

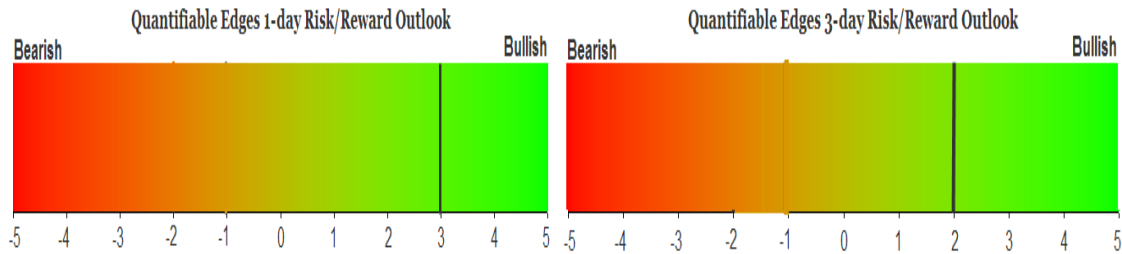
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 10, 2018

Volume 11 Issue 196

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	3

Tonight's Research Points

- 4-day pullbacks going into a Wednesday have been strongly prone to upside reversals.

Short-term Outlook

The Bottom Line

Evidence remains bullish, and the SPX is still somewhat oversold. There appears to be a moderate upside edge for 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						
October 10, 2018	SPX down 4 days on Tuesday	1-6 days	Bullish	2.40%	-1.20%	-2.40%
October 9, 2018	Down 3. 20-low. Monday.	1-4 days	Bullish			
October 9, 2018	3 Lower High Low Close. Monday QQQ	1-2 days	Bullish			
Active - Long Term						
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			

