

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 23, 2018

Volume 11 Issue 227

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	7

## Tonight's Research Points

- Low volume on Thanksgiving Wednesday has often been followed by a pullback in the few days.
- The close higher but below Wednesday's open after 2 strong down days suggests a short-term bullish edge.
- Positive days that close poorly will often be followed by buying in the next few days.

### *Short-term Outlook*

#### *The Bottom Line*

Evidence continues to lean bullish and the market is still oversold. Reward/risk appears to favor the bulls.

**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 23, 2018	Low volume Thanksgiving Wednesday	1-2 days	Bearish			
November 23, 2018	2x 1.5% down. Up close < open.	1-2 days	Bullish			
November 23, 2018	Close bottom 10% range on up day	1-3 days	Bullish			
November 21, 2018	Unfilled gap down 2x < 200ma	1-5 days	Bullish			
November 21, 2018	1% Unfilled Gap Dn from 10-day Low	1-5 days	Bullish			
November 21, 2018	Down 4 days. No turn on Tuesday	1-2 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 \$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**

Wednesday started off strong, but a late-day fade left the market near its intraday lows. Still, gains showed across the board. The SPX closed up 0.3%, the NASDAQ rose 0.9%, and the Russell 2000 rallied 1.3%. Breadth was positive as the NYSE Up Issues % was 73% and the Up Volume % came in at 76%. NYSE volume came in very light ahead of the Thanksgiving holiday.

Low volume, especially on up days, can be a sign of complacency, so it will commonly trigger studies with bearish edges. But Wednesday’s volume came one day ahead of Thanksgiving. So perhaps it wasn’t so much a sign of complacency, but rather a sign of people taking off early ahead of the holiday. Often when volume comes in extremely light on or just in front of a holiday I will simply dismiss low-volume studies. But there was one low-volume study from the 11/25/16 letter that specifically examined low volume on the day before Thanksgiving. And it had interesting results. So I updated it below.

Wednesday before Thanksgiving posts the lowest NYSE volume in 20 days. Buy SPX on close. Sell X days later. \$100k/trade. 1970 - 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	-4,465.14	15	7	8	46.67	1,537.22	3,685.24	-1,903.21	-7,726.01	0.81	0.71	-297.68
4	133.55	15	7	8	46.67	1,223.22	3,610.64	-1,053.63	-4,359.94	1.16	1.02	8.90
3	-5,262.37	15	5	10	33.33	1,345.40	3,468.90	-1,198.94	-4,948.90	1.12	0.56	-350.82
2	-12,653.37	15	3	12	20.00	500.21	1,096.98	-1,179.50	-5,644.20	0.42	0.11	-843.56
1	-3,255.68	15	7	8	46.67	297.83	746.00	-667.56	-1,721.70	0.45	0.39	-217.05

In the last 48 years there have been 15 instances where Wednesday marked a 20-day volume low. This isn't as common as some might suspect but it's about 4 times higher than you'd get looking at any random day. Interesting is how poorly the SPX has performed over the next 2 days when volume has come in low. The number of instances is low, but I also took a deeper look at the results. Below are all the instances.

Wednesday before Thanksgiving posts the lowest NYSE volume in 20 days. Buy SPX on close. Sell 2 days later. \$100k/trade. 1970 - present.				
Date/Time	Signal	Price	% Profit	Run-up Drawdown
11/24/1982	Buy	\$133.88	0.24%	\$1,051.86
11/29/1982	Sell	\$134.20		(\$141.74)
11/25/1987	Buy	\$244.10	-5.65%	\$4.09
11/30/1987	Sell	\$230.30		(\$7,496.97)
11/23/1988	Buy	\$269.00	-0.14%	\$0.00
11/28/1988	Sell	\$268.63		(\$942.34)
11/24/1993	Buy	\$462.36	-0.10%	\$533.52
11/29/1993	Sell	\$461.90		(\$114.48)
11/25/1998	Buy	\$1,186.86	-1.96%	\$512.40
11/30/1998	Sell	\$1,163.62		(\$1,952.16)
11/24/1999	Buy	\$1,417.08	-0.65%	\$571.20
11/29/1999	Sell	\$1,407.83		(\$905.10)
11/26/2003	Buy	\$1,058.45	1.10%	\$1,129.88
12/1/2003	Sell	\$1,070.12		(\$157.92)
11/24/2004	Buy	\$1,181.76	-0.27%	\$435.12
11/29/2004	Sell	\$1,178.57		(\$788.76)
11/22/2006	Buy	\$1,406.09	-1.72%	\$0.00
11/27/2006	Sell	\$1,381.96		(\$1,750.15)
11/25/2009	Buy	\$1,110.63	-1.35%	\$0.00
11/30/2009	Sell	\$1,095.63		(\$2,420.10)
11/24/2010	Buy	\$1,198.35	-0.88%	\$0.00
11/29/2010	Sell	\$1,187.76		(\$2,050.93)
11/26/2014	Buy	\$2,072.83	-0.94%	\$140.64
12/1/2014	Sell	\$2,053.44		(\$1,116.48)
11/25/2015	Buy	\$2,088.87	-0.41%	\$232.18
11/30/2015	Sell	\$2,080.41		(\$397.62)
11/23/2016	Buy	\$2,204.72	-0.14%	\$388.35
11/28/2016	Sell	\$2,201.72		(\$196.20)
11/22/2017	Buy	\$2,597.08	0.17%	\$354.54
11/27/2017	Sell	\$2,601.42		\$0.00

