

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 7, 2018

Volume 12 Issue 45

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	1

Tonight's Research Points

- 3 days down from a 50-day high that leaves the SPX at a 10-day low has typically been followed by a rebound in the coming days.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Evidence is pointing higher and SPX is oversold. Reward/risk appears favorable and I like the long side. I may look to add to my current small long position on Thursday.

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 7, 2019	3 dn from 50-high, 10-low today.	1-2 days	Bullish			
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			

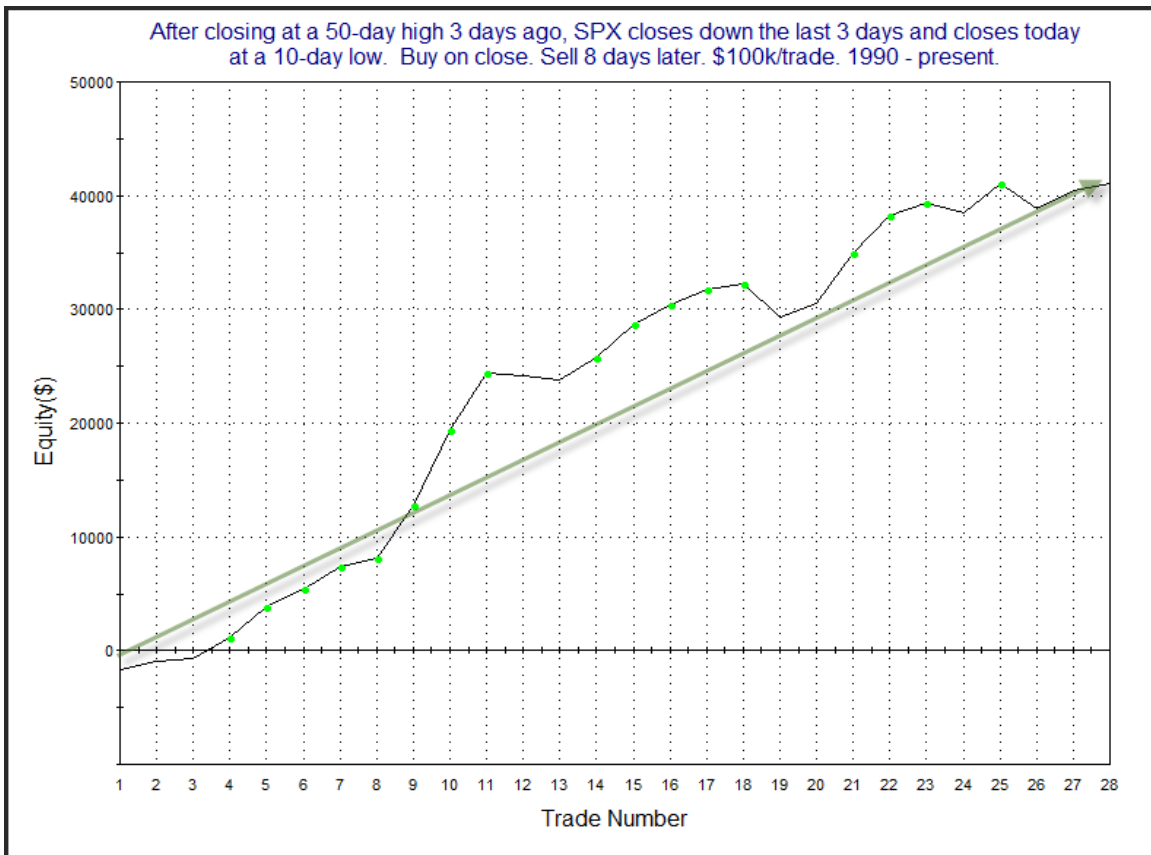
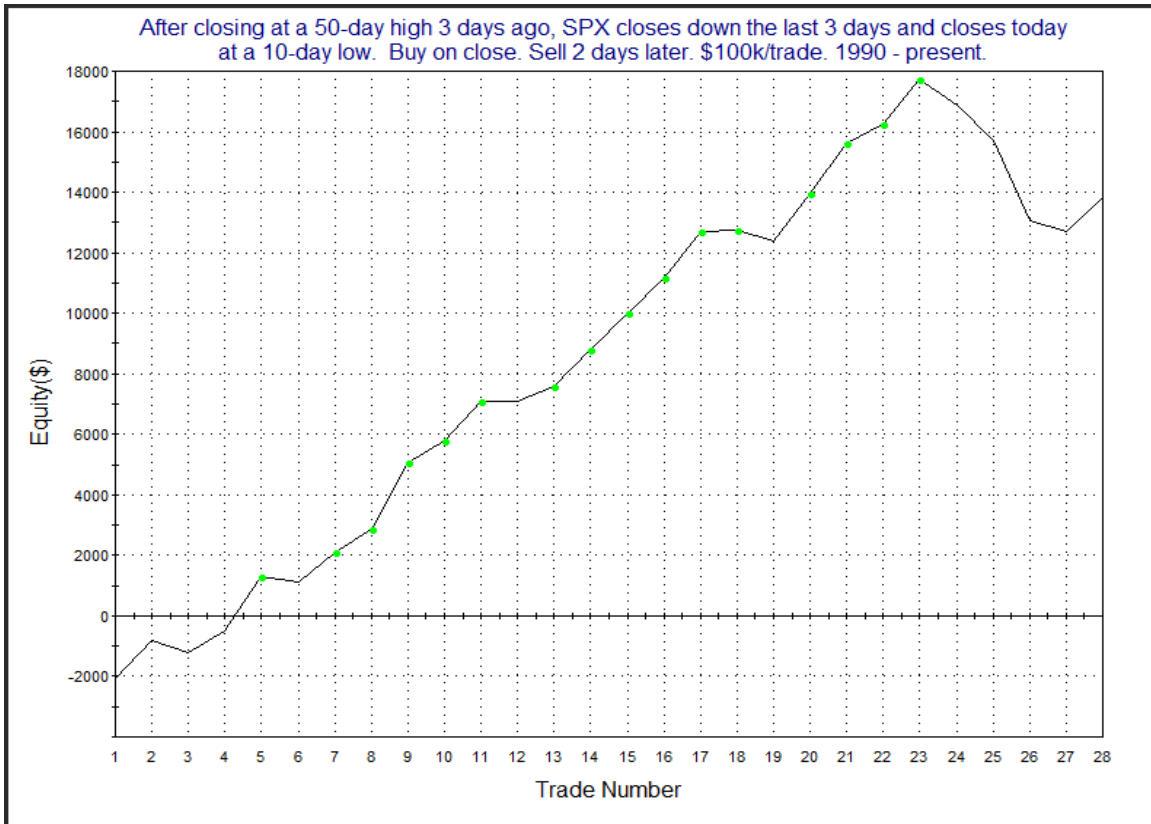
The Evidence

