

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

June 15, 2018

Volume 11 Issue 115

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Opex Friday mornings during uptrends have historically struggled.

Short-term Outlook

The Bottom Line

The Aggregator is still suggesting an upside edge. But with SPX at new intermediate-term highs, the intermediate-term outlook neutral, and the SOMA more likely to see a decline this week I don't love the long side.

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 14, 2018	SPX 20-high then clos bottom 10%	1-10 days	Bullish	2.10%	-1.30%	-2.60%
June 14, 2018	SPY 3-hi, 3-low, 3 low close	1-5 days	Bullish	1.80%	-1.20%	-2.40%
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 \$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			

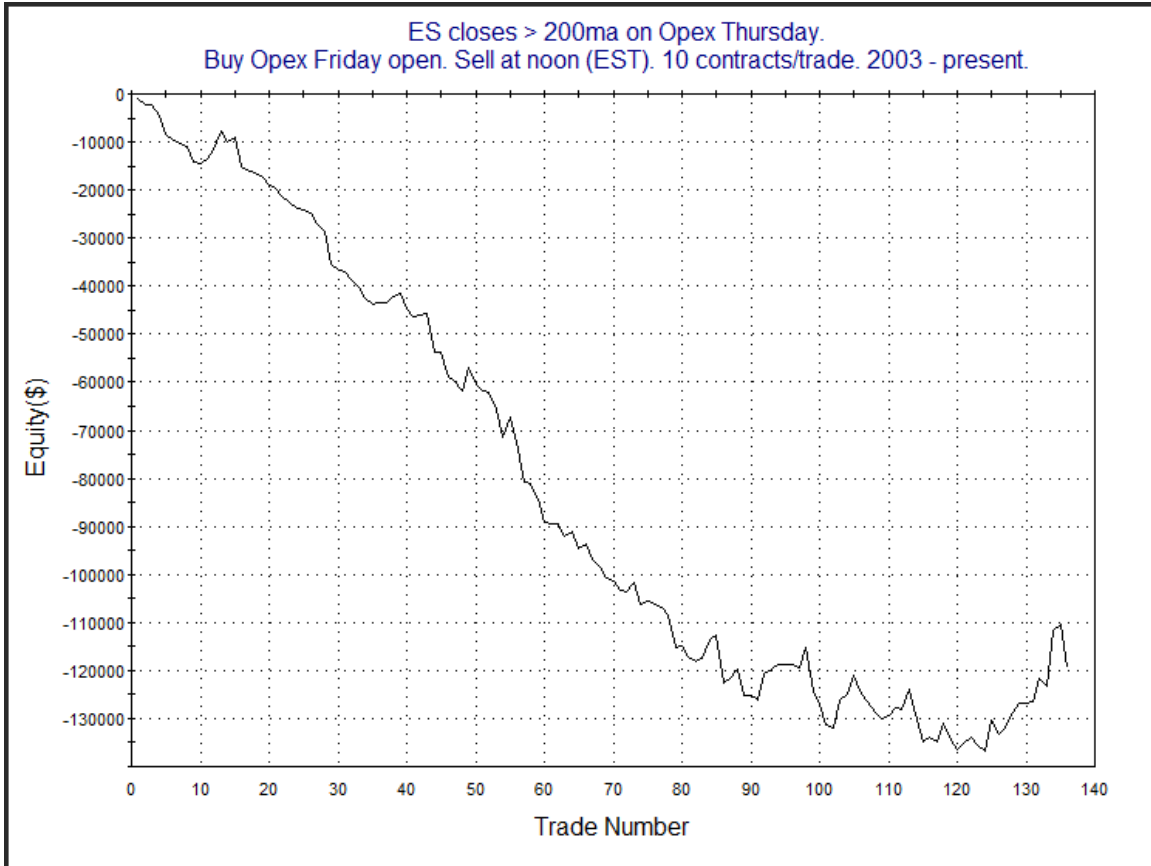
The Evidence

Most of the indices posted moderate gains on Thursday, though most of those gains actually occurred in the overnight session. The SPX closed up 0.25%, the NASDAQ rose 0.85%, and the Russell 2000 climbed 0.5%. Breadth was slightly positive as the NYSE Up Issues % was 52% and the Up Volume % came in at 51%. NYSE volume declined some from Wednesday's level.

