

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 6, 2018

Volume 12 Issue 44

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- The 1st dip below the 10ma for SPY after spending at least 25 days above it has typically been buyable.

Short-term Outlook

The Bottom Line

The Aggregator is bullish, but SPX is mid-range and QQQ is at a new high. I like the long side, but would prefer a lower entry point.

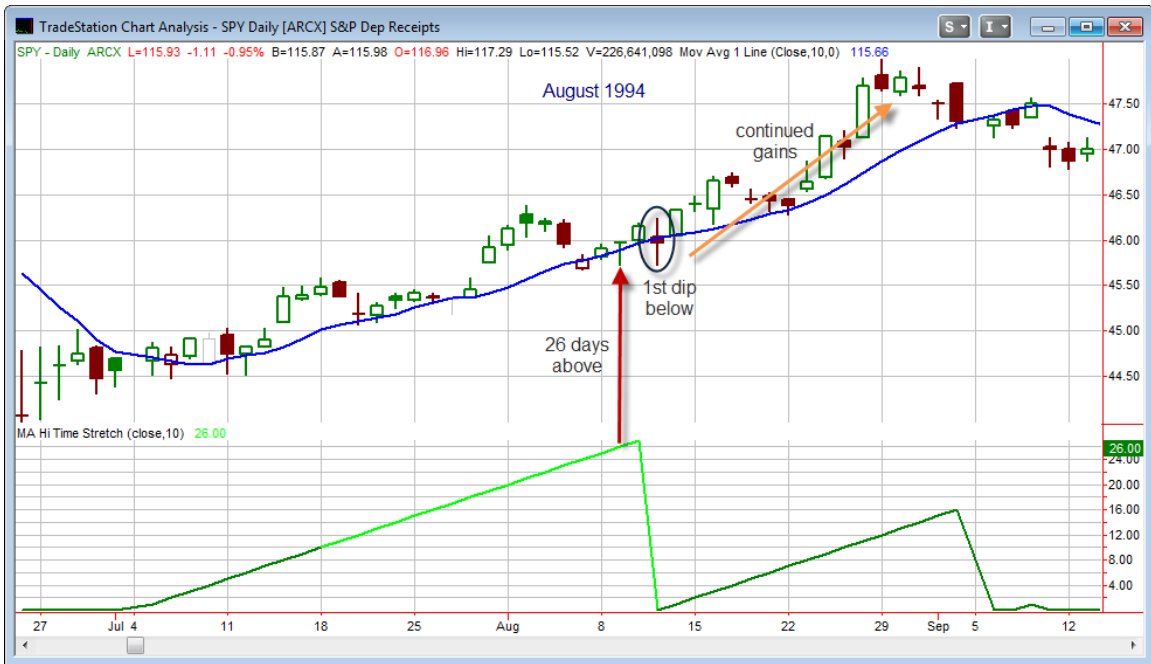
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
March 6, 2019	1st close under 10ma in > 25 days	1-4 days	Bullish	1.75%	-0.45%	-1.20%
Active - Long Term						
March 6, 2019	1st close under 10ma in > 25 days	1-19 days	Bullish	4.40%	-0.80%	-2.00%
March 4, 2019	NASDAQ up 10 weeks in a row	13 weeks	Bullish	11.70%	-2.10%	-4.40%
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			

