

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 20, 2018

Volume 11 Issue 182

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The strong SPX and weak RUT suggests the SPX should continue to rally over the intermediate-term.

Short-term Outlook

The Bottom Line

The Aggregator is bullish but it is tenuous. I still do not favor the setup enough to consider new positions.

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	5 Up closes. Close < 50 high but > 200m	1-7 days	Bullish	1.85%	-1.20%	-2.30%
Active - Long Term						
September 20, 2018	RUT btm 25% 20-day rng SPX top 25%	1-40 days	Bullish	5.60%	-2.70%	-5.30%
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			

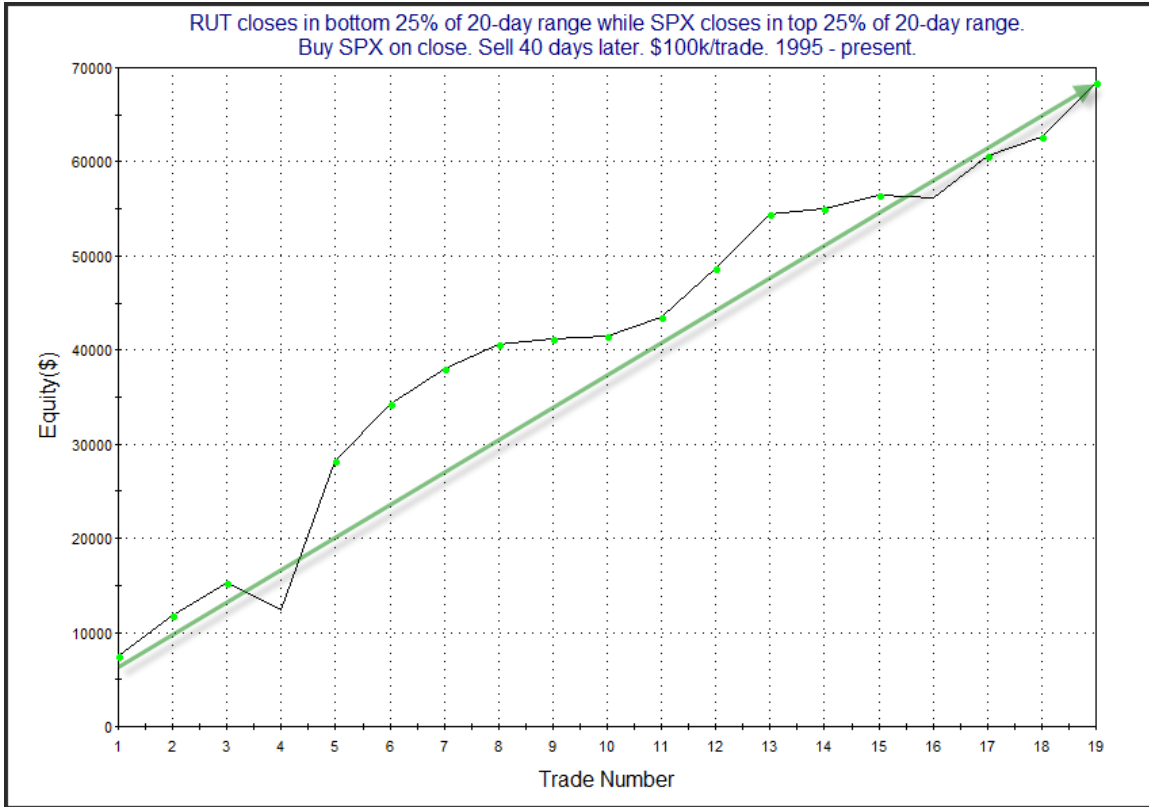
The Evidence

Wednesday was a mixed and (once again) mild day for the market. The SPX gained 0.1%, the NASDAQ lost 0.1%, and the Russell 2000 dropped 0.5%. Breadth was also mixed as the NYSE Up Issues % was 44% and the Up Volume % came in at 66%. NYSE volume spiked up to the highest level in a while.

