold" versus expectations, the SPX is only 1 day down from a 10-day high, and is still well above its 10ma. I would like to see a deeper pullback to help push reward/risk more highly in my favor. And with the market taking its first breath after a strong run from the 50-day lows, I'd like to further examine action as we put more time away from the lows. So while there does appear to be a bit of an upside edge, it simply is not enticing enough to compel me to take on new exposure right here. I am sidelined and awaiting the next strong favorable opportunity.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/20– somewhat bullish

The intermediate-term outlook was last updated in the 2/20/18 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](#)

OpenCatapult Triggers

Ticker	Trigger Price
UPS	\$119.51
CVX	\$112.62
UPS	\$113.30
UPS	\$112.71

Broad Market Large Cap CBI – 4(UPS-3, CVX)

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
UPS(1/3)	2/2/2018	\$118.99	\$108.31	-8.98%		Catapult
LOW(1/3)	2/5/2018	\$101.38	\$96.51	-4.80%		<i>sell on open</i>
CVS(1/3)	2/6/2018	\$72.50	\$70.49	-2.77%		<i>sold on open</i>
CVX(1/3)	2/6/2018	\$111.20	\$112.53	1.20%		Catapult
LOW(1/3)	2/6/2018	\$95.29	\$96.51	1.28%		<i>sell on open</i>
UPS(1/3)	2/6/2018	\$112.19	\$108.31	-3.46%		Catapult
UPS(1/3)	2/7/2018	\$112.39	\$108.31	-3.63%		Catapult
XOM(1/3)	2/13/2018	\$75.78	\$76.21	0.57%		<i>sold on open</i>

LOW hit its intraday 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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