

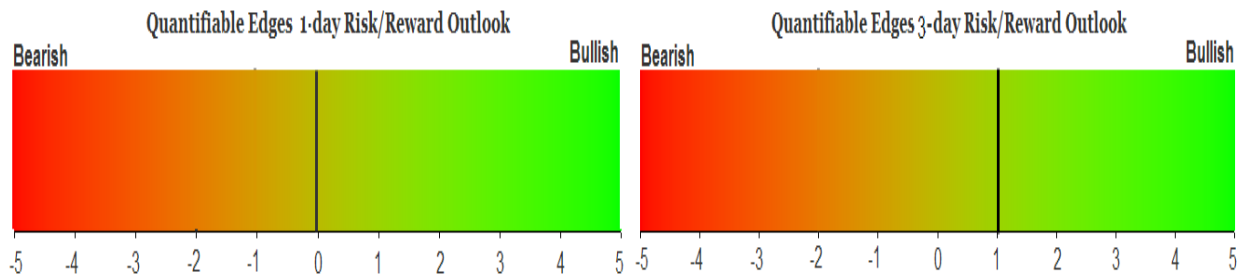
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 29, 2019

Volume 12 Issue 61

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- The IWM long / DIA short pair for the last day of the month has generally struggled after 3pm EST, and both securities have typically sold off into the close.

Short-term Outlook

The Bottom Line

Evidence is pointing higher but SPX is overbought. A down close on Friday would solve the overbought issue and would likely generate more bullish evidence going into a new month.

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

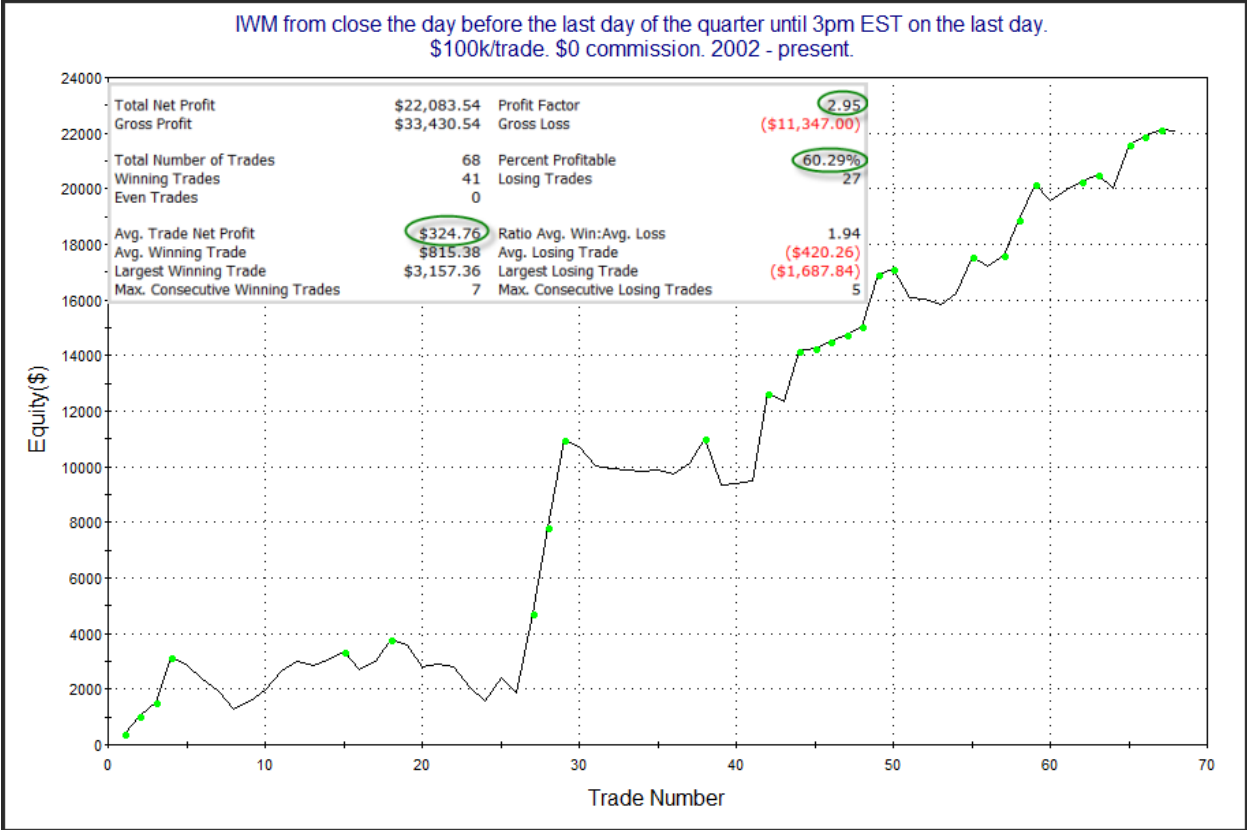
Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
March 27, 2019	Unfilled gap up after 10-low yest <10ma	1-5 days	Bullish			
March 25, 2019	Fri dn 1.5x 20-day ATR	1-6 days	Bullish			
March 25, 2019	1% decline 4th Fri of month	1-6 days	Bullish			
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

