

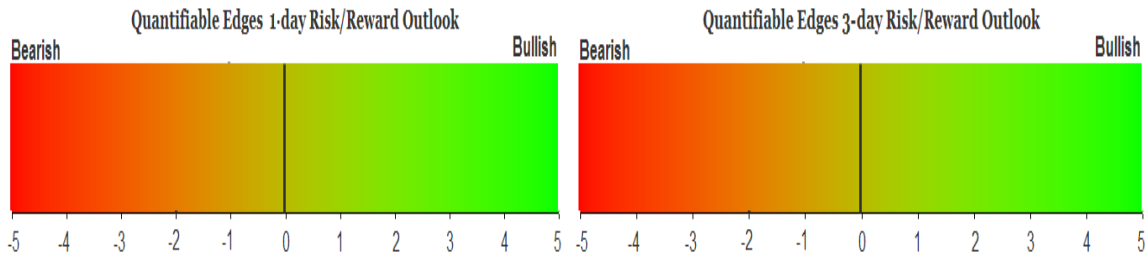
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 22, 2018

Volume 11 Issue 98

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- No new evidence emerged on Monday.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is again neutral and I continue to wait for a more favorable setup.

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

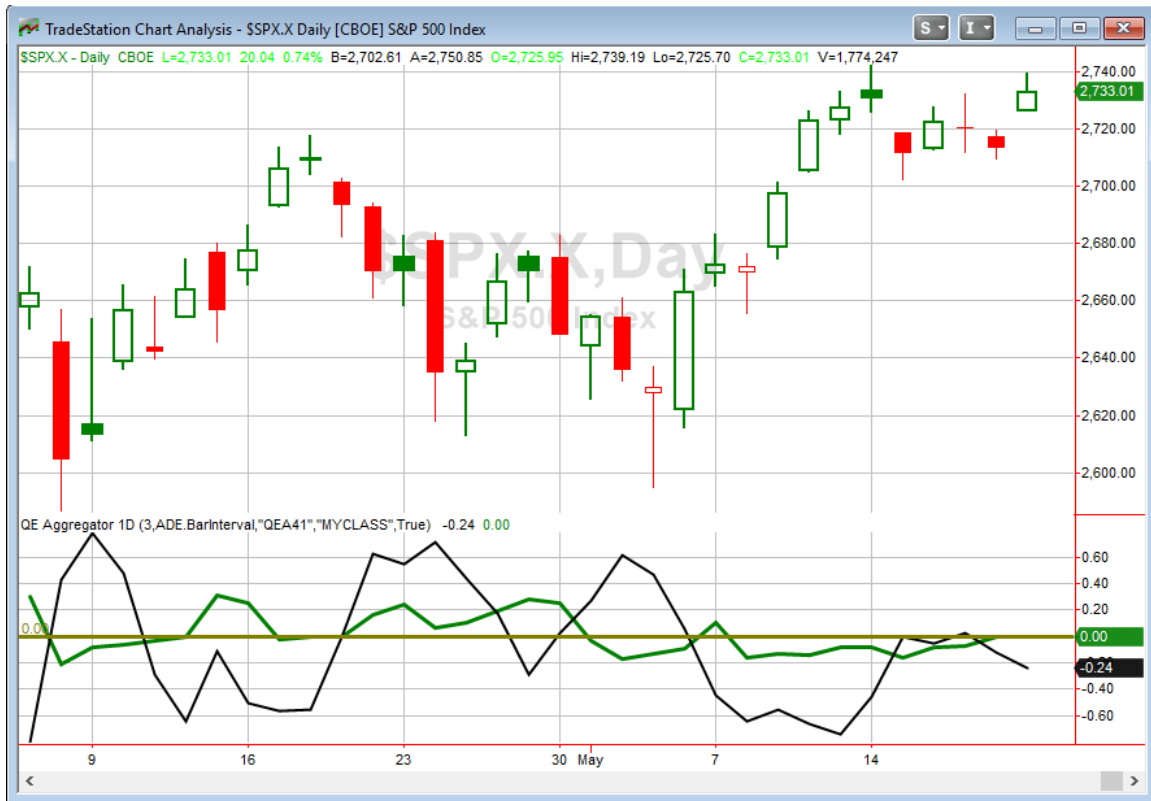
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
None						
<b>Active - Long Term</b>						
May 14, 2018	SPX 20-high. VIX 20-low. Volm 10-low	1-10 days	Bullish	1.80%	-1.40%	-2.75%
May 7, 2018	NASDAQ leading	int term	Bullish			
April 2, 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 an up day for the market. SPX gained 0.7%, the NASDAQ climbed 0.5% and the Russell 2000 rose 0.7% and closed at a new all-time high for the 4<sup>th</sup> day in a row. Breadth was positive as the NYSE Up Issues % was 70% and the Up Volume % came in at 71%. NYSE volume came in lighter than Friday’s level.

SPX closed at its highest level since mid-March, but did not manage to trigger any new studies in the Quantifinder – bullish or bearish. Many beginner swing traders will consistently try and short overbought and buy oversold. While this can be a good way to go, it is helpful to know whether the present overbought condition is also showing signs that it is likely to pull back. Overbought can always get more overbought. (And that is what happened on Monday.) The Quantifinder has several hundred studies in it that could indicate possible downside edges. Despite the market being overbought the last two days, there is no compelling evidence suggesting a high probability of an immediate decline. This keeps me from getting into trouble trying to short an overbought condition without a clear bearish edge. So while “no new studies” may sound like “no new information”. That is not really the case. The lack of evidence can speak just as loudly as evidence itself.

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



Without any short-term studies active and the intermediate-term neutral, the green Aggregator line again finished right at 0. This means net expectations are flat for the next few days. Meanwhile the black Differential Line closed below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are flat and SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines fail to close on the same side of zero. Therefore, the Aggregator signal stayed flat at the close.

Action Tuesday and new studies that emerge will determine expectations for Wednesday and beyond. The Differential Pivot will be 2711.41 on Tuesday. That is 0.8% below Monday's close. So SPX will need to close down at least 0.8% on Tuesday in order to flip from oversold to overbought versus expectations.

Again we are faced with flat expectations, a neutral intermediate-term outlook, and an overbought market. This is not the makings of a compelling reward/risk scenario. As much as I would rather be trading, I will continue to exercise patience until a more compelling setup emerges.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 5/21– neutral***

## **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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