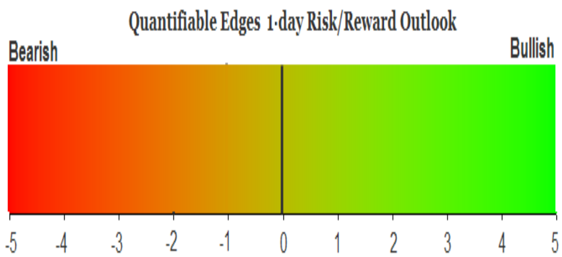
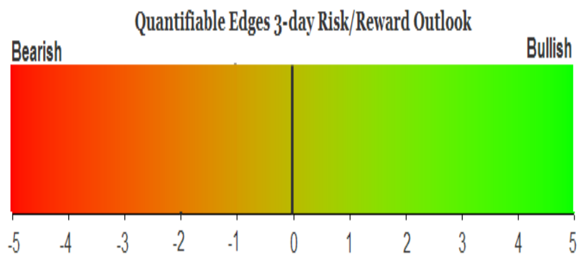
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 9, 2018 Volume 11 Issue 67

Market Overview





Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Strong selling days will often mark exhaustion, but coming from a short-term high, that is not likely the case.
- The NASDAQ fell into a lagging position vs the S&P 500. This is unfavorable for the intermediate-term bull case.
- The SOMA declined rapidly and the rate has now accelerated for further reductions.

Short-term Outlook
The Bottom Line

Expectations have flipped to bearish, but reward/risk is not strong with the SPX having already sold off strongly on Friday.

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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						
April 9, 2018	2% drop from 5-day high	1-4 days	Bearish	-3.10%	2.20%	3.90%
April 9, 2018	1% drop on employment day	1-4 days	Bearish	-2.90%	1.60%	3.20%
Active - Long Term						
April 6, 2018	2%+ gain over 3 days. Offset HV < 0.25	1-19 days	Bullish	4.30%	-2.20%	-4.80%
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 $20billior	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 6, 2018	*2%+ gain over 3 days. Offset HV < 0.25*	*1-6 days*	*Bullish*	*1.90%*	*-1.25%*	*-2.60%*
April 4, 2018	*Gap up from 20-low. Fill then close up*	*1-5 days*	*Bullish*	*3.10%*	*-1.70%*	*-2.10%*

The Evidence

Friday was a tough day for the market, and the strong selling had a substantial impact on the outlook as well. The SPX closed down 2.2%, the NASDAQ lost 2.3%, and the Russell 2000 dropped 1.9%. Breadth was strongly negative as the NYSE Up Issues % was 20% and the Up Volume % came in at 8%. NYSE volume rose some from Thursday's level.

A big mistake that many people make when looking at selloffs like Friday is that they believe just because the selling was strong, that it is likely to be exhaustive. Strong selloffs can often be exhaustive. But a big factor that is often overlooked is the position of the market when the selloff occurs. Way back in the 10/23/08 subscriber letter I compared 2% drops that leave the market at a 5-day low versus 2% drops that don't. I found a big difference in the results, and have updated them both below.

SPX closes down > 2% ***and at a 5-day low.***
Buy on close. Sell X days later. $100k/trade. 1990 - 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
10	128,265.00	127	75	52	59.06	4,075.78	14,817.54	-3,411.89	-15,203.76	1.19	1.72	1,009.96
9	156,544.14	131	83	48	63.36	3,879.84	12,095.67	-3,447.55	-11,132.10	1.13	1.95	1,194.99
8	139,157.06	139	90	49	64.75	3,570.94	9,398.70	-3,718.94	-17,685.00	0.96	1.76	1,001.13
7	129,324.92	143	87	56	60.84	3,438.92	10,415.64	-3,033.24	-12,654.00	1.13	1.76	904.37
6	80,350.47	152	87	65	57.24	3,112.30	10,804.00	-2,929.54	-10,967.40	1.06	1.42	528.62
5	93,128.97	157	91	66	57.96	2,855.83	11,405.78	-2,526.53	-10,448.88	1.13	1.56	593.18
4	58,596.83	168	97	71	57.74	2,535.88	7,324.62	-2,639.21	-14,820.98	0.96	1.31	348.79
3	61,449.23	178	102	76	57.30	2,409.76	13,853.40	-2,425.61	-13,815.18	0.99	1.33	345.22
2	57,617.41	190	104	86	54.74	2,055.14	10,183.87	-1,815.32	-8,077.85	1.13	1.37	303.25
1	53,803.02	209	127	82	60.77	1,435.77	10,716.03	-1,567.56	-6,659.22	0.92	1.42	257.43

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The strong selloff and new low suggest a bullish edge. But when SPX is NOT closing at a low level…

SPX closes down > 2% ***but > 5-day low.***
Buy on close. Sell X days later. $100k/trade. 1990 - 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
10	817.68	25	18	7	72.00	3,198.97	6,375.00	-8,109.11	-16,133.52	0.39	1.01	32.71
9	12,046.79	25	17	8	68.00	3,554.43	8,761.80	-6,047.32	-13,829.92	0.59	1.25	481.87
8	-25,645.64	27	13	14	48.15	3,528.38	8,019.28	-5,108.18	-11,157.30	0.69	0.64	-949.84
7	5,882.85	28	15	13	53.57	3,703.54	9,659.76	-3,820.79	-9,872.77	0.97	1.12	210.10
6	-7,285.04	28	16	12	57.14	2,968.06	7,361.95	-4,564.50	-19,140.34	0.65	0.87	-260.18
5	-26,444.77	29	14	15	48.28	3,161.85	6,507.68	-4,714.05	-18,188.04	0.67	0.63	-911.89
4	-15,880.15	32	13	19	40.63	4,319.17	7,513.37	-3,791.02	-13,776.90	1.14	0.78	-496.25
3	3,333.57	36	19	17	52.78	3,312.06	8,531.60	-3,505.62	-10,506.45	0.94	1.06	92.60
2	16,429.29	36	18	18	50.00	3,339.73	7,608.64	-2,426.99	-5,656.78	1.38	1.38	456.37
1	2,257.79	36	20	16	55.56	1,649.51	4,617.32	-1,920.77	-6,060.08	0.86	1.07	62.72

