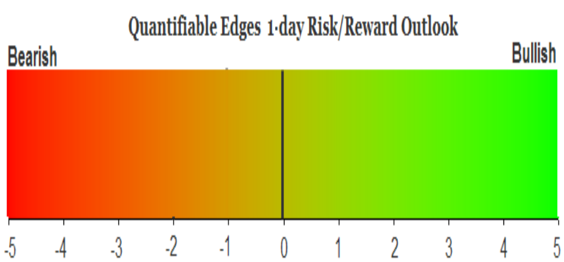
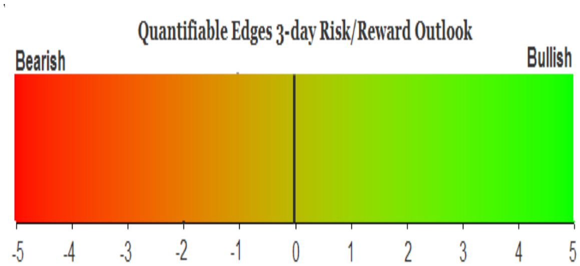
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 12, 2018 Volume 12 Issue 29

Market Overview





Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- When both the VIX and SPX close higher on a Monday that often suggests a bearish edge.

Short-term Outlook

The Bottom Line

The Aggregator is neutral and so am I.

Quantifiable Edges, LLC 10 Boyden Rd., Medfield, Massachusetts 02052 781-956-6952

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						
February 12, 2019	VIX up SPX up Monday < 200ma	1-5 days	Bearish	-3.40%	1.90%	3.80%
February 7, 2019	Low Range Low Volm Inside SPY <200	1-8 days	Bullish	3.40%	-2.55%	-5.90%
Active - Long Term						
January 9, 2019	Up Issues > 70% for 3 days	1-85 days	Bullish			
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

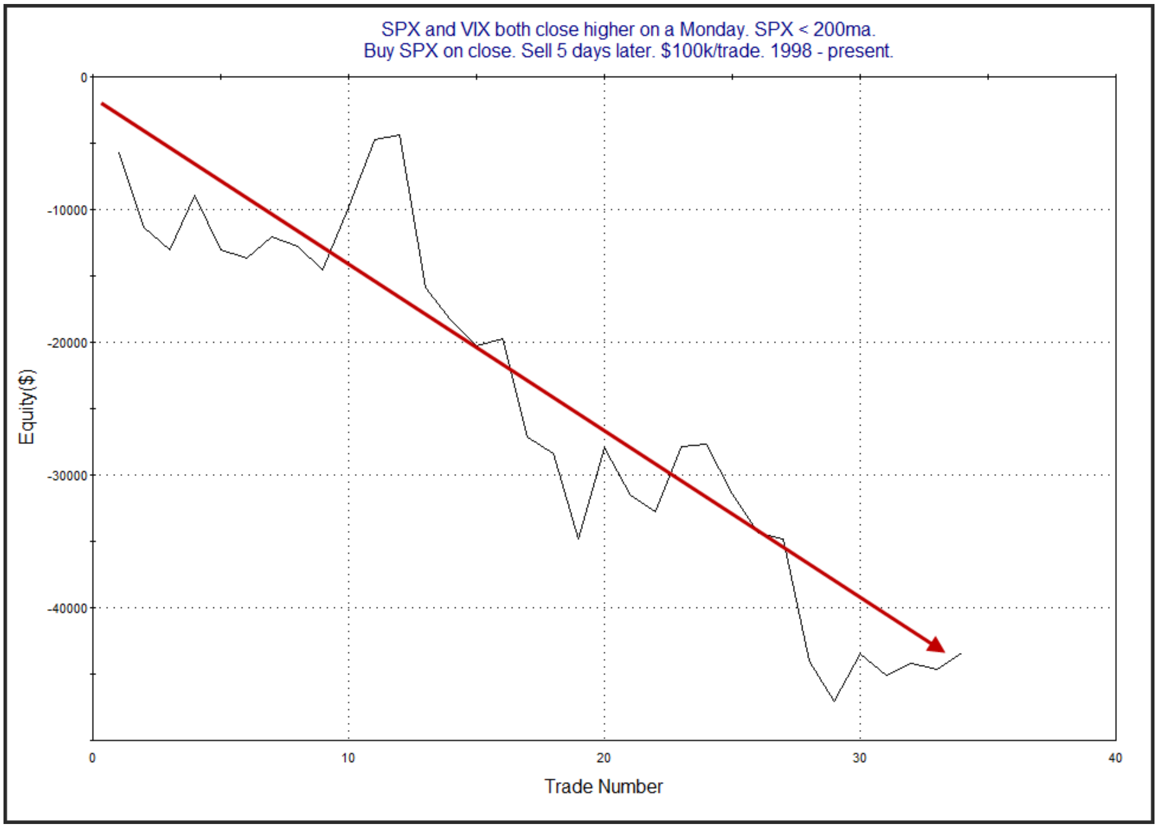
The indices showed mostly mild moves on Monday. The SPX rose 0.1%, the NASDAQ gained 0.1%, and the Russell 2000 rallied 0.8%%. Breadth was positive as the NYSE Up Issues % was 65% and the Up Volume % came in at 62%. NYSE volume declined some from Friday's level.

