

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 5, 2018

Volume 11 Issue 128

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- No compelling new evidence emerged tonight.

Short-term Outlook

The Bottom Line

Evidence is pointing higher and the SPX would need to rally a good amount to flip from oversold to overbought. So reward/risk appears favorable for the bulls.

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

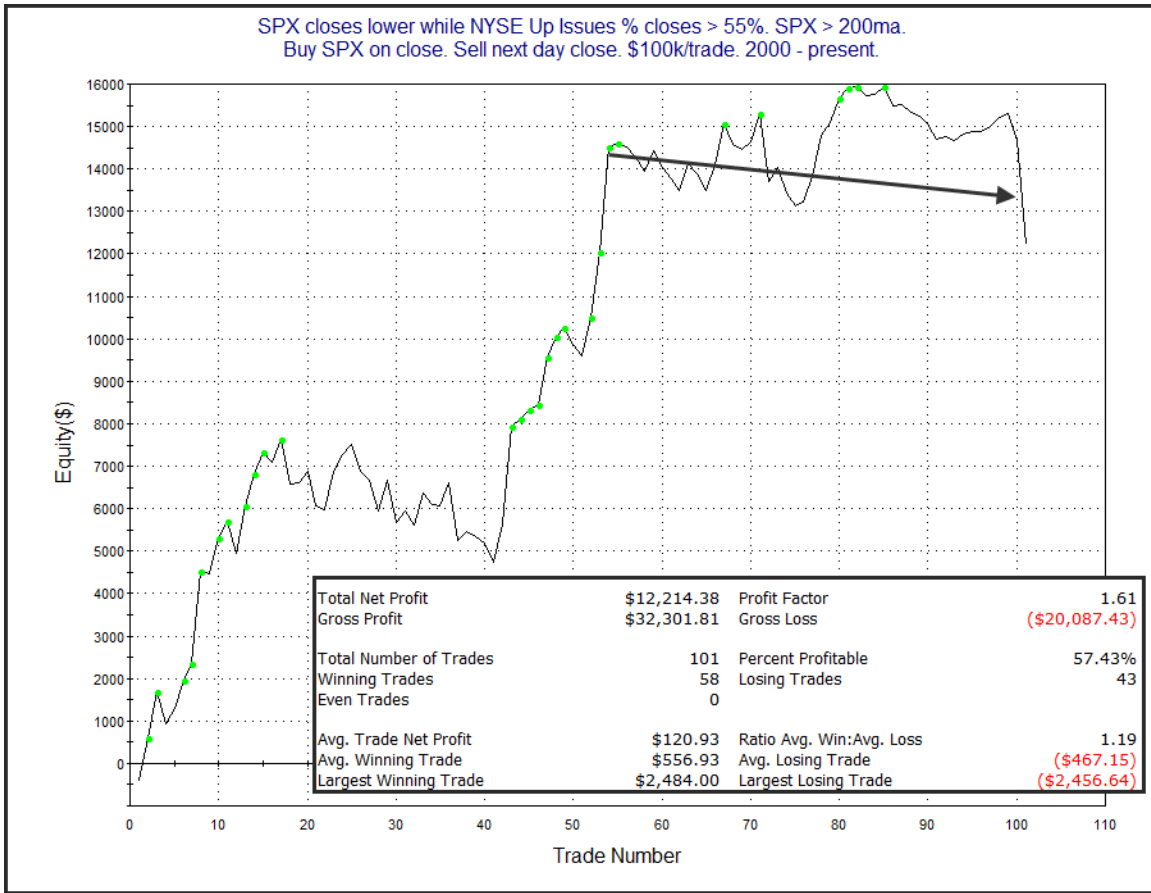
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
July 3, 2018	1% drop then 5 closes within range	1-3 days	Bullish			
July 2, 2018	Bottom 10% intraday range but Up cls	1-3 days	Bullish			
July 2, 2018	Up 2 days from 20-low but < 3 ago	1-3 days	Bullish			
June 29, 2018	20-low cls. 20-low ID then up	1-7 days	Bullish	2.40%	-1.65%	-3.10%
June 29, 2018	Higher hi then dn/ Lower lo then up	1-5 days	Bullish	1.80%	-1.15%	-2.30%
June 28, 2018	Outside day dn Bottom 10% 10-day	1-6 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

A strong start quickly fell apart and the market saw most indices decline on Tuesday. The SPX closed down 0.5%, the NASDAQ lost 0.9%, and the Russell 2000 gained 0.3%. Breadth was positive as the NYSE Up Issues % was 64% and the Up Volume % came in at 60%. NYSE volume came in light as you would expect on a short day before a holiday.

