

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

August 21, 2018

Volume 11 Issue 161

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	3

Tonight's Research Points

- The low volume does not appear to be the bearish harbinger it once was.

Short-term Outlook

The Bottom Line

The Aggregator is bearish. But the signal is weak and tenuous. I do not see a strong edge, and will not be looking to take on new index positions until a more compelling setup emerges.

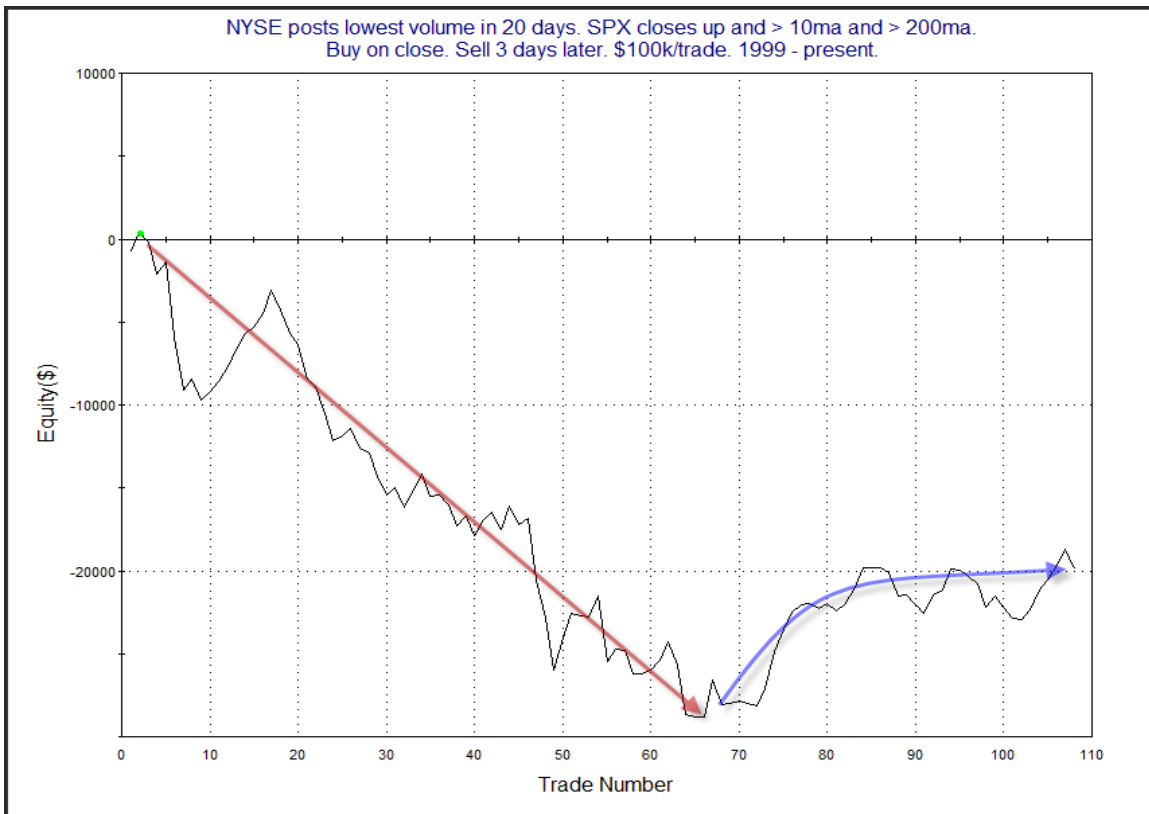
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
None						
Active - Long Term						
July 1, 2018	SOMA reduction intensifies to \$40billion	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						
August 14, 2018	SPX bottom 10% rng. 5-low. Monday.	1-5 days	Bullish	2.10%	-1.00%	-2.20%

