

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 18, 2018

Volume 11 Issue 180

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- After 5 days higher the market pulled back Monday. When the market has been in a similar position in the past, the 1-2 week timeframe has been strong.

Short-term Outlook

The Bottom Line

The Aggregator is long, but I am not yet ready to jump into the pullback this early.

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 18, 2018	5 Up closes < 50 Then down.	1-5 days	Bullish	1.70%	-1.10%	-2.10%
September 17, 2018	Sep opex week if Sep positive	1-2 Days	Bullish			
September 17, 2018	5 Up closes. Close < 50 high but > 200m	1-7 days	Bullish	1.85%	-1.20%	-2.30%
Active - Long Term						
September 17, 2018	5 Up closes. Close < 50 high but > 200m	1-15 days	Bullish	3.10%	-1.75%	-3.30%
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			

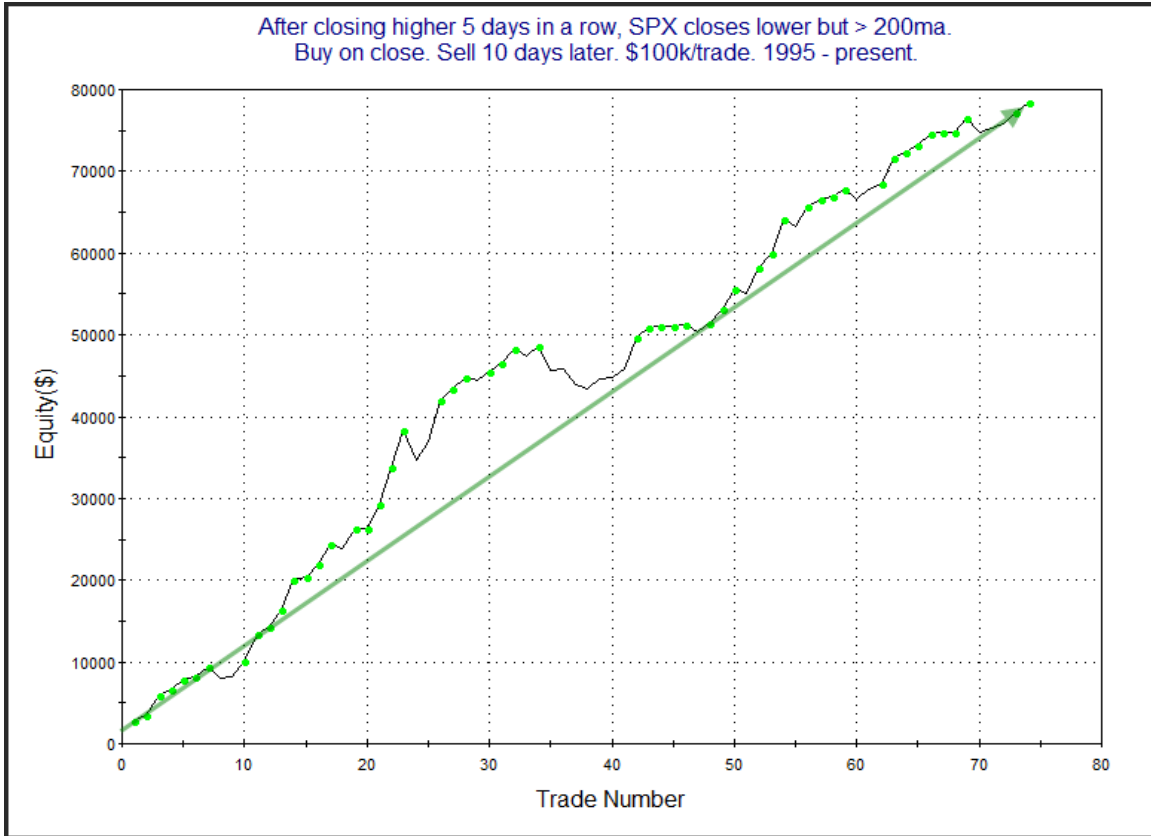
The Evidence

Monday was a down day across the board. The SPX lost 0.6%, the NASDAQ declined 1.4%, and the Russell 2000 fell 1.1%. Breadth was mixed as the NYSE Up Issues % was 40% and the Up Volume % came in at 52%. NYSE volume dipped some from Friday's high level.

