

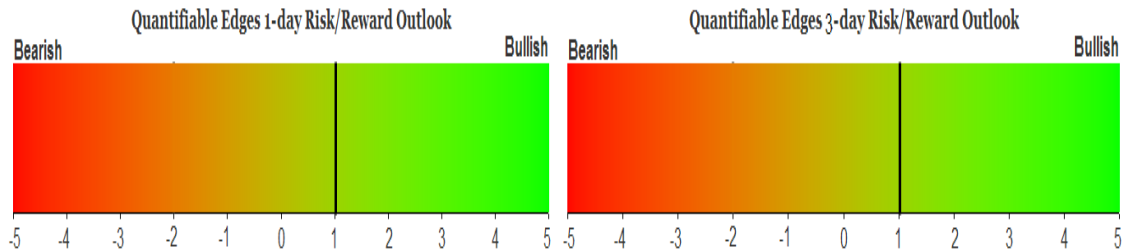
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 17, 2018

Volume 11 Issue 201

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	4

Tonight's Research Points

- No new studies emerged tonight.

Short-term Outlook

The Bottom Line

Evidence is still favoring the bulls, but the market is now overbought as measured by the short-term differential line. This leaves the Aggregator neutral. I believe the bounce may have a little more left in it.

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

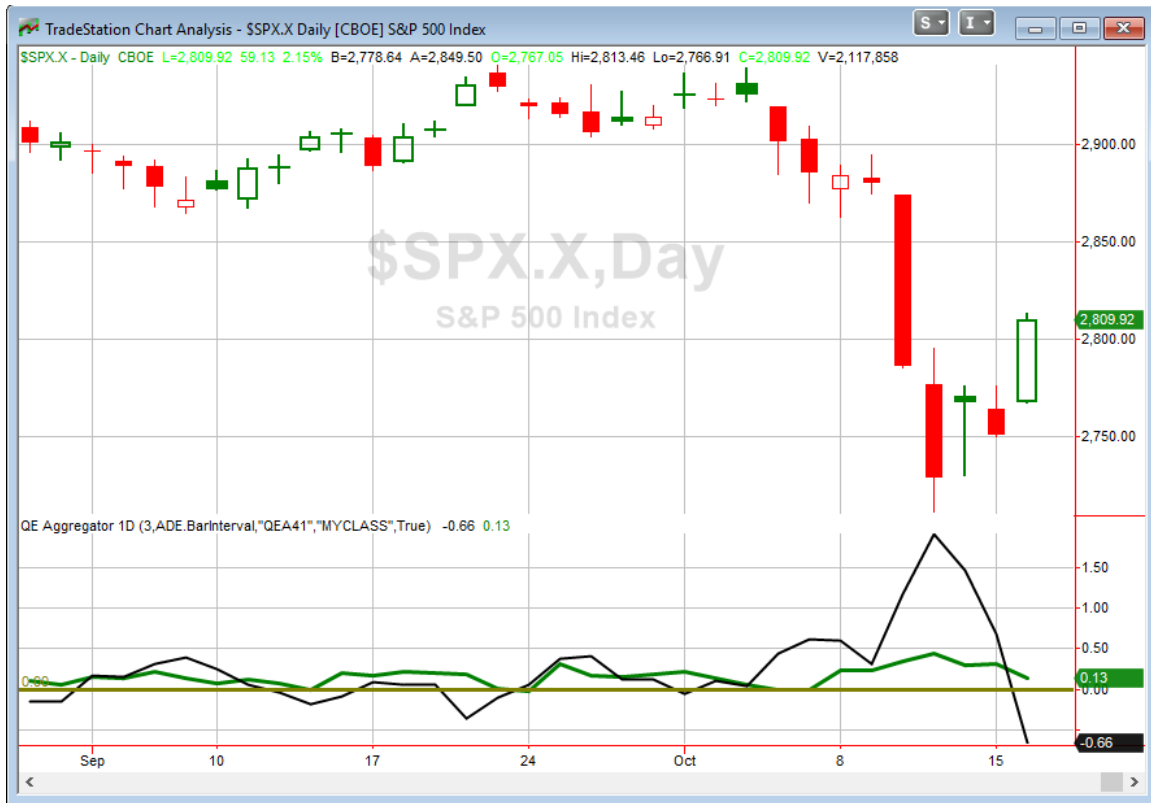
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
October 16, 2018	Bounce from 20-low then dn inside day	1-3 days	Bullish	2.65%	-1.50%	-3.50%
October 16, 2018	4 days under Bollinger Band	1-2 days	Bullish			
October 15, 2018	Inside day low range 3 < 200	1-6 days	Bearish			
October 15, 2018	October Opex	1-4 days	Bullish			
October 11, 2018	20-low, then gap down & close < open	1-5 days	Bullish			
October 11, 2018	50-day low & Mc Osc bottom 2% reading	1-5 days	Bullish			
October 10, 2018	SPX down 4 days on Tuesday	1-6 days	Bullish			
Active - Long Term						
October 1, 2018	Quantitative Tightening \$50billion/mo	int term	Bearish			
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						
October 15, 2018	Friday bounce from 50-low	1-2 days	Bullish			
October 15, 2018	1.5% Down 2x then close up but < open	1-2 days	Bullish			
October 12, 2018	RSI < 2, SPX 50-low. 2 Days in row,	1-3 days	Bullish			

