

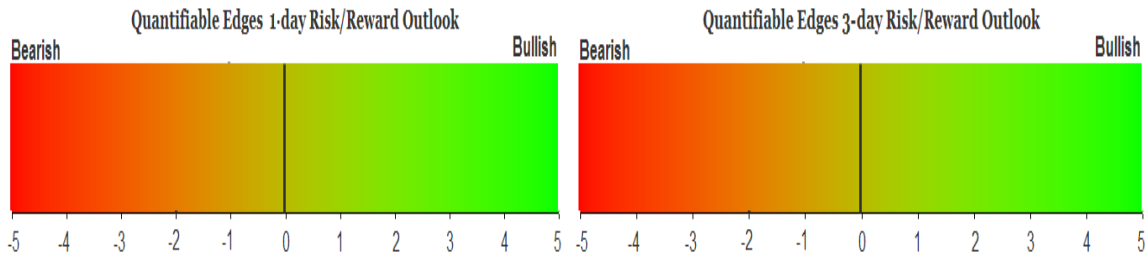
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 18, 2018

Volume 11 Issue 96

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Opex Friday mornings during uptrends have historically struggled.

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
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			

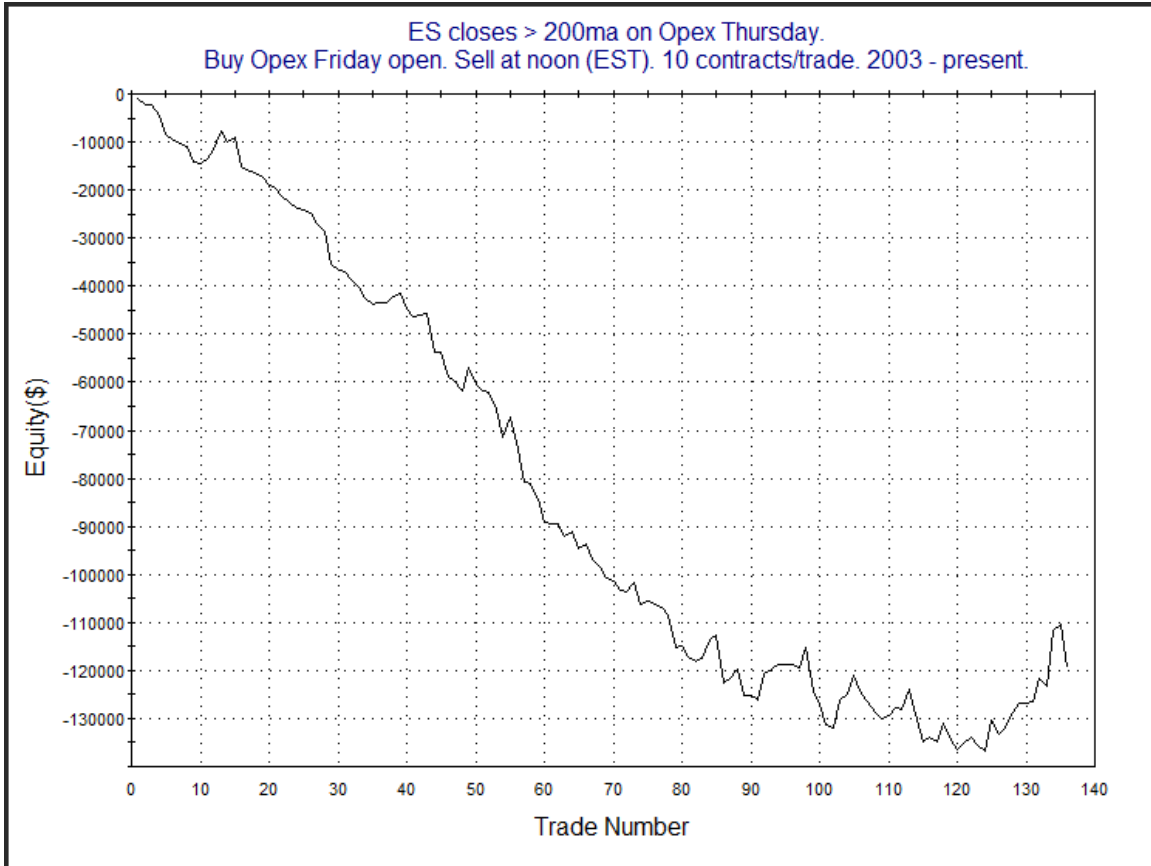
The Evidence

Thursday saw moderate changes in the indices. SPX lost 0.1%, the NASDAQ fell 0.2% and the Russell 2000 rose 0.55% and again closed at a new all-time high. Breadth was positive as the NYSE Up Issues % was 52.7% and the Up Volume % came in at 53.0%. NYSE volume increased some from Wednesday's level.

