

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 4, 2018

Volume 11 Issue 192

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- We are entering a week that could very well not see any QT.

Short-term Outlook

The Bottom Line

Similar to last night, evidence is leaning bullish, and the market is relatively oversold versus recent expectations. But the edge appears so slight that I am not inclined to look to take advantage of it.

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			

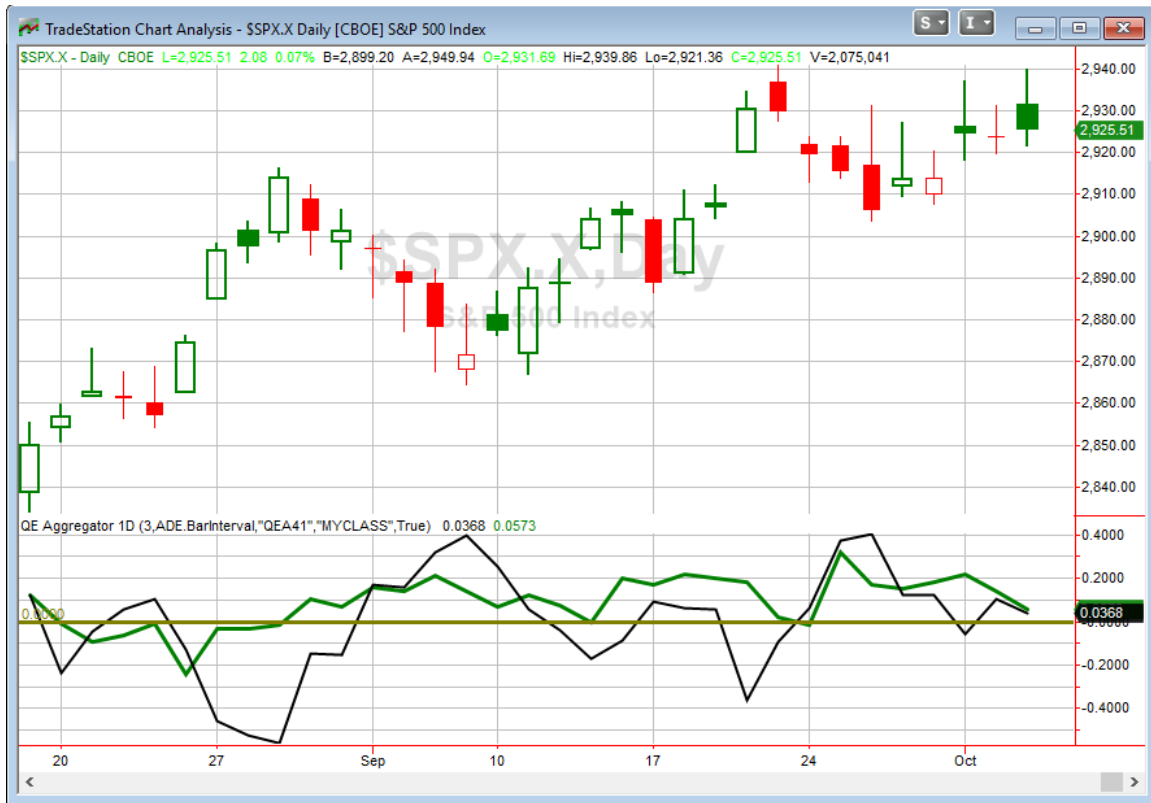
The Evidence

Wednesday saw the market put in some moderate gains. The SPX finished up 0.1%, the NASDAQ rose 0.3%, and the Russell 2000 rallied 0.9%. Breadth was mixed as the NYSE Up Issues % was 49% and the Up Volume % came in at 64%. NYSE volume rose some from Tuesday's level.

There is very little to report again tonight, as we continue to see the same split market indications that we have for the past few weeks. So I am not going to discuss the same studies over again. I will note that Wednesday closed out the SOMA reporting week. The final Quantitative Tightening (QT) numbers will be released tomorrow afternoon, but there will be a sizable drop in the SOMA thanks to over \$19 billion in treasuries expiring. Meanwhile, the SPX rose 0.67% over the last week. That is not a big number, but it is a solid gain for a week with such strong QT.

As I noted in the weekend letter on Sunday, this upcoming week will likely see a very small change to the SOMA. And while it could go either way, a slight increase seems just a little more likely than a decrease. So the bulls won't have the wind in their face, and they could have an opportunity to continue with the momentum that has carried the market over the last few months. No studies are 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 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.

With the last short-term Active Study set to expire on Thursday, and the intermediate-term outlook neutral, expectations are set to finish flat on Thursday. Of course any new evidence that emerges could change this. The Differential Pivot will be 2940.82 on Thursday. That is 0.5% above Wednesday's close. Therefore, SPX would need to close up at least 0.5% on Thursday to flip from oversold to overbought versus recent expectations.

So the Aggregator is again bullish, but I am more neutral as I have been the last couple of nights. Evidence is weak, and Thursday's expectations will be highly dependent on any new evidence that emerges. This does not appear to be a compelling setup. I'll continue to wait for a more favorable reward/risk scenario to emerge.

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

WFC @ \$52.25 (bought @ limit)

WFC @ \$52.13 (buy @ limit) – not filled – cancel for now

Broad Market Large Cap CBI – 2(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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
WFC(1/3)	10/2/2018	\$52.24	\$52.65	0.78%		Catapult

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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