

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 26, 2019

Volume 12 Issue 58

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Long	2

## Tonight's Research Points

- A 50-day high to an 8-day low in 2 days has often been followed by a bounce the next day.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is again bullish and there is ample room to the upside before SPX would turn overbought. Reward/risk appears to favor the bulls.

**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 26, 2019	50-high to 8 low in 2 days	1 day	Bullish			
March 25, 2019	VIX up 20% on Friday	1-4 days	Bullish			
March 25, 2019	Fri dn 1.5x 20-day ATR	1-6 days	Bullish			
March 25, 2019	1% decline 4th Fri of month	1-6 days	Bullish			
March 25, 2019	4th Friday of March	1-4 days	Bullish			
March 21, 2019	Fed Day lower along with yesterday	1-6 days	Bullish	2.00%	-1.40%	-3.00%
<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**

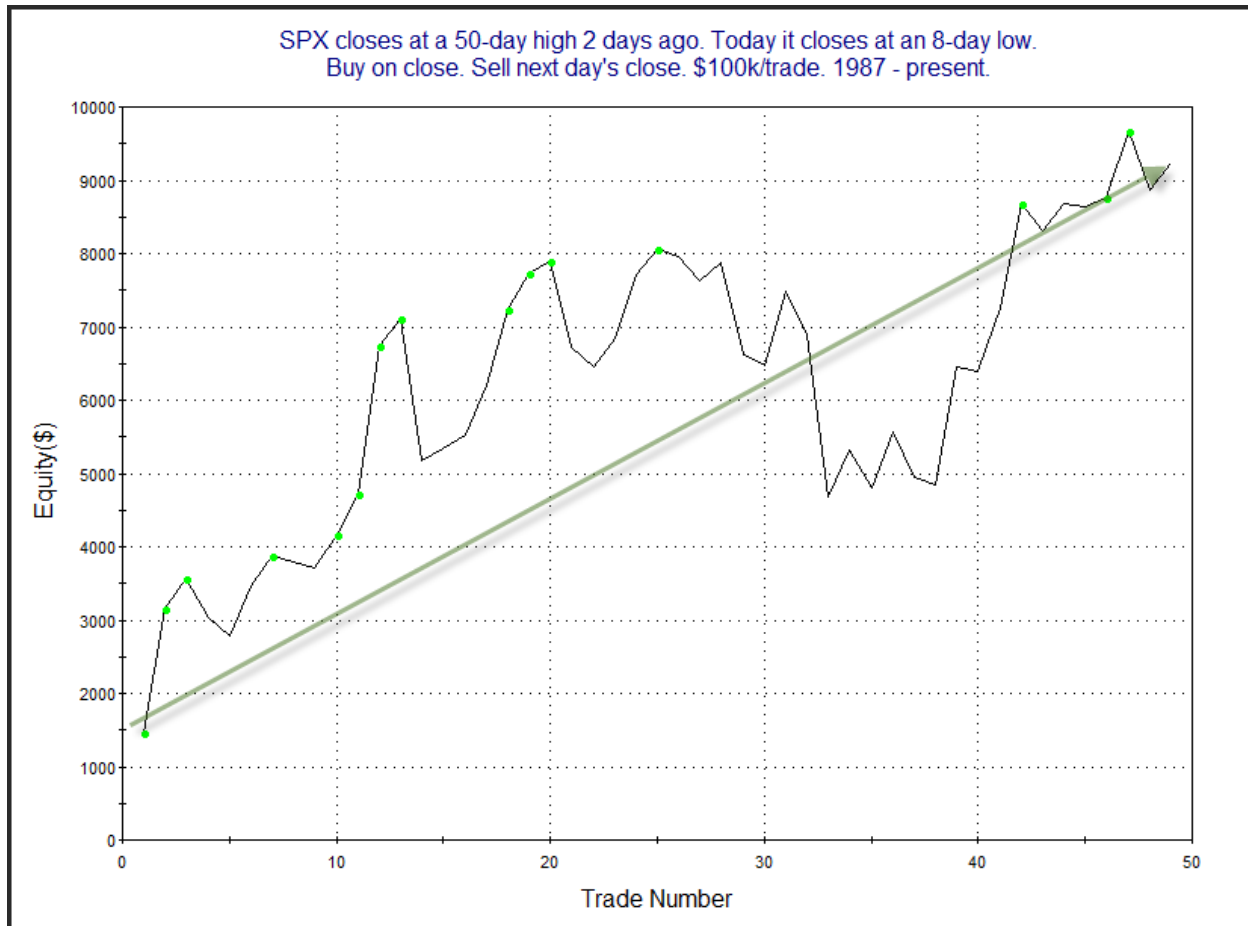
Monday was a mixed and mild day for the indices. SPX lost 0.1%, the NASDAQ dropped 0.1%, and the Russell 2000 rose 0.5%. Breadth was also mixed as the NYSE Up Issues % was 51% and the Up Volume % came in at 45%. NYSE volume declined some from Friday's level.

