

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 16, 2019

Volume 12 Issue 94

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	13

Tonight's Research Points

- The 2-day bounce to this point appears favorable for the bulls short-term.

Short-term Outlook

The Bottom Line

The Aggregator is bullish but the differential pivot is inverted. So the signal could easily turn neutral on Thursday. Still, I favor the long side, and believe this bounce could have 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 16, 2019	2 up from low < 3 ago	1-3 days	Bullish			
May 14, 2019	1.5% dn 2x in 5 days. 10-day low	1-7 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			
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			

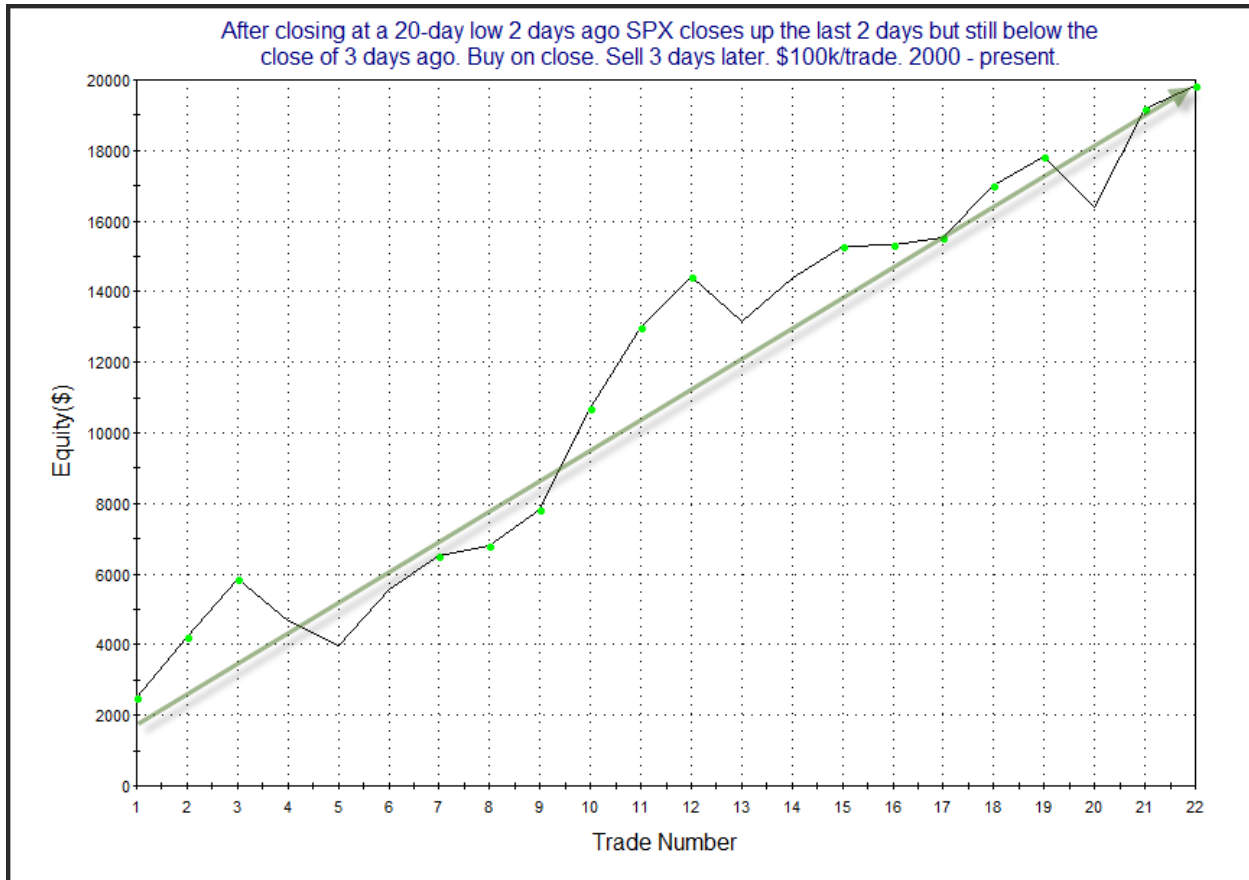
The Evidence

Wednesday started poor but finished well. The SPX closed up 0.6%, the NASDAQ climbed 1.1%, and the Russell 2000 rose 0.3%. Breadth was positive as the NYSE Up Issues % was 65% and the Up Volume % came in at 57%. NYSE volume declined from Tuesday's level.

