

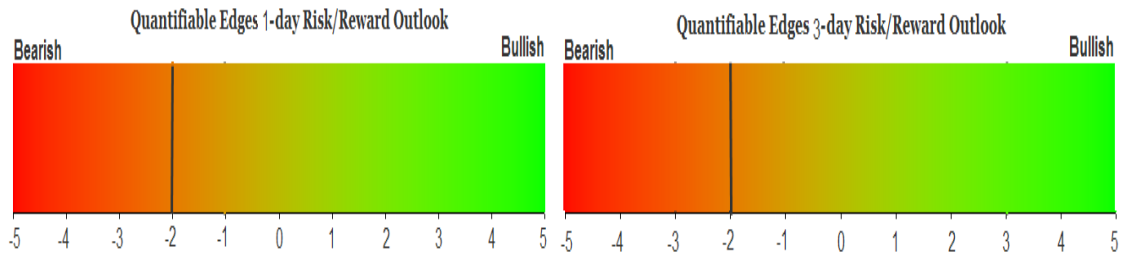
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 29, 2018

Volume 11 Issue 231

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	1

Tonight's Research Points

- Three days up in a downtrend will often suggest a downside edge – but not when the rally originates from an intermediate-term low.
- The gap up and close high in the 1-day and 10-day range for SPY suggests a pullback in the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is short, but expectations could turn slightly bullish on Thursday if new bearish evidence fails to emerge.

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 29, 2018	3up from a 50-day low	1-5 days	Bullish			
November 29, 2018	Gap up. Close top 10% 1 & 10-day range	1-3 days	Bearish			
November 28, 2018	Up Issues & Up Volume < 45%. SPX<200	1-4 days	Bearish			
November 28, 2018	SPX up VIX up Midweek < 200ma	1-4 days	Bearish			
November 27, 2018	Low volu up from 100-day low	1-3 days	Bearish			
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 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

Somewhat dovish remarks from the Fed chairman on Wednesday spurred a rally in the market. The SPX rose 2.3%, the NASDAQ gained 2.95%, and the Russell 2000 rose 2.5%. Breadth was strongly positive as the NYSE Up Issues % was 80% and the Up Volume % came in at 89%. NYSE volume rose some from Tuesday’s level.

Several studies emerged in the Quantifinder that looked at 3-day rallies. Typically, when you get a 3-day rally and the SPX is below its 200ma, there has been a bearish edge. But not always. One factor that is potentially impacting the edge over the next few days is that SPX has rallied from an intermediate-term low. The studies below show why the intermediate-term low may matter. The first one looks at times that SPX closed up 3 days in a row and finished < 200ma when the rally did not originate from a 50-day low. (This is NOT the current market setup.)

SPX closes up for exactly the 3rd day in a row but < 200ma. It did NOT close at a 50-day low just prior to the rally. Buy on close. Sell X days later. \$100k/trade. 7/1/2001 - 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	-43,220.19	45	21	24	46.67	1,424.84	4,570.11	-3,047.58	-9,202.08	0.47	0.41	-960.45
4	-54,327.52	48	20	28	41.67	1,328.24	3,672.51	-2,889.01	-7,499.80	0.46	0.33	-1,131.82
3	-61,652.67	48	14	34	29.17	1,194.33	2,861.10	-2,305.10	-7,527.12	0.52	0.21	-1,284.43
2	-33,617.53	48	12	36	25.00	1,123.88	3,224.73	-1,308.45	-4,121.10	0.86	0.29	-700.37
1	-21,192.15	48	19	29	39.58	960.08	3,348.84	-1,359.78	-4,871.22	0.71	0.46	-441.50

