

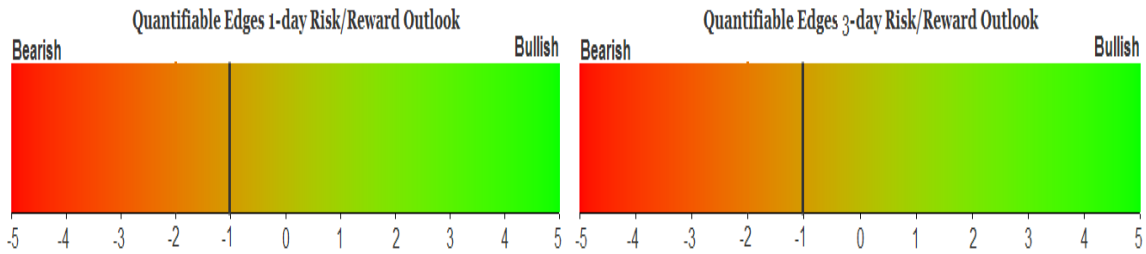
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 17, 2018

Volume 11 Issue 95

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- The Russell 2000 broke out to new all-time highs, but that does not seem to mean much for the SPX.

Short-term Outlook

The Bottom Line

Similar to the last few days, there seems to be a mild bearish edge

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 16, 2018	Unfilled dn from 10-high. Open/close hi	1-3 days	Bearish			
Active - Long Term						
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

Wednesday was an up day for the market. SPX gained 0.4%, the NASDAQ rose 0.6% and the Russell 2000 rallied 1.0% and closed at a new all-time high. Breadth was weak as the NYSE Up Issues % was 64% and the Up Volume % came in at 66%. NYSE volume declined some from Tuesday's level.

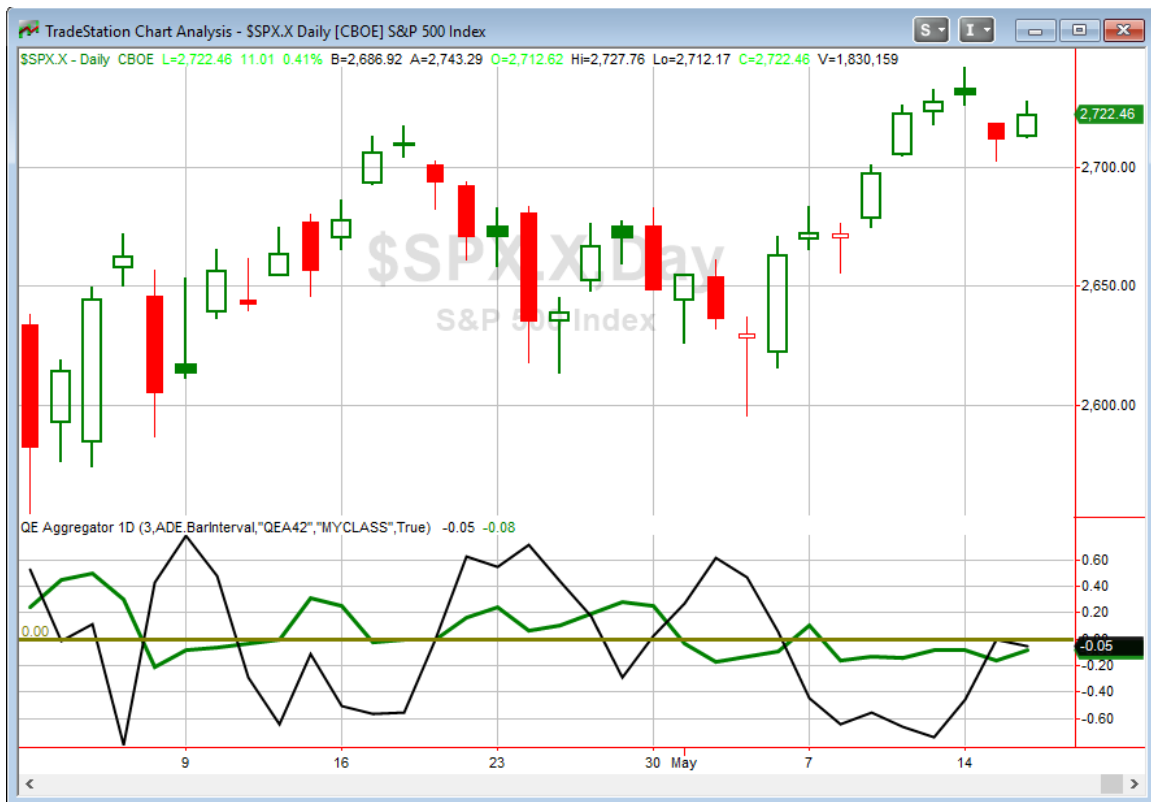
The new high in the Russell is notable, since it is the 1st major index to get there. But it does not necessarily mean the other indices will follow. In the study below I looked at SPX performance following instances of a fresh RUT breakout while SPX had still not broken out.

