

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 19, 2018

Volume 11 Issue 244

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	4

Tonight's Research Points

- Fed Days are often bullish, and this one appears to be setting up well.
- Persistently weak closes suggest a good chance of a bounce on Wednesday.
- The VIX issued a potential warning sign on Tuesday.

Short-term Outlook

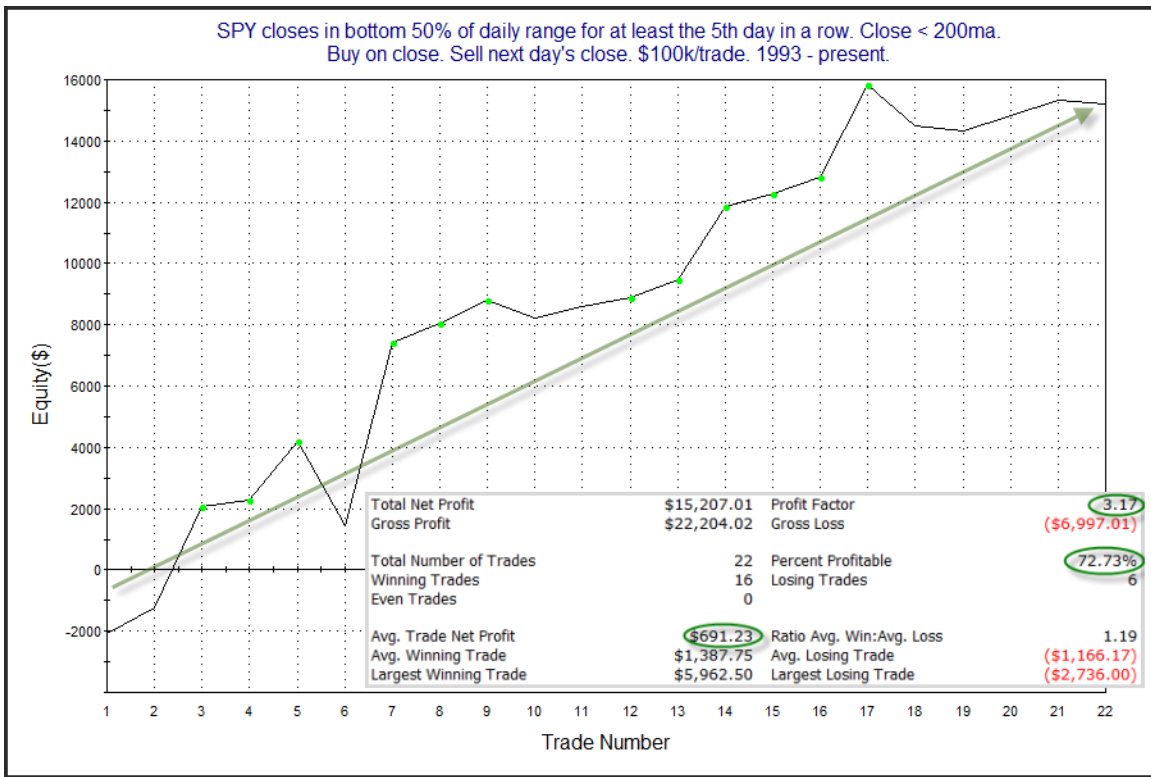
The Bottom Line

The Aggregator is bullish and there is ample room to the upside. I believe there is a good chance of a bounce in the upcoming days. I remain long.