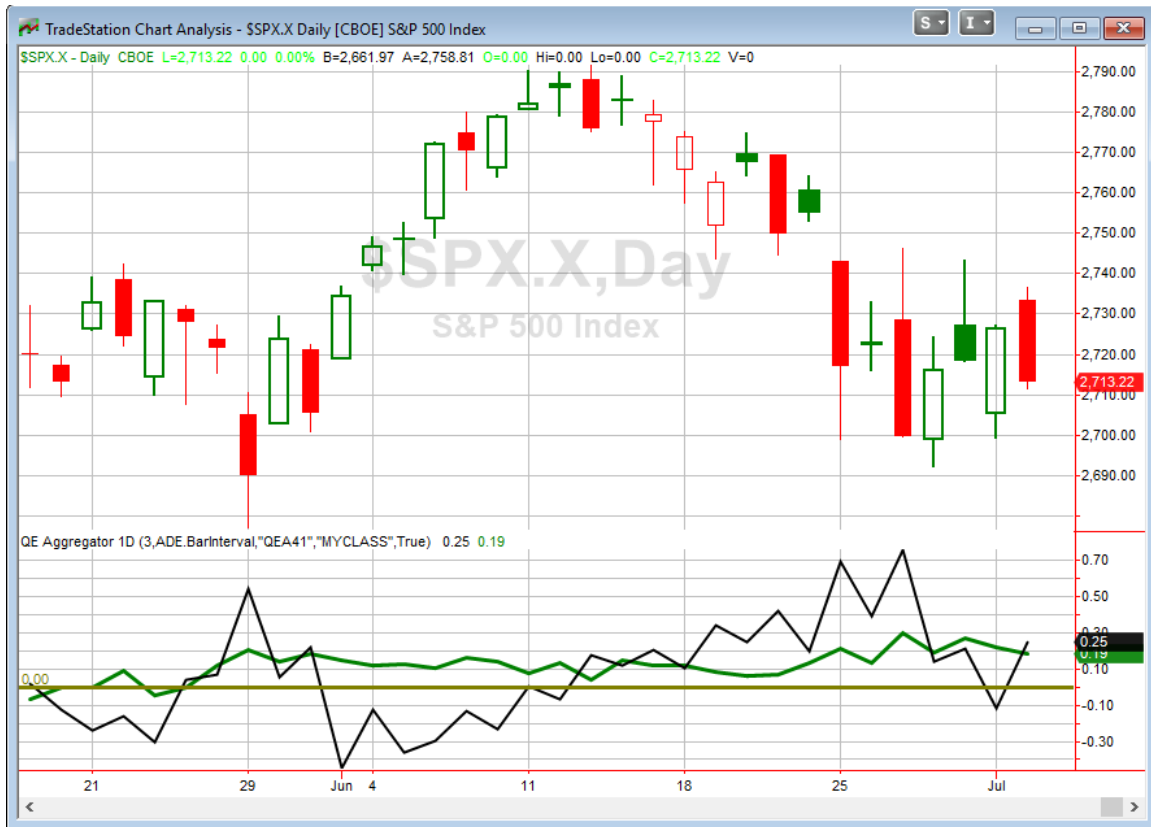
I did not identify anything in the pattern or indicators suggesting a strong edge based on Tuesday's action. Action has been choppy and emotional, with strong moves taking place in the afternoon the last several days. The direction has flipped back and forth, with Tuesday closing near the low of the range, after Monday closed near the high, and Friday closed near the low, and Thursday closed near the high, and Wednesday the 27th closed near the low.

There was one study that appeared in the Quantifinder that considered the positive NYSE breadth while the SPX closed lower. In years past, it had appeared potentially bullish for the next trading day. But it has struggled a good amount recently. I've updated the study below and changed it to a neutral formation in the Quantifinder.



While looking at just the stats would lean bullish, you can see how much it has struggled recently. And even before that, the choppy curve was not terribly appealing. So I will not be including this on any active list.

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



Without anything new being added 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 rose back 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 turned long at the close.

With the current studies on the Active List, expectations are slated to remain bullish on Thursday. It would take some very compelling new bearish evidence to change this. The Differential Pivot will be 2739.16 on Thursday. That is 1.0% above Tuesday's close. So it will take a strong up day of about 1% in order to flip the SPX from oversold to overbought versus expectations on Thursday.

The current short-term evidence is all suggesting a bounce. And there is ample room to the upside before SPX would turn overbought. This suggests a favorable reward/risk scenario for the bulls. I already have a small amount of index exposure. Without new compelling evidence emerging, I am content to ride with what I have for the time being.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/2– neutral

The intermediate-term outlook was last updated in the 7/2 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

LOW @ \$94.87 (buy 1/3 @ limit) – not filled

Broad Market Large Cap CBI – 1(LOW)

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.

LOW – buy 1/3 Catapult position @ \$94.87 LIMIT. This is from the Catapult section above. It is the 1st of up to 3 possible lots for LOW. ***I am still keeping this trade idea open.***

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
EWZ	5/30/2018	\$35.33	\$32.55	-7.87%		Sold on close
SPY(1/4)	6/21/2018	\$274.24	\$270.90	-1.22%		Aggregator

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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