

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 21, 2018

Volume 11 Issue 55

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	3

## Tonight's Research Points

- Wednesday could get a boost from bullish Fed Day seasonality.

### *Short-term Outlook*

#### *The Bottom Line*

Like the last few nights, evidence is pointing higher and the SPX is 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
<b>Active - Short Term</b>						
March 21, 2018	Fed Day tomorrow	1 day	Bullish			
March 20, 2018	Gap 5-low, sell more > 200	1-5 days	Bullish	1.80%	-1.30%	-2.70%
March 19, 2018	Bullish opex week fails to materialize	1-5 days	Bullish			
<b>Active - Long Term</b>						
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 \$20 billion	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**

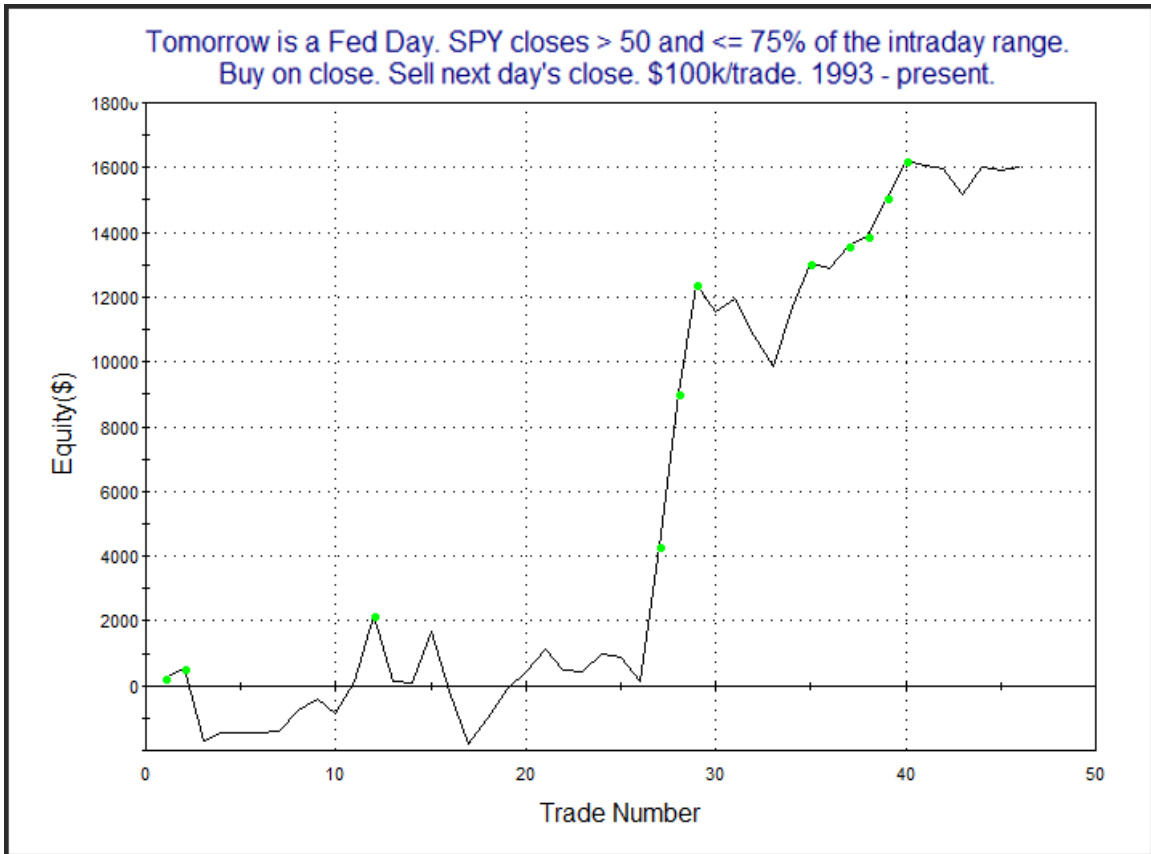
Tuesday was quiet ahead of the Fed. The SPX gained 0.15%, the NASDAQ rose 0.3%, and the Russell 2000 finished just below breakeven with a 0.01% loss. Breadth was negative as the NYSE Up Issues % was 44% and the Up Volume % came in at 46%. NYSE volume declined some from Monday's level.