Monday's decline triggered some bullish studies that looked at pullbacks after at least 5 consecutive up days. The studies below were last seen in the 9/6/17 Subscriber Letter. I have updated the results.

After closing up at least 5 days in a row, SPX closes lower but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - 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	86,367.10	80	67	13	83.75	1,549.39	5,131.35	-1,341.68	-3,672.90	1.15	5.95	1,079.59
9	84,388.80	86	70	16	81.40	1,514.93	5,196.49	-1,353.52	-4,151.40	1.12	4.90	981.27
8	76,949.62	87	64	23	73.56	1,663.22	4,878.08	-1,282.45	-4,874.10	1.30	3.61	884.48
7	58,264.93	88	64	24	72.73	1,427.40	3,874.76	-1,378.69	-3,970.62	1.04	2.76	662.10
6	58,274.58	91	66	25	72.53	1,346.62	4,307.20	-1,224.09	-3,637.71	1.10	2.90	640.38
5	49,726.17	91	63	28	69.23	1,187.18	4,252.50	-895.23	-3,188.16	1.33	2.98	546.44
4	50,202.60	91	62	29	68.13	1,171.96	3,843.00	-774.45	-3,003.39	1.51	3.24	551.68
3	30,171.09	91	60	31	65.93	919.08	2,797.08	-805.60	-2,852.01	1.14	2.21	331.55
2	20,203.48	91	60	31	65.93	755.91	2,480.28	-811.33	-2,614.95	0.93	1.80	222.02
1	9,827.22	91	59	31	64.84	468.58	1,751.19	-574.81	-2,531.86	0.82	1.55	107.99

Initially there appears to be a moderate inclination for a move higher. Once you get out 9-10 days the upside edge appears very substantial. Below is an equity curve using a 10-day exit strategy.



