

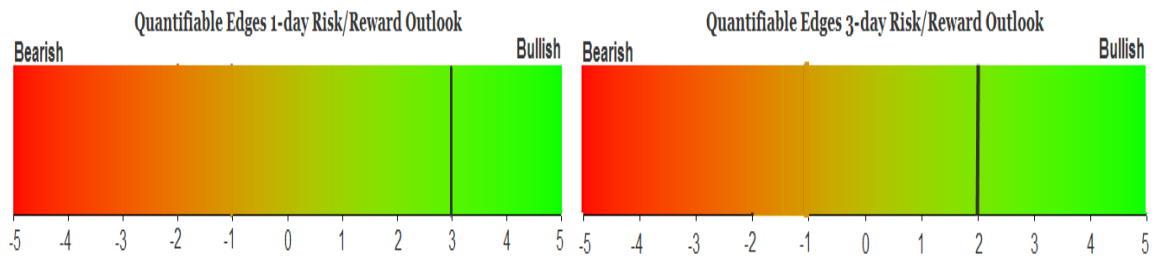
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 24, 2018

Volume 11 Issue 78

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	3

Tonight's Research Points

- 3 lower highs, lows, and closes going into potential Turnaround Tuesday have historically led to a bounce.

Short-term Outlook

The Bottom Line

Expectations are bullish, and the market is a little oversold. There appears to be a decent upside edge over the next few days.

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 24, 2018	3 lower highs, lows, closes. Monday	1-3 days	Bullish	1.50%	-0.80%	-1.50%
April 23, 2018	1st 5-low in 10+ days. Close > 10ma.	1-3 days	Bullish	1.20%	-0.90%	-1.90%
Active - Long Term						
April 23, 2018	1st 5-low in 10+ days. Close > 10ma.	1-10 days	Bullish	2.20%	-1.30%	-2.60%
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

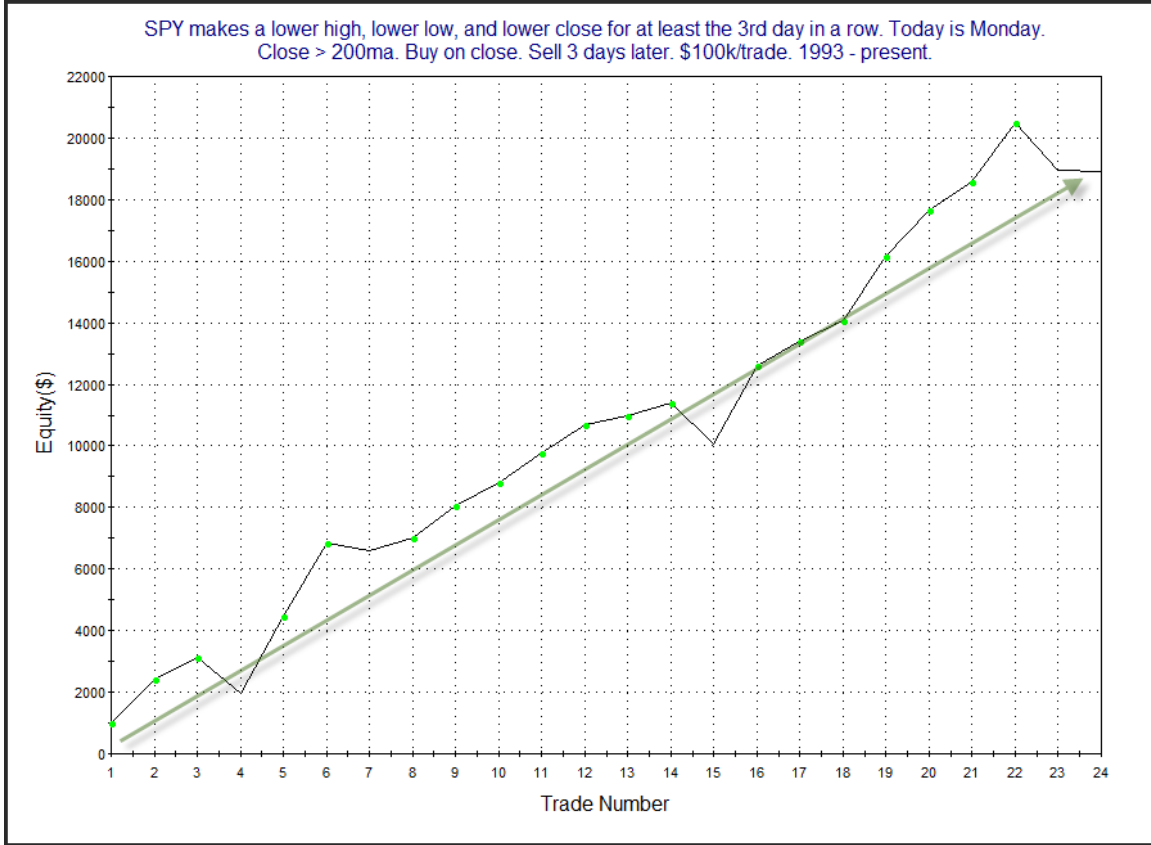
Monday was mixed and mild. The SPX was basically breakeven with a 0.01% gain, the NASDAQ fell 0.25% and the Russell 2000 dropped 0.13%. Breadth was also mixed as the NYSE Up Issues % was 45% and the Up Volume % came in at 52%. NYSE volume declined from Friday's level, and was quite light.

