

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

July 25, 2018

Volume 11 Issue 142

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	2

## Tonight's Research Points

- SPY's strong (unfilled) gap up, high volume and close below the open appears to be bullish for the next few days.

## *Short-term Outlook*

### *The Bottom Line*

The studies are suggesting an upside edge, but the market is overbought. This is leaving me neutral and awaiting a better reward/risk setup.

*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
<b>Active - Short Term</b>						
July 25, 2018	Unfilled up. 20-high. Close < open	1-3 days	Bullish	1.00%	-0.45%	-0.85%
July 23, 2018	Down on big volume. Then NR7	1-5 days	Bullish	2.00%	-1.50%	-3.40%
<b>Active - Long Term</b>						
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			

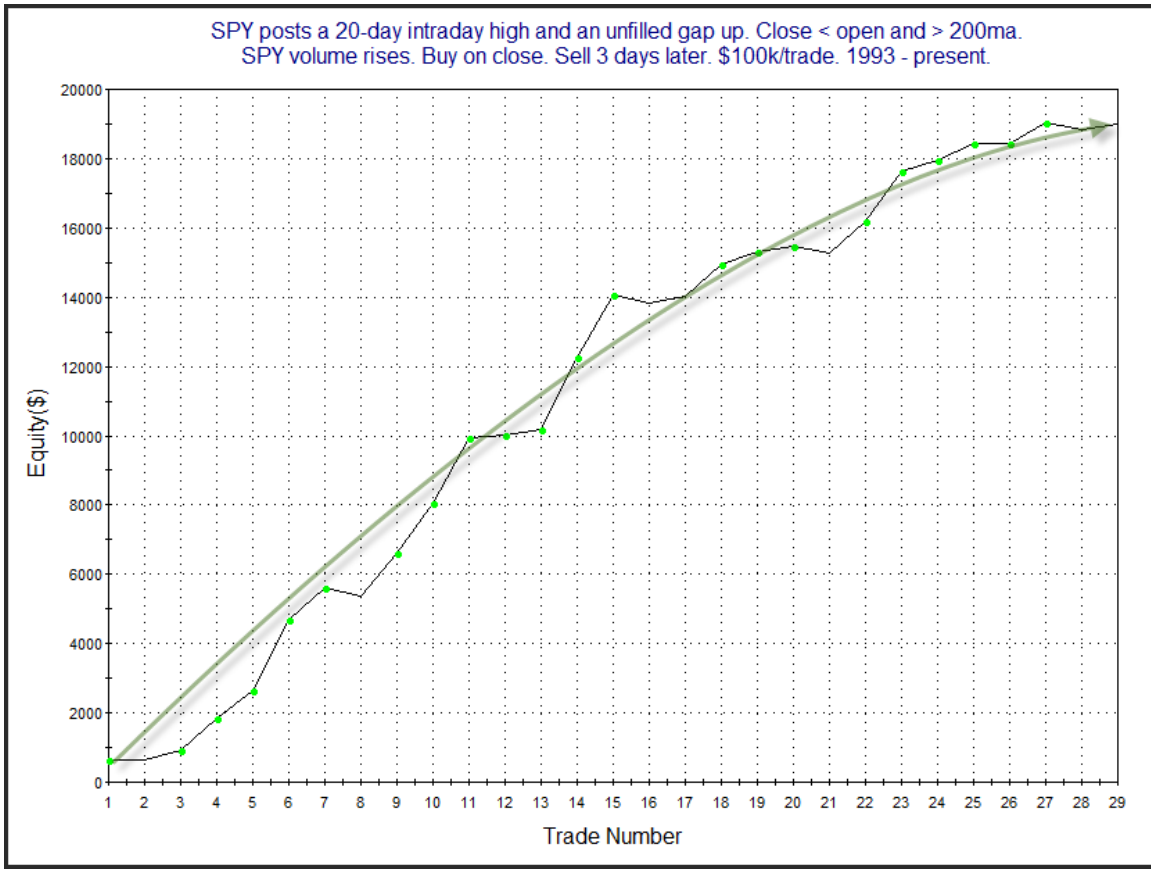
**The Evidence**

Tuesday saw mixed action among the indices. The SPX rose 0.5%, the NASDAQ was about breakeven with a 0.01% loss, and the Russell 2000 fell 1.1%. Breadth was also mixed as the NYSE Up Issues % was 48% and the Up Volume % came in at 48%. NYSE volume rose some from Monday's level.

The price and volume action in SPY on Tuesday triggered a study from the 10/19/17 letter. It considered the fact that while the market opened strong and held its morning gap on rising SPY volume, it failed to add to its morning gains by the end of the day. This failure to add to the gains during the day may sound discouraging, but it has actually been a bullish sign in the past. Below is an updated version of the study.

