

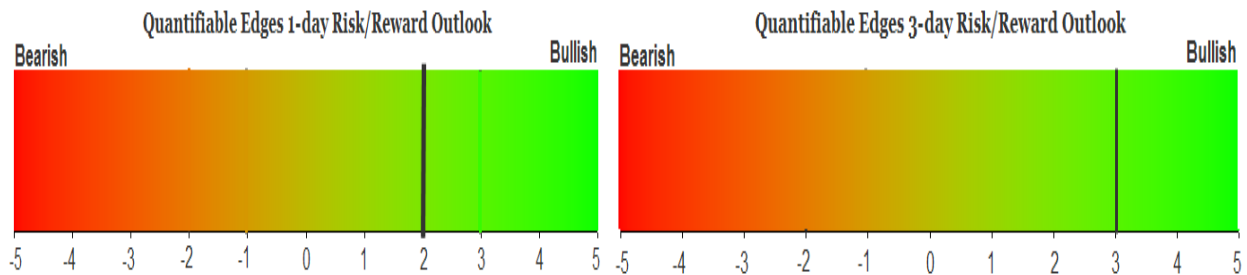
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 24, 2019

Volume 12 Issue 100

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	7

Tonight's Research Points

- 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.

Short-term Outlook

The Bottom Line

Evidence is pointing higher and the market is now quite oversold. Looks like an upside edge to me.

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						
March 24, 2019	Gap to 5 low. Close < open. > 200	1-2 days	Bullish			
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			
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			

