

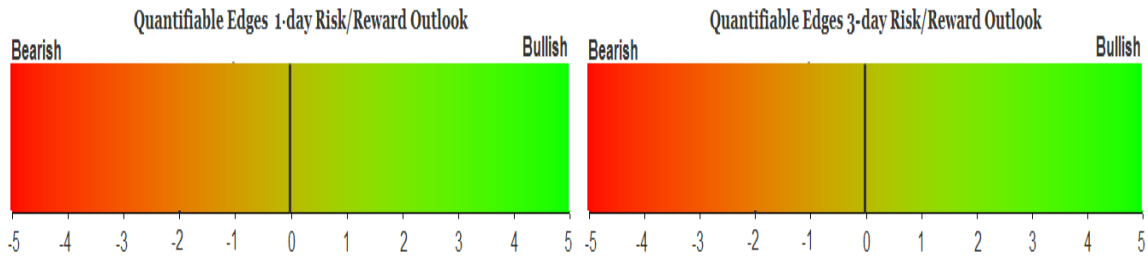
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 13, 2018

Volume 11 Issue 113

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- 20-day highs right before a Fed Day have effectively killed the Fed Day edge.
- 3 days up into a Fed Day have typically seen momentum continue on the Fed Day.

Short-term Outlook

The Bottom Line

The Aggregator is back to neutral, evidence remains mixed, and a pending Fed announcement could serve as a wildcard. This is not a high-probability combination. I am neutral.

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

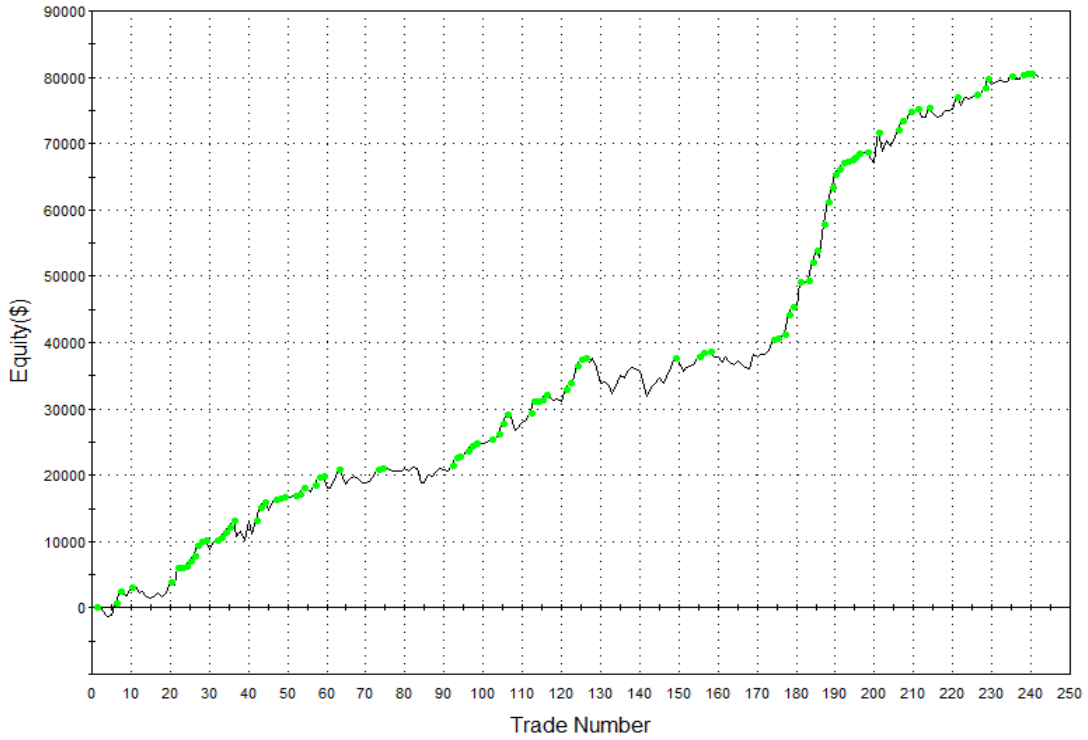
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
June 12, 2018	VIX up Monday. SPX 50-day high.	1-2 days	Bearish			
June 7, 2018	VIX 10% above 10ma to 10% below	1-8 days	Bullish	2.10%	-1.20%	-2.55%
Active - Long Term						
June 7, 2018	SPX > 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

