

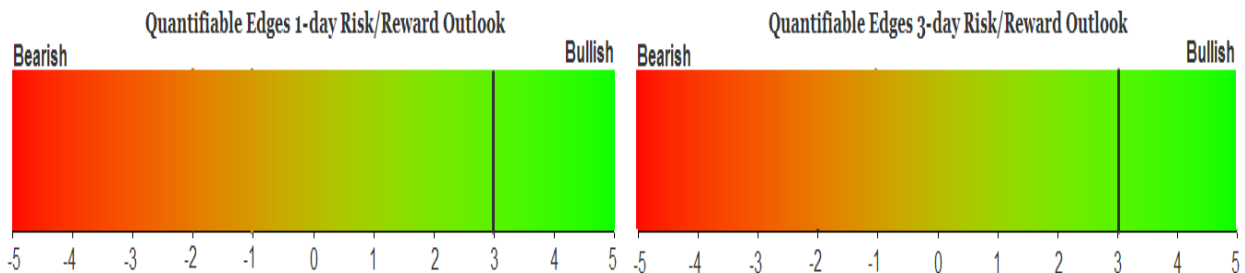
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 8, 2019

Volume 12 Issue 88

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	7

Tonight's Research Points

- The sharp VIX spike suggests a bounce in the next few days.
- A gap down to a short-term low followed by further selling during a long-term uptrend has often led to higher prices in the next few days.
- The 1st 10-day low in a while is often buyable.

Short-term Outlook

The Bottom Line

Bullish evidence is mounting and the market is now strongly oversold. There appears to be a solid upside edge.

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 8, 2019	1st 10-day low close in 30+ days	1-6 days	Bullish			
May 8, 2019	SPY Gap to 5 low then close down	1-2 days	Bullish			
May 8, 2019	VIX 35% above 10ma	1-2 days	Bullish			
May 7, 2019	Unfilled gp dn after unfilled up 20-high	1-4 days	Bearish			
May 6, 2019	NASDAQ rises 1% to 50-hi on Jobs Day	1-5 days	Bullish			
May 3, 2019	50-high to 8-low in 2 days	1-5 days	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	SPY finish month at high of month	1-5 days	Bullish			
Active - Long Term						
May 8, 2019	1st 10-day low close in 30+ days	1-10 days	Bullish			
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 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			

