

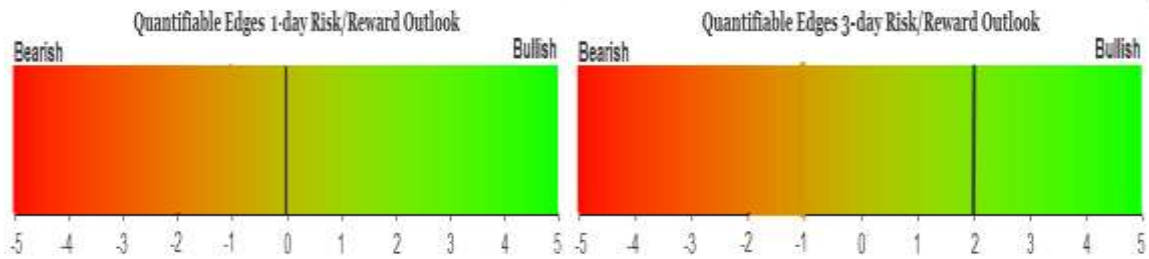
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 28, 2018

Volume 11 Issue 60

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	7

Tonight's Research Points

- The SPY gap and reversal on Tuesday after an unfilled gap up on Monday suggests an upside edge for Wednesday.
- Sharp drops that only partially retrace gains from the day before are often followed by more selling the next day.

Short-term Outlook

The Bottom Line

The bulls seem to have an edge over the next few days – but *not* on Wednesday.

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

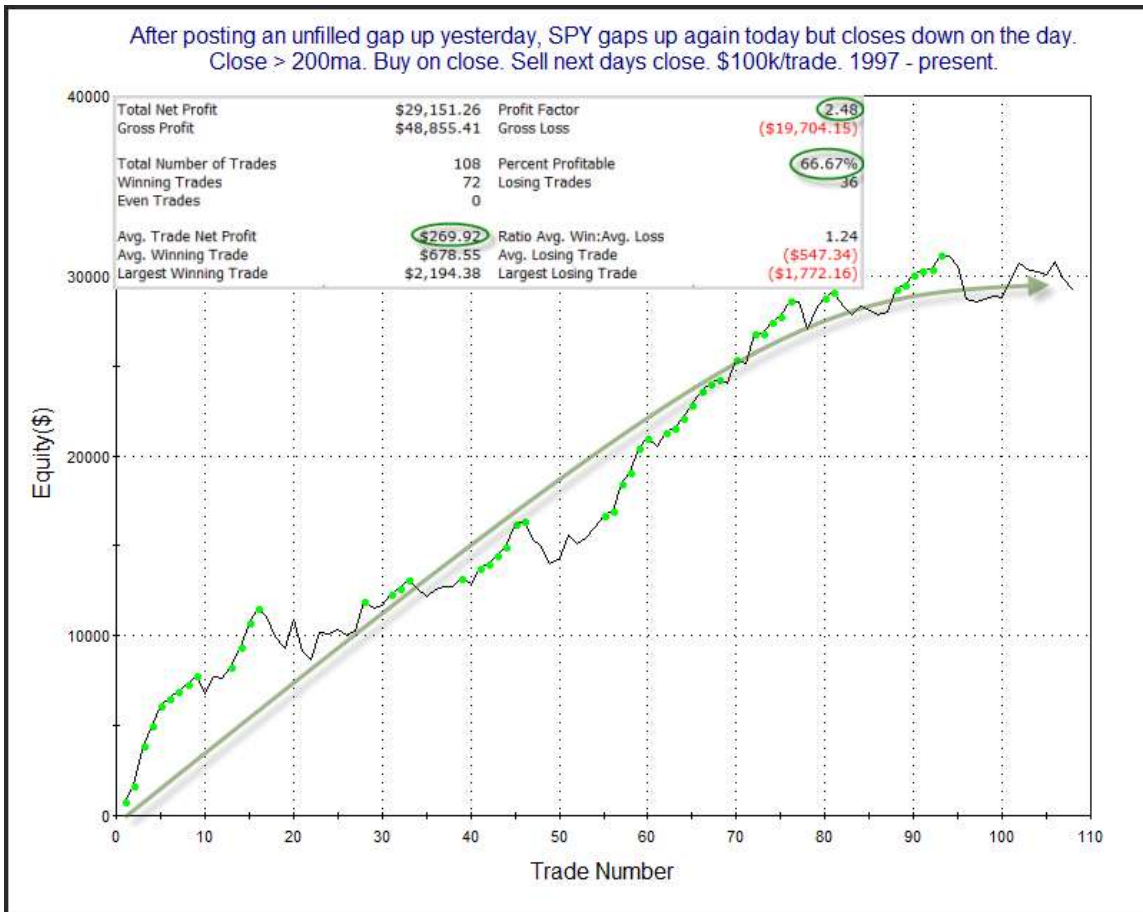
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
March 28, 2018	Unfilled gap up then gap up close dn	1 day	Bullish			
March 28, 2018	1% drop fails to erase 7.5% yest gains	1 day	Bearish			
March 27, 2018	Top 25% range close after 3x botm 25%	1-5 days	Bullish			
March 27, 2018	SPXup 2.5% from 20-low. Poor volume	1-2 days	Bearish	-2.40%	1.50%	2.60%
March 26, 2018	SPX dn 1.5%+ 2nd time in a week > 200	1-7 days	Bullish	3.30%	-2.40%	-4.80%
March 23, 2018	System 110524	1-7 days	Bullish			
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			
Dropped Tonight						
March 27, 2018	SPY up 2% from 20-low. Top 25% close	1 day	Bullish			

