

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 21, 2018

Volume 11 Issue 226

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	7

## Tonight's Research Points

- The poor close Tuesday appears to set up Wed-Fri quite nicely.
- 2 unfilled gaps down like we have seen the last 2 days have often been followed by a bounce.
- The large unfilled down gap from a short-term low suggests a bullish edge over the next few days.

## *Short-term Outlook*

### *The Bottom Line*

The studies remain bullish, and the market has pulled back to a highly oversold level heading into a strong seasonal period. Reward/risk appears to greatly favor the bulls.

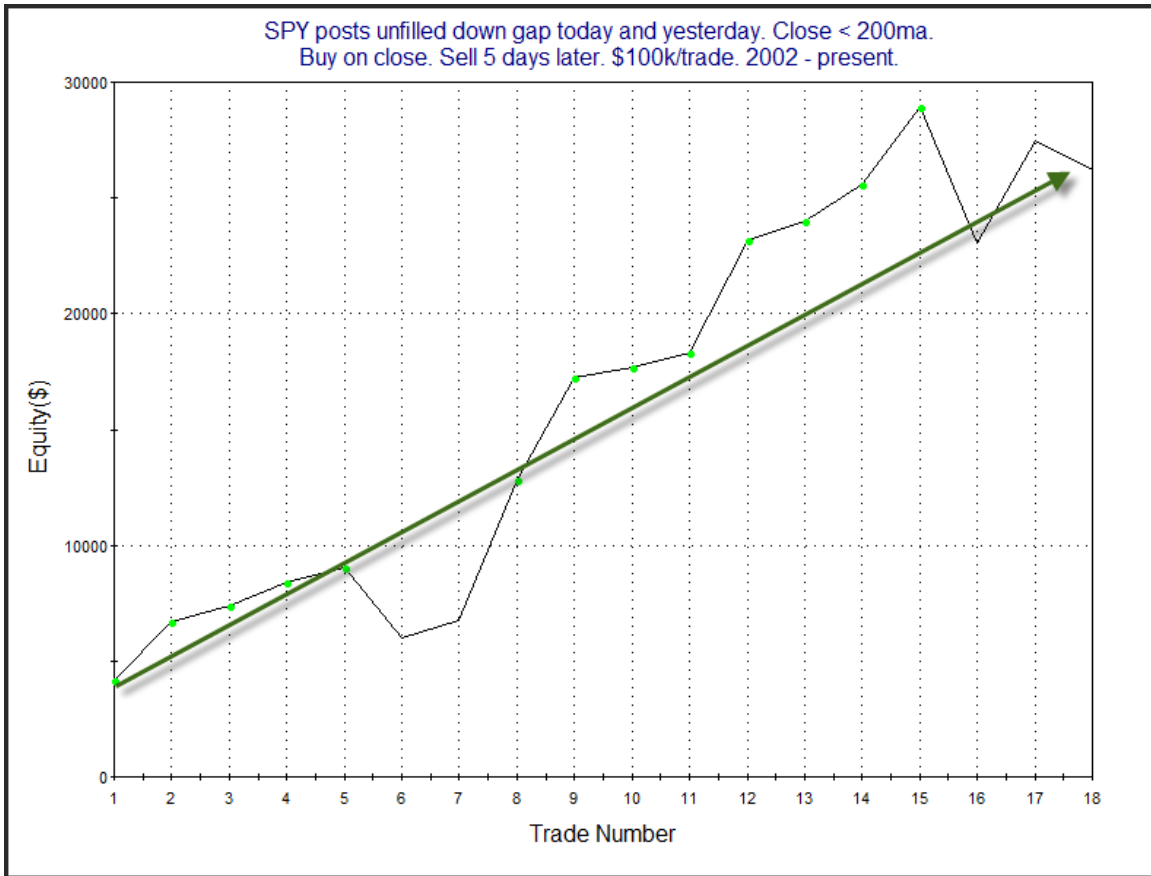
***The Evidence***

Tuesday saw substantial selling. The SPX lost 1.8%, the NASDAQ fell 1.7%, and the Russell 2000 declined 1.8%. Breadth was negative as the NYSE Up Issues % was 16% and the Up Volume % came in at 10%. NYSE volume rose some from Monday’s level.

