

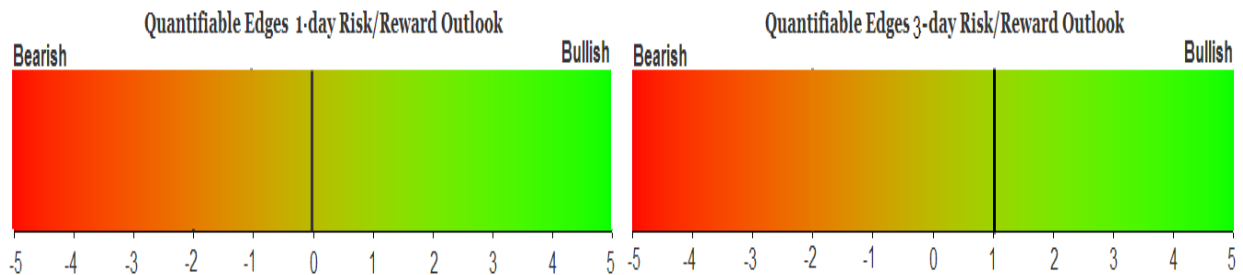
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 22, 2019

Volume 12 Issue 98

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	7

Tonight's Research Points

- Low volume used to be a bearish indication, but that has not held true in recent years.

Short-term Outlook

The Bottom Line

The Aggregator is neutral. With the CBI still somewhat elevated I still think reward/risk favors the bulls by a small amount.

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 17, 2019	NDX up 1%. SOX down	1-6 days	Bearish			
May 17, 2019	3 up > 2%. HV 3/10 offset < 0.25	1-6 days	Bullish			
May 14, 2019	1.5% dn 2x in 5 days. 10-day low	1-7 days	Bullish			
Active - Long Term						
May 17, 2019	3 up > 2%. HV 3/10 offset < 0.25	1-19 days	Bullish			
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			
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%
October 1, 2018	Quantitative Tightening \$50billion/mo	int term	Bearish			

