

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 15, 2018

Volume 12 Issue 51

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	3

Tonight's Research Points

- The SPY gap and reversal on Thursday after an unfilled gap up on Wednesday suggests an upside edge for Friday.
- Opex Friday mornings when above the 200ma have historically struggled.
- The weeks after opex in March, June, and September have been the worst of the year.

Short-term Outlook

The Bottom Line

The Aggregator is neutral, evidence is shaky, and the Differential Pivot is inverted. I do not view the current setup as compelling.

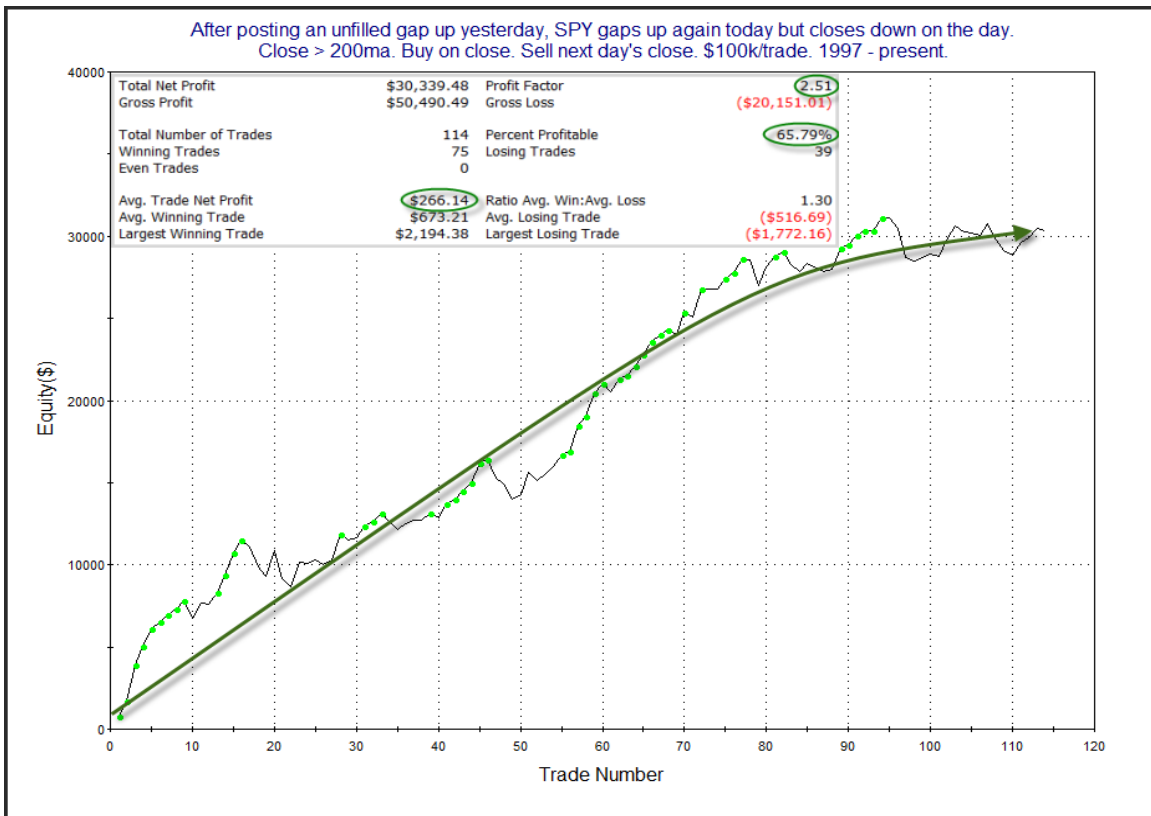
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
March 15, 2019	Unfill up yesterday. Gap up cls dn 2day	1 day	Bullish			
March 14, 2019	2 gaps up and 50-day high	1-3 days	Bullish			
March 11, 2019	2 unfilled gaps down. Close < 200ma	1-5 days	Bullish	3.00%	-1.90%	-4.00%
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

The 3-day win streak came to an end on Thursday. SPX lost 0.1%, the NASDAQ fell 0.2%, and the Russell 2000 dropped 0.4%. Breadth was negative as the NYSE Up Issues % was 41.8% and the Up Volume % came in at 42.3%. NYSE volume declined some from Wednesday’s level.

