

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

January 25, 2018

Volume 12 Issue 17

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- Narrow range inside days below the 200ma are typically bearish. But situations with low volume have been exceptions in the past.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. But bullish signals don't get much weaker than this one. I am not inclined to act on it.

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			

The Evidence

Thursday was mostly a day of mild gains. The SPX finished the day up 0.1% the NASDAQ rose 0.7%, and the Russell 2000 also gained 0.7%. Breadth was positive as the NYSE Up Issues % was 67% and the Up Volume % came in at 65%. NYSE volume rose a little from Wednesday’s very light level. But SPY volume came in very light.

There were several studies that appeared in the Quantifinder that looked at the fact that Thursday was an inside day with a low range. The series of studies below was last seen in the 2/19/16 letter. I have updated them tonight.

SPY posts inside day under 200ma. Range is lowest in 5 days. Buy on close. Sell X days later. \$100k/trade. 1994 - 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
10	32,919.98	60	37	23	61.67	2,912.25	6,816.15	-3,253.62	-22,420.44	0.90	1.44	548.67
9	10,696.07	61	39	21	63.93	2,415.98	6,953.00	-3,977.49	-13,956.81	0.61	1.13	175.35
8	7,653.79	66	40	26	60.61	2,211.52	8,479.60	-3,107.96	-12,665.31	0.71	1.09	115.97
7	-17,962.52	68	37	30	54.41	2,072.88	7,760.40	-3,155.30	-23,729.16	0.66	0.81	-264.15
6	-23,447.21	71	35	36	49.30	1,977.56	7,888.00	-2,573.94	-21,834.96	0.77	0.75	-330.24
5	-16,731.64	72	37	34	51.39	1,847.15	6,568.20	-2,502.24	-15,971.55	0.74	0.80	-232.38
4	-15,558.15	76	41	35	53.95	1,742.49	6,497.00	-2,485.73	-13,801.83	0.70	0.82	-204.71
3	-22,167.72	80	40	40	50.00	1,801.83	7,413.70	-2,356.02	-9,763.74	0.76	0.76	-277.10
2	-14,433.40	86	45	41	52.33	1,252.65	5,440.00	-1,726.90	-5,131.74	0.73	0.80	-167.83
1	-19,408.61	87	41	46	47.13	928.66	4,485.60	-1,249.64	-5,444.46	0.74	0.66	-223.09

This study would suggest that low range inside days below the 200ma have struggled in the past. But I also looked at the day’s low SPY volume, which was the lowest volume in over 20 days. I therefore re-ran the above test and segregated it by times it was accompanied by the lowest volume in a month and times it wasn’t.

First let’s look at times where SPY did NOT post the lowest volume in a month.

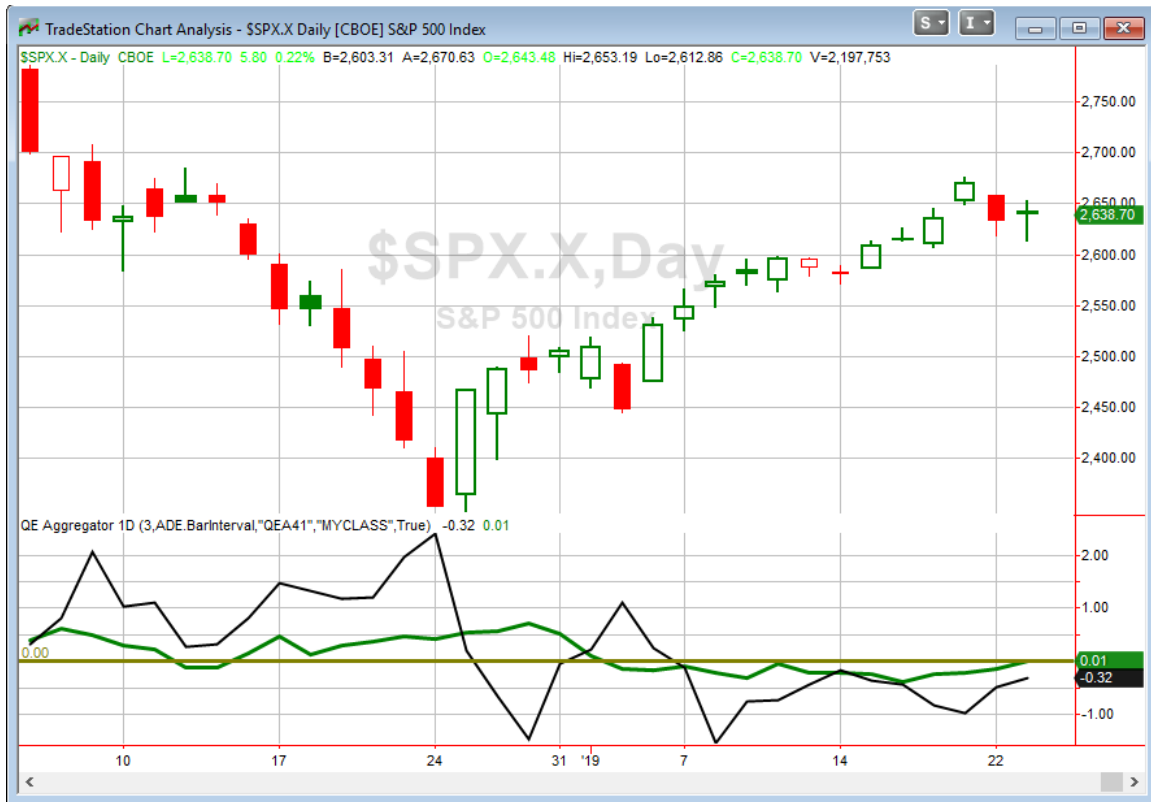
SPY posts inside day under 200ma. Range is lowest in 5 days. SPY volume is NOT lowest in 20 days. Buy on close. Sell X days later. \$100k/trade. 1994 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	-7,748.40	47	25	22	53.19	2,581.60	6,523.20	-3,285.84	-22,420.44	0.79	0.89	-164.86
9	-12,670.19	48	28	19	58.33	2,095.94	6,293.68	-3,755.61	-13,956.81	0.56	0.82	-263.96
8	-14,830.83	52	28	24	53.85	1,956.77	8,479.60	-2,900.84	-12,665.31	0.67	0.79	-285.21
7	-36,595.27	54	26	27	48.15	1,962.42	7,760.40	-3,245.12	-23,729.16	0.60	0.58	-677.69
6	-37,012.45	55	24	31	43.64	1,817.25	7,888.00	-2,600.85	-21,834.96	0.70	0.54	-672.95
5	-21,246.93	56	26	29	46.43	1,807.22	6,568.20	-2,352.92	-15,971.55	0.77	0.69	-379.41
4	-26,930.95	57	28	29	49.12	1,608.31	6,497.00	-2,481.51	-13,801.83	0.65	0.63	-472.47
3	-34,305.26	61	28	33	45.90	1,590.37	7,413.70	-2,388.96	-9,763.74	0.67	0.56	-562.38
2	-20,464.20	65	33	32	50.77	1,045.71	5,188.70	-1,717.89	-5,131.74	0.61	0.63	-314.83
1	-16,950.33	65	32	33	49.23	814.63	4,485.60	-1,303.59	-5,444.46	0.62	0.61	-260.77