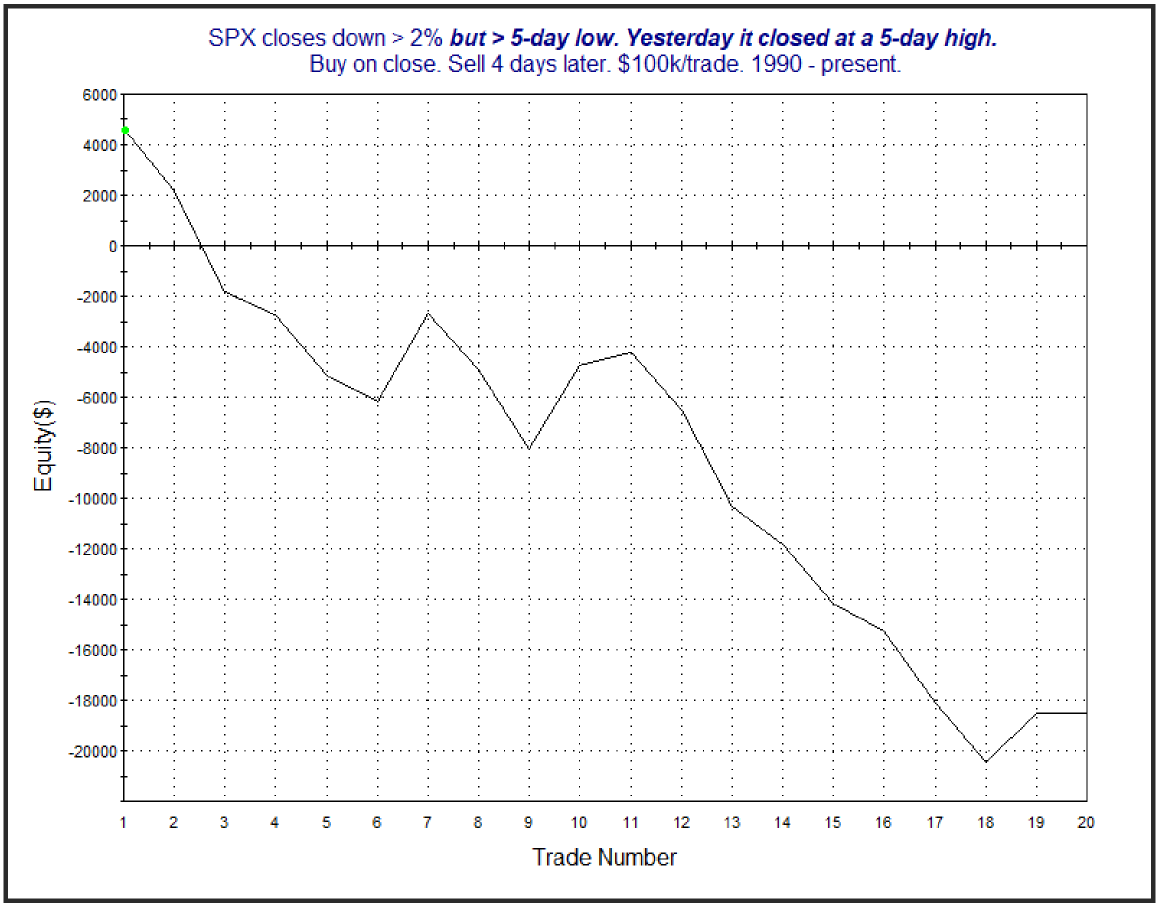
There no longer appears to be an edge.

Interesting about Friday's drop is that it also came immediately after a short-term high. So just the day before, traders were optimistic. This too can be important. Thursday afternoon's buyers are stuck underwater. Let's add that as a filter a see the impact.

SPX closes down > 2% ***but > 5-day low. Yesterday it closed at a 5-day high.***
Buy on close. Sell X days later. $100k/trade. 1990 - 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
10	-434.73	18	12	6	66.67	2,651.41	5,451.60	-5,375.27	-12,316.40	0.49	0.99	-24.15
9	-2,724.04	18	10	8	55.56	2,706.95	5,315.31	-3,724.19	-8,844.52	0.73	0.91	-151.34
8	-13,220.74	18	7	11	38.89	3,586.47	5,516.28	-3,484.18	-11,157.30	1.03	0.66	-734.49
7	-469.95	18	9	9	50.00	2,435.62	4,365.08	-2,487.84	-6,218.30	0.98	0.98	-26.11
6	-5,526.56	18	11	7	61.11	1,564.22	2,768.28	-3,247.56	-6,920.10	0.48	0.76	-307.03
5	-21,112.68	19	9	10	47.37	1,671.93	4,189.92	-3,616.01	-8,254.94	0.46	0.42	-1,111.19
4	-18,505.92	20	5	15	25.00	2,780.16	4,630.50	-2,160.45	-4,029.10	1.29	0.43	-925.30
3	-2,115.63	21	10	11	47.62	2,036.46	4,605.20	-2,043.66	-4,457.38	1.00	0.91	-100.74
2	-3,107.25	21	9	12	42.86	2,390.83	4,498.74	-2,052.06	-5,656.78	1.17	0.87	-147.96
1	-3,961.49	21	12	9	57.14	939.49	2,387.00	-1,692.83	-3,466.02	0.55	0.74	-188.64

This looks somewhat bearish. Below is a 4-day curve.



The strong, steady decline serves as some confirmation of the downside edge.

One bullish study that emerged was last seen just recently in the 3/26/18 letter. It examines performance following 2 strong down days within a week. Results are updated.

