

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 19, 2019

Volume 12 Issue 53

## Market Overview



## Signals Overview

<b>Aggregator</b>	<b>CBI Reading</b>
<b>Short</b>	<b>3</b>

## Tonight's Research Points

- A rising VIX at a 50-day SPX high (on the first day of the week) suggests a pullback.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is again bearish, suggesting a short-term dip. Both evidence and reward/risk appear favorable for the bears.

**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>						
March 19, 2019	Monday. VIX up. SPX 50-day high	1-2 days	Bearish			
March 18, 2019	SPX 5-high on Quad Witch	1-4 days	Bearish			
<b>Active - Long Term</b>						
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			

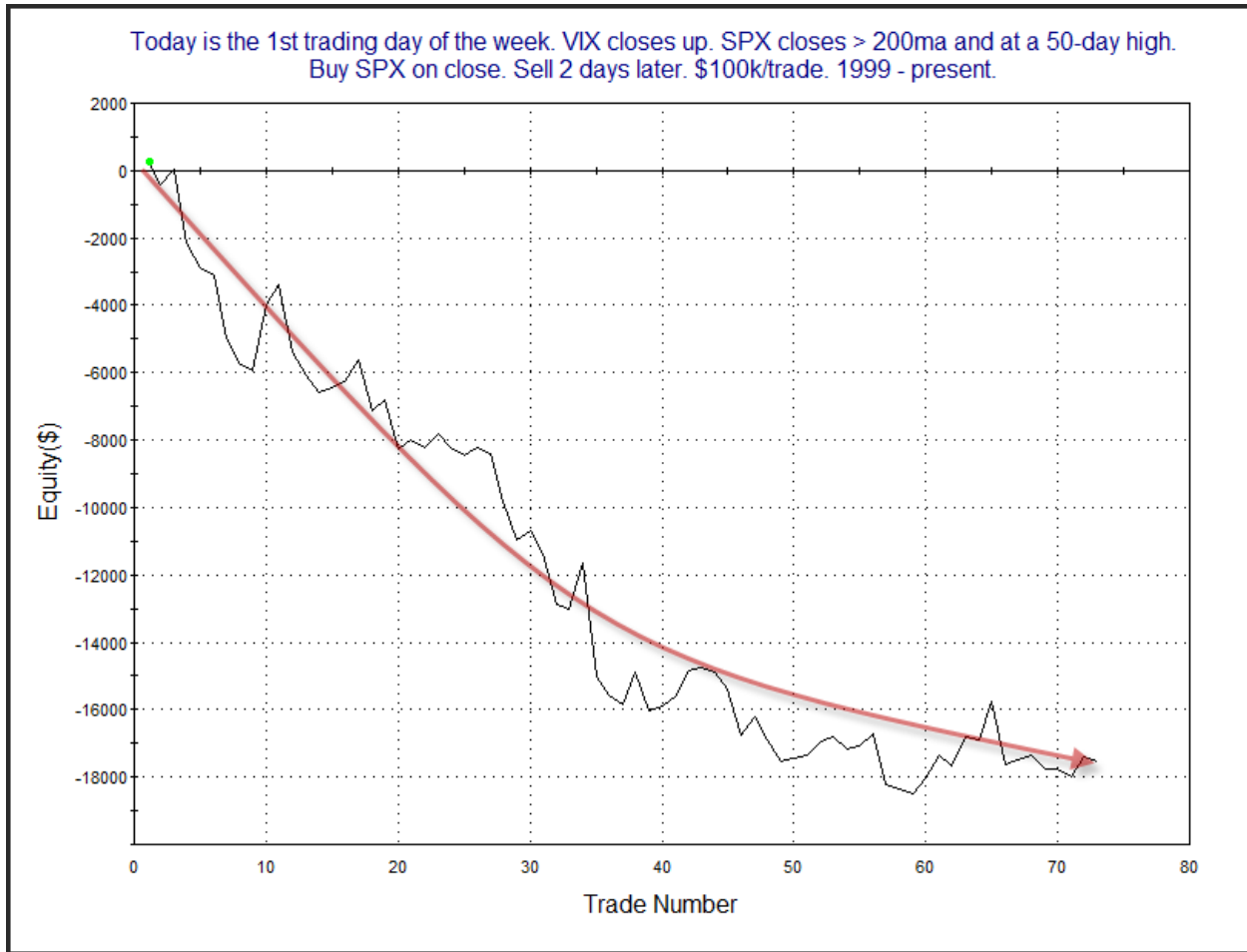
**The Evidence**

Monday again saw solid gains and new intermediate-term highs. SPX rose 0.4%, the NASDAQ rallied 0.3%, and the Russell 2000 climbed 0.7%. Breadth was positive as the NYSE Up Issues % was 67% and the Up Volume % came in at 73%. NYSE volume declined from opex Friday's high level.