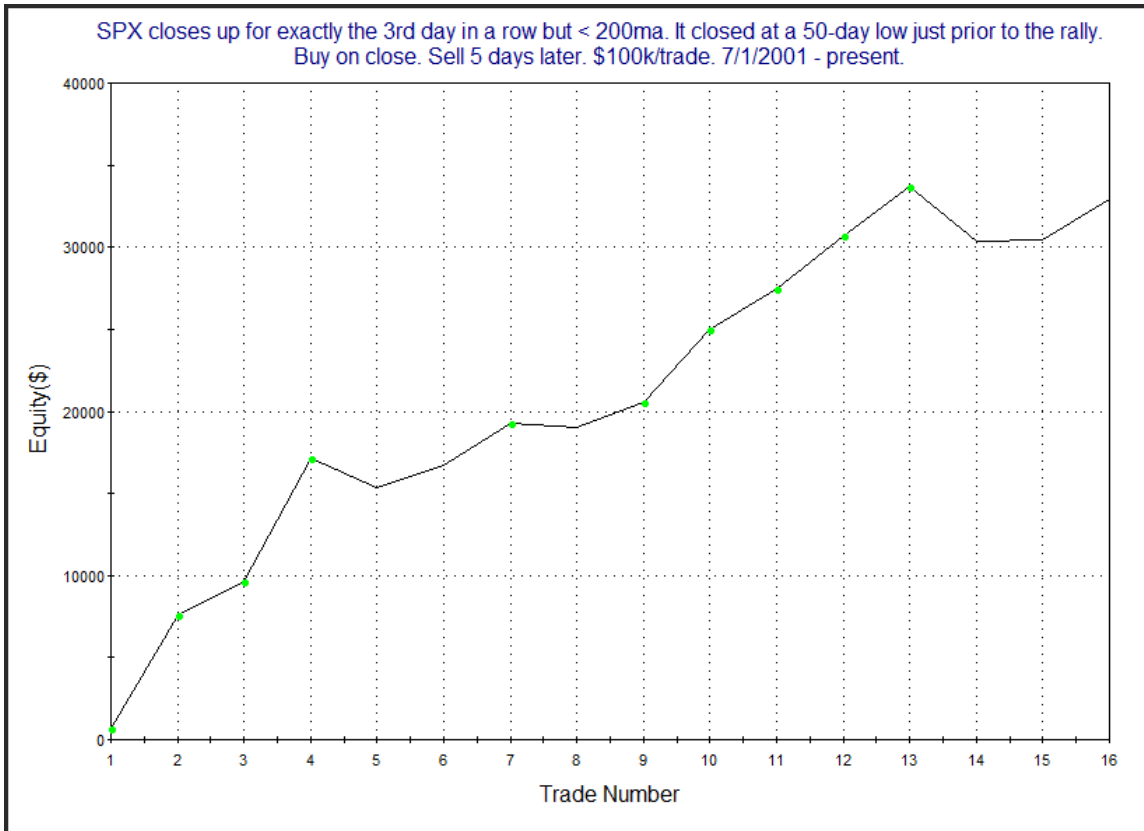
We see here some impressively bearish numbers. But what of times like now when the rally originated from a 50-day low? This was shown in the 2/18/16 letter and has been updated below.

SPX closes up for exactly the 3rd day in a row but < 200ma. It closed at a 50-day low just prior to the rally.
Buy on close. Sell X days later. \$100k/trade. 7/1/2001 - 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	32,881.63	16	13	3	81.25	2,943.70	7,515.60	-1,795.50	-3,382.50	1.64	7.10	2,055.10
4	27,365.45	16	11	5	68.75	2,848.35	5,800.13	-793.29	-1,887.00	3.59	7.90	1,710.34
3	20,118.00	16	12	4	75.00	2,286.10	4,890.00	-1,828.81	-4,776.88	1.25	3.75	1,257.37
2	16,897.22	16	13	3	81.25	1,629.49	4,506.60	-1,428.73	-3,751.00	1.14	4.94	1,056.08
1	14,380.15	16	9	7	56.25	1,923.53	4,699.94	-418.81	-834.50	4.59	5.91	898.76

Prior to 2001 the setup did not appear to suggest any edge.

It has been quite a hot streak since 2001 with these setups. Prior to that, no edge was evident in either direction. Below is a profit curve assuming a 5-day exit strategy.