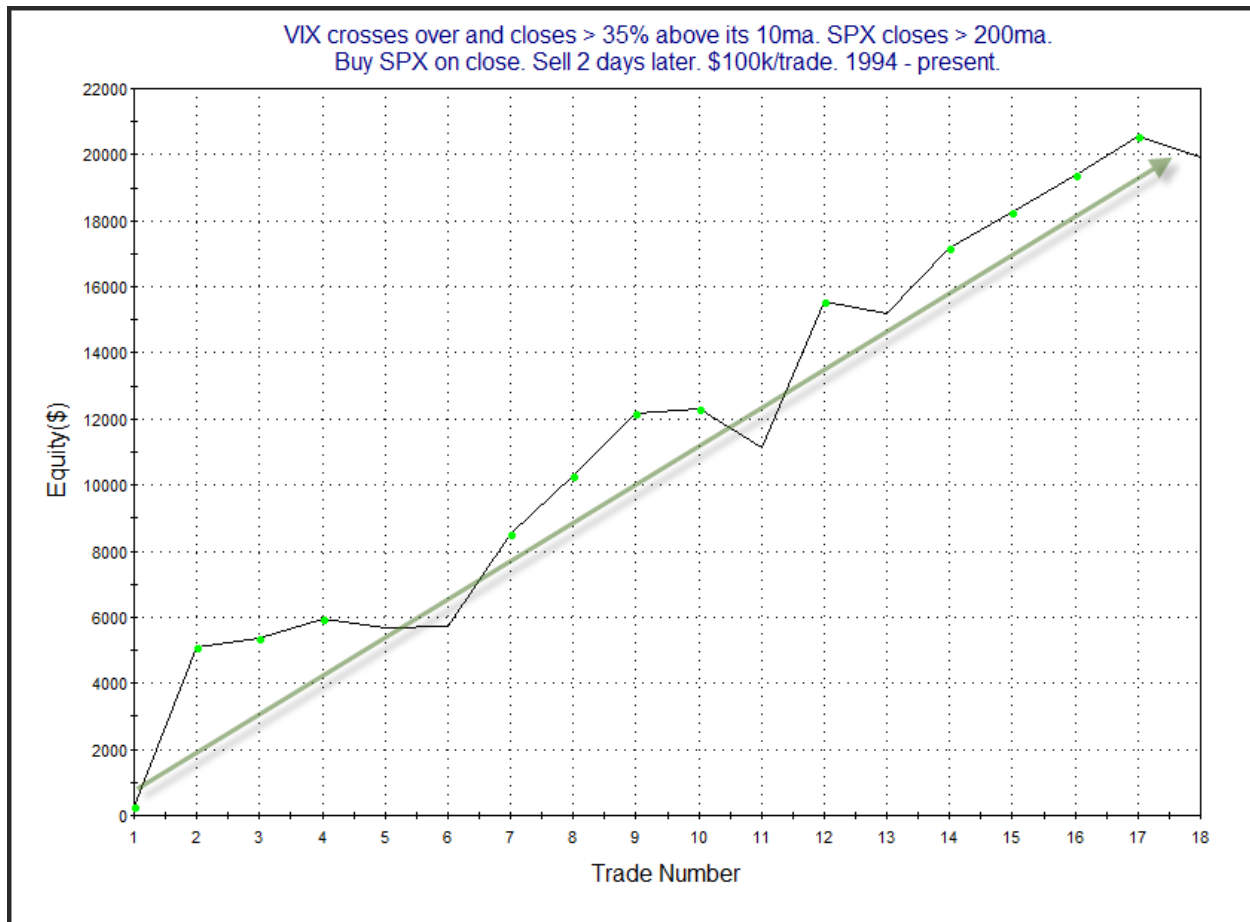
The Evidence

Tuesday was a rough day for the market. The SPX lost 1.65%, the NASDAQ dropped 2.0%, and the Russell 2000 also fell 2.0%. Breadth was negative as the NYSE Up Issues % was 18% and the Up Volume % came in at 16%. NYSE volume rose some from Monday's level.

The VIX underwent a large spike on Monday and Tuesday. It went from closing about 2.5% below its 10ma on Friday to 36% above its 10ma on Tuesday. That was a big spike and it is now greatly stretched. In the 5/18/17 letter I looked at other stretches that took the VIX more than 35% above its 10ma while the SPX was above the 200ma. Tonight I updated that study.

VIX crosses over and closes > 35% above its 10ma. SPX closes > 200ma. Buy SPX on close. Sell X days later. \$100k/trade. 1994 - 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	17,358.77	16	10	6	62.50	2,242.04	7,070.28	-843.60	-1,759.84	2.66	4.43	1,084.92
4	20,092.74	17	11	6	64.71	2,435.82	5,290.00	-1,116.88	-2,616.60	2.18	4.00	1,181.93
3	15,128.72	18	12	6	66.67	1,869.90	4,895.50	-1,218.35	-2,513.78	1.53	3.07	840.48
2	19,930.03	18	14	4	77.78	1,597.08	4,809.66	-607.27	-1,166.69	2.63	9.20	1,107.22
1	8,860.89	18	12	6	66.67	1,179.11	5,117.46	-881.41	-2,005.85	1.34	2.68	492.27

This appears to suggest an edge, especially over the next 2 days. Below is a profit curve for the 2-day holding period.



That is a good looking upslope. I have included this study on the Active List tonight.