SPY gapped up and closed lower Thursday after leaving an unfilled up gap on Wednesday. In the 3/5/19 letter I examined similar price action in SPY with regards to how it gapped and finished. The study is updated below.



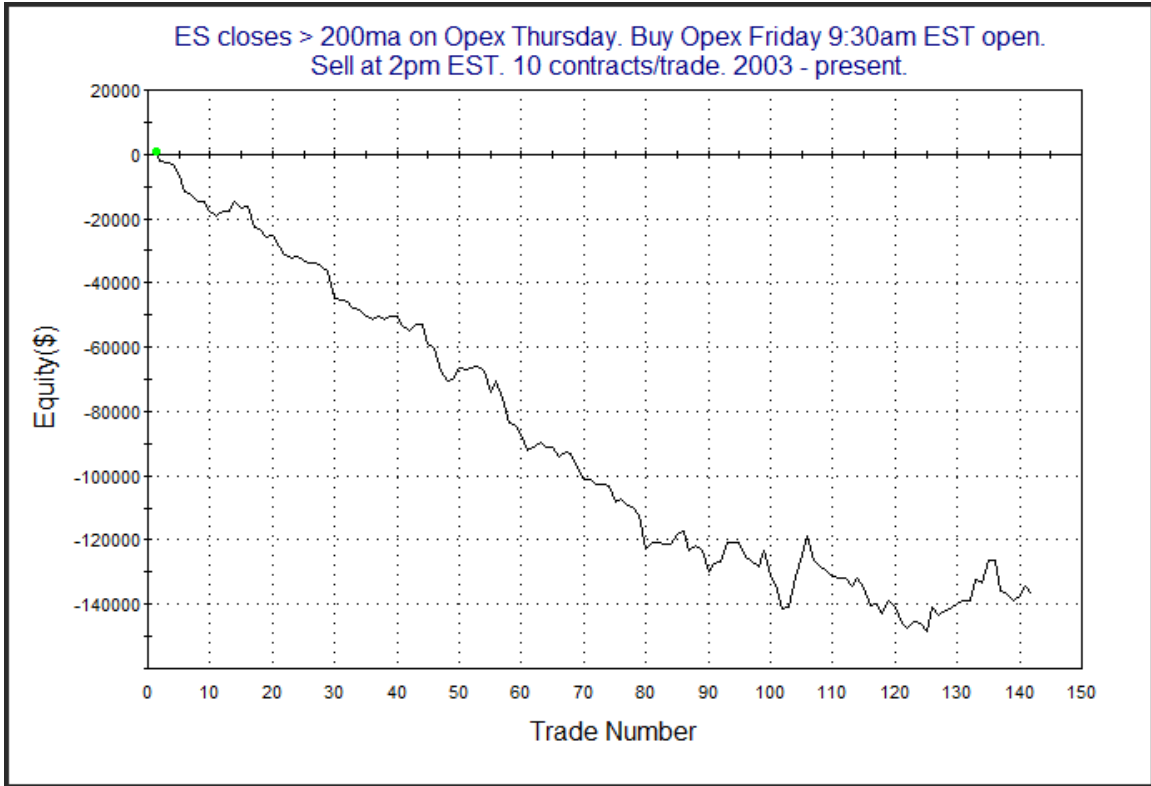
The numbers here all look solidly bullish. The profit curve is a little less encouraging, since it has endured some recent choppiness. I will allow this on the Active List tonight, but I am keeping a watchful eye on this study, and will soon put it on hold if it continues to struggle.

