

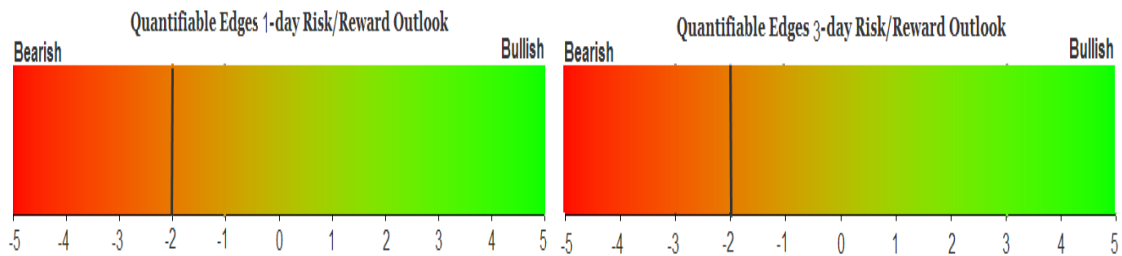
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 28, 2018

Volume 11 Issue 230

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Short	4

## Tonight's Research Points

- VIX up / SPX up is a bearish setup during long-term downtrends, but during uptrends it is not terribly predictive.
- Bad breadth on a day the SPX rises but closes < its 200ma is often followed by a decline in the following days.

## *Short-term Outlook*

### *The Bottom Line*

Evidence has weakened substantially and the market is now overbought. This is leaving me neutral and looking to exit my index positions.