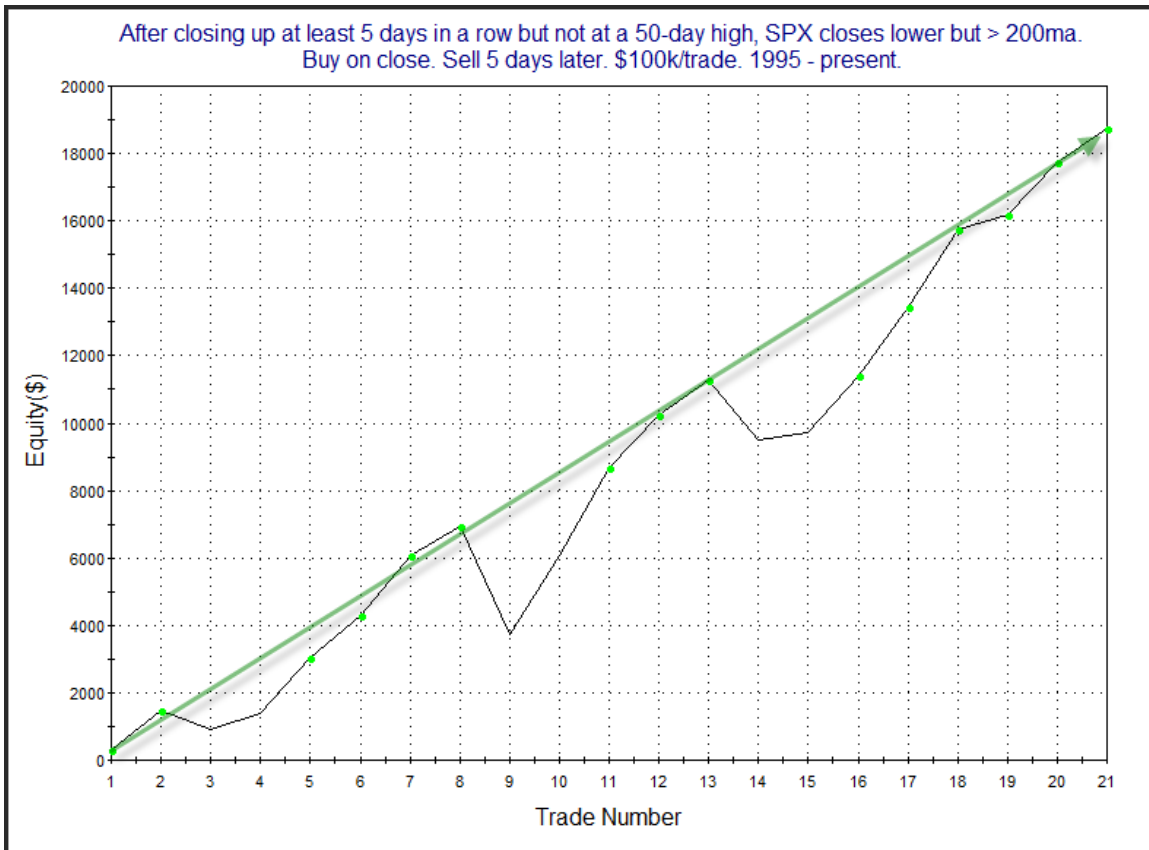
There's some wiggle here but the periods of pullback have been short and mild. This appears to confirm the bullish edge.

In that 9/6/17 letter I also filtered out times where the SPX had closed a 50-day high the day before. I applied that filter again tonight and updated those stats.

After closing up at least 5 days in a row but not at a 50-day high, SPX closes lower but > 200ma.
Buy on close. Sell X days later. \$100k/trade. 1995 - present.

