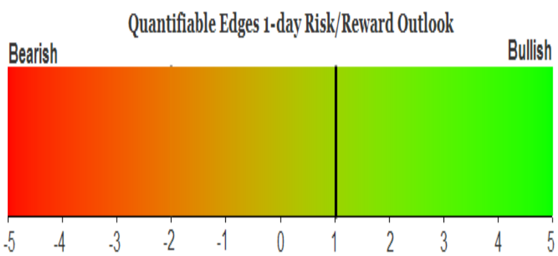
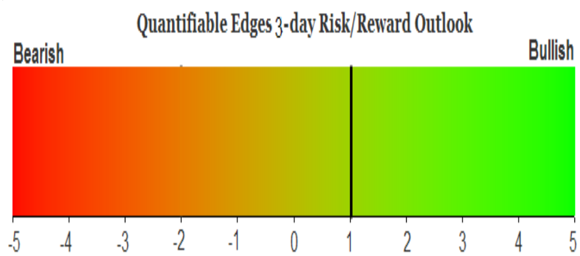
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 29, 2018 Volume 11 Issue 61

Market Overview





Signals Overview

Aggregator	CBI Reading
Flat	7

Tonight's Research Points

- Holy Thursday has historically shown a bullish tendency.
- A poor close to end the month could suggest bullish odds for Monday.
- Early April seasonality has been bullish since the mid 90s.

Short-term Outlook

The Bottom Line

The bulls still seem to have an edge over the next few days. Seasonality could help.

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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 29, 2018	Holy Thursday Bullish	1 day	Bullish			
March 27, 2018	Top 25% rng close after 3x bottom 25%	1-5 days	Bullish			
March 26, 2018	SPX dn 1.5%+ 2nd time in a week > 200	1-7 days	Bullish			
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			

The Evidence

This market fell again on Wednesday. The SPX lost 0.3%, the NASDAQ finished down 0.85%, and the Russell 2000 came in just below breakeven with a 0.04% loss. Breadth was mixed as the NYSE Up Issues % was 49% and the Up Volume % came in at 50.1%. NYSE volume declined a little on Wednesday.

The fairly mild action did not do much to trigger compelling new evidence. But there are some seasonal considerations to keep in mind the next few days. So tonight I will take a look at some of those.

Stock market performance leading up to and around many holidays has often been bullish. This is something I have written about several times over the years. Holy Thursday is one such day that has done quite well. I have shown Holy Thursday stats a few times in the past. The chart and statistics below are all updated through last year.

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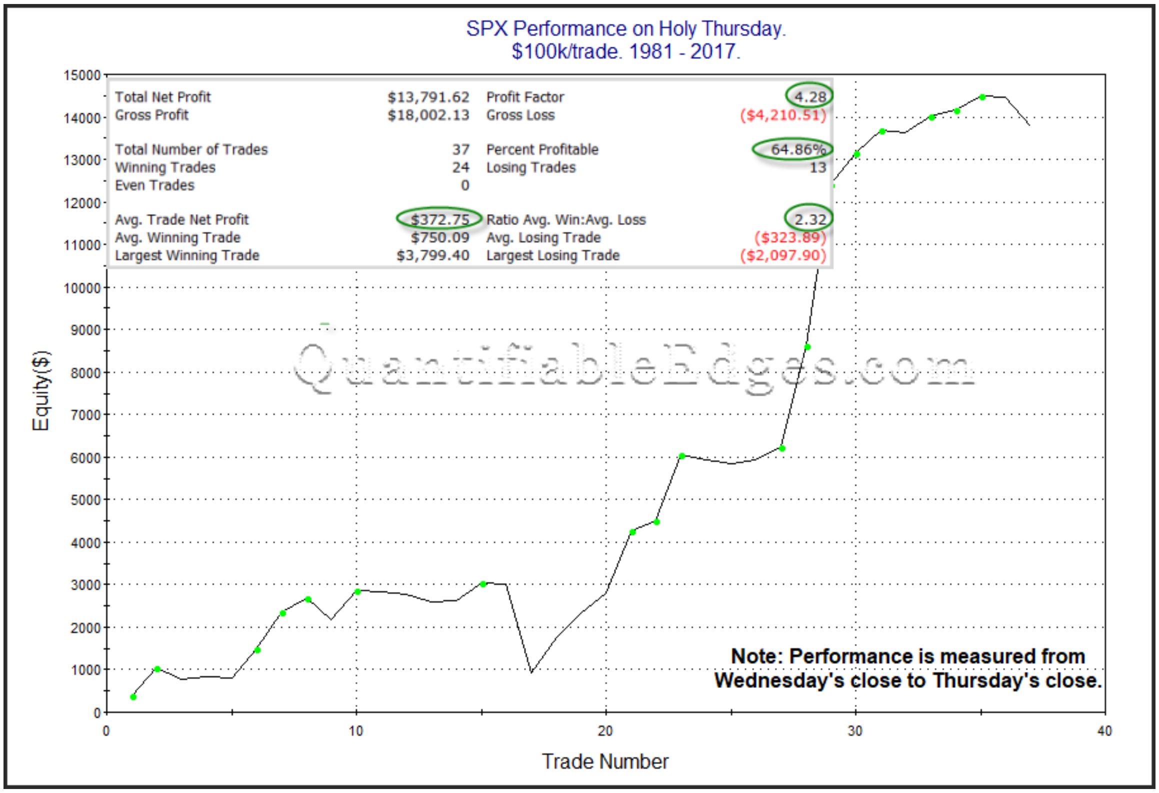


