

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 5, 2018

Volume 11 Issue 171

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The 1st low 5-day in over 2 weeks is often followed by a bounce, especially when SPY is still above its 10ma.

Short-term Outlook

The Bottom Line

The Aggregator is leaning bullish. I don't feel the edge is quite strong enough to warrant a new 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						
September 5, 2018	1st low in 2 weeks. C > 10ma.	1-3 days	Bullish			
August 31, 2018	Big drop from 50-high	1-3 days	Bullish	0.80%	-0.70%	-1.30%
Active - Long Term						
September 5, 2018	1st low in 2 weeks. C > 10ma.	1-3 days	Bullish			
September 4, 2018	NASDAQ leading	int term	Bullish			
August 30, 2018	SPX crosses over 50-day Bollinger Band	1-50 days	Bullish	4.90%	-4.10%	-7.80%
July 1, 2018	SOMA reduction intensifies to \$40billion	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			

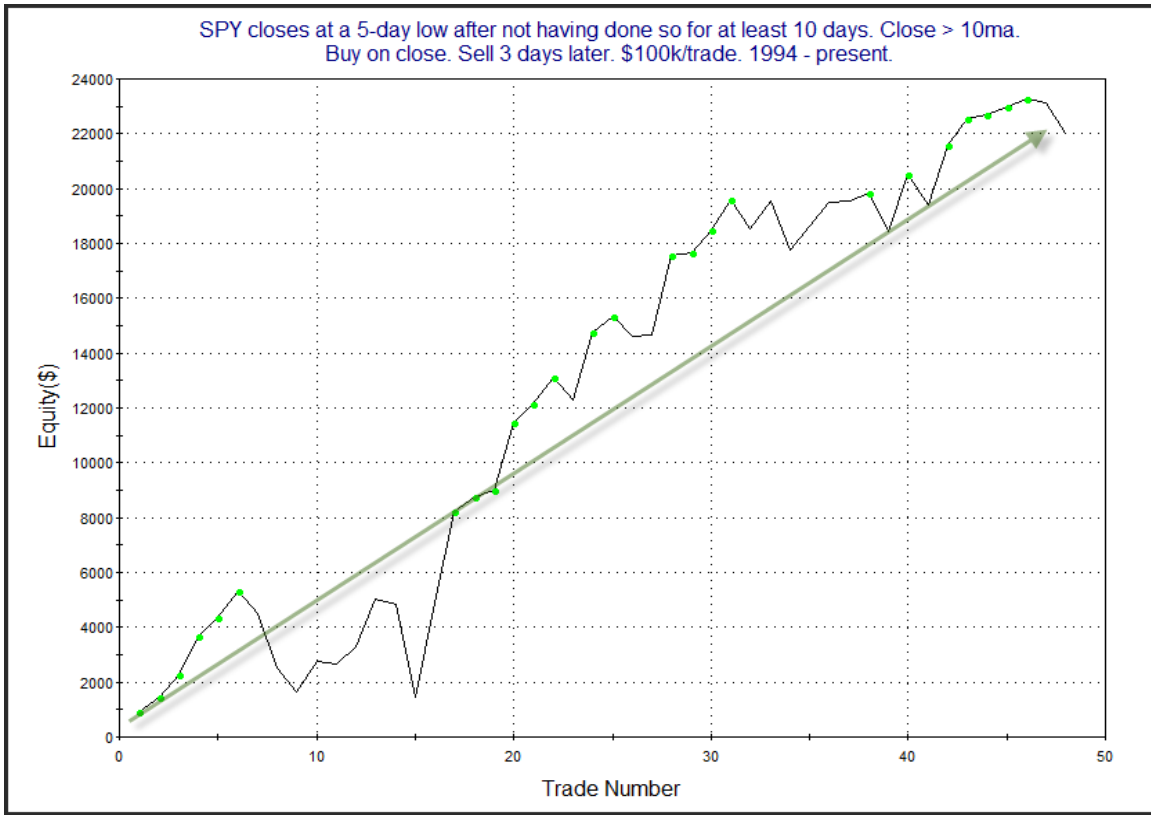
The Evidence

Tuesday saw the market pull back a little, but close well off the lows of the day. The SPX finished down 0.2%, the NASDAQ fell 0.2%, and the Russell 2000 lost 0.4%. Breadth was negative as the NYSE Up Issues % was 34% and the Up Volume % came in at 32%. NYSE volume declined some from Friday's level.

