

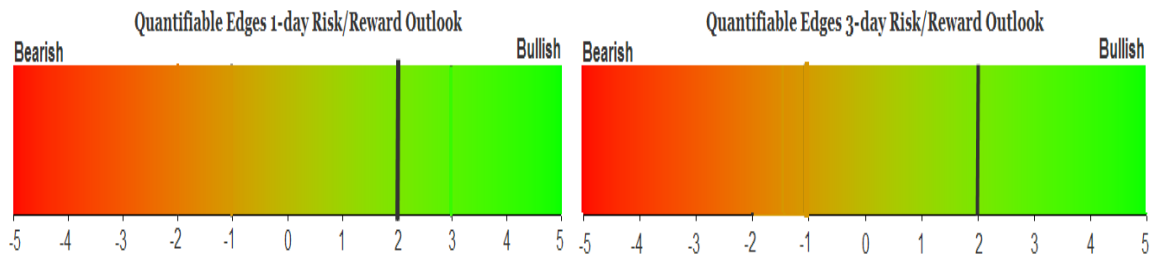
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 3, 2018

Volume 11 Issue 63

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- No new compelling studies emerged, but several notables are worth considering as we head into the next few days. These include the 1st SPX close below the 200ma, the nearby 50-day low, the NASDAQ/SPX relative strength indicator, and the dormant CBI.

Short-term Outlook

The Bottom Line

The bulls still seem to have a mild 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 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 \$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			
Dropped Tonight						
April 2, 2018	Early April bullish	1-4 days	Bullish	1.80%	-1.10%	-2.70%

The Evidence

Monday was a tough day all around for the market. The SPX lost 2.2%, the NASDAQ fell 2.7%, and the Russell 2000 dropped 2.4%. Breadth was negative as the NYSE Up Issues % was 18% and the Up Volume % came in at an extremely low 9%. NYSE volume rose some from Thursday's level.

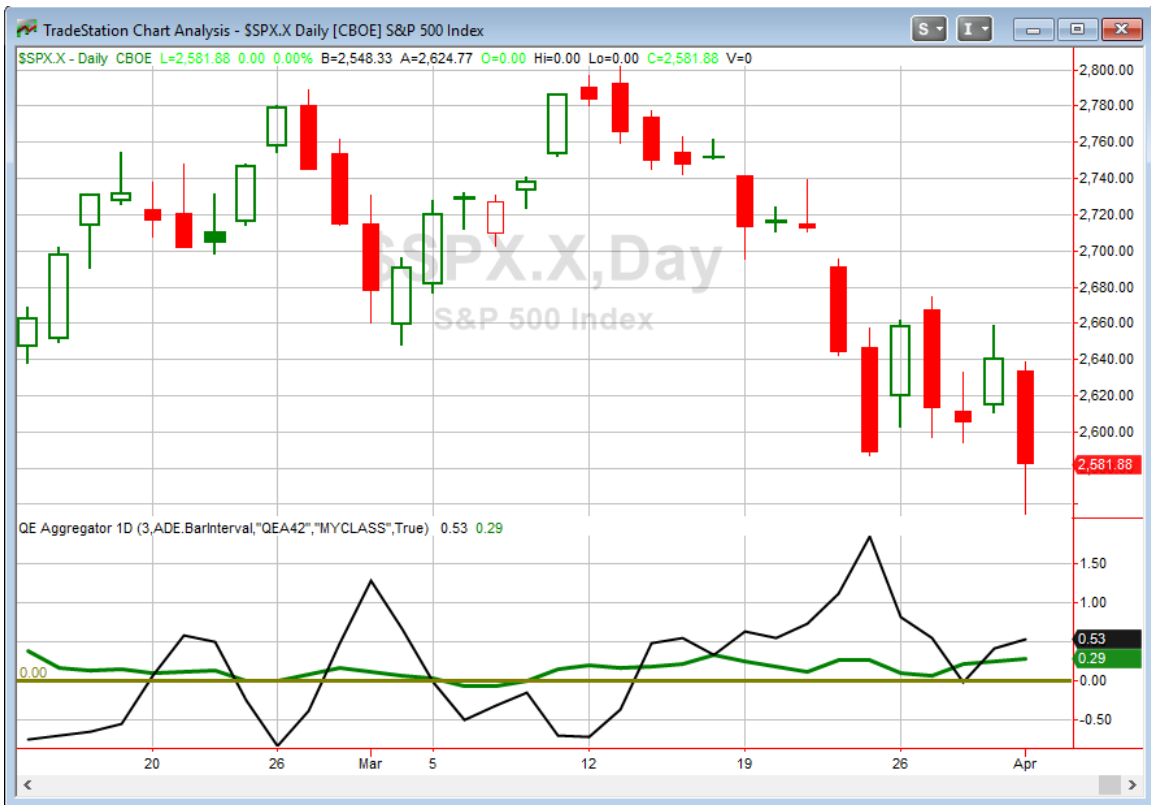
Despite the strong selling there was nothing terribly compelling that emerged from the Quantifinder. But there were several notes worth mentioning:

- 1) The SPX closed below its 200-day moving average for the 1st time since 6/27/16 (when it only closed below it for one day after being above it for 71 days). There were only 2 longer streaks looking back to 1960. They ended in 1998 and 2014. Results going forward after ending long streaks above were mixed. There is nothing magical about the 200ma. But it does serve as a useful delineator of long-term uptrend/downtrend, so it is worth keeping in mind.
- 2) SPX barely avoided closing at a 50-day low on Monday. This could easily happen on Tuesday with any down close. It still needs to drop nearly 50 points to make a new intraday low below the one made on 2/9/18.
- 3) The CBI did not budge and remained at 0. In [the CBI Research paper](#) I showed some studies that examined 50-day lows that occurred with a CBI at 0 vs 50-day lows that occurred with higher CBIs (1-5, 6-9, 10+). The basic finding was that a CBI of zero saw no consistent returns going forward. The higher the CBI, the better the odds. This did not quite trigger since SPX closed above a 50-day low, but the concept remains valid. Without the support of a spiking CBI, the selloff is more susceptible to continue lower.
- 4) Tuesday is the most likely day of the week for a bounce to begin. "Turnaround" Tuesday could help.

- 5) If the week ended on Monday, the NASDAQ/SPX relative strength indicator we track that is also one of the Market Timing Course signals, would place the NASDAQ in a lagging position for the 1st time since January. This would leave us with just 2 of the 4 Market Timing Course signals as bullish. Therefore, the rest of the week could be important when considering the intermediate-term outlook.

So there are no new studies being added to the Active List tonight, but there is plenty to watch out for. I have also removed the “Early April Bullish” study since it exceeded its Avg Drawdown + 1 Standard Deviation level already. In other words, the market is acting so far out of the norm for that study that it does not appear to be impactful at this time.

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



Tonight 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 also 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 Tuesday. This could easily change if compelling new bearish evidence were to emerge. The Differential Pivot will be 2613.75 on Tuesday. That is 1.2% above Monday's close. Therefore, SPX would need to close up at least 1.2% on Tuesday in order to flip from oversold to overbought versus recent expectations.

Short-term bearish evidence is lacking, and it probably will continue to lack until the market is not so oversold. But bullish evidence is only moderate at this point. With the market so oversold, there does appear to be a mild upside edge. If I was flat right now, then I would be looking to take on a small position. But since I already have a small position on, I will simply maintain that for the time being. Despite the lack of strong evidence, there is a lot going on that could trigger compelling evidence in the next few days. I will remain diligent in examining new evidence as the days unfold.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 4/2– neutral***

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
KHC(1/3)	3/20/2018	\$63.95	\$61.94	-3.14%		<i>sold on open</i>
KHC(1/3)	3/21/2018	\$62.53	\$61.94	-0.94%		<i>sold on open</i>
CMCSA(1/3)	3/21/2018	\$34.55	\$34.09	-1.33%		<i>sold on open</i>
KHC(1/3)	3/22/2018	\$61.73	\$61.94	0.34%		<i>sold on open</i>
CMCSA(1/3)	3/22/2018	\$34.17	\$34.09	-0.23%		<i>sold on open</i>
QQQ(1/4)	3/22/2018	\$164.70	\$155.51	-5.58%		Aggregator
CMCSA(1/3)	3/23/2018	\$33.23	\$34.09	2.59%		<i>sold on open</i>

I will look for the following exit on the QQQ position: Exit QQQ if QQQ closes > \$161.36 or SPY > \$263.25 (10ma levels).

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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