I have spoken a fair amount lately about the “split” market, and how that has historically been followed by declines. But not all kinds of splits are bad. Today we saw the SPX rise while the RUT closed lower. That is not unusual on a 1-day basis. But it has now been several weeks in which they have been heading in opposite directions. RUT closed in the bottom 25% of its 20-day range on Wednesday while SPX closed in the top 25% of its 20-day range. The study below is updated from the 11/14/17 letter. It looks at other times where this occurred.

RUT closes in bottom 25% of 20-day range while SPX closes in top 25% of 20-day range. Buy SPX 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
50	62,482.12	17	12	5	70.59	5,878.17	17,360.82	-1,611.18	-2,450.72	3.65	8.76	3,675.42
45	63,259.12	18	14	4	77.78	5,335.64	15,231.03	-2,859.98	-5,633.12	1.87	6.53	3,514.40
40	68,378.28	19	17	2	89.47	4,208.54	15,916.02	-1,583.41	-2,953.44	2.66	22.59	3,598.88
35	56,844.43	19	15	4	78.95	4,302.10	15,668.34	-1,921.77	-3,769.92	2.24	8.39	2,991.81
30	60,058.52	19	17	2	89.47	3,574.75	11,907.99	-356.13	-707.88	10.04	85.32	3,160.97
25	45,080.13	19	15	4	78.95	3,236.00	9,355.08	-864.96	-2,245.18	3.74	14.03	2,372.64
20	33,361.00	19	14	5	73.68	3,309.22	9,900.75	-2,593.61	-6,058.36	1.28	3.57	1,755.84
15	32,231.31	19	15	4	78.95	2,850.16	7,779.99	-2,630.26	-5,109.23	1.08	4.06	1,696.38
10	21,574.93	23	16	7	69.57	2,258.61	8,346.30	-2,080.40	-6,893.04	1.09	2.48	938.04
5	13,087.61	24	10	14	41.67	2,666.78	7,383.96	-970.01	-2,806.44	2.75	1.96	545.32

It appears the lagging RUT in similar circumstances has not been a drag going forward, and that SPX has continued to flourish. Below is a look at a profit curve with a 40-day holding period.



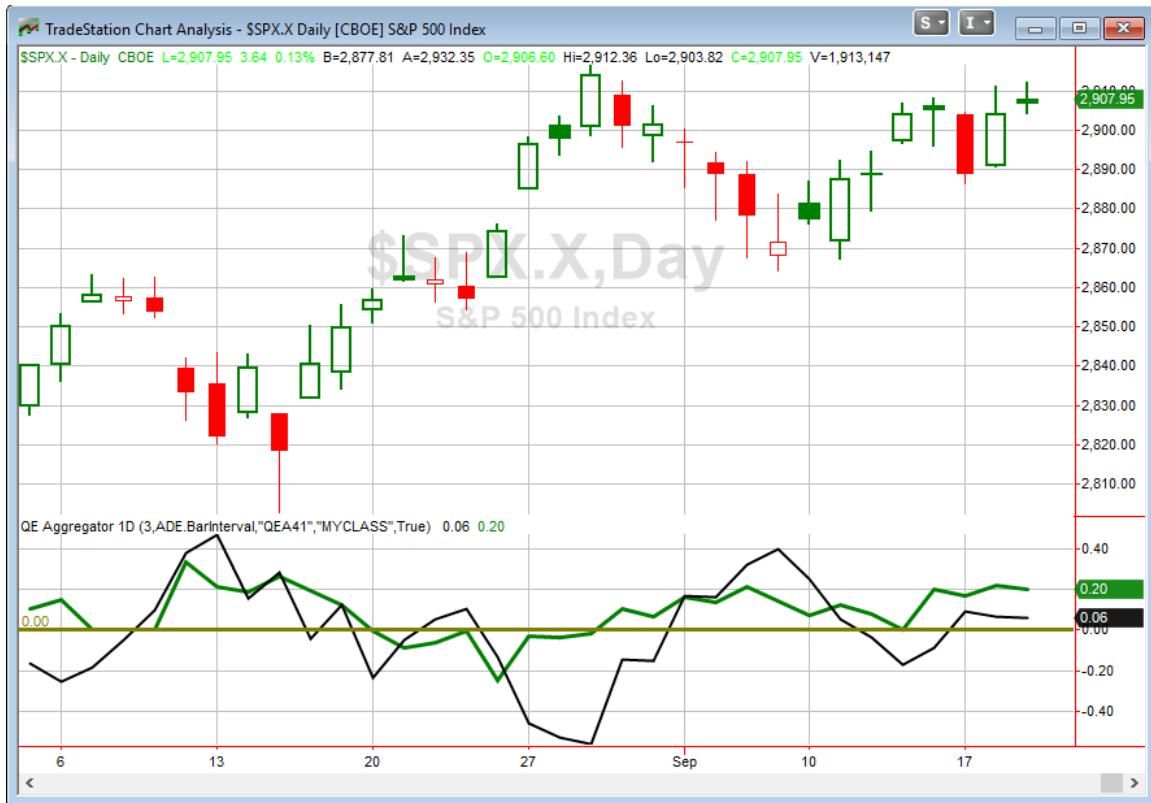
The strong, steady upslope serves as some confirmation of the upside edge. I also checked to see how the Russell 2000 did going forward.

