

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 23, 2018

Volume 12 Issue 15

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Short	0

## Tonight's Research Points

- Nothing compelling emerged based on Tuesday's action.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is bearish, but evidence could easily turn on Wednesday, so the edge is a bit reduced.

*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 22, 2019	NASDAQ up 4 below 200ma	1-2 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			
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			
<b>Dropped Tonight</b>						
January 22, 2019	Unfl gap up 0.5%-1%. Close > open < 200	1 day	Bearish			
January 22, 2019	NASDAQ breadth 3:2 up 3x	1 day	Bearish			
January 18, 2019	SPY 3 days up 20-high < 200ma	1-2 days	Bearish			

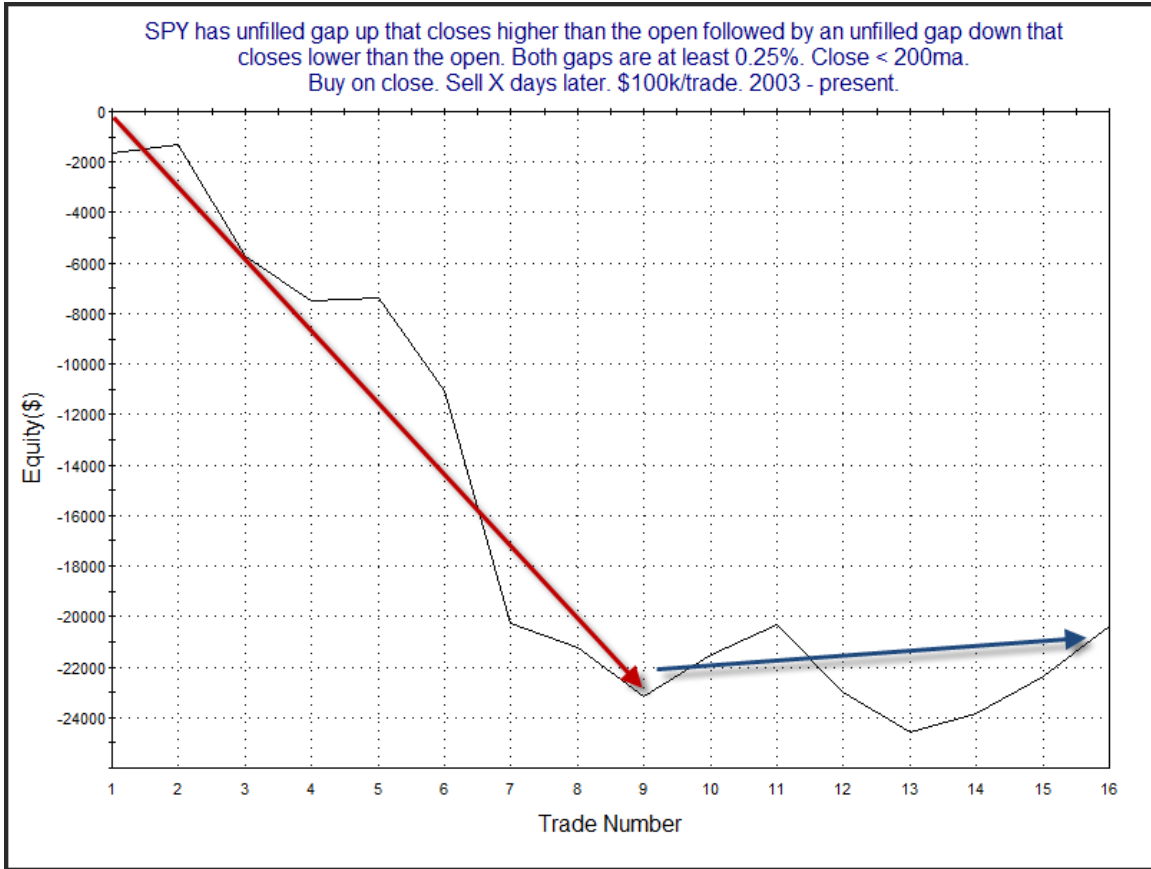
**The Evidence**

Tuesday saw the market decline a fair amount for the 1<sup>st</sup> time in a while. The SPX finished the day down 1.4% the NASDAQ lost 1.9%, and the Russell 2000 dropped 1.7%. Breadth was negative as the NYSE Up Issues % was 23% and the Up Volume % came in at 14%. NYSE volume declined some from Friday's level.

Often the 1<sup>st</sup> down day following an overbought condition will not show much in the way of edges. And that seems to be the case right now. There was one study from the Quantifinder that appeared worth a closer look. It examined the 2-day action of SPY leaving an unfilled gap down after an unfilled gap up. It was from the 2/24/16 letter, and I have updated the results below.