Both Monday and Tuesday saw SPY leave an unfilled gap down. While that is fairly unusual, it happened just recently as well. In the 11/13/18 last week letter I looked at times SPY gapped down 2 days in a row and below the 200ma. I have updated that research below.

SPY posts unfilled down gap today and yesterday. Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 2002 - 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
5	26,185.38	18	15	3	83.33	2,425.40	6,103.89	-3,398.56	-5,855.50	0.71	3.57	1,454.74
4	21,796.98	19	12	7	63.16	2,871.06	6,941.43	-1,807.96	-4,811.80	1.59	2.72	1,147.21
3	18,811.15	19	11	8	57.89	2,536.36	5,888.16	-1,136.10	-2,474.50	2.23	3.07	990.06
2	14,881.07	20	10	10	50.00	2,866.77	5,091.84	-1,378.67	-5,231.80	2.08	2.08	744.05
1	6,274.33	24	13	11	54.17	1,304.28	2,818.20	-971.03	-4,080.40	1.34	1.59	261.43
<b>94% on instances closed above the entry price                      at some point in the next week.</b>												

The numbers are compelling. Here is the profit curve.



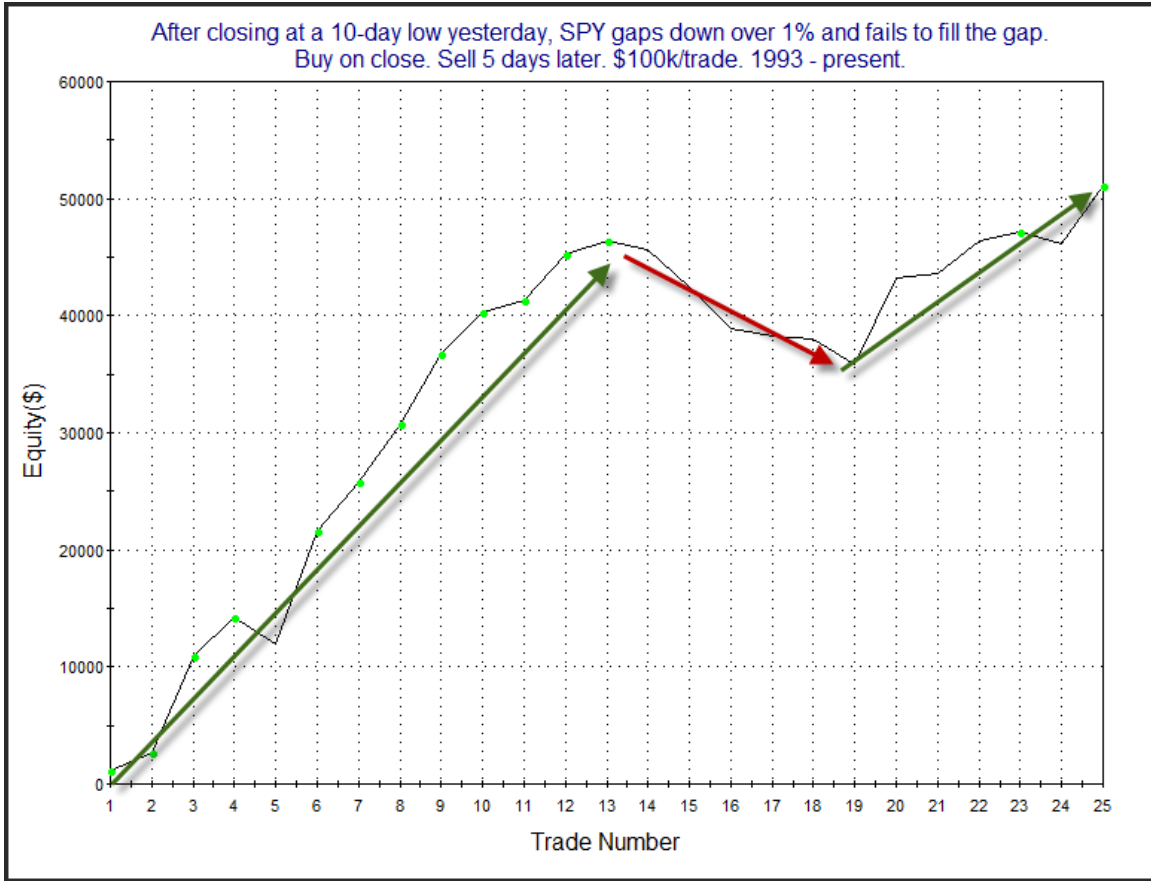
As you would expect with such a high percentage of winners, the curve looks strong too.

