

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 2, 2019

Volume 12 Issue 84

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	3

Tonight's Research Points

- The first drop below the 10ma in quite a while will often be followed by another leg up.
- SPY's big outside day reversal pattern suggests a short-term upside edge.
- The 1st 5-day low in a while directly after a 20-day high suggests an intermediate-term bullish edge
- A big reversal and poor close on a Fed Day suggests a short-term bounce.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. I like the evidence, and the upside opportunity. I will look to start scaling into a long position if I can get a decent fill on Thursday.

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						
May 2, 2019	5-high then close dn 1% < high. Fed Day	1 day	Bullish			
May 2, 2019	Up Yest. 3 hi, 3 low, 3 low close today	1-5 days	Bullish	1.70%	-1.20%	-2.40%
May 2, 2019	15+ days > 10ma then close below	1-5 days	Bullish	1.40%	-1.00%	-2.40%
May 1, 2019	Fed Day & Turn of Month	1-3 days	Bullish			
May 1, 2019	SPY finish month at high of month	1-5 days	Bullish			
Active - Long Term						
May 2, 2019	1st 5-low in 10 days. 20-high yesterday	1-11 days	Bullish	2.00%	-1.70%	-3.40%
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 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			
October 1, 2018	Quantitative Tightening \$50billion/mo	int term	Bearish			

The Evidence

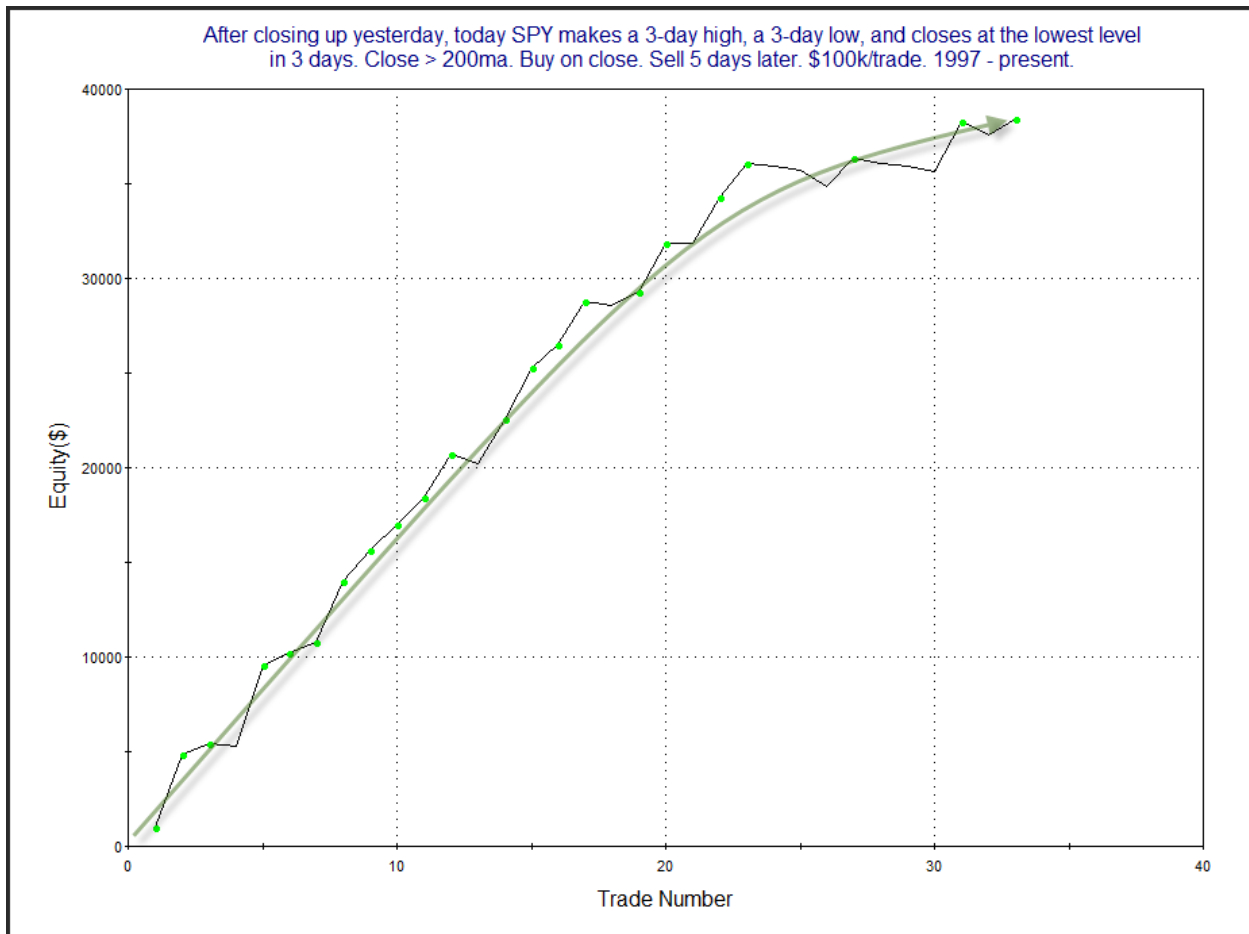
The reaction to the Fed was quite negative, and selling accelerated into the close on Wednesday. The SPX finished down 0.75%, the NASDAQ lost 0.6%, and the Russell 2000 fell 0.9%. Breadth was negative as the NYSE Up Issues % was 36% and the Up Volume % came in at 20%. NYSE volume declined some from Tuesday's level.