As someone that utilizes market studies as a primary input into their trading, Monday's action was the kind I despise. SPX closed up slightly, but SPY closed down slightly. They both basically look to measure the same thing, so an ambiguous close like this can be frustrating. Looking at the Quantifinder there was one study that considered the slight up close for SPX, and there was another study that considered the down close for SPY. Officially, both studies did trigger. When this has happened in the past, I have simply taken them as they came. But I may view them with a bit of skepticism because of the unclear closing direction.

The SPX study I mentioned has not played out as well recently, so I will not be highlighting that one. The SPY study has been compelling. It was last seen in the 6/9/15 letter and has been updated below.

SPY makes a lower high, lower low, and lower close for at least the 3rd day in a row. Today is Monday. 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	14,300.94	24	16	8	66.67	1,620.01	4,541.40	-1,452.41	-4,057.15	1.12	2.23	595.87
4	13,215.25	24	17	7	70.83	1,299.02	3,363.54	-1,266.88	-2,659.20	1.03	2.49	550.64
3	18,915.84	24	19	5	79.17	1,225.87	2,556.72	-875.15	-1,555.20	1.40	5.32	788.16
2	12,466.97	24	16	8	66.67	1,036.58	2,025.36	-514.78	-904.24	2.01	4.03	519.46
1	4,495.80	24	15	9	62.50	605.95	1,226.82	-510.38	-1,677.36	1.19	1.98	187.32
23 of 24 instances (96%) closed above the entry price at some point in the next 4 days.												

The bounces have not been huge, but they couldn't get much more reliable. In all but one instance SPY has managed to bounce at some point in the next four days. Much of the edge has played out in the first 3 days. Below is the profit curve for a 3-day holding strategy.