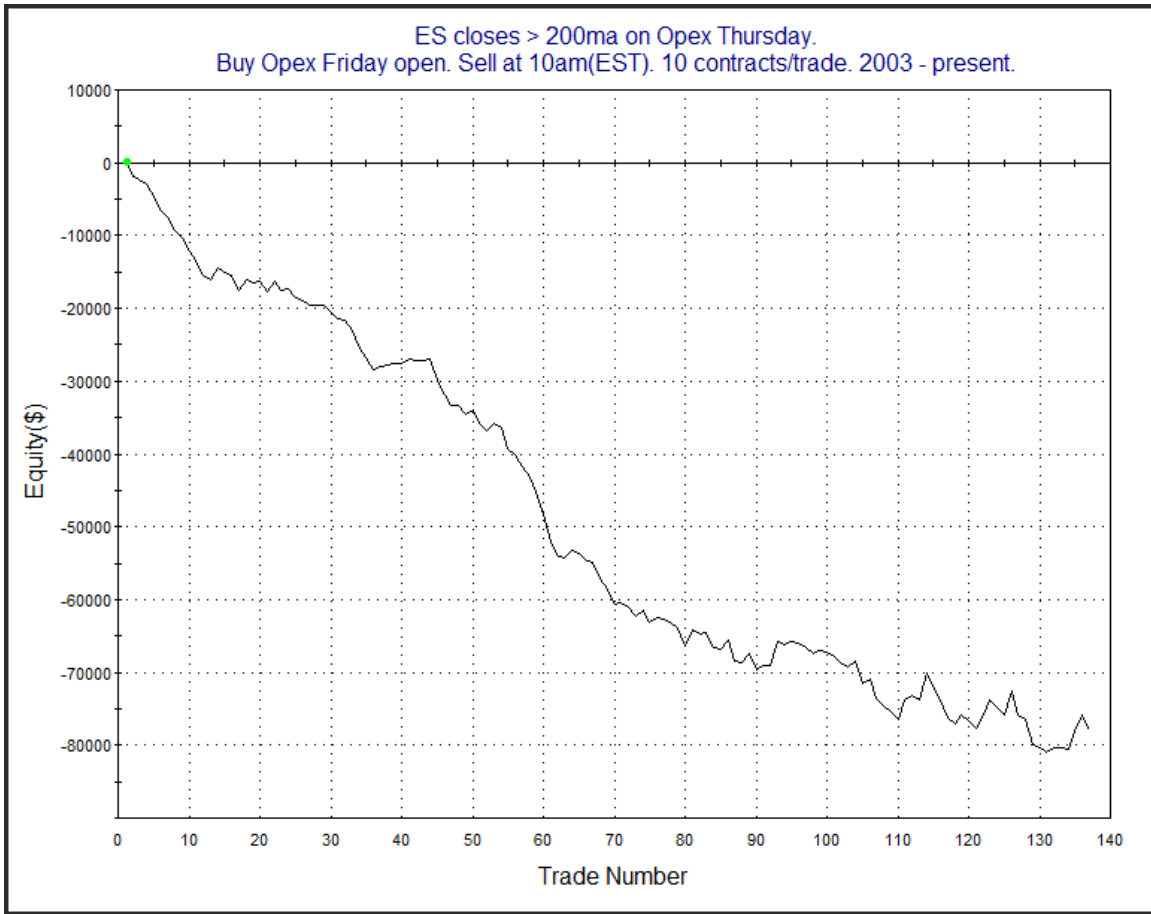
One seasonal factor that could come into play on Friday is that the market has often struggled after the open on opex Friday. Below is a study showing results of purchasing 10 ES contracts (which is the mini-futures contract for the S&P 500) at the open and then exiting at different times during the day. This table is updated from the 4/20/18 letter.

ES closes > 200ma on Opex Thursday. Buy Opex Friday open. Sell at time shown on left (EST). 10 contracts/trade. 2003 - present.												
OE Op-Ex Fri Intra Short2: timeofday	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
1,600	-115,375.00	137	59	75	43.07	2,569.92	13,875.00	-3,560.00	-16,125.00	0.72	0.57	-842.15
1,500	-118,125.00	137	50	83	36.50	2,685.00	9,875.00	-3,040.66	-11,625.00	0.88	0.53	-862.23
1,400	-135,750.00	137	43	87	31.39	2,433.14	9,875.00	-2,762.93	-10,750.00	0.88	0.44	-990.88
1,300	-122,625.00	137	46	90	33.58	2,440.22	11,375.00	-2,609.72	-12,500.00	0.94	0.48	-895.07
1,200	-121,375.00	137	46	91	33.58	2,171.20	11,625.00	-2,431.32	-9,750.00	0.89	0.45	-885.95
1,100	-93,500.00	137	51	84	37.23	1,688.73	7,250.00	-2,138.39	-7,625.00	0.79	0.48	-682.48
1,000	-77,875.00	137	39	95	28.47	1,086.54	3,625.00	-1,265.79	-3,625.00	0.86	0.35	-568.43

As you can see, the bearish implications primarily play themselves out during the morning. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) In years past, the noon profit curve appeared the most appealing. But as you can see below, over the last year or so, the downside tendency has not persisted.

