

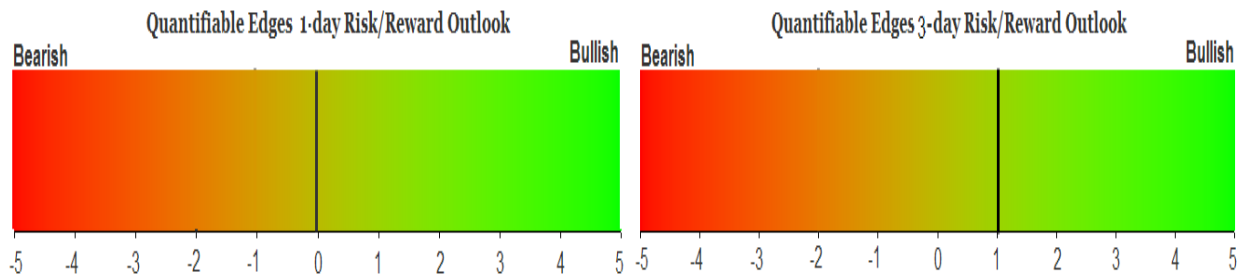
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 28, 2019

Volume 12 Issue 60

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- Quarter end is Friday. Often small caps will outperform large caps on the last day of the quarter. Historically, this has been especially true in the 1st quarter.

Short-term Outlook

The Bottom Line

Evidence is still pointing higher but SPX is no longer oversold. Reward/risk does not appear great.

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 27, 2019	Unfilled gap up after 10-low yest <10ma	1-5 days	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%
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 sell off a bit. SPX lost 0.5%, the NASDAQ fell 0.6%, and the Russell 2000 declined 0.4%. Breadth was negative as the NYSE Up Issues % was 45% and the Up Volume % came in at 32%. NYSE volume rose some from Tuesday's level.

The back and forth chop over the last few days left the Quantifinder blank as it sometimes does. But it is worth noting that Friday is the last trading day of the quarter. And the last day of the quarter has some interesting characteristics. I often hear the term "window dressing" mentioned by the media when referring to end of quarter activity. The suggestion is that fund managers will make late adjustments to their portfolios, in order to make them appear more attractive. So their list of large holdings might show some strong winners instead of losers for reporting. And they might do some extra buying of certain holdings on the last day or so of the quarter in order to push the price higher. Exactly what activity will be undertaken is difficult to anticipate, but one thing I have found is that small caps tend to outperform large caps on the last day of the quarter. This can be seen below in the comparison of DJI to Russell 2000 returns since June of 1987, which is as far back as my RUT data goes.