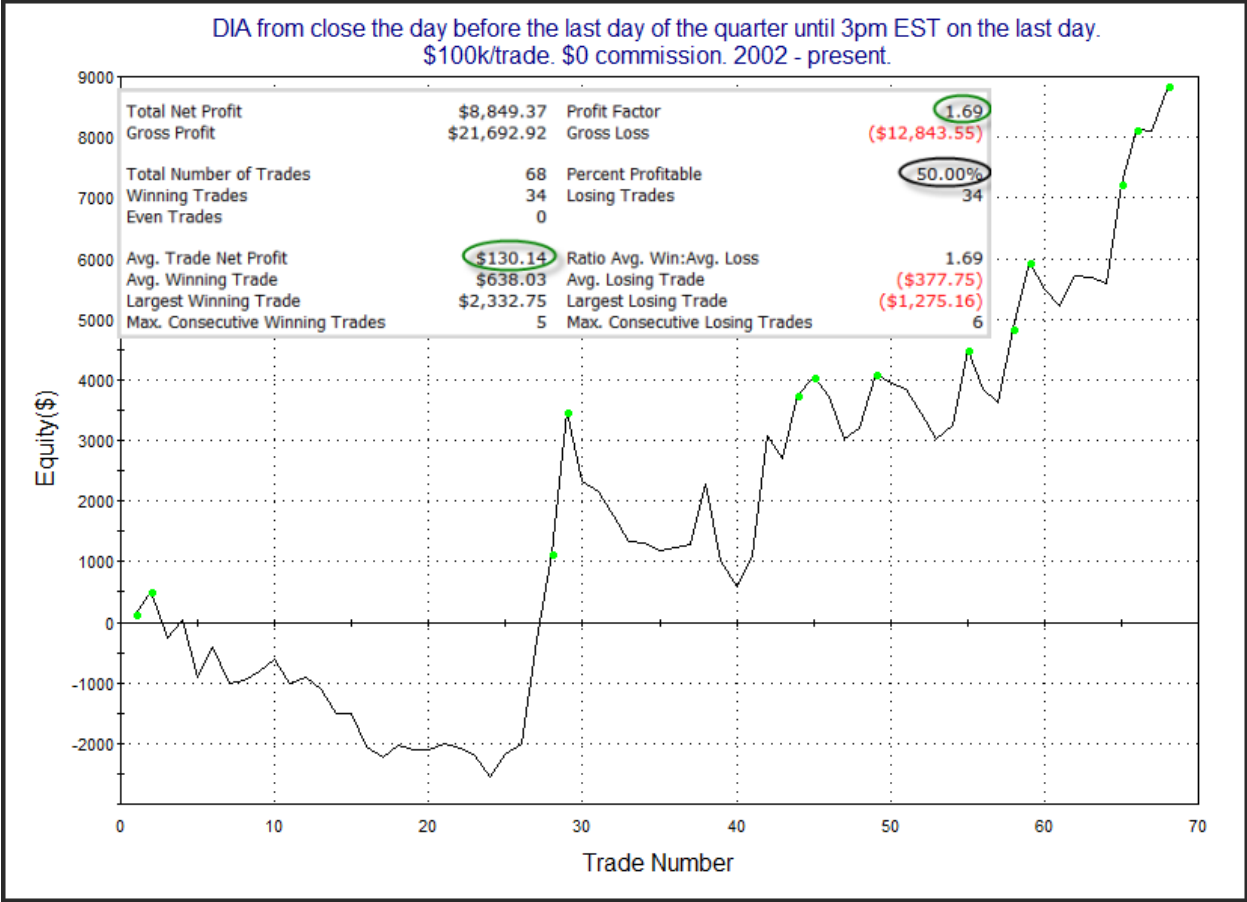
Thursday saw SPX change direction again. This time upwards. In the last 10 days SPX has closed up 5 days and down 5 days. Thursday SPX gained 0.4%, the NASDAQ rose 0.3%, and the Russell 2000 rallied 0.85%. Breadth was positive as the NYSE Up Issues % was 64% and the Up Volume % came in at 62%. NYSE volume declined some from Wednesday's level.