Wednesday saw the market endure some selling. The SPX fell 0.65%, the NASDAQ closed down 0.9%, and the Russell 2000 dropped a sizable 2.0%. Breadth was negative as the NYSE Up Issues % was 25% and the Up Volume % came in at 13%. NYSE volume rose some from Tuesday's level.

The decline in SPX meant it was the 3rd day in a row in which it closed lower. Often 3-day pullbacks will trigger some bullish studies. But nothing about the volume or volatility triggered anything very compelling. I did note that 1) the pullback originated from a 50-day high, and 2) it left SPX at a 10-day low. So I examined other times these circumstances had lined up, and found some interesting results.

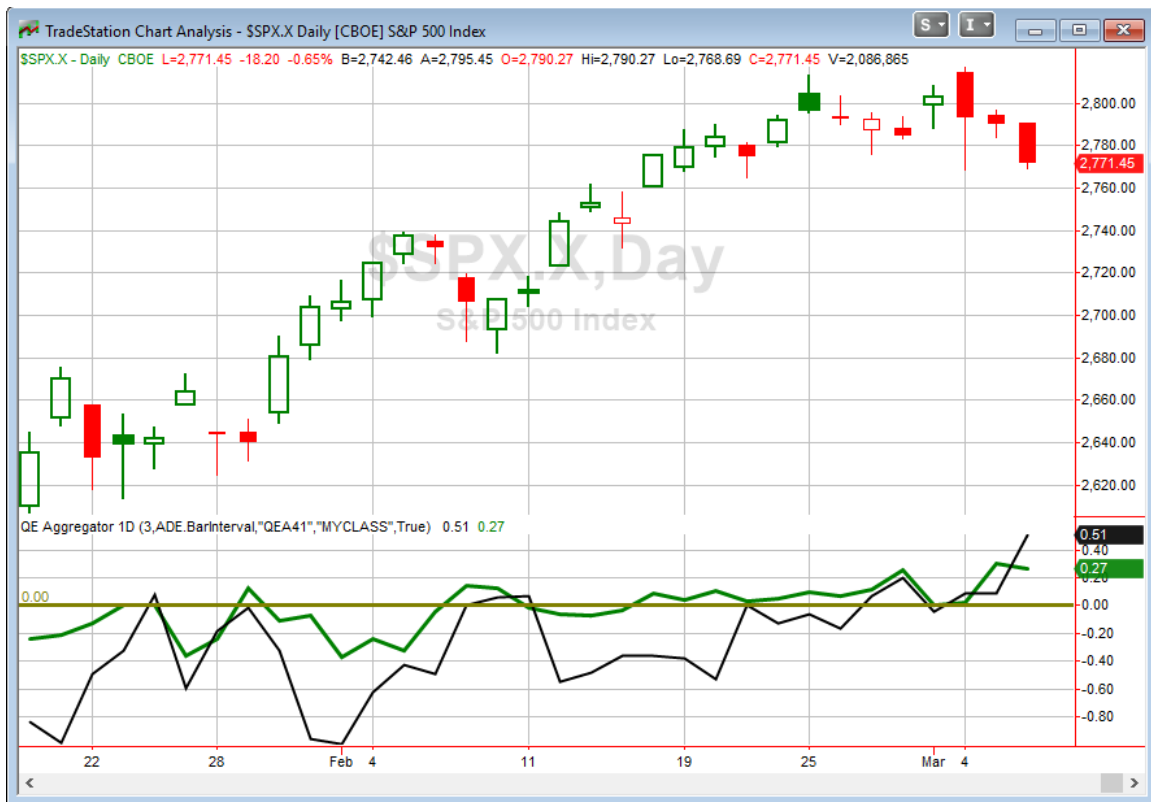
After closing at a 50-day high 3 days ago, SPX closes down the last 3 days and closes today at a 10-day low. Buy on close. Sell X days later. \$100k/trade. 1990 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	35,882.32	28	18	10	64.29	2,882.07	7,183.08	-1,599.49	-3,768.96	1.80	3.24	1,281.51
9	36,416.44	28	20	8	71.43	2,495.60	6,197.04	-1,686.94	-3,145.44	1.48	3.70	1,300.59
8	41,096.44	28	22	6	78.57	2,243.86	6,562.98	-1,378.08	-2,920.08	1.63	5.97	1,467.73
7	31,508.69	28	20	8	71.43	2,012.92	4,736.88	-1,093.70	-2,150.55	1.84	4.60	1,125.31
6	24,984.34	28	17	11	60.71	1,993.32	3,768.08	-809.29	-2,649.10	2.46	3.81	892.30
5	22,952.80	28	17	11	60.71	1,946.16	3,892.40	-921.08	-1,821.15	2.11	3.27	819.74
4	23,334.26	28	19	9	67.86	1,778.10	3,834.96	-1,161.08	-2,616.60	1.53	3.23	833.37
3	16,539.33	28	20	8	71.43	1,272.75	3,201.12	-1,114.47	-2,280.35	1.14	2.86	590.69
2	13,819.43	28	19	9	67.86	1,152.99	2,200.15	-898.59	-2,668.32	1.28	2.71	493.55
1	9,147.74	28	19	9	67.86	714.70	1,767.00	-492.40	-1,805.76	1.45	3.06	326.70

We see here that the odds favor a quick bounce, and that some continuation has often occurred up to 8 days out. Below are profit curves for both the 2-day and 8-day holding periods.



