

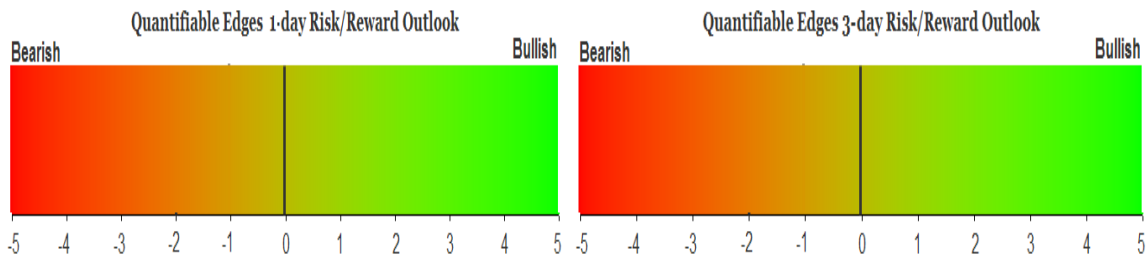
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 10, 2018

Volume 11 Issue 68

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- The inability to recover much of Friday's losses does not bode well for the next few days.
- The mid-day drop after a strong run-up is something that has often been followed by gains. (So evidence is mixed.)

## *Short-term Outlook*

### *The Bottom Line*

Expectations remain bearish, but reward/risk for shorts is not strong with the SPX already oversold.

*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
<b>Active - Short Term</b>						
April 10, 2018	GapUp 0.75% rally. Close < open	1-3 days	Bullish	2.00%	-1.40%	-3.00%
April 10, 2018	1.75% drop then small bounce	1-3 days	Bearish	-1.90%	0.90%	1.90%
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%
<b>Active - Long Term</b>						
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 \$20billion	int term	Bearish			
April 26, 2016	Golden Cross	int term	Bullish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			

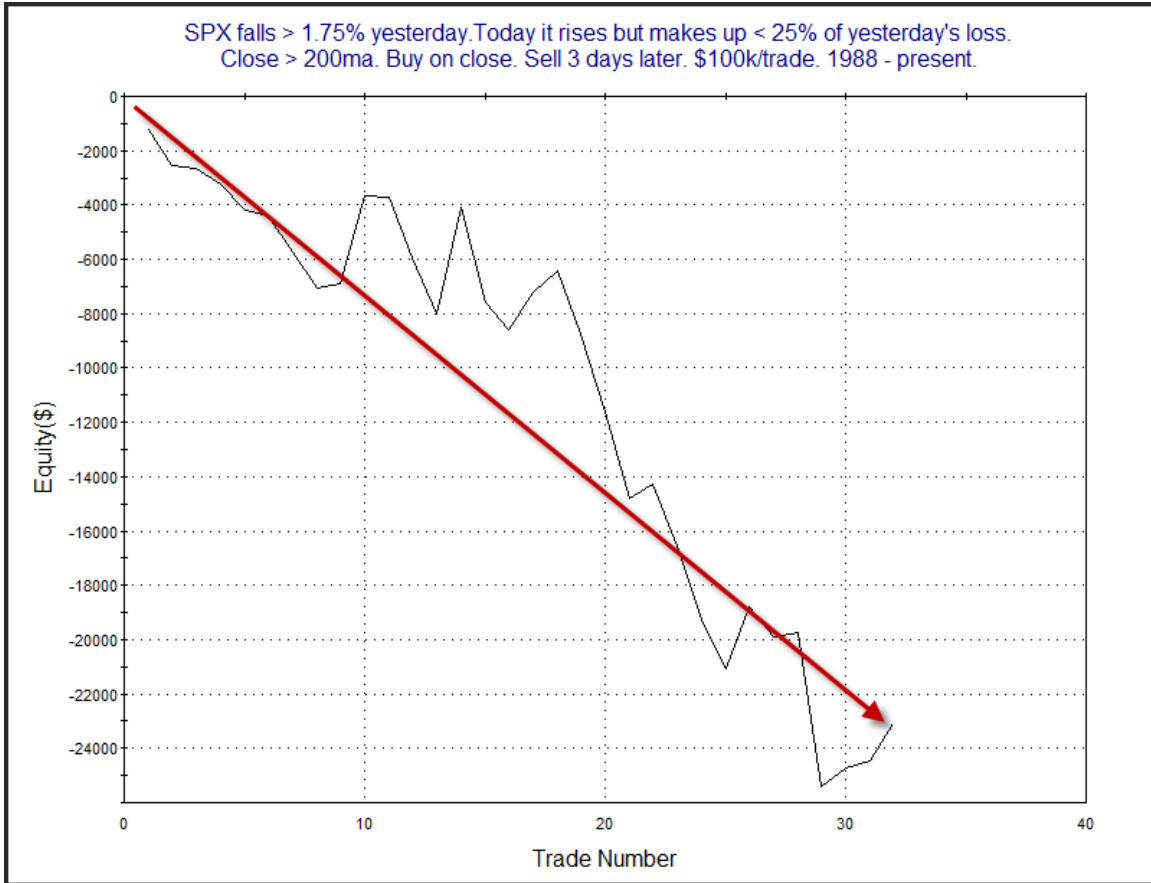
**The Evidence**

Monday started off strong, but late afternoon selling caused many of the gains to evaporate. The SPX finished up 0.3%, the NASDAQ gained 0.5%, and the Russell 2000 rose 0.1%. Breadth was negative as the NYSE Up Issues % was 49% and the Up Volume % came in at 48%. NYSE volume declined some from Friday's level.

