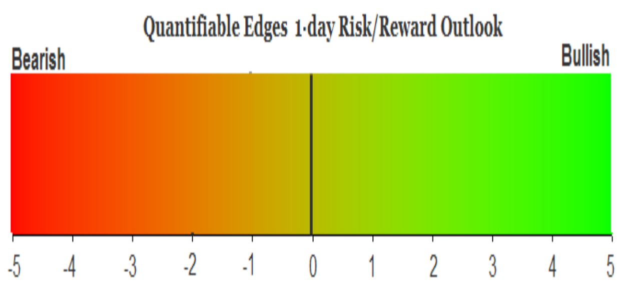
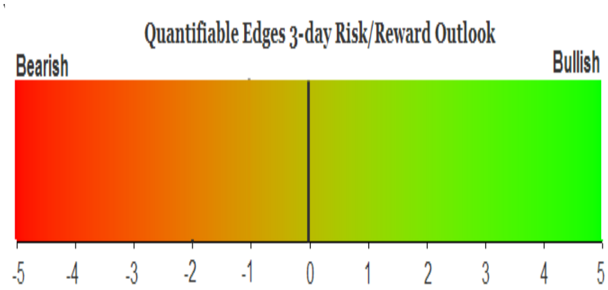
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

April 24, 2019 Volume 12 Issue 78

Market Overview





Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- SPX is quite stretched on an intermediate-term basis, but that has led to more intermediate-term upside in the past.

Short-term Outlook
The Bottom Line

Expectations remain positive but the rally on Tuesday turned the market short-term overbought. This left the Aggregator neutral. Me too.

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 23, 2019	RUT down 3 days. SPX 3-day high	1-4 days	Bullish	2.30%	-0.60%	-1.30%
April 23, 2019	50-day high, then 5 closes inside rng	1-3 days	Bullish	1.10%	-0.70%	-1.40%
April 18, 2019	3-high, 3-low, 3-low close > 200ma	1-5 days	Bullish			
Active - Long Term						
April 24, 2019	SPX closes above 50-day Bollinger Bnd	1-50 days	Bullish	5.00%	-4.30%	-8.10%
April 23, 2019	RUT down 3 days. SPX 3-day high	1-10 days	Bullish	3.80%	-0.90%	-2.00%
April 23, 2019	50-day high, then 5 closes inside rng	1-10 days	Bullish	2.20%	-1.10%	-2.40%
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

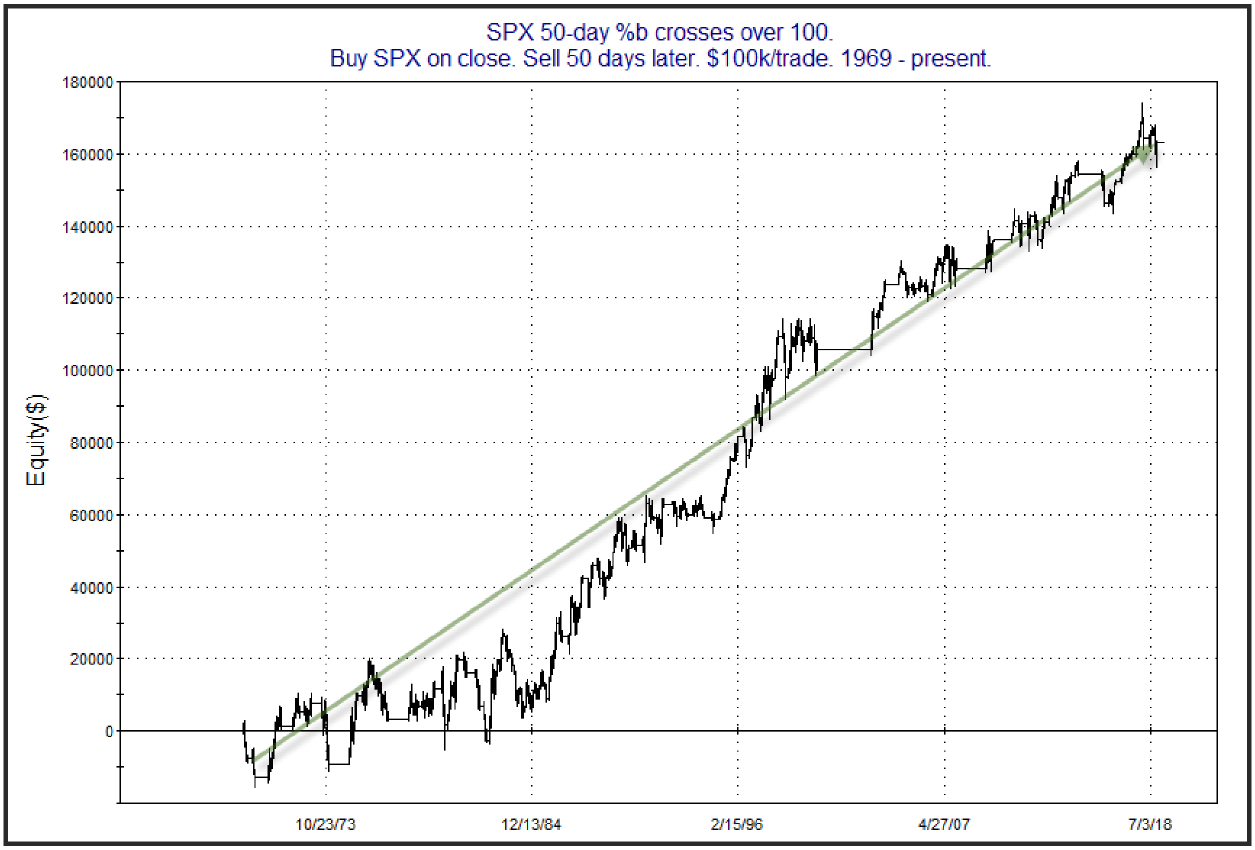
Tuesday was a rally day for the market. The SPX rose 0.9%, the NASDAQ climbed 1.3%, and the Russell 2000 rallied 1.6%. The SPX and NASDAQ both made new all-time closing highs, but fell short of all-time intraday highs. Breadth was positive as the NYSE Up Issues % was 74% and the Up Volume % came in at 72%. NYSE volume rose from Monday's level.