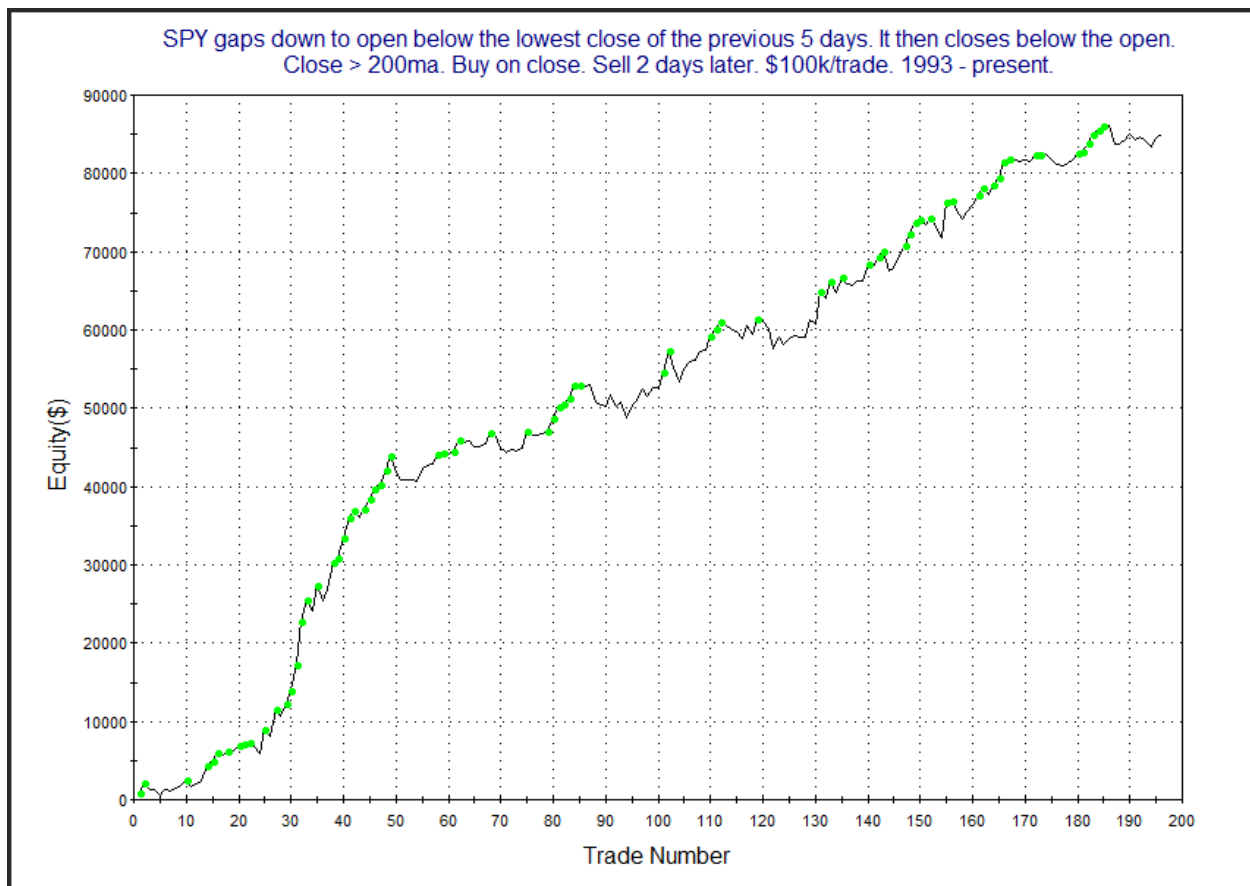
One interesting aspect of Tuesday's action was the unfilled gap down and continued selloff. The study below was seen in the 1/31/18 letter. It considers the fact that the gap down on Tuesday put SPY at a short-term low immediately and then the selling continued from there.

SPY gaps down to open below the lowest close of the previous 5 days. It then closes below the open. 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
10	135,937.21	146	95	51	65.07	2,583.66	9,282.24	-2,147.26	-14,007.15	1.20	2.24	931.08
9	145,733.14	154	101	53	65.58	2,493.45	7,585.77	-2,001.99	-10,036.80	1.25	2.37	946.32
8	138,687.83	156	107	48	68.59	2,254.73	7,858.26	-2,136.85	-14,030.10	1.06	2.35	889.02
7	114,931.01	162	106	56	65.43	2,027.61	8,324.13	-1,785.64	-8,542.02	1.14	2.15	709.45
6	122,005.47	165	113	52	68.48	1,839.76	7,873.02	-1,651.69	-7,910.10	1.11	2.42	739.43
5	113,318.64	166	112	53	67.47	1,683.71	8,239.74	-1,419.94	-4,471.02	1.19	2.51	682.64
4	103,920.61	175	117	58	66.86	1,618.86	5,581.02	-1,473.89	-6,311.82	1.10	2.22	593.83
3	90,562.92	183	112	70	61.20	1,503.37	5,117.85	-1,111.63	-4,085.40	1.35	2.16	494.88
2	85,116.62	196	125	68	63.78	1,149.39	5,477.88	-861.14	-2,614.66	1.33	2.45	434.27
1	54,639.07	213	137	76	64.32	810.80	5,764.38	-742.63	-4,181.76	1.09	1.97	256.52

90% of instances closed above the entry price at some point in the next week.