Despite the last 2 years losing some ground, the stats remain impressive, and so does the overall curve. Perhaps the most impressive stat to me is that the up days have been 2.3x the size of the down days. This suggests people will often go into the long Easter weekend with enthusiasm. It will be interesting to see if Holy Thursday bullishness starts to reassert itself in 2018.

It is also worth noting that Thursday is the last trading day of the month. In the 2/28/18 letter I showed some studies about the 1st trading day of the month based on how the last trading day of the previous month performed. I have updated those studies below.

The first study looks at times where the market closed in the bottom half of its range on the last day of the month.

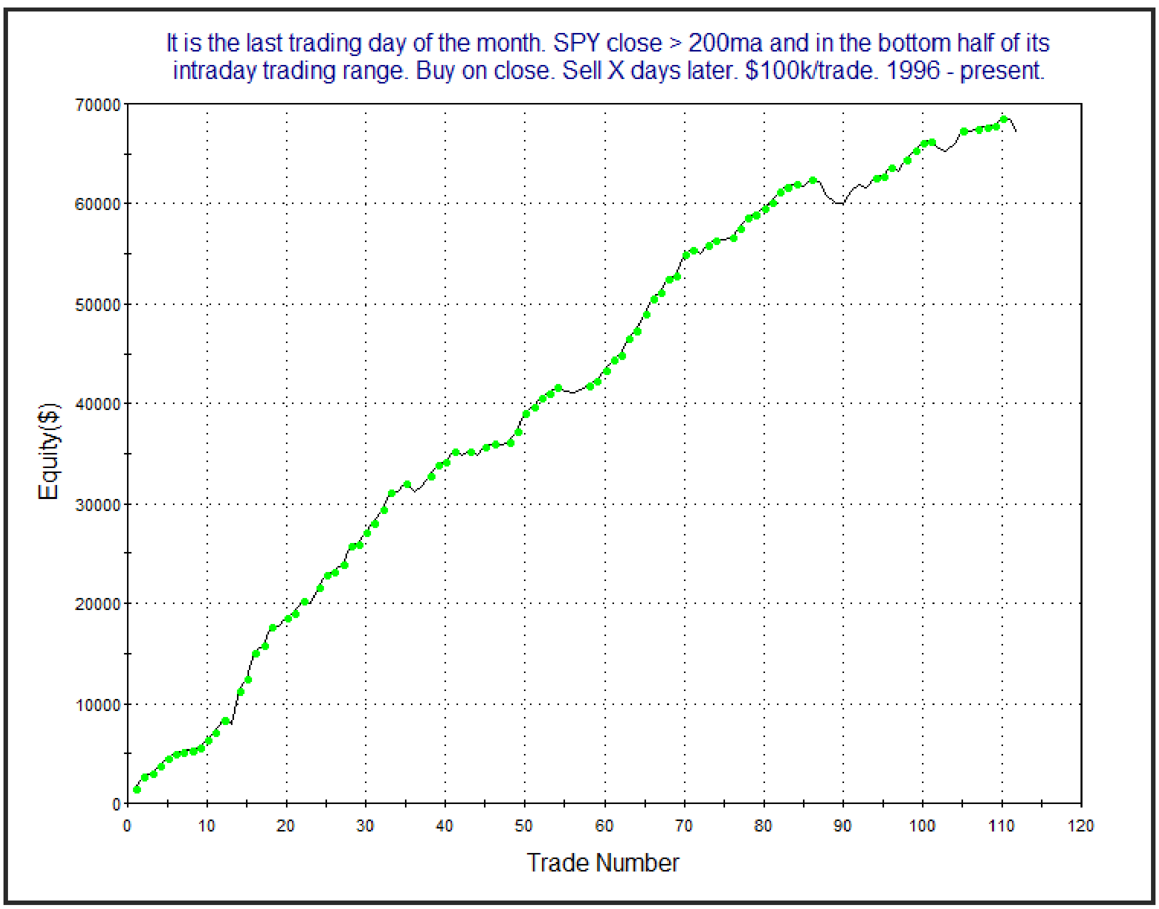
It is the last trading day of the month. SPY close > 200ma and in the bottom half of its intraday trading range. Buy on close. Sell X days later. $100k/trade. 1996 - present.

