

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 15, 2019

Volume 12 Issue 93

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	14

Tonight's Research Points

- No new compelling evidence emerged on Tuesday.

Short-term Outlook

The Bottom Line

It appears the anticipated bounce has begun, and likely has a bit further to go.

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 14, 2019	1.5% dn 2x in 5 days. 10-day low	1-7 days	Bullish			
May 14, 2019	20-low, up 1%, new low	1-2 days	Bullish			
May 14, 2019	20-low big down Mon	1-5 days	Bullish			
May 13, 2019	20-low reversal day	1-4 days	Bullish	1.70%	-1.40%	-2.50%
May 10, 2019	CBI Spike 10+. SPX > 200	1-5 days	Bullish			
May 8, 2019	1st 10-day low close in 30+ days	1-6 days	Bullish			
Active - Long Term						
May 14, 2019	CBI 11+	1-17 days	Bullish			
May 13, 2019	20-low reversal day	1-10 days	Bullish	2.80%	-1.80%	-3.40%
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

A late dip turned some returns more moderate, but overall the market put in some solid gains on Tuesday. The SPX rose 0.8%, the NASDAQ climbed 1.1%, and the Russell 2000 rallied 1.3%. Breadth was positive as the NYSE Up Issues % was 71% and the Up Volume % came in at 80%. NYSE volume declined some from Monday's level.

The move up was expected based on the evidence we have seen over the last few days. Of course the studies I have been showing have suggested multiple days of rallying and for a larger amount than where we are at right now. The fairly moderate move higher on Tuesday appears to be a good start, but it did not do a lot to spark compelling new evidence worth deep discussion tonight. There were a few studies from the 3/27/19 letter that were interesting. They looked at unfilled gap and higher closes following lows. One looked at times the unfilled gap up occurred following 10-day lows (that were not also 20-day lows), and the 2nd looked at instances that gapped up from 20-day lows. I have copied the results tables from that letter 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 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

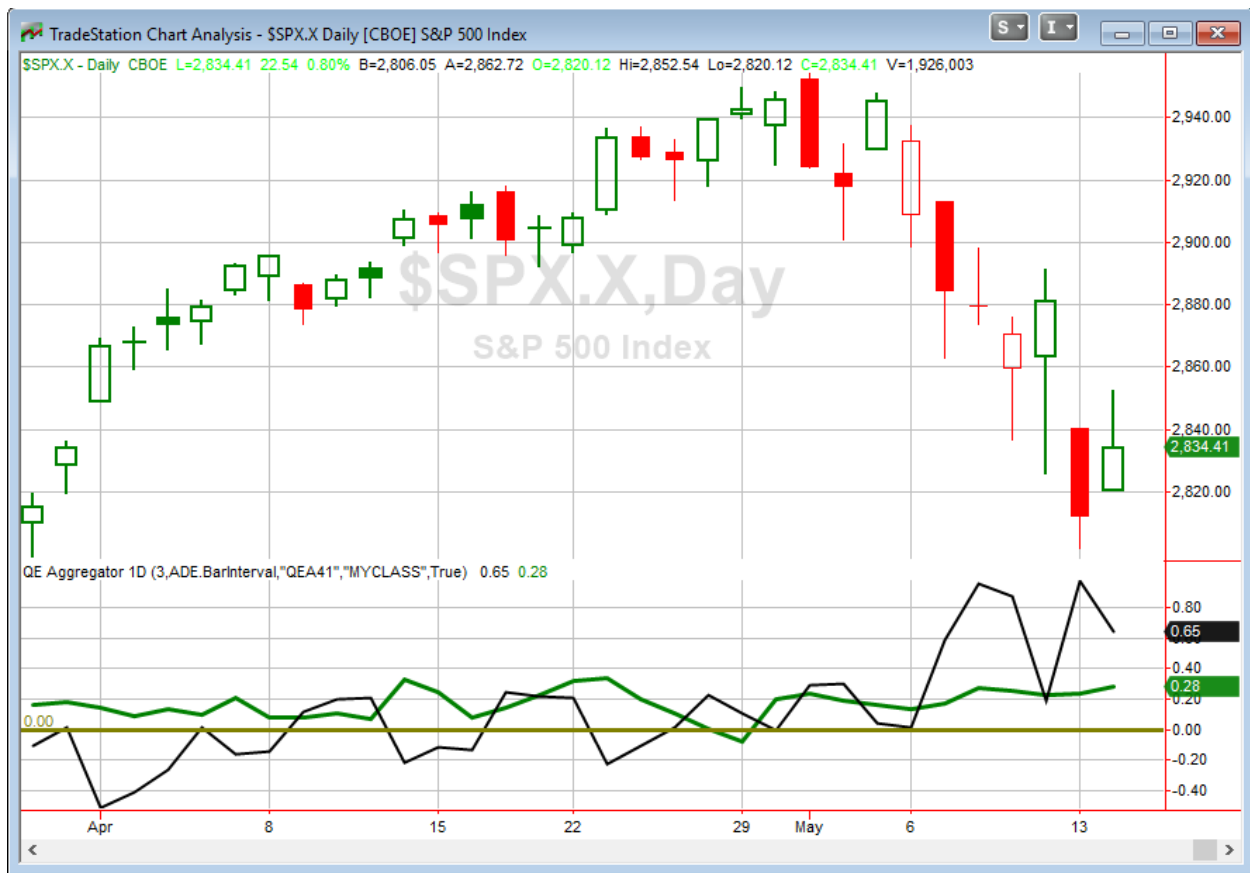
31 of 32 instances (97%) closed above the entry price at some point in the next week. The lone failure triggered on 5/2/16.

