

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 15, 2018

Volume 11 Issue 93

## Market Overview



## Signals Overview

Aggregator	CBI Reading
<b>Short</b>	<b>0</b>

## Tonight's Research Points

- The rising VIX with SPX at a 10-day high under similar circumstances has shown a downside tendency the next day.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bearish, but evidence is light. I would like to see a more compelling edge before taking on new index positions.

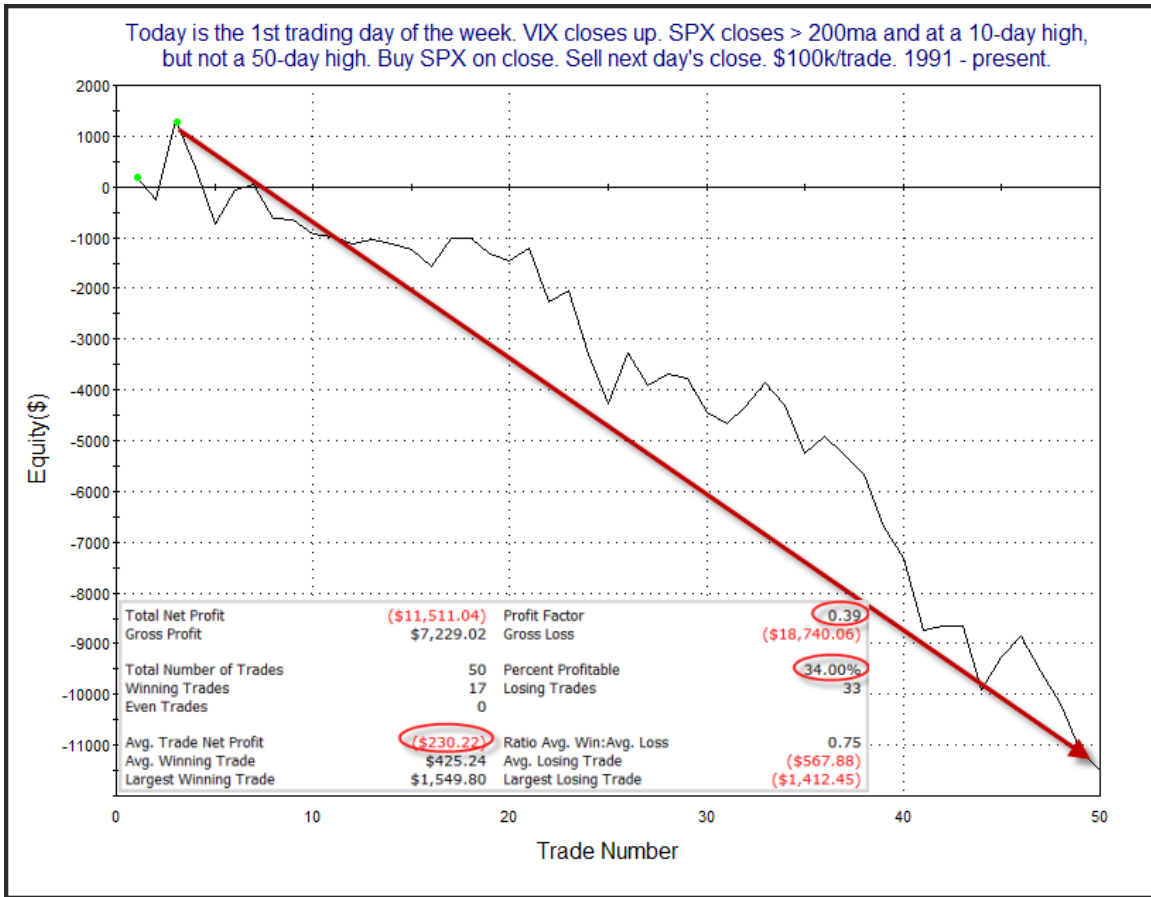
*Summary of Recent Active Studies (see Letters from listed dates for details)*