There are a sizable number of occurrences and the numbers all appear squarely positive. Below is a look at a profit curve that assumes a 2-day holding period.



While not quite as steep as it once was, the curve has continued to move higher over a long period of time. I have added this study to the Active List tonight.

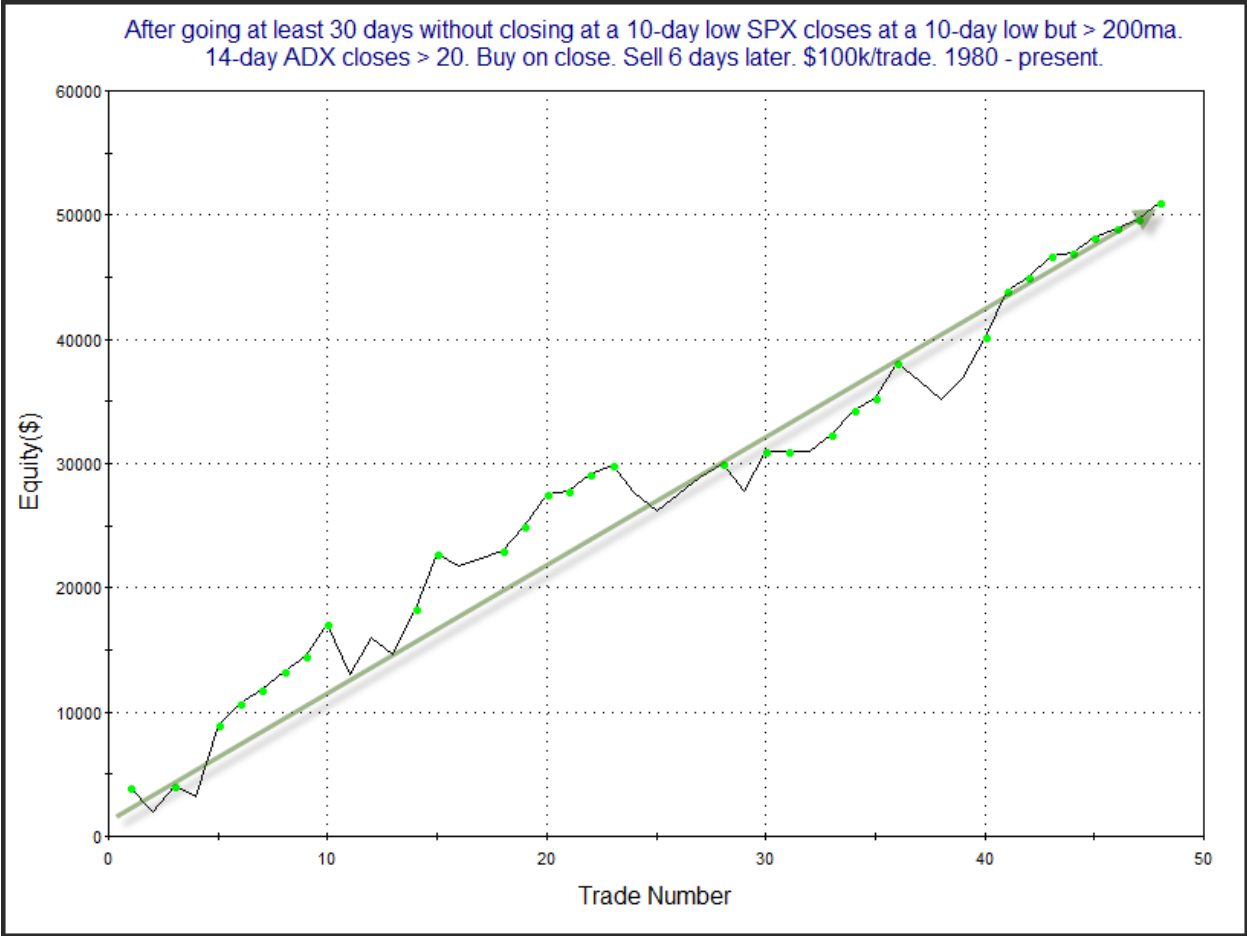
Also notable about the low close on Tuesday is that it was the 1st 10-day low close since March 8th. Before today SPX had gone 40 trading days without posting a 10-day low. That is a long time. Historically the 1st pullback to a 10-day low after a long time without one has provided a solid upside edge. In the 11/15/17 letter I also found that the edge is more prevalent when SPX has been trending than when it has been chopping sideways for an extended period. In that letter I used ADX to determine trend strength. I found that a reading of 20 or higher seemed to be a decent filter. Updated results are below with that filter included.

