

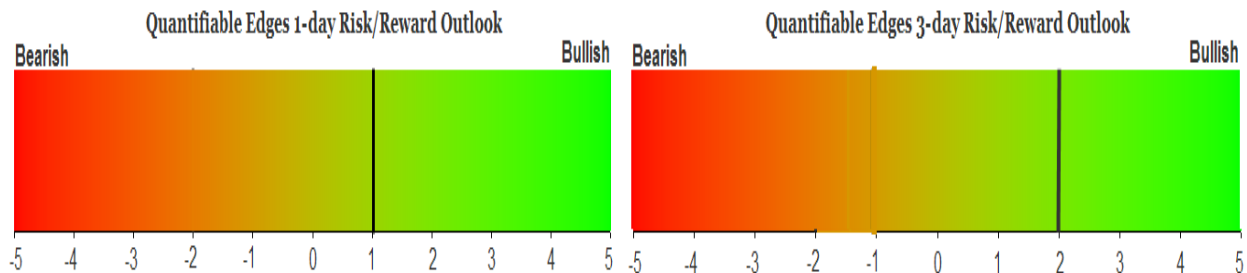
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 10, 2019

Volume 12 Issue 69

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	0

Tonight's Research Points

- 5 days higher to a 50-day high rarely sees the move up end abruptly.
- An unfilled gap down from a 50-day high will often see more selling the next day.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. But evidence suggests Wednesday could see more selling. And I would like to see a little more selling before getting excited about the long side.

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						
April 10, 2019	SPY unfilled gap down from 50-high	1 day	Bearish			
April 10, 2019	5 up to 50-high, then down 1	1-4 days	Bullish	1.10%	0.75%	1.50%
April 9, 2019	SPX 50-day high. VIX up Monday	1-2 days	Bearish			
April 9, 2019	8th higher close & 50-day high	1-4 days	Bullish			
April 4, 2019	Gap up close high < open 2x	1-5 days	Bullish			
Active - Long Term						
April 10, 2019	5 up to 50-high, then down 1	1-10 days	Bullish	1.90%	-1.00%	-2.10%
April 8, 2019	SPX > 200ma. RSI(2) > 99	1-15 days	Bullish	2.25%	-1.40%	-2.70%
April 2, 2019	Golden Cross	int term	Bullish			
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