The Evidence

The market had a strong rally day on Tuesday. The SPX gained 2.15%, the NASDAQ rose 2.9%, and the Russell 2000 jumped 2.8%. Breadth was positive as the NYSE Up Issues % was 84% and the Up Volume % came in at 81%. NYSE volume declined some from Monday's level.

Often extreme moves will produce some kind of compelling edge. But coming from a strongly oversold condition like the market was in a few days ago, that is not always the case. A 2% gain for SPX is quite large. Looking at intraday charts, SPX looks quite overbought. But on a daily chart, it is still below its 10ma. I looked at things like 2% gains that left SPX below its 10ma but above the 200ma, and 1% moves up through the 200ma (an old Quantifinder study). Nothing stood out with nice consistency. Several of the active studies still suggest we could have more to bounce. For instance, the Bollinger Band study from last night saw an average run-up of 3% over the 1st 2 days. Today was day 1 and it moved up about 2.2%. Bottom line is that there were a few studies that expired, but nothing new being added to the Active List tonight.

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 dropped below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator signal turned flat at the close.

With the current active studies, expectations are slated to remain slightly bullish on Wednesday. This could easily change if new bearish evidence emerges. The Differential Pivot will be 2796.37 on Wednesday. That is 0.5% below Tuesday's close. Therefore, SPX would need to close down 0.5% on Wednesday to flip from overbought to oversold versus recent expectations.

Evidence suggests we have a bit farther to bounce. And bounces from strongly oversold conditions will often persist a little longer than your typical bounce. But the Aggregator is now neutral. Therefore, I am going to take off part of my index position, and then I will look to take off the rest of it upon a further move upwards. I'll also be watching for additional clues over the next few days that might suggest how the market will move after this bounce concludes.

Intermediate-term Outlook (2 weeks – 2 months) – updated 10/15– neutral

The intermediate-term outlook was last updated in the 10/15/18 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)

LOW @ \$106.29 (bought @ limit)

Broad Market Large Cap CBI – 4(LOW-3, 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	\$105.98	-4.21%		Catapult
LOW(1/3)	10/8/2018	\$109.52	\$105.98	-3.23%		Catapult
DHR(1/3)	10/9/2018	\$105.61	\$105.05	-0.53%		Catapult
SPY(1/4)	10/9/2018	\$287.39	\$280.24	-2.49%		<i>sell on open</i>
LOW(1/3)	10/11/2018	\$106.29	\$105.98	-0.29%		Catapult
ABT(1/3)	10/11/2018	\$68.92	\$70.95	2.95%		<i>sell on open</i>
SPY(1/4)	10/11/2018	\$277.08	\$280.24	1.14%		<i>sell on close >= \$281.53</i>

I am looking to sell 1 lot of SPY at the open. The 2nd lot will be sold on a close > SPY's 10ma (\$281.53 or higher on Wednesday).

LOW will reach its exit trigger and be sold on Thursday morning if it trades >= \$106.83 on Wednesday.

DHR will reach its exit trigger and be sold on Thursday morning if it trades >= \$105.69 on Wednesday.

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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