The recent chop is still failing to generate compelling price-based studies. So I thought I would dig in to last night's study in more detail. As you may recall, last night I examined performance of the Russell 2000 vs the Dow on the last day of the quarter. The finding was that the Russell has outperformed quite substantially over time. And when looking at the end of 1st quarter, the edge the Russell has held over the Dow has been even greater. But upon further examination this morning I found that the tendency of the Russell to rise on a close to close basis really only lasted until 3pm EST. The last hour of the quarter has in fact been quite a struggle. So I decided to break down performance for IWM and DIA from close – 3pm and then from 3pm – close. The findings were interesting. The studies go back to 2002, because that is as far back as my intraday data for these securities went.

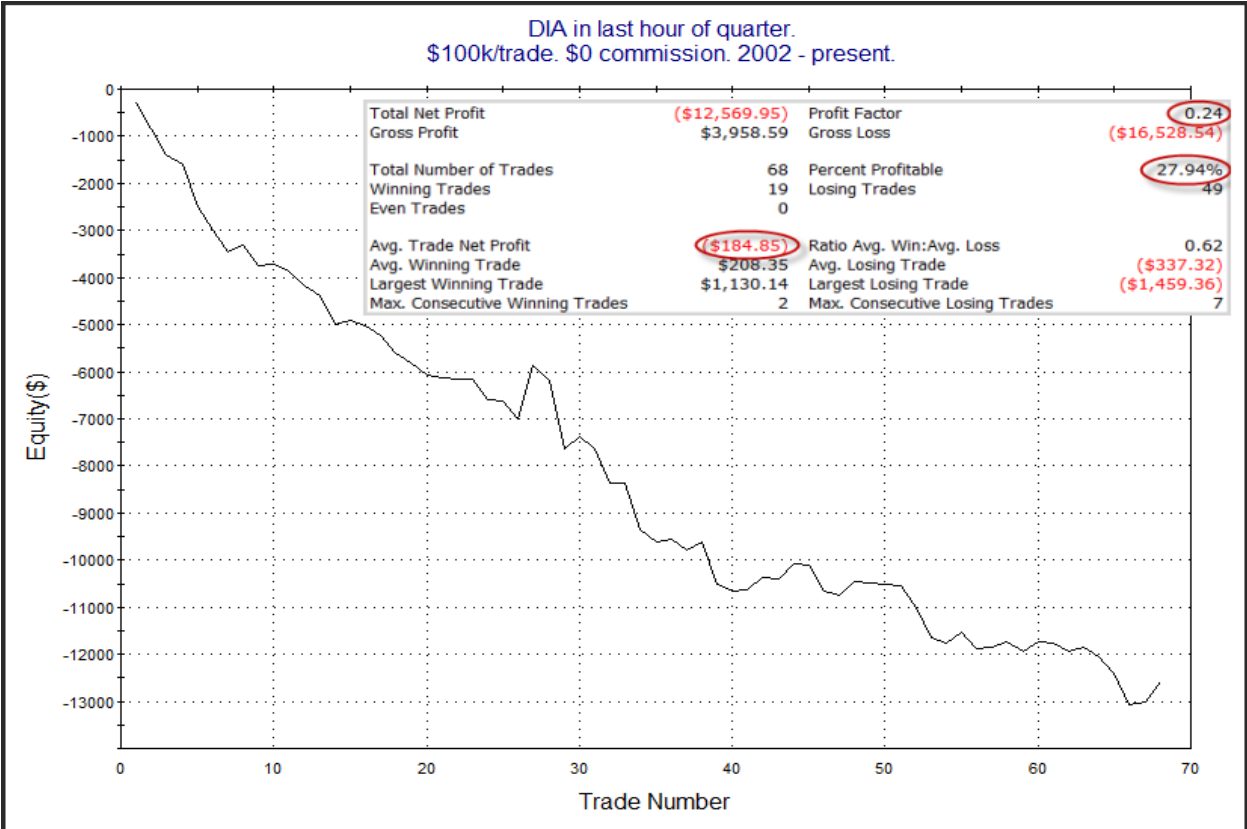
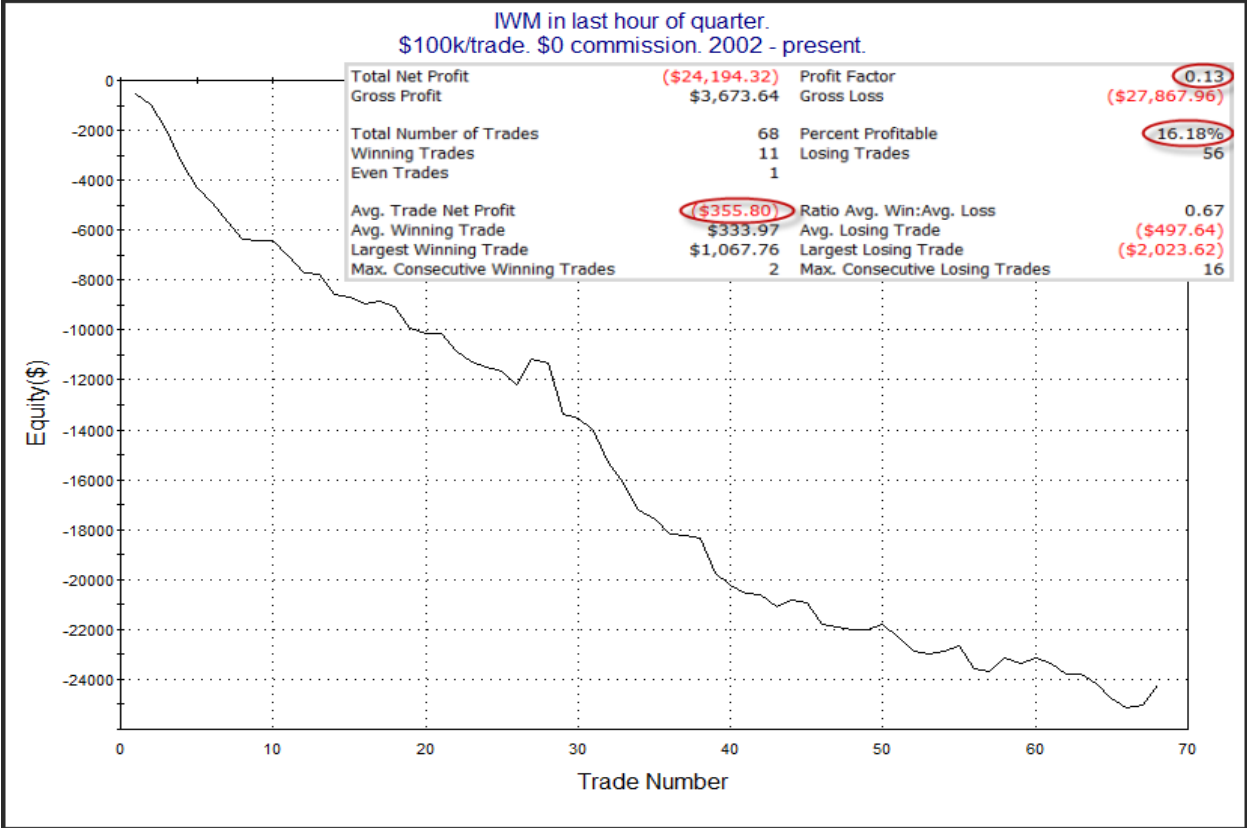
First let's look at performance from the close the day before the last day of the quarter until 3pm of the last day of the quarter.