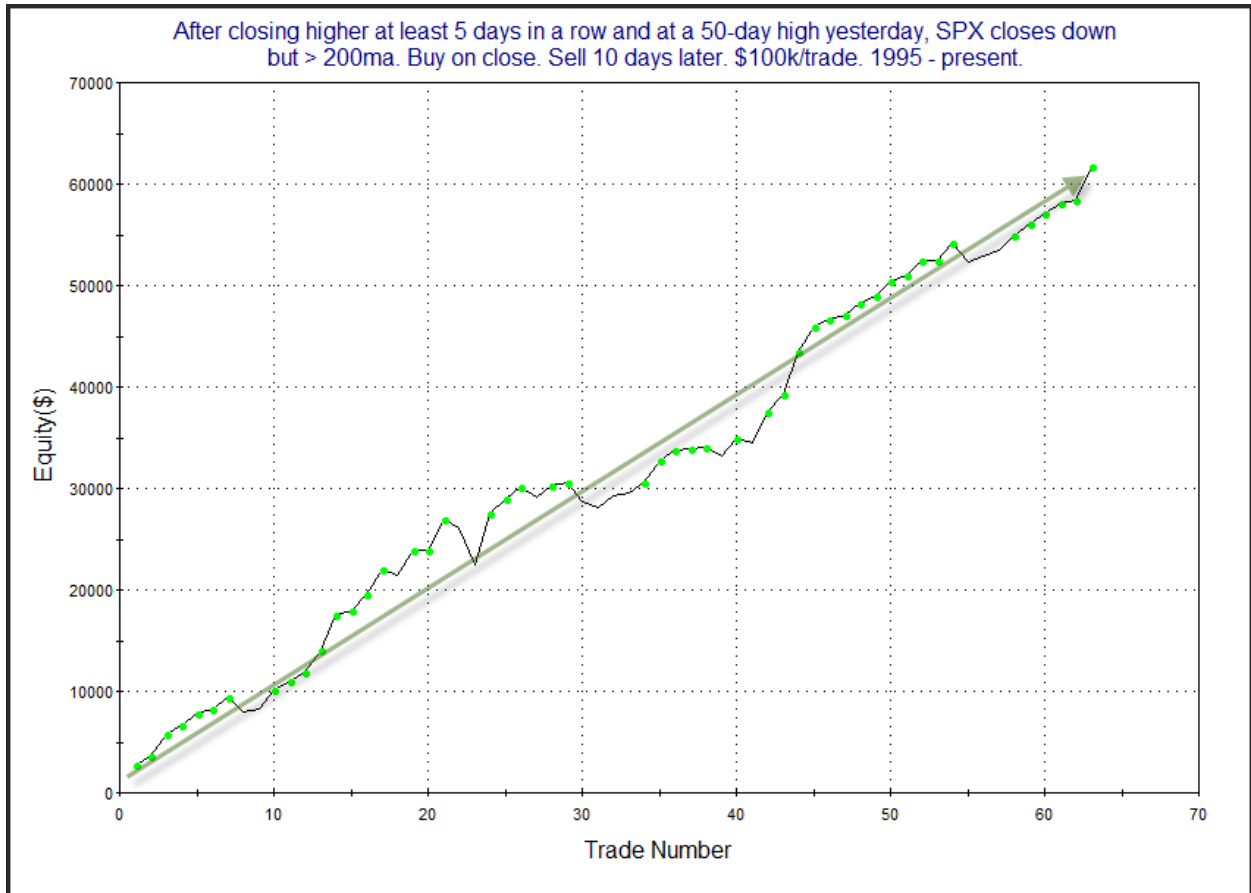
Tuesday saw the market open lower and never recover. The SPX closed down 0.6%, the NASDAQ fell 0.6%, and the Russell 2000 lost 1.2%. Breadth was negative as the NYSE Up Issues % was 26% and the Up Volume % came in at 21%. NYSE volume declined some from Monday's level.

One compelling study that triggered tonight suggested the recent persistent upmove is unlikely to abruptly end. (This is a theme we have seen many times over the years.) It considers what happens after the market moves up at least 5 days in a row to a 50-day high, and then pulls back. It was last seen in the 2/17/17 Letter. I have updated the stats in the table below.