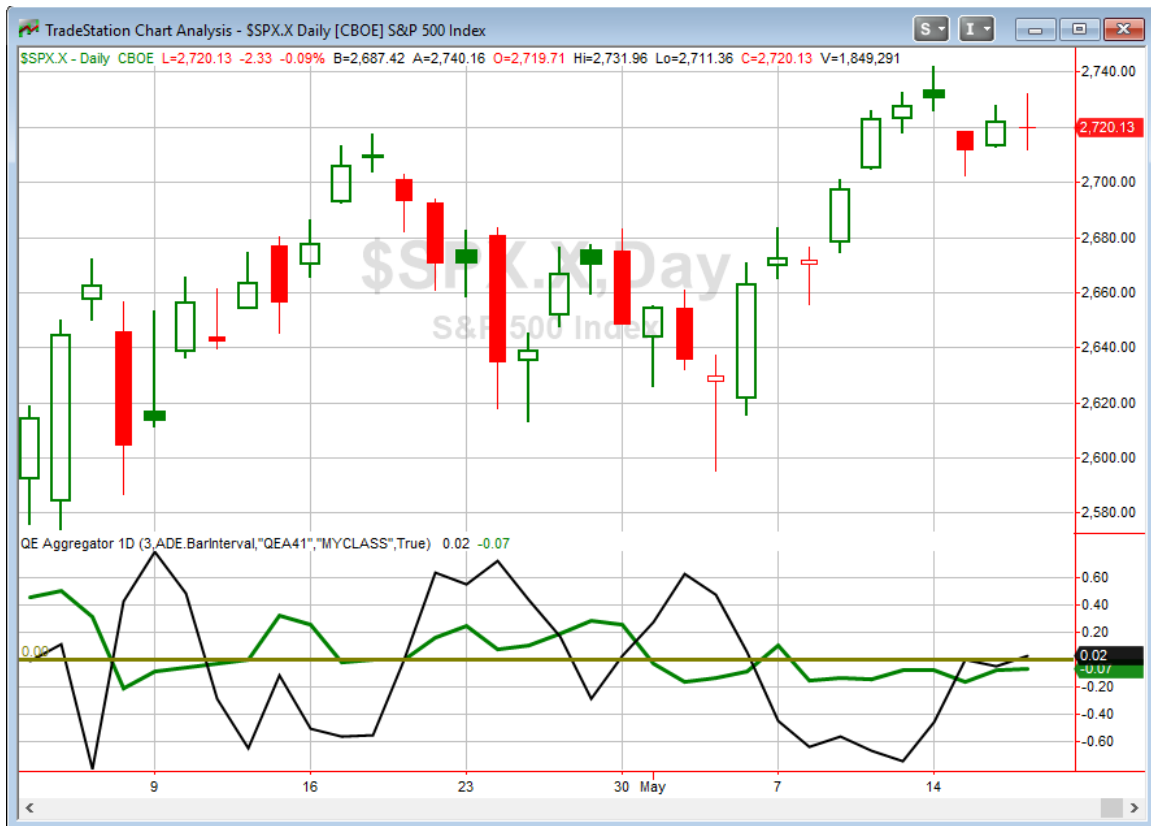


But the change in character is not as evident when looking at the early morning and closing out at 10am. This can be seen below.



Despite the recent upturn, it still appears to me that caution seems warranted on the long side during the early morning on Friday.

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



Tonight the green Aggregator Line again 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 inched 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 turned flat at the close.

The last short-term active studies are set to expire on Friday. With the intermediate-term neutral that would leave expectations flat unless new evidence emerges. The Differential Pivot will be *inverted at 2702.81* on Friday. That is 0.6% *below* Thursday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close down more than 0.6% in order to remain "oversold". Anything less than that and it will be considered "overbought" versus expectations as of Friday's close.

A neutral Aggregator, expiring short-term studies, and an inverted pivot are *not* the makings of a compelling setup. The moderate chop will end at some point, and a strong edge will emerge. Until that happens, I'll remained flush with cash and ready to pounce.

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.