The selloff triggered a number of studies worth review tonight.

The fact that Wednesday posted a sizable intraday reversal is notable. The study below appeared in the 1/2/18 subscriber letter. It looks for the reversal day to engulf both of the last two days, close at a three-day low, and still be above the 200ma. All results are updated.

After closing up yesterday, today SPY makes a 3-day high, a 3-day low, and closes at the lowest level in 3 days. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1997 - 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	38,451.03	33	22	11	66.67	1,910.42	4,273.50	-325.30	-892.80	5.87	11.75	1,165.18
4	25,030.93	33	22	11	66.67	1,520.85	4,533.98	-766.15	-2,123.52	1.99	3.97	758.51
3	9,391.13	33	21	12	63.64	1,279.78	3,903.34	-1,457.03	-3,393.78	0.88	1.54	284.58
2	5,718.66	34	19	15	55.88	1,136.73	3,244.78	-1,058.62	-3,737.28	1.07	1.36	168.20
1	2,144.54	34	21	13	61.76	599.63	2,359.84	-803.67	-3,909.03	0.75	1.21	63.07

After the first couple of days there appears to be a strong and consistent upside edge. It is notable that with 33 instances, the biggest loser when looking out 5 days was less than 0.9%. Below is a profit curve that assumes a 5-day holding period.



After a little sideways action the curve is once again at new highs. I have included this study on the Active List.