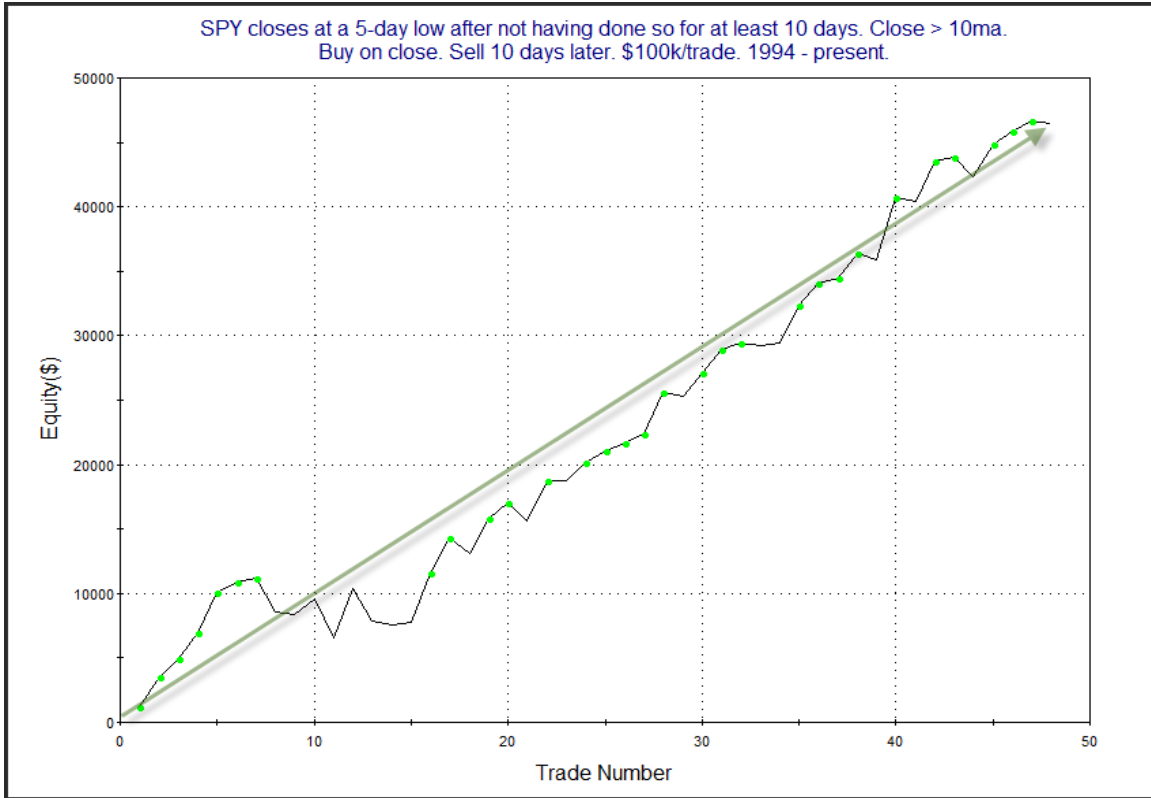
Tuesday was the 1st 5-day closing low for SPY since 8/15. Prior to Tuesday, it had gone 12 trading days without finishing at a 5-day closing low. But despite closing at a short-term low, SPY did still close above its 10ma. This triggered a study from the 4/25/16 letter that I have updated below.

SPY closes at a 5-day low after not having done so for at least 10 days. Close > 10ma. Buy on close. Sell X days later. \$100k/trade. 1994 - 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	46,444.72	48	34	14	70.83	1,792.46	4,839.66	-1,035.64	-2,972.16	1.73	4.20	967.60
9	42,653.41	48	36	12	75.00	1,634.85	5,293.08	-1,350.09	-3,319.71	1.21	3.63	888.61
8	38,853.46	48	35	13	72.92	1,553.32	4,734.72	-1,193.29	-2,602.71	1.30	3.50	809.45
7	35,071.79	48	35	13	72.92	1,557.14	4,118.22	-1,494.46	-3,472.29	1.04	2.81	730.66
6	31,276.04	48	32	16	66.67	1,440.48	4,307.28	-926.20	-2,992.38	1.56	3.11	651.58
5	28,858.72	48	32	16	66.67	1,357.54	4,496.34	-911.40	-3,570.00	1.49	2.98	601.22
4	24,414.22	48	32	16	66.67	1,220.88	3,149.62	-915.86	-2,475.20	1.33	2.67	508.63
3	22,002.57	48	34	14	70.83	1,105.20	3,452.40	-1,112.45	-3,393.78	0.99	2.41	458.39
2	11,813.55	48	30	18	62.50	947.10	3,809.72	-922.20	-3,737.28	1.03	1.71	246.12
1	4,868.74	48	26	22	54.17	726.53	2,225.48	-637.32	-3,909.03	1.14	1.35	101.43
44 of 48 instances (92%) closed above the entry price at some point in the next 5 days.												

Results here suggest a solid edge over the next 1-10 days. About 1/2 of the gains have been realized in the 1st 3 days. Below is a profit curve for a 3-day holding period.



The strong steady upslope is impressive. I also ran a 10-day curve.



This curve is also impressive and helps to confirm the upside edge. I have added this study to both the short and intermediate-term active lists tonight.

