

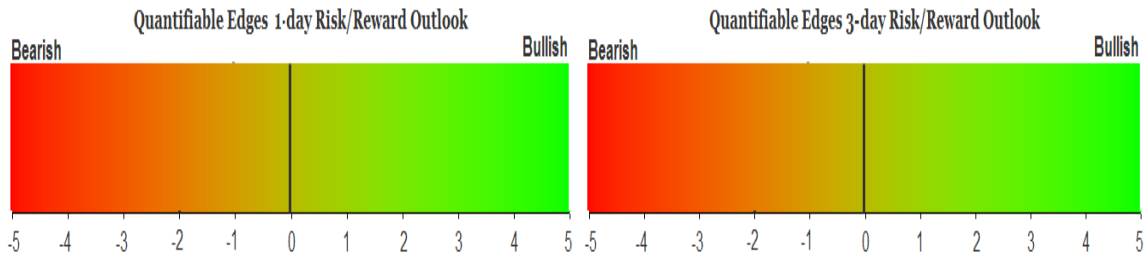
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 5, 2018

Volume 11 Issue 107

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- The breakout to a new 50-day high from congestion in an uptrend suggest bullish implications.
- 2 unfilled up gaps and a 50-day high are a short-term positive.

## *Short-term Outlook*

### *The Bottom Line*

Like last night, evidence suggests we could see a further rally over the next several days. But with the market a bit extended, reward/risk is not great. I am waiting for a pullback to provide a more favorable buying opportunity.

*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>						
June 5, 2018	SPY 2 unfilled up gaps	1-3 days	Bullish	0.80%	-0.60%	-1.20%