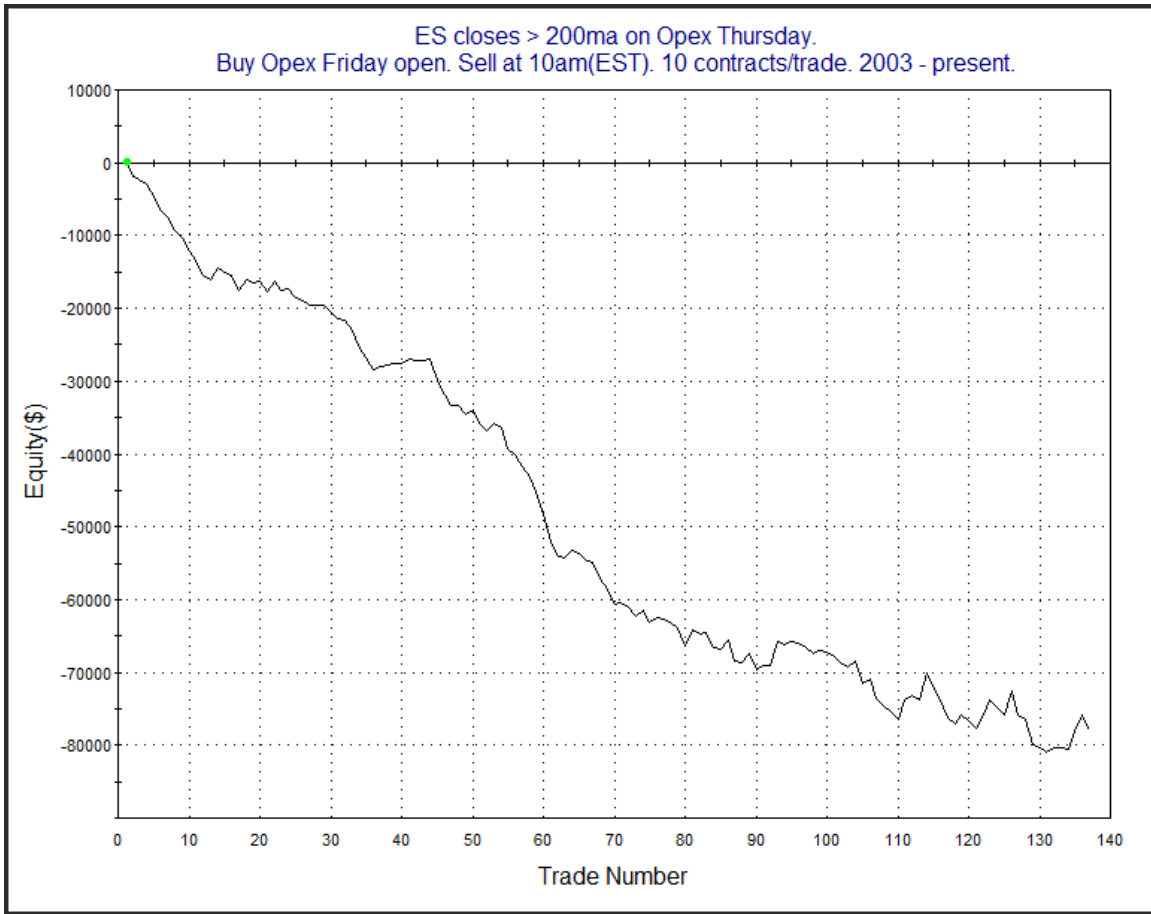
One seasonal factor that could come into play on Friday is that the market has often struggled after the open on opex Friday. Below is a study showing results of purchasing 10 ES contracts (which is the mini-futures contract for the S&P 500) at the open and then exiting at different times during the day. This table is updated from the 5/18/18 letter.

ES closes > 200ma on Opex Thursday. Buy Opex Friday 9:30am EST open. Sell at time shown on left (EST). 10 contracts/trade. 2003 - present.												
OE Op-Ex Fri Intra Short2: timeofday	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
1,600	-116,500.00	138	59	76	42.75	2,569.92	13,875.00	-3,527.96	-16,125.00	0.73	0.57	-844.20
1,500	-118,000.00	138	50	83	36.23	2,685.00	9,875.00	-3,039.16	-11,625.00	0.88	0.53	-855.07
1,400	-136,625.00	138	43	88	31.16	2,433.14	9,875.00	-2,741.48	-10,750.00	0.89	0.43	-990.04
1,300	-122,625.00	138	46	91	33.33	2,440.22	11,375.00	-2,581.04	-12,375.00	0.95	0.48	-888.59
1,200	-119,875.00	138	47	91	34.06	2,156.91	11,625.00	-2,431.32	-9,750.00	0.89	0.46	-868.66
1,100	-94,000.00	138	51	85	36.96	1,688.73	7,250.00	-2,119.12	-7,625.00	0.80	0.48	-681.16
1,000	-77,875.00	138	39	96	28.26	1,086.54	3,625.00	-1,252.60	-3,625.00	0.87	0.35	-564.31

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) The largest downside totals would have been achieved by exiting at 2pm. But as you can see below, over the last year or so, the downside tendency has not persisted.