These stats are even more compelling for the bears. So what does that mean for times like Thursday when the volume did come in very low?

SPY posts inside day under 200ma. Range is lowest in 5 days. SPY volume is lowest in 20 days. Buy on close. Sell X days later. \$100k/trade. 1994 - 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
10	25,783.56	21	16	5	76.19	3,093.46	6,816.15	-4,742.35	-11,977.56	0.65	2.09	1,227.79
9	25,528.11	21	17	4	80.95	2,705.21	6,953.00	-5,115.13	-10,794.21	0.53	2.25	1,215.62
8	31,076.26	22	17	5	77.27	2,817.11	6,684.18	-3,362.94	-6,112.26	0.84	2.85	1,412.56
7	21,318.30	22	16	6	72.73	2,720.23	7,851.93	-3,700.90	-11,617.41	0.74	1.96	969.01
6	21,510.44	22	15	7	68.18	2,772.27	7,137.07	-2,867.65	-7,552.86	0.97	2.07	977.75
5	16,656.47	22	15	7	68.18	2,560.48	7,263.90	-3,107.25	-4,858.65	0.82	1.77	757.11
4	13,948.30	22	15	7	68.18	2,155.28	5,865.00	-2,625.84	-4,951.57	0.82	1.76	634.01
3	10,193.73	22	14	8	63.64	2,287.87	6,842.50	-2,729.55	-6,431.25	0.84	1.47	463.35
2	6,319.04	22	13	9	59.09	1,703.79	5,440.00	-1,758.92	-4,065.25	0.97	1.40	287.23
1	-2,458.28	22	9	13	40.91	1,334.11	3,512.48	-1,112.71	-3,084.28	1.20	0.83	-111.74

There certainly doesn't appear to be a downside edge. In fact these statistics look fairly bullish. As with any series of tests, these are open to interpretation. The general pattern of low range, inside day below the 200ma appears to have bearish connotations. Days like Thursday, though appear to be the kind that are the exception to the rule. And while the stats are very positive in the last test, with the larger pattern being negative, the 1st day or two not showing much edge, and the instances somewhat low I'm more inclined to treat it as the exception than as a separate rule. So I won't be adding results from this series of tests to the Active Studies list. Instead I'll wait to see what tomorrow's action suggests and then take it from there.

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



Without any new evidence tonight, the green Aggregator Line held just barely above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile, the black Differential Line also finished above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is sold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator signal turned long at the close.

The short-term active list is barren for the 2nd day. With the intermediate-term outlook leaning bullish, this leaves 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 *highly inverted* at 2617.56 on Thursday. That is 0.9% below Thursday'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 down over 0.9% in order to remain oversold versus recent expectations. Anything less than that and it will be considered overbought as of Friday's close.

So the Aggregator is now bullish. But as far as bullish signals go, it could not be any weaker. Short-term evidence is lacking and could easily flip to bearish if new bearish studies emerge on Friday. Additionally, the inverted pivot means SPX is going to need to sell off a good amount in order to remain oversold. In other words, there may be a mild bullish edge, but it is not a compelling one, and certainly not one that would inspire me to action. I will continue to wait for a more favorable reward/risk opportunity to emerge before putting new capital to work.

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
<i>SPY(s)(1/4)</i>	<i>1/9/2019</i>	<i>\$257.56</i>	<i>\$263.21</i>	<i>-2.19%</i>		<i>covered 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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