

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

November 30, 2018

Volume 11 Issue 232

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- The 1<sup>st</sup> down day after a strong move off a bottom is often short-term buyable.

### *Short-term Outlook*

#### *The Bottom Line*

Expectations have turned positive. And with the market short-term overbought, this is leaving the Aggregator neutral and reward/risk currently unappealing.

*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 30, 2018	1st down after 3+ up from 50-low	1-2 days	Bullish			
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			
<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 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**

After the big move up on Wednesday, Thursday was a quiet digestion day for the market, with the major indices all closing modestly lower. The SPX lost 0.22%, the NASDAQ fell 0.25%, and the Russell 2000 dropped 0.33%. Breadth was negative as the NYSE Up Issues % was 44% and the Up Volume % came in at 42%. NYSE volume declined some from Wednesday's level.

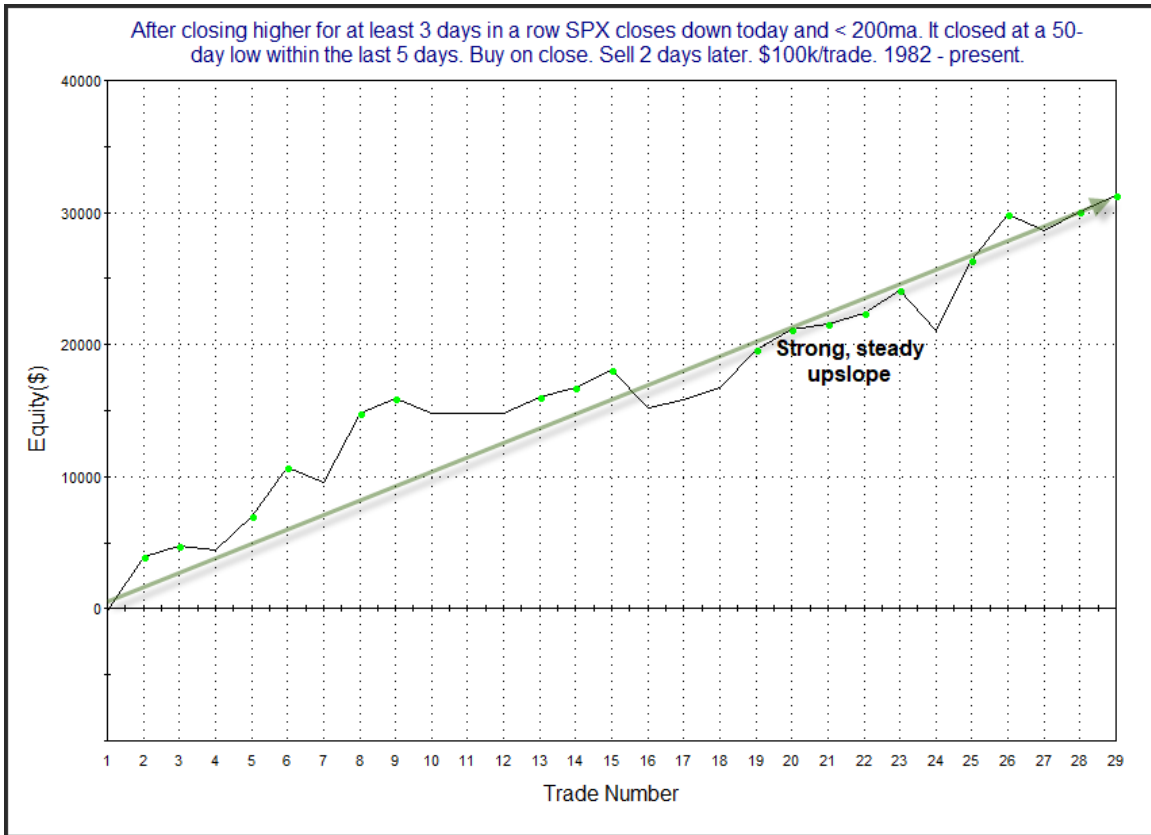
After 3 strong days higher from last Friday's 100+ day closing low, Thursday was the 1<sup>st</sup> day to take a break from the buying. In the 11/5/18 letter I looked back at other instances of 3+ day thrusts following 50-day lows and what happened after they experienced their 1<sup>st</sup> down day. Updated stats are below.

After closing higher for at least 3 days in a row SPX closes down today and < 200ma. It closed at a 50-day low within the last 5 days. Buy on close. Sell X days later. \$100k/trade. 1982 - 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: Profit Factor	All: Avg Trade
5	39,165.40	28	16	12	57.14	3,904.93	9,111.96	-1,942.79	-6,711.66	2.01	2.68	1,398.76
4	31,399.78	29	17	12	58.62	3,255.02	8,086.40	-1,994.62	-4,848.66	1.63	2.31	1,082.75
3	36,735.29	29	19	10	65.52	2,651.41	6,971.97	-1,364.14	-5,403.51	1.94	3.69	1,266.73
2	31,269.42	29	21	8	72.41	1,967.30	5,340.72	-1,255.48	-3,098.39	1.57	4.11	1,078.26
1	12,854.09	29	18	11	62.07	1,465.86	3,443.56	-1,230.12	-4,302.72	1.19	1.95	443.24

**7 instances failed to close above the entry price on either day 1 or day 2. None of those 7 managed to do so until at least day 7.**

