

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 7, 2018

Volume 11 Issue 45

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	3

Tonight's Research Points

- 3 days of strong Nasdaq breadth are often followed by a down day.

Short-term Outlook

The Bottom Line

The Aggregator is bearish, and Wednesday already looks like it will get off to a rough start. But with little visibility beyond that I don't see a compelling trade 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						
March 7, 2018	NASDAQ 3:2 Adv/Decl 3 days	1 day	Bearish			
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			
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			

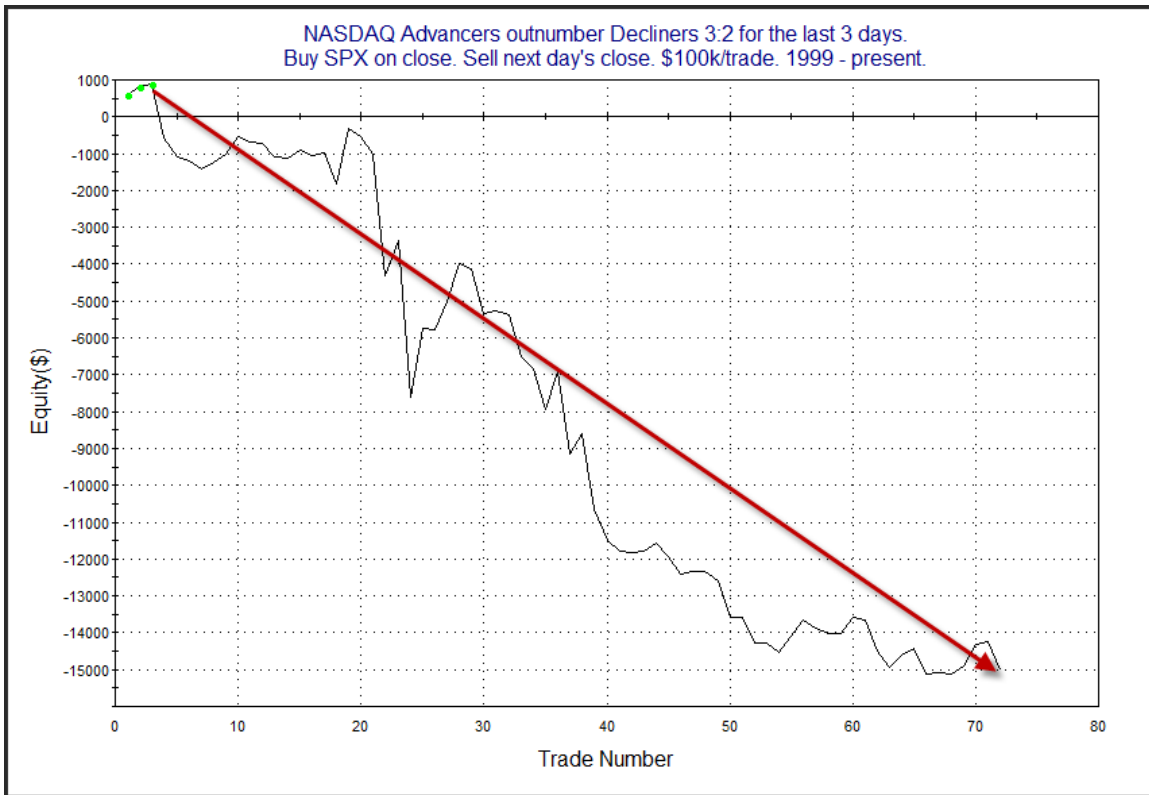
The Evidence

Tuesday saw mostly moderate gains. The SPX finished up 0.3%, the NASDAQ rose 0.6%, and the Russell 2000 gained 1.0%. Breadth was positive as the NYSE Up Issues % was 68% and the Up Volume % came in at 63%. NYSE volume declined some from Monday's level.

Not only did we see gains for the 3rd day in a row, but the NASDAQ put in some strong breadth numbers. This triggered a study that looked at times Nasdaq advancers outnumbered decliners by more than 3:2 for 3 days in a row. It suggested such persistent lopsided breadth was about enough, and it was often followed by a down day. I last showed the study in the 9/5/17 letter and have updated the results below.

NASDAQ Advancers outnumber Decliners 3:2 for the last 3 days. Buy SPX on close. Sell next day's close. \$100k/trade. 1999 - present.			
TradeStation Performance Summary			Expand ▾
All Trades			
Total Net Profit	(\$15,001.63)	Profit Factor	0.46
Gross Profit	\$12,957.57	Gross Loss	(\$27,959.20)
Total Number of Trades	72	Percent Profitable	41.67%
Winning Trades	30	Losing Trades	42
Even Trades	0		
Avg. Trade Net Profit	(\$208.36)	Ratio Avg. Win:Avg. Loss	0.65
Avg. Winning Trade	\$431.92	Avg. Losing Trade	(\$665.70)
Largest Winning Trade	\$1,857.24	Largest Losing Trade	(\$4,241.94)

