

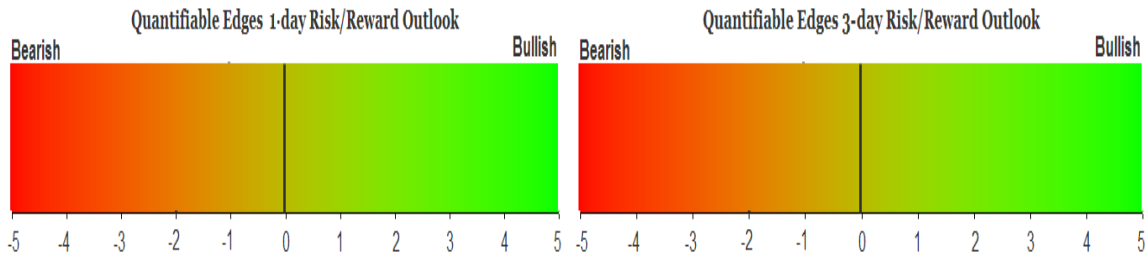
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 11, 2018

Volume 11 Issue 69

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- A 2-day rise in SPY that fails to make up the losses of the previous day has often been followed by more short-term buying.

Short-term Outlook

The Bottom Line

Similar to the last 2 days, 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
Active - Short Term						
April 11, 2018	SPY up s < 3 days ago	1-2 days	Bullish	0.90%	-0.75%	-1.50%
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 \$20billion	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 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%

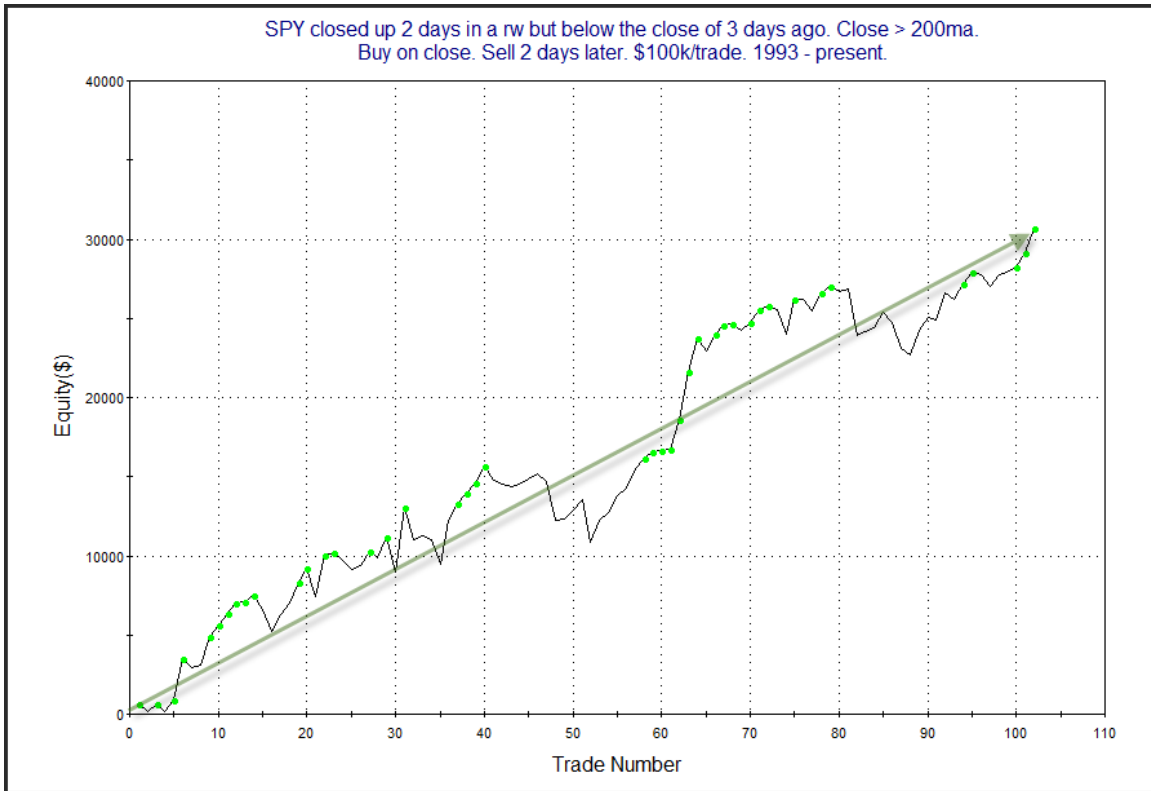
The Evidence

Tuesday was a strong day for the market with much of the gains actually coming before the open. The SPX finished up 1.7%, the NASDAQ gained 2.1%, and the Russell 2000 rose 1.9%. Breadth was positive as the NYSE Up Issues % was 75% and the Up Volume % came in at 88%. NYSE volume rose some from Monday's level.

