

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 3, 2018

Volume 11 Issue 191

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	3

Tonight's Research Points

- Split market conditions were again exhibited on Tuesday.

Short-term Outlook

The Bottom Line

Evidence is slightly bullish and the market is slightly oversold. This creates a bullish Aggregator formation that I find mostly uninspiring.

Summary of Recent Active Studies (see Letters from listed dates for details)

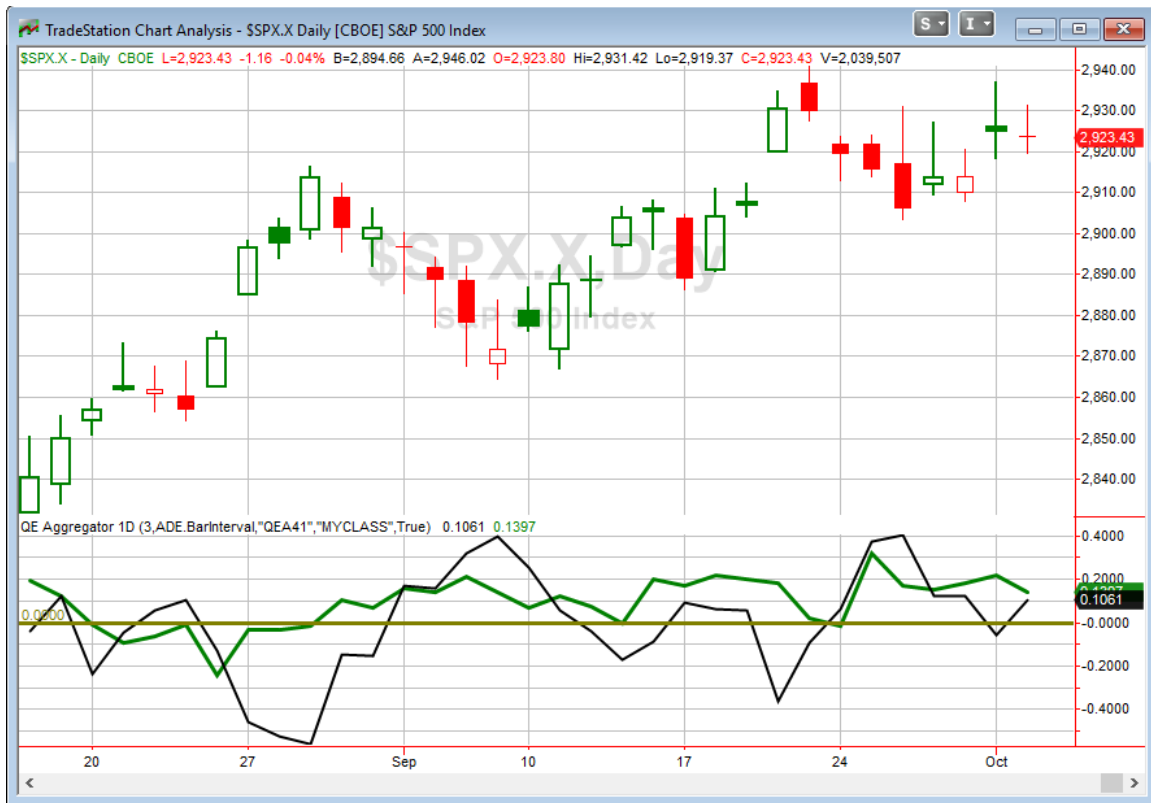
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
September 27, 2018	Fed today. Dn 2+	1-6 days	Bullish	2.00%	-1.45%	-3.10%
Active - Long Term						
October 1, 2018	NASDAQ Leading	int term	Bullish			
October 1, 2018	Quantitative Tightening \$50billion/mo	int term	Bearish			
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%
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

Aside from the Dow, the market saw some struggles on Tuesday. The SPX finished down 0.04%, the NASDAQ lost 0.5%, and the Russell 2000 dropped 1.0%. Breadth was weak as the NYSE Up Issues % was 40% and the Up Volume % came in at 48%. NYSE volume declined some from Monday's level.

Market conditions remain split. I am having a hard time remembering a time when the closing direction was mixed among the 4 major indices on such a consistent basis. Interestingly the NYSE posted just 42 new highs and 141 new lows today. That is a huge lean towards new lows on a day where the SPX closed within 1% of an all-time closing high and the Dow closed at one. I did run some tests along these lines. I found that similar instances were few and far between. Depending how I defined the setup there were generally less than a handful of like setups dating all the way back to 1970. So with so few instances there were no conclusions to be drawn, other than current market conditions are extremely unusual. But we already knew this split market was extreme, and have been discussing it for weeks. So there are no new studies being added to the active list tonight.

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



Without any new evidence tonight, 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 moved back 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 Wednesday. Of course this could change if new bearish evidence emerges. The Differential Pivot will be 2928.74 on Wednesday. That is 0.2% above Tuesday's close. Therefore, SPX would need to close up just 0.2% on Wednesday to flip from oversold to overbought versus recent expectation.

So the Aggregator is neutral, but there does not appear to be much room to the upside. And with evidence somewhat light and SPX still near the upper end of its range, I am not inclined to look to take on new index exposure on Wednesday. I will continue to wait for a more favorable reward/risk setup.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/1– neutral

The intermediate-term outlook was last updated in the 10/1/18 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

AXP @ \$106.49 (buy @ limit) – not filled, cancel for now

WFC @ \$52.25 (bought @ limit)

New

WFC @ \$52.13 (buy @ limit)

Broad Market Large Cap CBI – 3(AXP, WFC-2)

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.

WFC – buy 1/3 Catapult position @ \$52.13 LIMIT. From the Catapult section above, this is the 2nd of up to 3 possible lots for WFC.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
WFC(1/3)	10/2/2018	\$52.24	\$52.13	-0.21%		bought on open

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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