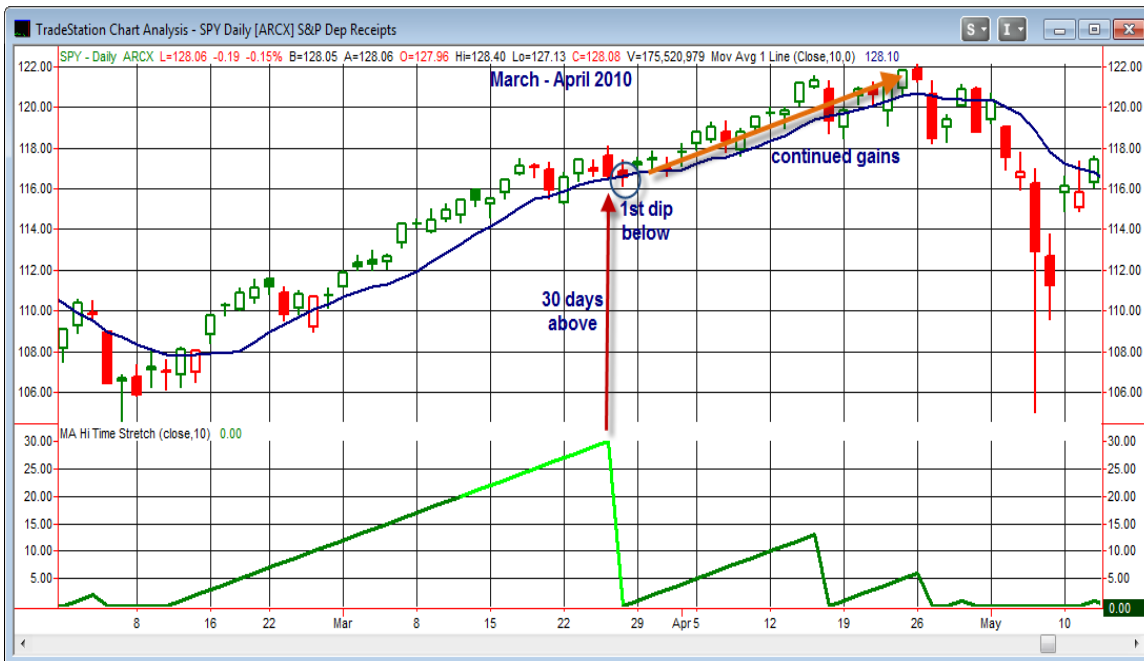
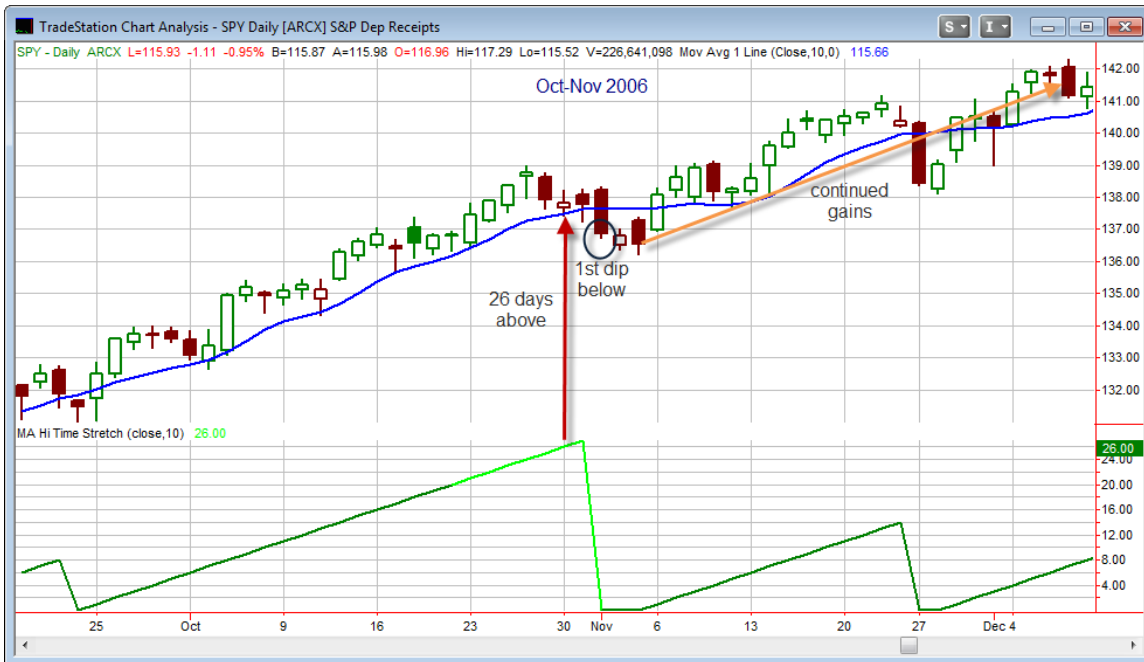
The Evidence

