

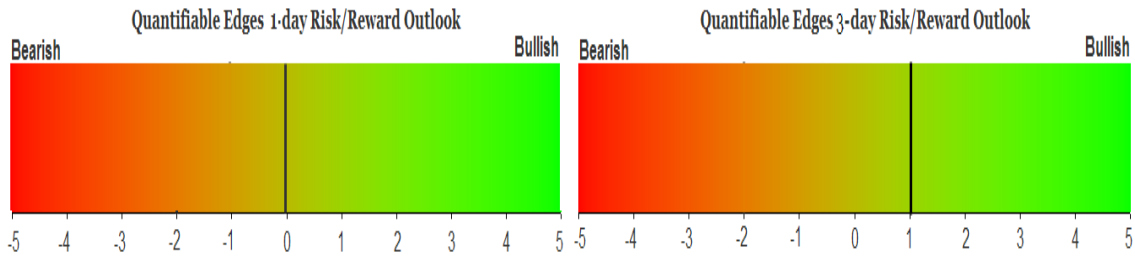
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 2, 2018

Volume 12 Issue 1

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	12

Tonight's Research Points

- Turn of the month is often bullish, but not during downtrending markets.
- The narrow range above the 10ma and below the 200ma on Monday suggest a possible bearish edge.
- The CBI dropped from 15 to 12 on Monday.

Short-term Outlook

The Bottom Line

Evidence is mixed, though it still leans towards a further bounce in the coming days. There is not a great amount of clarity with an overall edge.

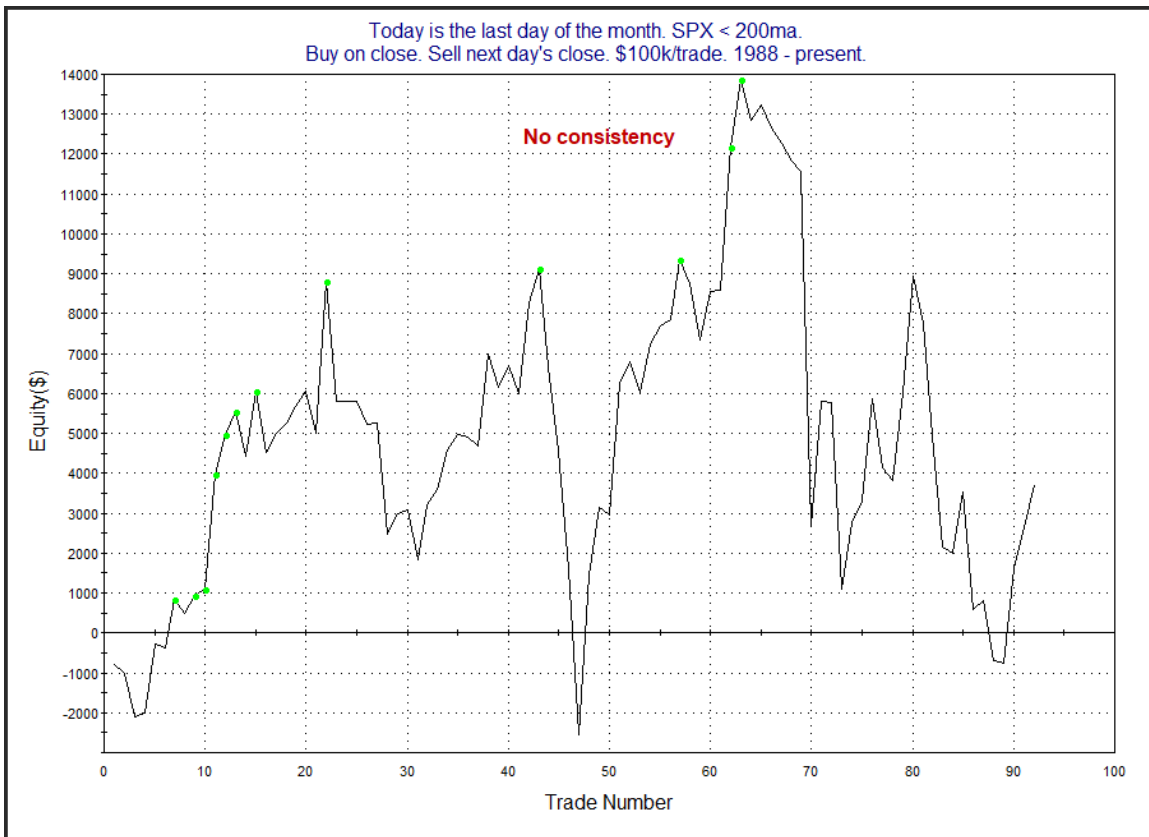
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
January 2, 2019	Low range 20-days. SPY >10 <200ma	1-2 days	Bearish			
December 27, 2018	100-low cls yest. 5th low low, then up 1%	1-4 days	Bullish			
December 27, 2018	Dn 1% to 50-low yest. Up 2day > 2 ago	1-5 days	Bullish			
December 24, 2018	SPX down 1.5% for 3 days	1-8 days	Bullish			
Active - Long Term						
December 21, 2018	CBI 10+. SPX 50-day low.	1-18 days	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			

The Evidence

Monday saw a down year finish on a up note. The SPX closed up 0.8%, the NASDAQ rose 0.8%, and the Russell 2000 also rallied 0.8%. Breadth was positive as the NYSE Up Issues % was 71% and the Up Volume % came in at 66%. NYSE volume declined some from Friday's level.