One seasonal factor that could come into play on Friday is that the market has often struggled after the open on opex Friday. I discussed this in the 2/15/19 letter and have copied that commentary below. (Stats not updated.)

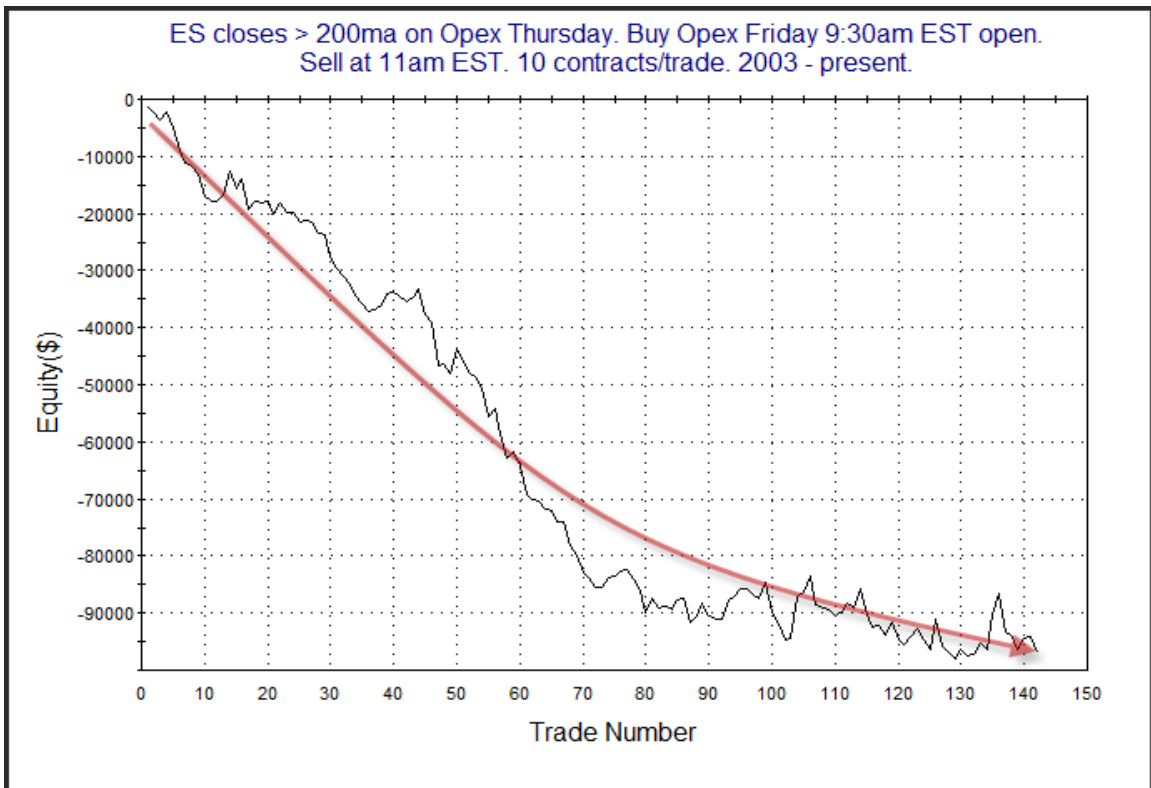
Below is a study showing results of purchasing 10 ES contracts (which is the mini-futures contract for the S&P 500) at the open and then exiting at different times during the day.