RUT closes in bottom 25% of 20-day range while SPX closes in top 25% of 20-day range.
Buy RUT 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
50	32,915.18	17	12	5	70.59	5,850.86	18,203.13	-7,459.03	-13,291.46	0.78	1.88	1,936.19
45	36,770.06	18	13	5	72.22	5,303.94	17,231.94	-6,436.23	-16,401.84	0.82	2.14	2,042.78
40	56,575.54	19	13	6	68.42	5,606.19	16,988.40	-2,717.48	-7,866.04	2.06	4.47	2,977.66
35	45,136.65	19	14	5	73.68	4,843.27	16,765.65	-4,533.82	-10,617.88	1.07	2.99	2,375.61
30	52,387.29	19	13	6	68.42	5,303.38	15,209.37	-2,759.44	-7,982.52	1.92	4.16	2,757.23
25	31,291.45	19	12	7	63.16	4,458.08	14,012.46	-3,172.22	-10,952.76	1.41	2.41	1,646.92
20	17,018.68	19	13	6	68.42	3,984.59	12,067.11	-5,796.83	-16,370.90	0.69	1.49	895.72
15	21,977.69	19	12	7	63.16	4,178.92	11,066.88	-4,024.19	-8,143.20	1.04	1.78	1,156.72
10	1,307.05	23	11	12	47.83	3,513.31	8,215.02	-3,111.61	-10,958.54	1.13	1.04	56.83
5	2,990.39	24	12	12	50.00	2,347.89	7,817.04	-2,098.69	-4,524.56	1.12	1.12	124.60

Numbers here also favor the long side. But the performance does not appear as impressive as for SPX. I have added the SPX version of this study to the intermediate-term active list, where we continue to see numerous crosswinds.

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



Once again tonight the green Aggregator Line remained above zero. Positive readings mean net expectations from the Active List for upside over the next few days. Meanwhile the black Differential Line also held 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 list of active studies, expectations are slated to remain positive on Thursday. Of course this could change if compelling new bearish evidence emerges. The Differential Pivot will be *inverted at 2899.44* on Thursday. That is 0.3% *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 at least 0.3% in order to remain oversold. Anything less than that and it will flip to overbought versus expectations.

I generally view inverted pivots as opportune times to take profits if I am already in a position. I do not view them as good setups for taking on new positions. While the Aggregator suggests a bullish edge, that edge will only persist beyond one day if the SPX closes down. So reward/risk is generally subpar. I will continue to wait for a more favorable setup to emerge.

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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