TradeStation Performance Summary Expand

All Trades

Total Net Profit	$67,035.11	Profit Factor	7.70
Gross Profit	$77,041.17	Gross Loss	($10,006.06)
Total Number of Trades	112	Percent Profitable	78.57%
Winning Trades	88	Losing Trades	24
Even Trades	0		
Avg. Trade Net Profit	$598.53	Ratio Avg. Win:Avg. Loss	2.10
Avg. Winning Trade	$875.47	Avg. Losing Trade	($416.92)
Largest Winning Trade	$3,295.88	Largest Losing Trade	($1,453.60)

The stats here are outstanding. Gains absolutely blow away losses in every category. Gross gains are 7.7x the size of gross losses. That's a very impressive stat when you are looking at a sample size of 112 instances. Below is a profit curve.



The long and persistent upslope is impressive, and serves to confirm the numbers.

Let's also examine what the results have looked like when SPY closed in the top half of its intraday range. (Also from the 2/28/18 letter.)

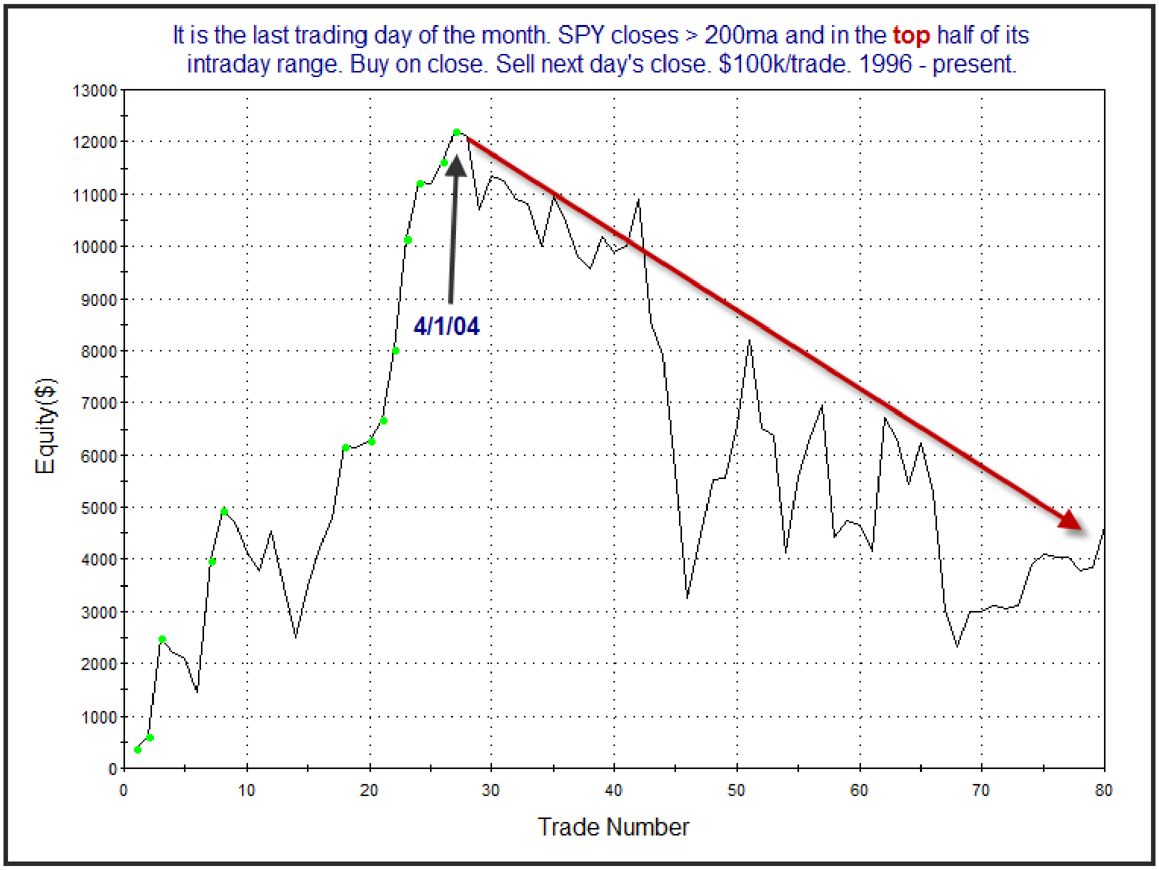
It is the last trading day of the month. SPY closes > 200ma and in the **top** half of its intraday range. Buy on close. Sell next day's close. $100k/trade. 1996 - present.