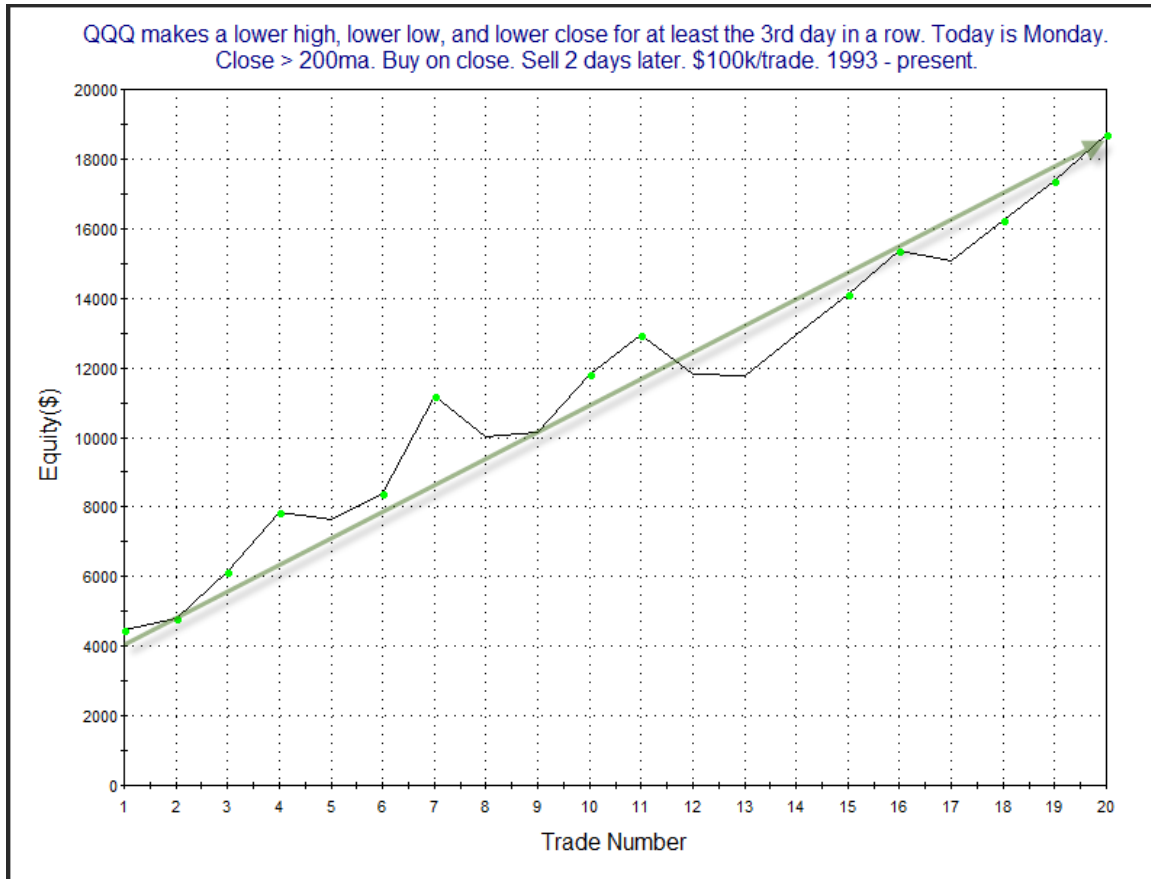
The strong, steady upslope is encouraging. And while SPY/SPX posted an odd close, I will note that QQQ also triggered the above study, and its close was clearly down. Let's see how it has played out in the past with QQQ.

QQQ makes a lower high, lower low, and lower close for at least the 3rd day in a row. Today is Monday.
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	10,436.68	20	14	6	70.00	1,688.08	4,360.08	-2,199.41	-8,453.80	0.77	1.79	521.83
4	13,251.46	20	16	4	80.00	1,384.00	3,215.20	-2,223.12	-5,996.30	0.62	2.49	662.57
3	16,766.05	20	16	4	80.00	1,595.41	4,943.37	-2,190.12	-5,544.12	0.73	2.91	838.30
2	18,710.95	20	15	5	75.00	1,439.08	4,461.09	-575.05	-1,179.60	2.50	7.51	935.55
1	9,634.47	20	12	7	60.00	1,222.83	4,154.67	-719.93	-1,513.82	1.70	2.91	481.72