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

The current setup matches the 2nd results table. So the unfilled gap up on Tuesday does not appear to be providing a substantial edge. Still, as I mentioned, there remains a good amount of bullish evidence from the past few days.

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



Tonight 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 is still well 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. It would take some very compelling bearish evidence to change this. The Differential Pivot will be 2901.67 on Wednesday. That is 2.4% above Tuesday's close. Therefore, SPX would need to close up a very strong 2.4% on Wednesday to flip from oversold to overbought vs recent expectations. A move that large is unlikely. A more likely scenario for working off the oversold condition is a multi-day bounce or consolidation.

Tuesday's action appears to be the beginning of the anticipated bounce. Evidence continues to point higher and the market has ample room to the upside before it would turn overbought. I have a decent amount of long exposure and I will look to hold onto it for the time being.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/13 – 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)

CSCO – 1/3 @ \$53.45 (bought @ limit)

ACN – 1/3 @ \$173.94 (bought @ limit)

MMM – 1/3 @ \$178.59 (bought @ limit)

ACN – 1/3 @ \$173.88 (bought @ limit)

MMM – 1/3 @ \$178.59 (bought @ limit)

BLK – 1/3 @ \$442.78 (buy @ limit) – *not filled – cancel for now*

JPM – 1/3 @ \$109.45 (buy @ limit) – *not filled – cancel for now*

TGT – 1/3 @ \$71.04 – (bought @ limit)

New

TGT – 1/3 @ \$71.26 – (buy @ limit) – not going to enter due to div adjustment

Broad Market Large Cap CBI – 14(INTC-3, MMM-3, CSCO-2, ACN-2, BLK, JPM, TGT-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. While it is extremely rare I forego a Catapult trading opportunity, TGT would not have triggered on Tuesday if not have gone ex-div on Monday. Therefore, I am going to pass on it.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
INTC(1/3)	4/30/2019	\$51.00	\$45.17	-11.43%		Catapult
INTC(1/3)	5/1/2019	\$51.04	\$45.17	-11.50%		Catapult
INTC(1/3)	5/2/2019	\$50.76	\$45.17	-11.01%		Catapult
SPY(1/4)	5/2/2019	\$291.68	\$283.40	-2.84%		Aggregator
MMM(1/3)	5/3/2019	\$184.75	\$175.21	-5.16%		Catapult
CSCO(1/3)	5/7/2019	\$53.86	\$52.02	-3.42%		Catapult
CSCO(1/3)	5/8/2019	\$53.17	\$52.02	-2.16%		Catapult
ACN(1/3)	5/8/2019	\$173.94	\$173.61	-0.19%		Catapult
SPY(1/4)	5/8/2019	\$287.53	\$283.40	-1.44%		Aggregator
ACN(1/3)	5/9/2019	\$172.10	\$173.61	0.88%		Catapult
MMM(1/3)	5/9/2019	\$177.30	\$175.21	-1.18%		Catapult
MMM(1/3)	5/10/2019	\$175.02	\$175.21	0.11%		Catapult
TGT(1/3)	5/14/2019	\$70.97	\$71.26	0.41%		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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