

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 14, 2018

Volume 11 Issue 221

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	5

Tonight's Research Points

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

Short-term Outlook

The Bottom Line

With the studies looking bullish and the SPX oversold, the Aggregator is again in a bullish formation. I like reward/risk and am looking to possibly up my long exposure.

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						
November 14, 2018	Down 4 days. No turn on Tuesday	1-6 days	Bullish	2.30%	-1.30%	-2.70%
November 13, 2018	3 days down. Fed 2 days ago	1-3 days	Bullish			
November 13, 2018	Unfilled gap down 2x < 200ma	1-5 days	Bullish			
November 13, 2018	Down 3. Turnaround Tuesday	1-5 days	Bullish			
November 8, 2018	FTD with 20-day high	1-6 days	Bullish			
Active - Long Term						
November 8, 2018	FTD with strong breadth & 20-day high	int term	Bullish			
November 1, 2018	Best 6 Month During Pres Yr 3	1-6 months	Bullish	17.70%	-3.10%	-7.20%
October 25, 2018	CBI 10+. SPX 50-day low	1-20 days	Bullish	7.40%	-4.30%	-8.40%
October 1, 2018	Quantitative Tightening \$50billion/mo	int term	Bearish			
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			

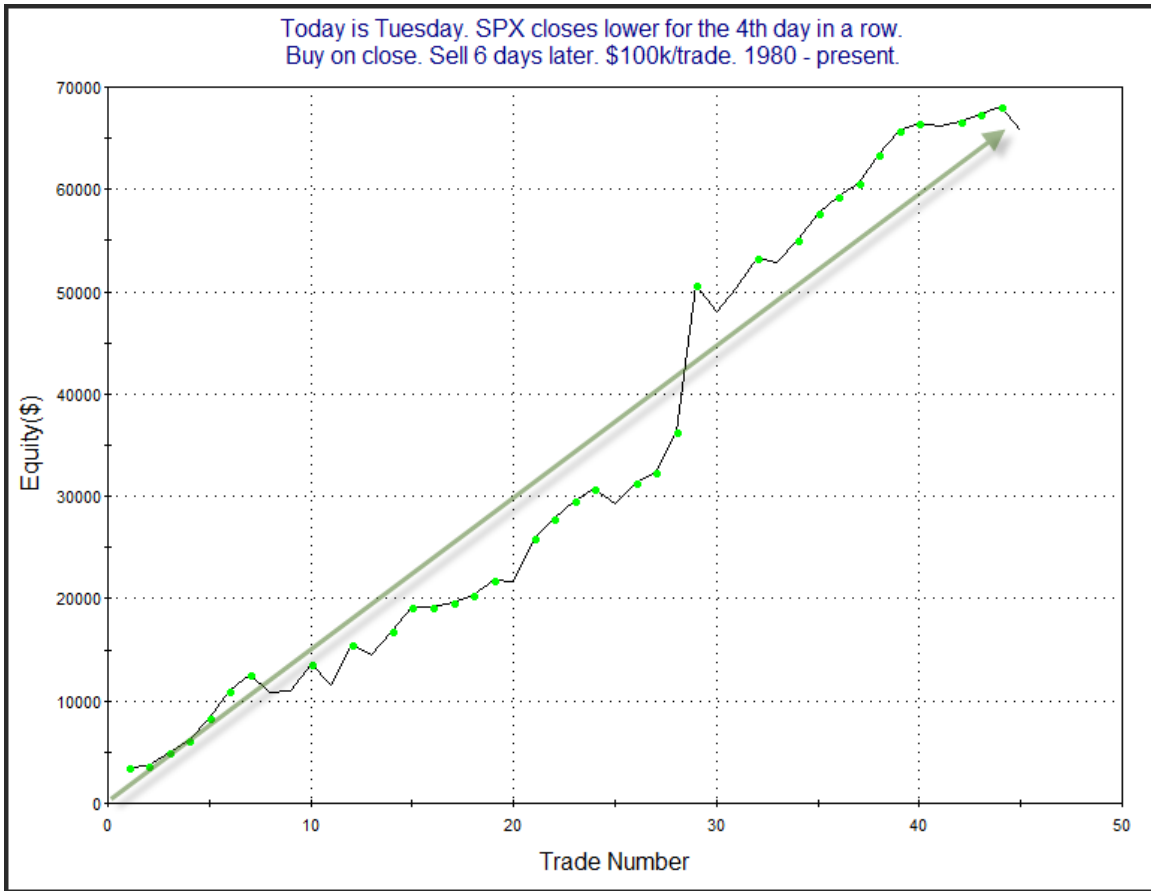
The Evidence

Tuesday tried to rally but the best it could manage was a mixed and mild day. The SPX finished down 0.15%, the NASDAQ gained 0.01 *points*, and the Russell 2000 dropped 0.26%. Breadth was negative as the NYSE Up Issues % was 47.7% and the Up Volume % came in at 48.2%. NYSE volume rose 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 10/10/18 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	58,955.22	45	34	11	75.56	2,361.91	7,733.75	-1,940.89	-4,748.10	1.22	3.76	1,310.12
9	61,531.82	45	37	8	82.22	2,134.99	5,490.33	-2,182.84	-4,231.64	0.98	4.52	1,367.37
8	71,303.97	45	36	9	80.00	2,379.18	8,317.50	-1,594.05	-3,827.04	1.49	5.97	1,584.53
7	66,687.66	45	36	9	80.00	2,290.96	10,870.00	-1,754.10	-4,817.12	1.31	5.22	1,481.95
6	65,684.47	45	36	9	80.00	2,166.25	14,240.00	-1,366.74	-2,605.12	1.58	6.34	1,459.65
5	53,337.16	45	33	12	73.33	2,093.09	13,135.00	-1,311.24	-3,256.96	1.60	4.39	1,185.27
4	45,071.85	45	31	14	68.89	2,106.34	12,657.50	-1,444.61	-4,495.68	1.46	3.23	1,001.60
3	31,760.15	45	31	14	68.89	1,564.71	6,892.50	-1,196.14	-3,849.14	1.31	2.90	705.78
2	11,529.74	45	27	18	60.00	1,007.59	5,122.50	-870.85	-5,166.98	1.16	1.74	256.22