Blue highlighted studies indicate they were removed early because they already reached their potential.

The Evidence

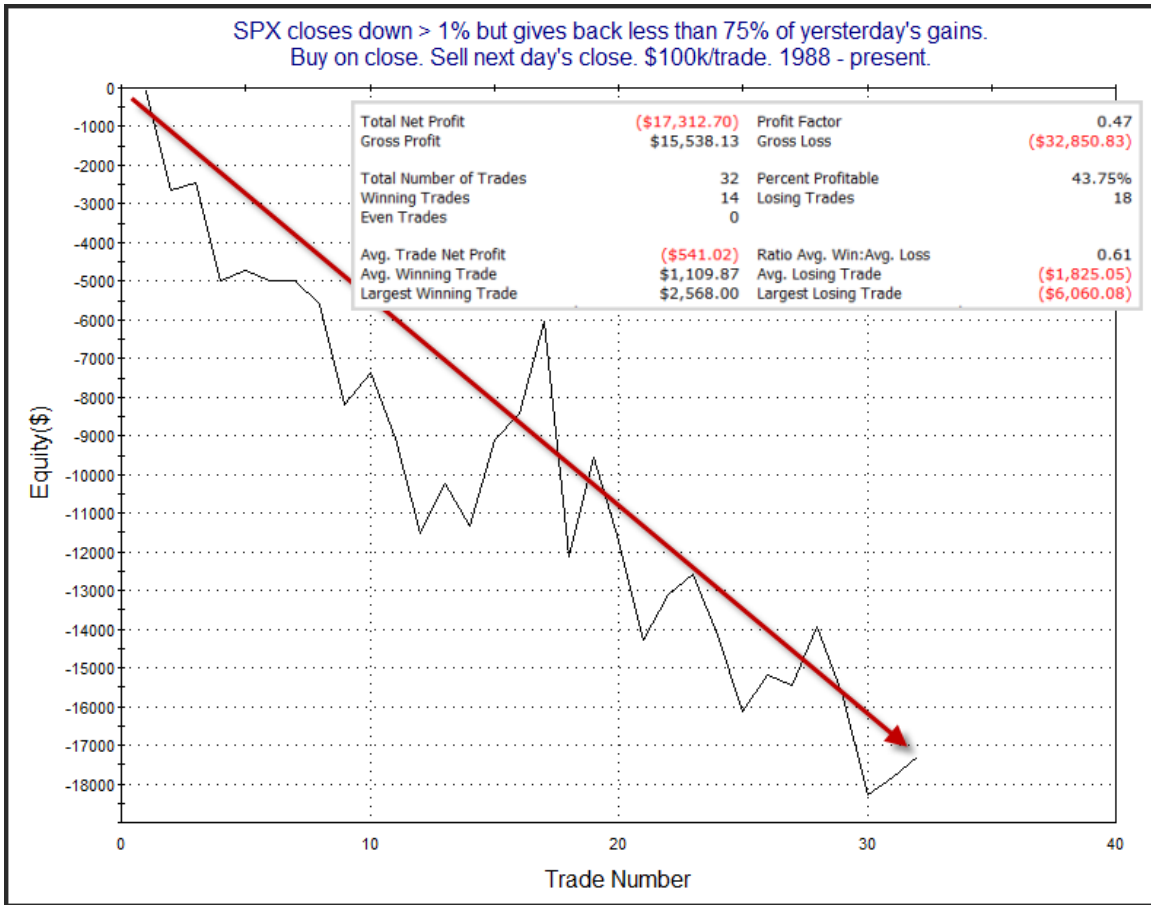
This market sure loves to change its mind in a hurry. A gap up was followed by strong afternoon selling. The SPX lost 1.7%, the NASDAQ finished down 2.9%, and the Russell 2000 fell 2.0%. Breadth was negative as the NYSE Up Issues % was 31% and the Up Volume % came in at 23%. NYSE volume rose a little on the selloff Tuesday.