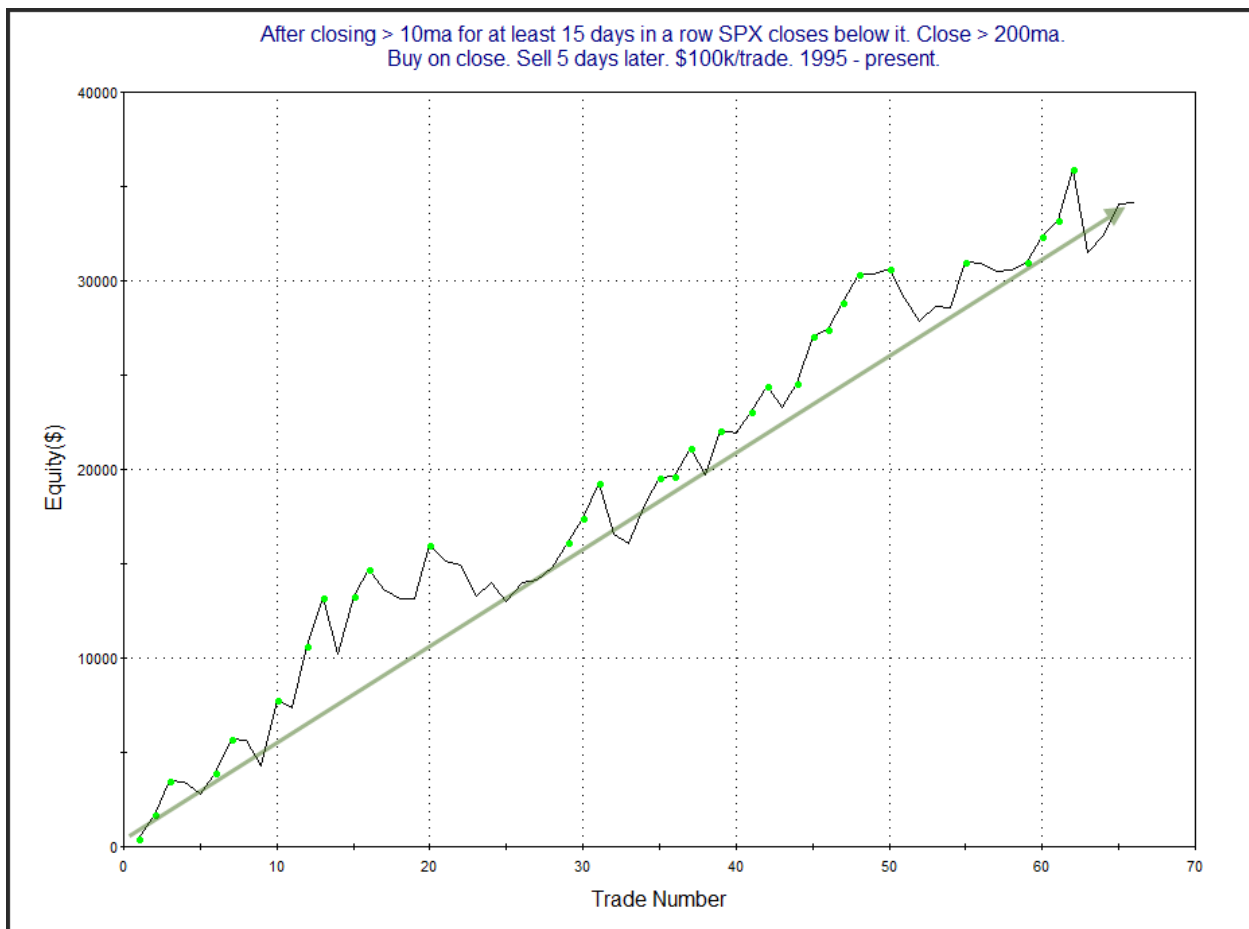
The persistent uptrend of late has kept SPX above its short-term moving averages for an extended period. Tuesday, after 22 consecutive closes above the 10ma, SPX dipped down and closed below it. In the 1/31/18 letter I looked at performance following other instances where SPX closed below its 10ma for the first time over 15 days. Results are updated below.

After closing > 10ma for at least 15 days in a row SPX closes below it. Close > 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
5	34,136.58	66	41	25	62.12	1,434.73	3,505.74	-987.49	-4,455.15	1.45	2.38	517.22
4	28,358.32	66	43	23	65.15	1,315.21	3,206.40	-1,225.90	-6,072.15	1.07	2.01	429.67
3	21,754.31	66	44	22	66.67	1,008.31	2,805.12	-1,027.78	-2,110.50	0.98	1.96	329.61
2	18,489.95	66	42	24	63.64	931.25	2,682.72	-859.27	-2,185.60	1.08	1.90	280.15
1	15,677.27	66	43	23	65.15	625.48	2,097.92	-487.76	-1,542.24	1.28	2.40	237.53

60 of 66 instances (91%) closed above the entry price at some point in the next 5 days.