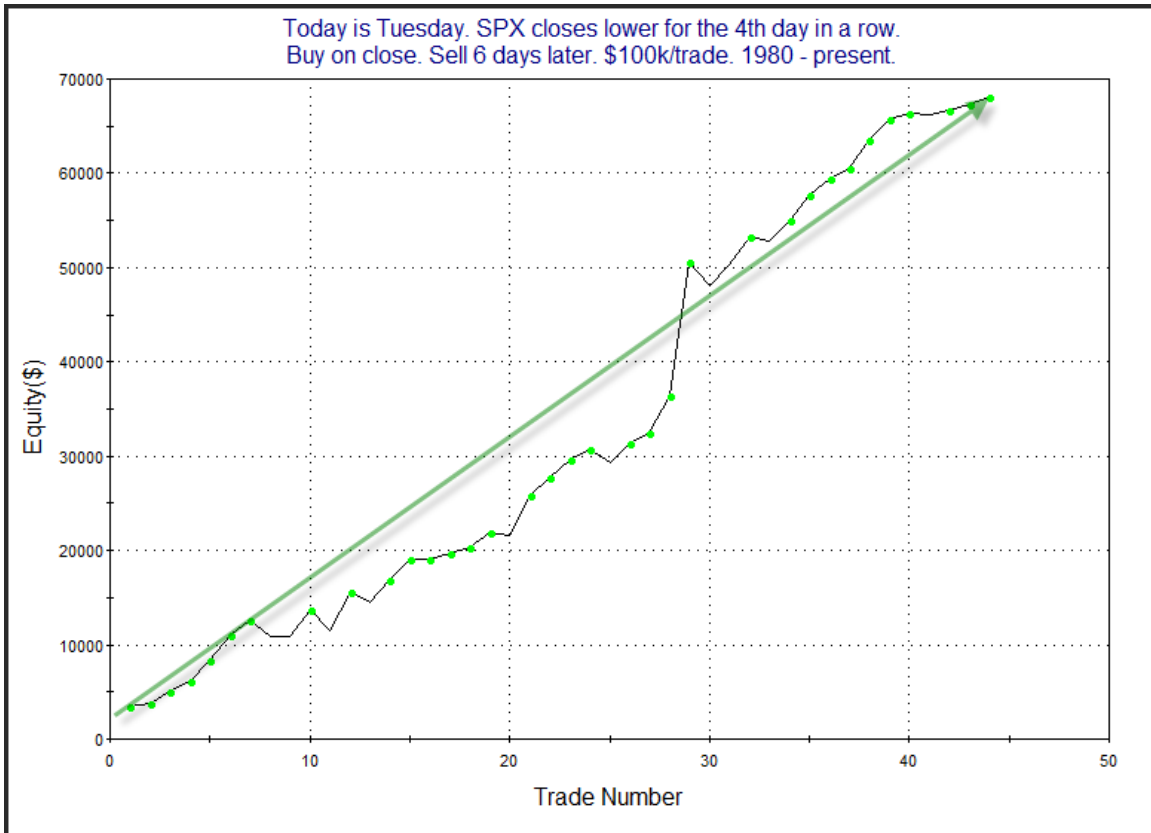
The Evidence

Tuesday was a mixed day for the market. The SPX finished down 0.14%, the NASDAQ rose 0.03%, and the Russell 2000 declined 0.47%. Breadth was negative as the NYSE Up Issues % was 47% and the Up Volume % came in at 41%. NYSE volume declined some from Monday’s level.

Last night I showed some Turnaround Tuesday studies that suggested a bounce was likely to start on Tuesday. That didn’t happen. Historically, when there hasn’t been a close higher on Tuesday after a 3-day pullback, what does that mean for Wednesday and beyond? The test below is updated from the 3/22/17 Letter and it answers that question.

