

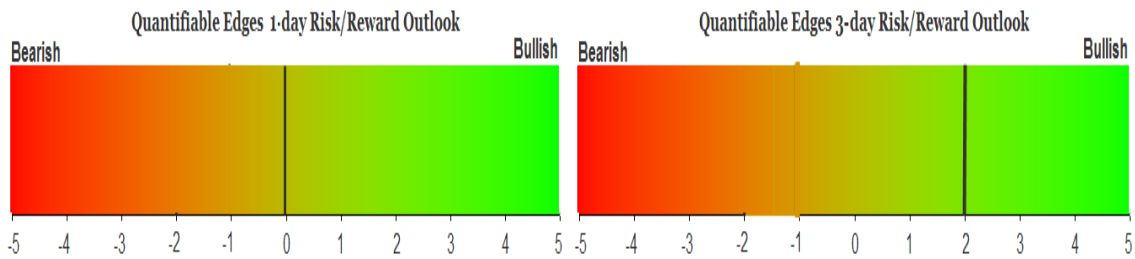
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 16, 2018

Volume 11 Issue 223

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	6

## Tonight's Research Points

- The gap down, new short-term low, and reversal to close well for SPY has often been followed by a pullback over the next few days.
- The strong of lower highs and lower lows remaining intact while SPY closed higher for 1<sup>st</sup> time in several days suggests a possible 1-day downside edge.

## *Short-term Outlook*

### *The Bottom Line*

With the studies looking bullish and the SPX oversold, the Aggregator is again in a bullish formation. I have some long exposure and am looking to benefit from a bounce in the next few days.

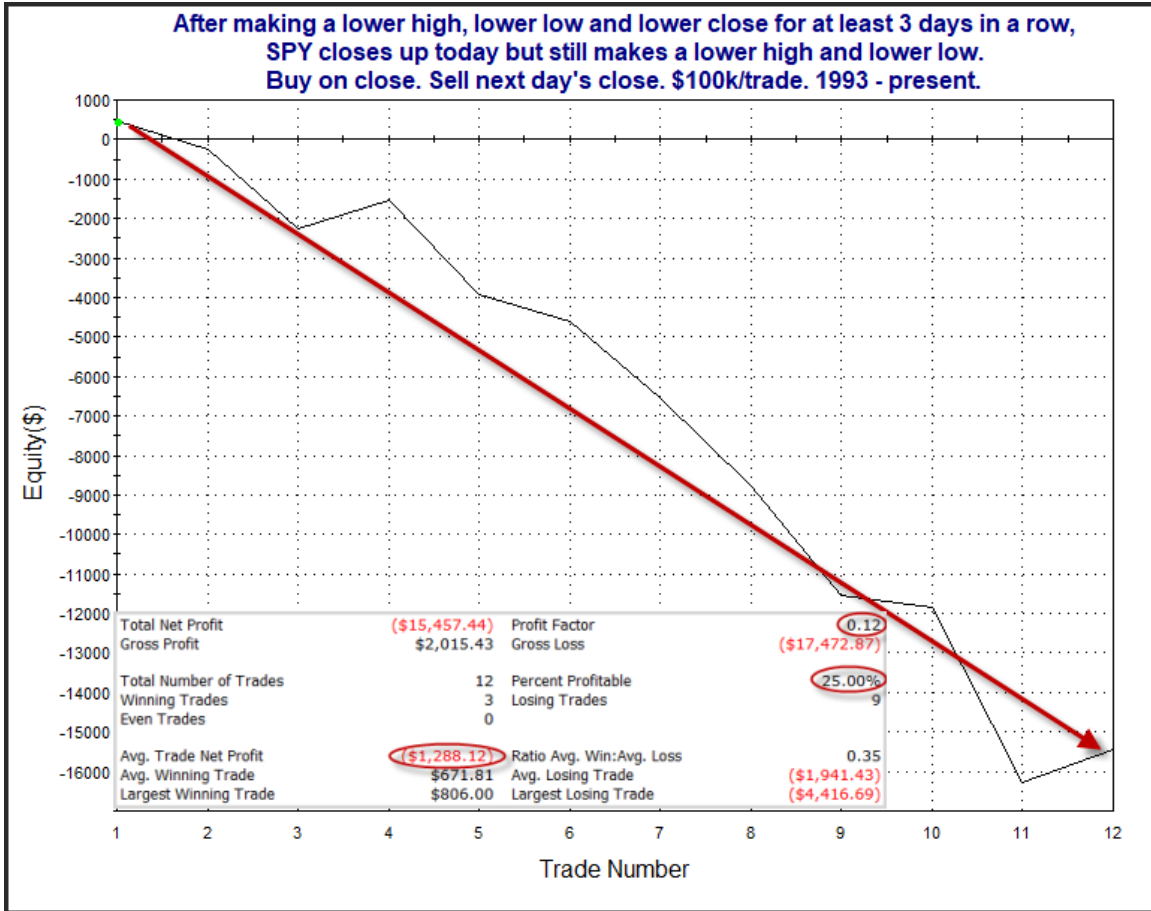
*Summary of Recent Active Studies (see Letters from listed dates for details)*