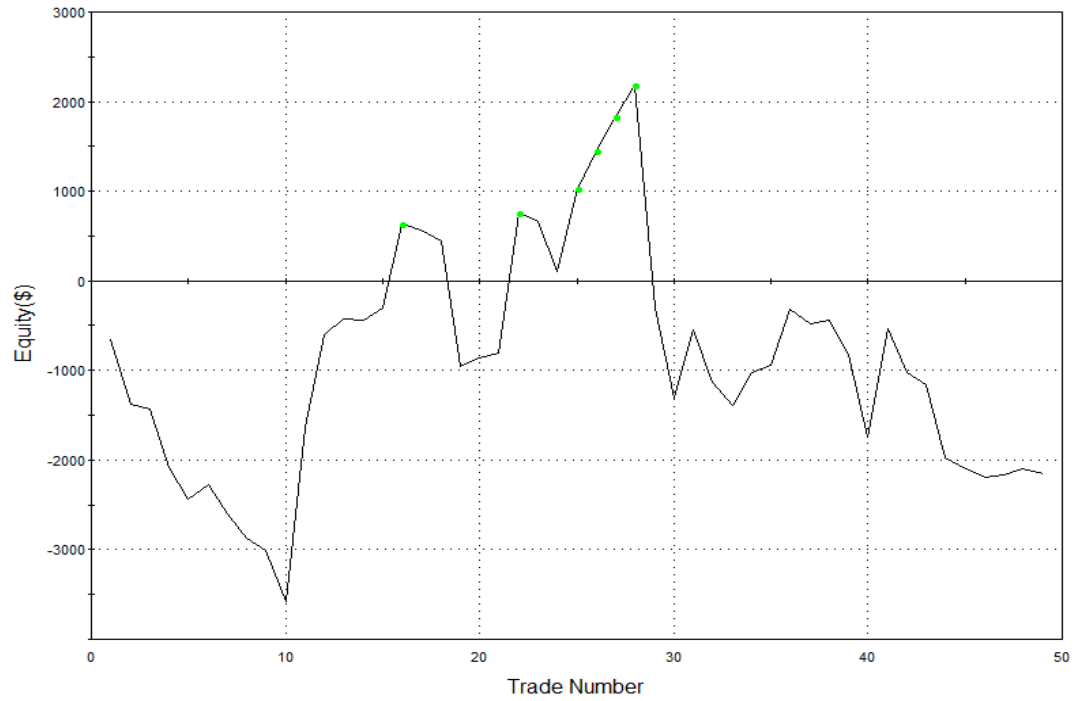
Tuesday again saw most indices close moderately higher. The SPX rose 0.2%, the NASDAQ gained 0.6%, and the Russell 2000 climbed 0.5%. Breadth was mixed though as the NYSE Up Issues % was 49% and the Up Volume % came in at 54%. NYSE volume rose some from Monday's level.

As I mentioned last night, Wednesday is a Fed Day. Fed Days have historically shown an upside tendency. I have documented this tendency in great detail over the years. Based on what the market did Tuesday, this does not seem to be the most favorable Fed Day setup. A big reason for this is that SPX closed at a 20-day high on Tuesday. Fed Day bullishness has often occurred when a Fed announcement has helped to alleviate market stress. When the market closes at a 20-day high, it typically means there isn't a lot of worry present. Under these circumstances, the upside inclination has also not been present. I last showed this in the 9/20/17 subscriber letter. Below are charts that compare Fed Days that close below 20-day highs to those that close at 20-day highs.

Tomorrow is a Fed Day. SPX closes below a 20-day high.
Buy on close. Sell next day's close. \$100k/trade. 1993 - present.



Tomorrow is a Fed Day. SPX closes at a 20-day high.
Buy on close. Sell next day's close. \$100k/trade. 1993 - present.