While the SPX closed up the VIX also rose. Most often they trade opposite each other, so this kind of action is somewhat unusual. But VIX has a tendency to decline going into the weekend (Friday afternoons), and then rise when it returns from the weekend. So to see this action on the first trading day of the week is less unusual than at any other time. Still, combined with the SPX 50-day high, it has been often followed by a dip in the next few days. This can be seen in the study below, which was last seen in the 2/26/19 letter. Results are all updated.

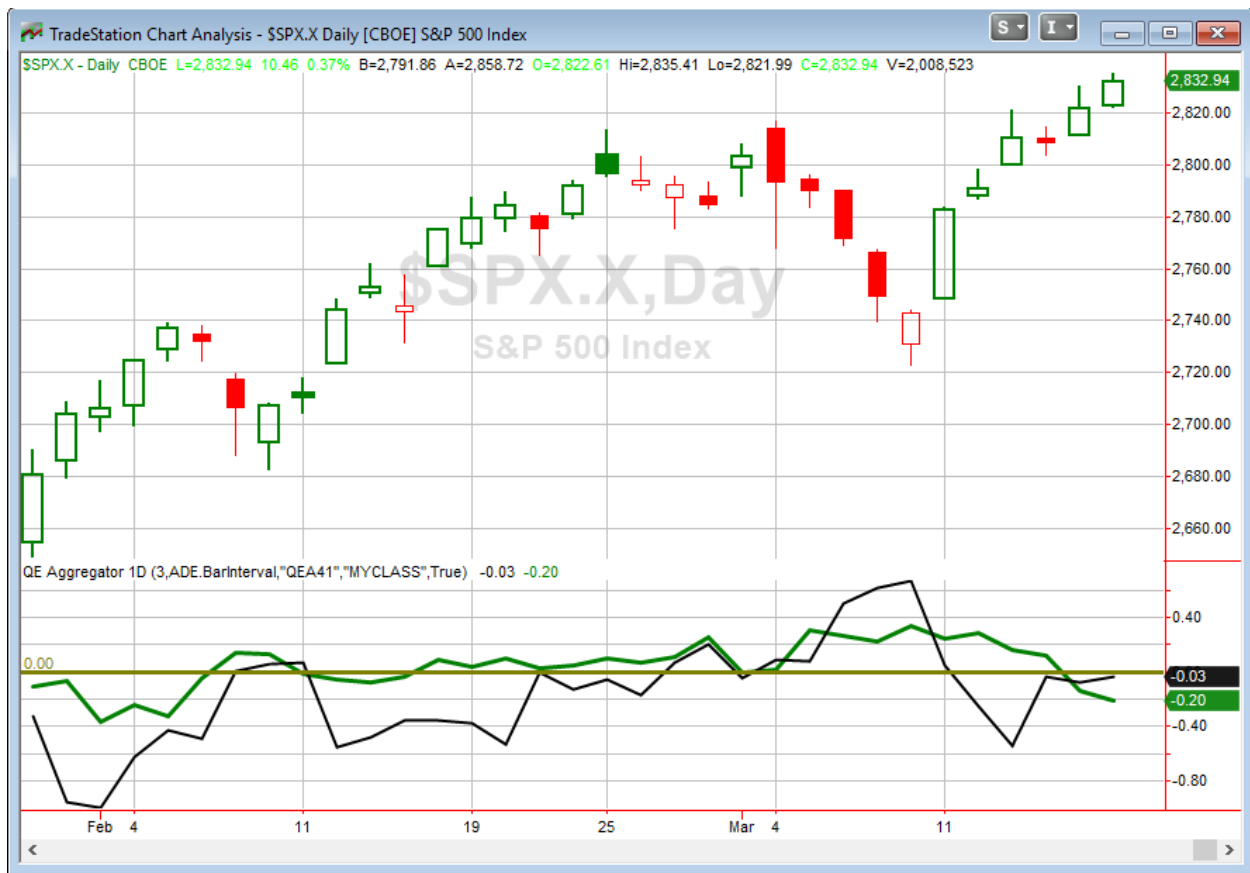
Today is the 1st trading day of the week. VIX closes up. SPX closes > 200ma and at a 50-day high. Buy SPX on close. Sell X days later. \$100k/trade. 1999 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-12,262.00	67	30	37	44.78	1,066.65	3,260.25	-1,196.26	-5,048.68	0.89	0.72	-183.01
4	-5,198.17	73	36	37	49.32	885.47	2,953.65	-1,002.03	-4,271.52	0.88	0.86	-71.21
3	-8,654.15	73	35	38	47.95	673.21	2,641.80	-847.80	-3,887.84	0.79	0.73	-118.55
2	-17,515.89	73	33	40	45.21	457.26	1,981.72	-815.14	-3,372.16	0.56	0.46	-239.94
1	-7,448.79	73	28	45	38.36	303.53	769.70	-354.39	-1,580.04	0.86	0.53	-102.04

