

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 1, 2018

Volume 11 Issue 41

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- 1st of the month is often bullish, and the current setup appears especially so.

Short-term Outlook

The Bottom Line

The Aggregator bullish. I took some long exposure and am looking for a bounce.

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						
March 1, 2018	End of month. Close weak < 10 > 200	1 day	Bullish			
February 21, 2018	5+ up. 1 down > 200ma	1-10 days	Bullish	2.00%	-1.10%	-2.30%
February 16, 2018	5 up < 50-high > 200ma	1-10 days	Bullish	2.30%	-1.30%	-2.65%
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 6, 2018	CBI > 10	1-17 days	Bullish			
February 5, 2018	Hindenburg Omen Cluster	1-35 days	Bearish			
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			

The Evidence

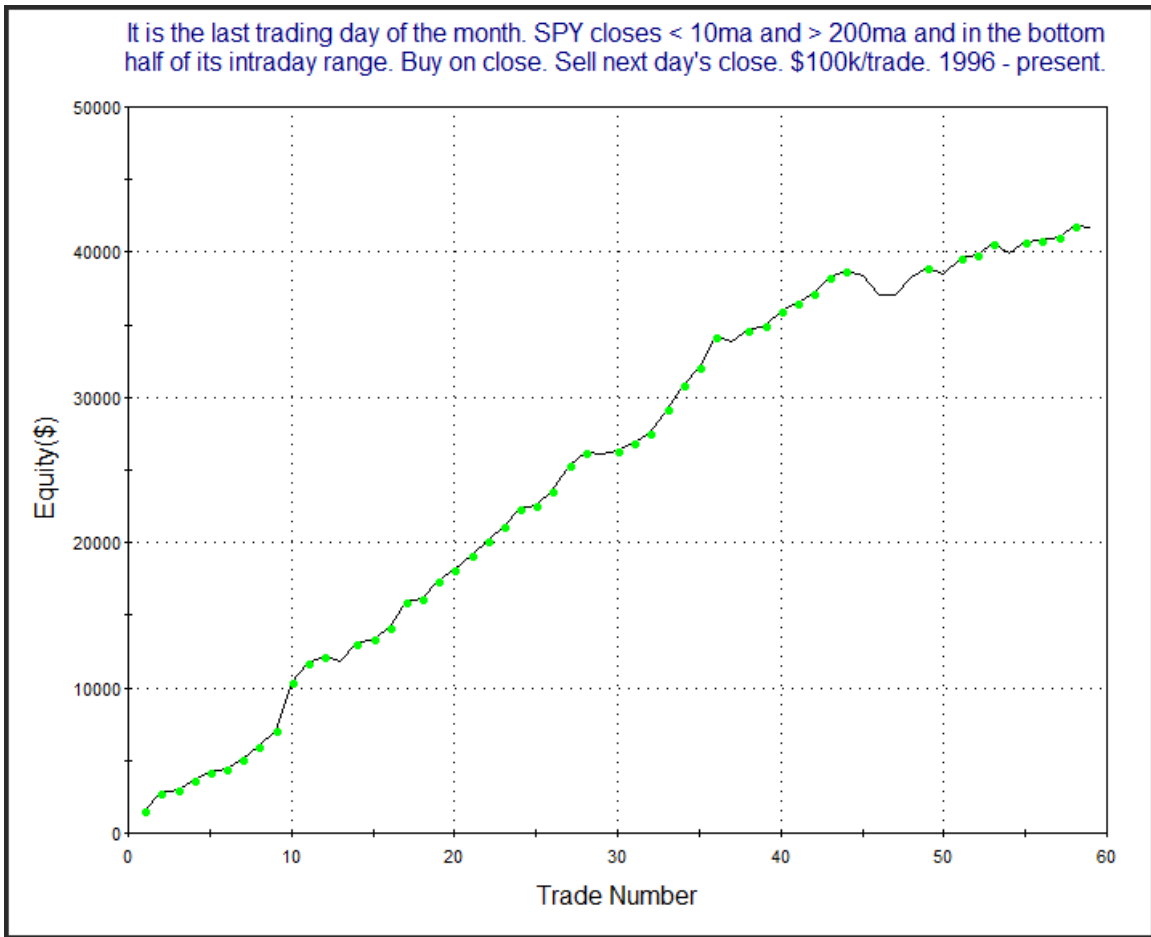
Wednesday was a tough day for the market. The SPX finished down 1.1%, the NASDAQ lost 0.8%, and the Russell 2000 fell 1.6%. Breadth was negative as the NYSE Up Issues % was 27% and the Up Volume % came in at 17%. NYSE volume rose for the 3rd day in a row.