The numbers here all look solidly bullish over the next week. Below is the 5-day profit curve.



The strong upslope serves as some confirmation of the bullish edge.

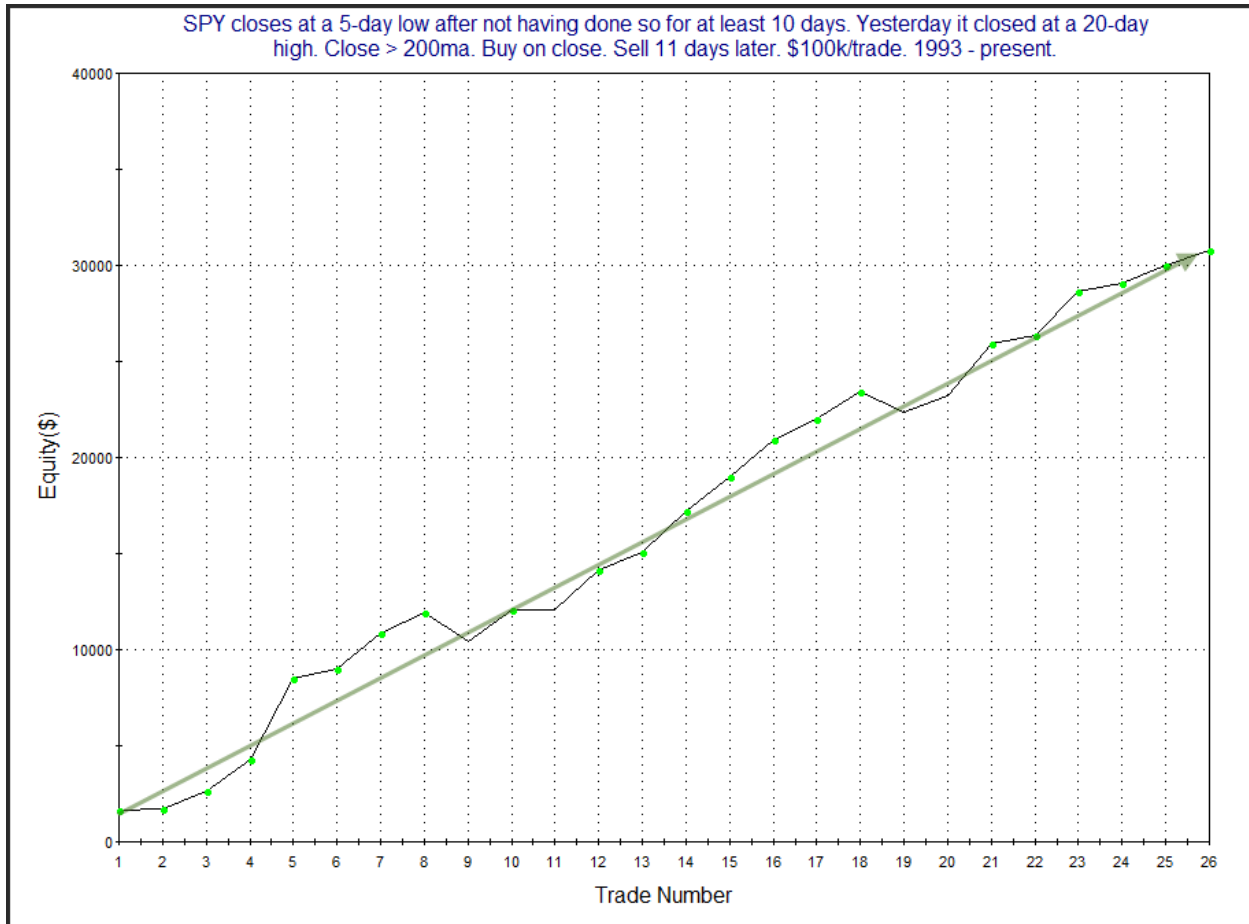
The persistent uptrend was also noted by this next study. I've shown numerous studies in the past that suggest uptrends often become choppy before they ultimately end. It is highly unusual for an uptrend that is showing strong persistence to abruptly top out. The study below demonstrates this concept beautifully. It was last shown in the 11/10/17 subscriber letter. Stats are updated.