ES closes > 200ma on Opex Thursday. Buy Opex Friday 9:30am EST open. Sell at time shown on left (EST). 10 contracts/trade. 2003 - present.												
OE Op-Ex Fri Intra Short2: timeofday	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
1,600	-113,000.00	142	61	78	42.96	2,631.15	13,875.00	-3,506.41	-16,125.00	0.75	0.59	-795.77
1,500	-110,625.00	142	53	84	37.32	2,754.72	9,875.00	-3,055.06	-11,625.00	0.90	0.57	-779.05
1,400	-136,625.00	142	45	90	31.69	2,430.56	9,875.00	-2,733.33	-10,750.00	0.89	0.44	-962.15
1,300	-122,375.00	142	48	93	33.80	2,406.25	11,375.00	-2,557.80	-12,375.00	0.94	0.49	-861.80
1,200	-116,500.00	142	49	93	34.51	2,193.88	11,625.00	-2,408.60	-9,750.00	0.91	0.48	-820.42
1,100	-96,875.00	142	53	87	37.32	1,662.74	7,250.00	-2,126.44	-7,625.00	0.78	0.48	-682.22
1,000	-77,875.00	142	41	98	28.87	1,079.27	3,625.00	-1,246.17	-3,625.00	0.87	0.36	-548.42

As you can see, the bearish implications primarily play themselves out by early afternoon. (1000 = 10am EST, 1200 = noon EST, 1400 = 2pm EST, etc.) The largest downside totals would have been achieved by exiting at 2pm. But as you can see below, over the last year or so, the downside tendency has not persisted.



But the change in character is not as evident when looking at the early morning and closing out at 11am. This can be seen below.