SPY gapped up and closed lower Tuesday after leaving an unfilled up gap on Monday. In the 3/13/18 letter I examined similar price action in SPY with regards to how it gapped and finished. The study is updated below.

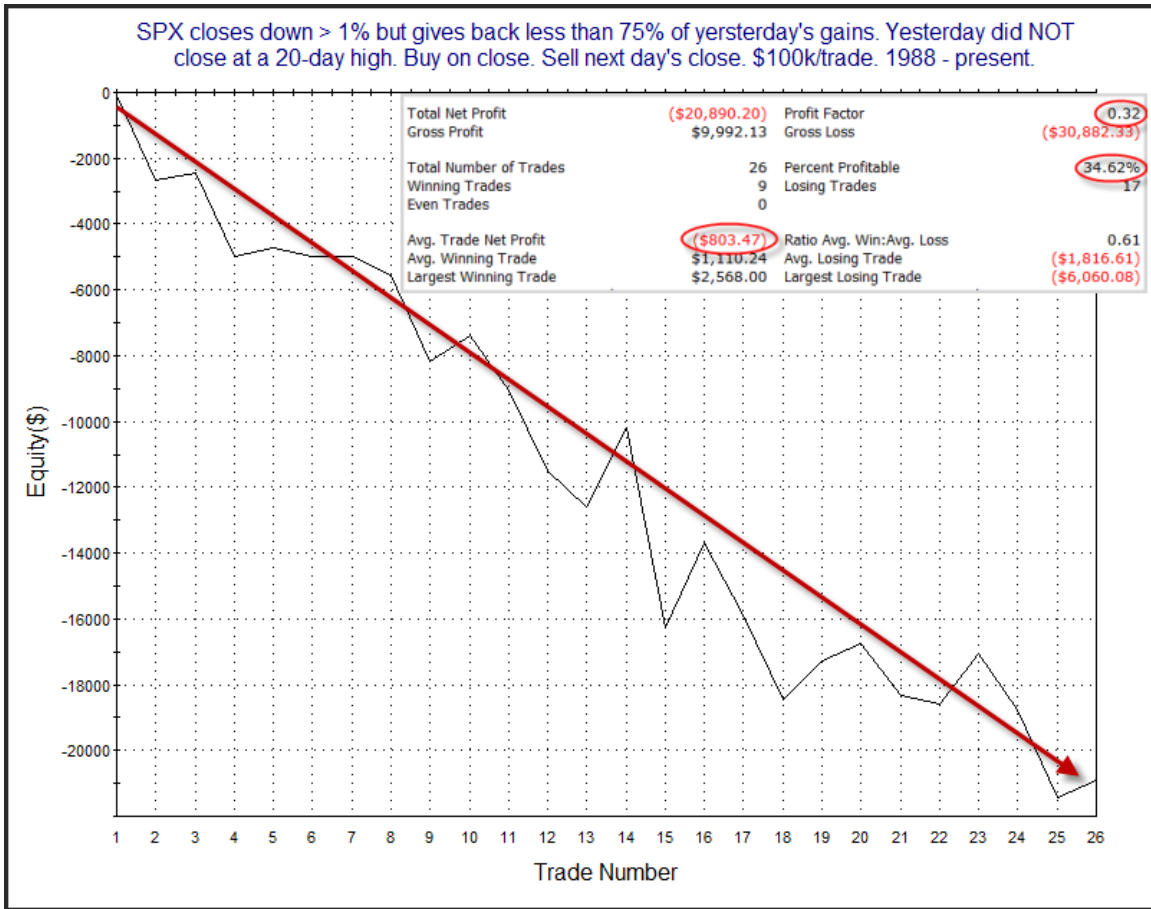


The numbers here all look solidly bullish. The profit curve is a little less encouraging, since it has endured some recent choppiness. I will allow this on the Active List tonight, but I am keeping a watchful eye on this study, and will soon put it on hold if it continues to struggle.

Tuesday's pullback was sizable, and followed a day where the market posted very strong gains. In the 9/10/15 subscriber