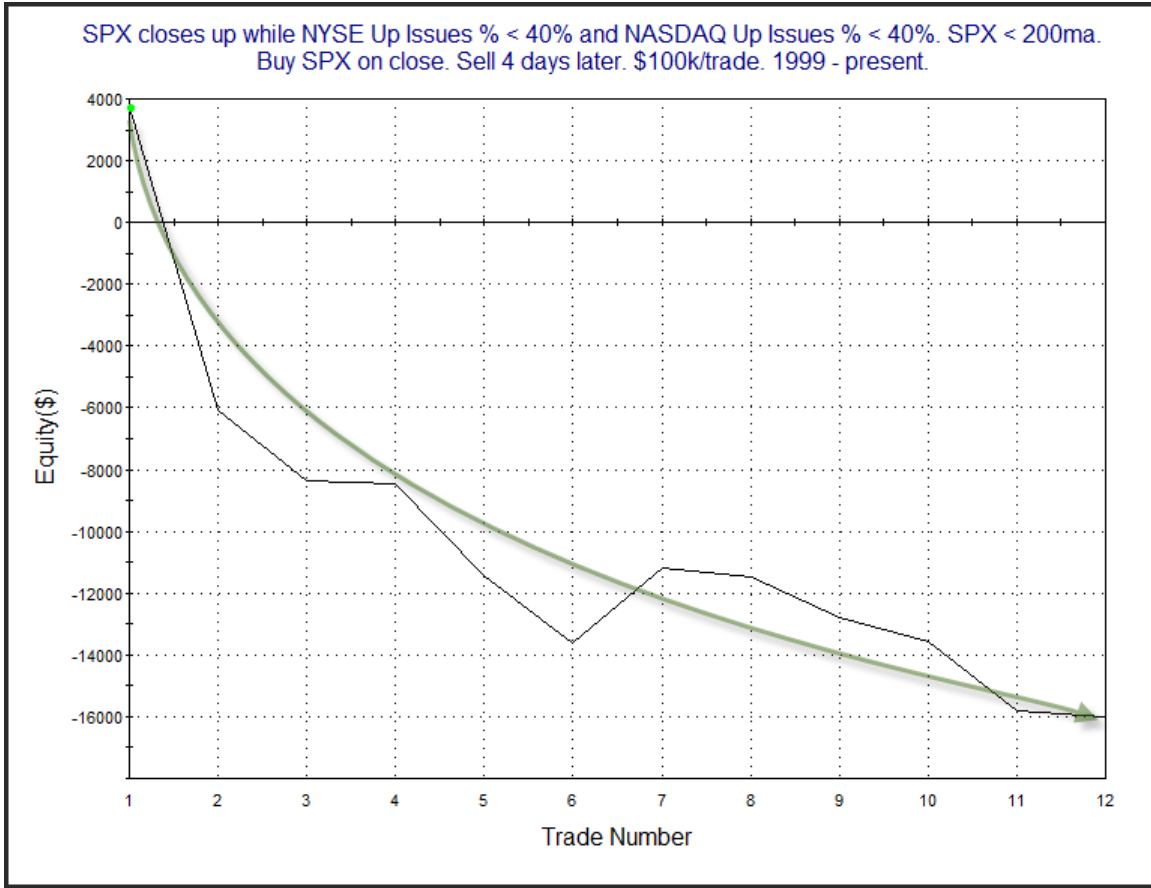
***The Evidence***

Tuesday was mostly mixed and mild for the indices. The SPX rose 0.3%, the NASDAQ was near breakeven with a 0.01% gain, and the Russell 2000 lost 0.9%. Breadth was negative as the NYSE Up Issues % was 38.6% and the Up Volume % came in at 43.1%. NYSE volume declined some from Monday’s level.

Tuesday’s weak breadth triggered several studies. The one below was last seen in the 8/3/17 letter. It looked at other times the SPX closed up but under its 200ma while both the NYSE Up Issues % and the NASDAQ Up Issues % finished < 40%. The stats table below is updated.

SPX closes up while NYSE Up Issues % < 40% and NASDAQ Up Issues % < 40%. SPX < 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1999 - 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	-11,160.98	12	4	8	33.33	2,906.19	5,057.80	-2,848.22	-11,533.34	1.02	0.51	-930.08
4	-16,019.32	12	2	10	16.67	3,085.94	3,754.08	-2,219.12	-9,828.00	1.39	0.28	-1,334.94
3	-5,572.08	13	6	7	46.15	1,881.20	3,564.00	-2,408.47	-6,956.04	0.78	0.67	-428.62
2	-8,025.63	13	6	7	46.15	1,775.53	2,788.70	-2,668.40	-6,510.90	0.67	0.57	-617.36
1	-7,777.21	13	5	8	38.46	859.12	1,526.28	-1,509.10	-4,893.07	0.57	0.36	-598.25

There appears to be a strong hint of a downside edge over the next few days. Below is a look at a profit curve that assumes a 4-day holding strategy.



The persistent downslope supports the bearish inclination suggested by the numbers. And so does the next breadth-related study. The one below is from the 6/5/12 subscriber letter. It examined other times both the NYSE Up Issues % and Up Volume % came in < 45% on a day the SPX rose but closed under its 200ma. Stats are updated.

SPX closes up while NYSE Up Issues % < 45% and NYSE UpVolume % < 45%. SPX < 200ma.  
Buy SPX on close. Sell X days later. \$100k/trade. 1999 - 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	-23,851.51	14	2	12	14.29	1,790.20	2,398.50	-2,285.99	-9,372.60	0.78	0.13	-1,703.68
4	-25,670.90	14	1	13	7.14	3,703.44	3,703.44	-2,259.56	-8,138.50	1.64	0.13	-1,833.64
3	-21,351.57	15	4	11	26.67	1,708.77	2,871.18	-2,562.42	-6,854.44	0.67	0.24	-1,423.44
2	-17,357.94	15	6	9	40.00	1,638.75	2,882.10	-3,021.16	-12,374.88	0.54	0.36	-1,157.20
1	-13,265.84	15	7	8	46.67	936.08	1,526.28	-2,477.30	-8,783.02	0.38	0.33	-884.39

Here again we see numbers suggesting a substantial bearish edge. Below is the full list of instances and their 4-day returns.