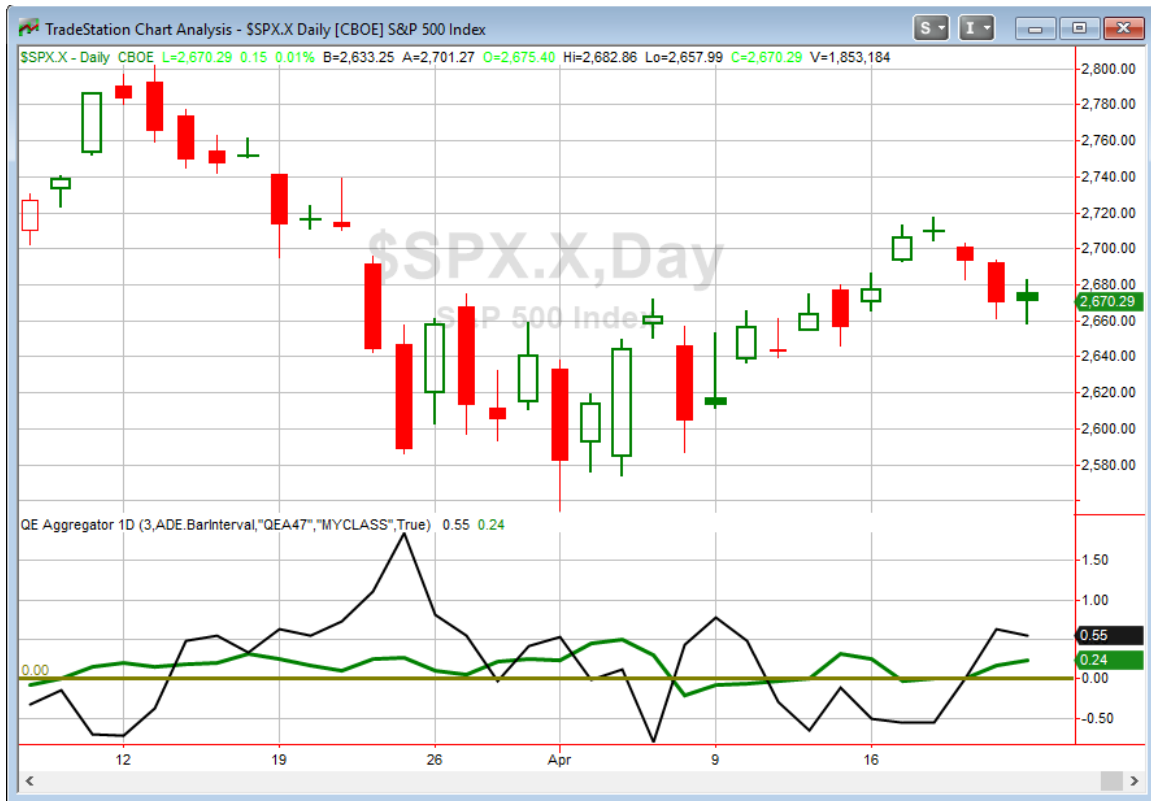
19 of 20 instances (95%) closed above the entry price at some point in the next 4 days.

Great numbers here. Below is the 2-day curve.



Whether triggering in SPY or QQQ, this pattern has suggested an upside edge. And tonight it triggered in both. I have therefore included it on the Active List.

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



With tonight's evidence included the green Aggregator Line held above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line also closed above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above 0. Therefore, the Aggregator signal stayed long 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 2692.28 on Tuesday. That is a 0.8% above Monday's close. So SPX will need to close up at least 0.8% on Tuesday in order to flip from oversold to overbought versus expectations.

The Aggregator is suggesting an upside edge. And there is ample room to the upside before the market would turn overbought. With QQQ triggering the study above, and also being more clearly oversold than SPY, I am inclined to look to take a small index position in QQQ if I can get a favorable entry. Details in the trade ideas section down below.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/23– neutral

The intermediate-term outlook was last updated in the 4/23/18 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

BMV – 1/3 @ \$52.38 (bought @ limit)

BMV – 1/3 @ \$52.30 (buy @ limit)

BMV – 1/3 @ \$51.61 (buy @ limit)

Broad Market Large Cap CBI – 3(BMV-3)

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.

QQQ – buy 1/4 index position @ \$161.50 LIMIT. If not filled by the close I will change the order to a buy @ \$161.89 LIMIT ON CLOSE. I am looking to buy into a further pullback during the day. I have placed the entry between Monday’s close and Monday’s low. If not filled during the day, I will buy any flat or down close.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
BMV(1/3)	4/18/2018	\$52.35	\$51.04	-2.50%		Catapult
BMV(1/3)	4/19/2018	\$52.30	\$51.04	-2.41%		Catapult
BMV(1/3)	4/20/2018	\$51.61	\$51.04	-1.10%		Catapult

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.