

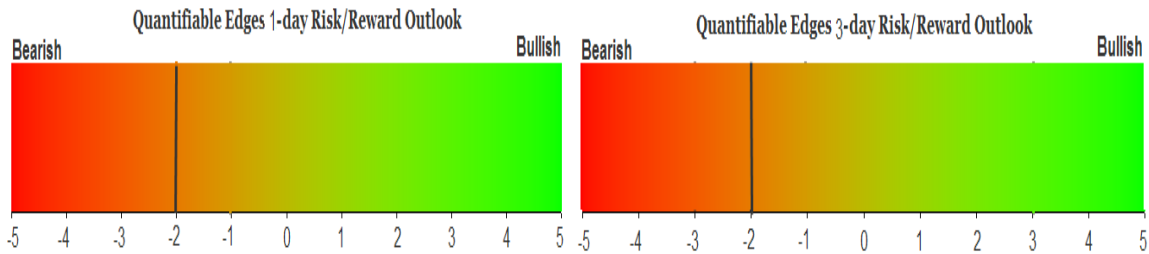
# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 18, 2018

Volume 12 Issue 13

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Short	0

## Tonight's Research Points

- 3 up days and a 20-day high under the 200ma is typically followed by a dip.
- 3 days of strong NASDAQ breadth are often followed by a down day.

## *Short-term Outlook*

### *The Bottom Line*

The Aggregator is bearish and so am I...again.

*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
<b>Active - Short Term</b>						
January 18, 2019	NASDAQ breadth 3:2 up 3x	1 day	Bearish			
January 18, 2019	SPY 3 days up 20-high < 200ma	1-2 days	Bearish			
January 17, 2019	SPX up < 0.25% & < 200. VIX up midwk.	1-2 days	Bearish			
January 14, 2019	Jan opex week weak	1-5 days	Bearish			
<b>Active - Long Term</b>						
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			

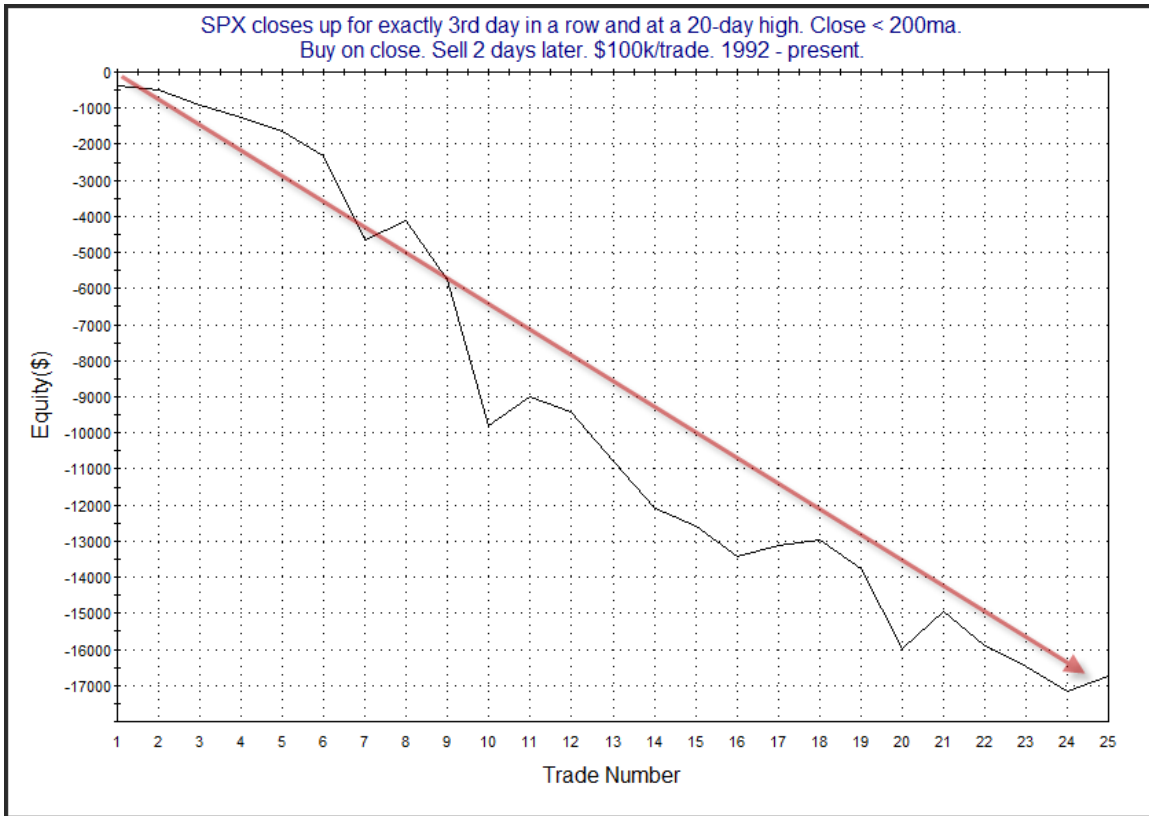
**The Evidence**

More gains on Thursday. The SPX finished the day up 0.8% the NASDAQ rose 0.7%, and the Russell 2000 gained 0.9%. Breadth was positive as the NYSE Up Issues % was 70% and the Up Volume % came in at 69%. NYSE volume rose some from Wednesday.