I don't see any red flags here (other than the low number of instances). With the Average Drawdown nearly 4x the size of the Avg Run-Up, and also larger than the Max Run-up, reward/risk has favored the bears. Results appear skewed enough to the downside and the study seems worth some consideration. I have included it on the Active List tonight.

But not all evidence was bearish. A study in the 10/15/18 letter looked at what happens after 2 big down days like Monday and Tuesday are followed by a gap up that fails to

spark a further rally but the SPY still manages to close positive. I have updated results for that study below.

After closing down > 1.5% the last 2 days SPY closes up today but below its open. 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	6,049.53	7	3	4	42.86	3,480.27	7,654.81	-1,097.82	-2,410.80	3.17	2.38	864.22
4	1,232.70	7	3	4	42.86	3,313.11	5,128.56	-2,176.66	-2,594.40	1.52	1.14	176.10
3	3,449.75	7	4	3	57.14	2,809.06	5,958.18	-2,595.50	-6,342.00	1.08	1.44	492.82
2	14,826.96	7	7	0	100.00	2,118.14	4,914.87	0.00	0.00	100.00	100.00	2,118.14
1	6,346.95	7	4	3	57.14	2,000.39	3,290.77	-551.53	-674.90	3.63	4.84	906.71

These results suggest a brief bounce and then possibly seeing the market roll over after said bounce. Below are all the instances along with their 2-day returns.

After closing down > 1.5% the last 2 days SPY closes up today but below its open. Buy on close. Sell 2 days later. \$100k/trade. 1993 - present.					
Date/Time	Signal	Price	% Profit	Run-up Drawdown	
5/4/2000	Buy	\$141.81	0.45%	\$1,543.95	
5/8/2000	Sell	\$142.45		(\$613.35)	
2/22/2001	Buy	\$125.81	1.44%	\$1,437.14	
2/26/2001	Sell	\$127.62		(\$3,183.94)	
9/24/2008	Buy	\$118.93	1.61%	\$2,503.20	
9/26/2008	Sell	\$120.85		(\$411.60)	
3/31/2009	Buy	\$79.52	4.92%	\$6,398.13	
4/2/2009	Sell	\$83.43		(\$1,495.83)	
1/25/2010	Buy	\$109.77	0.05%	\$637.00	
1/27/2010	Sell	\$109.83		(\$1,310.40)	
8/22/2011	Buy	\$112.73	4.75%	\$4,887.37	
8/24/2011	Sell	\$118.08		(\$133.05)	
10/12/2018	Buy	\$275.95	1.61%	\$1,762.94	
10/16/2018	Sell	\$280.40		(\$597.30)	

Instances are low here, but we see some examples of powerful buying over the next few days, and it seems this may be worth keeping in mind.