The Evidence

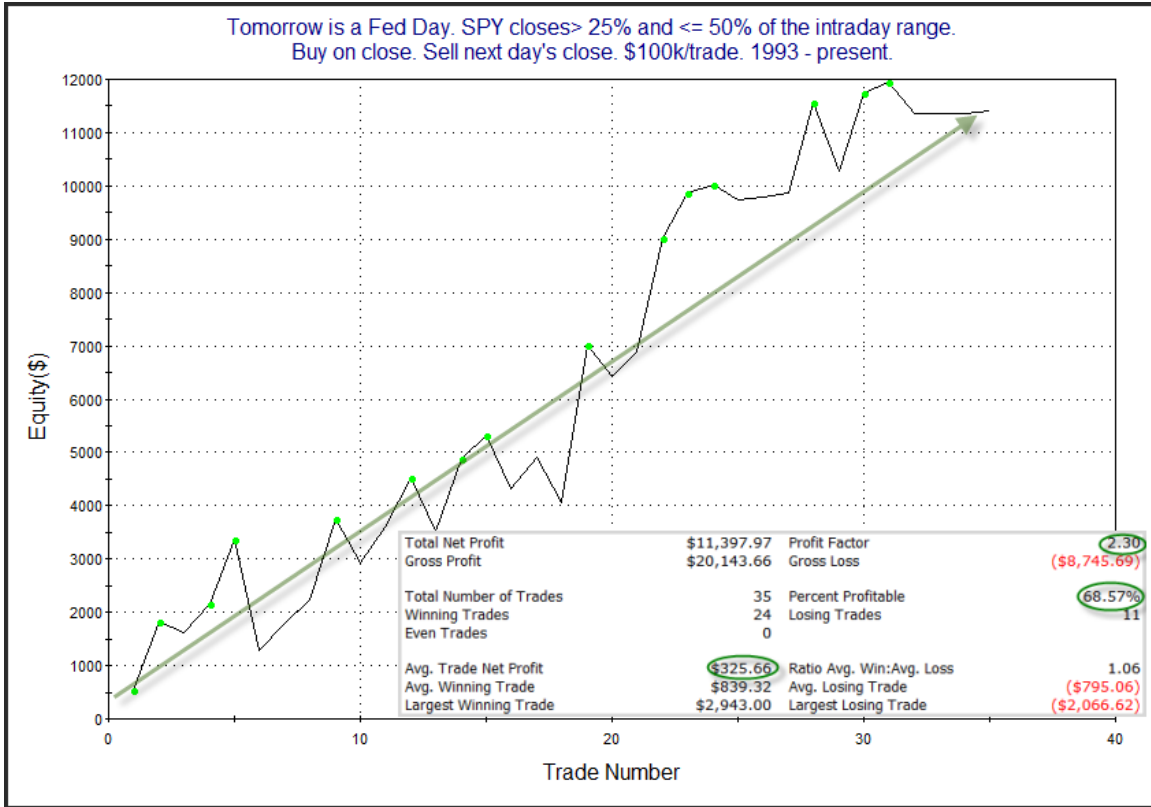
Pretty weak Turnaround Tuesday. The SPX finished up just 0.01%, the NASDAQ gained 0.45%, and the Russell 2000 fell 0.1%. Breadth was negative as the NYSE Up Issues % was 47% and the Up Volume % came in at 48%. NYSE volume declined some from Monday’s level.

The market posted another close in the bottom half of its range on Tuesday. The study below was also seen in last night’s letter. It examines consistent closes in the lower half of the daily range.