SPX closes down > 1.5% for at least the 2nd time in the last 5 days. Close > 200ma.
Buy on close. Sell X days later. $100k/trade. 1987 - 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
10	37,446.59	29	19	10	65.52	3,237.84	5,656.16	-2,407.23	-4,360.44	1.35	2.56	1,291.26
9	40,461.54	30	21	9	70.00	2,973.32	5,761.56	-2,442.02	-5,073.84	1.22	2.84	1,348.72
8	53,836.13	32	23	9	71.88	3,049.34	6,960.84	-1,810.97	-5,882.94	1.68	4.30	1,682.38
7	65,074.58	33	24	9	72.73	3,340.95	7,598.58	-1,678.68	-2,784.75	1.99	5.31	1,971.96
6	46,826.19	33	22	11	66.67	3,057.93	7,272.06	-1,858.94	-3,322.53	1.64	3.29	1,418.98
5	38,545.04	35	23	12	65.71	2,706.03	7,070.28	-1,974.48	-6,368.04	1.37	2.63	1,101.29
4	42,837.90	36	25	11	69.44	2,533.50	5,187.49	-1,863.59	-4,917.36	1.36	3.09	1,189.94
3	34,473.34	38	27	11	71.05	1,897.17	5,339.18	-1,522.74	-2,662.66	1.25	3.06	907.19
2	32,416.99	42	27	15	64.29	1,877.73	4,809.66	-1,218.79	-3,863.25	1.54	2.77	771.83
1	28,819.54	45	33	12	73.33	1,342.38	5,117.46	-1,289.92	-5,829.81	1.04	2.86	640.43

These results look bullish. But what if I take what we learned above and apply it here? Let's break this one down by times a 5-day low was achieved versus times it wasn't.

SPX closes down > 1.5% for at least the 2nd time in the last 5 days. Close > 200ma.
Close = 5-day low. Buy on close. Sell X days later. $100k/trade. 1987 - 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
10	38,158.40	26	17	9	65.38	3,555.71	5,656.16	-2,476.51	-4,488.00	1.44	2.71	1,467.63
9	39,513.48	27	19	8	70.37	3,213.92	5,761.56	-2,693.88	-5,073.84	1.19	2.83	1,463.46
8	52,699.44	29	22	7	75.86	3,174.20	6,960.84	-2,447.57	-5,882.94	1.30	4.08	1,817.22
7	69,321.89	30	23	7	76.67	3,474.37	7,598.58	-1,512.66	-2,375.10	2.30	7.55	2,310.73
6	55,462.02	30	22	8	73.33	3,057.93	7,272.06	-1,476.56	-3,322.53	2.07	5.70	1,848.73
5	46,222.46	30	21	9	70.00	2,744.14	7,070.28	-1,267.17	-3,337.95	2.17	5.05	1,540.75
4	43,691.53	30	22	8	73.33	2,502.10	5,187.49	-1,419.32	-3,351.72	1.76	4.85	1,456.38
3	31,587.04	32	24	8	75.00	2,009.72	5,471.10	-2,080.79	-5,331.20	0.97	2.90	987.09
2	29,182.33	33	24	9	72.73	1,854.76	4,809.66	-1,703.56	-3,863.25	1.09	2.90	884.31
1	25,093.37	36	28	8	77.78	1,400.30	5,117.46	-1,764.38	-5,829.81	0.79	2.78	697.04

These look very strong. But we did not close at a 5-day low…

SPX closes down > 1.5% for at least the 2nd time in the last 5 days. Close > 200ma.
Close > 5-day low. Buy on close. Sell X days later. $100k/trade. 1987 - 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
10	-2,219.38	7	5	2	71.43	810.46	1,425.60	-3,135.84	-4,284.84	0.26	0.65	-317.05
9	1,695.35	7	5	2	71.43	1,047.72	2,952.80	-1,771.63	-2,457.00	0.59	1.48	242.19
8	3,475.88	7	4	3	57.14	1,466.20	2,209.90	-796.30	-1,261.68	1.84	2.46	496.55
7	903.87	8	4	4	50.00	1,776.66	3,030.40	-1,550.69	-2,784.75	1.15	1.15	112.98
6	2,612.13	8	4	4	50.00	2,853.00	3,558.40	-2,199.97	-3,286.40	1.30	1.30	326.52
5	-2,987.37	8	4	4	50.00	2,703.92	3,777.40	-3,450.76	-6,368.04	0.78	0.78	-373.42
4	-4,580.39	8	4	4	50.00	1,435.88	4,297.70	-2,580.97	-4,917.36	0.56	0.56	-572.55
3	-574.23	8	3	5	37.50	2,009.62	4,077.70	-1,320.62	-1,805.40	1.52	0.91	-71.78
2	3,234.66	9	3	6	33.33	2,061.49	3,883.00	-491.63	-1,099.56	4.19	2.10	359.41
1	3,726.17	9	5	4	55.56	1,018.03	1,469.34	-341.00	-797.60	2.99	3.73	414.02

