

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 5, 2018

Volume 11 Issue 65

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Despite some extreme action, nothing emerged suggesting a strong edge.

Short-term Outlook

The Bottom Line

The upside edge is likely to expire on Thursday with the market now approaching short-term overbought status.

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

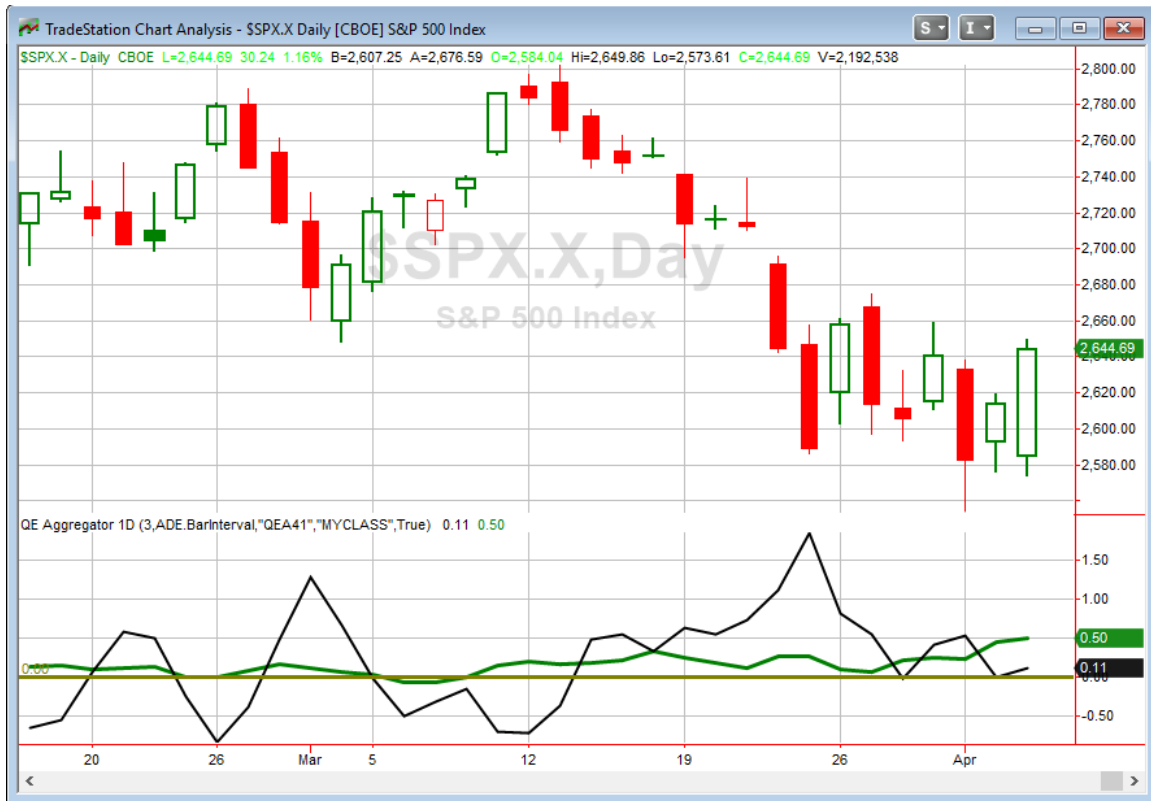
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
April 4, 2018	Gap up from 20-low. Fill then close up	1-5 days	Bullish	3.10%	-1.70%	-2.10%
Active - Long Term						
February 15, 2018	FTD with moderate breadth & volume	int term	Bearish			
January 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 4, 2018	1% Up through 200ma	1 day	Bearish			
April 4, 2018	1% up. 1% down. 1% up.	1 day	Bullish			
March 26, 2018	SPX dn 1.5%+ 2nd time in a week > 200	1-7 days	Bullish			

The Evidence

Wednesday started off with a big gap down but reversed hard and finished up nicely on the day. The SPX rose 1.2%, the NASDAQ gained 1.5%, and the Russell 2000 closed up 1.3%. Breadth was positive as the NYSE Up Issues % was 65% and the Up Volume % came in at 75%. NYSE volume declined and came in at the lowest level in weeks.

Nothing compelling appeared in the Quantifinder tonight. But the wild action over the last few days gave me plenty of ideas to test. I looked at large gaps down that reverse and turn into large up days. I looked at big drops to 20-day lows followed by a strong rebound over the next 2 days. I considered the extremely low volume. I examined such action in SPY, QQQ, SPX and more. I tightened criteria, loosened criteria, and eventually I came to the realization that if there was a strong edge, then it would not be so hard to find. Action today was extreme, but it was not necessarily predictive. No new studies are being added to the Active List tonight.

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 joined it 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 active studies, expectations are slated to remain bullish on Thursday. This could easily change if compelling new bearish evidence were to emerge. The Differential Pivot will be *strongly inverted* at 2600.71 on Thursday. That is 1.7% *below* 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 down at least 1.7% in order to remain oversold versus expectations. Anything less than that and it will be considered "overbought" as of Thursday's close.

So the Aggregator is suggesting a bullish edge, but with the Differential Pivot inverted, that edge is unlikely to persist beyond Thursday. Last night I noted the following. *This is the 3rd attempt to put in a bounce from around this area in the last 7 trading days. The previous 2 attempts only lasted one day. SPY will string together a multi-day rally at some point. And when it does that 2nd day could be fierce as it scares some bears and ignites*

short-covering. This is what we saw on Wednesday. And with the multiple retests and wild action lately, it seems to me that we could see more short covering and further rallying in the next several days. But I did not find compelling evidence to support that theory tonight. And I don't look to make moves without compelling evidence. I also rarely would look to take new positions with an inverted Differential pivot in place. So I am now sidelined and awaiting the next favorable reward/risk opportunity.

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

The intermediate-term outlook was last updated in the 4/2/18 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
QQQ(1/4)	3/22/2018	\$164.70	\$159.74	-3.01%		<i>sold on close</i>

QQQ was sold at the close as discussed in last night’s subscriber letter.

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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