

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 14, 2018

Volume 11 Issue 178

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Plenty of new highs and new lows once again on Thursday have the market exhibiting rare and potentially bearish split market conditions.
- SOMA rose slightly this past week ending Wednesday. I expect flat or slightly down for this new week.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I.

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						
September 14, 2018	8 days of split New Highs and Lows	1-25 days	Bearish			
September 10, 2018	4+ Hindenburg Omen signals	1-35 days	Bearish	-6.50%	2.50%	4.50%
September 5, 2018	1st low in 2 weeks. C > 10ma.	1-10 days	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

Thursday saw most of the indices finish higher. The SPX closed up 0.5%, and the NASDAQ rose 0.75%, but the Russell 2000 lost 0.1%. Breadth was positive as the NYSE Up Issues % was 51% and the Up Volume % came in at 56%. NYSE volume came in at the highest level since 8/15.

There were a couple of studies that triggered tonight in the Quantifinder that showed mixed indications. But upon closer inspection, neither the bullish nor the bearish one has shown as edge in recent times, so I am not going to waste any time discussing them. Instead, I will talk about a couple of other things.

First off, I will note that Thursday marked the 8th trading day in a row in which the number of issues making new highs on the NYSE exceeded 2.4%, and so did the number of new lows. That is a fairly astonishing streak. I have been talking lately about the Hindenburg signals, and a large number of new highs and new lows is a core requirement for a Hindenburg Omen signal. But tonight I simply wanted to look at streaks of these type of split market conditions on their own. With data going back to 1970, I looked for other instances of 8 consecutive days with both new highs and new lows exceeding 2.4% of total issues. Results are below.

52-week new highs and new lows both exceed 2.4% of total NYSE issues for 8 days in a row.
Buy SPX on close. Sell X days later. \$100k/trade. 1970 - 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
25	-25,908.20	6	0	6	0.00	0.00	0.00	-4,318.03	-12,334.96	0.00	0.00	-4,318.03
24	-25,117.96	6	0	6	0.00	0.00	0.00	-4,186.33	-11,641.60	0.00	0.00	-4,186.33
23	-22,818.54	6	0	6	0.00	0.00	0.00	-3,803.09	-10,622.96	0.00	0.00	-3,803.09
22	-24,295.77	6	0	6	0.00	0.00	0.00	-4,049.30	-10,802.72	0.00	0.00	-4,049.30
21	-24,392.86	6	0	6	0.00	0.00	0.00	-4,065.48	-12,377.76	0.00	0.00	-4,065.48
20	-19,461.56	6	1	5	16.67	111.36	111.36	-3,914.58	-9,664.24	0.03	0.01	-3,243.59
19	-20,523.64	6	0	6	0.00	0.00	0.00	-3,420.61	-9,501.60	0.00	0.00	-3,420.61
18	-18,315.36	6	0	6	0.00	0.00	0.00	-3,052.56	-8,431.60	0.00	0.00	-3,052.56
17	-15,713.52	6	1	5	16.67	294.52	294.52	-3,201.61	-7,652.64	0.09	0.02	-2,618.92
16	-18,360.06	6	0	6	0.00	0.00	0.00	-3,060.01	-8,739.76	0.00	0.00	-3,060.01
15	-14,021.32	6	0	6	0.00	0.00	0.00	-2,336.89	-8,405.92	0.00	0.00	-2,336.89
14	-11,466.46	6	1	5	16.67	985.44	985.44	-2,490.38	-6,907.92	0.40	0.08	-1,911.08
13	-10,614.32	6	1	5	16.67	1,476.00	1,476.00	-2,418.06	-4,785.04	0.61	0.12	-1,769.05
12	-10,725.22	6	1	5	16.67	1,389.60	1,389.60	-2,422.96	-3,372.64	0.57	0.11	-1,787.54
11	-11,300.18	6	1	5	16.67	1,058.88	1,058.88	-2,471.81	-3,612.32	0.43	0.09	-1,883.36
10	-11,181.38	6	1	5	16.67	1,072.80	1,072.80	-2,450.84	-5,080.84	0.44	0.09	-1,863.56
9	-12,443.51	6	1	5	16.67	898.56	898.56	-2,668.41	-5,831.94	0.34	0.07	-2,073.92
8	-10,311.18	7	2	5	28.57	398.33	519.84	-2,221.57	-3,715.04	0.18	0.07	-1,473.03
7	-7,093.04	7	3	4	42.86	205.09	410.78	-1,927.08	-2,475.20	0.11	0.08	-1,013.29
6	-10,478.02	7	0	7	0.00	0.00	0.00	-1,496.86	-2,901.84	0.00	0.00	-1,496.86
5	-7,207.05	7	1	6	14.29	200.64	200.64	-1,234.61	-4,179.84	0.16	0.03	-1,029.58
4	-6,920.72	8	2	6	25.00	740.52	1,216.56	-1,400.29	-3,369.12	0.53	0.18	-865.09
3	-2,239.43	9	3	6	33.33	863.86	2,044.62	-805.17	-2,759.52	1.07	0.54	-248.83
2	-3,786.23	12	5	7	41.67	678.80	2,714.32	-1,025.74	-2,239.30	0.66	0.47	-315.52
1	-2,677.51	19	8	11	42.11	516.16	1,923.26	-618.80	-1,617.00	0.83	0.61	-140.92