So the upside edge that we saw last night can also be seen here. Now the Dow...



The Dow's numbers last night looked negative. But looking back to only 2002 instead of 1987, and cutting out the last hour of the day, the numbers are a little positive. So next let's look at the last hour.



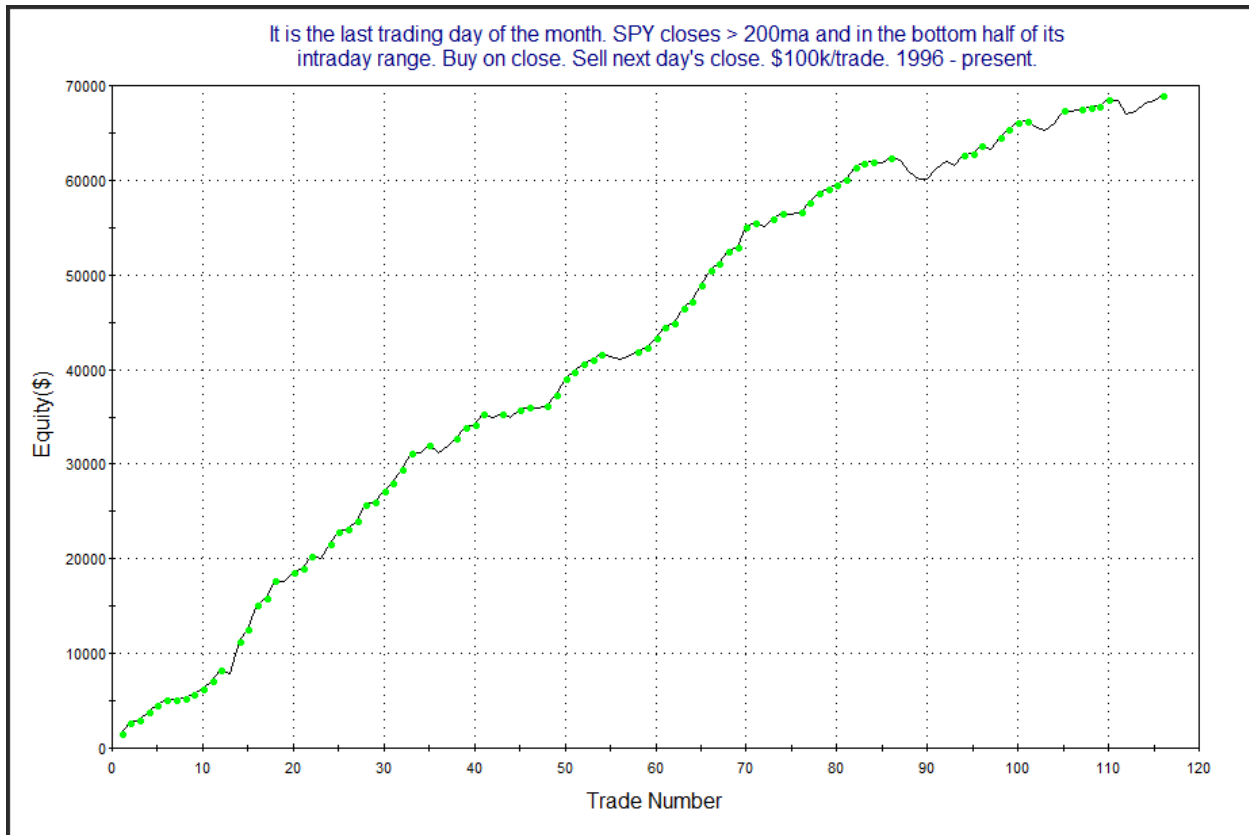
Both of these show a substantial downside edge for the last hour of the day. And IWM is even weaker than DIA. So for anyone that is in a pair trade based on last night's study, you may want to think about exiting or adjusting that trade before 3pm tomorrow. (Close it out, reverse it, or just take off the long portion depending on your outlook.) Traders that are not in a pair trade could consider ways to take advantage of this information as well. (Look for a short entry, hedge your longs for the last hour of the day, etc.)