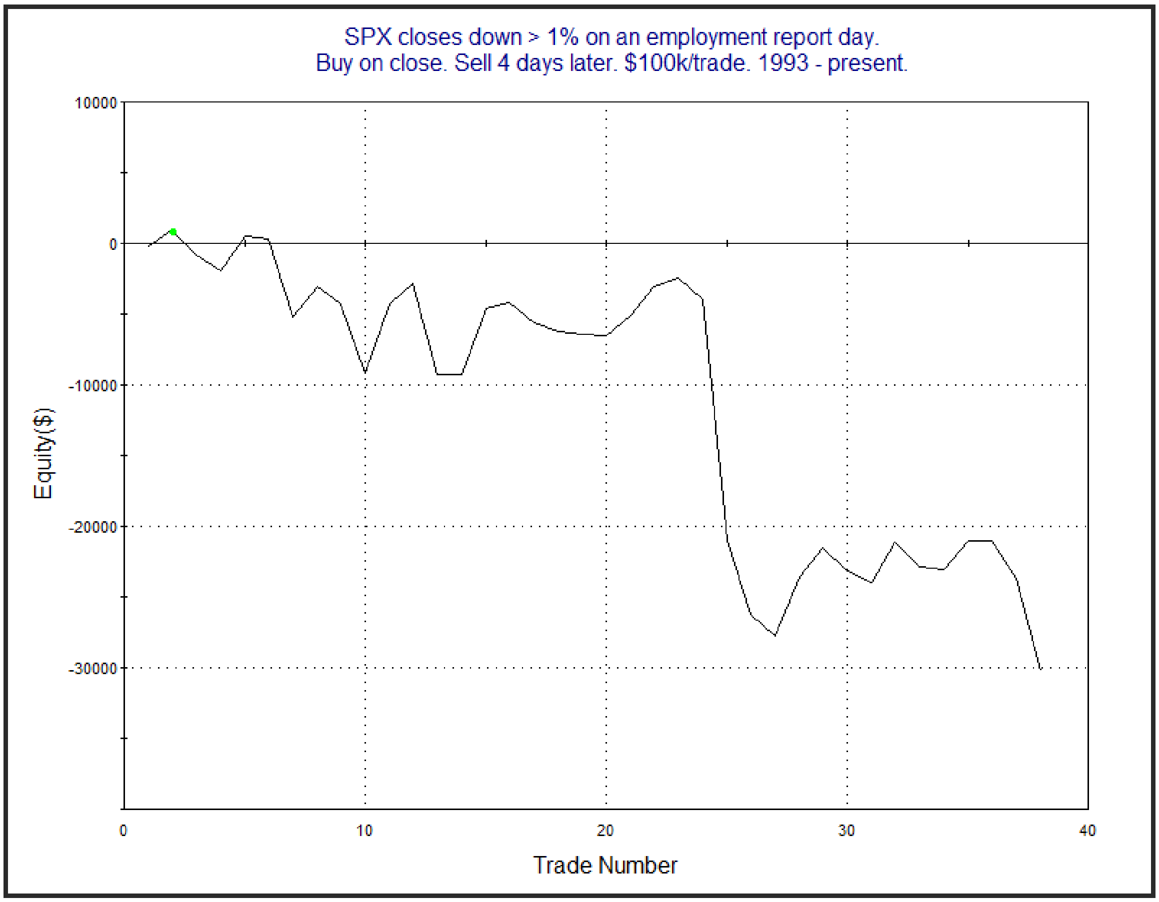
Instances are low here, but the edge no longer seems apparent. Bottom line is Friday's selloff does not appear to be exhaustive. And with the Quantifiable Edges Capitulative Breadth Indicator again sitting at 0, the lack of capitulation is evident there as well.

The fact that the selloff occurred on the day of an employment release might also be problematic. Below is a look at past performance following big selloffs on Employment Days.

SPX closes down > 1% on an employment report day.
Buy on close. Sell X days later. $100k/trade. 1993 - 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	-24,965.96	38	18	20	47.37	2,164.34	5,106.00	-3,196.20	-18,000.90	0.68	0.61	-657.00
4	-30,222.37	38	14	24	36.84	2,321.68	4,847.92	-2,613.58	-17,037.90	0.89	0.52	-795.33
3	-21,818.80	38	16	22	42.11	1,892.17	5,471.10	-2,367.89	-10,286.10	0.80	0.58	-574.18
2	-15,464.22	38	14	24	36.84	1,605.25	4,041.90	-1,580.74	-9,270.00	1.02	0.59	-406.95
1	-12,950.79	38	20	18	52.63	838.05	4,396.50	-1,650.66	-4,302.72	0.51	0.56	-340.81

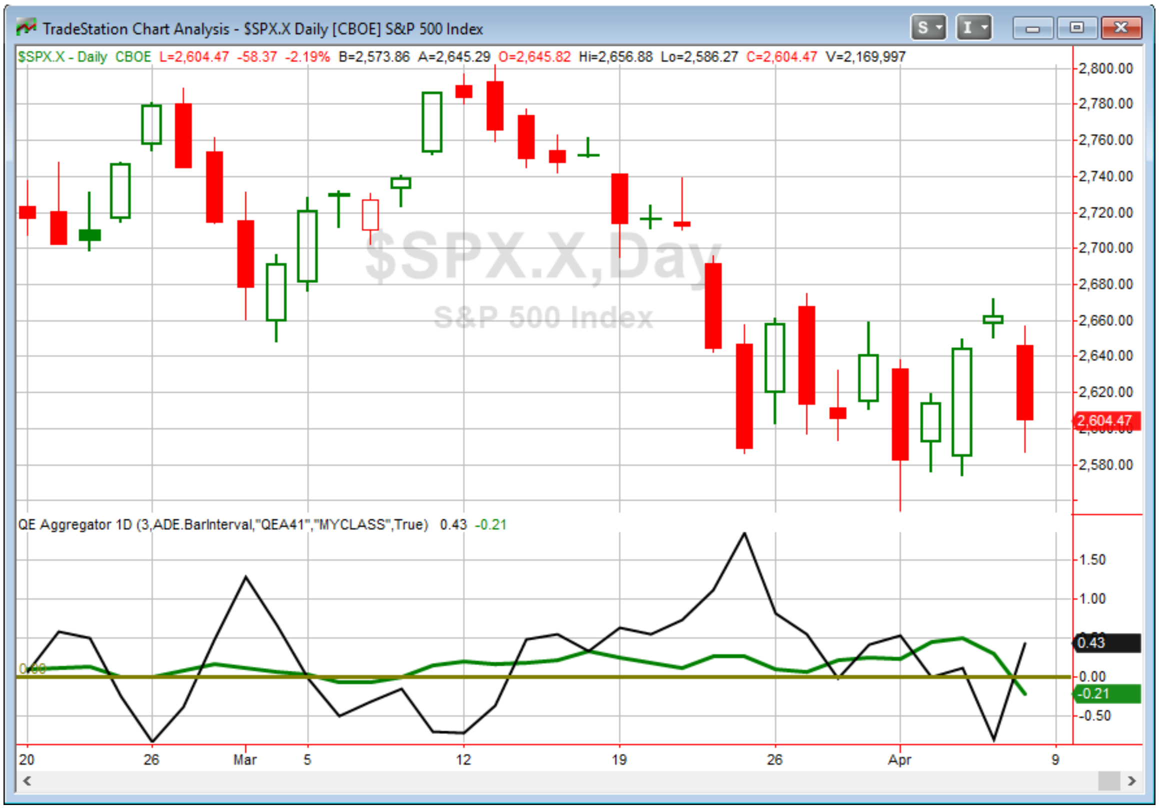
Stats here point South. Below is a profit curve with a 4-day exit.