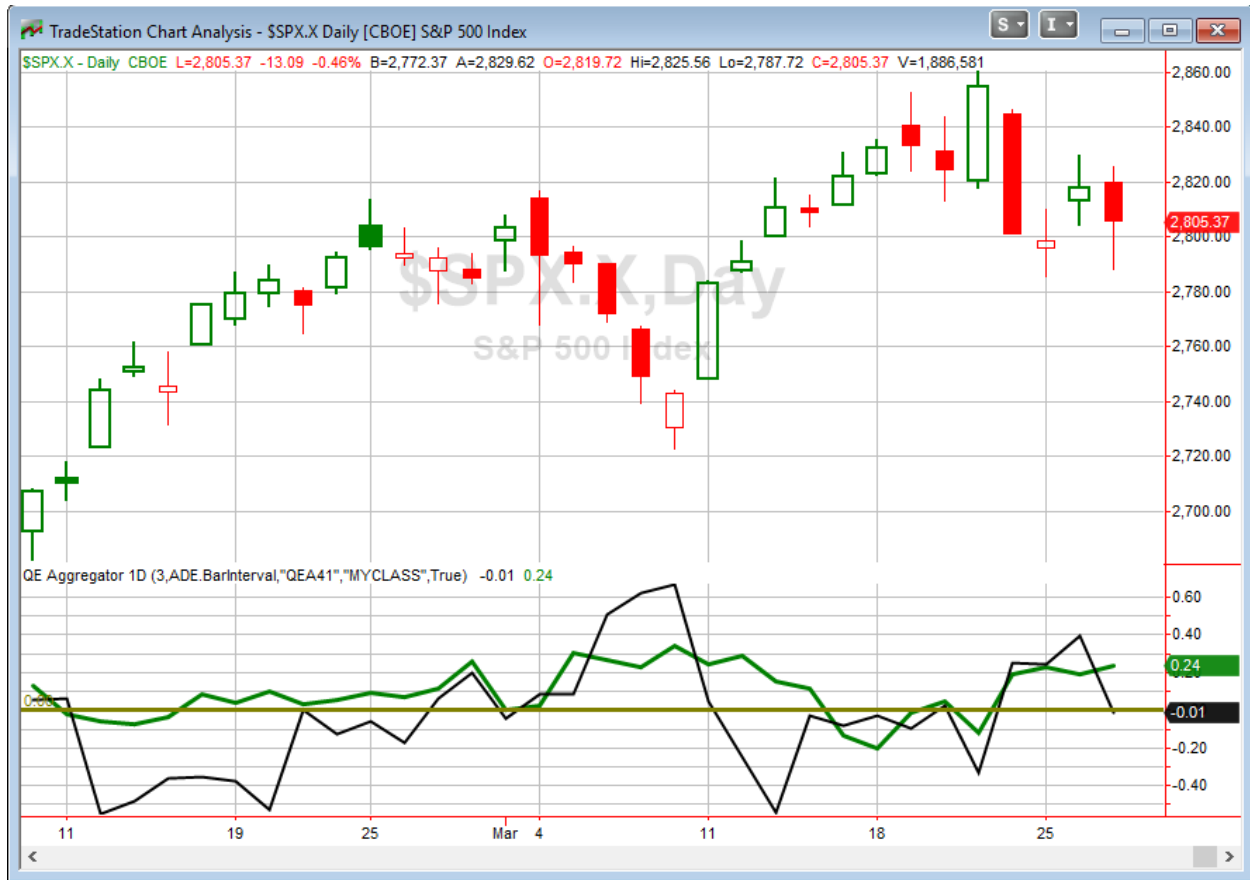
Market Performance on last day of Quarter. \$100k/trade. 6/1987 - present			
\$DJI		\$RUT	
	All trades		All trades
Net Profit	-15401.99	Net Profit	43676.63
All trades	127	All trades	127
Avg. Profit/Loss	-121.28	Avg. Profit/Loss	343.91
Avg. Profit/Loss %	-0.12%	Avg. Profit/Loss %	0.34%
Avg. Bars Held	2.00	Avg. Bars Held	2.00
Winners	53 (41.73 %)	Winners	83 (65.35 %)
Total Profit	34311.39	Total Profit	77566.78
Avg. Profit	647.38	Avg. Profit	934.54
Avg. Profit %	0.65%	Avg. Profit %	0.93%
Avg. Bars Held	2.00	Avg. Bars Held	2.00
Max. Consecutive	5	Max. Consecutive	11
Largest win	4681.03	Largest win	3455.06
# bars in largest win	2	# bars in largest win	2
Losers	74 (58.27 %)	Losers	44 (34.65 %)
Total Loss	-49713.38	Total Loss	-33890.14
Avg. Loss	-671.80	Avg. Loss	-770.23
Avg. Loss %	-0.67%	Avg. Loss %	-0.77%
Avg. Bars Held	2.00	Avg. Bars Held	2.00
Max. Consecutive	6	Max. Consecutive	7
Largest loss	-2944.12	Largest loss	-2812.31
# bars in largest loss	2	# bars in largest loss	2
Max. trade drawdown	-2944.12	Max. trade drawdown	-2812.31
Max. trade % drawdown	-2.94	Max. trade % drawdown	-2.81
Max. system drawdown	-22751.98	Max. system drawdown	-7844.67
Max. system % drawdown	-2.28%	Max. system % drawdown	-0.75%
Profit Factor	0.69	Profit Factor	2.29

That is a sizeable difference in performance. Interestingly, for whatever reason, the difference has been especially strong at the end of March. Below is a similar table, but this one only looks at the last day of March since 1988.