The Evidence

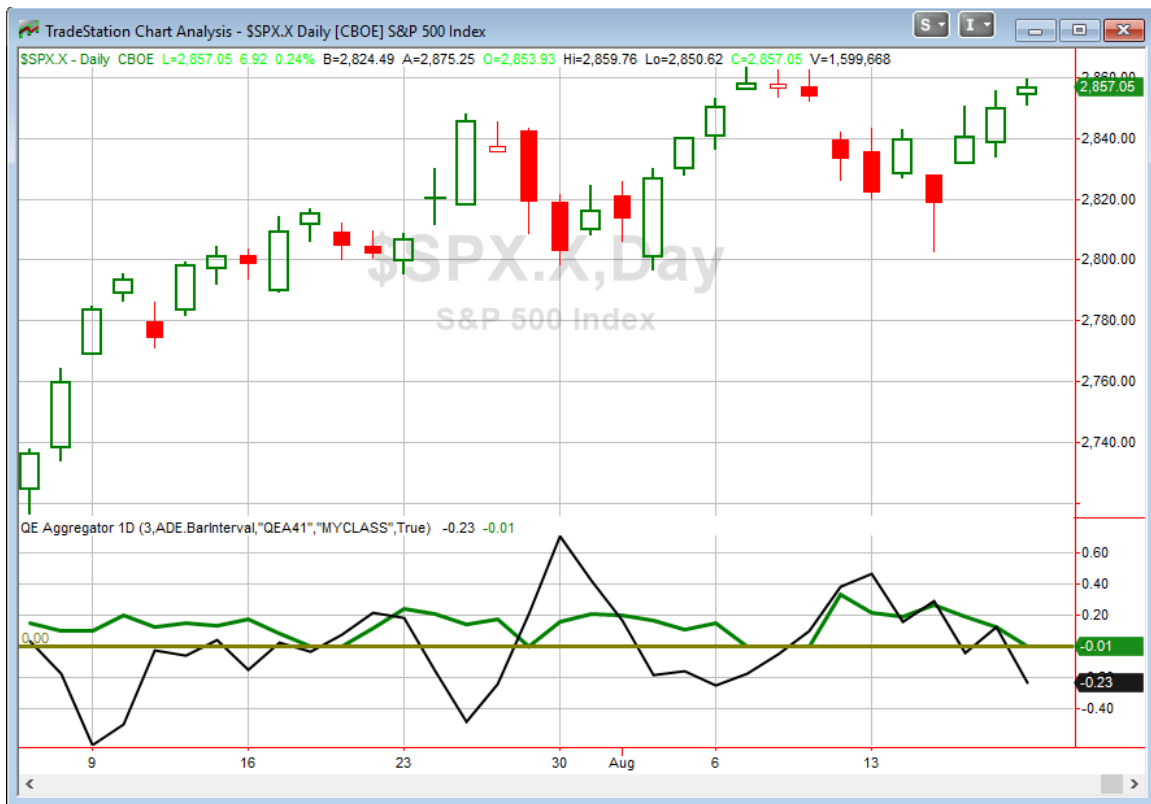
Monday saw mostly moderate gains for the market. The SPX finished the day up 0.2%, the NASDAQ gained 0.1%, and the Russell 2000 rallied 0.3%. Breadth was positive as the NYSE Up Issues % was 68% and the Up Volume % came in at 69%. NYSE volume came in very light.

For a long time, a light volume day when the SPX rose generated a red flag. That has not nearly been as much the case in recent years. In the 3/29/16 letter I reviewed a study that provides a good example of this. I thought I would review that study again tonight.



This curve bottomed back in 2012. After exhibiting a consistent downside tendency for several years, dynamics appear to have changed. I have continued to keep an eye on it to see whether these dynamics change back. But for the time being, the low volume is not overly concerning.

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



Without any new studies to consider tonight, the green Aggregator Line dipped below zero. Negative readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line also moved below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below 0. Therefore, the Aggregator signal turned short at the close.

The last remaining short-term study expired on Monday. Slow action lately has left us void of compelling new short-term evidence. The slightly negative expectations are thanks to the intermediate-term evidence. Expectations over the next few days will be

largely dependent on new evidence that emerges. The Differential Pivot will be *inverted* at 2859.00 on Tuesday. That is 0.1% *above* Monday'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 up at least 0.1% if it is going to remain "overbought" versus expectations as of Tuesday's close. Anything less than that and it will flip to "oversold".

So the Aggregator flipped from bullish to bearish on Monday. But like the bullish edge coming into Monday, the bearish edge appears weak and tenuous. Between the lack of short-term active studies and in the inverted Differential Pivot, reward/risk potential does not seem great. Because the Differential Pivot is inverted, any down close on Tuesday will turn the Aggregator signal to either neutral or bullish. So profit opportunity is quite limited and evidence is less than compelling. That is not the kind of setup that gets me excited about new positions. I'll continue to wait for a more favorable opportunity before taking on new index positions.

Intermediate-term Outlook (2 weeks – 2 months) – updated 8/20– slightly bearish

The intermediate-term outlook was last updated in the 8/20 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

NFLX – 1/3 @ \$326.40 (bought @ limit)

NFLX – 1/3 @ \$322.44 (bought @ limit)

NFLX – 1/3 @ \$316.78 (bought @ limit)

Broad Market Large Cap CBI – 3(NFLX-3)

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)	8/14/2018	\$9.46	\$9.72	2.75%		<i>sell on open</i>
NFLX(1/3)	8/16/2018	\$326.40	\$327.73	0.41%		Catapult
NFLX(1/3)	8/17/2018	\$319.01	\$327.73	2.73%		Catapult
NFLX(1/3)	8/20/2018	\$314.64	\$327.73	4.16%		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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