The mild action on Monday did very little generate compelling studies. There was a study from the 8/26/16 letter that showed that gaps down from 5-day lows that finish below the open tend to carry an upside edge over the next few days. But when SPY has closed down on the day, but above the open (as it did on Monday), there was no edge apparent. So the partial recovery from the open was not helpful when looking at the short-term outlook.

There was one study that looked at quick 2-day moves from a 50-day high to an 8-day low. I last showed it in the 5/27/15 letter. I have updated the stats table below.

SPX closes at a 50-day high 2 days ago. Today it closes at an 8-day low. Buy on close. Sell X days later. \$100k/trade. 1987 - 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	32,343.46	47	32	15	68.09	1,740.41	4,726.48	-1,556.63	-3,502.11	1.12	2.39	688.16
4	31,098.92	47	32	15	68.09	1,454.50	4,732.80	-1,029.67	-2,555.39	1.41	3.01	661.68
3	11,251.16	47	28	19	59.57	1,104.31	2,985.55	-1,035.23	-2,866.27	1.07	1.57	239.39
2	5,974.39	47	26	21	55.32	981.62	3,515.34	-930.84	-2,051.10	1.05	1.31	127.11
1	9,228.00	49	29	20	59.18	713.49	2,002.36	-573.16	-2,200.08	1.24	1.81	188.33

