

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 18, 2018

Volume 11 Issue 74

## Market Overview



## Signals Overview

Aggregator	CBI Reading
<b>Short</b>	<b>1</b>

## Tonight's Research Points

- The divergence between SPX and the Bank Index (BKX) appears bearish.
- The day after tax day has been bullish historically.

## *Short-term Outlook*

### *The Bottom Line*

The market is quite overbought and there appears to be a slight downside edge. But that edge is fairly weak and is only set to last one day.

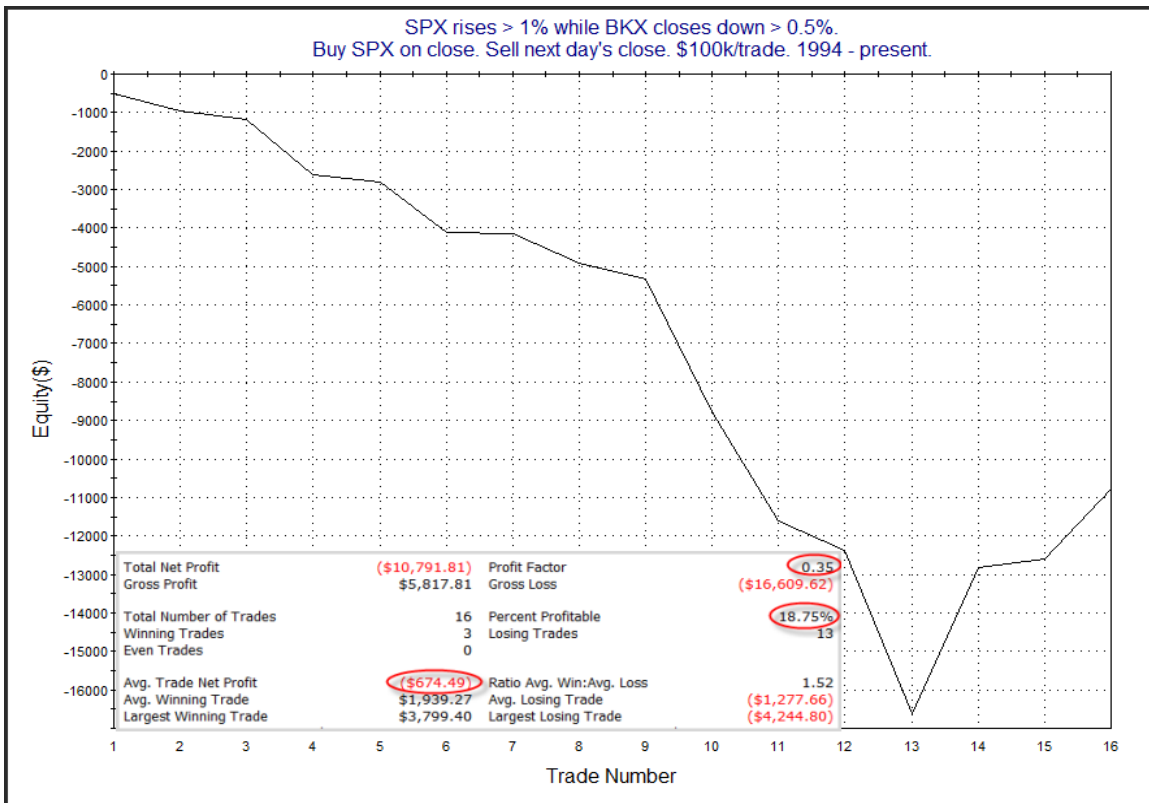
*Summary of Recent Active Studies (see Letters from listed dates for details)*

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
April 18, 2018	SPX up > 1%. BKX down > 0.5%	1 day	Bearish			
April 17, 2018	Tax Time Bullish	1-2 days	Bullish			
<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%
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			
<b>Dropped Tonight</b>						
April 16, 2018	April Opex Week Bullish	1-3 days	Bullish	1.80%	-0.90%	-2.00%