TradeStation Performance Summary Expand

All Trades

Total Net Profit	$4,628.83	Profit Factor	1.16
Gross Profit	$33,848.14	Gross Loss	($29,219.31)
Total Number of Trades	80	Percent Profitable	52.50%
Winning Trades	42	Losing Trades	38
Even Trades	0		
Avg. Trade Net Profit	$57.86	Ratio Avg. Win:Avg. Loss	1.05
Avg. Winning Trade	$805.91	Avg. Losing Trade	($768.93)
Largest Winning Trade	$2,562.30	Largest Losing Trade	($2,515.60)

We see here the upside edge nearly completely wiped away. Here is a picture of the profit curve.



This paints an even bleaker picture. So to set up an upside edge for Monday, traders would prefer a weak close on Thursday. But it is also important to note that the above studies use a 200ma filter. A down close on Thursday could eave SPY below its 200ma. When it has been below its 200ma, it has not exerted nearly the same bullish tendency on the 1st day of the month.

In the 4/3/17 letter I showed how early April has exhibited strong seasonality since the mid 90s. Below I have updated that study.

Buy SPX at close on last trading day in March.
Sell X days later. $100k/trade. 1994 - 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	14,086.29	24	16	8	66.67	1,538.53	4,435.97	-1,316.26	-2,745.12	1.17	2.34	586.93
4	23,833.12	24	18	6	75.00	1,574.42	4,701.25	-751.08	-1,831.35	2.10	6.29	993.05
3	18,110.41	24	17	7	70.83	1,681.34	5,578.75	-1,496.05	-4,909.74	1.12	2.73	754.60
2	18,943.89	24	17	7	70.83	1,541.98	4,563.75	-1,038.53	-4,638.84	1.48	3.61	789.33
1	9,670.26	24	17	7	70.83	833.17	3,559.50	-641.95	-1,532.16	1.30	3.15	402.93

