

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 15, 2018

Volume 12 Issue 10

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- Turnaround Tuesday suggests Tuesday could be an up day.
- The low volume and tight range on Monday suggest a possible downside edge.

Short-term Outlook

The Bottom Line

The Aggregator is again bearish I am moderately bearish as well.

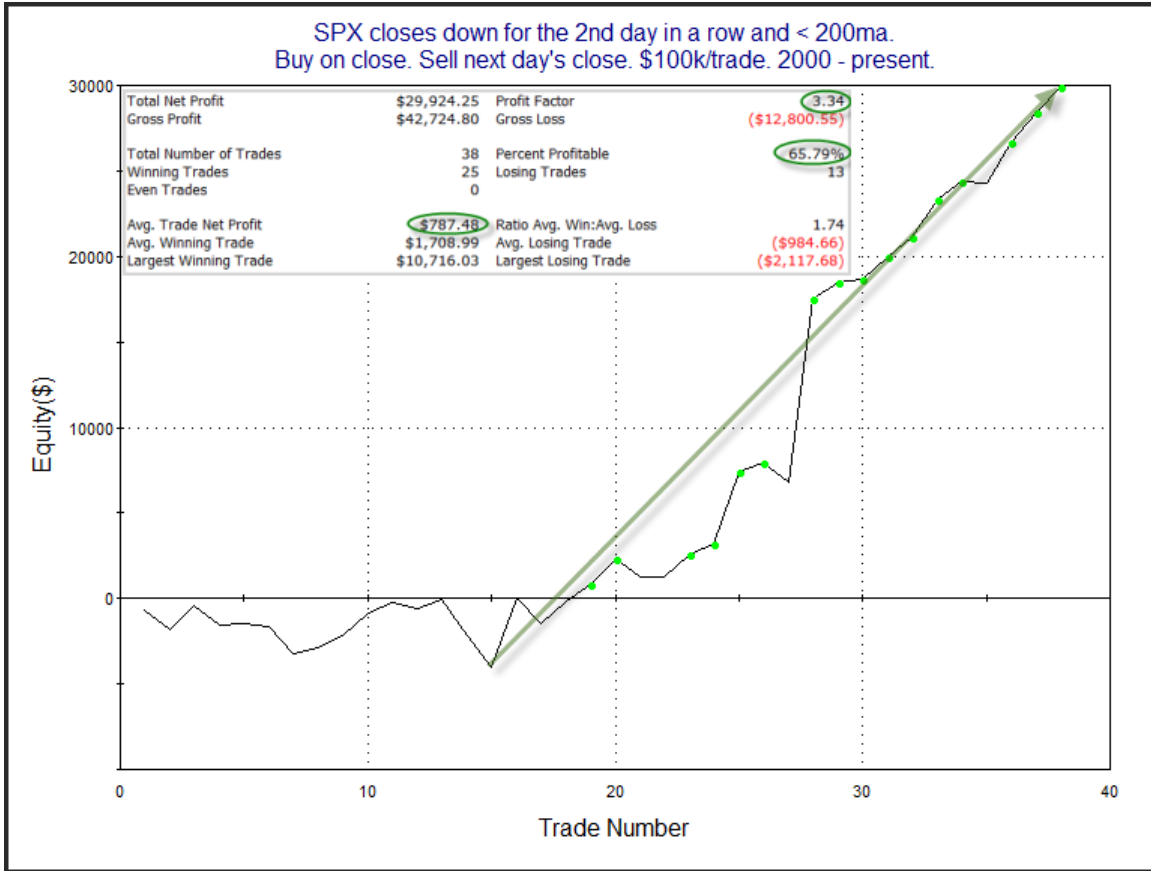
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
January 14, 2019	Jan Opex Week Weak	1-5 days	Bearish			
January 14, 2019	3/10 Offset HV low. RSI2>90. < 200	1-2 days	Bearish			
January 9, 2019	SPY up 3. Low rng 5. < 200ma	1-5 days	Bearish			
January 8, 2019	Zweig Thrust	1-6 days	Bullish	3.70%	-1.45%	-2.50%
January 8, 2019	SPX up VIX up. Monday. SPX < 200ma	1-5 days	Bearish			
January 8, 2019	Up Iss > 70% 2 days. 10-high < 200	1-5 days	Bearish			
Active - Long Term						
January 9, 2019	Up Iss > 70% 3 days.	1-85 days	Bullish			
January 9, 2019	SPY up 3. SPY volume dn 3. < 200	1-20 days	Bearish			
January 8, 2019	Zweig Thrust	1-20 days	Bullish	7.50%	-1.45%	-2.50%
January 2, 2019	NASDAQ Leading	int term	Bullish			
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

