

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 12, 2018

Volume 11 Issue 239

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- SPY closing well off the highs on an up day has typically been followed by a rise in the next few days.

Short-term Outlook

The Bottom Line

The Aggregator is again bullish. I like the long side. I don't love it. New evidence Wednesday could swing me in either direction.

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						
December 10, 2018	SPX dn 3 < 200ma. 1% dn 2day > 20-low	1-4 days	Bullish			
December 7, 2018	Unfilled gap dn 2 days < 200ma	1-5 days	Bullish			
Active - Long Term						
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%
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			
Dropped Tonight						
December 11, 2018	Weak breadth 2x. Today is Monday	1 day	Bullish			
December 11, 2018	Up Issue % < 33%. SPX closes higher.	1 day	Bearish			
December 11, 2018	Big dip to long-term low reverses up	1 day	Bearish			
December 10, 2018	Dn 1.75% 2 of 3 days but > 10-low	1-2 days	Bullish			

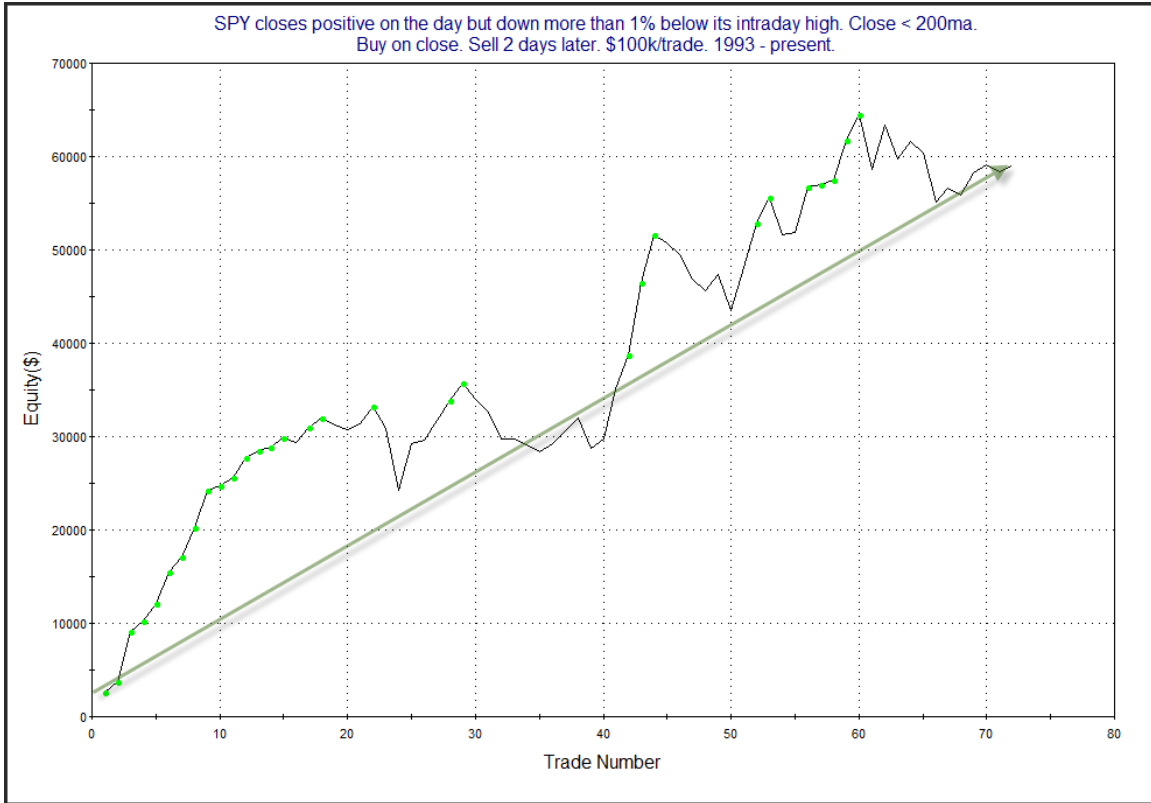
The Evidence

This market started strong on Tuesday, but then it fell apart. The SPX finished down 0.04%, the NASDAQ rose 0.2%, and the Russell 2000 dropped 0.2%. Breadth was negative as the NYSE Up Issues % was 45% and the Up Volume % came in at 41%. NYSE volume declined some from Monday's level.

From an analytical point of view, this is my least favorite kind of day – when SPY closes up slightly while SPX closes down slightly. I prefer when things line up neater. The one study that triggered in the Quantifinder tonight looked at the fact that SPY managed to close positive, but still far below its intraday high. It was last seen in the 1/22/16 letter, and has been updated below.