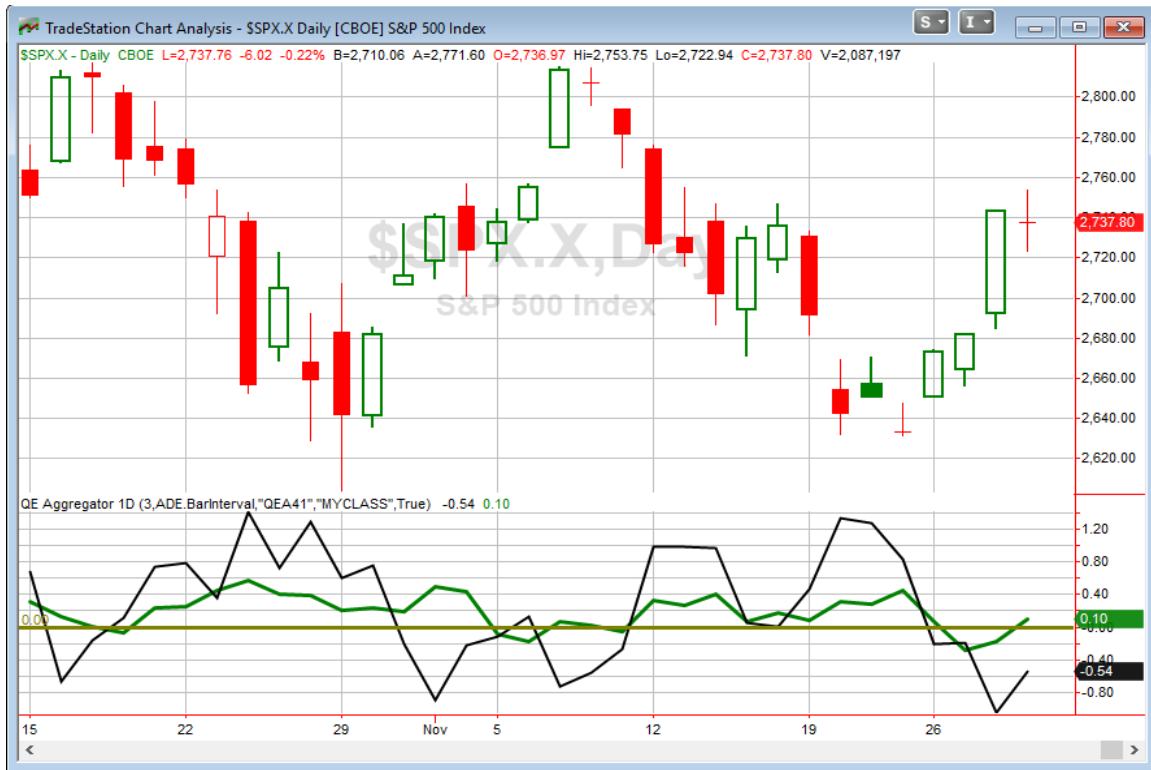
As we can see, most of the time that 1<sup>st</sup> down day acted only as a quick pause. It did not ignite more immediate selling. Combine that with the fact that the moves up outsized the moves down and there appears to be a clear upside edge over the 1<sup>st</sup> 1-3 days. Most of the edge is realized within 2 days. Also interesting is the failures. When there was not a

bounce in the next day or two, then there hasn't been one for over a week. To get a better feel for how the 2-day edge has played out I have produced a profit curve below.



The strong, steady upslope serves as confirmation of the upside edge. I have added this study to the Active List tonight.

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



With tonight's evidence considered the green Aggregator Line crept above zero. Positive readings mean net expectations are for upside 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 positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite side of zero. Therefore, the Aggregator signal turned flat at the close.

With the current active studies, expectations are slated to remain bullish on Friday. This could change if compelling new bearish evidence emerges. The Differential Pivot will be 2687.52 on Friday. That is 1.8% below Thursday's close. So SPX would need to close down at least 1.8% on Friday in order to flip from overbought to oversold versus recent expectations.

The bearish evidence we saw coming into Thursday was not able to make much of a dent in the market. And with the market moving off an intermediate-term low, shorting appears more dangerous than it might otherwise be if SPX was simply in a long-term downtrend, but not directly following an intermediate-term low. This is causing expectations to flip from negative to positive and is leaving the Aggregator neutral. I am neutral as well. So it is time for me to exit my current SPY position. I'll be getting flat ahead of the weekend and then remaining so while I await the next favorable reward/risk opportunity to emerge.

**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**

None

**Broad Market Large Cap CBI – 0**

**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	\$7.94	-0.63%		<i>sell on open</i>
<b>WMT(1/3)</b>	<b>11/19/2018</b>	<b>\$97.69</b>	<b>\$97.02</b>	<b>-0.69%</b>		<i>sold on open</i>
<b>WMT(1/3)</b>	<b>11/20/2018</b>	<b>\$94.98</b>	<b>\$97.02</b>	<b>2.15%</b>		<i>sold on open</i>
<b>WMT(1/3)</b>	<b>11/21/2018</b>	<b>\$94.16</b>	<b>\$97.02</b>	<b>3.04%</b>		<i>sold on open</i>
SPY(1/4)(S)	11/28/2018	\$274.58	\$273.98	0.22%		<i>cover on open</i>

*GE reached its exit target and will be sold at the open. SPY will also be exited.*

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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