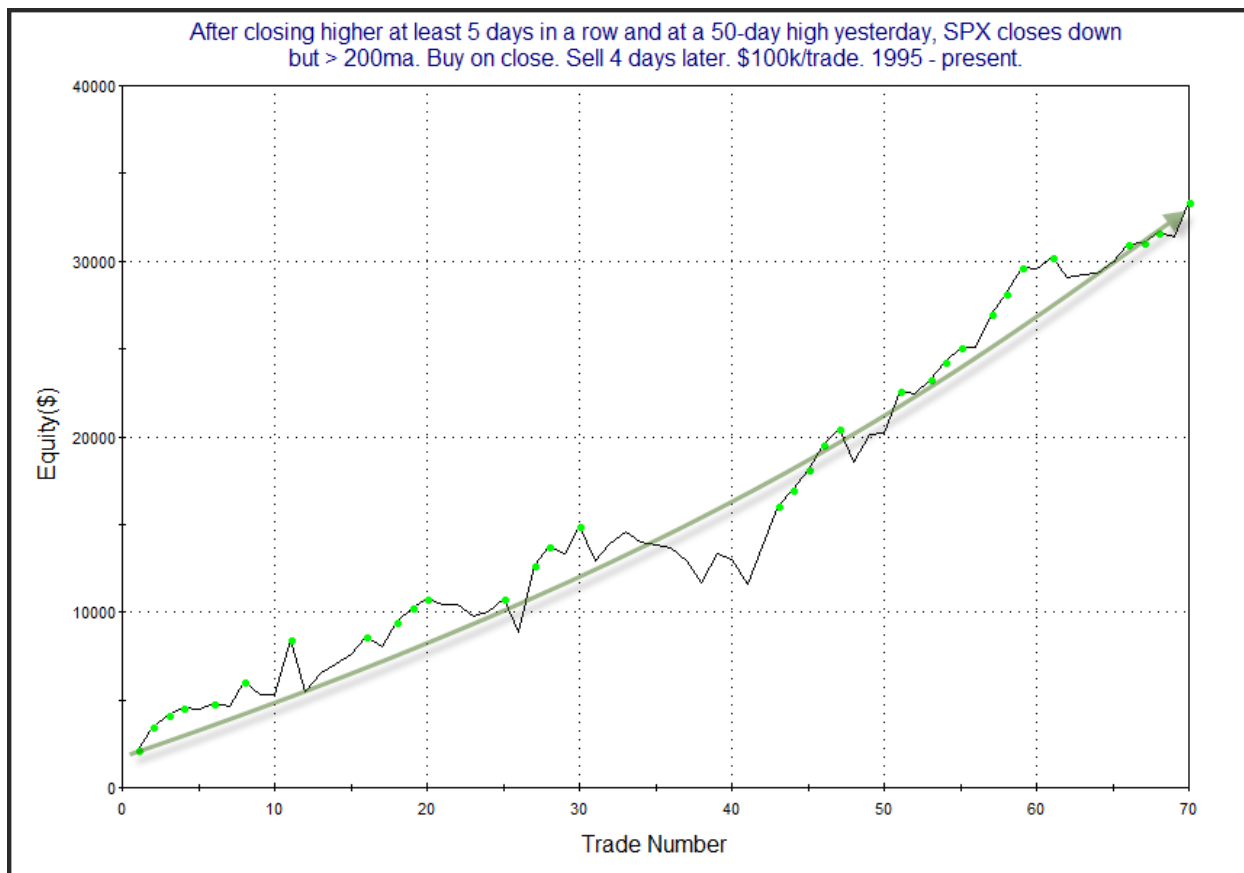
After closing higher at least 5 days in a row and at a 50-day high yesterday, SPX closes down but > 200ma. Buy on close. Sell X days later. \$100k/trade. 1995 - present.													
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade	
10	61,668.46	63	53	10	84.13	1,407.44	5,131.35	-1,292.59	-3,672.90	1.09	5.77	978.86	
9	60,178.50	66	54	12	81.82	1,401.50	5,023.20	-1,291.89	-4,151.40	1.08	4.88	911.80	
8	52,763.37	67	48	19	71.64	1,574.24	4,878.08	-1,200.01	-4,874.10	1.31	3.31	787.51	
7	40,949.37	68	47	21	69.12	1,415.56	3,874.76	-1,218.18	-3,912.48	1.16	2.60	602.20	
6	39,642.29	70	49	21	70.00	1,285.64	4,307.20	-1,112.10	-3,637.71	1.16	2.70	566.32	
5	30,986.77	70	45	25	64.29	1,122.83	4,252.50	-781.62	-2,466.75	1.44	2.59	442.67	
4	33,373.02	70	45	25	64.29	1,146.57	3,843.00	-728.90	-3,003.39	1.57	2.83	476.76	
3	20,655.71	70	45	25	64.29	865.83	2,472.85	-732.26	-1,992.34	1.18	2.13	295.08	
2	19,553.85	70	48	22	68.57	741.08	2,437.50	-728.10	-2,614.95	1.02	2.22	279.34	
1	11,469.28	70	46	23	65.71	499.42	1,751.19	-500.18	-1,744.10	1.00	2.00	163.85	

We see here a decent edge that becomes stronger and more consistent as you look out over the next several days. The 9-10 day time frame shows exceptional stats. The 2-4 day timeframe

suggests a short-term boost is also likely. Let's take a look below at both the 10-day and 4-day exit profit curves. First, the 10 day.