**The Evidence**

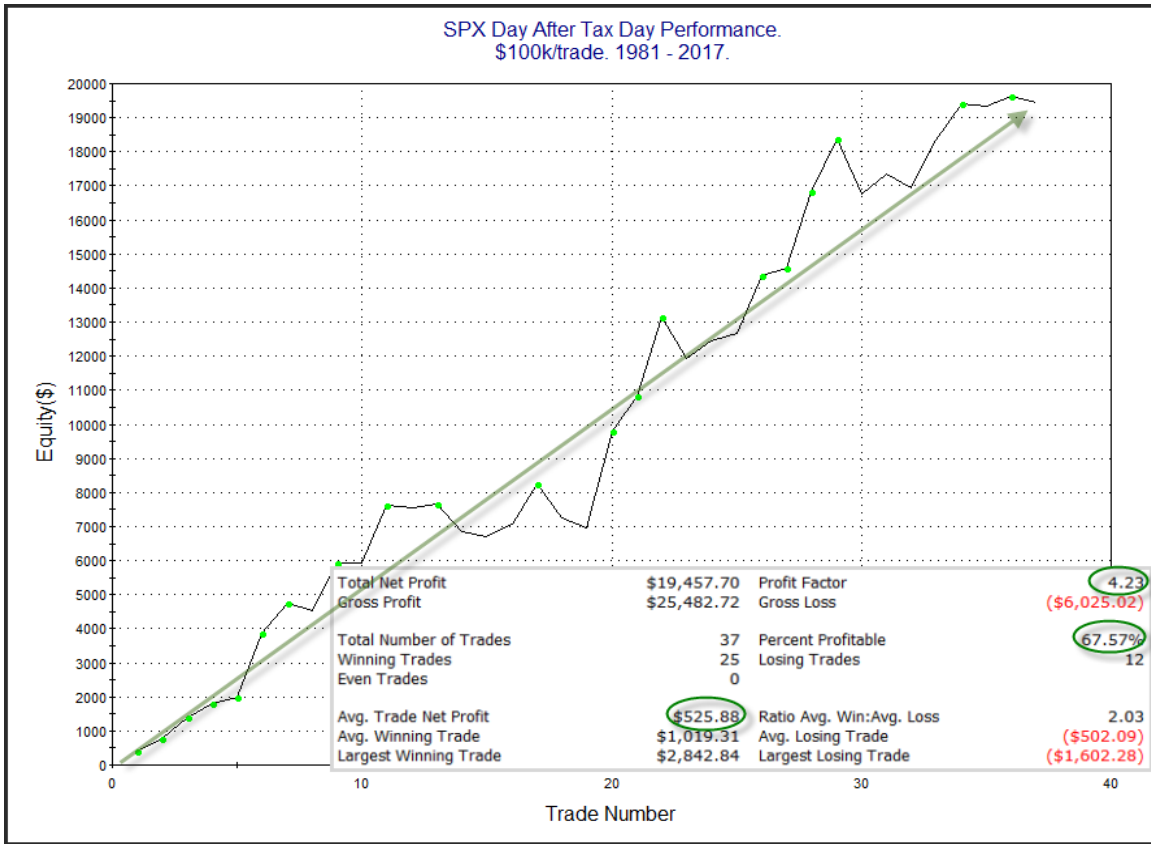
Tuesday was another day of gains. The SPX rose 1.1%, while the NASDAQ gained 1.7% and the Russell 2000 climbed 1.1%. Breadth was positive as the NYSE Up Issues % was 72% and the Up Volume % came in at 75%. NYSE volume declined a little from Monday's level.

The strong rally was a nice bit of follow-through from Monday's range break. But it did trigger one interesting study from the Quantifinder that considered the divergence between SPX and the Bank Index (BKX). It was last seen in the 6/2/2009 subscriber letter. I have updated it below.