After not closing at a 200-day high for at least 10 days, RUT breaks out and closes at a 200-day high today. SPX still has not closed at a 200-day high for over 10 days. Buy SPX on close. Sell X days later. \$100k/trade. 1988 - 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	4,425.32	39	20	19	51.28	1,827.98	4,220.38	-1,691.28	-5,593.14	1.08	1.14	113.47
9	2,404.43	39	21	18	53.85	1,567.39	4,140.84	-1,695.05	-6,181.02	0.92	1.08	61.65
8	5,678.14	39	22	17	56.41	1,538.83	3,682.80	-1,657.42	-6,600.54	0.93	1.20	145.59
7	8,917.11	39	21	18	53.85	1,623.28	3,783.59	-1,398.44	-3,691.50	1.16	1.35	228.64
6	8,902.75	39	22	17	56.41	1,368.45	3,141.92	-1,247.24	-3,731.52	1.10	1.42	228.28
5	8,329.57	39	22	17	56.41	1,212.37	3,241.93	-1,078.97	-3,826.80	1.12	1.45	213.58
4	10,168.23	39	22	17	56.41	1,122.47	2,676.91	-854.48	-4,723.20	1.31	1.70	260.72
3	11,967.48	39	27	12	69.23	878.77	2,903.21	-979.94	-3,769.47	0.90	2.02	306.86
2	5,431.09	39	26	13	66.67	783.31	2,154.23	-1,148.84	-3,817.20	0.68	1.36	139.26
1	-1,948.66	39	19	20	48.72	555.54	1,562.93	-625.20	-2,072.76	0.89	0.84	-49.97

Whether you are looking at % Profitable, Win/Loss Ratio, Profit Factor, or Avg Trade, the numbers here appear quite neutral, and do not suggest a strong edge. Looking out further did not change them much, either. The Russell 2000 may lead the way following Wednesday's new high, and the SPX could follow, but history does not indicate a high likelihood of that.

Unfortunately, the Quantifinder did not note anything suggesting a substantial edge. So no new studies will be added to the Active List tonight.

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 also 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.

Based on the current list of active studies, expectations are set to remain negative on Thursday. This could easily change if compelling new bullish evidence emerges. The Differential Pivot will be 2721.96 on Thursday. That is just ½ point below Wednesday's close. So SPX will remain overbought on any up close, and will turn oversold on nearly any down close.

Again it appears we are faced with a mild bearish edge for the short term. And the edge is extremely tenuous. SPX could easily finish Thursday either overbought or oversold versus expectations. And with just the 1 active short-term study right now, new evidence could leave expectations either bullish or bearish. I see very little clarity. While I would love to get some trade ideas active, I am just not seeing a compelling case to do so. More aggressive traders could look to the [Daily Triggers Sheet](#) if they are less concerned with the market outlook and want some quantified triggers to potentially pursue. I am not comfortable taking on new positions here, and will be sitting out for the time being.

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](#).

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.