

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 3, 2018

Volume 11 Issue 85

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	1

## Tonight's Research Points

- While the volume pattern over the last 4 days may seem bearish to some traders, it hasn't been.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is neutral and so am I.

*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>						
May 2, 2018	SPX higher 1st day in May	1-4 days	Bearish			
May 2, 2018	HV 20-low 3x. No SPX 20-high	1-3 days	Bearish			
May 2, 2018	1% down then 5 closes inside	1-3 days	Bullish			
April 27, 2018	10-low yest. Unfill gap up < 10 > 20 oma	1-5 days	Bullish	1.80%	-1.20%	-2.20%
<b>Active - Long Term</b>						
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 \$30 billion	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**

Reaction to the Fed was negative and the market sold off in the afternoon. Most of the major indices finished with losses. SPX closed down 0.7%, the NASDAQ fell 0.4% and the Russell 2000 gained 0.3%. Breadth was negative as the NYSE Up Issues % was 48% and the Up Volume % came in at 39%. NYSE volume rose some from Tuesday's level.

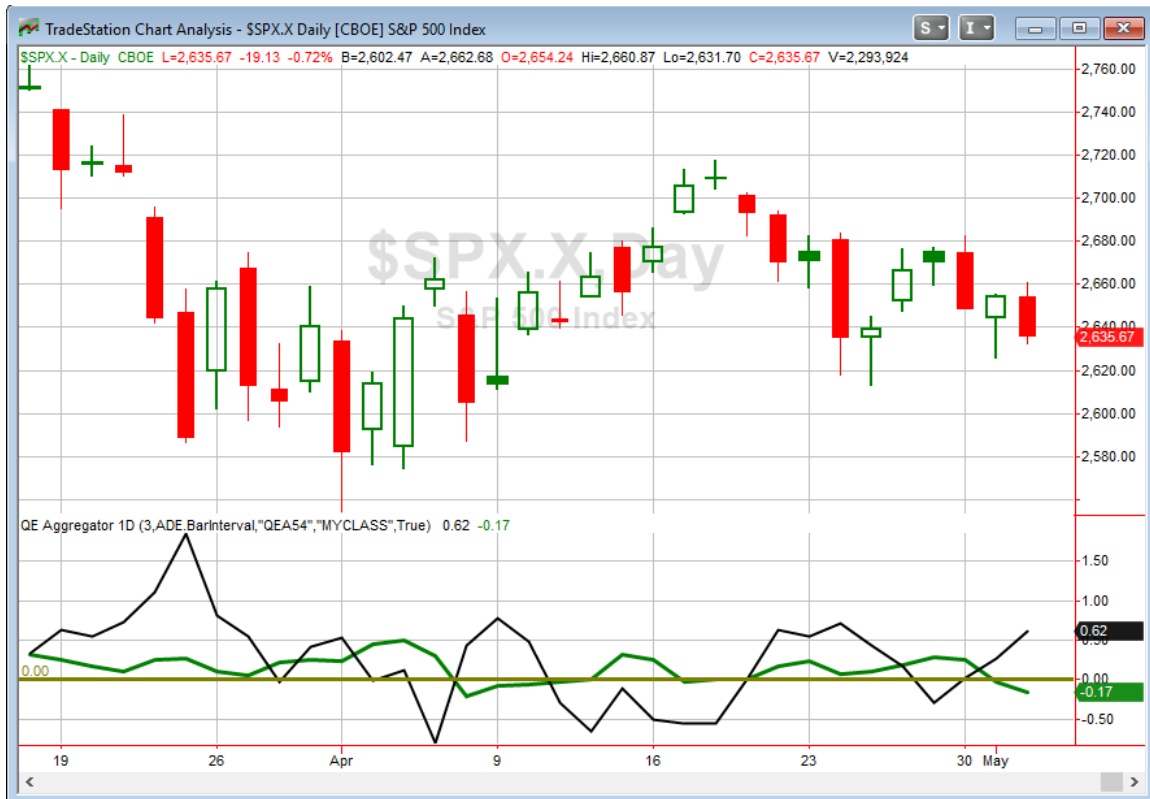
Over the last four days the market has flipped back and forth, rising on lower NYSE volume, and declining on higher NYSE volume. Many traders believe that such action should be interpreted as bearish. They also believe it is preferable to see up days come on rising volume and down days on lower volume. On 5/3/12 I showed the study below, which considers the current 4-day pattern. (Results are updated.)

Today SPX falls on higher NYSE volume. Yesterday it rose on lower volume. The day before it fell on higher volume. The day before that it rose on lower volume. Buy on close. Sell X days later.												
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	13,372.51	49	32	17	65.31	2,129.59	6,050.36	-3,222.02	-8,434.05	0.66	1.24	272.91
9	25,429.58	49	33	16	67.35	2,091.07	6,806.88	-2,723.49	-7,214.21	0.77	1.58	518.97
8	17,007.71	49	32	17	65.31	2,007.50	6,287.49	-2,778.36	-7,042.67	0.72	1.36	347.10
7	29,035.46	49	33	16	67.35	1,909.88	6,040.41	-2,124.40	-6,385.10	0.90	1.85	592.56
6	18,880.59	49	32	17	65.31	1,713.05	5,371.68	-2,113.94	-6,604.29	0.81	1.53	385.32
5	13,699.69	51	33	18	64.71	1,497.59	6,093.68	-1,984.49	-5,289.15	0.75	1.38	268.62
4	15,418.03	51	31	20	60.78	1,473.19	4,938.48	-1,512.55	-4,183.67	0.97	1.51	302.31
3	531.51	51	30	21	58.82	1,050.59	5,003.46	-1,475.53	-5,331.20	0.71	1.02	10.42
2	-6,726.94	54	30	24	55.56	836.80	2,613.64	-1,326.30	-4,026.36	0.63	0.79	-124.57
1	-4,260.10	54	28	26	51.85	604.04	2,180.44	-814.35	-2,279.20	0.74	0.80	-78.89

I do not see evidence that the price/volume action is bearish. In fact, once you are out between 4-7 days it almost appears bullish. (Not bullish enough to include on the Active List though.)

As often happens when the market chops back and forth the way it has, there were no strongly compelling studies that emerged. So there is nothing being added to the Active List tonight.

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



Without any new compelling evidence emerging tonight the green Aggregator Line remained below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line held above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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 bearish on Thursday. Of course, this could change if compelling new bullish evidence emerges. The Differential Pivot will be 2667.08 on Thursday. That is 1.2% above Wednesday's close. Therefore,

SPX will need to close up 1.2% on Thursday in order to flip from oversold to overbought versus expectations.

So we are again faced with mixed evidence and a neutral Aggregator. The back and forth chop is not offering strong edges, nor a very favorable entry point. I exited my SPY position for a small gain on Wednesday morning. I am not inclined to take on new index exposure without a clear edge. I will remain patient and alert for the next favorable opportunity.

***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***

MMM @ \$194.39 (bought @ 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.*

*None tonight*

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
MMM(1/3)	5/1/2018	\$194.03	\$194.50	0.24%		Catapult
<i>SPY(1/4)</i>	<i>5/1/2018</i>	<i>\$263.87</i>	<i>\$264.76</i>	<i>0.34%</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](#).*

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.