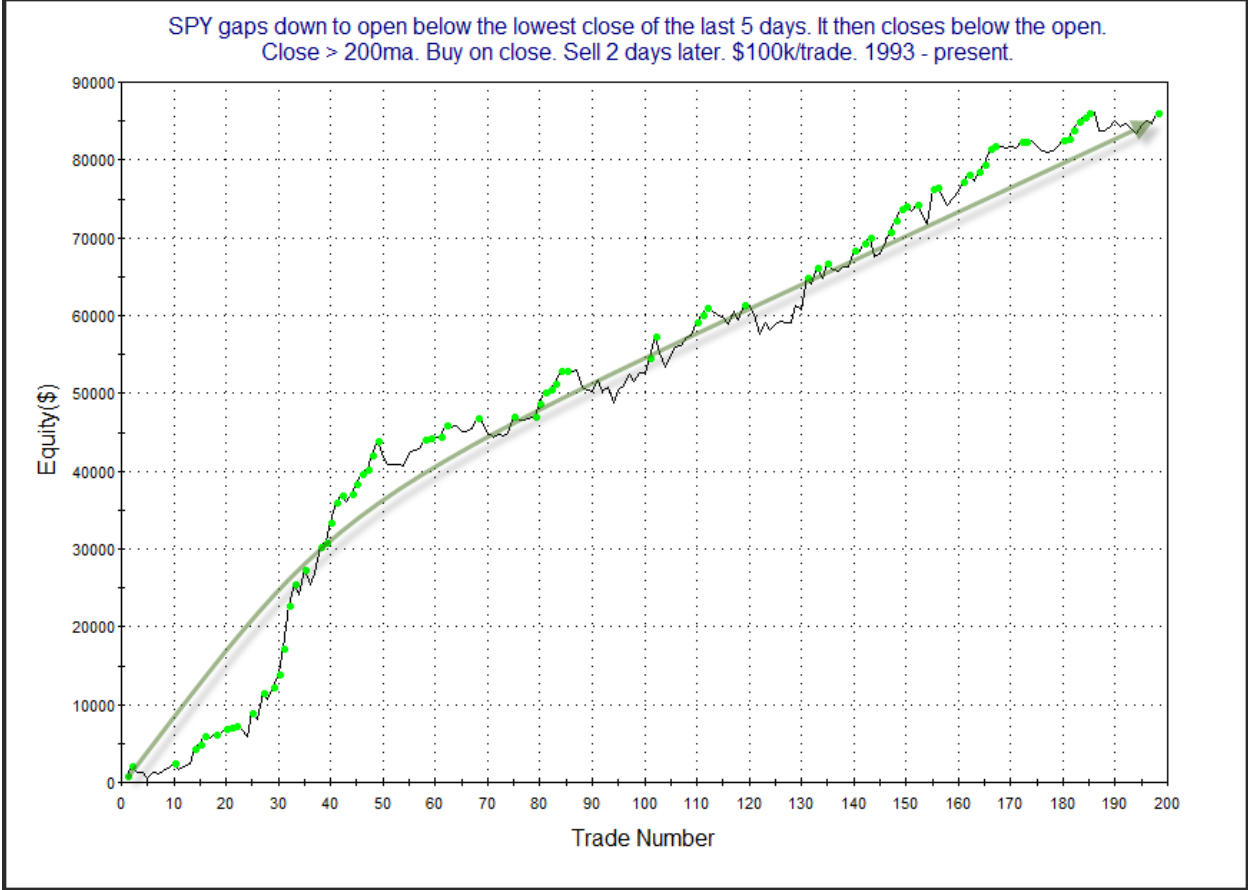
The Evidence

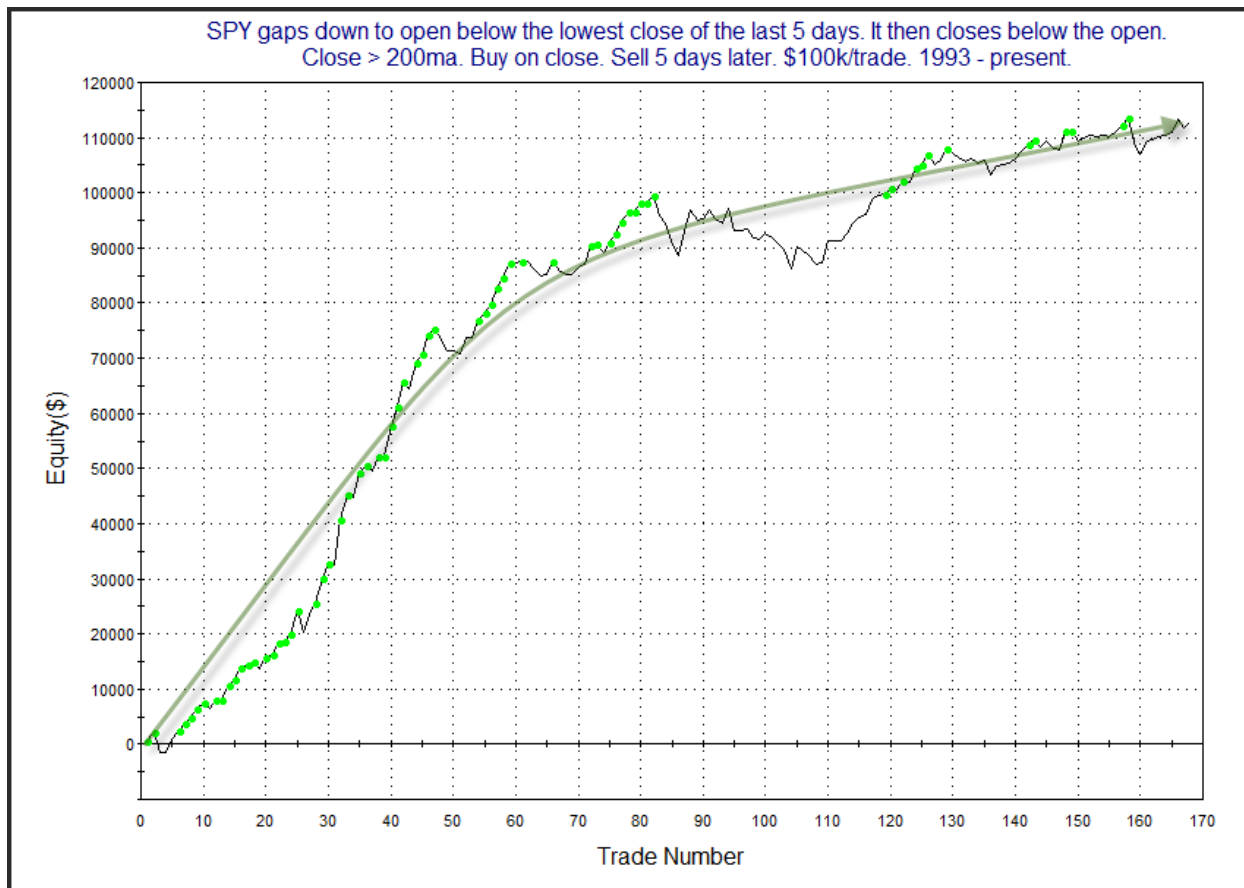
Thursday was a sizable down day for the market. The SPX lost 1.2%, the NASDAQ declined 1.6%, and the Russell 2000 fell 2.0%. Breadth was negative as the NYSE Up Issues % was 22% and the Up Volume % came in at 21%. NYSE volume rose some from Wednesday's level.

