

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

March 27, 2019

Volume 12 Issue 59

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	2

Tonight's Research Points

- SPY's unfilled gap up and move higher happened in a way that suggests a solid probability of more upside follow-through.

Short-term Outlook

The Bottom Line

The Aggregator is again bullish but time is running out on the oversold reading.

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

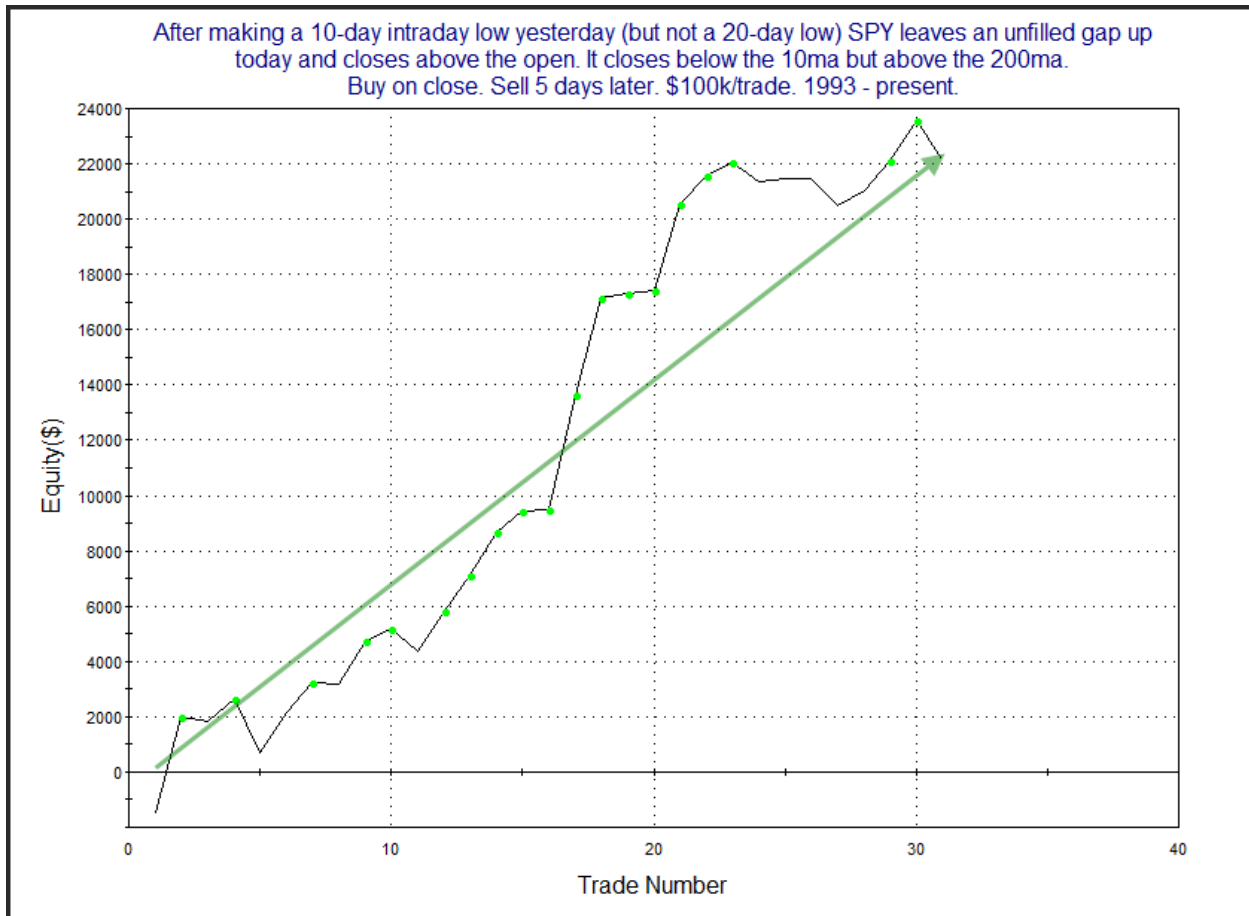
Tuesday was a solid rally day for the market. SPX gained 0.7%, the NASDAQ rose 0.7%, and the Russell 2000 rallied 1.0%. Breadth was also mixed as the NYSE Up Issues % was 74% and the Up Volume % came in at 81%. NYSE volume came in light.

Tuesday's rally was marked by the fact that it featured an unfilled gap up and a further rise after the open. I have looked at setups like this a number of times in the past. A couple of things that make this unfilled gap up appealing are that 1) it came from a short-term low, but not an intermediate-to-long-term low, and 2) it closed below the 10ma. The study below was last seen in the 5/22/17 letter. It looked at situations just like the current one. I have updated all the stats.