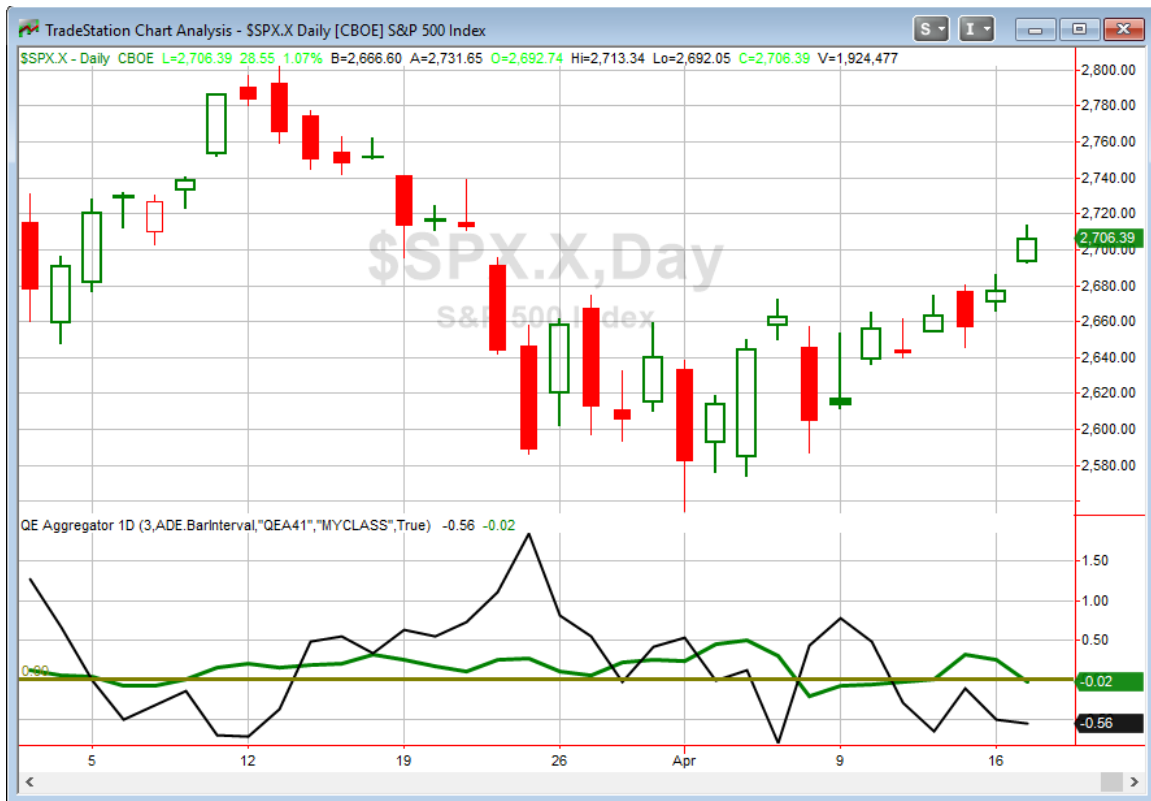
After closing down the next day 13 times in a row, the last 3 instances have been followed by an up close. This raises a little concern for me, but I am still viewing it as a potentially bearish sign, and have added it to the Short-Term Active List tonight.

Of course Tuesday was tax day. I have shown the last couple of days that tax day and the day after have had a bullish tendency. Below is a last look at the study showing the day after tax day.



This study is currently active. But the April Opex study that I showed over the weekend has reached its target, and has therefore been removed from the Active List.

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



With tonight's evidence factored in the green Aggregator Line dipped below zero. Negative readings mean net expectations from the Active List are for downside 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 negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below 0. Therefore, the Aggregator signal turned short at the close.

With both of the short-term active studies set to expire on Wednesday, and the intermediate-term neutral, expectations are set to turn neutral on Wednesday. Of course this will change if new evidence emerges. The Differential Pivot will be 2663.39 on Wednesday. That is 1.6% below Tuesday's close. So SPX will need to close down at least 1.6% in order to flip from overbought to oversold versus recent expectations.

The Aggregator is suggesting a downside edge. And there very well may be one. But with expectations slated to turn neutral on Wednesday I am not inclined to get involved in a short trade here. It is only a 1-day edge and it is primarily based on just 1 bearish study. I would like to see more compelling evidence or have a longer window in which to take advantage of the edge. So I will remain sidelined awaiting a more favorable trading opportunity to take on new index exposure. I will note that a new Catapult did trigger, and as usual, I will look to take advantage of that individual setup.

***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***

***New***

BMV – 1/3 @ \$52.38 (buy @ limit)

***Broad Market Large Cap CBI – 1(BMV)***

**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.*

***BMV – Buy 1/3 Catapult position @ \$52.38 limit.*** This is from the Catapult section above. It is the 1<sup>st</sup> of up to 3 possible lots for BMV.

**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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