The profit curve is inconsistent – but it has never looked good. Choppy with the potential for outsized losses appears to be the message.

In addition to the bearish evidence tonight, it is also notable that both bullish studies from the short-term active list were removed. This was due to the fact that they saw drawdowns greater than their avg drawdown + 1 standard deviation. In other words, the market is not acting within normal bounds with relation to those studies. So they were taken off the current active list.

I have updated the Aggregator chart below.



The new evidence tonight led the green Aggregator line to dive below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. But the black Differential Line jumped above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides off 0. Therefore, the Aggregator signal stayed flat at the close.

Based on the current active studies, expectations are slated to remain bearish on Monday. This could change if compelling new bullish evidence emerges. The Differential Pivot will be 2675.87 on Monday. That is a whopping 2.7% above Friday's close. That is an extremely unlikely 1-day gain – especially with expectations being negative. A more likely scenario for working off the oversold condition is a multi-day gain or consolidation.

While some of the studies do not view the market as oversold, the Differential calculation certainly does. That implies reward/risk is poor. I am sidelined and happy to be so. I will remain patient and alert for the next strongly favorable opportunity – be it long or short.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/9– neutral

Combo #1	Combo #2	Combo #3
Long	Long	Flat

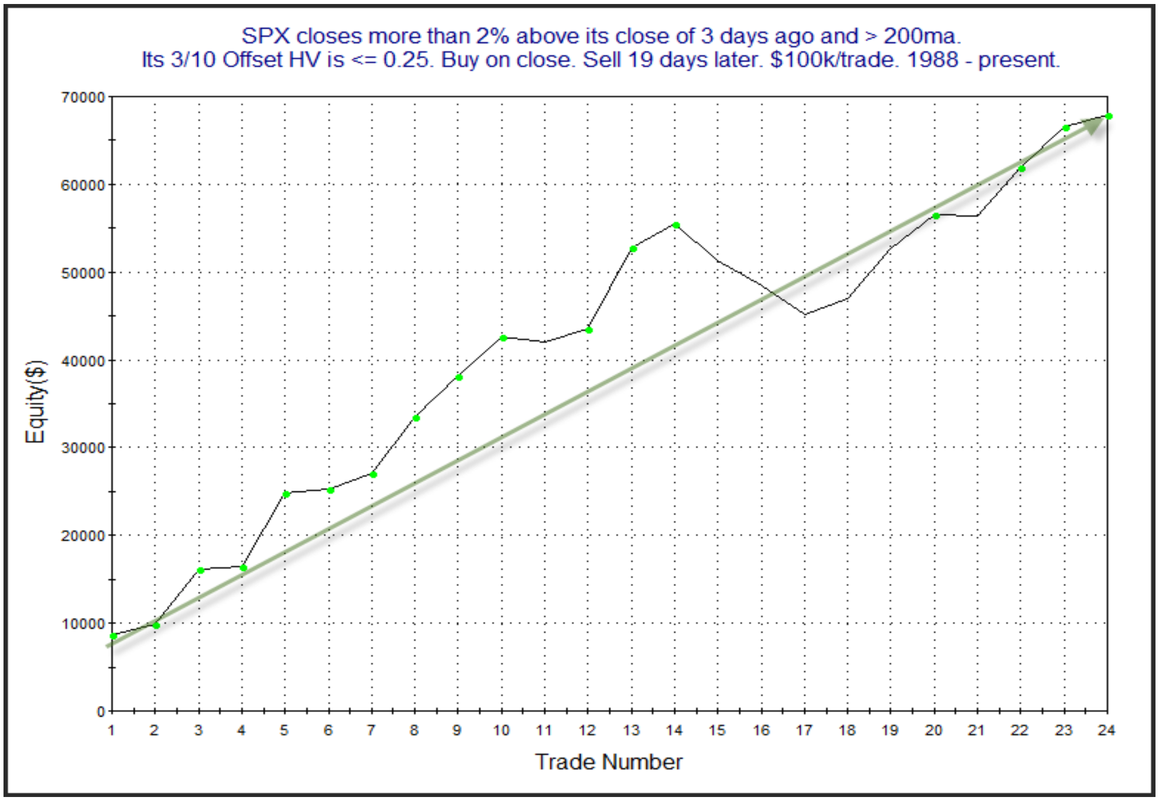
Above is the status of the different Combination Signals from the Quantifiable Edges Market Timing Course. Signals are long-term in nature. All 3 can be either flat or long. None of them look to short. More information on these signals can be found in the Quantifiable Edges Market Timing Course, which is included with all annual subscriptions. Detailed descriptions of these combination approaches can be found in Lesson 8. Subscribers may also download detailed hypothetical historical performance reports covering 12/31/71 – 3/7/14 in Lesson 11, Course Downloads. (You must go through the course first in order to access the Downloads.) *This week Combo System 3 changed from "Long" to "Flat".*

This was the 3rd down week in the last 4. The SPX ended with a 1.4% loss on the week and the NASDAQ fell 2.1%. There was one study with possible intermediate-term implications that emerged. It appeared in Thursday night's letter and I have copied it below.