After making a 10-day intraday low yesterday (but not a 20-day low) SPY leaves an unfilled gap up today and closes above the open. It closes below the 10ma but above the 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - 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	22,161.40	31	23	8	74.19	1,290.65	4,106.63	-940.44	-1,949.70	1.37	3.95	714.88
4	21,390.17	31	21	10	67.74	1,430.90	3,904.83	-865.88	-2,096.99	1.65	3.47	690.01
3	15,240.72	32	20	12	62.50	1,226.27	3,914.92	-773.73	-1,874.00	1.58	2.64	476.27
2	9,255.05	32	19	13	59.38	1,144.17	2,828.00	-960.32	-2,183.21	1.19	1.74	289.22
1	2,026.61	32	17	14	53.13	784.11	1,773.46	-807.37	-2,895.33	0.97	1.18	63.33

31 of 32 instances (97%) closed above the entry price at some point in the next week. The lone failure triggered on 5/2/16.

Indications here are bullish across the board. It is impressive that nearly every instance saw a continuation of the rally at some point in the next week. Below is an equity curve that assumes a 5-day holding period.



Despite a few recent failures, the strong upslope is impressive and the curve is back at new highs.

Also in the 5/22/17 subscriber letter I examined instances that hit not only 10-day lows, but also 20-day lows before the bounce occurred. Such bounces from 20-day lows tended to do a poor job of following through with more upside. This can be seen in the results table below.

After making a 20-day intraday low yesterday SPY leaves an unfilled gap up today and closes above the open. It closes below the 10ma but above the 200ma.
Buy on close. Sell X days later. \$100k/trade. 1993 - 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	1,432.74	33	16	17	48.48	1,887.71	3,178.32	-1,692.39	-3,739.32	1.12	1.05	43.42
4	3,580.01	35	20	15	57.14	1,469.78	2,950.20	-1,721.04	-2,880.28	0.85	1.14	102.29
3	-947.89	37	19	18	51.35	1,134.30	3,306.24	-1,249.98	-3,070.92	0.91	0.96	-25.62
2	-4,222.97	39	20	19	51.28	998.02	3,089.76	-1,272.81	-2,818.42	0.78	0.83	-108.28
1	-2,484.81	39	15	24	38.46	954.29	2,470.05	-699.96	-1,777.90	1.36	0.85	-63.71

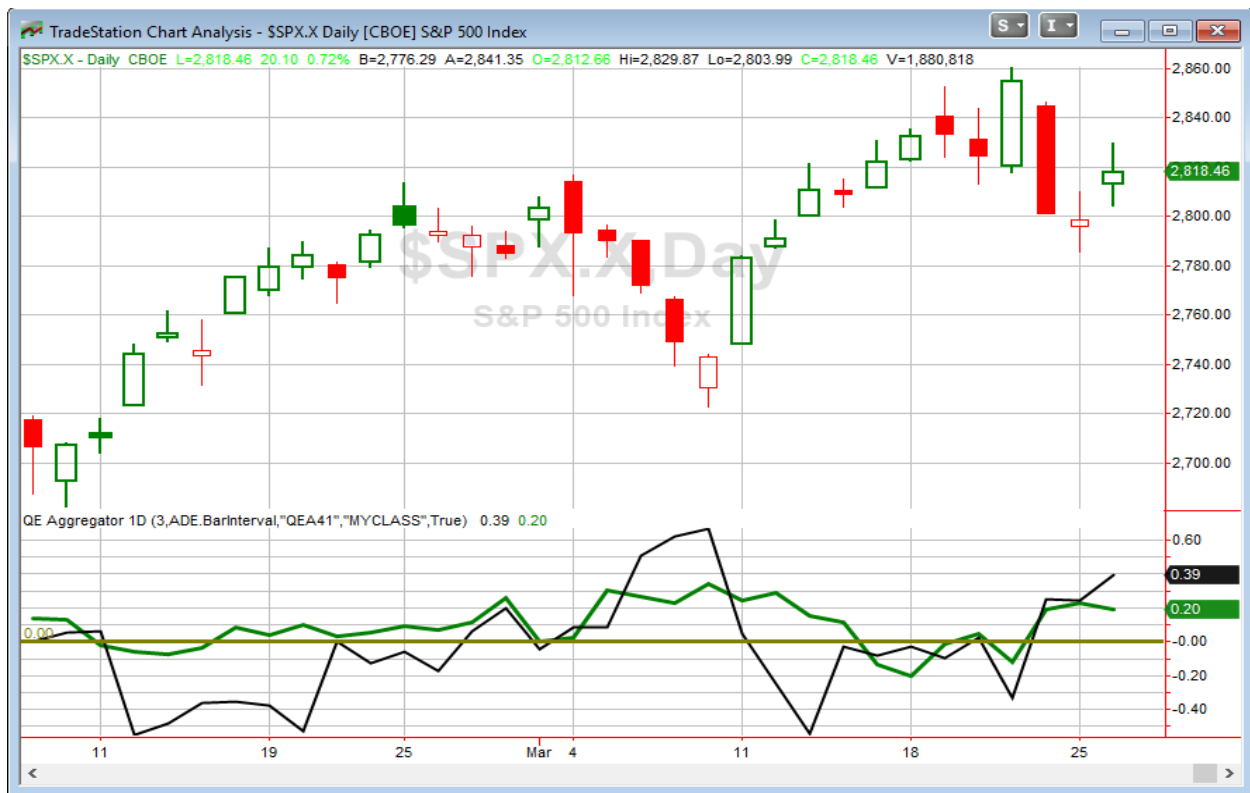
In the 5/22/17 subscriber letter I also showed the importance of closing below the 10-day moving average, as opposed to above it. To do that I took the first study I showed and simply flipped that filter. Those results can be seen below.