After going at least 30 days without closing at a 10-day low SPX closes at a 10-day low but > 200ma. 14-day ADX closes > 20. Buy on close. Sell X days later. \$100k/trade. 1980 - present.

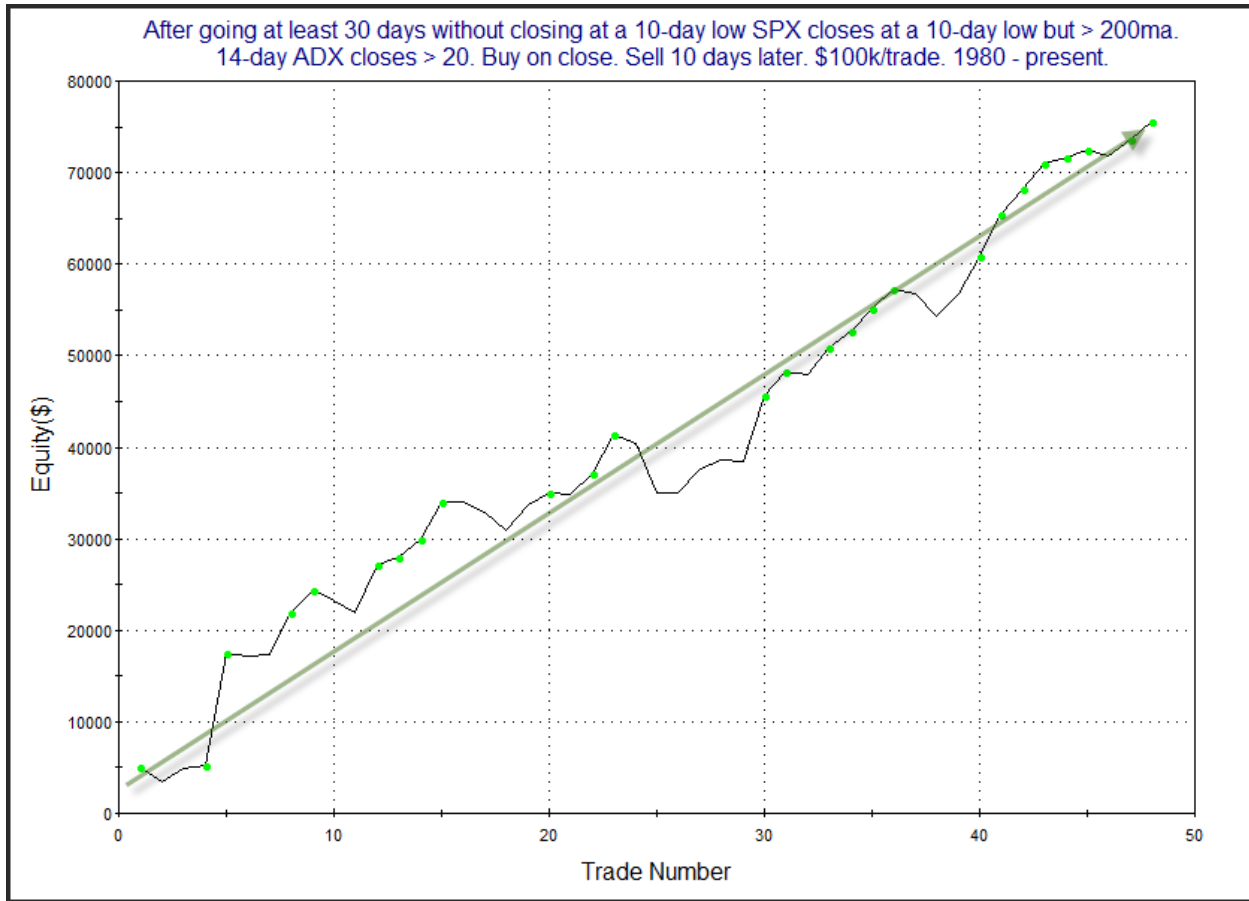
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	75,580.30	48	33	15	68.75	2,838.13	12,395.76	-1,205.20	-5,362.24	2.35	5.18	1,574.59
9	74,005.55	48	36	12	75.00	2,504.43	10,529.82	-1,346.17	-3,753.36	1.86	5.58	1,541.78
8	70,083.54	48	38	10	79.17	2,301.48	10,554.48	-1,737.27	-6,117.72	1.32	5.03	1,460.07
7	50,869.53	48	35	13	72.92	2,240.01	7,743.24	-2,117.75	-8,141.12	1.06	2.85	1,059.78
6	50,984.70	48	37	11	77.08	1,870.15	5,893.74	-1,655.54	-4,111.40	1.13	3.80	1,062.18
5	44,401.38	48	34	14	70.83	1,804.58	4,608.35	-1,211.02	-3,502.11	1.49	3.62	925.03
4	40,961.65	48	38	10	79.17	1,493.41	4,690.50	-1,578.80	-2,616.60	0.95	3.59	853.37
3	19,707.73	48	33	15	68.75	1,163.86	3,940.55	-1,246.65	-4,464.88	0.93	2.05	410.58
2	8,758.49	48	30	18	62.50	983.40	3,744.45	-1,152.41	-7,559.56	0.85	1.42	182.47
1	5,255.07	48	28	20	58.33	679.76	2,287.60	-688.91	-1,922.40	0.99	1.38	109.48

