

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 30, 2018

Volume 11 Issue 103

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- 3 down days, a gap down, and a 10-day low have combined for a substantial upside edge in the past.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, and there appears to be a pretty good chance of a bounce over the next few days.

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 30, 2018	Unfilled gap, 10 low, 3 down above 200	1-2 days	Bullish			
May 29, 2018	1st close < 10ma in 15+ days	1-5 days	Bullish	1.40%	-1.00%	-2.40%
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

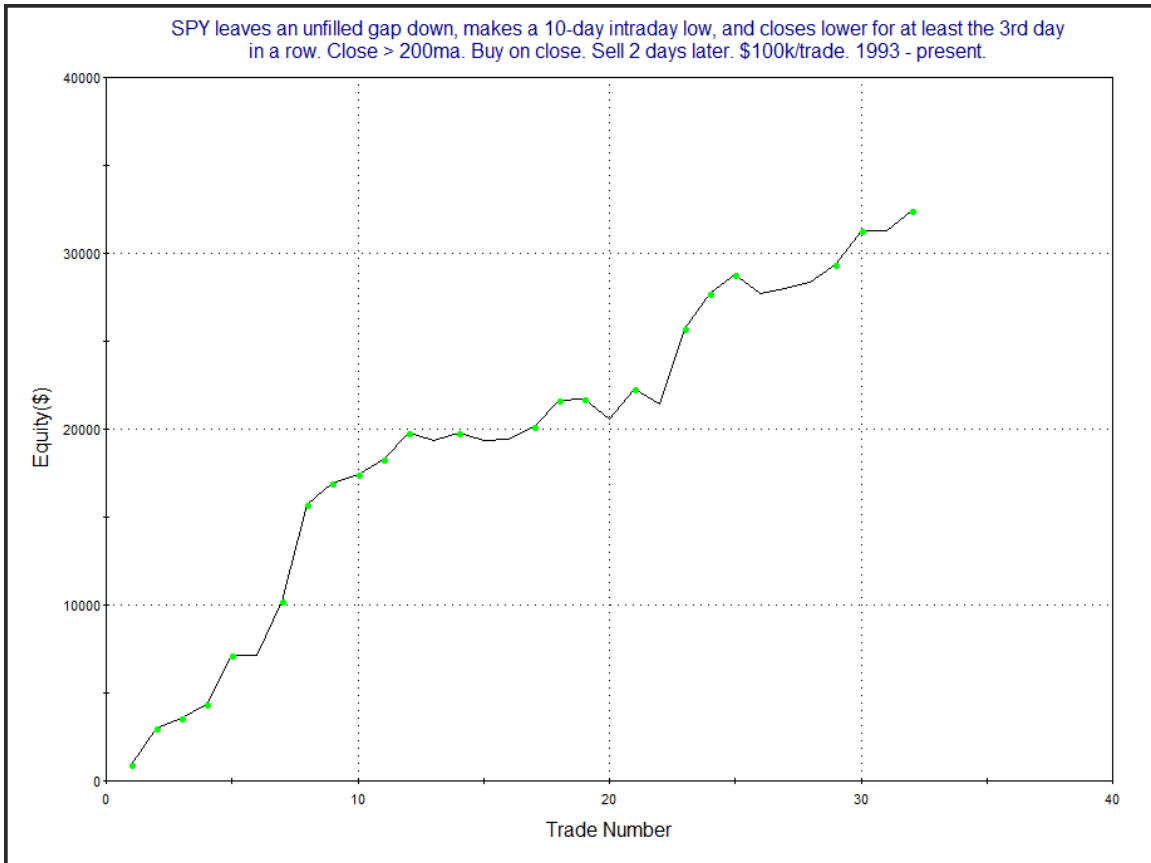
Tuesday opened poorly as Italy spooked the market over the long weekend. The major indices all finished with losses, but the NASDAQ and Russell both closed higher than they opened the day. At the close SPX finished down 1.2%, the NASDAQ fell 0.5% and the Russell 2000 lost 0.2%. Breadth was negative as the NYSE Up Issues % was 42% and the Up Volume % came in at 26%. NYSE volume rose from Friday's level.

Some observations that suggest a possible upside are 1) SPY has now closed lower 3 days in a row during a long-term uptrend, and 2) SPY left an unfilled gap down and made a short-term low. These things triggered a few studies in the Quantifinder tonight. The study below combined them and served as a good description of the current market setup. It looked for multiple down days, short-term lows, and an unfilled gap down. It was last seen in the 9/12/16 letter. I have updated the results.