Wednesday is the 1st trading day of the year (and the month). New months have generally shown a tendency to start with an up day. But that tendency has really only played out when the market is in an uptrend. I showed the study below in the 9/1/15 letter and have updated it.

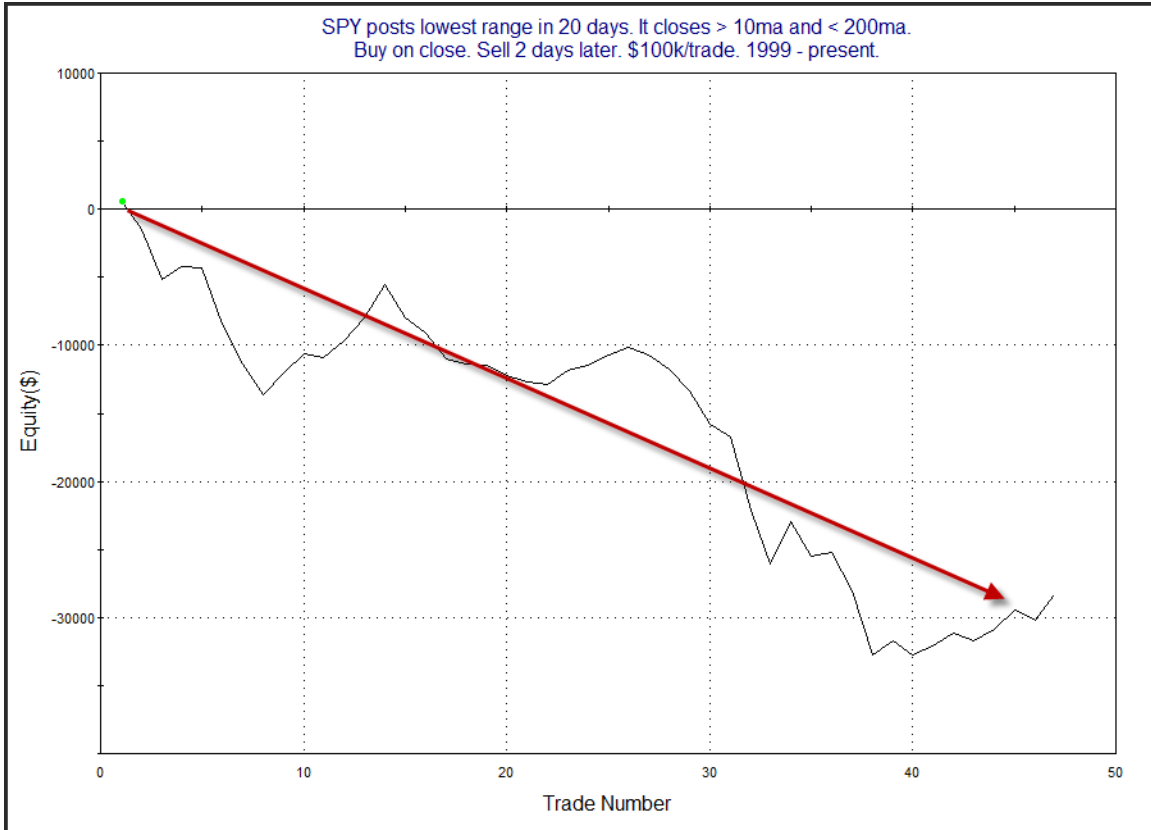


That is not an appealing curve. An account balance that moves like that might also cause an EKG to move like that. No thanks.

There were several studies that looked at the low range day and the fact that the SPY is below its 200ma. Most of them had somewhat questionable recent results. The one below was from the 10/12/11 letter. It was perhaps the most compelling of the bunch, though it too has not persisted great as of late.

SPY posts lowest range in 20 days. It closes > 10ma and < 200ma.
Buy on close. Sell X days later. \$100k/trade. 1999 - present.