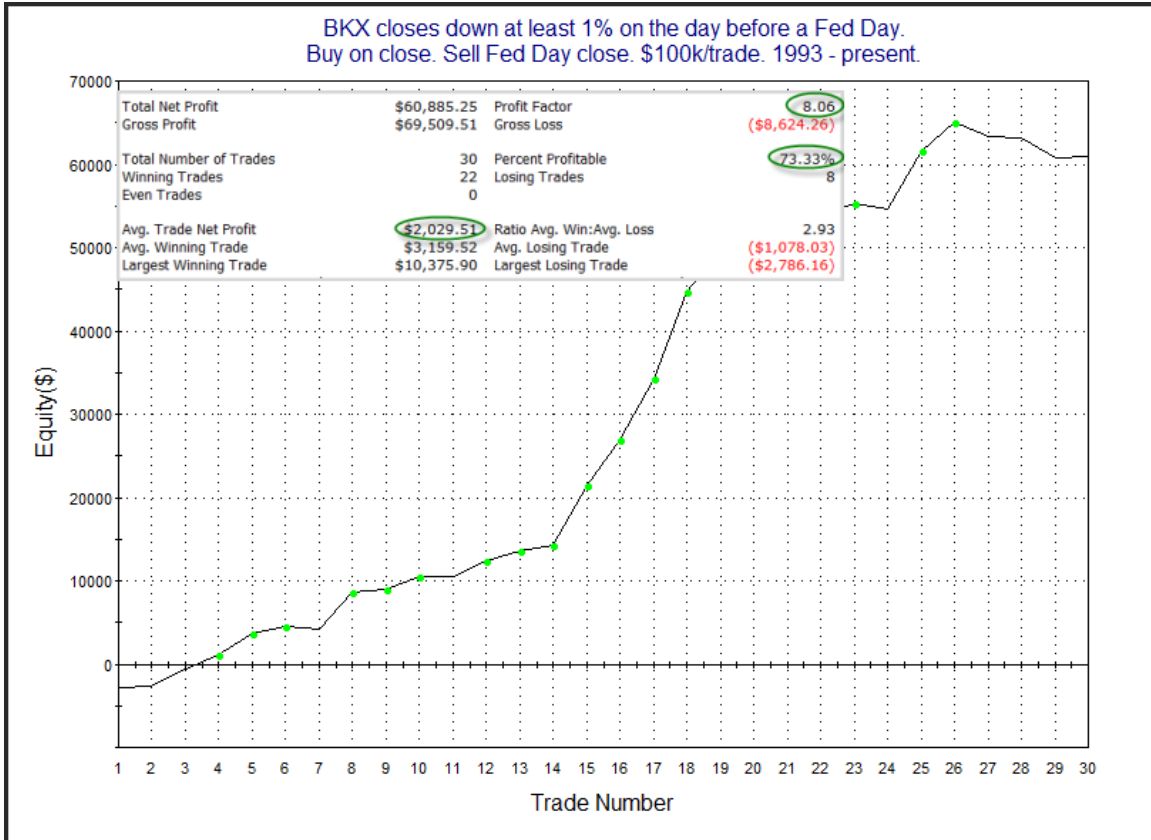
The strong numbers and fairly steady curve suggest an upside edge. I have included this on the Active List again tonight.

The weak fairly low close also triggered the Fed Day study below, which looked at Fed Day performance when the day before finished in the 3rd quartile. Last seen in the 1/30/18 letter, I have updated the stats.



The numbers and curve suggest a bullish edge for the Fed Day.

I've mentioned before that one sector that is especially sensitive to Fed Days is the banking sector (BKX). BKX closed down on Tuesday about 1.4%. The study below from the 12/13/11 letter looks at drops of 1% or more on the day before a Fed Day.



The stats and curve here also suggest an upside edge.

But not everything that appeared was bullish. In the 2/5/16 subscriber letter I showed the study below. It considered the rising VIX along with the small up close for SPX during the middle of the week. It triggered again on Tuesday and I have updated the results.

**SPX rises between 0% - 0.25% and closes < 200ma.
VIX closes up. It is Tuesday, Wednesday, or Thursday.
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	-28,811.05	14	1	13	7.14	3,503.04	3,503.04	-2,485.70	-7,204.80	1.41	0.11	-2,057.93
4	-33,978.56	14	2	12	14.29	1,409.23	2,692.32	-3,066.42	-7,745.95	0.46	0.08	-2,427.04
3	-22,026.55	14	2	12	14.29	1,811.83	2,766.72	-2,137.52	-5,299.32	0.85	0.14	-1,573.33
2	-29,669.12	14	1	13	7.14	2,317.92	2,317.92	-2,460.54	-6,672.34	0.94	0.07	-2,119.22
1	-13,245.74	15	6	9	40.00	605.28	1,214.88	-1,875.27	-3,035.25	0.32	0.22	-883.05

Instances are a little lower than I normally like, but with all but one instance lower on day 2, they demand a closer look. The list is below.

