

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 4, 2018

Volume 11 Issue 234

Market Overview



Signals Overview

| Aggregator | CBI Reading |
|------------|-------------|
| Flat | 0 |

Tonight's Research Points

- Strong moves up through the 200ma have often led to pullbacks in recent years.

Short-term Outlook

The Bottom Line

With positive overall expectations and an overbought market, the Aggregator is neutral.
So am I.

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 23, 2018 | 1% move up through 200ma | 1 day | Bearish | | | |
| November 23, 2018 | 3 days up from 50-low | 1-5 days | Bullish | 3.25% | -1.30% | -2.70% |
| 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 | | | |

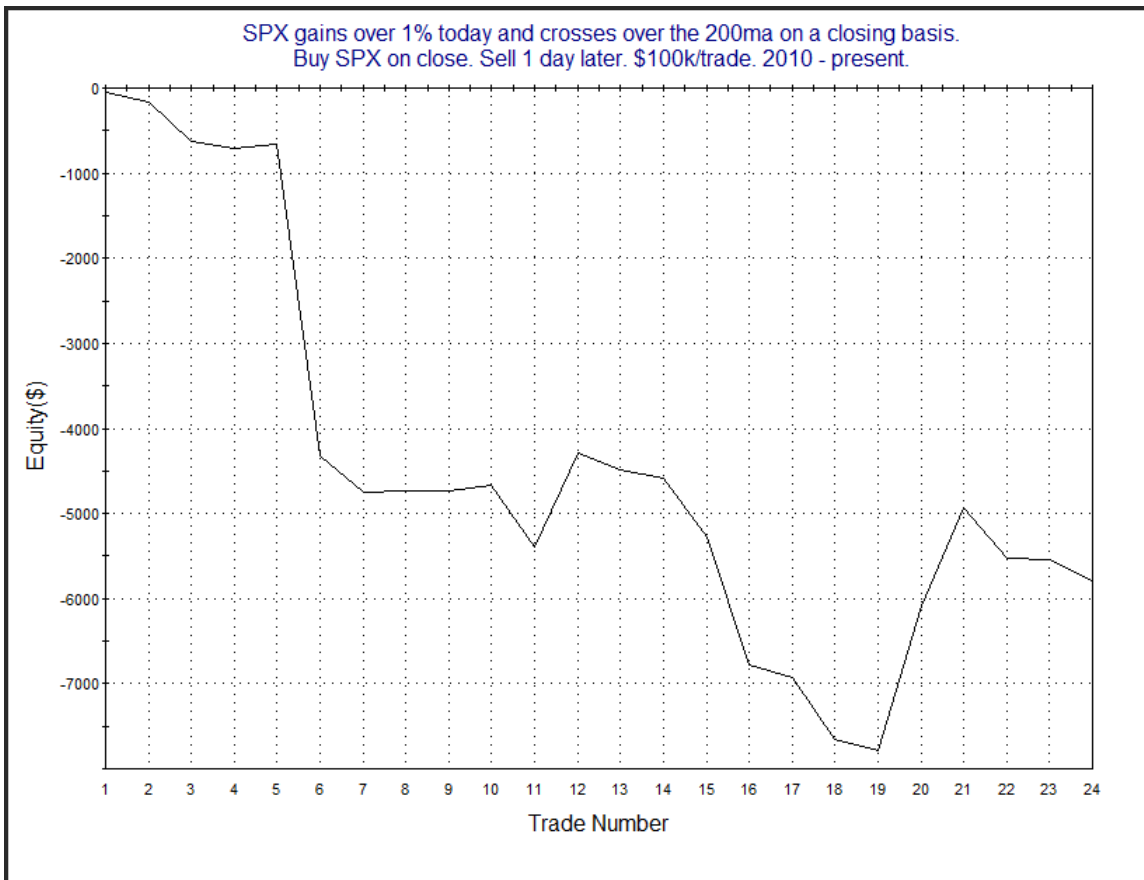
The Evidence

Monday was a big up day thanks to bullish trade agreement news over the weekend. The gains all happened before the open though. Still, the closing numbers were fairly impressive, since the post-open give back was not terribly large. The SPX finished up 1.1%, the NASDAQ rallied 1.5%, and the Russell 2000 climbed 1.0%. Breadth was positive as the NYSE Up Issues % was 74% and the Up Volume % came in at 76%. NYSE volume was far below Friday’s level.

Monday’s strong gains pushed the SPX through the 200-day moving average. The 200ma is not a magic number, but it is a well-watched line. So price movement around it can often be volatile. It is also an indicator that I often use as a filter in our studies. In the 3/14/16 letter I decided to look back at other times where the 200ma was broken on a sizable rally day (1% + gain). Interestingly, despite being in a bull market most of the time in recent years, this action has often led to short-term reversals – especially on Day 1. This can be seen in the study below.

