

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 31, 2018

Volume 11 Issue 104

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- A combination of factors is suggesting turn of the month is likely to see gains.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but that is only going to last through Friday unless the SPX closes down a bit.

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						
June 1, 2018	Weak close < 10ma > 200 up mnth. EOM	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 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			
Dropped Tonight						
May 31, 2018	Thursday after Memorial Day bullish	1 day	Bullish			
May 30, 2018	Unfilled gap, 10 low, 3 down above 200	1-2 days	Bullish			

The Evidence

Thursday was a down day for the market. The SPX declined 0.7%, the NASDAQ fell 0.3% and the Russell 2000 lost 0.9%. Breadth was weak as the NYSE Up Issues % was 34% and the Up Volume % came in at 25%. NYSE volume spiked up a bit from Wednesday's level.

Several studies related to turn of the month triggered in the Quantifinder. Beginnings of new months often arrive with seasonal strength. This has especially been true 1) during long-term uptrends, and 2) when the market is experiencing a short-term pullback, and 3) when it closes weakly on the last day of the month. In the study below I took these concepts, which were learned from past studies, and combined them. It was last seen in the 8/1/17 letter. The very strong results have all been updated.

Today is the last trading day of the month. SPY closes > 200ma and positive on the month. It also closes < 10ma, down on the day, and in the lower 50% of its intraday range. 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	41,474.18	30	24	6	80.00	2,126.00	5,025.88	-1,591.62	-6,349.55	1.34	5.34	1,382.47
4	37,592.62	30	23	7	76.67	1,917.10	3,718.84	-928.66	-4,936.67	2.06	6.78	1,253.09
3	32,726.75	30	23	7	76.67	1,662.88	4,245.00	-788.50	-1,673.59	2.11	6.93	1,090.89
2	29,204.65	30	28	2	93.33	1,099.45	3,135.34	-790.04	-1,084.89	1.39	19.48	973.49
1	23,689.20	30	29	1	96.67	822.96	1,792.50	-176.50	-176.50	4.66	135.22	789.64

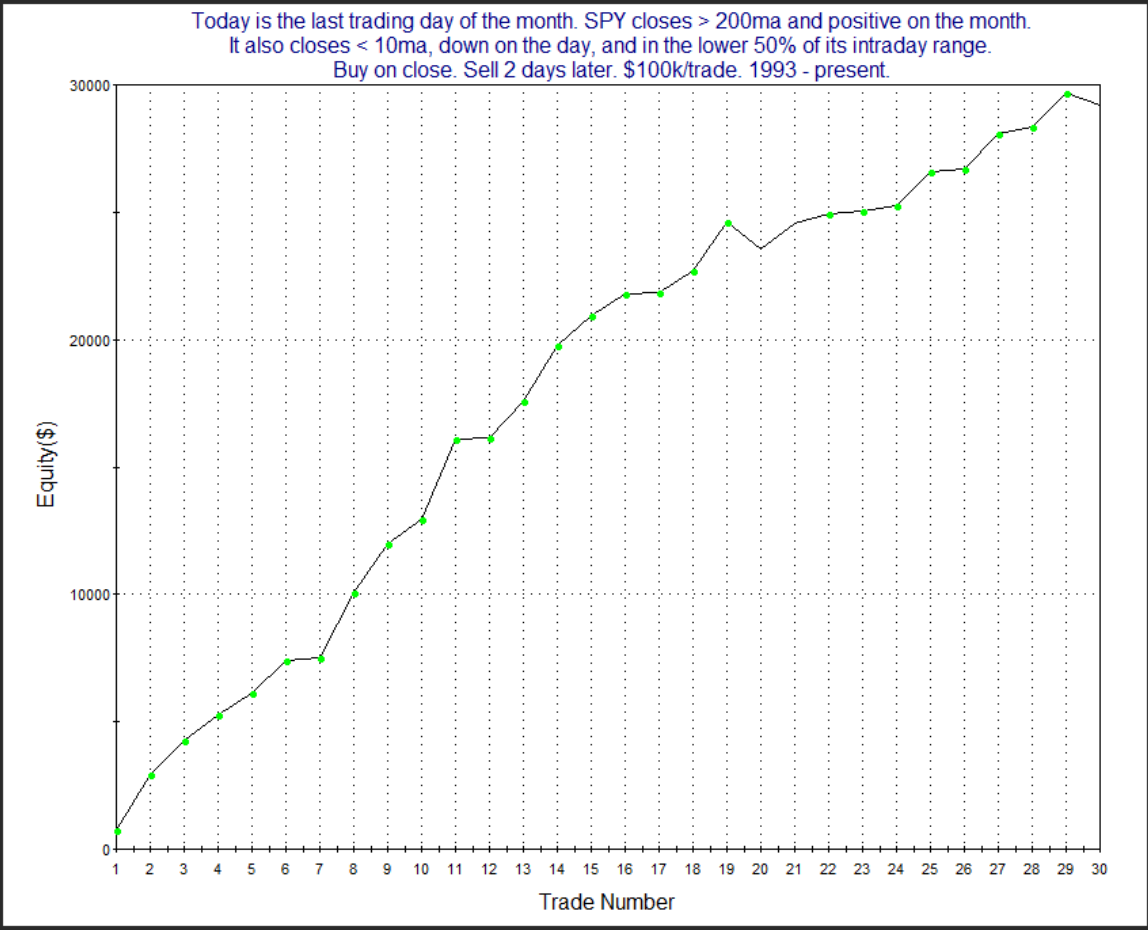
Every instance closed above the entry price on either Day 1 or Day 2.

