

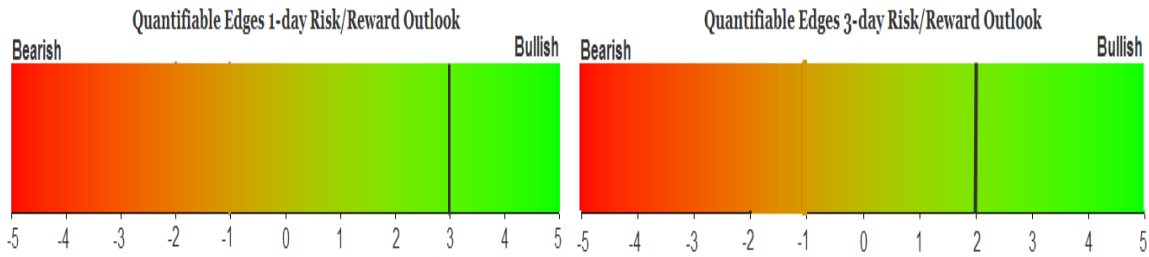
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 25, 2018

Volume 11 Issue 79

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	5

Tonight's Research Points

- No new compelling evidence emerged, and the lack of bullish evidence on this pullback is noteworthy.

Short-term Outlook

The Bottom Line

There appears to be a tenuous upside edge with short-term bullish evidence set to expire on Wednesday.

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 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			
Dropped Tonight						
April 24, 2018	3 lower highs, lows, closes. Monday	1-3 days	Bullish	1.50%	-0.80%	-1.50%

The Evidence

Tuesday saw substantial selling. The SPX closed down 1.3%, the NASDAQ fell 1.7% and the Russell 2000 dropped 0.6%. Breadth was also weak as the NYSE Up Issues % was 35% and the Up Volume % came in at 37%. NYSE volume rose some from Monday's level.

Despite the big selloff the Quantifinder only showed 1 study. And it indicated that today qualified as a Hindenburg Omen day. Since this is the 1st such signal, this is not significant. But if we get 3 or 4 in a short time period then it could be something to take into consideration. Hindenburg Omen signals are devised to identify split market conditions that could lead to a substantial selloff. We actually saw several prior to the big drop in early February. I will keep an eye on this, and if we get a few more in the coming days and weeks then I will provide more detail and update the associated research.

I did look at the current setup a number of ways tonight. In each case, the results I saw were somewhat similar. Results were generally weak, but inconsistent with no significant edge appearing. Below is an example of a study I ran.

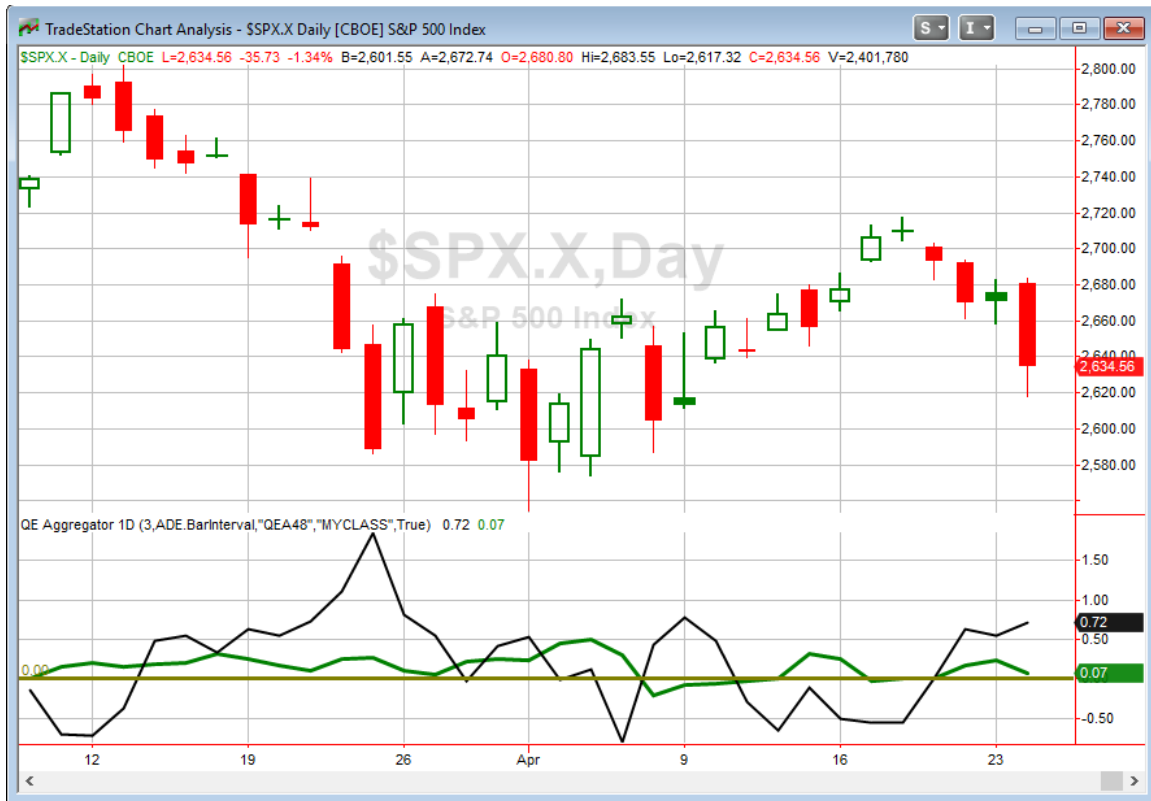
SPX suffers the largest loss in the last 10 days and loses at least 1%. It closes above the 200ma, but within 2% of it. Buy on close. Sell X days later. \$100k/trade. 1961 - present.