Of course if late selling does occur, that could set up the market for a nice bounce on Monday. The 1st trading day of the month often plays out for the bulls. But the edge over time has been correlated to how SPY closed on the last day of the month. This can be seen in the studies below, which also use a 200ma filter. They are from the 12/1/17 letter. First let's look at times the market closed in the bottom half of its range on the last day of the month.

It is the last trading day of the month. SPY closes > 200ma and in the bottom half of its intraday range. Buy on close. Sell next day's close. \$100k/trade. 1996 - present.

TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	\$69,030.67	Profit Factor	7.90
Gross Profit	\$79,036.73	Gross Loss	(\$10,006.06)
Total Number of Trades	116	Percent Profitable	79.31%
Winning Trades	92	Losing Trades	24
Even Trades	0		
Avg. Trade Net Profit	\$595.09	Ratio Avg. Win:Avg. Loss	2.06
Avg. Winning Trade	\$859.09	Avg. Losing Trade	(\$416.92)
Largest Winning Trade	\$3,295.88	Largest Losing Trade	(\$1,453.60)

The stats here are outstanding. Gains absolutely blow away losses in every category. Gross gains are 8x the size of gross losses. That's a very impressive stat when you are looking at a sample size of 116 instances. Below is a profit curve.

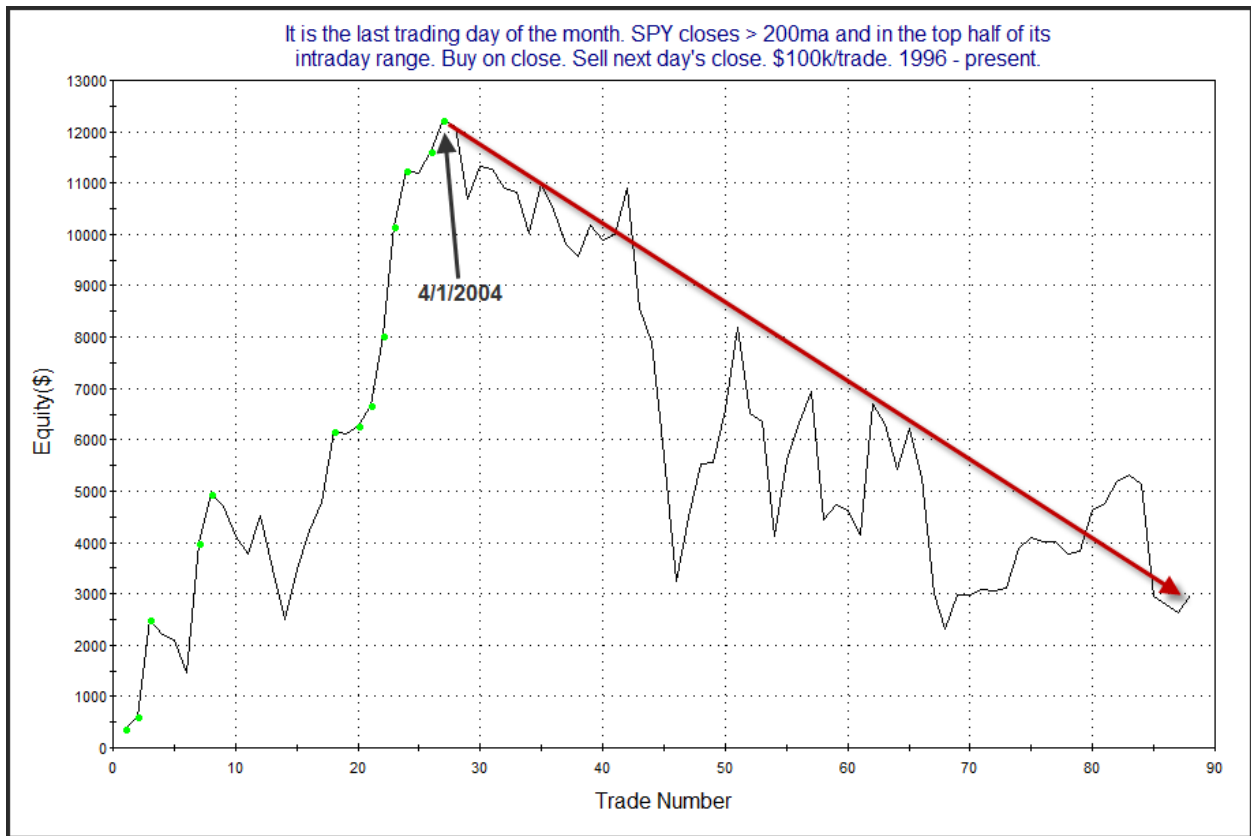


The long and persistent upslope is impressive, and serves to confirm the numbers. But what if SPY closes in the upper half of its range on Friday?

It is the last trading day of the month. SPY closes > 200ma and in the top half of its intraday range. Buy on close. Sell next day's close. \$100k/trade. 1996 - present.

TradeStation Performance Summary			Expand ▾
All Trades			
Total Net Profit	\$2,968.74	Profit Factor	1.09
Gross Profit	\$34,899.68	Gross Loss	(\$31,930.94)
Total Number of Trades	88	Percent Profitable	52.27%
Winning Trades	46	Losing Trades	42
Even Trades	0		
Avg. Trade Net Profit	\$33.74	Ratio Avg. Win:Avg. Loss	1.00