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
November 16, 2018	3+ Lower high, low, close. Up close < 200	1 day	Bearish			
November 16, 2018	Gap dn, 10-low, reverse up. Close < 200	1-3 days	Bearish			
November 15, 2018	5 Lower Closes. 5 Lower highs. < 200	1-2 days	Bullish			
November 14, 2018	Down 4 days. No turn on Tuesday	1-6 days	Bullish	2.30%	-1.30%	-2.70%
November 13, 2018	Unfilled gap down 2x < 200ma	1-5 days	Bullish			
November 13, 2018	Down 3. Turnaround Tuesday	1-5 days	Bullish			
<b>Active - Long Term</b>						
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 \$50 billion/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***

Thursday got off to a rough start, but the market finished strong. The SPX closed up 1.1%, the NASDAQ gained 1.7%, and the Russell 2000 rose 1.4%. Breadth was positive as the NYSE Up Issues % was 56% and the Up Volume % came in at 61%. NYSE volume declined some from Wednesday's level.

One interesting aspect of Thursday's action is that while it ended the streak of 5 lower closes, the streaks of lower highs and lower lows both remain intact. We have a study that looks at similar action when the SPY is above the 200ma. And thinking of it tonight led me to construct one for the current environment, with the SPY trading below its 200ma. Results are below.



Despite the low number of instances, the results appear bearish and the curve supports the hypothesis of a downside edge. Below is a list of all the instances..

**After making a lower high, lower low and lower close for at least 3 days in a row, SPY closes up today but still makes a lower high and lower low.  
Buy on close. Sell next day's close. \$100k/trade. 1993 - present.**

Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/23/1994	Buy	\$45.25	0.49%	\$640.61
11/25/1994	Sell	\$45.47		\$0.00
9/1/1998	Buy	\$100.06	-0.72%	\$1,688.31
9/2/1998	Sell	\$99.34		(\$1,278.72)
10/2/1998	Buy	\$100.72	-2.02%	\$0.00
10/5/1998	Sell	\$98.69		(\$4,344.96)
10/18/1999	Buy	\$125.78	0.72%	\$1,963.65
10/19/1999	Sell	\$126.69		\$0.00
11/21/2000	Buy	\$135.38	-2.40%	\$0.00
11/22/2000	Sell	\$132.13		(\$2,494.44)
2/22/2001	Buy	\$125.81	-0.68%	\$0.00
2/23/2001	Sell	\$124.96		(\$3,183.94)
12/12/2001	Buy	\$114.28	-1.94%	\$0.00
12/13/2001	Sell	\$112.06		(\$1,960.00)
6/24/2002	Buy	\$99.80	-2.24%	\$1,092.18
6/25/2002	Sell	\$97.56		(\$2,264.52)
12/6/2002	Buy	\$92.03	-2.75%	\$0.00
12/9/2002	Sell	\$89.50		(\$2,769.30)
6/25/2010	Buy	\$107.87	-0.32%	\$417.15
6/28/2010	Sell	\$107.53		(\$676.71)
8/9/2011	Buy	\$117.48	-4.42%	\$0.00
8/10/2011	Sell	\$112.29		(\$4,706.03)
1/11/2016	Buy	\$192.11	0.81%	\$1,268.80
1/12/2016	Sell	\$193.66		(\$504.40)

