

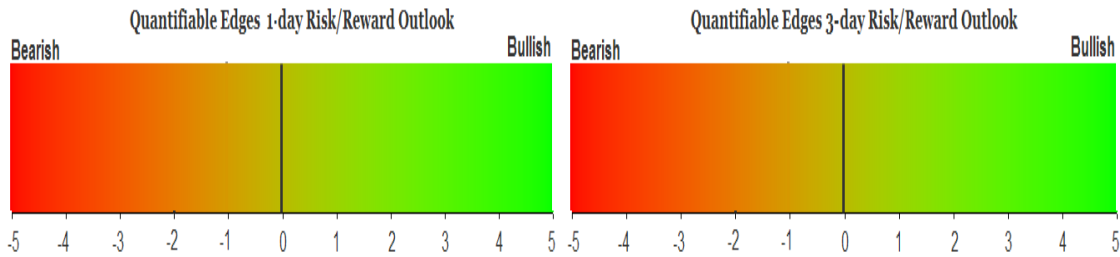
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

October 18, 2018

Volume 11 Issue 202

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 light and the market is modestly overbought. This is leaving the Aggregator neutral, and me looking to get flat.

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 15, 2018	Inside day low range 3 < 200	1-6 days	Bearish			
October 15, 2018	October Opex	1-4 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 16, 2018	4 days under Bollinger Band	1-2 days	Bullish			
October 10, 2018	SPX down 4 days on Tuesday	1-6 days	Bullish			
October 11, 2018	50-day low & Mc Osc bottom 2% reading	1-5 days	Bullish			
October 11, 2018	20-low, then gap down & close < open	1-5 days	Bullish			

The Evidence

The market did not accomplish much on Wednesday. The SPX lost 0.03%, the NASDAQ fell 0.04%, and the Russell declined 0.45%. Breadth was negative as the NYSE Up Issues % was 37% and the Up Volume % came in at 45%. NYSE volume rose some from Tuesday's level.

The stalled bounce did not do anything to trigger compelling Quantifinder studies. We seem to be at a tipping point here. Most indices are now back near the middle of their 10-day range, and have spent a few days coming off the lows and working off the oversold conditions that were present last week. But the action has not managed to show up strong enough that we are seeing continuation studies emerge, and it has not been so weak that short-term bearish studies have emerged.

I found it interesting that after making a 50-day intraday low 4 days ago, SPY has now made a higher low each of the last 4 days, and yet it still has not closed above its 10-day moving average. I looked back at other times this occurred and SPY closed above the 200ma, and found...none. No other instances of this in the 25 years SPY has been in existence. If I eliminate the 10ma filter then I get the following results.

After making a 50-day intraday low 4 days ago, SPY posts a higher low each of the next 4 days.
Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	20,023.57	16	11	5	68.75	2,332.45	6,373.28	-1,126.69	-1,445.70	2.07	4.55	1,251.47
9	20,757.12	16	13	3	81.25	1,887.44	4,492.64	-1,259.85	-1,950.78	1.50	6.49	1,297.32
8	22,254.12	16	13	3	81.25	1,832.49	4,610.18	-522.76	-934.56	3.51	15.19	1,390.88
7	16,675.13	16	13	3	81.25	1,571.99	4,087.78	-1,253.57	-3,186.00	1.25	5.43	1,042.20
6	18,967.78	16	13	3	81.25	1,655.26	2,811.52	-850.21	-1,798.32	1.95	8.44	1,185.49
5	15,897.13	16	12	4	75.00	1,526.39	3,544.96	-604.90	-1,597.50	2.52	7.57	993.57
4	11,003.15	16	12	4	75.00	1,255.68	2,483.00	-1,016.25	-1,995.33	1.24	3.71	687.70
3	4,747.07	16	11	5	68.75	998.76	2,360.76	-1,247.85	-3,009.00	0.80	1.76	296.69
2	586.75	16	9	7	56.25	925.11	2,444.80	-1,105.61	-2,888.64	0.84	1.08	36.67
1	-1,948.81	16	8	8	50.00	314.63	955.00	-558.23	-977.04	0.56	0.56	-121.80

These are some pretty bullish numbers on somewhat low instances. But as I mentioned, Wednesday was the 1st time it has ever happened with SPY closing *under* its 10ma.

I also looked at performance when SPY closed below the 200ma.

