

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 6, 2018

Volume 11 Issue 129

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- Friday's employment report could ignite a volatile day..

Short-term Outlook

The Bottom Line

Reward/risk still favors the bulls, but the market is getting near a point, where I would be looking to flatten out my remaining long index position.

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			
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			
Dropped Tonight						
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			

The Evidence

Thursday was a strong day for the stock market. The SPX closed up 0.9%, the NASDAQ rose 1.1%, and the Russell 2000 gained 1.2%. Breadth was positive as the NYSE Up Issues % was 73% and the Up Volume % came in at 76%. NYSE volume rose, but was still holiday-week light.

I noted last night that the market has been choppy and emotional. The “emotional” evidence is based on the fact that it has been closing either near its high or low of the day every day. Either fear or greed has been taking over as we approach the close. The “choppy” part of the observation came from the fact the high/low close had reversed direction every day since Wednesday, June 25th. And that continued again today as the market closed near its high after having closed near its low on Tuesday. It is probably going to take a streak of some sort before we see strong directional edges emerge. “Choppy” is not normally a description of a market that is suggesting a strong directional edge.

Whether the market moves up or down on Friday, there appears to be a decent chance that we could see some volatility. In addition to all the tariff news, Friday morning the BLE Employment Report will be released. My first introduction to the Employment Report came back in July 1991. At that time, I was in college and I got a summer internship working at Garvin-Guybutler in New York City. I worked on the trading floor, and it was my job to write the bids and offers on a giant marker board with different color dry-erase markers. I was in the Fed Funds pit. 98% of the time this meant I just stood there. Bids and offers moved slowly and there was not a lot of action. But on Employment Days? That’s when the brokers lost their minds. The first one I experienced was in July. And I did not know how fast things were about to move. Angelo, who I have not seen since that

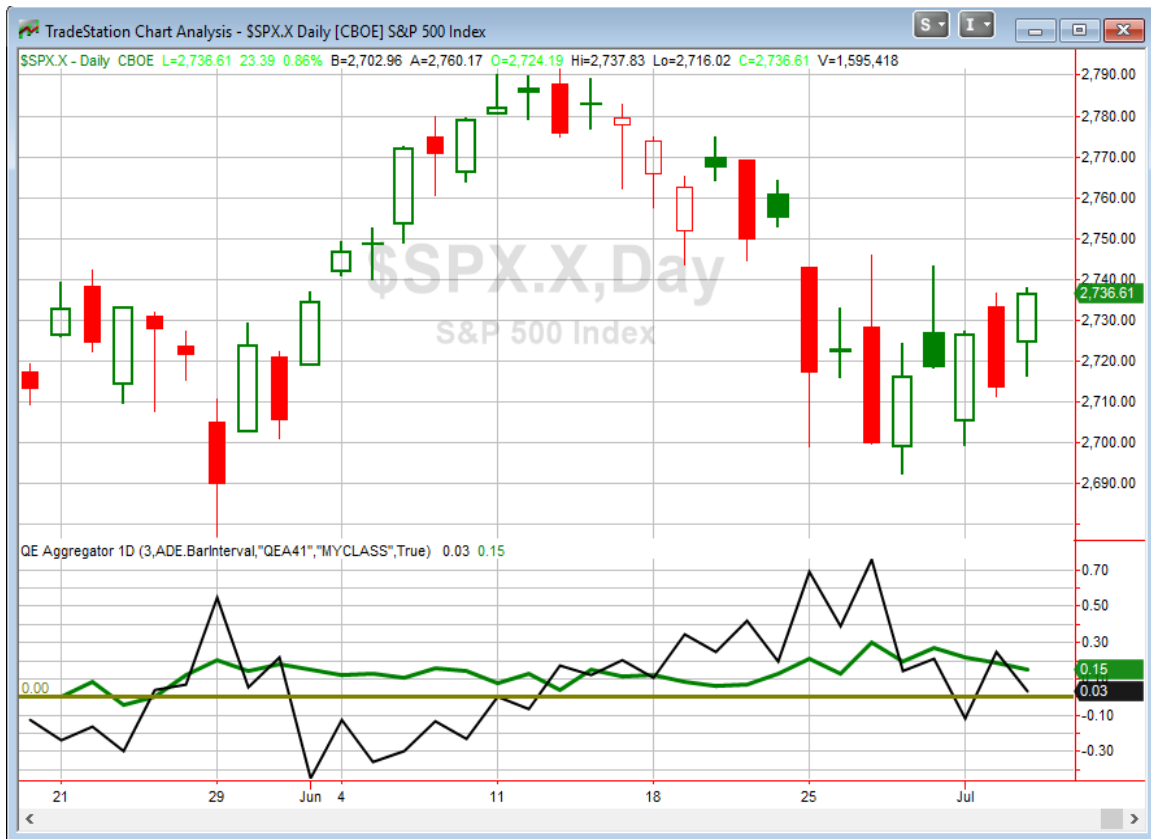
summer, was the experienced marker board guy. He basically just threw me aside and took over the whole board for about 10 minutes until the melee slowed a little. There is no marker board anymore. But things can still get crazy on Employment Days. And so far in 2018, they have. This can be seen below.

SPX Employment Day Performance. (Close day before to close of employment day.) \$100k/trade. 2018.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
1/4/2018	Buy	\$2,723.99	0.70%	\$700.56
1/5/2018	Sell	\$2,743.15		\$0.00
2/1/2018	Buy	\$2,821.98	-2.12%	\$0.00
2/2/2018	Sell	\$2,762.13		(\$2,170.35)
3/8/2018	Buy	\$2,738.97	1.74%	\$1,713.60
3/9/2018	Sell	\$2,786.57		\$0.00
4/5/2018	Buy	\$2,662.84	-2.19%	\$0.00
4/6/2018	Sell	\$2,604.47		(\$2,833.09)
5/3/2018	Buy	\$2,629.73	1.28%	\$1,565.60
5/4/2018	Sell	\$2,663.42		(\$547.58)
5/31/2018	Buy	\$2,705.27	1.08%	\$1,139.76
6/1/2018	Sell	\$2,734.62		\$0.00

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We see here sizable moves in both directions. Traders should be prepared for some action on Friday.

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 held just 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 new bearish evidence emerges. The Differential Pivot will be 2745.44 on Friday. That is 0.3% above Thursday's close. So SPX will only need to close up 0.3% on Friday in order to flip from overbought to oversold versus expectations.

Evidence from a few nights ago says this bounce should still have a little further to go. And the market is still a little oversold versus recent expectations. This all suggests reward/risk favors the bulls. But both potential reward and potential risk may be a bit elevated. Between the choppy market action, the emotional conditions, and the employment report volatility, Friday could be interesting. I have a small index position right now. Being a small position, I intend to hold it through the report. But I may look to

cash in if it gaps up a lot on Friday's open. If not, I will ride it until the end of the day, and hopefully realize rewards at that point.

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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	6/21/2018	\$274.24	\$273.11	-0.41%		see note below
LOW(1/3)	7/5/2018	\$94.87	\$95.52	0.69%		Catapult

I will look to sell my SPY position @ \$274.48 LIMIT ON OPEN. (This equates to a gap up of at least 0.5% on Friday.) If SPY does not start with a sizable gap up, I will look to sell at the end of the day if SPX closes \geq 2745.44, which is the Differential Pivot.

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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