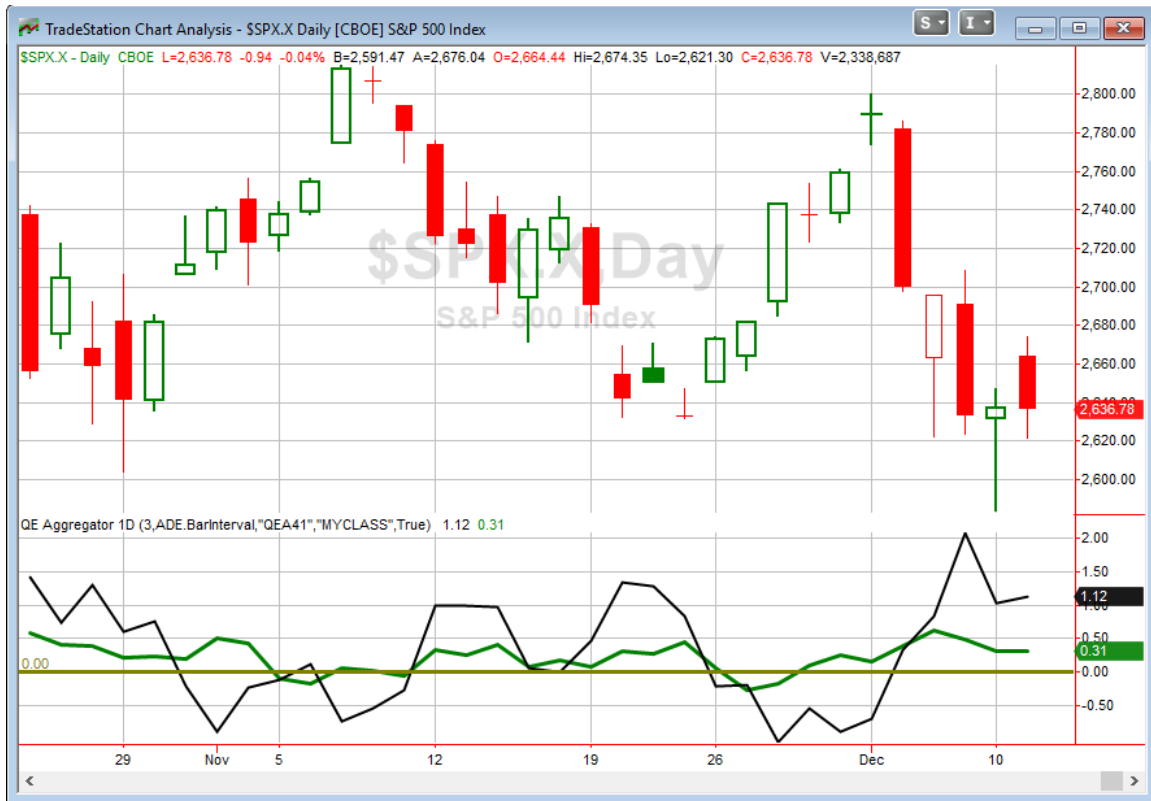
SPY closes positive on the day but down more than 1% below its intraday high. Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	45,680.03	61	34	26	55.74	3,521.23	10,362.52	-2,847.76	-6,798.84	1.24	1.62	748.85
4	37,364.15	63	37	26	58.73	3,044.00	13,286.49	-2,894.76	-11,890.58	1.05	1.50	593.08
3	44,489.43	65	38	27	58.46	2,907.15	11,878.65	-2,443.79	-9,411.08	1.19	1.67	684.45
2	58,940.43	72	48	24	66.67	2,332.78	7,717.98	-2,209.71	-6,645.06	1.06	2.11	818.62
1	27,234.63	79	47	32	59.49	1,749.77	6,926.07	-1,718.89	-5,275.75	1.02	1.50	344.74

Based on the stats table this pattern appears to suggest a solid upside edge over the next couple of days. Below I have produced an equity curve to see how the edge has played out over time.



The long-term upslope serves as some confirmation of the bullish edge. But there has been some lack of progress lately. I would still include this study on the Active List, but like I said earlier, I'm not thrilled about the higher SPY requirement barely being met on a day that the SPX closed lower. So after some deliberation, I decided to leave this study off the Active List tonight. (Note – it would not have changed the readings greatly, anyway.)

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



Tonight the green Aggregator Line once again remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile, the black Differential Line is still above 0. The positive Differential Line reading means SPX is 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. Therefore, the Aggregator signal stayed long at the close.

With the current active studies, expectations are slated to remain bullish on Wednesday. This could easily change if compelling new bearish evidence emerges. The Differential Pivot will be 2673.01 on Wednesday. That is 1.4% above Tuesday's close. So it would take a close higher of at least 1.4% on Wednesday for SPX to flip from oversold to overbought versus recent expectations.

So the Aggregator remains bullish, and with ample room to the upside, reward/risk appears favorable. I have maintained a small SPY position over the last few days. I still believe there is an upside edge and that a bounce is probable. But the market is having a tough time mounting any kind of rally, and new lows are not far away. A further breakdown is certainly a possibility. I do not find the setup compelling enough to add to my position. I will again maintain my small holding and look to see what new evidence Wednesday brings.

Intermediate-term Outlook (2 weeks – 2 months) – *updated 12/10– neutral*

The intermediate-term outlook was last updated in the 12/10/18 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
SPY(1/4)	12/7/2018	\$269.45	\$264.13	-1.97%		Aggregator

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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