There have not been many instances, but the returns after the ones so far have been quite bearish. Below is a list of all the instances assuming a 25-day holding period.

52-week new highs and new lows both exceed 2.4% of total NYSE issues for 8 days in a row. Buy SPX on close. Sell 25 days later. \$100k/trade. 1970 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
4/7/1972	Buy	\$109.62	-2.96%	\$1,358.88
5/12/1972	Sell	\$106.38		(\$5,280.48)
5/24/1972	Buy	\$110.31	-3.16%	\$1,060.02
6/29/1972	Sell	\$106.82		(\$3,959.22)
8/11/1972	Buy	\$111.95	-2.98%	\$1,339.50
9/18/1972	Sell	\$108.61		(\$3,697.02)
2/14/1980	Buy	\$116.72	-12.35%	\$1,010.08
3/21/1980	Sell	\$102.31		(\$13,336.48)
12/7/2000	Buy	\$1,343.55	-1.26%	\$3,367.00
1/16/2001	Sell	\$1,326.65		(\$6,621.52)
12/9/2014	Buy	\$2,059.82	-3.26%	\$1,619.04
1/15/2015	Sell	\$1,992.67		(\$4,188.48)

Three of the six instances occurred in 1972. So with just 3 instances since 1972, I am not using this study to generate short-term expectations. But I thought results were intriguing enough to merit a mention. I also reduced the % requirement to see if that would provide some additional instances. Below are the 25 day-results for a 2.2% minimum.

52-week new highs and new lows both exceed 2.2% of total NYSE issues for 8 days in a row. Buy SPX on close. Sell 25 days later. \$100k/trade. 1970 - present.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
4/3/1972	Buy	\$107.48	-1.25%	\$3,375.90
5/8/1972	Sell	\$106.14		(\$2,176.20)
5/24/1972	Buy	\$110.31	-3.16%	\$1,060.02
6/29/1972	Sell	\$106.82		(\$3,959.22)
8/11/1972	Buy	\$111.95	-2.98%	\$1,339.50
9/18/1972	Sell	\$108.61		(\$3,697.02)
3/23/1977	Buy	\$100.20	-2.00%	\$1,866.26
4/28/1977	Sell	\$98.20		(\$3,662.66)
2/14/1980	Buy	\$116.72	-12.35%	\$1,010.08
3/21/1980	Sell	\$102.31		(\$13,336.48)
1/3/2000	Buy	\$1,455.22	-0.93%	\$1,209.04
2/8/2000	Sell	\$1,441.75		(\$7,151.56)
12/6/2000	Buy	\$1,351.54	-2.44%	\$2,738.23
1/12/2001	Sell	\$1,318.55		(\$7,115.31)
5/3/2006	Buy	\$1,307.85	-3.82%	\$1,432.60
6/8/2006	Sell	\$1,257.93		(\$5,522.92)
12/9/2014	Buy	\$2,059.82	-3.26%	\$1,619.04
1/15/2015	Sell	\$1,992.67		(\$4,188.48)

This does not look any better. How about a 2.0% requirement?