The most compelling studies from the Quantifinder on Wednesday looked at 2-day bounces from lows that failed to make up for the losses of the down day just prior. The first one below was last seen in the 2/13/18 letter. The stats are all updated.

After closing at a 20-day low 2 days ago SPX closes up the last 2 days but still below the close of 3 days ago. Buy on close. Sell X days later. \$100k/trade. 2000 - 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	22,445.45	21	15	6	71.43	2,102.95	4,522.00	-1,516.47	-3,088.50	1.39	3.47	1,068.83
4	22,648.21	21	15	6	71.43	2,009.14	4,528.65	-1,248.16	-1,984.50	1.61	4.02	1,078.49
3	19,837.07	22	18	4	81.82	1,356.22	2,891.90	-1,143.70	-1,433.20	1.19	5.34	901.69
2	13,486.82	22	14	8	63.64	1,309.22	3,844.65	-605.28	-1,640.00	2.16	3.79	613.04
1	2,438.04	22	11	11	50.00	825.90	2,699.42	-604.26	-2,621.71	1.37	1.37	110.82

The numbers above appear compelling. Below is the 3-day profit curve.



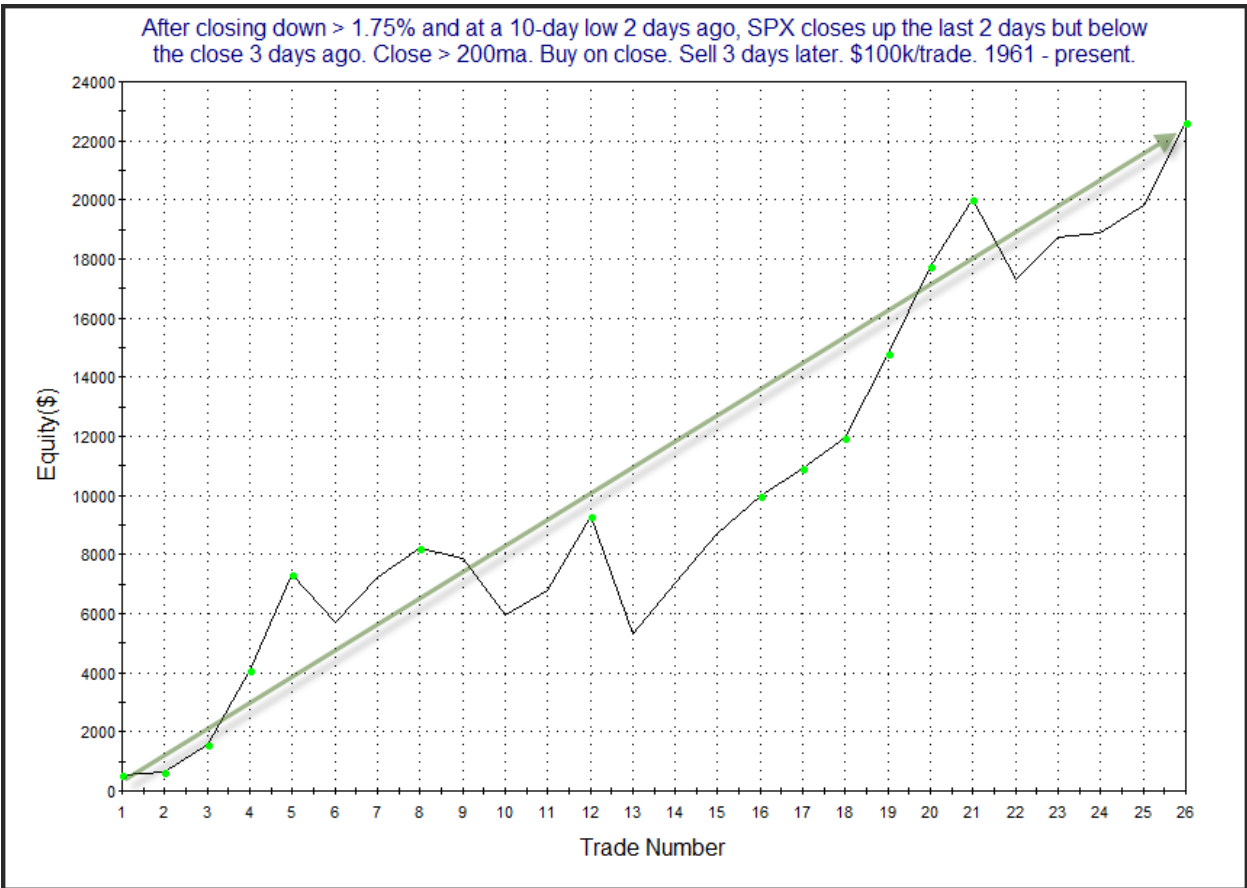
This is an impressive looking curve that supports the bullish inclinations suggested by the numbers.