Wednesday's late-day selling and weak close may have felt like a negative, but it triggered another study that has been very bullish over the years. SPY closing in the

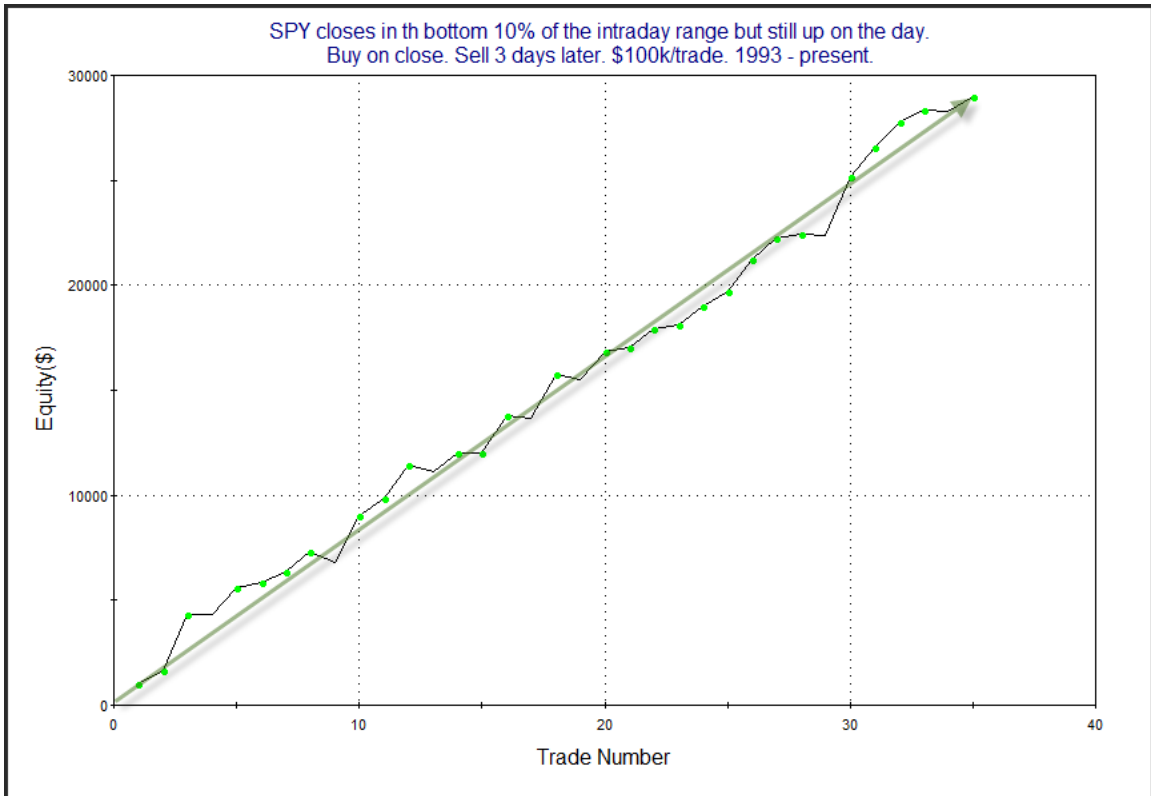
bottom 10% of its daily range, but still up on the day is something that doesn't occur very often. It is something I explored in the 9/21/16 letter. Results below are all updated.

SPY closes in th bottom 10% of the intraday range but still up on the day.  
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	21,409.69	34	24	10	70.59	1,439.02	3,611.20	-1,312.67	-3,968.25	1.10	2.63	629.70
4	21,568.13	35	28	7	80.00	1,087.72	2,786.48	-1,269.72	-3,623.88	0.86	3.43	616.23
3	28,973.62	35	28	6	80.00	1,081.97	2,820.64	-220.28	-472.68	4.91	22.92	827.82
2	18,730.01	35	24	11	68.57	938.90	3,028.76	-345.78	-683.92	2.72	5.92	535.14
1	11,123.11	36	25	11	69.44	619.96	3,476.36	-397.82	-903.90	1.56	3.54	308.98