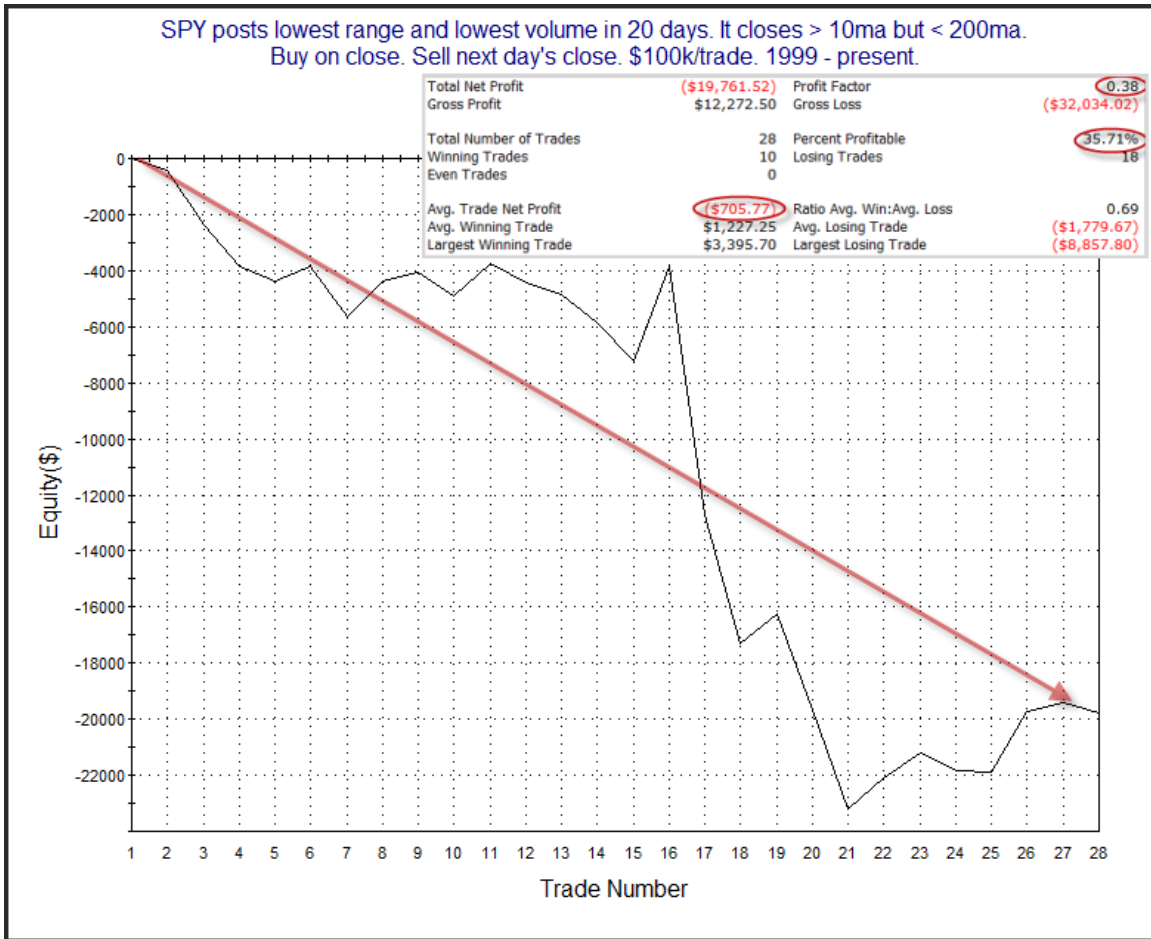
Monday saw some actual selling, with the major indices all closing lower (but generally not as low as they opened the day). The SPX finished the day down 0.5% the NASDAQ lost 0.9%, and the Russell 2000 fell 1.0%. Breadth was negative as the NYSE Up Issues % was 35% and the Up Volume % came in at 44%. NYSE volume came in at the lightest level in a while.