Despite the strong numbers, there was not a lot of new evidence that emerged. The study below is from the 12/8/17 subscriber letter. It looked at times that SPY rose 2 days in a row but still failed to close above the close of 3 days ago. The results table is updated.

SPY closed up 2 days in a row but below the close of 3 days ago. 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	22,245.76	99	58	40	58.59	1,467.73	4,717.70	-1,572.06	-6,549.84	0.93	1.35	224.70
4	28,489.00	101	66	35	65.35	1,285.02	4,698.60	-1,609.21	-4,384.89	0.80	1.51	282.07
3	25,366.43	102	66	36	64.71	1,143.44	3,000.00	-1,391.68	-4,092.24	0.82	1.51	248.69
2	30,705.79	102	68	34	66.67	911.12	4,088.25	-919.12	-2,932.22	0.99	1.98	301.04
1	11,028.23	102	58	42	56.86	620.36	3,732.75	-594.11	-1,777.90	1.04	1.44	108.12

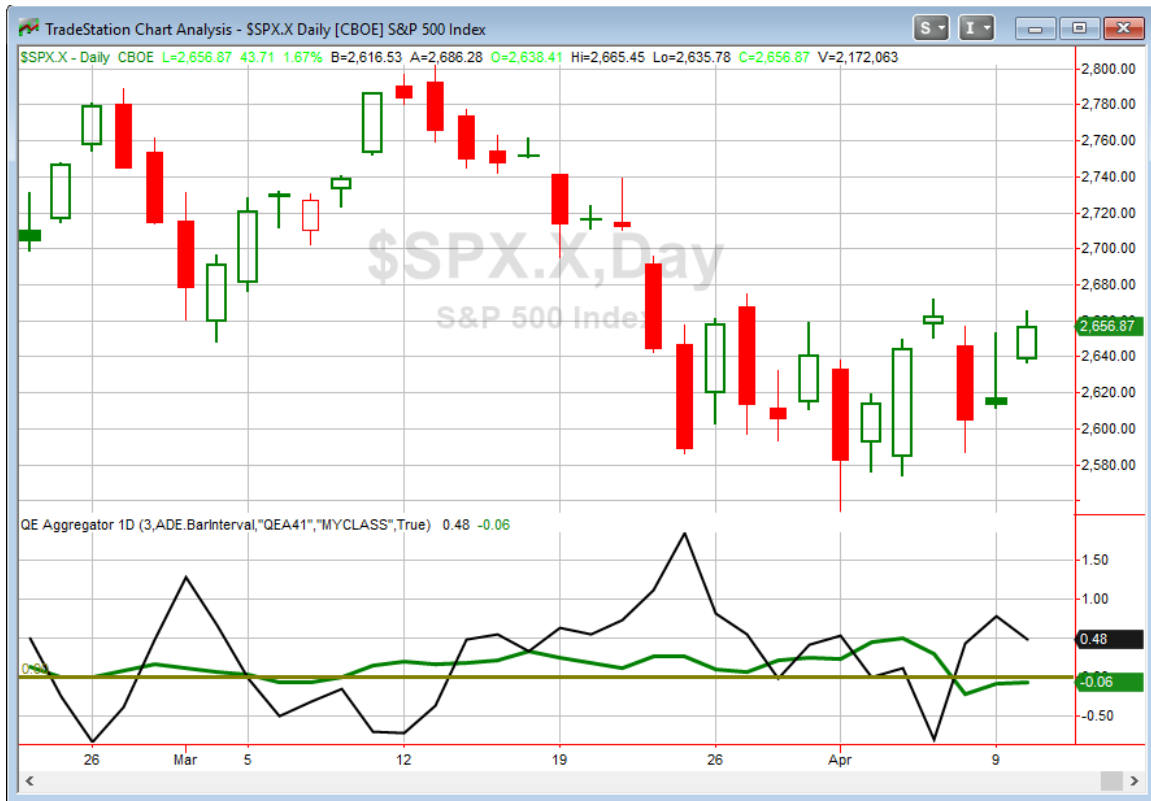
The stats appear to suggest a bit of an upside edge over the 1st 2 days. Below is an equity curve using a 2-day exit strategy.



There have been a few dips in the curve but overall it seems good enough to include the study on the Active List.

I will also note that both studies from last night have been removed from the Short-Term list. The bullish one reached its target already, and the bearish one moved more than one standard deviation beyond its typical drawdown. So they are no longer considered active.

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



Even with tonight's study 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 Wednesday. This could change if new bullish evidence emerges. The Differential Pivot will be *inverted* at 2619.29 on Wednesday. That is a 1.4% *below* Tuesday'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 1.4% on Wednesday in order to remain oversold versus expectations. Failure to do so will see SPX flip to a short-term overbought condition.

So the Aggregator is neutral, evidence is mixed, and the Differential Pivot is inverted. That suggests weak reward/risk and a fair amount of uncertainty. I am not inclined to get involved until I see a strong edge emerge. I will remain in wait-and-be-ready mode.

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](#).

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2018 Quantifiable Edges, LLC.