The quiet action did not trigger much in the way of studies. But last night I discussed the bullish Fed Day tendency that the market has shown historically. I broke down SPY performance by the quartile it closed in on the day before the Fed Day. With SPY closing just above its midpoint, the quartile below is the one we finished in.

Tomorrow is a Fed Day. SPY closes > 50 and <= 75% of the intraday range.  
Buy on close. Sell next day's close. \$100k/trade. 1993 - present.

TradeStation Performance Summary				Expand ▾
All Trades				
Total Net Profit	\$16,031.15	Profit Factor	2.14	
Gross Profit	\$30,044.91	Gross Loss	(\$14,013.76)	
Total Number of Trades	46	Percent Profitable	56.52%	
Winning Trades	26	Losing Trades	19	
Even Trades	1			
Avg. Trade Net Profit	\$348.50	Ratio Avg. Win:Avg. Loss	1.57	
Avg. Winning Trade	\$1,155.57	Avg. Losing Trade	(\$737.57)	
Largest Winning Trade	\$4,704.07	Largest Losing Trade	(\$2,246.40)	

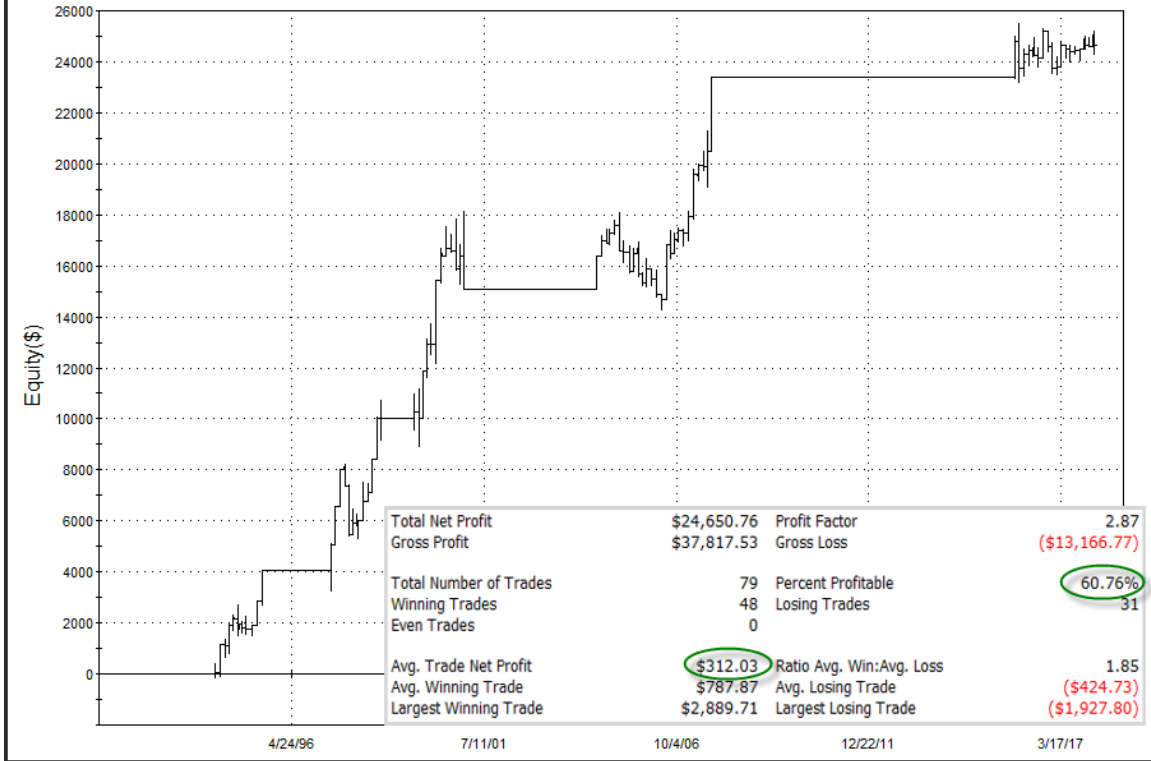
The numbers looked pretty good. Tonight I also added a profit curve.



