

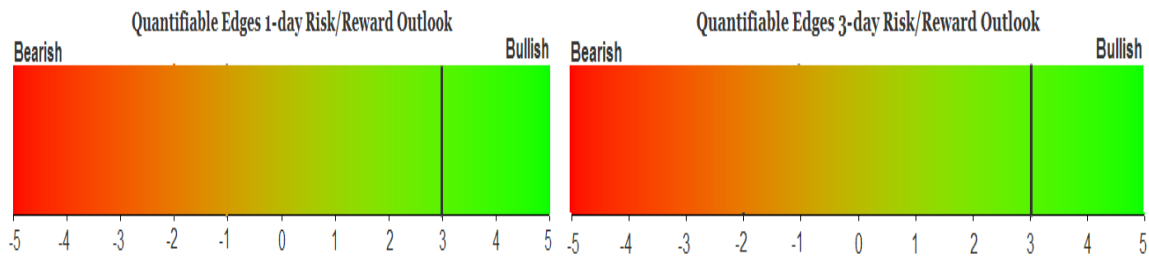
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 1, 2018

Volume 11 Issue 83

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- 1st of the month is often bullish, and the current setup appears especially so.
- The 1st trading day in May has typically been very strong.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I believe the edge is strong enough to warrant some long exposure if I can get a favorable entry.

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						
May 1, 2018	End of month poor close <10ma > 200ma	1 day	Bullish			
May 1, 2018	1st trading day in May bullish	1 day	Bullish			
April 27, 2018	10-low yest. Unfill gap up < 10 > 200ma	1-5 days	Bullish	1.80%	-1.20%	-2.20%
April 26, 2018	Higher then dn . Lower then up.	1-5 days	Bullish	1.80%	-1.20%	-2.40%
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

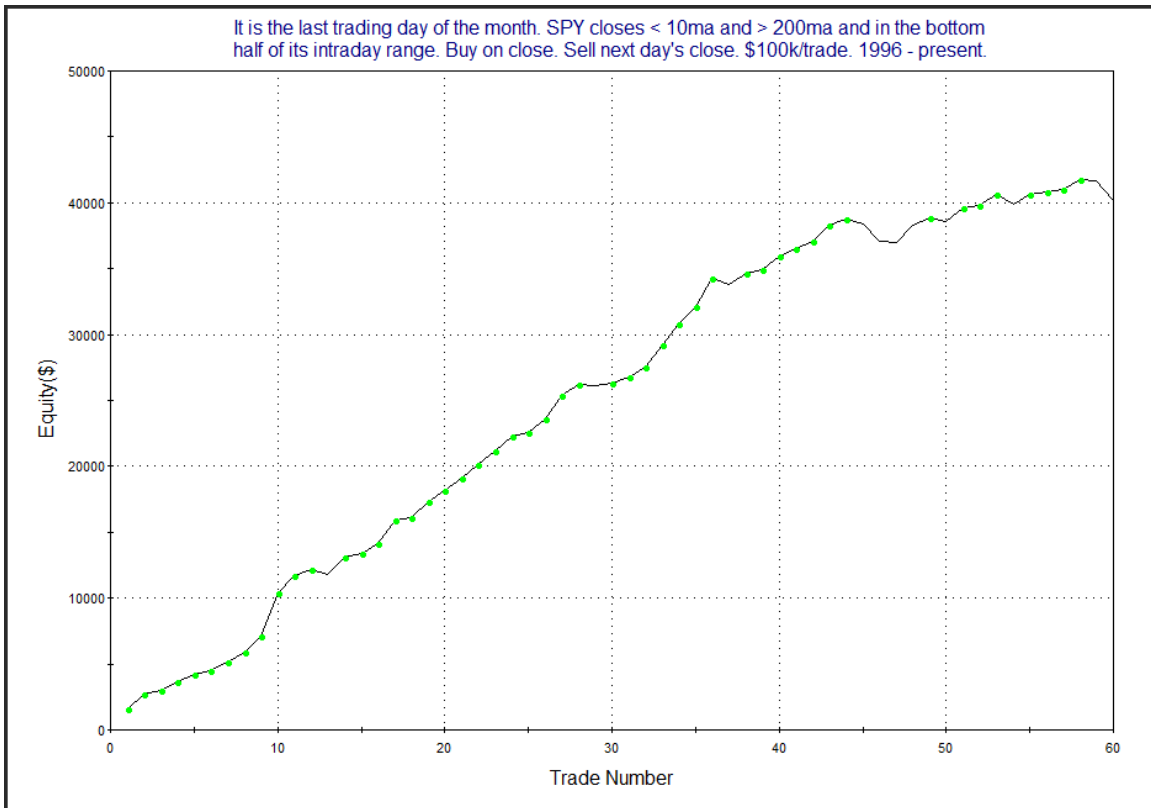
The day started off positive, but there was a fair amount of selling throughout, and April closed poorly. SPX closed down 0.8%, the NASDAQ fell 0.75% and the Russell 2000 declined 0.9%. Breadth was negative as the NYSE Up Issues % was 37% and the Up Volume % came in at 28%. NYSE volume rose quite a bit and came in at highest level in a while.