Results here appear somewhat bearish. Below is a profit curve that assumes a 2-day exit strategy.



The profit curve has had a long decline. We did see a recent bump up, which has flattened out the current look of the curve some. Still, this study seems worthy of consideration and I have included it on the Active List.

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



With tonight's new evidence considered, the green Aggregator Line remained below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile, the black Differential Line also held below 0. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are negative and SPX is overbought. This is considered a bearish configuration. Bearish configurations are visible on the chart whenever both lines close below zero. Therefore, the Aggregator signal stayed short at the close.

Based on the current active studies, expectations are set to remain bearish on Tuesday. Of course, this could change if compelling new bullish evidence emerges. The Differential Pivot will be 2824.25 on Tuesday. That is 0.3% below Monday's close. So SPX would only need to decline 0.3% on Tuesday to flip from overbought to oversold versus expectations.

There appears to be a moderate bearish edge. Both VIX action and seasonality are suggesting a pullback in the next few days. We are also in a time period where some QT is occurring. Aggressive traders could look to take advantage of this bearish edge with a counter-trend short trade right here. But this has certainly been a difficult market to make money on the short side. I do believe reward/risk is favoring the bears here short-term. I will look to take a small short position on Tuesday, but only if I can get a favorable entry on a gap up or a strong close, which would give me more potential reward on a pullback.

***Intermediate-term Outlook (2 weeks – 2 months) – updated 3/18 – bullish***

The intermediate-term outlook was last updated in the 3/18/19 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.*

**SPY – short ¼ index position @ \$283.00 LIMIT ON OPEN. If not filled on open, cancel order and then look to enter at \$283.00 LIMIT ON CLOSE.** If I can get it with a gap up, great. If not, I do not want to short into a mid-day rally. I would rather wait until the end of the day and see if I can get a favorable fill at that time.

### **Current Open Trade Ideas**

<b>Symbol</b>	<b>Entry Date</b>	<b>Entry Price</b>	<b>Current Price</b>	<b>% Gain/Loss</b>	<b>Stop</b>	<b>Notes</b>
RTN(1/3)	3/8/2019	\$178.85	\$180.23	0.77%		Catapult
BA(1/3)	3/12/2019	\$384.70	\$372.28	-3.23%		Catapult
BA(1/3)	3/13/2019	\$375.41	\$372.28	-0.83%		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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