

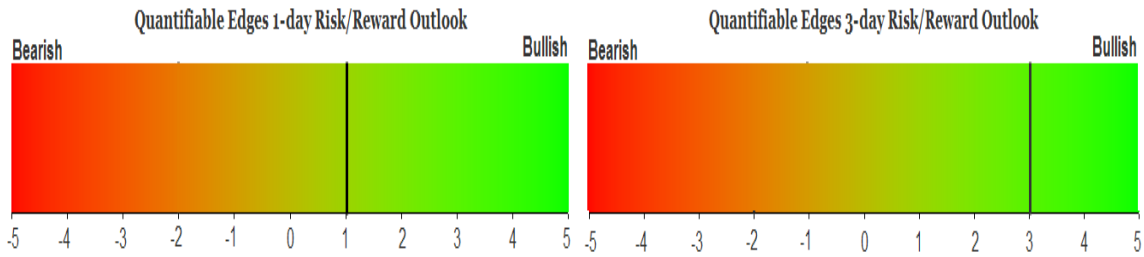
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 20, 2018

Volume 11 Issue 225

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	4

Tonight's Research Points

- A poor close Tuesday could set up Wed-Fri quite nicely.

Short-term Outlook

The Bottom Line

The studies are still pointing bullish. SPX is now substantially oversold and we are about to head into the strong seasonal Wed-Fri around Thanksgiving period. I see bounce potential here.

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 16, 2018	Gap dn, 10-low, reverse up. Close<200	1-3 days	Bearish			
November 14, 2018	Down 4 days. No turn on Tuesday	1-6 days	Bullish	2.30%	-1.30%	-2.70%
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

Monday was a tough day for the market. The SPX lost 1.7%, the NASDAQ fell 3.0%, and the Russell 2000 declined 2.0%. Breadth was positive as the NYSE Up Issues % was 53.1% and the Up Volume % came in at 52.9%. NYSE volume rose as it typically does on opex Friday.

Last night I explored some Thanksgiving week tendencies. Big picture is that Wednesday and Friday have a bullish tendency and the following Monday has generally been bearish. I did note that Wed-Fri have done better when SPY has closed poorly on Tuesday. I thought I would expand on that and show the full related study tonight.

Today is Tuesday before Thanksgiving. SPY closes in lower half of intraday range.
Buy on close. Sell Friday's close. \$100k/trade. 1993 - present.

TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	\$8,638.30	Profit Factor	4.62
Gross Profit	\$11,026.60	Gross Loss	(\$2,388.30)
Total Number of Trades	11	Percent Profitable	90.91%
Winning Trades	10	Losing Trades	1
Even Trades	0		
Avg. Trade Net Profit	\$785.30	Ratio Avg. Win:Avg. Loss	0.46
Avg. Winning Trade	\$1,102.66	Avg. Losing Trade	(\$2,388.30)
Largest Winning Trade	\$5,169.81	Largest Losing Trade	(\$2,388.30)

Here we see the inclination for gains has been quite strong Wed-Fri over Thanksgiving when Tuesday afternoon has not done well. Below is list of all the instances.