The 8-day has been quite steady throughout, while the 2-day has had a bit of a dip lately. Overall, I believe this study is worth some consideration and have added it to the Active List tonight.

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 Thursday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2800.45 on Thursday. That is 1.0% above Wednesday's close. Therefore, the SPX will need to close up 1.0% on Thursday in order to flip from oversold to overbought versus recent expectations.

So the Aggregator is long. Evidence continues to point north, and there is plenty of room to the upside before SPX turns overbought. SPX is also no longer near the middle of its recent range, having closed at a 10-day low on Wednesday. So reward/risk appears favorable. Also potentially helping the bullish case is the fact that Thursday begins a Fed reporting week where we expect the SOMA to remain flat or perhaps rise slightly. Additionally, March opex week will begin on Monday, and that has been a seasonally bullish week historically. (More on that in one of the next couple of letters.) So I like the long side. I took a small amount of index exposure at the close on Wednesday, and I will look to take more at the close on Thursday if we get another down day. Details are in the trade ideas section near the bottom of the letter.

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

New

CVS – 1/3 @ \$54.00 (buy @ limit)

Broad Market Large Cap CBI – 1(CVS)

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 @ \$277.00 LIMIT ON CLOSE. Based on the short-term outlook above, I will look to take some long exposure if SPY closes down much more on Thursday.

CVS – Buy 1/3 Catapult position @ \$54.00 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots for CVS.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
SPY(1/4)	3/6/2019	\$277.33	\$277.33	0.00%		bought on close

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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