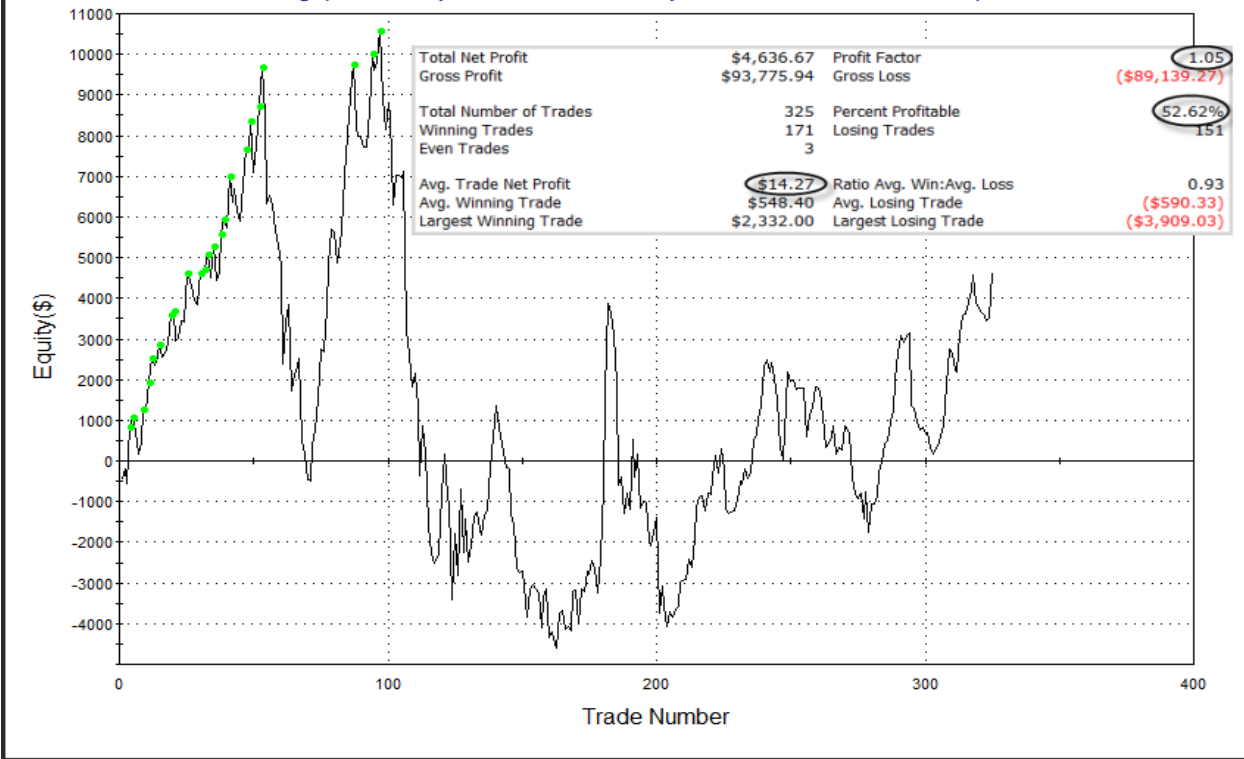
The strong upslope appears to confirm the bullish edge. Next let's look at the 4-day curve.