A second study, last seen in the 5/22/17 letter, looked at a similar setup. But it required a very large down day, and looked back further in time. Results below are updated.

After closing down > 1.75% and at a 10-day low 2 days ago, SPX closes up the last 2 days but below the close 3 days ago. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1961 - present.

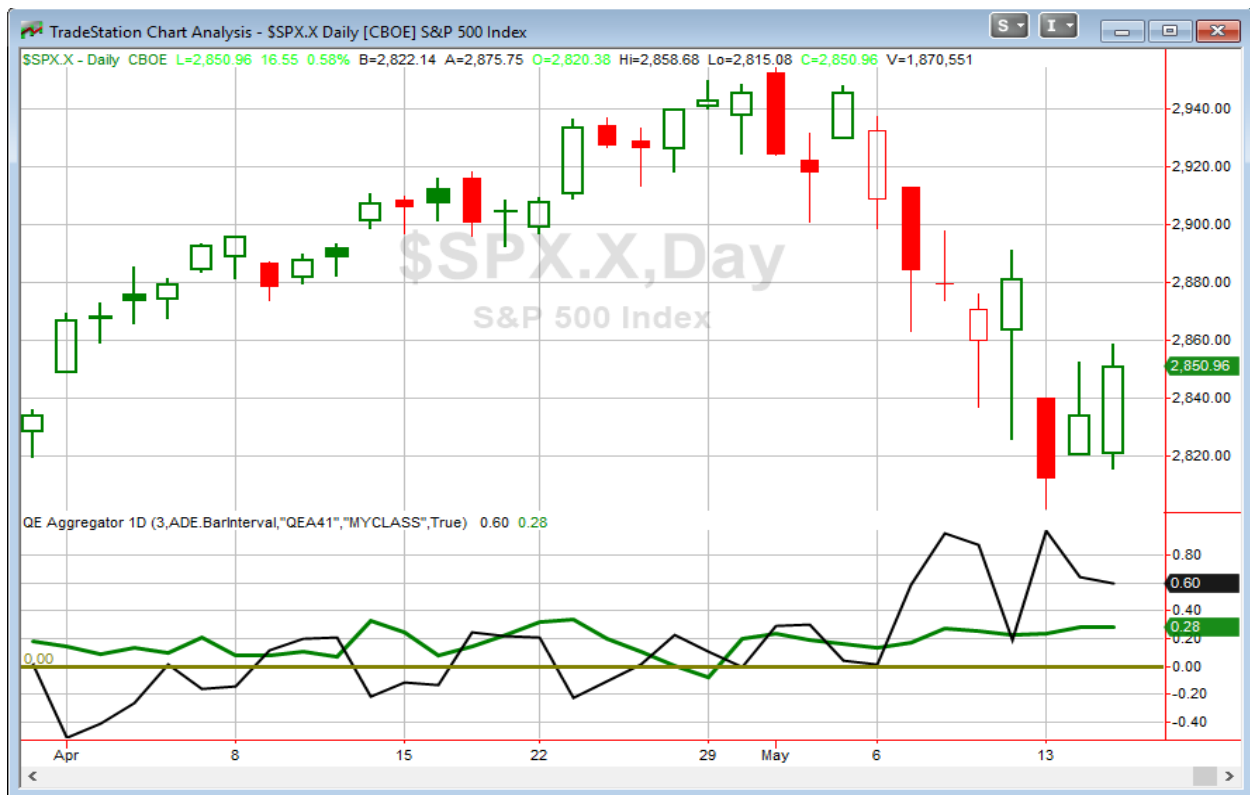
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	27,754.80	26	19	7	73.08	2,296.61	5,601.62	-2,268.69	-6,447.66	1.01	2.75	1,067.49
4	24,648.28	26	19	7	73.08	1,976.58	4,528.65	-1,843.82	-3,541.48	1.07	2.91	948.01
3	22,616.55	26	21	5	80.77	1,581.14	3,269.52	-2,117.49	-3,973.16	0.75	3.14	869.87
2	18,764.91	26	17	9	65.38	1,524.81	3,844.65	-795.21	-1,919.22	1.92	3.62	721.73
1	5,135.22	26	15	11	57.69	891.43	2,699.42	-748.74	-1,647.38	1.19	1.62	197.51