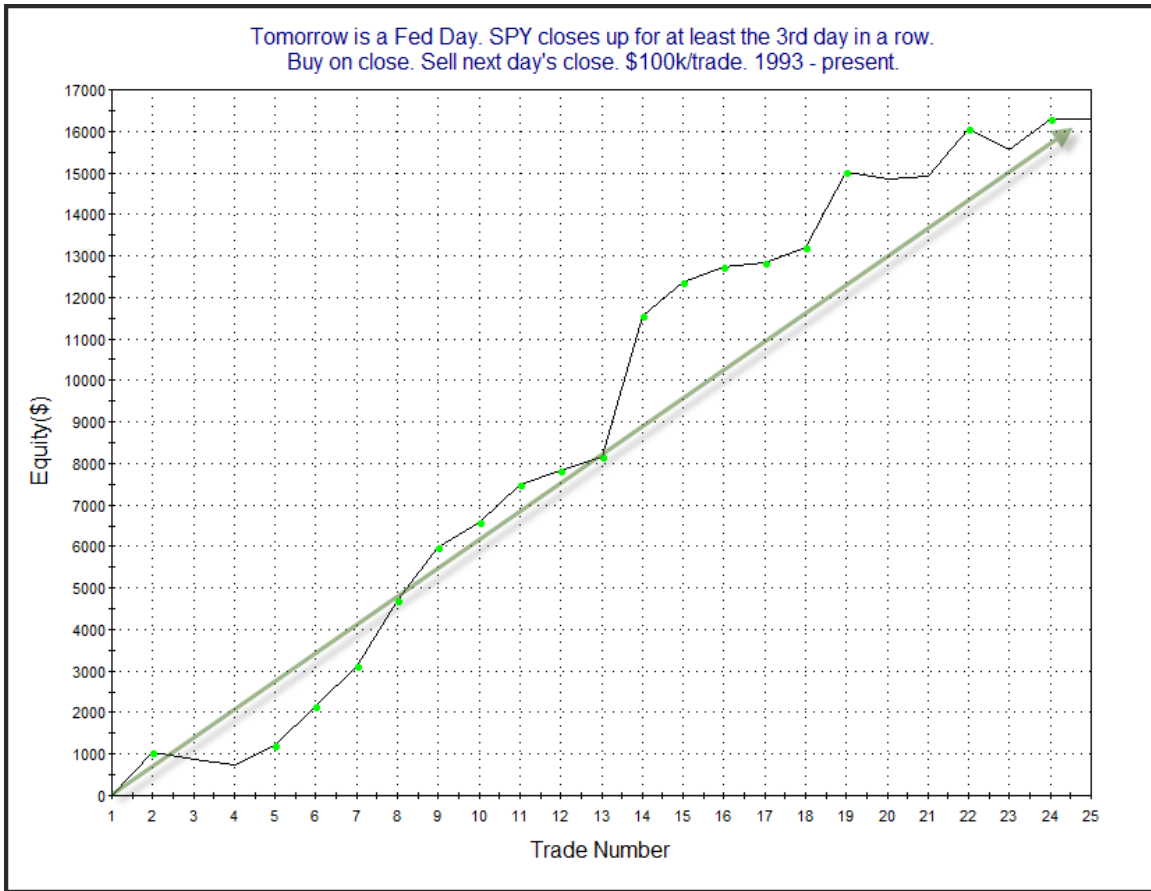
The new high on Tuesday appears to eliminate, or greatly reduce, the bullish Fed Day edge.

Ironically, in a way that only the market can contradict itself, another study today suggested the move higher over the last few days may actually improve Wednesday's Fed Day outlook. The study requires at least three up days. It was last seen in the

Tomorrow is a Fed Day. SPY closes up for at least the 3rd day in a row.
Buy on close. Sell next day's close. \$100k/trade. 1993 - present.