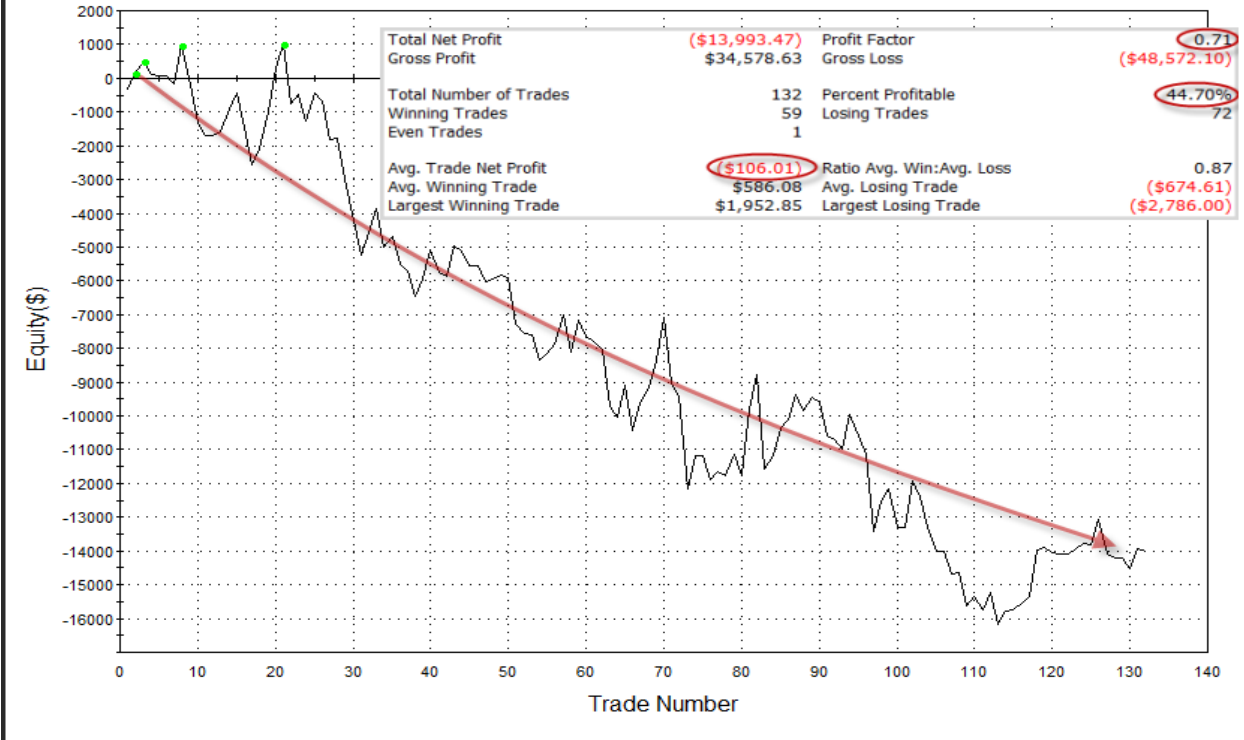
Results are choppy. But even with more whipsaws this one appears worthy of consideration. I have included this study on both the short-term and intermediate-term active lists.

One potential issue with Tuesday's decline is that it included an unfilled gap down. Generally, an unfilled gap down from a high has more trouble quickly rebounding than a decline that does not include an unfilled gap. Unfilled gaps from high levels will often trap some recent bulls that bought the day before. The unfilled gap meant they were not given an opportunity to exit their positions with a profit. And if they are feeling anxious right now, that could lead to some more selling the following day. At the very least, they are more unlikely to be let off the hook as easily as if there was not an unfilled gap. You can see this exemplified in the studies below, which look at down closes from 50-day highs in SPY. The 1st test excludes instances with unfilled gaps, the 2nd test includes only those with unfilled gaps.

After closing at a 50-day high yesterday, SPY closes down today. It does NOT leave an unfilled gap lower. Buy on close. Sell next day's close. \$100k/trade. 1993 - present.



After closing at a 50-day high yesterday, SPY closes down today. It leaves an unfilled gap lower. Buy on close. Sell next day's close. \$100k/trade. 1993 - present.



The difference is evident. The trapped bulls make the next day less appealing, and suggest a mild downside edge.

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



With tonight's new 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 moved up and closed 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 turned long at the close.

Based on the current active studies, expectations are set to remain bullish on Wednesday. Of course, this could change if new bearish evidence emerges. The Differential Pivot will be 2905.22 on Wednesday. That is 0.9% above Tuesday's close. Therefore, SPX will need to close up at least 0.9% in order to flip from oversold to overbought vs recent expectations.

The Aggregator is bullish. And there is decent room to the upside before SPX will be considered oversold. But this is only the 1st day down from an intermediate-term high, and the unfilled gap on Tuesday hurts the prospects for Wednesday. I'd like to see a deeper pullback and more bullish evidence emerge before getting too excited about a possible long index position. So I won't be looking to take on new exposure on Wednesday, but I may on Thursday if we see a further decline and perhaps more bullish indications.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/8 – bullish

The intermediate-term outlook was last updated in the 4/8/19 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

None

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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