

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 13, 2018

Volume 11 Issue 71

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Some bullish seasonality will be kicking in next week.

Short-term Outlook

The Bottom Line

Evidence is quite lacking. Bullish seasonality should kick in soon, but the market is already overbought. So there does not appear to be a strong edge at the moment.

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

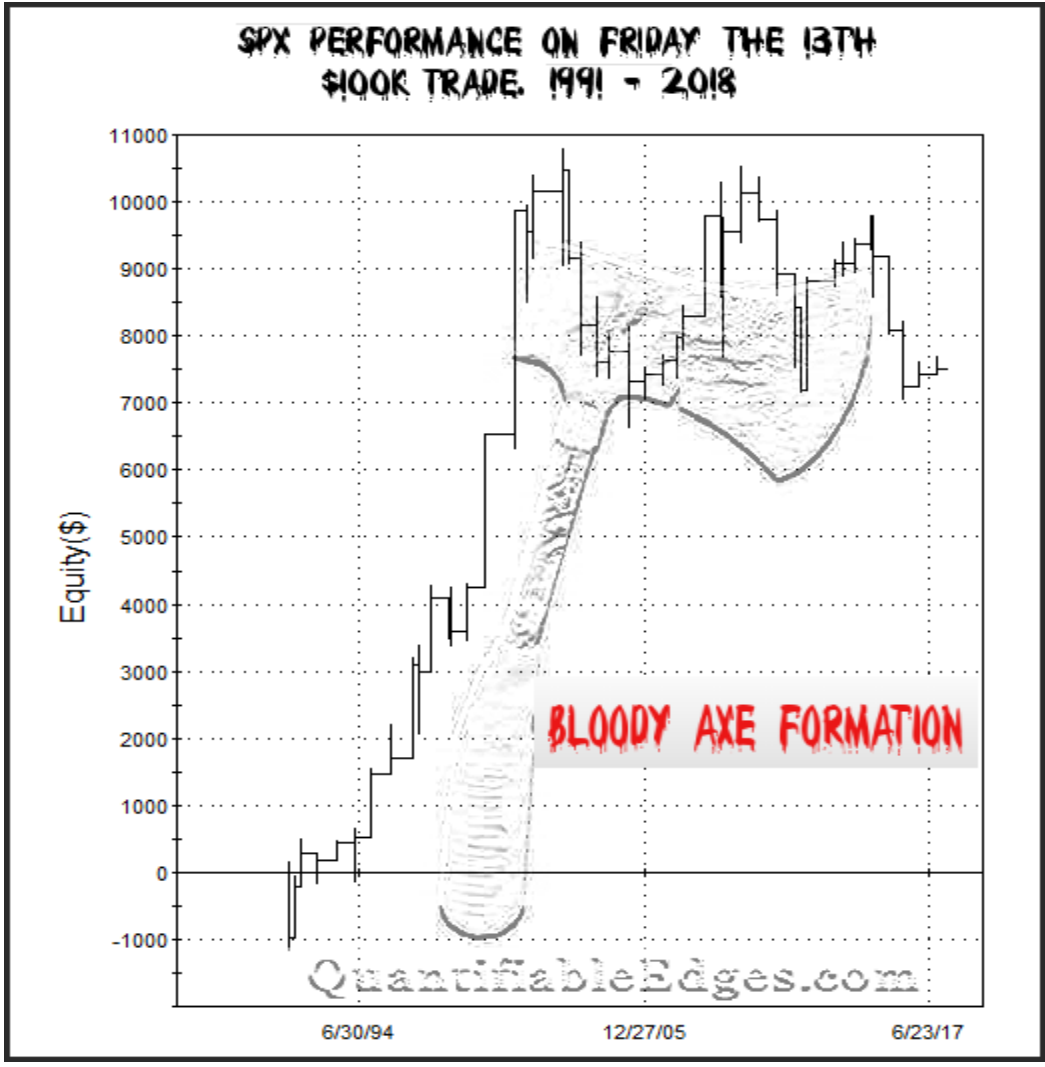
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
None						
Active - Long Term						
April 6, 2018	2%+ gain over 3 days. Offset HV < 0.25	1-19 days	Bullish	4.30%	-2.20%	-4.80%
February 15, 2018	FTD with moderate breadth & volume	int term	Bearish			
January 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

Thursday was a strong day for the market. The SPX gained 0.8%, the NASDAQ rallied 1.0%, and the Russell 2000 rose 0.7%. Breadth was positive as the NYSE Up Issues % was 53% and the Up Volume % came in at 59%. NYSE volume came in very light for the 2nd day in a row.