46 of 48 instances (96%) closed above the entry price at some point in the next week.

The numbers here are quite good, suggesting a short-term upside edge. Below is a 6-day profit curve.

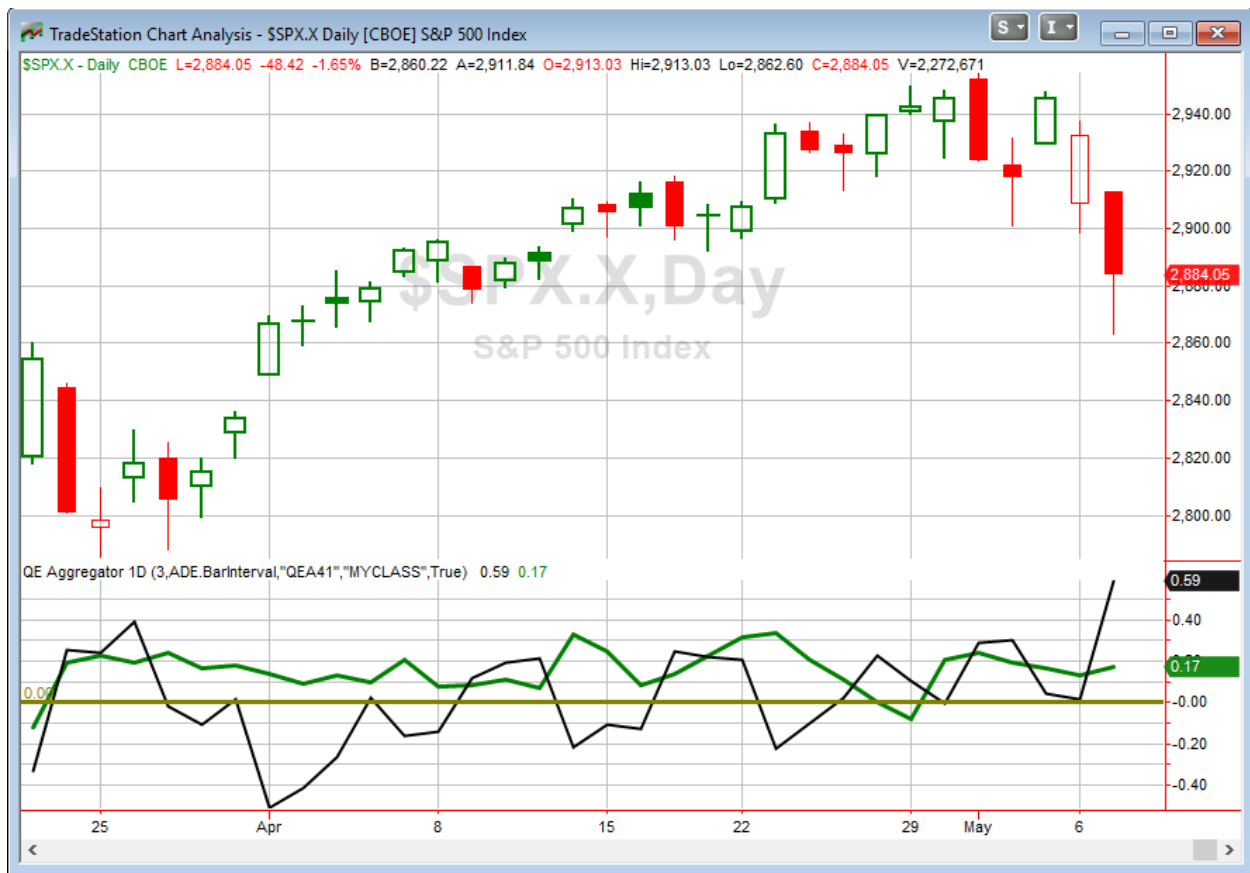


This profit curve also shows a strong steady upslope. And here is the 10-day.



This curve is just as impressive. I have added this study to both the short and intermediate-term active lists.

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



With tonight's bullish 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 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 list of active studies, expectations are set to remain bullish on Wednesday. This is not likely to change. The Differential Pivot will be 2961.85 on Wednesday. That is a whopping 2.7% above Tuesday's close. Therefore, SPX would need to close up 2.7% on Wednesday to flip from oversold to overbought versus recent expectations.

The Aggregator was already bullish. Now evidence is mounting. There is also a substantial amount of room to the upside before SPX would turn overbought. Add in the fact that the CBI is up to 7 (nearing the well-watched 10 level), and all this points to favorable reward/risk for the bulls. I intend to add to my SPY position if I can get a decent fill on Wednesday.