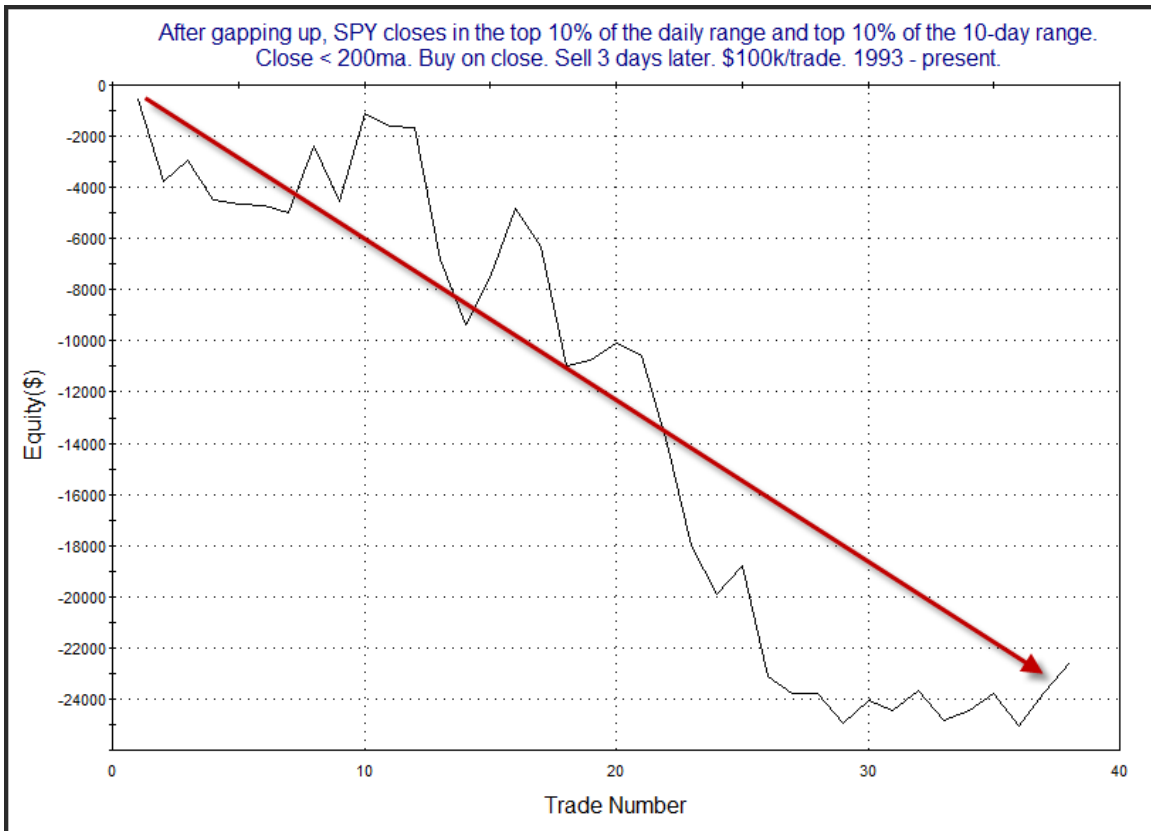
The persistent move higher serves as some confirmation of an upside edge.

But there was also some evidence pointing lower. The study below is from the 10/23/15 letter. It looked at days the SPY gapped higher and then closed near the top of both the 1-day and 10-day range, but below the 200ma. Results are updated.

After gapping up, SPY closes in the top 10% of the daily range and top 10% of the 10-day range.
Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