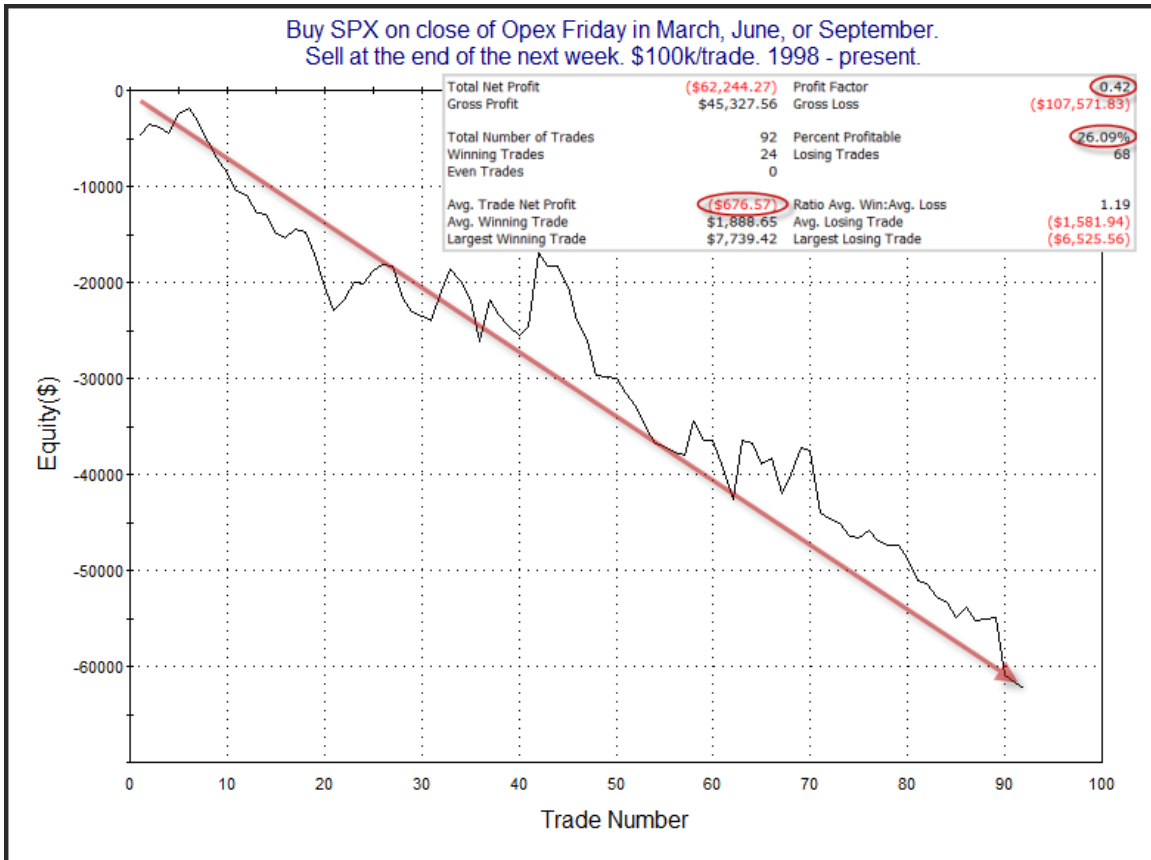


It still appears to me that caution seems warranted on the long side, especially during the early morning on Friday.

Also worth noting from a seasonal standpoint is that the week after Opex is sometimes bearish. A Twitter follower asked me about weeks following Quad-witching, which is March, June, September, and December. Of course the 2nd half of December has shown bullish seasonality historically (ignore 2018), but those other 3 have NOT been good weeks for the market. In fact, back in September I discussed the “Weakest Week”, which is the week after September opex. At that time, I showed a table with the best and worst weeks of the year since 1988. Below is an updated version of that table, showing just the bottom 8 weeks. (Note I did not include weeks after the 5th Friday of the month, since instances for those were greatly reduced.)

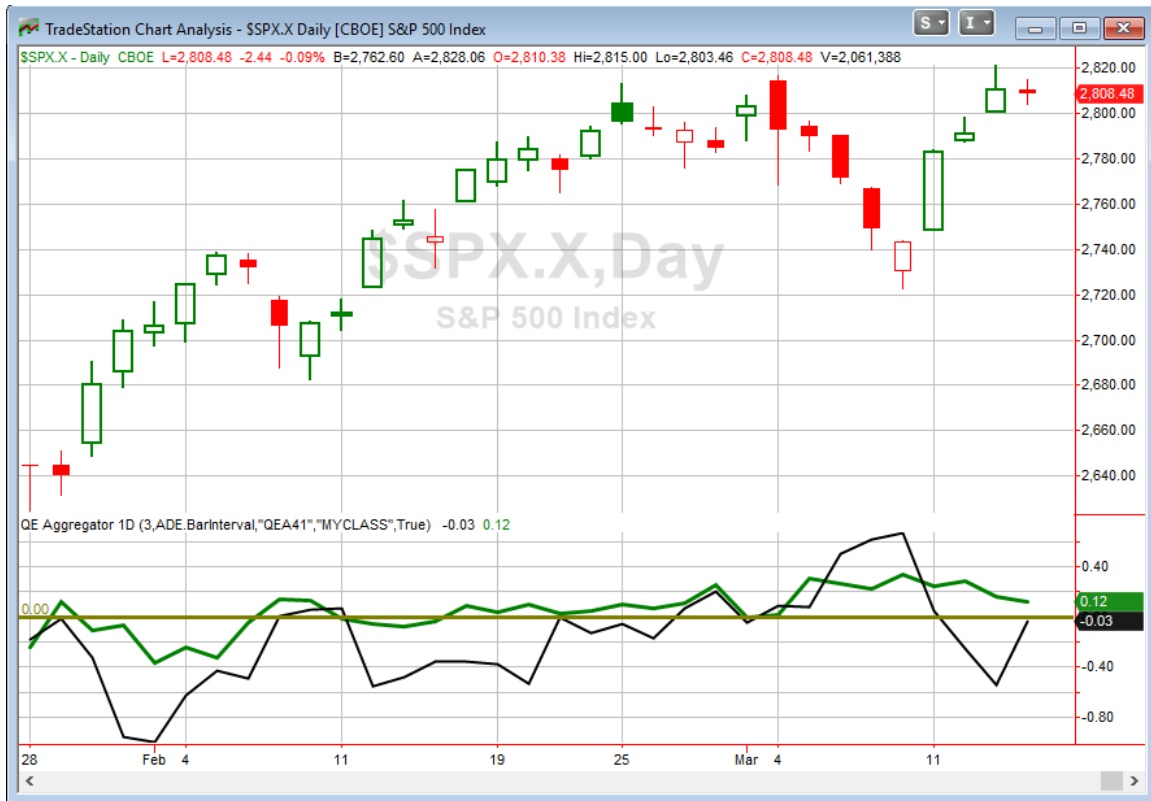
SPX Performance for the Week Following the Month and Friday Listed. \$100k/trade. 1988 - present. (Bottom 8 results shown. 5th Fridays not included in results.)													
Month of Year	Friday of Month	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
8	1	-6,102.14	31	15	16	48.39	1,095.38	5,106.00	-1,408.30	-3,772.71	0.78	0.73	-196.84
2	3	-9,827.50	32	16	16	50.00	841.94	2,106.80	-1,456.15	-4,509.84	0.58	0.58	-307.11
12	1	-10,365.36	31	13	18	41.94	1,358.92	4,131.36	-1,557.30	-3,728.04	0.87	0.63	-334.37
1	3	-10,992.58	32	17	15	53.13	1,103.51	2,505.60	-1,983.49	-5,602.80	0.56	0.63	-343.52
10	1	-15,554.77	31	16	15	51.61	2,026.24	5,944.32	-3,198.31	-18,000.90	0.63	0.68	-501.77
3	3	-17,175.41	31	7	24	22.58	2,826.00	6,162.00	-1,539.89	-5,895.00	1.84	0.54	-554.05
6	3	-17,888.23	31	10	21	32.26	1,146.73	2,928.60	-1,397.88	-3,626.75	0.82	0.39	-577.04
9	3	-26,963.73	31	7	24	22.58	2,011.18	7,739.42	-1,710.08	-6,525.56	1.18	0.34	-869.80