A theme we keep seeing in the Quantifinder is that the market is short-term overbought in a long-term downtrend. Tonight we are seeing once again. Several studies triggered looking at 3 consecutive up days, and others that looked at the 20-day high. I decided to combine those concepts and came up with the study below.

SPX closes up for exactly 3rd day in a row and at a 20-day high. Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 1992 - 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	-15,090.05	23	10	13	43.48	1,185.90	2,639.42	-2,073.00	-4,435.15	0.57	0.44	-656.09
4	-11,980.35	25	11	14	44.00	1,215.35	2,440.31	-1,810.66	-4,272.80	0.67	0.53	-479.21
3	-19,916.63	25	8	17	32.00	1,088.46	2,401.60	-1,683.78	-4,034.70	0.65	0.30	-796.67
2	-16,759.72	25	6	19	24.00	533.53	1,039.50	-1,050.57	-4,033.80	0.51	0.16	-670.39
1	-12,252.48	25	8	17	32.00	482.93	1,111.50	-947.99	-4,241.94	0.51	0.24	-490.10

As with the separate studies, this also suggests a downside edge over the next few days. Below is a look at the 2-day profit curve, since most of the downside was seen in the 1<sup>st</sup> 2 days.



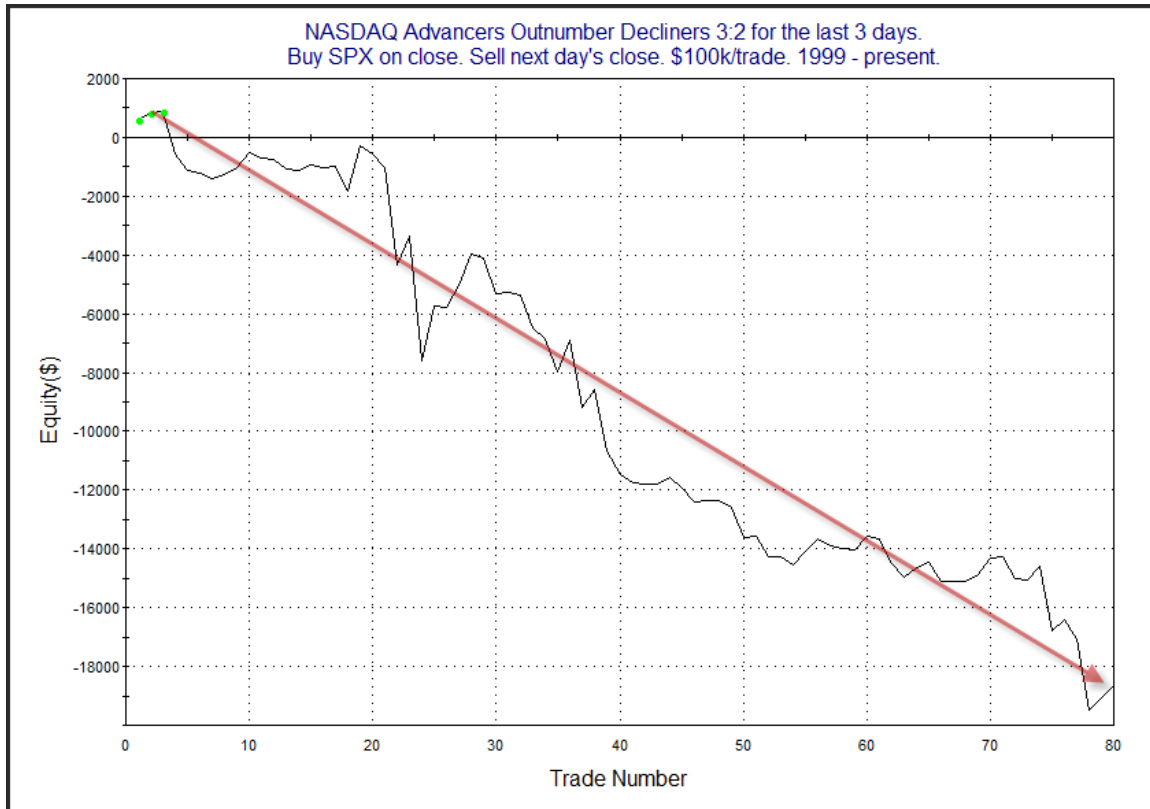
The strong, steady downslope serves as some confirmation of the bearish edge suggested by the numbers. Overbought and overdue a pullback, the odds seem to continue to point down.