letter I looked at other instances where a sharp drop occurred but the drop was not even able to erase as much as three quarters of the previous day's gains. I have updated the results of that study below.

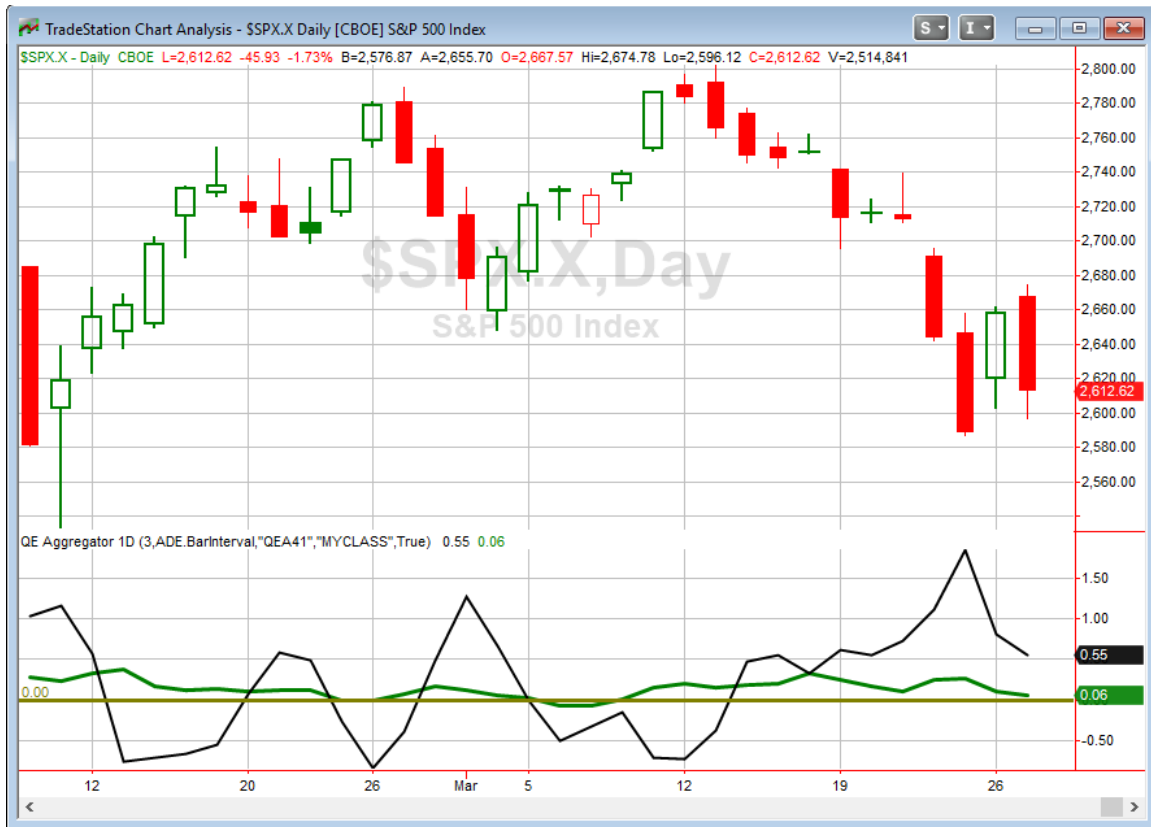


The numbers and the curve both support the idea of a downside edge. I also examined another derivation of this study in that 9/10/15 letter. In this next study I added a filter to eliminate instances where the big move up the day before put the market at an intermediate-term high. With the added filter I also needed to go back further in time to amass a sizable sample. I have updated that study as well below.