SPX is on the verge of breaking out of its multi-week range. In fact, it closed just a little above its recent 4/5/18 closing high. But the intraday high fell just shy of the 3/27/18 intraday high. So whether it is a breakout or not is open to interpretation. If you do consider it a breakout, then it is a very weak one. The market seems to be at a point where a break higher and rally above the recent range appears very possible. It is also possible that it drops down from here and retests the bottom of the range. Unfortunately, while much is possible, I am not seeing strong indications showing what is probable. Of course such a dearth of compelling short-term evidence rarely lasts for long. I expect price action, volume, or volatility will give us more substantial clues in the coming days. And I know that seasonality will be in play.

Friday the 13th is upon us. Known for bad luck and horror movies, I decided to go back and see how SPX has performed on this day. What I found was scary...

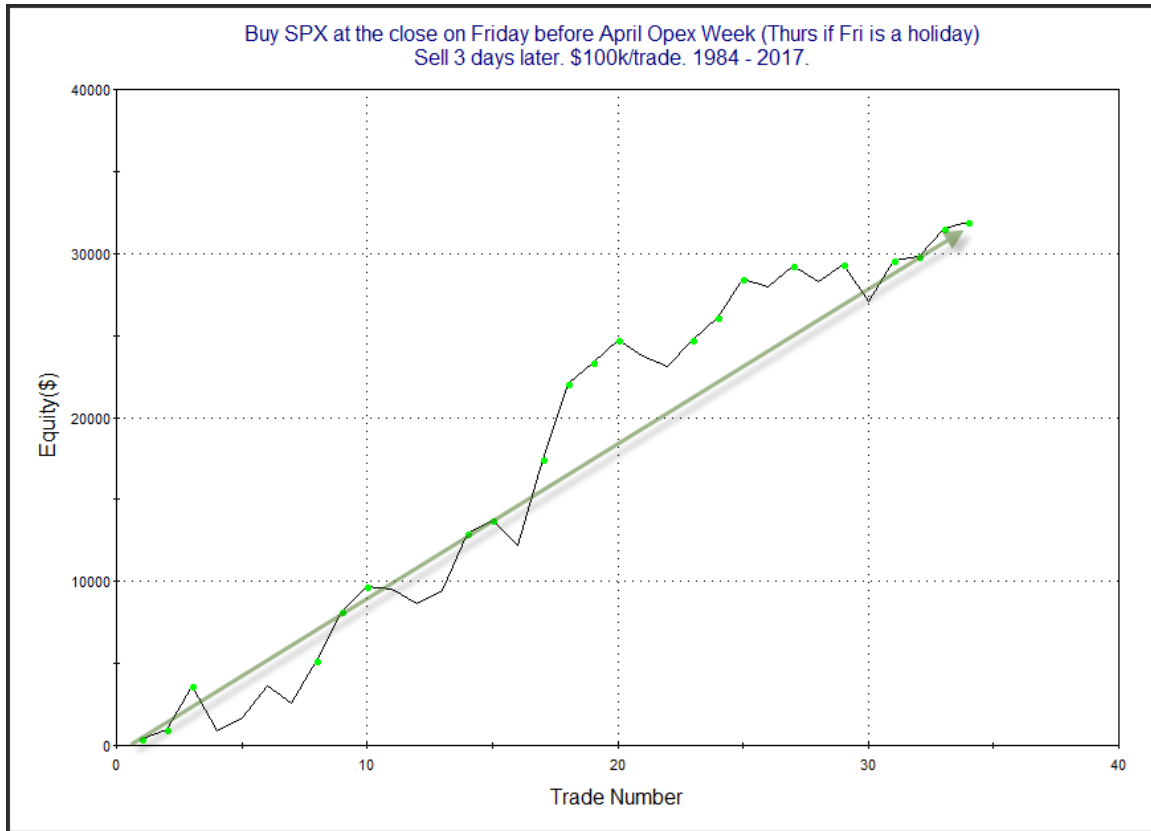


Of course, the above is a joke. But seasonality IS coming into play. April expirations week is next week, and it has historically been very bullish. The study below, from the 4/11/16 letter shows this. Results are updated.

Buy SPX at the close on Friday before April Opex Week (Thurs if Fri is a holiday)
Sell X days later. \$100k/trade. 1984 - 2017.