*Intermediate-term Outlook (2 weeks – 2 months) – **updated 5/6 – bullish***

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)

INTC – 1/3 @ \$50.76 (bought @ limit)

MMM – 1/3 @ \$184.75 (bought @ limit)

CSCO – 1/3 @ \$54.59 (bought @ limit)

New

CSCO – 1/3 @ \$53.45 (buy @ limit)

ACN – 1/3 @ \$173.94 (buy @ limit)

Broad Market Large Cap CBI – 7(INTC-3, MMM, CSCO-2, ACN)

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.

CSCO – buy 1/3 Catapult position @ \$53.45 LIMIT. This is from the Catapult section above. It is the 2nd of up to 3 possible lots for CSCO.

ACN – buy 1/3 Catapult position @ \$173.94 LIMIT. This is from the Catapult section above. It is the 1st of up to 3 possible lots for ACN.

SPY – buy ¼ index position @ \$287.93 LIMIT. Based on the short-term outlook above, I'll be looking to add a 2nd lot of SPY if I can get filled at (or below) Tuesday'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	\$50.48	-1.02%		Catapult
INTC(1/3)	5/1/2019	\$51.04	\$50.48	-1.10%		Catapult
INTC(1/3)	5/2/2019	\$50.76	\$50.48	-0.55%		Catapult
SPY(1/4)	5/2/2019	\$291.68	\$287.93	-1.29%		Aggregator
MMM(1/3)	5/3/2019	\$184.75	\$179.12	-3.05%		Catapult
CSCO(1/3)	5/7/2019	\$53.86	\$53.45	-0.76%		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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