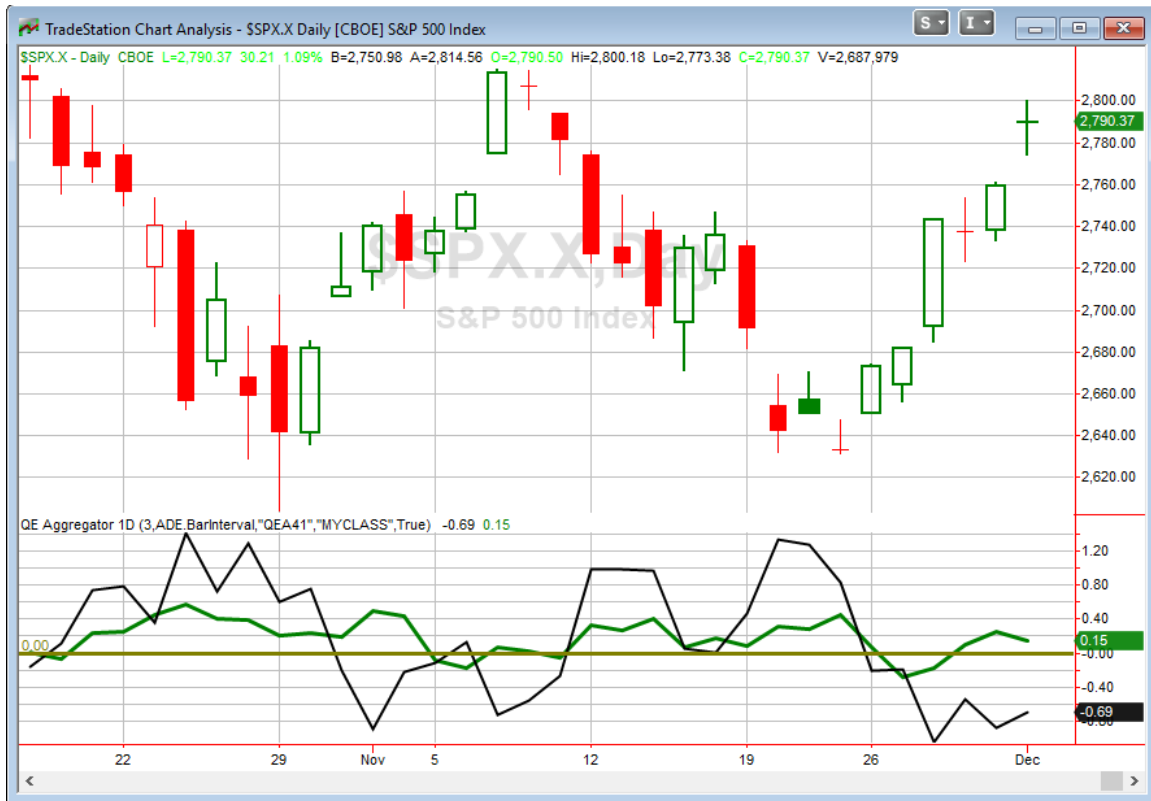
| SPX gains over 1% today and crosses over the 200ma on a closing basis. Buy SPX on close. Sell X days later. \$100k/trade. 2010 - present. | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------------------|--------------|
| TradeStation Performance Summary | | | Expand ▾ |
| All Trades | | | |
| Total Net Profit | (\$5,792.13) | Profit Factor | 0.41 |
| Gross Profit | \$4,074.89 | Gross Loss | (\$9,867.02) |
| Total Number of Trades | 24 | Percent Profitable | 25.00% |
| Winning Trades | 6 | Losing Trades | 18 |
| Even Trades | 0 | | |
| Avg. Trade Net Profit | (\$241.34) | Ratio Avg. Win:Avg. Loss | 1.24 |
| Avg. Winning Trade | \$679.15 | Avg. Losing Trade | (\$548.17) |
| Largest Winning Trade | \$1,699.32 | Largest Losing Trade | (\$3,651.96) |

The stats look quite bearish. Below is a look at the profit curve.



Though it is trying to get back on track in these last few instances, the curve is not terribly impressive. Still, for a 1-day consideration, this may be worth taking into account. And frankly, of the 1200+ studies that comprise the Quantifinder, this was amazingly the only one to trigger tonight.

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



Today 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 again 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 stayed flat at the close.

With the current active studies, expectations are slated to remain bullish on Tuesday. This could change if compelling new bearish evidence emerges. The Differential Pivot will be 2727.29 on Tuesday. That is 2.3% below Monday's close. So SPX would need to close down at least 2.3% on Tuesday in order to flip from overbought to oversold versus recent expectations.

Like last night, the Aggregator is neutral and so am I. Tonight's study suggested a decent possibility of at least a 1-day pullback. But overall evidence is still leaning long. With the market so overbought, reward/risk appears poor. So I am sidelined and awaiting the next favorable opportunity. Alert but patient.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/3– neutral

The intermediate-term outlook was last updated in the 12/3/18 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

None currently

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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