The one below looks at NASDAQ breadth, and also suggests bearish implications. It last appeared in the 1/3/19 letter and has been updated.

NASDAQ Advancers Outnumber Decliners 3:2 for the last 3 days.  
Buy SPX on close. Sell next day's close. \$100k/trade. 1999 - present.

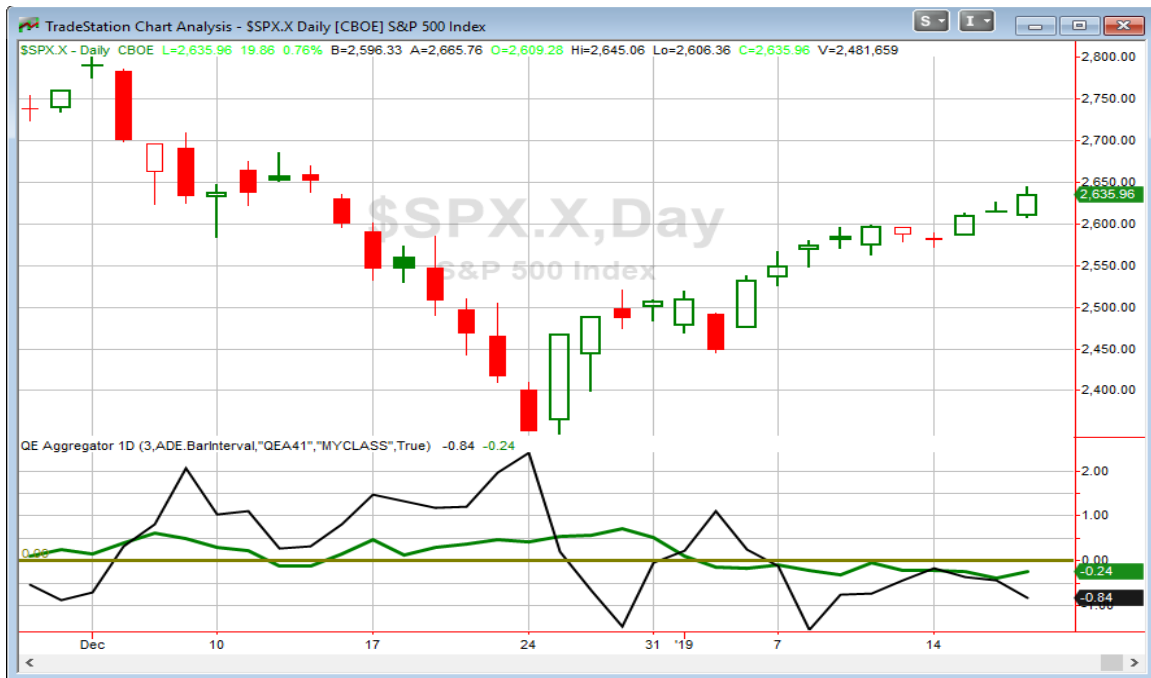
TradeStation Performance Summary <span style="float: right;">Expand ▾</span>			
All Trades			
Total Net Profit	(\$18,634.15)	Profit Factor	0.44
Gross Profit	\$14,578.88	Gross Loss	(\$33,213.03)
Total Number of Trades	80	Percent Profitable	42.50%
Winning Trades	34	Losing Trades	46
Even Trades	0		
Avg. Trade Net Profit	(\$232.93)	Ratio Avg. Win:Avg. Loss	0.59
Avg. Winning Trade	\$428.79	Avg. Losing Trade	(\$722.02)
Largest Winning Trade	\$1,857.24	Largest Losing Trade	(\$4,241.94)

The numbers are compelling for the bears. Below is a profit curve.



The strong, long-term downslope is impressive. This study appears worth consideration, and I have again put it on the Active List.

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 Friday. Of course this could change if compelling new bullish evidence emerges. The Differential Pivot will be 2593.19 on Friday. That is 1.6% below Thursday's close. So SPX will need to close down at least 1.6% on Friday in order to turn from overbought to oversold vs expectations.

The market is short-term overbought in a longer-term downtrend, we are in the midst of a bearish seasonal week, the VIX is signaling possible trouble, and the NASDAQ breadth the last few days is suggesting Friday could be tough. Almost everything I am seeing is pointing towards a short-term downside edge. Bearish evidence continues to mount, and the market continues to rise against it. As I stated last night... *the bearish evidence has not mattered yet. At some point it will. I have a small short position. I considered adding to it tonight. And if the market was not experiencing a massive breadth thrust off a potential major bottom then I likely would be adding more to my short position. But that has turned my intermediate-term outlook somewhat bullish and so the short trade is*

*counter-trend. I generally trade counter-trend more conservatively, and so rather than add more at this point, I will remain lightly positioned to the short side.*

***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	\$262.96	-2.10%		Aggregator

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2019 Quantifiable Edges, LLC.