

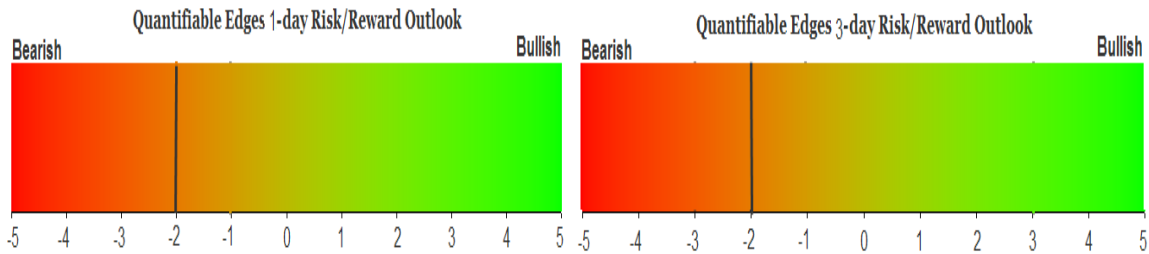
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 16, 2018

Volume 12 Issue 11

Market Overview



Signals Overview

Aggregator	CBI Reading
Short	0

Tonight's Research Points

- SPY at a 20-day high below the 200ma is often followed by a .

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 16, 2019	SPY 20-high < 200ma	1-2 days	Bearish			
January 14, 2019	Jan opex week weak	1-5 days	Bearish			
Active - Long Term						
January 9, 2019	Up Issues > 70% for 3 days	1-85 days	Bullish			
January 9, 2019	SPY up 3 < 200. SPY volume dn 3.	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			

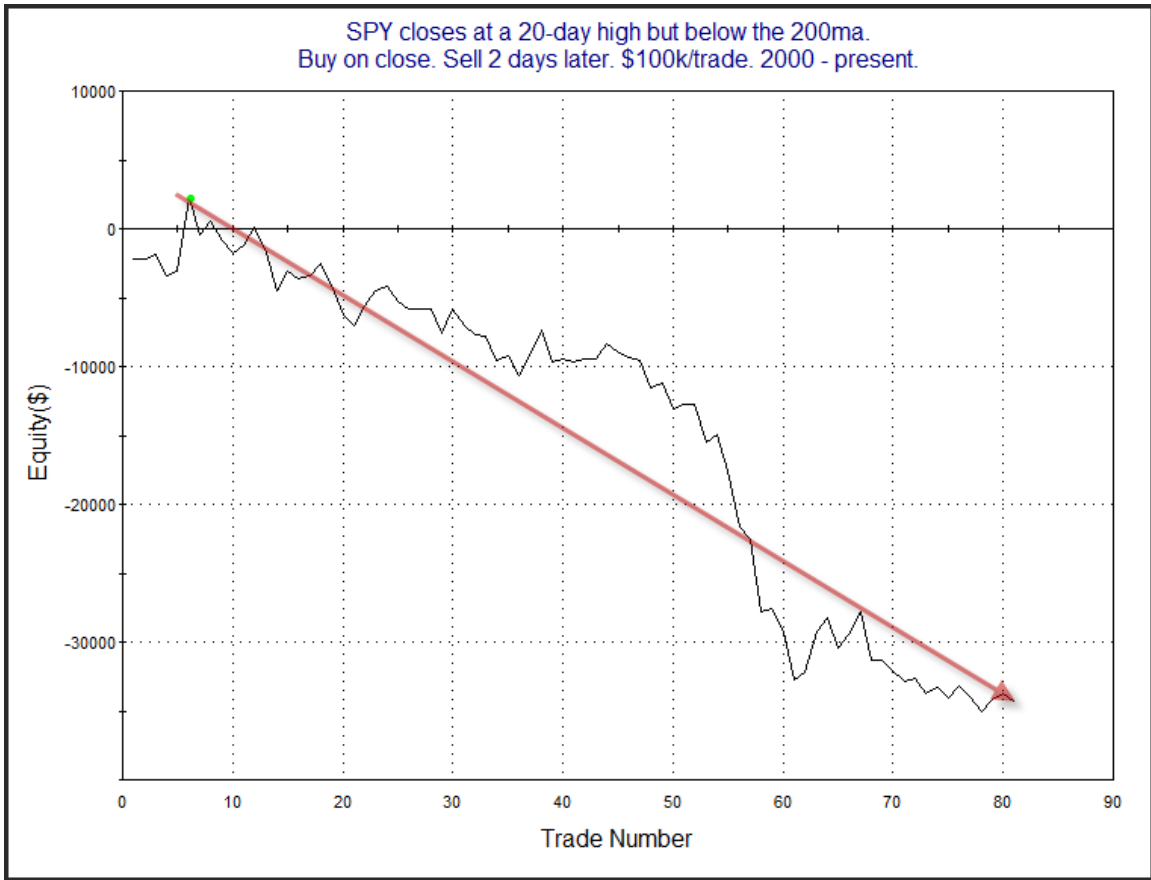
The Evidence

The market rally continued on Tuesday with strong gains across the board. The SPX finished the day up 1.1% the NASDAQ rose 1.7%, and the Russell 2000 gained 0.9%. Breadth was positive as the NYSE Up Issues % was 63% and the Up Volume % came in at 59%. NYSE volume rose slightly from Monday.