Stats here are even more bearish, and the downside edge appears consistent and strong. I have included this study on the Active List tonight.

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



With tonight's evidence considered, the green Aggregator line held a little above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile, the black Differential Line again held 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. It would take some compelling new bearish evidence to change this. The Differential Pivot will be *inverted* at 2603.49 on Wednesday. That is 0.35% *below* Tuesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close down about 0.35% in order to remain oversold. Anything other than that and it will be considered overbought versus expectations as of Wednesday's close.

One thing I should point out about expectations is that while the green Aggregator line is positive, that represents estimations over the next 3 days. The 1-day expectations are actually negative, thanks both to last night's bearish study that looked at the low volume on the big rally, as well as tonight's, that looked at the large reversal down. But both of

those studies are set to expire on Wednesday. There are some bullish studies with potential influence looking out further. This leaves 1-day expectations negative, but 3-day positive. This is reflected in the Risk/Reward outlook graphics at the top of the letter.

Overall, there still appears to be a bit of an upside edge over the next few days. I remain partially long. I am glad I took off 1 lot of index exposure at the open on Tuesday due to the inverted pivot formation. I am not so glad that I did not take off more lots. Fairly often with these short-covering rallies off of intermediate-term lows, the move up will persist for longer than anticipated. So even exits like a close > the 10ma, or a CBI < 3 will frequently turn out to be “too” conservative and leave a fair amount of profit on the table. I do believe using them rather than removing the whole position due to the inverted pivot was the mathematically correct decision when looking at odds and reward/risk. For now I will hold onto my remaining two lots and continue to look for the exits I discussed last night. I will not be adding to my position at this point. With 1-day expectations bearish I have no inclination to take on any more exposure at this point. Very compelling bullish evidence or a CBI of 10+ in the next few days could get me interested in taking on additional exposure. But not on Wednesday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/26– neutral

The intermediate-term outlook was last updated in the 3/26/18 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)

KHC – 1/3 @ \$63.18 (bought @ limit)

CMCSA – 1/3 @ \$34.57 (bought @ limit)

KHC – 1/3 @ \$61.99 (bought @ limit)

CMCSA – 1/3 @ \$34.49 (bought @ limit)

CMCSA – 1/3 @ \$33.23 (bought @ limit)

BIIB – 1/3 @ \$260.13 (buy @ limit) – *not filled, cancel for now*

Broad Market Large Cap CBI – 7(KHC-3, CMCSA-3, BIIB)

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	\$261.70	-4.94%		*dividend adjusted current
KHC(1/3)	3/20/2018	\$63.95	\$60.70	-5.08%		Catapult
KHC(1/3)	3/21/2018	\$62.53	\$60.70	-2.93%		Catapult
CMCSA(1/3)	3/21/2018	\$34.55	\$32.99	-4.52%		Catapult
KHC(1/3)	3/22/2018	\$61.73	\$60.70	-1.67%		Catapult
CMCSA(1/3)	3/22/2018	\$34.17	\$32.99	-3.45%		Catapult
QQQ(1/4)	3/22/2018	\$164.70	\$159.08	-3.41%		Aggregator
CMCSA(1/3)	3/23/2018	\$33.23	\$32.99	-0.72%		Catapult
PG(1/3)	3/23/2018	\$76.41	\$77.79	1.81%		sell on open
SPY(1/4)	3/23/2018	\$258.05	\$266.17	3.15%		sold on open

PG reached its exit trigger on Tuesday and will be sold at the open on Wednesday.

As noted yesterday I will look for the following exits on my index positions:

- 1) Exit QQQ if QQQ closes > \$165.45 or SPY > \$267.61 (10ma levels).*
- 2) Sell other lot of SPY if CBI closes <= 3*

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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