Often the 1st day of a bounce can provide us clues as to the chances of the bounce following through. As a basic guideline, a strong initial bounce from an oversold condition is more likely to see follow through than a weak bounce. One study I did with regards to this was last seen in the 5/19/17 letter. I have updated the results below.

SPX falls > 1.75% yesterday. Today it rises but makes up < 25% of yesterday's loss. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1988 - 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	-15,399.25	32	13	19	40.63	1,595.81	4,769.00	-1,902.36	-5,506.23	0.84	0.57	-481.23
4	-17,740.26	32	13	19	40.63	1,560.91	2,587.95	-2,001.69	-4,284.75	0.78	0.53	-554.38
3	-23,089.20	32	11	21	34.38	1,346.09	3,939.79	-1,804.58	-5,685.45	0.75	0.39	-721.54
2	-17,229.91	33	15	18	45.45	697.02	2,794.56	-1,538.07	-3,844.10	0.45	0.38	-522.12
1	-13,296.89	33	13	20	39.39	601.64	1,669.20	-1,055.91	-2,302.95	0.57	0.37	-402.94

The numbers here look decidedly bearish. Below is a look at a 3-day profit curve.



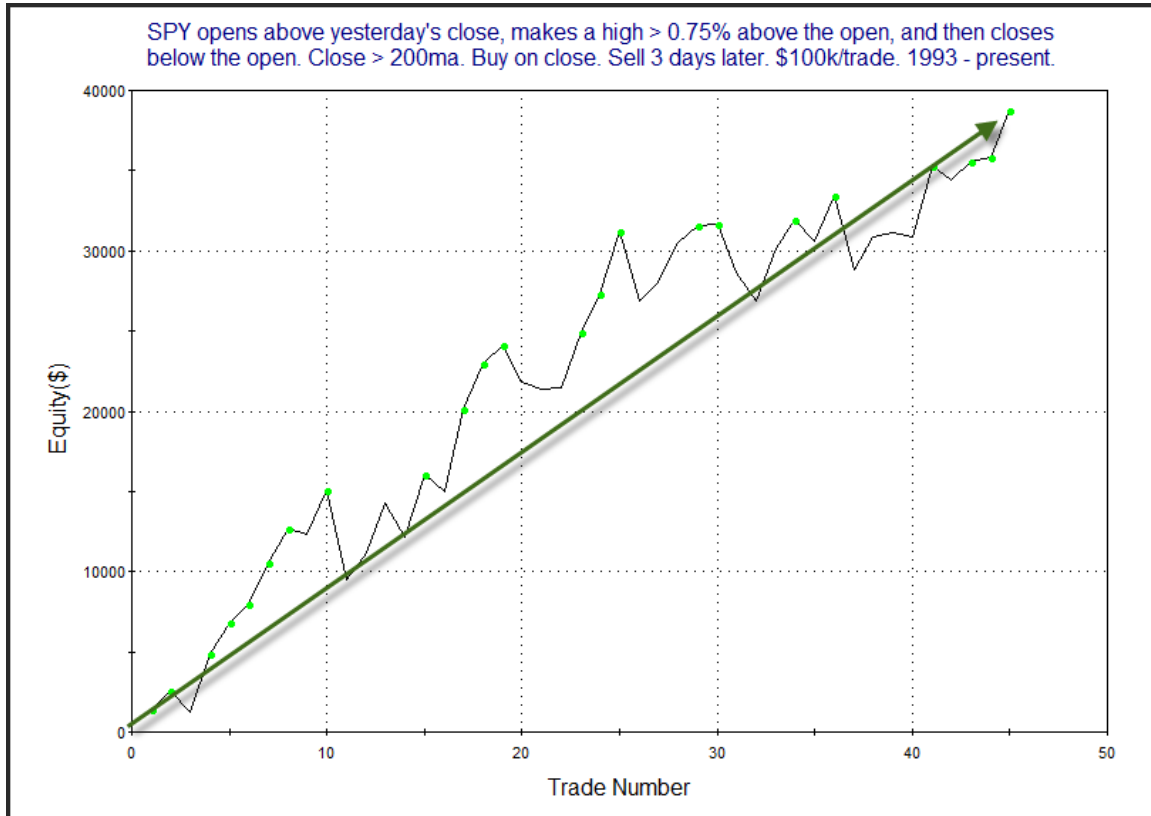
The strong and persistent decline serves as some confirmation of the downside edge.

