

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 8, 2018

Volume 11 Issue 46

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. (Deja-vu?)

Short-term Outlook

The Bottom Line

The Aggregator is bearish, but the evidence is underwhelming, the SPX is teetering between overbought and oversold and the environment is reactive and volatile. I don't find reward/risk terribly favorable.

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 8, 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

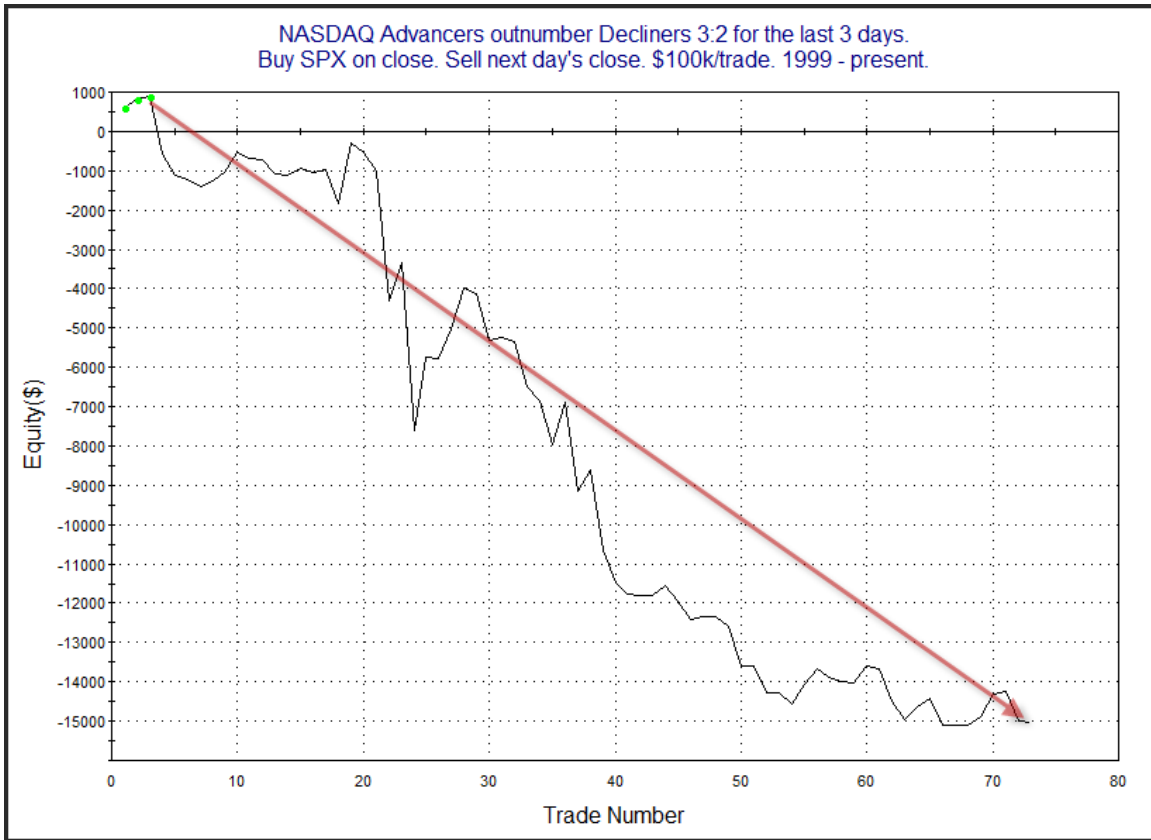
Wednesday started poorly and ended mixed. The SPX finished down 0.1%, the NASDAQ rose 0.3%, and the Russell 2000 gained 0.8%. Breadth was also mixed as the NYSE Up Issues % was 52% and the Up Volume % came in at 40%. NYSE volume rose some from Tuesday's level.

Interestingly, the lone Quantifinder study that triggered was the same one I featured in the subscriber letter last night. I have copied my commentary from last night below and updated the results table and chart...

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...