June 5, 2018	SPX 50-day breakout over intra high	1-4 days	Bullish	1.00%	-0.65%	-1.40%
June 4, 2018	SPX 50-day breakout with lower volume	1-5 days	Bullish			
June 4, 2018	SPY 50-day breakout w/ unfilled gap	1-5 days	Bullish			
<b>Active - Long Term</b>						
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**

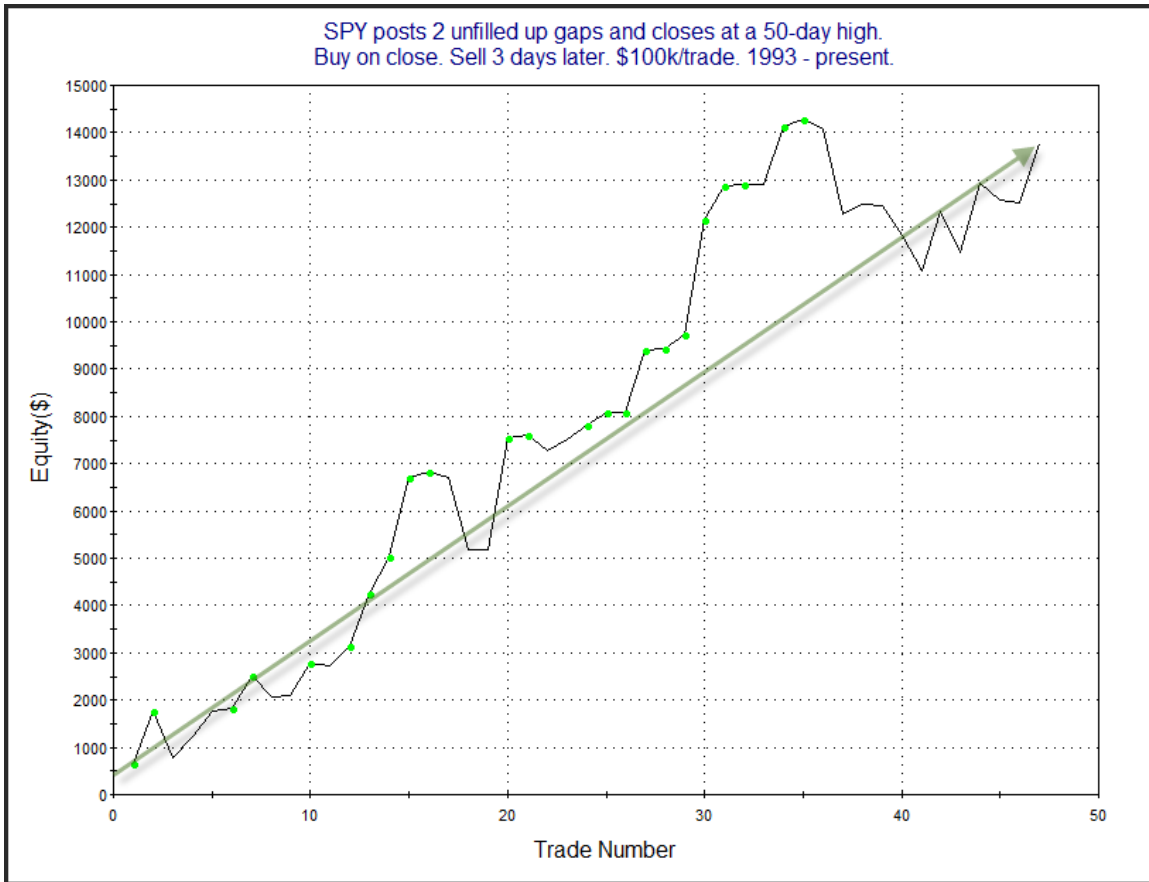
Monday saw the market post further gains. The SPX rose 0.45% and posted a new 50-day high, the NASDAQ rallied 0.7% closed at an all-time high and the Russell 2000 climbed 0.3% and also closed at an all-time high. Breadth was positive as the NYSE Up Issues % was 65% and the Up Volume % came in at 64%. NYSE volume declined some from Friday's level.