Results look very favorable for the bulls. Below is a look at a 3-day profit curve.



Not perfect, but still s solid looking move up that is again making new highs. I have included this combination of studies on the active list tonight.

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



With tonight's 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 is still 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 Thursday. It would take some very compelling bearish evidence to change this. The Differential Pivot will be *inverted at 2831.99* on Thursday. That is 0.7% *below* Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close down 0.7% in order to remain oversold. Anything other than that and it will be considered "overbought" vs recent expectations as of Thursday's close.

I often view inverted pivots as opportune times to take profits or reduce exposure. This is because potential reward is limited since any move in my direction (up, in this case) would mean the end of the Aggregator signal. SPX would be considered "overbought" if it closed Thursday around the current 2851 level. But thanks to recent market gyrations, that same level would be considered "oversold" again on Friday. So I won't rush to exit on Thursday, unless I can get a favorable price. And then I'll just be taking off a portion of my long exposure. As I mentioned a few days ago, oversold readings as strong as we saw, with the CBI spiking above 10, typically have strong multi-

day rebounds. So I will be looking to hold a portion of my long SPY position until the CBI drops to more neutral levels.

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)

MMM – 1/3 @ \$178.59 (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)

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

New

TGT – 1/3 @ \$70.81 – (buy @ limit) – not going to enter due to div adjustment

Broad Market Large Cap CBI – 13(INTC-3, MMM-3, CSCO-2, BLK, JPM, TGT-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.

None tonight. While it is extremely rare I forego a Catapult trading opportunity, TGT would not have triggered on Tuesday/Wednesday if not have gone ex-div on Monday. Therefore, I am going to pass on it for now.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
INTC(1/3)	4/30/2019	\$51.00	\$45.62	-10.55%		Catapult
INTC(1/3)	5/1/2019	\$51.04	\$45.62	-10.62%		Catapult
INTC(1/3)	5/2/2019	\$50.76	\$45.62	-10.13%		Catapult
SPY(1/4)	5/2/2019	\$291.68	\$285.06	-2.27%		<i>sell @ \$286.00 limit on close</i>
MMM(1/3)	5/3/2019	\$184.75	\$174.12	-5.75%		Catapult
CSCO(1/3)	5/7/2019	\$53.86	\$52.44	-2.64%		Catapult
CSCO(1/3)	5/8/2019	\$53.17	\$52.44	-1.37%		Catapult
ACN(1/3)	5/8/2019	\$173.94	\$175.40	0.84%		<i>sell on open</i>
SPY(1/4)	5/8/2019	\$287.53	\$285.06	-0.86%		Aggregator
ACN(1/3)	5/9/2019	\$172.10	\$175.40	1.92%		<i>sell on open</i>
MMM(1/3)	5/9/2019	\$177.30	\$174.12	-1.79%		Catapult
MMM(1/3)	5/10/2019	\$175.02	\$174.12	-0.51%		Catapult
TGT(1/3)	5/14/2019	\$70.97	\$70.81	-0.23%		Catapult

ACN reached its exit target and will be closed out at the open.

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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