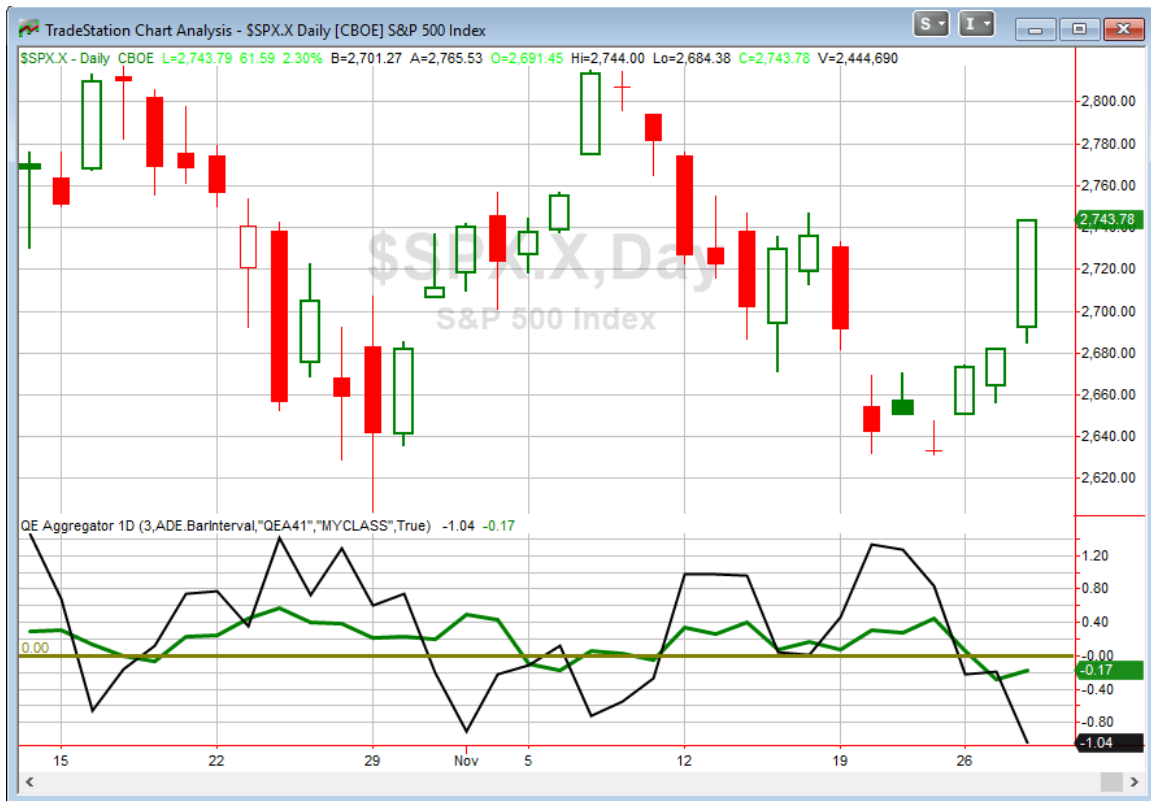
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-14,638.97	33	19	14	57.58	1,298.05	3,095.18	-2,807.28	-6,223.36	0.46	0.63	-443.61
4	-11,703.16	36	17	19	47.22	1,505.87	5,167.16	-1,963.31	-5,244.16	0.77	0.69	-325.09
3	-22,575.47	38	14	24	36.84	1,324.97	3,447.12	-1,713.54	-5,133.72	0.77	0.45	-594.09
2	-21,490.29	40	18	22	45.00	825.84	2,075.22	-1,652.52	-5,196.96	0.50	0.41	-537.26
1	-10,158.55	42	20	22	47.62	636.95	2,238.25	-1,040.80	-3,187.90	0.61	0.56	-241.87

Stats suggest a downside edge. Below is the 3-day profit curve.



Recent instances have seen the curve flatten out, and this bears watching. But for the time being I still believe this study is worth consideration, and have included it on the Active List tonight.

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



With tonight's evidence considered the green Aggregator Line held below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile, the black Differential Line also 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 stayed short at the close.

With the current active studies, expectations are slated to turn just very slightly bullish on Thursday. This could easily change if bearish new evidence emerges. The Differential Pivot will be 2693.70 on Thursday. That is 1.8% below Wednesday's close. So SPX would need to close down at least 1.8% on Thursday in order to flip from overbought to oversold versus recent expectations.

There is a good amount of evidence pointing towards a move lower over the next few days. But rallies from intermediate-term lows can persist where rallies that don't originate from lows have a stronger tendency to just roll over. So some caution is warranted for potential short trades. And with expectations set to turn bullish on Thursday, I am not enthused about taking on more short exposure. I did take some near the close on Wednesday, and I will let that ride for the time being.

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)

Broad Market Large Cap CBI – 1(GE)

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.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
GE(1/3)	11/13/2018	\$7.99	\$7.74	-3.13%		Catapult
CELG(1/3)	11/15/2018	\$69.28	\$69.30	0.03%		sold on open
WMT(1/3)	11/19/2018	\$97.69	\$97.46	-0.24%		<i>sell on open</i>
WMT(1/3)	11/20/2018	\$94.98	\$97.46	2.61%		<i>sell on open</i>
WMT(1/3)	11/21/2018	\$94.16	\$97.46	3.50%		<i>sell on open</i>
SPY(1/4)(S)	11/28/2018	\$274.58	\$274.58	0.00%		shorted at close

WMT 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](#).

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