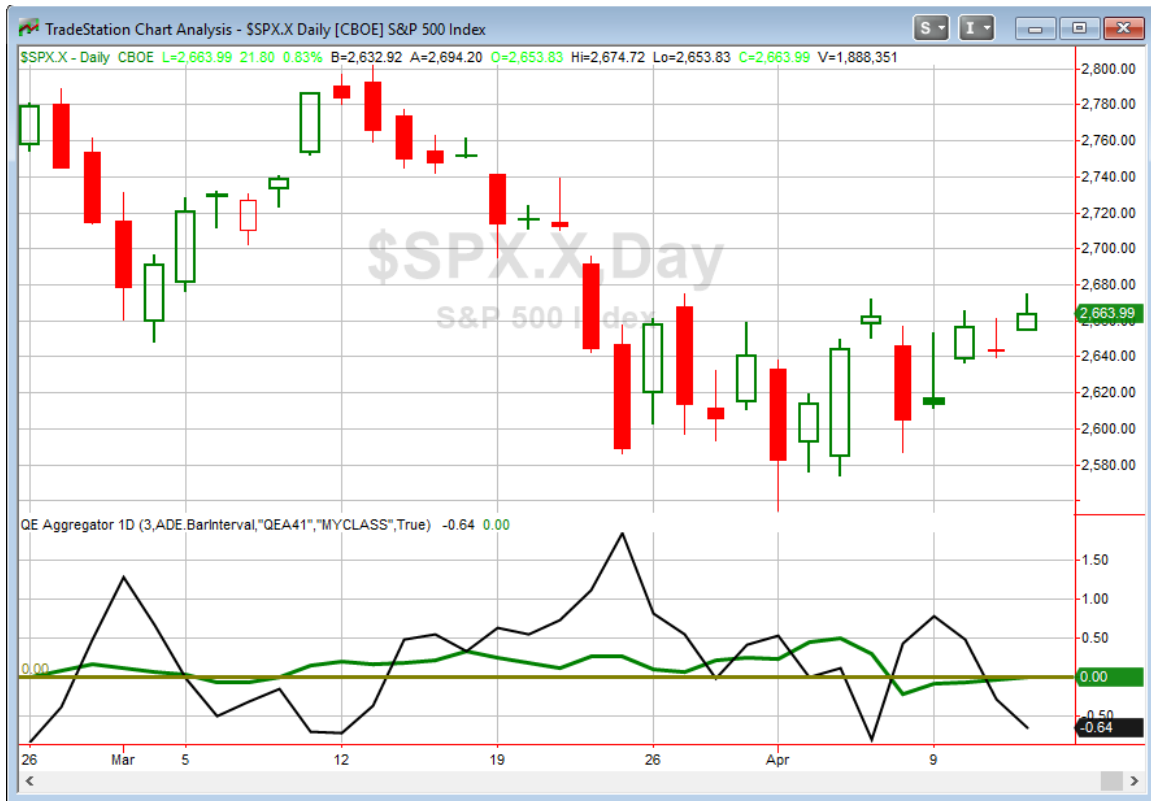
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	27,492.84	34	21	13	61.76	2,202.03	5,393.97	-1,442.30	-3,580.15	1.53	2.47	808.61
4	28,937.00	34	23	11	67.65	1,989.33	5,895.12	-1,528.87	-3,587.57	1.30	2.72	851.09
3	31,883.24	34	24	10	70.59	1,817.25	5,215.85	-1,173.07	-2,745.05	1.55	3.72	937.74
2	23,132.30	34	27	7	79.41	1,232.15	6,245.15	-1,447.96	-4,545.53	0.85	3.28	680.36
1	8,006.42	34	22	12	64.71	730.30	3,322.23	-671.67	-2,339.26	1.09	1.99	235.48

The consistency has been very impressive. It suggests an upside edge the first few days of the week. Below is a profit curve that assumes a 3-day holding period.



The strong, steady upslope is encouraging, and serves as some confirmation of the upside edge. I will repeat this study over the weekend as well. I will also discuss in the weekend letter the bullish inclination of tax day, which this year falls on Tuesday the 17th. So while there is nothing new being added to the active list tonight, it is worth keeping in mind that some bullish seasonality will become active in the next few days.

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



With the intermediate-term evidence neutral and the short-term vacant, the green Aggregator line closed right at zero. This means expectations from the Active List are dead neutral over the next few days. Meanwhile, the black Differential Line held below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are flat and SPX is overbought. This is considered a neutral configuration. Therefore, the Aggregator signal turned flat at the close.

With positive seasonality about to kick in, expectations are currently slated to turn bullish on Friday. That could change if new bearish evidence emerges. The Differential Pivot will be 2647.23 on Friday. That is 0.6% below Thursday's close. Therefore, SPX will need to close down at least 0.6% on Friday to flip from overbought to oversold versus expectations.

Evidence is weak, the market is overbought, and expectations are slated to turn bullish. This still does not appear to be a setup with strong reward/risk. I will continue to wait patiently until a more favorable opportunity emerges.

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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