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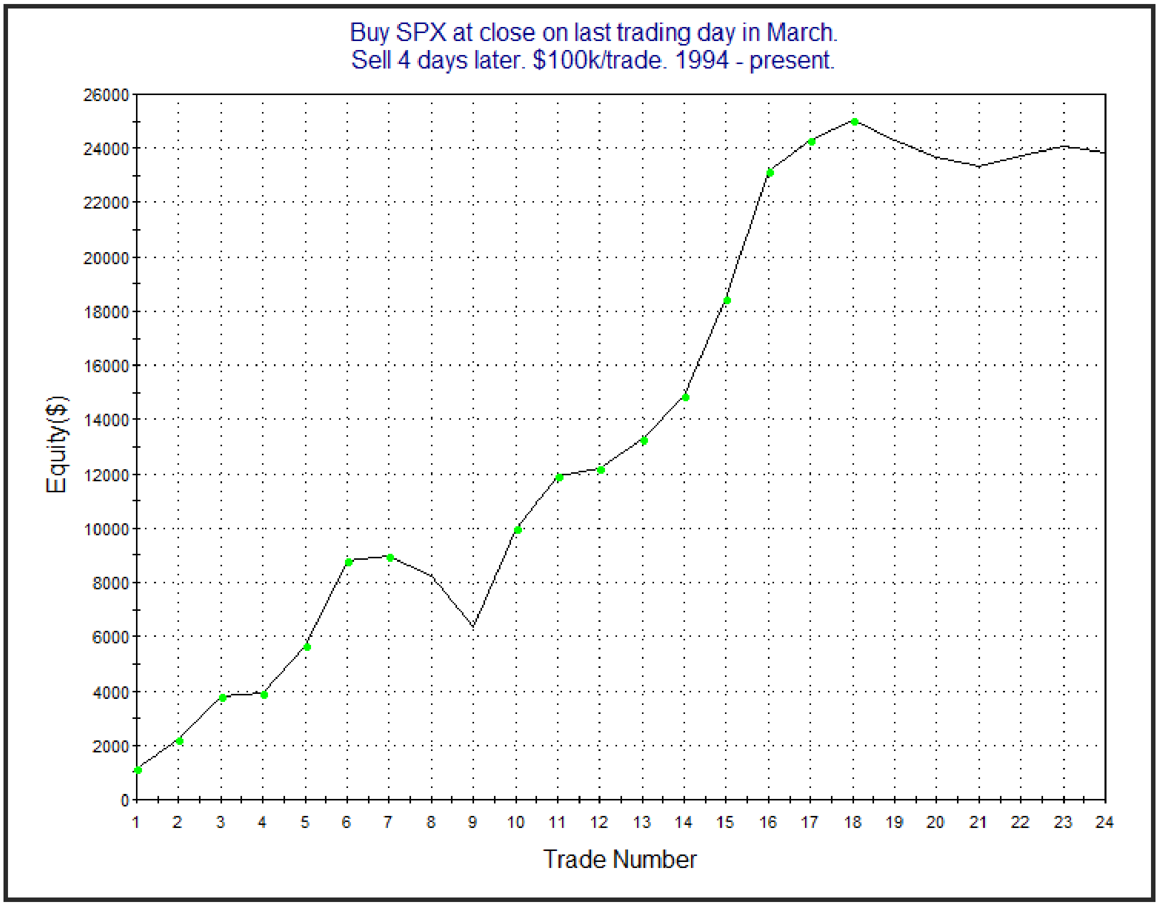
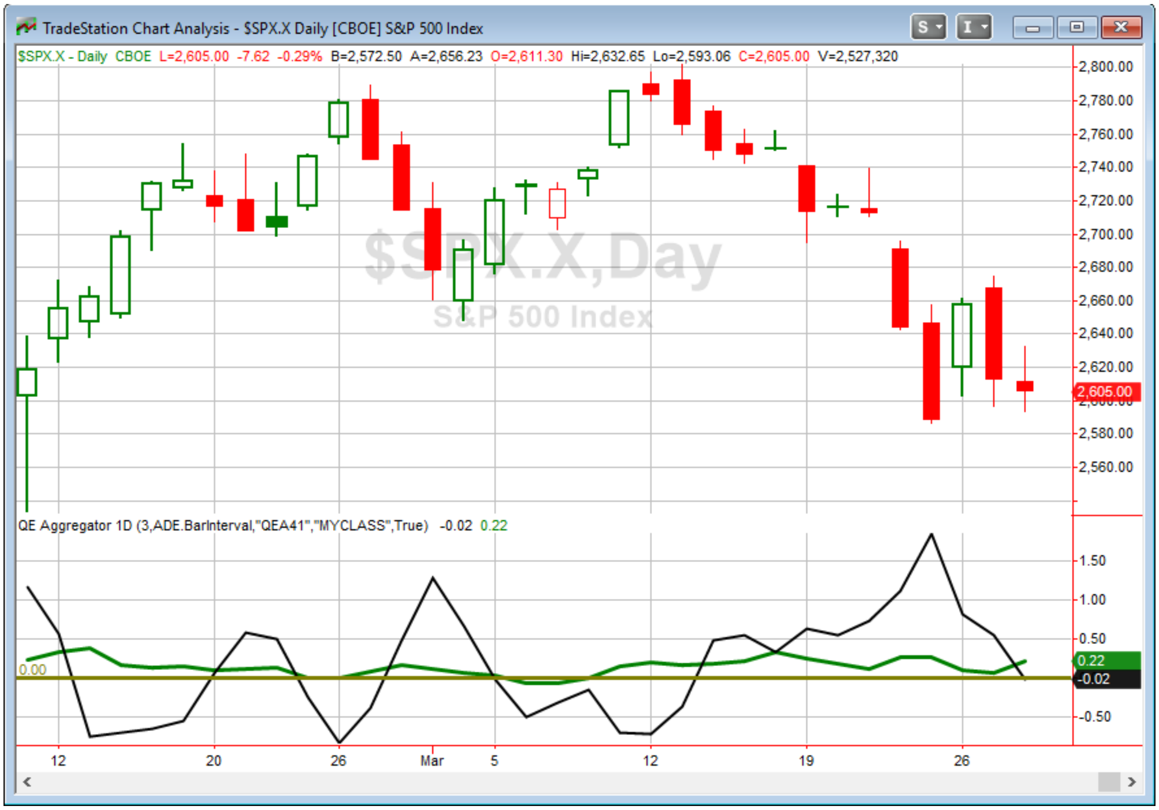
Numbers here appear impressive. Let's take a look at the profit curve based on a 4-day holding period.



