

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 27, 2018

Volume 11 Issue 187

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Down 2+ days on a Fed Day has often been followed by a rally.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I believe there is favorable reward/risk for the bulls over the next few days.

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 27, 2018	Fed Today. Down 2+	1-6 days	Bullish	2.00%	-1.45%	-3.10%
September 26, 2018	Down 3 days before Fed Day	1-4 days	Bullish			
September 24, 2018	Weakest Week	1-4 days	Bearish	-2.20%	0.80%	2.20%
September 21, 2018	Breakaway Gap Breakout	1-5 days	Bullish	1.45%	-0.90%	-1.90%
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%
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			
Dropped Tonight						
September 17, 2018	5 Up closes. Close < 50 high but > 200m	1-7 days	Bullish	1.85%	-1.20%	-2.30%

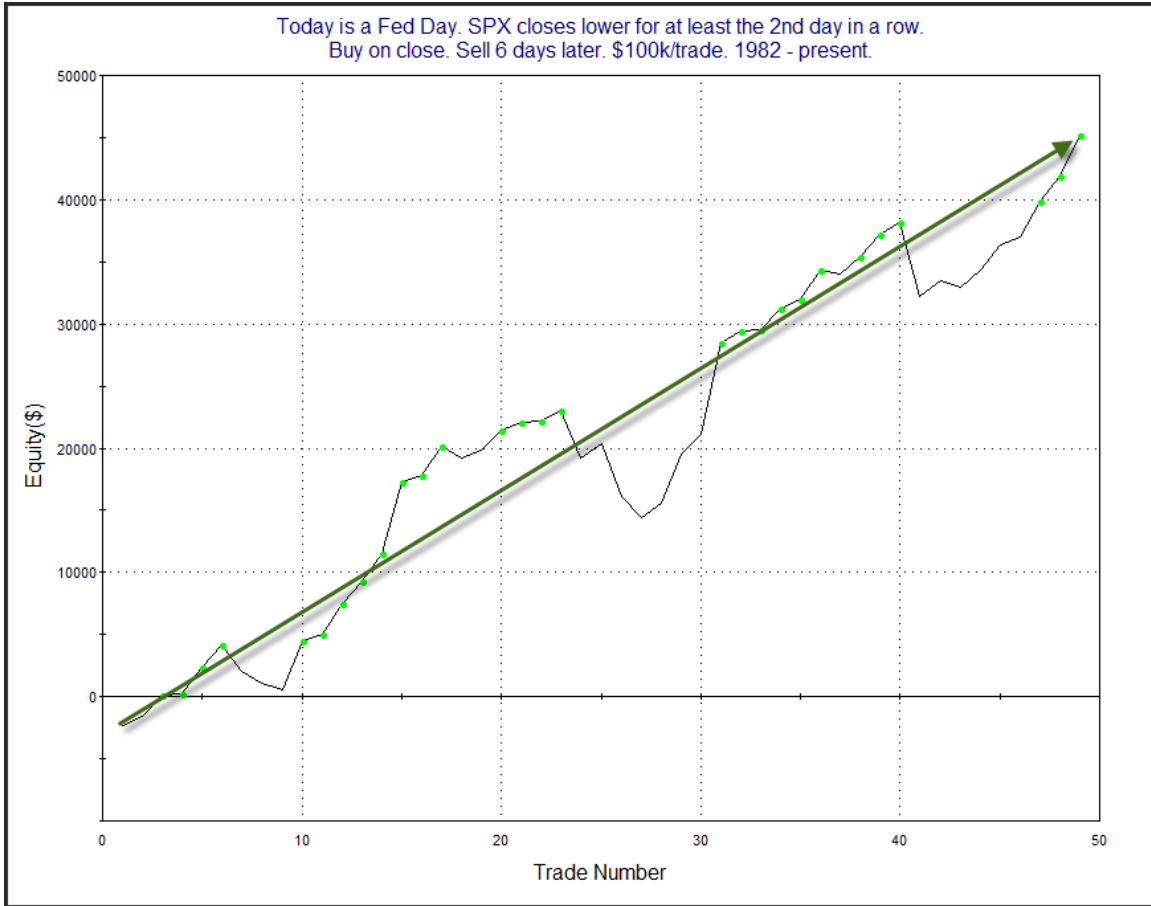
The Evidence

Wednesday started off well, but a negative reaction to the Fed announcement left it down and near its lows of the day. The SPX declined 0.3%, the NASDAQ lost 0.2%, and the Russell 2000 dropped 1.0%. Breadth was negative as the NYSE Up Issues % was 38% and the Up Volume % came in at 29%. NYSE volume declined for the 3rd day in a row.

It is unusual that a Fed Day would continue a string of down days. I looked at this in the study below, which was last seen in the 6/16/16 letter. Results have been updated.