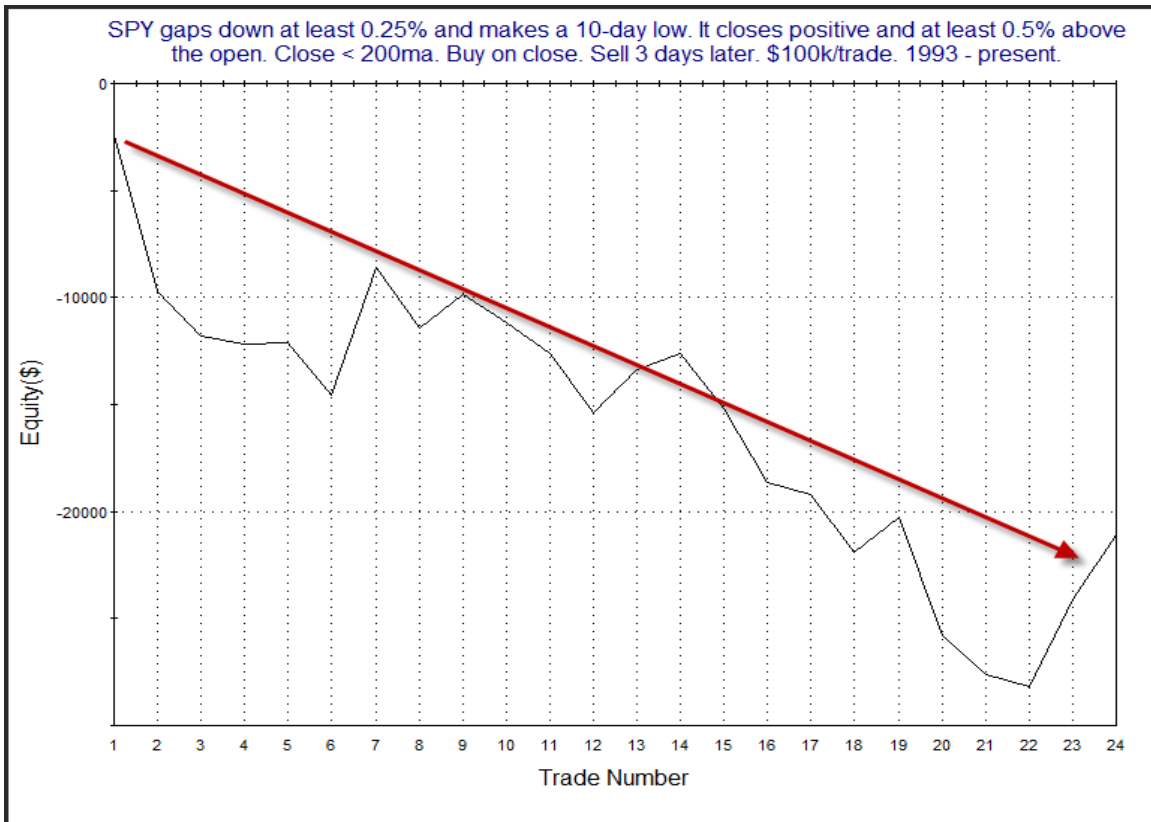
This study appears to be worth some consideration.

There was another interesting study from the 9/13/11 letter that looked at gap downs and reversals to a positive close. Like Thursday, it also incorporated the fact that the market made a 10-day intraday low. Results are all updated.

SPY gaps down at least 0.25% and makes a 10-day low. It closes positive and at least 0.5% above the open. Close < 200ma. Buy on close. Sell X days later. 1993 - present.