52-week new highs and new lows both exceed 2.0% of total NYSE issues for 8 days in a row. Buy SPX on close. Sell 25 days later. \$100k/trade. 1970 - present.

Total Net Profit	(\$43,644.19)	Profit Factor	0.01
Gross Profit	\$399.00	Gross Loss	(\$44,043.19)
Total Number of Trades	13	Percent Profitable	7.69%
Winning Trades	1	Losing Trades	12
Even Trades	0		
Avg. Trade Net Profit	(\$3,357.25)	Ratio Avg. Win:Avg. Loss	0.11
Avg. Winning Trade	\$399.00	Avg. Losing Trade	(\$3,670.27)
Largest Winning Trade	\$399.00	Largest Losing Trade	(\$12,930.08)

Date/Time	Signal	Price	% Profit	Run-up Drawdown
6/10/1971	Buy	\$100.64	-1.52%	\$1,062.51
7/16/1971	Sell	\$99.11		(\$3,693.96)
4/3/1972	Buy	\$107.48	-1.25%	\$3,375.90
5/8/1972	Sell	\$106.14		(\$2,176.20)
5/24/1972	Buy	\$110.31	-3.16%	\$1,060.02
6/29/1972	Sell	\$106.82		(\$3,959.22)
8/10/1972	Buy	\$111.05	-2.02%	\$2,160.00
9/15/1972	Sell	\$108.81		(\$2,916.00)
3/23/1977	Buy	\$100.20	-2.00%	\$1,866.26
4/28/1977	Sell	\$98.20		(\$3,662.66)
2/13/1980	Buy	\$118.44	-12.93%	\$725.84
3/20/1980	Sell	\$103.12		(\$14,601.20)
7/16/1998	Buy	\$1,183.99	-7.80%	\$553.56
8/20/1998	Sell	\$1,091.60		(\$10,919.16)
12/30/1999	Buy	\$1,464.47	-2.74%	\$920.04
2/4/2000	Sell	\$1,424.37		(\$7,780.56)
10/3/2000	Buy	\$1,426.18	0.40%	\$1,259.30
11/7/2000	Sell	\$1,431.88		(\$8,427.30)
12/6/2000	Buy	\$1,351.54	-2.44%	\$2,738.23
1/12/2001	Sell	\$1,318.55		(\$7,115.31)
4/26/2006	Buy	\$1,305.41	-1.51%	\$1,618.04
6/1/2006	Sell	\$1,285.71		(\$4,565.32)
7/20/2007	Buy	\$1,534.10	-3.57%	\$853.45
8/24/2007	Sell	\$1,479.37		(\$10,627.50)
12/9/2014	Buy	\$2,059.82	-3.26%	\$1,619.04
1/15/2015	Sell	\$1,992.67		(\$4,188.48)

Even the lone winner here had an 8.4% decline before turning slightly positive. Bottom line appears to be that have such a split market as we are currently seeing is quite rare. And historically it has not been a good thing for the market. I did add this study to the intermediate-term Active List tonight.

On Thursday the Fed released the SOMA changes for the week ending Wednesday. This can be seen in the graphic below from the NY Fed's website.