Monday was the 2nd down day in a row for SPX. I have discussed many times in the past that when the market is pulling back, Tuesday has generally been the best day of the week to mount a bounce. In the 11/16/15 letter I looked at times the SPX was trading below its 200ma and it closed down exactly 2 days in a row going into a Tuesday. I have updated the results of that study below.

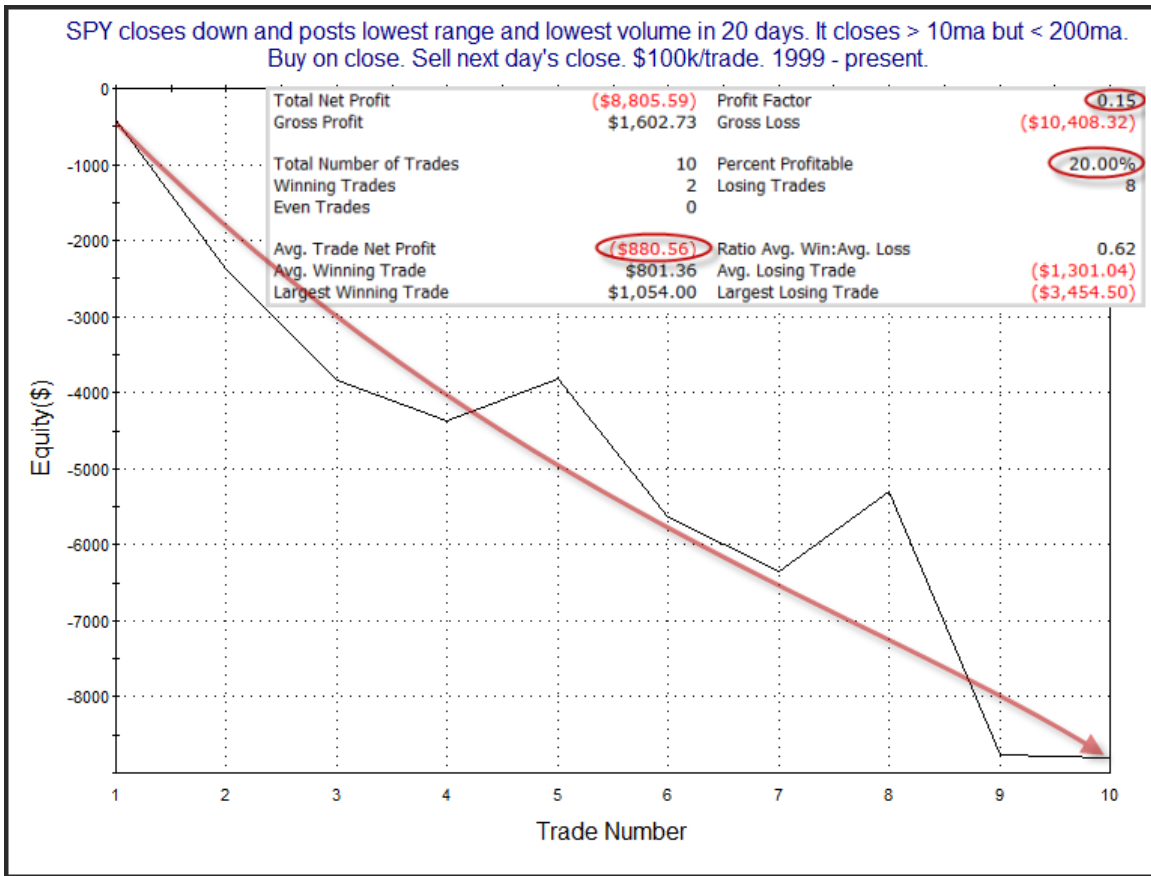


The numbers are strong. And the curve shows that the edge has been especially strong over the last 20 or so instances (since mid-2002). This study seems to be worth some consideration.

But the price action in SPY did not confirm the bullish edge. The very low volume and very tight range are indicative of a possible decline the next day. Below is a study from the 10/12/11 letter that demonstrates this.