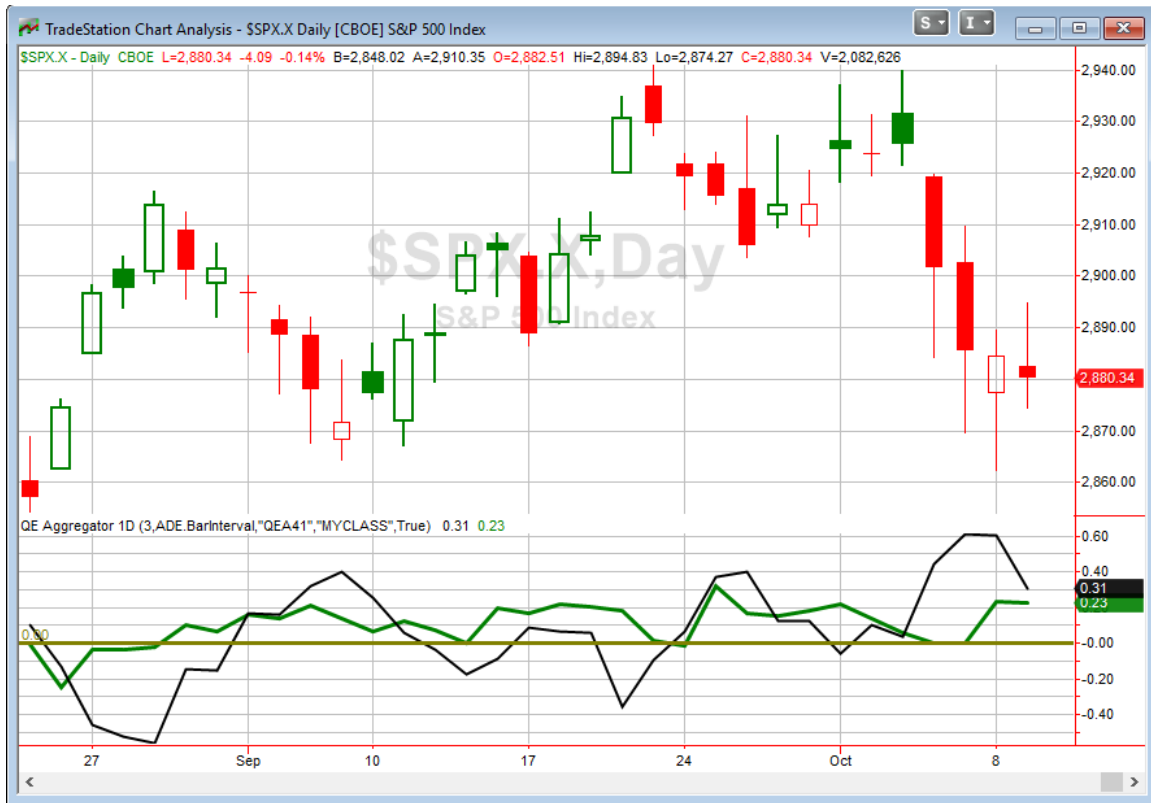
Today is Tuesday. SPX closes lower for the 4th day in a row. Buy on close. Sell X days later. \$100k/trade. 1980 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	63,703.32	44	34	10	77.27	2,361.91	7,733.75	-1,660.17	-4,415.04	1.42	4.84	1,447.80
9	65,763.46	44	37	7	84.09	2,134.99	5,490.33	-1,890.15	-3,589.44	1.13	5.97	1,494.62
8	75,131.01	44	36	8	81.82	2,379.18	8,317.50	-1,314.92	-3,575.04	1.81	8.14	1,707.52
7	70,480.70	44	36	8	81.82	2,290.96	10,870.00	-1,499.23	-4,817.12	1.53	6.88	1,601.83
6	68,102.89	44	36	8	81.82	2,166.25	14,240.00	-1,235.28	-2,605.12	1.75	7.89	1,547.79
5	55,731.44	44	33	11	75.00	2,093.09	13,135.00	-1,212.78	-3,256.96	1.73	5.18	1,266.62
4	49,476.55	44	31	13	70.45	2,106.34	12,657.50	-1,216.91	-4,495.68	1.73	4.13	1,124.47
3	35,609.29	44	31	13	70.45	1,564.71	6,892.50	-992.06	-2,936.64	1.58	3.76	809.30
2	16,696.72	44	27	17	61.36	1,007.59	5,122.50	-618.13	-1,661.08	1.63	2.59	379.47
1	15,762.46	44	29	15	65.91	809.73	5,716.25	-514.65	-1,721.25	1.57	3.04	358.24

Results here have been very strong over a long period. Below is a profit curve using a 6-day exit strategy.



It seems the “Turnaround Tuesday Failure” is likely a temporary setback.

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 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 zero. Therefore, the Aggregator signal stayed long at the close.

With the current active studies, expectations are slated to remain bullish on Wednesday. Of course compelling new bearish evidence could change this. The Differential Pivot will be 2887.22 on Wednesday. That is just 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 expectations.

So the Aggregator is still bullish and there appears to be a bit of an upside edge. I like the upside evidence. I have some long exposure already. With the Differential Pivot so close by, I am not inclined to look to take on more long exposure at this time. Instead, I will see how Wednesday plays out, and what new evidence emerges before considering my next move.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 10/8– neutral*

The intermediate-term outlook was last updated in the 10/8/18 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

LOW @ \$110.78 (bought @ limit)

LOW @ \$109.74 (bought @ limit)

DHR @ \$105.61 (bought @ limit)

Broad Market Large Cap CBI – 3(LOW-2, DHR)

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
LOW(1/3)	10/5/2018	\$110.64	\$109.17	-1.33%		Catapult
LOW(1/3)	10/8/2018	\$109.52	\$109.17	-0.32%		Catapult
DHR(1/3)	10/9/2018	\$105.61	\$106.73	1.06%		Catapult
SPY(1/4)	10/9/2018	\$287.39	\$287.40	0.00%		Aggregator

A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 [can be found here](#).

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2018 Quantifiable Edges, LLC.