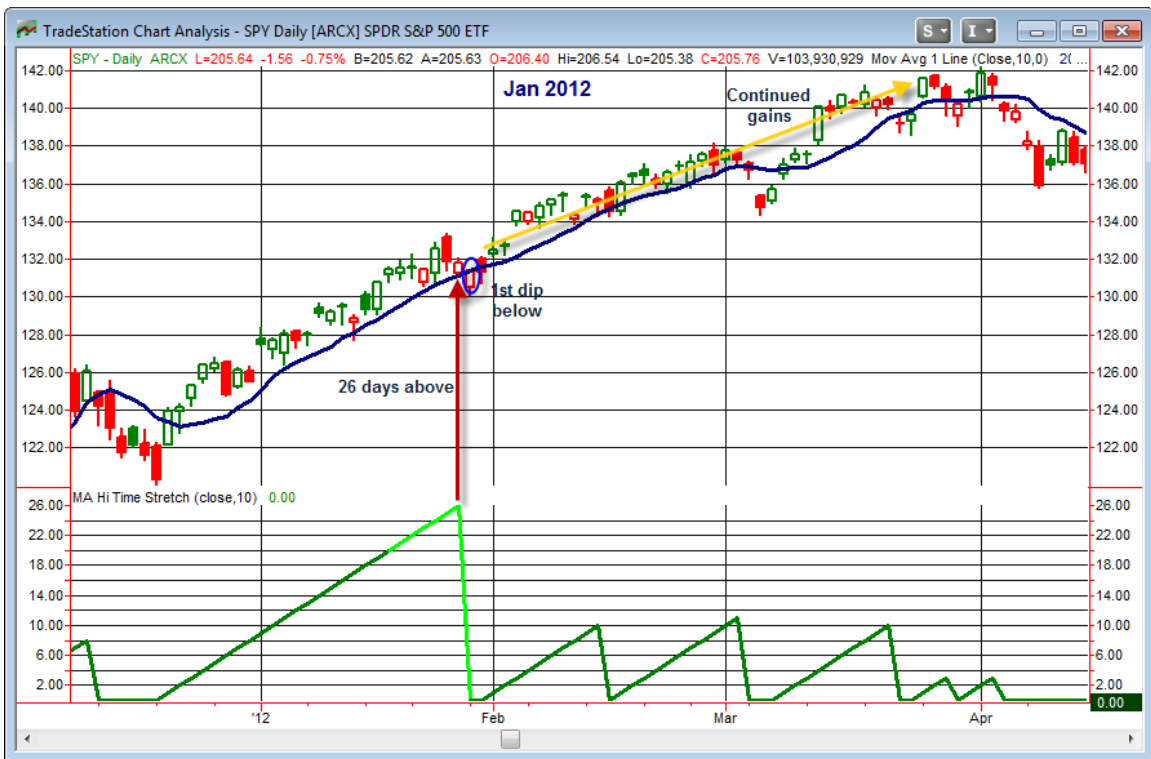
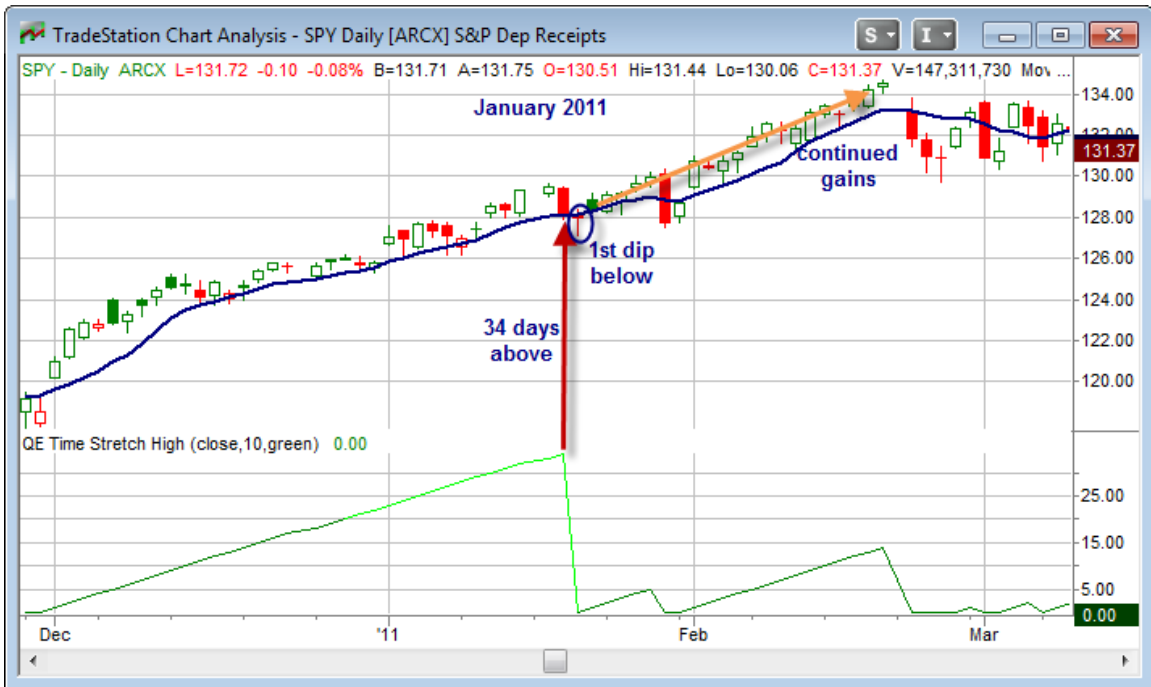
Tuesday saw a narrow range and mostly lower closes for the indices. The SPX fell 0.1%, the NASDAQ closed down 0.02%, and the Russell 2000 dropped 0.45%. Breadth was negative as the NYSE Up Issues % was 46% and the Up Volume % came in at 43%. NYSE volume declined some from Monday’s level.

