

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 16, 2018

Volume 11 Issue 52

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Long | 0 |

Tonight's Research Points

- The pullback is showing further signs that a bounce is likely..

Short-term Outlook

The Bottom Line

Evidence is pointing up and the SPX is short-term oversold. There appears to be an upside edge.

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 16, 2018 | 3+dn from 20-high. Today smallest | 1-3 days | Bullish | | | |
| 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% |
| 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 | | | |

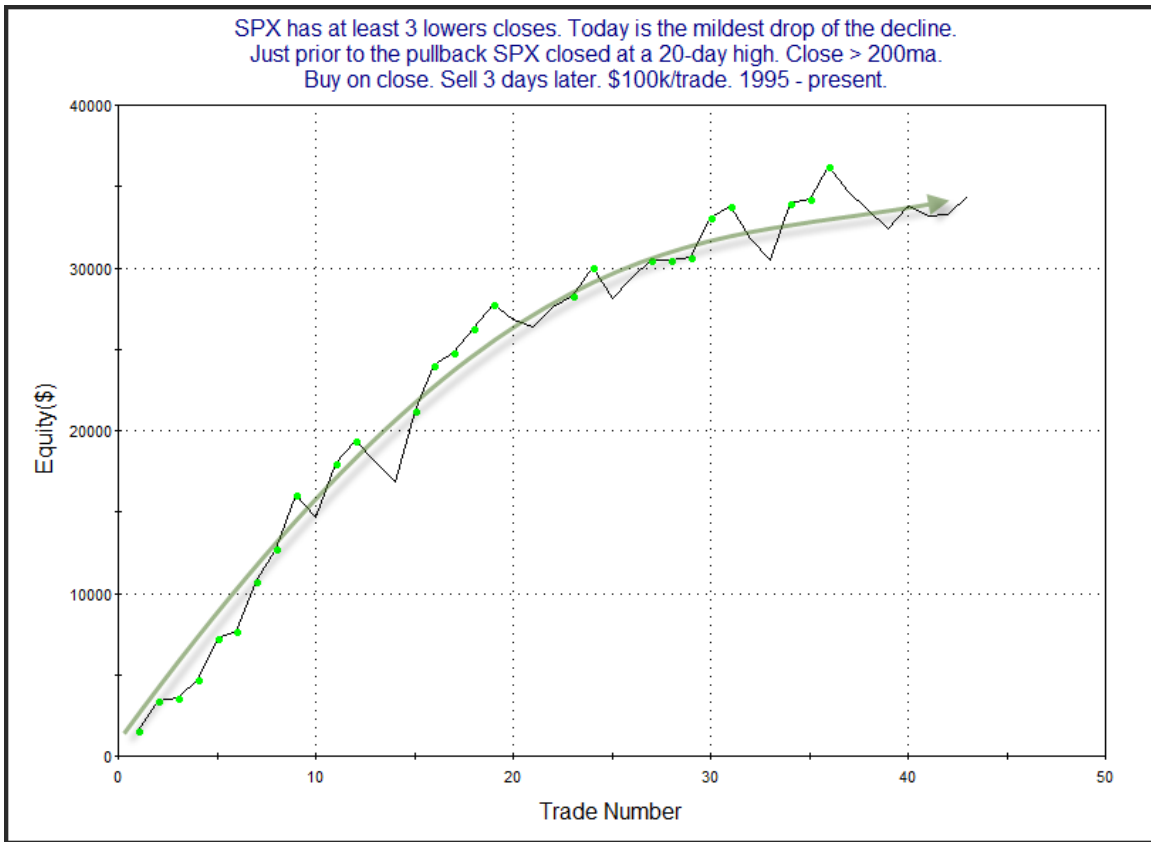
The Evidence

The market pulled back a bit more on Thursday. The SPX finished down 0.1%, the NASDAQ fell 0.2%, and the Russell 2000 lost 0.5%. Breadth was negative as the NYSE Up Issues % was 36% and the Up Volume % came in at 34%. NYSE volume rose some from Wednesday's level.

I saw a bit more evidence tonight that this pullback is reaching a point where it tends to bounce. The most compelling study was the one below, which was last seen in the 3/28/16 subscriber letter. It examines 3+ day pullbacks and takes into consideration both that the SPX is coming off a 20-day high and that today's drop was the smallest of the decline. This can suggest the sellers are running out of steam. All stats are updated.