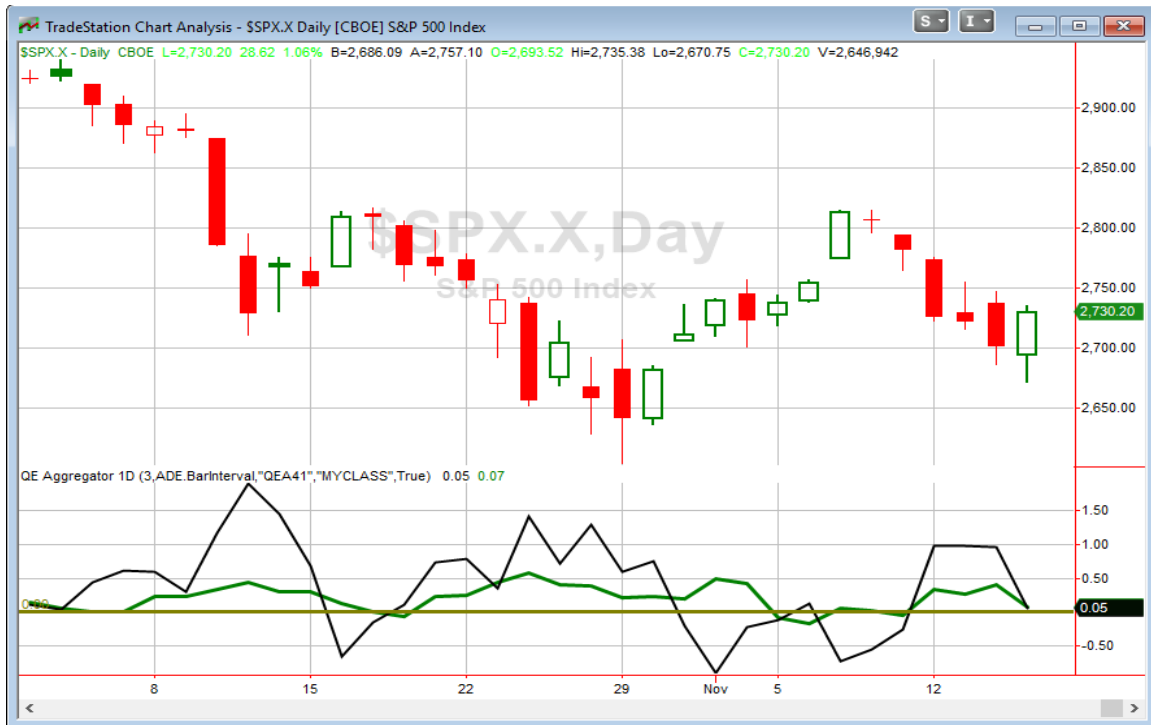
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-19,828.41	19	6	13	31.58	5,221.23	9,113.60	-3,935.06	-11,627.35	1.33	0.61	-1,043.60
9	-28,312.91	20	7	13	35.00	3,699.90	7,022.10	-4,170.17	-9,607.80	0.89	0.48	-1,415.65
8	-28,561.02	20	7	13	35.00	3,876.50	9,104.70	-4,284.35	-13,901.92	0.90	0.49	-1,428.05
7	-4,428.55	21	9	12	42.86	3,300.40	7,271.30	-2,844.34	-7,536.40	1.16	0.87	-210.88
6	-7,541.91	22	11	11	50.00	3,155.54	7,484.90	-3,841.17	-10,766.95	0.82	0.82	-342.81
5	-18,078.11	23	10	13	43.48	2,987.20	7,599.20	-3,688.47	-11,595.16	0.81	0.62	-786.00
4	-15,407.19	23	9	14	39.13	3,038.64	7,339.60	-3,053.92	-10,296.72	0.99	0.64	-669.88
3	-21,101.97	24	8	16	33.33	2,396.37	5,959.00	-2,517.06	-7,354.80	0.95	0.48	-879.25
2	-16,449.95	26	10	16	38.46	1,943.47	3,693.50	-2,242.79	-5,448.00	0.87	0.54	-632.69
1	-14,026.71	26	9	17	34.62	1,659.85	3,978.60	-1,703.85	-5,221.00	0.97	0.52	-539.49

Like the previous study, implications appear bearish. Below is an equity curve using a 3-day exit strategy.



Despite the last 2 instances moving higher, the curve shows some downside persistency. So both studies tonight are suggesting a downside edge.

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



With tonight's new evidence to consider the green Aggregator Line remained just barely above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line also held slightly 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. But with both lines so close to zero, this setup barely qualifies. Still, the Aggregator signal stayed long at the close.

With the current active studies, expectations are slated to remain bullish on Friday. This could change if additional bearish evidence emerges. The Differential Pivot will be 2736.82 on Friday. That is 0.2% above Thursday's close. So SPX will only need to close up 0.2% on Friday to flip from oversold to overbought versus recent expectations.

So there are some new bearish tendencies to consider heading into Friday. And while 3-day expectations remain slightly bullish as shown by the Aggregator, 1-day expectations for Friday are basically neutral. Overall, there still appears to be a small upside edge. But the edge is not as strong as it appeared last night. So Friday seems like a good time to take off some exposure. I'll be looking to get out of one of my lots of SPY if I can get a fill in line with Thursday's close.

***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 (bought @ limit)

GE – 1/3 @ \$7.99 (bought @ limit)

QCOM – 1/3 @ \$54.49 (bought @ limit)

SLB – 1/3 @ \$47.34 (buy @ limit) – not filled, cancel for now

CELG – 1/3 @ \$69.63 (buy @ limit)

***Broad Market Large Cap CBI – 6(QCOM-3, GE, SLB, CELG)***

**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.*

### Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
QCOM(1/3)	11/12/2018	\$56.37	\$55.39	-1.74%		Catapult
QCOM(1/3)	11/13/2018	\$54.49	\$55.39	1.65%		Catapult
GE(1/3)	11/13/2018	\$7.99	\$8.17	2.25%		Catapult
SPY(1/4)	11/13/2018	\$272.57	\$273.02	0.17%		<i>sell @ \$273.02 LIMIT</i>
SPY(1/4)	11/14/2018	\$270.20	\$273.02	1.04%		Aggregator
QCOM(1/3)	11/14/2018	\$54.16	\$55.39	2.27%		Catapult
CELG(1/3)	11/15/2018	\$69.28	\$69.98	1.01%		Catapult

Per the short-term section above, I will be looking to take off 1 lot of SPY if I can get filled at Thursday's close or better.

*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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