On Thursday the Quantifiable Edges 3/10 Offset HV indicator came in very low, which is fairly unusual considering we've seen a strong move higher over the last three days. The 3/10 Offset HV Indicator compares the 3-day Historical Volatility reading to the 10-day reading of 3 days ago. When the reading is very low, that means there has been a contraction in volatility. A high reading means there has been an expansion over the last 3 days. I often use 0.25 as an "extremely" low reading. The 3/10 Offset HV has come in at this level or lower about 9% of the time historically. The SPX rally and low 3/10 Offset HV reading on Thursday triggered the study below, which I last discussed in the 12/24/15 letter.

SPX closes more than 2% above its close of 3 days ago and > 200ma. Its 3/10 offset HV is <= 0.25. Buy on close. Sell X days later. $100k/trade. 1985 - 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
20	59,137.75	27	21	6	77.78	3,965.54	9,311.76	-4,023.10	-8,986.08	0.99	3.45	2,190.29
19	64,310.76	27	21	6	77.78	3,951.68	9,258.48	-3,112.41	-7,554.72	1.27	4.44	2,381.88
18	59,761.36	28	22	6	78.57	3,723.98	10,412.64	-3,694.35	-9,374.40	1.01	3.70	2,134.33
17	47,603.10	28	21	7	75.00	3,513.45	10,683.36	-3,739.90	-9,838.08	0.94	2.82	1,700.11
16	49,562.00	28	20	8	71.43	3,690.75	10,667.52	-3,031.62	-8,782.08	1.22	3.04	1,770.07
15	49,647.05	28	20	8	71.43	3,512.91	8,742.96	-2,576.40	-8,832.00	1.36	3.41	1,773.11
14	47,776.60	29	22	7	75.86	2,945.40	8,253.36	-2,431.74	-6,837.60	1.21	3.81	1,647.47
13	42,789.14	29	20	9	68.97	2,987.82	6,434.62	-1,885.25	-8,352.48	1.58	3.52	1,475.49
12	42,739.12	29	21	8	72.41	2,699.66	6,140.16	-1,744.21	-6,029.28	1.55	4.06	1,473.76
11	36,673.31	29	21	8	72.41	2,544.81	5,708.16	-2,095.97	-6,749.76	1.21	3.19	1,264.60
10	33,537.69	30	22	8	73.33	2,330.57	5,768.50	-2,216.86	-6,828.48	1.05	2.89	1,117.92
9	27,002.71	30	19	11	63.33	2,339.94	5,859.48	-1,586.92	-5,817.60	1.47	2.55	900.09
8	17,258.96	30	21	9	70.00	1,560.33	4,162.27	-1,723.11	-3,819.90	0.91	2.11	575.30
7	20,751.57	31	23	8	74.19	1,504.40	3,983.52	-1,731.21	-4,227.28	0.87	2.50	669.41
6	27,503.10	32	25	7	78.13	1,663.38	4,206.89	-2,011.61	-3,782.08	0.83	2.95	859.47
5	24,213.52	32	25	7	78.13	1,489.51	3,481.56	-1,860.60	-2,842.40	0.80	2.86	756.67
4	19,839.16	32	21	11	65.63	1,576.05	2,616.60	-1,205.26	-2,910.70	1.31	2.50	619.97
3	13,261.66	32	23	9	71.88	1,204.03	2,315.72	-1,603.46	-3,701.10	0.75	1.92	414.43
2	13,984.78	33	21	12	63.64	1,030.09	2,451.76	-637.25	-1,675.86	1.62	2.83	423.78
1	1,821.22	35	18	17	51.43	548.31	1,857.24	-473.43	-1,515.80	1.16	1.23	52.03

The numbers here all seem to suggest an upside edge. To get the 3/10 Offset HV indicator that low while the market is rising so strongly would typically require some volatile activity prior to the bounce. That scary, volatile period will often pave the way for a continuation of the rally. Of course, I also wanted to take a look at the profit curves…



... I have added this study to both the short and intermediate-term active lists.

Another possibly significant intermediate-term development is that the NASDAQ fell into a lagging position versus the SPX. The chart below is the same as the one shown on the charts page and it shows the NASDAQ/SPX Relative Strength indicator at the bottom of the chart. The green line (which is about to turn red) moving down below the blue line is the signal that the NASDAQ is now lagging.

Nasdaq/S&P 500 Relative Strength Weekly

Since 4/9/71, which is the earliest data point after the inception of the Nasdaq in which the calculations could be run, until now, the SPX has gained 1857.06 points when the Nasdaq was in leading position. When the SPX has been leading during that time it has gained only 645.31 points. The NASDAQ differential has been even more exaggerated. More information on the indicator, including links to download the model in either Excel or Tradestation, can be found on the Nasdaq Weekly Strength Model page.

For those subscribers that also have access to the Market Timing Course (included with all annual subscriptions), this model is also discussed in detail there. The Excel model there is updated weekly, and also available for download (after completing the course). This model is one of the price-based indicators used for the course.

So let's now look and see how the SPX has performed when the Market Timing Course indicators have been in their current state.