Market Performance on last day of March. \$100k/trade. 1988 - 2018.			
\$DJI		\$RUT	
Net Profit	All trades -5522.77	Net Profit	All trades 11297.76
All trades	31	All trades	31
Avg. Profit/Loss	-178.15	Avg. Profit/Loss	364.44
Avg. Profit/Loss %	-0.18%	Avg. Profit/Loss %	0.36%
Avg. Bars Held	2.00	Avg. Bars Held	2.00
Winners	13 (41.94 %)	Winners	24 (77.42 %)
Total Profit	6657.03	Total Profit	16501.78
Avg. Profit	512.08	Avg. Profit	687.57
Avg. Profit %	0.51%	Avg. Profit %	0.69%
Avg. Bars Held	2.00	Avg. Bars Held	2.00
Max. Consecutive	3	Max. Consecutive	6
Largest win	1155.27	Largest win	2038.37
# bars in largest win	2	# bars in largest win	2
Losers	18 (58.06 %)	Losers	7 (22.58 %)
Total Loss	-12179.81	Total Loss	-5204.01
Avg. Loss	-676.66	Avg. Loss	-743.43
Avg. Loss %	-0.68%	Avg. Loss %	-0.74%
Avg. Bars Held	2.00	Avg. Bars Held	2.00
Max. Consecutive	5	Max. Consecutive	1
Largest loss	-2330.80	Largest loss	-1831.21
# bars in largest loss	2	# bars in largest loss	2
Max. trade drawdown	-2330.80	Max. trade drawdown	-1831.21
Max. trade % drawdown	-2.33	Max. trade % drawdown	-1.83
Max. system drawdown	-8579.23	Max. system drawdown	-1831.21
Max. system % drawdown	-0.86%	Max. system % drawdown	-0.18%
Profit Factor	0.55	Profit Factor	3.17

The difference here is striking . On average, the Russell has outperformed the Dow by 0.54% on the last day of March since 1988. And beyond what can be seen in the table, of those 31 years, the Russell has outperformed the Dow in 27 (87%) of them. And gains on winning spread trades would have outsized losses on losing spread trades by over 9 to 1. So traders could consider a spread or other strategy that could take advantage of this small cap outperformance tendency. (I won't be listing anything in the "Trade Ideas" section related to this, since I don't have a tidy way of tracking spread trade results.)

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 dipped 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 turned flat at the close.

Based on the current active studies, expectations are set to remain bullish on Thursday. It would take some compelling new bearish evidence in order to change this. The Differential Pivot will be *slightly inverted at 2806.70* on Thursday. That is just over 1 point *above* Wednesday'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 a little over a point on Thursday in order to remain overbought vs expectations. Otherwise, it will flip back to being oversold. Essentially, it will be oversold on any down close, and overbought on almost any up close.

So the Aggregator is now neutral. Evidence is pointing higher, and I still think we could get a further bounce over the next few days. I did get taken out of my small index position since SPX finished just barely above the Differential Pivot. If we had new evidence tonight suggesting an upside edge, I might consider putting in an order to get long on a down close on Thursday. But I am not seeing such new evidence. So I will wait until a more compelling opportunity emerges. That could be as early as Friday afternoon or Monday. I do anticipate we could see some bullish turn of the month / early April seasonality studies emerge in the next couple of days. It would be nice to have some additional evidence based on price action confirming the possible bullish seasonal edge. Of course, as I mentioned above, traders could consider looking for some kind of spread trade for Friday to take advantage of the typical small cap outperformance.

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

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.

None tonight.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
BA(1/3)	3/12/2019	\$384.70	\$374.21	-2.73%		<i>sell on open</i>
BA(1/3)	3/13/2019	\$375.41	\$374.21	-0.32%		<i>sell on open</i>
<i>SPY(1/4)</i>	<i>3/25/2019</i>	<i>\$279.04</i>	<i>\$279.65</i>	<i>0.22%</i>		<i>sold on close</i>

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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