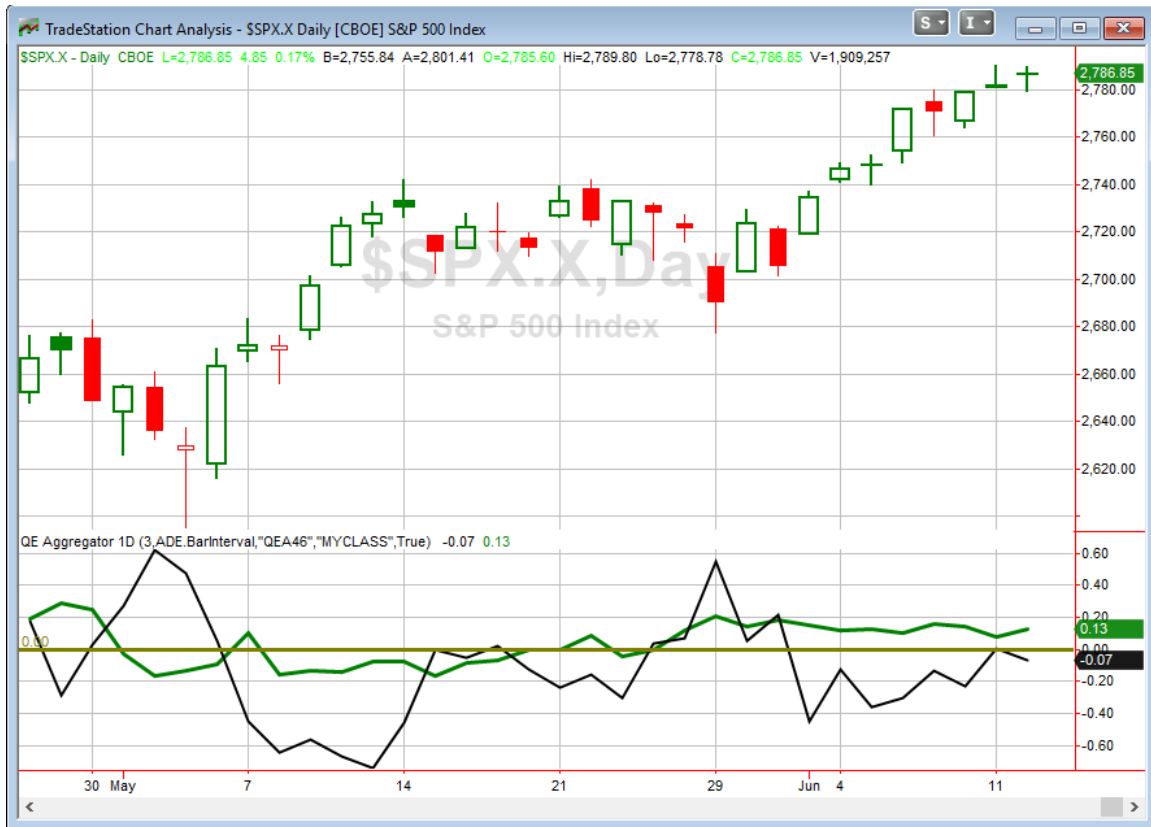
TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	\$16,288.22	Profit Factor	18.21
Gross Profit	\$17,234.57	Gross Loss	(\$946.35)
Total Number of Trades	25	Percent Profitable	76.00%
Winning Trades	19	Losing Trades	5
Even Trades	1		
Avg. Trade Net Profit	\$651.53	Ratio Avg. Win:Avg. Loss	4.79
Avg. Winning Trade	\$907.08	Avg. Losing Trade	(\$189.27)
Largest Winning Trade	\$3,383.38	Largest Losing Trade	(\$496.32)
Max. Consecutive Winning Trades	15	Max. Consecutive Losing Trades	2

The average trade shown here is about twice as strong as the average Fed Day. And the other stats are outstanding. Below is a profit curve.



With the Fed studies in a bit of conflict I'm inclined to just leave them off the active list. It wouldn't matter either way. Being just one-day studies, the influence wouldn't do much to the net expectations.

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



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 is back 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 turned flat at the close.

With the current studies on the Active List, expectations are slated to remain bullish on Wednesday. This could change if more bearish evidence emerges. The Differential Pivot will be *slightly inverted* at 2790.43 on Wednesday. That is about 0.1% *above* Tuesday'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 up over 0.1% in order to remain overbought. Otherwise, it will be considered "oversold" versus expectations as of Wednesday's close.

Wednesday did nothing to elicit more confidence in a directional edge. Evidence remains mixed, and the market is neither clearly overbought or oversold. Throw Fed Day uncertainty on top and we can see risk is elevated while direction is unclear. That makes it an easy choice for me to stand pat and wait for the next compelling reward/risk setup to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 6/11– neutral

The intermediate-term outlook was last updated in the 6/11/18 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	\$34.16	-3.31%		Sell on close > \$34.67

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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