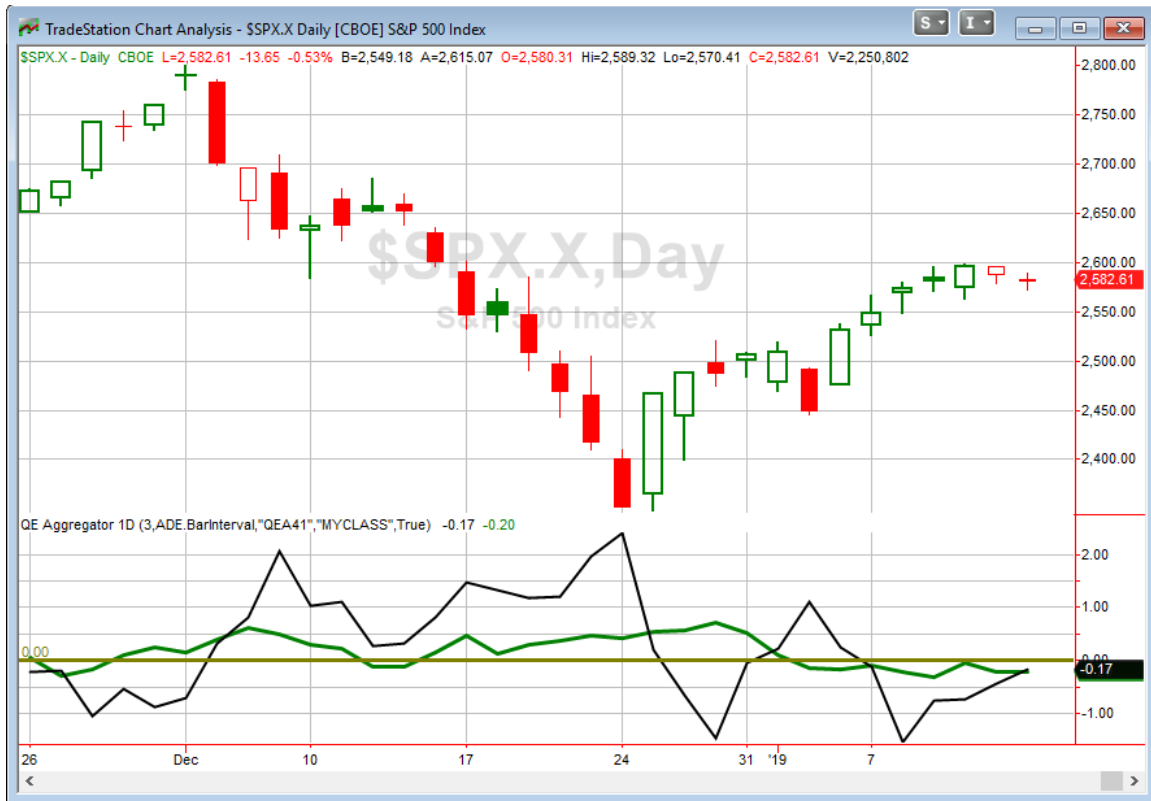


The numbers are compelling for the bearish case, but the curve appears quite choppy, and has floundered a bit lately. I also noted tonight that despite closing in the upper end of the short-term range, SPY did close down on the day. So I added the “down close” as an additional filter.



Instances here are low for my taste, but the indications so far are that the extra filter would make the previous study even more bearish. I have decided the previous study is worth consideration and have added it to the Active List.

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



With tonight's mix of studies considered the green Aggregator Line held below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile, the black Differential Line also remained below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator signal stayed short at the close.

With the current list of active studies, expectations are slated to remain bearish on Tuesday. But many of the studies are set to expire on Tuesday, and new bullish evidence could change expectations. The Differential Pivot will be 2581.93 on Tuesday. That is less than 1 point below Monday's close. So SPX will only need to close down about 1 point in order to flip from overbought to oversold versus expectations on Tuesday.

The Aggregator is again bearish. And that is where there appears to be an edge. But the edge is somewhat tenuous. New evidence could easily change expectations, and even a very small decline would turn the SPX oversold. So the Aggregator could finish bearish, neutral, or bullish tomorrow. I have a small short position at the moment. I am not inclined to add to it. But if SPX closes down and below the Differential Pivot on Tuesday, then I will look to take profits near the close.

Intermediate-term Outlook (2 weeks – 2 months) – updated 1/14– somewhat bullish

The intermediate-term outlook was last updated in the 1/14/19 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(s)(1/4)	1/9/2019	\$257.56	\$257.40	0.06%		Aggregator

I will cover my SPY short position on the close if SPX closes <= 2581.93.

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