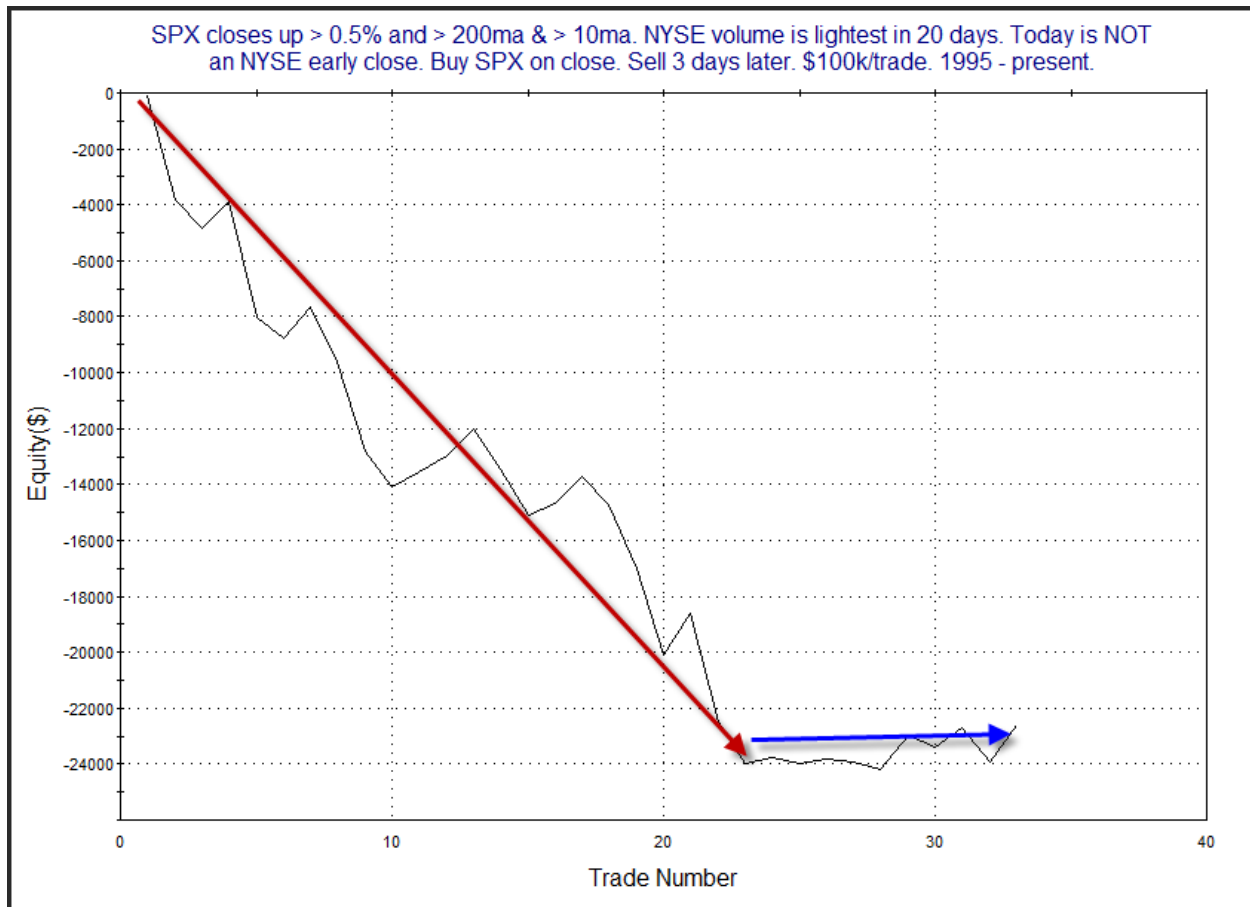
The Evidence

Tuesday saw the market gap up and then add to the morning gains. The SPX finished up 0.85%, the NASDAQ rose 1.1%, and the Russell 2000 rallied 1.3%. Breadth was negative as the NYSE Up Issues % was 78% and the Up Volume % came in at 82%. NYSE volume came in at the lightest level in a long time.

There were a few studies that examined the low volume while SPX was posting a good day. The issue with low volume studies is that I have seen many of them go by the wayside over the last few years. While it used to suggest a downside edge, most volume studies that suggested that 5 or 10 years ago have lost their effectiveness. The study below from the 2/26/18 letter has the most compelling stats of the studies that triggered tonight. I updated it.

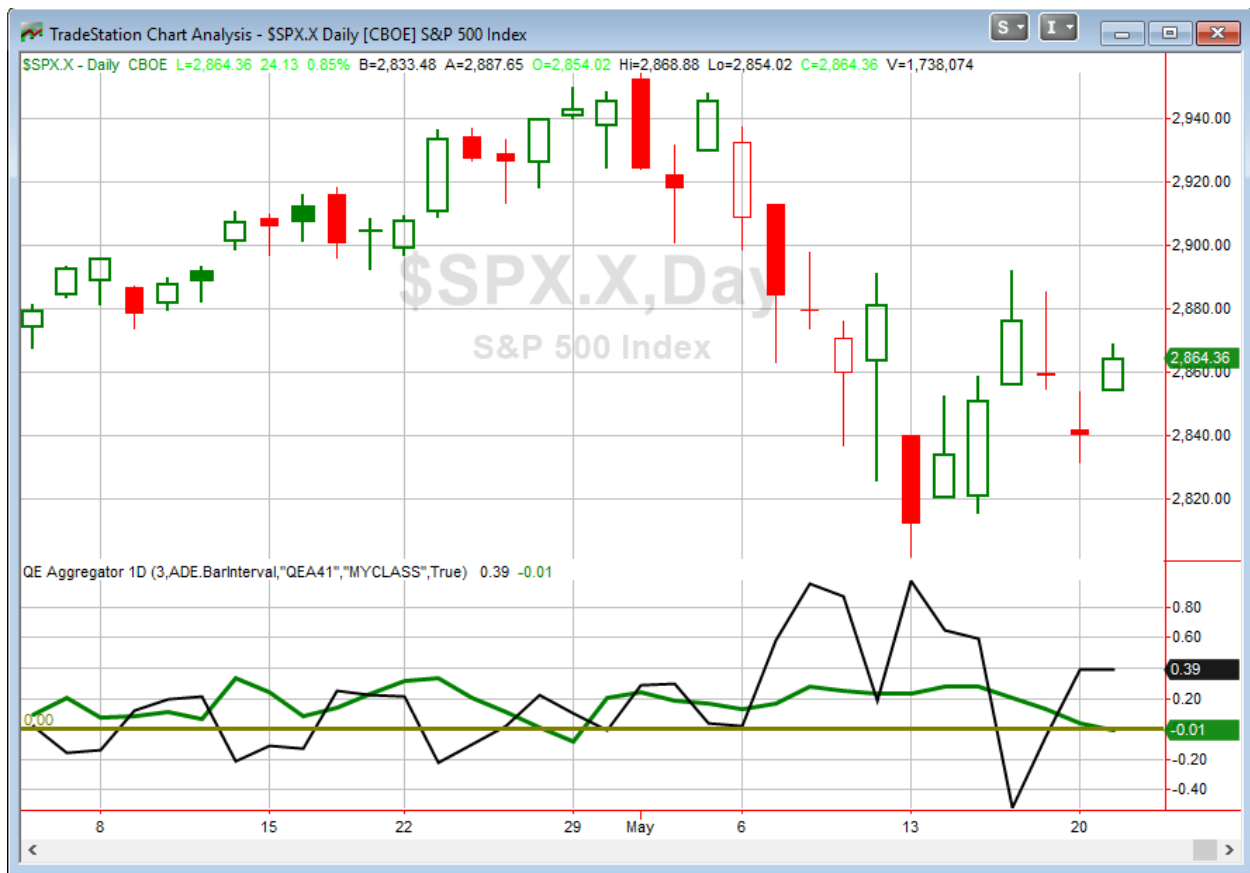
SPX closes up > 0.5% and > 200ma & > 10ma. NYSE volume is lightest in 20 days. Today is NOT an NYSE early close. Buy SPX on close. Sell X days later. \$100k/trade. 1995 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-19,440.88	33	16	17	48.48	1,172.99	2,927.68	-2,247.57	-11,883.69	0.52	0.49	-589.12
4	-18,918.00	33	16	17	48.48	909.98	1,909.60	-1,969.27	-5,540.99	0.46	0.43	-573.27
3	-22,589.25	33	13	20	39.39	817.80	1,485.12	-1,661.03	-4,145.96	0.49	0.32	-684.52
2	-12,662.33	33	14	19	42.42	584.52	1,532.44	-1,097.14	-3,372.16	0.53	0.39	-383.71
1	-5,254.55	34	14	20	41.18	548.20	1,439.62	-646.47	-1,939.20	0.85	0.59	-154.55