I have mentioned several times lately that SPX has gone a long time without even closing below its 10ma. After 40 days of closing above it, SPX closed below its 10ma for the first time since January 3rd. In the 1/2/18 Subscriber Letter I looked at all the instances where SPY had traded above its 10ma for at least 25 days then closed below it. Since its inception in 1993 there have been only twelve other instances where SPY had a run of 25 days or more. I showed the charts of every instance and noted how the market reacted after it finally did close beneath its 10ma. Below I have republished those charts and added a another one to show the most recent instance. The indicator in the bottom pane of each chart shows the number of days the SPY has closed above its 10ma.













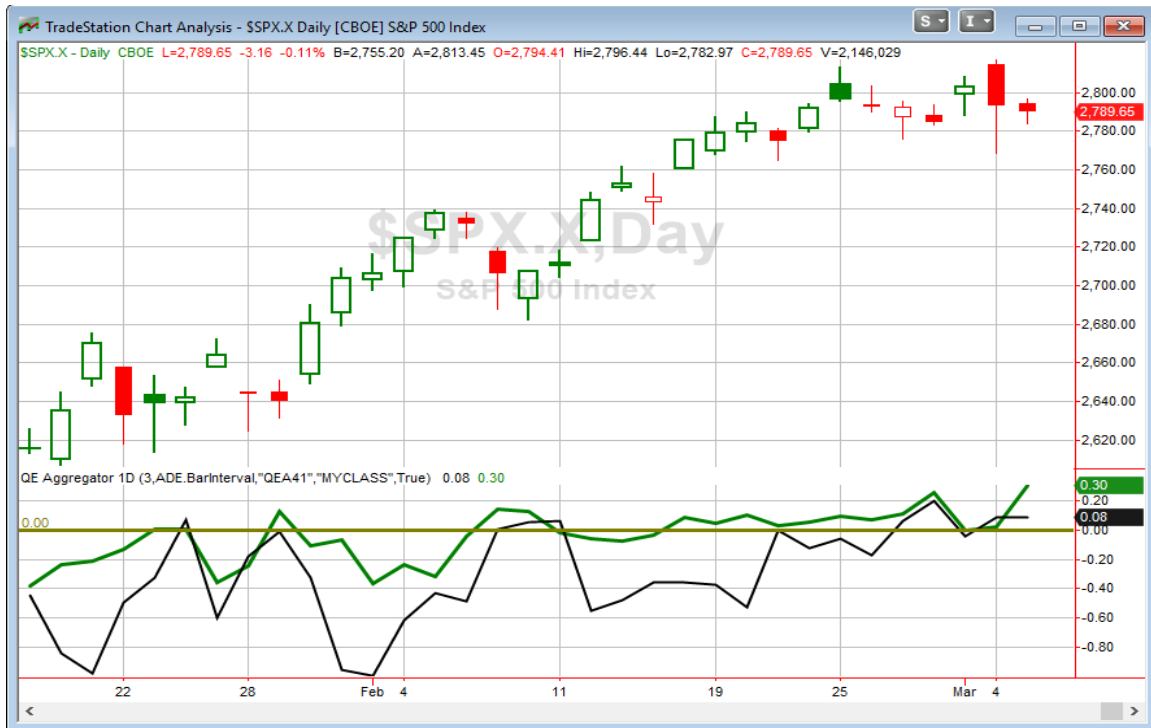
Most of these charts look quite positive. Except for the November 2015 instance, the first trip below the 10ma was a short one, and the uptrend managed to reassert itself. Of course, if you've been reading Quantifiable Edges for any period of time, you're probably used to looking at numbers. So below you will find the stats table.