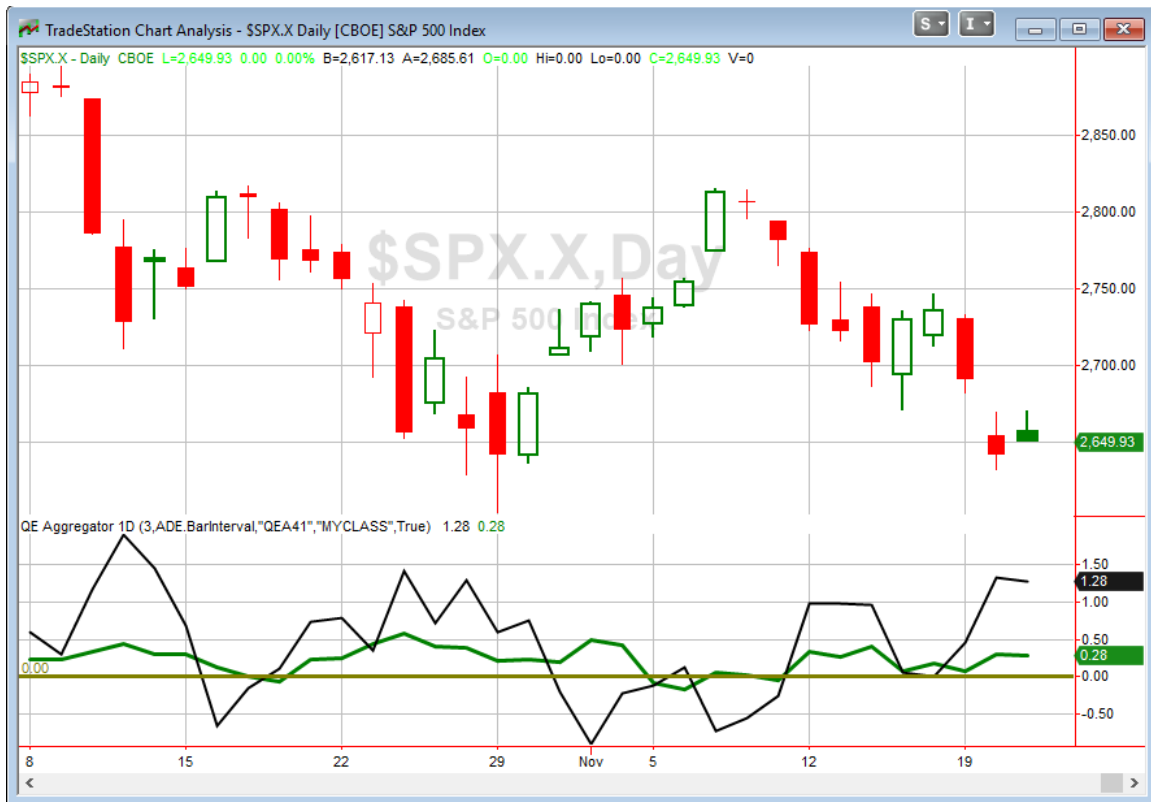
**All 36 instances closed above the entry price  
at some point in the next 4 days.**

The numbers here are impressively bullish. I also ran a profit curve assuming a 3-day holding period.



This curve is almost as straight as the arrow, and acts as confirmation of the upside edge. So we have a mix of impressive looking studies being added to the Active List tonight.

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



With tonight's evidence considered 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 is still 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 Friday. This could change if very strong bearish evidence emerges. The Differential Pivot will be 2698.71 on Friday. That is 1.8% above Wednesday's close. So SPX would need to close up at least 1.8% on Friday in order to turn overbought versus recent expectations. While possible, that is fairly unlikely considering Friday is a shortened day that typically has very light trading.

Price action on Wednesday is strongly suggesting a short-term edge, but the Monday after Thanksgiving is a potential negative force to contend with. Overall expectations are solidly bullish, and the market has plenty of room to the upside before it would turn overbought. This suggests favorable reward/risk for the bulls. I am partially long. I intend to hold onto my position on Friday and re-evaluate over the weekend.

***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)

WMT – 1/3 @ \$94.16 (bought @ limit)

CELG – 1/3 @ \$66.75 (buy @ limit) – *not filled – cancel for now*

HD – 1/3 @ \$169.05 (buy @ limit) – *not filled – cancel for now*

***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.*

***None tonight. If CELG and HD head lower on Friday, I may look to add those orders back on Monday.***

### Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
GE(1/3)	11/13/2018	\$7.99	\$7.81	-2.25%		Catapult
SPY(1/4)	11/14/2018	\$270.20	\$265.02	-1.92%		Aggregator
CELG(1/3)	11/15/2018	\$69.28	\$66.75	-3.65%		Catapult
WMT(1/3)	11/19/2018	\$97.69	\$94.17	-3.60%		Catapult
WMT(1/3)	11/20/2018	\$94.98	\$94.17	-0.85%		Catapult
SPY(1/4)	11/20/2018	\$264.12	\$265.02	0.34%		Aggregator
WMT(1/3)	11/21/2018	\$94.16	\$94.17	0.01%		Catapult

*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.