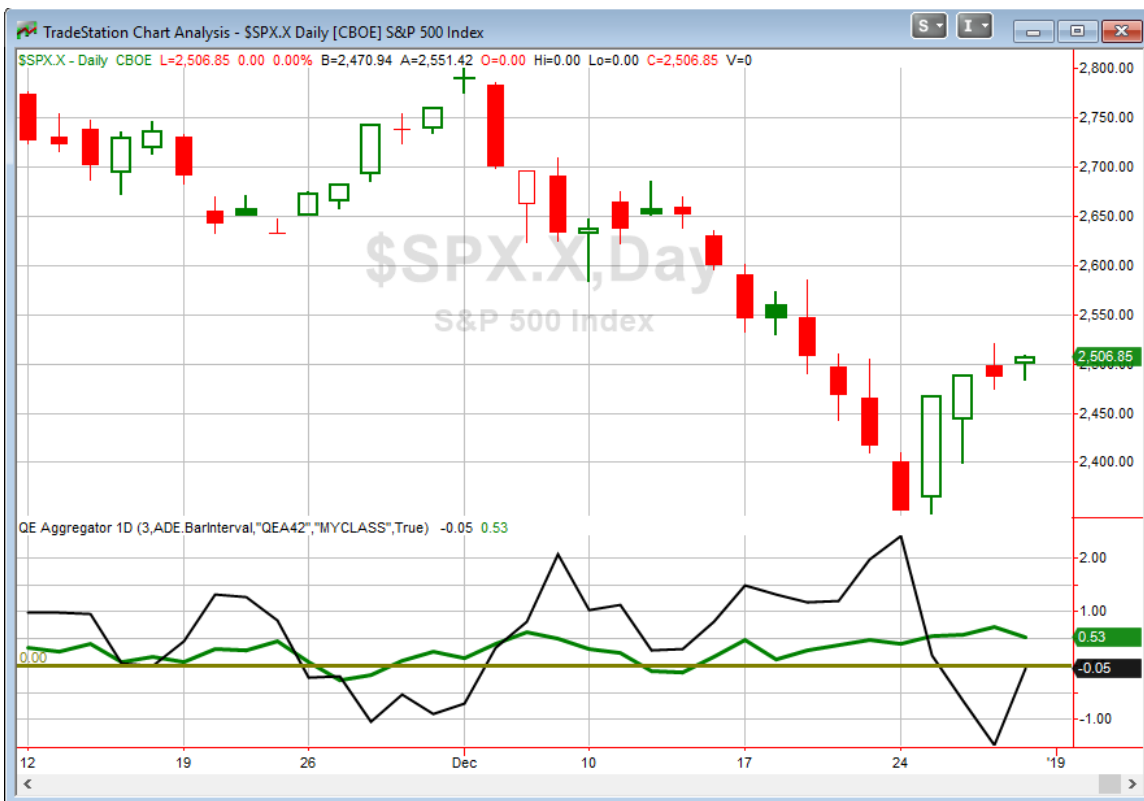
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-31,031.88	40	18	22	45.00	1,548.90	5,272.34	-2,677.82	-9,046.24	0.58	0.47	-775.80
4	-33,877.66	42	19	23	45.24	1,177.29	2,867.80	-2,445.49	-7,118.52	0.48	0.40	-806.61
3	-22,291.80	43	20	23	46.51	1,447.37	3,254.86	-2,227.79	-6,431.25	0.65	0.56	-518.41
2	-28,298.13	47	19	28	40.43	1,222.30	3,112.40	-1,840.06	-5,350.20	0.66	0.45	-602.09
1	-18,340.86	50	22	28	44.00	1,076.37	3,395.70	-1,500.75	-8,857.80	0.72	0.56	-366.82



The numbers suggest a downside edge. And the curve seems to confirm, but it has turned up some lately. I have included this study on the Active List tonight, but I am very close to suspending it from consideration in the future if the profit curve does not turn back down soon.

I will also note that the CBI dropped from 15 to 12 on Monday. Twelve is still a high number, and it suggests that there is still bounce left in individual issues (and the broad market as a whole). But it really does not appear it will take much to see that reading drop from 12 to 3 or lower. A moderate rally in several of the symbols with current open triggers could easily mean an exit trigger for that signal. I may send out an intraday update on Wednesday if I am seeing a big drop. Otherwise, subscribers can always check the CBI widget on the website, on the Quantifinder pages or the Catapult & CBI Systems page. It is updated about 3:51pm EST each day. (Note, if your browser is showing an old date on this widget you may need to do a hard refresh of your browser cache – in Chrome this just means hitting CTRL-F5 – and it should update.)

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



Despite the bearish study 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 remained just barely 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 sides of zero. Therefore, the Aggregator signal stayed flat at the close.