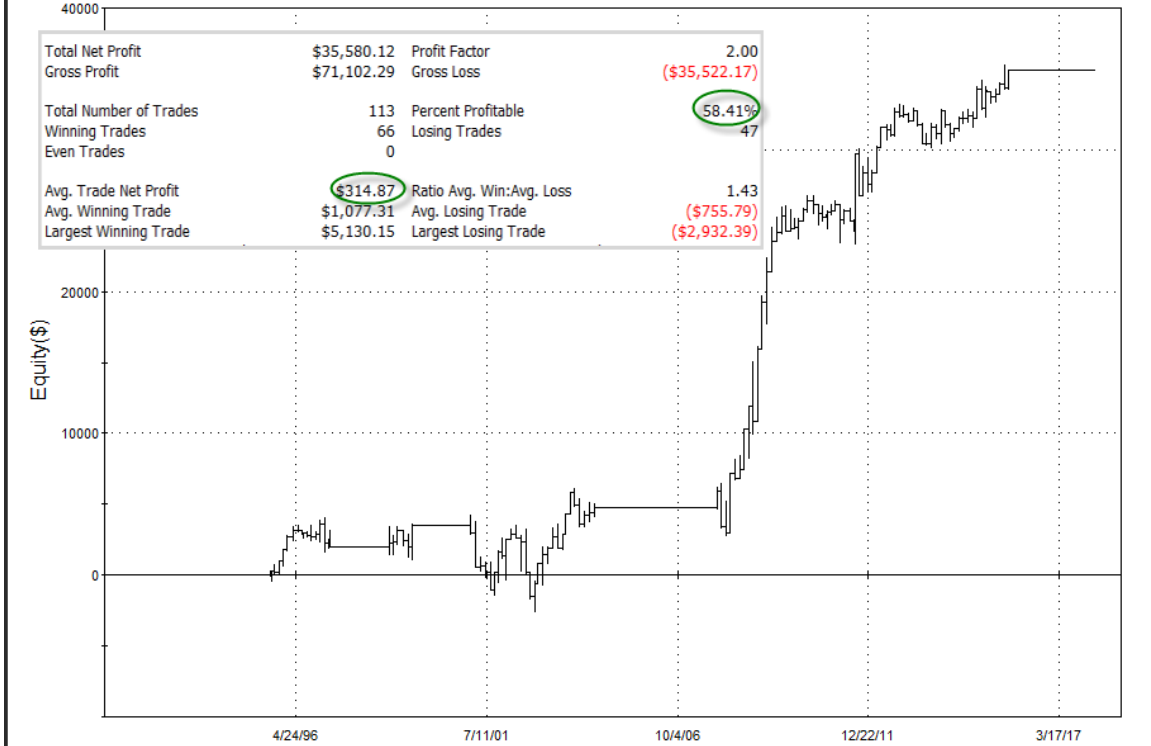
This is not a terribly steady curve. There does still seem to be a bit of an upside edge – just not one as consistent as if we had closed somewhere in the bottom half of the daily range.

One question I often get about Fed Days is whether it matters if we are in a rising-rate environment, or a declining-rate environment? This is something I explored in the Quantifiable Edges Guide to Fed Days several years ago. And when it comes to Fed Day performance, I found the results to be somewhat surprising. The 2 studies below are updated from the book. They break down Fed Day performance by environment.

**SPX Performance on Scheduled Fed Days when the Fed Raised Rates  
Today or the Most Recent Rate Change was Up.  
\$100k/trade. 1994 - 3/20/2018.**