It is notable that Monday was the 2nd day in a row with an unfilled up gap. The study below was from in the 9/13/17 letter. It examined other times SPY left 2 unfilled up gaps and closed at a 50-day high.

SPY posts 2 unfilled up gaps and closes at a 50-day high. 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	10,908.30	47	31	16	65.96	920.68	2,013.72	-1,102.04	-4,508.40	0.84	1.62	232.09
4	14,503.35	47	31	16	65.96	941.23	2,475.56	-917.18	-2,720.25	1.03	1.99	308.58
3	13,775.01	47	31	16	65.96	709.87	2,419.84	-514.43	-1,801.77	1.38	2.67	293.09
2	9,941.09	48	33	14	68.75	518.36	1,858.87	-511.77	-1,476.68	1.01	2.39	207.11
1	2,467.00	58	31	27	53.45	361.35	1,156.32	-323.51	-1,942.24	1.12	1.28	42.53

**52 of 58 instances (90%) closed above the entry price at some point in the next week.**

The size of the follow-through isn't terribly large, but it has been very consistent that some follow through was achieved in the next few days. Below is the 3-day profit curve.



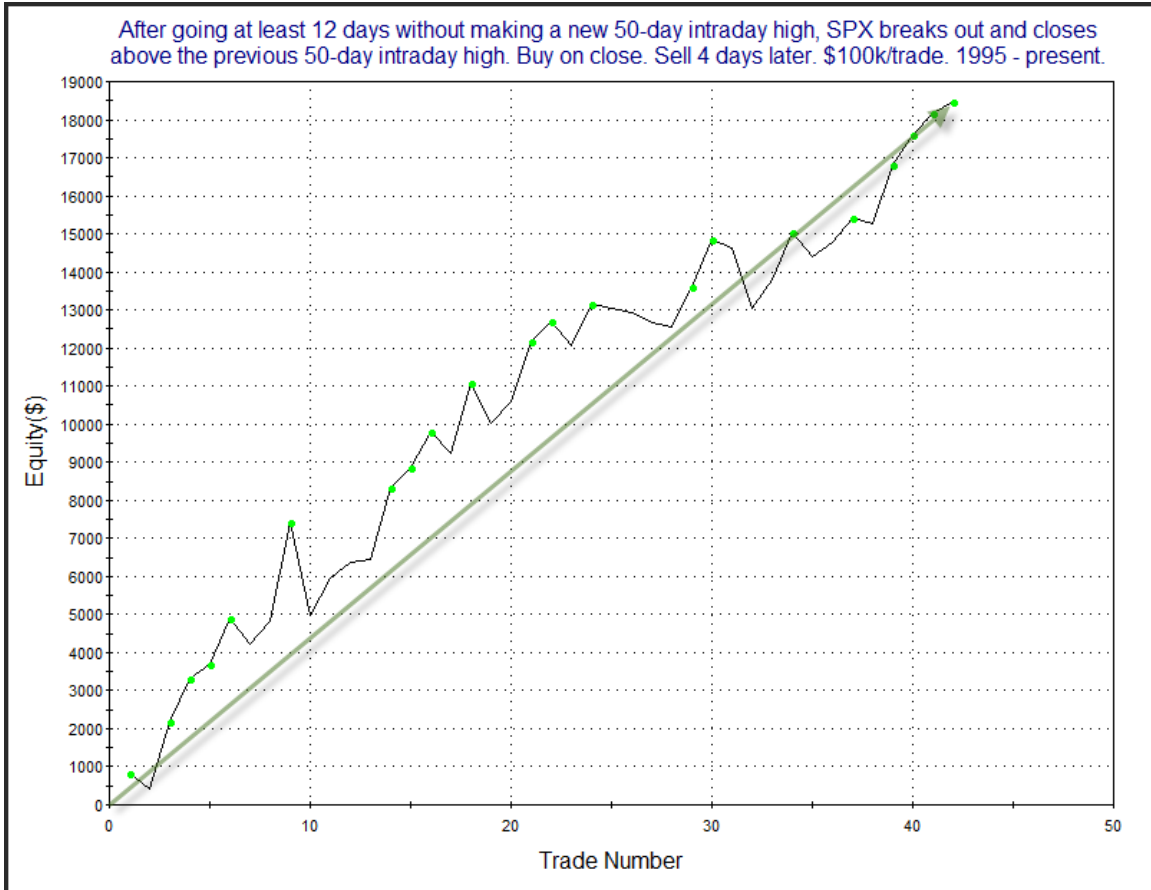
Despite the recent dip the upward inclination appears to be in place. This study seems worth consideration, and I have included on the Active List.

And while I showed some studies last night related to SPX breaking out to a new closing high, it wasn't until Monday that a new intraday high was reached. The study below looks at times a new intraday high has been exceeded after a basing period, and the SPX manages to close above the old intraday high. I also last showed this in the 9/13/17 Letter. I have updated it below.

After going at least 12 days without making a new 50-day intraday high, SPX breaks out and closes above the previous 50-day intraday high. Buy on close. Sell X days later. \$100k/trade. 1995 - present.