SPY leaves an unfilled gap down, makes a 10-day intraday low, and closes lower for at least the 3rd day in a row. Close > 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	28,727.34	32	23	9	71.88	1,773.68	8,239.74	-1,340.82	-4,770.78	1.32	3.38	897.73
4	23,311.82	32	22	10	68.75	1,759.95	5,581.02	-1,540.70	-4,430.01	1.14	2.51	728.49
3	32,945.47	32	25	7	78.13	1,568.33	4,249.44	-894.69	-1,847.47	1.75	6.26	1,029.55
2	32,407.11	32	25	6	78.13	1,457.13	5,477.88	-670.19	-1,118.36	2.17	9.06	1,012.72
1	17,191.16	33	25	8	75.76	899.66	5,764.38	-662.53	-1,677.36	1.36	4.24	520.94

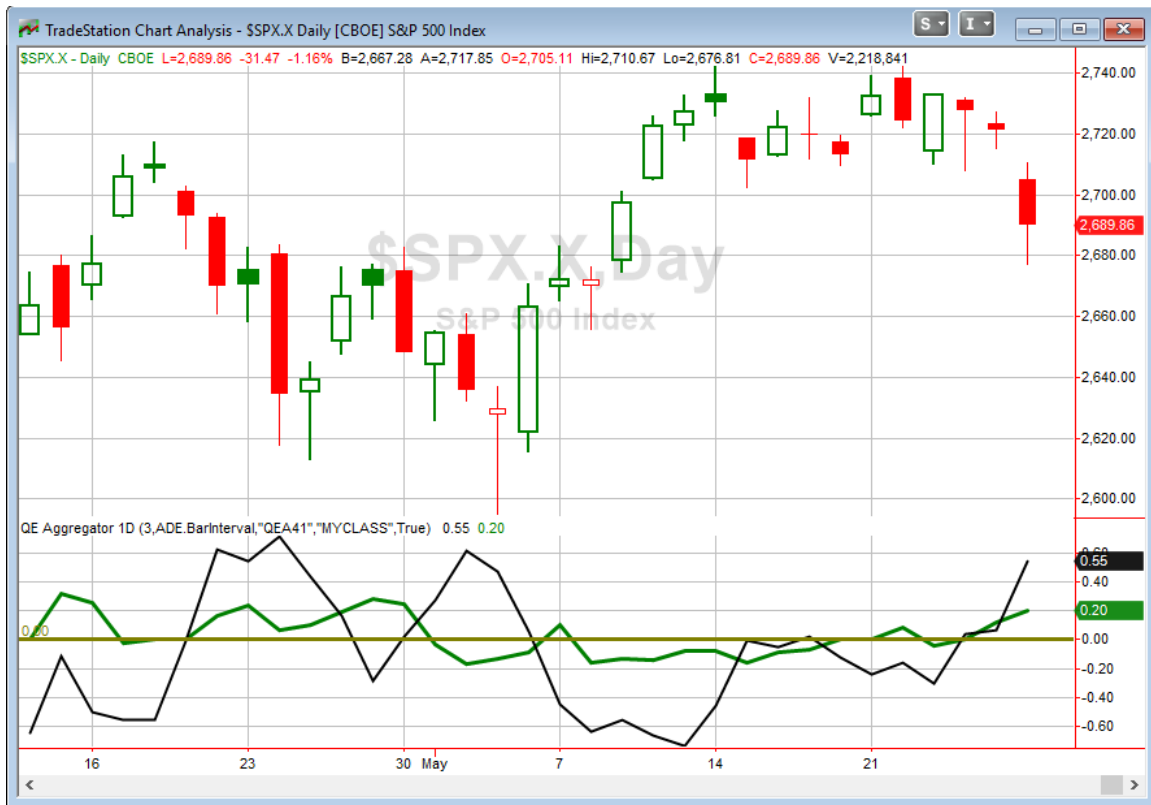
31 of 33 instances (94%) closed above the entry price at some point in the next week.

The stats suggest a high probability of an almost immediate bounce. Below is a profit curve assuming a 2-day holding period.



The curve is a little choppy, but it has made its way from lower left to upper right without many instances between new highs at any point. The study certainly seems strong enough to include on the Active List tonight.

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



With tonight's evidence considered, the green Aggregator Line closed above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line moved further above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above 0. Therefore, the Aggregator signal stayed long at the close.

With the current studies on the Active List, expectations are slated to remain bullish on Wednesday. Of course this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2728.48 on Wednesday. That is 1.4% above Tuesday's close. Therefore, SPX would need to close up at least 1.4% on Wednesday in order to flip from oversold to overbought versus expectations.

Tuesday's action brought about more bullish evidence and caused the market to turn more oversold. There is also a decent amount of potential upside before it would flip back to overbought. So I will be looking to take some long exposure on Wednesday. I have decided to utilize numbered system 81119 for a small position if I can get a fill. And if we see another down day Wednesday, then I will look to start scaling into an index position.

I will also note that I have been working to update some of the numbered system information as well as explore some new ideas. The [numbered system package for Tradestation](#) was updated over the weekend, with updates to the charts to show relevant indicators along with showing the system number on the charts. More updates and information will be released in the coming weeks.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/29– neutral

The intermediate-term outlook was last updated in the 5/29/18 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.

EWZ – buy numbered system position @ \$35.33 LIMIT. This is from the [triggers sheet](#) on the numbered systems page. EWZ triggered [system 81119](#).

SPY – buy ¼ index position @ \$269.00 LIMIT ON CLOSE. This is from the short-term outlook above. The Aggregator is showing an upside edge. But SPY just broke down from a trading range, so I do not want to jump in right away. I will wait to see if it closes lower again on Wednesday. A close \leq \$269.00 will get me on board.

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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