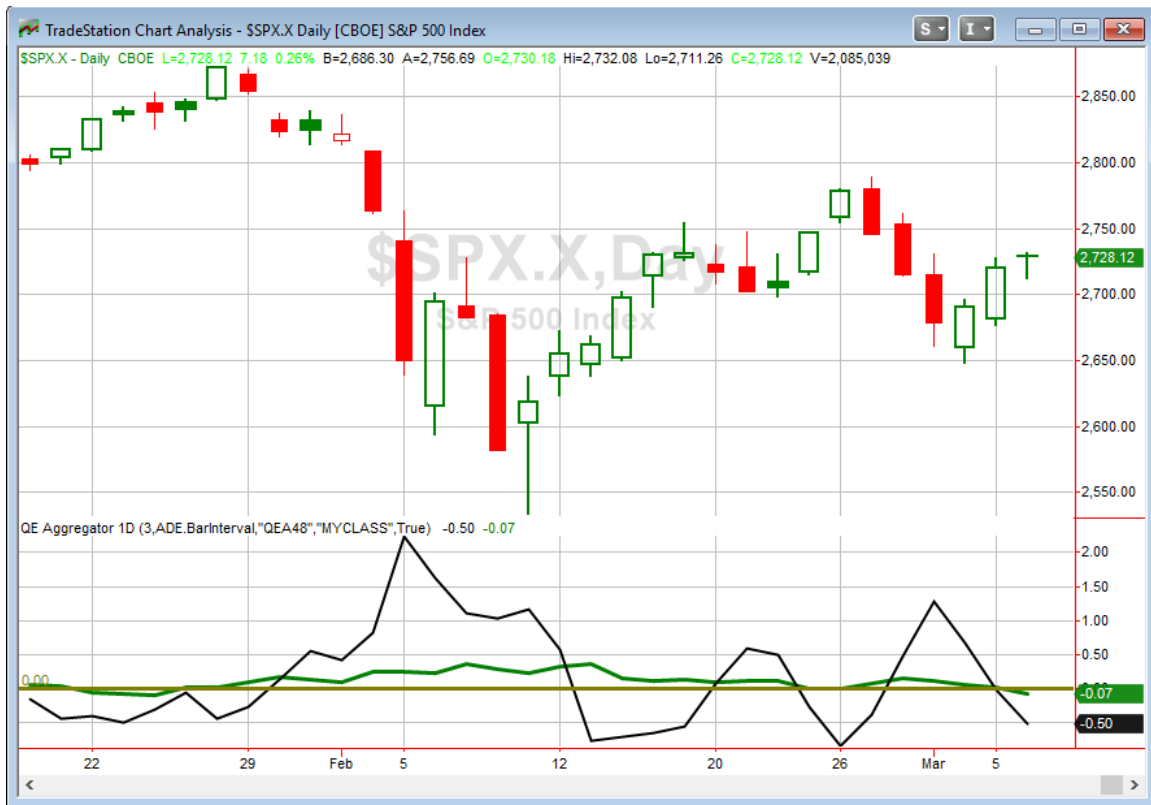
The numbers imply a bit of a downside edge. I also produced an equity curve.



It's definitely choppy, but it has moved from upper left to lower right for a long time. And I have shown this study for years, and it continues to make new lows. I believe it to be worth consideration and I have included it on the Active List for tonight.

BUT...after the market closed White House economic advisor Gary Cohn announced his resignation, and the SPX immediately dropped about 1%. So Wednesday may be about how the market absorbs that news. The fact that we are overbought based on NASDAQ breadth could also help exacerbate the drop. We are in a volatile, reactive market environment, and that needs to be kept in mind as traders navigate their positions.

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



With tonight's study being added the green Aggregator dropped below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile, the black Differential Line remained below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below 0. Therefore, the Aggregator signal turned short at the close.

Based on the current list of active studies, expectations are slated to flip back to slightly bullish on Wednesday. This could easily change if new bearish evidence emerges. The Differential Pivot will be 2700.25 on Wednesday. That is 1.0% below Tuesday's close. So it would take a close down of at least 1.0% on Wednesday to move SPX from overbought to oversold versus expectations.

So Wednesday appears like it could be a down day based on the studies. And the White House news gave it a big head start to the downside Tuesday evening. But we do not have much short-term visibility beyond that. The only studies currently on the Active List that are set to remain on the list beyond Wednesday are the intermediate-term ones. So this does not appear to be a setup worthy of action. Instead, I will wait and see how things play out on Wednesday, what new studies emerge, and what that might mean for the following days.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/5– very slightly bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

LOW – 1/3 @ \$87.96 (bought)

LOW – 1/3 @ \$85.34 (buy @ limit)

MCD – 1/3 @ \$148.27 (buy @ limit)

Broad Market Large Cap CBI – 3(LOW-2, MCD)

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
LOW(1/3)	3/2/2018	\$86.88	\$87.12	0.28%		Catapult
LOW(1/3)	3/5/2018	\$85.06	\$87.12	2.42%		Catapult
MCD(1/3)	3/5/2018	\$148.27	\$151.20	1.98%		Catapult

A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 [can be found here.](#)

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2018 Quantifiable Edges, LLC.