

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 2, 2018

Volume 11 Issue 148

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	2

## Tonight's Research Points

- The SPY gap and reversal on Wednesday after an unfilled gap up on Tuesday suggests an upside edge for Thursday.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bullish, but SPX will flip from oversold to overbought on Thursday unless it closes down some. This greatly reduces reward/risk potential.

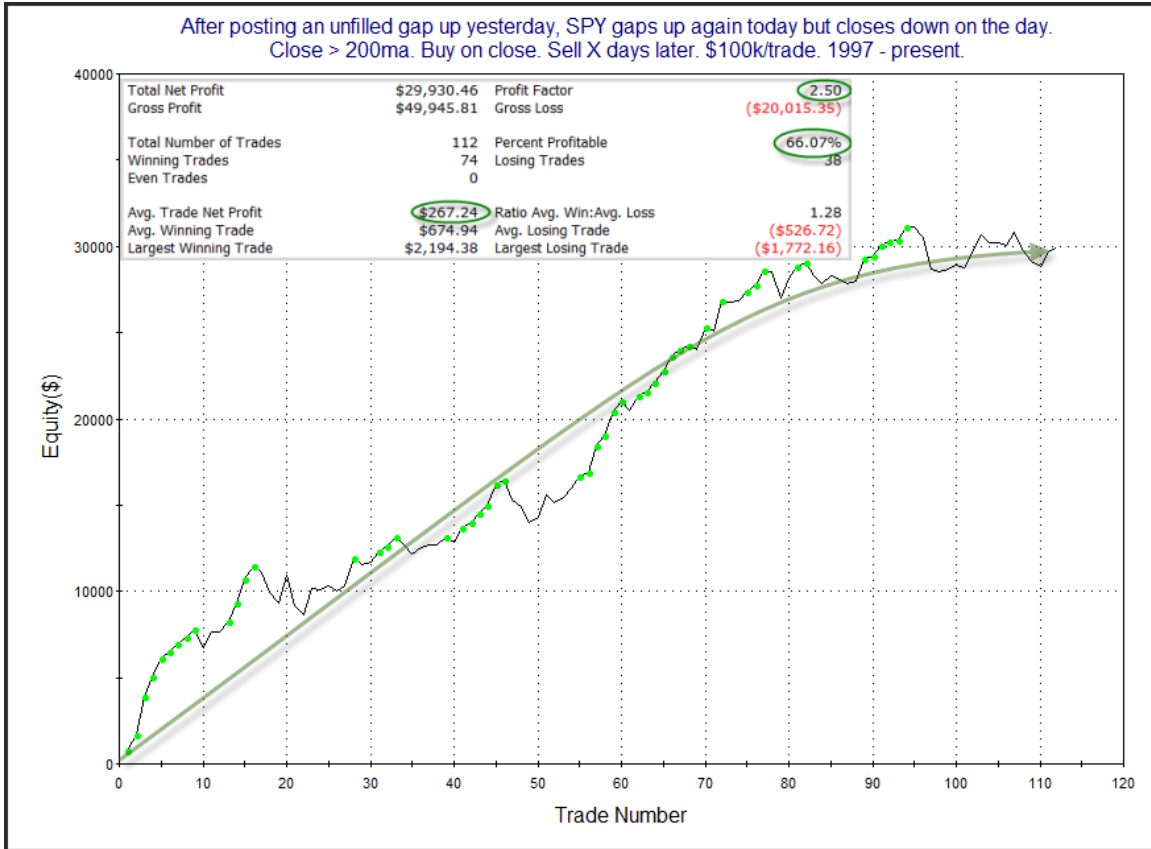
*Summary of Recent Active Studies (see Letters from listed dates for details)*

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
August 2, 2018	Unfilled gap up. Gap up close dn > 200	1 day	Bullish			
August 1, 2018	Fed & EOM	1-3 days	Bullish	1.20%	-0.60%	-1.10%
July 31, 2018	SPY dn 3 days fm 50-hi. <10ma >10 low	1-4 days	Bullish	1.60%	-0.90%	-1.80%
July 31, 2018	SPX down 3 days. Today is Monday	1-8 days	Bullish	2.10%	-1.30%	-2.50%
<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%
July 1, 2018	SOMA reduction intensifies to \$40billion	int term	Bearish			
June 7, 2018	SPX > 50-day Bollinger Band	1-50 days	Bullish	5.00%	-4.10%	-7.80%
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***

Wednesday saw a muted reaction to a Fed announcement without any surprises in it. The SPX closed down 0.1%, the NASDAQ rose 0.5%, and the Russell 2000 lost 0.1%. Breadth was negative as the NYSE Up Issues % was 37% and the Up Volume % came in at 35%. NYSE volume declined from Tuesday's level.

SPY gapped up and closed lower Wednesday after leaving an unfilled up gap on Tuesday. In the 5/23/18 letter I examined similar price action in SPY with regards to how it gapped and finished. The study is updated below.



The numbers here all look solidly bullish. The profit curve is a little less encouraging, since it has endured some recent choppiness. I will allow this on the Active List tonight, but I am keeping a watchful eye on this study, and will soon put it on hold if it continues to struggle.

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



With tonight's evidence to consider, 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 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.

Based on the current active studies, expectations are set to remain positive on Thursday. Of course, this could change if strong new bearish evidence emerges. The Differential Pivot will be *inverted* at 2811.75 on Thursday. That is less than 0.1% below Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close down about 1.5 points in order to remain oversold. Any slight down or up move will cause SPX to change from oversold to overbought versus expectations as of Friday's close.

So evidence continues to point higher. And the market is oversold now. But it will not remain so without further selling on Thursday. I generally view inverted pivots as inopportune times to take on new positions. This is because reward is greatly limited, while risk is not. The limited reward comes from the fact that any move in my direction on Thursday will mean the end of the signal. With my overall conservative approach in this neutral market environment, I am inclined to demand a better reward/risk setup when considering new positions.

*Intermediate-term Outlook (2 weeks – 2 months) – updated 7/30– neutral, but approaching mildly bearish*

**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	\$9.90	-6.25%		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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