

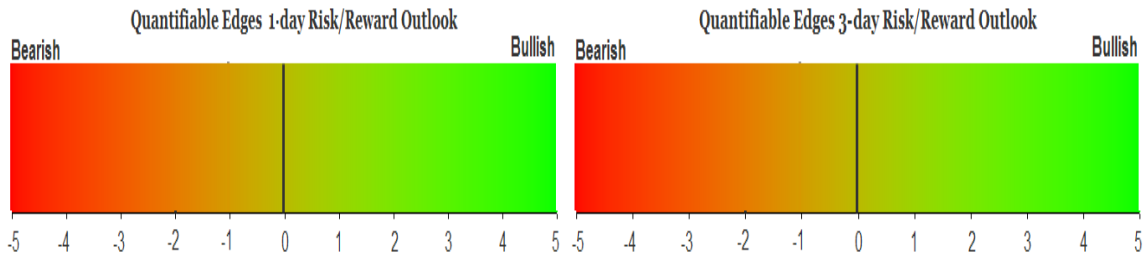
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 14, 2018

Volume 11 Issue 50

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- While there was some interesting action, no new compelling edges emerged.

Short-term Outlook

The Bottom Line

Evidence is still pointing up. But despite the decline on Tuesday, the market remains overbought. I may get interested in the long side if we see more selling on Wednesday, but I am not inclined to do anything yet.

Summary of Recent Active Studies (see Letters from listed dates for details)

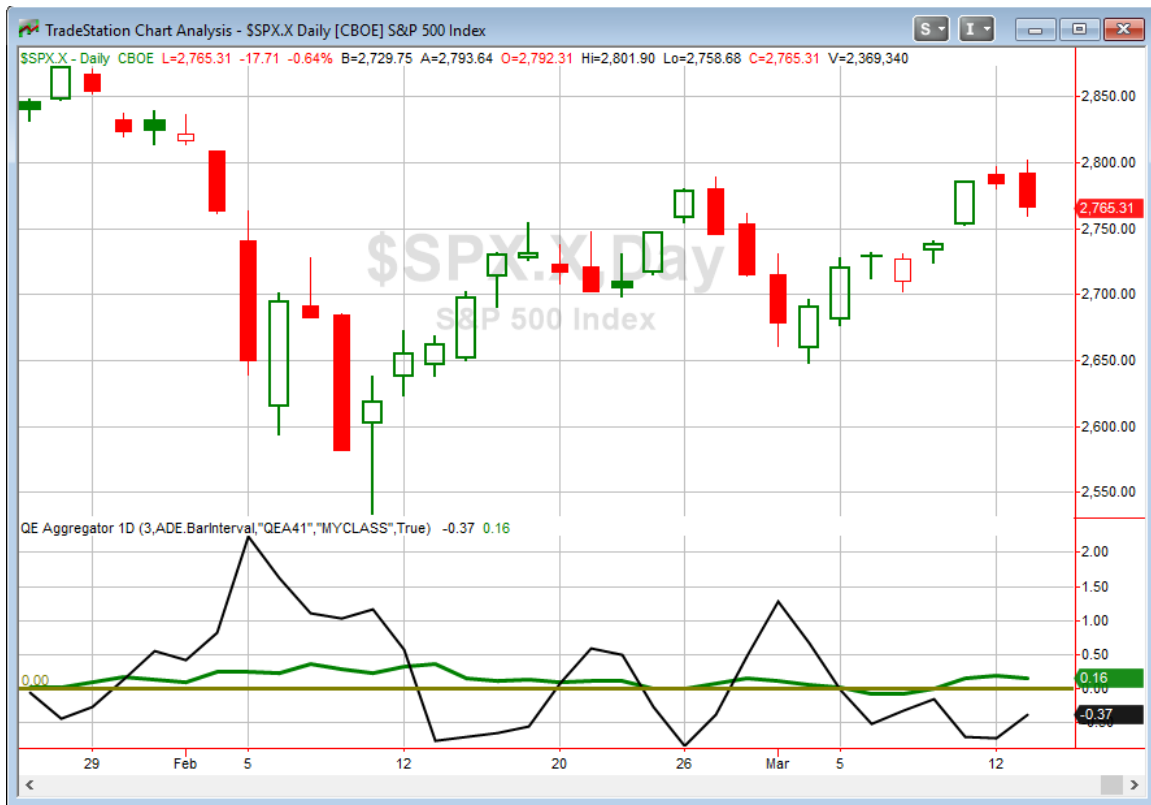
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
March 12, 2018	NASDAQ up 1% 50-high. Jobs Day.	1-5 days	Bullish	2.00%	-1.00%	-2.00%
March 12, 2018	March Opex Bullish	1-4 days	Bullish	1.70%	-1.10%	-2.40%
Active - Long Term						
February 15, 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 started off strong, but reversed early and then spent much of the day selling off. The SPX finished down 0.6%, the NASDAQ fell 1.0%, and the Russell 2000 lost 0.6%. Breadth was negative as the NYSE Up Issues % was 40% and the Up Volume % came in at 32%. NYSE volume rose some from Monday's level.

The Quantifinder was again fairly quiet. One study stuck out, though. It looked at times the VXO (the old calculation for the VIX) closed more than 10% below its 10-day moving average for at least the 2nd day in a row. Doing that is not terribly unusual since VXO can be quite volatile. But it caught my attention because VXO actually closed UP over 5% today. And it also closed up yesterday. I looked at other times VXO closed up at least 5%, but still more than 10% below its 10ma for the 2nd day in a row. There were 23 other instances. Unfortunately, results following them were not at all consistent. I also looked at two higher closes, but 10% below the 10ma for the 2nd day in a row. There I found 16 instances, but again, no consistency in the market response going forward. Lastly, I combined the two-day rise and the 5% 2nd day. This is only the 3rd such instance. The basic takeaway is that VXO market dynamics are unusual, but not necessarily predictive at the moment. There are no new studies being added to the Active List tonight.

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



Without any new studies to consider tonight, the green Aggregator line held above zero. Positive readings mean net expectations from the Active List are for upside 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 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 Wednesday. Of course this could change if strong new bearish evidence emerges. The Differential Pivot will be *strongly inverted at 2788.98* on Wednesday. That is 0.9% *above* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX would need to close up about 0.9% in order to remain overbought. Anything less than that, and it will be considered "oversold" versus recent expectations as of Wednesday's close.

So we have had a little pullback for SPX the last two days despite being in a strong seasonal period. But we are still not short-term oversold by most measures. Of course this includes the Differential Line. Another example would be that SPX is still in the top 25% of its 10-day range. So I am not yet ready to start buying. But I strongly suspect a 3rd down day could trigger additional bullish studies. It would also leave us oversold via the Differential.

And if it could get us a bit lower in the range, then that would be even better. I am not going to jump the gun and place an order for tomorrow's close just yet. I'd rather see how things unfold, and evaluate whether a tradable edge emerges as I suspect it will if additional selling occurs. So another day of patience here as I wait for the next strongly favorable reward/risk opportunity to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/12– very slightly bullish

The intermediate-term outlook was last updated in the 3/12/18 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

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

[None](#)

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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