SPX closes up while NYSE Up Issues % < 45% and NYSE UpVolume % < 45%.  
 SPX < 200ma. Buy SPX on close. Sell 4 days later. \$100k/trade. 1999 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
10/24/2001	Buy	\$1,085.20	-2.34%	\$2,337.72
10/30/2001	Sell	\$1,059.79		(\$2,906.28)
6/4/2002	Buy	\$1,040.69	-0.96%	\$904.32
6/10/2002	Sell	\$1,030.74		(\$2,707.20)
9/16/2002	Buy	\$891.10	-5.13%	\$1,291.36
9/20/2002	Sell	\$845.39		(\$5,810.56)
6/8/2006	Buy	\$1,257.93	-2.22%	\$367.35
6/14/2006	Sell	\$1,230.04		(\$3,052.56)
6/9/2008	Buy	\$1,361.77	-0.13%	\$370.11
6/13/2008	Sell	\$1,360.02		(\$2,225.04)
6/23/2008	Buy	\$1,318.02	-3.00%	\$1,320.75
6/27/2008	Sell	\$1,278.49		(\$3,451.50)
6/30/2008	Buy	\$1,280.00	-2.16%	\$949.26
7/7/2008	Sell	\$1,252.29		(\$3,066.96)
9/26/2008	Buy	\$1,213.53	-8.18%	\$0.00
10/2/2008	Sell	\$1,114.28		(\$8,783.02)
11/18/2008	Buy	\$859.12	-0.85%	\$751.68
11/24/2008	Sell	\$851.81		(\$13,652.04)
7/12/2010	Buy	\$1,078.75	-1.29%	\$1,905.32
7/16/2010	Sell	\$1,064.88		(\$1,419.56)
6/4/2012	Buy	\$1,278.18	3.71%	\$3,967.86
6/8/2012	Sell	\$1,325.66		(\$313.56)
12/14/2015	Buy	\$2,021.94	-0.81%	\$2,684.22
12/18/2015	Sell	\$2,005.52		(\$813.89)
1/11/2016	Buy	\$1,923.67	-2.26%	\$1,359.66
1/15/2016	Sell	\$1,880.29		(\$3,357.84)
1/19/2016	Buy	\$1,881.33	-0.23%	\$1,458.56
1/25/2016	Sell	\$1,877.08		(\$3,659.12)

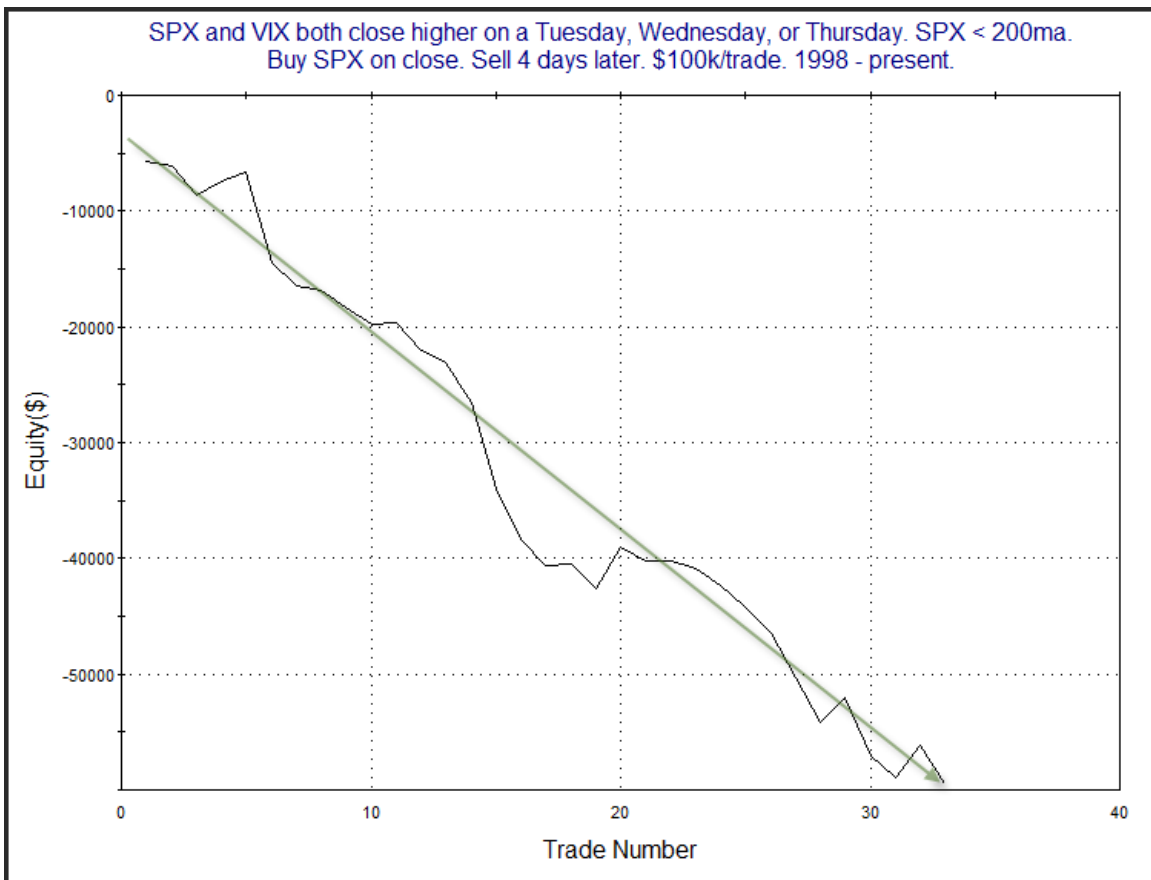
Aside from the one trade in 2012, the moves lower have been generally strong and very consistent. This seems to be well worth consideration.