SPX rises between 0% - 0.25% and closes < 200ma.
VIX closes up. It is Tuesday, Wednesday, or Thursday.
Buy SPX on close. Sell 2 days later. \$100k/trade. 1998 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
9/29/1998	Buy	\$1,049.00	-5.97%	\$0.00
10/1/1998	Sell	\$986.40		(\$6,431.50)
3/8/2001	Buy	\$1,264.76	-6.68%	\$0.00
3/12/2001	Sell	\$1,180.30		(\$6,950.42)
5/2/2001	Buy	\$1,267.42	-0.06%	\$7.02
5/4/2001	Sell	\$1,266.60		(\$2,762.76)
11/14/2001	Buy	\$1,141.21	-0.22%	\$456.75
11/16/2001	Sell	\$1,138.65		(\$982.23)
1/10/2002	Buy	\$1,156.55	-1.57%	\$245.96
1/14/2002	Sell	\$1,138.41		(\$1,582.40)
6/4/2002	Buy	\$1,040.69	-1.11%	\$904.32
6/6/2002	Sell	\$1,029.15		(\$1,322.88)
6/8/2006	Buy	\$1,257.93	-1.71%	\$367.35
6/12/2006	Sell	\$1,236.41		(\$1,716.67)
1/15/2009	Buy	\$843.74	-4.57%	\$1,698.02
1/20/2009	Sell	\$805.22		(\$4,633.86)
7/15/2010	Buy	\$1,096.48	-2.30%	\$0.00
7/19/2010	Sell	\$1,071.25		(\$3,218.67)
8/18/2010	Buy	\$1,094.16	-2.05%	\$0.00
8/20/2010	Sell	\$1,071.69		(\$2,752.75)
8/30/2011	Buy	\$1,212.92	-0.70%	\$1,458.78
9/1/2011	Sell	\$1,204.42		(\$743.74)
12/6/2011	Buy	\$1,258.47	-1.92%	\$678.61
12/8/2011	Sell	\$1,234.35		(\$2,133.00)
7/9/2015	Buy	\$2,051.31	2.35%	\$2,369.28
7/13/2015	Sell	\$2,099.60		\$0.00
2/4/2016	Buy	\$1,915.45	-3.24%	\$0.00
2/8/2016	Sell	\$1,853.44		(\$4,523.48)
Avg Run-up: 0.6% MAX Run-up: 2.4% Avg Drawdown: 2.8%				

These results appear worth taking into account.

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



With tonight's studies considered, 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 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. It would take some very compelling new bearish evidence to change this. The Differential Pivot will be 2597.23 on Wednesday. That is 2.0% above Tuesday's close. Therefore, SPX would need to close up about 2.0% on Wednesday in order to flip from oversold to overbought versus expectations.

The market appears fairly concerned about the Fed decision on Wednesday. The good news is that once it is announced, anxiety about the announcement will be relieved. That does not mean that the reaction will be positive, but with so much built-up anxiety heading into the announcement, the post-announcement relief will often lead to a rally. And we have a fair amount of non-Fed evidence also saying a bounce is due. Of course the VIX study tonight is a bit troubling. But overall, things are looking up. I believe there is a bullish edge, and I have some long index exposure looking to take advantage of it.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 12/17– neutral***

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

OpenCatapult Triggers

EMR – 1/3 @ \$58.72 (bought @ limit)

New

EMR – 1/3 @ \$58.49 (buy @ limit)

SLB – 1/3 @ \$37.84 (buy @ limit)

FOXA – 1/3 @ \$48.78 (buy @ limit)

Broad Market Large Cap CBI – 4(EMR-2, SLB, FOXA)

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.

EMR – buy 1/3 Catapult position @ \$58.49 LIMIT. This is from the Catapult & CBI section above. It is the 2nd of up to 3 possible positions for EMR.

SLB – buy 1/3 Catapult position @ \$37.84 LIMIT. This is from the Catapult & CBI section above. It is the 1st of up to 3 possible positions for SLB.

FOXA – buy 1/3 Catapult position @ \$48.78 LIMIT. This is from the Catapult & CBI section above. It is the 1st of up to 3 possible positions for FOXA.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
ALL(1/3)	12/17/2018	\$79.17	\$81.51	2.96%		<i>sell on open</i>
SPY(1/4)	12/17/2018	\$259.40	\$255.08	-1.67%		<i>See below</i>
EMR(1/3)	12/18/2018	\$58.72	\$58.49	-0.39%		bought @ limit
IWM(1/4)	12/18/2018	\$136.85	\$136.85	0.00%		bought on close

I will sell SPY on close if SPX closes \geq 2597.23 (the Differential Pivot).

ALL reached its profit target and will be sold at the open on Wednesday.

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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