Most significant about the selling is that it occurred heading into a new month. The 1st day of the month has historically seen bullish seasonality. This is especially true during long-term uptrends and short-term pullbacks. Several studies appeared in the Quantifinder related to this. The one below was from the 3/1/18 letter, and it looks at similar setups. Stats are updated.

It is the last trading day of the month. SPY closes < 10ma and > 200ma and in the bottom half of its intraday range. Buy on close. Sell next day's close. \$100k/trade. 1996 - present.

TradeStation Performance Summary				Expand
All Trades				
Total Net Profit	\$40,199.36	Profit Factor		8.47
Gross Profit	\$45,577.37	Gross Loss		(\$5,378.01)
Total Number of Trades	60	Percent Profitable		83.33%
Winning Trades	50	Losing Trades		10
Even Trades	0			
Avg. Trade Net Profit	\$669.99	Ratio Avg. Win:Avg. Loss		1.69
Avg. Winning Trade	\$911.55	Avg. Losing Trade		(\$537.80)
Largest Winning Trade	\$3,295.88	Largest Losing Trade		(\$1,453.60)

Stats here are outstanding, with 83% of trades making money and a profit factor of 8.5. Below is a look at the profit curve.



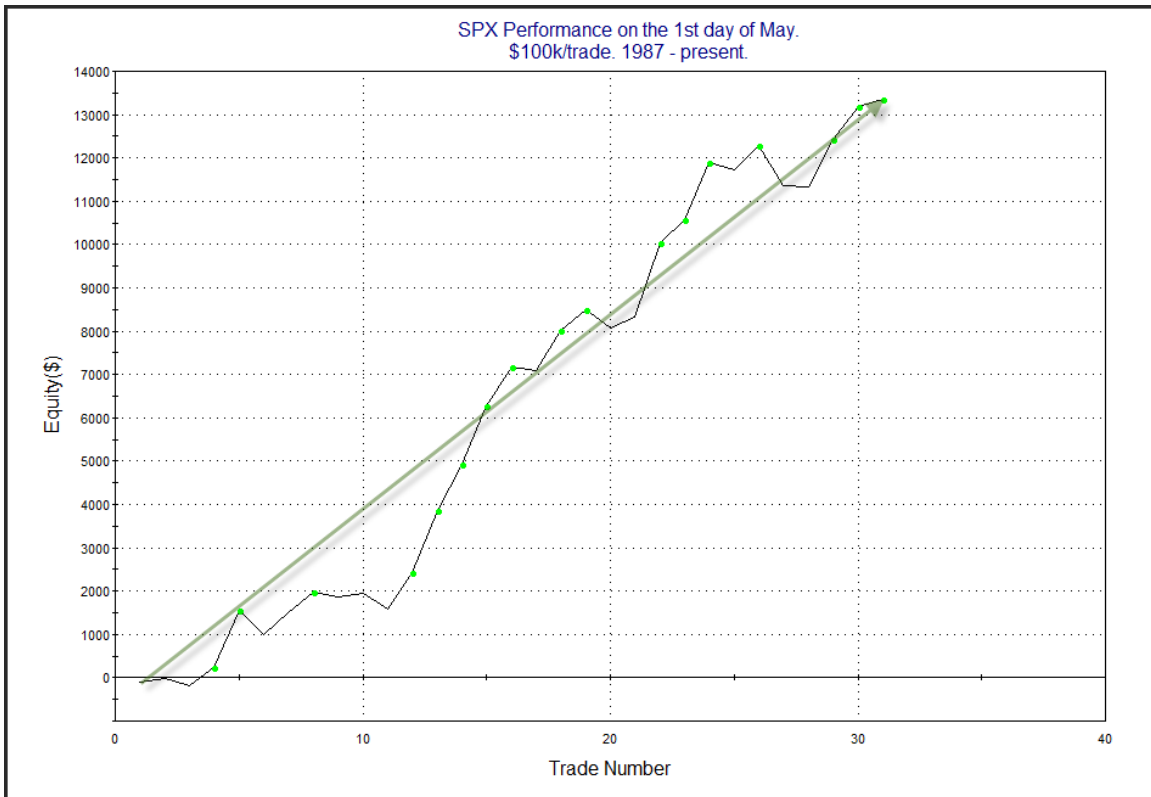
Despite the last couple of instances, the strong upslope serves as some confirmation of the bullish edge. I have included this study on the active list tonight.

It is also worth noting that the day 1 tendency in May has been stronger than most other months. I last showed this in the 5/1/17 letter. Below are results for May dating back to 1987.

SPX Performance on the 1st day of May.
\$100k/trade. 1987 - present.