Avg. Winning Trade	\$758.69	Avg. Losing Trade	(\$760.26)
Largest Winning Trade	\$2,562.30	Largest Losing Trade	(\$2,515.60)

We see here the upside edge nearly completely wiped away. Here is a picture of the profit curve.



This paints an even bleaker picture. So it appears Friday's action may be important when considering the odds of a rally on Monday.

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 held 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. It would take some compelling new bearish evidence in order to change this. The Differential Pivot will be *inverted at 2835.71* on Friday. That is 0.7% *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 at least 0.7% on Friday in order to remain overbought vs expectations. Otherwise, it will flip to being oversold.

So the Aggregator is again neutral. But evidence is pointing higher, and a weak close on Friday will likely trigger more bullish evidence. Additionally, early April has often been a good time for the market. I will discuss that a little more over the weekend. And with the Differential Pivot inverted, there is a good chance the market finishes Friday with the Aggregator in a bullish formation. I'll anticipate that a little here and will be looking to take on some long exposure if SPY closes down on the day and in the bottom half of its intraday range. Details in the Trade Ideas section down below.

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.

SPY – buy ¼ index position @ \$280.70 LIMIT ON CLOSE IF SPY ALSO CLOSSES IN THE BOTTOM HALF OF ITS INTRADAY RANGE. From the short-term section above, I'll be looking to get long some SPY for the new month if it closes both down and poorly on Friday.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
BA(1/3)	3/12/2019	\$384.70	\$376.60	-2.11%		<i>sold on open</i>
BA(1/3)	3/13/2019	\$375.41	\$376.60	0.32%		<i>sold on open</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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