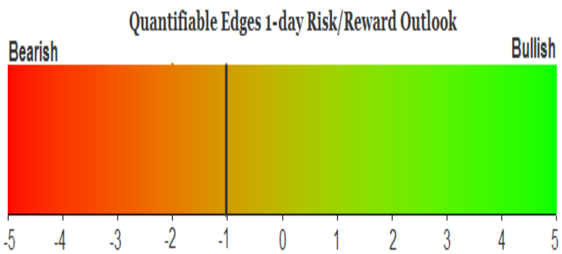
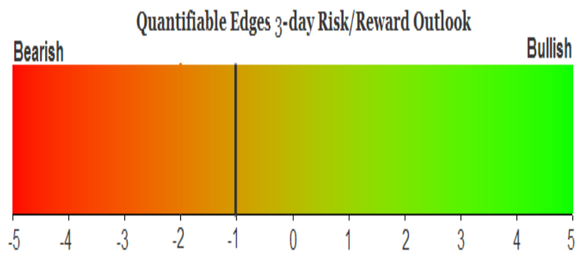
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 10, 2018 Volume 11 Issue 90

Market Overview





Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- No new studies emerged tonight.

Short-term Outlook

The Bottom Line

In a repeat of yesterday's outlook, the Aggregator is bearish, but evidence is light. I would like to see a more compelling edge before taking on new index positions.

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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 9, 2018	HV 20-low 3x. No SPX 20-high	1-3 days	Bearish	-1.65%	1.00%	1.90%
Active - Long Term						
May 7, 2018	NASDAQ leading	int term	Bullish			
April 2, 2018	SOMA reduction intensifies to $30billior	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

Despite the bearish study we saw last night the market put in some strong gains on Wednesday. The SPX closed up 1.0%, the NASDAQ rose 1.0% and the Russell 2000 gained 0.6%. Breadth was positive as the NYSE Up Issues % was 62% and the Up Volume % came in at 64%. NYSE volume rose quite a bit from Tuesday's level.

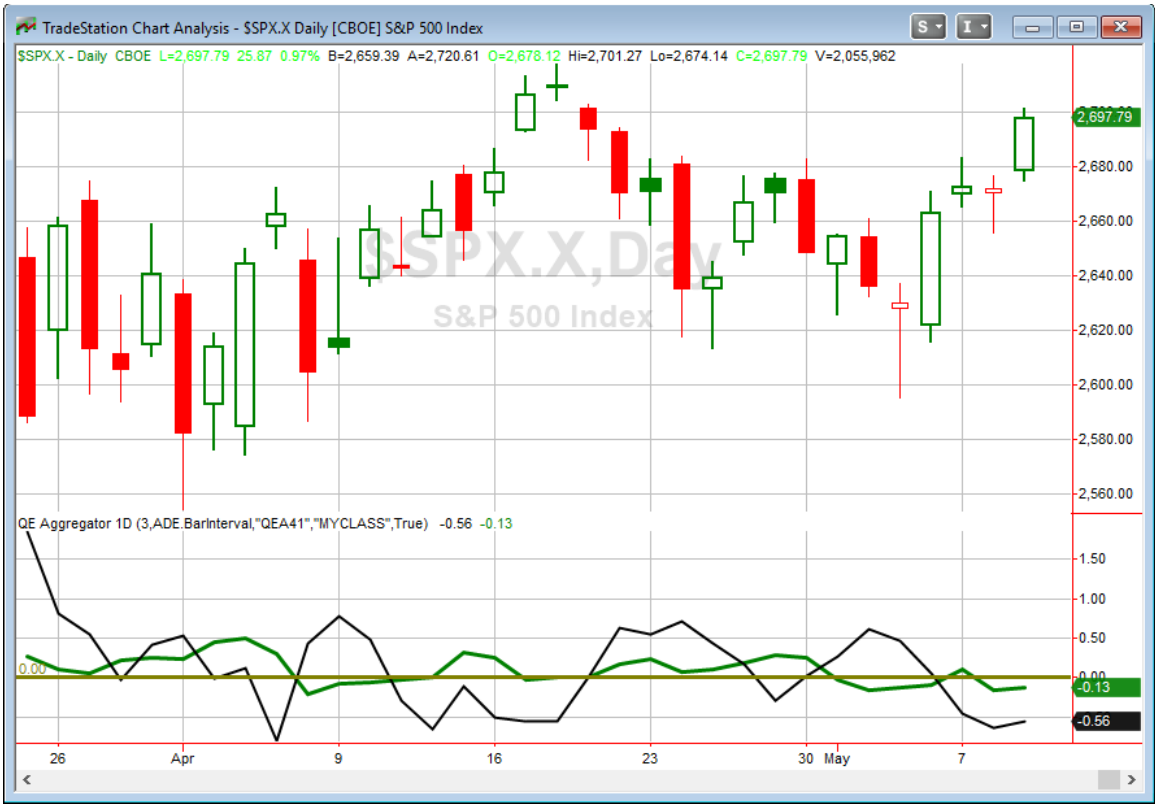
From the standpoint of generating edges, recent action has been unremarkable. There were some things that occurred that many traders might find notable. For instances SPY both crossed through its 50-day moving average and made a 10-day high. Unfortunately, this kind of action does not really lend itself to suggesting a strong directional edge. The study below is an example of the kind of results I was seeing tonight when examining such filters.

SPY crosses over 50ma on a closing basis. It closes at 10-day high and > 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	-9,682.17	58	32	26	55.17	1,275.39	4,539.48	-1,942.10	-9,972.96	0.66	0.81	-166.93
4	1,001.31	58	33	25	56.90	1,301.15	4,627.26	-1,677.47	-6,143.04	0.78	1.02	17.26
3	-864.25	58	36	22	62.07	828.17	2,194.50	-1,394.47	-3,889.04	0.59	0.97	-14.90
2	2,646.90	61	33	28	54.10	684.69	1,398.12	-712.43	-2,399.36	0.96	1.13	43.39
1	5,976.29	61	31	29	50.82	615.80	1,812.92	-452.20	-2,096.76	1.36	1.46	97.97

You can't get blood from a stone, and if you try to hard you might end up bleeding. You also might get bloodied if you try and data mine too hard. The basic setup we are seeing right now does not suggest a strong edge. So there is nothing new being added to the Active List tonight.

I have updated the Aggregator chart below.



Without any new evidence tonight the green Aggregator Line held below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line stayed below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive 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 stayed short at the close.

Based on the current active studies, expectations are set to remain negative on Thursday. This could easily change if new bullish evidence emerges. The Differential Pivot will be 2669.23 on Thursday. That is 1.1% below Wednesday's close. Therefore, SPX will need to close down 1.1% on Thursday in order to change from overbought to oversold versus expectations.

My outlook is basically the same as last night. While there appears to be a bit of a downside edge, I do not find it terribly compelling. Evidence is light with only 1 active short-term study, and it is a borderline study at that. With the intermediate-term outlook neutral, I need to see a more sizable edge before I will take on new index trades. If the market remains overbought and bearish evidence builds further, then I will likely to be looking to take on some short exposure. I'm still not at that point.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/7– neutral

The intermediate-term outlook was last updated in the 5/7/18 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

None

Broad Market Large Cap CBI – 0

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

None.

A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 can be found here.