

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 17, 2018

Volume 11 Issue 73

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Tax Day and the day after have been bullish historically.

Short-term Outlook

The Bottom Line

Similar to last night...evidence is suggesting we could see a further move up in the next few days, but the market is currently overbought and not offering a very favorable entry opportunity. This leaves me short-term neutral.

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 17, 2018	Tax Time Bullish	1-2 days	Bullish			
April 16, 2018	April Opex Week Bullish	1-3 days	Bullish	1.80%	-0.90%	-2.00%
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%
April 2, 2018	SOMA reduction intensifies to \$30billion	int term	Bearish			
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%
April 26, 2016	Golden Cross	int term	Bullish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			

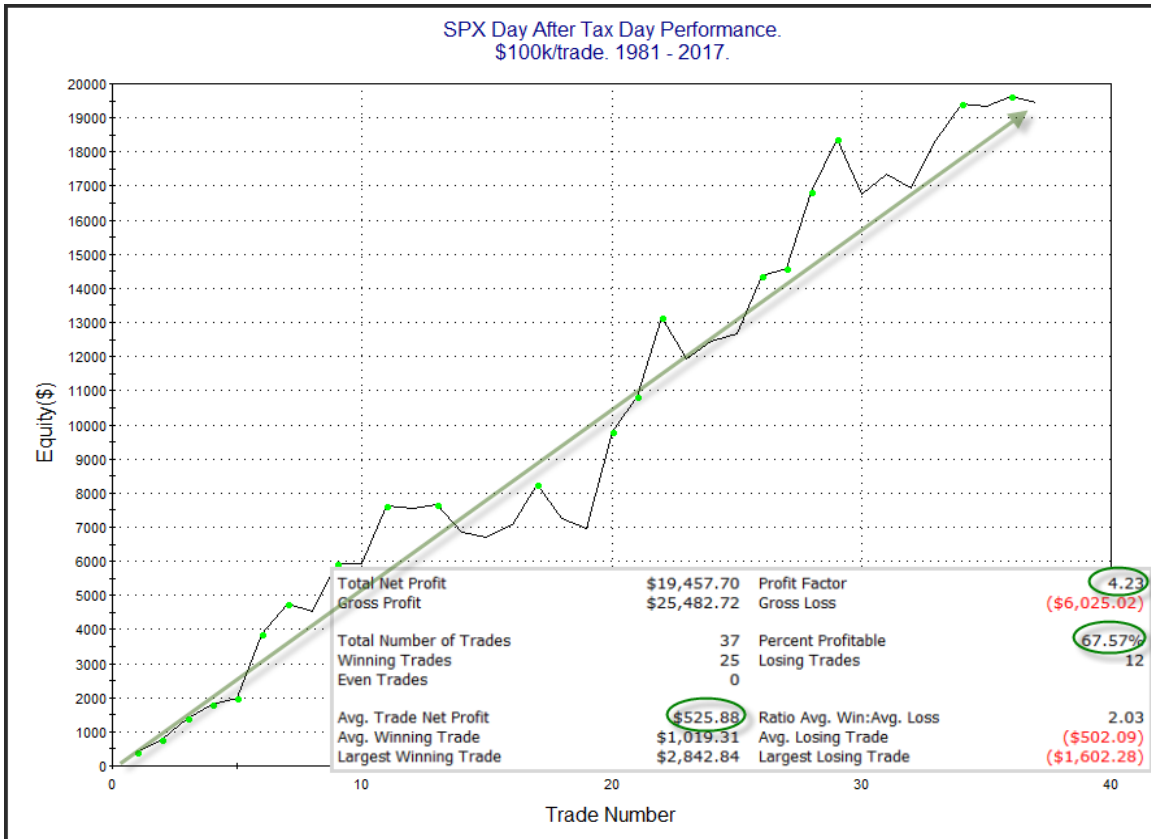
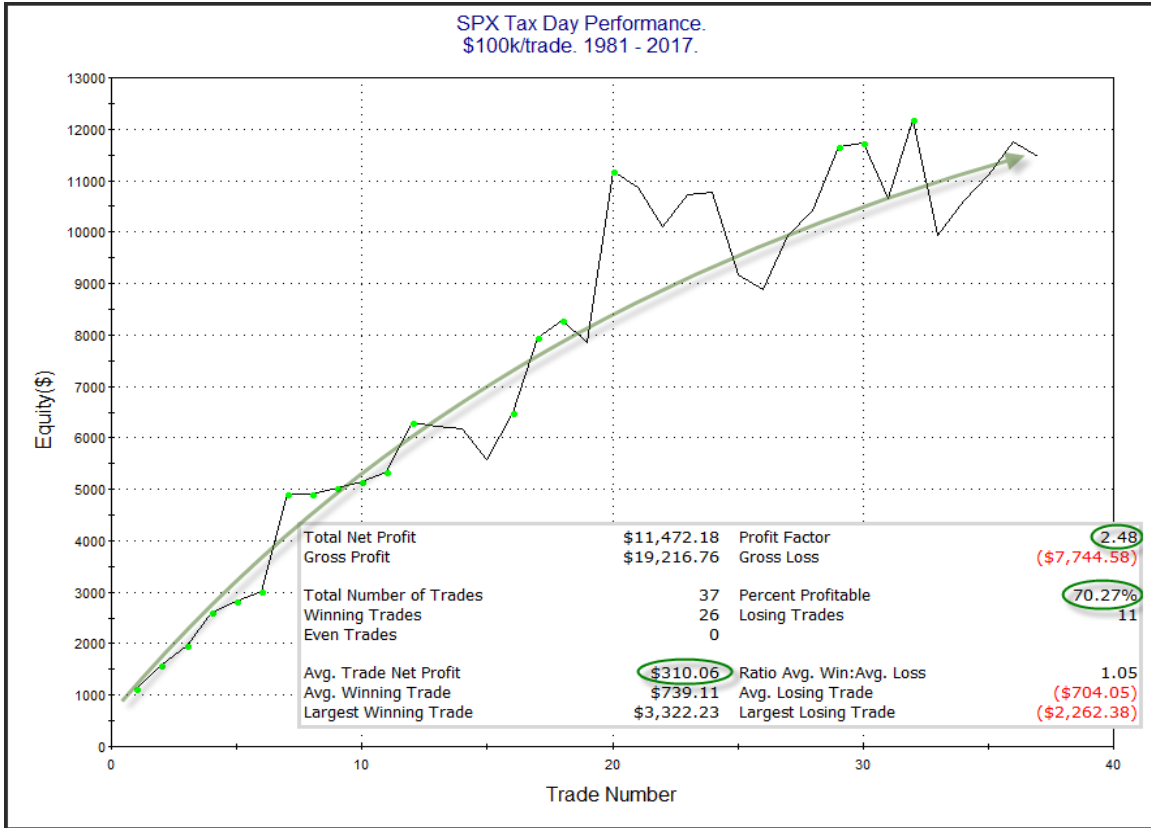
The Evidence

