

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 15, 2018

Volume 11 Issue 51

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The 3-day pullback has a lot going for it suggesting an upside edge, including the quiet action on the pullback and the fact that is coming from a high level.

Short-term Outlook

The Bottom Line

Evidence is building and SPX has now pulled back a few days. While “oversold” is debatable here, pullbacks into strong seasonal periods are often a positive. I believe there is an upside edge over the next few days.

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 15, 2018	3-days dn from 20-high. Low 3/10 HV	1-2 days	Bullish			
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			

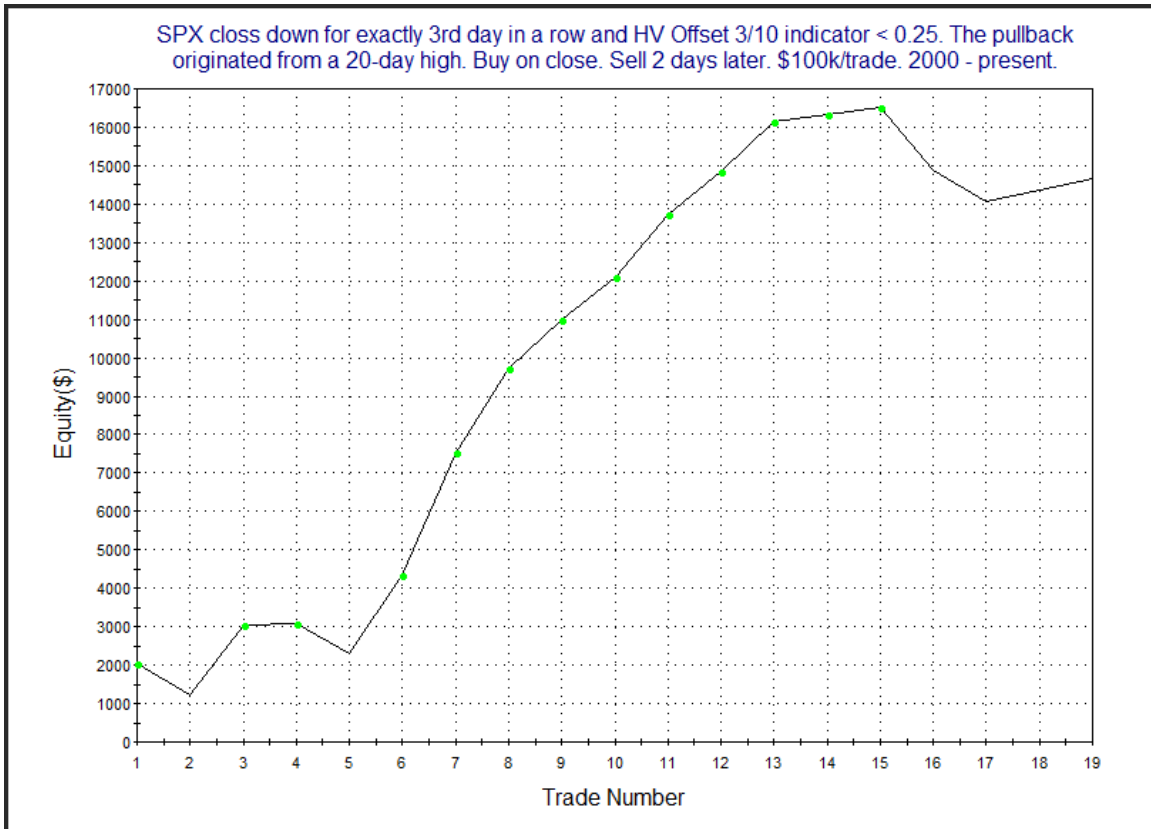
The Evidence

Wednesday saw the indices somewhat lower. The SPX finished down 0.6%, the NASDAQ fell 0.2%, and the Russell 2000 lost 0.5%. Breadth was negative as the NYSE Up Issues % was 37% and the Up Volume % came in at 35%. NYSE volume rose some from Tuesday's level.

Three-day pullbacks for SPX will often trigger some bullish studies. And that was the case on Wednesday night. The most compelling of those studies was the one below. It considered the facts that 1) the pullback is coming off an intermediate-term high and 2) it occurred on relatively low volatility as shown by the Quantifiable Edges 3/10 Offset HV calculation. (This indicator compares Historical Volatility over the last 3 days versus Historical Volatility over the 10 previous to these 3.) The study was last seen in the 8/1/17 letter. It has been updated.