Stats here suggest a downside edge. But below is a profit curve assuming a 3-day holding period.



A general rule of thumb I sometimes use is that if the last 1/3 of the chart is not showing any progress, then it may be time to put that study on ice. In this case, I have noticed several other similar studies in recent years that have also failed to make progress. So it made the decision tonight to NOT include this on the active list a fairly easy one. Unfortunately, I did not find anything else suggesting a compelling edge tonight either.

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



Without any new short-term studies being added today, the green Aggregator Line dipped below zero. Negative readings mean net expectations are for downside over the next few days. Meanwhile, the black Differential Line moved remained above 0. The positive Differential Line reading means SPX is oversold versus recent expectations. So expectations are negative but SPX is oversold. 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 list of active studies, expectations are set to remain bearish on Wednesday. This could easily change if new bullish evidence emerges. The Differential Pivot will be 2877.12 on Wednesday. That is 0.4% above Tuesday's close. Therefore, SPX would need to close up a little over 0.4% in order to flip from oversold to overbought versus expectations on Wednesday.

So the Aggregator is now neutral with expectations slightly bearish. Evidence is mixed, and this is a bit of a conundrum for me in deciding whether to now take off the last small SPY trade I currently have open. In most cases, it is a no-doubter. When expectations turn, I exit. But the CBI is still at 7 and the plan here was to hold until the CBI got to a more neutral state (3-5ish) before exiting. In the past I have found value in doing that after CBI spikes like we recently had. It often prevents me from selling too soon when emerging from one of these strongly oversold

situations. So a case could be built for holding on, or for exiting here. And I do not know what the “right” answer is. But I thought I would walk you through some of my thinking so you know where I am coming from. At this point I am inclined to give it another day. If the SPX moves above its Differential Pivot, then that could turn the Aggregator from a “neutral” position to a “bearish” one. And there is no way I want to continue to hold long with a bearish Aggregator. So I’ll look to exit my SPY position on the close Wednesday if SPX closes above the Differential Pivot.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/20 – somewhat 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)

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*

Broad Market Large Cap CBI – 7(INTC-3, MMM-3, BLK)

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

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
INTC(1/3)	4/30/2019	\$51.00	\$44.46	-12.82%		Catapult
INTC(1/3)	5/1/2019	\$51.04	\$44.46	-12.89%		Catapult
INTC(1/3)	5/2/2019	\$50.76	\$44.46	-12.41%		Catapult
MMM(1/3)	5/3/2019	\$184.75	\$167.30	-9.45%		Catapult
SPY(1/4)	5/8/2019	\$287.53	\$286.51	-0.35%		<i>sell on SPX close >= 2877.12</i>
MMM(1/3)	5/9/2019	\$177.30	\$167.30	-5.64%		Catapult
MMM(1/3)	5/10/2019	\$175.02	\$167.30	-4.41%		Catapult
TGT(1/3)	5/14/2019	\$70.97	\$71.90	1.31%		*div adjusted sale price

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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