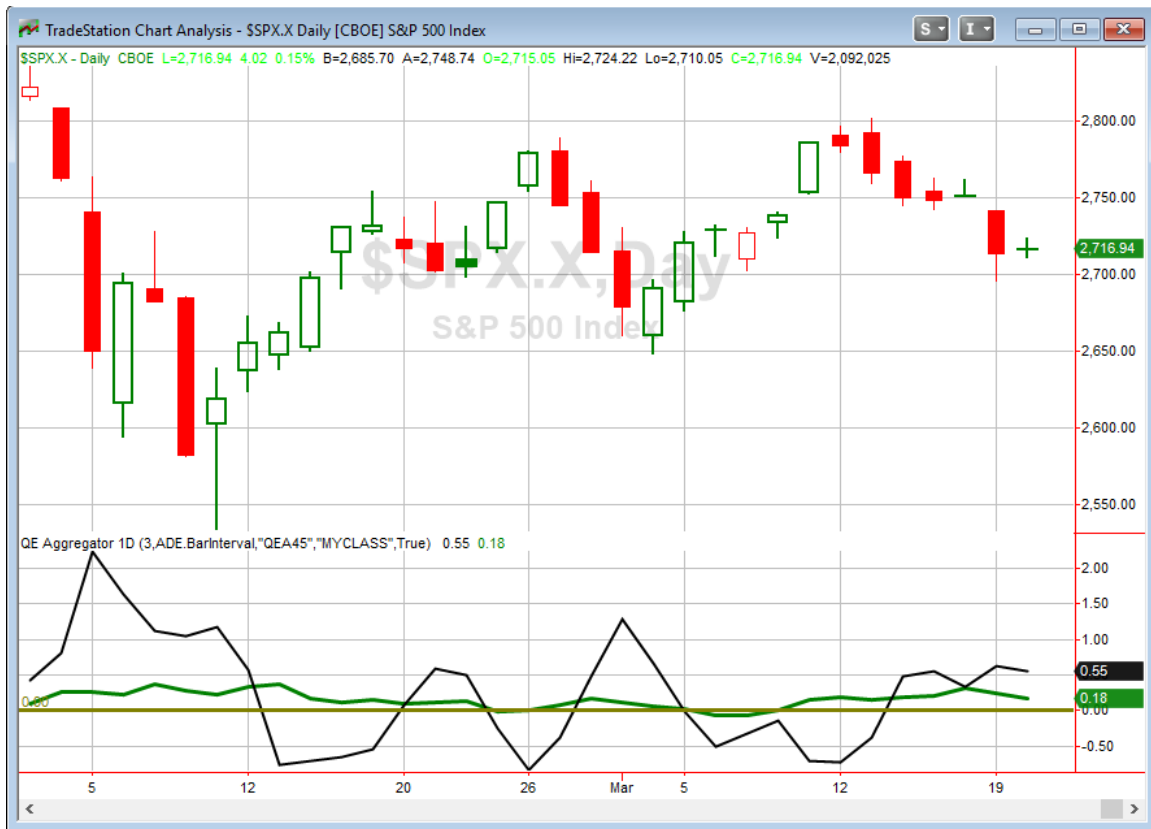


**SPX Performance on Scheduled Fed Days when the Fed Lowered Rates  
Today or the Most Recent Rate Change was Down.  
\$100k/trade. 1994 - 3/20/2018.**



It does not seem to matter one bit whether the Fed has been accommodative or not. Fed Days have shown a solid, bullish bias either way. You'll note the “% Profitable” and “Average Trade” numbers above are almost identical!

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



With tonight's studies 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 remained 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 stayed long 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 2771.21 on Wednesday. That is 2.0% above Tuesday's close. So SPX will need to close up at least 2.0% on Wednesday to turn from oversold to

overbought versus expectations. That is a very big move up for just one day. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

This market is certainly not without risk. And with a neutral intermediate-term outlook I am not inclined to get terribly aggressive here. But evidence continues to point towards a bounce, and the market remains oversold versus expectations. So I continue to feel justified in the small index position I am carrying. I will be sure to exit as soon as there is no longer an edge apparent. But for now – I still favor the long side. I won't be adding anything to that small index position. But there were a couple of new Catapult triggers that I will look to take advantage of.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 3/19– neutral***

The intermediate-term outlook was last updated in the 3/19/18 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***

KHC – 1/3 @ \$63.95 (bought @ limit)

*New*

KHC – 1/3 @ \$63.18 (buy @ limit)

CMCSA – 1/3 @ \$34.57 (buy @ limit)

***Broad Market Large Cap CBI – 3(KHC-2, CMCSA)***

**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.*

***KHC – buy 1/3 Catapult position @ \$63.18 LIMIT.*** Based on the Catapult trigger above. This would be the 2<sup>nd</sup> of up to 3 possible lots of KHC.

***CMCSA – buy 1/3 Catapult position @ \$34.57 LIMIT.*** Based on the Catapult trigger above. This would be the 1<sup>st</sup> of up to 3 possible lots of CMCSA.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	3/15/2018	\$275.30	\$272.05	-1.18%		*dividend adjusted current
KHC(1/3)	3/20/2018	\$63.95	\$63.18	-1.20%		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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