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
May 15, 2018	SPX 10-high but < 50 high. VIX up. Mon.	1 day	Bearish			
<b>Active - Long Term</b>						
May 14, 2018	SPX 20-high. VIX 20-low. Volm 10-low	1-10 days	Bullish	1.80%	-1.40%	-2.75%
May 7, 2018	NASDAQ leading	int term	Bullish			
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***

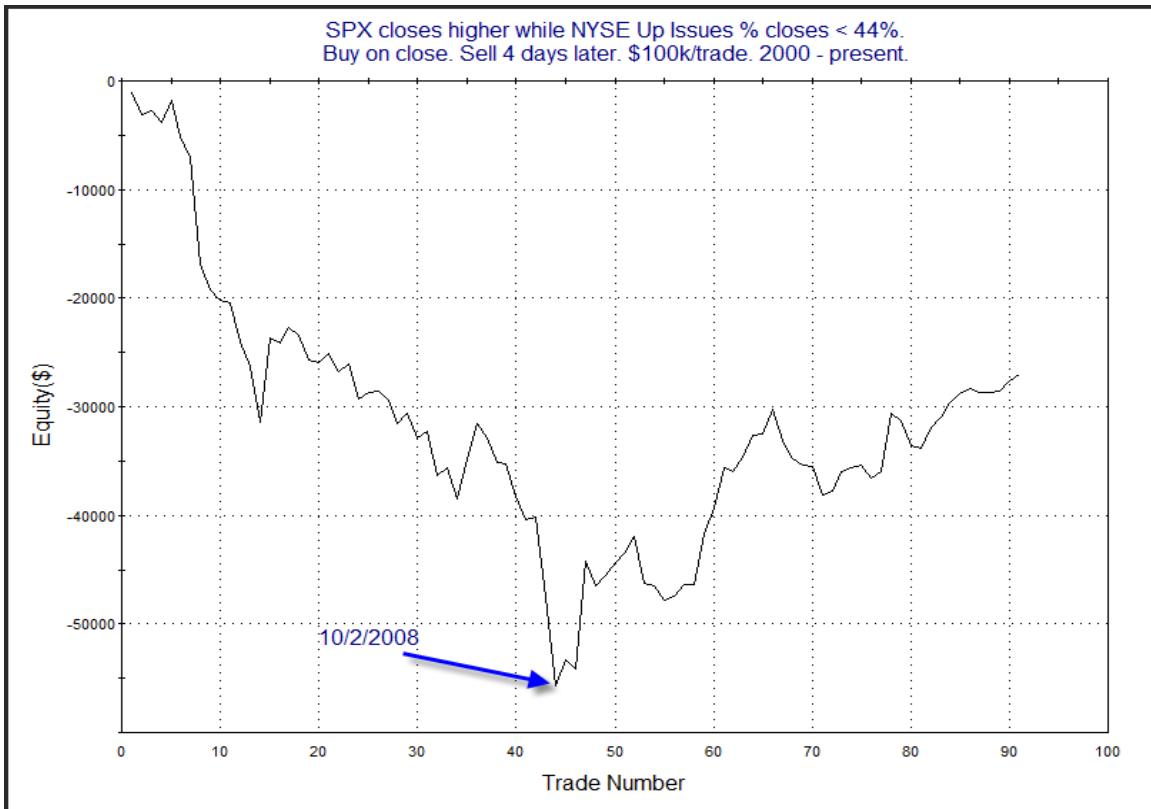
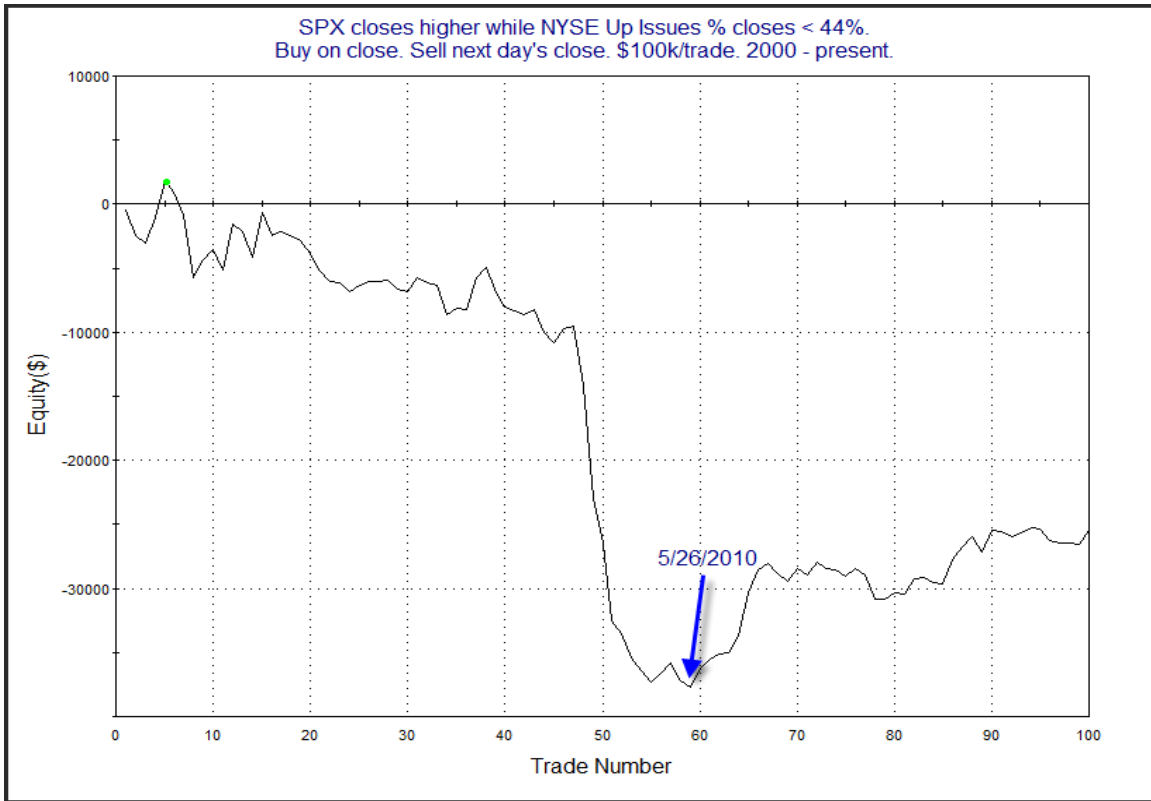
Monday was mixed and mild for the indices. SPX closed up 0.1%, the NASDAQ also rose 0.1% and the Russell 2000 lost 0.4%. Breadth was mixed as the NYSE Up Issues % was 43% and the Up Volume % came in at 52%. NYSE volume rose a little from Friday's level.