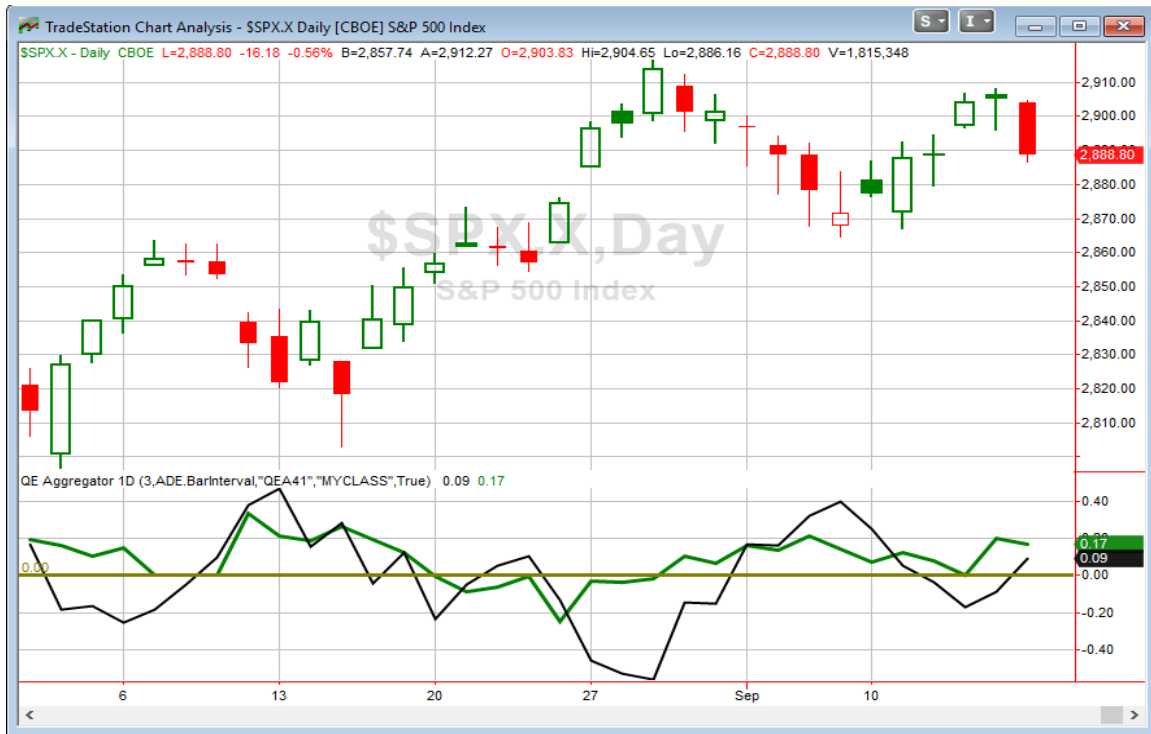
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	28,422.66	21	17	4	80.95	1,984.24	4,644.11	-1,327.35	-2,964.60	1.49	6.35	1,353.46
9	25,898.02	21	17	4	80.95	1,885.39	5,196.49	-1,538.40	-3,251.34	1.23	5.21	1,233.24
8	25,229.43	21	17	4	80.95	1,877.97	4,770.49	-1,674.03	-4,038.66	1.12	4.77	1,201.40
7	18,095.46	21	18	3	85.71	1,422.34	3,335.92	-2,502.20	-3,970.62	0.57	3.41	861.69
6	18,632.29	21	17	4	80.95	1,522.37	2,736.52	-1,812.02	-3,388.23	0.84	3.57	887.25
5	18,739.41	21	18	3	85.71	1,348.07	2,590.50	-1,841.93	-3,188.16	0.73	4.39	892.35
4	16,829.58	21	17	4	80.95	1,239.18	2,600.40	-1,059.13	-2,494.80	1.17	4.97	801.41
3	9,515.38	21	15	6	71.43	1,078.83	2,797.08	-1,111.18	-2,852.01	0.97	2.43	453.11
2	649.63	21	12	9	57.14	815.23	2,480.28	-1,014.79	-2,455.11	0.80	1.07	30.93
1	-1,642.06	21	13	8	61.90	359.44	716.31	-789.35	-2,531.86	0.46	0.74	-78.19

The 1st day or so is iffy, but after that the upside edge appears even stronger than without the filter applied. The idea behind this study is that strong moves higher tend to weaken before they roll over. The five days up suggest the move is strong. Since they rarely turn on a dime, this 1st dip is not likely the end of the up move. And here is a look at the equity curve assuming a 5-day holding period.



The strong upslope is impressive. I've added this study to the Active List.

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



With tonight's new studies under consideration, the green Aggregator Line closed above zero. Positive readings mean net expectations from the Active List for upside over the next few days. Meanwhile the black Differential Line crossed 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 list of active studies, expectations are slated to remain positive on Tuesday. Of course this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2909.89 on Tuesday. That is about 0.7% above Monday's close. So SPX would need to close down about 0.7% in order to turn from oversold to overbought versus expectations on Tuesday.

With a bullish intermediate-term backdrop, I might be looking to start scaling into a position here. But there is too much to be wary of to get me excited about jumping in just yet. With an extremely split market, a lagging NASDAQ, poor intermediate-term seasonality, the approaching "Weakest Week" seasonality, large upcoming QT weeks, and a CBI of 0, this is not a time for an aggressive entry. If a real pullback arrives, I want to have plenty of cash on hand to take advantage of it. And even though tonight's studies were quite bullish, the 1st couple of days were not. So I will wait another day. Continued selling and additional evidence could certainly get me interested in a long trade. I'm just a bit cautious early on.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/17– neutral

The intermediate-term outlook was last updated in the 9/17/18 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.

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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