The market started strong on Monday and continued a bit higher, leaving all the major indices with solid gains. The SPX rose 0.8%, while the NASDAQ and the Russell 2000 each climbed 0.7%. Breadth was positive as the NYSE Up Issues % was 71% and the Up Volume % came in at 73%. NYSE volume rose a little from Friday's very low level.

SPX did manage to poke above its recent range that it has been struggling to move out of. But studies are not showing the current short-term high is particularly bullish or bearish with the current setup.

April opex week started off well as it often does. It is normally strong through Wednesday, and for the next 2 days we also have tax-time bullishness to consider. I wrote about tax-time bullishness in Sunday's letter. I have copied that section below.

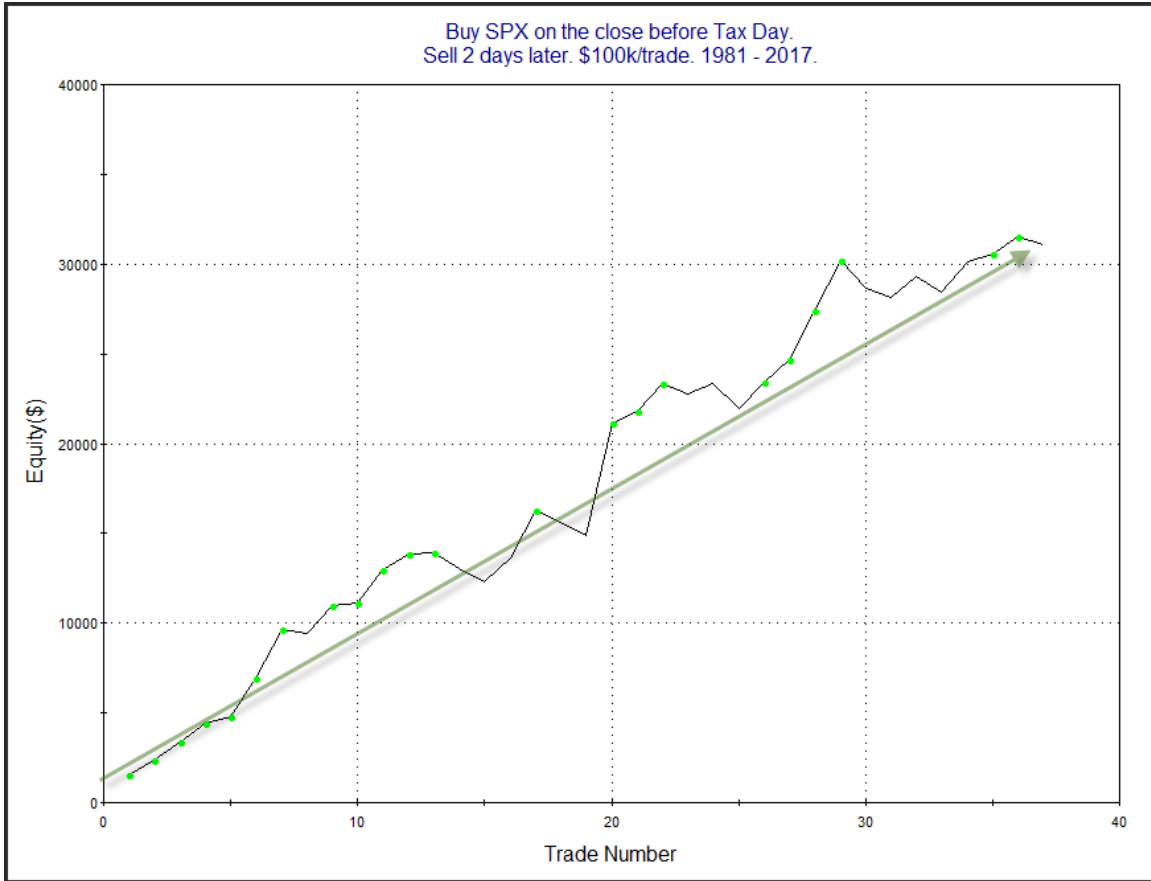
In the 4/17/17 letter I showed that there has been a strong historical tendency on tax day (normally April 15th, but Tuesday the 17th this year) and the day immediately after. The reason tax day may be important is that it is the last day that people can make IRA contributions to count for the previous tax year. This can create a last-minute rush and you will often have an inflow of funds heading into the market right around and on April 15th. Fund managers will often put this money to work immediately and it creates a positive bias for the market. Below are some updated studies that demonstrate this.



As you can see, both of these days seem to contain very solid upside edges. The study below looks at what happens if you hold for both days instead of just one.

Buy SPX on the close before Tax Day. Sell 2 days later. \$100k/trade. 1981 - 2017.			
TradeStation Performance Summary			Expand ▾
All Trades			
Total Net Profit	\$31,050.34	Profit Factor	4.61
Gross Profit	\$39,641.52	Gross Loss	(\$8,591.18)
Total Number of Trades	37	Percent Profitable	70.27%
Winning Trades	26	Losing Trades	11
Even Trades	0		
Avg. Trade Net Profit	\$839.20	Ratio Avg. Win:Avg. Loss	1.95
Avg. Winning Trade	\$1,524.67	Avg. Losing Trade	(\$781.02)
Largest Winning Trade	\$6,245.15	Largest Losing Trade	(\$1,518.64)