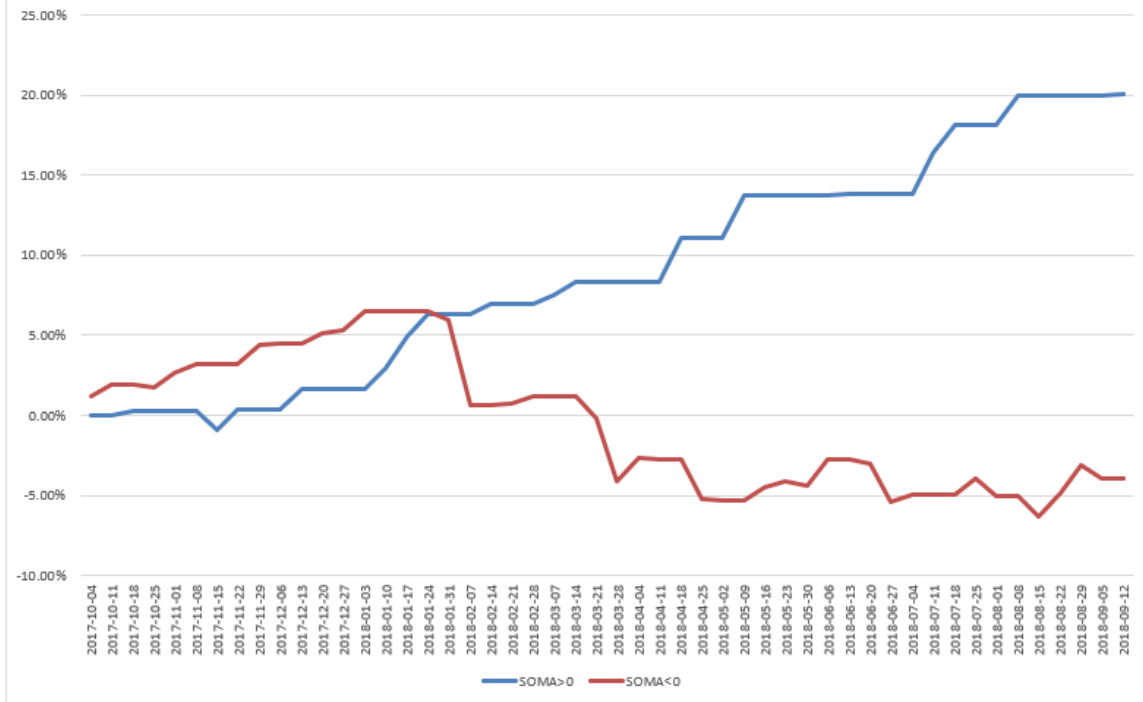
Summary T-Bills T-Notes and T-Bonds FRN TIPS Agencies	
Security Type	Total (in Thousands)
US Treasury Bills (T-Bills)	100,000.0
US Treasury Notes and Bonds (Notes/Bonds)	2,157,449,918.5
US Treasury Floating Rate Notes (FRN)	18,152,012.4
US Treasury Inflation-Protected Securities (TIPS)*	115,578,709.4
Federal Agency Securities**	2,409,000.0
Agency Mortgage-Backed Securities***	1,697,016,288.3
Total SOMA Holdings	3,990,705,928.6
Change From Prior Week	10,000.1

*Does not reflect inflation compensation of 21,923,167.6
 **Fannie Mae, Freddie Mac and Federal Home Loan Bank
 ***Guaranteed by Fannie Mae, Freddie Mac, and Ginnie Mae. Current face value of the securities, which is the remaining principal balance of the securities.

Data posted on 09/13/2018 4:30pm.

