

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 24, 2018

Volume 12 Issue 16

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Wednesday's low volume does not appear to have bearish implications the way it once would have.

Short-term Outlook

The Bottom Line

The Aggregator is now neutral. I am too.

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						
None						
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			
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			
Dropped Tonight						
January 22, 2019	NASDAQ up 4 below 200ma	1-2 days	Bearish			

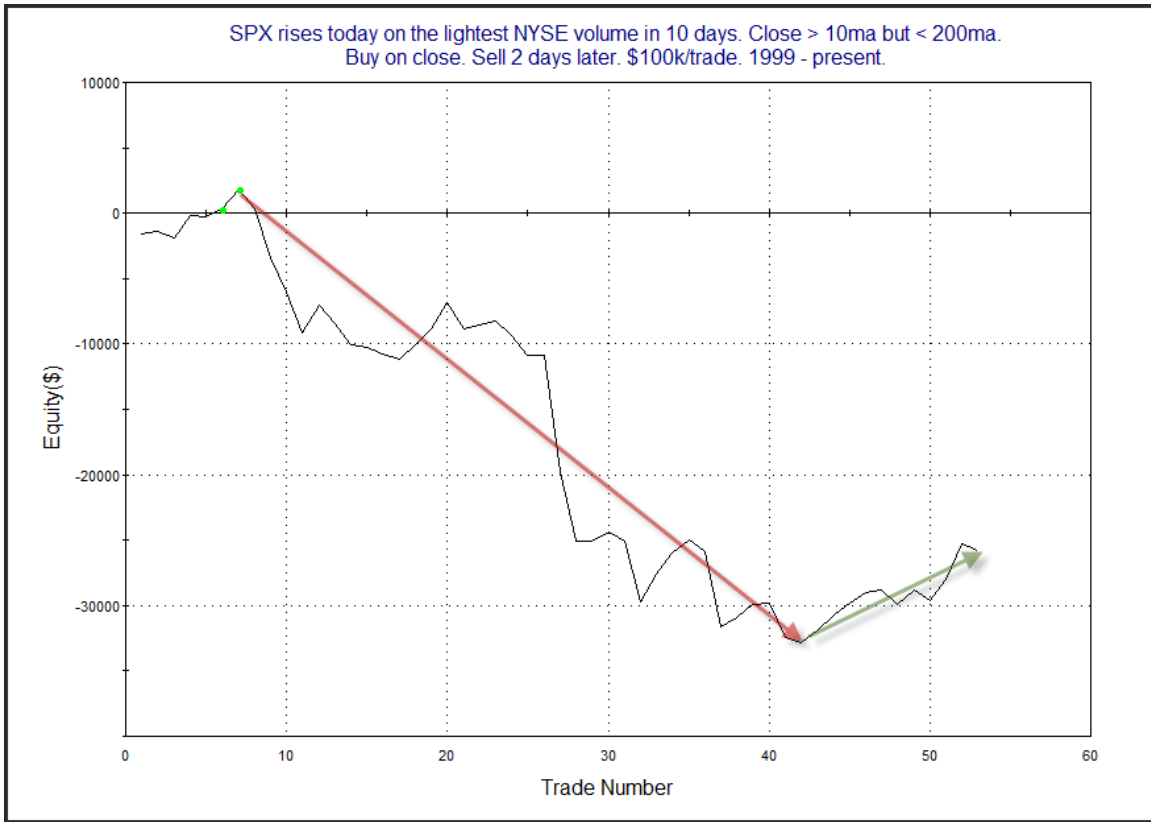
The Evidence

The market zig-zagged back and forth all day before finally settling mixed. The SPX finished the day up 0.2% the NASDAQ lost 0.1%, and the Russell 2000 gained 0.2%. Breadth was negative as the NYSE Up Issues % was 49% and the Up Volume % came in at 48%. NYSE volume came in at the lightest level since Christmas Eve.

The low volume is something that used to act as a warning. But for whatever reason, I have seen volume-based studies fail to persist in recent years. The study below was last discussed in the 9/14/15 letter. I have updated the results.