Sixteen of the first eighteen years were higher on day 4, but recent years have seen some sideways chop. I still believe early April bullishness deserves some consideration as we ready to enter the new month.

I have long discussed that strong seasonality on its own can be helpful. But when combined with an oversold condition it can be compelling. And strong seasonality, an oversold condition, and other supporting evidence, can be powerful. We could be setting up well as we close out March. I'll do my best to put the current price action and seasonality into context in the letter this weekend.

I have updated the Aggregator chart below.



With tonight's evidence 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 dipped just barely 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 turned flat at the close.

Based on the current list of active studies, expectations are slated to remain bullish on Thursday. It would take some compelling new bearish evidence to change this. The Differential Pivot will be *strongly inverted at* 2673.97 on Thursday. That is 2.65% *above* Wednesday'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 up at least 2.65% in order to remain overbought. Anything other than that and it will be considered oversold versus expectations as of Thursday's close.

I still favor the long side. Even though the current Differential reading is not oversold, that is only a temporary condition, since it will be back to oversold on Thursday without a massive rally. Evidence is currently favoring the bulls, and turn of month and early-April seasonality could help next week. I am not so enthused that I am looking to up my long position ahead of the weekend, and without examining what new evidence emerges on

Thursday. I am willing to continue to hold my current position, and look for the upward reversions to possibly exit as I outlined the last couple of nights. (Updated exit notes are in the Trade Ideas section at the bottom of the letter.)

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.

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Current Open Trade Ideas

Symbol	**Entry Date**	**Entry Price**	**Current Price**	**% Gain/Loss**	**Stop**	**Notes**
SPY(1/4)	3/15/2018	$275.30	$260.93	-5.22%		*dividend adjusted current
KHC(1/3)	3/20/2018	$63.95	$61.37	-4.03%		Catapult
KHC(1/3)	3/21/2018	$62.53	$61.37	-1.86%		Catapult
CMCSA(1/3	3/21/2018	$34.55	$33.28	-3.68%		Catapult
KHC(1/3)	3/22/2018	$61.73	$61.37	-0.58%		Catapult
CMCSA(1/3	3/22/2018	$34.17	$33.28	-2.60%		Catapult
QQQ(1/4)	3/22/2018	$164.70	$157.25	-4.52%		Aggregator
CMCSA(1/3	3/23/2018	$33.23	$33.28	0.15%		Catapult
PG(1/3)	***3/23/2018***	***$76.41***	***$77.95***	***2.02%***		***sold on open***

KHC, CMCSA, and BIIB are all within striking distance of their Catapult exit triggers. (KHC and BIIB would require a close higher of less than 1%, while CMCSA would need to close up just a little more than 1%). I will send out a note intraday on if they reach their intraday targets or appear primed to lower the CBI to 3 or less.

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

1) *Exit QQQ if QQQ closes >* $163.86 or SPY > $265.93 (10ma levels).
2) *Sell 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.