

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 24, 2018

Volume 11 Issue 141

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- No new compelling evidence emerged tonight.

Short-term Outlook

The Bottom Line

Expectations are positive, but based on a small amount of evidence. And while SPX is oversold, it needs to close down on Tuesday in order to remain that way. Overall, the upside edge appears quite small.

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

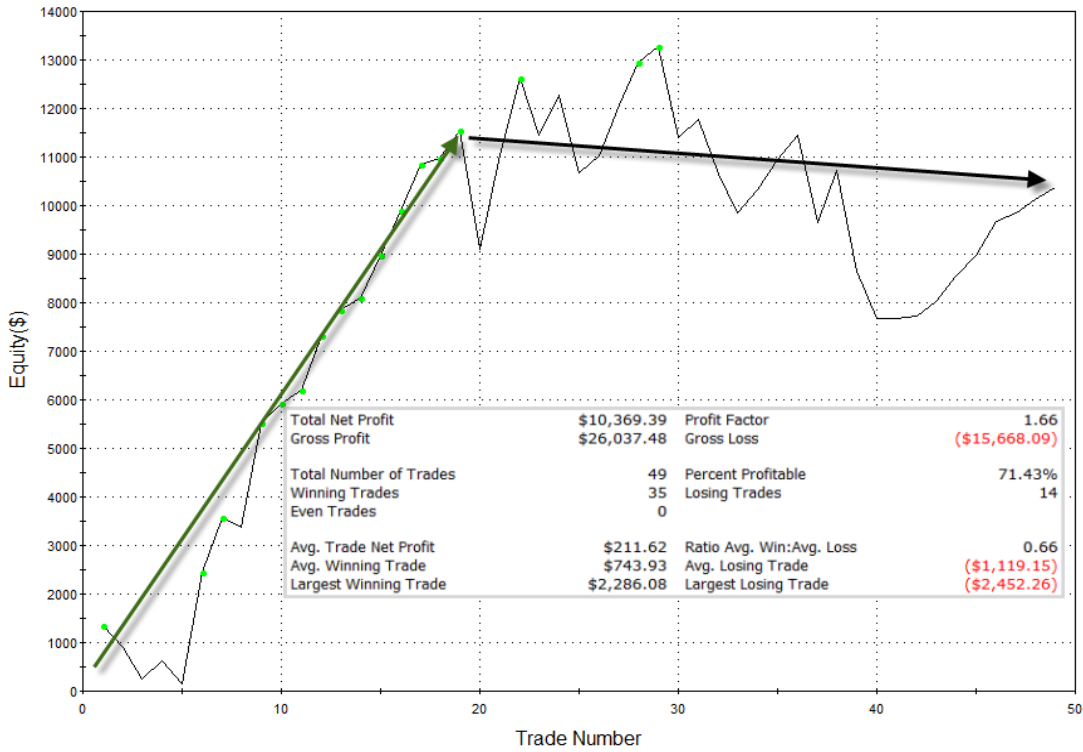
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
July 23, 2018	Down on big volume. Then NR7	1-5 days	Bullish	2.00%	-1.50%	-3.40%
Active - Long Term						
July 10, 2018	SPX up 2% in 3 days. HV Off < 0.25	1-19 days	Bullish	4.20%	-2.20%	-4.80%
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