SPY closes at a 5-day low after not having done so for at least 10 days. Yesterday it closed at a 20-day high. Close > 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
12	28,340.95	26	20	6	76.92	1,706.35	4,765.00	-964.36	-1,635.30	1.77	5.90	1,090.04
11	30,819.87	26	23	3	88.46	1,450.06	4,250.38	-843.84	-1,490.40	1.72	13.17	1,185.38
10	25,041.57	26	21	5	80.77	1,436.53	3,812.00	-1,025.11	-2,049.18	1.40	5.89	963.14
9	19,912.78	26	21	5	80.77	1,233.51	3,507.04	-1,198.18	-2,546.10	1.03	4.32	765.88
8	16,273.02	26	20	6	76.92	1,112.77	3,240.20	-997.06	-2,628.90	1.12	3.72	625.89
7	12,320.68	26	19	7	73.08	1,277.52	2,442.09	-1,707.45	-3,581.10	0.75	2.03	473.87
6	6,311.93	26	17	9	65.38	1,144.51	2,466.15	-1,460.52	-6,120.30	0.78	1.48	242.77
5	8,791.24	26	16	10	61.54	1,255.59	2,419.41	-1,129.82	-3,895.12	1.11	1.78	338.12
4	8,442.60	26	16	10	61.54	1,019.38	1,937.25	-786.75	-2,718.60	1.30	2.07	324.72
3	327.21	26	16	10	61.54	818.21	2,470.84	-1,276.42	-3,393.78	0.64	1.03	12.58
2	-3,659.68	26	15	11	57.69	820.26	2,328.12	-1,451.24	-3,737.28	0.57	0.77	-140.76
1	-3,419.19	26	13	13	50.00	624.67	1,291.50	-887.68	-3,909.03	0.70	0.70	-131.51