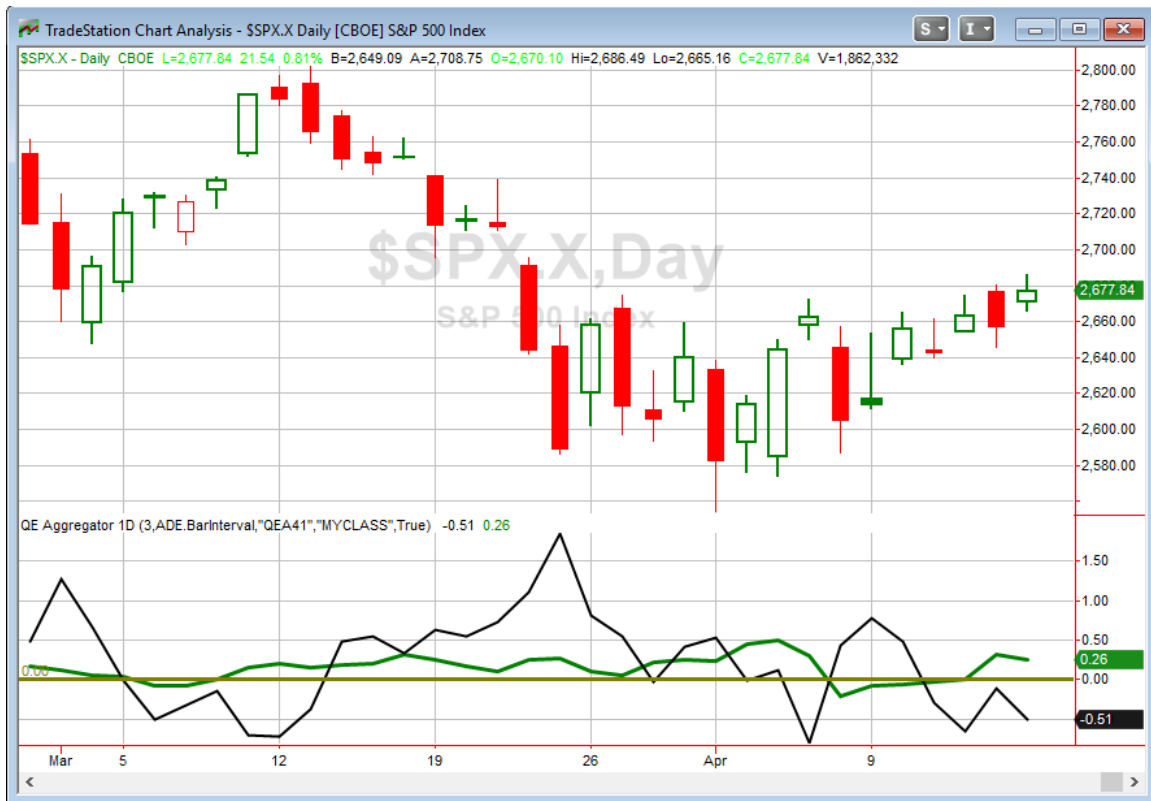
As you would expect, numbers here are nicely impressive. Below I have also included the profit curve.



A good looking curve that has moved from lower left to upper right. This study will be under consideration on Tuesday and Wednesday.

Despite the SPX moving to a new short-term high, nothing else triggered suggesting a substantial directional edge. So the tax study is the only one that will be added to the Active List tonight.

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



With tonight's studies factored in the green Aggregator Line finished above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line remained below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of 0. Therefore, the Aggregator signal stayed flat at the close.

Based on the current active studies, expectations are slated to remain bullish on Tuesday. Of course this could change if new bearish evidence emerges. The Differential Pivot will be 2661.44 on Tuesday. That is 0.6% below Monday's close. So SPX will need to close down at least 0.6% in order to flip from overbought to oversold versus recent expectations.

The rally on Monday did very little to change my outlook. The Aggregator remains neutral and so do I. We are in a favorable period from a seasonality standpoint, but reward/risk is not great thanks to the overbought nature of the market. So I will remain patient and alert, ready for the next favorable opportunity to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/16– neutral

The intermediate-term outlook was last updated in the 4/16/18 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

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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