After closing above the 10am for at least 25 days in a row, SPY closes below it today.
Buy on close. Sell X days later. \$100k/trade. 1993 - 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
20	41,413.17	12	11	1	91.67	3,814.14	7,915.86	-542.40	-542.40	7.03	77.35	3,451.10
19	43,352.68	12	12	0	100.00	3,612.72	6,866.19	0.00	0.00	100.00	100.00	3,612.72
18	40,146.64	12	12	0	100.00	3,345.55	7,375.28	0.00	0.00	100.00	100.00	3,345.55
17	35,531.31	12	11	1	91.67	3,337.90	6,148.56	-1,185.60	-1,185.60	2.82	30.97	2,960.94
16	37,799.83	12	12	0	100.00	3,149.99	6,103.68	0.00	0.00	100.00	100.00	3,149.99
15	38,224.97	12	12	0	100.00	3,185.41	6,144.82	0.00	0.00	100.00	100.00	3,185.41
14	36,917.54	12	12	0	100.00	3,076.46	6,115.05	0.00	0.00	100.00	100.00	3,076.46
13	38,439.48	12	12	0	100.00	3,203.29	6,500.25	0.00	0.00	100.00	100.00	3,203.29
12	30,721.19	12	11	1	91.67	2,968.24	5,604.66	-1,929.42	-1,929.42	1.54	16.92	2,560.10
11	27,026.64	12	11	1	91.67	2,803.79	5,845.41	-3,815.10	-3,815.10	0.73	8.08	2,252.22
10	23,923.90	12	11	1	91.67	2,451.04	5,325.39	-3,037.50	-3,037.50	0.81	8.88	1,993.66
9	21,855.43	12	11	1	91.67	2,202.02	4,882.41	-2,366.82	-2,366.82	0.93	10.23	1,821.29
8	21,739.06	12	11	1	91.67	2,045.64	4,574.25	-763.02	-763.02	2.68	29.49	1,811.59
7	16,124.38	12	11	1	91.67	1,580.73	4,304.61	-1,263.60	-1,263.60	1.25	13.76	1,343.70
6	14,430.24	12	9	3	75.00	1,792.38	3,158.64	-567.06	-1,252.80	3.16	9.48	1,202.52
5	16,434.69	12	10	2	83.33	1,807.41	3,466.80	-819.72	-1,180.80	2.20	11.02	1,369.56
4	14,671.80	12	11	1	91.67	1,575.55	3,158.64	-2,659.20	-2,659.20	0.59	6.52	1,222.65
3	10,974.90	12	11	1	91.67	1,139.10	2,744.55	-1,555.20	-1,555.20	0.73	8.06	914.58
2	8,055.84	12	10	2	83.33	845.26	1,656.36	-198.40	-233.60	4.26	21.30	671.32
1	5,169.51	12	9	3	75.00	596.08	1,974.15	-65.07	-98.75	9.16	27.48	430.79

Strong and persistent upside movement like we have seen lately hasn't normally just ended and lead to an immediate correction. The 1st dip has most often been just that – a dip. New highs were typically made in short order. Of course the November 2015 instance was a big failure, and there is always a chance we could see that happen again. But the failure there was almost immediate. It did make some brief forays above the entry area, but it never moved to a new high, and the steep drop beyond the initial 10ma cross seemed to provide us a decent clue. Overall I think this study is worth consideration. And as noted, if the market fails to act according to norms over the next few days, that could be a warning bell.

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



With tonight's evidence to consider 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 also held above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator signal stayed long at the close.

Based on the current active studies, expectations are set to remain bullish on Wednesday. Of course this could easily change if compelling new bearish evidence emerges. The Differential Pivot will be 2813.99 on Wednesday. That is 0.9% above Tuesday's close. Therefore, the SPX will need to close up 0.9% on Wednesday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is bullish, and we finally got the pullback below the 10ma I have been looking for. But just barely. SPY closed in the 49th percentile of its 10-day range – basically right in the middle. And QQQ actually closed at a new intermediate-term high. So “oversold” here is quite relative. I favor the long side, but don't love reward/risk in the middle of the 10-day range. A further decline on Wednesday would mean a 3-day pullback for SPY, which would likely bring out further bullish evidence. I'll look to take on some long exposure if SPY closes down a decent amount on Wednesday. I am targeting \$277.40 as my limit on close price.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/4 – bullish

The intermediate-term outlook was last updated in the 3/4/19 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.

SPY – Buy ¼ index position @ \$277.40 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to take some long exposure if SPY closes down a decent amount on Wednesday.

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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