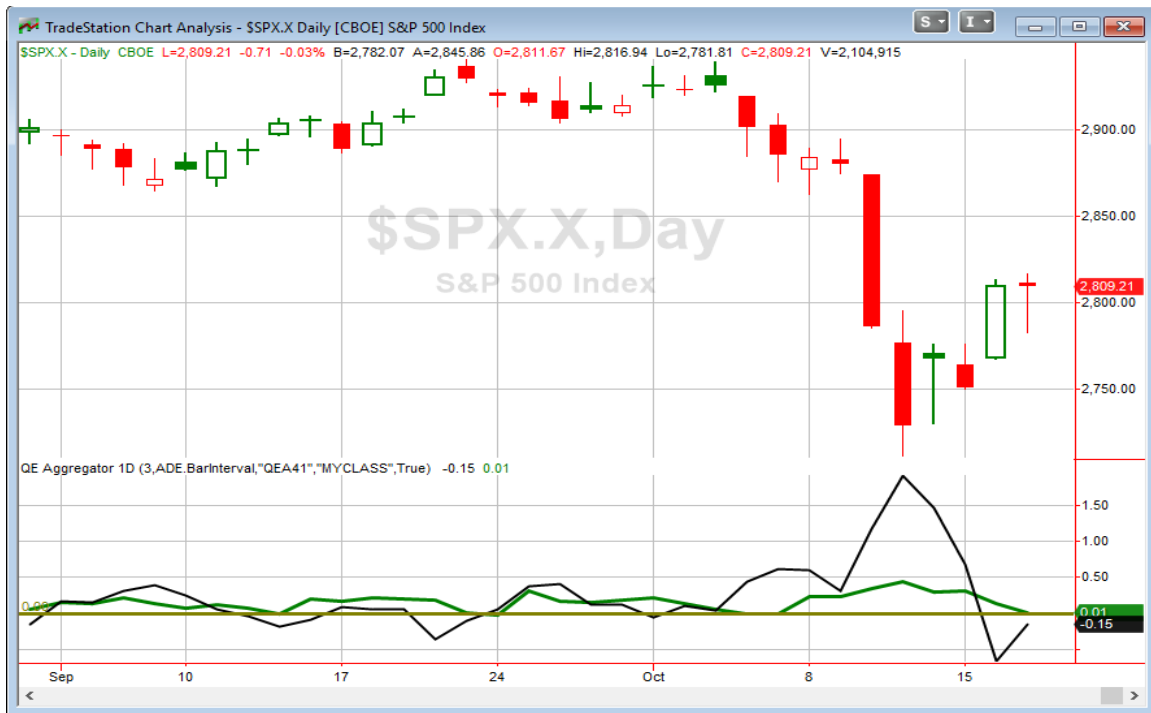
After making a 50-day intraday low 4 days ago, SPY posts a higher low each of the next 4 days.
Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

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	-6,739.85	15	6	9	40.00	3,513.85	10,075.64	-3,091.44	-11,584.64	1.14	0.76	-449.32
9	-8,866.52	15	4	11	26.67	3,658.78	7,877.80	-2,136.51	-10,057.86	1.71	0.62	-591.10
8	-6,652.29	15	7	8	46.67	1,861.75	6,752.40	-2,460.57	-7,578.81	0.76	0.66	-443.49
7	-9,949.50	15	6	9	40.00	2,425.76	8,897.28	-2,722.67	-9,420.39	0.89	0.59	-663.30
6	-15,360.65	15	5	10	33.33	1,472.92	2,508.00	-2,272.53	-7,319.10	0.65	0.32	-1,024.04
5	-23,990.59	15	5	10	33.33	2,063.96	4,554.56	-3,431.04	-7,342.71	0.60	0.30	-1,599.37
4	-15,030.12	15	7	8	46.67	2,031.06	5,865.32	-3,655.94	-7,879.83	0.56	0.49	-1,002.01
3	-14,016.15	15	7	8	46.67	1,628.83	3,548.32	-3,177.25	-7,004.30	0.51	0.45	-934.41
2	-18,322.58	15	5	10	33.33	997.93	1,681.16	-2,331.22	-5,350.20	0.43	0.21	-1,221.51
1	-13,760.56	15	7	8	46.67	503.90	1,133.99	-2,160.99	-8,857.80	0.23	0.20	-917.37

Numbers here are fairly bearish on about the same number of instances.

Bottom line is it appears the current situation is somewhat unique. The top study may be good news, but it implies a market that has had a stronger run-up than we have seen the last 4 days. So I am not adding any new studies to the Active List tonight.

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



Without any new studies making the cut, the green Aggregator Line remained just slightly above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line is slightly 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. And this appears “especially neutral” with both lines so close to zero. Therefore, the Aggregator signal stayed flat at the close.

With the current active studies, expectations are slated to remain turn somewhat bearish on Thursday. This could easily change if new bullish evidence emerges. The Differential Pivot will be 2778.72 on Thursday. That is 1.1% below Wednesday’s close. Therefore, SPX would need to close down 1.1% on Thursday to flip from overbought to oversold versus recent expectations.

So evidence is weakly bullish and the market is just a little overbought. The bullish edge we saw over the last few days is no longer there. And while the market could certainly continue to rally, that might actually push the Aggregator to a bearish formation as early as Thursday. I took part of my index position off on Wednesday, and I will look to take the rest off on Thursday if I can get a decent fill. I’ll the wait for the market to tip its hand with more compelling evidence before looking to jump back in.

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	\$102.44	-7.41%		Catapult
LOW(1/3)	10/8/2018	\$109.52	\$102.44	-6.46%		Catapult
DHR(1/3)	10/9/2018	\$105.61	\$104.96	-0.62%		Catapult
SPY(1/4)	10/9/2018	\$287.39	\$280.44	-2.42%		<i>sold on open</i>
LOW(1/3)	10/11/2018	\$106.29	\$102.44	-3.62%		Catapult
ABT(1/3)	10/11/2018	\$68.92	\$70.40	2.15%		<i>sold on open</i>
SPY(1/4)	10/11/2018	\$277.08	\$280.45	1.22%		<i>sell @ \$280.00 limit</i>

I am looking to exit the rest of my SPY position. If there is a large gap down, I will only look for a partial fill to exit, hence the limit price below Wednesday's close.

DHR will reach its exit trigger and be sold on Friday morning if it trades \geq \$105.46 on Thursday.

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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