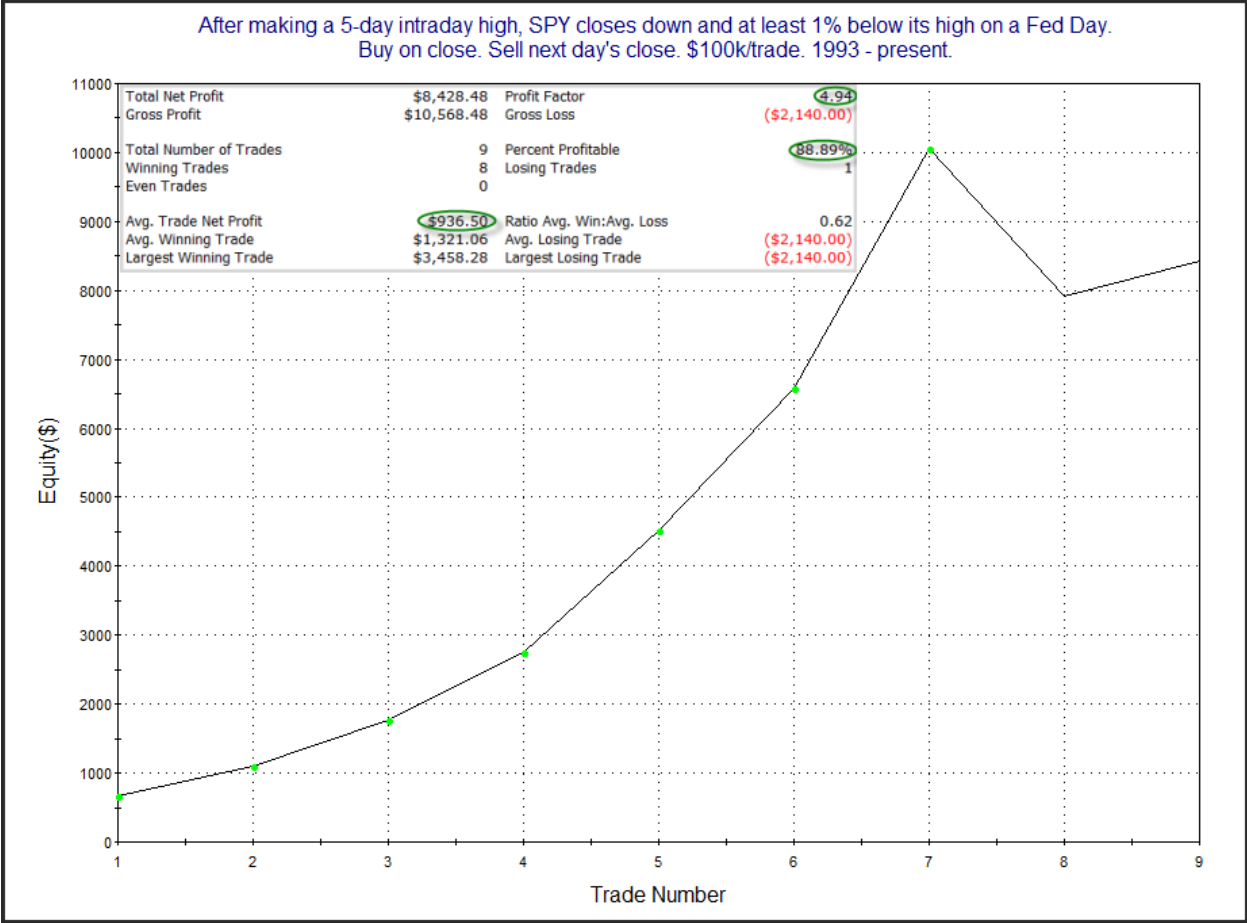
24 of 26 instances (92%) closed above the entry price at some point in the next 5 days.

The first few days are a bit of a crapshoot. While more instances bounced initially, those that didn't got hit pretty hard. Once you get out past the first couple of days though this study is strongly suggestive of an upside edge. 92% of instances posting at least 1 positive close in the next week is impressive. And look at the winning trades column. It rises steadily. When you look out about 2 weeks odds are very strongly suggestive of upside. Below is a look at the 11-day profit curve.