I also looked at the reversal from the morning rally a number of ways. I repeatedly found evidence suggesting the afternoon swoon was potentially bullish for the next few days. The study below exemplifies this concept.

SPY opens above yesterday's close, makes a high > 0.75% above the open, and then closes below the open. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

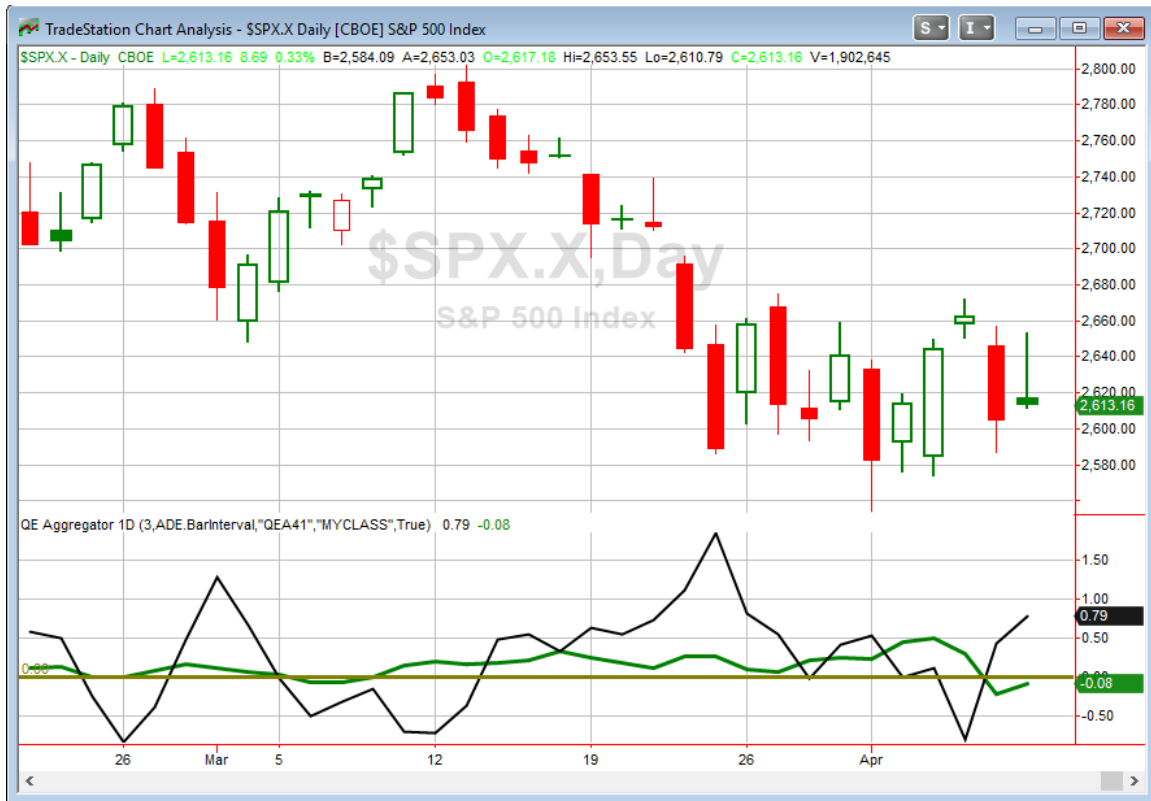
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	35,862.42	42	31	11	73.81	2,090.51	5,473.48	-2,631.22	-8,618.72	0.79	2.24	853.87
4	20,923.03	44	29	15	65.91	2,316.84	4,871.32	-3,084.35	-12,608.53	0.75	1.45	475.52
3	38,731.00	45	31	14	68.89	2,198.09	5,141.52	-2,100.69	-5,587.56	1.05	2.32	860.69
2	18,970.25	46	29	17	63.04	1,482.80	4,153.36	-1,413.58	-5,249.75	1.05	1.79	412.40
1	6,268.98	46	26	20	56.52	913.30	2,359.84	-873.84	-2,729.16	1.05	1.36	136.28

Evidence was even more lopsided if I required a stronger rally like we saw today, but that made instances quite low. This seemed more appropriate for setting expectations. Below is a look at the 3-day profit curve.



While it has chopped a bit, the upslope has been fairly steady, and it has made its way from lower left to upper right on the chart. This study seems worth consideration as well – leaving evidence mixed tonight.

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



With tonight's studies considered the green Aggregator line remained below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. And black Differential Line held 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 Tuesday. This could change if compelling new bullish evidence emerges. The Differential Pivot will be 2694.46 on Tuesday. That is a whopping 3.1% above Monday'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.

My outlook is much the same as last night. Negative expectations and an oversold market leave us with poor reward/risk. I am not inclined to do anything on Tuesday. 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*

### **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](#).*

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