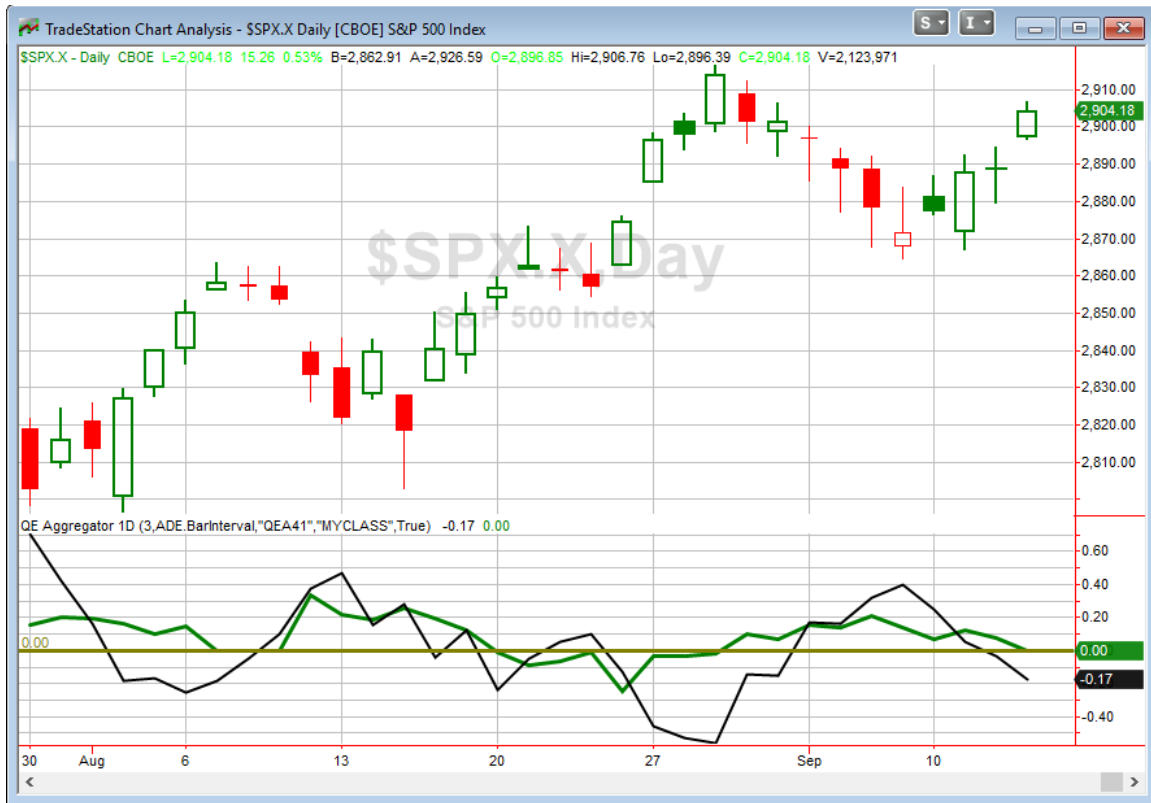
As anticipated, the SOMA rose very slightly over the week. Below is an updated look at how SPX has performed since QT began during SOMA expansion weeks versus SOMA contraction weeks.

SPX Compounded Performance Since QT Began
 Weeks of SOMA Increases vs. Decreases
 10/2017 - 9/12/2018



Dating back to November, the last 15 times in a row that the SOMA has expanded the SPX has risen over the same week. This past week the SOMA was up a miniscule amount, and the SPX was also. But it was enough to keep the streak alive. This upcoming week I expect the SOMA to move very little. I anticipate a little bit better chance of a slight decline than a slight increase. As usual, I will discuss this in more detail in this weekend’s newsletter.

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



Without any new studies triggering tonight, the green Aggregator Line finished right at zero. Breakeven readings mean net expectations from the Active List are neutral over the next few days. Meanwhile the black Differential Line remained below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are flat but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines fail to close on the same side of 0. Therefore, the Aggregator signal stayed flat at the close.

Without any currently active short-term studies, expectations are currently slated to remain neutral. Of course this could easily change if new evidence emerges on Friday. The Differential Pivot will be 2897.48 on Friday. That is about 0.2% below Thursday's close. So SPX would only need to close down about 0.2% in order to turn from overbought to oversold versus recent expectations.

Like last night, I don't see a strong edge. The Aggregator is neutral and evidence is light. I am not inclined to put new capital at risk until a more favorable reward/risk scenario emerges. I am wary of QT, the Hindenburg Omens, split market conditions, and the upcoming bearish seasonality. In uncertain conditions, it is more important to hold onto your capital than it is to compound it. The time bet more aggressively will return. For now, I am flat and content to be so.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/10– neutral

The intermediate-term outlook was last updated in the 9/10/18 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

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.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>HAL(1/3)</i>	<i>9/11/2018</i>	<i>\$36.69</i>	<i>\$37.90</i>	<i>3.30%</i>		<i>sold on open</i>

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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