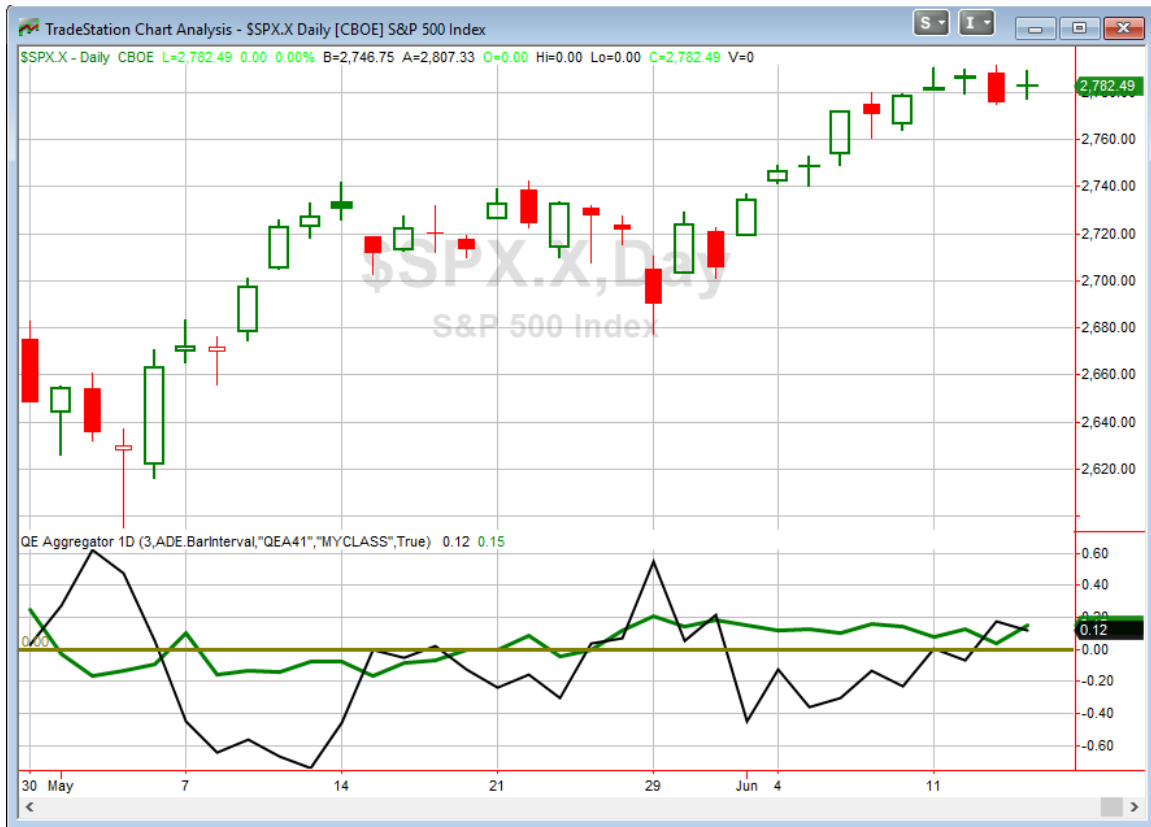


But the change in character is not as evident when looking at the early morning and closing out at 10am. This can be seen below.



Despite the recent upturn, it still appears to me that caution seems warranted on the long side, especially during the early morning on Friday.

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



With tonight's studies 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 remained 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. This could change if compelling bearish evidence emerges. The Differential Pivot will be 2796.67 on Friday. That is about 0.5% above Thursday's close. Therefore, SPX would need to close up at least 0.5% on Friday to flip from oversold to overbought versus expectations.

This is one of those odd situations where we find the SPX "oversold" at a 50-day closing high. While that might seem to be impossible, it just means that the move up over the last few days has not been as strong as the recent studies estimated was likely. It is still a bullish setup, but it is not my favorite, since the market is certainly not "oversold" by any traditional methods. If my intermediate-term outlook was stronger, then I might be interested in buying into a setup like this. But I remain cautious here. And now that we

are getting into the 2nd half of the month I am anticipating some sizable declines in the SOMA over the next few weeks. That leaves the market open to sharper declines as liquidity is tightening. Reversals could be sharp. I'll continue to wait for a more favorable reward/risk setup to emerge before looking to take new positions.

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	\$32.68	-7.50%		Sell on close > \$34.12

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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