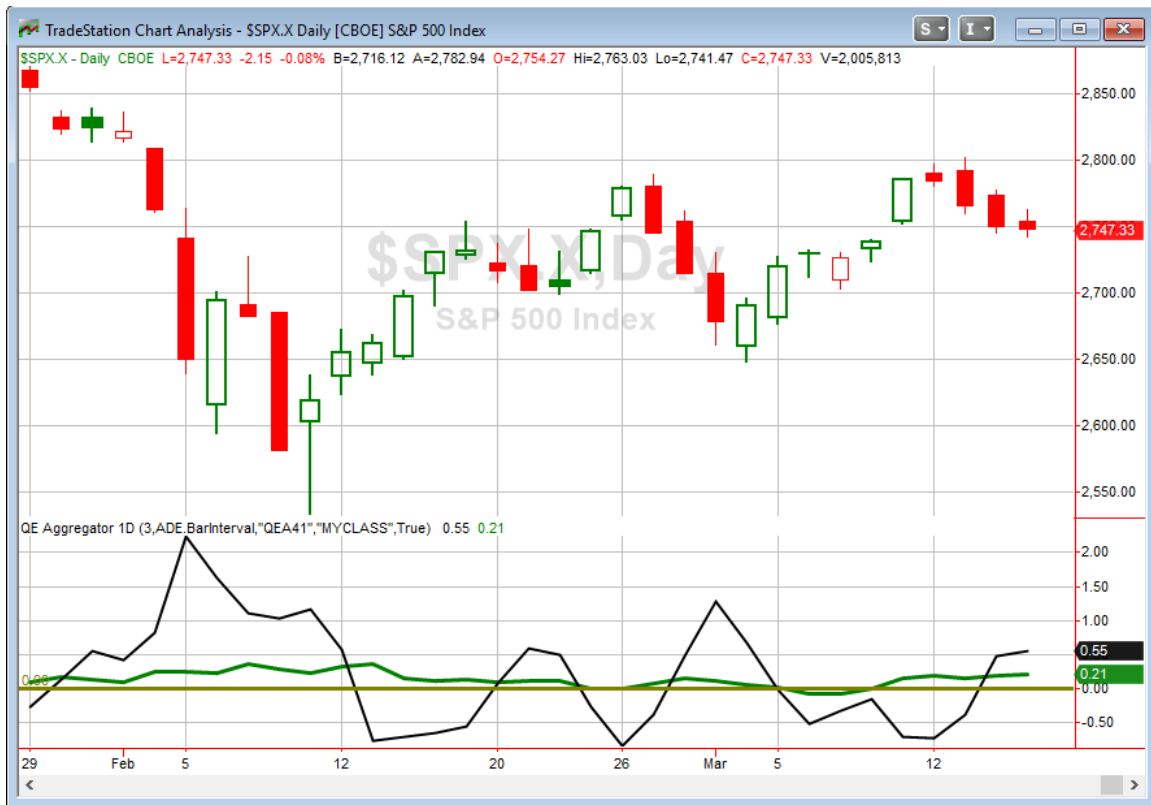
| SPX has at least 3 lowers closes. Today is the mildest drop of the decline. Just prior to the pullback SPX closed at a 20-day high. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - present. | | | | | | | | | | | | |
|---|-----------------|-------------------|---------------------|--------------------|-------------------|------------------------|------------------------|-----------------------|-----------------------|---------------------|-------------------|----------------|
| 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 |
| 10 | 49,353.06 | 41 | 27 | 14 | 65.85 | 2,425.76 | 7,183.08 | -1,153.03 | -7,026.10 | 2.10 | 4.06 | 1,203.73 |
| 9 | 45,785.79 | 41 | 28 | 13 | 68.29 | 2,341.28 | 6,685.72 | -1,520.77 | -7,816.60 | 1.54 | 3.32 | 1,116.73 |
| 8 | 44,209.31 | 41 | 28 | 13 | 68.29 | 2,336.04 | 6,017.68 | -1,630.75 | -4,389.40 | 1.43 | 3.09 | 1,078.28 |
| 7 | 34,395.48 | 42 | 27 | 15 | 64.29 | 2,202.38 | 6,121.80 | -1,671.24 | -3,690.70 | 1.32 | 2.37 | 818.94 |
| 6 | 36,158.96 | 42 | 26 | 16 | 61.90 | 1,940.41 | 5,533.56 | -893.23 | -2,162.47 | 2.17 | 3.53 | 860.93 |
| 5 | 33,232.89 | 43 | 29 | 14 | 67.44 | 1,796.70 | 5,769.16 | -1,347.96 | -3,579.52 | 1.33 | 2.76 | 772.86 |
| 4 | 34,012.95 | 43 | 27 | 16 | 62.79 | 1,834.64 | 4,989.40 | -970.14 | -2,876.40 | 1.89 | 3.19 | 791.00 |
| 3 | 34,404.56 | 43 | 31 | 12 | 72.09 | 1,594.28 | 4,373.80 | -1,251.50 | -2,085.27 | 1.27 | 3.29 | 800.11 |
| 2 | 25,595.30 | 44 | 32 | 12 | 72.73 | 1,269.22 | 3,583.44 | -1,251.66 | -2,803.79 | 1.01 | 2.70 | 581.71 |
| 1 | 9,384.01 | 47 | 33 | 13 | 70.21 | 699.84 | 1,767.00 | -1,054.66 | -2,214.00 | 0.66 | 1.68 | 199.66 |
| <p style="text-align: center;">91% of instances closed above the entry price at some point in the next week.</p> | | | | | | | | | | | | |

Here we see what appears to be a fairly reliable setup with some powerful results. A 3-day profit curve can be found below.



The curve has flattened a bit lately, but it still appears to be suggesting an upside edge. I have added this study to the Active List for tonight. No other studies appeared worth strong consideration.

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 Friday. Of course this could change if strong new bearish evidence emerges. The Differential Pivot will be 2779.20 on Friday. That is 1.2% above Thursday's close. So SPX will need to close up at least 1.2% on Friday to turn from oversold to overbought versus expectations.

Thursday really did very little to change anything in my view. Tonight's evidence was not a huge new revelation – just confirmation of what we were already seeing. The market is still oversold versus expectations, but it really has been a very mild pullback. Even with four days lower in a row, SPX is still above its 10-day moving average. And as I noted in the study earlier, the 4th day was the mildest of all. Overall, I like the bullish reward/risk about as much as I did last night, and will therefore look to keep my long index exposure the same.

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

| Symbol | Entry Date | Entry Price | Current Price | % Gain/Loss | Stop | Notes |
|----------|------------|-------------|---------------|-------------|------|----------------|
| SPY(1/4) | 3/15/2018 | \$275.30 | \$275.00 | -0.11% | | bought @ limit |
| | | | | | | |
| | | | | | | |

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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