We see here that the week after opex for September, June, and March have in fact been the worst 3 weeks of the year over the last 31 years. You’ll also note that the whole group shown follow either the 1st or 3rd Friday of the month. And if I were to show the *best* weeks of the year, you’d notice that they all follow the 2nd and 4th Fridays of the month. Below is a look at results if someone were to have bought opex Friday’s close in March, June, and September since 1988.



The stats are poor as we knew they would be. The strong, steady downslope is also supportive of the idea of a seasonally bearish edge. I'll show this again over the weekend, and will take it into some consideration next week.

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



With tonight's new evidence considered, 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 remained 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 bullish on Friday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be *inverted* at 2815.94 on Friday. That is 0.3% *above* Thursday'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 up 0.3% in order to remain overbought versus recent expectations. Anything short of that and it will be considered oversold as of Friday's close.

So the Aggregator is again neutral. Evidence is currently leaning bullish, but not greatly. And we are headed into a seasonal headwind next week. And QT should be back in force this week, after having a reprieve this past reporting week, which ended Wednesday. So who knows how expectations will look after Friday's action. And with the Differential Pivot inverted but nearby, SPX could easily find itself either overbought or oversold

heading into next week. With all this to consider, there appears to be a lot of uncertainty right now. I'll continue to wait for a more favorable reward/risk opportunity before looking to take on new index exposure.

Intermediate-term Outlook (2 weeks – 2 months) – updated 3/11 – bullish

The intermediate-term outlook was last updated in the 3/11/19 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

RTN – 1/3 @ \$180.22 (bought @ limit)

BA – 1/3 @ \$400.01 (bought @ limit)

BA – 1/3 @ \$375.41 (bought @ limit)

Broad Market Large Cap CBI – 3(RTN, BA-2)

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
RTN(1/3)	3/8/2019	\$178.85	\$180.25	0.78%		Catapult
BA(1/3)	3/12/2019	\$384.70	\$373.30	-2.96%		Catapult
BA(1/3)	3/13/2019	\$375.41	\$373.30	-0.56%		Catapult

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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