With the current active studies, expectations are slated to remain bullish on Wednesday. It would take very compelling new bearish evidence to change this. The Differential Pivot will be *inverted at 2527.37* on Wednesday. That is 0.8% *above* Monday's close. An inverted pivot means that the Differential Line will cross through 0 if SPX closes flat. In this case, SPX is going to need to close up at least 0.8% in order to remain overbought vs recent expectations. Anything less than that and it will be considered oversold as of Wednesday's close.

So we are again looking at a neutral Aggregator. And despite the market being up so much over the last few days, it could easily manage to finish Wednesday "oversold" versus recent (strongly bullish) expectations. The CBI remains bullish as well, though as I note above, that could drop quickly. I currently have a small long position that I will be looking to exit if the CBI drops down to a more neutral state. It is difficult to have great visibility and great confidence when the market has popped so strongly, yet it is coming off such an extremely oversold condition as we saw Christmas Eve. I will likely be playing new trades quite conservatively until I have a bit more conviction about both the short and intermediate-term market outlook.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/31– neutral

The intermediate-term outlook was last updated in the 12/31/18 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

SLB – 1/3 @ \$37.84 (bought @ limit)
SLB – 1/3 @ \$37.79 (bought @ limit)
AGN – 1/3 @ \$136.56 (bought @ limit)
SLB – 1/3 @ \$36.20 (bought @ limit)
RTN – 1/3 @ \$157.95 (bought @ limit)
AGN – 1/3 @ \$135.63 (bought @ limit)
RTN – 1/3 @ \$151.52 (bought @ limit)
AGN – 1/3 @ \$131.46 (bought @ limit)
HAL – 1/3 @ \$25.85 (bought @ limit)
HAL – 1/3 @ \$25.14 (buy @ limit)
RTN – 1/3 @ \$146.67 (buy @ limit)
USB – 1/3 @ \$43.76 (buy @ limit)

Broad Market Large Cap CBI – 12(SLB-3, AGN-3, RTN-3, HAL-2, USB)

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 Pri	% Gain/Los	Stop	Notes
SPY(1/4)	12/17/2018	\$259.40	\$249.92	-3.65%		Aggregator
FOXA(1/3)	12/19/2018	\$48.78	\$48.18	-1.23%		<i>sold on open</i>
SLB(1/3)	12/19/2018	\$37.84	\$36.08	-4.65%		Catapult
SLB(1/3)	12/20/2018	\$37.34	\$36.08	-3.37%		Catapult
AGN(1/3)	12/20/2018	\$135.00	\$133.66	-0.99%		Catapult
SLB(1/3)	12/21/2018	\$35.47	\$36.08	1.72%		Catapult
AGN(1/3)	12/21/2018	\$135.20	\$133.66	-1.14%		Catapult
C(1/3)	12/21/2018	\$51.90	\$51.98	0.15%		<i>sold on open</i>
FOXA(1/3)	12/21/2018	\$48.00	\$48.18	0.37%		<i>sold on open</i>
KHC(1/3_	12/21/2018	\$44.85	\$42.91	-4.33%		<i>sold on open</i>
RTN(1/3)	12/21/2018	\$151.01	\$153.35	1.55%		Catapult
C(1/3)	12/24/2018	\$49.40	\$51.98	5.22%		<i>sold on open</i>
FOXA(1/3)	12/24/2018	\$46.90	\$48.18	2.73%		<i>sold on open</i>
KHC(1/3_	12/24/2018	\$44.05	\$42.91	-2.59%		<i>sold on open</i>
RTN(1/3)	12/24/2018	\$150.15	\$153.35	2.13%		Catapult
AGN(1/3)	12/24/2018	\$129.99	\$133.66	2.82%		Catapult
HAL(1/3)	12/24/2018	\$25.61	\$26.58	3.79%		Catapult
OXY(1/3)	12/24/2018	\$59.42	\$61.38	3.30%		<i>sell on open</i>
AAPL(1/3)	12/26/2018	\$146.83	\$157.74	7.43%		<i>sell on open</i>
C(1/3)	12/26/2018	\$49.26	\$51.98	5.52%		<i>sold on open</i>
FDX(1/3)	12/26/2018	\$152.70	\$159.56	4.49%		<i>sold on open</i>
HAL(1/3)	12/26/2018	\$25.14	\$26.58	5.73%		Catapult
HON(1/3)	12/26/2018	\$124.83	\$131.56	5.39%		<i>sold on open</i>
KHC(1/3)	12/26/2018	\$42.54	\$42.91	0.87%		<i>sold on open</i>
OXY(1/3)	12/26/2018	\$57.11	\$61.38	7.48%		<i>sell on open</i>
RTN(1/3)	12/26/2018	\$146.67	\$153.35	4.55%		Catapult
USB(1/3)	12/26/2018	\$43.76	\$45.70	4.43%		Catapult

AAPL and OXY reached their exit triggers and will be sold at the open on Wednesday. Several more could reach their exit targets on Wednesday.

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