One interesting aspect of Thursday's action was the unfilled gap down and continued selloff. The study below was seen recently in the 5/8/19 letter. It considers the fact that the gap down on Thursday 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 last 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	134,743.57	147	95	52	64.63	2,583.66	9,282.24	-2,128.92	-14,007.15	1.21	2.22	916.62
9	143,633.98	155	101	54	65.16	2,493.45	7,585.77	-2,003.79	-10,036.80	1.24	2.33	926.67
8	136,019.29	157	107	49	68.15	2,254.73	7,858.26	-2,147.70	-14,030.10	1.05	2.29	866.36
7	113,089.38	164	107	57	65.24	2,024.53	8,324.13	-1,816.42	-8,542.02	1.11	2.09	689.57
6	122,960.44	167	114	53	68.26	1,841.27	7,873.02	-1,640.46	-7,910.10	1.12	2.41	736.29
5	112,868.33	168	113	54	67.26	1,678.54	8,239.74	-1,422.35	-4,471.02	1.18	2.47	671.84
4	104,441.53	177	118	59	66.67	1,620.16	5,581.02	-1,470.13	-6,311.82	1.10	2.20	590.07
3	93,056.95	185	114	70	61.62	1,498.87	5,117.85	-1,111.63	-4,085.40	1.35	2.20	503.01
2	86,171.13	198	126	69	63.64	1,152.14	5,477.88	-855.05	-2,614.66	1.35	2.46	435.21
1	55,404.52	215	138	77	64.19	811.47	5,764.38	-734.79	-4,181.76	1.10	1.98	257.70
90% of instances closed above the entry price at some point in the next week.												

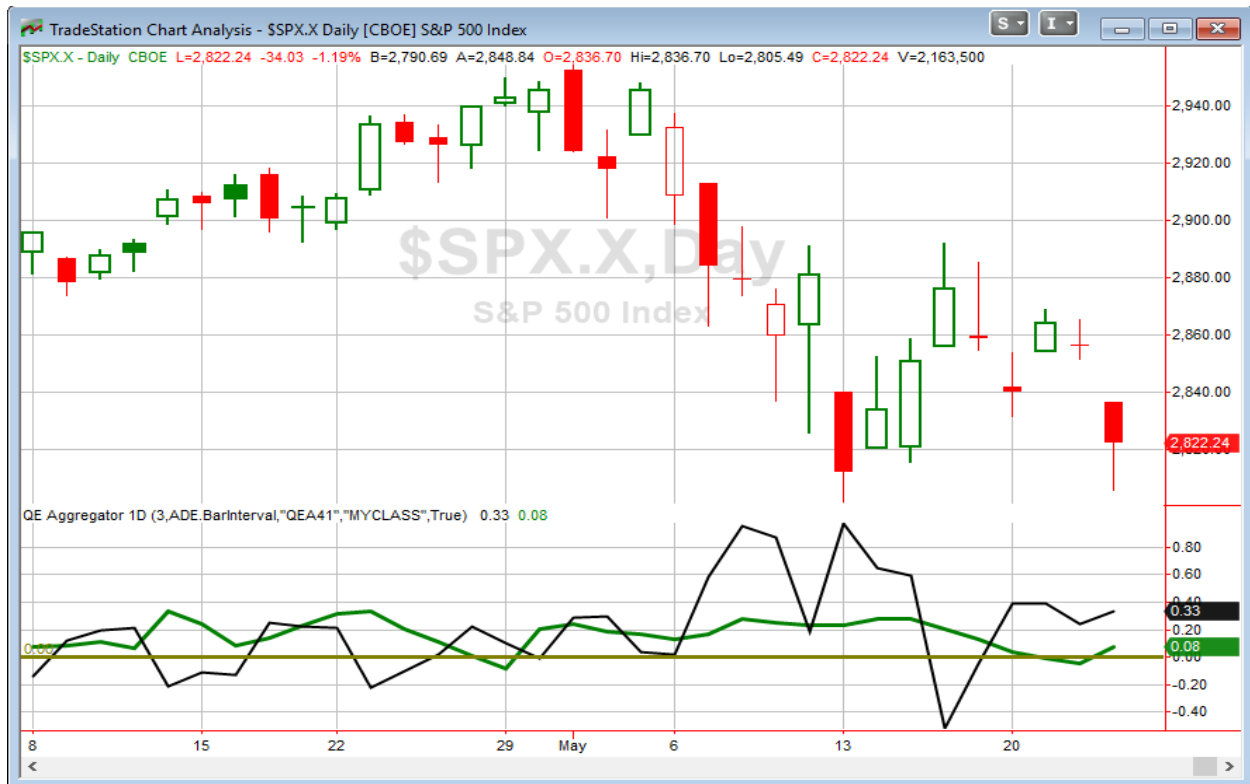
There are a sizable number of occurrences and the numbers all appear squarely positive. Below is a look at a profit curves for the 2-day and 5-day holding periods.