While the SPX closed higher, so did the VIX. This is against the norm as they will most often close in the same direction. But the VIX has a natural tendency to decline on Friday afternoons ahead of the weekend and then rise on Mondays after the weekend. So occurrences are much less abnormal on Monday than on any other day of the week. In a strong bull market with SPX hitting 50-day or greater highs, the fact that they both close higher on a Monday has not mattered a while heck of a lot. But when the SPX has been short-term overbought without making intermediate-term highs as it is now, the inclination has appeared bearish for the next day. This can be seen in the study below.



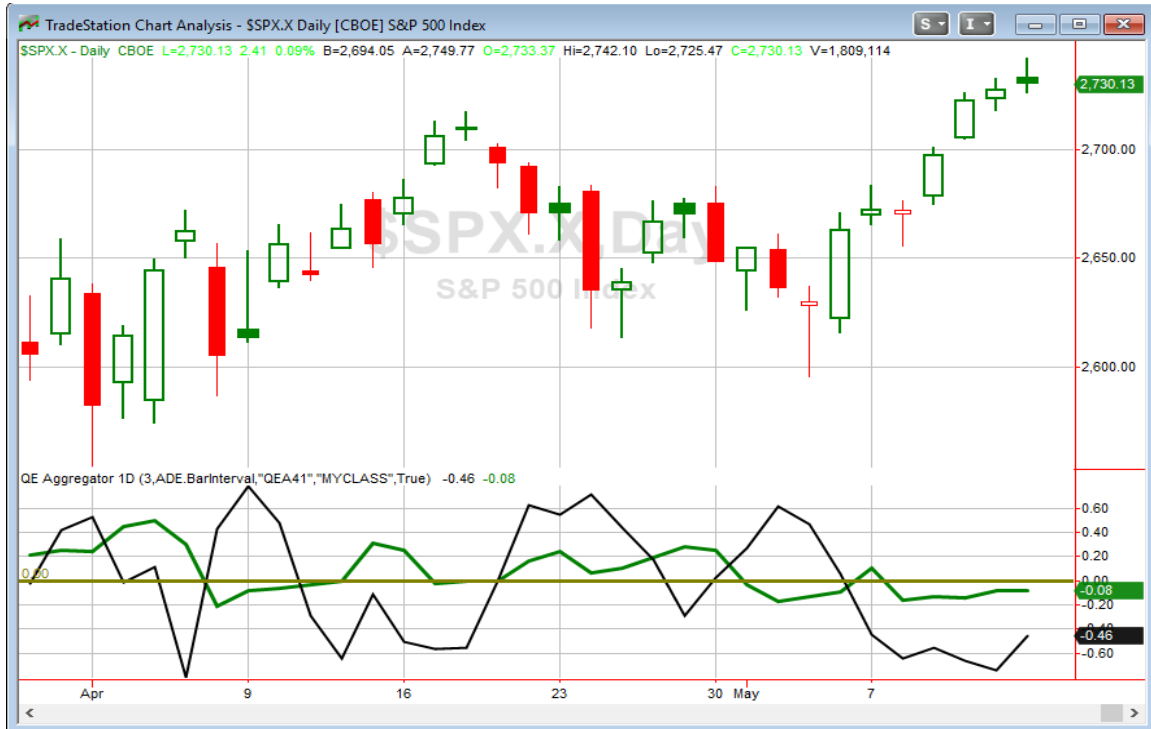
The strong, steady downslope is impressive and the curve is continuing to make new lows. There have been nearly 2x as many losers as winners and the losers were larger on average. Both the curve and the numbers support the idea of a bearish tendency. I have included this study on the Active List tonight.

It was also somewhat notable that there were a good number more decliners than advancers on the day. But that is something that used to suggest a bearish edge...and no longer appears to. The charts below look at 1-day and 4-day returns following instances like Monday where SPX closed higher while the Up Issues % came in below 44%.



The change in character is not unique to the 44% level either. I ran this test using an Up Issue % level anywhere from 35% - 46% and from 1-5 days. Every curve I looked at either flattened or rose like these in recent years. So while I would rather see strong breadth to build a bullish case, the weak breadth no longer supports the bears as it once did.

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



With tonight's evidence considered 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 negative 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.

With the last remaining short-term study set to expire on Tuesday, and the intermediate-term outlook currently neutral, expectations are currently slated to turn flat. Of course this will change if compelling new evidence emerges. The Differential Pivot will be 2711.31 on Tuesday. That is 0.7% below Monday's close. Therefore, SPX will need to close down 0.7% on Tuesday in order to change from overbought to oversold versus expectations.

I am back where I have been the last few days. There appears to be a short-term downside edge, but it is so short-term in nature that it does not seem worth playing from a swing trading perspective. With the intermediate-term outlook neutral, I prefer to see a more sizable edge before I will take on new index trades. Nimble traders could consider looking for short opportunities on Tuesday. I will continue to exercise patience until a more favorable reward/risk scenario emerges.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 5/14– neutral***

The intermediate-term outlook was last updated in the 5/14/18 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.](#)*

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