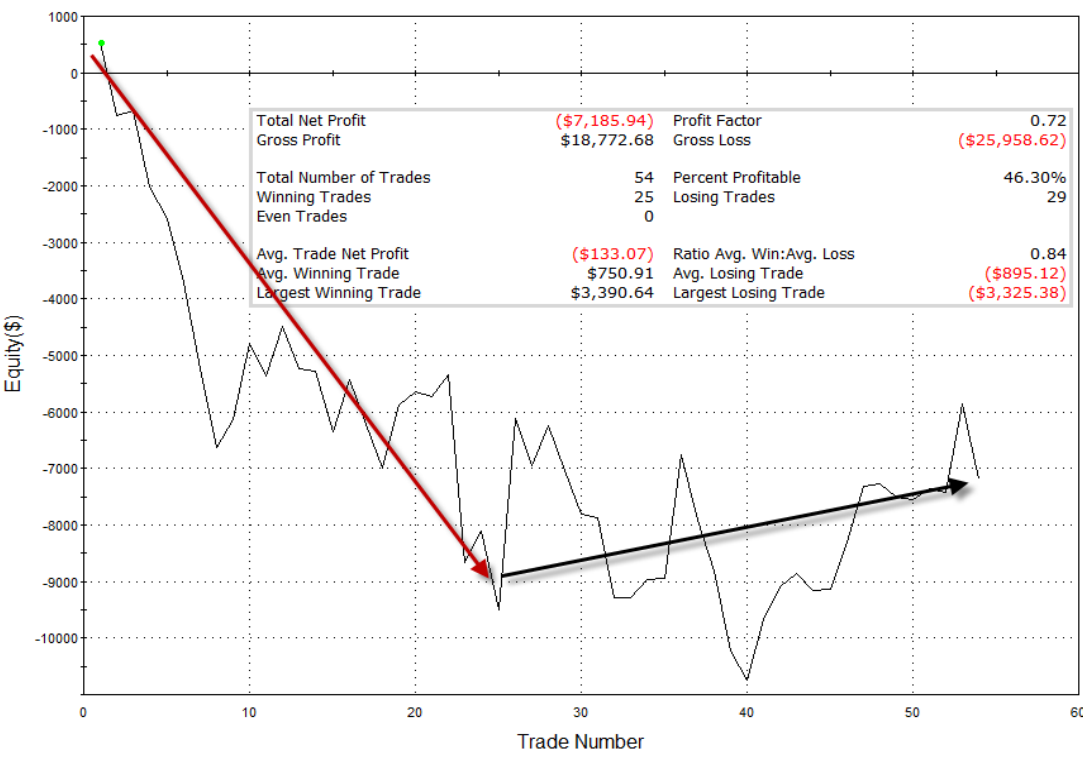
Monday saw the market move mildly higher. The SPX rose 0.2%, the NASDAQ gained 0.3%, and the Russell 2000 climbed 0.1%. Breadth was actually negative as the NYSE Up Issues % was 42% and the Up Volume % came in at 48%. NYSE volume declined some from Friday's level.

Several years ago I did a study that looked to see whether there was a substantial difference in SPX performance following a small move down after two down days versus a small move up after two down days. The findings were interesting and suggested there was a difference in performance going forward – especially the next day. Tonight I took a fresh look at that study. And unfortunately, it no longer appears to exhibit a substantial difference, or a strong edge. Below are updated versions of the two scenarios – both assuming a 1-day holding period.

SPX declines for the 3rd day in a row. Today's decline is less than 0.2%
Buy on close. Sell next day close. \$100k/trade. 1999 - present.



After closing down 2 days in a row, SPX rises today but less than 0.2%.
Buy on close. Sell next day close. \$100k/trade. 1999 - present.



Both the apparent upside edge and the apparent downside edge have turned to edgeless chop. It appears Monday's small move is not suggestive of a strong edge for the next few days. No new compelling studies emerged, so none will be added to the Active List tonight.

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



Without any new studies being added tonight, the green Aggregator Line closed 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 also 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 just the one study on the short-term active list, expectations are currently slated to remain bullish on Tuesday. Of course, this could easily change if new bearish evidence emerges. The Differential Pivot will be *slightly inverted* at 2806.71 on Tuesday. That is a mere 0.27 points below Monday'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 down a very slight amount in order to remain oversold. Any flat or positive close will see it “overbought” versus expectations as of Tuesday’s close.

The Aggregator is still in a bullish formation. But upside is limited since any up day will be the end of the signal. Additionally, evidence is underwhelming with the just the 1 short-term active study making much of the bull case. So I am not inclined to get involved in a new index position right here. With a neutral intermediate-term outlook, I demand a setup to be compelling before getting involved in either direction. The current setup is less than compelling. I will remain patient and alert.

Intermediate-term Outlook (2 weeks – 2 months) – updated 7/23– neutral

The intermediate-term outlook was last updated in the 7/23 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

F – 1/3 @ \$10.56 (bought @ limit)

New

F – 1/3 @ \$10.47 (buy @ limit)

Broad Market Large Cap CBI – 2(F-2)

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.

F – buy 1/3 Catapult position @ \$10.47. From the Catapult section above, this is the 2nd of up to 3 possible lots of F.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
F(1/3)	7/23/2018	\$10.56	\$10.47	-0.85%		Catapult

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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