Despite the rally there was nothing compelling that triggered with short-term implications. There was one study from the 11/29/17 Subscriber Letter that has some potential intermediate-term implications, and it is fairly interesting, so I figured I would talk a little about it. This study looked at the SPX closing price in relation to its 50-day Bollinger Bands. In it I used 2 standard deviations in the Bollinger Band calculation. I used %b to measure where we fell. For those unaware, %b simply measures the distance between the 2 bands. So a reading of 0 means price is right at the lower band. A reading of 100 is right at the upper band. A reading of 50 would be right at the moving average being used – in this case the 50ma. So a move 2 standard deviations above the 50ma would be a %b reading of 100. An updated results table for this study is below.

SPX 50-day %b crosses over 100.
Buy SPX on close. Sell X days later. $100k/trade. 1969 - present.

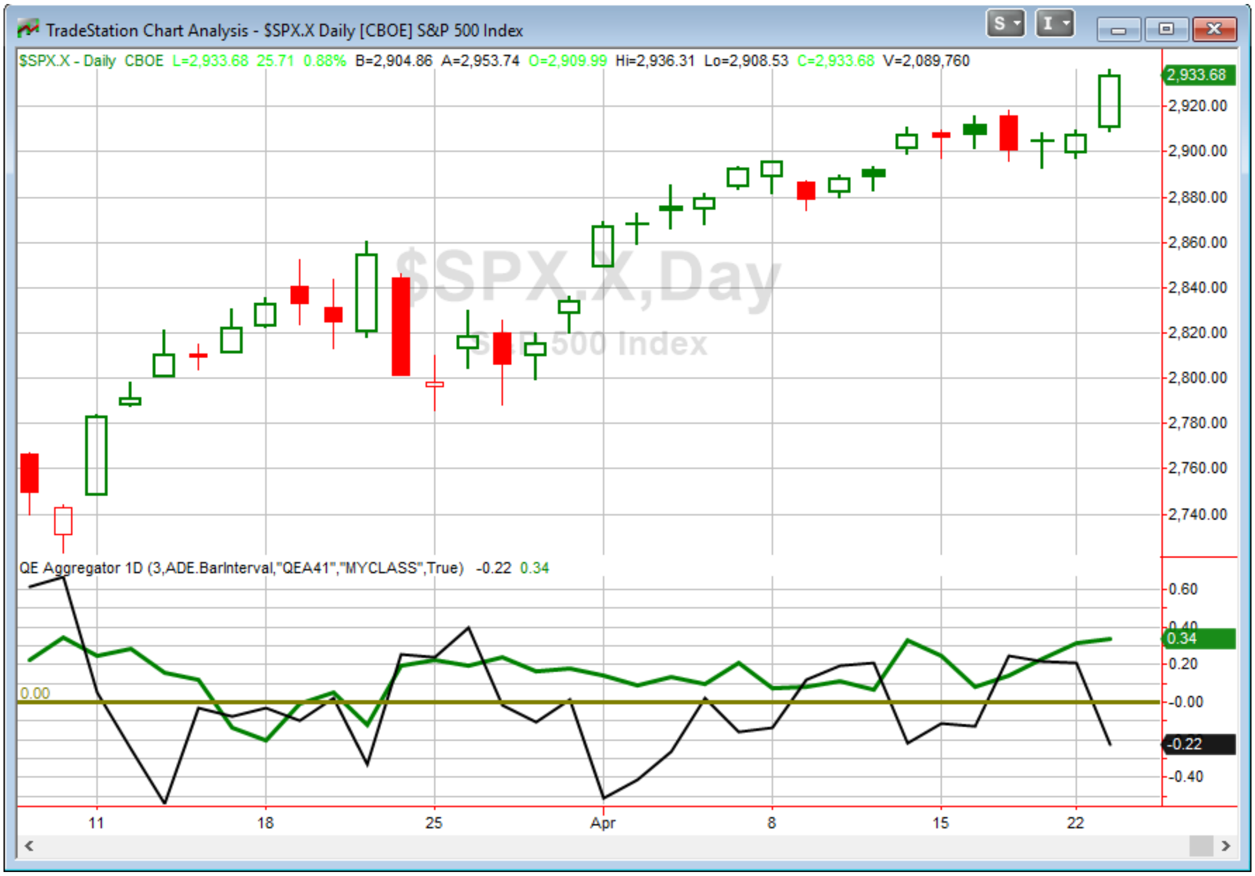
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
50	163,228.66	121	72	49	59.50	5,061.70	18,408.18	-4,106.40	-15,795.00	1.23	1.81	1,349.00
45	122,933.69	127	72	55	56.69	5,085.77	15,816.57	-4,422.57	-25,812.76	1.15	1.51	967.98
40	132,714.38	131	78	53	59.54	4,543.10	17,624.67	-4,182.02	-15,540.70	1.09	1.60	1,013.09
35	122,915.23	138	82	56	59.42	4,176.86	15,782.13	-3,921.20	-13,617.00	1.07	1.56	890.69
30	74,267.70	144	83	61	57.64	3,448.77	11,920.74	-3,475.08	-10,485.00	0.99	1.35	515.75
25	53,250.94	151	85	66	56.29	3,073.29	10,859.94	-3,151.20	-8,732.16	0.98	1.26	352.66
20	52,229.52	161	89	72	55.28	2,733.65	9,501.30	-2,653.68	-10,205.38	1.03	1.27	324.41
15	56,949.70	177	103	74	58.19	2,365.12	7,843.46	-2,522.39	-9,763.44	0.94	1.31	321.75