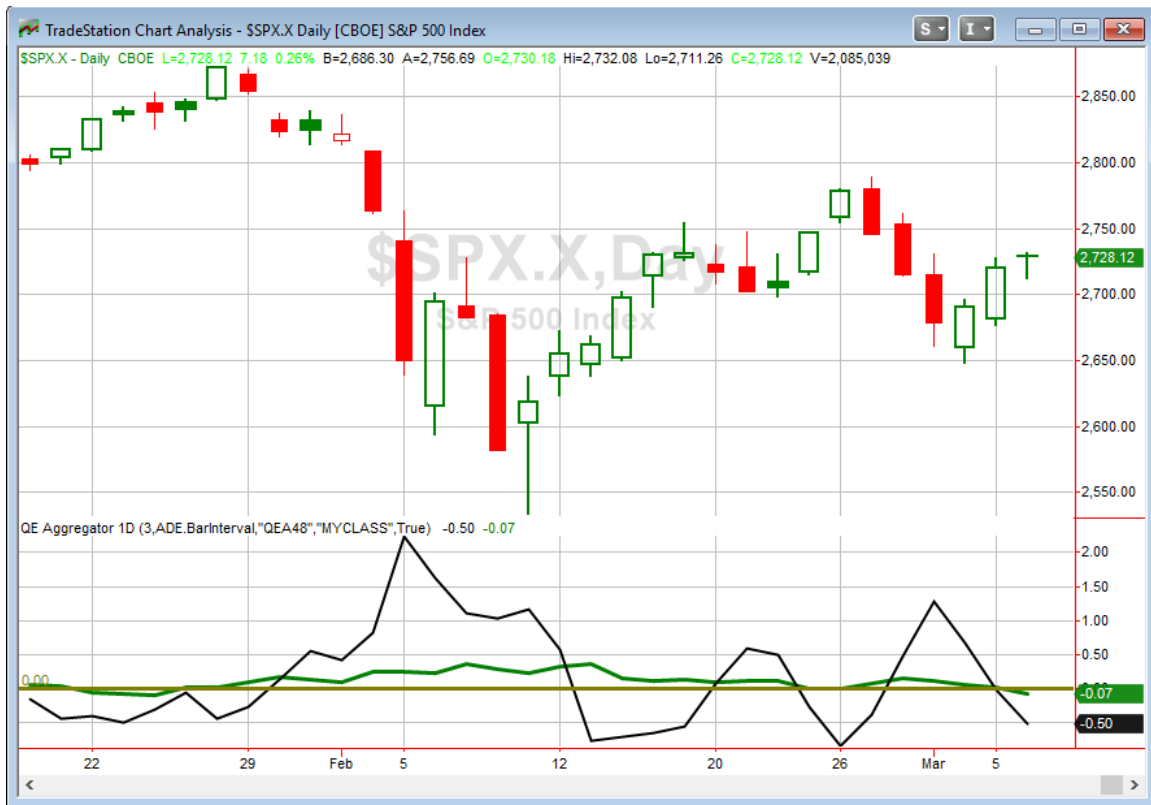
TradeStation Performance Summary				Expand
All Trades				
Total Net Profit	(\$15,049.15)	Profit Factor	0.46	
Gross Profit	\$12,957.57	Gross Loss	(\$28,006.72)	
Total Number of Trades	73	Percent Profitable	41.10%	
Winning Trades	30	Losing Trades	43	
Even Trades	0			
Avg. Trade Net Profit	(\$206.15)	Ratio Avg. Win:Avg. Loss	0.66	
Avg. Winning Trade	\$431.92	Avg. Losing Trade	(\$651.32)	
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.

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 Thursday. This could easily change if new bearish evidence emerges. The Differential Pivot will be 2726.75 on Thursday. That is basically breakeven, since it is just 0.05 points below Wednesday's close. So SPX will be oversold versus expectations on any lower close, and overbought on any higher close.

Tonight's setup is very similar to last night as well. There appears to be a 1-day downside edge. But expectations could go either way on Thursday depending on what new evidence emerges. And the market could easily finish either overbought or oversold as measured by the Differential. So there is little compelling evidence, a lot of uncertainty, and the backdrop remains a volatile environment where being wrong could be painful. I find none of this appealing and will continue to wait for a more favorable opportunity to arise.

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	\$86.11	-0.89%		Catapult
LOW(1/3)	3/5/2018	\$85.06	\$86.11	1.23%		Catapult
MCD(1/3)	3/5/2018	\$148.27	\$152.38	2.77%		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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