In addition to the rise in the SPX on Monday we also saw a rise in the VIX. As a reminder, the VIX has a natural tendency to rise on Mondays, so while SPX and VIX will often move in opposite directions, Monday is the most frequent day of the week to see them both close higher. The VIX's tendency to decline Friday afternoons and rise Monday mornings is the reason I typically break out VIX studies by day of week. I will either filter on Mondays, Fridays, or mid-week. Anyway, the action on Monday triggered the following study from the 1/8/19 subscriber letter. I have updated the results.

SPX and VIX both close higher on a Monday. SPX < 200ma.
Buy SPX on close. Sell X days later. $100k/trade. 1998 - present.

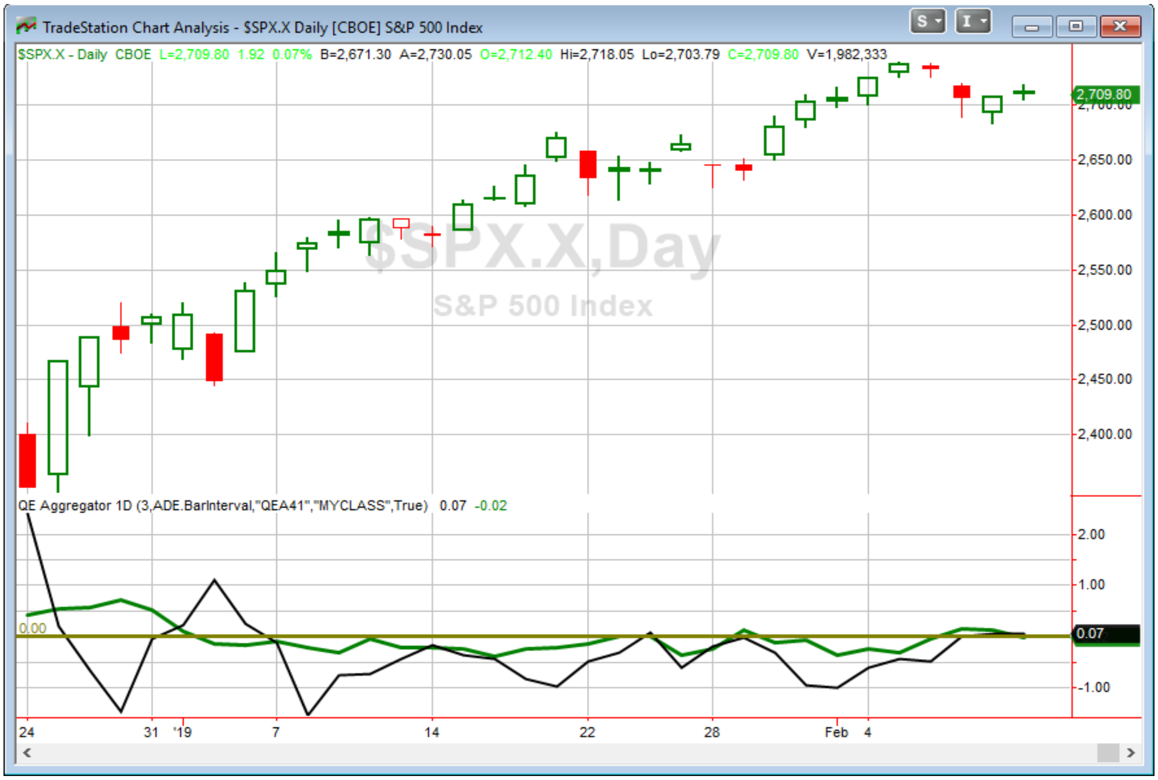
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-43,392.21	34	12	22	35.29	2,840.77	6,877.04	-3,521.89	-11,533.34	0.81	0.44	-1,276.24
4	-24,995.06	35	14	21	40.00	2,687.99	5,607.06	-2,982.23	-9,828.00	0.90	0.60	-714.14
3	-24,589.52	35	14	21	40.00	2,128.52	4,455.68	-2,589.95	-6,956.04	0.82	0.55	-702.56
2	-14,071.31	35	16	19	45.71	1,632.96	3,349.32	-2,115.72	-5,441.80	0.77	0.65	-402.04
1	-8,916.23	35	17	18	48.57	1,114.19	4,699.94	-1,547.64	-4,893.07	0.72	0.68	-254.75

The numbers here all appear to suggest a strong bearish tendency. Below is a profit curve that assumes a 5-day holding period.



The curve supports the idea of a downside edge. I have added this study to the Active List again tonight. The moderate action in the indices failed to trigger anything else suggesting a compelling edge.

I have updated the Aggregator chart below.



It's hard to see, but with tonight's bearish study emerging, the green Aggregator Line dipped slightly below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile, the black Differential Line is again just barely above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but SPX is slightly oversold. 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.

Based on the current active studies, expectations are set to remain bearish on Tuesday. This could easily change if new bullish evidence emerges. The Differential Pivot will be *inverted at* 2700.07 on Tuesday. That is 0.4% below Monday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close down about 0.4% in order to remain oversold vs expectations. Anything less than that and it will be considered overbought as of Tuesday's close.

So the Aggregator is neutral, indications are mixed, and the Differential Pivot is inverted. There does not appear to be a strong edge at the moment. And we could easily be looking at a long, short, or neutral Aggregator as of the close on Tuesday. This does not appear to be a great place to take on new positions. I will continue to wait for a more favorable setup to emerge.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/11– somewhat bullish

The intermediate-term outlook was last updated in the 2/4 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

None

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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