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
10	17,179.60	64	33	31	51.56	2,490.80	5,209.68	-2,097.32	-13,993.88	1.19	1.26	268.43
9	14,286.95	65	33	32	50.77	2,430.99	5,761.56	-2,060.49	-10,059.36	1.18	1.22	219.80
8	5,304.60	65	35	30	53.85	2,139.17	6,960.84	-2,318.88	-14,092.68	0.92	1.08	81.61
7	-2,323.12	66	30	36	45.45	2,375.00	7,500.06	-2,043.70	-8,018.76	1.16	0.97	-35.20
6	-4,863.88	66	31	35	46.97	2,083.88	7,272.06	-1,984.69	-7,966.32	1.05	0.93	-73.70
5	-10,237.06	66	29	37	43.94	2,104.30	7,070.28	-1,925.99	-4,352.96	1.09	0.86	-155.11
4	-8,226.25	67	31	36	46.27	1,658.88	4,731.13	-1,656.99	-4,477.16	1.00	0.86	-122.78
3	-6,686.19	67	34	33	50.75	1,166.14	4,042.74	-1,404.09	-4,987.88	0.83	0.86	-99.79
2	-2,198.09	68	33	35	48.53	1,000.85	4,809.66	-1,006.46	-2,726.97	0.99	0.94	-32.32
1	-10,579.23	68	32	36	47.06	627.27	5,117.46	-851.44	-2,089.24	0.74	0.65	-155.58

So there is nothing new being added to the Active List tonight.

It's worth noting that I have already removed the study from last night, since it exceeded the average drawdown plus one standard deviation in just one day. This means that the reaction following Monday's setup was historically abnormal. That in itself can tell us something about the market, and perhaps it is with a fairly strong short-term selloff upon us, and yet very little bullish evidence suggesting a bounce yet. Historically abnormal selling and a neutral intermediate-term outlook are not conditions where I'll be looking to aggressively take on long index exposure.

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



Tonight 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.

The last short-term active study is set to expire on Wednesday. With the intermediate-term outlook neutral that would leave expectations flat. Of course any new evidence that emerges will impact expectations. The Differential Pivot will be 2673.98 on Wednesday. That is a 1.5% above Tuesday's close. So SPX will need to close up at least 1.5% on Wednesday in order to flip from oversold to overbought versus expectations. That is a sizable 1-day move, so a multi-day rally or consolidation would seem a more likely scenario for working off the oversold condition.

As I discussed in the intermediate-term outlook this past weekend, I expect this to be a week where we see a very large decline in the SOMA. So the sharp drop we have seen in the market is not a complete surprise. Evidence is still pointing towards a bounce, but that is set to change as early as Wednesday with the last short-term bullish study about to expire. I do have a small amount of index exposure at the moment, and with the Aggregator still

bullish I will hold onto it for another day. But without any new bullish evidence emerging, I may be looking to exit this position sooner rather than later. I'll note there were a couple of Catapults that triggered, bringing the CBI to 5. As usual, I will look to take advantage of these Catapult setups.

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

BMY – 1/3 @ \$52.38 (bought @ limit)

BMY – 1/3 @ \$52.30 (bought @ limit)

BMY – 1/3 @ \$51.61 (bought @ limit)

New

KHC - 1/3 @ \$56.53 (buy @ limit)

QCOM - 1/3 @ \$49.94 (buy @ limit)

Broad Market Large Cap CBI – 5(BMY-3, KHC, QCOM)

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.

KHC – buy 1/3 Catapult position @ \$56.53 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots for KHC.

QCOM – buy 1/3 Catapult position @ \$49.94 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots for QCOM.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
BMY(1/3)	4/18/2018	\$52.35	\$51.58	-1.47%		Catapult
BMY(1/3)	4/19/2018	\$52.30	\$51.58	-1.38%		Catapult
BMY(1/3)	4/20/2018	\$51.61	\$51.58	-0.06%		Catapult
QQQ(1/4)	4/24/2018	\$161.50	\$158.46	-1.88%		Aggregator

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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