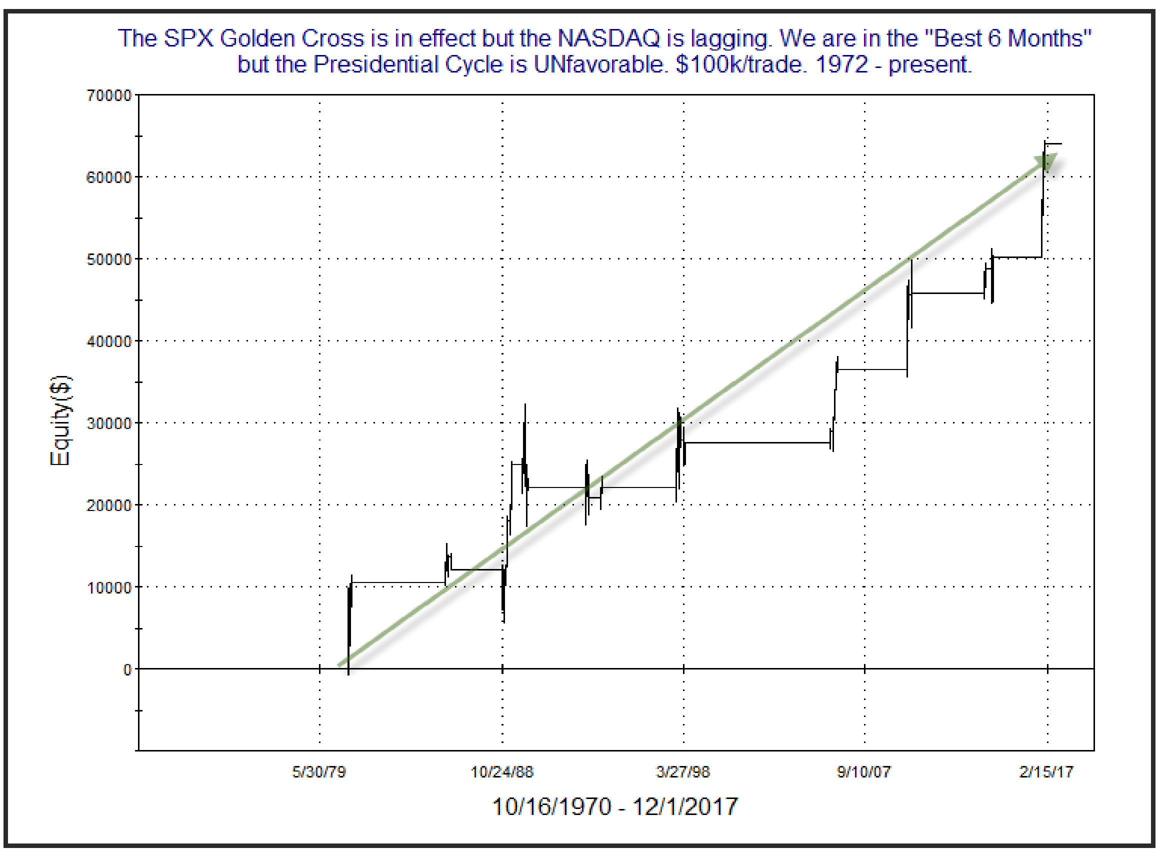
The SPX Golden Cross is in effect but the NASDAQ is lagging. We are in the "Best 6 Months" but the Presidential Cycle is UNfavorable. $100k/trade. 1972 - present.

TradeStation Performance Summary Expand

All Trades

Total Net Profit	$55,828.83	Profit Factor	11.40
Gross Profit	$61,196.58	Gross Loss	($5,367.75)
Total Number of Trades	28	Percent Profitable	82.14%
Winning Trades	23	Losing Trades	5
Even Trades	0		
Avg. Trade Net Profit	$1,993.89	Ratio Avg. Win:Avg. Loss	2.48
Avg. Winning Trade	$2,660.72	Avg. Losing Trade	($1,073.55)
Largest Winning Trade	$9,014.60	Largest Losing Trade	($2,241.45)
Max. Consecutive Winning Trades	12	Max. Consecutive Losing Trades	2
Avg. Bars in Winning Trades	17.87	Avg. Bars in Losing Trades	37.00
Avg. Bars in Total Trades	21.29		

The average stats here are quite impressive, and quite a bit better than might be anticipated. While we only have 2 of the 4 indicators positive at the moment, those 2 have provided a profitable combination in the past. Below I have produced a profit curve utilizing re-investment of capital and compounding.