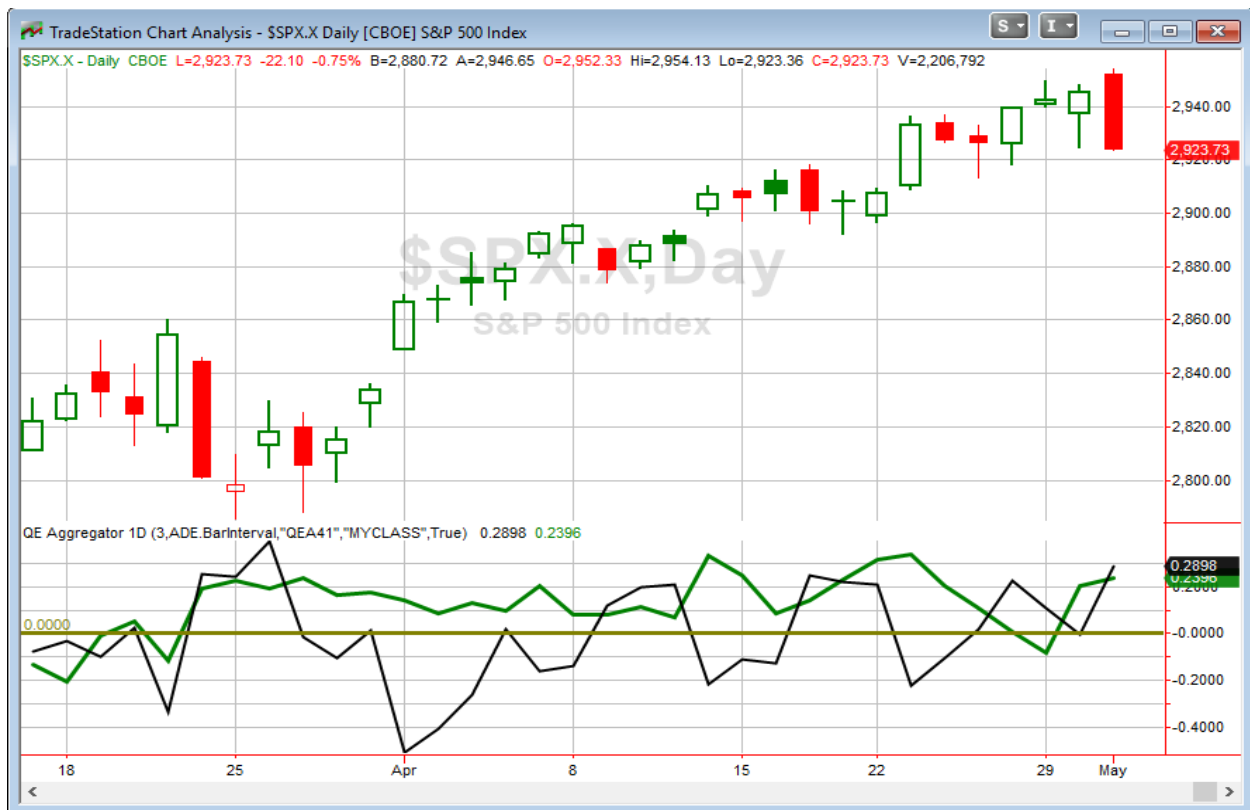
Profit curves don't get much straighter and more impressive than this. This study is not on the short-term active list but I have included it on the intermediate-term list.

Of course it is also notable that the reversal today occurred on a Fed Day. Below is an updated look at a study from the 9/18/15 letter that looked at times SPY made a short-term high and then finished down and far below that high on a Fed Day.



This just suggested a 1-day edge, but the big reversal from high leading to a bounce is consistent with the other studies I am seeing.

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



With tonight's new evidence to consider 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 rose 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 sizable list of current active studies, expectations are likely to remain bullish on Thursday. This is unlikely to change without very substantial bearish evidence emerging on Thursday. The Differential Pivot will be 2943.96 on Thursday. That is 0.7% above Wednesday's close. So SPX will need to close up 0.7% on Thursday to change from oversold to overbought versus recent expectations.

So the Aggregator is now suggesting an upside edge. I normally am not a big fan of buying the 1st day down from a high level. But in this market, most pullbacks have been quite brief. And the amount of bullish evidence that emerged is more substantial than I normally see on the 1st down day. Additionally, I view the fact that the selloff already put SPX in the lower end of its recent range as a positive. So I'll look to start scaling into a long position on Thursday. Since this is just the 1st down day, the market certainly could have further to fall, but reward/risk appears good enough to start with a small position here.

Intermediate-term Outlook (2 weeks – 2 months) – updated 4/29 – bullish

The intermediate-term outlook was last updated in the 4/29/19 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

INTC – 1/3 @ \$51.11 (bought @ limit)

INTC – 1/3 @ \$51.04 (bought @ limit)

New

INTC – 1/3 @ \$50.76 (buy @ limit)

Broad Market Large Cap CBI – 3(INTC-3)

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.

INTC – buy 1/3 Catapult position @ \$50.76 LIMIT. From the Catapult section above, this would be the 3rd and final lot of INTC.

SPY – buy ¼ index position @ \$291.81 LIMIT. Based on the short-term outlook above, I will begin scaling into a long position if I can get filled at a price <= Wednesday's close.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
INTC(1/3)	4/30/2019	\$51.00	\$50.76	-0.47%		Catapult
INTC(1/3)	5/1/2019	\$51.04	\$50.76	-0.55%		Catapult

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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