

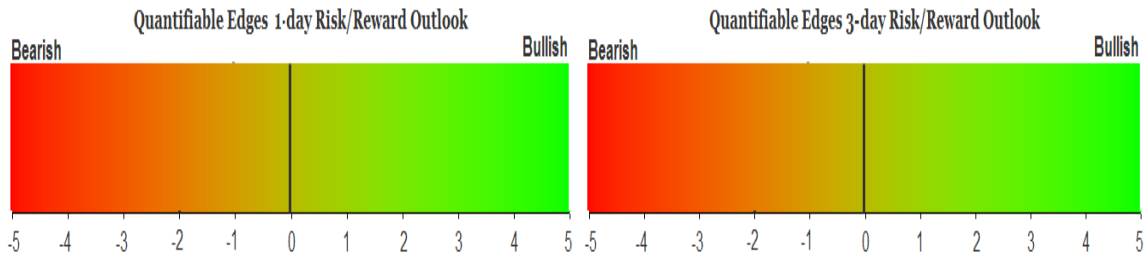
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 8, 2018

Volume 11 Issue 110

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- 5 higher highs is not indicative of a rally in need of a pullback when it is at an intermediate-term high.

Short-term Outlook

The Bottom Line

Like the last few nights, evidence suggests we could see some more upside. But with the market again overbought, reward/risk is not great. I am waiting for 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
Active - Short Term						
June 7, 2018	VIX 10% above 10ma to 10% below	1-8 days	Bullish	2.10%	-1.20%	-2.55%
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			
Active - Long Term						
June 7, 2018	SPX > 50-day Bollinger Band	1-50 days	Bullish	5.00%	-4.10%	-7.80%
May 7, 2018	NASDAQ leading	int term	Bullish			
April 2, 2018	SOMA reduction intensifies to \$30 billion	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 the market pull back a bit. The SPX declined 0.1%, the NASDAQ dropped 0.7%, and the Russell 2000 fell 0.5%. Breadth was positive as the NYSE Up Issues % was 53.8% and the Up Volume % came in at 54.1%. NYSE volume declined some from Wednesday's level.

An interesting study from the Quantifinder looked at the possible impact of 5 higher highs occurring. I last looked at this in the 5/26/17 letter. The studies examined the impact of the position of the market when the 5 higher highs occurred. I broke it down again tonight. I wanted to see all times the 5 higher highs were accompanied by a 50-day high versus times they weren't. First let's look at times where 5 higher highs occur without a 50-day high.

SPY makes a higher high for the 5th day in a row but not a 50-day intraday 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	-18,304.79	69	36	33	52.17	1,391.45	8,382.48	-2,072.63	-6,714.00	0.67	0.73	-265.29
4	-37,015.66	69	31	38	44.93	1,087.72	3,317.60	-1,861.45	-7,879.83	0.58	0.48	-536.46
3	-8,217.56	69	38	31	55.07	1,069.41	4,059.44	-1,575.98	-4,560.85	0.68	0.83	-119.10
2	3,452.92	69	37	32	53.62	957.94	5,364.26	-999.71	-2,399.36	0.96	1.11	50.04
1	-174.73	69	33	36	47.83	598.62	3,057.76	-553.59	-2,245.23	1.08	0.99	-2.53