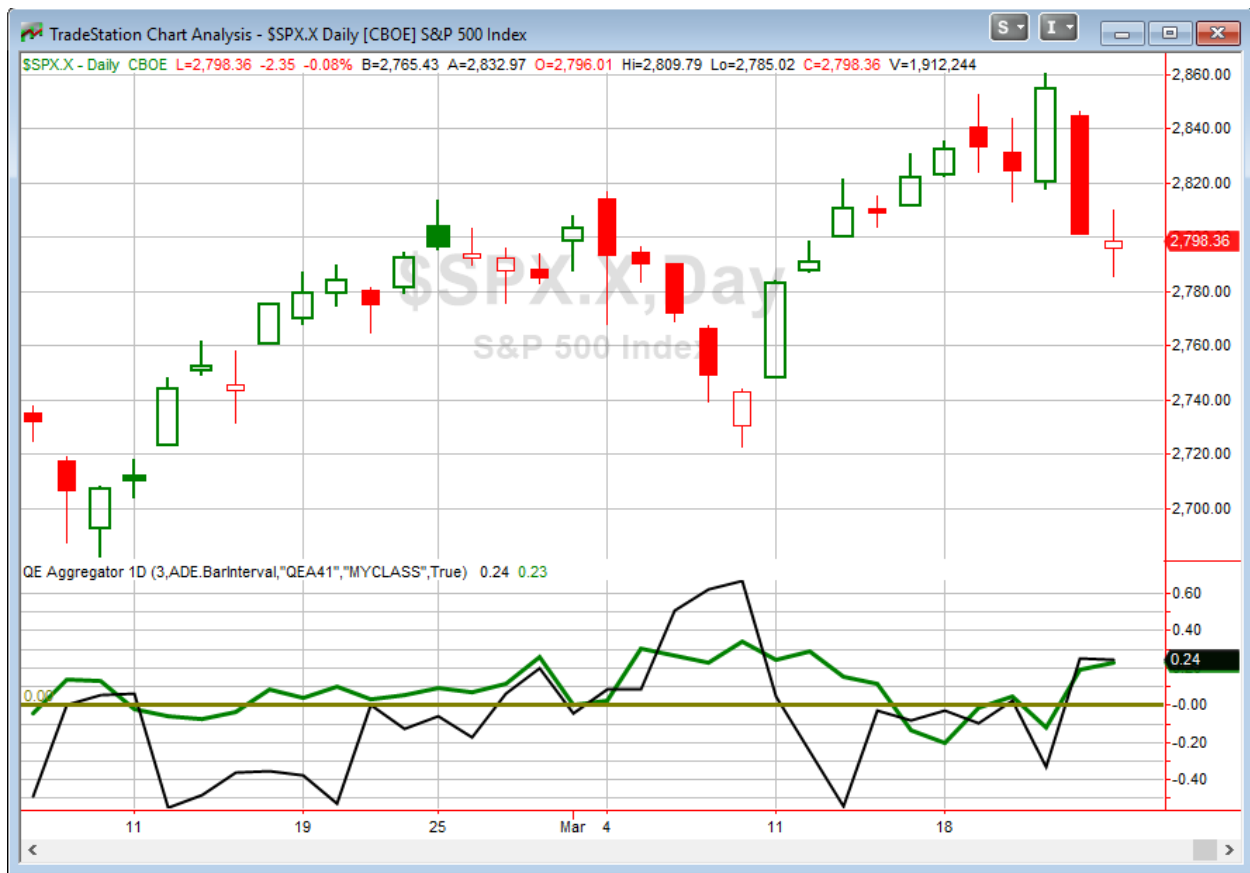
The odds look somewhat bullish here. In looking at the profit curves, the 2-4 day ones were not terribly impressive. So I decided to view it as a potential 1-day edge. Below is a look at a 1-day profit curve.



Pretty choppy, but it has made its way from lower left to upper right.

So new evidence tonight is not overwhelming. But the studies I showed over the weekend all suggested Monday could struggle, but there should be some upside as the week goes on. And I am not seeing anything tonight that would refute that hypothesis.

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



With tonight's 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 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 Tuesday. It would take some very compelling new bearish evidence in order to change this. The Differential Pivot will be 2851.63 on Tuesday. That is 1.9% above Monday's close. Therefore, SPX would need to close up a very strong 1.9% on Tuesday in order to move from oversold to overbought versus expectations.

So there still appears to be a bullish edge. I expect to see a bounce in the next few days. And there is ample room to the upside before the SPX would turn overbought. I took some long exposure at the close on Monday, and I will look to scale in further if the market closes down again on Tuesday.

**Intermediate-term Outlook (2 weeks – 2 months) – updated 3/25 – bullish**

The intermediate-term outlook was last updated in the 3/25/19 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***

BA – 1/3 @ \$400.01 (bought @ limit)

BA – 1/3 @ \$375.41 (bought @ limit)

***Broad Market Large Cap CBI – (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 – buy ¼ index position @ \$279.00 LIMIT ON CLOSE.** Based on the short-term outlook above, I will look to take on a 2<sup>nd</sup> lot of SPY if it closes down even a little on Tuesday.

**Current Open Trade Ideas**

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
BA(1/3)	3/12/2019	\$384.70	\$370.46	-3.70%		Catapult
BA(1/3)	3/13/2019	\$375.41	\$370.46	-1.32%		Catapult
SPY(1/4)	3/25/2019	\$279.04	\$279.04	0.00%		Aggregator

*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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