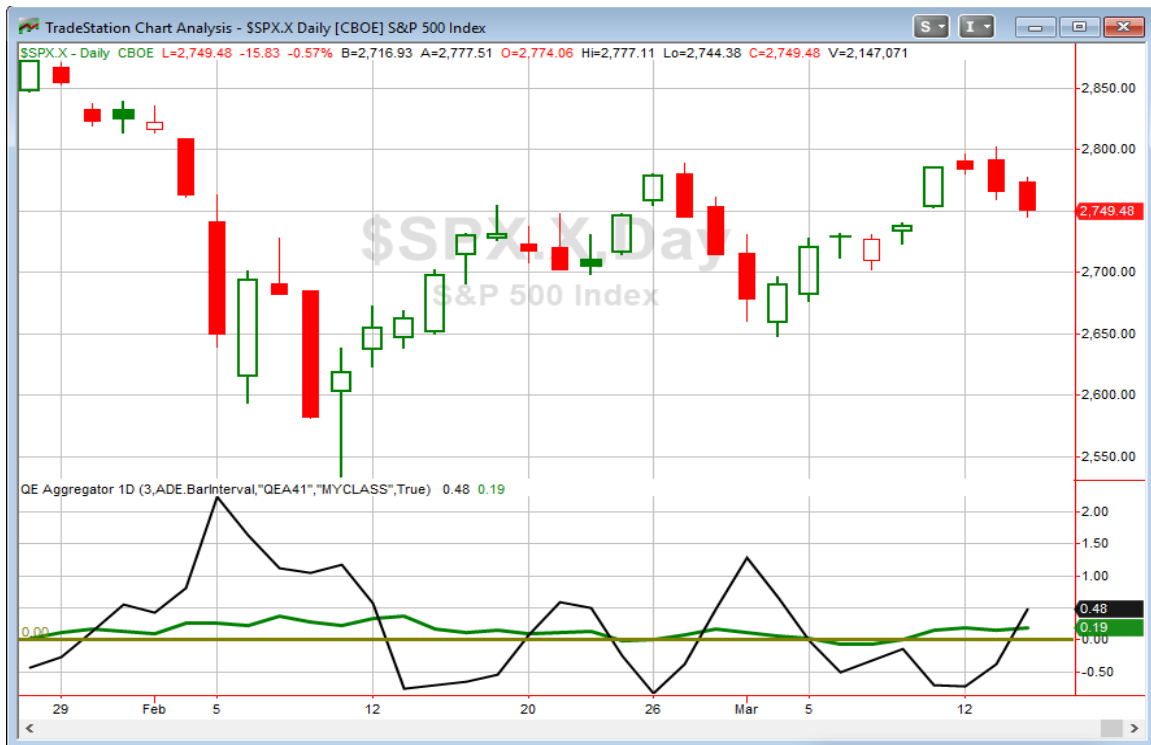
SPX close down for exactly 3rd day in a row and HV Offset 3/10 indicator < 0.25. The pullback originated from a 20-day high. Buy on close. Sell X days later. \$100k/trade. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	14,029.21	19	13	6	68.42	1,824.49	4,674.00	-1,614.86	-3,579.52	1.13	2.45	738.38
4	15,485.13	19	12	7	63.16	1,818.95	3,783.20	-906.03	-2,501.81	2.01	3.44	815.01
3	13,769.21	19	12	7	63.16	1,514.08	3,576.02	-628.53	-1,438.78	2.41	4.13	724.70
2	14,666.41	19	15	4	78.95	1,246.86	3,212.80	-1,009.11	-1,621.97	1.24	4.63	771.92
1	7,571.27	19	14	5	73.68	771.67	2,861.60	-646.42	-1,057.50	1.19	3.34	398.49
18 of 19 instances (95%) closed above the entry price at some point in the next week.												

The numbers appear quite strong. Below is a look at the profit curve.



There were a couple of recent instances that struggled some, but the long-term upslope still appears to suggest a bullish edge. I believe it is worth taking under consideration and have added it to the Active List.

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



With tonight's study considered, 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 rose 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 Thursday. Of course this could change if strong new bearish evidence emerges. The Differential Pivot will be 2792.56 on Thursday. That is a very strong 1.6% above Wednesday's close. So SPX will need to close up at least 1.6% in order to turn from oversold to overbought versus expectations on Thursday. A 1-day rally of that magnitude is not terribly likely. A more likely scenario for working off the oversold condition is a multi-day rally or consolidation.

So between the 3-day pullback, the NASDAQ employment-day rally study last week and the strong March opex seasonality (which has yet to play out at all), there is a decent amount pointing to an upside edge. I generally prefer to see a pullback a bit deeper before getting very excited, and will note that SPY is still near the top 1/3 of its intraday range. But when pullbacks happen during a strong seasonal period, they often tend to be shallower. So I will look to take a small position on Thursday if I can get a decent fill. I

did consider taking QQQ instead of SPY, but the QQQ pullback has been even shallower. So I elected to go with SPY. Details in the trade ideas section below.

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.

SPY – buy ¼ index position @ \$275.30 LIMIT. Based on the short-term outlook above, I will be looking to take advantage of a potential bounce in the next few days. I have set the limit price equal to Wednesday's close.

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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