The reliability of a bounce over the next 1-2 days has been remarkable. So were the 2-day Run-up/Drawdown stats, which I have pasted below:

Today is the last trading day of the month. SPY closes > 200ma and positive on the month.
 It also closes < 10ma, down on the day, and in the lower 50% of its intraday range.
 Buy on close. Sell 2 days later. \$100k/trade. 1993 - present.

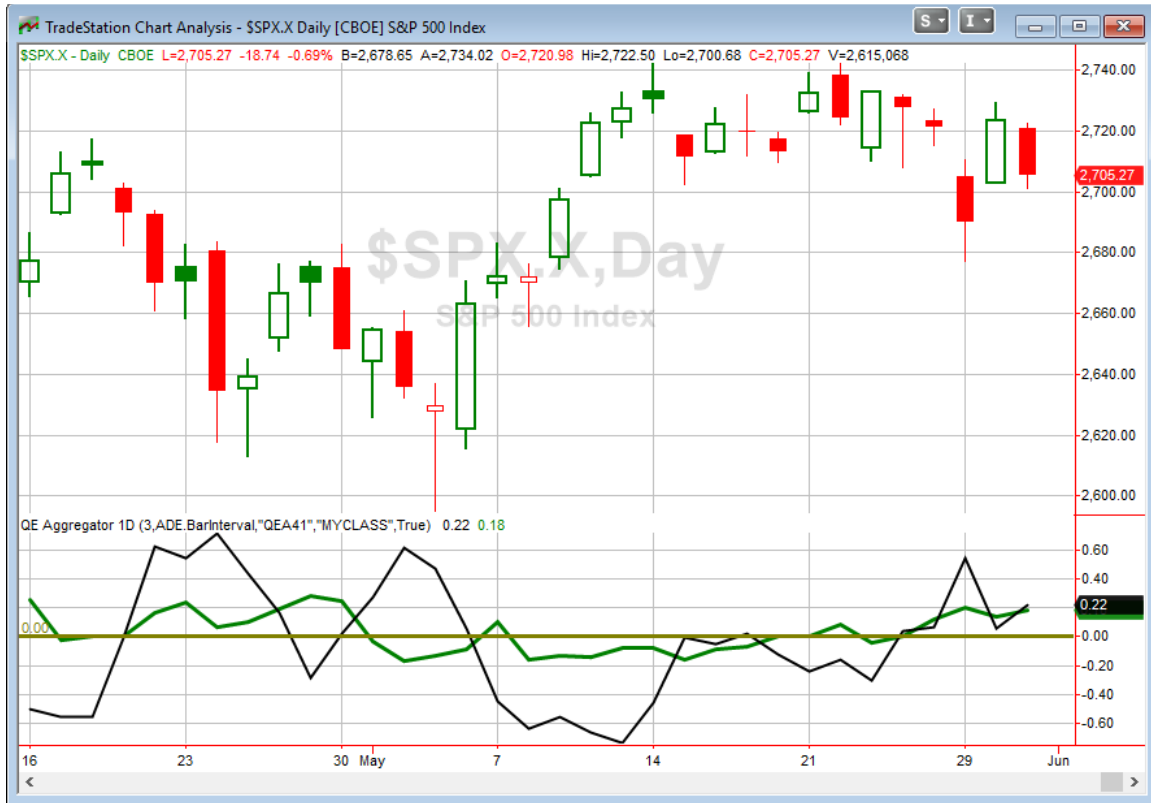
Run-up/Drawdown	Run-up	Drawdown
Max. Value	\$3,275.38	(\$1,589.49)
Max. Value Date	4/5/1999	5/4/2010
Avg. Value	\$1,480.69	(\$353.55)

The Avg Run-Up was nearly the size of the MAX Drawdown, and over 4x the size of the Avg Drawdown. Those are some impressive numbers. Here also is a profit curve.



Despite the minor hiccup the last instance, this is a very impressive curve. This study certainly seems worthy of consideration.

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



With tonight's evidence considered, the green Aggregator Line remained above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line also held 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 Friday. Of course this could change if compelling new bearish evidence emerges. The Differential Pivot will be *mildly inverted* at 2698.37 on Friday. That is about 0.25% *below* Wednesday'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 about 0.25% point in order to remain oversold. Failure to do so will leave it overbought versus expectations on Friday.

The situation is very similar to last night. There appears to be an upside edge, but with the Differential Pivot inverted, reward/risk potential is poor. This is thanks to the fact that any move up (and some down moves) would result in the end of the bullish signal. Friday also has a bit of a wildcard in that the employment report is due to be released an hour before the NYSE open. That could have a sizable (though unreliable) impact on Friday's action. So once again I will not be looking to take on new index exposure just yet. I will continue to exercise patience until a more favorable reward/risk opportunity presents itself.

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.

[None tonight.](#)

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
EWZ	5/30/2018	\$35.33	\$35.62	0.82%		System 81119

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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