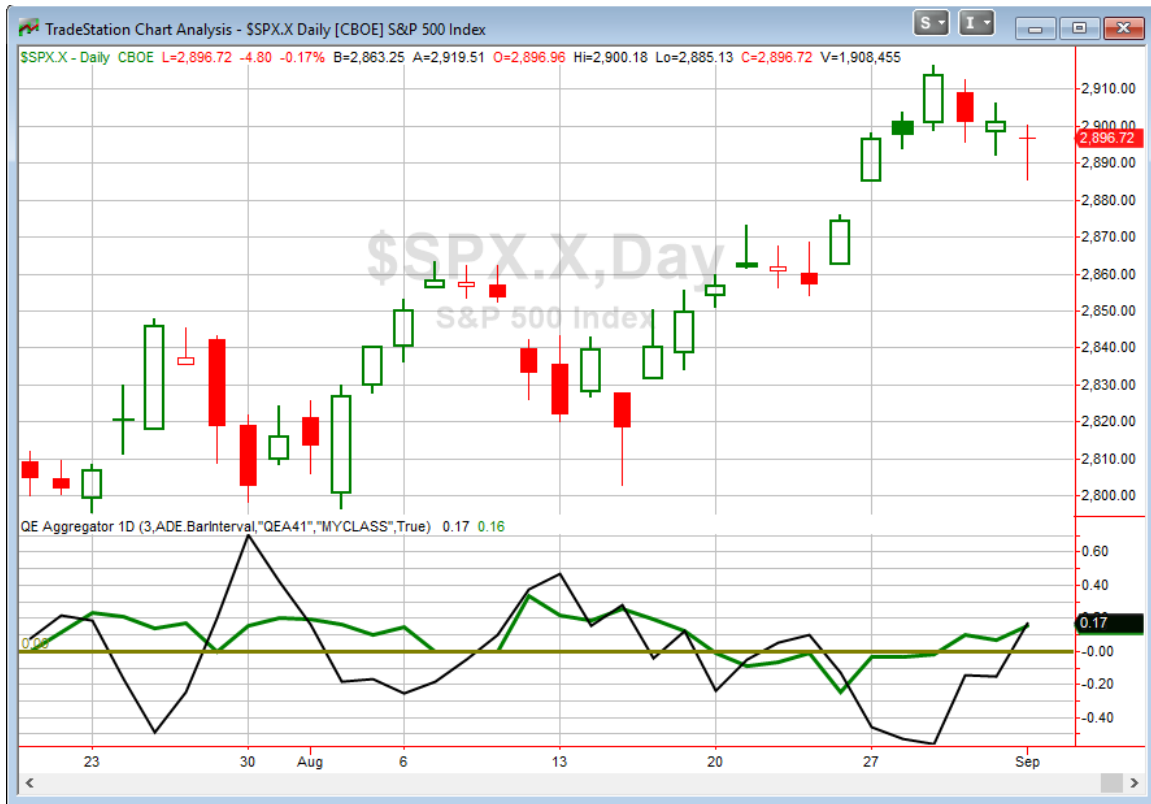
I also ran the stats when the SPY closed below its 10ma, just to see what the difference might be. That version can be seen below.

SPY closes at a 5-day low after not having done so for at least 10 days. Close < 10ma.
Buy on close. Sell X days later. \$100k/trade. 1994 - 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	60,042.60	112	67	45	59.82	2,269.36	8,925.10	-2,044.55	-8,623.54	1.11	1.65	536.09
9	47,125.88	112	65	47	58.04	2,070.97	8,933.76	-1,861.43	-6,709.56	1.11	1.54	420.77
8	43,161.63	112	68	43	60.71	1,910.93	8,908.38	-2,018.18	-7,172.04	0.95	1.50	385.37
7	33,073.59	112	67	45	59.82	1,866.84	6,851.52	-2,044.55	-8,542.02	0.91	1.36	295.30
6	26,730.23	112	70	42	62.50	1,607.24	6,523.92	-2,042.30	-9,559.44	0.79	1.31	238.66
5	19,333.64	112	65	46	58.04	1,510.73	6,103.89	-1,714.43	-4,906.44	0.88	1.25	172.62
4	35,262.69	112	73	39	65.18	1,327.43	6,941.43	-1,580.51	-6,311.82	0.84	1.57	314.85
3	18,756.71	112	63	49	56.25	1,203.73	5,888.16	-1,164.87	-5,295.84	1.03	1.33	167.47
2	15,326.46	112	61	50	54.46	996.03	3,480.75	-908.63	-3,042.90	1.10	1.34	136.84
1	12,979.65	112	63	49	56.25	770.28	2,812.20	-725.47	-2,887.08	1.06	1.37	115.89

In this case, the edge appears to be much more mild than with the current setup where SPY closed above its 10ma.

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



With tonight's evidence 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 also moved 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 turned long at the close.

Based on the current Active List, expectations are slated to remain bullish on Wednesday. Of course, this could change if new bearish evidence emerges. The Differential Pivot will be 2902.58 on Wednesday. That is 0.2% above Tuesday's close. Therefore, SPX would need to close up at least 0.2% in order to flip from oversold to overbought versus expectations.

So there appears to be a bit of an upside edge. But I am not quite convinced it is strong enough to warrant a new index trade. With the SPX only mildly oversold and the Differential Pivot so close by, there is not much room to the upside before it would flip back to overbought and close out the long Aggregator signal. With just a neutral intermediate-term bias I tend to demand a little more. If we pull back a bit more and continue to see bullish evidence prevail I may look to get long in the next few days.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/4– neutral

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

OpenCatapult Triggers

None

Broad Market Large Cap CBI – 0

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

None

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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