Another index that closed up today was the VIX. As many readers are likely aware, VIX is a volatility index. Typically, VIX will trade counter to the SPX. So if SPX rises, VIX will sink and if SPX falls, VIX will most often rise. There are some calculation-induced tendencies around the weekend, so often when I show studies on VIX I will break them down by day of the week. The study below looks at mid-week instances. It was last seen in the 10/25/17 letter. Stats have all been updated.

SPX and VIX both close higher on a Tuesday, Wednesday, or Thursday. SPX < 200ma.  
Buy SPX on close. Sell X days later. \$100k/trade. 1998 - 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	-37,017.34	33	10	23	30.30	2,045.90	5,674.40	-2,498.97	-7,204.80	0.82	0.36	-1,121.74
4	-59,497.38	33	8	25	24.24	1,338.59	3,696.70	-2,808.24	-7,745.95	0.48	0.15	-1,802.95
3	-42,097.59	33	9	24	27.27	1,256.66	2,766.72	-2,225.31	-5,299.32	0.56	0.21	-1,275.68
2	-32,950.55	34	10	24	29.41	1,692.96	3,181.60	-2,078.34	-6,672.34	0.81	0.34	-969.13
1	-14,332.66	36	16	20	44.44	1,007.42	3,644.16	-1,522.57	-3,035.25	0.66	0.53	-398.13

Like the breadth tests, the numbers here appears strong bearish over the next 1-4 days. Below is a look at the 4-day profit curve.



That is a fairly straight shot lower. This supports the idea of a bearish edge.

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



With tonight's evidence considered the green Aggregator Line fell below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile, the black Differential Line remained below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator signal turned short at the close.

With the current active studies, expectations are slated to remain bearish on Wednesday. This could change if compelling bullish evidence emerges. The Differential Pivot will be 2659.69 on Wednesday. That is 0.8% below Tuesday's close. So SPX would need to close down at least 0.8% on Wednesday in order to flip from overbought to oversold versus recent expectations.

The poor breadth and the rising VIX have tilted evidence bearish. And the SPX is short-term overbought with ample room to the downside before it would turn oversold. This combination is one that I generally find appealing when considering potential short positions. But while SPX is overbought as measured by the Differential Line, it is still below its 10-day moving average and in the lower half of its 2-week range. Just as I prefer taking on long positions when SPX is low in its recent range, I prefer taking on short positions when it is high in its range. This improves reward/risk potential. So I

may look to take on some short index exposure on Wednesday, but only if SPX closes up a bit. Details in the trade ideas section near the bottom of the letter.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 11/26– neutral***

The intermediate-term outlook was last updated in the 11/26/18 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)

WMT – 1/3 @ \$97.69 (bought @ limit)

WMT – 1/3 @ \$96.78 (bought @ limit)

WMT – 1/3 @ \$94.16 (bought @ limit)

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

**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.*

***SPY – Short @ \$268.91 LIMIT ON CLOSE.*** Based on the short-term section above, I will be looking to short the market if it closes up very much on Wednesday

### Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
GE(1/3)	11/13/2018	\$7.99	\$7.44	-6.88%		Catapult
<b>SPY(1/4)</b>	<b>11/14/2018</b>	<b>\$270.20</b>	<b>\$266.75</b>	<b>-1.28%</b>		<b><i>sold @ limit</i></b>
CELG(1/3)	11/15/2018	\$69.28	\$69.19	-0.13%		<i>sell on open</i>
WMT(1/3)	11/19/2018	\$97.69	\$95.04	-2.71%		Catapult
WMT(1/3)	11/20/2018	\$94.98	\$95.04	0.06%		Catapult
<b>SPY(1/4)</b>	<b>11/20/2018</b>	<b>\$264.12</b>	<b>\$266.75</b>	<b>1.00%</b>		<b><i>sold @ limit</i></b>
WMT(1/3)	11/21/2018	\$94.16	\$95.04	0.93%		Catapult

*CELG reached its profit target will be will sold at the open..*

*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.