10	49,339.83	196	120	76	61.22	1,756.35	8,239.16	-2,123.97	-9,133.53	0.83	1.31	251.73
5	15,829.83	238	136	102	57.14	1,141.50	5,030.81	-1,366.80	-5,817.77	0.84	1.11	66.51

Results generally appear moderately bullish. They seem to suggest that the kind of strong momentum that would have SPX closing above its 50-day Bollinger Band favors more upside over a possible reversal. The "% Profitable" is not terribly high, but I produced a profit curve below to see how the edge has played out over time.



That's a pretty steady upslope for a study without a very high "% Profitable". Overall, I like this study enough to add it to the intermediate-term active list, and have done so tonight. There are no new studies being added to the short-term active list.

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 dove down 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 Wednesday. Of course, this could change if compelling new bearish evidence emerges. The Differential Pivot will be 2918.18 on Wednesday. That is 0.5% below Tuesday's close. Therefore, SPX would need to close down at least 0.5% on Wednesday in order to flip from overbought to oversold versus recent expectations.

So the Aggregator is now neutral. I was hoping to get a little bit of a pullback over the last few days in order to take on some long index exposure. Unfortunately, the market ran away from me. It certainly appears too high to chase at this point. I will instead wait for the Aggregator formation to again set up in a more favorable manner before considering new positions.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/22 – bullish

The intermediate-term outlook was last updated in the 4/22/19 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.