Both are suggestive of an upside edge. The slope of the 2-day is more impressive. It is also again at new highs. I have decided to include it as a 2-day study on the Active List tonight.

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



With tonight's new evidence considered, the green Aggregator Line remained climbed above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile, the black Differential Line 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 turned long at the close.

Based on the current list of active studies, expectations are set to remain bullish on Friday. This could easily change if new bearish evidence emerges. The Differential Pivot will be 2868.25 on Friday. That is 1.6% above Thursday's close. Therefore, SPX would need to close up a very strong 1.6% on Friday in order to flip from oversold to overbought versus expectations.

So the Aggregator is now bullish. I believe we are reaching a point here where the market has sold off due to the same "trade war" fears over and over. Eventually, traders get numb to hearing the same thing and the market tends to rebound. Evidence tonight suggests a bounce. And we are about to head into Memorial Day. The week of Memorial Day has generally been good for the market. But in recent times, Thursday has been the only day of that week that has consistently performed. I will discuss this more in this weekend's letter. I still have a small long SPY position. I believe we have an upside edge. And with the Differential Pivot quite far above the current market, potential reward appears strong. So I will add another lot to my SPY position on Friday if I can get a favorable entry.

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 yet – try on Friday*

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.

BLK – Buy 1/3 Catapult position @ \$433.89 LIMIT. BLK was originally not filled. With it having pulled back to a new low, I will try and enter this active Catapult on Friday. It is the 1st of up to 3 possible lots for BLK.

SPY – Buy ¼ index position @ \$282.14 LIMIT ON OPEN. If not filled, cancel order and look to buy @ \$282.00 LIMIT ON CLOSE. From the short-term section above, I will look to take on a 2nd SPY position if I can get a favorable entry on Friday at the open or the close.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Stop	Notes
INTC(1/3)	4/30/2019	\$51.00	\$44.53	-12.69%		Catapult
INTC(1/3)	5/1/2019	\$51.04	\$44.53	-12.75%		Catapult
INTC(1/3)	5/2/2019	\$50.76	\$44.53	-12.27%		Catapult
MMM(1/3)	5/3/2019	\$184.75	\$165.87	-10.22%		Catapult
SPY(1/4)	5/8/2019	\$287.53	\$282.14	-1.87%		Aggregator
MMM(1/3)	5/9/2019	\$177.30	\$165.87	-6.45%		Catapult
MMM(1/3)	5/10/2019	\$175.02	\$165.87	-5.23%		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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