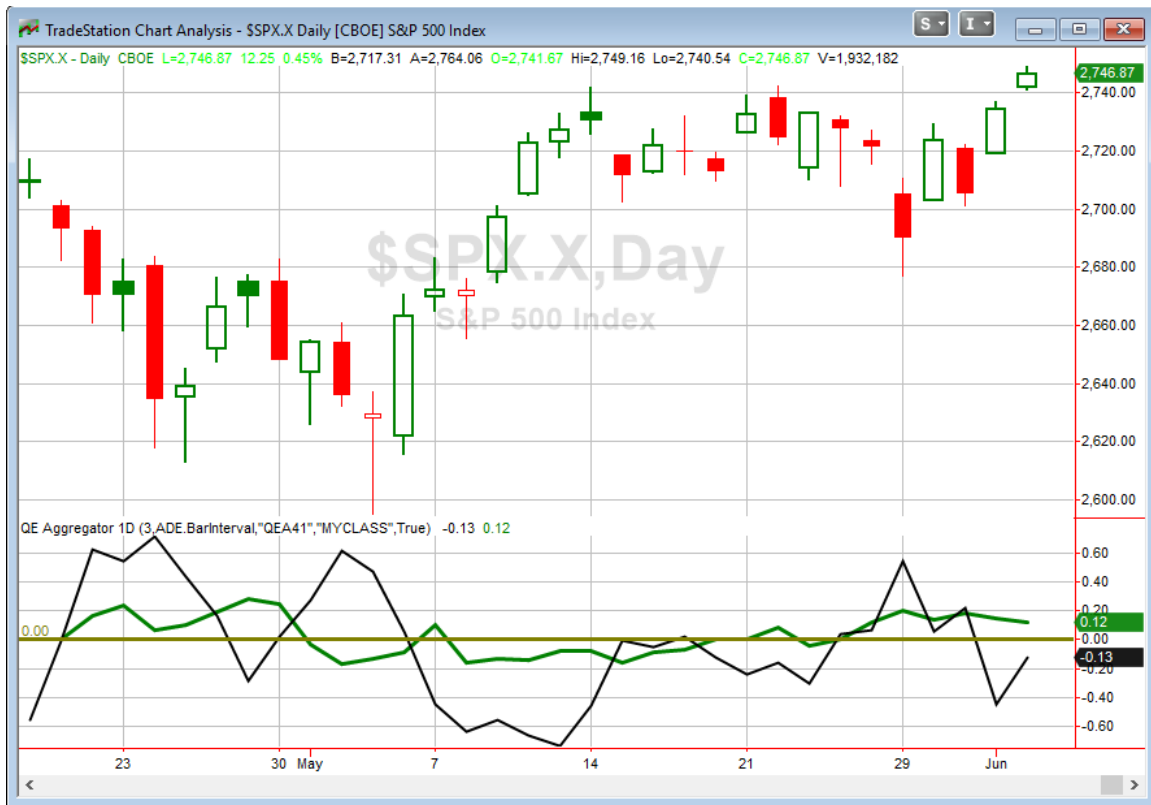
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	13,989.67	42	31	11	73.81	865.01	2,553.28	-1,165.98	-3,138.72	0.74	2.09	333.09
4	18,471.59	42	28	14	66.67	976.64	2,616.60	-633.88	-2,429.70	1.54	3.08	439.80
3	15,864.22	42	31	11	73.81	788.73	2,142.91	-780.58	-2,188.15	1.01	2.85	377.72
2	7,100.15	42	27	15	64.29	637.26	1,998.39	-673.73	-1,749.60	0.95	1.70	169.05
1	8,224.64	42	27	15	64.29	458.53	1,606.89	-277.04	-921.94	1.66	2.98	195.82

Stats are not overwhelming, but they appear solid and worth closer examination. So below is the profit curve for a 4-day holding strategy.



The upslope looks appealing and it is continuing to make new highs. I have included this study on the Active List as well.

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 dove held below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. 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 stayed flat at the close.

With the current studies on the Active List, expectations are slated to remain bullish on Tuesday. It would take some very bearish new evidence in order to change this. The Differential Pivot will be 2719.32 on Tuesday. That is about 1.0% below Monday's close. Therefore, SPX would need to close down at least 1.0% on Tuesday in order to change to "oversold" versus recent expectations.

We saw some immediate follow-through after Friday's closing high. And that was expected based on our research over the weekend. But the continued push has the market overbought and the Aggregator therefore neutral. I am left waiting for a pullback to provide a more favorable buying opportunity. Perhaps the sizable SOMA reduction we are expecting this week will help the bears pull it back a bit in the net couple of days. I am not looking to add any new exposure on Tuesday, and will simply be managing my current positions.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 6/4– 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**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
EWZ	5/30/2018	\$35.33	\$36.42	3.09%		Sell on close > \$36.92

*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.