It is also notable that the gap down was large, and it came after SPY was already at a short-term low. This triggered the study below, from the 8/25/10 subscriber letter. All stats are updated.

After closing at a 10-day low yesterday, SPY gaps down over 1% and fails to fill the gap.  
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
5	51,074.61	25	17	8	68.00	3,825.44	9,708.30	-1,744.73	-3,525.84	2.19	4.66	2,042.98
4	25,253.44	25	16	9	64.00	3,109.33	6,132.78	-2,721.76	-15,473.88	1.14	2.03	1,010.14
3	19,992.35	26	17	9	65.38	2,689.97	5,630.94	-2,859.69	-13,375.08	0.94	1.78	768.94
2	11,347.77	26	15	11	57.69	2,496.71	6,435.36	-2,372.99	-6,878.34	1.05	1.43	436.45
1	9,683.05	27	14	13	51.85	2,011.50	5,764.38	-1,421.38	-4,474.26	1.42	1.52	358.63

The numbers here all point higher, suggesting a short-term bullish edge. Below is a look at a profit curve assuming a 5-day holding strategy.



After a short period of struggle, it appears this curve is back on track. This supports the idea of a bullish edge. I have included this study on the Active List tonight.

I've talked both the last couple of nights about the bullish Wed-Fri period around Thanksgiving. Below I have copied last night's commentary.

*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 ▾
<b>All Trades</b>				
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)

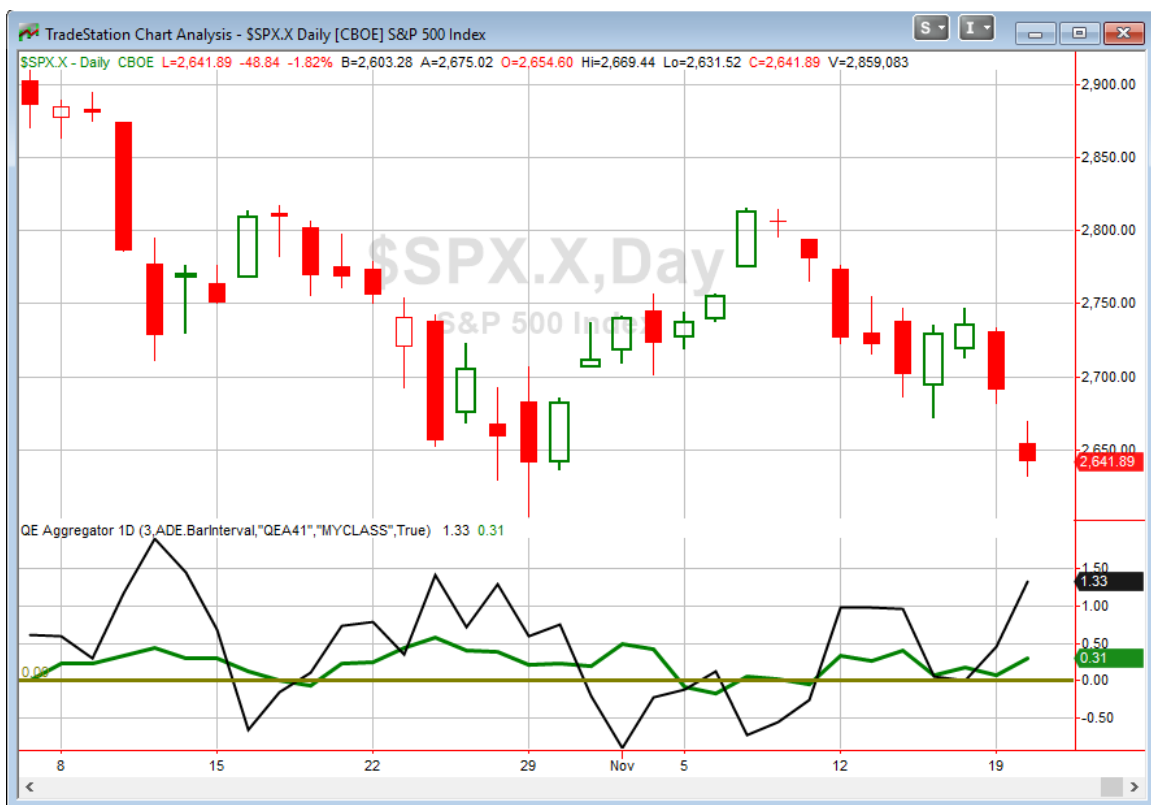
Here we see the inclination for gains has been quite strong Wed-Fri over Thanksgiving when Tuesday afternoon has not done well. Below is list of all the instances.