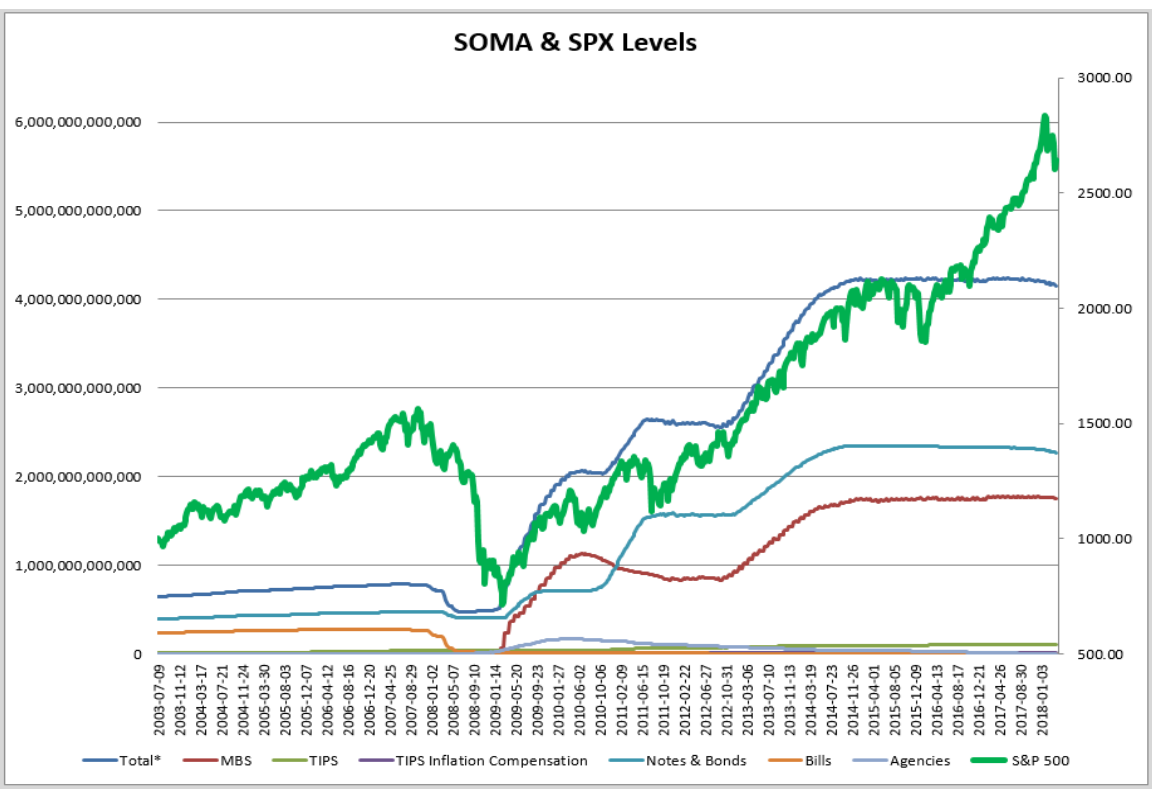


The strong, persistent upslope is impressive, and it adds credibility to the numbers. Of course I would still rather have the NASDAQ leading, but the current formation does not look dire. Keep in mind this will change when we exit the Best 6 Months in a few weeks. As I mentioned last week, this summer looks to have a higher then average chance of a swoon. But more on that when we get closer to May.

As I typically do each week, I have updated our Fed SOMA charts below. Below is a description for those who are new to these charts or who may want a refresher.

SOMA stands for System Open Market Account. It is the account at the Fed that contains all of its bond purchase holdings. We have tracked Fed purchases for several years, and as is evident in the charts below, the stock market has consistently reacted positively when the Fed has been buying securities in the open market and increasing the size of its account. When the account has declined, the market has struggled. The obvious takeaway has been "don't fight the Fed". As far as intermediate-term indicators go, this has been as good as anything in recent years.

While the Fed is not making new QE purchases any longer, it is continuing to reinvest maturities. Therefore, the total assets in their System Open Market Account (SOMA) has not begun to dive like the old Quantifiable Edges POMO indicators did. Below are long and short-term views of SOMA and SPX. First, the long-term view (back to 2003).



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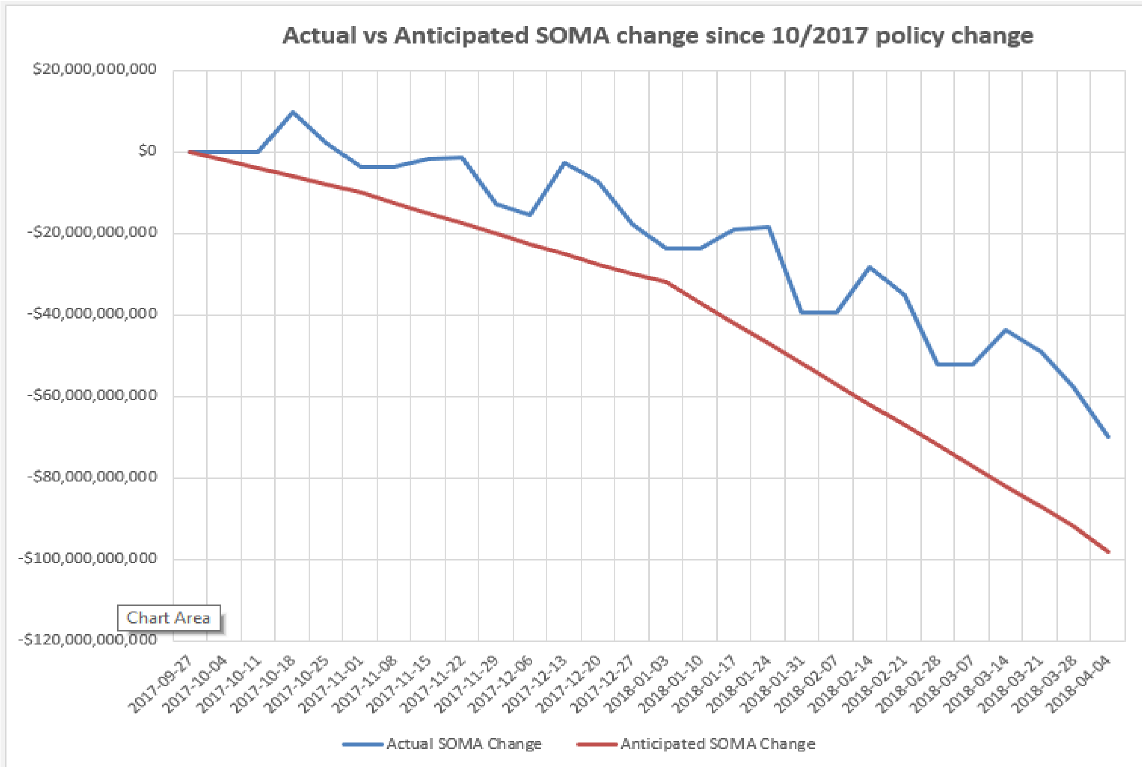
And now a zoomed-in view since October comparing expected reductions to actual.



The Fed's SOMA this past week (Wednesday to Wednesday) declined about $12 billion, or 0.29%. That is little strong for what you would expect with a stated reduction rate of $30 billion per month. But the SOMA reduction was likely playing some catch-up from near the end of March. As you can see in the chart above, the early parts of months have actually seen the SOMA rise a little, and the large reductions have happened towards the end of the months. We'll see if this changes now that the reduction rate has been increased to $30 billion starting in April. I remain of the opinion that the current Fed policy will continue to act as a headwind for the bulls and leave the market more prone to liquidity events and sharp selloffs. I don't see a low-volatility bull market emerging anytime soon.

Overall, the intermediate-term evidence is still mixed. We did see one new bullish intermediate-term study emerge this past week. And with 2 of the 4 Market Timing Course indicators bullish and 2 of 3 Market Timing Course combo systems pointing higher, the bulls have some things going their way. But bears have hope as well. The bearish FTD study is still active, and the SOMA reduction remains my largest bearish concern. The NASDAQ is now lagging, and we will soon be approaching the "Worst 6 Months" period. I am keeping my bias as "neutral" for now. I could turn bearish in coming weeks. A neutral intermediate-term outlook means I am considering short-term trading opportunities to the long or short side with similar enthusiasm.

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

None

A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 can be found here.