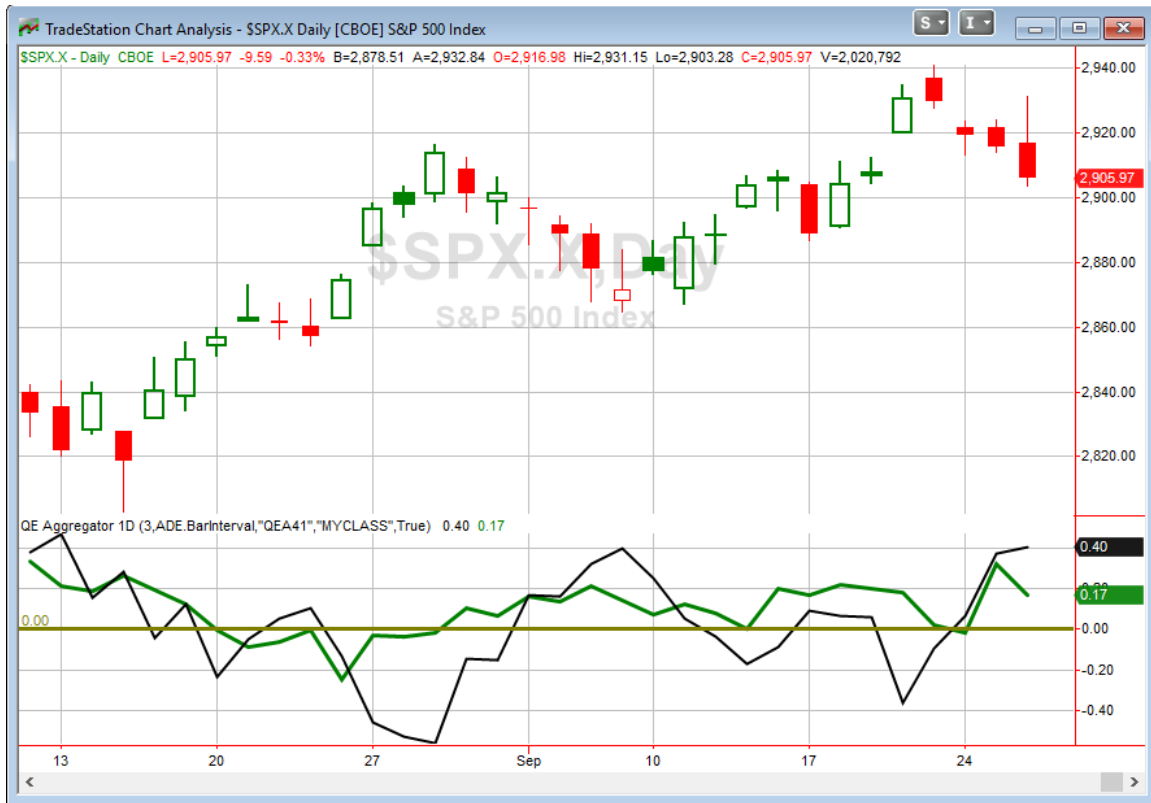
Today is a Fed Day. SPX closes lower for at least the 2nd day in a row. Buy on close. Sell X days later. \$100k/trade. 1982 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	50,722.21	49	33	16	67.35	2,570.32	9,012.33	-2,131.14	-5,334.70	1.21	2.49	1,035.15
9	41,595.18	49	35	14	71.43	2,307.67	8,967.96	-2,798.08	-5,671.36	0.82	2.06	848.88
8	32,505.57	49	36	13	73.47	2,039.40	8,456.40	-3,147.14	-6,514.96	0.65	1.79	663.38
7	40,386.83	49	38	11	77.55	1,848.49	8,869.37	-2,714.15	-6,757.80	0.68	2.35	824.22
6	45,187.62	49	38	11	77.55	1,813.15	7,361.95	-2,155.65	-5,884.97	0.84	2.91	922.20
5	36,760.44	49	36	13	73.47	1,643.48	6,013.86	-1,723.45	-5,581.03	0.95	2.64	750.21
4	24,680.04	49	31	18	63.27	1,570.71	7,513.37	-1,334.00	-4,622.80	1.18	2.03	503.67
3	15,823.15	49	30	19	61.22	1,141.72	5,035.28	-969.91	-2,737.00	1.18	1.86	322.92
2	15,869.06	49	30	19	61.22	1,126.56	5,202.52	-943.57	-2,942.24	1.19	1.89	323.86
1	10,156.23	49	31	18	63.27	896.82	4,001.33	-980.28	-3,162.00	0.91	1.58	207.27

When Fed Days fail to produce a bounce, you normally see a rally shortly after. Below is a profit curve assuming a 6-day exit strategy.



The strong upslope appears to confirm the bullish edge.

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



With tonight's new evidence considered, the green Aggregator Line remained above zero. Positive readings mean net expectations from the Active List are for downside over the next few days. Meanwhile the black Differential Line moved further 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 Thursday. It would take some very compelling new bearish evidence to change this. The Differential Pivot will be 2924.66 on Thursday. That is 0.6% above Wednesday's close. So SPX will need to close up 0.6% on Thursday in order to flip to "overbought" in relation to recent expectations.

So bullish short-term evidence continues to mount. And it seems the market is nearing an area where it is likely to bounce. I took some long exposure near the close on Wednesday. I'll let that ride for the time being in the hope of profiting from the bounce.

Intermediate-term Outlook (2 weeks – 2 months) – updated 9/24– neutral

The intermediate-term outlook was last updated in the 9/24/18 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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	9/26/2018	\$289.88	\$289.88	0.00%		bought on close

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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