A theme we keep seeing in the Quantifinder is that the market is short-term overbought in a long-term downtrend. And that typically leads to a pullback in the following days. To this point “overbought” has not mattered. One reason for that is the market was so oversold, and breadth was so strong coming off the bottom. This has turned the intermediate-term outlook to somewhat bullish. But short-term has been overrun as well. Tuesday’s rally bucked some bearish studies and triggered yet another one. Overbought has not mattered yet, but at some point soon, it should. The study below was from the 10/19/15 letter.

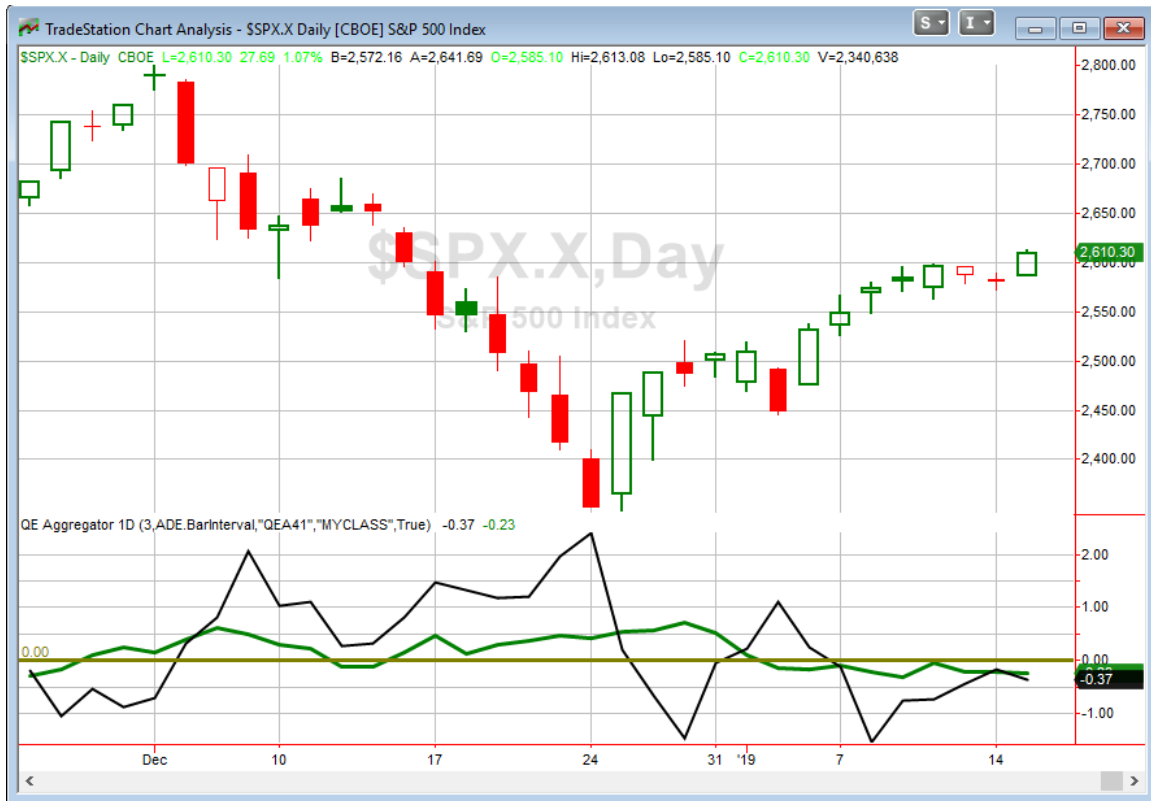
SPY closes at a 20-day high but below the 200ma. Buy on close. Sell X days later. \$100k/trade. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-9,876.30	50	27	23	54.00	1,569.49	5,434.00	-2,271.85	-6,223.36	0.69	0.81	-197.53
4	-13,396.99	56	27	29	48.21	1,477.65	5,718.80	-1,837.71	-5,244.16	0.80	0.75	-239.23
3	-27,720.07	66	26	40	39.39	1,565.19	4,331.15	-1,710.38	-5,133.72	0.92	0.59	-420.00
2	-34,358.20	81	36	44	44.44	913.44	5,354.82	-1,528.23	-5,196.96	0.60	0.49	-424.18
1	-27,432.11	114	51	63	44.74	723.87	3,972.12	-1,021.42	-4,190.20	0.71	0.57	-240.63

The 1-month high while the market is below the 200ma has typically been followed by a dip in the next 1-2 days. Below is a look at a 2-day profit curve.



The strong, steady downslope serves as some confirmation of the bearish edge suggested by the numbers. Overbought and overdue a pullback, the odds continue to point down despite the recent moves up.

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



With tonight's study 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 Wednesday. Of course this could change if compelling new bullish evidence emerges. The Differential Pivot will be 2581.25 on Wednesday. That is 1.1% below Tuesday's close. So SPX will need to close down at least 1.1% on Wednesday in order to turn from overbought to oversold vs expectations.

So the Aggregator is bearish and there again appears to be a short-term bearish edge. And as I mentioned earlier, while that has not mattered yet, at some point I believe it will. I am still maintaining a small short position. I am not inclined to up my exposure at this point. I'll hold firm on my current lot in anticipation of a pullback in the coming days.

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	\$260.35	-1.08%		Aggregator

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