After making a 10-day intraday low yesterday (but not a 20-day low) SPY leaves an unfilled gap up today and closes above the open. It closes **above** the 10ma and above the 200ma.
Buy on close. Sell X days later. \$100k/trade. 1993 - 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	-3,899.51	21	11	10	52.38	869.86	1,753.14	-1,346.79	-3,691.98	0.65	0.71	-185.69
4	-1,323.25	21	11	10	52.38	649.26	1,903.47	-846.51	-1,788.75	0.77	0.84	-63.01
3	-4,285.02	21	10	11	47.62	642.61	1,393.05	-973.73	-2,475.20	0.66	0.60	-204.05
2	-2,630.12	21	10	11	47.62	604.06	1,325.28	-788.25	-2,293.20	0.77	0.70	-125.24
1	-5,777.61	21	8	13	38.10	465.78	949.00	-731.07	-2,591.68	0.64	0.39	-275.12

As you can clearly see, instances like this did not provide a reliable upside edge either. Part of the reason for this is likely that such strong bounces alleviate the oversold condition that may have been partially responsible for creating the upside edge. Perhaps fortunately for bulls, SPY appears to have bounced "just right" on Tuesday.

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 Wednesday. It would take some very compelling new bearish evidence in order to change this. The Differential Pivot will be *inverted* at 2804.12 on Wednesday. That is 0.5% *below* Tuesday'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 down over 0.5% on Wednesday in order to remain oversold vs expectations. Anything other than that and it will be considered overbought as of Wednesday's close.

We have a fair amount of upside evidence suggesting the bounce should have further to go. But the inverted pivot means the Aggregator long signal will be done tomorrow unless there is a selloff. (And I don't want that.) I generally view inverted pivots as opportune times to take profits, because potential upside is really just limited to one day. In this case, I still like the chances of further gains. So I will only look to sell in the morning if we get a strong gap higher. Otherwise, I will hold until the close and look to take profits then if SPX does close above the Differential Pivot.

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.

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	\$370.38	-3.72%		Catapult
BA(1/3)	3/13/2019	\$375.41	\$370.38	-1.34%		Catapult
SPY(1/4)	3/25/2019	\$279.04	\$281.12	0.75%		<i>see below</i>

I will look to sell SPY @ \$282.00 LIMIT ON OPEN. If not filled on open, I will cancel the order and the sell on close if SPX closes > 2804.12.

A complete list of Quantifiable Edges trade idea results since the inception of the letter in 2008 can be found [here](#).

This report has been prepared by Quantifiable Edges, LLC and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy securities. While information contained herein is believed to be accurate at the time of publication, we make no representation as to the accuracy or completeness of any data, studies, or opinions expressed and it should not be relied upon as such. Robert Hanna, Quantifiable Edges, LLC or clients of Quantifiable Edges, LLC may have positions or other interests in securities (including derivatives) directly or indirectly which are the subject of this report. This report is provided solely for the information of Quantifiable Edges, LLC clients and prospects who are expected to make their own investment decisions without reliance upon this report. Neither Quantifiable Edges, LLC nor any officer or employee of Quantifiable Edges, LLC accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report may not be reproduced, distributed or published by any recipient for any purpose without the prior express consent of Quantifiable Edges, LLC.

Copyright © 2019 Quantifiable Edges, LLC.