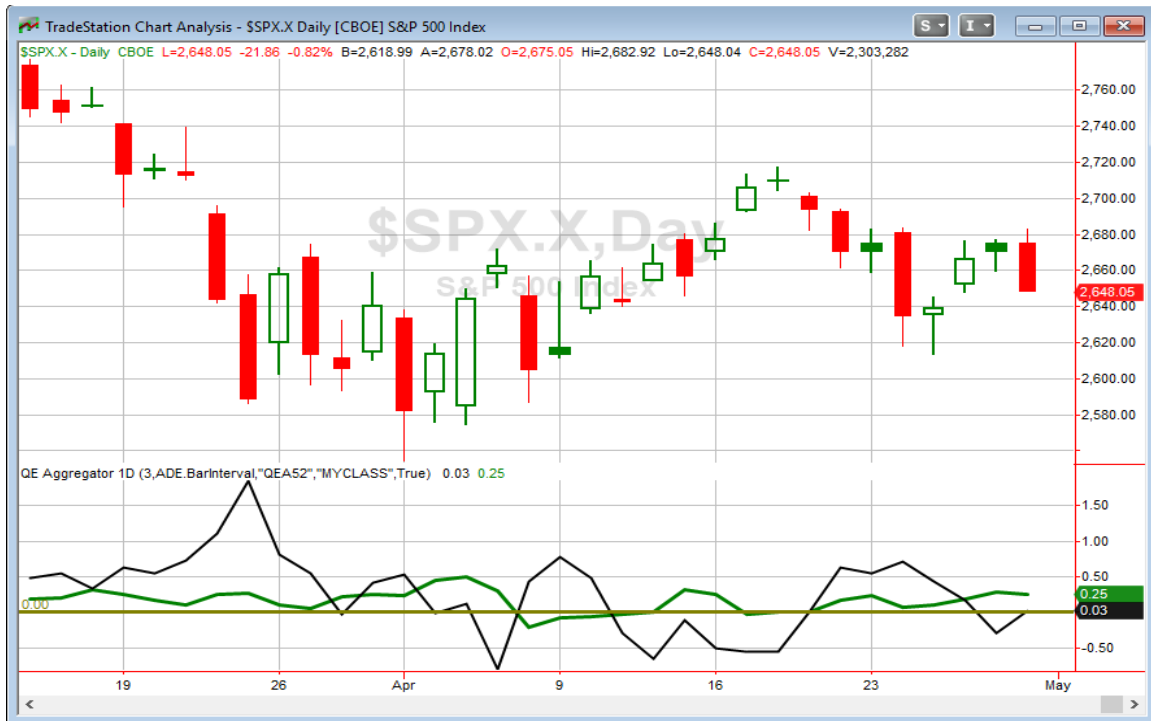
TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	\$13,356.72	Profit Factor	5.63
Gross Profit	\$16,240.24	Gross Loss	(\$2,883.52)
Total Number of Trades	31	Percent Profitable	67.74%
Winning Trades	21	Losing Trades	10
Even Trades	0		
Avg. Trade Net Profit	\$430.86	Ratio Avg. Win:Avg. Loss	2.68
Avg. Winning Trade	\$773.34	Avg. Losing Trade	(\$288.35)
Largest Winning Trade	\$1,710.72	Largest Losing Trade	(\$921.94)

Stats here are strongly lopsided in favor of the bulls. Winning %, win:loss ratio, profit factor, and average trade are all outstanding. Below is the equity curve.



The equity curve appears as strong as the results table. Tuesday appears to have a solid seasonal edge.

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



With tonight's evidence included the green Aggregator Line again 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 inched just barely 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 turned long at the close.

Based on the current active studies, expectations are slated to remain bullish on Tuesday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2676.42 on Tuesday. That is 1.1% above Monday's close. So SPX will need to close up 1.1% on Tuesday in order to flip from oversold to overbought versus expectations.

With expectations positive and the market oversold the Aggregator is pointing towards a bullish edge. And with the Differential Pivot 1.1% above Monday's close, there is a good amount of room to the upside to profit. I intend to look at take advantage of the bullish edge with a small index trade on Tuesday if I can get a favorable fill. Details in the trade ideas section down below.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/30– neutral turning to bearish on Friday

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

New

MMM @ \$194.39 (buy @ limit)

Broad Market Large Cap CBI – 1(MMM)

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.

MMM – buy 1/3 Catapult position @ \$194.39 LIMIT. This is from the Catapult section above. It is the 1st of up to 3 possible lots of MMM.

SPY – buy ¼ index position @ \$264.50 LIMIT. If not filled in 1st 30 minutes of trading, cancel order and look to enter @ \$264.50 LIMIT ON CLOSE. Based on the short-term outlook above. I'll be looking to get long on early weakness or a down close on Tuesday. I am not interested in jumping into a mid-day collapse.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>KHC(1/3)</i>	<i>4/25/2018</i>	<i>\$56.52</i>	<i>\$57.90</i>	<i>2.44%</i>		<i>sold on open</i>
<i>QCOM(1/3)</i>	<i>4/25/2018</i>	<i>\$49.94</i>	<i>\$51.25</i>	<i>2.62%</i>		<i>sold on open</i>
<i>QCOM(1/3)</i>	<i>4/26/2018</i>	<i>\$49.41</i>	<i>\$51.25</i>	<i>3.72%</i>		<i>sold on open</i>

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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