

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 20, 2018

Volume 12 Issue 34

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- SPX making intermediate-term highs while VIX making intermediate-term lows means the market may be overbought and traders overly complacent. This hints at a pullback in the next few days.

### *Short-term Outlook*

#### *The Bottom Line*

Evidence is leaning bullish, but the market is overbought. This has the Aggregator neutral. Me 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
<b>Active - Short Term</b>						
February 20, 2019	SPX 50 high VIX 50 low.	1-2 days	Bearish			
February 19, 2019	Breakaway Gap	1-5 days	Bullish			
<b>Active - Long Term</b>						
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			

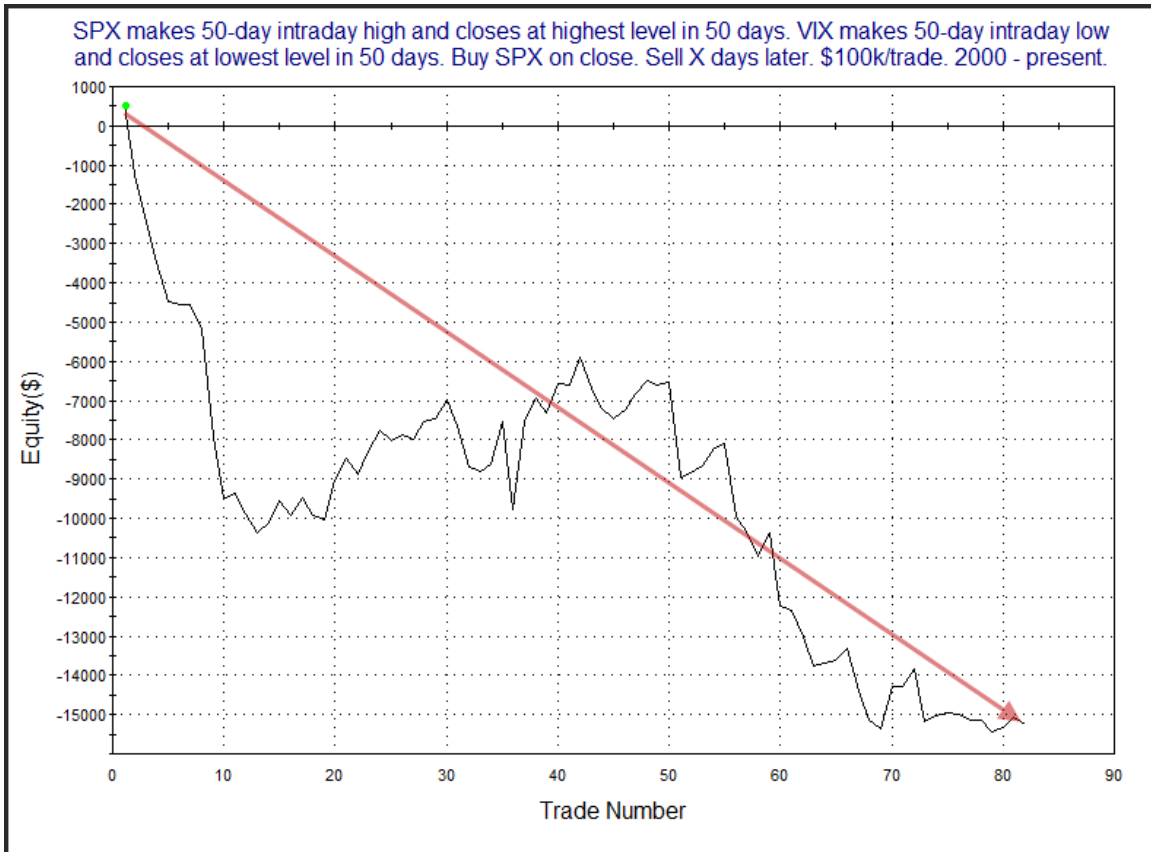
**The Evidence**

Tuesday was a day of modest increases for the indices. The SPX rose 0.15%, the NASDAQ gained 0.2%, and the Russell 2000 rallied 0.3%. Breadth was positive as the NYSE Up Issues % was 63% and the Up Volume % came in at 64%. NYSE volume fell some from Friday's level.

On Tuesday we saw the SPX make both a 50-day intraday and closing high while the VIX index made both a 50-day intraday and closing low. This opens up the possibility that the market is overbought while option traders are overconfident. Below I looked at other times where this setup has occurred since 2000.