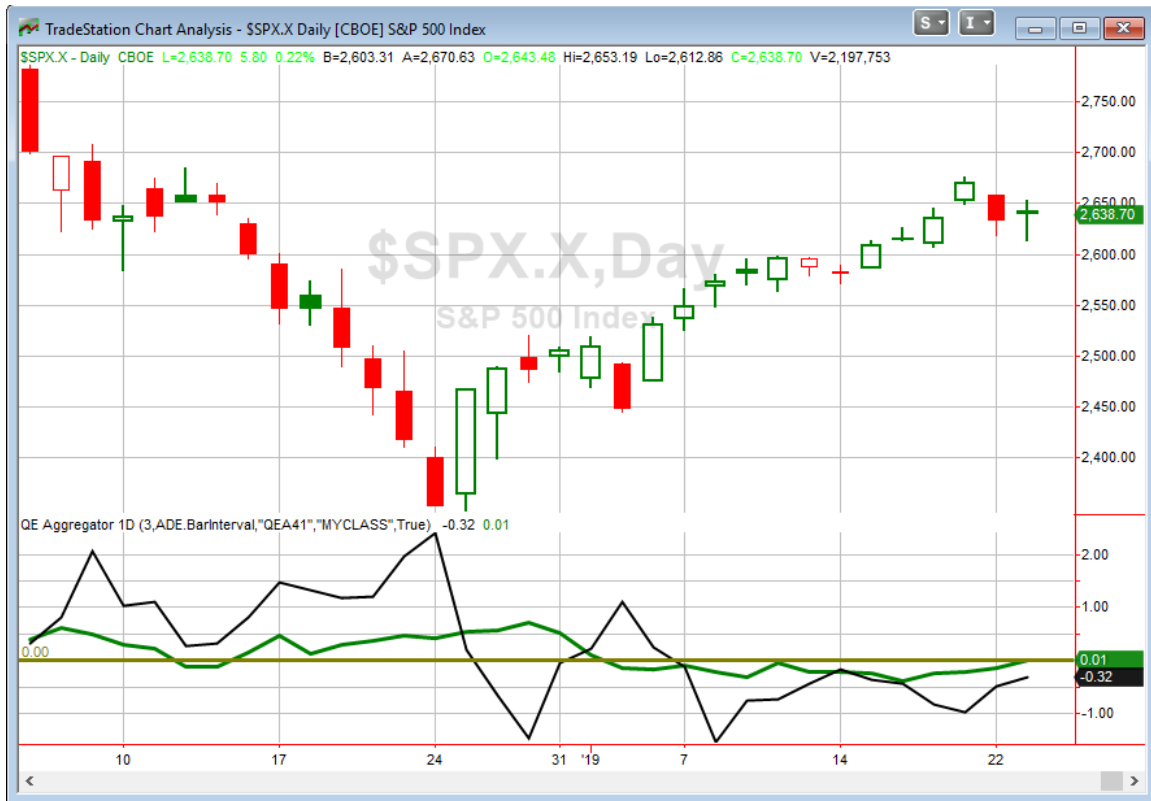
SPX rises today on the lightest NYSE volume in 10 days. Close > 10ma but < 200ma. Buy on close. Sell X days later. \$100k/trade. 1999 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-41,502.80	48	20	28	41.67	1,780.82	6,877.04	-2,754.26	-13,784.48	0.65	0.46	-864.64
4	-31,358.82	50	26	24	52.00	1,721.13	5,734.40	-3,171.18	-10,971.63	0.54	0.59	-627.18
3	-23,094.61	51	22	29	43.14	1,646.78	4,455.68	-2,045.65	-7,806.29	0.81	0.61	-452.84
2	-25,810.36	53	26	27	49.06	1,076.40	2,720.88	-1,992.47	-8,950.62	0.54	0.52	-486.99
1	-8,710.50	60	30	30	50.00	1,035.56	4,699.94	-1,325.91	-8,883.33	0.78	0.78	-145.17

The numbers here all appears somewhat bearish. But the profit curves are not very appealing. Below is the 2-day curve as an example.



In recent years this study has failed to show the bearish tendency that it once did. I am not including this on the Active List tonight.

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



Without any new evidence tonight, the green Aggregator Line inched just barely above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile, the black Differential Line remained 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 turned flat at the close.

The last of the short-term Active Studies expired on Wednesday. With the intermediate-term outlook now leaning bullish, this left estimates slightly bullish. Over the next few days any new evidence that emerges will have a large impact on estimates. The Differential Pivot will be *inverted* at 2648.23 on Thursday. That is 0.4% *above* Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX will need to close up at least 0.4% in order to remain overbought versus recent expectations. Anything less than that and it will be considered oversold as of Thursday's close.

So the Aggregator is now neutral. Short-term bearish evidence basically just petered out. When you have a position on, you always want the edge to go out with a "bang!". But it does not always work that way. As a trader, I view it as my job to get into a trade when I have an edge, and get out of that trade when the edge no longer exists. Whether the

position is up, down, or even at that point has no real bearing on the exit decision. At this point, there no longer appears to be a compelling short-side edge. So I will be looking to cover my position with a loss, and then wait for the next favorable trading opportunity to emerge. With short-term evidence currently lacking, that next opportunity could be in either direction. I'll remain alert and open-minded so that I am prepared to take advantage.

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	\$263.41	-2.27%		<i>cover on open</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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