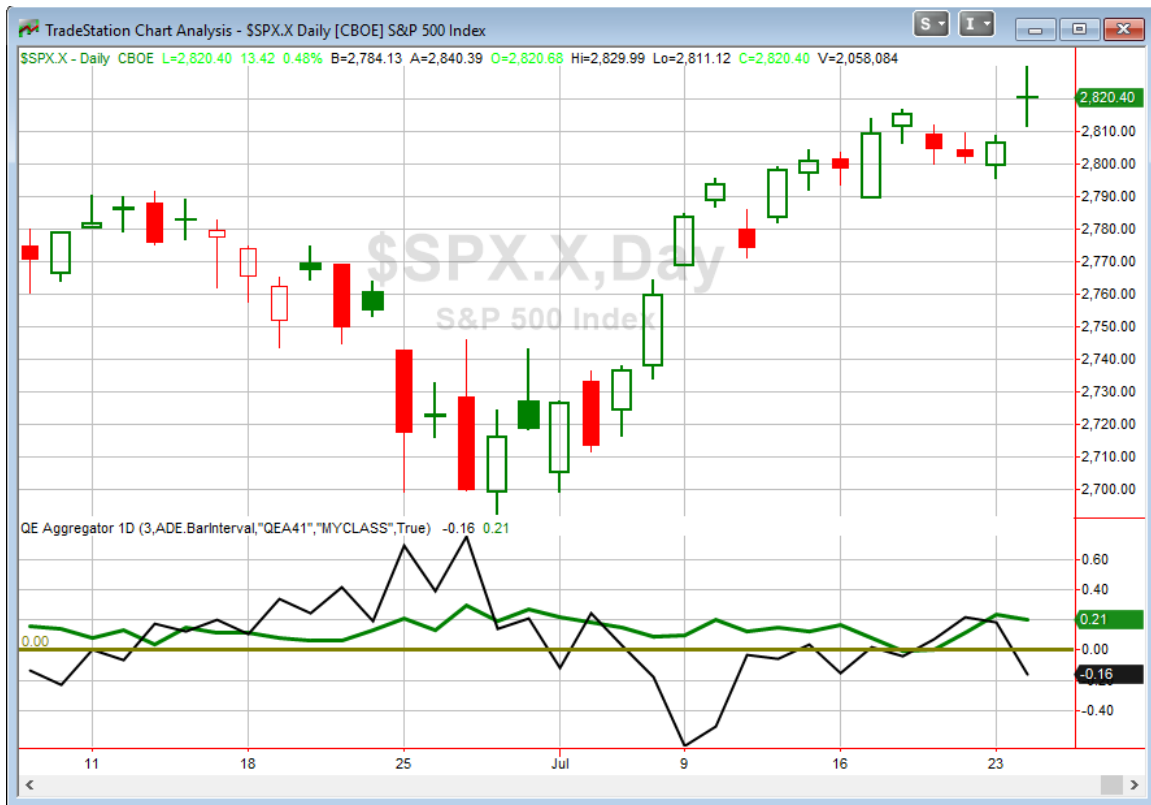
SPY posts a 20-day intraday high and an unfilled gap up. Close < open and > 200ma. SPY volume rises. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	28,757.52	27	17	10	62.96	2,168.91	3,751.11	-811.40	-2,117.20	2.67	4.54	1,065.09
9	22,955.90	27	21	6	77.78	1,407.44	3,393.26	-1,100.05	-1,837.44	1.28	4.48	850.22
8	20,606.91	27	19	7	70.37	1,421.55	3,352.48	-914.66	-1,581.20	1.55	4.22	763.22
7	20,377.11	27	18	9	66.67	1,558.53	3,310.89	-852.94	-1,451.12	1.83	3.65	754.71
6	20,494.58	27	19	8	70.37	1,427.79	3,008.79	-829.19	-2,000.96	1.72	4.09	759.06
5	15,189.07	28	15	13	53.57	1,358.08	3,754.17	-398.62	-1,879.20	3.41	3.93	542.47
4	18,004.39	28	23	5	82.14	854.31	3,436.02	-328.94	-628.68	2.60	11.95	643.01
3	18,998.00	29	24	4	82.76	830.19	2,056.39	-231.61	-252.60	3.58	21.51	655.10
2	13,454.14	30	21	9	70.00	792.20	1,998.70	-353.56	-926.12	2.24	5.23	448.47
1	9,042.75	30	24	6	80.00	440.29	1,708.92	-254.05	-479.96	1.73	6.93	301.43
<p style="text-align: center;"><b>29 of 30 instances (97%) closed above the entry price at some point in the next 3 days.</b></p>												

The stats here all point strongly to the bulls for the short-term. Below is a profit curve.



The strong, steady upslope appears to confirm the bullish edge.

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



With tonight's new study 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 dipped 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.

Based on the current active studies, expectations are slated to remain bullish on Wednesday. Of course, this could change if new bearish evidence emerges. The Differential Pivot will be 2804.87 on Wednesday. That is 0.6% below Tuesday's close So SPX would need to close down at least 0.6% on Wednesday in order to flip from overbought to oversold versus expectations.

The Aggregator is neutral and so am I. To come off the neutral stance, I am going to need to see some strong bearish evidence, or a substantial pullback to buy into. With the kind of market environment we are now in, I will not be looking to buy into a shallow pullback. In additional to the intermediate-term outlook being neutral, liquidity is a large concern. Summer volume is often light. And this alone can leave the market open to sharp summer selloffs when news is negative. But QT is creating even tighter liquidity this summer. So when selling starts, there may not be a whole lot of buyers who will be stepping in to absorb

the selling. I should note that lack of liquidity is not a catalyst for a selloff. (We sometimes are able to identify other evidence to provide that.) But lack of liquidity can lead to much more severe selling than would otherwise occur. So until liquidity conditions improve I will remain wary of stepping into long positions during moderate pullbacks. Those moderate pullbacks can easily turn more severe. And if I can have lots of cash available when the pullback does become severe, then I can look to take advantage of some sizable edges. I believe patience will be paramount this summer, and I intend to exercise it.

***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)

F – 1/3 @ \$10.47 (buy @ limit) – not filled – cancel for now

***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.*

**None tonight.**

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
F(1/3)	7/23/2018	\$10.56	\$10.57	0.09%		Catapult

*A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 [can be found here](#).*

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2018 Quantifiable Edges, LLC.