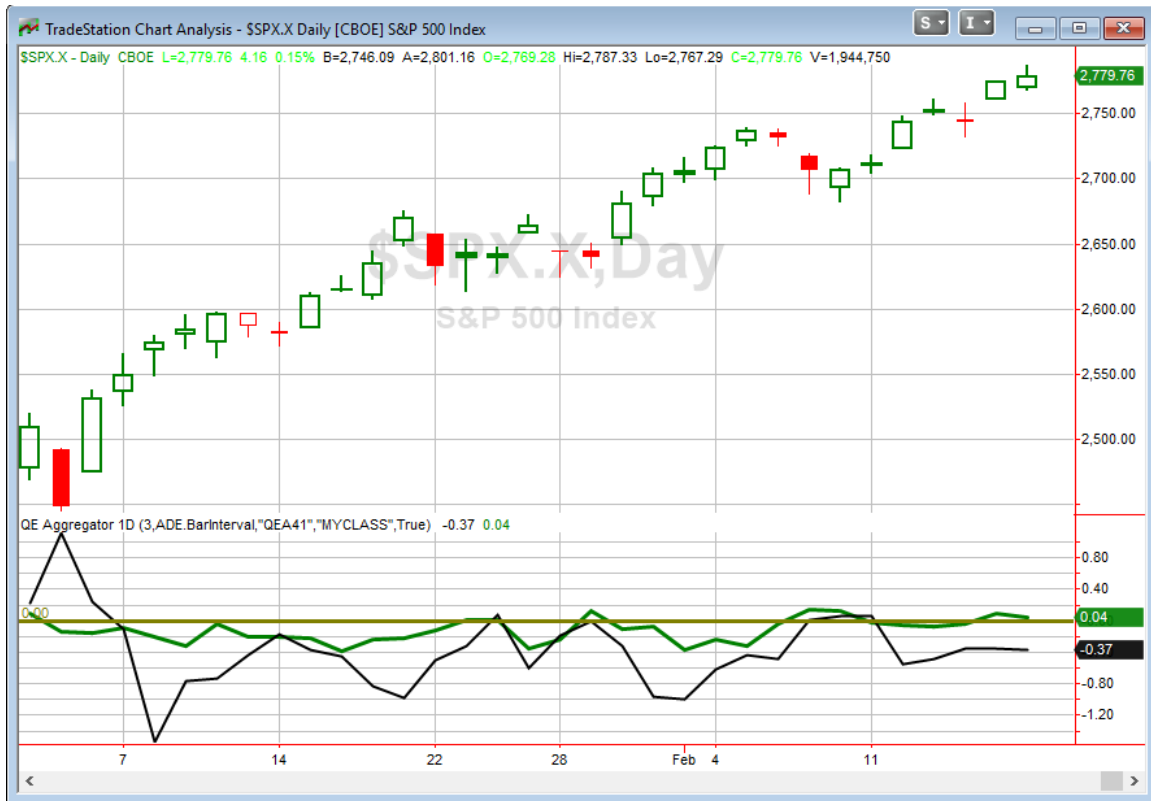
SPX makes 50-day intraday high and closes at highest level in 50 days. VIX makes 50-day intraday low and closes at lowest level in 50 days. Buy SPX on close. Sell X days later. \$100k/trade. 2000 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % 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	-26,074.24	64	29	35	45.31	488.20	2,604.16	-1,149.49	-3,845.88	0.42	0.35	-407.41
4	-15,613.56	67	32	35	47.76	630.91	2,870.40	-1,022.94	-3,595.13	0.62	0.56	-233.04
3	-14,470.73	73	36	37	49.32	599.54	2,566.72	-974.43	-5,105.87	0.62	0.60	-198.23
2	-15,244.36	82	40	42	48.78	409.22	2,257.84	-752.69	-2,719.50	0.54	0.52	-185.91
1	-5,797.14	95	45	50	47.37	288.50	833.85	-375.59	-2,138.93	0.77	0.69	-61.02

Results appear mildly bearish. Below is a look at a 2-day profit curve.



Not the straightest curve I've ever shown, but it has worked its way from upper left to lower right. This study seems worth some consideration, and I have added it to the Active List tonight.

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



Even with tonight's study being added, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile, the black Differential Line held 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 stayed flat at the close.

Based on the current active studies, expectations are set to remain mildly bullish on Wednesday. This could change if compelling new bearish evidence emerges. The Differential Pivot will be 2740.72 on Wednesday. That is 1.4% below Tuesday's close. Therefore, SPX would need to close down at least 1.4% on Wednesday in order to flip from overbought to oversold versus recent expectations.

Like last night, the market seems to be in one of those places where it is too overbought to buy, but too strong to short. Evidence is leaning bullish, but we are long overdue for a dip. Perhaps the best course of action in the coming days will be to wait for that dip to occur, and for the short-term to reset itself, before looking to take on any new short-term trades. That remains my plan for now.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 2/19– somewhat bullish***

The intermediate-term outlook was last updated in the 2/19 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**

**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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