Today is Tuesday before Thanksgiving. SPY closes in lower half of intraday range.
Buy on close. Sell Friday's close. \$100k/trade. 1993 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/22/1994	Buy	\$45.00	1.04%	\$1,177.66
11/25/1994	Sell	\$45.47		(\$844.36)
11/26/1996	Buy	\$75.88	0.18%	\$447.78
11/29/1996	Sell	\$76.02		(\$316.08)
11/24/1998	Buy	\$118.63	0.73%	\$917.78
11/27/1998	Sell	\$119.50		(\$345.22)
11/23/1999	Buy	\$141.22	0.16%	\$1,175.28
11/26/1999	Sell	\$141.44		(\$863.76)
11/20/2001	Buy	\$114.80	0.77%	\$827.45
11/23/2001	Sell	\$115.68		(\$1,123.59)
11/26/2002	Buy	\$91.70	2.49%	\$3,542.50
11/29/2002	Sell	\$93.98		\$0.00
11/25/2008	Buy	\$85.66	5.17%	\$5,216.49
11/28/2008	Sell	\$90.09		(\$1,657.14)
11/23/2010	Buy	\$118.45	0.30%	\$1,502.32
11/26/2010	Sell	\$118.80		\$0.00
11/22/2011	Buy	\$119.19	-2.39%	\$0.00
11/25/2011	Sell	\$116.34		(\$2,505.62)
11/26/2013	Buy	\$180.68	0.15%	\$591.71
11/29/2013	Sell	\$180.95		(\$16.59)
11/25/2014	Buy	\$207.11	0.04%	\$366.32
11/28/2014	Sell	\$207.20		(\$96.40)

One possible reason that a strong Tuesday afternoon could impede Wed-Fri results is that it might be due to people front-running the strong seasonal edge. So times where such front-running is likely absent set up better for the Wed-Fri period. These results are impressive and I think they are worth keeping in mind as we approach the close on Tuesday.

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



Tonight the green Aggregator Line remained a little above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile, the black Differential Line moved well 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. So the Aggregator signal stayed long at the close.

With the current active studies, expectations are slated to remain bullish on Tuesday. This could change if strong bearish evidence emerges. The Differential Pivot will 2749.39 on Tuesday. That is a sizable 2.2% above Monday's close. So SPX would need to close up at least 2.2% on Tuesday in order to turn overbought versus recent expectations. That is an unlikely 1-day gain. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

The unfilled gap down on Monday kept me from getting filled on my sale of SPY, which was unfortunate. But there still appears to be an upside edge. And there is plenty of room to the upside before SPX would turn overbought, which helps potential reward for a long trade. I typically really like setups that see the market sell off heading into a strong seasonal period. More selling Tuesday might set the market up perfectly for a Thanksgiving bounce. I'll be looking to add more long exposure on Tuesday if I see further selling and a weak close.

Intermediate-term Outlook (2 weeks – 2 months) – updated 11/19– 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

GE – 1/3 @ \$7.99 (bought @ limit)

CELG – 1/3 @ \$69.63 (bought @ limit)

WMT – 1/3 @ \$97.69 (bought @ limit)

New

WMT – 1/3 @ \$96.78 (buy @ limit)

Broad Market Large Cap CBI – 4(GE, CELG, WMT-2)

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.

WMT – Buy 1/3 Catapult position @ \$96.78 LIMIT. From the Catapult and CBI section above, this is the 2nd of up to 3 possible lots for WMT.

SPY – Buy 1/4 index position @ \$269.10 LIMIT ON CLOSE IF IT ALSO CLOSES IN THE BOTTOM HALF OF ITS INTRADAY RANGE. From the short-term outlook above, I'll be looking to take advantage of the Thanksgiving edge if we get another down day and poor close on Tuesday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
<i>QCOM(1/3)</i>	<i>11/12/2018</i>	<i>\$56.37</i>	<i>\$55.85</i>	<i>-0.92%</i>		<i>sold on open</i>
<i>QCOM(1/3)</i>	<i>11/13/2018</i>	<i>\$54.49</i>	<i>\$55.85</i>	<i>2.50%</i>		<i>sold on open</i>
GE(1/3)	11/13/2018	\$7.99	\$7.84	-1.88%		Catapult
SPY(1/4)	11/14/2018	\$270.20	\$269.10	-0.41%		Aggregator
<i>QCOM(1/3)</i>	<i>11/14/2018</i>	<i>\$54.16</i>	<i>\$55.85</i>	<i>3.12%</i>		<i>sold on open</i>
CELG(1/3)	11/15/2018	\$69.28	\$69.40	0.17%		Catapult
WMT(1/3)	11/19/2018	\$97.69	\$96.78	-0.93%		Catapult

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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