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.*

The weak Tuesday market has this study now active as well.

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



With tonight's evidence considered the green Aggregator Line moved further above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile, the black Differential Line is now very far above 0. The positive Differential Line reading means SPX is strongly 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 Wednesday. This could change if very strong bearish evidence emerges. The Differential Pivot will 2750.99 on Wednesday. That is a whopping 4.1% above Tuesday's close. So SPX would need to close up at least 4.1% on Wednesday in order to turn overbought versus recent expectations. That is a highly unlikely 1-day gain. A more likely scenario for working off the oversold condition would be a multi-day rally or consolidation.

The selloff heading into the seasonally bullish Wed-Fri around Thanksgiving has the market primed for a bounce. The Aggregator is bullish, and is likely to remain so at least through Friday. I took on some more long exposure at the close on Tuesday. In addition to my index exposure, there are also a few more Catapults that emerged. If the CBI reaches 10 or higher on further selling Wednesday then there is a good chance I'll be looking to add another lot of SPY exposure with the new Catapults on Friday.

***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)

WMT – 1/3 @ \$96.78 (bought @ limit)

***New***

WMT – 1/3 @ \$94.16 (buy @ limit)

CELG – 1/3 @ \$66.75 (bought @ limit)

HD – 1/3 @ \$169.05 (bought @ limit)

***Broad Market Large Cap CBI – 7(GE, CELG-2, WMT-3, HD)***

### **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 @ \$94.16 LIMIT.*** From the Catapult and CBI section above, this is the 3<sup>rd</sup> of up to 3 possible lots for WMT.

***CELG – Buy 1/3 Catapult position @ \$66.75 LIMIT.*** From the Catapult and CBI section above, this is the 2<sup>nd</sup> of up to 3 possible lots for CELG.

***HD – Buy 1/3 Catapult position @ \$169.05 LIMIT.*** From the Catapult and CBI section above, this is the 1<sup>st</sup> of up to 3 possible lots for HD.

### **Current Open Trade Ideas**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Stop</b>	<b>Notes</b>
GE(1/3)	11/13/2018	\$7.99	\$7.65	-4.26%		Catapult
SPY(1/4)	11/14/2018	\$270.20	\$264.12	-2.25%		Aggregator
CELG(1/3)	11/15/2018	\$69.28	\$66.75	-3.65%		Catapult
WMT(1/3)	11/19/2018	\$97.69	\$94.16	-3.61%		Catapult
WMT(1/3)	11/20/2018	\$94.98	\$94.16	-0.86%		Catapult
SPY(1/4)	11/20/2018	\$264.12	\$264.12	0.00%		Aggregator

*A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 [can be found here](#).*

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2018 Quantifiable Edges, LLC.