1	12,544.02	45	29	16	64.44	809.73	5,716.25	-683.64	-3,218.44	1.18	2.15	278.76

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 to consider 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 also 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. This is unlikely to change. The Differential Pivot will be 2780.85 on Wednesday. That is 2.2% above Tuesday's close. So it would take a very large rally on Wednesday for SPX to turn back to overbought. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

Evidence continues to point higher and the SPX remains oversold. Tuesday appeared to have a good chance to rally, and it did not come through. But tonight's study suggests it is not too late, and that we still may have a rally right around the corner. I'll also note there were a couple of more Catapults that emerged, inflating the CBI to 5. Further selling in the next few days could cause it to spike to bullish levels. I took some long exposure on Tuesday. I will look to up that exposure a little on Wednesday if SPX again closes much lower.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/12– slightly bullish

The intermediate-term outlook was last updated in the 11/12/18 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

QCOM – 1/3 @ \$56.72 (bought @ limit)

QCOM – 1/3 @ \$54.49 (buy @ limit)

GE – 1/3 @ \$7.99 (buy @ limit)

New

QCOM – 1/3 @ \$54.49 (buy @ limit)

SLB – 1/3 @ \$47.34 (buy @ limit)

Broad Market Large Cap CBI – 5(QCOM-3, GE, SLB)

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.

QCOM – buy 1/3 Catapult position @ \$54.16 limit. This is from the Catapult section above. It is the 2nd of up to 3 possible lots for QCOM.

GE – buy 1/3 Catapult position @ \$7.99 limit. This is from the Catapult section above. It is the 1st of up to 3 possible lots for GE.

SPY – buy 1/4 index position @ \$271.00 LIMIT ON CLOSE. Based on the short-term outlook above, if SPX closes down about \$1 on Wednesday I will look to add a 2nd lot to my position.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
QCOM(1/3)	11/12/2018	\$56.37	\$54.16	-3.92%		Catapult
QCOM(1/3)	11/13/2018	\$54.49	\$54.16	-0.61%		Catapult
QE(1/3)	11/13/2018	\$7.99	\$8.61	7.76%		Catapult
SPY(1/4)	11/13/2018	\$272.57	\$272.06	-0.19%		Aggregator

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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