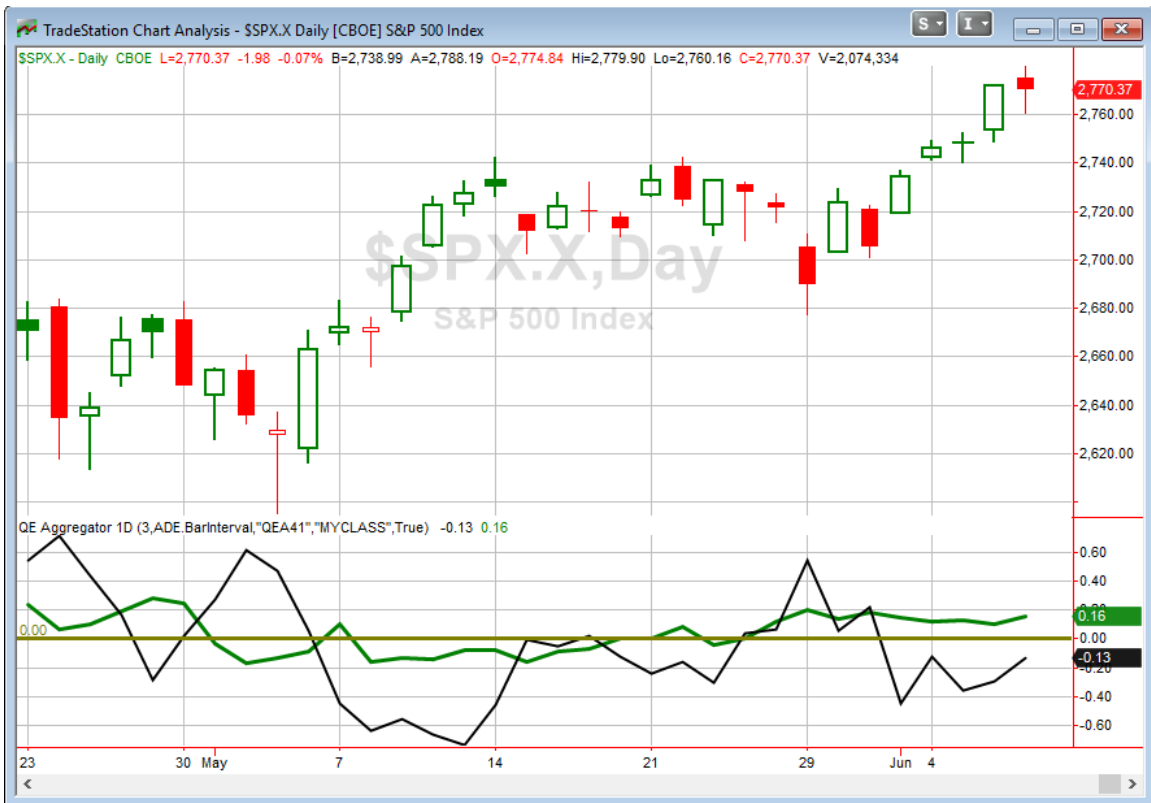
Stats over the 1st few days suggest a possible mild downside edge. After 5 higher highs the market will sometimes need a breather.

But what of times (like now) when a strong uptrend exists and the market is also making a 50-day high? Those stats can be found below.

SPY makes a higher high for the 5th day in a row and a 50-day intraday 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	3,048.53	75	37	38	49.33	1,085.16	3,452.80	-976.38	-3,514.00	1.11	1.08	40.65
4	1,736.13	75	42	33	56.00	829.28	2,413.62	-1,002.83	-3,646.08	0.83	1.05	23.15
3	-3,186.21	75	40	34	53.33	710.69	2,362.10	-929.82	-3,561.68	0.76	0.90	-42.48
2	-385.12	75	43	31	57.33	538.97	2,545.92	-760.03	-2,585.46	0.71	0.98	-5.13
1	-3,835.67	75	33	42	44.00	352.00	1,495.81	-367.89	-1,745.63	0.96	0.75	-51.14

Interestingly, the number of instances has been nearly the same. But with an intermediate-term rally also occurring the tendency to pull back no longer exists. So the 5 higher highs are really of no concern in situations like the current one. Without strong evidence emerging, no new studies are being added to the Active List tonight.

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



Without any new studies making the Active List tonight, 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 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 Friday. This could easily change if compelling new bearish evidence emerges. The Differential Pivot will be 2759.69 on Friday. That is 0.4% below Thursday's close. Therefore, SPX would need to close down at least 0.4% on Friday in order change to "oversold" versus recent expectations.

The story is similar to the last few nights. Overbought, but with a good chance that it could continue higher. The neutral Aggregator formation suggests reward/risk is not great for taking on new positions. I'll continue to wait until a more favorable setup emerges before taking on new exposure.

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	\$32.71	-7.42%		Sell on close > \$35.36

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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