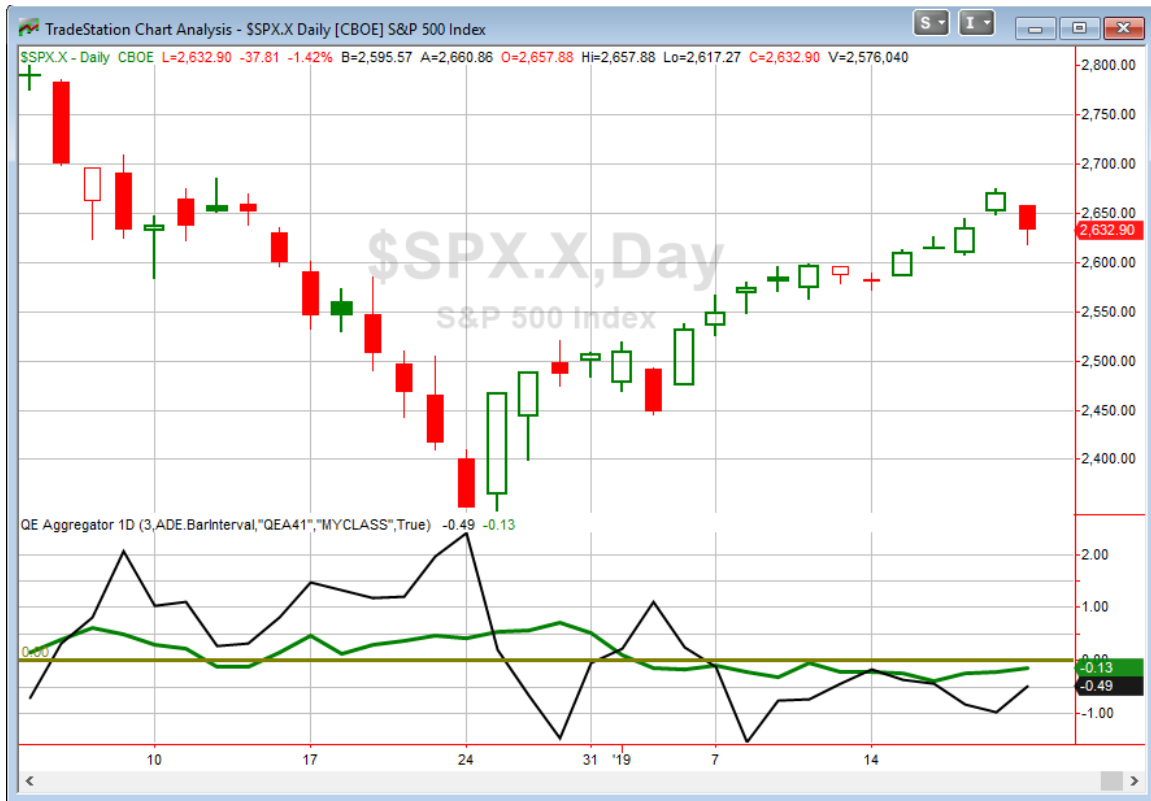
SPY has unfilled gap up that closes higher than the open followed by an unfilled gap down that closes lower than the open. Both gaps are at least 0.25%. Close < 200ma. Buy on close. Sell X days later. \$100k/trade. 2003 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	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	-2,726.02	16	6	10	37.50	2,634.78	4,371.06	-1,853.47	-4,622.60	1.42	0.85	-170.38
4	-21,357.36	16	5	11	31.25	2,574.14	3,234.56	-3,111.64	-12,422.13	0.83	0.38	-1,334.84
3	-20,393.66	16	7	9	43.75	1,069.21	1,992.80	-3,097.57	-9,199.26	0.35	0.27	-1,274.60
2	-12,840.86	16	6	10	37.50	794.09	1,671.18	-1,760.54	-4,349.31	0.45	0.27	-802.55
1	-7,859.66	16	6	10	37.50	868.29	1,952.85	-1,306.94	-5,444.46	0.66	0.40	-491.23

The numbers here suggest a possible downside edge. Unfortunately, the profit curves are less compelling. Below is a look at the 3-day curve.



There has been a lack of downside progress in the 2<sup>nd</sup> half of the chart. This was the case with the 1, 2, and 4-day charts as well. Due to this, I decided not to include this study on the Active List tonight. I will still keep it in the Quantifinder, in case it appears to reassume a bearish tendency. But tonight, there will not be any new studies added to the Active List.

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



Without any new evidence tonight, 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.

The last of the short-term Active Studies is set to expire on Wednesday. With the intermediate-term outlook now leaning bullish, this would leave estimates slightly bullish. Of course, this could change if new bearish evidence emerges. The Differential Pivot will be 2613.09 on Wednesday. That is 0.75% below Tuesday's close. Therefore, SPX will need to close down at least 0.75% on Wednesday in order to turn from overbought to oversold vs expectations.

So the Aggregator remains bearish. But expectations will flip unless new bearish evidence emerges. When you are trading in a volatile environment below the 200-day moving average it can be tricky trying to anticipate what new evidence might emerge. I still have a small short position on. I will look to cover that if SPX closes down below the Differential Pivot on Wednesday. Otherwise, I will hold on and take into account any new evidence that emerges tomorrow night before making additional moves.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 1/22– somewhat bullish***

The intermediate-term outlook was last updated in the 1/22/19 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	\$262.86	-2.06%		<i>cover SPX close&lt;2613.09</i>

*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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