Most significant about the selling is that it occurred heading into a new month. The 1st day of the month has historically seen bullish seasonality. This is especially true during long-term uptrends and short-term pullbacks. Several studies appeared in the Quantifinder related to this. The one below was from the 2/1/18 letter, and it looks at similar setups. Stats are updated.

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

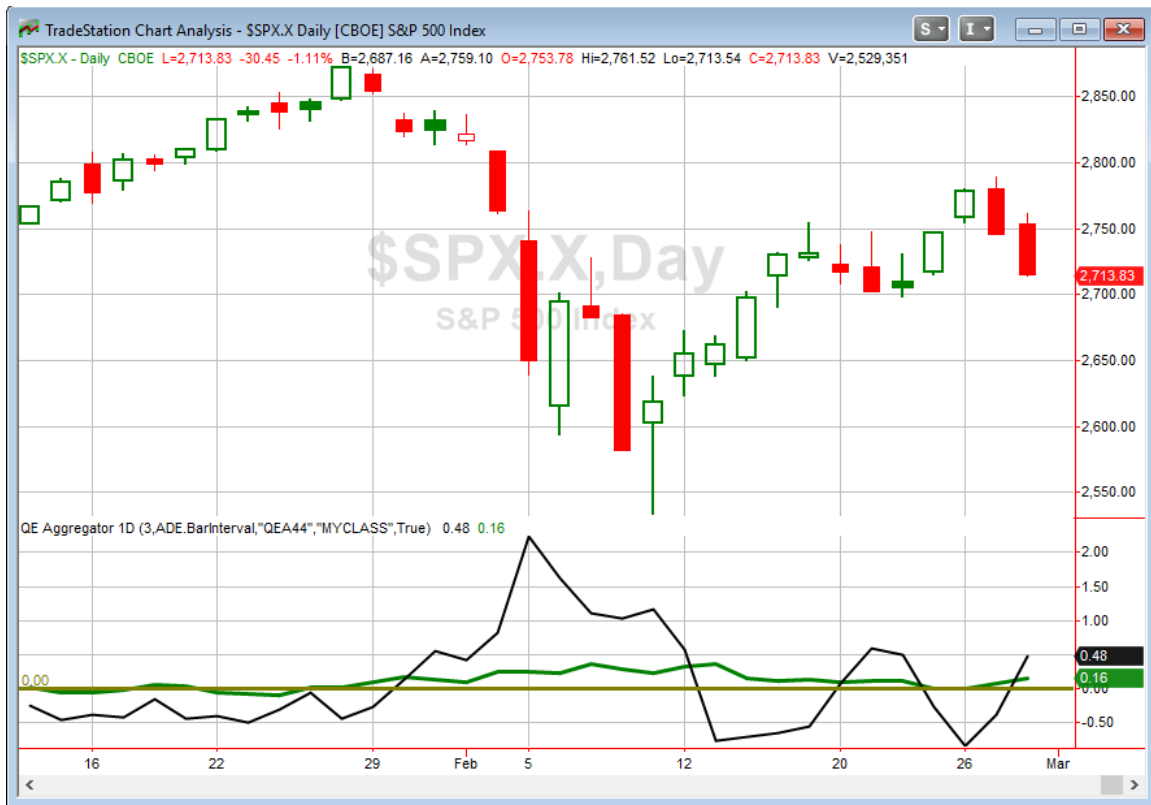
TradeStation Performance Summary				Expand ▾
All Trades				
Total Net Profit	\$41,652.96	Profit Factor	11.61	
Gross Profit	\$45,577.37	Gross Loss	(\$3,924.41)	
Total Number of Trades	59	Percent Profitable	84.75%	
Winning Trades	50	Losing Trades	9	
Even Trades	0			
Avg. Trade Net Profit	\$705.98	Ratio Avg. Win:Avg. Loss	2.09	
Avg. Winning Trade	\$911.55	Avg. Losing Trade	(\$436.05)	
Largest Winning Trade	\$3,295.88	Largest Losing Trade	(\$1,353.69)	

Stats here are outstanding, with 85% 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.

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



With tonight's study considered the green Aggregator 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 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 stay bullish on Thursday. This could change if new bearish evidence emerges. The Differential Pivot will be 2781.86 on Thursday. That is a whopping 2.5% above Wednesday's close. So it would take a rise of at least 2.5% on Thursday to move SPX from oversold to overbought. That is an unlikely scenario. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

I like the long side. I took some SPY exposure at the close on Wednesday. I was considering putting in an order for another lot on Thursday. But instead of getting too sized too soon in this fairly volatile market, I will wait to see how Thursday plays out, and then I may look to take on more exposure on Friday. I would also like some additional confirming evidence to emerge before doing so. No Catapults triggered on Wednesday, but we could start seeing them trigger over the next few days if the selloff persists.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 2/26– somewhat bullish***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult 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
SPY	2/28/2018	\$271.65	\$271.65	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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